Culture-Building & Change Management For Lean Success

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November, 10th 2010
APICS The Association for Operations Management
Albany/Capital District Chapter
• Organizations have achieved remarkable results by “going Lean”
  – Lower costs, inventory, defects, lead times
  – Increased efficiency, customer satisfaction, profit, market share, morale

• Lean is not easy to implement & even harder to sustain

• 70%-98% of Lean transformations fail (70%-75% of all major change efforts)
Introduction

• How can we be in the 2%-30% of organizations that succeed with Lean?
• We will learn about:
  – Why Lean efforts fail
  – The importance of Lean Culture
  – The impact of effective change management
Why do Lean Transformations Fail?
Why Do Lean Transformations Fail?

• Lack of buy-in
• Lack of momentum/results
• No compelling reason communicated
• Lack of top management commitment
• Insufficient understanding of Lean
• Not a cultural change
• No “Respect for People”
• Lack of organizational alignment
• Poor organizational development or structure
Why Do Lean Transformations Fail?

- Short-term thinking
- Poor planning
- Lack of customer focus
- Unrealistic expectations
- Selective implementation

- Outside normal responsibilities
- Reluctance or inability to remove barriers
- Mimicking Toyota
- Business or culture is beyond repair
Why Do Lean Transformations Fail?

- What conclusions can be drawn?
  - There are plenty of ways to fail at Lean
  - Nearly all fall into broader categories of organizational culture, change management, or both
  - Avoiding these pitfalls can increase chance of success
Lean Culture
Organizational Culture - Definition

- Organizational Culture
  - Psychology, attitudes, experiences, beliefs and values of an organization
  - Shared ideas about what goals to pursue and how to pursue them
  - Controls the way members interact with each other and with outside stakeholders
What are the Beliefs & Values of a Lean Culture?

• Eliminating waste, pull, flow, workload leveling
  – Understanding & identifying waste
  – Empowerment to eliminate waste
  – Creating continuous process flow to minimize waste & expose problems
  – Employing pull to avoid overproduction
  – Eliminating unevenness in demand/processes & overburdening of resources
What are the Beliefs & Values of a Lean Culture?

• Problem-solving
  – Exposing problems by removing waste
  – Stopping to solve problems & insure quality
  – Determining & solving root causes
  – Organizational support to solve problems quickly
  – Team problem-solving
  – Building-in problem detection mechanisms
What are the Beliefs & Values of a Lean Culture?

• Standardized processes
  – Right processes will produce the right results
  – Process stability & repeatability
  – Foundation for continuous improvement
  – Aid in problem-solving
  – To capture knowledge & pass along to others
What are the Beliefs & Values of a Lean Culture?

- Visual control & management
  - Simple visual tools to manage processes & alert to problems
  - Visual systems where work is being done
  - Less emphasis on computers & software systems
What are the Beliefs & Values of a Lean Culture?

• Continuous improvement
  – Of processes & people
  – Values many small improvements over time
  – Constantly striving to achieve perfection
  – Creative dissatisfaction
What are the Beliefs & Values of a Lean Culture?

• Respect for people
  – People are the most important asset
  – Success of organization depends on its people
  – “Shared destiny” between organization & workforce
  – Empowerment & full utilization of entire workforce
  – Two-way, open communication
  – Fulfilling, challenging work
  – Stable, long-term employment
  – Fair policies
  – Clean, safe, comfortable workplace
  – Broader respect for all organizational stakeholders
What are the Beliefs & Values of a Lean Culture?

• Teamwork
  – Focus on team activity over individual activity
  – Working together towards common goals
  – Well-functioning teams outperform individuals

• Development of people & teams
  – Indoctrinated in the Lean Culture
  – High value placed on continuous improvement of people
  – Standardized, highly-detailed training methods
  – Flexible, cross-trained workforce
  – Long-term grooming for advancement
What are the Beliefs & Values of a Lean Culture?

• Leadership
  – Developed from within
  – Understands the work in great detail by spending time at the source
  – Visible and accessible
  – “Servant” leaders
    • Role models, mentors & teachers of Lean Culture
    • Creating an environment for others to excel
    • Challenging employees to grow
What are the Beliefs & Values of a Lean Culture?

- Long-term thinking
  - Even at the expense of short term benefits
  - Patience & perseverance
  - Management decisions
  - Metrics & reward systems
  - Employment practices
  - Employee development & promotion
  - Leadership development
  - Succession planning
What are the Beliefs & Values of a Lean Culture?

• Honest reflection
  – Open, relentlessly honest assessment of performance
  – Identification of mistakes & shortcomings
  – Treated as opportunities & learning experiences
  – Development of preventative & improvement measures

• Organizational structure
  – Flat, fewer layers of management
  – Centered around value streams
  – Eliminating functional silos
What are the Beliefs & Values of a Lean Culture?

• Partnerships with customers & suppliers
  – Respect
  – Mutually beneficial
  – Long-term
  – Single or limited-sourcing
  – Treated as extension of your organization
  – Development & improvement
Lean Culture-Building – Where to Start?

• First focus on values most critical to a beginning Lean transformation
  – Eliminating waste, pull, flow, workload leveling
  – Problem-solving
  – Standardized processes
  – Visual control & management
  – Continuous improvement
  – Respect for people
  – Teamwork
Lean Culture-Building – Where to Start?

• First focus on values most critical to a beginning Lean transformation
  – Initial development of people & teams
    • Cross-training
    • Continuous improvement of people
  – Initial Leadership efforts
    • Understanding the work
    • Visibility & accessibility
    • Servant leadership
  – Initial organizational structure efforts
    • Value streams
Lean Culture-Building – Where to Start?

• Next, focus on additional supporting values
  – Continuing leadership efforts
    • Challenging people to grow
  – Honest reflection
  – Partnership with suppliers
Lean Culture-Building – Where to Start?

• Lastly, focus on long-term sustaining values
  – Continuing development of people & teams
    • Indoctrination in culture
    • Training
    • Grooming for advancement
  – Continuing leadership efforts
    • Developing from within
  – Long-term thinking
  – Continuing organizational structure efforts
    • Flat, fewer layers of management
Change Management
Barriers to Change

- Fear of job loss
- Tried & failed before
- No involvement or commitment from top management
- Fear of failure
- Lack of “big picture” understanding
- Change is hard work
- Fear of change in the power structure
- Lack of involvement in change effort
- Conflicting messages
- Organizational structure
- Existing culture
Barriers to Change

- Resistance to change is natural
- Barriers to change, if left unaddressed, can:
  - Negatively affect support
  - Cause the transformation to be slowed, sub-optimal, or fail
- Effective change management helps to overcome resistance & win support
• Change Management
  – The process of managing & monitoring change to minimize risk of failure
  – Organization-wide process
  – Timing & intensity of efforts may vary based on criticality of stakeholder/degree of resistance
Effective Change Management

- Building a Lean Culture
- Delivering visible results
- Maintaining momentum
- Improving the bottom line
- Avoiding unnecessary pain

- Change Agent(s)
  - Catalysts for change & managers of the change process
  - Build & utilize alliances to advance change
  - May be internal (managers or employees) or external (consultants)
Effective Change Management

- Change Agent(s)
  - Collectively, change agent(s) must:
    - Possess expertise in Lean
    - Have project management experience
    - Be skilled in change management
    - Have ability to remove barriers to change
    - Have broad respect & credibility within the organization
  - Effective change agents are flexible, patient, friendly, confident, imaginative risk-takers
  - Must be committed to the change
Effective Change Management

• Organizational Assessment
  – Identification of current state strengths & weaknesses, major areas of waste, cultural gaps
  – Assess driving & restraining forces for change
  – Identify critical stakeholders & assess level of support
  – Determine tactics required to address above
Effective Change Management

• Lean Action Plan
  – Steps, sequence, timeline
  – Includes:
    • Lean tools
    • Cultural components
    • Change management steps
    • Methods for assessing performance
    • How each step fits into big picture
  – As detailed as feasible
  – Broken down into smaller manageable pieces
  – Plans for quick successes
  – Living document, allowing for flexibility
  – Communicated to everyone
Articulating a “Lean Vision”
– The first widely-visible step taken in Lean transformation
– Communicated in-person by CEO to everyone, as well as in writing
– The reasons for undertaking a Lean transformation
– Reasons must be compelling & beyond simply making money
– Must address key questions/concerns
  • How will it affect everyone?
  • What will the future state look like?
  • How will we get there?
Effective Change Management

• Education
  – Started prior to transformation & continuous
  – Can be different depending on employee group or stage of transformation process
  – Lean concepts & culture
    • Understanding why things are being done
    • How things fit into the big picture
  – Problem-solving
  – Team dynamics
Effective Change Management

• Communication
  – Open sharing of information across organization
  – Two-way, constant, consistent, honest
  – Where the organization currently is & needs to be
  – How goals will be achieved
  – Clear expectations
  – Recognizing & celebrating successes
Effective Change Management

• Leadership
  – Active involvement
  – Creating the environment for change
  – Maintaining momentum
  – Avoiding distractions in focus
  – Breaking down resistance
  – Trusting & empowering the workforce
Effective Change Management

- Organizational Alignment
  - Consistency
  - Driving the desired behavior
  - Management actions
  - Metrics
  - Reward systems
  - HR/Corporate policies
  - Conflict may be unavoidable in some cases
    - Open & honest communication essential
Effective Change Management

• Dealing with immovable resistance
  – Critical to move quickly & decisively to overcome barriers to change
  – Unpleasant steps may have to be taken involving resistant employees or suppliers
    • Clear & escalating efforts must be attempted first
    • Open & honest communication with the organization is essential
    • May undermine transformation in short-term
Lean can produce amazing results, but is not easy to implement or sustain.

Causes for failure generally center around culture & change management.

With proper attention to Lean culture-building & effective change management, common pitfalls can be avoided & chances for success increased dramatically.