Leadership:

The Ultimate Guide to Building a Lean Business

KaiNexus

Introduction

The Lean business model is about making continuous improvements to business operations and implementing processes that result in optimum business efficiency. The desired results are reached by removing ineffective processes, identifying and eliminating unprofitable products, and improving team productivity.

The Lean approach is sometimes referred to as operational excellence or continuous improvement. No matter what you call it, the model focuses on identifying the areas hindering business growth and addressing them effectively. This requires demonstrating respect for employees and fully understanding the customer journey. Achieving these objectives brings significant advantages to the organization, its employees, and its customers.

While the original roots are from Toyota and the automotive industry, Lean is undoubtedly more than just a better way of assembling cars and trucks. Lean, as a set of improvement methods, a management system, and philosophy, has also been applied in recent years to varied settings, including law firms, architecture firms, school districts, and higher education.

This eBook introduces the principles and benefits of building a lean business and the tools and techniques that support it.

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Chapter 1

THE PRINCIPLES OF LEAN MANAGEMENT

If you are looking for a way to bring structure to your organization's continuous improvement efforts, these Lean principles may be the path toward achieving your most important strategic, long-term objectives.

Lean business management is an adaptation of the Toyota Production System that the Japanese automaker implemented after the second world war to improve the efficiency and flexibility of its manufacturing operations. Two essential books, Lean Thinking (1996) by James P. Womack and Daniel T. Jones and The Machine That Changed the World (1990) by James P. Womack, Daniel Roos, and Daniel T. Jones, documented the techniques and principles of the Lean method.

The operational principles are built on one fundamental idea.

Respect for Every Individual

The road toward a Lean business starts with respect for every person who comes into contact with the organization. This includes customers, employees, partners, vendors, and the community. In survey after survey, employees repeat that respect is what they want more than anything else from their leaders and managers. When people feel respected, they can emotionally invest in their role and give more than just labor. They share their energy and ideas as well.

Examples of respect:

- Creating professional development plans for each employee, including reasonable goals.
- Involving employees in creating process best practices and standard work for the operations they perform.
- A coaching approach to problem-solving.
- Investing in the conditions that help each person do their best work.

Principle 1: Identify Value

The first step on a Lean journey is identifying value through the eyes of the customer. It requires isolating precisely what customers find meaningful and worthwhile. Customer value is the driving force behind why they buy from you vs. your competitors. If your customers do not find that the value of your product or service outweighs the cost, they will look elsewhere.

Part of establishing value is defining a target price. This is different than the cost + pricing model as it allows you to set pricing based on what the customer is willing to pay. Pricing based on customer value is frequently more profitable while still being acceptable to the customer.

It is important to note that what you and your team think is valuable and what customers actually value may not be the same. It is essential to conduct research and ask the customer rather than simply guessing. To establish value accurately, you'll want to uncover their requirements, expectations, and pain points. All other principles depend on this foundation, so it is essential to get it right.

Creating customer value requires:

- Understanding the customer's needs and expectations.
- Responding to customer feedback.
- Constantly looking for ways to remove waste and add meaningful value to processes.

Principle 2: Map the Value Stream

In Lean, the value stream refers to the complete product or service lifecycle, from ideation to disposal and every process in between. It includes the supply chain, raw materials, production processes, product features, transportation, and administration. The value stream mapping method is essential for identifying waste and opportunities for improvement.

Once the current state is mapped, your team will identify some activities and processes necessary to create value and some that don't add value but are unavoidable due to regulations or technical limitations. You will also notice parts of the map that fall into a third category, those that are not required and do not add value. That's your opportunity to use Lean thinking to eliminate waste.

Principle 3: Create Flow

In Lean, Flow means the value stream's consistent creation and smooth movement. It's somewhat abstract but essential to understand. Waste occurs when the value stream stops moving forward due to some blockage or impediment. The waste may take the shape of lost time, additional motion or transportation, unnecessary storage cost, or spoilage. In addition, choppy flow makes just-in-time production and delivery impossible.

To create consistent flow, there must be a transformation from batch processing and siloed operations to level production. When companies make this shift, they can launch products faster by taking them from ideation to production in significantly less time. In addition, they can improve their turnaround cycles from order to production and stay flexible enough to pounce on unexpected opportunities.

Principle 4: Establish Pull

The traditional approach to manufacturing in the west is centered around a forecast. Sales leaders estimate how much product they'll be able to sell in a given period. Raw materials are then ordered, and manufacturing schedules are created based on these predictions to meet the expected orders. Unfortunately, sales forecasts aren't always accurate. If the demand is higher than anticipated, production might be unable to keep up. On the other hand, if the sales don't materialize, profitability suffers.

A pull system helps eliminate this problem by ensuring that nothing is made before being ordered. In this case, every product is built to order based on customer demand. As a result, supply never outstrips demand, eliminating a significant amount of waste.

Of course, this isn't a simple endeavor. The process must be flexible and quick enough to deliver products as needed. Strong Lean leadership and continuous internal communications are necessary so that every operation in the value chain knows what is coming up to them. If the previous three principles are well executed, companies are in an excellent position to establish pull successfully.

Principle 5: Seek Perfection

In Lean circles, the continuous pursuit of perfection is often referred to as Kaizen. Kaizen comes from the Japanese words for good (kai) and change (zen). Kaizen is about making small, incremental changes daily. It involves every worker from the C-suite to the front lines, with everyone vigilant for improvement opportunities. In a culture of Kaizen, there is no risk of pointing out problems because the goal is not to blame but to seek the root cause of issues and address them at the source. The focus is on processes and operations, not employee errors.

Chapter 2

THE BENEFITS OF A LEAN BUSINESS

Implementing Lean is an excellent way to help any organization reach its goals. Of course, the benefits will vary based on the current state and the type of business. Still, there are some tangible benefits that almost every organization that successfully deploys the lean approach can expect.

Increased Employee Engagement

The Lean method relies on employees to suggest ideas for improvement and implement them. Part of respecting people is placing great value on employees' insights, whether they work in the C-suite or on the front line. When employees are given ownership of the processes they operate, they become more willing to engage emotionally with their work and expend discretionary effort. Engaged employees are more likely to stay with the organization, help others succeed, and participate in professional development. One of the wastes that Lean aims to reduce is human potential.

Improved Customer Satisfaction

The first principle of Lean is establishing value from the eyes of the customer. Lean leaders don't guess about what the customer needs or wants. Instead, they conduct research that can take the form of surveys, focus groups, or direct observation. Organizations that understand how customers perceive their products and services are in the position to make changes that align with customer preferences. In addition, Lean organizations don't price their products based on cost. Instead, they work backward from what the customer is willing to pay and find ways to produce the product within that framework at the highest possible profit. This is possible by eliminating targeted wastes such as over-processing and defects.

Enhanced Leadership Skills

The Lean manufacturing approach introduces a more thoughtful and proactive approach to daily management. As a result, leaders get better at identifying and reducing non-value-adding activities. Each manager starts to define how their operational area could implement improvements to improve quality, become more efficient, and maximize profitability. Clear objectives add clarity to every leadership role and help people grow their skills in creating a more effective and unified team.

Lean also introduces the idea of Leader Standard Work. Generally, Standard Work is the current best practice for performing any task or process. Leader standard work is the same concept. It is the best practice for leaders to implement, sustain and spread improvement. It includes the set of behaviors, activities, and tools that are a part of the daily work of leaders. The goal of Leader Standard Work is to reduce variation, enhance performance, demonstrate how to make practical improvements, develop team members, and support people.

Organizational Alignment

Lean leaders guide their organization toward its ultimate purpose or "True North." Through a process of strategy deployment, sometimes called Hoshin Kanri, the leadership team establishes the long-term breakthrough goals of the organization. These are broken down into annual objectives, which cascade down the organization to individual goals and performance measures.

When everyone understands the overall mission and their role in achieving it, decision-making is simplified, and it is easy to set priorities. With Lean, you have the added advantage of the drive to create customer value, which informs every decision and sets the stage for harmonious operations.

Structured Improvement

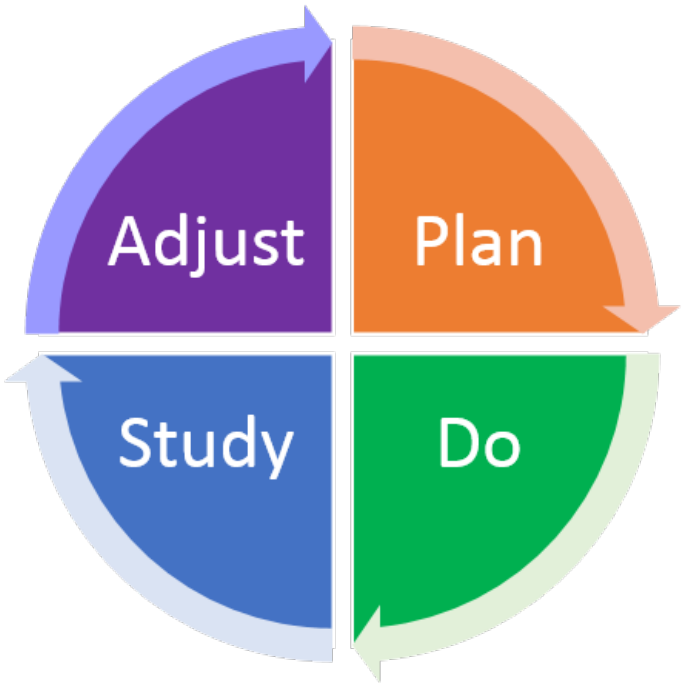
Lean is a structured and scientific approach to continuous improvement. Changes aren't made on the fly or based on a hunch. Instead, an improvement cycle is used to define the problem, explore possible solutions, implement changes, and (crucially) measure the results. The most commonly used improvement cycle is PDSA.

Plan: During the first step of the cycle, stakeholders define the issue to be addressed, take baseline measurements for comparison, discuss potential remedies, and assign ownership. The goals for the project are defined, and the team decides how success will be measured.

Do: Next, a potential solution is implemented. The goal is to make incremental changes frequently, so the change should be discrete enough to measure.

Study: Once the change is implemented, the team uses the predefined measurements to determine if the process has been improved enough to make the change permanent.

Adjust: If the experiment was successful, the Standard Work is updated to reflect the new state. If not, the cycle begins again with a new hypothesis about what will resolve the problem.



The benefit of this structured approach is that everyone knows what to do when change is needed. Results become more predictable, and everyone talks about problem-solving with the same vocabulary, making it much more comfortable and routine.

Impact Measurement

Because Lean is a scientific approach to management, organizations can objectively measure the value of improvement efforts. Every project begins with measurements of the current state, and change is only implemented once a measurable impact is proven. Therefore, Lean organizations can calculate the results of their improvements based on measures like customer satisfaction, cost, time to market, safety incidents, revenue, and quality.

In addition, Lean organizations can deploy software to track and manage all of their improvement activities. By dining so, they can also measure employee engagement, activity, and direct impact.

Growing Tribal Knowledge

In a Lean organization, every improvement builds on the last, and ideas are spread without concern for functional silos. Capturing this knowledge is another reason that continuous improvement software is so valuable to Lean organizations. The lessons learned from each project can easily be shared with others to make future improvements more effective and efficient. Often a specialized report called an A3 is used to encapsulate the essential aspects of each effort and make it easy to share.

Increased Profitability

When implemented effectively, Lean reduces waste and increases customer value resulting in higher organizational profits. Although it is often misconstrued, Lean is not centered strictly on cost-cutting. Instead, it focuses on providing value to the customer without unnecessary activities or resources and without blocking the flow of value. Profitability is the natural result when the value stream is seamless and waste-free.

Chapter 3

Lean Improvement Techniques

Organizations that adopt the Lean continuous quality improvement approach to business management have many tools and techniques at their disposal. These methods can be used within the Lean framework or as stand-alone problem-solving tools.

PDSA and DMAIC

PDSA (Plan, Do, Study, Act) and DMAIC (Define, Measure, Analyze, Improve, Control) are variations of the cycle for continuous improvement. Each is designed to ensure orderly and effective change.

Gemba Walks

The term "Gemba" means "The real place" in Japanese. The Gemba walk technique involves managers or supervisors going to the place where work gets done to observe and identify opportunities for improvement. Changes are implemented only after the walk is complete and a period of reflection occurs.

The idea behind Gemba walks is that the staff on the front lines of any workplace have the best ideas for improving the processes they operate since they're the ones doing the work. As a result, they'll come up with minor, low-cost, low-risk improvements that add up to a significant impact. Usually, these are ideas that senior leaders would never have thought up in their offices.

Huddle Meetings and Huddle Boards

Huddle meetings are a fairly ubiquitous practice in Lean organizations. Teams gather around a huddle board to discuss projects and help solve problems.

Today, digital huddle boards make it possible for people to participate from anywhere. They also capture the history of each improvement and help executives stay connected to the improvement work of all the teams they oversee.

Kanban

Kanban is a Lean technique used by teams to help visualize their workflow and find any interruptions in flow before a backlog forms or grows too big. Kanban boards help make it obvious where work is getting delayed. With this easy insight, managers are better able to take the proper steps to solve any problems.

Standard Work

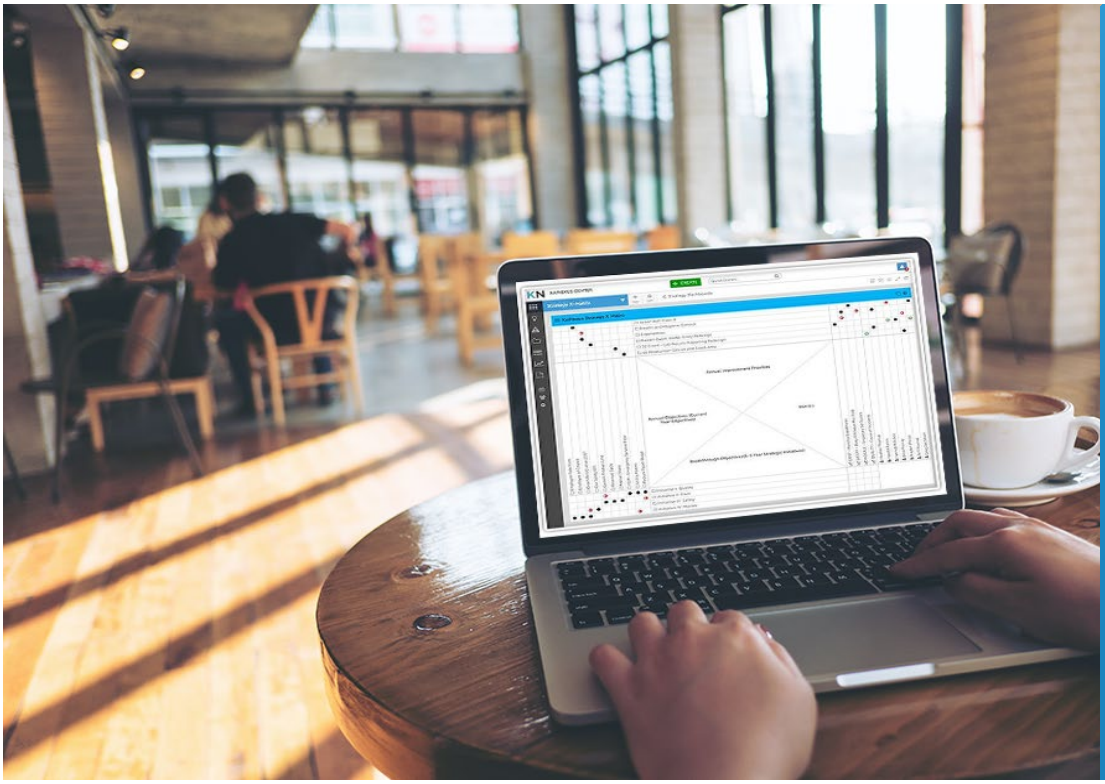
It is impossible to implement structured improvements if each process operator performs their tasks in a unique or inconstant way. That's why the first thing that most Lean organizations do is define the current best practice for any operation or task and insist that it is used constantly. Then, when it is time for improvement, the Standard work is changed.

Value Stream Mapping

One of the keys to effective quality improvement is eliminating any process, task, or activity that is not delivering value to the customer. Every step in a process introduces an opportunity for error, so eliminating overprocessing goes a long way toward consistent quality. An excellent tool for finding this type of waste is a value stream map. A value stream map displays all steps in a specific process and quantifies the time and volume taken at each stage. Value stream maps show the flow of materials and information as they progress through the process and ultimately provide value to the customer. Any steps that are not critical to the flow of value should be considered for elimination.

Hoshin Kanri

Hoshin Kanri (also called Policy Deployment) is a strategic planning method that ensures everyone in an organization is driving toward the same goals. It is also a tool for balancing the need to achieve long-term goals and address daily improvement opportunities simultaneously. Hoshin Kanri is often managed using a tool called an X-matrix.



Catchball

The Lean technique of Catchball involves passing ideas from one person to another for feedback and improvement. The idea (“ball”) is set in motion when someone, usually a manager, defines a challenge or opportunity. It then moves back and forth, up and down across the hierarchy, until a plan for action is developed.

Chapter 4

EXAMPLES OF LEAN IMPLEMENTATIONS

Although it got its start at Toyota, Lean isn't about manufacturing. It is about standardizing work processes to make problems visible and developing critical thinking skills so that team members can solve problems and improve work processes.

Lean in Healthcare

The core concept of Lean healthcare is to identify every step in a process, such as a patient visit, and determine which actions add value, which steps do not add value (i.e., "waste"), and which measures could be improved. The people who do the work (physicians, nurses, medical assistants, front desk staff, contact center operators) are usually in the best position to improve the process to make it easier to do the work and better for the patient.

Lean is an approach built on continuous improvement. Lean healthcare means developing a culture of constant improvement in which leaders are continually raising the bar to drive more value.

The ultimate goal of Lean in healthcare is to provide more value from the patient's perspective -- focusing not just on what we do, but also on what the patient is trying to achieve in terms of health goals.

Lean Construction

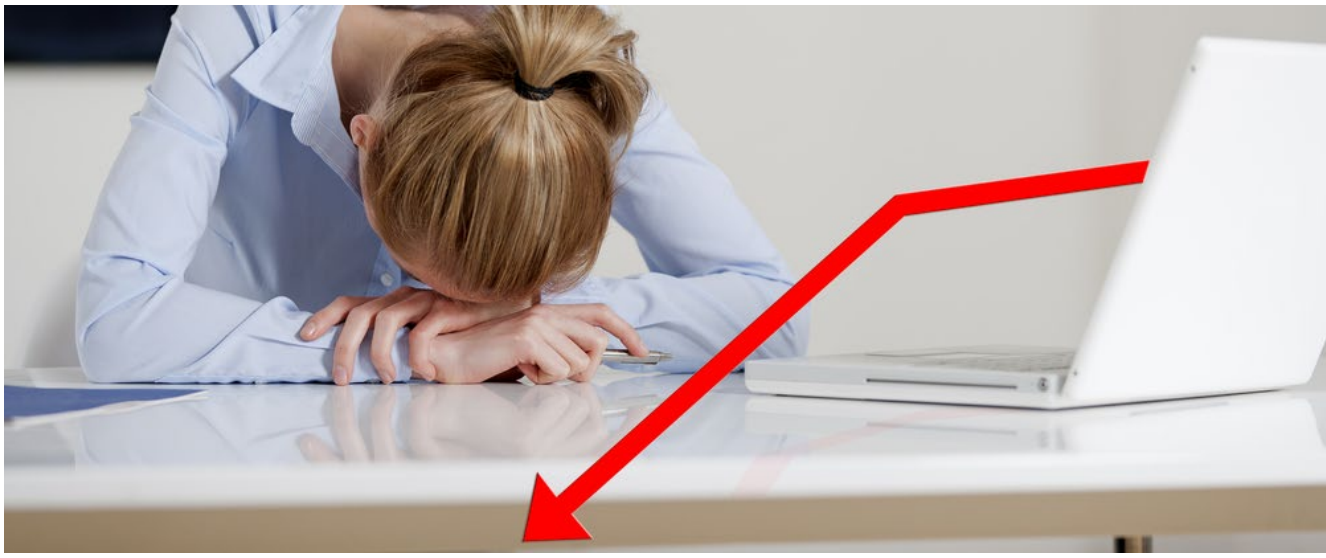
The International Group for Lean Construction (IDLC) coined the term Lean construction when it was founded in 1993. In this context, “construction” includes the entire industry, not the phase during which physical building occurs. Therefore, Lean construction involves architects, designers, engineering, constructors, and suppliers.

Much like Lean manufacturing, Lean construction seeks to create production systems that minimize waste of time, materials, and efforts to produce the most value for the customer. Practitioners believe that the only way to achieve such a lofty goal is to include all stakeholders and participants, including architects, engineers, contractors, facility managers, and the customer, early on in the project. This is different than the traditional project management approach in which the participants react to designs rather than influencing them.

Lean in Higher Education

An increasing number of institutes of higher education are introducing the principles of Lean and other continuous improvement methodologies to improve efficiency and operational effectiveness. This might be surprising - even a bit controversial - in a sector that doesn't produce products per se, but the underlying principles of respect for people, incremental change, and the elimination of processes and activities that do not add value have a place in an educational environment. In higher education, there is an interesting coalition of students, faculty, administrators, public officials, and potential employers that all have a stake in achieving the best possible outcomes.

Continuous improvement principles and practices can be applied to both academic services and administrative processes. It is an effective way to address new demands on colleges and universities, including responding to heightened expectations and reigning in rising costs. Organizations may have a cohesive approach to improvement across the institution or choose to implement programs at the department or unit level.



Examples of the 8 Wastes of Lean

Eliminating waste is at the heart of the Lean business management philosophy. So much so, that there are eight defined types of waste. Looking at some examples of each type of waste makes it clear that Lean can be applied to any type of organization.

Defects (AKA, Mistakes)

Defects are probably the easiest type of waste to spot because your customers or downstream process owners will likely let you know. Examples include:

- Incorrect diagnosis in a hospital that leads to unnecessary treatment or tests
- Work on a construction project that doesn't pass inspection
- Software code with errors that need to be corrected
- Products that are shipped to the wrong customer
- Manufactured items that don't meet the spec

Waiting

There are a couple of ways that the waste of waiting impacts organizations. In the first case, people or processes must wait because the path forward isn't cleared for them to proceed. This might happen if you are waiting to start your meeting because the last meeting is still in the conference room. In the second case, people or processes are waiting for input from a prior step. For example, the doctor is ready to see the patient, but the medical assistant hasn't finished getting the vitals and verifying medication. Other examples are:

- Framers waiting for lumber to be delivered
- Surgeons waiting for an OR to become available
- Airplanes waiting to be refueled
- Factory workers waiting for a shipment of parts

Transportation

There is obviously a need for some transportation of people and goods, so not all transportation is a waste, but a surprising amount of it is. The waste of transportation is often the direct result of one of the other wastes, such as over production or inventory. Here's what it looks like:

- Shipping unsold items from the store back to the distribution center
- Purchasing parts from a far away supplier when a local option would do
- Moving equipment from one department to another
- Sending items that need to be distributed to field workers to the office first

Motion

Motion is very much like transportation, but it involves unnecessary activities done by people. For example, if the server makes two trips to the table to bring out the order when he could have done it in one, that's the waste of motion. Here are a few other examples:

- People going from place to place looking for missing supplies or equipment
- Workers moving one box at a time rather than using a hand truck to do many at once
- Storing medical supplies centrally, rather than in the exam room
- Office equipment that is not conveniently located

Overproduction

Overproduction happens when an organization creates a product before there is demand. Modern businesses have gone to great lengths to implement just-in-time manufacturing because overproduction is expensive, and it balloons into other wastes like inventory and transportation. Here's what it looks like:

- Warehouses filled with products that don't sell
- Jam packed clearance racks
- Hotels with empty rooms
- Grocery items that pass their "sell by" dates

Overprocessing

Overprocessing occurs when organizations or people make a product, task, or process more complex than necessary to deliver value to the customer. For example, products or software applications that have features customers rarely use. It might also take the form of:

- Unnecessary medical tests or procedures
- Multiple levels of management approvals
- More customization options than the customer wants or needs
- Redundant business systems

Human Potential

For a long time, discussion centered around only the prior seven wastes of Lean, but more recently, the waste of human potential has joined their ranks with good reason. It is probably the most common and most damaging type of waste that organizations encounter. You see it when:

- Employees spend time on tasks that do not add value
- Career development and planning are absent
- People with advanced skills do routine work
- Employee ideas for improvement are ignored

Chapter 5

THE BENEFITS OF LEAN SOFTWARE

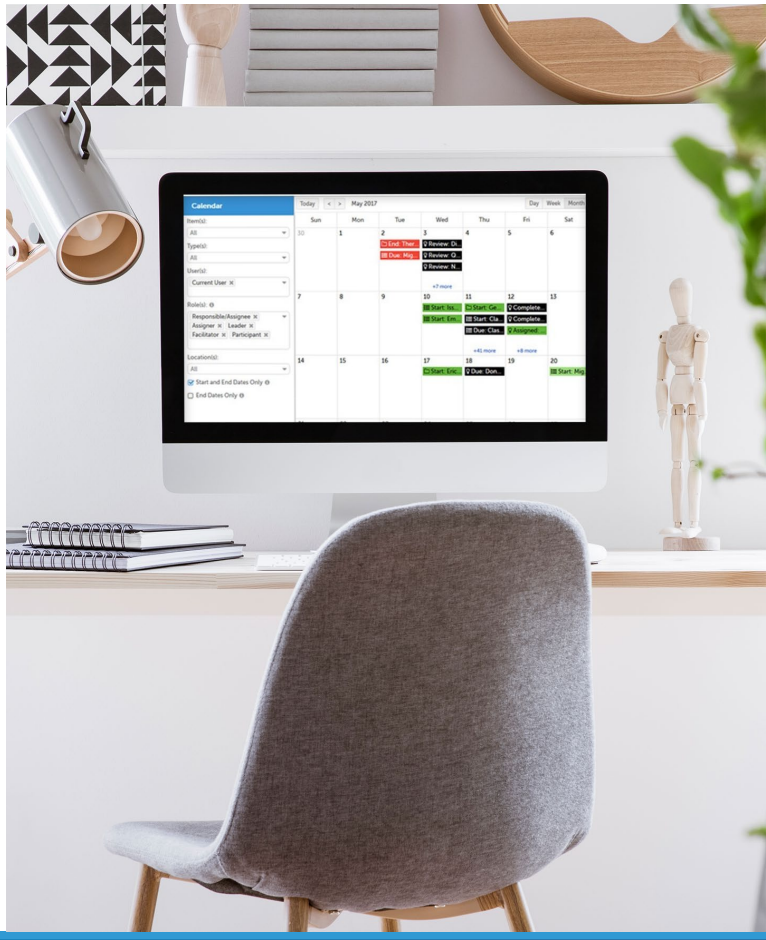
Organizations that deploy technology to support, document, and align Lean quality improvement efforts streamline production and lower costs.

Unite Quality Improvement Across a Diverse Organization

The bedrock principle of Lean is that everyone in the organization is responsible for identifying opportunities for improvement. Sometimes ideas for innovation come from the executive team, but more often, they are submitted by frontline workers, administrative staff, facility managers, operations supervisors, and others. Inviting input from everyone allows organizations to implement quality control at the earliest stages of production. The challenge is getting everyone on the same page in a large, diverse organization. Improvement software provides the accessibility, custom configuration, and simplicity that large organizations need to standardize improvement efforts from the frontlines to the board room.

Assess Effort in Real-Time

The Lean approach relies on daily, incremental changes. Usually, projects don't require executive-level intervention. With Lean software in place, leaders get a view into how problems are being tackled by the team. There is great value in knowing what types of opportunities are being identified, who is working to resolve them, and how quickly those improvement projects are moving through the pipe.



Align Individual and Strategic Goals

Many leaders go through a strategic planning process, developing a vision for where the organization will be in three to five years. In order to get there, everyone needs to be moving in lockstep and working toward the same game-changing objectives. Lean software sets up the structure for leaders to cascade goals from the c-suite down to individuals. Everyone has a clear understanding of how their work relates to the overall goals, and performance evaluation is driven by those same objectives. When everyone is aligned around the most important purposes, decision making is easier and opportunities for improvement become more obvious.

Build a Culture

Corporate culture is an interesting thing. Every organization has one, even if it isn't intentional. The goal of many leaders is to infuse the culture with improvement-centric thinking and the willingness to engage. This isn't easy because culture can't be dictated. It is the sum of all of the cues people receive about what "normal" behavior looks like. Lean software serves as a culture dashboard. Leaders can see which people, teams, and departments are embracing the approach and effecting positive change. They can also pinpoint where additional training, coaching, and encouragement are needed.

Underscore the Urgency of Quality Improvement

Your organization probably has software to manage every other important aspect of the business. Sales is run on a CRM, the finance team has an accounting system, and there may even be multiple tools running HR. That's because these core business functions are essential and must be well managed. Lean management is no different. When leaders invest in technology, they send a clear signal to everyone that this is not a passing fad or the management model of the week.

A technology investment gives your team confidence that the organization is willing to put financial resources to work, making individuals successful at managing waste reduction and improvement projects.

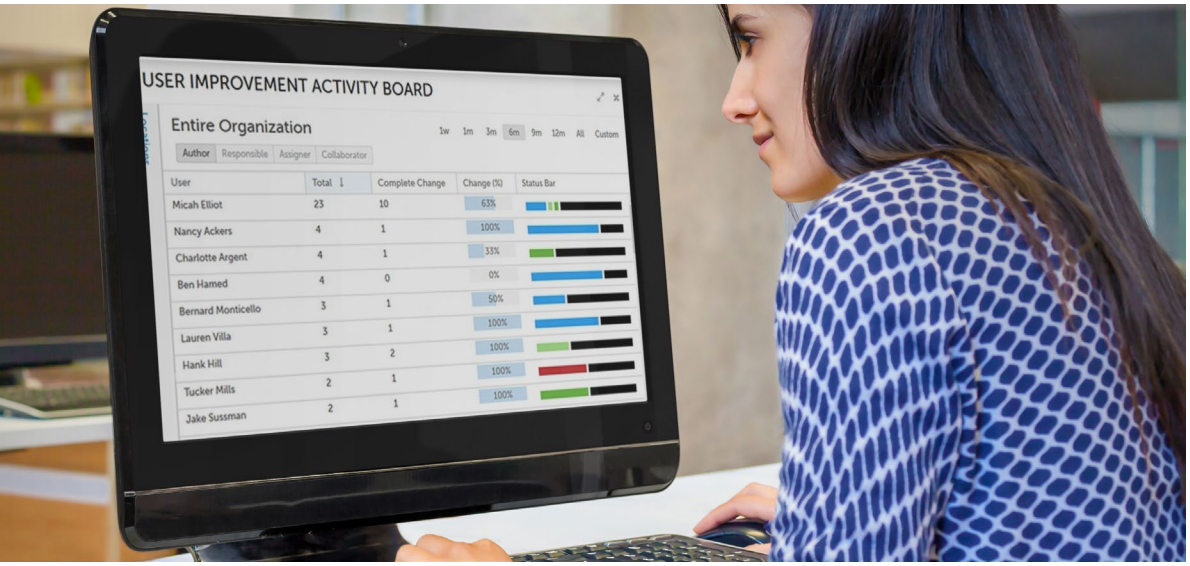
Quantify the Impact

Embracing Lean will change the principles on which your organization operates and impact the daily work of every member of the team. Therefore, it is essential that leaders quantify the impact of Lean work and prove that the effort has been worth it.

Lean software helps your team quantify the results against your organization's key performance indicators such as lower expenses, improved client satisfaction, higher quality scores, and certifications and awards.

Operate With One Version of The Truth

Email is excellent as a platform for reminders, but it doesn't give people one place to go for real-time information. Spreadsheets are fine for keeping lists, but they are a passive and easily damaged source for data. Quality improvement management software is an alternative that gives everyone on the team one place to go for the latest updates. Everyone is on the same page because they are looking at the same information, not some email message or file that may be outdated.



Develop a Repository of Knowledge

Lean software serves as a collection point for all information about opportunities for improvement and implemented projects. Teams can learn from past results, repeat what works, and avoid prior mistakes. New employees quickly come up to speed, and essential knowledge isn't lost when people change roles or leave the company.

While Lean is not new, today's most successful organizations take a modern approach to improvement by deploying software designed to help manage the journey toward perfection.

About KaiNexus

KaiNexus is the ultimate SaaS platform that supports continuous improvement and operational excellence. KaiNexus helps you execute and manage your improvement program throughout the entire improvement journey.

From daily improvement on the front lines to rapid improvement events, Lean projects, and strategy deployment, KaiNexus gives your people a single place and a standard method for capturing improvements. From there, it pushes each idea through to completion.

Features

- Top-Down & Bottom-Up Improvement
- Strategy Deployment
- Multiple User Types Available
- Visual Management
- Impact, Activity & Engagement Reports
- Intuitive Charts and Data Tracking
- Smart Notifications
- Email Submission
- Configurable Improvements & Projects
- Class & Certification Tracking
- Cross-Functional Team Collaboration

Support

- Dedicated Account Manager
- Onboarding Configuration & Support
- Email & Phone Customer Support
- Online Support Documentation
- Video Training

Technology

- Data Encryption
- SSL
- iOS and Android App
- iPad and Android Tablet Enabled

Organizations of all sizes in all industries in every stage of the improvement journey use KaiNexus. Their unifying commonality is that they recognize that continuous improvement is vital to the success of their organizations and that like with all other complex businesses processes, they need a platform from which to manage it. They work to engage their entire organization in improvement and value the ideas and opinions of their front-line workers. Our customers strive to develop the methodologies and leadership behaviors critical to developing an improvement culture and understand that they need a software to support those elements.

If this sounds like you, KaiNexus would be a good fit for your organization. **Contact us** to learn more.