

Culture-Building & Change Management For Lean Success



Presented By

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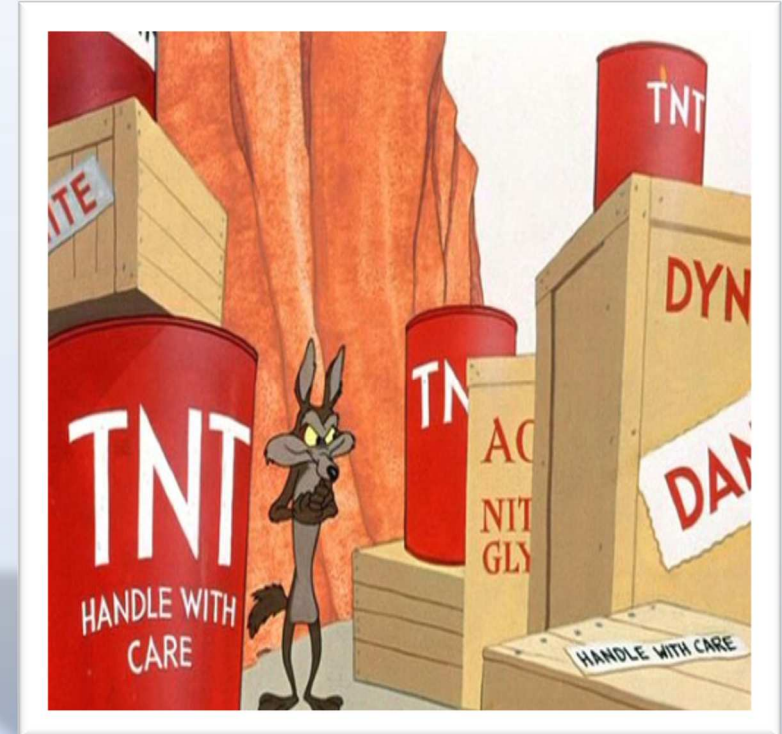
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APICS The Association for Operations Management

Albany/Capital District Chapter

Introduction

- 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



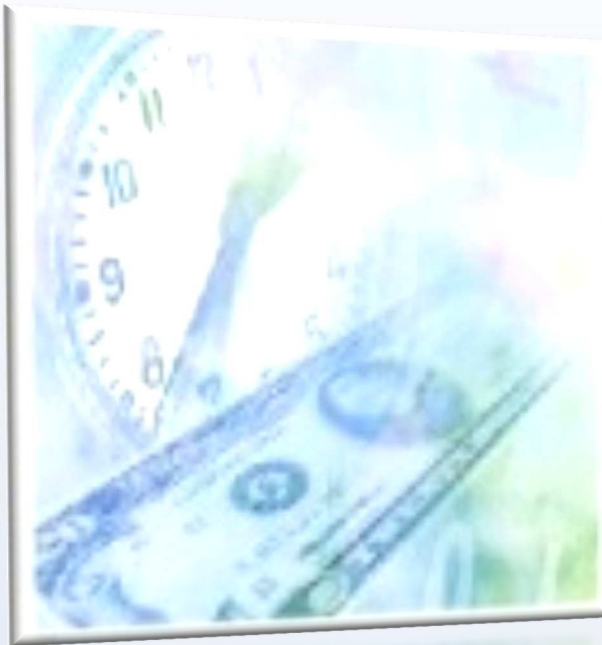
Organizational Culture - Definition

- 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



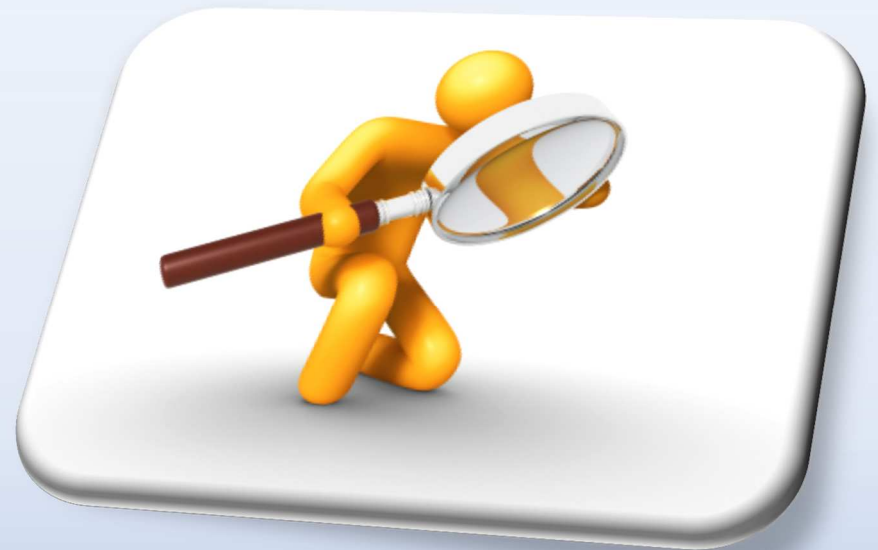
What are the Beliefs & Values of a Lean Culture?

- 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



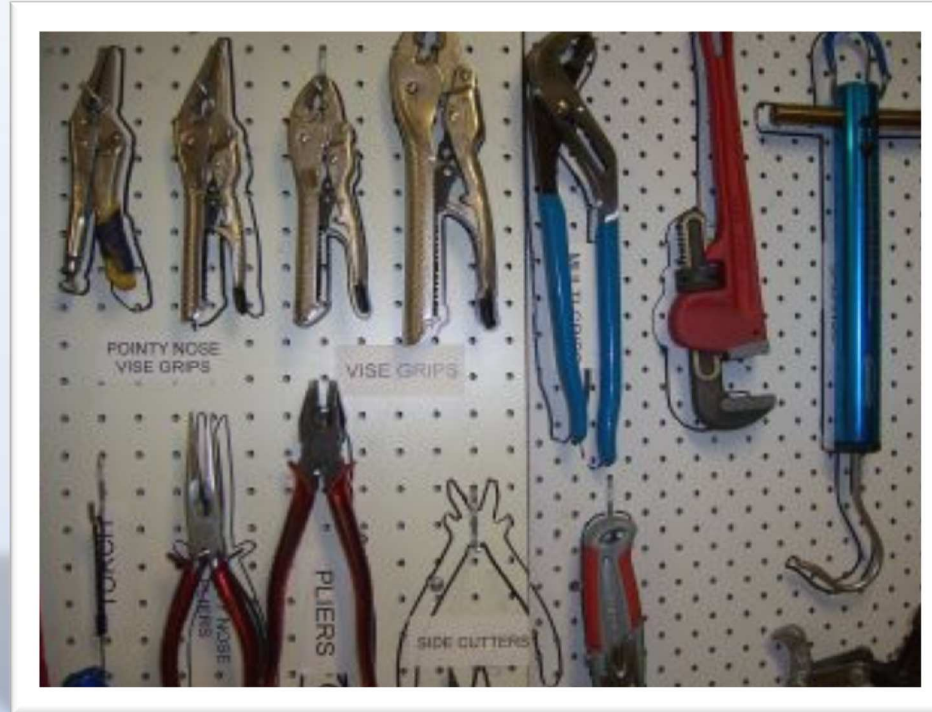
What are the Beliefs & Values of a Lean Culture?

- 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



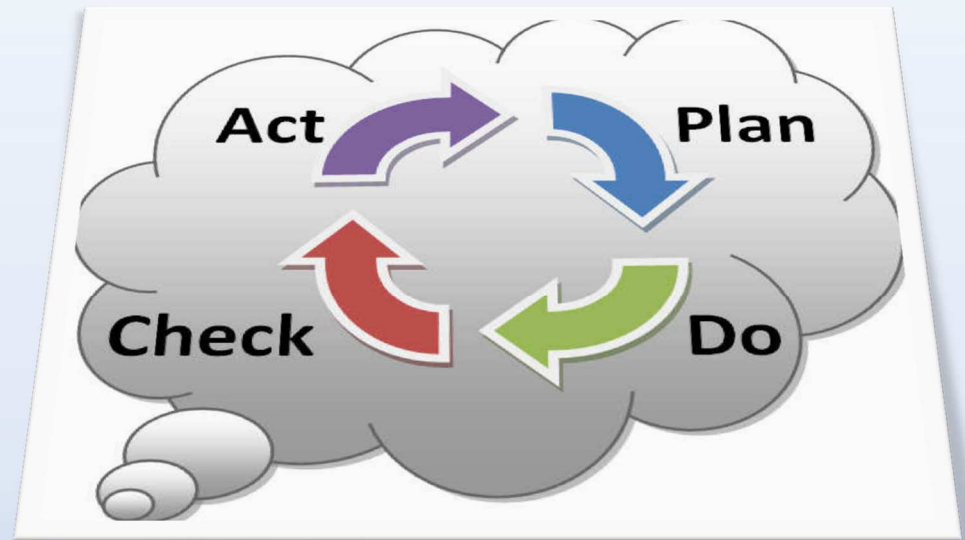
What are the Beliefs & Values of a Lean Culture?

- 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



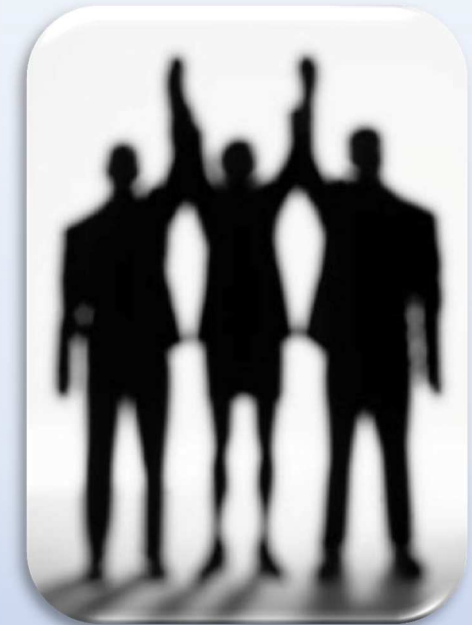
What are the Beliefs & Values of a Lean Culture?

- 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?

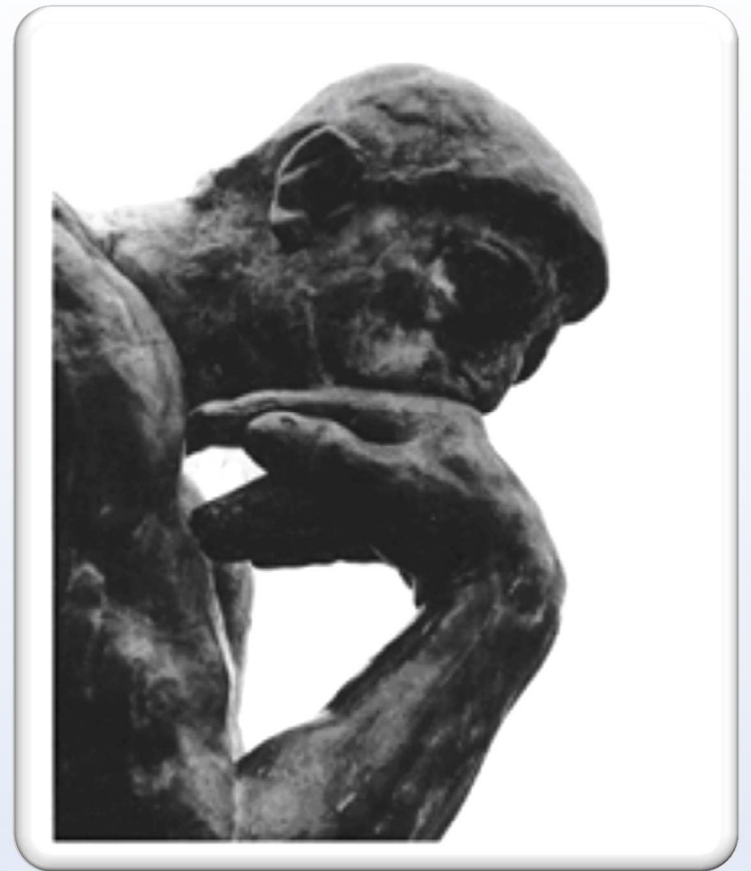
- Leadership

- 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

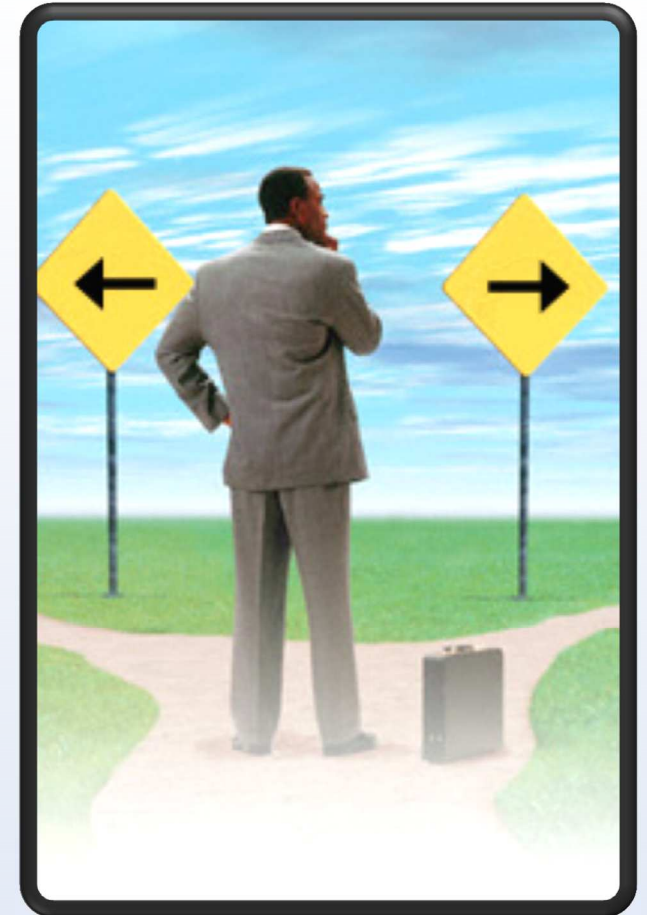
Lean Culture-Building – Where to Start?

- 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



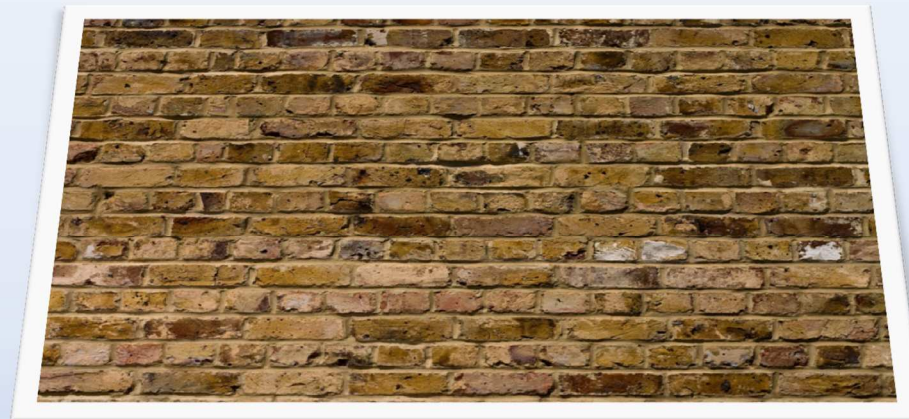
Barriers to Change

- 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



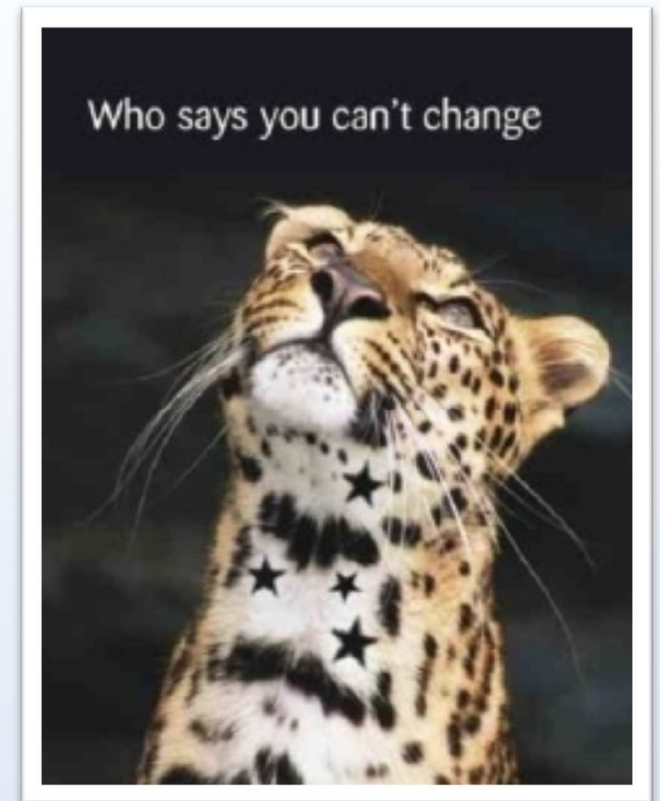
Barriers to Change

- 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 - Definition

- 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

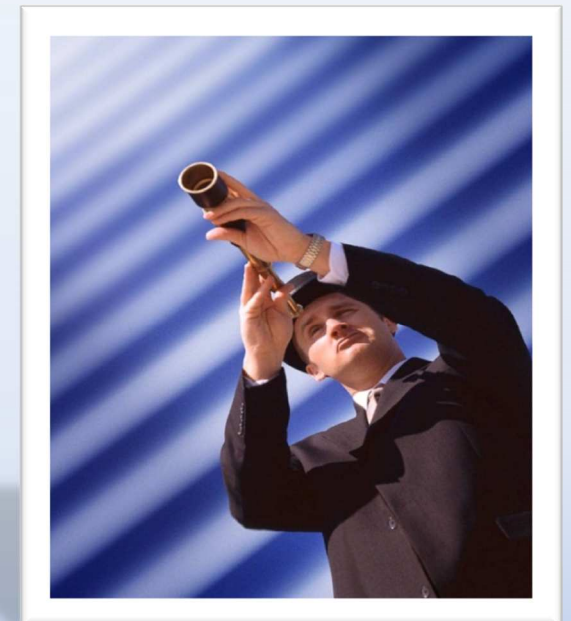
- Lean Action Plan

- 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



Effective Change Management

- 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



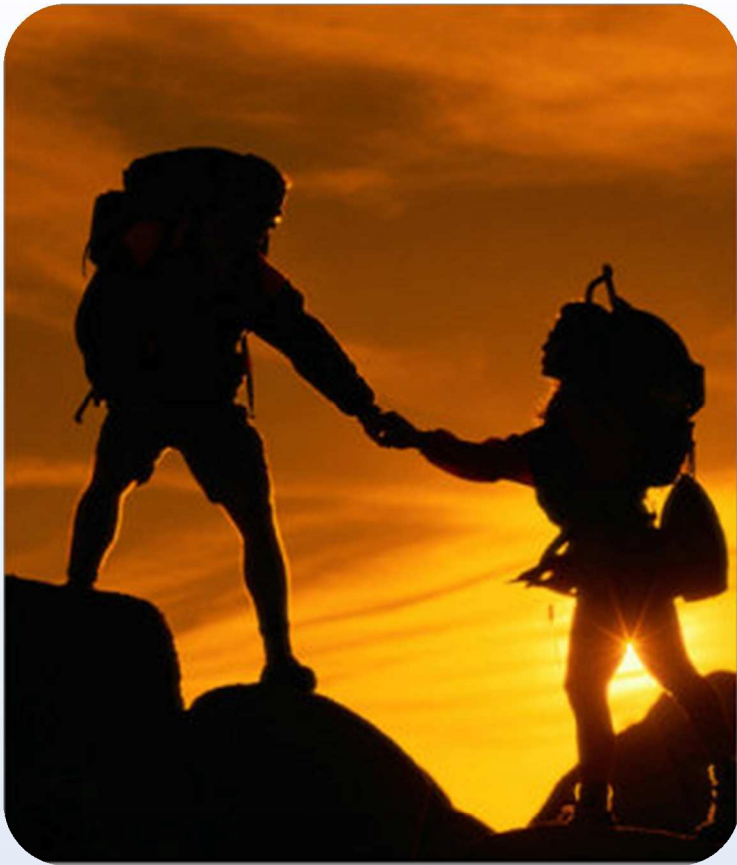
- Organizational Alignment
 - Consistency
 - Driving the desired behavior
 - Management actions
 - Metrics
 - Reward systems
 - HR/Corporate policies
 - Conflict may be unavoidable in some cases
 - Open & honest communication essential

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



Conclusion



- 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