

# LMJ LEAN MANAGEMENT JOURNAL LMJ

## What does success look like?

Barry Evans and Robert Mason, Cardiff business School, put the 2010 Lean Report and The Annual Manufacturing Report 2010 in context.



The Lean Management Journal is supported by the Lean Enterprise Research Centre, Cardiff Business School

# What does SUCCESS look like?

**Einstein defined lunacy as “doing the same thing that we’ve done hundreds of times in the past and expecting a different outcome!” Barry Evans and Robert Mason, Cardiff Business School, review recent lean research to establish what is understood about the nature of lean success.**

The flavour of the moment in many companies and most public sector organisations is to manage for more austere times ahead. But the instinctive response to blindly seek efficiency savings ahead of improved effectiveness would be a mistake!

LMJ ran advertising for its Lean Directors’ event, Leading Transformation in Complex Environments in September 2010 with a headline stating:

*“With only 5 - 10% of lean business transformations actually achieving sustainable success, those who take on the mantle of leading change programmes must be either hugely confident, naively optimistic or simply crazy”.*

Our next question is, why, despite the time, effort and resources being devoted to changing organisations, do 90-95% fail? They appear to achieve marginal, transient benefits at best and often there is no improvement, or things actually get worse.

We know that the history of Western business is littered with numerous examples of companies which, despite huge commitments of money, resource, programme leaders, project managers and so on, have undertaken major change initiatives only to find that any benefit arising has disappeared within one or two years.

In contrast some organisations clearly and decisively manage to make change stick. They build on improvement to gain yet more improvement. So how do they manage this? What are the capabilities that give them this desirable outcome? Why do they consistently achieve their goals?

Organisations can be classified as either being one of the transient many or one of the sustaining few. Which profile best suits your company?

Most organisations have by now undertaken a multitude of strategic improvement projects. If the original savings estimates from all these initiatives are summed together, does the total exceed current actual profitability?

If this is so in your organisation, ask yourself why? Perhaps you were not dealing with root cause problem elimination and therefore your solutions made no difference. Or perhaps the improvements you made have not been supported after their initial application. Whatever the case, significant changes in personal and organisational thinking will need to be made to allow your company the transition from transience to sustainability.

Fortunately, indicators of corporate behaviour that are associated with the ability to sustain improvement have been the subject of two recent surveys and using publications like these can give you an understanding of where to start making these changes. The surveys we refer to here are:

- **The Manufacturer magazine's Lean Report 2010: available to download at [www.themanufacturer.com/uk/reports.html](http://www.themanufacturer.com/uk/reports.html)**
- **The Annual Manufacturing Report 2010: available to download at [www.themanufacturer.com/pdf/AMR\\_2010.pdf](http://www.themanufacturer.com/pdf/AMR_2010.pdf)**

While the former garnered the experiences of lean practitioners in implementing lean programmes with a range of UK businesses, the AMR survey involved a broader scope of business issues in UK manufacturing companies. Cardiff Business School undertook the analysis for both of these surveys.

Depressingly both pieces of research demonstrate the accuracy of Einstein's definition of lunacy: "doing the same thing that we've done 100's of times in the past and expecting a different outcome". If a company's past change efforts have not been sustained, why would approaching change in the same way give sustainable results this time?

### Survey Findings

Both surveys show:

- a. **How companies are approaching change;**
- b. **The high incidence of moderate and unsustained improvement;**
- c. **Clues as to the type of behaviour to adopt to develop the capability to sustain improvement.**

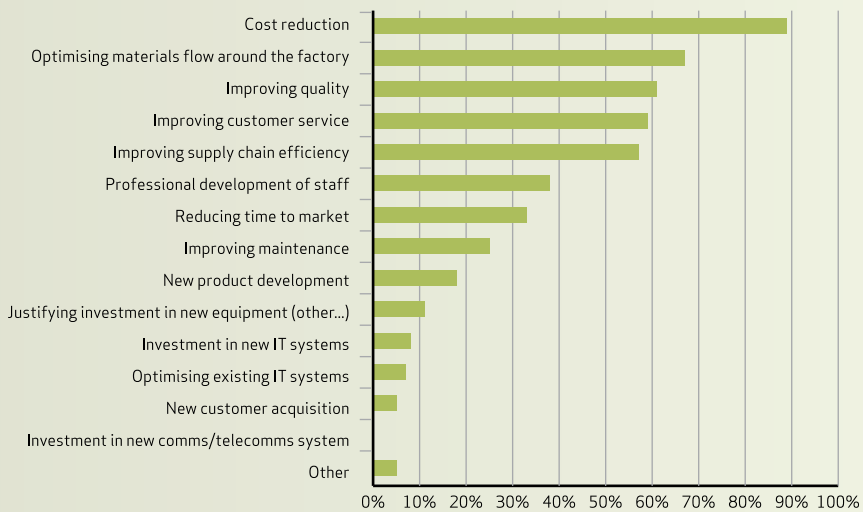
## Lean Report 2010

The findings are summarised in the figures 1-4. The survey shows that nearly all the organisations responding are focused on internal efficiency improvement hoping to achieve cost reduction: cost reduction and efficiency improvement consistently emerge as the priorities. Internally-focused boundaries are the norm.

This re-affirms the prevalence of conventional thinking that leads to failure in achieving sustainable success. It is interesting to note in figure 4 that the reported success after five years of a lean implementation declines.

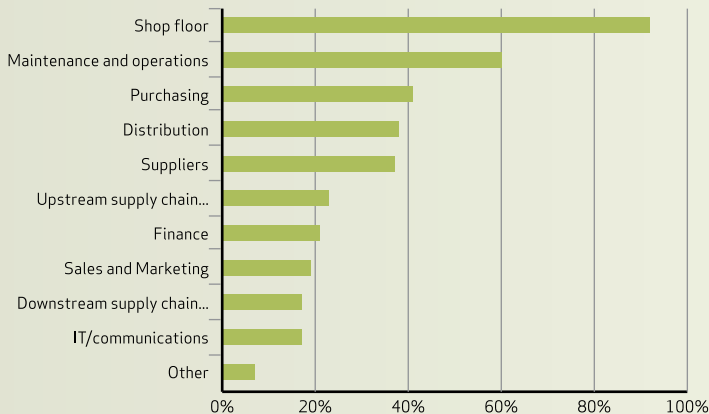
### Figure 1:

Lean Report 2010 responses to the question **“Which of the following were key motivators for your business in the implementation of lean?”** (Respondents marked all applicable)



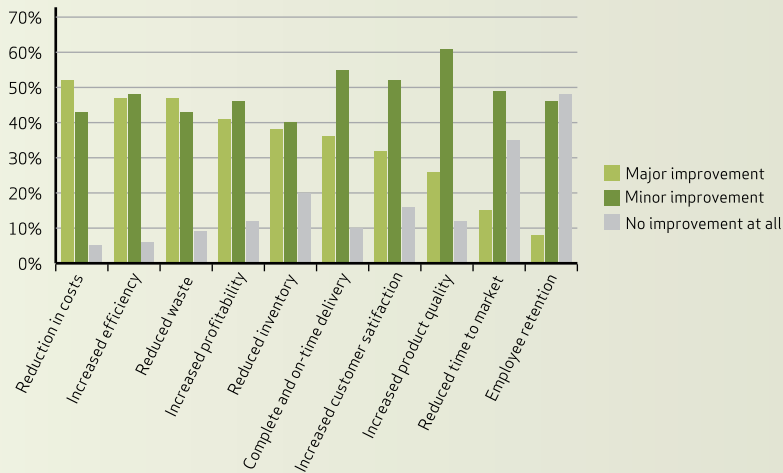
### Figure 2:

Lean Report 2010 responses to the question **“In what areas of your organisation have you implemented lean initiatives?”** (Respondents marked all applicable)



**Figure 3:**

Lean Report 2010 responses to the question “For each of these potential benefits of lean manufacturing, how much improvement has there been [in your company]?”



**Figure 4:**

Results from the Lean Report 2010 showing “Length of programme / success of programme”

How long have you been implementing lean?	Success achieved			
	Poor	Moderate	Successful	Very successful
less than 12 months	0%	5%	5%	1%
1 - 2 years	2%	3%	11%	5%
2 - 5 years	2%	7%	15%	4%
5 - 10 years	2%	16%	6%	6%
over 10 years	1%	2%	5%	2%
<b>Totals</b>	<b>7%</b>	<b>33%</b>	<b>42%</b>	<b>18%</b>

### Annual Manufacturing Report 2010

The Annual Manufacturing Report 2010 survey provides a similar message. The key results are shown in figure 5 and figure 6.

In figure 5 these business drivers are all outcomes of actions taken. Therefore, it is disappointing to see that both “customer satisfaction” and “quality reputation” declined in importance between the 2009 and 2010 surveys. Successful and sustainable improvement has very strong links to a focus on these two aspects.

In figure 6, the top-spot again goes to ‘efficiency’ improvements (87% agree or strongly agree). This has been an obsession for many years. However, has it as yet delivered sustainable competitive advantage?

**Figure 5:**

AMR 2010 responses to the question **“What are the main ‘business drivers’ for your company? That is to say which of the following do you regard as ‘important performance measures’ to gauge company success?”**

	2009 survey	2010 survey
Customer satisfaction / retention	93%	92%
Operational Efficiencies and cost control	87%	87%
Quality Reputation	89%	81%
Profits growth	80%	75%
Revenue growth	48%	45%
Market share	34%	43%

**Figure 6:**

AMR 2010 responses to the instruction **“Please rate the following statements on a scale from 1 to 5 where 5 is strongly agree and 1 is strongly disagree.”**

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The company is trying to achieve improvements in speed and efficiency	2%	4%	8%	56%	31%
Lean manufacturing techniques are being actively applied	2%	17%	23%	30%	28%
All business parts act as an integrated business with one agenda	0%	8%	34%	28%	30%
Too much time is spent reacting to events rather than pursuing plans	6%	15%	36%	40%	4%

## Survey Analysis

What these two surveys show is:

- The focus steadfastly remains on cost reduction and efficiency improvement**
- The improvements achieved are marginal and transient**

Bucking these trends, organisations (such as Toyota and Tesco) know that cost reduction and efficiency improvement are outcomes rather than objectives and should ALWAYS take second place in their improvement hierarchy. Effective delivery of customer value has primacy.

So what does effective delivery look like? Of course, it is rooted in the Womack and Jones lean principles:

- **Understand what customers value - understanding exactly what customers’ value and designing effective mechanisms to deliver it is at the root of sustainable success;**
- **Create value streams – end-to-end including your suppliers and customers;**
- **Create flow and pull in the value streams;**
- **Strive for perfection.**

Therefore, the sustaining few develop capabilities and adopt behaviour focused on:

- Improving quality
- Improving customer service
- Professional development of staff and gemba-based improvement
- AND continue again and again in the spirit of continuous improvement (the world of “one-off” improvement initiatives is not adopted – improvement is everyone’s job).

Cost reduction and efficiency improvement does not appear in this approach – but the benefits of cost reduction and efficiency improvement are delivered nonetheless.

The irony is that organisations characterised by transient improvement activity continue to do the same as they have always done – focus on cost reduction and efficiency improvement – yet they expect that this time they will achieve a different outcome.

Toyota and Tesco have achieved sustained improvement over many years through an absolute focus on their customers and are primarily driven by the first lean principle – understanding and providing customer value. This is to say they are totally focused on effectiveness first, in the knowledge that efficiency will follow. In our interpretation ‘effectiveness’ equates to ‘doing the right thing’ while ‘efficiency’ is defined as ‘doing things right’.

### The remedy to Einstein’s charge of lunacy?

The solution is simple, but not easy.

Companies must follow the approach visualised in the ‘House of Lean’, but do so completely rather than picking and choosing as has tended to be the case in the past. Essentially what Toyota, Tesco and other lean exemplars understand about achieving sustainable improvement is that a business, with its wider supply chain (suppliers, customers and connecting mechanisms) is a complex system. Improvement to that system has to be systemic. In other words it has to address the whole rather than tinkering with parts in isolation. Tinkering aimed at efficiency improvement runs exactly the same dangers as Deming’s “tampering”. Thus it risks worsened efficiency, unintended consequences and transient improvement at best. The ‘House of Lean’ has two pillars – JIT and Jidoka – improvement must address both.

**Figure 7:**

Authors' schematic suggesting how to achieve focus on system purpose to deliver sustained improvement

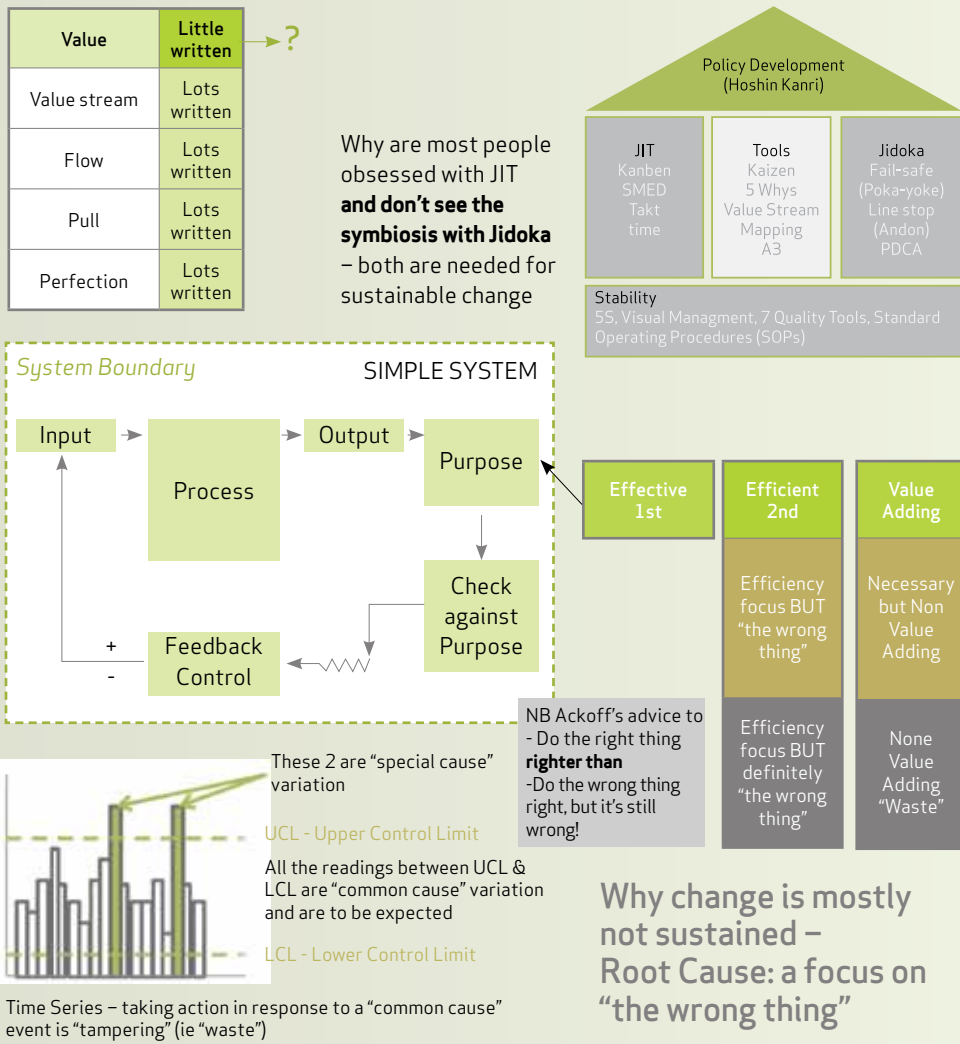


Figure 7 provides a schematic of the constituents of sustainable improvement and this shows that the starting point is focused on value and value adding steps, which are the ingredients of delivering system purpose or effectiveness. However, efficiency improvement is a relative measure aimed at making an output/input ratio larger. If the particular ratio being targeted is based on either non-value adding activity (waste), or necessary but

non-value adding activity (future waste) then the risks of transient improvement and unintended consequences are obvious.

Start by addressing system purpose to avoid this and create a compelling counter approach to the quick win mentality favoured by so many. This means expecting to invest in advance of sustained improvement, for example, by raising workforce capability, providing better leaders and general skills training – both generic and technical. **END**