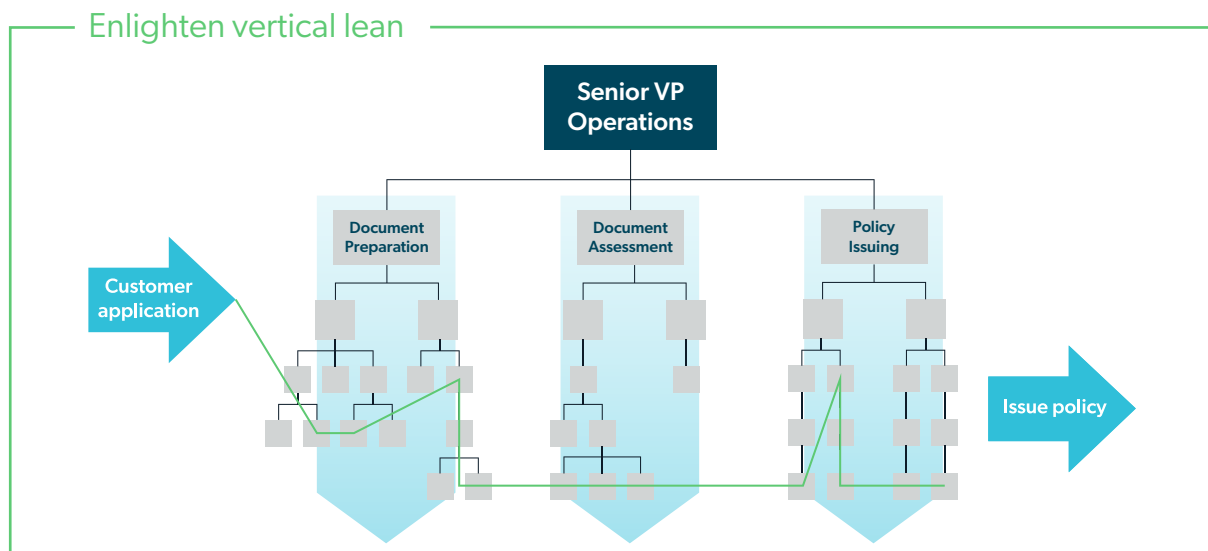




THOUGHT LEADERSHIP SERIES

WHY DO LEAN PROJECTS FAIL?

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A vertical Lean approach involves the entire organisation in waste removal and embeds a culture of continuous improvement. This approach is also highly complementary to horizontal Lean process improvement projects.

Lured by the prospect of major costs savings and productivity improvements, executives eagerly proceed with Lean or Six Sigma projects. The reality, however, is that most Lean implementations fail to produce the desired results, especially in white-collar environments. In fact, I am frequently approached for advice from disheartened executives who have overseen a failed Lean implementation.

These executives typically saw organisational performance improve throughout the Lean project, but watched with disappointment as process improvements declined, as performance stagnated (in some cases even regressed), and as cost slowly crept back up soon after project completion. After 25 years of experience in this field, I suggest that there are 3 reasons why Lean projects in white-collar environments fail to produce the desired results.

REASON #1: **Flawed implementation strategy**

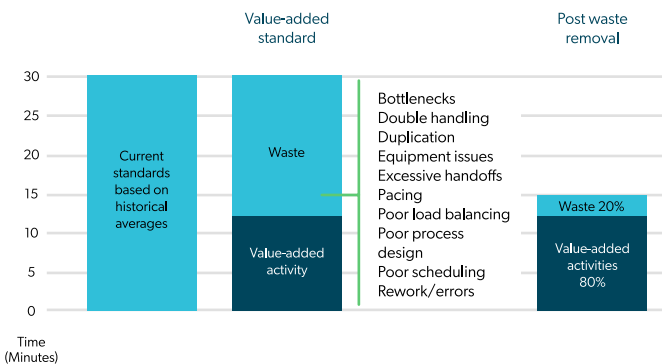
Most Lean projects are over-reliant on a horizontal implementation approach, in which a specialised team (e.g. Six Sigma Black Belts) moves across the organisation, introducing process improvements across a large number of teams and departments. While a horizontal approach is very effective for solving specific issues, it results in a lack of accountability and ownership of performance results because the implementation team is separate from the daily management of the area. By selecting a purely horizontal approach, executives are missing the opportunity to deeply embed Lean throughout the organisational structure.



To deeply embed Lean into the daily management of an organisation, a horizontal implementation approach needs to be supplemented with a vertical approach. In a vertical approach, improvements are made down the organisation, transforming entire business sections simultaneously. This creates a scenario where every team within the targeted area becomes actively involved in the Lean project and accountable for its results.

The horizontal and vertical approaches are complementary, and work best in combination due to their synergistic effects. For example, rather than assign a specialised taskforce to identify waste throughout the organisation, it would be far better to have the various front-line managers with intimate knowledge of the processes fulfil this role. When these managers encounter issues that they cannot solve alone, the specialised taskforce of the organisation's best and brightest employees can be called upon.

REASON # 2: Benchmarks that hide errors and waste

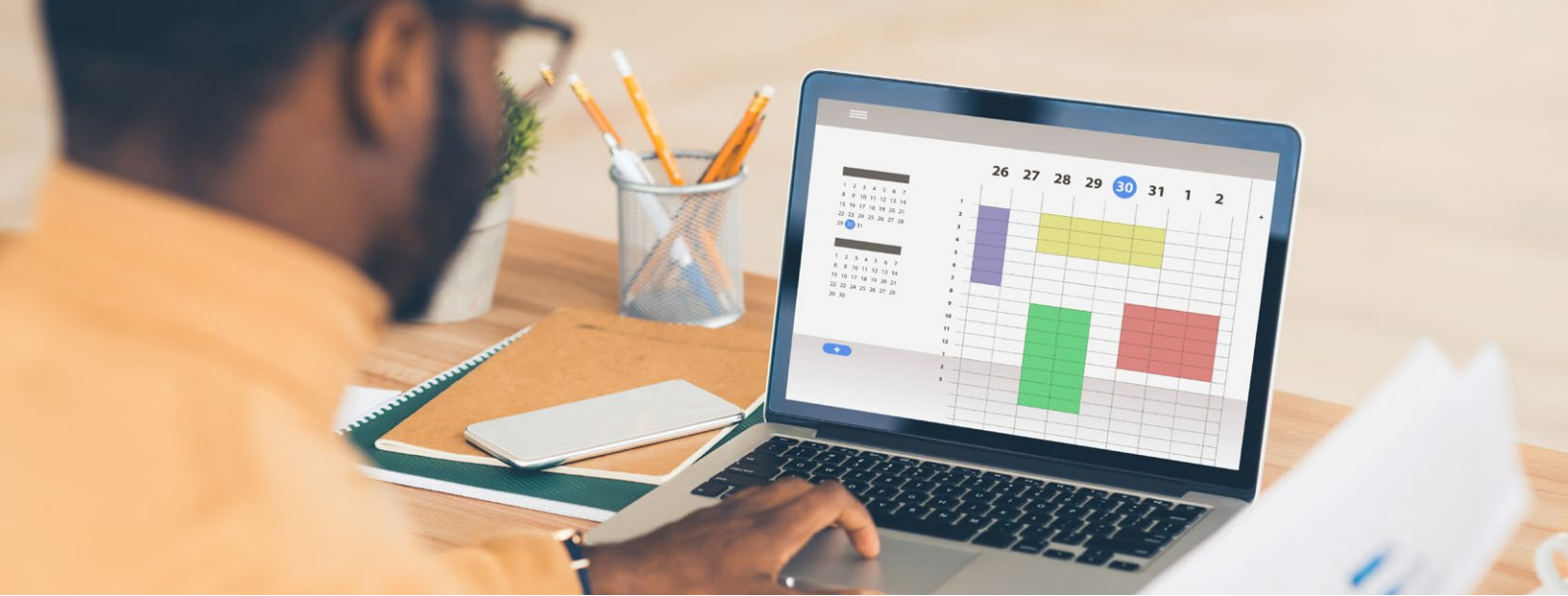


Most organisations use historical averages as benchmarks, which hides waste. Using value-added standards enables an organisation to identify waste and accelerate performance.

Most organisations rely on inappropriate benchmarks to guide their Lean projects. Typically, their benchmarks are established using standard, average or even historical processing times. This is problematic because those processing times inevitably include time spent on waste and non-value-add activities, such as bottlenecks, errors and rework.

By including this time in their benchmarks, organisations are essentially hiding daily inefficiencies, resulting in thousands of waste activities that are never identified, let alone resolved. Indeed, how can a front-line manager possibly determine what obstacles their team is facing if the time spent on waste (e.g. slow systems, poor typing skills) is included in the benchmarks? The answer is that they cannot. The benchmarks most organisations use only surface known problems and bottlenecks.

Organisations striving for true and continuous improvement base their benchmarks on ideal processing times. An ideal processing time represents the number of transactions a competent, well-trained staff member is able to process at a reasonable speed without any waste or errors. Benchmarking based on ideal processing times provides visibility on all sources of waste, including any previously hidden ones.



This practice also provides managers with an awareness of the gap between current and optimal performance, thereby enabling them to systematically remove waste and to move their teams closer to their true capability. Using ideal benchmarks also helps instil a culture of excellence, in which continuous improvement is a way of life.

REASON #3: **Underemphasis on management methodologies and behavioural change**

While most executives put considerable effort into ensuring that Lean metrics (e.g. efficiency, productivity, turnaround times) are established across the organisation, few realise just how crucial it is to embed the appropriate methodologies (e.g. forecasting, capacity planning) and behavioural changes deeply into the fabric of the organisation.

The result is that while the Lean metrics stay in place, the newly acquired Lean behaviours begin to unravel as soon as the project is completed and the managerial spotlight turns elsewhere. This eventually leads to the stagnation or even regression of performance that executives so dread.

The best Lean programmes focus on embedding Lean methodologies – not only Lean metrics – deeply across the organisation. They realise that metrics are important, but that ultimately it is how these metrics are used that leads to sustainable results.

It is crucial that the data generated from the various tools and metrics is used to engage staff at all levels of the organisation in a meaningful dialogue that initiates the collective removal of waste. Sustained improvement results rely crucially, if not explicitly, on affecting the company culture and the way that people behave.

CONCLUSION

There are several small, but significant, changes executives can make to their Lean programmes to increase the likelihood of sustainable improvement and productivity gains. A good place to start is to ensure that the project follows both a vertical and horizontal implementation strategy, that the benchmarks are calculated devoid of waste and non-value-add time rather than defaulting to averages, and that the appropriate behavioural change and management methodologies are in place. It is this combination that leads to sustainable improvement far beyond project completion.





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To meet our vision of being the partner that business leaders want to work with, we understand that a strong, experienced, effective and visionary team is needed, with the energy, commitment and drive to succeed. We deliver on our promise through our leading propriety methodology that combines business experience, technology and data analytics.

For more information on why Lean projects fail, contact your nearest Enlighten office.

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