

Building an Innovative Lean Enterprise



A
Strategic
and
Operational
Leadership
Audit Tool
for
Service
Organizations

A disciplined approach for leadership and organization development

Provides leaders and teams direction for mastering business fundamentals required for sustainable success

Targets becoming a customer-focused, people oriented, innovative lean enterprise

Builds a formidable competitive advantage by providing the Best Value for customers and all major stakeholder groups

Research indicates that worker engagement rates are appallingly low (about 25% is the world average) and that few companies have been able to achieve above average results for very long. We believe that's because few leaders have been able to integrate all the current wisdom into a concise, coherent and comprehensive framework for leadership and organization development and to passionately follow this framework to achieve sustainable superior results.

We believe the most crucial question is: Do you want to continue to deal with these issues piecemeal, or do you want to take them on systematically, to build an organization that becomes an engine for competitive advantage and sustained success? The return for such a systematic approach can be well worth the investment.

To Our Readers

Nearly every business leader is pursuing change initiatives to improve the cost, quality and delivery of the products and/or services they provide. A few of these leaders are pursuing a large number of initiatives as part of a more systematic approach to continuous improvement. Only a small minority are pursuing a disciplined systems approach as part of the cultural transformation need to become an Innovative Lean Enterprise.

An Innovative Lean Enterprise is an organization that has successfully integrated their people related processes, those needed to tap the full energy, creativity, synergy and commitment of all teams and team members, with a disciplined continuous improvement process to achieve a sustainable high level of performance. It is the ultimate engine for success.

This Innovative Lean Leadership Audit Tool focuses on Service Organizations and is intended to help educate leaders of the important elements that must be mastered to become an innovative lean enterprise, to provide a roadmap for the cultural transformation needed and to assess progress being made in a way to help channel resources toward achieving an ever-increasing rate of improvement.

Executives and managers with direct operational responsibility should physically tour facilities and all departments for which they are responsible, assessing current status relative to Ideal practices by shading corresponding circle quadrants, by column heading. The ultimate goal is for the entire organization to operate such that all circles are shaded. We believe that any organization that can achieve this condition will truly be a benchmark standard as a Lean Enterprise, an organization that is achieving a sustainable high level of performance. This is part of the never-ending process for perfection.

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1 Executive Champion



Ideal

A dedicated senior level executive champion, reporting directly to the CEO, is in place and brings a high level of passion, knowledge and experience to this role. Expert consultants are used mainly in an independent audit role to provide guidance and to help identify any changes needed to ensure the overall process is on track supporting the business becoming a benchmark standard for performance as a Lean Enterprise.

3

A dedicated high level leader, reporting directly to the COO, or head of operations, is in place and brings great deal of enthusiasm, knowledge and experience of this role.

Expert consultants are used mainly for educating leaders regarding their role and responsibility in leading a transformation to build a lean organization.

2

A dedicated leader, reporting to one of the functional leaders in operations, or head of a division, is in place and brings enthusiasm, some knowledge and experience in the area of lean. Consultants are used to both help identify and sometimes to lead specific improvement projects.

Traditional

The need for change is described in only very broad general terms along with broad general goals. There is little evidence of an understanding of a disciplined systems approach and there is little to no connection of the change initiatives with the strategic plan. There is virtually no evidence of the need to engage the team members in the change process and team members see the process more as a flavor of the month approach. Consultants are frequently used and team members see change as more happening to them compared to being pursued with them. Improvements made are frequently unsustainable.



2 Beliefs / Policy



Ideal

A commitment to become a Lean Enterprise operating at a benchmark standard level is in place and is widely experienced as being genuine. It is supported by a description of the cultural changes required and the effective deployment of this is clearly evident in both strategic and operational plans.

3

A disciplined systems approach directed toward achieving operational excellence is in place. Leadership regularly reinforces the need for change, along with the importance of teams and team members. It is Leadership that mainly drives the change process. Improvement goals are in place and integrated into both strategic and operational plans. While team members feel moderately engaged, the process for team development is only loosely connected to the process for operations performance

2

Leadership regularly emphasizes the need for change through continuous improvement. A number of change initiatives are being pursued. Goals are in place but not well integrated into strategic and operational plans. The change process is often driven more by consultants than management. Team members do not feel engaged in the process and do not understand how everything fits together for their benefit as well as the benefit of the company.

Traditional

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3 Organization Structure



Ideal

Leadership roles are well defined within functional departments. Leadership consistently responds to the team under his or her supervision and understands the requirements to ensure processes run smoothly using lean tools (annual planning, visual management, work standards, etc.). Leaders have sufficient problem solving and leadership training using team tools. Small, cross-functional group problem solving is operational throughout the organization.

3

Leadership is consistently aware and involved in keeping the lean processes operational. Leaders may or may not be trained in problem solving and problem solving leadership. The organization attempts to implement small group participation; however, the resolution of most large problems falls back to the leadership team.

2

Leadership positions are defined in title, but there is little understanding of actions and roles necessary to keep a lean process and supporting tools operational. There is not a full understanding of team support needed for a lean process.

Traditional

The organization may or may not have heard of lean. Lean is assumed to pertain only to manufacturing sectors. The understanding of lean systems, lean tools and lean applications relating to a service industry are viewed with skepticism.



4 Cascading Annual Planning



Ideal

A formal process for cascading strategic and annual plans to all teams is in place and being followed. Each department sees themselves as both a customer and a supplier in the system. Progress against these goals and plans are reviewed each month in a participatory manner. Team leaders review plans and subsequent results on a regular basis.

3

Each functional department adheres to a set of cascading annual plans, ultimately supporting a diverse cross-section of organizational goals. These improvement goals may or may not be aligned with goals promoting total organization success. Monthly reviews fail to identify and or eliminate progress variances as they relate to established goals. Team planning gaps block the achievement of total organization success.

2

Functional departments have established annual plans; however, the plans are not cascading and only support some organizational goals. Plan reviews are erratic.

Traditional

Annual planning is *ad hoc* and derived from a limited perspective or knowledge base. Executive and organizational goals are made available in a limited or erratic capacity. A comprehensive and integrated approach to formal planning reviews is rare and little is done at the end of the year to draw upon successes and failures to formulate future plans.



5 Value Stream Mapping / Process Flow Diagramming



Ideal

All team members trained, understand and participate in value stream mapping. Targeted areas are identified to provide improved performance, cost, quality, delivery and overall customer experience. Standard expectation measures are established for each organization department, thus focusing improvements.

3

Some, but not all departments participate in value stream mapping. Some, but not all departments have established value stream maps with measures. Value stream mapping participants focus on continuous improvements; however, such efforts are not universally supported. Leadership attempts to connect value stream maps with all organizational activities, but connections are not yet complete, comprehensive or effective. Standards and goals for service, performance, delivery, quality and cost are present and value stream mapping supports these standards.

2

The process of value stream mapping has been introduced to the organization; however, the effort has been put forth to achieve either the map or improvements derived from value stream maps. Leadership recognizes a need for change, but in a limited capacity, thus de-emphasizing a need for total organization value stream mapping. Service delivery and quality expectation standards are present. Cost control standards and initiatives are variable. The need for cost control standards and initiatives are not widely understood on a department basis.

Traditional

Process flow improvement initiatives are, at best, *ad hoc*. Leadership actively seeks technology breakthroughs to improve performance, quality, cost, service and delivery. Each functional department acts independently and no formal mapping is present.



6 Empowered Team Members



Ideal

Every team member understands his or her opportunity and responsibility to aid the organization's need to improve performance, quality, cost and delivery. Policies and procedures are in place that support a participatory process toward elimination of waste and promotes confidence in long-term job security as well as individual growth.

3

Processes for continuous improvement, job security and growth exist and function well. Methods of individually assisting the organization with waste elimination goals are not only present, but also understood by all the team members. Team leaders understand how to get involved; however, the entire system is viewed with a degree of skepticism.

2

The belief and corresponding statement, that team members are the greatest organizational asset is evident in every aspect of operation, including the mission statement as well as purpose and values statements. Most team members believe such statements are true; however, tools allowing team members to identify with the organization and have true influence on areas in which they work do not exist, most team members suggestions go on a list of items intended for management action.

Traditional

Any discussion of empowered team members is, at best, superficial, and little realization of the power that the people of the organization possess is achieved. The general belief is that team members are not willing or do not have the knowledge to help make the improvements needed. Most changes or improvements are identified and driven by management.



7 Participation Process



Ideal

There are at least three varying opportunities for team members to join a participative team, such as problem solving, suggestion system team, value stream mapping team, etc. The majority of the issues are derived from the annual planning process. Supportive functions such as human resources, finance, and operations are all aligned, fostering team participation throughout the organization. The CEO and executive leadership team actively support the participation process and are part of the recognition process.

3

There are at least three varying opportunities for team members to join a participation team, such as area work team problem solving, suggestion system team, value stream mapping team, etc. A majority of the issues are derived from the annual planning process. The process is still largely viewed as an individual functional department activity with little cross-functional team building.

2

There are monthly work team meetings. Problem identification and problem solving is erratically associated with annual planning goals. Support of cross-functional departments such as human resources, finance and operations are assigned on an as needed basis. The reward and recognition process is *ad hoc* in nature.

Traditional

The organization asks team members to participate and has attempted to set up at least one form of a participatory model. Monthly work team meetings are more of a communications time rather than a monthly performance to plan review. There is very little brainstorming and opportunity for improvement development.



8 Visual Management



Ideal

At all levels of leadership there is clear understanding of visual tools needed in support of meeting customer expectations for quality, delivery and cost. Support functions have adapted visual work standards and visual values streams to support organizational goals and requirements. There is a visual cascaded annual planning process present throughout the organization. Responses to any abnormality or variance conditions are understood and handled with appropriate urgency.

3

Visual tools are present at the operations level and used to meet customer expectations for quality, cost and delivery. Back room functions attempt visual work standards and visual stream maps; however, these are functionally focused, not organizationally focused. Support and understanding of visual tools from varying levels in the organization, are limited. Where used and understood there is a degree of urgency present in dealing with variances.

2

Some degree of visual management is present; however, there is little evidence of monitoring for actual performance or abnormalities. Visuals are more for management viewing and satisfaction rather than action or service improvements. Visually identified problems or variances intermittently warrant an urgent response.

Traditional

Only management and their direct teams understand current conditions and service status. There are very few or no visual indications of operations conditions or work standards. Normal versus abnormal customer expectations and or service standards are indistinguishable from a visual perspective. Functional support lacks visual management and tools.



9 Communication Process



Ideal

The understanding of lean as a tool for continuous improvement is fully communicated throughout the organization and the use value stream maps and other lean tools are clearly communicated and being used for improvement projects. Lean has been communicated as supporting both the mission for the organization and the cascading annual plans.

3

Lean philosophy and tools are understood organization-wide. While a tremendous amount of functional department activities use lean tools, these are not tied into the total value stream and may or may not be improving the condition of the entire organization.

2

Lean has been communicated as an expectation; however, each functional department is implementing lean tools with limited communications throughout the organization.

Traditional

Lean philosophy, policies and procedures have not been communicated nor any training established for visualizing the total value stream of the organization. Communications of lean have been that it is more of manufacturing plan and not applicable to the service industry.

| Business Unit Workplace |  | | | | | | | | | |
|-------------------------|---|---|---|---|---|---|---|---|---|--|
| 1. | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | |
| 2. | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | |
| 3. | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | |
| 4. | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | |
| 5. | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | |
| 6. | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | |
| 7. | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | |
| 8. | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | |
| 9. | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | |
| 10. | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | |
| Total Company Average | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | ⊕ | |

Roadmap Sign Definitions

- 1) **Policy** Statement of commitment, rationale and general expectations
- 2) **Executive Champion** The most senior executive who brings passion, knowledge and experience to the development, deployment and performance management of the process
- 3) **System Design** Easy to understand pictorial representation of the process
- 4) **Execute** Education, deployment and performance management
- 5) **Scanlon Principles** **IDENTITY, PARTICIPATION, EQUITY AND COMPETENCE**
 - **IDENTITY:** *distinguishing characteristics that differentiates an individual, team or organization from others. There are four distinct components:*
 - *Purpose* Reason for being that guides and inspires
 - *Reality* The implications of the environmental and SWOT analysis that align the need and objectives for change.
 - *Right Job* Business definition (What business do you want to be in?)
Vision (What do you want to become in this business?)

Strategy (Approach for focusing on critical success factors to realize your vision)

Strategic Objectives (Measurable objectives covering 3-5 yr period)

Annual Objectives (Measurable objectives for the year)

- *Job Right*
 - Deployment of Right Job to all teams in a way that achieves complete alignment
 - Develop and implement an effective performance management system

- **PARTICIPATION** *Providing people and teams the opportunity to achieve synergy and ownership toward achieving objectives*

- **EQUITY** *Providing fair and balanced return for all major stakeholder groups and resolving internal issues in the spirit of fairness to all.*

- **COMPETENCE** *Personal, Professional, Organizational*

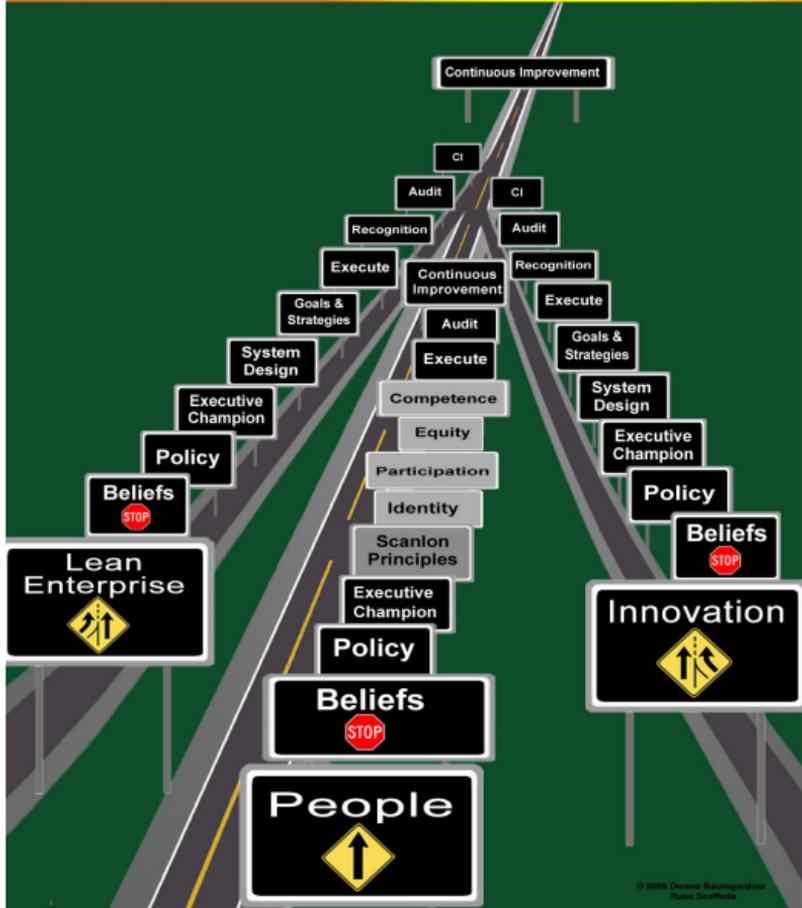
6) **Audit** Use outside experts for each major process to assess overall progress and identify areas for continuous improvement

7) **Continuous Improvement** Process of focusing on high impact areas identified with the audits with the goal of becoming excellent practitioners of People, Innovation and Lean Enterprise processes as fast as possible

Roadmap for Building Best Value

The Only Three Processes That Matter
Every Milestone Needs to be Mastered

Sustained Success
Shareholder Value Employee Security & Growth
Customer Satisfaction Growth Profitability
Competitive Advantage
Best Value



Premise

Everyone wants to make a difference in work and life and to be part of a winning team.

Winning requires a compelling competitive advantage, used well.

The strongest competitive advantage is consistently providing all major stakeholder groups (customers, employees, investors, suppliers, communities) with Best Value.

The three principle processes that drive Best Value are:

- 1) ***Innovation*** the process for rapidly identifying and implementing both incremental improvements and quantum leap forward advances for products, processes and the business model
- 2) ***Lean Enterprise*** the process for improving cost, quality and delivery by eliminating waste through continuous improvement and optimizing all value chains
- 3) ***People*** the process for tapping the full energy, creativity and commitment of all the people, both individually and collectively, toward building a compelling competitive advantage as a customer-focused innovative lean enterprise

The Leadership Roadmap

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