

Flatlined - Why Lean Transformations Fail and What to Do About it

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Chapter 1 Why Companies Have Flatlined

- Companies that are making money don't have an incentive to improve their process.
- Same as professional athletes, lean transformation requires **discipline**.
- Lean is used as a tool to get short-term results instead of focusing on the process and **long-term transformation**.
- Doing lean in non-strategic areas doesn't move the needle.
- Lean is not only for the shop floor but for the whole organization. Using a value stream mapping reveals that problems may come from other areas of the organization.
- Point kaizen improves a single function or target area, it has a low impact on results.
- **Leaders are not fully invested** nor actively involved enough in the lean transformation.

Chapter 2 The Solution in Five Steps

- Lean principles apply to any kind of business. There is waste in the traditional thinking and practices we inherited. Lean is a growth vehicle for the organization.
- **Default to the basics** of lean for results: heijunka level scheduling, standard work, kaizen, just in time, jidoka, and SQDC hierarchy.
- Lean goes hand to hand with business strategy deployment. Align your lean transformation with your strategy.
- The whole organization should adopt lean thinking with kaizen, not in some areas but in the structure and operations.
- Use lean principles to evolve your company's culture. You will need lean leadership in the right place to challenge the status quo.

Chapter 3 Step 1: Shift the Lean Mindset for Sustainable Results

- The **lean trilogy**: for long-lasting results, the lean strategy should consider **the employee, the customer, and the shareholder**.
- Focusing on reducing costs to satisfy the shareholder may have a positive impact in the short term but may reduce employees' motivation.
- The employee will not cooperate and do kaizen if management plans to reduce headcount.
- The customer will love you to reduce the price but it may put at risk the financial stability of the company.
- **Tradeoffs** are necessary to optimize the three stakeholder's interests.
- The "we're different" mentality: it is an excuse for managers to refuse to change. You are not Toyota but you can still apply the lean principles in any business.
- Lean as a growth vehicle: by improving quality, on-time delivery, and lead time, you will gain some competitive advantages other than cost to get some market shares.
- **Six Sigma is a statistical tool** that has its place along with lean but it should be used when suitable.
- Six Sigma takes longer to collect data and accepts 3.4 defects per million which are against the zero-defect philosophy in lean.
- Only Six Sigma experts understand Six Sigma while lean asked for everyone to contribute to the continuous improvement process.

Chapter 4 Step 2: Default Back to the Basics

- The foundation of true lean is heijunka, standard work, and kaizen.
- **Heijunka** is a process to level-load the production schedule over a predetermined time horizon.
- Strive to get a one-piece-flow, if too difficult, do a pull system, but never a push system.
- **Standard work** defines the interaction of people and their environment when processing a repetitive product or service. You can improve upon this standard.
- The **takt time** is the rate that the customer is placing orders on a particular operation.
- By respecting the takt, you can produce without building inventory or doing overtime.
- If one process is exceeding the takt time, we don't blame the person but the process.
- The **standard work sequence** is the order the operator has to perform his tasks.
- **Standard work in process (WIP)** is the amount of inventory necessary to keep in the process that will allow the operator to continue operating within the work sequence.
- **Kaizen** is continuous improvement in Japanese on small and/or strategic initiatives.
- **Just in time** is producing what is needed, when it is needed and in the quantity needed.
- **Jidoka** is when a machine is capable of stopping by itself when there is a defect or malfunction and alerting the operator.
- Prioritize according to **SQDC**, Safety, Quality, on-time Delivery, and Cost.
- **Relate back to real life.** Produce what is needed, it is a waste to stock in inventory what is unnecessary to optimize machine utilization.

Chapter 5 Step 3: Align Your Lean Transformation with Strategy

- **The strategy deployment process** is a methodology to deploy key improvement initiatives aligned with your strategy.
- At Jake Brake, they reduced the product development cycle from 72 months to 18 months by focusing their kaizen strategy on SMED to reduce changeover time.
- **Top management should prioritize** profitable growth/operational improvement/financial improvement or a mix of the three instead of working on too many non-strategic initiatives.
- The first step is to map the strategy and how the organization is connected. Then, empower the teams to define the problems, make decisions and implement the solutions.
- Using PDCA Plan-Do-Check-Act to solve problems locally, not to explain why it fails.
- While strategy deployment focuses on key initiatives by multifunctional teams, **daily management** manages and improves daily metrics.
- With a robust daily management system, management has more time to work on strategic priorities.
- Being above average competitors in performance is not acceptable. One must **benchmark with world-class standards**.
- Disrupt the status-quo by learning the standards from the best in the other industries.
- World-class benchmark is relative, you can be the best this year and become average next year.
- **Breakthrough** happens when leaders overcome their fear around attempting them, when you don't know how to do it yet, and it's a cross-functional team effort.

Chapter 6 Step 4: Make Lean an Enterprise Endeavor

- **Point Kaizen** is necessary for lean transformation but it is not enough to change the organization.
- Senior leaders must have a high degree of lean IQ to **transform the organization as a whole**.
- All functions and managers should be willing to conduct business in the lean way.
- **Value stream management** is: "a grouping of all the processes necessary to bring a product or service from its raw state to a finished product or service that is profitable saleable to a customer."
- With value stream management, all the departments work together and share the resources to serve the customer.
- **Muri** (unevenness) and **mura** (unreasonableness) are generated by policies set by management.
- The 7 wastes of **muda** (motion, inventory, overproduction, defect, transportation, walking, over-processing) are eliminated by point kaizens in the operations.
- Management needs to understand muri, mura and muda to eliminate them at all levels of the organization.
- **Lean accounting** is applying lean principles to accounting.

- Absorption accounting, purchase price variance, and traditional capital justification promote the wrong behaviors.
- Producing more units to reduce the cost of fixed overhead per unit doesn't really lower the cost. Cost is transferred into the inventory.
- Purchasing more stocks to get a discount is also wrong if the stock is not used and becomes obsolete inventory.

Chapter 7 Step 5: Use Lean Principles to Evolve Your Company's Culture

- Lean culture is not a slogan, it must be seen in action and employees' behaviors.
- The **CEO has a crucial role** in leading the lean transformation.
- Is the CEO invested in the transformation? Does he believe in the benefits of lean on the organization?
- The CEO should empower lean leaders in each business unit to spread the word and practices in the whole organization.
- Lean leaders should **go see, ask why, and show respect**.
- **Go see** means going to the gemba where the work gets done so he can understand the situation.
- **Ask why** means management is asking the right question daily to realize the problem.
- **Show respect** is committing not to reduce headcount when there are improvements, providing tools and training so the people can perform their tasks effectively, and cultivating a blameless environment.
- Around **10% of the organization will be naysayers**. Give them a chance to change. If they refuse to adopt the lean culture, you may have to remove them even if they are skilled.
- **Challenge the status quo** by questioning the practices and the "we have always done this way"
- **Delegate problem-solving** to those closest to the work. Provide the tools and training so they can solve the problems.

Chapter 8 Conclusion

- There is **no quick answer for lean**. Automation and ERP are valuable if thought carefully. Lean doesn't replace your business strategy.
- Lean is more than appearance (clean shop floor, metrics on a wall,...), it is a **mindset**. Being lean is focusing on the right problem.
- A good lean leader is ready to learn, is involved, and is committed.