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# Leaders lost in transformation

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## Abstract

**Purpose** – To examine why most Lean transformations achieve only modest favorable results, despite years of effort.

**Design/methodology/approach** – Comparative/evaluative discussion of efforts made by senior managers to implement the Lean management system, with commentary on a published example.

**Findings** – Presents common obstacles and identifies common implementation errors that must be avoided in order to realize the full benefits of the Lean management system.

**Research limitations/implications** – Illustrates the ease by which Lean transformation efforts can lead to less desirable outcomes when senior managers fail to fully grasp the implicit and explicit aspects of both task and behavioral elements of a new management system.

**Practical implications** – Provides specific suggestions that will enable senior managers and organizations to achieve improved outcomes.

**Originality/value** – Identifies numerous common errors made by senior managers, the rationale for why the errors have occurred, and suggests improvements for implementing the Lean management system.

**Keywords** Continuous improvement, Leadership, Transformational leadership

**Paper type** General review

## Introduction

Beginning in the late 1980s, senior managers of manufacturing businesses started to become familiar with Toyota Motor Corporation's unique management principles and practices, principally through benchmarking reports, site visits, and business books (Ohno, 1988; Womack *et al.*, 1990; Monden, 1993; Womack and Jones, 1996). More recently, senior managers of service businesses have also become familiar with Toyota's management principles and practices and have begun to implement them as well (Bowen and Youngdahl, 1998; Goland *et al.*, 1998; LEI, 2003; Swank, 2003; Emiliani, 2004a,b, 2005; PRHI, 2004; Wysocki, 2004). Toyota's management principles and practices are known by various names including: "Toyota Production System", "Toyota Management System", "Lean Manufacturing", "Lean Production" or "Lean Management System". The term "Lean Management System" is used in this paper because it is a comprehensive system of management applicable to any organization – for-profit, non-profit, or government. The term "Lean principles and practices" is used in this paper to describe the application of selected parts of the Lean management system by senior managers.

The Lean management system as it is known today did not start out that way. It has evolved purposefully over time, starting in the mid-1930s, with elements of the management system dating to the late 1800s (Toyota, 1988; Kimoto, 1991). It borrowed key concepts and practices developed by Henry Ford and Charles Sorenson (Sorenson, 1956; Ford, 1988; Ohno, 1988), as well as Frederick Taylor (Taylor, 1967). It was driven



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forward by management practitioners, in alignment with Toyota's corporate purpose (Basu, 1999), anchored in key principles (Ohno, 1988; Toyota, 2001; Emiliani *et al.*, 2003), and by applying the scientific method to the day-to-day practice of management (Spear and Bowen, 1999; Toyota, 2001):

- observe a phenomenon;
- formulate a hypothesis to explain the phenomenon;
- conduct experiments to prove or disprove the hypothesis; and
- reach a conclusion that validates or modifies the hypothesis.

Senior managers become interested in adopting Lean principles and practices because it results in many benefits, including: higher quality products and services, increased market share, margin expansion, revenue growth, higher productivity, better customer focus, faster response to changing market conditions, and higher asset efficiency. Importantly, a key focus of Lean is time and how time is used, with the intent of improving responsiveness to customers and ensuring that associates' lives are not being wasted while at work doing unnecessary things (Minoura, 2002). Leaders that understand and practice Lean well create formidable businesses that compete on the basis of time because information (e.g. parts, documents, data, verbal communication) flows with fewer or even no interruptions (Fujimoto, 1999; Emiliani *et al.*, 2003).

The purpose of this paper is to examine why most Lean transformations achieve only modest favorable results. It contributes to the literature by identifying numerous common errors made by senior managers, the rationale for why the errors have occurred, and suggests improvements when implementing Lean principles and practices. Companies that implement these improvements will realize a stronger competitive position, to the benefit of all stakeholders – including investors. But to do so will require senior managers to develop new beliefs (Emiliani, 2003a) and learn new processes and tools, some of which will be at odds with what they previously learned on-the-job or in business school (Emiliani *et al.*, 2003; Emiliani, 2004a; Spear, 2004).

### **Lean management system**

Lean is a management system designed to be responsive to the needs of humans in business and deliver better outcomes for key stakeholders such as associates, suppliers, customers, investors and communities (Toyota, 2001; Emiliani *et al.*, 2003). It is rooted in two key principles – “continuous improvement” and “respect for people”, as shown in Table I. The “continuous improvement” principle embodies the tools and methods used to improve productivity. The “respect for people” principle embodies leadership behaviors and business practices that must be consistent with efforts to eliminate waste and create value for end-use customers (Emiliani, 1998a, 2004b; Emiliani *et al.*, 2003).

The Lean management system has two primary objectives: “eliminate waste” and “create value for end-use customers,” as shown in Table I. Waste is defined as any activity that adds cost but does not add value as perceived by end-use customers (Ohno, 1988; Womack and Jones, 1996). An end-use customer is the person that pays for and uses a product or service. Often, the person that pays for the product or service is different from the person that uses it. In that case, the value proposition is defined by both the buyer and the user.

**Table I.**  
Key lean principles and objectives

		Explanation
<i>Lean Principles</i> Ohno (1988) and Toyota (2001)	Continuous improvement	Day-to-day activities performed to improve business processes in response to changing market conditions. Called “kaizen” in Japanese, which literally means “change for the better” (multi-lateral sense), and is often interpreted as “continuous improvement.” Utilizes specific processes and tools to achieve improvements
	Respect for people	People (i.e. stakeholders such as associates, customer, suppliers, investors and the community) are valuable resources to which a business owes its existence. Disrespecting people creates waste
<i>Objectives</i> Ohno (1988)	Eliminate waste	Eliminate activities and behaviors that add cost but do not add value as perceived by end-use customers. The original seven wastes are (Ohno, 1988): overproduction, waiting, transportation, processing, inventories, movement and defects. The eighth waste is behaviors (Emiliani, 1998a). Waste is called “muda” in Japanese. Important related concepts are the elimination of unevenness (“mura” in Japanese), and unreasonableness (“muri” in Japanese)
	Create value for end-use customers	Focus on the value-creating activities that end-use customers desire

The Lean management system is supported by simple processes and tools that help associates eliminate waste and consistently deliver the value that customers seek in the products and services they buy. Some of the key processes and tools that are used are presented in Table II (Imai, 1997; Rother and Shook, 1999; Emiliani *et al.*, 2003). The intent of these processes and tools is to simplify work and the workplace, improve quality, reduce lead-time, and focus people on performing only those activities that create value. Importantly, they also help people realize their full potential and actualize innate desires to make positive contributions to the workplace.

Lean is distinctly different from conventional, or “batch-and-queue” (B&Q) business practices (Womack *et al.*, 1990; Monden, 1993; Womack and Jones, 1996; Emiliani, 2000; Emiliani *et al.*, 2003). B&Q means that materials are processed in large batches, which result in long queue times between operations. While the term B&Q originated in manufacturing, the conventional way to deliver services is also B&Q – e.g. processing information, documents, etc. in large batches, which again results in long queue times (Panchak, 2003; Swank, 2003; Corrie, 2004; Wysocki, 2004). B&Q processing – whether it is materials or information – has many serious deficiencies including long lead-times, lower quality, higher cost products or services, customer dissatisfaction and poor information flow (Womack and Jones, 1996; Bowen and Youngdahl, 1998; Goland *et al.*, 1998; Spear and Bowen, 1999; Brady, 2000; Barron, 2000; Emiliani *et al.*, 2003; Swank, 2003; Tapping and Shuker, 2003; Wysocki, 2004).

Companies that abandon B&Q practices and adopt Lean principles and practices across the enterprise are characterized as undergoing a “Lean transformation”. While thousands of companies worldwide have been engaged in the Lean transformation for five to ten years or more, most have achieved only modest levels of improvement – typically in only one part of the business such as operations (Womack and Jones, 1996;

Lean process or tool	Explanation
Five Ss	Stands for: Sort, Sweep, Straighten, Shine, Sustain. Important for establishing an organized workplace
Just-in-time	Subsequent operation acquires parts (or information) from the preceding operation when needed, in the quantity needed
<i>Kaizen</i>	Literally means “change for the better;” also interpreted as “continuous improvement.” Process used to identify and eliminate waste
Lean behaviors	Applying Lean principles and tools to improve leadership behaviors and eliminate behavioral waste (Emiliani 1998a, 1998b)
Load smoothing	Called “heijunka” in Japanese. Used to smooth fluctuations in customer demand
Percent loading chart	A one-page diagram depicting the cycle time between operations or workers compared with the rate of customer demand. Helps identify workload imbalances
Policy deployment	Called “ <i>hoshin kanri</i> ” in Japanese. A process used to connect corporate strategy to key objectives and resources, including daily activities across functions
Quality function deployment, (“voice of the customer”)	A process used to incorporate the wants and desires of intermediate and end-use customers in the design of goods and services
Root cause analysis	Methods used to determine the root cause of a problem and identify countermeasures to avoid repeat occurrences. Key tools are “5 Whys” (asking why five or more times until the root cause of the problem is discovered) and fishbone or cause-and-effect diagram
Standard work chart	A one-page diagram showing the sequence in which work is performed
Takt time	The rate of customer demand. Used to establish a direct link between marketplace demand and workplace activities
Total productive maintenance	A program used to ensure that equipment is in good operating condition and available for use when needed
Value stream maps	A one-page visual representation of material and information flows. Used to identify improvement opportunities and eliminate waste
Visual controls	Signs and other forms of visual information used to simplify the workplace and make it easy to recognize abnormalities

**Table II.**  
Lean processes and tools

Swank, 2003; Womack, 2004b). Why is that? Should not the success stories be more plentiful, given the length of time that people have been learning and applying Lean principles and practices?

Unfortunately, most senior managers currently understand and practice Lean as a set of tools – simple add-ons to conventional B&Q business practices – and also view Lean as a way to reduce labor costs, typically through layoffs (Post and Slaughter, 2000; Varnon, 2003; Womack, 2003). Thus, the term “Lean” has for many workers become synonymous with bad outcomes such as layoffs – e.g. layoff every associate now. Further, senior managers implementing Lean principles and practices typically fall prey to an abundance of misunderstandings and misconceptions about Lean and usually misapply some or all aspects (Spear and Bowen, 1999; Emiliani *et al.*, 2003; Smart *et al.*, 2003; Swank, 2003; Dyer and Hatch, 2004; Womack, 2003, 2004a; Spear, 2004), which impedes Lean transformation efforts.

In general, most people practicing Lean today possess a coarse understanding of Lean (i.e. tool-based), rather than fine or detailed understanding of Lean principles and practices. As a result, they often miss its intent and nuances such as:

- Lean is a stakeholder-based system of management, not a management practice that favors shareholders over all other stakeholders (Toyota, 2001; Emiliani *et al.*, 2003).
- Senior managers that define the corporation's purpose as "to maximize shareholder value" – in the literal sense (typically short-term) – is incompatible with the Lean management system because it forces zero-sum tradeoffs among key stakeholders and creates waste (Okuda, 1999; Kunio, 2000; Emiliani, 2003b; Morimatsu, 2003). The Lean management system requires senior management to adopt a corporate purpose that balances both human and economic objectives (Basu, 1999; Johnson and Bröms, 2000; Toyota, 2001; Emiliani *et al.*, 2003).
- Negative cutting, such as layoffs, is not the intent of the Lean, as it causes wasteful imbalances. Instead, the focus is positive improvement and stable long-term growth (Toyota, 2001).
- The Lean management system is rooted in key principles that apply to every business process (Emiliani *et al.*, 2003; Tapping and Shuker, 2003; Womack, 2004b).
- The Lean management system is designed to help workers realize their full potential (Emiliani *et al.*, 2003; Spear, 2004).
- Lean principles and practices are learned on-the-job; possessing only a basic intellectual understanding of Lean is insufficient (Spear and Bowen, 1999; Liker, 2004; Spear, 2004).
- The "respect for people" principle is the key to making the Lean management system work (Emiliani, 1998a; Toyota, 2001; Emiliani *et al.*, 2003).

Since these points are not widely understood among Lean management practitioners, it is not surprising that associates or other key stakeholders, such as suppliers, customers, or investors will experience negative outcomes. For example, most senior managers implement only "continuous improvement", and do not implement both "continuous improvement" and "respect for people". If they see it at all, "respect for people" is incorrectly understood as adding cost, when in fact it reduces costs (Johnson and Bröms, 2000; Emiliani *et al.*, 2003). As a result, most businesses – and their end-use customers – fail to realize the benefits of the Lean management system (Womack *et al.*, 1990; Nishiguchi, 1994; Dyer and Nobeoka, 2000; Emiliani *et al.*, 2003; Dyer and Hatch, 2004; Spear, 2004). In effect, they are lost in transformation.

While many organizations have high levels of awareness of Lean (Shingo, 2004), most senior managers lack detailed knowledge of Lean principles and practices (Spear, 2004), and they do not recognize it as a management system. As a result, most senior managers overstate their company's Lean capabilities and progress (Liker, 2004). This is consistent with their limited understanding of Lean, the common tendency to mix Lean and non-Lean business practices and metrics, and lack of direct participation in continuous improvement activities – called "*kaizen*" in Japanese (Emiliani *et al.*, 2003; Spear, 2004). The good news is that more manufacturing businesses are beginning to apply Lean principles and practices to processes other than in operations, such as

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engineering, procurement, or accounting, but not yet to human resources, information systems, legal, sales, marketing, etc. and senior managers at many services businesses are beginning to realize that Lean principles and practices also apply to their business – though mainly in operations.

### Lean transformation challenges

A recent survey by the Lean Enterprise Institute Inc. reported the “State of Lean”, based on data from 999 respondents (LEI, 2004). Only 4 percent of respondents characterized their progress as “advanced”, while 46 percent characterized their Lean implementation efforts as “early”. The report identified the following “common obstacles” related to the respondents’ Lean implementation efforts:

- backsliding to the old ways of working – 36 percent;
- lack of implementation know-how – 25 percent;
- lack of a crisis to create a sense of urgency – 24 percent;
- a traditional cost accounting system that does not recognize the financial value of shop-floor improvements – 22 percent;
- resistance by middle management – 21 percent;
- regarding Lean as the “flavor-of-the-month” – 19 percent;
- failing to remove “anchor draggers” who oppose change – 18 percent;
- resistance by hourly employees – 11 percent;
- resistance by supervisors – 10 percent; and
- failure of past Lean projects – 6 percent.

The data indicate that there are many obstacles, and that most companies have great difficulty implementing Lean principles and practices. Their ability to achieve a Lean transformation across the enterprise is severely limited by the implementation process normally used by companies, and often advocated by consultants (Swank, 2003). It is also limited by the current level of knowledge possessed by the people leading and participating in the Lean transformation.

Our research identifies the following 11 common errors that senior managers make when implementing Lean:

- (1) *Management system.* Senior managers typically understand Lean as a “manufacturing thing”, and not as a comprehensive management system. Thus, the application of Lean principles and practices is limited to only a portion of the company’s activities such as operations. The rationale for doing so is faulty since there is waste in every business process (Emiliani *et al.*, 2003; Fiume and Cunningham, 2003; Womack, 2004b).
- (2) *Leadership behaviors.* These remain deeply rooted in B&Q thinking, which greatly conflicts with efforts to implement Lean principles and practices (Emiliani, 2003a). In other words, senior managers often exhibit wasteful behaviors (Emiliani, 1998a), while at the same time telling workers to eliminate waste. People notice this inconsistency, and silently question senior management’s commitment to Lean.

- (3) *Leadership participation.* Every senior manager says they support Lean, but in reality most believe they should be doing other things, or claim they are too busy to get involved with continuous improvement activities – either as team leaders or as team members. The lack of personal participation in improvement activities sends the message that Lean implementation is the job of lower-level workers, and that senior managers do not have to get involved. As a result, senior managers miss important opportunities to deepen their understanding of Lean principles and practices (Spear, 2004). It is another source of inconsistency that results in questions about senior management’s commitment to Lean.
- (4) *Management turnover.* It is impossible to achieve a Lean transformation with high management turnover. Senior managers that come and go every few years do not effectively learn the Lean management system, or they introduce tools, methods, or metrics that conflict with Lean principles and practices. In cases where the Lean transformation has been most successful, there is long-term stability in senior management (Emiliani *et al.*, 2003).
- (5) *Business metrics.* Financial and non-financial metrics usually remain rooted in B&Q thinking, which conflicts with efforts to implement Lean principles and practices (Emiliani *et al.*, 2003; Fiume and Cunningham, 2003; Maskell and Baggaley, 2003). Companies will show-off beautiful continuous flow work cells, but which are unfortunately measured two ways: the rate of customer demand and “earned hours”. Invariably, the metric that matters most is that which is related to the budget, earned hours, thus trumping efforts to respond to actual customer demand. This violates the “respect for people” principle – specifically, respect for employees, suppliers, customers and investors.
- (6) *Layoffs.* The result of productivity improvement is often unemployment. This action undercuts the desire of the remaining people to participate in future improvement activities. Not surprisingly, the pace of improvement is greatly slowed. This is also the major reason why companies experience “backsliding to the old ways of working”. Layoffs due to productivity improvement are inconsistent with Lean because it violates the “respect for people” principle (Ohno, 1988; Okuda, 1999; Toyota, 2001; Emiliani *et al.*, 2003; Womack, 2003).
- (7) *Strategy integration.* In most cases, Lean activities do not directly link to corporate strategy and goals. Kaizen is often applied haphazardly; fantastic improvements are achieved in activities that only provide “local” benefits, not system wide gains or benefits to its end-use customers. Some companies are beginning to address this by using “policy deployment” – called “*hoshin kanri*”, in Japanese (Akao, 1991).
- (8) *Total cost.* Senior managers typically do not understand the “total cost” of a purchase – just purchase price. They use purchasing tools that are inconsistent with Lean principles and practices such as economic order quantities and online reverse auctions (Emiliani, 2004c). Price-based metrics such as purchase price variance (PPV) promote destructive power-based bargaining with suppliers (Nishiguchi, 1994; Emiliani *et al.*, 2005). This makes it very difficult to apply best practices with suppliers, such as collaborative problem-solving (Womack *et al.*, 1990; Dyer and Nobeoka, 2000; Dyer and Hatch, 2004).

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- (9) *Time horizon.* It is common today among senior managers of publicly owned businesses to be focused on the short term. While most senior managers say they care a lot about the future of the company, they instead support business practices, metrics and behaviors that actually reduce competitiveness over time. The Lean transformation requires management to focus on the long term (Toyota, 2001; Emiliani *et al.*, 2003; Liker, 2004), without losing sight of important short- and mid-term goals.
- (10) *Focus.* Senior managers of many publicly owned businesses are obsessively focused on shareholders, and usually make decisions that come at the expense of other stakeholders such as employees, suppliers, or local communities. It is impossible to achieve a Lean transformation with shareholders as the singular focus. Instead, managers must balance the interests of key stakeholders (Toyota, 2001), which in turn yield better results for shareholders (Emiliani *et al.*, 2003). Successful Lean transformations have a proper focus on end-use customers, which are the primary source of cash flow that investors care most about.
- (11) *Supply chain.* It is difficult for suppliers to practice Lean effectively if their customers do not. Applying Lean throughout a supply chain requires the sponsorship and participation of large buying organizations that correctly apply Lean principles and practices to their own internal activities (Nishiguchi, 1994; Dyer and Nobeoka, 2000; Dyer and Hatch, 2004). Most companies practice variations of Lean that contain many flaws, thus making the “train-the-trainer” approach to implementing Lean in supply chains ineffective. Managers who are serious about Lean quickly abandon power-based bargaining and price-based purchasing metrics.

Without question, there is much room for improvement. Senior managers that do not understand the Lean management system, its intent, and its nuances are not bad people. Nor are they hopeless “concrete heads”. Rather, most are valuable resources that can be shown how to improve their leadership and business skills if they are willing to learn new things. The Lean management system is a carefully designed way to manage a business and balance the interests of key stakeholders. Implemented correctly, it makes work fun, exciting, and much more fulfilling. It also leads to the kinds of favorable business results that senior managers seek.

### **Jefferson Pilot Financial’s experience**

*Harvard Business Review* recently published an article featuring Jefferson Pilot Financial’s Lean implementation efforts (Swank, 2003). This article, and many others like it are heralded as great examples of Lean implementation. Most people who read the article judge the manner in which Jefferson Pilot Financial introduced Lean principles and practices to be quite reasonable. But is it really? Instead, we see a well-worn functional approach to improvement that does not deliver enterprise-wide benefits which end-use customers value. Jefferson Pilot Financial’s approach to Lean implementation contains many errors. These include:

- *Lack of CEO participation.* The CEO did not personally participate in continuous improvement activities. This typically conveys to people that participation by the CEO (and the rest of the senior management team) is not needed. It usually

also indicates that the CEO is not really interested in Lean, and does not understand Lean as a management system for the entire organization.

- *Small-scale activity.* Initial implementation occurred in only one part of the organization (operations), and on a very small scale. This typically conveys to people outside of operations that Lean is an “operations thing”, and that they do not need to participate or bother learning about Lean. It also indicates to people that being Lean in operations alone is good enough to gain competitive advantage.
- *Avoiding disruption.* Lean was implemented only in operations to avoid disrupting the organization. This conveys to people that Lean should not be disruptive, when in fact improvement should be disruptive. Among other things, this helps people quickly understand the massive amount of waste that exists in all business processes.
- *Lack of cross-functional participation.* The “Lean team” was small – five people, three of whom were consultants – and not cross-functional. This conveys to people that Lean is mainly the job of consultants, or that only the people doing the work in that area are qualified to identify ways to improve workflows. Kaizen teams are usually larger and contain people from upstream and downstream processes. People from outside the department invariably offer valuable insights and also learn many important new things.
- *No-blame policy not established.* Posting metrics (performance vs goal) on white boards is standard practice in Lean management for real-time visibility into the performance of the system – not for blaming people. In a Lean transformation done right, the CEO establishes and adheres to a no-blame policy so that people at all levels will feel comfortable participating in kaizen and learning new Lean principles, processes and tools (Toyota, 2001; Emiliani *et al.*, 2003).
- *Confusion over who is the customer.* Jefferson Pilot implemented Lean in order to better serve its independent life insurance advisors (also called “distributors”, “producers,” “sales reps”, or “brokers”). The common view among life insurance company executives is that independent life insurance advisors are their customers. However, advisors themselves are not the source of future cash flows – the policyholder is. Advisors are a cost, with the first year or two of premiums being paid to the advisor. From a practical standpoint, both advisors and policyholders define the value proposition. The challenge is to expand the value proposition for both, not for one or the other. Most policyholders, if asked, would like to obtain better life insurance coverage for less money. Lean management implemented correctly in the life insurance business will lower costs, which will translate into better value for policyholders.
- *Choice of words.* The choice of words used in the article tells a lot about how managers think about Lean, and this in turn will influence how readers think about and practice Lean. Characterizing Lean as an “initiative” or “project” usually indicates to people that Lean efforts will last a fixed period of time, say two to four years. Lean is better characterized to as a “journey” because there is no end to improvement. The words “optimal design” indicate to people that there is one best solution, and thus conflicts with the continuous improvement principle. The word “tools” indicate to people that Lean is just that – a bunch of tools. Instead, Lean is a

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management system rooted in key principles (continuous improvement and respect for people), with key objectives (such as create value for end-use customers, stable long-term growth, balance/harmony and innovation), supported by processes and tools (such as kaizen, quality function deployment, standard work, root cause analysis, total productive maintenance, etc.).

- *Reason for implementing Lean.* For most senior managers of large corporations, the main reason is to increase earnings through cost reduction – and thus increase stock price. This conveys to people that Lean is just another tool in the manager’s tool kit to cut costs. Improved financials are a byproduct of improving the non-financial performance of value streams (Rother and Shook, 1999; Emiliani, 2001; Maskell and Baggaley, 2003; Emiliani *et al.*, 2005). Non-financial measures are the focus of work cell-level Lean metrics. Importantly, having a purely financial view of the benefits of Lean undercuts the respect for people principle and does not help people focus on improving business processes.
- *Using games to teach Lean.* Jefferson Pilot used the “Airplane Game”, a simulation that teaches certain fundamental Lean principles and practices. While this and other types of Lean simulations are popular, Lean businesses do not use them because they do not:
  - (1) develop people’s capability to observe and discern between value-added work, non-value added but necessary work and waste in actual business processes;
  - (2) eliminate waste in actual business processes;
  - (3) create value for end-use customers; and
  - (4) change people’s belief system.

In short, they do not create conditions for valuable “double-loop” learning in the actual work environment (Emiliani *et al.*, 2003). Kaizen is the preferred day-to-day teaching method, not one-off games:

- *Qualified job guarantee not established.* Labor costs were reduced by 26 percent. What happened to the people? Did senior management offer all associates a “Qualified Job Guarantee” – i.e. nobody will be laid off as a direct result of their participation in continuous improvement activities (Emiliani *et al.*, 2003)? If no “Qualified Job Guarantee” was given, then this undercuts the respect for people principle.

These errors, while common, are not caused by bad intentions. Rather, they are due to a lack of awareness of improved practical Lean implementation methods, the difficulty that most senior managers have discerning between Lean and non-Lean principles and practices, and underestimating the ease with which confusing mixed messages can be delivered.

### Senior management job searches

As the benefits of Lean principles and practices become more widely known among senior managers, it is common to find companies engaged in Lean for two to five years seeking to hire mid-and senior-level managers with Lean implementation experience. The job descriptions written by hiring companies and search consultants offer interesting insights into the current thinking with regard to roles and responsibilities,

and what it takes to successfully lead a Lean transformation. While most people would find the job description reasonable, close inspection reveals many problems. The following is a typical example of a vice-president-level job search announcement that seeks candidates to lead the creation of a Lean enterprise (LSA, 2004). The descriptions are followed by commentary highlighting the lack of knowledge and misunderstandings possessed by hiring companies and search firms.

*The role of the Vice President will be to bring an accelerated Lean program to the entire organization.*

*Commentary*

- Lean is a management system, not a program.
- A single Vice-President cannot accelerate Lean implementation. This places an unreasonable expectation on the VP, and will likely lead to diminished outcomes or even failure. It takes the dedicated efforts of the entire senior management team, led by the CEO or President to achieve a “widespread fast” (rather than a “local incremental”) Lean transformation (Emiliani *et al.*, 2003).
- Using the term “accelerated” can imply that the company will soon be Lean, when in fact a company is never “Lean,” since there is no end to continuous improvement and related learning.

*The Vice President will have responsibility for building the Lean organization, training the personnel and coordinating the activities of an enterprise wide continuous improvement program.*

*Commentary*

- Responsibility for building a Lean organization lies with the entire senior management team, led by the CEO or President.
- Each senior manager has the responsibility for training personnel, which is gained through their own direct participation in *kaizen* (Emiliani *et al.*, 2003; Spear, 2004).

*Current understanding and practices of Lean must be augmented and implementation must be accelerated. To these ends senior management has elected to create this position that will have full focus on Lean deployment.*

*Commentary*

- Each senior manager should be fully focused on Lean deployment if they truly expect implementation efforts to be accelerated.

*The Vice President will initially create a strategy and plan for implementation along with the senior officers of the company. As this plan will affect all functions of the organization it is imperative that the officer obtain buy in from those concerned.*

*Commentary*

- If senior management has elected to create this position, then it is odd that the Vice President would have to be saddled with the requirement to obtain buy-in from those who presumably support the activities associated with this position. Having to gain buy-in among senior officers will slow down the Lean implementation, thus contradicting the need for accelerating implementation.

*It is anticipated that the plan be available for tactical deployment within the first three to six months.*

*Commentary*

- Lean implementation must be connected to company strategy (Akao, 1991). The wording implies that Lean deployment can be independent of company strategy.
- Planning and justifications consume time, thus contradicting the stated need for accelerating implementation.

*Metrics development for process monitoring is the responsibility of the Vice President.*

*Commentary*

- Developing new metrics for process monitoring can result in: first, the proliferation of metrics, many of which will conflict with established metrics; second, unnecessary complexity, or both (Emiliani *et al.*, 2003; Fiume and Cunningham, 2003; Maskell and Baggaley, 2003).
- Ownership for business metrics is distributed among the senior management team. Current metrics should be examined for consistency with Lean principles and practices. Many will be eliminated and replaced with fewer, simpler metrics that give real-time visibility into the performance of workflows. This requires the involvement of all senior managers. Making the Vice President solely responsible for metrics development and process monitoring places an unreasonable expectation on the Vice President, and will likely lead to diminished outcomes or even failure.

*Candidate should be able to produce quantifiable results including reductions in inventories, working capital reduction, increased service levels and improved operating profit and cash flow.*

*Commentary*

- This wording implies that deployment of Lean principles and practices should be limited to operations, and the reason for implementing Lean is mostly financial.
- The reason for implementing Lean is to improve end-use customer satisfaction by becoming a better time-based competitor – i.e. develop capabilities to more rapidly respond to changing market conditions.

- Improved financial and non-financial results are achieved by improving workflows across functions and between companies (i.e. customers and suppliers). It is not the sole responsibility of one Vice President (Emiliani *et al.*, 2003).
- Improved financials and higher stock price are the byproduct of improving the non-financial performance of value-creating activities (Womack and Jones, 1996; Fiume and Cunningham, 2003).

*Experience in culture change and Lean installation on a company wide basis is required. We are aware of the need to conduct improvement and change throughout the organization. A sense of timing and an understanding of the ramifications of each change on the organization as a whole are needed in this individual.*

*Commentary*

- The words “culture change” are often subject to interpretation in Lean transformations. It is most often associated with changes in how specific activities are performed, with little or no emphasis on behavioral elements associated with work activities. In most cases, experience with “culture change” is limited in scope, and will likely lead to diminished results or even failure. What is needed is a change in dozens of beliefs among all senior managers, which then results in behaviors and competencies that support Lean principles and practices (Emiliani, 2003a; Emiliani and Stec, 2004). This establishes the basis for wider organizational support of the Lean management system.
- Having “a sense of timing and an understanding of the ramifications of each change” may contradict the need for accelerating implementation.

*We envision this individual as a team builder. Change of this magnitude will not be successful unless the Vice President is capable of building strong team commitment for change and improvement throughout the organization. Our candidate of choice will have a proven record of coalescing attitudes for change.*

*Commentary*

- Conventional business metrics focus on local optimization and thus discourage cross-functional teamwork. So does an environment based on fear and blame, as well as layoffs due to productivity improvement. The Vice President will be unable to successfully promote team building in the absence of a no-blame policy, qualified job guarantee and metrics that are fully aligned with Lean principles and practices (Fiume and Cunningham, 2003; Maskell and Baggaley, 2003; Emiliani *et al.*, 2005). This will contradict the need for accelerating implementation.
- Is it reasonable to expect the Vice President to be able to coalesce attitudes for change when the current senior managers have apparently been unsuccessful at achieving this requirement?

*MBA Degree.*

- There is not a business school in the world that teaches the Lean management system throughout its curriculum. Thus, MBA degrees are of limited value with respect to leading a Lean transformation (Emiliani *et al.*, 2003; Emiliani, 2004b). What counts is deep on-the-job experience in practicing continuous improvement and respect for people at the point where value-adding work is actually performed (Emiliani *et al.*, 2003; Liker, 2004; Spear, 2004).

Job candidates that have a deep understanding of the Lean management system would view the search announcement cautiously, as it reflects many misunderstanding about Lean by senior managers of the hiring company – including incorrectly suggesting that Lean implementation can be delegated to one senior manager. However, most candidates today do not yet have a deep understanding of Lean, partly driven by the fact that a detailed written description of the Lean management system and Lean transformation has only recently become available (Emiliani *et al.*, 2003). Thus candidates will likely have difficulty recognizing the challenges they will face and also meeting the expectations of the senior management team as expressed in executive search announcements.

### “Real Lean” vs “Imitation Lean”

The senior managers of most companies that adopt selected parts of the Lean management system, or apply Lean in just one area such as operations, believe that this is sufficient for them to characterize their business as “Lean” (Liker, 2004). Mr Taiichi Ohno, former Executive Vice President of Toyota Motor Corporation who is largely credited with creating Toyota’s management system, had this to say about managers that adopt only selected Lean principles and practices (Shinohara, 1988):

Companies make a big mistake in implementing the Toyota production system thinking that it is just a production method. The Toyota production method won’t work unless it is used as an overall management system. The Toyota production system is not something that can be used only on the production floors. The belief that it is only a production method is fundamentally wrong. . . those who decide to implement the Toyota production system must be fully committed. If you try to adopt only the “good parts”, you’ll fail.

So there is a distinction that can be made with regard to the extent to which Lean principles and practices are deployed, which we refer to as “Real Lean” and “Imitation Lean”.

“Real Lean” is the faithful adoption of the Lean management system across the enterprise, perhaps with appropriate modifications suitable to a companies’ individual circumstances – but still consistent with Lean principles. “Imitation Lean” occurs when only selected Lean principles and practices are adopted. In “Imitation Lean”, the focus is on continuous improvement, typically just the tools, and not both “continuous improvement” and “respect for people”.

Remarkably, most senior managers think that “Real Lean” is an idealistic approach to the Lean transformation, one that is not practical in the “real world”, despite the existence of companies that have done just that (Womack and Jones, 1996; Emiliani *et al.*, 2003; Liker, 2004). Thus, the typical approach taken by most businesses is to begin Lean efforts as modest experiments to improve productivity in operations (Bowen and Youngdahl, 1998; Goland *et al.*, 1998; Liker, 1998; LEI, 2003; Panchak, 2003; Swank, 2003; Wysocki,

2004). As a result, opportunities to significantly improve the entire business system are lost – at least for a while. Senior managers should be very concerned if all that their company is doing is “Imitation Lean” for the following reasons:

- “Imitation Lean” (tools only) is easy for competitors to replicate. Thus, competitive advantage, if any was achieved, will be fleeting. “Real Lean” is much harder for competitors to copy.
- “Real Lean” results in much better financial and non-financial performance compared to “Imitation Lean” (Emiliani *et al.*, 2003; Fiume and Cunningham, 2003; Maskell and Baggaley, 2003).
- “Imitation Lean” can do more harm than good because senior management’s message is not clear. It is a mix of Lean and non-Lean principles, practices and metrics. This is confusing, and most people will lose interest and disengage.
- Many people have the view that some improvement is better than no improvement. However, deploying Lean incorrectly from the start will undermine future Lean efforts. The errors will have to be undone – that is re-work. It will take time, effort and money to correct the errors; resources that you might not have.
- With “Imitation Lean”, the rate of improvement is low. A company’s competitive environment may not allow it the luxury of improving slowly.
- Deploying “Imitation Lean” is inconsistent with the “respect for people” principle (i.e. employees, suppliers, customers, investors and the community).

For these reasons, it is important to ensure that senior managers have an accurate understanding of how to implement a Lean transformation. While it is tempting to rush into applying Lean principles and practices and obtain quick results, principally in operations, senior managers must not forget to think deeply about the intent of Lean and related nuances in order to avoid poor outcomes or unintended consequences.

### Summary

This paper examined the typical approach taken by senior managers seeking to implement Lean principles and practices in their organization to achieve a Lean transformation. Numerous misunderstandings about the Lean management system, including its intent and related nuances, were identified, which result in common implementation errors.

These errors reveal much about the current state of understanding of Lean among senior managers and supporting service providers such as Lean implementation consultants and executive search firms. Unfortunately, they result in inconsistencies with other management practices and business metrics in use, disenfranchise key stakeholders, and thus slow down that rate of improvement.

The Lean management system is very different from other efforts by senior managers to improve business activities, which are better characterized as “programs” or “initiatives”. In seeking to implement a Lean transformation, senior managers must realize that they are embracing for the first time a principle-based system of management whose objective is to change the way all work activities are performed, not just those in operations.

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The subtle nature of the Lean management system means that it is very easy to succumb to “Imitation Lean” and also become lost in transformation, thus losing valuable resources such as time, human effort and money. By eliminating waste and focusing only on value-creating activities that end-use customers are willing to pay for, organizations will realize much better financial and non-financial performance, as well as improved capabilities for competing on the basis of time. These are important outcomes that senior managers seek, and to achieve them they must be willing to invest their time and effort to learn the true nature and intent of the Lean management system.

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