



Lean change, business transformation and ROI

The need to master the process of change is common to us all, no matter which sector or organisation we work in. To master change we need lean, together with change and facilitation skills, and it is clear that organisations are increasingly investing in their ability and agility to master the process of change and deliver a measurable and lucrative return on investment (ROI). This does not happen overnight or by accident, but is a planned process drawing on lean thinking¹ and promoting a drive towards a five-stage process to continuous improvement.

From recession to recovery: tangible improvement in performance

We live in an uncertain economy, where organisations and management teams have to second-guess the unrelenting

pressures that impact and change the conditions under which their organisations operate. As the need for adapting to change speeds up, in reality the ability to process information and make informed decisions to implement change slows down. There appears to be an inverse relationship between the need to change and the willingness to apply agility to achieve that change.

The rate of change is dizzying. We live in a time where there is a clash of generational values in driving change. This manifests itself in conflict of generational values between manager and managed. The older generation baby-boomers, many holding senior positions in organisations, are perplexed in managing their generation X and Y counterparts, whose values and beliefs are as radically different to baby-boomers as chalk and cheese.



There has to be a major culture change in order to see change as natural and a journey, seeing things through. Increasingly organisations are revisiting lean methodologies to bring about that sustained change.

Lean adapting to uncertainty and delivering high ROI

The market place and consumers are not standing still either. To this can be added changing values in the eyes and the voice of the consumer and customer. Managing change in organisations is becoming increasingly a perilous and poorly practised art form. The younger generation X and Y values demand empowerment and engagement, whereas the baby-boomers tend to value command and control. There requires an alignment in how to achieve ends and means and work as one team.

Dealing with the resultant stress, tension and uncertainty is not solely the province of the profit sector. It is tough in the public and third sector, too, where Government demands austerity measures and the budget deficit, trending with achieving more with less. There has to be a major culture change in order to see change as natural and a journey, seeing things through. Increasingly organisations are revisiting lean methodologies to bring about that sustained change.

Senior management teams are impressed by the high ROI generated by lean and related technologies. Lean enables organisations to monitor, measure and assess progress in monetary terms. Here are two examples of specific ROI in two very different organisations.

1. ROI: NHS hospital lean culture change

- The project was focused on managing bed facilities in a large hospital trying to optimise bed utilisation to run eventually along just-in-time principles
- 120 staff were trained, including surgeons, nurses and other professional groupings in lean and quality principles
- Set up five multidisciplinary teams from these workshops to work on five strategic projects to reduce waste and CONC, which reported to the CEO with action plans for change that were actioned
- Identified over 200 specific activities, which identified rework for all medical staff and set up small teams to reduce wastage, repetition, cycle time and errors that impacted patients
- Mapped the patient pathway, and removed unnecessary waiting time for patients and better utilisation of surgical theatres and staff, resulting in more cost-effective use of staff
- Reduction of hospital stays for patients by over 20%
- Better planning of resources
- Motivation and interaction of staff improved measurably across disciplines and professional silos and functions²

2. ROI: lean deliverables quantified in auto finance

In a company in auto-finance lean, Pareto analysis and process mapping were used to streamline customer applications for leasing business vehicles, and the following were identified and actioned:

- Eliminated 15 non-value activities in the process – duplication, over inspection, integrating activities
- Reduced the cost of non-conformance in the process by 23% to a manageable 7%
- Reduced time of approval of loan from the finance house for funding the vehicle lease or HP for 90% of business clients from hours to four minutes
- Developed a client risk assessment template for speedy approval by underwriters
- Reduced waste in the core categories: significantly impacting over production of paperwork and becoming almost paperless; reduced the need for hard copies of documents; re-siting key people into close proximity requiring less movement and motion; reduction in inventory of forms and replacing 90% of these with electronic copies; produced more client-friendly phone approvals rather than paper approvals (with the opportunity to cross-sell); eliminated unnecessary waiting for documents and developed multiple streams of information handling to cope
- Reduced cycle time of internal approvals by underwriters
- Cross-training of staff to undertake each other's roles
- Removed over inspection and the requirements for checks and counter signatures in non-risk activities
- Removed five major activities that were deemed superfluous to requirements, and 17 steps in the process
- Improved the quality of decision-making and reducing errors in transmission of data internally and with the car dealership providing the vehicle

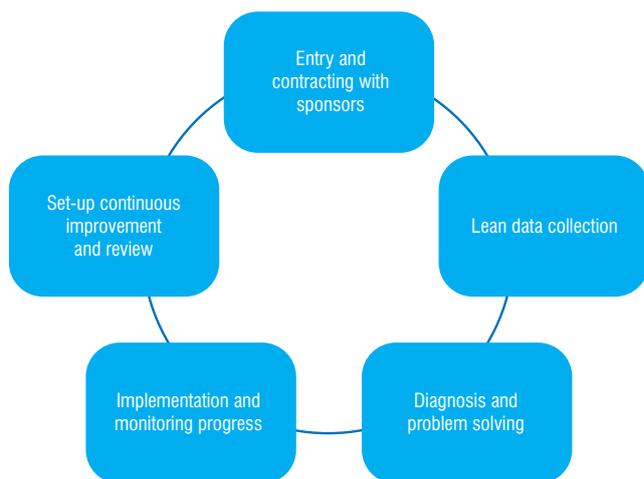
Lean and the quality movement

Lean is not new. It was pioneered in the 1980s by Toyota, Motorola and General Electric and tended to be the province of manufacturing, rather than the service sector. These giants would never have put so much effort into lean without a knowledge that tangible ROI was delivered not only in financial terms, but also in improving the quality, input and effort of human capital. Nowadays, lean and associated methodologies such as Six Sigma and continuous improvement are increasingly welcomed by NHS Trusts, the police, local authorities, third-sector bodies, charities and social enterprises as a credible tool for implementing sustained change with incredible tangible deliverables.

Lean thinking that changed the world

Until recent years, in Western Europe we have relied on the Big Bang model of implementing organisational change. Most change resided around large projects that affected, for example, IT, customer focus and technology. Not much had percolated through the change agenda in relation to the perceived role of progressive incremental change in terms of kaizen and 'the machine that changed the world'³ – that is, the Toyota Production System.





Lean five-stage methodology for implementation

Figure 1

Much has been written about the theory of change, but very little about actually implementing change using the kaizen model. This focuses on persistent high volume of progressive incremental change, reducing cycle time, waste, rework and designing processes to be fit for purpose, with the goal of relentless improvement. There is little doubt that the quality and lean methodologies of the 1980s really did transform manufacturing organisations, notably in Japan, the USA and Western Europe; but it never really seemed to transfer to service organisations in Western Europe – that is, until recent years, when top teams realised the inherent wisdom of the approach and the ROI generated.

Engagement: preventative action replacing corrective action

Now we find that in many organisations lean and associated methodologies, such as Six Sigma and process mapping, are being valued. Why is that? Kaizen and lean are completely dependent on having an organisational culture where the voice of the employee is valued, listened to, encouraged and rewarded. The ROI will only be generated from lean and kaizen in a climate where staff at all levels are engaged in the process, motivated to participate and diagnose problems and, most importantly, empowered to fix them.

What is even more encouraging is that those who work in typically characteristic problem-solving teams or groups actually go beyond their remit, and identify potential problems before they arise and take the required preventative action to mitigate risk further, generating valuable returns on investment in human as well as financial terms. This goes way beyond the ideas of quality circles that were popularised in the late 1980s and '90s, but often were unsuccessful in the service sector.

Integration: lessons of Big Bang and continuous improvement

What we find increasingly is that there is room for large-scale change through big IT projects, S&OP and logistics and supply chain exercises, as well as controlled and noticeable change using lean on a progressive incremental scale. The great thing about lean is that an organisation can train staff to become Yellow Belts (expertise in a variety of quite complex analytic problem-solving tools), to be managed later by Green Belt

(functional or process facilitators) and Black Belts (invariably change professionals and leaders and experts in change management). What lean brings to the concept of change management is that not all successful change is top down. Indeed, much of it can be bottom-up change that creates a climate of continuous improvement, reinforcing performance management and installing a strong culture of reward and recognition.

Our view is that bottom-up change will not work by itself; but if senior managers commit to lean flowing through the base of the organisation and synchronised to the larger scale strategic projects, then change can happen sooner and the kaizen culture can evolve very quickly.

What is in demand is a simple methodology that uses appropriate tools that any organisation can apply to its unique situation. What we do notice is that there are increasingly more organisations (many in the public sector) that are committing to training their staff in to become Yellow Belts in lean Six Sigma. Recently, we learnt about a health trust making the commitment to have 49 people to attend Yellow Belt training. Training by itself will not work solve all problems, but generally we think it critical to employ a simple five-stage methodology based on our research in action learning – see Figure 1.

The success of any organisation depends upon the actions taken every day. Failing to take action increases the risk to us of discontinuation of business. Organisations that have been around for a long time are just as much at risk as new start-ups. In some cases, the more mature businesses have perhaps become too reliant on their traditional business model and need to revisit how their organisation operates and processes service delivery.

Stage 1: Entry and contracting with client and lean sponsors

At the start of the five-stage process, it is important to define the project and identify the key actors in the process. This will include the clients or sponsors, internal and external change agents, and those staff and employees who will be engaged in the process. It is critical to agree deliverables, the scope of the lean projects and what lean should mean to the client or sponsor and staff.

Multidisciplinary team of change-makers

Many consider that now is the time to invest into the energies and methodologies of a multidisciplinary lean group to facilitate the required transition. What our change-makers should provide is a partnership in diagnosis and action. Together they can listen to core problems and help to design processes that will provide the client with a precise and accurate assessment of the organisation's strengths and core competencies and identify the roadblocks that hinder performance. Together, they can explore where the client is most at risk and the lean and process improvement opportunities to be pursued such as:

- Look at problems from different angles
- Identify the root cause of problems
- Test for history – have others worked on these problems before?
- What are the symptoms of the problem?
- Who are the decision-makers affected by the problem?
- Who will you be working with and what engagement do they have?

- How long do you have and what resources are available?
- What are the desired outcomes for the sponsor?

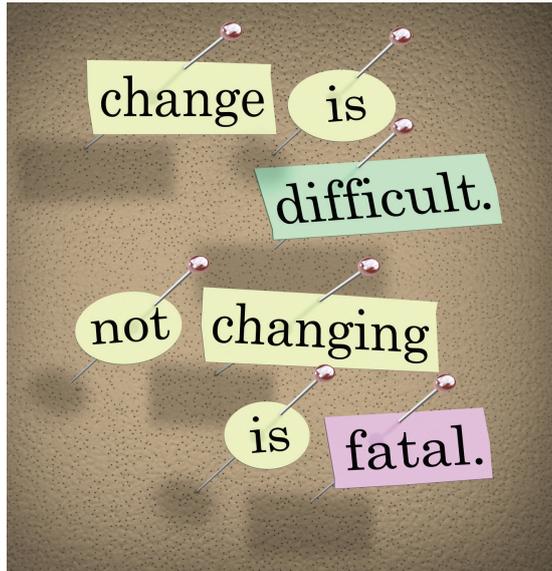
Stage 2: Lean data collection

This requires the change agent or team to collect information from which to assess the core problems. Considering what type of information to collect requires education in lean methods. Much of this will be based on interviews and talking with a variety of key people. Some projects may require intense objectivity and statistical analysis to identify trends in performance. Knowing that you have to use logical objective data and subjective opinions and viewpoints is important in ensuring that your analysis will be accurate and complete.

A discovery review is what we refer to as using a variety of diagnostic tools or instruments to aid the diagnosis of core business problems. The important issue is that every organisation is different and might experience some problems specific to it. This requires a bespoke approach, drawing up a multidisciplinary view of the business and using a variety of tools:

- What data will you have to collect?
- Is data available, or what will you do if not?
- What period do you have for collecting the information?
- If you have to talk with others to understand more about the problem, how will you ensure confidentiality?
- How will you communicate your role to other people involved in the change?
- What methods do you have at your disposal to tell others what you are doing?
- What methods will you use to establish rapport with others involved in the change?
- What statistical or analytical processes will you rely upon to generate objective predictive data?
- How can you ensure that you get to see the problem from different viewpoints and test your analysis with inter-subjectivity?

From an early stage, the senior manager or steering group has to agree to the focus, the content and the tools that will be used to collect data and viewpoints. It is usual to collect information from a customer and an internal perspective other than financial analysis and the scope may be wide or very narrow. The problems determine the lean tools to use – see Figure 2.



Stage 3: Diagnosis and problem-solving

This is a natural outcome from data collection. Here, you will be looking at the major causes of problems and how they impact performance. You will want to separate cause from effect and tackle the problem with a plan of action. For instance:

- This is a great opportunity to use lean tools to isolate that which hinders performance
- What does the data or the information tell you about the cause of the problem?
- Have you ensured that you look at the problem from different viewpoints?
- Before you reach a conclusion, test for understanding with others to ensure you have a firm grip of the key issues
- Avoid becoming the expert; ask key questions and listen to those who are most affected by the problem, and those who have ideas to solve it
- Look for others who have studied this problem and examine their approach

Stage 4: Implementation and monitoring progress

Implementation focuses upon and addresses the issue of how the changes will be implemented, and by whom. If you use a partnership approach, with client and consultants working

| Focus | Methodologies |
|---|---|
| Strategy and business objectives, client and customer retention and expansion, markets, product portfolio | Strategic analysis Customer reviews – external Competitor analysis – positioning Swot, vulnerability and risk assessment |
| Structural, vertical and horizontal reporting relationships | Organisational design review Matrix and process maps |
| Web technology and presence, digital strategy and telecoms, customer relationship management | Website review Communications process and database review, risk assessment |
| Processes and systems, communicating externally and internally | Design and process FMEA Process analysis, cost of quality analysis Supply chain and ROI Pareto analysis and Six Sigma |
| Business culture, motivation, teams, communication and people | Cultural analysis Bespoke questionnaires |
| Stakeholder, customer and investor relations | ROI, external communications assessment, marketing, vulnerability analysis |

Wider organisational range of data collection focus and methodologies

Figure 2



together, the organisation will be in a much stronger position to create closure in key issues and precision in diagnosis in the action you take. In the private sector many are now launching continuous improvement from adding value, retaining the client base, growing new prospects for the organisation, reducing cycle time to compete and bill for existing work, cutting down radically on rework and waste, and generally harnessing all the potential of staff to build a secure future. In the not-for-profit sector, this is time for building relationships with core stakeholders, agreeing workable SLAs and process improvement and meeting the needs and voice of the customer in terms of the end-user or consumer of the service. Issues include:

- Who will implement the solution and how will it be measured in terms of ROI?
- Does the solution fit the sponsor's needs and objectives? Is the sponsor ready to implement the solution?
- Is the culture ready for the solution?
- Does the culture have the day-to-day practices to sustain the solution? If not, what needs to be actioned to ensure that the solution will be implemented?
- Who will be the change agent for implementing the solution?
- Does the change agent have the skills to deliver the solution without diluting the message or damaging the credibility of the message?
- Is the solution acceptable to all those affected?
- Is the solution easy to implement?
- Does the solution make financial sense?
- Does the solution make sense technically?

Lean report for business improvement

The purpose of any report is the basis for implementation plans and to highlight the actions that can be taken and the best route to introduce these changes. An implementation or project plan can then be designed and used as a template for measuring improvement and developing a scorecard or dashboard of business metrics by which improvements can be measured.

We find that useful measures fall into these categories:

- Business results, ROI, financial and non-financial measures and ratios
- Client and customer, consumer, stakeholder (if appropriate) measures
- Process and stream measures, COQ and price of non-conformance
- Internal business culture, team and people metrics

Agree a strategy and goals for change

Based on the lean report, it is important for senior decision-makers to agree to a process whereby a change programme can be designed specifically to ensure that the client can map progress and, if required take remedial or corrective action if some areas of the business resist or have more difficulty introducing the changes.

We would ensure that a timetable of events is agreed and that frequent interaction would permit speedy resolution of the problems hindering the organisation from achieving its potential.

Assessing readiness and resistance to change

Although some attest to enjoying the whole concept of change, many resist its introduction for a variety of reasons, most of which relate to the organisation not communicating sufficiently well with the key people who we want to implement the change, drive it and own it. It is best to adopt a multidisciplinary approach and have all the necessary behavioural tools and processes to make this happen.

Stage 5: Set up continuous improvement and review

This completes the process by setting up methods to measure progress. Learning from this exercise will help you in formulating your next project.

It is important to focus upon some key issues:

- Measure only that which can be managed
- Establish soft and hard measures for implementation
- Develop an implementation plan with clear roles and responsibilities

| Stage | Outcomes | Issues | Skills required |
|---|----------|--------|-----------------|
| 1. Entry and contracting with sponsors | | | |
| 2. Lean data collection | | | |
| 3. Diagnosis and problem-solving | | | |
| 4. Implementation and monitoring progress | | | |
| 5. Set up continuous improvement and review | | | |

Five stages to lean
Figure 3

Red tape, bureaucracy and lean techniques

We usually associate bureaucracy and red tape with processes that require to be inspected by multiple levels of managers and that are time wasting, unwieldy and slow. Is it any wonder then that we can create a more responsive customer focused culture by focusing on changing those things in the business that inhibit responsiveness?

This can be achieved by:

- Listing all the processes that support the delivery of service to your customers or consumers
- Focusing upon the vital few – the 20% of processes that significantly influence customer perception of service delivery
- Establishing the owner of the process – this is the first problem to resolve (often there are many across the organisation)
- Assessing the robustness of each process in delivering to customer requirements
- Working through the internal supply chain from customer order to delivery and finding out where errors are most evident
- Running workshops to bring the internal supply chain closer together and asking key participants who provides the service to identify improvements
- Identifying waste, rework, repetition and over-inspection, and focusing on improving quality of delivery and reduce cycle time from order to delivery
- Giving people the tools to improve customer focused processes continually
- Setting up process improvement teams and motivating them to do things better, faster and more effectively every day
- Understanding that if you are not making efforts to get better every day, then someone else probably is, threatening your customer retention

- Establish a team spirit with those with whom you are measuring and assessing progress
- Always tell the truth – hide nothing
- Be sensitive to how the truth is revealed
- Believe in the power of questions and persuade rather than tell
- Keep emotion out of judgement

ROI measurement and continuous review

The well-known phrase: 'That which gets measured gets done' highlights the importance we place on measured improvement. We focus on measurement because, once people notice improvement and can start differentiating those tasks that add value from those that do not, the lean change initiative and project take on a momentum that is sustained and delivering significant business improvement.

It is also important to incorporate these measurements into monthly reporting of the organisation's business planning process and amend process improvement to take account of that. Key managers should be responsible for the update and keeping of such data as is pertinent to the measures defined, and those that are most appropriate fitting with their role in the organisation.

Lean summary

Lean culture change is usually associated with a major strategic shift to reshape an organisation to become more effective and efficient in service delivery. This may be the result of a reality testing, where there are strong pressures putting the organisation under intense stress and uncertainty that are sufficient to provoke direct and purposeful action. It is desirable that the creation of a lean culture has the backing of the top team, although culture change can often be brought about bottom up through kaizen.

Many organisations start with a wake-up call in a particular function, location or division. We have witnessed lean cultural changes arising from quality initiatives, from call centres problems, from face-to-face sales confrontations, reputation challenges between supplier and customer, and through avenues starting in HR, IT, Procurement, in specific geographies or locations, branch offices or regions. The reality is that lean often grows from areas where the need to change is most evident through to the larger organisation. From the outset, it is critical to start measuring progress tangibly, and that means defining your ROI in financial and non-financial terms, and assessing the real benefits that will accrue to the bottom line and the organisation. That is why we have to win the support of people through kaizen.

This bottom-up approach can be extremely effective as a wake-up call to others in the organisation that it is time that things must change, but still needs to rely on the five-stage approach and working through Figure 3 can really help you get started on the road to lean and continuous improvement.





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