

# Making business processes

# LEAN

## Beginning the Journey

A fictitious letter to the chairman of a large UK based company to encourage the adoption of the 'lean' approach to business process improvement.



Lean is about building world class processes that deliver best quality

accommodate upgrades to cars – or the production of a new model in the shortest possible time. Such was Toyota's success that all other motor companies adopted similar production systems. The system used was given the term 'lean manufacturing' – or lean for short.

**These principles of lean are now being applied to business processes.**

**What causes waste?**

In a nutshell, lean is about building world class processes that deliver best quality, lowest cost and shortest cycle time ..... by eliminating waste. Customers do not want to pay for waste. Waste is caused by:

Unnecessary .....

- Production
- Transportation
- Waiting
- Movement
- Processing
- Stock
- Defects

Lean is all about examining these potential sources of waste and finding ways and means of eradicating superfluous effort.

**The following seven goals should be targeted by any organisation striving to become lean.**

1. Delivering what the customer wants – not assuming they want it;
2. Excellence in what I call 'process sufficiency' – fit for the purpose of the job in hand – but no over engineering;
3. Processes that are the least cost to maintain – but still deliver the required value;
4. Making sure processes follow the shortest path from start to finish – no unnecessary routing;

**Dear Chairman,**

No doubt you will have heard about, or read articles on, the new way of making business processes more effective – better known as making processes 'lean'. As you know, I have been in the business of improving processes for years and a number of tools/methodologies have evolved to help improve the way a company operates. You will have seen yourself, many improvements to the way we do things in our company ..... but having carried out some research into this lean approach I am convinced it will help us to make even more significant improvements to our business. The benefits from lean will further reduce our costs, improve customer service, get things right first time and maintain quality.

Many of our competitors, if not all of them, are beginning to adopt the lean route to improved market success, and if we do not follow suit we run the risk of losing our position in the marketplace. I have outlined below an approach we could take that will begin this company's journey to lean.

**Some background to lean:**

The car industry has been at the forefront of finding ways and means of improving production techniques, in order to compete in the global car industry. In the early days of motor manufacturing the American then British and European car firms led the way. Mass production was constantly refined in order to produce a vehicle that the man in the street could afford, was reliable and most importantly was affordable. From the 1960s the Japanese seriously began to seek ways of entering the market.

Toyota was a prime mover in understanding, then improving upon the production methods used by the West. The Toyota Production System was born. Toyota realised that to really refine production methods it was essential to respect the knowledge and expertise of its workforce and use these skills to help develop and refine the end to end car manufacturing process – this also included maintaining the highest quality possible. The approach also allowed swift changes to a process to

- 5. Getting it right first time;
- 6. Maintaining quality;
- 7. Constant review of the above to remain lean.

**How could lean benefit us?**

Chairman, at this stage, you might argue that lean is no different to any 'continuous improvement' programme – after all the seven principles above would underpin any improvement initiative. But lean is different.

Traditionally, those involved in a process, work in a cross functional way – that is the whole end-to-end process is handled by several departments. We are a company that offers a range of products and services via mail order. Today, in simple terms, we operate as follows,

- A customer phones the order department to purchase an item;
- The order is taken and the warehouse department informed;
- Warehousing picks the item from the storage bins and passes it to the despatch;
- Despatch wraps the item and adds the customers address and informs the transport department that the customer's order is ready to be delivered;
- Transport picks up the parcel and delivers it to the customer;
- Then the invoice department send the customer a bill to pay.

Figure 1 (right) illustrates this process and as you can see there are nine departments involved in what is really one end-to-end business process.

Again, you could make a case that lean could be used to improve the existing cross functional way of doing things today – and you would be right to some degree. However, to maximise the advantages to be gained through lean, the organisation MUST be organised around processes. In other words, the organisational structure must focus on ownership of the end to end process – rather than the more traditional functional ownership. This means that the organisation has to be re-built so that 'departments' become

based on an end to end business process. For example, a lean based organisation could look like this:

**Department 1:** Manages the end-to-end process for satisfying customer orders. This covers: take order-deliver goods-invoice customer-manage customer accounts-handle customer enquiries.

**Department 2:** Manages the end-to-end process for buying and storing products. This covers: market research-marketing-buying goods/service-storing in warehouse-stock control.

Central functions such as personnel, IT, strategy, planning and budgetary control could be assimilated into the above two departments – or become one central resource.

By adopting lean, you would have a single 'process' team (using my example above) for Department 1 who would be responsible for anything involving the end-to-end ordering-fulfilling-invoicing process. Not only would this reduce waste in the process, it would develop much better expertise across the whole end-to-end process; this in turn makes it much easier to identify where the entire process can be improved as the functional boundaries (a root cause of delay and wasted time is when part of a process is handed from one function to another) will no longer exist.

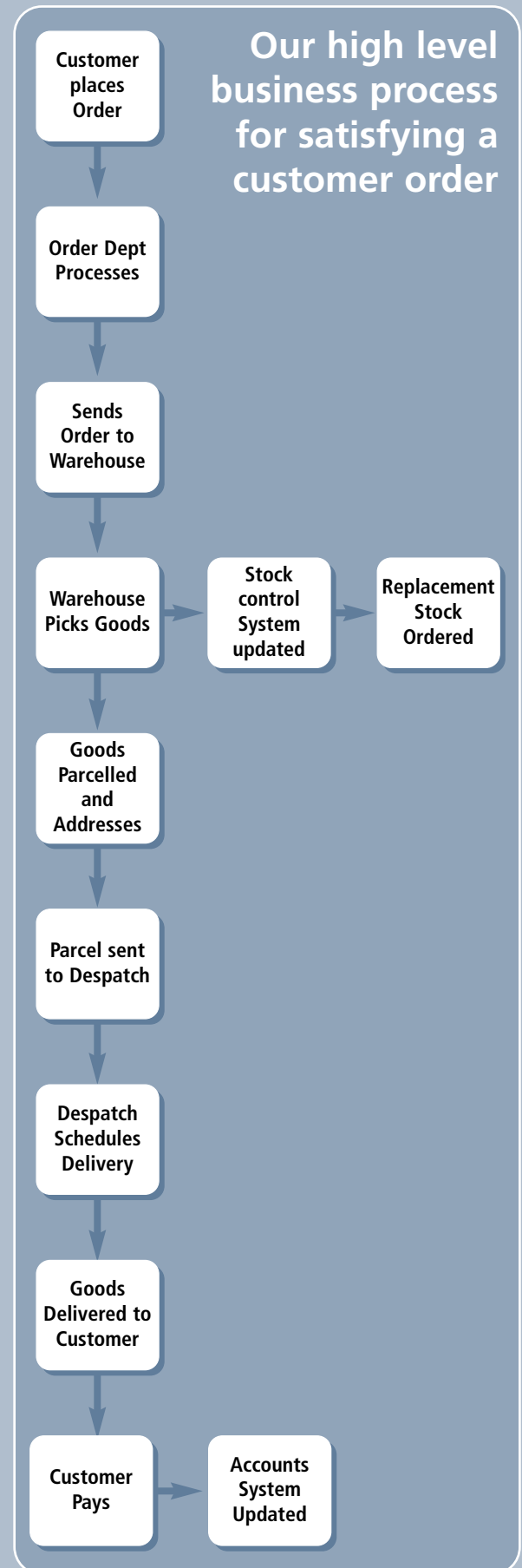
Alongside this, a team would become more self-directed and given the responsibility (and trust of management) to identify where problems lie and solve them – an essential and successful element of the Toyota system. The role of management would focus on facilitating, coaching and supporting a process team to achieve their goal.

**Beginning the journey**

There are two important factors to get right here.

The first is to get the executive and management to see the benefits of lean – they should become our 'lean champions'. The following gives some suggestions about how this may be done.

**Our high level business process for satisfying a customer order**







To maximise the advantages, the organisation **MUST** be organised around processes

Adopting lean is a dramatic change and requires a real leap in faith

Educate them about the principles of lean. They will have been involved in change programmes before with various levels of success. So a convincing argument is needed using examples from manufacturing to explain where lean has succeeded and how it can be applied to this business.

Make them understand that the focus is NOT organisational (ie many departments each handling a sub-process that makes up the

whole) .... but is on the totality of the process from start to finish – in other words the process is ‘the department’.

Convince them to focus less on ownership of the process and more on becoming facilitators – coaching, mentoring, and supporting the process teams.

Run a workshop to identify a business operation (and the associated processes) that is vital to our company and pinpoint areas where lean could be applied beneficially.

The second factor is selling the concept of lean to the workforce. For years, staff have become used to a particular cultural and behavioural way of working – often developed by themselves as a ‘how we do things around here’ attitude.

It’s one thing to sell the potential of lean to the executive who see it as a means of gaining more market share, improving shareholder value, etc, but it takes far more effort to take the workforce with you.

Convincing them is a must as only they have detailed knowledge and understanding about where value is

created and where waste lies – they are the process operators. So, some form of communication and educational initiative is needed here. There are plenty of examples around to show how other organisations have accomplished this.

**A lean pilot project:**

I realise that adopting lean is a dramatic change and requires a real leap in faith. In order to establish the feasibility of lean and identify the benefits to the company, my proposal is that we set up a pilot project.

From my workshop suggestion above, we would have identified a key business operation and I suggest this is the basis of a pilot project. The chosen operation must include processes that currently cross several departmental boundaries.

**Setting up the pilot would involve:**

- Establishing the project goal and terms of reference;
- Ensuring that the departments involved are fully committed to the pilot;
- Recruiting the project manager and project team – care being taken to choose a mix of people who are expert in the current process and process analysts/designers who will help develop the ‘lean’ version of the process. It is strongly recommended that a lean expert is included in the team as an advisor – even if it is on a part time basis;
- Setting up a steering committee whose role will be to ensure the project goal is being achieved and provide guidance along the way. The committee would include the sponsor, someone from the senior management team, representatives from the departments across which the process currently operates, the lean expert and the project manager.

I trust I have sparked some real interest regarding the terrific benefits this company can derive from lean. Perhaps we can meet to discuss this in more detail.

**Jeff Hall**  
Head of Process Development