

LEADERS AS THE CULTURAL ARCHITECTS OF A LEAN ORGANISATION

Dr Alan Beggs & Dr Sian Watt

'The thing I have learned at IBM is that culture is everything.' (Louis V. Gerstner, Jr., former CEO IBM)

Many organisations which have embarked on a lean journey become frustrated with isolated improvement projects that yield great short-term results but have no sustainability. This is an enormous disappointment, because in the case of Toyota, the birthplace of lean, the performance of the organisation was – and remains - revolutionised.

In fact, a large survey conducted by *Industry Week* in 2007 found that only two per cent of companies that have a lean program achieved their anticipated results. More recently, the Shingo Prize committee, which gives awards for excellence in lean manufacturing, went back to past winners and found that many had not sustained their progress after winning the award.

One clue to the reasons for this high failure rate seems to be a half-hearted approach to lean. Robert Miller, Executive Director of the Shingo Prize said 'we studied those companies and found that a very large percentage of those we had evaluated were experts at implementing tools of lean but had not deeply embedded them into their culture.' To understand why this should be so, we need to address a number of common misunderstandings.

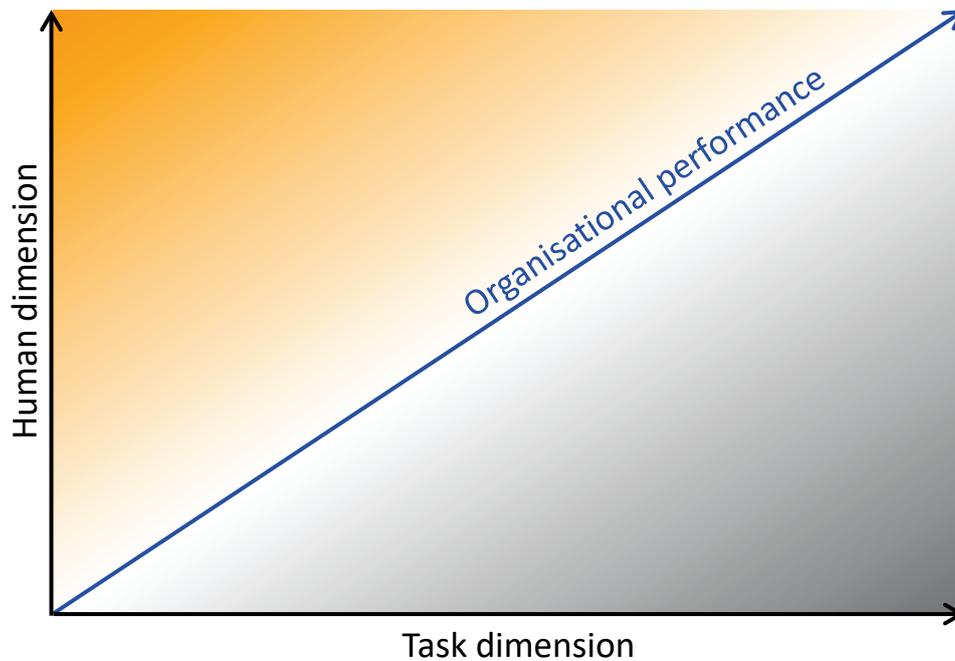
Misunderstandings about the nature of lean

In truth, a high proportion of senior management and leaders simply don't understand what lean is. Traditionally, their focus is on outputs, and organisational performance. Anything that promises an improvement on the bottom line has got to be a Good Thing, and this lean stuff seems like a neat way to streamline operations...

Well – this is partly true, but few have grasped that lean is not just a set of techniques for eliminating 'production' waste, but a complementary and intertwining way of eliminating 'people' waste. The first of these is relatively straightforward; it involves looking at the product value stream. Any processes which do not add value are waste, and need to be eliminated. Many tools and techniques have been developed to achieve this, and they work very well. But they can only ever be half the story.

The performance of any organisation is down to the effectiveness of two completely different factors. The first of these concerns the task; get the processes by which the product is created as effective and as efficient as possible, and of course performance will go up.

Lean is about eliminating waste, and adding value. A focus on the product value stream is not enough. Unless the other dimension – the human dimension – is also optimised, the organisation cannot and will not perform at its best. Organisations which are serious about lean really need to look for and eliminate waste on both dimensions.



The most glaring example of waste in the people value stream is employee disengagement.

Disengagement is a global phenomenon, with around 80% of employees tuned out and not fully contributing to the performance of their organisations. Wastage on this scale really has to be addressed if an organisation is to truly adopt a lean approach.

We know that the costs of disengagement are eye-watering. One estimate puts it at between £70 and £100 per hour per employee; looking at it another way, Gallup calculates that disengagement costs the UK economy between £37.2 billion and £38.9 billion per year due to low productivity, absenteeism and unnecessary staff turnover, and the knock-on effects on profitability, share price, and share performance.

To properly tackle this level of waste in the people value stream demands that an organisation examines its people processes at quite a fundamental level, just as it will do when dealing with the product value stream. Typically, it will need to examine the behaviours, beliefs, mindsets, attitudes and value systems which have become the norm, and ask which of these are counterproductive. It will then need to put in place processes which will ensure that the potential of its people is realised.

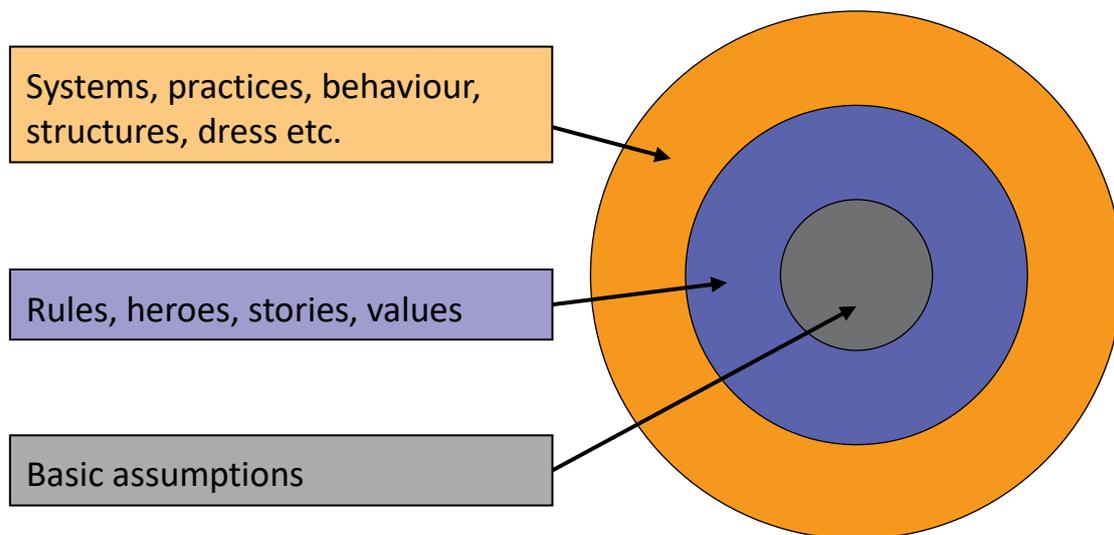
To put that another way, it needs to deliberately create a lean culture. The key components of a lean culture are workplace engagement, mutual trust, respect and continuous improvement. Unless these are in place, changes at an operational level will create at best some short-lived gains. And how many organisations today can honestly say they are characterised by engagement, mutual trust, respect and a continuous improvement ethos?

If all they do is tweak their production processes, they are not really going to become a lean organisation.

Misunderstandings about culture

Organisational culture is a very slippery concept, and there are as many models of organisational culture as there are consultants! What we do know is that the usual glib definition 'the way we do things around here' is completely inadequate, and describing an organisation as having a 'blame culture' tells us nothing about the causes of that behaviour. We need to drill down much deeper to find the truth; culture is much more than skin-deep.

In the model below, at the first and most superficial level are the attributes that can be seen, felt and heard when you first visit an organisation. Things like the facilities, offices, furnishings, visible awards and recognition, the way that its members dress, how people interact with each other and how they do their jobs. These sit at 'the way we do things around here' level.



If you stay for a while, you will eventually discover that sitting beneath these superficial attributes are a whole set of, spoken and unspoken processes which 'glue' members of the organization together. They have a shared history which helps to remind them of who they are, and how they got here, and there are the unspoken and often very difficult-to-speak-about values that govern the way people deal with each other on a daily basis.

Finally, the unconscious elements of culture which lie beneath everyday interactions are the tacit assumptions about the very nature of the organization - the 'givens' which sit at the core of the organization. You are probably going to have to be a member of an organisation for quite some time before you pick up this vibe. The organisational 'brand' is not something often discussed in public.

Clearly, adopting a new set of lean behaviours on its own is only scraping the surface of culture. Unless an organisation drills down deeper, and changes some of the ways in which people think and behave, the organisation will not really have been transformed, or people waste reduced.

So where does culture come from?

Few senior people appreciate exactly how much influence they have on the culture of the organisation they lead. Quite simply, they are far too busy running the business.

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In fact, the deeper levels of culture are created by leadership. What they do, what they think, and what values they espouse all have a profound impact on organisational culture. For this reason, leaders have been called Cultural Architects.

Leaders who can not only sustain and improve the systems of lean but create a culture of effective and comprehensive problem-solving at all levels of the organization are critical for the success of a lean initiative. They need the understanding, mindset and skills to go beyond using lean tools to create a sustainable lean culture.

The sad truth is that many of them lack all three, and if they think and do what they have always done, they will simply lock their organisation into the past, and the promise of streamlined production – whatever that is - will wither on the vine.

Misunderstandings about leadership

Many traditional ideas and theories about leadership are now sounding decidedly creaky. ‘Carrot and stick’ approaches, ‘strong’ leadership, the old, dated vision of ‘gung-ho’ machismo, where the role of the leader was understood to be ‘lead from the front’ really need to be consigned to the history books.

Henry Mintzberg, the internationally renowned academic and a thought leader about leadership recently pointed out that these toxic ideas have held sway over leadership thinking and practice for the best part of the last century. He argues that such views have become entrenched in MBA programmes that have cultivated a ‘new aristocracy’ of business leaders, a ‘professional managerial caste that considers itself trained – and therefore destined – to take command of organisations.

Sadly, this is not the kind of leadership which will promote and nurture a lean culture. New thinking and new skills are needed.

21st Century leadership

We now know that leadership is much more than ‘getting things done through people’. Today’s leaders – and leaders in the future - need to create the climate and culture that organisations need if they are to succeed in the 21st Century. And the key to that will be a new kind of engaging leadership.

The best of them are, as Tom Peters and Robert Waterman said almost thirty years ago in their seminal management book *In Search of Excellence*, ‘the value shaper, the exemplar, the maker of meanings, and a true pathfinder’.

Research and theory is beginning to show how modern leaders like this engage with their people, how they motivate and enthuse, inspire and energise them. They do this by treating them as *people*, not cogs in a machine. The new leaders find ways of working *with* their followers, rather than remaining aloof from them.

The good news is that not only do we now know *what* leaders like this need to do; we also know *how*

they should do it.

So what exactly do these new leaders need to do?

Toyota Chairman Fujio Cho got it spot on. He said, 'go see, ask why, and treat people with respect'. He realised that gone are the days of remote, authoritarian leaders who used primitive ways to 'incentivise' and control their people. A lean leader is just as much a part of the team as everyone else and just as involved in what is going on as they are. They are all part of the same exciting venture.

Only now are we really understanding why he was so far ahead of the curve.

Second, creating a culture of problem solving is the foundation of a lean organisation. Remember that you are a leader of problem solvers; your task is to help people develop good habits for working through problems, and to help create a learning organisation by promoting relentless reflection and continuous improvement.

The only way this can be achieved is by coaching. In fact, research and practice shows that coaching lies at the core of how Toyota gets improvement to be a deeply embedded routine. Knowing how to ask effective questions is the easy part of the skill of coaching; the other, more challenging part is having the courage to trust your followers enough to give them a lot of opportunities to work largely unsupervised. That's a tough mindset shift for many leaders and managers.

The pay-off is that your people will find the enthusiasm and confidence to perform well, simply because they have been treated with individual consideration and respect, motivated and inspired by you. They will find good solutions, and keep on finding them.

Finally, remember you are the cultural architect who will help develop your people and teams to follow the lean philosophy, and work to a strong set of values. Respect and trust for individuals in the team, partners and suppliers underpins the way people treat each other in a lean culture. You need to model that.

Summing up

Organisations which want to truly embrace lean need to examine both the 'product' and the 'people' value streams, and eliminate waste from both. This helps accelerate lean implementation, and builds a foundation for a sustainable lean culture. An organization that truly practices the full set of lean principles will soon find itself on the way to a sustainable competitive advantage.