

## Lean implementation – some sobering thoughts!



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Over the last decade and particularly over the last 5 years, a substantial number of Danish companies and indeed many public institutions and government administrative bodies in Denmark, have invested in Lean initiatives, as a means to eliminate waste and increase customer service, efficiency and flexibility. Indeed, Lean thinking has spread like wildfire across Western economies and has spawned quantum growth in Lean consulting.

In manufacturing for example, such initiatives typically promote a “pull” production philosophy. This philosophy aims at reducing or eliminating inventories across the supply chain, focusing instead on better understanding of customer needs with demand-based production and Just-In-Time deliveries from suppliers. As an economy therefore, Denmark should as a result of this investment in Lean practices, be relatively well positioned to face the pressures of an economic downturn.

Figures released from Green’s Analysis Institute, based on data from 832 Danish companies, and Danish Government statistics for Q3, 2008, reveal a trend of falling earnings and order-book levels and increasing finished goods inventory levels over the last 2 years. Companies are in many cases producing to stock simply to keep production going. Despite the fact that Danish enterprises have invested extensively in Lean initiatives, there seems to be some considerable way to go in implementing a demand-based, “pull” manufacturing philosophy. Why is this?

Our featured article by Claus Madsen this month points to a number of possible reasons and highlights a classic example of a failed Lean implementation in a large financial services business. Whilst there are undoubtedly many successes in companies in implementing Lean, and indeed Six Sigma, TQM and similar initiatives, there are also far too many failures. The consistent theme when this happens is an inability of management – and indeed consultants - to engage effectively with the wider organisation prior to, during and after the implementation of new working practices. Without real culture change it seems that tools are of limited value.



In my own experience, there are 3 main challenges that managers and consultants face:

- Understanding and accepting the true scale and root causes of organisational “waste”
- Overcoming obstacles – complacency, fear, silos and procrastination
- How to initiate, coordinate and maintain a company-wide commitment to and involvement in change.

Lean has and does offer the opportunity for many organisations to make a step-change in performance and thereafter to create a culture of continuous improvement. The logic, tools and techniques of Lean have been around now for decades, but understanding these is hardly where the real challenge lies. Failure in a Lean implementation in my opinion is rarely a technical matter. Much of the available evidence suggests that it is the ability to effectively manage the people, communications and cultural issues involved with Lean, or any major change programme for that matter, that will determine its ultimate success or failure. The senior management group must be genuinely committed to a Lean culture and show that commitment in their actions, otherwise the rest of the organisation will discount the initiative as just another trendy management fad.

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