

MANAGEMENT
BRIEFING

Has Your CI Program Gone from the Five Whys to Why Bother?

Here's why so many companies fail to sustain lean benefits and what business leaders must do to get the program back on track.

Executive Summary

Leveraging lean manufacturing methodologies and practices, Continuous Improvement initiatives often deliver clear financial benefits during the first several years. Unfortunately, only a few manufacturers build a culture of improvement that continues to generate significant operational and business benefits in subsequent years.

This TBM management briefing examines why so many companies fail to sustain their lean efforts. Then we explain the leadership approach and strategies for building a long-lasting culture of improvement. These strategies include:

1. Ongoing investments in building employee capabilities
2. Working across the organization and with outside partners
3. Establishing an enterprise-wide management system, and
4. Connecting process improvements with the company's growth strategy.

Lean manufacturing practices have been spreading across the manufacturing industry and beyond for more than three decades now.

Although the 2009 Recession prompted many companies to cut back on their Continuous Improvement programs, today seven out of 10 discrete manufacturers cite lean as their primary improvement methodology.*

That sounds like good news. Unfortunately, having visited and worked in hundreds of factories around the world, we find that less than one out of 10 manufacturers have been able to sustain their lean efforts beyond the first two to three years. And that estimate is probably optimistic.

The first year or two of a lean effort are about right-sizing operations. Kaizen teams identify waste and capitalize on the high impact opportunities for improving efficiency and reducing costs. Their work can yield some impressive and financially significant results. But despite the early promise, most lean efforts soon fizzle out.

We see the remnants of past efforts in many plants. Visual management tools – hour-by-hour charts and SQDC boards – aren't being updated or used. There's debris around and dirt on machines. Shadow boards have permanently empty places and material storage areas are poorly marked.

What happens? And whose fault is it? This TBM management briefing looks at what causes most lean initiatives to stall. Then we offer some real-world advice for regaining and maintaining your forward momentum.

* The Evolution of Modern Lean Manufacturing, Aberdeen Group, July 2015

Start in Manufacturing, Then Expand into Other Areas

Let's start with a brief case study. Like many U.S. manufacturers, this company started implementing lean and Six Sigma practices in its factories in the mid-1990s. After a few years they had dramatically improved first-pass yields, reduced work-in-process inventory, and freed up thousands of square feet of floor space. They streamlined their material flow and made double-digit improvements in productivity while reducing operating costs. After several years, when they had captured the biggest opportunities, their annual gains started to taper off.

At this point, unlike many other manufacturers during that era, their next move wasn't to shift production offshore in pursuit of labor cost savings. No, they basically doubled down.

While continuing to make incremental improvements in manufacturing, the company expanded its focus into engineering and new product development, and then into their supply chain. Over the next several years they made dramatic improvements in these areas as well.

When progress began to slow down again, you can probably guess what they did next. Yes, leadership expanded the CI focus even further. They tackled finance, sales and marketing, and then began working with their dealer network to improve the end customer experience.

Performance Gains Should Directly Support Growth

While the CI team expanded its focus to capture latent efficiencies and cost savings, the company maintained its forward progress over 20-plus years because of two other factors. First, they never stopped developing employees' problem-solving capabilities. They didn't just make a one-time, across-the-board investment in lean training, like many companies do. After all, new people are always joining any growing company, market situations are always changing, and new issues are always cropping up. This knowledge and common language form the foundation of any Continuous Improvement culture.

Second, leadership strategically leveraged the operational advantages that they achieved – accelerated speed to market and fast order-to-shipment times – to grow their business. They didn't just become lean. They did something with it. And they didn't just grow incrementally. They grew by leaps and bounds, organically and through

acquisitions. There's nothing more powerful for sustaining improvements than embedding operational advantages into customer promises.

“An effective CI program will build a culture that enables the organization to keep getting better long after the initial gains are realized.”

If operational improvements are only linked to cost savings, and not to business growth, the performance gains can only be captured through layoffs (which immediately kills any future improvement efforts), attrition or the disposal of assets. When such opportunities are exhausted, there's nowhere else to go, and CI energy and momentum will eventually peter out.

Failing to link operational improvements to business growth can also be frustrating for operational leaders. In a tight labor market, it's a surefire way to push people with the most experience and success at leading such organizational transformations to seek better opportunities somewhere else.

Building the CI Foundation

Expanding Continuous Improvement efforts across all business functions, developing employees' problem-solving capabilities, and leveraging operational gains for a competitive advantage, don't just happen. It requires clear leadership direction and management discipline.

On the leadership side, much has been written about lean organizations using strategy deployment (also known as hoshin kanri, hoshin planning or policy deployment) to align strategic objectives with improvement priorities. We won't go into details here on how and why this tool works. But the weakness of many of these efforts is that they remain confined to the operations side of the business. To be effective, leadership has to leverage the strategy deployment process across all business functions to align objectives, monitor progress and implement countermeasures.

Management discipline takes a variety of forms. These can all be reduced to practicing effective problem-solving methodologies, and teaching others how to practice those methodologies. This is what an effective management system or operating system is all about. Such a system naturally enables a CI culture to take root and grow.

Daily gemba walks, when managers review performance and discuss countermeasures to the day's issues, are one manifestation of an effective management system. Visual indicators – SQDC boards, hour-by-hour charts and standard work – are the central nervous system of a CI culture, helping to maintain discipline and spotlight any issues. Everyone in the work cell or department can tell at a glance if they're having a good day or not. Employee discussions in such a culture instinctively dig down to root causes, and don't just settle for quick fixes.

Having such a system in place, a system that's rigorously followed day in and day out, will deliver results one solution at a time, year after year. You'll never get the anticipated results and long-term benefits from any kind of operational improvement initiative without having an effective daily management system in place.

Once Bitten, Twice Shy

Everyone is tired of hearing how lean is a journey that never ends, but that doesn't make the analogy any less true. When the lean journey has completely stalled, getting the organization to move forward again is always more difficult because everyone will think twice before investing their time and energy. To get things moving, company leaders will have to back up their words of support with sustained attention and investment.

Revitalizing your improvement efforts starts with a current state assessment of an operation's weaknesses (see [Figure 1](#)). This includes the identification and prioritization of opportunities, and creation of a realistic go-forward plan. That plan will also lay out the necessary steps for rebuilding employee engagement and capabilities, expanding the field of focus and re-establishing management discipline.

So whose fault is it when a Continuous Improvement program loses momentum? Why do less than 10% of manufacturers fail to build a Continuous Improvement culture?

Like any area of business, the ultimate responsibility for failure falls on leadership. But as the example above demonstrates, when there are clear long-term market and business advantages to creating a culture where everyone across the business is working to improve performance, and they have the skills to make that happen, why do most business leaders fail to engage and follow through? There are several potential answers to that question. One is very simple: Because it's hard.

In terms of difficulty, applying lean practices to improve manufacturing processes is like middle school or high school. Applying them within the supply chain, engineering, sales and other upstream areas, where the work is much less visible, is more akin to college and graduate school.

Is the long-term competitive advantage worth the effort?

We think it is, and we know a number of CEOs, presidents and other business leaders who agree with us, but you'll have to make the call.



How To Build A Long-Term Culture Of Improvement

- Never stop developing employee skills and problem-solving capabilities.
- Expand Continuous Improvement goals, activities, and resources across all business functions (including your supply chain and other outside partners).
- Extend disciplined leadership and management systems beyond operations.
- Directly link improvement work and projects to the company's growth strategy.

**“Don't just become lean.
Do something with it.”**



FIGURE 1

Where Do You Go From Here?

Regaining your CI momentum starts by assessing your current state.

By identifying weaknesses and prioritizing opportunities, an assessment will help business leaders create a plan for both operational improvement and revitalizing your CI efforts. The operational assessment will identify the areas for improvement and quantify the potential financial return of those improvements.

When we visit facilities where lean programs have atrophied, the loss of management discipline is immediately apparent. Digging down into the situation, some of the root causes include:

- Leadership turnover
- Inadequate or poor CI staffing
- Shrinking or non-existent training budgets
- Improvement responsibilities have been relegated to a few individuals
- CI activities are not linked to the business strategy
- The CI program never transitioned into a CI culture
- Problem-solving capabilities have not been spread throughout the organization.

A cultural assessment will attempt to find answers to questions like:

- Is the lack of progress an execution or capacity issue?
- Are additional resources required? What kind of resources?
- How engaged is leadership?
- Are the business objectives clear to everyone? How can we make them more clear?
- What employee problem-solving skills do we need to upgrade?
- Will management changes be necessary?
- Why haven't we leveraged the operational advantages in our markets? How can we do so?

Whether they are performed by an external firm or internally, periodic operational and cultural assessments are a useful tool for sustaining forward progress year after year.

SPEED WINS EVERY TIME

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