Moneyball's Endgame Has Arrived. What About Lean Manufacturing?

Some people think that any competitive advantage from pursuing operational excellence and lean manufacturing has been played out. We strongly disagree.

Have Operational Excellence and Lean Manufacturing Reached a Similar Endgame?

Trade any manager who says, "We're doing the best we can."

For any non-baseball fans, Moneyball was the name given to a statistical, sabermetrics approach to evaluating player performance and salaries versus traditional, more subjective scouting methods. With a misfit roster and one of the lowest payrolls in the sport, the Oakland Athletics used such a strategy in 2002 to win a then-record 20 consecutive games and make the playoffs. Their story was popularized in the 2003 book and 2011 movie with the same name.

The As and their immediate followers were successful for a while because teams with much higher payrolls continued to operate the way they always had. These teams tended to sign multi-year contracts with proven but older and higher-cost free agents who often turned out to be bad long-term investments. In a recent Washington Post Interview, Billy Bean, Oakland's general manager from 1997 to 2015, said that those days are over.

"The big teams are run very wisely now," said Beane. "There are really smart guys who have capital. There's no soft spots. They're smart guys, and they're surrounded by smart guys. It's a very intelligent industry right now."

The Smartest Guys in the Room Are Naturally Curious

People have said that operational excellence and lean manufacturing **have reached a similar endgame. They say that any competitive advantage to be had from applying lean tools and management practices has been realized, that manufacturing companies are run very intelligently now and it's time to focus on other priorities. I hope you don't believe that. Because it's far from the truth.**

In part, this is because culture change doesn't happen overnight, or even over several decades. Not only do many companies still operate the old way, management behavior in many cases has hardly changed at all. What's often missed in the Moneyball story is the central role of curiosity, one of the core values of lean leaders. Forced in large part by circumstances (stingy ownership and the loss of top contributors from the previous season to free agency), Billy Bean was open to exploring different approaches, and curious enough to stick with it despite the naysayers.

The history of lean manufacturing presents a similar story of being forced to do more with less. In the aftermath of World War II Japanese manufacturers had no choice but to explore less resource-intensive approaches for making and bringing products to market. Decades later, with the rise of global trade, manufacturers in the U.S. and Europe continued to run their businesses the same way they always had. Meanwhile, Japanese manufacturers – automakers in particular – leveraged the less wasteful production and management methods they had developed under crisis circumstances to steadily win market share around the world.

Today, the ongoing competitive pressures of globalization have forced manufacturers in every industry to improve quality and shorten order-to-delivery and product development lead times. If anything, the need for lean management practices has become even more acute with global market pressures and the rapid rate of change. That's the biggest difference, in fact, between professional baseball and the business world.

From First to Worst

Every company has areas where they are underperforming and could be doing better. There's no parity at the top. Price advantages are soon matched or undercut by a competitor; a long-held market position is suddenly erased by a new innovation. There are no incentives in business for market losers – like the higher draft picks awarded to baseball teams with the worst records – to not put your best and smartest team on the field and try to win every day.

Similarly, there's no universal metric in business like on-base or slugging percentage to judge performance. People and skill levels are difficult to compare because circumstances can change dramatically from one year to the next, and from one company to the next. But there are plenty of other metrics that provide insights into how manufacturers are performing, and how much better they could be doing.

For example, I remember a surprisingly heated conversation with the CI manager of a multi-billion company at one of their factories. With mold changeover times for their plastic injection-molding machines hovering around 30 minutes, he claimed that they were world-class. We have helped clients reduce changeover times by 75% from that level on similar machines to just 10 to 15 minutes, and told him that. He said further reductions were impossible, and refused to consider the possibility, or benefits. Perpetually curious about untapped potential for improvement, effective lean leaders make a habit of challenging such overconfidence.

Safety is another example. Many plant managers and regulators compare their factories to the industry average. Maybe that's what you do at your company. That's a horrible benchmark in some industries, however, which still have horrible safety records. The companies with the best safety performance – which also tend to be the top performers in terms of efficiency and costs – regard any accident as unacceptable and escalate them to the highest levels of the organization.

Don't Become Complacent

My final point is that, despite global market pressures, every manufacturing company or plant – or baseball team – can become complacent, especially in the wake of past success. Within whatever constraints you have, there's no absolute limit on improvement. Lean offers a methodology and management mindset that remain remarkably relevant. Manufacturing leaders have to keep leveraging these tools and stay perpetually curious about how much better their operations could be doing.

Bill Remy, Board Member & TBM Alumnus

Bill Remy is the former CEO of TBM Consulting Group and currently serves on the TBM Board of Directors. His career expertise includes deep knowledge of operational performance improvement, site transitions, acquisition integration, new product development and supply chain management.