

Improving Leadership in Lean Business

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It's time for leaders to complement thinking Lean with learning how to behave Lean. Putting the two together will accelerate your Lean transformation and lead to far better results.

Because of the difficulties most companies have had achieving any real success with Lean, managers are now beginning to realize there is a leadership dimension specific to Lean that they have not adequately addressed. Taking the automotive industry as an example, we find that companies good at applying Lean tools realize only half of the financial and non-financial benefits of Lean. Similar limited results are also common in service businesses, non-profit, and government organizations.

Leaders that understand Lean well realize that the reason to implement is not purely financial. After all, a company's inventory turns and cash flow figures are not a rallying point that end-use customers care about. The proper reason for implementing Lean is to eliminate waste and increase value for end-use customers, which leads to better financial and non-financial performance.

In the most general sense, the Lean management system seeks to get information to flow without interruption, whether the information looks like a part, is a document, or verbal communication between people. Talking the narrow view that Lean is simply a means to get materials to flow is short-sighted. Value stream maps, after all, show us that we need to get both material and information to flow.

The best Lean leaders recognize and apply both Lean principles, "continuous improvement" and "respect for people,^[1]" and enjoy much better outcomes. However, it is not enough to have an intellectual understanding of these two principles. Their meaning must be understood at much deeper levels, which only occurs through regular participation in kaizen. Managers that do not participate in kaizen will find it difficult, if not impossible, to lead a Lean transformation successfully. Yes, the business will realize some improvements, but the best possible outcome that can be achieved is to stay even with all the other competitors out there that are focused solely on Lean tools.

The "respect for people" principle has long been unrecognized, ignored, or misunderstood by most senior managers. Why is this so? One way managers like to learn about Lean is through shop or office tours. However, it is very difficult to see the "respect for people" principle in operation during brief walk-throughs. So managers simply miss it. Returning to the automotive industry example, this explains why Toyota's competitors, focused on deploying only Lean tools – partly as a result of many factory tours – have had very limited success. "Respect for people" is the principle that enables continuous improvement, and it is the much bigger challenge.

The "respect for people" principle became apparent in 2001 when Toyota published an internal document titled "The Toyota Way 2001,"^[2] and we focused on this aspect in our book *Better Thinking, Better Results*.^[3] However, astute Lean leaders have known all along that they also have to practice "respect for people." So how did they know this? They know it from two sources: 1) their own participation in kaizen, and 2) by reading books by Taiichi Ohno and other out-of-print books written by former Toyota executives.

Unfortunately, most people read Ohno's book, *Toyota Production System*[4], with interest in knowing only about Lean tools. For the last five years, I have used Ohno's book in a graduate course on leadership that I teach[5]. At first, students can't understand why I would assign such a book. They think to themselves, "this is a leadership course, not a manufacturing course." They are expecting to read a book with a title like: *Become A Great Leader In 14 Days or Less!* Student's initial expectation is to quickly obtain the secret formula for effective leadership. Instead, they read *Toyota Production System* from a different viewpoint: for the many important things Ohno has to say about leadership, not production.

Students, most of whom work in service organizations and know nothing about manufacturing, soon realize that Ohno's book is a great leadership book. Every semester I ask them if I should continue to assign *Toyota Production System* as required reading, or drop it and use a traditional leadership book instead. The response, from hundreds of students, has been unanimous: keep Ohno's book in the curriculum. Their reaction to Ohno's book is extremely positive, and every student says they have no intention to sell the book back to the bookstore when the course is over. It's a keeper. They want to have it to read again and again so they can gain new insights and additional leadership inspiration.

Since 1998, my co-authors and I have written several practical papers that describe what leaders must do differently if they expect to achieve a successful Lean transformation. We show the difference between traditional leadership routines and what effective Lean leaders do, and also give many deep insights into what "respect for people" really means.

The first paper, titled "Lean Behaviors,"[6] built upon what Ohno wrote. He said that there are two types of work, value-added and non-value added but necessary work, and waste. Ohno's focus was the task component of work. But to get the value-added work to flow without interruption, there is also a behavioral component of work. After all, it is people that do or don't do the work that end-use customers pay for.

In the paper, I said that there were two types of leadership behaviors: value-added and non-value added but necessary behaviors[7], and waste (i.e. wasteful behaviors). I defined behavioral waste as behaviors that do not add value and can be eliminated.

Examples of wasteful leadership behaviors include: stereotypes, bullying, inaccessibility, fomenting confusion, office politics, unknown expectations, saying one thing and doing another, inability to admit errors, and blaming people for problems. Such behaviors add cost but do not add any value. No end-use customer wants to pay for the delays and re-work caused by wasteful leadership behaviors.

Leaders that tell associates to eliminate waste in processes must be totally consistent and not behave in wasteful ways. It just makes sense. In addition, leaders that adopt Lean but continue to behave in wasteful ways violate the "respect for people" principle. Extending Ohno's definitions of work and waste to the realm of leadership and leadership behaviors is simplicity itself. It is an utterly practical solution to an enormous problem – but only if leaders understand what waste is. Again, to get that understanding they must participate in kaizen.

Another paper titled "Continuous Personal Improvement"[8] showed how the exact same Lean tools that Lean businesses use to improve processes can also be used to improve leadership. This results in an approach to leadership development that is simple and completely consistent with Lean principles and practices.

A more recent paper titled "Linking Leader's Beliefs to their Behaviors and Competencies"[9] showed how traditional leadership competency models do not result in any substantive changes in leadership behaviors because they fail to address managers' fundamental beliefs about the practice of business[10]. I presented a practical method to illustrate how a conventional leader's

beliefs lead to behaviors, which in turn lead to competencies that most managers would find undesirable. I then showed how the beliefs, behaviors, and competencies of leaders skilled in the Lean management system are remarkably different and much better aligned with the favorable outcomes that managers seek. Once again, kaizen is the key. To change their beliefs, senior managers must participate in kaizen.

Our most recent paper, "Using Value Stream Maps to Improve Leadership,"^[11] presents for the first time how value stream maps can be used to determine leadership beliefs, behaviors, and competencies. Current and future state value stream maps for manufacturing and service business processes illustrate the progression from belief to behavior to competency. The beliefs, behaviors, and competencies of leaders skilled in conventional and Lean management thinking and practice are shown to be very different. The "big deal" about this paper is that it presents a high impact, practical, simple, and much less expensive route for identifying leadership problems and improving leadership effectiveness using diagrams and language that Lean people already understand.

Interest in improving leadership in Lean businesses is increasing, and some senior managers are beginning to recognize that effective Lean leaders are different. What they do not yet understand is the path for improving leadership, which differs greatly from the conventional approaches they are familiar with. It turns out that improving leadership for Lean businesses is actually much simpler. The impact on associates, suppliers, customers, and investors will be nothing but favorable – if senior managers are willing to learn and do new things. The good news is that it will be a lot of fun.

Lastly, consider the profile of an effective Lean leader that we have discovered:

- A person who reads – committed to lifelong learning
- Wants to try what he or she read – curious, seeks to validate the reading
- Persistent – failure means understand the root cause and try again and again
- Never stops thinking – problems are a value-laden personal challenge
- Constantly communicating – likes to teach others
- Totally consistent and disciplined – variation in leadership is waste
- Concerned about cause-effect relationships – both task and behavioral
- Humble and participative – not smarter than everyone else and has much to learn

So here is the homework assignment for senior managers:

- Read the books and papers mentioned in this article
- Regularly participate in kaizen

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[1] The words sound simple, but putting “respect for people” into practice is not. It takes years to understand this principle deeply, particularly in relation to business performance metrics, enterprise software systems, and financial analyses.

[2] "The Toyota Way 2001," Toyota Motor Corporation, internal document, Toyota City, Japan, April 2001

[3] B. Emiliani, with D. Stec, L. Grasso, and J. Stodder, Better Thinking, Better Results: *Using the Power of Lean as a Total Business Solution*, The CLBM, LLC, Kensington, Conn., 2003

[4] T. Ohno, Toyota Production System, Productivity Press, Portland, OR, 1988

[5] This course is highly rated by students partly because I apply Lean principles and practices to course design and delivery. How I achieve this is described in my paper: “Improving Business School Courses by Applying Lean Principles and Practices,” *Quality Assurance in Education*, Vol. 12, No. 4, pp. 175-187, 2004

[6] M.L. Emiliani, "Lean Behaviors," *Management Decision*, Vol. 36, No. 9, pp. 615-631, 1998

[7] Non-value added but necessary behaviors can also be thought of as unavoidable behaviors, since people are not perfect.

[8] M.L. Emiliani, "Continuous Personal Improvement," *Journal of Workplace Learning*, Vol. 10, No. 1, pp. 29-38, 1998

[9] M.L. Emiliani, "Linking Leaders' Beliefs to Their Behaviors and Competencies," *Management Decision*, Vol. 41, No. 9, pp. 893-910, 2003

[10] Traditional leadership competency models do not consider manager's beliefs. The models assume all managers share the same beliefs. Thus the starting point for improvement is behaviors, not beliefs, and is thus fundamentally flawed.

[11] M.L. Emiliani and D.J. Stec, "Using Value Stream Maps to Improve Leadership," *Leadership and Organizational Development Journal*, Vol. 25, No. 8, pp. 622-645, 2004