The Future of Lean with Dan Jones

Guest was Dan Jones

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Daniel Jones is a management thought leader and advisor on applying Lean, process thinking to every type of business across the world. He is the founding Chairman of the Lean Enterprise Academy www.Leanuk.org in the UK, dedicated to pushing forward the frontiers of Lean thinking and helping others with its implementation. Dan is my guest on the Business901 podcast next week, and this is an excerpt from the podcast.

At the Shingo Prize Awards Conference in Salt Lake City, USA on 20 May 2010 Daniel Jones was inducted into the Shingo Academy. The Shingo Academy consists of individuals who have distinguished themselves through their lifetime commitment and achievements in the area of Lean/Operational Excellence. Daniel has previously won four Shingo Awards for his books on Lean.

Daniel Jones is the author, with James P Womack, of the influential, best-selling management books:

[The Machine That Changed the World: The Story of Lean Production](#)
[Lean Thinking: Banish Waste and Create Wealth in Your Corporation, Revised and Updated](#)
[Lean Solutions: How Companies and Customers Can Create Value and Wealth Together](#)
[Seeing the Whole Value Stream](#).

Joe Dager: Welcome, everyone. This is Joe Dager, the host of the Business901 podcast. With me today is Dan Jones. Dan is a management thought leader and adviser in applying Lean process thinking, pioneered by Toyota, to every type of business across the world. He is the founding chairman of the Lean Enterprise Academy in the UK and dedicated to pushing the frontiers of Lean thinking and helping others with its implementation. His work is inspired that a successful implementation of Lean by Tesco and many other companies.

Dan, I would like to thank you. We'd like to welcome you to the podcast. Can you start out and just tell me a little about your organization in the UK?

Dan Jones: Thanks for asking me to take part in this podcast. The Lean Enterprise Academy in the UK is one of 18 non-profit Lean institutes that Jim Womack and I founded around the world to be missionary centers for translating and teaching Lean in every sector in every country of the world. This is the UK branch, called the Lean Enterprise Academy. The Lean Enterprise Institute in the States was the mother organization, if you like, and we're all affiliated in something called the Lean Global Network.

So basically, we're thought leaders, and we are dedicated researchers, really, trying out experiments. Just helping people use Lean to solve their business problems. Yes, we organize networks of practitioners -- very large networks around the world. We organize summits and conferences. We publish books and workbooks. We also conduct a lot of projects, with the idea that these projects are probably projects that other consultants are going to be a bit reluctant to tackle, because they're into new areas in which the outcome is not necessarily guaranteed.

We're looking very much to use our PDCA approach -- what I call an action learning approach -- to try to learn what ought to work in a new area or a new discipline, and then through learning experiments, basically, figure out what does work. Doing that, I draw on a global network of Lean experts, many with a Toyota background, who we deploy on these projects as suits them.

But the commitment is also that we will not only learn from these experiments, but we will digest the generic results and publish them and share them, with the aim for the other people will follow them and use them to champion Lean themselves in their own organizations.

Joe: I think you've done a wonderful job. Lean is touching just about every field now.

Dan: Yes.

Joe: When we first start talking -- whether it's product development or sales and marketing or healthcare or financial services -- what seems to attract people at the beginning to start talking about Lean in a field?

Dan: Good question. There's usually some oddball out there who either is in a company that's in desperate straits, tried everything else, and might as well give Lean ago. Or there's somebody who's seen Lean work in one sector and says, "Hey, I think this would work in my sector as well. I need to get some help to try and figure out how to do that." As in many, many sectors that I've been involved in, from retailing through construction, through the public sector, through financial services, through healthcare, I've pretty well done them all at one time or another.

It starts just like that, a phone call saying, "How do I adapt these Lean ideas or these Toyota ideas to my sector?" And I've learned over the years that you got to be a bit humble to start with, and get to know the sector and really walk the process, because every process is a bit different -- a development process, an engineering process -- is different from a healthcare process is different from a construction process.

But once you get to know the process, you begin to see that it's as gummed up as everybody else's processes. You begin to see that there's a key place which will unlock this process, will unlock the thinking, will begin the process of redesigning that process. The key is really the ability to diagnose the system causes that are really creating instability in the whole process.

The other thing I do is always look at the whole end to end process. I'm looking at the entire workflow that creates the value for the customer, whether it's a new design or whether it's a retail supply chain going right back to raw materials, or whether it's caring a patient, right from the first time they go to the doctor through to the cure.

I look at the whole process and try and see where the process has gummed up most, try and see what the issues are that prevent people from doing this, and then get to work on that, launch some experiments.

Quite quickly you discover what does and doesn't work. Quite often you have to go back and scratch your head with maybe some Toyota experts who will often ask you a question that will provoke you to realize that what you have been trying is absolutely 180 degrees the opposite of what might work in that sector.

Thankfully, then you go back with that new insight and get going again. Well, it really is like that. It's really taking a walk, looking at the situation. Having diagnosed many different industries -- you quite often see patterns, and you quite often see similarities that other people won't see. That gives you what I call, if you like, the tipping points or the trigger points that open up a sector and get going.

Joe: You get this aha moment where it just kind of falls in place that this is it, at some point in time.

Dan: Yes. I think that's right. It doesn't always come immediately. It's not always in the obvious place. For instance, started working in health care I spent many, many days following patients through the health care process. Looking at the delays and the queues and the rework and all the other things you traditionally look at manufacturing. But it wasn't until you sit back and look at the hospital as a whole. If you like took the roof off and followed where patients actually flow through the hospital and look to where they actually were waiting, that we began to see hey, actually there appears to be a lot of people sitting in beds at the back end of the hospital, ready to go but one reason or other comes.

Nobody could see that before because you can't distinguish which patient is ready to go and which isn't. But as soon as you start collecting the data you realize that actually the key to unlocking health care is actually unblocking the discharge process to the back end of the process and freeing up the flow of patients then coming through from the emergency department.

In the retailing sector, we walked through endless warehouses and production facilities and stores, looking at piles of inventory. It wasn't until we looked at the whole process for a selected number of products and in particular started looking at the information process that we discovered that in fact the causes of all those inventories and delays was actually the way in which information was being manipulated and passed upstream, the classic Forrester effect.

That Forrester effect was a symptom of a forecast driven system with lots and lots of just in case inventories all the way back; that generates noise and further noise as it goes back upstream. So actually tackling the retail system was about trying to create a pool system based upon signals from the store to replenish the store and then replenish the warehouse and then replenishing finished goods into the warehouse, to turn the logic upside down. We got to find that starting point.

Joe: Now that takes time, and when you are installing something new, or you have problems, patience isn't everybody's strongest virtue sometimes.

Dan: That's true but on the other hand most processes are so gummed up that even if you just stand and look at it there is some low hanging fruit that is immediately obvious and you can get to work on straightaway. Where the diagnosis comes in is once you've stripped away most of the obvious low hanging fruit, now what are you going to do, and the ability to continue to then start seriously redesigning the process, that needs that diagnostic moment, the aha moment.

Joe: The diagnosis, is that a kind of a prescription of something or is everyone different?

Dan: I think sectors are quite different. In fact, different sectors teach us different things. But actually if you look at all of the lessons from the different sectors, you can see bits and pieces of those lessons everywhere because in fact every business is a collection of processes, collection of design processes, production processes, supply chain processes, maintenance processes, order transaction processing and policy formulation processes. So actually each sector tells you a bit about how you would look at those activities in many, many other businesses. It's being able to see the business as a whole, as a collection of processes. And to understand in the sense of diagnose what's wrong with those processes. That's the value that a real Lean thinker can offer.

Joe: Now Lean is turning to go outside the four walls. I think it was initially inside the four walls. I personally think the waste reduction is a burden on Lean when they go into the knowledge fields a little bit, because everybody starts to look at that first rather than their collaborative learning the aspect of it. I think Lean is very strong in collaborative learning. I think that's one of the secrets of Lean and doing that is there a way to present that to people, better maybe than what has happened in the past?

Dan: There are some obstacles in that kind of environment that make it hard for people that want to grasp this. The first obstacle is that we are knowledge workers; we don't want to have people standardize what we do. We are creative folks. We got away from that factory environment where we just do the same thing over and over. So the idea of standardization is an anathema. However, if you look at any work, particularly design work or transaction processing work, a lot of it actually is fairly similar and routine. And also that's where the problems are. And if you can standardize those routine tasks actually what you end up doing is freeing up time for the creative tasks. So once people see that,

they switch their views and think, well the standardization not of everything but of the routine and getting the hassles out of the routine that really makes my life better.

That's one obstacle. You can't tell people that standardization leads to creativity but actually it does. And that's what people discover. And in the end, you ask them after they've done a bit of this, and improve their lives, where they'd like to go back, and they always tell you, no you're kidding. Now it is so much better. So that's one way in. The other way in, in that kind of work too is that people are typically working on too many projects at once and so there are lots and lots of changeovers going on.

They are typically working ahead of the customer or the user specifying what they actually want. So there is a tremendous amount of confusion as to what the actual task, the actual problem that you are trying to solve is. That just generates a tremendous amount of unnecessary work that people are happy to do but actually isn't creating any value for the customer and it's not always easy to see which work is really work and which work is actually going to lead to something tangible for the customer.

The thing about the construction industry for instance, in the construction industry the business model is such that the contractors actually make money on the changes. So they don't actually want the customer to really specify in detail exactly what the building is going to look like, because they are bidding low to get the business anyhow, and they want the customer to make changes so that they can then charge a hell of a lot for the changes, and that's where they make their money.

There is a similar aspect in IT systems as well. Partly we are trying to always sell prototypes that are not fully developed and get the customer to pay for the development

part but also because the customer is not knowledgeable at what the capabilities might be, and because it takes too long to develop these systems and type of things needs change, this all adds a tremendous amount of confusion. So in IT development I would say you don't start until the very last moment when the customer has done all the specifying they want, until they are really clear what they want.

Then don't work on anything else until you finish it. So you have all the information you need, work on it, completely, uninterruptedly, until it's finished. That will end up with less work per project and much better customer satisfaction. So you just got to start looking at the workflow and the type of work and the influences on that work in a slightly different way.

Joe: What you just described to be there is really a kind of that iterative cycle involving the customer and that learning cycle, then you create this small learning cycle with the customer so that you could be delivering product to them or delivering knowledge to them and closing that knowledge gap step by step by step.

Dan: Yeah, absolutely. Look, I think the big lesson that I've learned from dabbling my toes in the IT industry -- and by the way, I am absolutely no IT expert at all, but got invited by SAP to launch their Lean programs a couple of years ago, much to my surprise, and Steve Bell has dragged me into these discussions about what Lean means for IT -- I think the lesson that I am learning from the Lean IT guys in these very early days and such is that the key contribution they can make is to point us back to this rapid experiment cycle, this rapid feedback cycle. I heard a tremendous presentation from a guy from Google at the Lean IT Conference in Paris last year, which impressed me a lot, where they

had focused automating the testing process and was speeding up the release cycle so they're actually able to do daily releases and get simultaneous feedback from different sets of customers.

I think that's going back to the incremental kaizen smaller steps, but well done with good feedback and more steps the next day and endless iterative improvement rather than big bang, huge systems that take years to introduce, and by the way, years to make changes.

I had a searing experience with one big multi-national where it took over two years to make a change to the system, to the IT system, and the CEO was tearing his hair out because that was longer than the typical length of time a person stayed in their job. It was just a big monster.

We're learning from the web generation that little and often gets us right back to the original kaizen and continuous improvement cycle, and I think that's coming through loud and clear from the IT community.

Joe: In that prescription, what stops us from maybe some of the other areas of entering into? And let's pick my favorite one, sales and marketing. What stops Lean from being applied to sales and marketing when we're looking at it from a collaborative learning prospect? I think that's what sales is, isn't it?

Dan: Well, my view of sales, I learned what I know about sales and marketing from working with Tesco many years ago where we designed rapid response supply chains and then Tesco figured out what they could do with those supply chains. What struck me there was their insights were that if I could rapidly replenish everything the customer is wanting

exactly when they wanted it, I needed to know exactly what the customer really wanted and I needed to have rapid feedback from the customer, from the customer's behaviors in order to constantly adjust.

What they did was they used the rapid replenishment supply chains we developed to develop convenience retailing and to develop web shopping very, very successfully. And no, they're integrating the two.

Our supply chains can supply both the customer at home, the convenience store down the road, and the big supermarket for the same cost. Tesco did that because they had data on their customer purchases, the club card data, which they had analyzed into 16 lifestyle classes. They were able to combine that with their home shopping data, which is not what people actually bought but what they actually wanted, and they could see what substitutes people were making were and they could custom arrange their stores as a result.

So I think what has held us back in sales and marketing are two things. One is sales and marketing traditionally was there to get rid of stuff that was already made a long time ago in a forecast-driven, long lead time supply chain. So it was about getting rid of stuff.

The second was we didn't have good, precise abilities to get the exact feedback from real customers. We could only get polling data, focus groups and market research data.

Now the web is actually I think empowering customers and making them equal players in the supply chain. The smart players will have a dialogue with customers and test out different options and different product categories and so on with customers and get very rapid feedback, just as Google is getting on its rapid release.

I think now we are in an era in which customers are part of the supply chain and we can really have a dialogue with customers not just about what they think they'd like, but what they actually would put their money in.

You can see this in all sectors. You can see it from intelligent products reporting to their makers. I mean, Areo Engines now are typically sold powered by the hour. So Rolls Royce knows when an engine is malfunctioning on the way to Singapore before the airline does because they're responsible for being ready when the airliner lands to repair the faults of the engine.

In many ways, we are getting real use data back from customer as well as preference data. And the next step is of course to get plan ahead of data with customers. Because customers can and do have some knowledge of what they want in the future. But they have no incentive to share it with us in this adversarial consumption mode.

So I think there is a great deal happening at that interface. I think the web fundamentally is going to change every customer interface in a very positive way, but one that empowers customers rather than empowers the providers.

Joe: I think that's a brilliant synopsis of it because one of my complaints about Lean was that they always created these internal control points and called it a pull. From my perspective, that was wrong. The control point needed to be with the customer if you wanted to call it a pull. But technology is allowing us to do that now, isn't it?

Dan: Yes. It is. And now actually we can see that the customer is not just buying our products and services but they are buying them to solve a problem or create value in their

lives. We need to see why they are buying them and how they are combining, selecting and combining the right products and services and the knowledge of how to use them to answer their needs of their household more precisely. We wrote a book a few years ago, Jim Womack and I, called "Lean Solutions" where we began to sketch out that landscape, but in truth the web has moved on so much faster since then and many of those things that we dreamt about then are now possible.

I don't know if you're aware of the customer-centric data movement that is developing in the UK and I think beginning in the States, as well. We're trying to develop software to enable customers to be intelligent managers of their own data, instead of companies holding data on me, I aggregate all the data on what I do and what I like and where I am and so on.

I'm willing in the future to be able to share that data in return for something with selected providers. So that's another dimension in which I think the power is really going to shift to customers. It's shifted from suppliers to retailers, and now it's shifting from retailers to customers.

Joe: I even go a step farther, and I agree with you about some of the leading edge thinking in the UK. I go along with that type of thinking. I may even go a step farther rather than with customer experience being the most important ingredient anymore in go to user experience.

Dan: Yes. No, it is user experience, absolutely. Are you as a provider able to help me create the value I need in my life. And solve my communications problem, my shelter

problem, my logistics problem, my healthcare problem. And how are you proposing to help me do that in a way that does it when I want it where I want it, etc., etc.

Joe: How does Lean fit in with all this new thinking? I mean, we go back it's all waste reduction, manufacturing itself but how does it fit in?

Dan: Well, Lean obviously started, we attracted attention, let's be completely clear, selling people the idea that we could help them eliminate waste. It was a great way of getting their attention. Indeed, people thought this was an intelligent form of cost cutting, so yes, we'll have some of that. Gradually, as they got into it, they realized that there was a lot more to it than that. What we're really talking was, we're taking all of the buffers out of the supply chain, all of the insulation between the different steps.

In order to link those steps again, people had to be empowered and given the knowledge to work together and to improve the way they work, they do their own work.

So it's actually, it's based upon learning. It's based upon the management of the flow of work that has to be accomplished in order to create value for the customer. The Lean value stream analysis is absolutely a powerful tool for looking at every aspect of value creation, including how a customer manages their own consumption processes at home.

Joe: Where do you think the future of Lean is? What is the future of Lean?

Dan: A lot of people want to pull Lean in the operational excellence box. And so OK, there's a bunch of tools for operations folks, and I don't have to worry about them. If I'm a senior manager, or if I'm in sales or if I'm somewhere else, I don't have to really worry about them. Well, I think that's not the true value of Lean at all. The future of Lean is

about building a different way, building a management system to support the value creation process. We've done a lot of work thinking about what a Lean management system looks like in many different sectors. It is actually a different way of managing collaborative work, both within companies and between companies to create value for customers.

On the one hand, it's about management. On the other hand, it's also about rethinking and redesigning new ways of creating value that are now possible given technology, etc. On the other hand, envisioning the design of completely new processes and new business models that will in many cases replace the old ones.

What we're doing is we're at the moment still living in the legacy of the assets of mass production, the massive great hub airports, the huge massive central warehouses, the big superstores, the big district general hospitals and so on and so forth, the big postal sorting offices, the big back office headquarters or transaction processing facilities of the banks.

These are all legacies of mass production based upon routine operations and scale. What we're doing now is designing a completely different business models that are not as asset intensive that are probably more technology intensive or IT intensive and I think open up a completely new ways.

We're still living with those assets and until they're depreciated or written off the new models struggle to survive. But I think it is happening. I just think in healthcare we are seeing the beginning of the end of the big district general hospital. I think in retailing we're seeing the end of the big, big superstores as a way forward. Even Wal-Mart, along with

Tesco and many others are now focusing on neighborhood stores, and they're integrating those with home shopping.

Business models changes, I think, ultimately will come from our understanding or process view of the work, or how we organize the work to solve customers' problems.

So I think those are two directions. I think the third direction is actually a learning dimension, which is that I think that we're realizing that the quality movement, and certainly integrate into the Lean movement, taught us not only about the statistical analysis of variance but he taught us also about the value of PDCA -- plan, do, check, act -- or some scientific method in solving problems, the closed loop of problem solving method.

I think there are people already beginning to start teaching that in schools, even in primary schools. I think teaching people a different way of thinking about how to solve problems is actually probably going to be one of the major lasting legacies of Lean.

Joe: Is there anything that you would like to add to this conversation that maybe I didn't ask?

Dan: Each time I've thought that I've got it, that I understand everything about a sector, about an activity or of an organization, and I know what the next step should be, then I stumble when it doesn't work. I think the power of being able to reflect on what doesn't work in particular and, yes, what does work... The power of reflecting and going back and using the scientific method to think again about, if you like, about how Toyota would think

about this, I think that's probably the most significant gift that a Lean thinker can have. Because we are typically good at plan, do. We're terrible at check and act and reflect.

I think the power to reflect and learn from life and from experiments that didn't work, I think that's the key to learning.

Joe: I think that's very well said. Where's the best place for someone to contact you at?

Dan: Through my website: www.Leanuk.org or through LinkedIn.

Joe: Well, I would like to thank you very much Dan for this conversation. It was very insightful. I enjoyed it very much.

Dan: Good. Thank you, Joe. I look forward to hearing from you again in the future.

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What others say: *In the past 20 years, Joe and I have collaborated on many difficult issues. Joe's ability to combine his expertise with "out of the box" thinking is unsurpassed. He has always delivered quickly, cost effectively and with ingenuity. A brilliant mind that is always a pleasure to work with." James R.*

Joe Dager is President of Business901, a progressive company providing direction in areas **such as Lean Marketing, Product Marketing, Product Launches and Re-Launches. As a Lean** Six Sigma Black Belt, Business901 provides and implements marketing, project and performance planning methodologies in small businesses. The simplicity of a single flexible model will create clarity for your staff and, as a result, better execution. My goal is to allow you spend your time on the **need versus the plan**.

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