Understanding Lean Transformation

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&

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What is the Lean Enterprise Institute?

Our Mission: Make Things Better Through Lean Thinking and Practice

Founded in 1997 by Dr. James Womack, principal scientist of the MIT IMVP study that resulted in *The Machine That Changed the World*.

CEO John Shook & COO Mark Reich with 17 full time employees & more than 30 faculty and coaches.

- Non-profit education and research institute, based in Cambridge, MA aligned with 18+ global institutes & partners
- Over 300,000 community members from all industries
How We Learn, Share and Collaborate

- Lean Global Network (LGN)
- Healthcare Value Network (HVN)
- Public Service Value Network (PSVN)
- Lean Global Network (LGN)
- Lean Education Academic Network (LEAN)
- Lean Process & Product Development
- Co-Learning Partnerships
  - Public
  - Onsites
  - Online Webcasts

Learning Materials

Summits

lean.org

Strategic Networks

Making Things Better Through Lean Thinking and Practice
Collaborative Learning Process

Lean Thinking & Practice Everywhere

Become Part of Our Mission!

Partners share learning within their organization
- Improved Systems
- Improved Performance
- Improved Capability

Share with other Organizations & Individuals

Share learning within lean community

Partner LEI
Many People Define Lean As….

- Tools: 5S, Kaizen events and projects, process maps, value stream maps, Andon, visual management, metrics, SPC, dashboards, A3, etc.

- Programs: efficiency, process improvement, change management, performance management & measurement, MBO, cost reduction, Lean Six Sigma, MEO, etc.

- “Corporate Improvement” done to value-creators by management, outsiders or internal expert staff – a.k.a. Master Black Belts.

- Training for certifications or belts.

- Headcount reduction >>> “lean = mean”.

- Something that only applies to manufacturing or operations.

- Regimentation through standard work.
Embracing the challenge of creating more value for each customer and prosperity for society by:

• Focusing on, and continuously, improving the work (the flow of value throughout the organization to the customer)

• Showing respect by developing people to continuously improve the work through problem solving

• Minimizing / eliminating waste -- time, human effort, injuries, inventory, capital, space, defects, rework, etc.

• Asking what management behaviors and management system are needed
To Improve (or Transform) an Organization Must Address

• Purpose  What value for customers?
• Process  How to continuously improve?
• People  How to respect, engage and develop employees?

➤ Aligning purpose, process and people is the central task of management
Enterprise transformation is the process of an organization shifting its business model to a desired future state.

Lean transformation requires learning a new way of thinking and acting

- characterized not by implementing a series of steps or solutions, but
- addressing key questions of purpose, process and people.
What Approaches Do Most Organizations Take?

- Mergers
- Training for belts and certifications
- Reorganize
- Move operations off shore
- Elections
- Change management programs
- Reduce headcount across the organization
- Consultant Recommendations
- Hiring freezes
- Efficiency via cost cutting
- Buy IT systems
- Hire a new team of leaders
- Business process re-engineering
Two Views of Transformation & What You Get

- **Lean Thinking Culture-based**
  - Mgmt. Systems in Place
- **How to sustain/grow**
- **Project-based Metric Driven**
- **Some initial gains**

<table>
<thead>
<tr>
<th>Time</th>
<th>Performance</th>
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The Lean Transformation Framework

**SITUATIONAL APPROACH**
- Value-Driven Purpose -
  “WHAT PROBLEM ARE WE TRYING TO SOLVE?”

**PROCESS IMPROVEMENT**
Continuous, practical changes to improve the way the work is done

**CAPABILITY DEVELOPMENT**
Sustainable improvement capability in all people at all levels

**MANAGEMENT SYSTEM**
Responsible Leadership

**Basic Thinking, Mindset, Assumptions**
That drive this transformation
Brewed Coffee at Starbucks
One Problem: Brewed Coffee Waste

The Problem Situation

- **What is the problem?** Huge amount of coffee discarded at every store every day, while also being out of coffee when a customer wants it!

- **Why is it a problem?** Dissatisfaction of customers, employees, and management – costing tens of millions of dollars per year

- **Why address it now?** Customer satisfaction and costs identified as major company areas of focus to address declining sales and profitability
One Problem: Brewed Coffee Waste

The Problem Situation

- Coffee discarded while customers frustrated!

Traditional approach

Solve problems by focusing on standard costs & one-size-fits-all solutions broadcast from HQ to each store

Lean Approach

Built problem solving capability and engaged store teams in improvement, essentially, *developing their own solutions*.

- *Direct Observation Go See* to understand the problems (physical waste, the WORK)
- Analysis of the actual facts of the situation and root causes led to deep understanding of the problem at each store
- Countermeasures were understood in terms of customer impact, employee impact, waste elimination in each store
Brewing Coffee the Old Way

1. Before opening the store… Grind whole bean coffee for the entire day

2. During the day… Brew batches (¼, ½ and Full) that last for 30 minutes

3. After closing the store… Discard any unused coffee grounds
Observed Problems

**Quality** - Serving brewed coffee that does not meet Starbucks own standards

**Extra Labor** - 15 minutes to grind coffee for the entire day, prior to opening

**Waste** - Unused coffee grounds & brewed coffee down the drain

**Outages**, especially during peak - “I’m sorry but we just ran out. Would you like to wait or substitute for an Americano?”

![Diagram showing time spent on various activities related to coffee preparation and availability.](image-url)
**New Brewed Coffee Routine**

**From**
- Brew after running out
- Grinding coffee beans in big batches

**To**
- Brew on a regular cadence
- Grinding beans just prior to brewing each batch, individually

**Brewing on an 8-minute Cadence**

**Brewed Coffee Repeatable Routine**

1. Reset timer
2. Drain server at sink
3. Grind coffee
4. Clean brew basket and server
5. Load brew basket
6. Brew coffee

Just as first batch expires, 2\textsuperscript{nd} becomes available
Implementing the Routine

Traditional approach

Corporate HQ identifies new process that will eliminate $50M in coffee waste

Communicate directly to stores: “Here is the new way to brew coffee”

New lean approach

Regional Director
Learn & Teach

District Manager
Learn & Teach

Store Manager
Learn & Teach
Improving the Routine

Question Every Detail

• Why is it necessary?
• What is it’s purpose?
• Where should it be done?
• When should it be done?
• Who is best qualified?
• How is the ‘best way’ to do it?

• Eliminate unnecessary elements
• Rearrange elements (layout) for better sequencing (flow)
• Add/Subtract elements altogether OR to other jobs (offline)
• Combine elements when practical
• Simplify all necessary elements to make job easier, faster & safer
## Principles Introduced

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<th>Technical Principles</th>
<th>Social Principles</th>
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<tbody>
<tr>
<td>Go-See</td>
<td>Leader as Coach</td>
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<tr>
<td>Motion ≠ Work</td>
<td>Learn by doing</td>
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<tr>
<td>On-line to off-line</td>
<td>Asking ‘why’ not ‘who’</td>
</tr>
<tr>
<td>Balanced work</td>
<td>Problems are good</td>
</tr>
<tr>
<td>Value of routine</td>
<td>Respect for people</td>
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<tr>
<td>Fixed-time, unfixed-quantity</td>
<td>Customer first (no stock-outs)</td>
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**At both micro and macro levels of the business**
Results of Change

Lean Approach to Change

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Results

- Systematically and sustainably reduced waste by HALF in four months
- Developed problem solving capability in baristas and store managers
- Developed leadership capability - *coaching problem solvers* - in field leaders
Chairman/CEO Howard Schultz

“I harbored doubts about this so-called ‘lean program’…applying a manufacturing-based process seemed cold and impersonal…”

But, “in store after store Lean was producing better ways of doing business and customer satisfaction was up…”

“Inside Starbucks, Lean has become a very big idea.”
Thank You... Time for Questions

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For more information on the Lean Enterprise Institute:

www.lean.org