

Understanding Lean Transformation

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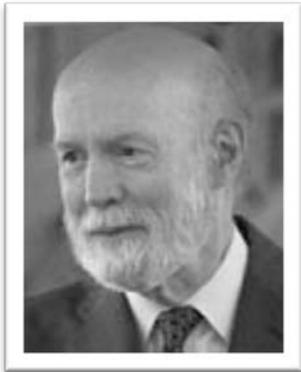
&

Scott Heydon

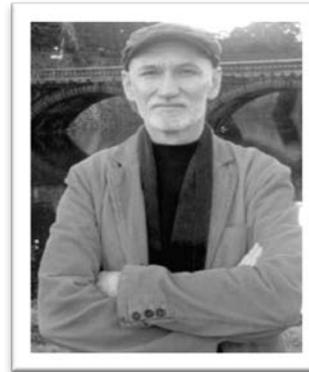
KILN, LLC & LEI Senior Coach

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



Collaborative Learning Process



So, What is Lean?

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



Lean Thinking & Practice

- **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***

What is Transformation?

- **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

Consultant
Recommendations

Reduce headcount across
the organization

Hire a new team of leaders

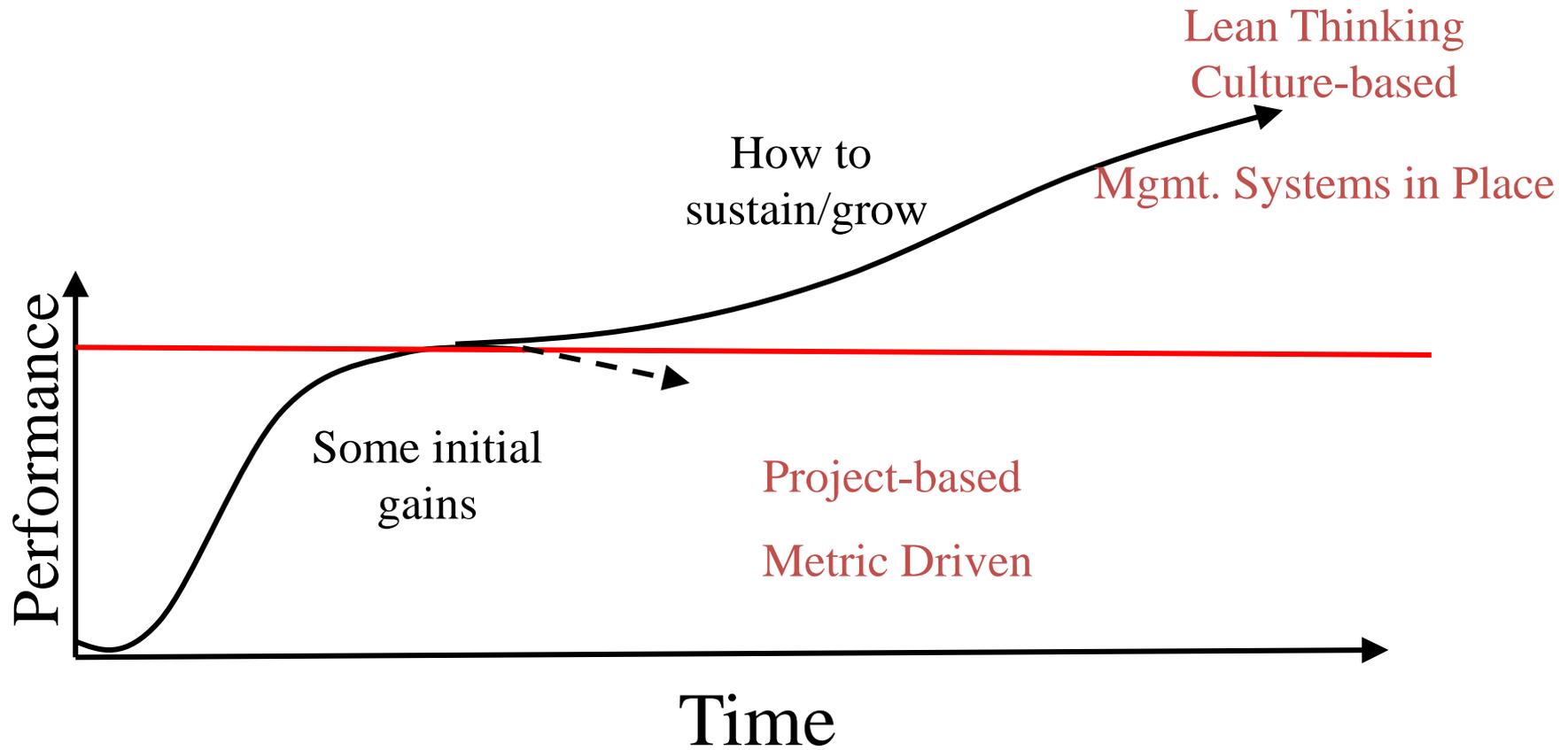
Business process
re-engineering

Hiring freezes

Efficiency via
cost cutting

Buy IT systems

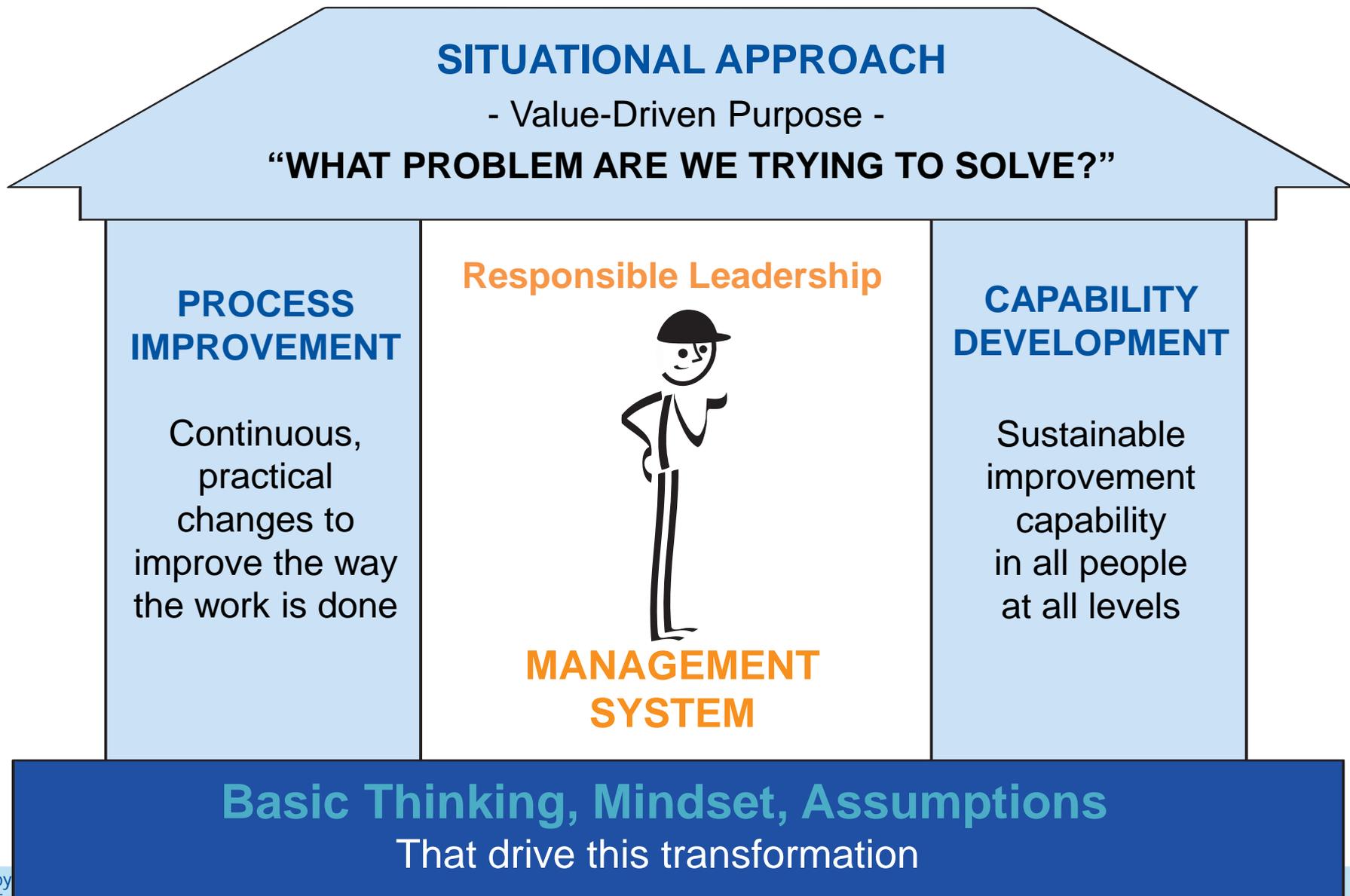
Two Views of Transformation & What You Get

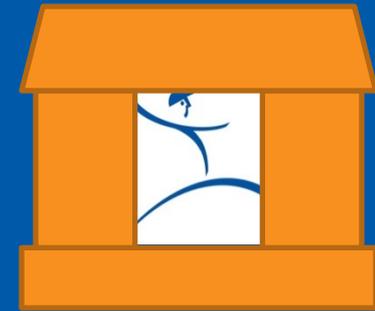




Lean Transformation Framework Video

The Lean Transformation Framework





Case Study

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

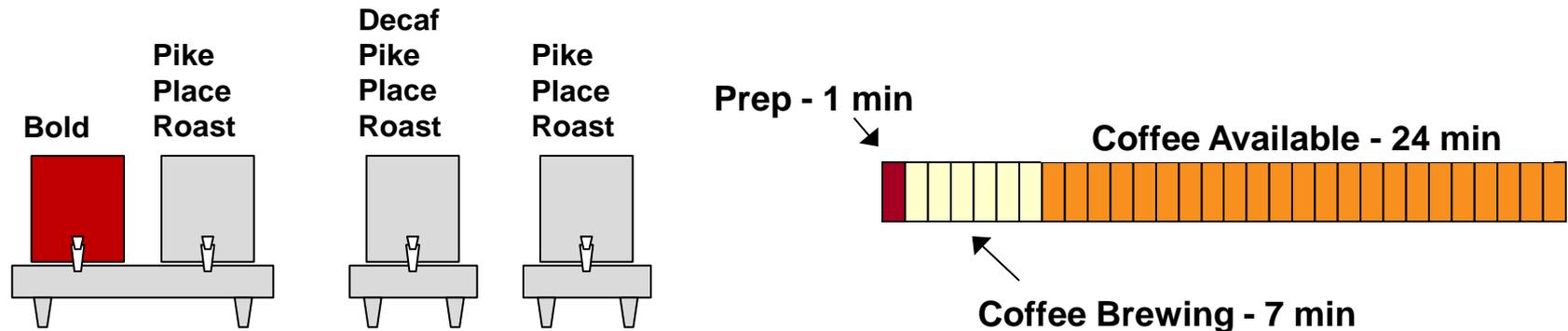
Built problem solving capability and engaged store teams in improvement, essentially, ***developing their own solutions.***

- *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 ($\frac{1}{4}$, $\frac{1}{2}$ and Full) that last for 30 minutes



3. After closing the store... Discard any unused coffee grounds

Observed Problems

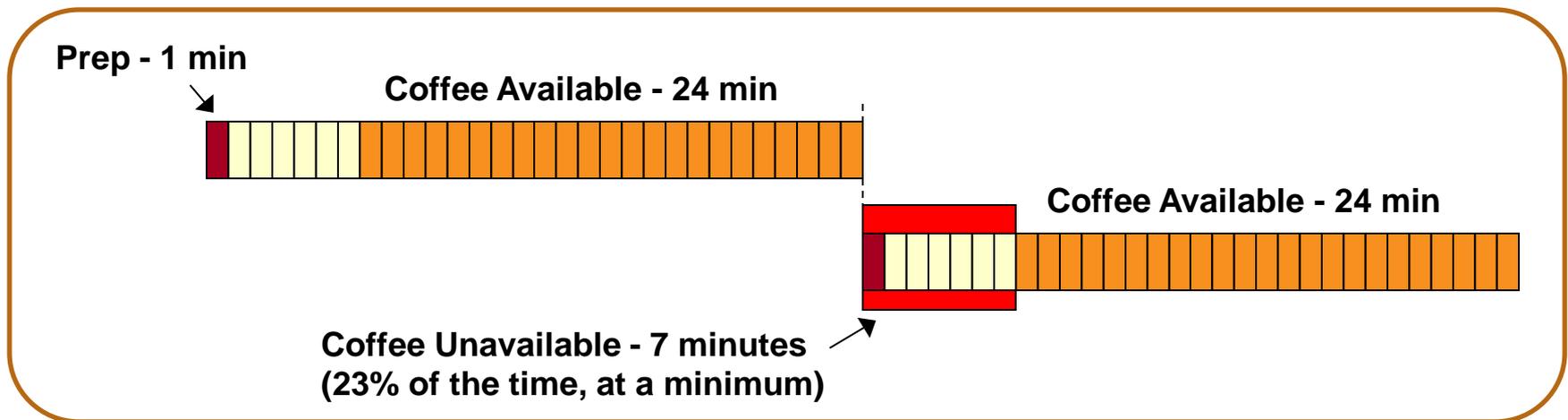


Quality - Serving brewed coffee that does not meet Starbucks own standards

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?"



New Brewed Coffee Routine



From

Brew after running out

Grinding coffee beans in big batches

To

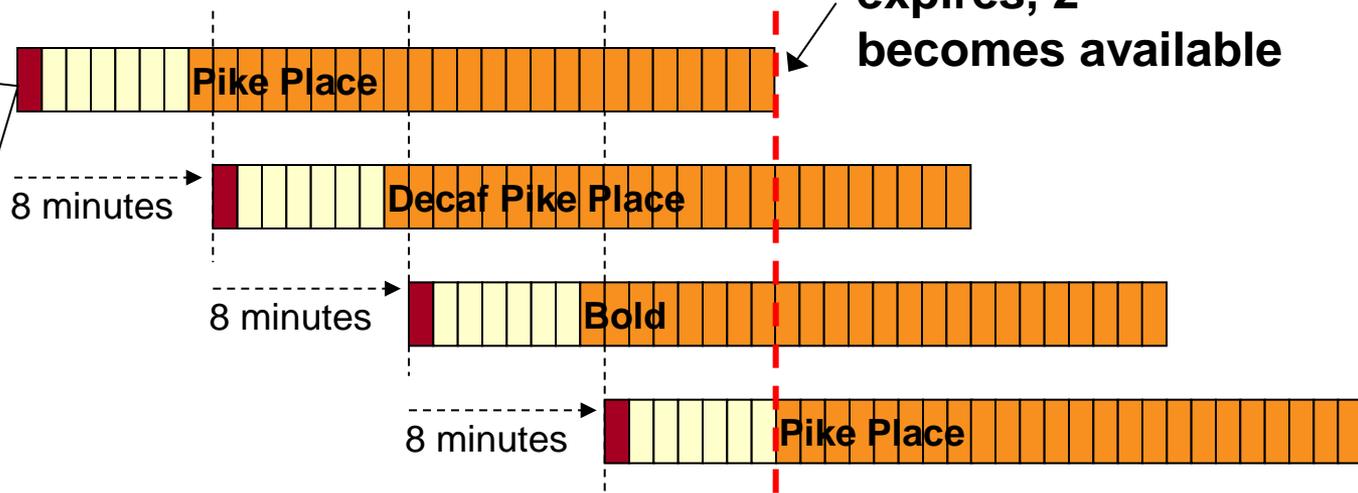
Brew on a regular cadence

Grinding beans just prior to brewing each batch, individually

Brewing on an 8-minute Cadence

Brewed Coffee Repeatability 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, 2nd 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



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



Technical Principles	Social Principles
Go-See	Leader as Coach
Motion \neq Work	Learn by doing
On-line to off-line	Asking 'why' not 'who'
Balanced work	Problems are good
Value of routine	Respect for people
Fixed-time, unfixed-quantity	Customer first (no stock-outs)

At both micro and macro levels of the business



Lean Approach to Change

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)
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Results

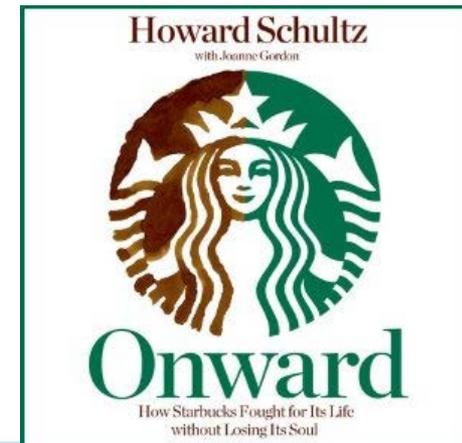
- Systematically and sustainably reduced waste by HALF in four months
- Developed problem solving capability in baristas and store managers
- Developed leadership capability - ***coaching problem solvers*** - in field leaders

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