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The Lean Enterprise

Some of the most common issues raised when I'm speaking with managers are the impacts that initiatives undertaken by one area of the organization may have on another area, or the fact that an initiative didn't go far enough in creating a lean environment throughout the organization. For instance, a Quality-At-Source initiative that concentrated on the purchasing, receiving and quality control aspects of operations but did not include accounts payable. Although the initiative should deliver benefits in inventory availability and reduction of handling and inventory costs, it didn't take the lean thinking through to the accounts payable side and create a lean payment process.

A cost/benefit factor that is often overlooked is time. Time is a commodity. It could be viewed as "The Commodity" of competition. Let's look as some hidden time wasters in the sales order booking process. The time that it takes to print a copy of a sales order to file is a waste. The time that it takes to print a sales confirmation to mail or fax to a customer is waste. The time that it takes to print a copy of a sales order to take over to credit management for approval is a waste. Other wasters include the time that it takes to get information from one system, or process, to another. For example, some organizations have warehouse management systems that are not real-time integrated to the rest of the systems in the organization. This means that a customer service rep may need to check two systems when a customer requests status of a shipment.

Any business process within the organization that is not providing all parties requiring information or notifying them of actions to be taken in a timely manner is not lean. Essentially, the point being missed by these organizations is that to effectively have a lean enterprise, all business processes within the organization need to be mapped prior to determining the initiatives that are going to be employed to become leaner. The obvious warning here is that being lean is good but organizations, like people, can go overboard and become anorexic.

The process by which you map the processes is as important as the mapping itself. There are three essential basics:

- Each process must support the targets of the business plan. The business plan itself must be thought through and documented including KPI (Key Performance Indicators) for finance, sales/marketing, R&D and operations. Then the operational processes must be identified for each area. These have various dimensions or targets: revenue/cost; customer service and retention; new products and/or service introduction; human resources management; asset investment, etc. Therefore each process tree must be driven from the top down.
- Each process must be mapped from source to completion. This is where the cross-departmental impacts will be identified and from this the extent of selected initiatives can be scoped.
- Each process must be mapped twice. My suggestion is to first map the process as you would like it to be in the future (e.g. the most productive and cost effective) and call this the "To Be" map. Then map the process as it is today and call this the "As Is" map. The difference between them is the process gap.

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Getting to the lean organization from here now becomes another process,

- Rank the process gaps by opportunity result (revenue gain, cost reduction or other value add criteria) and opportunity effort (cost and time).
- By viewing the rankings, determine those that have the maximum benefit/cost ratio and determine the order in which the changes are to be made. Most organizations will rank the items in an ABC or similar ranking system.
- Create the plan for changing the processes. Time, resources, control mechanisms, etc. must all be determined and authorized.
- Execute the plan and take regular measurements of progress (remember the KPI's).

People are going to leave the organization and knowledge capital disappears. New opportunities or issues will arise within the business that will create the need to change processes. So here's the question: "Once you get the lean organization in place, how do you keep it there?" There is a manual approach and a technological approach.

The manual approach is to utilize people to:

- Audit the processes to ensure that they are continually being performed the way they are mapped
- Train new people by reviewing the printed documentation and then audit their work
- Change processes, recreate the documentation and then train everyone on the new process and audit the work

The technological approach is to implement an IBPM solution:

- Auditing is done on each process transaction and results maintained
- New people are trained on the processes by following a training process within the IBPM solution
- When a change is done, notification of the change to all affected users is instantaneous and they can go through online documentation to determine the change and learn the new process

The good news is that you can begin by using the manual approach and then move to the technological approach as IBPM solutions typically have a mapping tool as part of their solution. There is also an additional benefit in that ISO or QS certification should be easier to accomplish and/or maintain.

Effecting a "Lean Enterprise" isn't going to happen unless the business process maps are in place to determine cross-functional impacts or opportunities. A Lean Enterprise initiative must be a planned, top-down initiative that takes the appropriate continuous improvement methodologies and melds them into a cohesive strategy for continued success. I have found that the most effective way of linking, documenting and communicating the top-down requirements is through the use of process maps and a process mapping tool that allows future integration of the processes with the information systems that support the processes.

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About the author

Ken Cowman has over 11 years experience working in operations management and over 26 years of management and enterprise solutions consulting experience. With over 25 years of executive management experience and 6,500 hours of education and seminar leadership experience, he has the experience to be able to view the organization from all levels and ability to provide the appropriate level of teaching and/or consulting to effectively assist organizations in their quest for continuous improvement.