

# Lean Enterprise

Achieving efficiency in a world demanding effectiveness

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finding *new answers* in business.



# Lean Enterprise

## Achieving efficiency in a world demanding effectiveness

Customers are continually demanding exceptional quality as well as higher levels of commitment to service. Complicating these customer demands are material cost fluctuations, volatile commodities and the need for rapid product/service adaption. These issues are making it more challenging every day for companies to maintain or improve their competitive advantage. At CGN Global, we have worked with companies to find ways to deal with these issues and continue to succeed by becoming a Lean Enterprise.

In order to improve competitiveness and profitability, firms are forced to do more with less. Innovative firms are finding ways to reduce costs and provide higher quality products/services with shorter lead times. While these accomplishments may seem in conflict, they are absolutely achievable through the governing principles and practices of a Lean Enterprise:

- Improved quality – through a Lean Enterprise, all possible processes are standardized and employees have a better understanding of how to fix issues resulting in less defects and a higher-quality product or service
- Reduced cycle time – by eliminating waste throughout the value stream, processes work as a single-piece, continuous flow of products or services to the customer
- Reduced costs – the minimalistic nature of Lean provides immediate and long-term cost savings due to the use of less materials, parts, workers' time, inventory and space

CGN Global operates under a philosophy we call “The Edge”. In order for a business to stay successful, they must reinvent themselves by at least 20% every year to benefit from innovation. Being truly Lean provides a company with a sustainable edge over their competition. Based on CGN Lean projects, representative improvements of 20-40% in key metrics such as delivery performance, quality and late shipments can be realized. Extending this Lean practice to the entire organization garners long term financial/intangible benefits spanning the entire enterprise – supply chain, customers and the customers' customers.

### What is a Lean Enterprise?

A Lean Enterprise is an organization that walks the fine line between efficiency and effectiveness. The Lean Enterprise delivers maximum value to the customer while minimizing material, time,

human capital and space. Ultimately, it is the elimination of all waste through the entire process of providing a product/service that drives this balance of efficiency and effectiveness. Less waste reduces costs while also minimizing operational inefficiencies that restrict employees' opportunity to meet or exceed customer expectations.

Too often, Lean practices are mistaken for manufacturing shop floor initiatives without the realization that a true Lean Enterprise needs to become a company-wide initiative – engrained in all stages of the value chain. All business functions such as finance, manufacturing, accounting, logistics, marketing and sales touch the value chain in all stages of the product lifecycle. To truly meet the increasing demands of customers, companies' responses need to be holistic – implanting Lean throughout the entire enterprise.

The key to becoming a Lean Enterprise is the integration of the customer into the value chain. Processes should be structured to flexibly and accurately match customer demand. As customer needs and demands change, so must the organization adapt to meet or exceed those demands.

While each company is unique, there are certain characteristics that all Lean Enterprises share:

- Empowered employees motivated to improve
- Strategic relationships with customers and suppliers
- Responsiveness to customer demand and changes
- High profits, low costs

### What does it take to become a Lean Enterprise?

In our experience, there are 3 keys to successful implementation of Lean: **Leadership Commitment, Employee Involvement and Execution**. These form the foundation that will allow Lean to take root and drive results.

**Leadership Commitment.** A true Lean Enterprise is only achieved if it is rooted in the culture of a company. It becomes part of the DNA of how the company operates; how employees view and handle challenges as well as opportunities. Leaders need to provide encouragement, reinforcement and most of all, lead by example. Often, employees see Lean as a “fad” or like mentioned above, a manufacturing initiative. Only when they see that leadership is practicing Lean day in and day out will the employees fully believe in its power and commit 100%. They can develop the drive for continuous assessment and improvement that makes a Lean Enterprise a sustainable entity.

**Employee Involvement.** Employee involvement is a key to success for two reasons. First, it builds ownership of change. People are more likely to adopt change they helped design rather than change thrust upon them. Second, the people doing the work are in the best position to understand how the work gets done and are better suited to solve any issues that may arise. For that reason, involving the employees in the Lean Enterprise transformation is a key factor.

There are numerous practices and tools that can be used depending on your unique situation, but from our experience there are 3 practices that ensure employee involvement and empowerment to drive the sustainable change and imbed it in the culture.

- **Continuous improvement** – through proven Lean tools and practices, employees are empowered to always look to eliminate waste and improve their work streams
- **Communication process** – employee suggestions and transparency encourages continuous communication of changes, ideas and issues throughout the transformation and after its implementation
- **Effective change management** – in a transformation, employee resistance to change can be detrimental to meeting the goals if not properly managed

When all employees – regardless of position or function – are immersed in Lean thinking, a powerful Lean culture is created. The core of a Lean Enterprise is made up of a culture that is always consciously and subconsciously thinking Lean.

**Execution.** Effective execution requires a focused direction and detailed plan to address near-term and longer-term needs that build the business capabilities to support fluctuating business climates. Without a structured plan, direction becomes foggy, leadership will not fully grasp the benefits of the implementation and employees will lose faith in the process. The plan should strive to be in the same form as the desired results: streamlined with a clear view ahead. The focus should be based on:

- A comprehensive company-wide plan
- Staying disciplined throughout the transformation and throughout the organization
- Clearly defining accountability for not only leadership, but for all employees
- Effective communication of accountability and progress throughout the transformation

## Strategic Plan Development

At CGN Global, our experience has shown that the companies successful at executing a Lean Enterprise implementation are those that develop a specific strategic plan upfront, containing the stages outlined below.

**Current State.** To have a clear understanding of the current state of the company, the entire chain of processes must be examined through the lenses of all stakeholders. These assessments will be conducted from different stakeholder perspectives to allow for a comprehensive identification of waste sources. Our experience has indicated the following steps in defining where the company currently is and opportunities to remove waste:

1. Document how the customer defines “value.” Since Lean is the balance between efficiency and effectiveness, this step first defines what “effective” means to customers.
2. Identify the value streams that deliver the product or service to the customer in the most effective way. These values streams span the entire organization, all functions and all stages of the product lifecycle.
3. Perform Value Stream Analysis (VSA) on each stream, ensuring that all steps are value-adding. Anything that the customer would not be willing to pay for should be considered waste. VSA should be performed with a holistic, cross-functional view.

**Desired Future State.** Once the current state is defined, analyzed and waste is spotted, the desired future state must be documented to give a clear direction:

1. Identify the optimal future state of the process. Based off of the assessment of the entire value chain, this will drive the actions of the transformation and should encourage single-piece, continuous flowing processes.
2. Structure processes to be a function of customer demand. Only deliver what the customer wants at the time they want it, creating a consistent flow of products/services.
3. Encourage a continuous pursuit of perfection. Leadership and all employees need to constantly strive to identify waste, standardize when possible and look for ways to collaborate and improve processes.

**Vision.** The task of balancing the seemingly conflicting ideas of efficiency and effectiveness will seem daunting to employees throughout the entire enterprise. The vision is an affirmative statement of how the company will meet the continually increasing customer demands through the implementation of the Lean Enterprise governance and principles. The vision will help employees to understand that the balance between efficiency and effectiveness is not only compatible, but achievable and critical to creating a competitive advantage. A clear vision of the future will

help eliminate organizational and functional silos which will encourage collaboration and cross-functional understanding. Common points that a Lean vision should articulate are:

1. Clearly defined goals, metrics and action steps
2. Improved utilization of resources and capabilities
3. Improved teamwork driving alignment and understanding of the goals
4. Improved enterprise-wide decision making
5. Increased competitive differentiation

**Mission.** The mission must be a concise, unambiguous and measurable description of the organization's role in the overall objectives with a clear connection to the Strategic Planning Guidance and Contingency Planning Guidance. A clear mission will help keep the initiative on track and all stakeholders striving toward a common goal. A mission defines how each specific work group is going to contribute to that vision, hence driving a high-level of personal commitment to the elimination of waste and the development of the Lean Enterprise throughout the entire value chain. The mission of one area of the value chain may differ from others. By allowing the people closest to the process to decide how the vision will be met, it provides a real sense of involvement, self-discipline and accountability to completing the transformation.

**Execution Plan.** The Execution Plan must provide the high-level actions to be taken over the timeline of the plan to make the vision a reality. The purpose is to portray a comprehensive, integrated roadmap for an organization that supports its goals for completing its mission. Proper documentation of the new processes and procedures must be ingrained in the organization and their repeatability insured. Auditable routines that are authorized and supported by top management can drive the desired organizational behaviors to ensure compliance. Continual measurement and review is essential to understand trends and take corrective actions to maintain the gains. Additionally, performance improvements and sustained execution need to be recognized and rewarded appropriately.

From our experience, there are a few key factors that need to be touched upon when developing the Strategic Plan:

1. **Core Principles** – principles form the base of the organizational culture. They are the underlying themes allowing for measuring/maintaining expectations as well as creating a sense of values and a team mindset
2. **Critical Success Factors (CSFs)** – goes beyond implied actions and articulates clearly-defined and measurable company goals (financial, strategic, cultural, etc.). CSFs have an operating timeframe of 3-5 years and support the vision, missions and strategy.

3. **Core Operating Principles (COPs)** – COPs highlight the core areas of the business that require improvement to accomplish CSFs. These contain specific measurement indicators and focus on specific areas of the business such as core enabling processes, key business functions or performance gaps.

## Conclusion

Becoming a Lean Enterprise is no easy feat. However, the benefits reaped from implementation will ring throughout the organization to produce sustainable bottom-line improvements. Among others, reduced costs, reduced cycle time and improved quality will become permanent benefits of the organization, extending to its customers, customers' customers and beyond to develop an unmatched competitive advantage that is very difficult to duplicate.

With our industry and subject matter experts in the Lean practice, CGN provides the knowledge and tools to make this transformation a reality. Some of our capabilities we have used to complete numerous Lean projects include:

- Value stream mapping and analysis, unique to your industry, situation and processes
- Change management to train leadership and employees to guide them through the change and implementing Kaizen
- Subject matter experts in all functional areas such as supply chain, procurement and IT to transform all parts of the organization
- Lean certified experts with many years of experience performing Lean transformations and process redesign
- Standardized templates to ensure velocity and consistency, balanced with the focus on issues specific to your business

At CGN Global, we can help you transform your business into a Lean Enterprise. We have performed improvement projects for many suppliers of Fortune 500 companies to create unique Lean solutions and execute them to implementation. CGN partners with organizations to create flexible businesses that are able to adapt to customer demand, improve the quality of products, reduce cycle times and sustainably reduce costs. We use our proven Lean practices and tools to allow organizations to find the difficult balance between efficiency and effectiveness, creating the innovative leaders of tomorrow with a customer-driven competitive edge.

CGN Global makes it possible for companies around the world to *transform* their organizations, improve their performance and become more profitable.

We see the big picture, identify and solve core problems, discover new opportunities and implement the game-changing strategies that will deliver sustainable results. We use our niche experience and broad knowledge to solve complex problems in all areas of your business. We become a part of our clients' teams—creating the strategy and providing the expertise needed to implement high-velocity, breakthrough solutions.

*CGN Global is a global management consulting firm with offices in the United States, Europe, China and India.*



## Our Focus Areas

### Business Transformation & Technology Integration

A comprehensive IT integration plan allows business and IT functions to speak the same language and work toward common goals. CGN provides successful IT integration that bridges the gap between business and technology—aligning the two to ensure the successful implementation of your business strategy.

### Global Emerging Markets Strategy

CGN Global takes the guesswork out of new markets, with local teams that know their markets and use that knowledge to create a strategy for your successful growth—and then work with you to execute it quickly and effectively. Our expertise includes new market analysis, market entry strategy, manufacturing footprints, network mapping, supplier development and supply chain management.

### Global Supply Chain & Operations

We can turn your supply chain into one of your biggest assets. Our experienced practitioners look at your supply chain from end to end—understanding your costs, identifying savings opportunities and developing a strategy to improve your overall efficiency. We help you develop an agile, responsive and flexible supply chain to manage the volatility in global demand and supply.

### Global Supplier Collaboration & Procurement

Superior supplier partnerships can help you improve quality and efficiency throughout your entire supply chain—increasing cash flow and productivity. We offer sourcing strategy and relationship support through our signature processes and tools, aiding you in supplier rationalization, cost modeling, product lifecycle cost management, supplier performance management, quality assurance and improvement.

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