

Have You Found Your 'L' Spot?

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Something is afoot in the business world. Over the last year or so I have noticed an ever-increasing number of companies claiming to operate "LEAN". Some even have 'LEAN implementation' as one of their strategic objectives. This trend can be seen even in the jobs pages – check the jobs section of any decent newspaper, or half-decent jobs website, and it's almost certain you will find one or two adverts with the word 'Lean'. It seems as if everyone is donning the Lean hat. And it's not just private enterprise; I have seen articles and job adverts with public sector organisations boasting about their Lean credentials. Basically, everybody is now doing Lean.

Lean has certainly come a long way from its original roots in the Toyota Production System. It was initially adopted by manufacturing companies as a methodology for eliminating waste, hence reducing costs, in their operations. Unsurprisingly most early Lean applications focussed on the actual shopfloor production operations. Today Lean is applied by organisations in different sectors and across different functional areas, and one area that has benefitted greatly is logistics – the science and art (oh yes, there is a degree of 'art' and intuition involved) of planning and executing materials movement and storage.

'Lean Logistics' refers to a logistics or supply chain network that is highly-efficient and value-driven. The high levels of efficiency derive from carrying minimal inventory, hence delivering customer value with significantly reduced working capital requirements. In Lean terms high levels of inventory, usually associated with the more conventional logistics infrastructure, equate to

unnecessary ‘waste’ in the system. And this is really where Lean Logistics evolved from – the ‘internal logistics’ functions in Lean manufacturing businesses had to synchronise their operations with the “waste reduction” philosophy of a Lean shopfloor; for many businesses this translated to more frequent deliveries, harmonised or levelled delivery quantities and reduced inventories, though the end-results have not necessarily been identical for all.

Whatever the case, the underlying tenets of Lean Logistics remain generally recognised as beneficial to logistics service users and providers. But the application of Lean in logistics has seen a less successful and uniform uptake overall than in manufacturing. Many of the influencing factors relate to the disparate attitudes and service models one sees across the logistics landscape globally. For example, some “global” manufacturers still have no truly integrated logistics infrastructure or organisation across their operations despite the obvious advantages this brings.

From a geographical perspective, Lean Logistics has been more widely-adopted in North America than anywhere else in the World. This has been helped by the more advanced evolution of logistics infrastructure and technology in USA and Canada. In Europe, where our industrial and economic development is generally in sync with North America, there is a very obvious gap in the proliferation of Lean Logistics. While many logistics service providers (LSPs) claim Lean capabilities, few can truly demonstrate the required competencies. Instead, Lean Logistics is typically driven by logistics service users’ desire to minimise working capital in their supply chain networks. Two key sectors that have exemplified this perfectly are automotive parts and retail. Many high-performance companies in these sectors have their logistics networks so finely integrated to product demand and usage that they can boast frequent, smaller batch-sized deliveries which help minimise inventory holding across their networks – a key tenet of Lean.

There are many other factors affecting the successful uptake of Lean, whether in logistics, manufacturing or any other area. Lean adoption in general seems to be on the increase. In fact, judging by the spate of recent print references to “Lean”, it seems to me that we may be falling into the delusion that Lean is a magic bullet of sorts; a business panacea that can eliminate all problems and give companies competitive advantage.

Well, we have been here before haven't we? Remember MRP, MRPII, ERP, Just-in-Time, TQM, Six Sigma, et al? At one time or another many of these tools and methodologies were hailed as the key ingredient for business success, or the key factor that differentiated the top performers from others. And many organisations jumped on the bandwagon, just as we are seeing now with Lean. Yet it is quite interesting that these days we no longer hear of any companies loudly proclaiming the benefits of, say, their TQM implementation. That's because TQM rarely delivers the *all-encompassing* performance and success that is usually associated with such tools, neither does any other methodology for that matter. Another reason is that almost everyone now has TQM, or some other similar quality management capability. So there is no longer anything special about TQM; it is no longer a distinguishing factor that gives competitive advantage.

So, just as we have seen with TQM, ERP, Just-in-Time and many other methodologies, when everyone has implemented Lean what will subsequently distinguish the high-performance businesses from the laggards? Certainly it won't be Lean itself!

I have no objections to Lean and other similar methodologies. In fact I am a trained Six-Sigma Black Belt and have extensive experience of many such approaches. Lean, like other approaches, has its benefits. But those benefits can only be *sustainably* attained when Lean is properly applied. Proper implementation must include a pre-assessment of the suitability of Lean to the particular context. And this is where many businesses falter – they presuppose that Lean is always

appropriate. Such disjointed thought processes that see companies adopting Lean willy-nilly are exacerbated by the plethora consultants whose services are inevitably “required for successful implementation”.

In the *appropriate* business context, Lean can deliver tremendous efficiency improvements that translate directly to the bottom-line. But unless the decision-making process that instigates the adoption of Lean (and, crucially, *how* it will be implemented) is robust, you simply end up with another ‘me too’ Lean programme. This typically results in business activities that may be very *efficient* but still not *effective*. Organisations that fall into this trap forget that sustainable performance is never achieved via one route alone. Instead success is multifaceted and as such companies must consider the various dimensions of performance:

- Processes – both transactional and otherwise;
- People, including organisation structures, culture and competency;
- Tools and enablers, e.g., IT systems and methodologies such as TQM, Six Sigma, et al;
- Strategy – everything else *must* be aligned to the business strategy; and
- Leadership – the key ingredient, the glue that holds it all together.

Unless companies’ Lean adoptions imbibe *all* of these performance dimensions, they are unlikely to enjoy the true benefits of Lean. While many organisations have implemented Lean with success, there are also many high-performing companies, large and small, who have *not* adopted Lean. What one finds in such companies instead is a collective mindset of effectiveness and efficiency, usually driven by sound leadership. It takes effective leadership to orchestrate the various dimensions of performance into a robust and cohesive force that delivers *sustainable* results. So, have organisations found their L-spots by focussing on Lean, with the illogical belief

that Lean will cure all? Or should their focus be on a different ‘L’ – leadership, or, more rightly, their leadership capabilities?

The reality is that Lean *on its own* can not be a competitive differentiator. Despite this organisations jump on the bandwagon of Lean just like many follow any new business or management fad. It reminds me of the days of “excellence” as promulgated by that great management guru, Tom Peters. Poignantly, many of Peters’ ‘excellent companies’ did not stay excellent for long – IBM, for example, nearly went into extinction and was only really put back on the corporate map years later by Louis V. Gerstner Jr., and People Express airline, another erstwhile ‘excellent company’, went bust not long afterwards.

Lean gives companies *added* advantages in the form of enhanced efficiencies and productivity, but, and this is the critical bit, companies need to be efficient at the right things; they need to be doing the right things *in the first place* – they need to be effective. Sadly, Lean can not help you be effective. If your logistics strategy is dysfunctional Lean Logistics will not prevent the inevitable problems that will occur, though it may help create the illusion of “success”, for a while.

Lean, like Tom Peters’ ‘excellence’ or “Operational Excellence”, TQM, ERP, Six Sigma, et al. is simply a tool (or methodology). You or I can pick up any kitchen tool or utensil – potato masher, serving spoon, chopping board, etc. – but using the tool doesn’t necessarily guarantee that our cooking will come out like Gordon Ramsay’s or Nigella Lawson’s. In the same way, any company can implement Lean, but that doesn’t mean they will become high performers. Just as the key cooking factor in the kitchen is the chef’s culinary skill, so too is the key factor in the corporate landscape a company’s leadership capabilities. And that really is what separates Lean companies *with sustainable success* from those with sub-optimal performance, whether it’s in their logistics capabilities or elsewhere in their operations. *That* is the L-spot companies should focus on.

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