Leadership for lean culture transformation:

*Introduction to breakout session*

&

*Five precepts for lean enterprise change*

Presented by

George Roth

Massachusetts Institute of Technology

April 2006
<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
<th>Speaker(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3:00 PM</td>
<td>Introduction: Leadership in lean culture transformation and goals of session</td>
<td>George Roth, MIT LAI, session chair</td>
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<tr>
<td>3:10 PM</td>
<td>Progressing Toward a Shared Future Vision on the C-17 Globemaster III Program</td>
<td>Cleaveran Law (Boeing) and Erika Jackson-Scott (ASC)</td>
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<td>3:35 PM</td>
<td>Leadership and the Dynamics of Inter-organizational Communication and Development</td>
<td>Donald Greer and Laura Black (Greer Black Company) and Richard Adams (The Aerospace Corporation)</td>
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<td>4:00 PM</td>
<td>Developing a culture of network leaders</td>
<td>Stephen Chun (former VP Manufacturing, VP Business Development, Cirrus Design Corporation)</td>
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<td>4:25 PM</td>
<td>Transcending Structured Supply Chain Boundaries Using Defined Leadership Practice</td>
<td>Peter Weymouth (Time Wise Management Systems) and Gerri Redmond (Bath Iron Works)</td>
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<td>4:50 PM</td>
<td>Q&amp;A  (can extend discussion time to 5:30)</td>
<td>ALL presenters with audience</td>
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Business Week Cover Story
Nov. 17, 2003
From Lean Production to the Lean Enterprise

by James P. Womack and Daniel T. Jones

In our book *The Machine That Changed the World*, we explained how companies can dramatically improve their performance by embracing the "lean production" approach pioneered by Toyota. By eliminating unnecessary steps, aligning all steps in an activity in a continuous flow, recombining labor into cross-functional teams dedicated to that activity, and continually striving for value-creating activities can be joined, but this effort will require a new organizational
Fundamental Issues

... observers confuse the tools and practices ... with the system itself.

... activities and processes are constantly being challenged and pushed to a higher level of performance, enabling the company to continually innovate and improve.
“Lean” cultural assumptions:
4 Rules at Toyota

Rule 1: All work shall be highly specified as to content, sequence, timing and outcome

Rule 2: Every customer-supplier connection must be direct, and there must be an unambiguous yes-or-no way to send requests and receive responses.

Rule 3: The pathway for every product and service must be simple and direct

Rule 4: Any improvement must be made in accordance with the scientific method, under the guidance of a teacher, at the lowest possible level in the organization

Source: “Decoding the DNA of the Toyota Production System” Spear & Bowen, HBR 99
What is the “lean” culture?

A culture is a set of basic tacit assumptions about how the world is and ought to be that is shared by a set of people and determines their perceptions, thoughts, feelings and behavior.

Cultures manifest themselves at three levels:
- The way it wants to present itself publicly, or the day to day behavior, the level of espoused values which often reflect what a group wishes to be ideally and the level of deep tacit assumptions that are the essence of the culture.

TOYOTA

Decoding the DNA of the Toyota Production System

by Steven Spear and H. Kent Bowen
Understanding Lean+Enterprise+Change

(understanding \textleftrightarrow description) \rightarrow theory \rightarrow testing \rightarrow prediction

What data can we draw upon?

- **Books/documented studies**
  - Toyota and “lean” – i.e. *The Machine that Changed the World*, *The Toyota Way*, *Remade in America*, *Collaborative Advantage*
  - Management/leadership – i.e. *Built to Last*, *Good to Great*, *Execution*, *The Leadership Engine*
  - Corporate/leadership – i.e. *Jack, Who Says Elephants Can't Dance?*
  - Strategy/Change – i.e. *The Innovating Organization*, *Leading Change*, *Breaking the Code of Change*, *The Dance of Change*
- **New case studies that develop and test concepts – successful “lean” change**
What does it take?

• Rethinking organizational boundaries
  • View own organization with suppliers and customers as a contiguous value stream
  • extend the domain to include organization’s environment

• Installing sets of organizational innovations
  • Complementarities of practices
  • extend the scope to include sets of changes as coherent programs

• Pushing and pulling change
  • Set in place the structure and process that enables virtuous learning and change
  • extend the tools to integrate the two divergent change approaches

• Seeking growth opportunities
  • Project positive vision for continual renewal
  • extend the strategy to build in growth and development

• Distributing leadership practices
  • Recognizing interdependent roles in a system of leadership
  • extend the leadership to all levels of the enterprise
Organizational Culture Model

"occupational communities" generate cultures that cut across organizations

- **Artifacts**: stories people tell, visible organizational behavior, processes and structure
- **Values**: strategies, goals, philosophies (esp. used beliefs and justifications)
- **Basic Assumptions**: unconscious beliefs, habits, perceptions, thoughts, and feelings (ultimate source of values and actions)

**Sub-cultures**
- Operator sub-culture
- Engineering sub-culture
- Executive sub-culture

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## Approaches to Managing Organizational Effectiveness

<table>
<thead>
<tr>
<th>Approach</th>
<th>Description</th>
<th>Goals to Set to Measure Effectiveness</th>
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<tbody>
<tr>
<td><strong>External resource approach</strong></td>
<td>Evaluates the organization's ability to secure, manage, and control scarce and valued skills and resources</td>
<td>• Lower cost of inputs</td>
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<td><strong>[Executive culture]</strong></td>
<td></td>
<td>• Increase number of new products or services</td>
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<td></td>
<td><strong>Strategy, Analysis &amp; Planning</strong></td>
<td>• Increase stock price</td>
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<td>• Gain support of stakeholders such as government or environmentalists</td>
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<td></td>
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<td>• Cut decision-making time</td>
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<td></td>
<td><strong>Innovation, learning and OD</strong></td>
<td>• Increase product quality</td>
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<tr>
<td><strong>Internal systems approach</strong></td>
<td>Evaluates the organization's ability to convert skills and resources into goods and services efficiently</td>
<td>• Reduce number of defects</td>
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<tr>
<td><strong>[Operator culture]</strong></td>
<td></td>
<td>• Reduce production costs</td>
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<td></td>
<td><strong>Lean, 6σ, re-engineering &amp; CPI</strong></td>
<td>• Improve customer service</td>
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<td><strong>Technical approach</strong></td>
<td>Evaluates the organization's ability to be innovative and function quickly and responsively</td>
<td>• Reduce conflict</td>
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<td><strong>[Engineering culture]</strong></td>
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<td>• Reduce time to market</td>
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<tr>
<td></td>
<td><strong>Network leadership – crossing occupational communities without hierarchical authority</strong></td>
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From *Organizational Theory* by Gareth Jones, 1996.
Presentations

Progressing Toward a Shared Future Vision on the C-17 Globemaster III Program
Cleaveran Law (Boeing) and Erika Jackson-Scott (ASC)

Leadership and the Dynamics of Inter-organizational Communication and Development
Donald Greer and Laura Black (Greer Black Company) and Richard Adams (The Aerospace Corporation)

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Transcending Structured Supply Chain Boundaries Using Defined Leadership Practice
Peter Weymouth (Time Wise Management Systems) and Gerri Redmond (Bath Iron Works)

Q&A (can extend discussion time to 5:30)
How will we learn across these presentations?

4 Questions ➔ compare and contrast:

<table>
<thead>
<tr>
<th>Presentation</th>
<th>1) What did leaders initially do?</th>
<th>2) What did leaders do differently?</th>
<th>3) What was expected when these changes were made?</th>
<th>4) Specific implications of “lean” for leadership?</th>
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