Interpreting and Acting on LESAT Results

Cory R. A. Hallam

March 27, 2003

Presentation Overview

- Introduction to study

- Enterprise using LESAT
  - Successful
  - Unsuccessful

- Observations of LESAT-driven actions

- Analyzing the assessment results

- 3 Categories of lean transformation management

- Linking enterprise strategies to Lean improvement

Introduction to Study

- Study 30 LESAT users (10 part of Beta Test)

- Post-assessment interviews/visits

  - What data to consider for improvement

  - How to present the data to others (Examples in Facilitator's Guide, pp.140-149)

  - Creating LESAT-driven action plans

- Develop an understanding of how LESAT is perceived to be a part of management's goals of continuous improvement

Classes of Enterprise Using LESAT

- Successful
  - Business unit
  - Division
  - Program (although not originally intended for this)
  - Site
  - Generally Profit and Loss (P&L) accountable organizations

- Unsuccessful
  - Support functions as enterprises (should not be used here)
    - Tool not intended for this
    - No clear understanding of which customer and product/ service to focus on (internal functional customer or external end customer)
    - But Section I of LESAT was felt to be applicable

Acting On Results
What was Bad...

- Performed assessment, no action

- Fixed the assessment results to look better to upper management

- Arbitrarily mandated 1 point improvement across the board in 1 year (no strategic imperative or understanding of complexity associated with change)

Acting On Results
What was Good...

- Addressed practices with lowest maturity

- Addressed practices with largest maturity variability

- Addressed lowest maturity in leadership section first according to the TTL

- Cross-referenced lowest maturity practices to business strategy

- Integrated improvement actions into Annual Operating Plans (AOP's)

- Performed annual LESAT, aimed for continual, incremental increase in maturity

SECTION 1 - LEAN TRANSFORMATION/LEADERSHIP

TTL LINK	Lean Practice	State	Mean	Variance	Range
I.A Enterprise strategic planning	I.A.1. Integration of lean in strategic planning process	Current	2.3	0.5	3
	I.A.2. Focus on customer value	Current	1.6	0.3	1
	I.A.3. Leveraging the extended enterprise	Current	2.8	0.3	2
I.B Adopt Lean Paradigm	I.B.1. Learning and education in 'lean' for enterprise leaders	Current	1.7	0.3	2
	I.B.2. Senior management commitment	Current	1.9	0.2	2
	I.B.3. Lean enterprise vision	Current	2.2	0.7	3
	I.B.4. A sense of urgency	Current	1.6	0.4	2
I.C Focus on the Value	I.C.1. Understanding the current value stream	Current	2.3	0.5	3
	I.C.2. Enterprise flow	Current	1.6	0.3	1
	I.C.3. Designing the future value stream	Current	2.8	0.3	2
	I.C.4. Performance measures	Current	1.7	0.3	2
I.D Develop lean Structure and Behavior	I.D.1. Enterprise organisational orientation	Current	1.9	0.2	2
	I.D.2. Relationships based on mutual trust	Current	2.2	0.7	3
	I.D.3. Open and timely communications	Current	1.6	0.4	2
	I.D.4. Employee empowerment	Current	2.3	0.5	3
	I.D.5. Incentive alignment	Current	1.6	0.3	1
	I.D.6. Innovation encouragement	Current	2.8	0.3	2
	I.D.7. Lean change agents	Current	1.7	0.3	2

Address Practices with Lowest Maturity

LESAT Practices
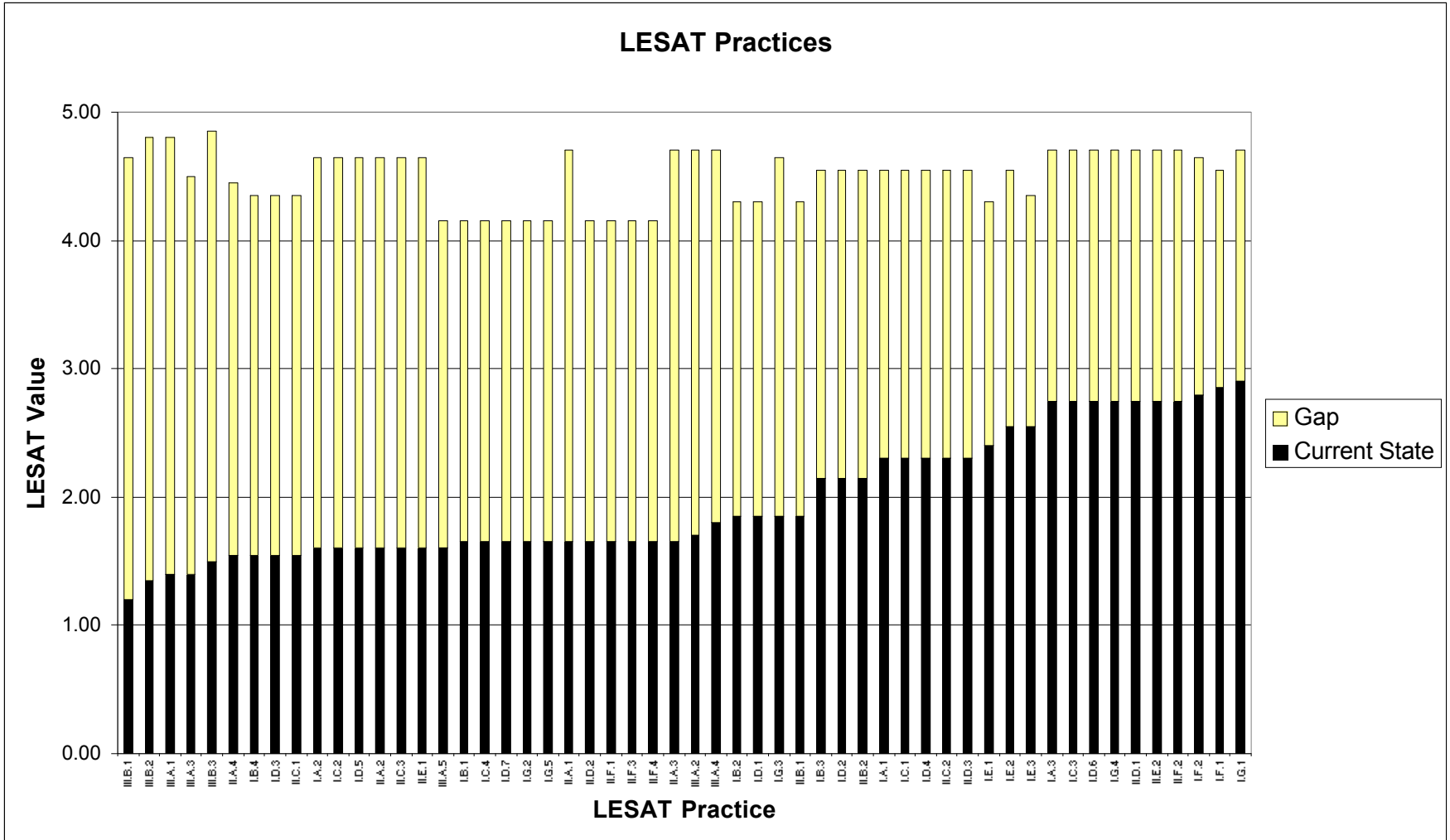
Address Practices with Largest Variability

- Low variability in assessments is an indication of common understanding and enterprise integration

SECTION 1 - LEAN TRANSFORMATION/LEADERSHIP

| TTL LINK	Lean Practice	State	Mean	Variance	Range	Level 1	Level 2	Level 3	Level 4	Level 5
								TALLYS		
I.A Enterprise strategic planning	I.A.1. Integration of lean in strategic planning process	Current	2.3	0.5	3	2	11	6	1	0
	I.A.2. Focus on customer value	Current	1.6	0.3	1	8	12	0	0	0
	I.A.3. Leveraging the extended enterprise	Current	2.8	0.3	2	0	6	13	1	0
I.B Adopt Lean Paradigm	I.B.1. Learning and education in 'lean' for enterprise leaders	Current	1.7	0.3	2	8	11	1	0	0
	I.B.2. Senior management commitment	Current	1.9	0.2	2	4	15	1	0	0
	I.B.3. Lean enterprise vision	Current	2.2	0.7	3	4	10	5	1	0
	I.B.4. A sense of urgency	Current	1.6	0.4	2	10	9	1	0	0
I.C Focus on the Value	I.C.1. Understanding the current value stream	Current	2.3	0.5	3	2	11	6	1	0
	I.C.2. Enterprise flow	Current	1.6	0.3	1	8	12	0	0	0
	I.C.3. Designing the future value stream	Current	2.8	0.3	2	0	6	13	1	0
	I.C.4. Performance measures	Current	1.7	0.3	2	8	11	1	0	0
I.D Develop lean Structure and Behavior	I.D.1. Enterprise organisational orientation	Current	1.9	0.2	2	4	15	1	0	0
	I.D.2. Relationships based on mutual trust	Current	2.2	0.7	3	4	10	5	1	0
	I.D.3. Open and timely communications	Current	1.6	0.4	2	10	9	1	0	0
	I.D.4. Employee empowerment	Current	2.3	0.5	3	2	11	6	1	0
	I.D.5. Incentive alignment	Current	1.6	0.3	1	8	12	0	0	0
	I.D.6. Innovation encouragement	Current	2.8	0.3	2	0	6	13	1	0
	I.D.7. Lean change agents	Current	1.7	0.3	2	8	11	1	0	0

Address Practices with Largest Variability

LESAT Variance Analysis of all 52 Practices
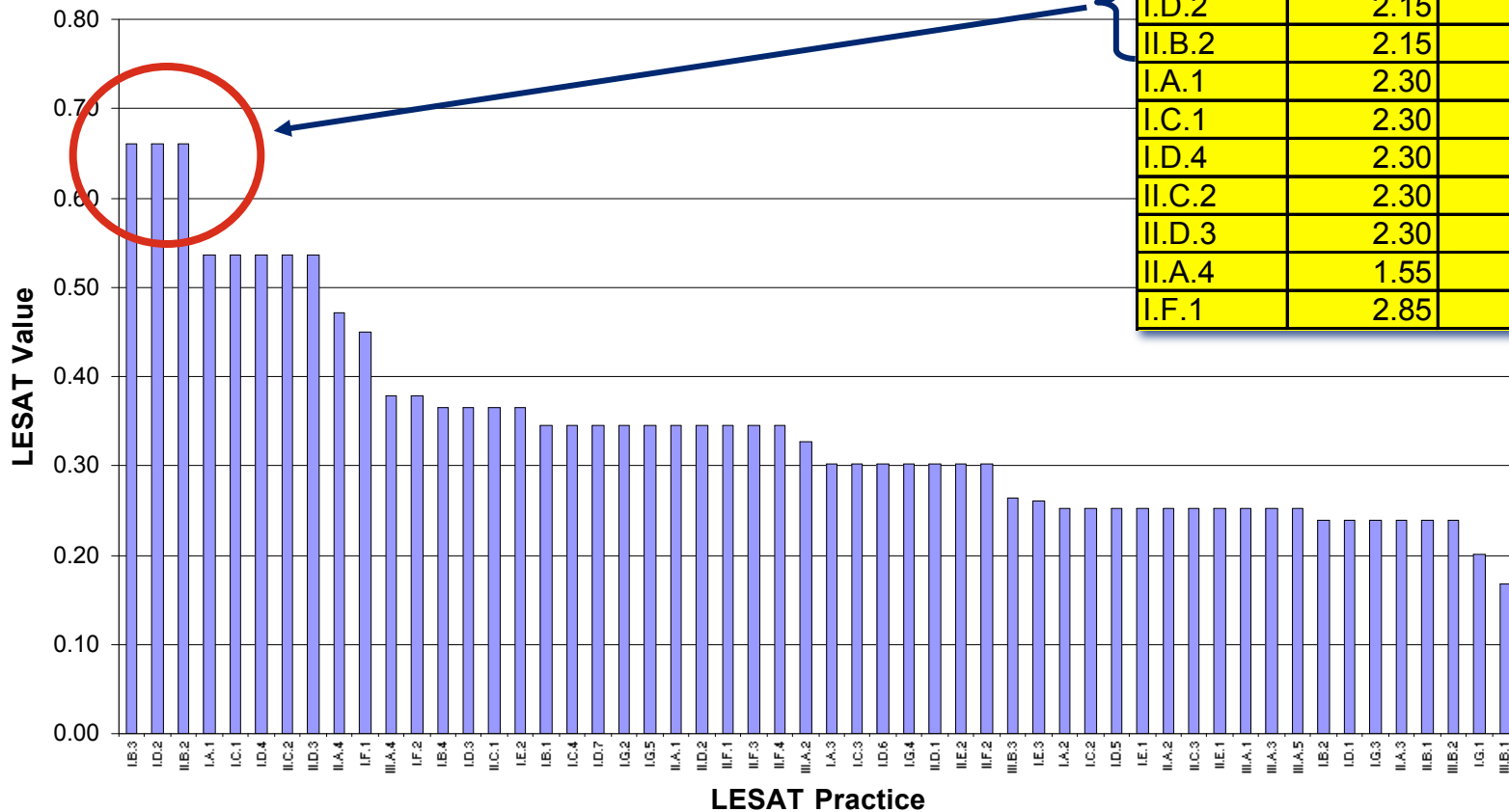
Lean Practice	Current State	Gap	Variance
I.B.3	2.15	2.40	0.66
I.D.2	2.15	2.40	0.66
II.B.2	2.15	2.40	0.66
I.A.1	2.30	2.25	0.54
I.C.1	2.30	2.25	0.54
I.D.4	2.30	2.25	0.54
II.C.2	2.30	2.25	0.54
II.D.3	2.30	2.25	0.54
II.A.4	1.55	2.90	0.47
I.F.1	2.85	1.70	0.45

Address Lowest Maturity in Leadership
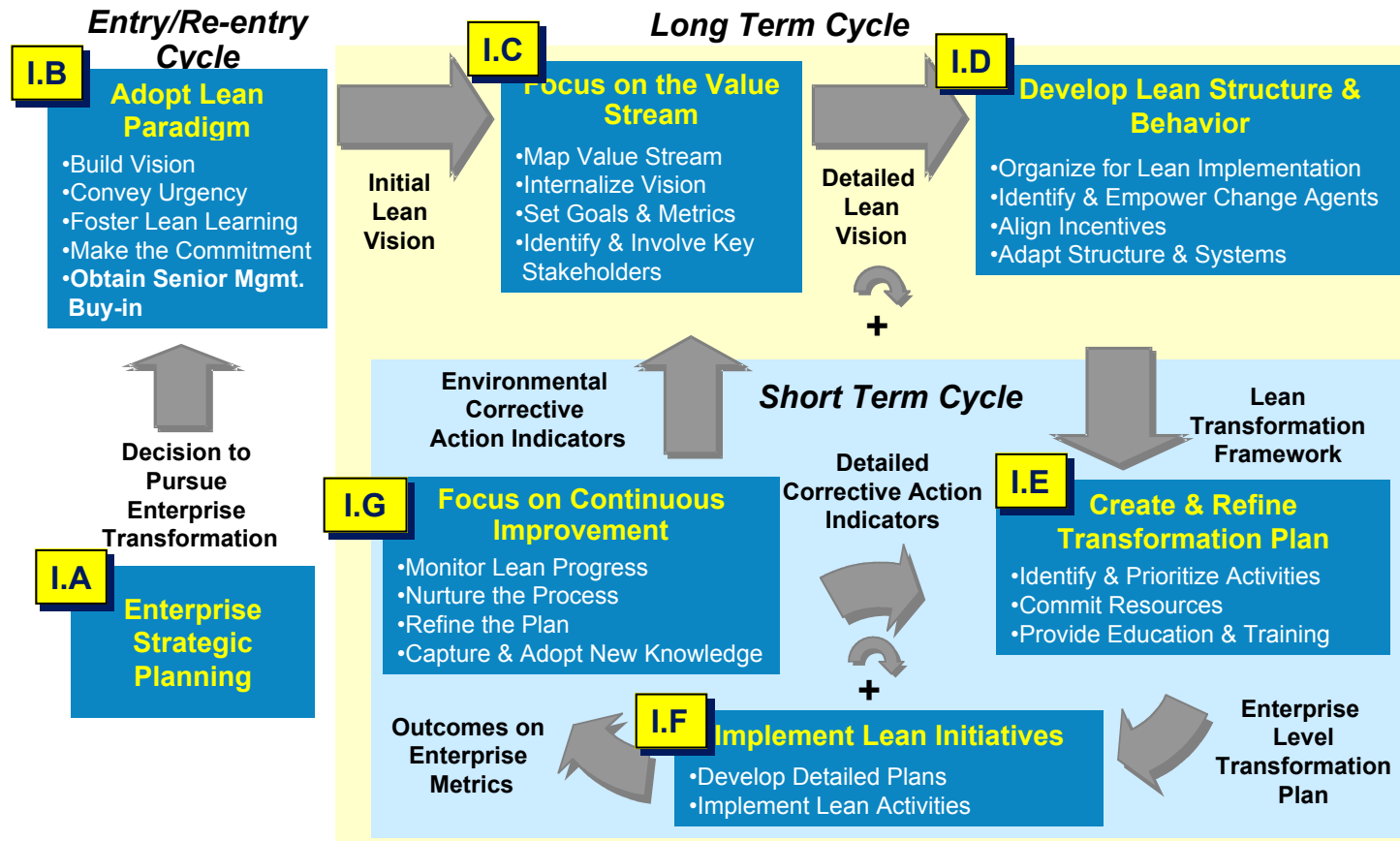

LESAT Gap Analysis
of all 52 Practices
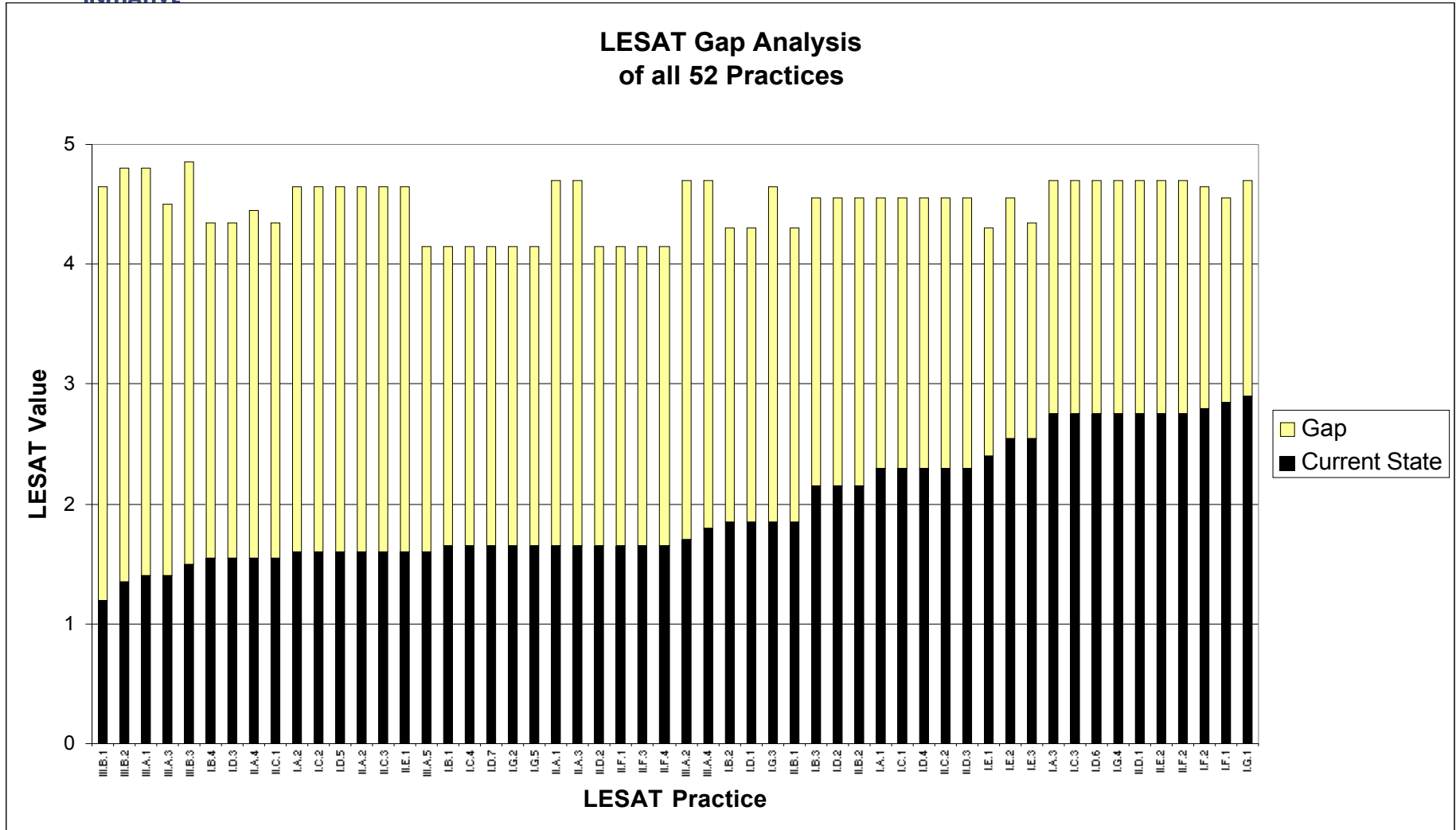
Address Lowest Maturity in Leadership

- III.B.1 - Process Standardization
- III.B.2 - Common Tools an Systems
- III.A.1 - Financial System Supports Lean Transformation
- III.A.3 - Promulgate the Learning Organization
- III.B.3 - Variation Reduction
- I.B.4 - A Sense of Urgency
- I.D.3 - Open and Timely Communications
- II.A.4 - Allocate Resources for Program Development Efforts
- II.C.1 - Incorporate Customer Value Into Design of Products and Processes
- I.A.2 - Focus on Customer Value
- I.C.2 - Enterprise Flow
- I.D.5 - Incentive Alignment

Lean Practice	Current State	Gap
III.B.1	1.2	3.45
III.B.2	1.35	3.45
III.A.1	1.4	3.4
III.A.3	1.4	3.1
III.B.3	1.5	3.35
I.B.4	1.55	2.8
I.D.3	1.55	2.8
II.A.4	1.55	2.9
II.C.1	1.55	2.8
I.A.2	1.6	3.05
I.C.2	1.6	3.05
I.D.5	1.6	3.05
II.A.2	1.6	3.05
II.C.3	1.6	3.05
II.E.1	1.6	3.05
III.A.5	1.6	2.55

Enterprise Transition to Lean (TTL) Roadmap

- Aim to improve the LESAT Section I variables as a means to imp the section II and III variables
- The TTL is a good guide for the order of improvement activities

Entry/Re-entry Cycle

Long Term Cycle

I.B **Adopt Lean Paradigm**
- Build Vision
- Convey Urgency
- Foster Lean Learning
- Make the Commitment
- **Obtain Senior Mgmt. Buy-in**

Initial Lean Vision

I.C **Focus on the Value Stream**
- Map Value Stream
- Internalize Vision
- Set Goals & Metrics
- Identify & Involve Key Stakeholders

Detailed Lean Vision

I.D **Develop Lean Structure & Behavior**
- Organize for Lean Implementation
- Identify & Empower Change Agents
- Align Incentives
- Adapt Structure & Systems

Decision to Pursue Enterprise Transformation

I.A **Enterprise Strategic Planning**

Short Term Cycle

Environmental Corrective Action Indicators

I.G **Focus on Continuous Improvement**
- Monitor Lean Progress
- Nurture the Process
- Refine the Plan
- Capture & Adopt New Knowledge

Detailed Corrective Action Indicators

Lean Transformation Framework

I.E **Create & Refine Transformation Plan**
- Identify & Prioritize Activities
- Commit Resources
- Provide Education & Training

Outcomes on Enterprise Metrics

I.F **Implement Lean Initiatives**
- Develop Detailed Plans
- Implement Lean Activities

Enterprise Level Transformation Plan

Observed Categories of Lean Transformation Management

- Category 1 - Open Loop Assessment

- Category 2 - Independent Closed-Loop Control

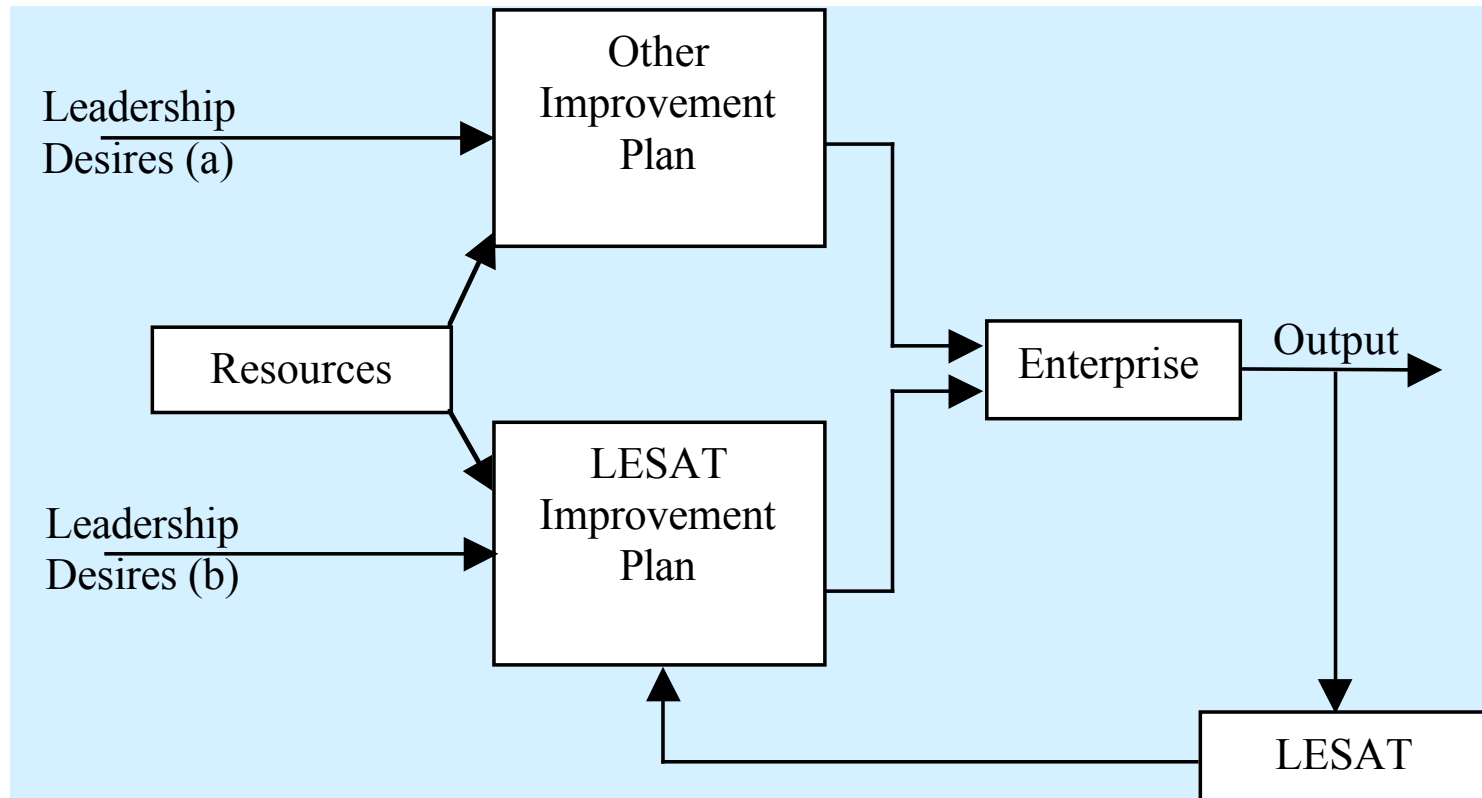- Category 3 - Integrated Closed-Loop Control

Category 1 - Open Loop Assessment

- **Using LESAT**
  - Will improve the lean enterprise vocabulary of the participants
 - Will have little or no direct effect on transformation
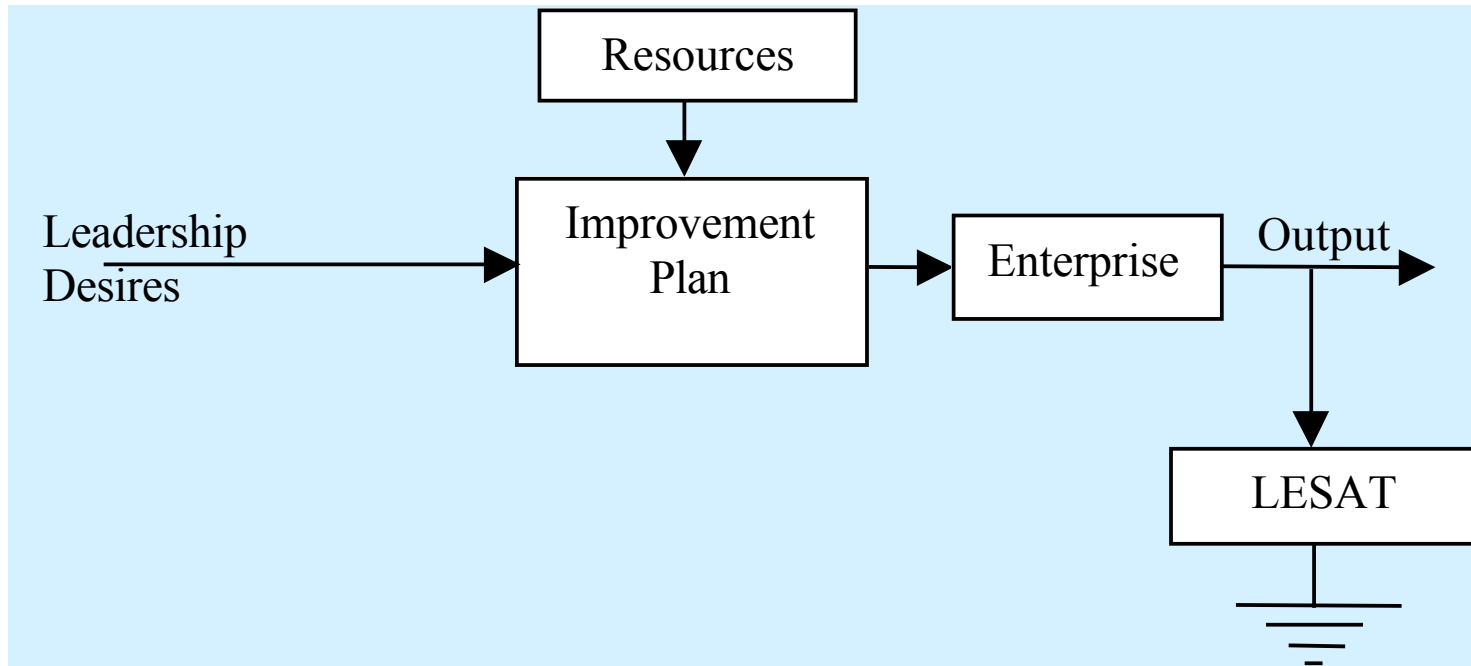
Category 2 - Independent Closed-Loop Control

- Using LESAT
  - Will have impact on transformation and improvement activities, with uncertain outcomes
  - Can result in competition of objectives (and for resources)

Category 3 - Integrated Closed-Loop Control

- Using LESAT
  - Will result in impact on enterprise transformation with much less uncertainty than first two models
  - Manages competing desires and resources to move the enterprise in an agreed-upon strategic direction
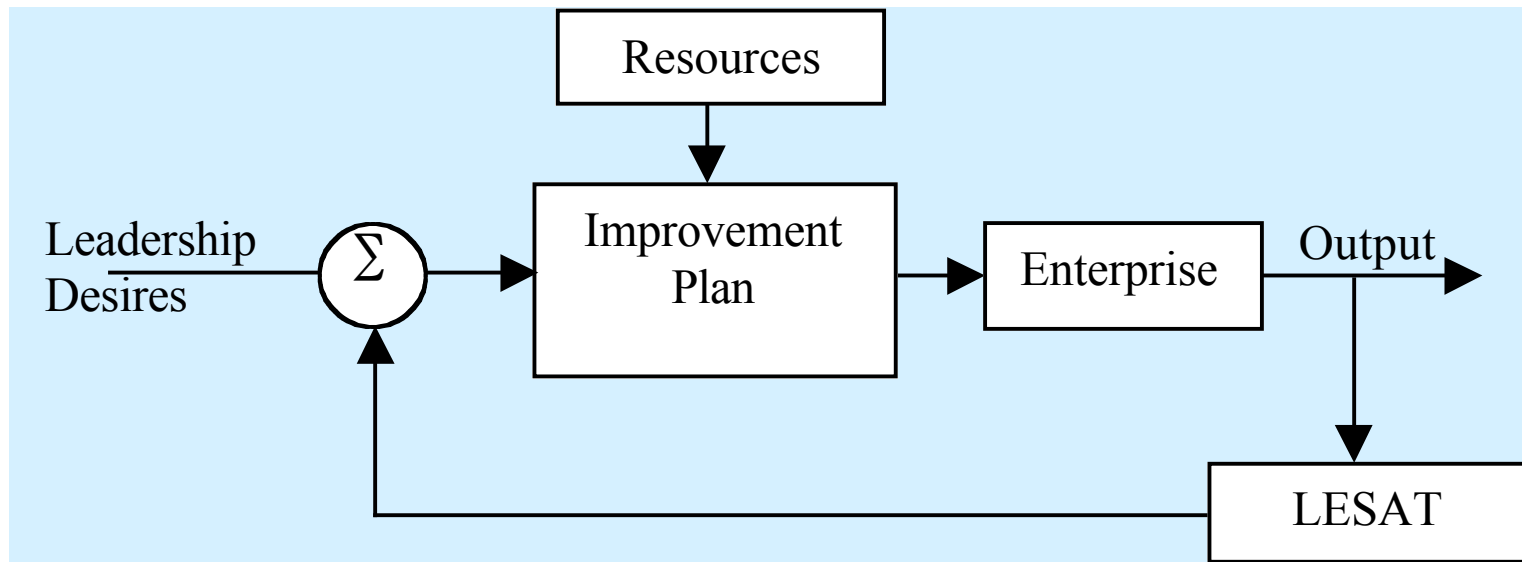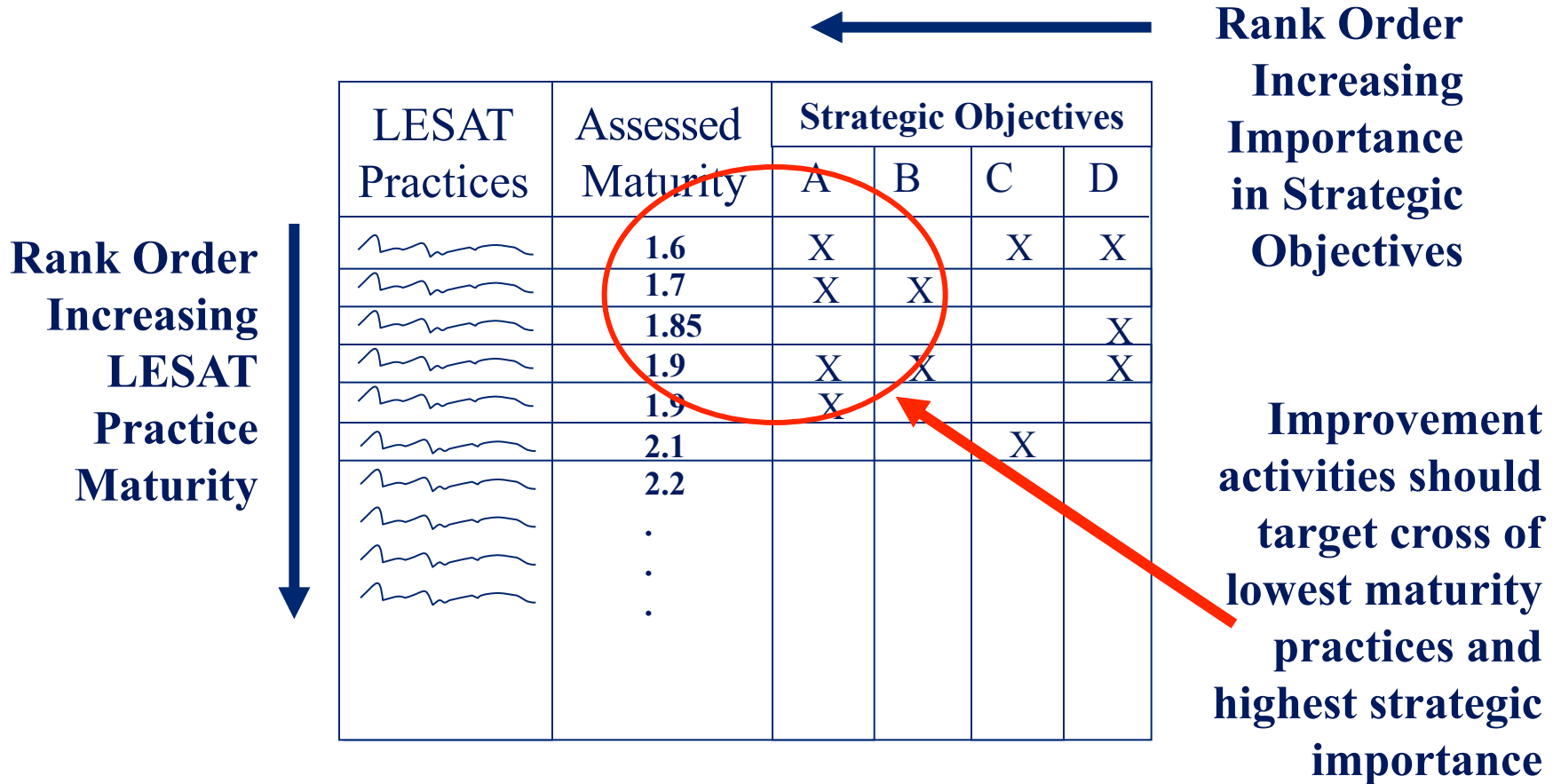
Becoming a Category 3 Enterprise

- Successful category 3 continuous lean improvement requires integrating current assessment results with enterprise strategic needs

- This should be done in light of and in conjunction with other improvement efforts

- This requires a team approach with strong leadership support and commitment that creates the environment for cross-functional and cross-process continuous improvement

Linking LESAT to Strategic Objectives - Completing the Management Control Loop

Rank Order Increasing Importance in Strategic Objectives

Rank Order Increasing LESAT Practice Maturity

LESAT Practices	Assessed Maturity	Strategic Objectives			
		A	B	C	D
	1.6	X		X	X
	1.7	X	X		
	1.85				X
	1.9	X	X		X
	1.9	X			
	2.1			X	
	2.2				
	.				
	.				
	.				

Improvement activities should target cross of lowest maturity practices and highest strategic importance

The LAI Toolset as Part of an Integrated Enterprise Continuous Improvement Cycle

Facilitator's Guide, pp. 27
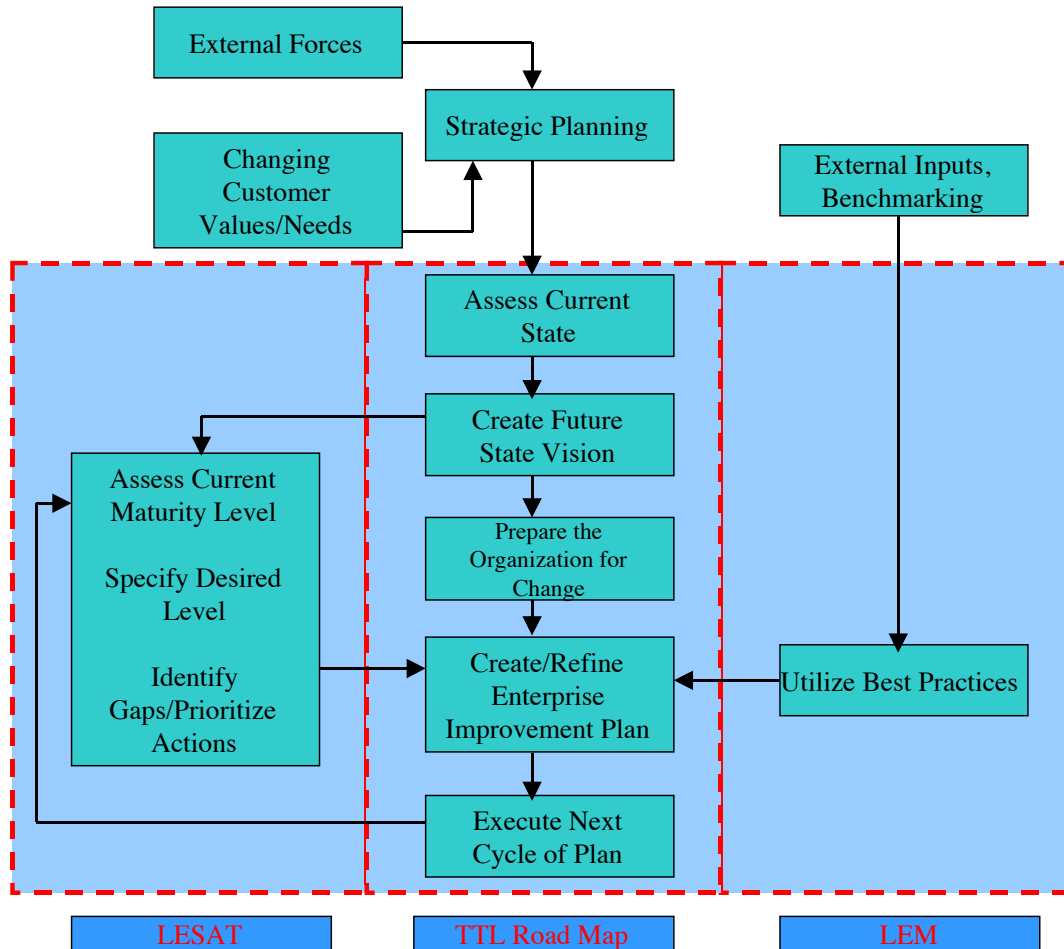
Major Observations on LESAT use to Date

- Transformation is a continuous process that takes years
- LESAT acts as a "sensor" for closed-loop lean enterprise management control
- LESAT users fall into 3 categories of enterprise management
    - 1 - Open Loop
    - 2 - Independent Closed-Loop
    - 3 - Integrated Closed-Loop
- Significant investment of time deemed worthwhile
- Increases understanding of the lean enterprise
- Sustainable transformation successes will likely be closely linked to Category 3 enterprises

Workshop Attendees Should be Able To...

- Extract results of importance from the LESAT Maturity Calculator

  - Lowest maturity

  - Highest variability

  - Largest Gap

- Identify the key enterprise practices that need attention in future improvement efforts

- Think about how to integrate strategic needs of enterprise with assessment potential of the LESAT