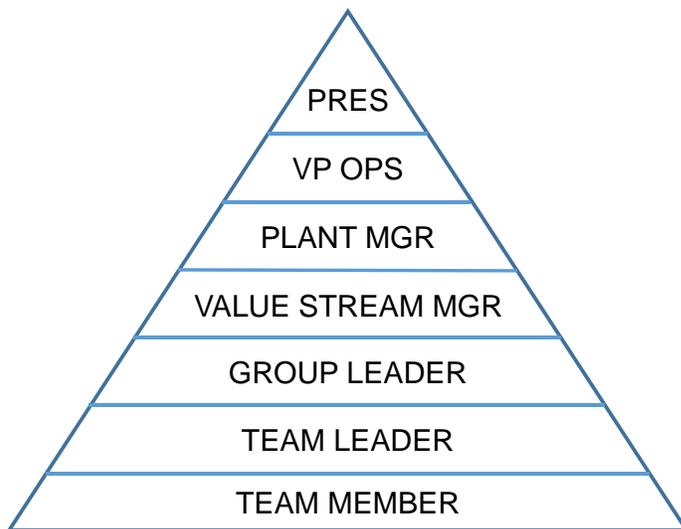




## HOW DOES EACH LEVEL CONTRIBUTE TO THE LEAN TRANSFORMATION?





## AGENDA

- Role of Management
- Conflicts of Managers
- Strategies to Align Managers

# WHAT IS THE ROLE OF MANAGEMENT?



## THE WORK OF THE MANAGER

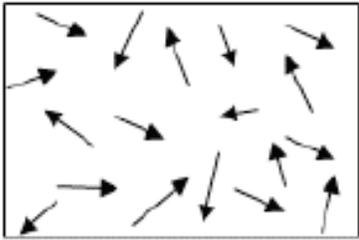
- Set Objectives
- Organize
- Motivate and Communicate
- Measure
- Develop People

Peter Drucker, *The Practice of Management* (1954)

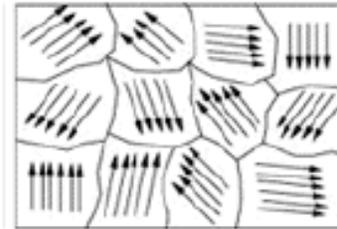


## ROLE: SET OBJECTIVES

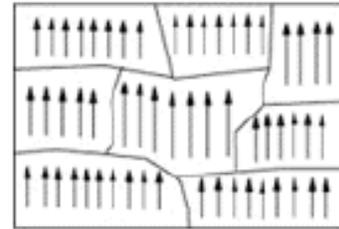
- Alignment with overall business strategy
- Goals within each objective



**Non-Magnetic Material**



**Magnetic Material**



**Magnet**

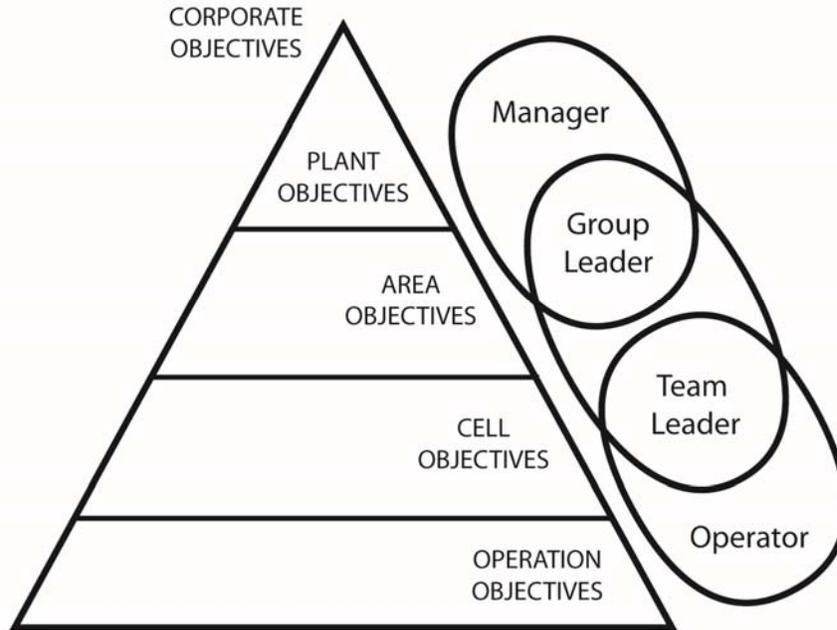


## LONG-TERM PLANNING

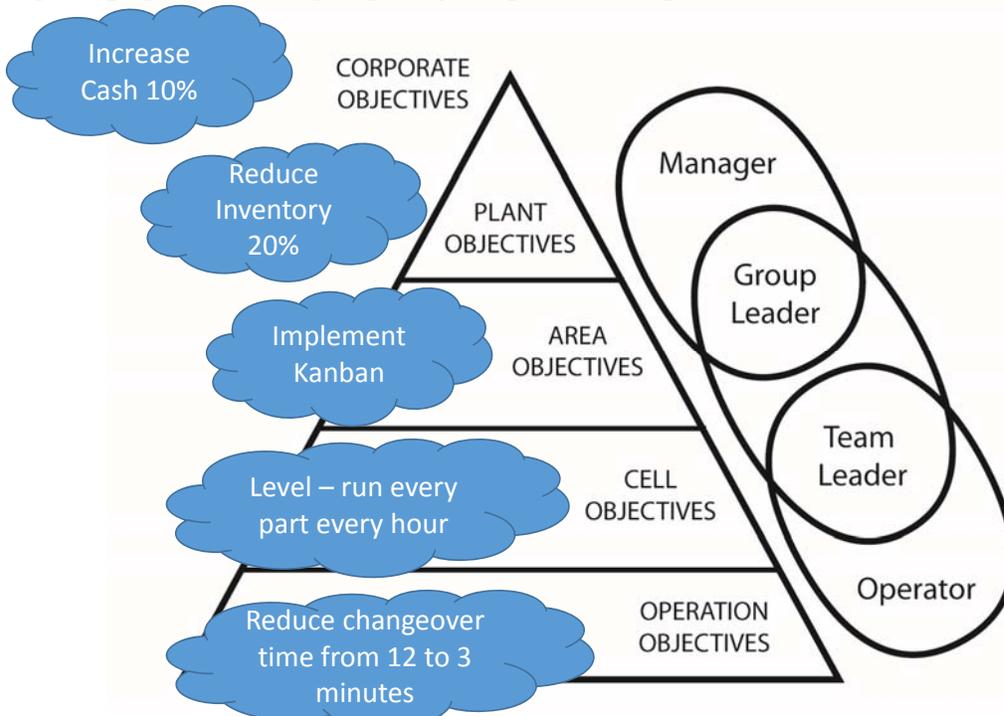
- How do organizations become “Lean”?
- What is our current state?
- Where do we want to be?
- How can we plan for continuous improvement and align the organization to work towards common goals?
  - Hoshin Kanri
  - Strategy Deployment
  - Policy Deployment
  - Management by Objectives (1950's)



# CASCADING OBJECTIVES



# CASCADING OBJECTIVES



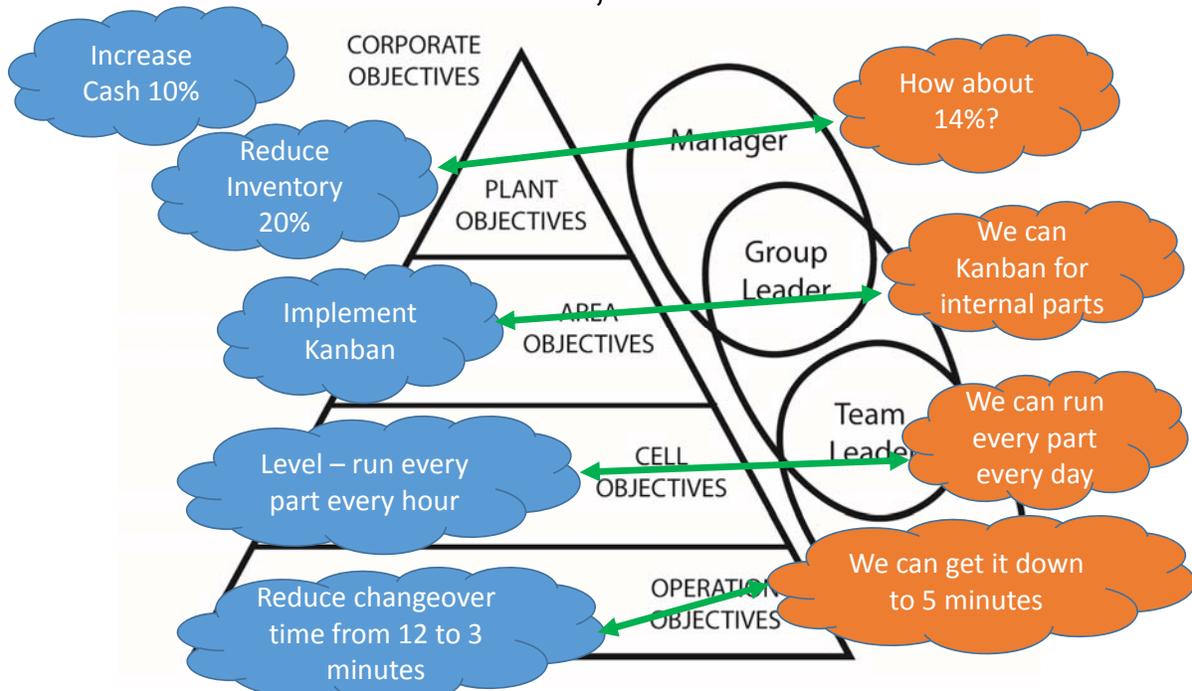
*Management by objective works - if you know the objectives.*

*Ninety percent of the time you don't.*

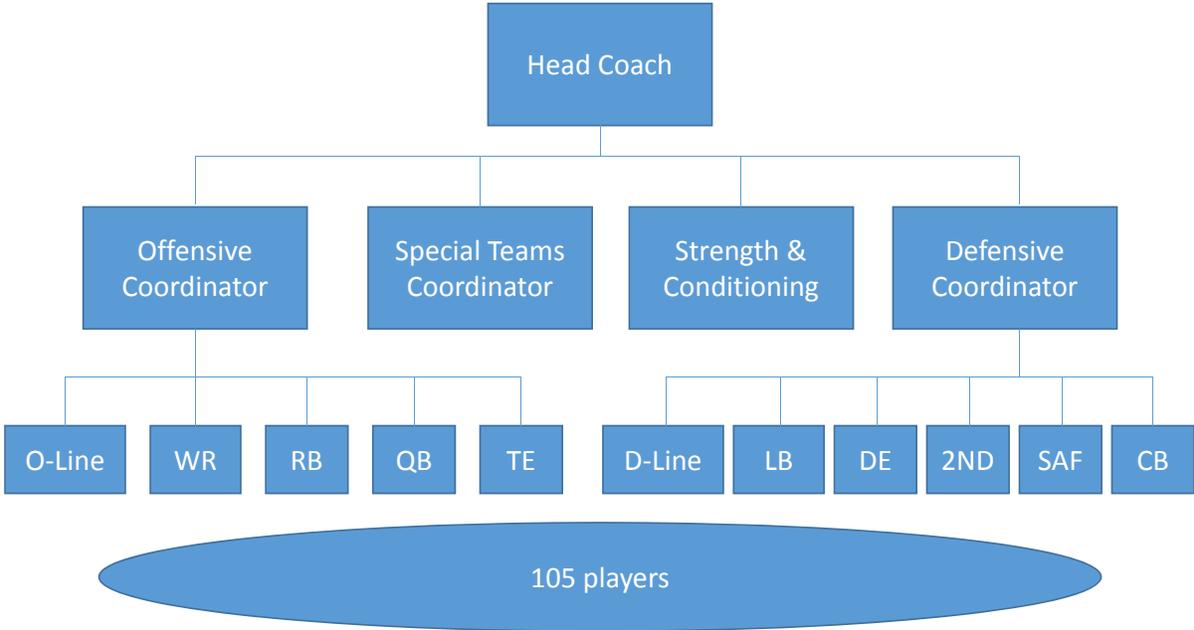
**-Peter Drucker**



## NEGOTIATING GOALS: CATCH-BALL TOP-DOWN OBJECTIVES, BOTTOM-UP FEEDBACK



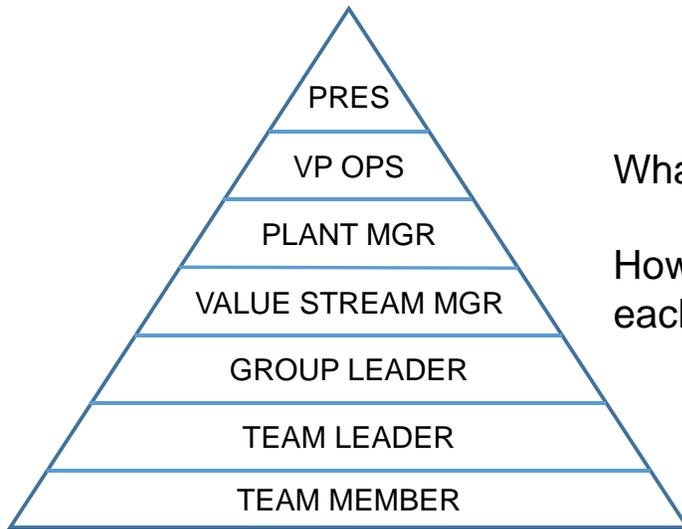
# FOOTBALL ORG CHART



# BASKETBALL ORG CHART



# LEAN ORGANIZATION STRUCTURE

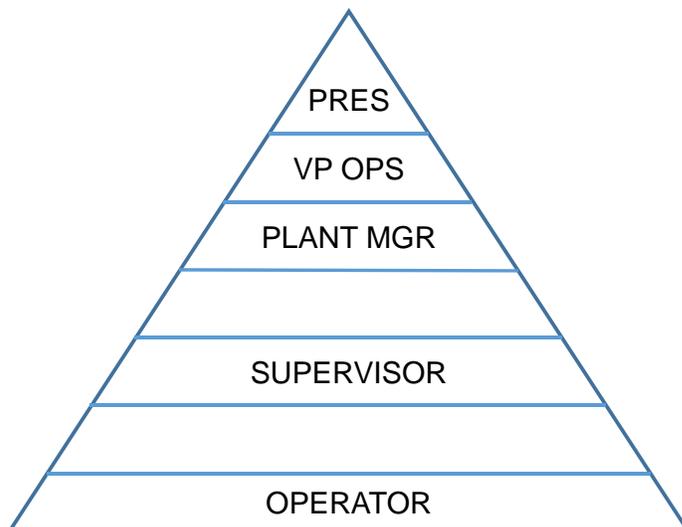


What does each position do?

How far into the future does each level need to plan?



# FLAT ORGANIZATION STRUCTURE



“We’ve leaned out our organization!”

What tasks *aren't* being done?



## CASE STUDY #1: ADDING LAYERS



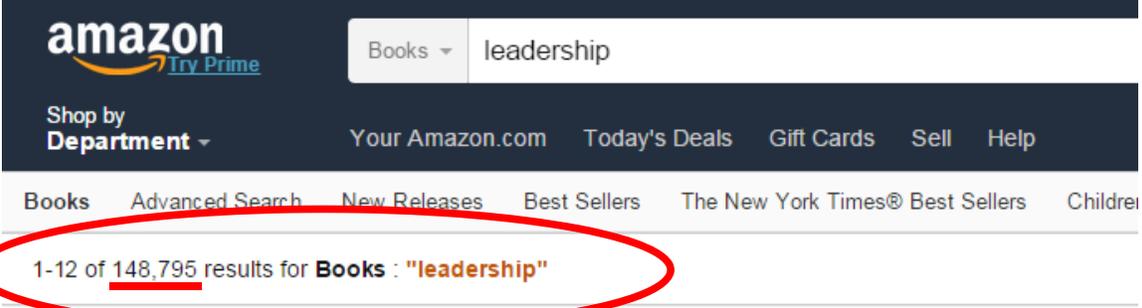
- During the 2008 recession, BWIT, a division of a tier 1 auto supplier, removed several layers of management to remain operational. They currently have two production supervisors, one for assembly and one for machining. Each supervisor has between 40-60 direct reports (team members / operators).
- They are considering adding Team Leader positions.
- What tasks would the Team Leaders take over from the Supervisors?
- What would the Supervisors do with the time that becomes available?
- What tasks would the Team Leaders do that aren't currently being done?
- What would it cost to add a team leader position (assume 1 team leader per 10 team members)? How can you justify the cost?

## DISCUSSION: ADDING LAYERS



- What are the benefits of the “Team Leader” position?
- What are the costs?
- What are the dangers?
- What is the cost of a bad supervisor?

# ROLE: MOTIVATE AND COMMUNICATE



The screenshot shows the Amazon website interface. At the top left is the Amazon logo with 'Try Prime' below it. To the right is a search bar with 'Books' selected and 'leadership' entered. Below the search bar are navigation links: 'Shop by Department', 'Your Amazon.com', 'Today's Deals', 'Gift Cards', 'Sell', and 'Help'. A secondary navigation bar includes 'Books', 'Advanced Search', 'New Releases', 'Best Sellers', 'The New York Times® Best Sellers', and 'Children's'. A red oval highlights the text '1-12 of 148,795 results for Books : "leadership"'.



## TRADITIONAL LEADERSHIP CHARACTERISTICS

- **HONEST:** Do what you say you will do
- **FORWARD-LOOKING:** Communicate *where* you're going
- **INSPIRING:** Communicate *why* you're going there; impart *sense of urgency*
- **COMPETENT:** Demonstrate *how* to get there

Kouzes & Posner, *The Leadership Challenge*



# BEHAVIORS OF LEAN LEADERS

- Drive for continuous improvement
  - Problem seeking
  - Data seeking
  - Problem solving
- Drive for mentoring and learning
  - Interest in developing others
  - Inquisitive
  - Humble
- Drive for disciplined execution
  - Process focus
  - Long-term outlook
- Respect for others



## ROLE: MEASURE

- What gets measured gets managed
- Lean assessment
- Project management
- Operational Key Performance Indicators



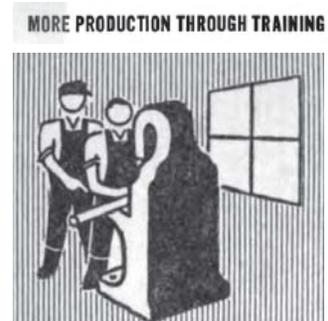
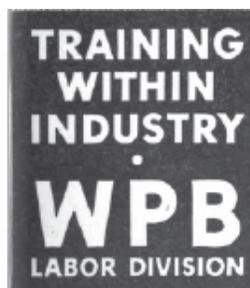
## ROLE: DEVELOP PEOPLE

- Create the next generation of leaders
- By developing others, you develop yourself
- Just as by teaching others, you learn the subject matter best



## TWI – 5 NEEDS OF SUPERVISORS

- Know the job
- Know responsibilities
- Skill of instruction
- Skill of improving work
- Skill of leadership

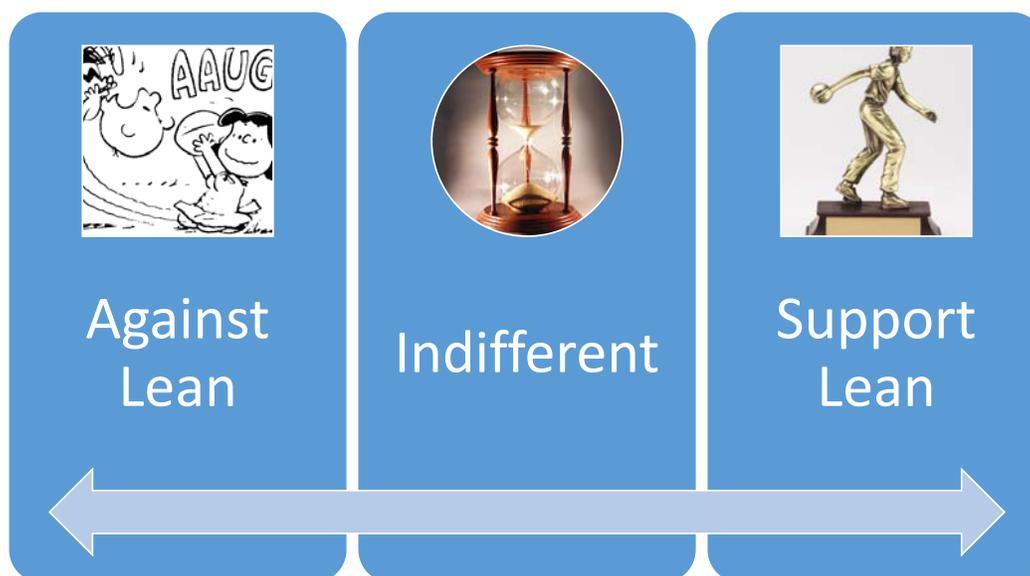


# TWI - 5 NEEDS OF SUPERVISORS

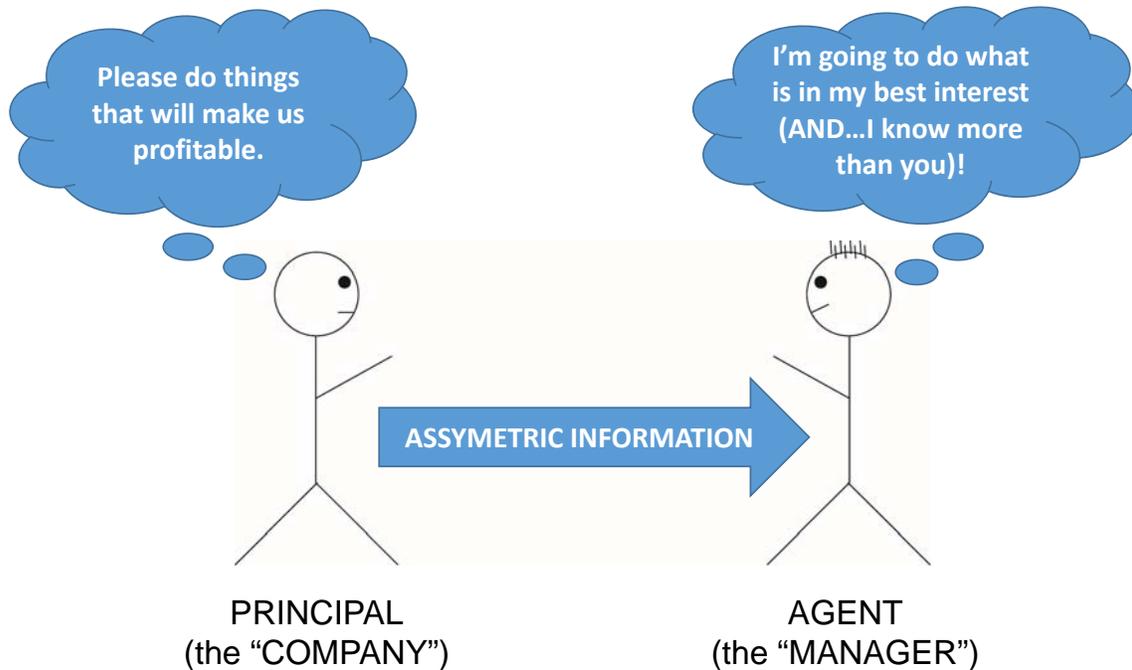


- In your group, compare TWI - 5 Needs w/ Drucker's Work of the Manager:
  - Set Objectives
  - Organize
  - Motivate and Communicate
  - Measure
  - Develop People
- What affect does the time horizon have on which definition you would choose to follow?
- Which definition is more appropriate for wartime production vs. peacetime?

## MANAGERS' ATTITUDES TOWARDS LEAN



# PRINCIPAL AGENT PROBLEM



# PRINCIPAL AGENT PROBLEM

- Principal hires agent to do work on his/her behalf
- Agent works towards own self interest
- Asymmetric information: agent knows something that the principal does not (e.g., the effort put forth)
- Principal puts incentive scheme in place to align agent with business goals
  - Simple mechanisms: commission for sales
  - Other mechanisms: bonus based on profits, stock price, tiered commissions

## OBJECTIVES OF THE PRINCIPAL (COMPANY) AND AGENT (MANAGER)

- Objectives of company:
- Objectives of manager:
- Incentives for managers:

## CASE STUDY #2: PROFIT INCENTIVES AT XYZ CORP

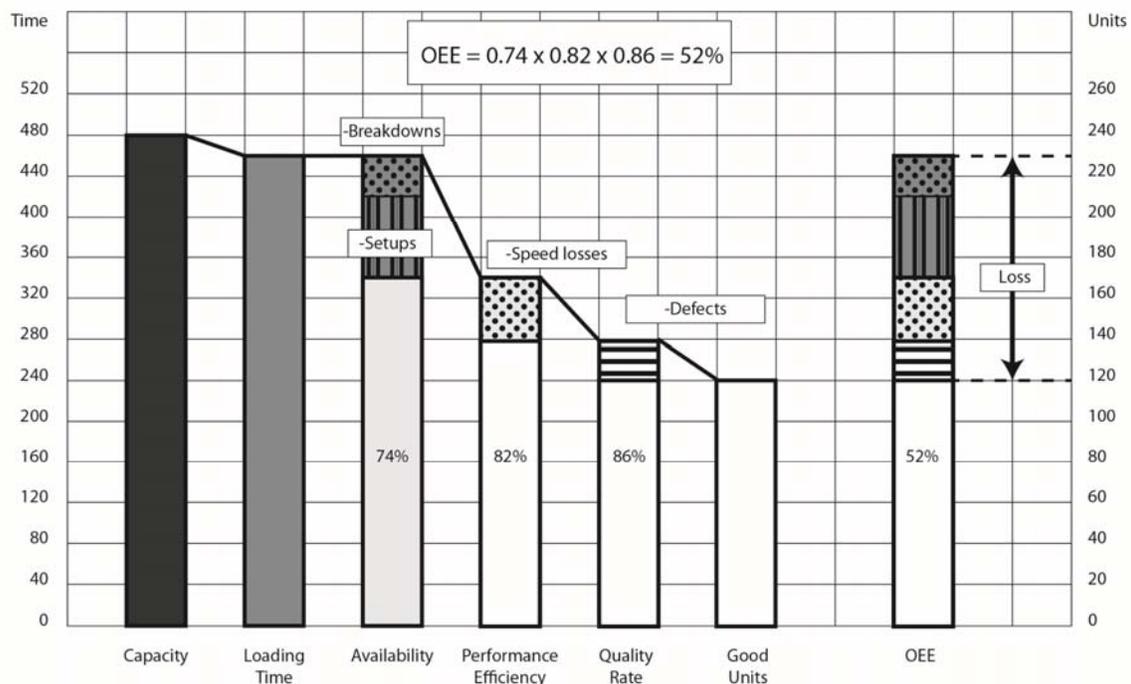


- XYZ Corp. is a publicly traded Fortune 350 company making equipment for the aerospace & defense industries. Plant managers' bonuses are based on quarterly profits and stock price.
- What actions could the plant manager take in the short-term which would maximize his bonus?
- How could improving short-term profitability negatively affect the business in the long run?

## CASE STUDY #3: EQUIPMENT UTILIZATION AND/OR OEE INCENTIVES AT OMA



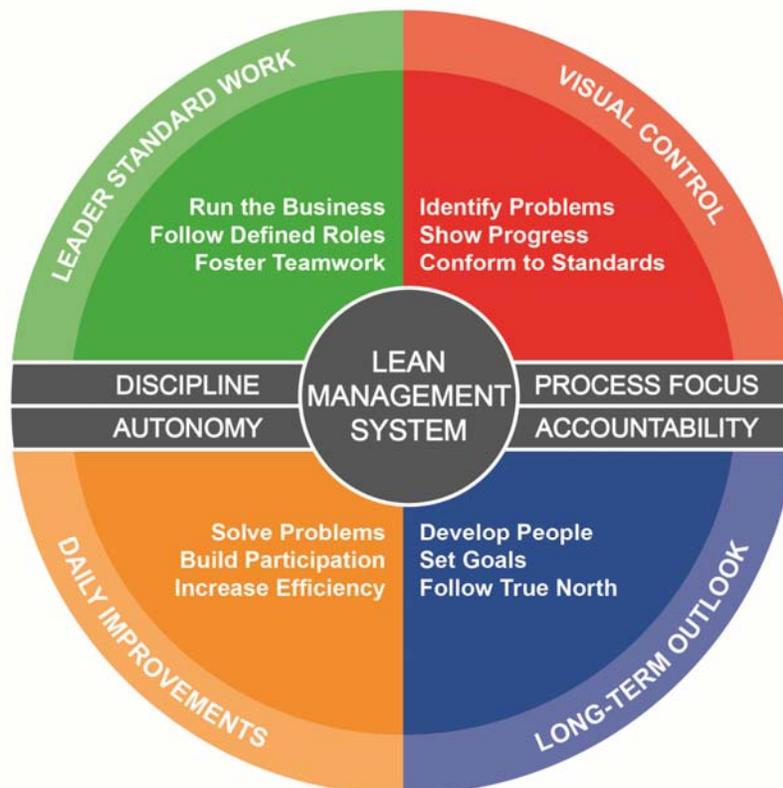
- OMA, one of the world's largest producers of frozen meals, bases part of the plant managers' bonuses on Overall Equipment Effectiveness. Currently, changeover times range from 5 to 18 hours between products.
- What is the intention of this measure?
- How can the manager increase his/her bonus?
- In what ways can the manager (agent) follow the intention of the organization (principal)?
- In what ways can the manager (agent) act which conflict with the organization's intention?



## CASE STUDY #4: EMPLOYEE SATISFACTION AT HPPY



- HPPY, a producer of plush toys, bases part of the managers' bonuses on results from Employee Satisfaction surveys.
- What is the intention of this measure?
- In what ways can the manager (agent) follow the intention of the organization (principal)?
- In what ways can the manager (agent) act which conflict with the organization's intention?



# FOCUS ON PROCESS

- Short-term, results-based measures may have adverse consequences
  - Overproduction
  - Defects
  - Unsolved problems
  - High turnover
  - Low morale



# BEHAVIOR: PROCESS FOCUS

- Improvements in process lead to improvements in results
- Forward-looking measures
- Focus on things we can control

## BEHAVIOR: ACCOUNTABILITY

- Are you meeting the standard?
  - If not, are you using systematic problem solving to find countermeasures?
- Are you reaching your long-term goals?
  - Is this part of your Leader Standard Work to review with your superiors?
- Do you hold people accountable for *process-based* or *results-based* measures?



## LONG-TERM OBJECTIVES: HOW DO WE MEASURE IMPROVEMENT?

- Safety (S)
- Quality (Q)
- Delivery / lead time / flow (D)
- Cost / Productivity (C)
- Human Development (HD)
- Innovation



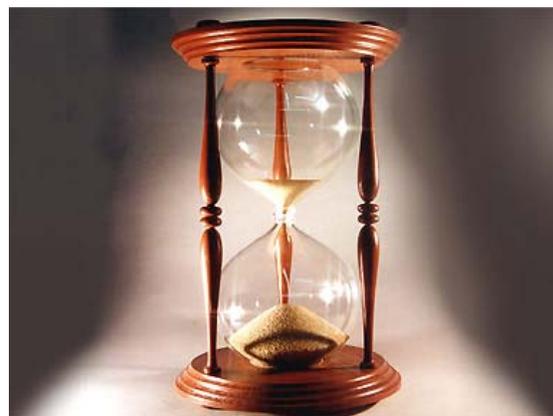
## EXERCISE: PROCESS-BASED KEY PERFORMANCE INDICATORS (KPI)



- Using your own operation as an example, name results-based measures for each of the following:
  - Safety, Quality, Cost, Delivery, Human Development
- For each result, find process-based measures which would help achieve the result.
  - Name measures which would be appropriate for evaluating shop-floor supervision
  - Name measures which would be appropriate for evaluating management
- For each process-based measure, how can you tell if you are improving?

## LACK OF TIME

- Lack of time is really...
  - Lack of priorities
  - Lack of planning
  - Lack of delegation
  - Lack of preparing your workforce for growth



## OVERCOMING “LACK OF TIME”



- In your groups, discuss ways you have used to overcome the excuse of “not enough hours in the day”
- How can these methods be used in a systematic way within your organization?

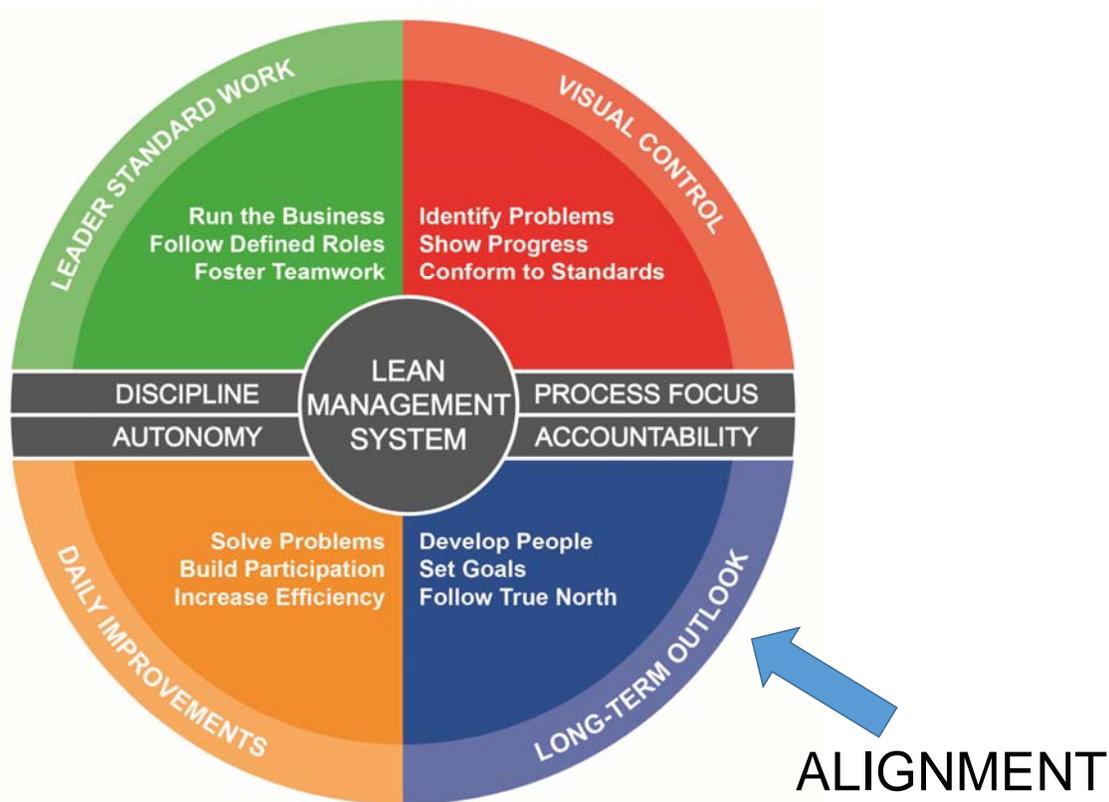


## OVERCOMING “LACK OF TIME”



- Current best practices:
  - Plan your day, week, month, ...
  - Optimal scheduling of tasks based on effort required; minimize “changeover” time (e.g., batch processing of emails)
  - Leader standard work – don’t neglect **important** tasks at the expense of **urgent** tasks
  - Eliminate non-value added activities (e.g., meetings w/o good agendas, office gossip, the internet)
  - Delegate tasks & problem solving to lower levels





## PRINCIPLES OF LEAN

- Continuous Improvement + Respect for People
- Identify and eliminate waste, overburden, and unevenness - providing **value** for the customer
- Make problems visible and solve them

# STRATEGIES TO ALIGN MANAGERS TO ORGANIZATION OBJECTIVES

- What problem are we solving?
  - Lack of time
  - Conflict with self-interest
- Multi-dimensional evaluation (Balanced Scorecard)
  - Example: Measure health by measuring weight only vs. the whole person. Need to include physical activity, drinking & smoking habits, heart rate, blood pressure, diet, % fat, strength, stress level...



# THE WORK OF THE MANAGER: RELATION TO LEAN TRANSFORMATIONS

- Set Objectives
  - Value Stream Mapping, Policy Deployment
- Organize
  - Organization structure, roles & responsibilities
- Motivate and Communicate
  - Explain why we're doing this
  - Provide timeline for improvements
- Measure
  - Are we on-track with S, Q, D, C, HD goals?
  - Create process-based measures
  - Lean Assessment
- Develop People
  - Are you dedicating time for training, coaching & mentoring?



# WHY IS THERE A GAP?

- Don't know
  - Shop floor is visible
    - Easy to copy from other companies
    - Story from NUMMI – take pictures and duplicate – missing the hidden structure: management
  - Management layers are invisible
    - Setting objectives
    - Teaching, coaching, and mentoring – promoting from within
- Don't care
  - Not a priority – too much work / lack of time
  - Incentives not aligned



# FURTHER READING

- *The Practice of Management* (1954) by Peter F. Drucker
- *Creating a Lean Culture, 2<sup>nd</sup> edition* (2010) by David Mann
- *The New Shop Floor Management* (1993) by Kiyoshi Suzaki
- *The Toyota Way to Lean Leadership* (2012) by Jeffrey Liker and Gary Convis
- *Toyota Kata* (2009) by Mike Rother
- *Leading the Lean Enterprise Transformation, 2<sup>nd</sup> Edition* (2012) by George Koenigsaecker

