Leadership’s Role in Sustaining a Lean Transformation

SEMS Webinar – Part 2 of the Mini-series on Transformational Change

March 16, 2011
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Key to Successful Change Initiatives

Pre-requisites for Successful Change:
• Transformational Leadership
• Employee Engagement
• Direct, Open, Sensitive Communication

Start with Leadership Commitment to begin looking at the culture and process

Source: Making Change Work Study: Continuing The Enterprise of The Future Conversation from the IBM Global CEO Study, 2008 (n=1,532)

Top Management Sponsorship: 92%
Employee Involvement: 72%
Honest and Timely Communication: 70%
Corporate Culture that Promotes Change: 65%
Change Agents: 55%
Change Supported by Culture: 48%
Efficient Training Programs: 38%
Adjustment of Performance Measures: 36%
Efficient Organizational Structure: 33%
Monetary and Non-monetary Incentives: 19%
The Path Forward Approach to a Lean Transformation

Adaptive Culture

Process Excellence

Learning

Business Performance

Balanced Scorecard
- Customer Value
- Financial Excellence
- Process Excellence
- People Learning & Growth

Transformational Leadership

Technology

Path Forward Change Paradigm

Innovation and continuous improvement enabled through process excellence and high performing organization culture

“Teach your associates to teach themselves and in that way you will strengthen the entire organization” – IBM Founder, Thomas J. Watson, Sr. 1947
Our Approach to a Successful Change Initiative*

Compelling Reason for Change
(Why leave where we are?)

Vision
(Where do we want to go?)

Transformational Leadership
(Who will take us there?)

Change Plan
(How will we get there?)

Enable advocates for change
(How will we enroll others to go where we want them to go?)

OCI® - Organizational Culture Inventory is a proprietary of Human Synergistics Intl.

*Reference: Adapted from Dr. Marvin Washington
### “House of Lean” - Foundation, Pillars and Building Blocks for a Continuous Learning Organization

#### Continuous Learning Organization

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<thead>
<tr>
<th>Capabilities &amp; Skills</th>
<th>Lean/Agile Building Blocks</th>
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<td>Deployment Leader</td>
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<td>Lean/Agile Applied Learning</td>
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<td>Hoshin Planning</td>
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<td>QFD</td>
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<td>Visual Control Board</td>
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<td>VSM, Simulation Modeling</td>
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<td>Pull Value &amp; Streamline E2E Flow</td>
<td>Pull Systems, Kanban</td>
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<td>Structured Problem Solving Plan - Do - Check - Act</td>
<td>8D Problem Solving &amp; A3 Process Improvement</td>
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<td>DMAIC &amp; DFSS</td>
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<td>FMEA</td>
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<td>Basic Stability</td>
<td>5S, Visual Management</td>
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<td>Standard Work Process Map, Value Add Analysis</td>
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<td>Kaizen Events</td>
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<td>Basic Knowledge (Getting Started)</td>
<td>Lean 101 Core Team Training</td>
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<td>Science of Mfg. Web Lectures</td>
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<td>Leadership Book Clubs &amp; Workshops</td>
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**High Performing Culture**

**Transformational Leadership**

**Process Excellence**

**Employee Empowerment**

Results Feed the Organization’s Balanced Score Card

- Value Stream Mapping
- Quality Function Deployment (QFD)
- Six Sigma (DMAIC & DFSS)
- Failure Mode & Effects Analysis (FMEA)
- Decision Support Systems
- Hoshin Planning
- VSM (Value Stream Mapping)
- Simulation Modeling
- Lean/Agile Applied Learning
- Leadership Book Clubs & Workshops
- Web Lectures
- Kaizen Events
- Science of Mfg.
- Process Map, Value Add Analysis
- Standard Work Process Map, Value Add Analysis
- Pull Systems, Kanban
- Pous
- 5S, Visual Management
- Deployment Leader
- Lean/Agile Applied Learning
- Process vs. Functional Layout
Understanding the Culture & Leadership Readiness for Change

- LSI® Assessments use for all 1st Line Managers
- LI® Assessments use for entire Senior Leadership Team
- GSI Assessments use for all team events (Kaizens)
- OCI Assessment use for the entire organization (Current & Ideal)

LSI®, LI®, GSI® and OCI® are proprietary of Human Synergistics International
Organizational Culture Inventory®, OCI
Circumplex with a Brief Description of the 12 Styles

**Styles of Behaviors Required to “Fit-in”**

**Achievement**
Members are expected to set challenging but realistic goals and solve problems effectively.

**Perfectionistic**
Members are expected to avoid making mistakes, work long hours, and keep “on top” of everything.

**Competitive**
Members are expected to operate in a “win-lose” framework and work against their peers to be noticed.

**Power**
Members are expected to take charge and “control” others, and make decisions autocratically.

**Oppositional**
Members are expected to gain status and influence by being critical and constantly challenging one another.

**Avoidance**
Members are expected to shift responsibilities to others and avoid being blamed for mistakes.

**Humanistic-encouraging**
Members are expected to be supportive, constructive, and open to influence in dealing with others.

**Affiliative**
Members are expected to be friendly, open, and sensitive to the satisfaction of the work group.

**Approval**
Members are expected to agree with, gain the approval of, and be liked by others.

**Conventional**
Members are expected to conform, follow the rules, and make a good impression.

**Dependent**
Members are expected to do what they are told and clear all decisions with supervisors.

**Self-Actualizing**
Members are expected to gain enjoyment from their work and produce high-quality products/services.

**12**

OCI® is a proprietary of the Human Synergistics International
OCI® The Ideal Culture*:

Total Group Ideal
N=15,982

- Strive to achieve
- Sense of accomplishment
- Creative/enjoy work
- Supportive/encouraging
- Work together/Collaborate

*The OCI is a registered Trademark of Human Synergistics International, Inc.- Dr. Robert Cooke
IBM Path Forward Lean Deployment Strategy

STAGE 1: Readiness for Change
The “Burning Platform”
Balanced Scorecard, Lean Assessment, & Global Competition

STAGE 2: Skills Development
Lean Transformation Plan

STAGE 3: Continuous Learning
Bottoms-up Kaizens

Organization Vision of Success
Leadership Commitment

Define Success, Success Measures, Barriers and Top Actions for Success

Transformational Leadership Development Roadmap

Preferred OCI®, Sub-cultures

Lean Transformation Skills Development and Deployment

Gemba & Kaizens are the engine for continuous improvement

Continuous Employee Skills Development

The Path Forward Lean Deployment Strategy

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The Path Forward Lean Deployment Strategy
Transactional Leaders vs. Transformational Leaders

*Leadership Impact (LI) Assessments®

**Transactional Leader**
- Strong task-orientation
- Non-routine circumstances require leader intervention
- Practice management by exception (especially for failures)
- Limited risk-taking and do not solicit employees' ideas
- Limited scope for employee job roles
- Uncomfortable deviating from the status quo

**Transformational Leader**
- Individual consideration
  - Attentive to employee needs
  - Coach and mentor, encourages and recognizes
- Intellectual stimulation
  - Challenges assumptions, takes risks and solicits employees' ideas
  - Continuous learning and innovation is valued
- Inspirational motivation
  - Challenge their employees with high standards
  - Communicate optimism about future goals
  - Role model through living the values of the organization

The Transformational Leader’s Constructive Styles

11. Achievement
+ Anticipates future trends and opportunities
+ Takes reasonable and well-calculated risks
+ Takes initiative to get things done
+ Encourages team goal setting and recognizes accomplishment
+ Selects team members to complement the skills of others

12. Self Actualizing
+ Deals with issues objectively and honestly
+ Stands up for what he/she believes in
+ Handles crisis situations well
+ Generates unique solutions to problems

1. Humanistic Encouraging
+ Sensitive and Supportive to the needs of others
+ Helps others learn from their mistakes
+ Encourages others to express their ideas
+ Promotes open discussion
+ Motivates by serving as a role model

2. Affiliative
+ Gets cooperation through personal loyalties
+ Puts people at ease
+ Charismatic
+ Initiates conversations easily
+ Shares feelings
4. Conventional
+ Not bound by policy or legacy
+ Agreeable
+ Able to bend the rules when necessary
+ Not upset by change

5. Dependent
+ Tactful
+ Does not depend on others for ideas
+ Likes responsibility
+ Capable of taking charge

6. Avoidance
+ Does not procrastinate
+ Is proactive in problem solving
+ Confident
+ Willing to take risks
+ Likely to explore alternatives
10. Perfectionistic
+ Works hard to obtain quality, relevant results
+ Efficient, business-like approach to tasks
+ Realistic about accomplishments
+ Persistent

9. Competitive
+ Self-assertive
+ Healthy comparison of self to others
+ “Be a winner” philosophy

8. Power
+ Respects chain of command
+ Legitimate leadership by gaining influence
+ Builds loyalty
+ Forceful, yet Diplomatic

7. Oppositional
+ Critical eye coached with professionalism
+ Objectively questions decisions made by others
+ Tactful at asking tough, probing questions
Leadership’s Role in Lean: Focus on the 14 Lean Principles* and the OCI® Circumplex

- Develop exceptional people and teams who follow your company’s philosophy.
- Base your management decisions on a long-term philosophy, even at expense of short-term financial goals.
- Make decisions slowly by consensus, thoroughly considering all options; implement decisions rapidly (nemawashi).
- Become a learning organization through relentless reflection and continuous improvement (kaizen).
- Build a culture of stopping to fix problems, to get quality right the first time.
- Grow leaders who thoroughly understand the work, live the philosophy, and teach others.
- Respect your extended network of partners and suppliers by challenging them and helping them improve.
- Use visual control so no problems are hidden.
- Use “pull” systems to avoid overproduction. Level out the workload (heijunka).
- Go and see for yourself to thoroughly understand the situation (Genchi Genbutsu).
- Create a continuous process flow to bring problems to the surface.
- Standardized tasks and processes: continuous improvement and employee empowerment.

Leadership’s Role: empowering employees to affect their processes is key for a constructive & adaptive culture

Traditional Leadership Organizational Model (with OCI)
Study conducted shows that Transformational Leaders ‘pull’ the organizational culture towards their (leader’s) constructive styles of behavior

- Underscores the need to develop more transformational leaders in the organization to enable true culture transformation

*Study based on OCI, LI and LSI results from 2004-current; Accepted for Publication at 2011 Industrial Engineering Research Conference*
IBM Path Forward Business Transformation – Culture Transformation Model
Impact of Leadership on Organizational Culture

- **L0**, **L1**, and **L2** represent the leadership team of the organization.
- The leadership teams are instrumental in improving the organizational culture.
- The Leadership teams facilitates the realization of the Ideal, or Preferred, Organizational Culture.

- Study based on OCI, LI and LSI results from 2004-current.

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**CPI: 369**

**CPI: 1069**

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**L0** = Senior Leader CPI
**L1** = Functional Manager CPI
**L2** = Department Manager CPI

**L3** = Functional Team Culture
**L4** = Organizational Culture
**L5** = Corporate Culture

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**Transformational Leadership Cultural Readiness**

- **CPI**:
  - **Org 1 CPI**: 884, 854, 802, 620, 369, 315
  - **Org 2 CPI**: 884, 564, 765, 410, 369, 315
  - **Org 3 CPI**: 884, 781, 785, 469, 369, 315

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**Organizational Level**

- **R** = 0.96
- **R** = 0.88
- **R** = 0.96
### IBM Path Forward Business Transformation – Success Story

**Manufacturing Organization**

- **Shoot for the Stars 2005**
- **Assembly Plant of the Year 2008**
- **IIE Lean Best Practices Finalist 2011**

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<thead>
<tr>
<th>Cultural Performance Index - CPI</th>
<th>181</th>
<th>313</th>
<th>369</th>
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<tbody>
<tr>
<td><strong>Financial Performance</strong></td>
<td>Under Plan</td>
<td>Under Plan</td>
<td>Exceeded Plan</td>
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<tr>
<td><strong>Inventory Management</strong></td>
<td>Under Plan</td>
<td>Under Plan</td>
<td>Exceeded Plan</td>
</tr>
<tr>
<td><strong>Quality Performance</strong></td>
<td>Under Plan</td>
<td>Improving</td>
<td>Exceeded Plan</td>
</tr>
<tr>
<td><strong>Lean Process Maturity</strong></td>
<td>Score: 2/5</td>
<td>Score: 3.1/5</td>
<td>Score 3.9/5</td>
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<tr>
<td><strong>Leadership CPI</strong></td>
<td>245</td>
<td>358</td>
<td>728</td>
</tr>
<tr>
<td><strong>Employee Satisfaction</strong></td>
<td>3.62/5.00</td>
<td>3.68/5.00</td>
<td>3.71/5.00</td>
</tr>
<tr>
<td><strong>Kaizens/# Ideas</strong></td>
<td>0/20</td>
<td>0/80</td>
<td>46/300</td>
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<tr>
<td><strong># Employees Trained</strong></td>
<td>10 (&lt;3%)</td>
<td>30 (&lt;10%)</td>
<td>220 (55%)</td>
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*An adaptive culture + process excellence consistently produce superior business results*
Summary

- A Lean transformation requires an explicit focus on developing Transformational Leadership across the management chain of the business.

- Pre-requisites for Successful Change:
  - Transformational Leadership
  - Employee Engagement
  - Direct, Open, Sensitive (Constructive) Communication

- Needs a systems approach – Leadership to focus on cultural transformation with Lean process excellence
  - Readiness for Change: Organizational Culture Inventory & Leadership Impact
  - Employee Engagement: Kaizens, Lean Skills Development and Recognition
  - **Transformational Communication → Focus of our third webinar**
    - March 30, 2011; 2 PM EST
Questions?