4.1 Introduction: lean and process improvement

In Chapter 1 we outlined the scale of the productivity challenge facing many countries. Productivity or efficiency can be thought about in different ways – how busy and utilized people and resources are – or, more constructively, how fast value can be delivered to customers. We have chosen lean management as the third of our strategic performance drivers because in a post-credit crunch world, it has gained renewed attention. The conditions that spawned the birth of lean management – a shortage in both capital and resources in Japan after the Second World War – have become features once more in the new context of an “age of austerity.” Efficiency and effectiveness, coupled with attention to quality, are major drivers of change. Lean thinking has now been applied to a wide range of issues, spanning management, design and service delivery, and also business functions such as product development, logistics, service, sales, HR and production. Again, we need to look to expertise outside of HRM. Whilst the previous chapter took us into ideas and research from marketing and service management, this chapter takes us into work done mainly within operations management and management science.

Lean thinking addresses the productivity issue by focusing on value-adding work. Be it in engineering, designing a product, production or delivering customer service, value-adding work is defined as that that the customer cares about. This is why we address this performance driver having first dealt with customer centricity. Lean thinking argues that rather than simply locally optimizing and maximizing the utilization of employees or machines, a sustainable
performance outcome requires competition based on the ability to adapt, avoiding inventory, working in very small units and removing bottlenecks to create faster throughput of value to customers. In lean thinking, sustainable performance is seen as the global system goal. This global goal concerns the flow of value to the customer without delay through the removal of non-value-adding activity (which is seen as a better definition than waste). This flow of value is in turn evaluated in terms of:

- the shortest lead time;
- best quality and value (to people and society);
- the most customer delight;
- at lowest cost;
- with high morale; and
- driven by safety.

Lean thinking was originally associated with product development and production systems at Toyota. The original name was the Toyota Production System (TPS), associated with its creator Taiichi Ohno, also known as The Toyota Way, or the less frequently used Respect for Humanity System or The Thinking Way. It emphasized a Toyota culture of mentoring people to think through and resolve root causes to problems, to help society and to humanize work. Later, it was popularized by researchers at MIT who compared production at Toyota to mass production systems in their famous books The Machine that Changed the World and Lean Thinking.

Countless papers have tried to simplify and reduce the thinking down to easy-to-follow recipes. Countless experts have read and re-read original sources to argue what are the core principles and what are the secondary issues that might mislead or that if missed out might serve to later derail a lean initiative. Despite continued debate over the precise meaning and execution of lean management, it has:

commonly been taken to involve techniques concerned with production, work organization, quality management, logistics, supply chain, customer satisfaction, efficient delivery and continuous improvement methods. In other words, the adoption of lean production implies integration in the use of operation (OM) and human resource management (HRM) practices.

So what exactly is lean management and how does it sit alongside some other similar regimes? Attention to lean was triggered by the need for productivity. Between 1968 and 1978, US productivity increased by 23.6 percent, but Japan experienced a 89.1 percent increase. To catch up, throughout the 1980s and 1990s, US and European companies began adapting the TPS in manufacturing under the title of