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LINKING LEAN WITH TOP-LINE GROWTH

LEAN PRACTICES SUPPORT INNOVATION

To consistently drive top-line growth, leaders must commit to a disciplined and creative focus on meeting today's market challenges while strengthening capabilities for future competitive mastery. It's a matter of keeping the core business running optimally without losing sight of what's on the horizon—and being prepared for and open to « creative destruction. »

Effective innovation strategies must go beyond sustaining and improving current forms of value. Strategic innovation sets successful organizations apart from the rest of the pack, enabling them to:

- **Capture intelligence** that helps them understand current and potential customers' « jobs to be done. »
- Make rapid **value proposition breakthroughs** throughout the value chain—from concept development and customer demand, through supply chain collaboration, through distribution and service innovation.
- Create new dimensions in **technology, products, processes, and services**.
- Develop and flexibly implement **new business models** to support top-line growth during market and technological seismic shifts.

As organizations work to gain agility and strength developing market-leading, customer-focused breakthroughs, the structures, practices, and problem-solving culture that evolve through lean implementation can help support and sustain innovation initiatives.

ENABLING INNOVATION

Understanding that lean approaches can support and facilitate systemic innovation requires a mindset change.

Any company that has experienced success with lean knows its power as a key force in systematic, long-term, organization-wide operational improvement. But understanding that lean approaches can support and facilitate systemic innovation requires a mindset change for many executives.

Most have encountered lean in the context of the manufacturing shop floor, where eliminating wait time, excess inventory, and other wastes draws the spotlight.

Waste-elimination is at the heart of lean, but lean practices can also enhance innovative, game-changing strategies and the creation of new value in at least five important ways:

1. By implementing standardized work in processes across an enterprise, senior leadership and associates can stop firefighting and gain time and resources needed for developing and implementing next-generation strategies.
2. Through lean practices, more collaborative and creative relationships emerge with customers, suppliers, and other stakeholders throughout the value chain. These relationships can lay the groundwork for developing a deeper understanding of customers' « jobs to be done » and lead to breakthrough concepts.
3. When lean methodologies are applied in new product and process development, cross-functional initiatives, and external partnerships, the resulting performance improvements support profitable top-line growth.
4. As empowered associates gain experience and confidence in their continuous improvement capabilities, innovative solutions and suggestions surface throughout the organization.
When these are managed effectively, the company gains value creation momentum and competitive traction.
5. The « beginner's mind » of learning from experience—including mistakes—trumps traditional approaches, opening the door to incremental and breakthrough innovation while fueling market leadership.

Dialog within and among all levels of the organization about lean initiatives, related challenges, and the resources and capabilities required to meet those challenges opens new lines of communication and learning opportunities.

Through shared understanding of lean concepts and tools—and customers' evolving requirements—associates can transform these discussions and collaborative efforts into competitive leverage.

CUSTOMER-FOCUSED INITIATIVES

Lean practices enable and strengthen innovation and collaboration among internal and external stakeholders.

Systematic, customer-focused innovation initiatives—which can be propelled and supported by increasingly mature lean initiatives—yield significant organizational benefits over time. Lean practices enable and strengthen innovation and collaboration among internal and external stakeholders, said **Jayson Henry, director of continuous improvement (CI) and quality at Pella, Iowa-based Vermeer Corporation**:

« At the main core of lean, you standardize a process, and the reason you standardize it is that you want to see when things aren't normal, so you can solve problems. When problem-solving keeps us too busy, it prevents us from innovating. »

In other words, repeatedly grappling with the same daily problems—or « **firefighting** »—wastes time. But systematically solving those problems and sustaining the gains is liberating. As Henry put it, « **So standardizing, by using lean tools, frees you up to do more innovating and collaborating.** » Moreover, this creative spirit extends beyond new product development into many areas of the organization. Now 15 years into its lean journey, Vermeer continues to build improvement capabilities in all areas, from plant floor problem solving to administrative functions.

This approach is also reflected in more collaborative relationships with external customers and suppliers. Being closer to customers—understanding why they buy the company's equipment, such as brush chippers used in tree service companies—gives Vermeer an edge in highly competitive markets, according to Henry.

The company got its start in agriculture, but it hasn't stopped there. For more than six decades, Vermeer has developed machines for a number of industries: agriculture, biomass, construction, landscaping, organic recycling, surface mining, tree care, and wood waste processing.

« **Looking for a better way** » to further enhance a customer's product maintenance experience, for example, uncovered opportunities to make equipment easier to service and maintain. Openness to new ideas internally and externally, reinforced by continuing lean improvements, enables the Iowa manufacturer to provide new, different value to its customers.

« **When we design products, we look at how they are being used. We ask customers what features they use and about any major gaps, starting at the front end of the process,** » Henry said.

The company talks with end customers through its dealer network or through its global account activities in Pella.

COLLABORATION AND CREATING VALUE FOR THE CUSTOMER

Collaborating closely and building a shared sense of trust require long-term commitment with both external and internal customers.

In a lean context, this sense of alignment translates into action at Vermeer facilities through CI or kaizen activities. Mindful that non-utilized talent is a critical waste, the company continues to hone its initiatives to gain and use improvement ideas from all associates, a capability that can also enhance innovation initiatives.

Customer-focused innovation emerges in many forms. Whether Vermeer associates are devising new products and services for external customers or working on day-to-day challenges in operations and administrative areas, they are encouraged and empowered to streamline processes using lean tools. Henry noted that this philosophy results in increased cross-functional collaboration as well as more effective ties with suppliers and customers. For example, associates developed a new process for returning material to a vendor.

Many process steps and delays previously characterized this non-standardized activity. Administrative folks shaved significant time from the typical cycle, including credit for unacceptable material. Even more important, they gained visibility about the entire material flow process, increasing the company's track record for getting the right material the first time.

This type of improvement also brings increased understanding of the entire value chain that can inform breakthrough concepts.

Every process improvement frees resources from the firefighting mode, allowing more attention to strategic initiatives and growing the company. This type of improvement can also bring improved safety performance and greater employee engagement, as well as increased understanding of the entire value chain that can inform breakthrough thinking and concepts.

LEADERSHIP AT ALL LEVELS MAXIMIZES COMPETITIVE ADVANTAGE

By communicating the need to let go of yesterday's assumptions, leaders help the organization to be open to new business models.

One of the critical factors in successful and creative lean thinking that will net competitive advantage for the enterprise is an understanding about prioritizing projects. Through training programs, improvement/kaizen projects, and daily practice, everyone from senior leadership through all levels in the organization continues to build this disciplined approach.

Value stream mapping, for example, yields knowledge about what it takes to make a product all the way through the supply chain and provides an enterprise-wide view of processes. Such improvement activities, practiced throughout the value chain, prompt better decision-making about current projects and spark ideas for finding the innovation « sweet spot. » The type of governance discipline required to keep a handle on critical improvement projects can prove beneficial as companies develop and manage portfolios of innovation projects.

Leadership actions that support and set the tone for improvement in the lean organization also complement the behaviors that foster long-term growth and market leadership.

By empowering employees at all levels, leaders give them opportunities to improve processes within their own work areas and to reach out to internal and external customers.

And, by effectively communicating the need to let go of yesterday's assumptions, leaders help to move the organization forward on the innovation front and be open to new business models.

FEEDING TOP LINE GROWTH

Lean improvement approaches work to engage all associates in understanding, challenging, and changing standard processes.

« Lean practices enable more effective melding of the three basic approaches to business: product leadership, customer intimacy, and operational efficiency. » said Bill Farmer, managing director of product development management services at EAC Product Development Solutions.

In turn, various functional groups gain greater mutual understanding about applying lean tools to drive quality or **effectiveness gains** as well as efficiency.

Organizations need to bring together creative/unrestrained resources and manufacturing/constrained resources, moving more smoothly from concept development through product development and distribution.

As stakeholders become more experienced in fully informing and interacting with downstream customers by using A3 documents or other lean tools, they gain motivation and capabilities to meet the company's (and customers') needs. This approach feeds innovation and top-line growth.

« The value of process standardization is that the process delivers value according to the needs of your downstream customers. « The best processes are designed in a cross-functional way, » said Farmer.

« You build the process, finding the 'sweet spot' by balancing the needs and wants of everyone. »

Another lean benefit: Using standardized processes nurtures a structured way of thinking, enabling faster learning cycles—a critical benefit in strategic innovation.

When lean concepts were imported to the United States from Japan, many lean practitioners began eliminating wastes such as excess inventory, unneeded steps, defects, etc. A powerful corollary of Taiichi Ohno's teachings is the understanding that underutilizing the capabilities of your workforce—trying to get them to follow traditional practices in a mindless way—is a significant waste.

Leadership needs to empower associates and give them responsibility for making decisions about their workplace. This balance shift, over time, creates opportunities for competitive breakthroughs supported by operational performance gains.

Rapid feedback cycles reduce fear about « blue sky » innovation projects.

Applying lean concepts in a manner that empowers rather than constrains employees in all areas of the organization helps unleash innovation capabilities.

Sometimes the changes implemented in lean transformations work well the first time, while other « improvements » must be revamped (sometimes in multiple iterations). Failure can have value when it becomes a learning experience.

That's part of the unpredictability when new processes, products, or collaborative relationships develop and when radical innovation projects are being experimented with. Rapid feedback cycles (often couched in terms of the Deming cycle of Plan/Do/Check/Act in lean initiatives) reduce fear about « **blue sky** » innovation projects, keeping teams open-minded and focused on organizational and customer needs.

KEY TAKEAWAYS

Be sure that you are promoting and developing cross-functional relationships.

As you work to develop strategic innovation capabilities that foster top-line growth, take stock of your ongoing lean initiatives and the capabilities you are developing, and understand that they can also work to support innovation initiatives.

More specifically, look for:

- Tools, techniques, and organizational structures that can be leveraged, including channels for employee engagement, alignment, and project management and governance approaches such as hoshin kanri or policy deployment initiatives.
- Ways to further leverage collaborative relationships with suppliers and customers that have been forged through lean initiatives; developing a deeper understanding of their « jobs-to-be-done » and questioning the status quo can provide excellent opportunities for breakthrough, disruptive concepts.
- Lean leadership behaviors—including coaching that fosters tolerance of mistakes and fresh eyes for solving problems—that can also be instrumental in developing an « innovation » culture.

And, as you work through lean initiatives, be sure that you are promoting and developing cross-functional relationships as much as possible throughout the organization. These can be beneficial when it comes to establishing the formal and informal networks that can propagate strategic innovation.

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