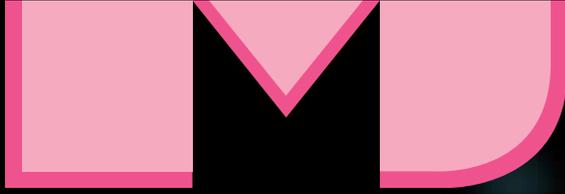


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IS I.T. THE FINAL LEAN FRONTIER?

Where a lean transformation can be ruined and where traditional thinking doesn't always fit

Organisations and interviews featured in this edition include: Renault-Nissan Consulting, APMG Lean, Lean IT Association, Suiko Construction, Norwegian University of Science and Technology

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Price it right: a case study in an American hat manufacturer.

Transformation, Behaviour, Sequence and Adaptive Lean IT Systems: How to maintain a lean IT transformation.

Why do we need lean IT? The problems with making IT lean



Out of the blue: Contextual Excellence and Continuous Investment Thinking

When it comes to gardening, my wife has an exceptional green thumb and is an artist in our backyard. In addition to plants and a few bird feeders, we enjoy the beauty and serenity of a koi pond. Designed by our son, our pond has consumed hundreds of hours in construction time, often assisted by hand tools and an occasional power tool, such as an electric spade. We relish the time savings and labour savings, not to mention blister savings, of tools as much as any DIYer enjoys their tools. Just as pliers provide a mechanical advantage

when tightening a bolt, tools provide an economic advantage. Without bothering to use a pencil or paper to perform the calculation, we believe our investment in the purchase and use of tools has yielded a positive return. Likewise, we believe the resources we have invested in the home improvements will yield a positive return, one that could be estimated. Is it odd to contemplate the potential return on our investment in our home? Or, would it be odd to consider the potential return on our investments in financial funds? As I proposed in my June 2015 column,

“contextual excellence provides utility in the ultimate use of interdependent parts, components, and tasks.” Contextual excellence is a pre-requisite for investment thinking.

While we may not be overly conscious of our thinking about the returns on our everyday investments, I would propose that investment thinking is guiding how we manage resources, from our time to our garden tools to our money. Why else would sales or discounts in department stores and supermarkets capture our

attention, if not the ability to buy more for less? Might the appeal of more for less also attract consumers to Southwest Airlines policy of not charging baggage fees, while their competitors charge for stowed baggage, extra leg room, or, perhaps the ability to confirm seat reservations?

When it comes to doing more with less, also consider how we use contextual excellence to arrange our weekend activities, sequencing errands to both maximise the number of tasks accomplished and minimise the time and energy consumed. In business circles, the concept of return on investment is far older than Adam Smith's Wealth of Nations and remains the steady focus of investors from Warren Buffett to Richard Branson to my wife's stock club. In simple terms, buying low and selling high, with consideration for the size of the system (including time), is the foundation of investing.

Investment thinking is also a prime consideration of corporate boards of directors, from Royal Dutch Shell and BP to Boeing and Airbus, when reviewing proposals for next generation products and services. For example, will the projected accumulated sales of a new commercial aircraft in a given period of time outweigh the estimated development expenses in a given time window (does it close?), yielding the minimum required earning? If the business case "closes," proceed on. If not, refine the proposal to achieve the needed return in the mandated time window.

In the late 1990s, Harry Stonecipher, Chief Operating Officer of Boeing, was extremely proud of the reported \$50 million annual investment in the education of its 240,000-employee workforce, generally achieved through reimbursement for continuing education. Included was an award of 50 to 100 shares of stock for each degree completed, with no limit on the number of degrees earned by a given employee. Workplace productivity and retention levels increased. Upon explaining the need for closing business cases for products and services, Stonecipher was asked to explain the economic return on Boeing's \$50 million. Specifically, "does it close?" Without hesitation, he replied,

"there are some things you just do!" As with reading to our kids, or coaching their childhood football teams, or investing in family holidays, we are mindful of available resources and competing demands, but are not always slaves to calculating detailed returns. We often rely on estimates, even when comparing alternatives and deciding how to invest. As needed, we use a calculator, if not a spreadsheet, to make assessments.

Several years ago, my daughter and I attended a Coldplay concert at the Hollywood Bowl. While a few hours shorter than an average Bruce Springsteen concert, we both judged the evening to be a positive return on our respective investments. How many times, we could not say. As with Harry Stonecipher's interpretation of employee education, some things you just do! Our only disappointment was purchasing two commemorative coffee mugs, for which mine did not survive its first dishwashing experience. Eight pounds later, I am the proud owner of a white mug, absent Coldplay's signature logo, yet retaining a "dishwasher safe" label and providing a ready reminder that not all investments yield a positive return.

In exposing seminar audiences to the concept of investment thinking, I have explained the ideas of an investment, associated with a return, and then ask, "Upon reflection, what percentage of your daily efforts (and decisions) would be considered the result of investment thinking?" Typically, the estimates are small, leading to questions such as:

- How often do you buy food for meals at home?
- Do you have a vegetable garden in your backyard?
- How often do you shop online?
- Do you own or lease a car?
- Do you perform your own car maintenance?

As for a vegetable garden, answers and explanations include both "yes, I can save time and money," and "no, it's easier to buy them." The frequency of food shopping is typically once a week. Online shopping, car ownership, as well as leasing varies, so does car maintenance, yet the explanations are consistently biased towards maximising return on investment.

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For some, car leasing yields a better return. For others, ownership yields a better return. All in all, audiences acknowledge, upon reflection, that a large percentage of their use of personal resources can be interpreted as investment thinking, seeking the better return.

While I have never visited a Toyota plant to witness the Toyota Production System in operation, I have shared insights from investment thinking with a colleague, Tom Johnson, who has made extensive visits to Toyota sites. Based on this research, Tom has explained the Toyota Production System in terms of the ability to "Manage by Means" in his book, *Profit Beyond Measure*. In responding to an explanation of investment thinking, he shared a story of once asking a stamping press operator about the time needed to change the die, when shifting from producing one part to another. As he recorded the answer, the operator further explained that his quoted time "was not World Class, as World Class was not proper for this press."

Rather than focus on speed, this reply reveals an organisation that manages its resources with the synchronicity of contextual excellence. Investment thinking offers an alternative explanation of the Toyota Production System, one not preoccupied by the compliance excellence of assessing and reducing the added-value or waste of apparently independent tasks. As Tom and I have both witnessed, the deliberate use of investment thinking offers opportunities for profit beyond measure in all organisations.