

MANAGEMENT
BRIEFING

Are You Driving Your Lean Management System to Maximize Value?

Your investments in lean and operational excellence should be having a measurable and significant impact on your margins and earnings. If not, it's time to take a hard look at the effectiveness of your management system.

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Executive Summary

To maximize your return on investment, your company's lean management system—your everyday management practices and behavior—has to support your improvement efforts. Many manufacturers have adopted lean tools without embracing the corresponding management practices and behaviors that drive change and consistently deliver results that matter to the business.

This management briefing looks at what it takes to create a culture of excellence through leadership engagement and a behavior-based management system. We explore the management practices and behavior that provide the foundation for steady performance improvements and meaningful return on investment.

We then talked to the operations leaders at Carlisle FoodService Products, Inc. to get direct insights to their priorities, behaviors, challenges and best practices for instilling a lean management system that engages associates and drives results.

The strength of your lean management system—communication, priorities, metrics, and behavior—determines your company's improvement culture and the depth of its impact. That system must support your efforts to boost performance and profitability. Day-to-day management activities do the opposite at many companies.

Many business leaders we talk to are frustrated by both the speed and impact of their lean efforts. They want to know why their investments in continuous improvement, employee training and external support have not had a meaningful and long-term impact on financial performance.

Here are some of the specific frustrations that we hear from operations leaders and other manufacturing executives. Do these sound familiar?

- The company's continuous improvement activities do not have a significant impact on the business unit's performance or the company's financial results.
- Our investments in employee development and training are having a minimal impact on day-to-day behavior or performance.
- Improvement projects are not completed on time and they frequently fall short of anticipated returns.
- Solutions to problems take a very long time to identify and implement, and the same issues keep coming back over and over again.
- The process changes and performance gains that are achieved are not sustained. There's a constant struggle to maintain baseline performance.
- Middle and lower level managers do not make significant decisions, deferring responsibility and accountability to their higher ups.

The causes of these frustrations vary from company to company, of course. The biggest issue we've found is that manufacturers have tried to adopt lean tools without embracing the management practices and behavior that support them.

In this management briefing we describe an effective lean management system (and improvement culture it creates), and then take a close look at the approach of Carlisle Foodservice Products who have embraced these concepts fully. We then describe the specific actions company leaders can take to make sure the right management practices and behaviors are adopted in their organizations.

What Does an Effective Lean Management System Look Like?

For the sake of comparison let's consider the companies we've worked with at the opposite end of the spectrum. These companies have seen a return on their investments in training and operational excellence. For the most part they complete improvement projects on time and achieve the intended targets. When issues arise, as they inevitably do, employees take the lead identifying the root causes and implementing corrective actions. Performance gains are sustained and keep building on one another, steadily ratcheting up baseline expectations.

What's different about these companies? The simplest answer is culture and leadership. But what made the culture and leadership of these companies the way they are? Working backward, culture in any organization is a made up of values and attitudes. Values and attitudes are established and reinforced by the behaviors and practices of executives and managers. Consciously or unconsciously, those behaviors and practices comprise a company's default management system.

We've found that the management systems at successful companies have five key elements (fig. 1). Developed over time, these are mutually reinforcing. Each business division or facility within a company will adopt and maintain these elements to a greater or lesser degree. For example, to fully execute a company's strategy it must be translated into meaningful goals at every level all the way down to production lines and work cells.

Establishing this top-to-bottom alignment is not easy. It requires ongoing leadership engagement and does not happen overnight. Still, a fair number of the manufacturers that we encounter have made progress in this area. They have cascaded their goals and created annual improvement plans at least to the site level. They have identified and track key performance indicators and people understand what they mean and how their actions can impact the metrics.

FIGURE 1

Dynamics of an Effective Management System

The biggest gaps of effective execution are around problem solving and in the ability to make timely corrective actions. Performance tracking and leadership development are required to master these system dynamics.

5. Develop Leadership:

Apply new coaching and mentoring tools and techniques to help managers motivate their teams and drive problem-solving and performance.

4. Track Performance:

Implement monthly, weekly, daily and hourly performance tracking, problem-solving and corrective action tools to maintain progress.

1. Execute Strategy:

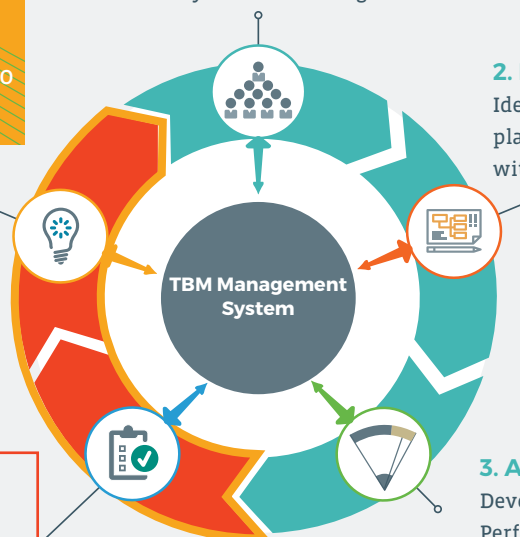
Establish and adopt strategic objectives at every level of the organization.

2. Deploy Goals:

Identify and deploy goals and action plans at every level that are aligned with the Annual Operating Plan.

3. Align KPIs:

Develop and cascade critical Key Performance Indicators (KPIs) that serve as accurate measures of progress and achievement.



The gaps in their management systems, which are the root cause of their frustrations, revolve around tracking performance and leadership development (elements 4 and 5 fig. 1). Some of the standardized processes and mechanics of a lean management system are in place, but business leaders and managers struggle with the behaviors and practices that support effective problem solving and corrective actions on a day-to-day level.

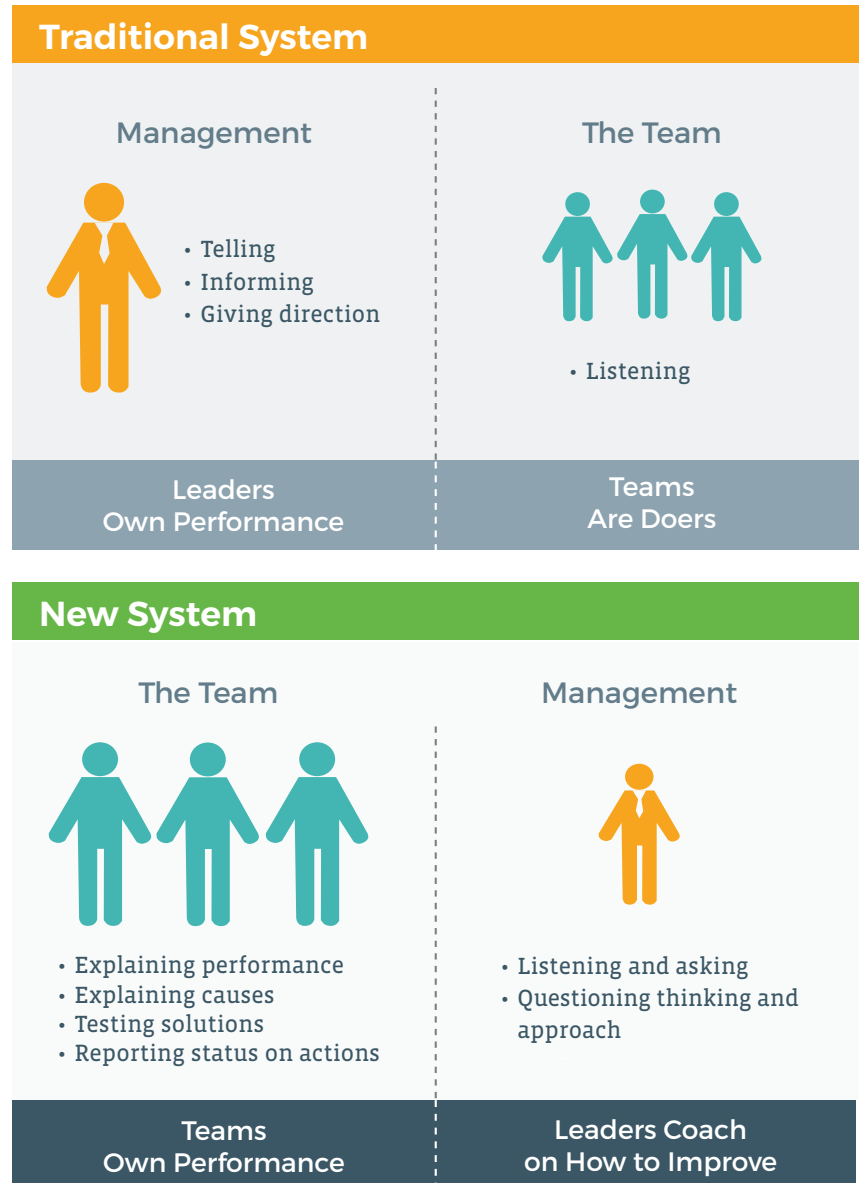
They struggle because they are accustomed to more traditional, hierarchical management systems. In such systems reporting structures emphasize control. Managers are the go-to decision makers and problem solvers; problem solving is therefore limited by their capacity and availability.

An effective lean management system flips this top-down structure around (fig 2). Instead of following a hierarchical, command-and-control approach, the role of leaders is to teach and coach. Problem-solving under a lean management system is more effective because the people closest to the problem have the skills and mandate to address any issues when they arise.

Moving from a traditional to a lean management system requires leadership commitment, involvement and accountability. Commitment means building understanding by providing the necessary training and applying the key concepts and principles when interacting with people. Involvement is demonstrating the acceptable daily management behavior and practices. And accountability requires ongoing metric alignment, clear consequences and following up when necessary.

Not all managers can make this transition (fig. 3 for more of the reasons why). Managers have to stop working the way they've always worked, even if they've been recognized and rewarded for it in the past. When presented with a problem, for example, their instinct

FIGURE 2



is often to jump into chief problem-solver mode. Instead, they need to look at such issues as an opportunity to develop other employee's problem-solving capabilities.

Specific practices like managing for daily improvement and leader standard work require also discipline and consistency that is not easy to maintain and does not come naturally. In the case study below we review elements of the management system at Carlisle FoodService and how it instills the desired behavior to develop a highly effective continuous improvement culture.

FIGURE 3

4 Reasons Why Managers Do Not Adopt the Behaviors that Support a Lean Management System



How to Change the Management Paradigm

Before we explore the experiences at Carlisle, however, we're going to review some of the ways that we help companies move away from traditional management practices toward an effective lean management system. Most operations managers at companies that have implemented lean manufacturing to some degree know something about the coaching behavior and related practices they should be modeling. They may have been introduced in training, or they've read about them in management publications.

Like a lot of lean practices, adopting such an approach feels like common sense, especially among millennials who have different work priorities and relationships with authority. What's missing from these presentations about these management behaviors is guidance on how current managers can actually make the transition. Then there's the much larger challenge of instilling the desired behavior and practices across a mid-sized to large organization with factories around the world.

Really learning a new behavior and practicing it, like any new management approach, often requires a coach. That means regular check-ins, assessment of current behavior and practices, and individual development. At TBM we conduct many of these assessments for clients on a less or more formal level.

Assessment Identifies Strengths and Weaknesses of a Company's Lean Management System

Using a diagnostic matrix, our formal assessments look at and rate general and individual management practices on a scale of 1-4 for five key areas and 14 sub-areas. These areas mirror the elements of an effective management system noted above:

1.) LEADERSHIP:

Includes board walks, leader standard work, kata coaching, gemba walks, layered audits, and abnormality management.

2.) GOAL DEPLOYMENT:

Includes goal setting and goal attainment.

3.) PROBLEM SOLVING:

Level of evidence, ability to use problem solving tools, ability to solve problems, and level of associates solving the problems / and degree of management involvement required.

4.) METRICS ALIGNMENT:

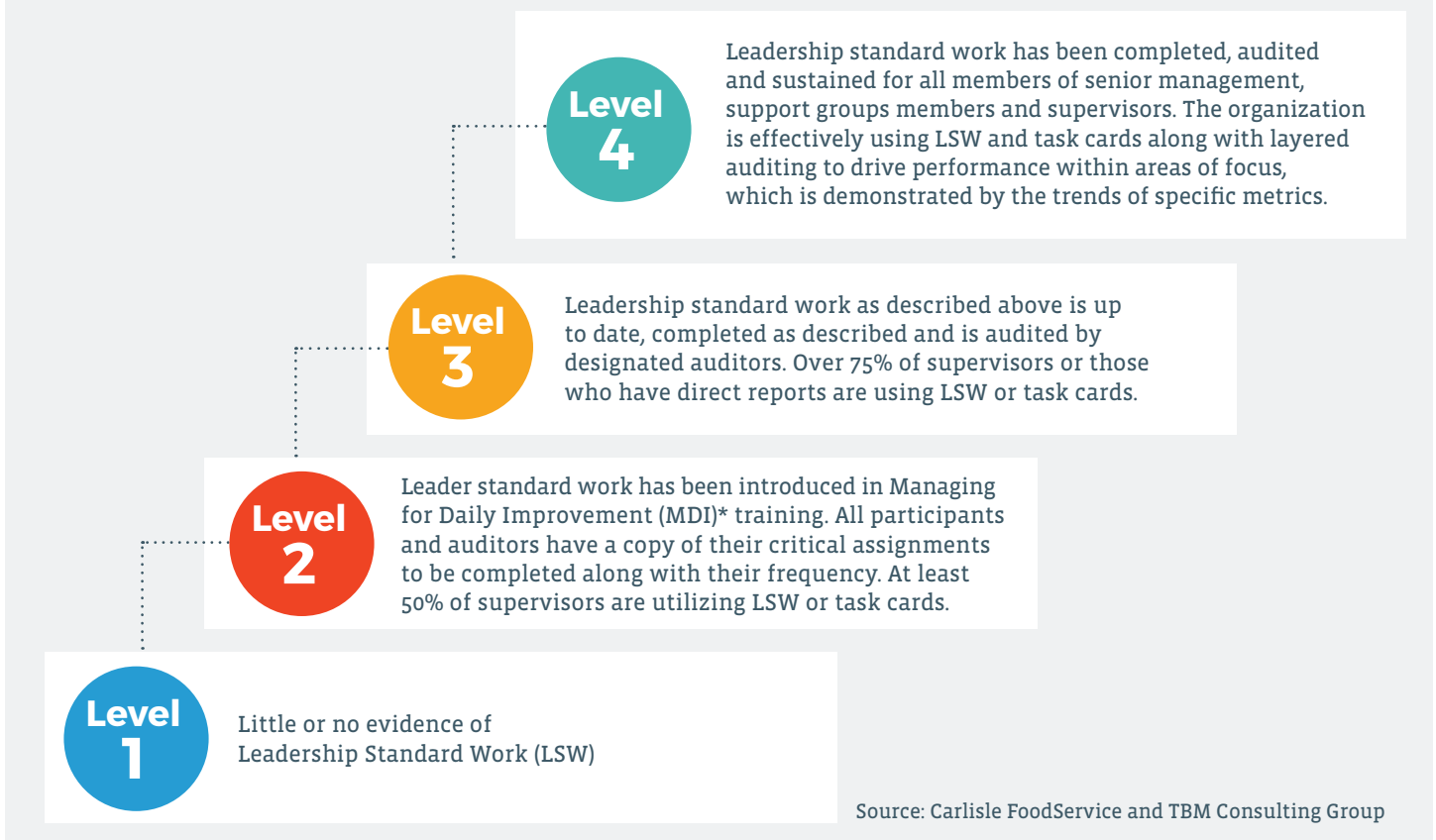
The degree to which the metrics exist and be understood, improvement trends and sustainment, and level of communication within the organization.

5.) CADENCE / REPORTING PROCESSES:

Includes meeting start-up process and frequency, business control centers, monthly review process and the ability to establish roles, responsibilities and run effective meetings.

FIGURE 4

Diagnostic Assessment Includes Approach for Assessing Leaders' Standard Work



The elements of leader standard work, for example (fig. 4), vary by management level but generally require certain tasks to be performed at daily, weekly and monthly intervals. With regular assessments, the degree to which each manager has embraced leader standard work can be reported, tracked and managed.

Consistency Pays Off for Carlisle FoodService Products

Carlisle Companies Inc. recently completed the sale of its FoodService Products unit to The Jordan Company (a New-York based private equity firm) for \$750 million. The division had a record of meeting or exceeding the parent company's annual targets, which was one factor that made it an attractive acquisition target.

Jeff Fisher, vice president of operations, attributes their steady performance improvements to the division's focused application of the Carlisle Operating System (COS). Starting with the corporate strategy, the company's management system includes key business metrics, critical objectives and a roadmap for achieving those objectives.

The Impact of an Effective Management System at Carlisle FoodService

Alignment around key priorities, disciplined progress reviews and regular manage behavioral assessments have all contributed to significant performance gains at Carlisle FoodService

- **Injury Incident Rates** - cut on half annually
- **Efficiency** - 10-20% improvements
- **On-time delivery** - Improved from less than 90% to 95% +
- **Fill rates** - 95% to 98%+
- **Quality** - Defect rates reduced by 50%

In any factory environment there are always urgent demands that can cause employees and managers to push longer term objectives onto the back burner. To maintain focus on strategic priorities Fisher schedules monthly and weekly operational review meetings with his plant managers. These reviews are tightly focused on the key metrics, trends and improvement plans. He reviews the current status, action plans, and anything that's getting in the way of progress.

Over time, with repetition and discipline—the reviews are almost never canceled or rescheduled—plant managers have learned to stay on top of their metrics and, if they are falling behind, be very clear about what they're doing to get back on track. "The monthly and weekly reviews make sure we're spending time on what we said was most important during the policy deployment process, and not getting pulled aside by other issues. Too many organizations get distracted and try to do too much," says Fisher.

Shortening the Learning Curve

The introduction of any new management tool or process follows a typical learning curve. Just as a single lesson will not make a scratch golfer, managers who attend a one-day training session on any new methodology or technique aren't going to return to work the next day and start using it effectively. Competency in anything requires regular coaching and practice.

For example, managing for daily improvement (MDI) is a core element of Carlisle's management system. This umbrella methodology combines a number of practices that include leader standard work, kata coaching, abnormality management and SQDC board walks. The SQDC boards display current safety, quality, delivery and cost performance in each department. The management team is supposed to walk around the facility and review them every shift. Designed to help plant managers recognize and then provide the necessary support to address any issues, if conducted correctly, these board walks contribute to the development of a problem-solving mindset among employees. It takes time for both the managers and supervisors to maintain and get used to this daily practice.

"With the MDI process we've provided some structure and coaching around how we want supervisors to spend part of their day," explains Fisher. "We're slowly moving people from being traditional supervisors to becoming an active member of the problem-solving process."

Establish a Baseline for Management Behavior

Other operational excellence practices embedded in Carlisle's management system include: Goal setting, problem solving, and a variety of performance measurement and reporting techniques. MDI and these other practices are introduced to supervisors and team leads during week-long COS Leadership training. That training is repeated and refreshed on a regular basis.

"You need everyone to deeply understand the system to get the cultural change that you want," explains Camilla Dibarra, COS Lean Division Manager. "There's a lot of frontline turnover in any organization. When you put lean systems in place, you have to take that into consideration and keep training new people."

To measure the impact of these training sessions, Carlisle records baseline management behavior and performance prior to the training sessions. It has taken some time for the practices to be understood and adopted, and they still have some work to do, according to Dibarra.

To speed up adoption and measure the impact of their investments, TBM conducts regular audits and provides on-site coaching at the Carlisle FoodService facilities. Starting with the baseline practices and performance metrics, these outside assessments score each manager and business area based on the degree to which they are using and developing the desired practices. Fisher immediately follows up on these audits with the individual managers, which further accelerates behavior changes.

"You have to be tough but fair," says Fisher. "These are our expectations, and we set high expectations. They are not optional or negotiable. We are developing a culture that will sustain the improvement process. It's what we have to do as a company to be successful."

Regular assessments reinforce the desired management behavior and practices, which support untold major and minor operational improvements. **Over 80% of all Foodservice employees have participated in an improvement event in the past year.** The results of their efforts at Carlisle include dramatic improvements in operational performance and a clear financial return on their COS training and related investments.

"Across all of our facilities and distribution centers we probably have 750 people," says Fisher. "If we engage people and everyone keeps working to improve their 100 sq. feet a little bit every day—which is what we want and what we reward through our incentive program—that has a massive impact."

Bringing It Home

Some of the experiences and lessons learned at Carlisle can be useful to other manufacturing executives and managers who are trying to implement an effective lean management system in their organizations.

Here are some of the steps that you can take to make sure the right management practices and behavior are being adopted:

1.) IT STARTS WITH YOU:

Reflect on your understanding of what the business needs on the execution side and your role leading it. What paradigms, behavior and practices do you need to change?

2.) ESTABLISH BASELINE BEHAVIOR:

Perform a thorough diagnostic of your current management system. Look at the adoption levels for the core elements of a lean management system. Do not assume that ideas introduced in training sessions have been translated into daily practices.

3.) GO TO THE GEMBA:

Review and test the alignment of the organization from senior leadership down to the point of action where customer value is created. Be disciplined about reviewing current progress and corrective actions.

4.) SET AN EXAMPLE:

Learn and demonstrate effective problem-solving techniques, abnormality management and an inquiry-based mindset.

5.) TRUST BUT VERIFY:

Regularly have someone go back and audit management behavior and practices. Follow up with individual team leaders and managers immediately on the results of these reviews.

As noted above, culture determines the speed of implementation and business impact of any improvement effort. Culture is a direct reflection of the values and attitudes demonstrated by leadership and management behavior, priorities and practices. Changing traditional management behavior does not happen easily or quickly. Behavior change requires understanding how you're currently doing and what's expected, followed by daily discipline, frequent coaching and leaders who set the right example.

Make no mistake, changing traditional management practices is not easy. It requires constant iteration and discipline to instill the behavior that will contribute to a high-performing culture that addresses problems and propels a manufacturing company forward. Maintaining an effective lean management system will help create a business that reacts quicker to customers and market changes, adopts new technology and processes faster, and achieves higher efficiency and productivity. As a result, the company will grow faster and be more profitable than it would otherwise be.



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Additional Background and Learning

MANAGEMENT BRIEFING

Strategy Deployment: Create and Ambitious Strategy and a Process for Effective Execution

CASE STUDY

Carlisle Operating System Links Strategy to Execution, Delivers Dramatic Returns

MANAGEMENT BRIEFING

5 Attributes of Large Companies with Superlative Value Creation Creation

INFOGRAPHIC

The What, Why and How of a Management System

INFOGRAPHIC

A Formal Management System Leads to Sustainable Gains and Long-Term Growth

SPEED WINS EVERY TIME

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