



Lean Strategy Management

The Keys to Implementing Effective Lean Quality Management

Draft Written by:

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Over the past several years, more than one quarter of the *Fortune* 200 adopted quality improvement programs. However, **91 percent of these companies have trailed the S&P 500** since the programs were introduced.¹

Why Lean needs to become *leaner*

At many of today's organizations, Six Sigma, TQM and Lean quality management programs are treated as corporate-wide training sessions aimed at introducing the basics of the Toyota Production System (TPS) to employees. Training is conducted the old-fashioned way: with paper-based templates, easels, yellow stickies, and thick manuals.

Additionally, quality improvement teams are formed under the guidance of executive leadership. These teams use process mapping approaches to describe existing organizational processes and identify opportunities to employ more efficient process designs. Paper-based quality improvement documents are used to describe the areas of improvement and actions to be taken.

Fundamentally these templates and approaches are sound and well-tested components of quality management.

However, there are a number of potential pitfalls that can prevent a Lean program from achieving sustainable business results:

- Lack of a clear strategic vision and articulated plans that describe *how* quality management will be utilized to differentiate and transform the organization;
- Lack of focus on a *few* powerful, clear and measurable quality metrics that are tightly aligned to the business strategies of the organization;
- Too many low-level, nonstrategic, incongruent projects and activities are created across the organization in the name of quality improvement that have little connection and follow-through to actual improved product and service outcomes;
- Lean program events, procedures and protocols that are often too bureaucratic and activity oriented to be effective;
- Too much focus on training certifications and not enough focus on the actual job application. Often a program's

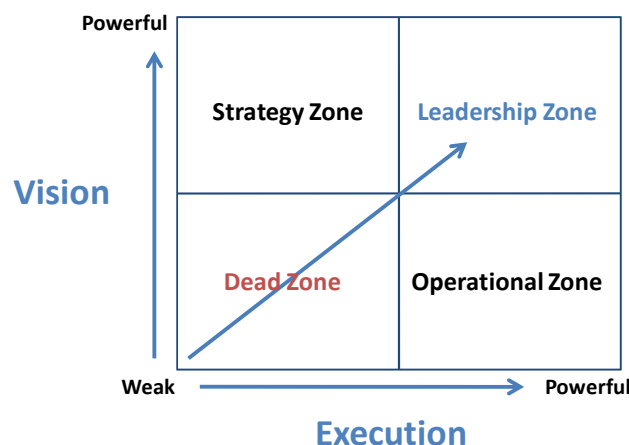
success is measured by the number of “black belts” trained over time rather than the achievement of quality, cost and delivery (QCD) metrics;

- Inefficient paper-based tools and documents that are time intensive, manual and hard to use on the job;
- The lack of effective use of technology to embed and apply quality management practices into the business processes of the organization;
- Too much inward focus on internal improvement without looking externally at the market needs and customer requirements;
- Over-adherence to prescriptive quality management techniques that can stifle creativity and strategic innovation.

In summary, an ineffective “lean” program is one that **does not clearly demonstrate lean principles and practices**.

To grow a great organization, process, service and product excellence are fundamental. An organization must have both a clear strategic vision of the future – one that describes how the firm will differentiate itself from the competition – and a sound strategy implementation infrastructure that continually executes and improves performance on a daily basis. Strategy implementation requires relentless kaizen (continuous improvement) against small targets that, over time, enable big business breakthroughs. Lean quality management is a powerful strategy implementation toolset if it is well-integrated into the strategy implementation and business delivery processes.

At any given time most organizations are mapped to a simple Vision and Execution framework (see figure).



All competitive firms naturally strive to be in the upper-righthand **Leadership Zone**, but that requires powerful strategic vision and execution performance. The Leadership Zone is hardly a starting point, but rather a destination to work towards. Toyota and Apple can both be classified as companies that operate in the Leadership Zone today.

Firms with powerful, focused and differentiated strategies – but comparatively weak execution performance – may be placed in the **Strategy Zone**. A strong CEO and/or senior leadership team, with or without the help of consultants, can envision and articulate a breakthrough strategy that redefines the competition and changes the game... on paper. Competing primarily on vision, without creating the capacity and competency to operationalize and execute that vision is not sustainable over long periods of competitive assault (e.g., Netscape). Companies that come out as new Strategy Zone players must find ways to transition into the Leadership Zone. The challenge is to maintain the innovative power of the firm's strategic vision while building in strategy implementation and operational infrastructure to execute (e.g., Google).

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The **Operational Zone** houses organizations that have demonstrable execution performance while lacking powerful strategic vision. To thrive, organizations that live in the Operational Zone require efficient and effective implementation of the **4 P's of Strategy Implementation**: Process Management, Project Management, Performance Management, Problem Management. Maintaining excellence in these areas is dependent upon some level of mastery of systematic continuous improvement. Many slow growth firms and their investors operating in commodity markets with undifferentiated products and services have learned to live in the Operational Zone.

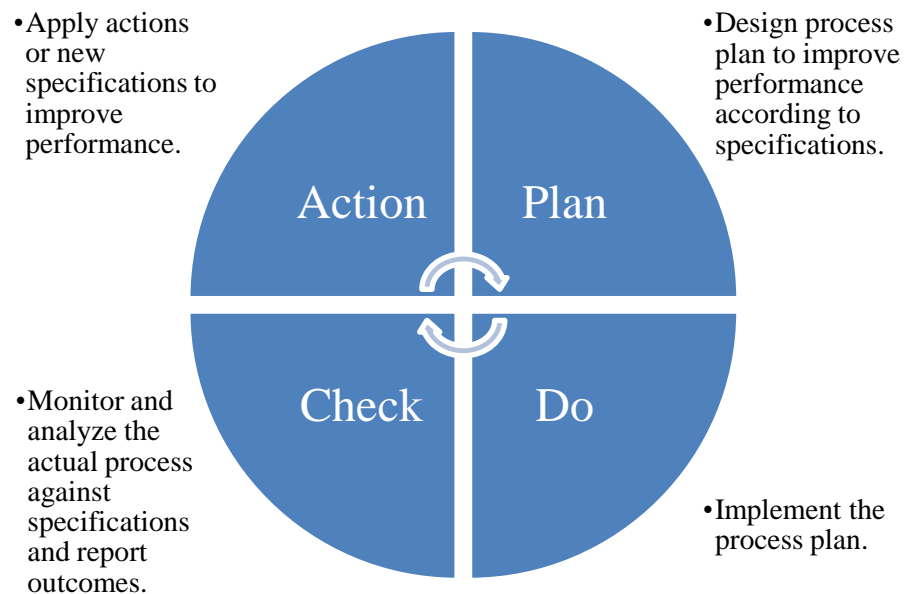
In a competitive market environment, organizations with both a weak strategic vision and weak execution performance will attract little investment and generally will not be capable of promoting rapid growth and profitability. These organizations exist in the **Dead Zone**, only to eventually disappear.

How does an organization migrate from weak to powerful execution performance?

Operationalizing lean quality management into the organization can improve process, project, performance and problem management, which, in due course, directly impacts improved product, service and customer satisfaction results.

Successful lean quality management that is also *sustainable* is never a one-off program, but rather a totally committed way of operating, thinking and acting around the *Deming Cycle* at an organizational level. You **plan** setting a target for performance; you **do** the plan; you **check** and analyze the actual results of your efforts against the plan; you then take what you learn and **act** to improve and standardize new performance targets. The cycle is then repeated, ensuring continuous improvement and eliminating complacency.

The Foundation of Continuous Improvement (Kaizen 改善): The Deming Cycle



Providing lean quality management tools and training gives executives, managers and employees new insights and approaches into how to think through and permanently address issues, obstacles and chronic problems facing the organization and its customers. Lean training builds organizational skills to better use facts to describe problems, conduct root cause analysis, and verify effective corrective action. But to assure measurable and sustainable quality improvement results, it is imperative to move away from special training sessions and formalized, high-profile quality improvement events and towards the application of continuous improvement on the job. This can best be best accomplished by seamlessly embedding lean quality management

principles and practices into daily strategy implementation, centered around the **4 P's of Strategy Implementation**:

- **Performance Management:** Creating, deploying, tracking and reporting on quality, business and organizational performance metrics and goals
- **Processes Management:** Designing, deploying, maintaining and tracking processes with clear and measurable outcome targets
- **Project Management:** Creating, deploying, tracking and reporting on quality, business and organizational initiatives and projects
- **Problem Management:** Identifying, measuring, analyzing, tracking, solving and verifying and preventing quality or customer problems/opportunities

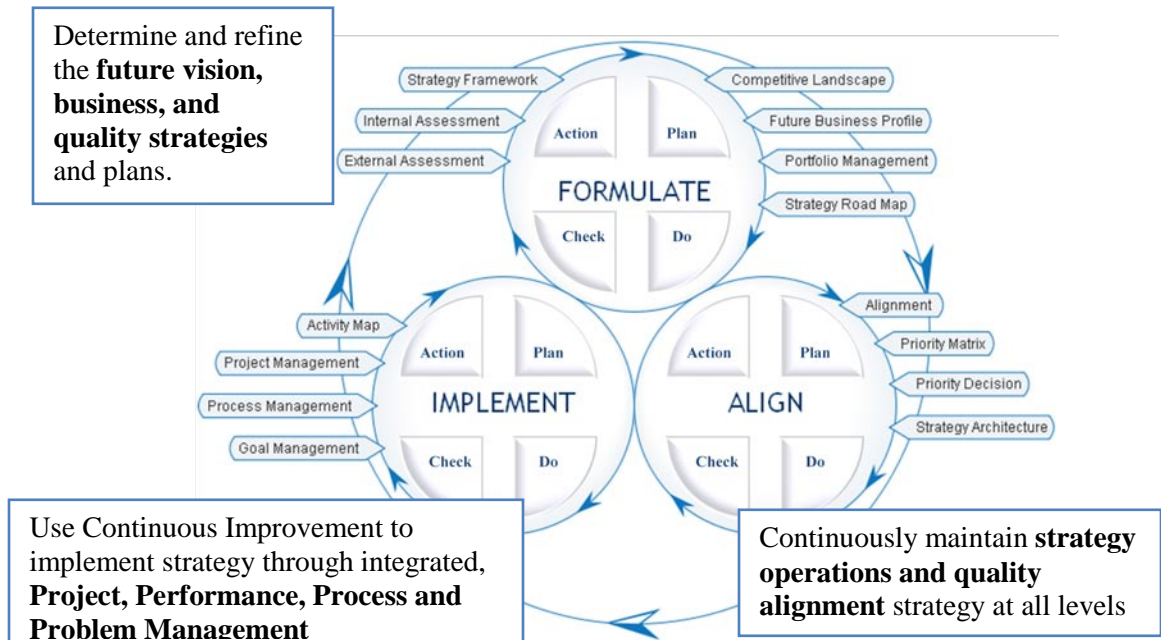
Embedding lean quality management into daily operations improves execution performance in the Operational Zone. But in times of fast-paced competitive change, even the most efficient, stable and quality obsessed organization – without the guidance of powerful strategic direction – will be in grave danger from competitors who have powerful strategies and the operational ability to execute it.

Enterprises that can attain Leadership Zone status are firms that have created dual competitive competencies in the areas of strategy and execution management. It is hard to move to the Leadership Zone and even harder to stay there. Rapid industry, competitive, customer and technology change is ceaseless. The old solutions (paper-based lean quality training and certification programs, manual strategic planning, “siloed” enterprise software, disconnected desktop tools, bureaucratic lock-step “balanced” scorecards, *et al.*) can't keep up with the pace of change demanded of concurrent strategic innovation and flexible lean execution.

Enterprise Strategy Management

One possible solution for firms who want to move to the Leadership Zone is Enterprise Strategy Management (ESM). ESM helps ensure that business, operations, I.T. and quality strategies are crystallized, clearly aligned and successfully implemented while also maintaining the capability to rapidly and flexibly respond to changes in the business environment.

Stratana's ESM software is designed based on Lean (kaizen) principles and allows organizations to rapidly formulate, align, implement, and report on the entire strategy process within one web-based tool. ESM transforms lean quality management from a training-centric program of tools and concepts to an enterprise-wide system to create, deploy, integrate, measure, execute and report on the key quality imperatives which will assure strategic and business results.



Lean "continuous improvement" (kaizen) concepts are embedded throughout the ESM Strategy Cycle.

When ESM is fully deployed, many existing paper-based forms and approaches, bureaucratic manual processes, duplicative tracking systems, non-integrated project tools, and standalone software packages can be replaced, thereby saving significant time, money and resources while focusing on strategy, execution and continuous improvement. By design, ESM harnesses the power and creative innovation of well-articulated vision and operational strategy, with systematically aligned and on-demand Process Management, Project Management, Performance Management, and Problem Management modules in one web-based solution.

ESM is that 20% which will create the 80% of your real business.
Lean Strategy Management for the first time.

About Stratana, Inc.

Stratana, Inc., based in Costa Mesa, California, is a pioneer in the enterprise strategy management software space. Stratana develops, markets, and deploys web-based corporate, business, and IT strategy software and services for large and midsize organizations.

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About the author

David R. Flores is the founder and CEO of Stratana, Inc. He has led the development of strategy management software for the past 10 years as a software executive, and has multiple patents in the field of enterprise strategy management software. Previous to his strategy software tenure David has over 10 years of strategy and quality management consulting experience having worked with numerous Fortune 500 companies in the U.S., Europe, and Japan including Toyota, Nissan, Sony, Seiko Epson, Sanyo, Motorola, SABRE, American Airlines and IBM. Previous to that he led the Quality Improvement Center at American Honda Motor. He received his MBA from the University of Southern California.

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1. “The New Rules - New rule: Look out, not in.” *Fortune*, July 11, 2006.