

## Chapter 1: In Search of Lean<sup>1</sup>

“There’s a way to do it better—find it.”  
— Thomas A. Edison

### *Is There a Better Way?*

I have always been fascinated by the various ways in which an organization can be run. There are so many different methods, techniques, structures, and approaches, I have wondered whether there might be a “better way” to do it, or is the answer simply, “It depends.”

Of course, I have seen many management fads come and go, and any experienced leader will tell you that every situation is somewhat different and that there are no magic bullets. However, I have always believed there may be some type of approach that is *generally* better than the others—an approach that could consistently provide superior results regardless of the organization’s type or size.

These were burning issues for me after acquiring a faltering wholesale distribution business in 1988. Faced with rapidly declining sales and serious employee problems, I had to do *something*. After struggling for a few years, I learned that a few distributors were following a program called “Total Quality Management (TQM).” The program emphasized customer focus, continuous improvement, and employee involvement. I especially liked the idea of employee involvement because I always believed that the right frontline employees could be a great source of know-how and energy.

I adopted the philosophy of TQM and combined it with industrial engineering techniques such as process flowcharting and work simplification. I worked with my employees to identify problems and make incremental improvements, asking each day how we could make our company a little bit better than the day before. After our core management team was established, I began to see how this approach was leading us to form strong bonds with our employees, our customers, and our key suppliers. The process management tools that we used were relatively simple and intuitive, and yet they were very effective in our employees’ hands.

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<sup>1</sup> Hinds, David (2017). *The Essence of Lean: A Superior System of Management*. New Worldview Press, United States of America.

We learned more and more about our customers, what they really wanted, and how we could best serve their needs. We steadily grew our business and our performance drastically improved. We ultimately took the company from near-bankruptcy to one of the most profitable and respected building supply distributors in the country.

After selling the company and retiring from a thirty-year career in industry and government, I earned a doctoral degree to pursue a further career in academia. This was a great opportunity for me to reflect on and share my leadership experiences while continuing to search for a “better way.”

I began to investigate programs such as Lean and Six Sigma. I could see that Lean manufacturing had transformed the way that goods were produced, becoming the standard for production with 90 percent of all manufacturers using some type of Lean method. The doubling of productivity within the manufacturing sector over the past twenty years had no doubt been strongly influenced by the powerful effect of Lean manufacturing methods.

Lean was also beginning to have a noticeable effect on the health care industry. More and more hospitals and other service providers were reporting the use of Lean to provide a new focus on patients’ needs. Driven by the overwhelming need for cost reduction and outcome improvement, Lean health care was attracting a great deal of attention and resources.

I was impressed to hear of Lean’s effectiveness in improving organizational performance. Lean was reported to improve speed, quality, reliability, productivity, agility, and responsiveness to customer needs, all in a way that improves the working environment and employee satisfaction, resulting in high retention rates for both employees and customers. Commonly reported effects of Lean included the doubling of labor productivity, 90 percent reductions in cycle times, 90 percent reductions in inventory levels, 50 percent reductions in space requirements, and 50 percent improvements in error rates. It seemed as if Lean could possibly be this better way that I was searching for.

### *The Best Kept Secret*

After studying Lean organizations and realizing that we actually used many elements of Lean in my own distribution business, I decided to develop and teach a graduate MBA course in entrepreneurial management from a Lean perspective. Using Lean as a framework for the course was very useful

because it covered both the technical/operational aspects and the managerial/cultural aspects of running and growing a business.

Most of my students were working professionals who came from a variety of industries. What was most curious about these students was that the great majority of them were not even aware of Lean when they entered my class—it seemed as if Lean was being kept a secret! I came to realize that, while Lean *was* being applied outside of manufacturing, these cases were actually quite rare and most published examples were limited to large corporations. I had to ask myself, “Why?” Was Lean something that only applied to manufacturing?

In reflecting on my own experience with TQM and process improvement, I could see the close resemblance between my approach and Lean. Even though examples were uncommon, Lean *was* being used in health care and in other industries such as retail, wholesale, hospitality, education, financial services, and government. I noticed that many organizations like my own had already discovered the benefits of a Lean-style culture, even though they were not aware of the Lean method itself.

Clearly, Lean was not limited to manufacturing. This was not merely a teaching issue—it was a huge untapped opportunity. While Lean was dominating the world of manufacturing and was beginning to transform health care, Lean was still largely unknown among organizations that employ the remaining 80 percent of workers in the U.S. economy! I set out to understand why this was so and what could be done about it.

As I learned more about Lean, I realized there were various factors that concealed this tremendous opportunity. For one thing, the great majority of Lean literature and training was built around the experiences of Toyota as it developed and applied its Toyota Production System. Unfortunately, individuals who were not in manufacturing found it difficult to relate to this work. Leaders in other sectors saw Lean as a specialized program that did not apply to their organization. Entrepreneurs who owned small or midsize businesses were especially disappointed because the vast majority of Lean cases were reported in large companies.

Understanding the essential nature of Lean was also difficult. Lean seemed to suffer from an identity crisis. What exactly is Lean? The definitions of Lean vary from one book to another, with each consultant

having his or her own view and each organization building its own “house.” A brief look at the current Wikipedia page for “Lean” (Lean 2016) shows many different meanings for Lean in business, including a type of thinking, a set of manufacturing principles, a process improvement discipline, and a way of starting a company. McKinsey authors Duncan and Ritter (2014) refer to Lean as an idea, calling it: “One of the biggest management ideas of the past fifty years.”

Further confusing the situation are the many different ways in which the term “lean” is used in business. One major problem involves the ambiguous relationship between Lean and Six Sigma, especially with regard to programs that are now commonly called “Lean Six Sigma.” To complicate matters, we are now seeing the emergence of something called “Lean Startup”—is that the same as Lean? More confusion arises because of the notion that business should be “lean and mean.”

### *A Model of Lean*

In order to expand awareness and improve understanding, I felt that we needed a clear and generalized description or “model” of Lean. We needed a model that explained the true essence of Lean in a way that would be transferrable and accessible to a broad range of types and sizes of organizations. To do this, the model could not be built around specific problems or points of view associated with Toyota in particular or manufacturing in general.

I began to build such a model. Rather than being a survey of Lean organizations, the model was intended to be a synthesis of what is written about Lean, what theory says about it, and especially how Lean is actually practiced. My frame of reference was to explore whether or not Lean was truly a better way for any type of organization. I sorted through the many different organization-specific descriptions and problems reported in the Lean literature in order to identify the true *heart of Lean*—the essential elements that are most important in driving performance. In some respects, I wanted to know the lowest common denominator of Lean.

So that I could gain the broadest possible perspective, I looked for Lean ideas in organizations and literature that did not reference the name “Lean” but whose approach seemed similar to Lean. This included companies like Menlo Innovations (Sheridan 2013), which saw corporate culture as a key strategic advantage. Also important and relevant was the emerging literature on trust and respect in organizations.

In addition to describing the “what,” I also wanted to know the “how” and the “why” of Lean. Looking for the fundamental principles upon which Lean was built, I needed to explain exactly how and why Lean worked as well as it did. To do this, I considered the insights and perspectives provided by relevant academic theories of management, operations, psychology, and organizational science. However, this was not intended to be a rigorous academic study. My goal was clearly focused on providing a general management model that could be used by my students and by other practitioners.

### *The Crucible*

In building the model, I worked intensively with Lean practitioners, consultants, and educators. I carried out extensive field work with prominent Lean organizations such as City Furniture and Sheridan Healthcare. My greatest inspiration came from Keith and Andrew Koenig of City Furniture who relied on Lean to weather the Great Recession, leading to their emergence as one of the most successful examples of a Lean organization within a service industry.

During the six years of model development, I obtained extensive input and reviews from my Lean practitioner partners as well as successful organizations who knew nothing about Lean. I read the Lean literature and attended conferences. I assessed the extent to which the model was consistent with the findings of Collins’ landmark study of top companies as reported in his book, *Good to Great* (Collins 2001). I also reflected on the model through the filter of my own hands-on experience with a Lean approach and, more generally, my thirty years of professional and leadership experience in business and government.

I built and tested the model in the classroom with hundreds of working professional students. Each class involved intensive Lean consulting projects in which students learned and applied the model toward the improvement of processes in real world organizations. These projects represented field tests in a wide range of organizations, including retail, wholesale, hospitality, manufacturing, banking, health care, construction, professional services, education, software, and non-profit organizations.

The model that emerged from this work describes the essential nature of Lean as a system built upon certain principles and practices of process improvement and organizational management. It clearly distinguishes Lean from Six Sigma and other programs. The model has been broadly reviewed by Lean

practitioners and is consistent with the work of Collins (2001) with regard to Level 5 leaders. In my classes, the model has been learned and applied in a matter of weeks, resulting in a great many success stories, excited students, and satisfied host organizations.

Reflecting on the essential elements of Lean as a system, understanding the general principles upon which it is built, and connecting it with well-accepted theories of operations and management led to an understanding of exactly how and why Lean can be so effective. Recognizing Lean as a general system of management makes it clear that Lean is *not* just for manufacturing and that it *can be applied* to virtually any type or size of organization.