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Lean's Naked Truth

Are we seeing more than is really there?

Competition is one of the biggest drivers of continuous innovation. According to a recent article in *The Wall Street Journal*, "U.S. industries that face strong competitive intensity are more productive than highly regulated or otherwise sheltered industries." The article, "What's Behind the Recent Productivity Slowdown," discussed the significant annual reductions in U.S. productivity since 2002 and attributed this decline to diminished levels of competitiveness in U.S. industrial sectors, including automotive, financial services, and information technology.

Lean initiatives can be used as a proxy for various process-improvement strategies, as well as to help companies compete. The methodology is focused on increasing customer value by reducing waste, and it has been touted as one of the major reasons why manufacturers have become more competitive. Using systematic processes to become leaner has been embraced as a way to push back against lower-cost competi-

benefits of being lean. Yet, here we are, answering a cry for a financial bailout from so-called lean companies. Perhaps it is time we talk about the subject a bit more candidly.

Facing facts

There is a well-known fairy tale by Hans Christian Andersen called *The Emperor's New Clothes*. It is a story about an emperor who misguidedly hires two swindlers to sew him clothes. They trick him by producing an invisible suit and telling him that the cloth cannot be seen by anyone who is either unintelligent or unfit for the position of emperor. Of course, the emperor cannot see the nonexistent cloth, but pretends that he can for fear of looking dumb; his staffpeople do the same. Later on, during a procession through town, a small child gasps, "But he hasn't got anything on!"

Is it possible that us operations and supply chain folks also might be feeling a draft?

Some analysts have highlighted Toyota's recent failure to maintain lean focus, citing the buildup of inventory—with negative financial implications—as a key demonstrator of the automaker's backslide. However, while the economic downturn has affected all automotive manufacturers, Toyota's automobiles still are selling, and they continue to gain market share with popular, well-built, fuel-efficient cars.

If stock price is a reasonable indicator of market performance, then consider the fact that Toyota's stock is trading around \$60 per share, while GM's has declined to \$3 per share. Are legacy costs the difference? Do they explain why GM cars sit on the dealers' lots more than twice as long

as Toyota's? Whatever GM's excuse, it is safe to surmise that being lean does not necessarily provide a competitive advantage.

Given the disparity in profitability performance among Toyota and many U.S. automakers, maybe it is a good thing that Toyota is becoming less lean. Perhaps company leaders are trying to achieve balance in order to be more responsive to customer needs and desires.

It is OK to suboptimize some operations in order to achieve shop floor balance as long as the final throughput serves the customer better and makes more money. The theory of constraints (TOC) tells us to find the pacer and use it to balance the flow of manufacturing. It might be a bit oversimplified for TOC advocates to say, "Schedule the pacer, and the rest takes care of itself." However, regardless of operational background, the point is understood.

Does lean have a place in operations management? Absolutely. But should being lean receive the emphasis it does? That depends. The first question professionals must ask is: How will it improve the bottom line? Without a clear understanding of the trade-offs, the cost of lean efforts may exceed the value of expected benefits. Do not sacrifice responsiveness in your quest to be lean. The results may leave your company rather exposed. ❏

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tors. In response to serious competition from foreign automakers such as Toyota, Honda, and Nissan, U.S. manufacturers Ford, Chrysler, and General Motors (GM) adopted lean principles in their operations, which since have been recognized as some of the leanest in the world.

When you perform a Google search for lean consultants, you'll get more than 2 million hits, and most of these professionals can tell you about the