

# A Tale of Two Companies

By Phyllis Best

This past summer I provided research and feedback for two companies I've worked with on and off for some time. Both have been unfavorably impacted by the economy, and both have had to revisit their business plans and their five-year strategic plans. In part, my job was to observe the leadership team and determine the measurable lean progress over the past few years. What I found was two very different reactions brought about by the difficult economic climate.

Company A bought into lean years ago and held frequent process improvement kaizens. They rewarded employees for their improvement ideas and even had moved lean successfully from operations into the admin areas of the company.

Company B—though starting lean later—looked much the same. They had restructured along value stream lines and ran their company using A-3 reports for decision-making, planning, and problem solving with all executive leaders sponsoring certain areas targeted for improvement.

When the great recession hit, Company A inexplicably reverted back to their history of slash and burn to cut costs and abandoned their long-term strategic plan altogether. Their lean journey was stopped in its tracks and has now lost significant ground. Company B, on the other hand, elected to stay the lean course even though they thought the year was going to end in red ink. They thoughtfully examined their near-term and longer term plan and made the adjustments that would help them get through the last half of their fiscal year. Some of the adjustments made were difficult such as delaying capital projects and not giving out staff raises. As a result, no one lost their job and the company ended the year profitably.

What caused these two lean companies to react so differently to crisis? After a lot of observation and question asking, my conclusion was this: Company B had introduced lean management principles to their board and asked their board to participate in their strategic plan. When the going got tough, the board understood the lean advantage and supported the decision made by the CEO and his leadership team to stay the lean course. Not so for Company A. Their board did not understand lean and neither did some of the leadership team. When times were good, lean was OK, but when times were tough, it was time to go back to traditional techniques that what had been used in the past for better or worse.

This contrast perfectly illustrates the necessity of not just getting “approval” for your lean plan. You also must (1) provide the entire leadership team with an understanding of lean and (2) involve them enough so they attain an appreciation of what the ongoing lean effort brings to the enterprise. Lean thinking is all about keeping customer focus, cutting waste and valuing the company's greatest asset, its people. Lean is about being flexible and agile when encountering tough challenges. But none of that matters if the leadership team or the board cripple that effort rather than support it.

