

# The Role of the CEO in Lean Transformation

## Introduction

This paper is meant to challenge and provoke discussion on a topic that I am regularly asked by client CEO's - what is my specific role in all of this?

Put simply, for a successful and sustainable Lean transformation to occur, organization values need to be changed and aligned to the new ways of working in support of a continuous improvement culture<sup>1</sup>. Thus, it is a CEO's responsibility to develop and align organizational values to the new ways of working. Once the new values are in place, the CEO articulates them to the staff, and sheds light on how the organization plans to transform itself into a Lean organization. The transformation journey requires a mindset shift and that starts with the CEO. For this reason, it is critical for a CEO to have strong leadership skills and a clear vision to guide their team properly and ensure successful implementation of change initiatives.

## What are the key roles of the CEO in Lean Transformation?

### Get actively involved

Traditionally CEOs have had a passive role in Lean transformations. This is often reflected by their limited involvement in Lean implementations, not playing an active role in financial support and not ensuring Lean objectives align with the organization's vision (the 'big picture'). If a CEO manages from the boardroom, they don't get the full picture of the business. A CEO should serve as a Lean mentor to staff members, not only empowering employees but holding them accountable for their results<sup>2</sup>. Otherwise they risk breeding employees full of excuses that will not be able to foster improvements.

If a CEO has not been part of a Lean transformation (walked the walk), how can they discern if the requests for improvement they have made are reasonable or not? Therefore, it is of utmost importance for a CEO to be actively involved as a leader in Lean transformation. This will help them understand what improvements are possible and better define roles and responsibilities for the rest of the team. When a CEO sets direction, takes initiative to foster organizational change and leads the charge, it instills confidence in subordinates, making it easy for them to follow his/her lead thus increasing probability of success of the program.

### Adopt a Process Centred Approach and Employee Empowerment

Once the CEO has been actively involved in Lean initiatives they need to drive out fear, encourage engagement, develop talent and foster a process centred thinking approach. CEOs can empower their employees by creating an environment where it is ok to fail. Failing should be viewed as room for improvement and attributed to shortcomings of the process and not the individual. CEOs must go one step further to develop talent and enable others to carry out Lean initiatives. "That means believing in everyone's ability to contribute, training for knowledge and skill, and developing champions who can drive the process."<sup>3</sup> The result is Lean Leaders who can guide the workforce to gain the skills and knowledge required to achieve the organization's purpose<sup>4</sup>. As a result, the organization will have an empowered and competent workforce that actively participate in Lean initiatives, thus creating buy-in for the transformation journey.



## Build a Lean Culture ■ ■ ■

One of the determining factors of a strong and positive culture is how employees relate to each other and how each employee is aligned to the organization's values. To ensure that employees can both relate to each other and be aligned to the organization's values such as the Lean methodology, they must learn the culture. The CEO can facilitate this first and foremost by being visible in the Lean process, for example leading change, conducting coaching sessions, designing rituals, storytelling and eliminating language barriers through training, translation and visual management. Visual management should be one of the CEO's leading instructional tools as it will make Lean tools visible and enhance understanding. This will promote assimilation, retention and translation of the newly acquired Lean methodology into action, improving the chances of success of the transformation and bridging the knowledge and expertise gap between the CEO and the employees.

To aid buy-in, a CEO needs to actively support rapid improvement events and involve all employees. This will allow employees to visualize tangible results faster and in real time thus triggering a culture shift by making them realize their influence on the organization change. The CEO must articulate to the team the organization's mindset and way of life. A strong culture starts with a competent employee as the strength of the employee is in the organization's culture and the organization's strength is in the employee.

## Determine Current State ■ ■ ■

Building culture takes time, thus the right time to set up improvement teams and determine the current state of the organization's systems is when most of the employees have adopted the Lean culture. "The focus of a Lean organization is to create more value for the customer by eliminating waste. Any task in an operation can be classified into one of the following three categories:

- Value adding activity (VA): Any activity that adds value to the product or service for which customer is willing to pay.
- Non-value adding but necessary activity (NVAN): Any work carried out that does not increase value but, due to current state, can't be eliminated.
- Non-value adding activity (NVA): Any activity that adds cost to the product or service without adding value."<sup>5</sup>

Thus, by determining the current proportions of value added, non-value added but necessary and non-value adding tasks, the CEO can better develop a roadmap to align the current state of the organization to its vision (future state).

## Provide a Roadmap

In a quest to foster a continuous improvement culture through a Lean transformation, the CEO needs to first define the sole purpose of the organization's existence. This should be followed by alignment of that purpose with transformation objectives to ensure the organization vision is fulfilled. The CEO should then determine the 'critical few' goals that matter and that he/she seeks to achieve to foster organizational improvement and convey that to his/her team. <sup>6</sup>Focusing on a critical few things reduces ambiguity and improves clarity thus making it easy for the entire workforce to understand the value of Lean and meet their objectives. After identifying the 'critical few things', the CEO needs to establish, create and share the organization's vision as that brings clarity to all the staff on where the organization is, where it is planning to go and how it will get there.

A vision keeps staff engaged, motivated and aligned with the company's values. However, absence of a vision makes staff confused, disengaged, demotivated and misaligned with the company's values, ultimately leading to organization failure. To achieve long-term goals, an organization must foster a continuous improvement culture. This means the organization must go through change, letting go of the old systems and embracing the new. Change triggers some form of resistance from staff as they will have to leave their comfort zone. However, if a CEO has an inspiring vision that staff can resonate with enough to visualize a new and better future, they will stay engaged even though they might be hurting from leaving their comfort zones.

## Manage Change

A Lean transformation involves physical change such as change of process and a mental shift on the employee's part, as they must let go of the old, aid in transition and accept new beginnings. Transformation involves resistance to change as it is a process that is uncomfortable for a lot of people. Most people are 'creatures of habit' after all, making it easy to 'stick to the old' rather than change, no matter how futile it may be. Thus, it's the CEO's role to provide financial support to make the transition smooth and emotional support to provide comfort and ensure employees' health. Emotional support can include compliments for good work, shift adjustments, and support with tasks.



The CEO should, "identify the groups and people who will need to change as the result of the project, and in what ways they will need to change and create a customized plan for ensuring impacted employees receive the awareness, leadership, coaching, and training they need to change successfully, ensuring a smooth Lean transformation." <sup>7</sup>The CEO should focus mainly on successful individual transitions as most individuals are affected differently by change and thus require different forms of support. Visual management tools can also be used to eliminate a language barrier and make new processes easy to understand for all employees. "After all a picture speaks a thousand words."

## Sustain Improvements

The CEO should not only be involved in the organization's transformation but also committed to sustaining the improvements as well. "Too often the greatest challenge to a process improvement initiative is sustaining change. It is not unusual for improvement efforts to disappear, be overcome by inertia, misunderstandings and a general resistance to change." <sup>8</sup>Once improvements have been achieved the CEO must ensure sustainability by doing the following;

1. Conducting regular and structured accountability meetings to maintain improvements.
2. Leading at Gemba (walking through the facility, observing and leading value creating activities).
3. Reinforcing expectation that Lean transformation is a journey and a culture not just a series of events or overnight success.
4. Challenging all personnel and departments to be involved in the organization's Lean initiatives.
5. Being present to support staff, listen to their ideas and offer solutions.
6. Setting clear, measurable and attainable goals.
7. Developing feedback loops to foster continuous learning, employee engagement, appropriate actions and behaviors to achieve desired results.

## Conclusion

In a Lean transformation, a CEO's main objective is to be a visionary; to determine the organisation's direction; and to be a motivator for their employees. After setting a vision for the transformation, building a team of leaders and empowering the workforce, the CEO must focus on developing a new and Lean based organizational culture. The CEO must support their team during transitions not only to achieve the desired improvements but sustain them as well. The CEO's role in a Lean transformation is multidimensional as they must create the vision, provide resources and offer guidance and support to their team. For this reason, a "Lean" CEO needs to have strong leadership, organizational and team building skills to successfully support the implementation of Lean initiatives in their organization.

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