



Reassessing enterprises to redefine what's possible: Laying the groundwork for a successful Lean transformation



reView

The reView methodology was developed in response to the question that underlies the majority of a company leader's decisions:

How can I significantly increase the enterprise value of my organization?

\$2.4 billion in client-reported cost savings

Lean transformation is a proven, highly effective strategy for increasing enterprise value. Based on the revolutionary principles of the Toyota Production System,¹ Lean describes a problem-solving approach and organizational culture-change that drives continuous improvement. Its focus on identifying and eliminating waste has the ability to maximize efficiency in organizations of all types and sizes.

Yet research shows that many complex, large-scale enterprise change programs fail to accomplish their stated goals.

The reasons why vary from a lack of employee engagement to inadequate management to poor cross-functional collaboration. More often than not, however, these points of failure can be traced back to the same root cause: an incomplete or inaccurate understanding of business opportunities prior to Lean implementation.

What's more, company leaders often become caught up in simply doing Lean rather than using Lean to turn their strategy into action and cultivate a culture of customer satisfaction and employee motivation. They do what they can rather than what they should, often because the "should" can seem impossible.

We believe this traditional approach can set limits on the improvement potential of the organization, potentially sabotaging the transformation before it even begins.

Redefining what's possible

This white paper will introduce you to a comprehensive approach to Lean transformation that provides, upfront insight into the capabilities of your business. Known as the reViewSM Diagnostic, this process has the power to reveal huge opportunities you may be missing—and help you understand how to pursue them, and achieve results you never thought possible.

In the following pages, you will learn:

- How the reView Diagnostic can help you overcome the common failure points in a Lean transformation
- Why this approach is essential to appraising the value of your company, and how that affects your Lean transformation
- How this approach helps you align your Lean transformation with your business strategy
- How this approach focuses your Lean transformation on changes that have the highest potential impact
- How other organizations have used this approach to achieve breakthrough results

Your roadmap to transformation: Bypass the failure points

The reView Diagnostic is based on an approach long-used by financial investors to appraise the value of companies they may decide to purchase. Because it's built around the business challenges and time constraints inherent in a fast-paced acquisition, it's rapid and intense—yet can be accurate and effective. This uniquely equips the approach to overcome the minefield of potential failure points that often impede a Lean transformation.

Why are we doing this?

A pitfall of a Lean transformation is a lack of engagement from the senior leadership. And without enthusiastic involvement from executives, other employees can have difficulty understanding the intentions driving the Lean transformation and connecting improvement activities to business opportunities. Their interest in and commitment to the system may wane, reducing the chances of success.

Furthermore, when company leaders delegate the management of a transformation to a project group, the focus often turns to tactical actions that don't address the fundamental challenges faced by the company. A popular analogy in the Lean world is choosing to kill mosquitoes one by one, rather than draining the swamp.

The reView process helps get people at all levels of the organization—from the C-suite down—involved and invested in the Lean journey. It helps them understand the purpose of every activity and allows them to play an active role in defining the challenges, goals and metrics.

A central outcome of an effective reView diagnostic is a high level of demonstrated commitment from the leadership team to drive the transformation. Because we believe when a CEO can see the waste firsthand—and frontline workers feel empowered to make decisions—Lean becomes an inspiring journey in which everyone takes ownership of the outcome.

The reView Diagnostic helps answer two fundamental questions:

1 What's the size of the prize?

2 How heavy is the lift?

When defining strategy, leaders are often so focused on the what—the end result—that they fail to clearly define the how. The reView Diagnostic provides a thorough definition of the strategy implementation to help answer critical questions like:

- How do we turn our strategy into action?
- What are the real breakthroughs we need?
- Who is responsible for each deliverable?
- Which processes and capabilities need to improve to support our goal?

In Lean, a breakthrough is defined as "a level of performance one does not currently understand how to achieve."

Even when everyone understands the strategy driving transformation, there is often confusion surrounding roles and responsibilities. This can result in a lack of accountability, which of course inhibits progress.

By implementing a culture of transparency and communication, the reView process helps each individual understand what they are expected to do and how it will be measured. Everyone is held accountable for their contribution to the success of the system—and ultimately, the improvement and growth of the business.

The final magic ingredient is commitment. Many participants will claim to understand the strategy, but not all will demonstrate their commitment with action and a willingness to be measured against bold targets that really define a breakthrough. The reView process can help you secure this commitment before improvement activities get underway.

What is everyone else doing?

An end-to-end business process, particularly in a large organization, is typically rife with hand-offs between departments, business units and even regions. And it's that lack of efficient collaboration in these interactions where waste can typically be found, in the form of delays, errors, rework and low morale. The customer is frequently able to see it and experience its negative effects, but employees and leaders don't always recognize it.

The reView process takes a horizontal view of your end-to-end business process, examining every single step in each value stream for its ability to deliver value to customers. Doing this at the beginning of a Lean journey helps support each function or department's Lean efforts to help them integrate harmoniously rather than compete with each other. This end-to-end view can potentially be further expanded outside the enterprise to include suppliers, influential customers and other sources of support.

The aim is for the customer to recognize the benefit because the entire flow has improved, rather than one area being optimized to the detriment of others.

Take demand creation, for example. The process of winning new business often involves multiple employees from marketing, sales, engineering, purchasing, estimating, legal, finance and the C-suite to perform a variety of tasks including calculating quotes, drafting proposals, generating contracts and more.

A potential order has to navigate each of these hurdles—often in the face of approval limits, thresholds and automated routing processes—before it can be sent to the customer. This can potentially result in extended lead time and errors, and may cause the business to lose sight of the customer's real requirement.

The reView Diagnostic allows a company to reorganize the demand creation process into a team-based, flow-driven environment. Specialists from each department are selected in a **cell structure** to pick up the opportunity, work to progressively add value, and not put it down again until it has been completed and sent to the customer.

Demand creation is just one example of a value stream that exists in many businesses. Imagine the potential impact when the reView process is applied across all value streams.

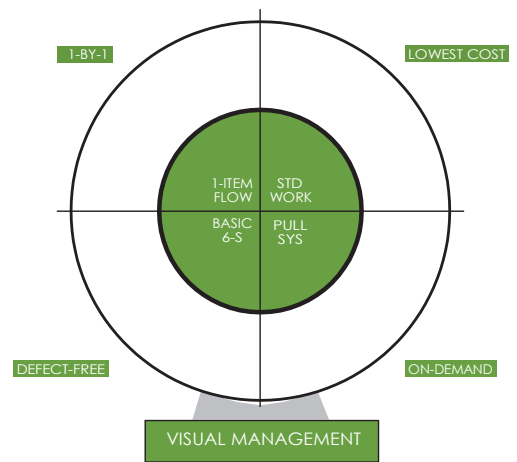
We've improved. Now what?

Achieving your Lean improvement goals is only part of the equation. To realize the full benefit of a Lean transformation, we believe you must have a cashing-in strategy. How will you fully convert the improvements you make into a top-line/bottom-line or balance-sheet impact?

For example: Suppose you succeeded in increasing productivity by 30 percent, resulting in 80 fewer people per month required to produce your product or service. What will you do with those extra resources? Lay off workers? Give them meaningless busy work? Or perhaps reassign them to start developing that new idea—the one with the potential to increase revenue by 15 percent? Few businesses shrink their way to success. We believe one of the leadership's primary responsibilities is to help the team understand how to reinvest the valuable resources freed up by your transformation.

Many companies make the mistake of focusing their transformation on driving costs down, rather than driving value up. The former can be a dead-end view, while the latter can help open up your business to a near-limitless supply of possibilities. This is specifically where and how an effective transformation can enable and fund the deployment of your strategy.

The reView process helps you identify ways to create capacity, and then goes further to find ways to reinvest that capacity to better meet the needs of your existing customers and attract new business. And this is how you increase the value of the enterprise.



A cell is a collection of work elements with a clear input and output, where the work flows in the least waste way. A cell is characterized by having: visual management to highlight problems at a glance, one piece/ need flow to reduce waiting time and inventory, standard work to define the least waste way to perform the work at the rate of customer demand and pull systems to prevent unnecessary inventory and overproduction.

Prior to participating in a reView Diagnostic, a client reported that they had set a goal of less than \$10 million in annualized cost-savings. **The enterprise reView assessment was able to identify approximately 10 times that number in opportunities.** Leaders selected a set of strategic options based on prioritized business goals, and the company is now tracking toward their goal.

The original goal of less than \$10 million was hit in the first 120 days after the reView.

Conducting a reView diagnostic as the first step can **accelerate time to value** for your transformation.

The reView Diagnostic approach is designed to help you achieve:

- Enhancement in enterprise value
- Rapid business growth
- Maximum return on investment
- Clearly defined opportunities for improvement breakthroughs
- Positive customer impact for improved retention and acquisition
- Strong commitment and engagement from leadership and other employees

We can't do that

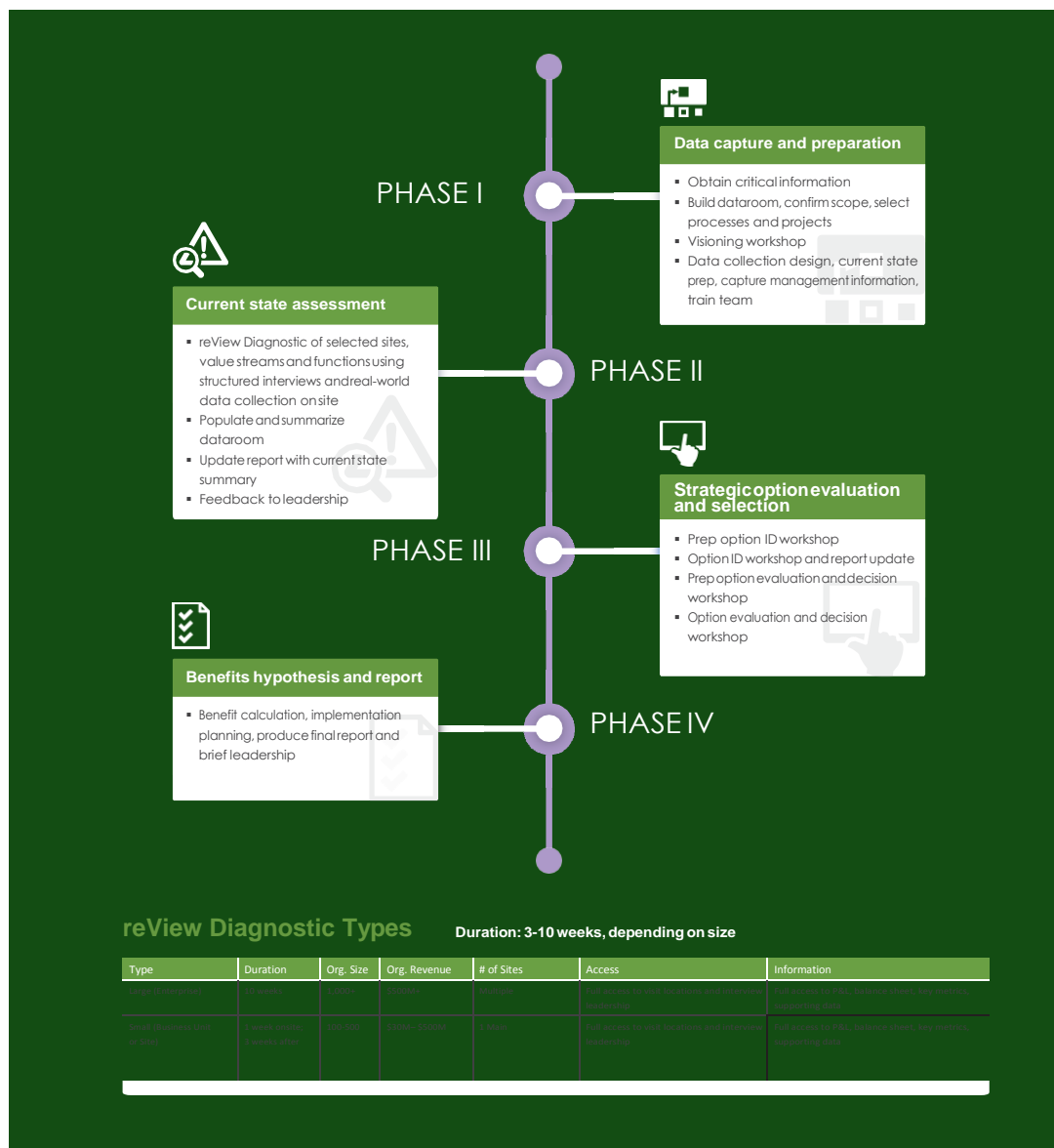
Perhaps the most detrimental—and difficult to overcome—point of failure companies may encounter is the inability to alter their mindset to see what's possible.

Corporate culture can foster a reluctance to commit to big goals and big change, because failure often brings consequences. This fear of failure inhibits honesty and creativity, potentially limiting the opportunity for improvement.

The reView process helps company leaders set more aggressive goals—based on sound logic and verifiable data. Then, it highlights multiple options for the organization to consider to help them achieve those breakthrough targets, and empowers them to make a more informed and inspired decision on which options to pursue. This, can in turn help increase everyone's personal investment in the value creation process.

A better process

What makes the reView Diagnostic different from the less effective Lean approach attempted by so many organizations? The answer is in the meticulous process it follows, which occurs in four phases.





Phase I: Data capture and preparation

An effective reView Diagnostic is a business-minded assessment. It requires a blend of business and commercial acumen combined with an experienced eye to see and imagine what's possible. The approach must replicate the attitude and mentality of a prospective new business owner. That means using real data and taking nothing for granted.

The data capture and preparation phase must begin with the question, "What's the reason our business exists?"

Using a proven set of data requests and analysis, the data capture and preparation phase helps you accomplish the following objectives:

- Define the value offered by the company
- Reveal a clear picture of the company's financials
- Gain a solid understanding of the customer perspective
- Confirm the fundamental business strategy and goals of the leadership team
- Outline clear targets and expectations
- Define breakthroughs
- Determine the scope of the Lean transformation
- Prioritize needs and determine the critical business areas to focus on

Because nothing is assumed, all subsequent evaluation is driven by a trustworthy source of knowledge that can help increase the potential for breakthrough improvements.



Phase II: Current state assessment

The current state assessment is arguably the most important part of the reView Diagnostic. This is where you can rapidly and systematically uncover the improvement potential of your business.

Using a proprietary mapping technique with highly customized data, each business function in the end-to-end business process is analyzed to identify waste and improvement opportunities. It's a team-based exercise, putting the pen in the hands of the people who actually do the work. And it doesn't take place on a computer screen or a conference room wall; it's a "go-see" process that takes place where the work is done. This combination of onsite observations, employee input and business data is what makes scalable improvement possible.

By asking the critical question, "So what?" when problems are spotted, the team works together to find potential solutions that when implemented, will help solve the problems and add value to the enterprise. Strengths are identified and capitalized on, and best practices are solidified—especially between business units or territories, where differences can be significant.

The team then assembles a dedicated data room where findings from the assessment and answers to the "So what?" questions are summarized in a prioritized and structured manner. The visual, tangible presentation of this information can have an enormous impact on the success of the transformation. Leadership is often humbled to see how large the improvement opportunity can actually be, and becomes excited and motivated by the ability to visualize the possibilities.

The current state assessment highlights your company's strengths and weaknesses, using data rather than opinions. This drives alignment and commitment to the true potential of the enterprise, helping answer the question, "What's the size of the prize?"



Phase III: Strategic option evaluation and selection

Now that the “what” has been defined, the next step is to determine the “how.” During this phase of the reView Diagnostic, the team determines which strategic options for pursuing the identified goals are viable. The requirements and impact of each option are evaluated, and new breakthroughs are defined. An **improvement hypothesis** makes it easy to objectively rank and compare options.

Then, it's decision time. The team looks at the possibilities and makes a commitment to what they will do. Important factors to consider are:

- Impact on enterprise value
- Impact on customers and employees
- Difficulty, risk, and/or cost of implementation
- Contribution to the cashing-in strategy
- Impact on overall strategic goals

The ability to thoroughly evaluate and then choose strategic options puts the expected benefits, costs and plan of action clearly in focus for the entire company—before any action is taken. This provides an important opportunity to assess the level of appetite and commitment that exists within the business to make it happen.



Phase IV: Benefits hypothesis and report

The final phase of the reView Diagnostic is a comprehensive report that summarizes the key outputs and findings from each of the prior three phases. It is essentially a record and reference of what the team found, what they committed to do, how they plan to do it and what they expect the results to be. A clear, time-based roadmap for achieving the desired results is developed, taking into account the size of the business, the level of effort required, the availability of resources and the culture of the organization. This provides the answer to the question, “How heavy is the lift?”

An example improvement hypothesis

IF we establish a daily improvement process for problem solving in all operations, **THEN** we can reduce the cost of rework from \$90,000 per month to \$30,000 per month within 12 months.

Real results

Large-scale companies across the globe, from a wide variety of industries, have applied the reView Diagnostic as a powerful springboard for a successful transformation—and a rapid increase in enterprise value.

Distinguish your Lean transformation from the other 70 percent

The reView Diagnostic was developed by Simpler® Consulting, a leading management consulting firm that helps organizations around the globe to improve performance through Lean transformations.

This proprietary approach is designed to rapidly identify the strategic improvement opportunities that exist within your organization, help you overcome common barriers to a successful change initiative and construct a customizable roadmap for achieving results you never thought possible.

But the reView process is only the beginning. In the next step toward total Lean transformation, Simpler will help you reThinkSM how you will achieve your improvement targets using a proven technique to focus, engage and align your whole organization to deliver on the highest-impact improvement priorities.

Finally, in the reBuildSM process, you will apply the Simpler Business System® to rapidly implement the required changes, resulting in a substantial increase in enterprise value and a profound cultural shift in your organization.



Coming soon

Additional white papers exploring the reThink and reBuild processes in depth.

Why Simpler Consulting?

Simpler has guided and coached some of the world's largest corporations through successful enterprise-wide transformations, resulting in a total of \$2.4 billion in client-verified ROI to date for clients large and small. Our global presence allows us to support multinational clients across multiple locations, languages, and cultures.

Many of our clients' transformations are recognized as exemplary case studies by organizations such as the Lean Enterprise Institute (LEI) and the Association for Manufacturing Excellence (AME). We have coached more companies that went on to be awarded the prestigious Shingo Prize—the world's highest standard for operational excellence—than any other Lean consulting firm.

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About Simpler Consulting, an IBM Company

Simpler® Consulting, an IBM Company, is a leading management consulting firm that helps organizations around the globe to improve performance through Lean transformations. Since 1996, Simpler has worked closely with clients to foster an organizational culture that continuously seeks out opportunities to make improvements, and help to stimulate business-impacting results. With its proprietary Simpler Business System®, Simpler has helped clients to implement Lean transformations across a wide range of industries.

Footnotes

1 Inside the Mind of Toyota: Management Principals for Enduring Growth, Productivity Press, 1st edition, Nov. 28, 2005.

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Produced in the United States of America
October 2017

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As of the latest publication date, the healthcare information presented here is accurate.

HPW03068-USEN-00