

Getting Lean: The Most Important Tool of the 21st Century

By Verne Harnish “Growth Guy”

John Stepleton realized a **28% productivity improvement** in his call centers within a week; Jeff Booth was able to dramatically speed up the time it takes to get a vendor up on his building materials website; Mike Jagger **saved \$60,000** in IT costs from his first session; and Ken Sims was able to handle a **100% increase** in business in 2008 without adding any headquarters staff.

These CEOs and many other mid-market leaders are embracing the Toyota Production System referred to as LEAN. Often misunderstood as a tool exclusively for manufacturers, **Toyota’s methodology for eliminating waste is having a huge impact on large and small companies in all sectors of the economy.**

In fact, I’m so bullish on the power of these simple, yet powerful tools, that I’m confident the first company in any industry that fully embraces the LEAN methodology will dominate their industry over the long run – as Toyota has the auto industry. **And for those thinking LEAN is synonymous with the overly complicated and expensive Six Sigma approach to quality improvement, you can relax.** LEAN, though it requires a real change in mindset, uses a few very simple tools to drive dramatic improvements.

Biggest Bang for the Buck

John Stepleton, who built RDD, a 500-person, three-time *Inc 500* winning research company, was the first CEO to turn me on to LEAN as a powerful tool for mid-market service firms. So successful was his implementation, his firm was recognized by the Northwest Shingo Prize for its innovative implementation of the LEAN principals.

“What better time to take the plunge,” notes Stepleton. “With the economy struggling, it is the perfect time to begin integrating LEAN into your business. **I began my journey more than four years ago and of all the strategies I’ve implemented over the years -- and I’ve tried a lot of different things – LEAN proved to deliver the biggest bang for the buck.**”

If you’re not sure it’s right for your business, Stepleton emphasizes, “I implemented LEAN into my call center business where I had \$10/hour employees engaged in continuous improvement programs that realized productivity improvements of 28% in time periods as short as one week.”

One of the keys to LEAN is objectively modeling and measuring productivity and then using simple visual systems to eliminate costly mistakes. In Stepleton’s case, they color coded research forms to make sure the appropriate number of subjects for each campaign was called.

Operational Excellence

“One of the things that a company can control in a market like this is operational excellence by removing waste in a system,” notes Jeff Booth, CEO of Vancouver-based BuildDirect. In doing so, Booth has dramatically sped up the time it takes to get a new vendor up on his building materials website.

Booth engaged Guy Parsons, early partner with Jim Womack at the LEAN Institute, to help him with his initiatives. Booth also produced a five minute video interview of Parson as a way to explain to his team and others how they are using LEAN. You can Google Jeff Booth's blog to view the video.

Eliminating Waste

"LEAN describes waste as anything that happens in a company that a customer would not want to pay for," explains Mike Jagger, CEO of Provident Security. **"So our first initiative was to divide all of our costs into two columns, things that add value to our clients and things that don't."**

"For instance, we have a huge IT investment that we require for our monitoring business, which adds client value," continues Jagger. "However, our clients don't care who hosts our email...so we cancelled our scheduled server upgrade for our exchange servers and are migrating the entire company to Gmail."

First year savings on the hardware, software, management and support is just under \$60k. Summarizes Jagger, "we've got another great tool now to help us look at the business in a very different way."

Bored Billing Accountant

Ken Sims, co-founder of the award-winning franchise Nurse Next Door, sent me a partial list of dramatic outcomes from their first year implementing LEAN, including **growing the business by 100% over the last year with eight less head office people.**

Guy Parsons warns, however, that **LEAN is not about reducing headcount, it's about reducing waste.** In turn, you take the time your people get back from eliminating wasted efforts, steps, and activities and you re-purpose people to serve customers, make sales, and grow the business.

Case in point, Sims' payroll and billing accountant's biggest challenge this year is boredom since she has nothing to do half of her time because her job has become so easy -- the year before she was working evening and weekends. Sims is now teaching these LEAN techniques to his franchise partners so they can work on growing the business vs. doing payroll all day.

Gains Everywhere

Additional gains include doubling the current volume of Sims' call center without adding headcount while reducing fees to his franchise partners; eliminating process steps to help franchise partner's workflow easier and make more money; reducing inventory levels to almost zero so franchise partners require much less capital to start and run their business; and streamlining the process for adding new franchise partners.

Notes Sims **"two years ago it was a challenge to add one new franchise partner each quarter. Now we add two per month and can add up to five per month without breaking a sweat!** More importantly, our lean initiatives are a major (but not only) reason why we and our franchise partners have been able to thrive in this terrible economic period."

Now's the time to jump on the LEAN bandwagon. Take a look at Guy Parson's two-hour webcast and see if the time is right for your company.