



Lean Management for Service Organisations – An Introduction

Having been pioneered by Toyota in Japan, many will recognise the term ‘Lean’ as it applies to manufacturing organisations but some may not realise that the principles are also valid for service organisations in both the commercial and not-for-profit sectors. Lean management is all about the elimination of waste whether this is in the form of scrap in a factory or unproductive time in an office.

Often, one difficulty in a service organisation is for management to understand if the processes within the organisation are essential to meet their objectives and, if they are, are they efficient. The response is often to watch over people to ensure that they are sitting at their desk, telephone to their ear, and typing away on their keyboard and meet the objectives they have been set. The weakness of this approach is that people can be extremely busy achieving objectives but may not be productive. The need is to understand the work that people are doing, how their effort adds value, and to streamline their actions. Lean principles can address these issues and can be the start of a perpetual continuous improvement process and not just a one off, cost cutting, exercise.

Lean Management may be described as:

"A systematic framework of processes, measures, and targets that align resources to efficiently achieve the objectives of the organisation through continuous improvement"

'A systematic framework'

A single cost cutting exercise may well bring short-term benefits to the organisation but can seriously impair long-term growth in revenues - and profit - by eliminating resources that are required for the future. Downsizing and process re-engineering in weak market conditions may remove those people whose knowledge and skills are important when the business environment improve. (The cost of redundancy payments and the future hiring / training / learning-curve costs for new staff are both wasteful.) A process of continuous improvement through lean management enshrines a framework that makes the act of seeking efficiencies part of the fabric of the organisation while ensuring that key processes are supported over the long-term.

Often urgent organisational pressures demand that executive emphasis and attention move to more immediate issues so that they are unable to remain focused on their lean approach; a solid framework shares understanding across the organisation and ensures that efforts to reduce waste can continue without constant supervision.

A core component of any lean framework is the inbuilt review of the lean approach itself, so that lean approach remains an effective driver even as the organisation changes. A lean organisation will free up resources, that can be invested in growth areas, and move it in another direction; key processes that supported yesterday's offerings may no longer be so critical in the new portfolio.

Every successful organisation has a unique offering that allows it to continue in existence; this infers that for every organisation the lean journey will also be unique with its own framework, tools, and techniques.



'of processes, measures, and targets'

Lean management relies on 'What gets measured, gets done'. The start is to identify *what* processes the organisation needs to be performing before deciding on *how* it should be managed and measured. This requirement, to identify the organisation's value stream, forces an examination of existing processes to stress those that are fundamental to its success. A system of measurement and targets that enable the efficiency of these key processes to be monitored can then be put in place.

It must be remembered that simply measuring the process is not, in itself, sufficient; an unnecessary process that is meeting its target is still an unnecessary process i.e. wasteful!

'that align resources'

Once the necessary key processes are identified it is possible to ascertain the resources that each of these processes require. A view can then be taken as to how scarce resources – people / finance / technologies - are balanced to maximise their efficient consumption.

- People - Each process will require a specific set of skills and competencies for the people that operate the process. Identifying these skills / competencies and ensuring that people are properly trained is essential.
- Finance - The cost of each process must be measured and this may require changes to the accounting system to reveal the cost of the individual activities and drivers that make up the process.
- Technologies - All the technologies that support each process, not just information technologies, need to be considered. Even for service organisations there may be technologies such as printing or transport.

'to efficiently achieve the objectives of the organisation through continuous improvement'

Lean management textbooks often talk about understanding and adding value to the customer. An alternative approach, that recognises all the stakeholders in the organisation, is to take a more holistic view and examine and understand how processes add value to each of these stakeholder groups. This allows a view to be taken of the relative importance of each stakeholder to the organisation when deciding which are the 'key processes'; in some environments profit may not be the main criteria and therefore there will be a different set of stakeholder priorities than in a commercial organisation.

As mentioned earlier, lean management is a journey with no apparent end, even Toyota after 50 years does not consider that they have arrived at their destination.

Additional Help

To see how MEC Services can help you, please read our "Implementing Lean Management" and / or email us at info@mecservices.co.uk and we will contact you to arrange a, no obligation, preliminary discussion.