



7 Ways CEOs Lead a Lean Company Differently Than Their Peers

By Damon Baker

A study conducted in 2008, by the McKinsey Consulting Company asked CEOs of Fortune 500 companies whether or not they believed their lean transformation initiatives were delivering the desired results. A staggering 70% responded that they felt their companies failed to produce any tangible results. How is it that after almost 30 years of lean history in the United States, roughly $\frac{3}{4}$ of companies fail to figure it out? The answer is quite simple. It requires the right leadership.

For a complete, and total lean transformation to occur, values must be changed and aligned to the new ways of working in support of a continuous improvement culture. Incentives must be in place to align the actions and focus of all associates. Every opportunity to communicate with the company must convey the importance of the culture, and the need to stay the course in good times, and bad. It must be explicitly clear how each and every associate contributes towards building this culture, and no function or department should be left behind. A total lean transformation requires a company to change the way it thinks and works, and that starts and ends with the CEO.

As I thought back through my experience, I have been fortunate to work for companies that have demonstrated a consistent track record of outperformance versus the market and their peers. These companies wholeheartedly embraced the leadership behaviors required for a successful lean transformation, continue to do so today, and as a result, are reaping the benefits. Below are what I believe are the “7 Ways CEOs Lead a Lean Company Differently Than Their Peers”:

- 1. Banish Complexity** – CEOs in a lean company display pigheaded discipline for rooting out complexity in their organizations. They are constantly looking for new ways to break down barriers and hierarchies, flatten reporting structures, simplify systems, procedures, and policies. They believe in smaller scale experiments versus large scale, corporate-wide initiatives. They are hyper-aware of the impact they have on priorities in the organization, and are always reassessing and focusing the organization on the critical few things that matter. They embrace “80/20 thinking”, in that they believe that in order to move the needle we must focus on the 20% of things having 80% of the impact on the organization. They say things like: “less is more”, “simple is better”, and “don’t let perfect get in the way of better”. Their aim is to create an agile, nimble organization that is autonomous and empowered to make timely decisions at the point-of-impact.

“Everything should be made as simple as possible, but not simpler.”

Albert Einstein

2. *Align Behaviors with Values* – In most companies, there are a set of values, which define the ways of working that they believe are necessary in order to win. Unfortunately, the organization does not hold itself accountable to living these values all the time. The values themselves are typically not to blame, as there is usually not much to disagree with when you read them word-for-word on the wall. However, when one observes the behaviors being demonstrated by leadership, we see a stark contrast in what they truly believe in. I will tell you this...how a company behaves is what it believes in, bottom line. Behavior gives insight into thoughts, and thoughts are what we believe in. CEOs in a lean company understand this quite clearly. They embrace their role in charting the course for the organization when it comes to demonstrating the desired behaviors, and they are relentless in holding others accountable for doing the same. As you can imagine, this trickles down throughout the organization.

"It's not hard to make decisions when you know what your values are."

Walt Disney

3. *Gather Customer Insight* – Everything begins and ends with Customers. Without Customers, we do not have a company. It is far too easy for a CEO to get bogged down in the day-to-day of running a company, and forget to make time for Customers. The Lean CEO understands the important role Customers play in providing insight into how they operate, what opportunities exist in the market, what their pain-points are, and how we perform in meeting their expectations. I am not talking about leisurely rounds of golf and fancy dinners that result in little to no new useful information. I am referring to real work being conducted by the CEO to gain deep insights from the Customer. Activities that would fit this definition: listening and responding to customer complaint calls/emails, doing ride-alongs

in the field with sales to visit Customers, building the product on the shop-floor to understand it from the Customer's perspective, installing and commissioning products and services in the field, and joining marketing for focus groups and Customer interviews. The Lean CEO dedicates at least 1/3 of their calendar to understanding their Customers better.

"Your most unhappy Customers are your greatest source of learning."

Bill Gates

4. Create a Learning Organization – Lean is a paradox in that you never truly “implement” lean. You are merely on a journey, and where you are at any given time, represents where you are on that journey in terms of your level of mastery and current methods of thinking. Lean CEOs recognize that lean is a journey without a destination, and therefore challenge the organization to continue to “build muscle” over time. The primary goal of a continuous improvement culture is to build and develop people's problem solving skills...business results come naturally afterwards. Can you imagine if 100% of the people in your organization possessed the ability to solve complex problems in a systematic way, sustainably? Lean CEOs invest time, resources, and money for developing and training people to become better problem solvers, and in return, get better results for the company.

"Success is no accident. It is hard work, perseverance, learning, studying, sacrifice and most all, love of what you are doing or learning to do."

Pele

5. Set Stretch Objectives...Thoughtfully – Setting stretch goals is not “rocket surgery”. Most organizations have figured out that if you set high goals, people tend to rise to the occasion, and if they fall short, they generally achieve far more than if you had not set high goals in the first place. This effect has been proven time and again, in multiple scientific studies on

achievement. What happens is that leaders convince themselves that more initiatives are better, more goals must be even better, and more stretch on those goals must be far better yet. I know of a particular organization that has 175 different corporate metrics, and all of them have stretch goals built in. So, I asked them, "If everything is RED, what is a priority?" Setting arbitrary targets without thoughtfully considering the impact on the organization in terms of resources, the reality of whether it is truly feasible, and the importance it represents to the organization, quite frankly, is reckless and lazy. Lean CEOs understand that they need to wield the power of setting stretch objectives sparingly. They do so only on the things that TRULY matter to the organization, and are relentless about following up on their progress.

"A goal is not always meant to be reached, it often serves simply as something to aim at."

Bruce Lee

6. Walk the Talk – You cannot teach what you cannot do. The Lean CEO has risen up through the ranks and has first-hand experience with the tools of continuous improvement. They are expert problem solvers and are able to teach and mentor others to do the same. They seize teaching moments to reinforce key behaviors and emphasize their importance. The Lean CEO dedicates time on their calendar to participate in driving continuous improvement in the organization. Examples include: leading and or participating in kaizen events, teaching continuous improvement tools to others, attending kaizen report outs, participating in daily management meetings in various departments, and reviewing the status of A3s in the company.

"Example is not the main thing in influencing others. It is the only thing."

Albert Schweitzer

7. Demonstrate Servant Leadership – Most importantly, Lean CEOs have a heart. They believe in their calling to enrich the lives of others they touch. They are genuinely humble servants of others who admit their mistakes, share their personal stories, take responsibility, inspire passion, appreciate differences, invite dialogue, enjoy winning, show interest, seek knowledge, foster creativity, reward risk-taking, and build bridges.

“Service to others is the rent you pay for your room here on Earth.”

Muhammad Ali

Does your CEO demonstrate any of these leadership characteristics?

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DAMON BAKER





Damon Baker
CEO | President

[✉ damon.baker@leanfocus.com](mailto:damon.baker@leanfocus.com)
[\(630\) 340-2751](tel:6303402751)
[in linkedin.com/in/damonbaker](https://www.linkedin.com/in/damonbaker)
www.leanfocus.com

BACKGROUND

Damon is the President & CEO of Lean Focus. For over 25 years, he has been implementing lean in consulting, operations, continuous improvement, and GM & VP-level leadership roles for such companies as Danaher, HNI, Eaton, Argo Consulting, Experian, and Winegard.

Trained by disciples of the Toyota Production System, he worked in a Shingo Prize winning facility and is a Shingo Prize Examiner. Over his career he has demonstrated hands-on leadership and facilitation of 500+ kaizen events for 50 major corporations in 16 different countries. Damon led the North American Danaher Business System Office. While at Danaher, one of his mentored operating companies was nominated Most Improved Plant, and one of his factories won Best Plant Worldwide 2 years in a row. Damon holds an MBA from St. Ambrose University and a Bachelors of Arts in Management and Marketing from Iowa Wesleyan University.

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