Introduction

The full adoption of the lean approach to commerce penetrates every nook and cranny of an enterprise. To appreciate its real-world effects, we need to translate the abstract description of the lean enterprise approach into how it is expressed at the practical level. We need to reveal just how different a lean enterprise is from the typical business.

Contents

Note: There are multiple understandings of what constitutes a lean enterprise. The lean enterprise depicted in this comparison is that version of lean described earlier in this chapter on pages 7 through 35.

A Comparison of a Typical Business and a Lean Enterprise

Exhibit 5, pages 39–52, contrasts the typical large U.S. business with a lean enterprise of the same size. By "large," we mean businesses with revenues of $1 billion or more. The picture of the typical large U.S. business was generated by the primary author based on his more than 25 years of working with such companies and from published research studies. Use this comparison to consolidate your understanding of how a business implementing the lean enterprise approach to commerce, *as we describe it*, operates. Use it also to appreciate in concrete terms how completely different such an enterprise is from the typical U.S. firm. These differences express themselves most clearly in the following feature categories:

- Business intent (purpose, vision, and core values) *as practiced*, not as expressed in public speech
- Strategy (commercial and organizational strategies)[12]
- Structure (how a business decomposes itself into work units and allocates authority, responsibility, and control of resources)
- People (a detailed view of the status and relationship of executives, managers, supervisors, and frontline employees to the business based on the business's organizational strategy)
- Critical systems (measurement and feedback system, performance management system, learning system, other human resource enabling systems, computer-based information systems, accounting system)
- Work processes
- Workplaces
- Product and service offerings
- Extended value stream

Before viewing Exhibit 5, understand that the exhibit *is not* comparing "good" versus "bad" businesses. Its intent is description, not evaluation. If you find the description of the "typical" business wanting, that judgment is irrelevant with respect to our immediate purpose. The exhibit's only purpose is to reveal how fundamentally different a typical large U.S. business is from a lean enterprise. Study the exhibit carefully. Begin with those areas that you are most familiar with so that you can best appreciate the differences being described.

[12] A commercial strategy describes what a business will offer to whom to generate revenue; where it will enter into commerce; how it will attract, win, and retain customers; and how it will realize profit as defined by the commercial model the enterprise implements. A business's organizational strategy guides the formation of the business. It identifies what its critical-to-success resources are for long-term success, the essential features each such resource must possess, and how the enterprise should organize itself structurally and socially to succeed.

Exhibit 5. How Different Is a Lean Enterprise From the Typical Business?

Feature	Typical Large U.S. Enterprise	Lean Enterprise

Business Intent[1]
(Footnotes appear on page 52)
	Public Presentation
	Purpose
	To serve customers by producing quality products or services that benefit them while delivering extraordinary financial benefits to its shareholders.
	Vision
	Varies but generally addresses being seen as the premier supplier in the company's industry or as providing the highest-quality offerings and delivering the best financial results to shareholders.
	Core Values
	Typically identify values such as integrity, innovation, teaming, customer focus, respect for diversity, excellence in execution, and ensuring safe and environmentally friendly operations.
	Stakeholders
	Public presentations vary, but many acknowledge a wide array of stakeholders similar to the list acknowledged by a lean enterprise (e.g., customers, employees, shareholders, and the communities within which the business operates).
	Reality Test of Public Presentation
	▪ An analysis of the business's key result measures[2] will reveal that
	  ▪ they do not assess whether benefits promised to all identified stakeholders are delivered, and
	  ▪ the measures that trigger executive bonuses focus only on maximizing financial returns for shareholders.
	▪ An analysis of the business's internal and external conduct will reveal that it is not consistent with its publicly presented business intent and deviates even more obviously when the business encounters crises.
		Public Presentation
		Purpose
		To provide its customers an ever-more value-laden and success-enabling product or service and buying–benefiting experience by eliminating waste in everything in all business operations, maximizing its delivery of value to its customers as defined by its customers, benefiting all its stakeholders inclusively, and developing a workforce that sustains these activities into the future.
		Vision
		Be seen as a business that continuously increases its production of value for its customers, generates accelerating financial returns, and has a reputation as one that produces the benefits its stakeholders seek.
		Core Values
		Core values include integrity, innovation, teaming, customer focus, respect for diversity, excellence in execution, and ensuring safe and environmentally friendly operations.
		Stakeholders
		Accepts as its stakeholders its customers, employees, owners, suppliers; the communities within which it operates; and their governments.
		Reality Test of Public Presentation
		▪ An analysis of the business's key result measures will reveal that
		  ▪ they do assess whether the benefits promised to each stakeholder are delivered, and
		  ▪ the measures that trigger bonuses and drive decision making fully reflect the company's publicly expressed business intent.
		▪ An analysis of the business's internal and external conduct will reveal that it is consistent with its publicly presented business intent, even when the business encounters crises.
		Continued...

Exhibit 5. How Different Is a Lean Enterprise From the Typical Business? (continued)

Feature	Typical Large U.S. Enterprise	Lean Enterprise
Strategy		
Commercial Strategy	Employs a mix of methods to succeed commercially. These include using control strategies to limit competition, exploit customer weaknesses, limit its customers ability of to seek redress for harm experienced, externalize the cost of environmental harm produced, and weaken labor's bargaining power in order to reduce costs and maximize profits. Examples of control strategies are using political influence to get legislation passed that limits the revealing of product information or a customer's right to redress or establishes protectionist government policies such as tariffs, subsidies, or special tax breaks. Another example is using one's market position or financial strength to undermine its competitors' abilities to compete (e.g., tying up competitors in lawsuits). Other control strategies leverage a business's buying power to force concessions from suppliers that advantage the producer alone. Still other examples are marketing methods that exploit the weaknesses of customers as buyers. For example, in the retail food area, companies mask price hikes by reducing the product volume delivered but not its packaging and printing information about products in extremely small font sizes. In the service sector, businesses write contracts or license agreements in legal jargon that the average customer cannot understand. Finally, these methods also include illegal means of control—e.g., bribery, price fixing, and artificially creating scarcity to drive prices up, among others.	▪ Competes based on the excellence of its offering, and fosters free marketplaces. Perfects business operations by making them waste free and maximally value adding, as defined from its customers' perspectives. Uses a detailed understanding of customer values to ensure that all business decision making benefits customers. Analyzes its customers' industries and marketplaces to anticipate requirements its customers are likely to encounter due to changing business conditions. As a result of the above approach, the business's offerings are exquisitely designed to satisfy its customers' values, fit smoothly within their business's value stream, and maximally enable their success. Finally, the commitment to customers extends to creating a buying–benefiting experience that is also maximally value adding. ▪ Actively supports the development of marketplaces where customers are informed, free to choose from different vendors, and capable of rational choices. They educate customers to make better decisions from the customers' perspective. They advocate for the free flow of information and the removal of barriers to competition. They eschew the use of methods that take advantage of customer weakness or otherwise advantage the producer unilaterally. ▪ Enables and supports all its stakeholders in pursuing perfection using lean thinking with the purpose of generating benefits for all participants inclusively.
Organizational Strategy	▪ Uses a traditional top-down approach to making business decisions and accomplishing business goals wherein authority and resource control are retained by management. ▪ Nonmanagerial employee involvement in business decision making is limited to areas that have no significant impact on the business's policies, goals, methods, or performance. In general, employees participate by doing their assigned work.	▪ Uses an approach that fully involves all employees in making business decisions and accomplishing business goals. ▪ Establishes a core set of responsibilities that every employee must fulfill, from the CEO to each frontline worker, and empowers them to fulfill them. *Continued...*

Exhibit 5. How Different Is a Lean Enterprise From the Typical Business? (continued)

Feature	Typical Large U.S. Enterprise	Lean Enterprise
Organizational Strategy (cont'd)	▪ Selected employees may participate in special project teams to accomplish a specific goal defined by management. ▪ Rewards are provided to those employees who support their superior's success and accomplish what they have been asked to do. ▪ The typical culture is one where individuals identify with the functions they work in and compete for recognition, resources, and personal advancement. Cooperation among employees, if present, is best at the lower levels of employment and within each work unit. Cooperation deteriorates as one moves up in job level and outside one's immediate work group. *Business Planning and Goal Setting* The unspoken key inputs to business planing are the criteria that trigger executive bonuses. The spoken key inputs are shareholder expectations, current business strengths, and market opportunities and threats. Planning may solicit input from lower management, but all decisions are made at the top. *Deployment of Plans and Goals* ▪ Top-level managers within each department set their department goals and plans with reference to the business's goals and plans as they judge appropriate. A cascading goal model may be espoused but not rigorously implemented. ▪ Cross-functional planning is not implemented. ▪ Communication of goals and plans downward within each department is controlled by the various layers of management. ▪ Most departments do not turn their goals into concrete action plans (who does what, when, where, how, with what resources, and to achieve what measurable outcomes) with a measurement system that monitors their achievement.	This core set of responsibilities includes 1. adding value as defined by customers in a manner that benefits all stakeholders, 2. measuring one's waste elimination and value delivery, 3. improving one's performance continuously, 4. leveraging one's learning by sharing it with others, and 5. teaming with others within your business, across your company's other businesses, and around the world to accomplish the common purpose of all employees. These core responsibilities recognize that employees create increasing business success by uncovering better ways to realize the business's purposes and transferring that learning across the enterprise. To enable this outcome, the business ensures that its employees are skilled in information-based problem solving and decision making and in extracting learning from their prior performance. It creates opportunities for employees to apply their capabilities to generate business improvements and empowers them to do so. It also provides an infrastructure that enables employees to team within their work units and across the business, and uses that infrastructure to leverage learning businesswide. *Business Planning and Goal Setting* A lean enterprise uses the Hoshin Kanri approach to planning and policy deployment. It maximizes participation by all employees, leverages learning from the prior year's performance, and ensures alignment with regard to the business's goals and its plans for realizing them, both vertically and horizontally. The Hoshin Kanri process uses a vertically interlocking set of teams that extend from the business leadership team through each business function's leadership team to every lower-level organizational unit. The membership of teams at each higher level is composed of representatives from every work unit at the next lower level. The process begins with work units at each level evaluating their prior year's *Continued...*

Exhibit 5. How Different Is a Lean Enterprise From the Typical Business? (continued)

Feature	Typical Large U.S. Enterprise	Lean Enterprise
Organizational Strategy (cont'd)		performance to determine what was achieved, why, what was learned, and how to leverage this learning into next year's efforts. The sugges- tions for next year's goals are gathered horizontally at each level within each business function, integrated, and passed upward. The businesswide leadership team combines this input with its analysis of the business's marketplace, changes in customer values and circumstances, and general economic conditions. The team drafts next year's businesswide goals and plans for advancing business success. These goals and plans are passed down. At each handoff point, one or more discussions take place to refine thinking and ensure alignment of purpose. This two-way con- versation (termed "catchball") drives toward mutual understanding and better ideas. The handoff is modified as needed. The focus of the ses- sions then shifts to how the lower-level organization involved in this discussion plans to realize the direction being handed off. The final out- puts of these catchball sessions are twofold: upper- and lower-level plans that are aligned and a lower-level plan that translates the upper level's direction into local goals that will advance the business's overall goal. This process is repeated at each level within each business function. Once the process is completed, each level prepares action plans to guide its change-making work. These action plans incorporate the use of lean tools (e.g., Kaizen, 6S, Flow) to accomplish their goals. In this manner, awareness of and alignment with the business's overall direction are driven down to the gemba.
Structure	▪ Uses a mix of line, staff, and function approaches to decomposing work units. ▪ Creates silos, with each silo focusing on its area of responsibility and not on the business as a whole. ▪ If a matrix design is used, it is not a true matrix—meaning people's appraisals and advancement are controlled by their functional role performance, not their contributions to their cross-functional team's success.	▪ In a multiactivity company, a lean enterprise organizes itself into separate businesses, each of which conceives, develops, resources, produces, markets, sells, distributes, and supports a product or service offering targeted to satisfy the needs of a specific group of people. ▪ Each business organizes itself by the different business functions that implement it, each of which applies a unique set of expertise and carries out a distinct value stream that delivers a contribution that advances the business's delivery of value to its customers.

Continued ...

Exhibit 5. How Different Is a Lean Enterprise From the Typical Business? (continued)

Feature		Typical Large U.S. Enterprise	Lean Enterprise
	Structure (cont'd)	▪ Control of decision making and resourcing is retained by upper management. ▪ Responsibility and accountability for outcomes may be delegated to lower-level roles.	▪ Decision-making authority and control of the resources needed to fulfill assigned responsibilities are distributed to the role accountable for their performance. ▪ The organization's structure and specification of reporting relationships enable the smooth implementation of Hoshin Kanri, the development of a functional business measurement system, and the waste-free implementation of work.
People			
	Executives/ Managers/ Supervisors	▪ Selection of leaders does not use objective measures of prior or current contribution to business success. By default, selection is based on the perceived "fit" of the candidate with the agenda of the leader(s) making the selection. ▪ At each level, managers and supervisors drive toward success as defined by their superiors' expectations and the criteria that trigger bonus payouts or advance their career objectives. ▪ Managers make certain that they retain their authority and control of the resources assigned to them. ▪ Managers make assignments and expect results but offer little support in enabling the success of those who report to them. ▪ Managers use biologically based approaches to problem solving and decision making ("gut feel," "what we have done in the past," "what the boss expects"), not information- or knowledge-based approaches.[4] ▪ Improvement efforts are reactive with little follow-through. They eschew objective assessments of outcomes, poorly account for costs, include no systematic cost–benefit or utility analysis after implementation, and are frequently declared successes despite the predominant "street-level" view that they failed. ▪ Managers reward and advance people who support their success and with whom they feel comfortable.	▪ Selection of leaders is based on objective measures of prior or current contributions to business success. ▪ All strive for perfection by continuously promoting, facilitating, and leveraging learning that enables greater business success. ▪ Managers delegate authority downward while supporting its appropriate use. They retain accountability for whatever occurs or fails to occur within their span of responsibility. ▪ Managers use information- or knowledge-based decision-making and problem-solving approaches with broad input and emphasis on empirically verifiable information.[4] ▪ Managers actively learn and improve their own performance and the work processes for which they are responsible. ▪ Managerial improvement efforts always include follow-up to ensure the improvement's use and measurement of the results it produced and the evaluation of costs incurred and monetary benefits realized. ▪ Managers select, develop, and promote people who are aligned, teamed, energized, capable, pioneering, and successful in the delivery of value to customers in ways that benefit all stakeholders. ▪ Managers recognize the achievements of every contributor and support them in developing their capabilities and maximizing their contributions to business and personal success.

Continued...

Exhibit 5. How Different Is a Lean Enterprise From the Typical Business? (continued)

Feature	Typical Large U.S. Enterprise	Lean Enterprise
Nonmanagement Employees	▪ Are viewed by ownership as a cost. Owners and their executives seek to maximize the business's profits, defined monetarily. While employees are expected to serve this end, they are a cost and thereby reduce profits. Hence, there is an inherent antagonism between the aims of owners and employees that drives owners to minimize the cost of employees while seeking to maximize the benefits extracted from them. ▪ Most nonmanagement employees are unfamiliar with the business's marketplace and organizational strategy, current business plan and goals, key performance indicators, and the current status on these measures. The business information they have is specific to their jobs. ▪ All employees focus on their jobs. Their identification is with the role they perform and the function to which they belong. ▪ Studies find that a significant portion of nonmanagement employees distrust management's honesty when management communicates with them and see management as focused only on profits.[5] ▪ Approximately half of all nonmanagement employees judge their CEOs and senior managers as not caring about employees, and a significant portion perceive management as failing to value the contributions that employees make. ▪ The 2018 Deloitte Millennial Survey found that "[o]nly a minority of employees [believe] that corporations behave ethically [48%] and that business leaders are committed to helping improve society [47%]. Three-quarters see businesses around the world focusing on their own agendas rather than considering the wider society ... and nearly two-thirds say companies have no ambition beyond wanting to make money."[6]	▪ All employees are viewed as the resource most critical to implementing the lean approach to commerce, as they produce the learning and continuous improvement that drives its success. ▪ All employees are informed about and aligned with the business's purpose, vision, and core values. They are informed about its marketplace and organizational strategy, current business plan and goals, key performance indicators, and current status on these measures. ▪ All employees understand the connection between their jobs and the delivery of value to customers. They focus on contributing to business success through their personal and collective efforts. Their identification is with the business as a whole. ▪ All employees use information- or knowledge-based decision-making and problem-solving approaches with broad input and emphasis on empirically verifiable information. ▪ All employees actively learn and improve their own performance and improve the work processes they implement. ▪ Improvement efforts flow from problem-solving activities and always include follow-ups to ensure use, measure results, and account for cost and benefits delivered. ▪ The career development of every employee is actively supported by the business. ▪ Recognition of each employee's contributions to business success is built into the business measurement system and is acknowledged and celebrated by everyone. ▪ The performance feedback system is focused on enabling every employee's success through learning and not on judging performance and ensuring that it conforms to the business's expectations.

Continued...

Exhibit 5. How Different Is a Lean Enterprise From the Typical Business? (continued)

Feature	Typical Large U.S. Enterprise	Lean Enterprise
Critical Systems		
Measurement and Feedback System	▪ Objective measures of business results, operations, or resources ▪ exist with regard to financial metrics at the higher organizational levels (group, division, department), ▪ are focused on financial performance for the purposes of fulfilling financial reporting responsibilities and triggering bonus payouts, ▪ are frequently absent at the work process level, and ▪ are rarely present at the performer level. ▪ Measures are expressed as an anchor and target—e.g., "Revenue growth should be 12% or more year over year." ▪ Methods of measurement are not standardized, documented, and verified as to proper execution, and they may be subject to discretionary adjustments in either in their method of execution or previously defined target (Clifford, 2017). ▪ The flow of measurement information is to management, with some measurements never being reported to anyone. ▪ No systematic procedure exists for utilizing feedback to improve performance at the business, work unit, work process, and individual contributor levels.	▪ Objective measures cascade downward from the business level to the work unit, work process, work team, and individual performer levels. Each level has observable and measurable targets that represent the performance needed at that level to realize success on the next higher-level measure. The lowest-level results are aggregated upward to register the performance of the next higher level. The business-level results represent the cumulative reporting of all its constituents. ▪ Metrics measure every promised outcome made to every constituency and include non-monetary measures such as the fidelity of business decisions and actions to the business's expressed core values. ▪ Performance standards are expressed as fully defined success criteria (anchor, measure, and a target that defines success)—e.g., "Revenue growth net of price increases and inflation should be 12% or more as measured using the following procedure ... ." ▪ Methods for measurement are standardized, documented, and reliably implemented. There are no post hoc adjustments. ▪ Measurement information flows to each contributor, work team, and unit responsible for producing what was measured and into the planning and evaluation of each component of the business. ▪ Information is provided in formats, media, and locations that enable its timely and rapid use by each worker. ▪ Each recipient analyzes the results, understands their causes, extracts learning, and recycles that learning into an improved next performance. ▪ Every employee is supported in his or her extraction of learning and using that learning to improve personal achievement.

Continued...

Exhibit 5. How Different Is a Lean Enterprise From the Typical Business? (continued)

Feature	Typical Large U.S. Enterprise	Lean Enterprise
Performance Management System	▪ Performance feedback by the supervisor of record typically occurs on an "exceptions" basis and is usually triggered by a negative occurrence. ▪ Policy dictating the development of performance plans and doing yearly performance appraisal and feedback sessions with each employee may exist. Implementing procedures may also exist, but their use is spotty, and compliance with policy is not enforced. ▪ Individual performance goals may or may not align vertically with business priorities and will rarely have objective measures that permit information-based judgments about achievement. ▪ Performance feedback is typically perception based, not evidence based. No systematic cause analysis is performed to understand the reasons for an employee's observed performance. ▪ Empirical studies show a poor relationship between objective measures of results produced by employees and the appraisal received by the same employees (Heneman, 1986).	▪ Performance is managed by each individual, work team, and work unit with support from supervisors and peers. ▪ The activity is guided by measures with targets that directly connect to business plans. It is enabled by a continuous feedback system that reports on each measure's status. ▪ Performance is analyzed to understand what enabled each person's success and what hindered the employee's still greater success. Learning is extracted and used to guide improvement. A Performance Improvement Plan (PIP) is developed. ▪ Results are leveraged within the work unit and businesswide as common findings trigger training and development activities that support multiple employees in their performance improvement efforts. ▪ The relationship between objective measures of results produced and judgments of worker performance is absolute since evaluations are wholly based on them.

Learning System	▪ Learning from performance is hindered by
	  ▪ an inadequate measurement and feedback system;
	  ▪ the absence of opportunities to reflect on observed performance, e.g., regularly occurring performance evaluations, regularly implemented process improvement events, and periodic renewal sessions;
	  ▪ the desire to avoid conflicts that new learning might trigger if implemented, such as destabilizing existing political alliances; and
	  ▪ the lack of a common systematic process for generating learning.
	▪ When a learning management system is implemented, it does not correctly distinguish between information and knowledge, nor does it document knowledge in a standard format that enables its rapid transfer and use in developing new employees.
		▪ Learning from performance is enabled by
		  ▪ an effective measurement and feedback system;
		  ▪ the presence of opportunities to reflect on observed performance, e.g., regularly occurring performance reviews, regularly implemented process improvement events, and periodic renewal sessions that extract learning from organizational performance; and
		  ▪ the use of a systematic process that analyzes information about achievement versus targets, uncovers the root causes for the status of achievement, extracts learning, and uses that learning to guide improvement.
		▪ Learning is correctly understood as knowledge, documented in a standard format, and rapidly disseminated businesswide.
		
		Continued...

Exhibit 5. How Different Is a Lean Enterprise From the Typical Business? (continued)

Feature	Typical Large U.S. Enterprise	Lean Enterprise
Other Human Resource (HRM) Enabling Systems (Selection, Training and Development, Appraisal, Promotion, Compensation, Recognition, Rewards, and Incentives)	▪ HRM systems serve the residents of the organization's C-suite as their customers. Collectively, these systems seek to advance senior management's ends by maximizing the monetary value delivered by employees while minimizing the cost of extracting that value. ▪ HRM enabling systems may or may not be documented. ▪ A profile of the basic competencies every performer requires does not exist, nor do specific competency profiles for each job family. ▪ Typically, there is no human resource plan analyzing, on a yearly basis, the business's people needs and detailing how those needs will be satisfied. ▪ Multiple bonus and incentive systems exist. Analysis will show that the most generous systems target people in high-status roles. Payouts to incumbents of these roles are triggered by financial measures. Historically, the criteria triggering these payouts have been adjusted post hoc to ensure that payout occurs when targets, as initially set, are failed (Clifford, 2017; Hilzenrath, 2008; Tse, 2009). ▪ Training and development programs are not tied to business plans and goals, nor are they tied to gaps between contributor performance and business needs. ▪ Appraisals of performance are subjective and have little relationship to the employee's objective achievement (Heneman, 1986). ▪ Promotion decisions are decided using subjective criteria and are perceived as arbitrary by most employees. ▪ Incentive and award systems are perceived as arbitrary by most employees.	▪ HRM systems are based on the understanding that the success of the individual strengthens organizational success and the success of the organization strengthens individual success. Therefore, it is in the best interest of the business to engage every employee in the business, elevate his or her capabilities and success, and fairly reward each employee's contribution to success. ▪ The business ensures that all its human resource management systems attract, develop, recognize, advance, and retain employees who are aligned, teamed, energized, capable, and pioneering in the delivery of value to customers in ways that benefit all stakeholders. ▪ A yearly human resource plan exists that details the business's people needs and how the business will fulfill those needs. ▪ All HRM enabling systems are documented, evaluated as to their delivery of benefits, and continuously improved. ▪ A profile of the basic competencies every performer requires to succeed as a contributor to the enterprise exists as well as specific competency profiles for each job family. These profiles guide the selection and development of people for their primary roles, their cross-training for other related roles, and their career development planning. ▪ Compensation, recognition, reward, and incentive systems are *role status indifferent* and triggered by measures that align with the company's public statement of its business intent and implementing strategies and the measured achievement of its goals. No post hoc adjustments are permitted. ▪ Training and development programs are linked to business plans and goals, respond to gaps between employee performance and business needs, and are subject to evaluation of their success. ▪ Appraisals of performance are based on objective measures of achievement. ▪ Promotion decisions are determined by measures that align with the public speech of the company as expressed in its statement of business intent and implementing strategies and the measured achievement of the candidates for promotion. ▪ Incentive and award systems are perceived as fairly administered by employees. *Continued...*

Exhibit 1. How Different Is a Lean Enterprise From the Typical Business? (continued)

Feature	Typical Large U.S. Enterprise	Lean Enterprise
Information Technology (IT) Systems	▪ IT systems have no single integrated information architecture[7] that defines the business-critical information that automated systems must capture, store, analyze, and share. Elements of business information are captured and stored inconsistently by different applications. ▪ Applications may overlap in the functions they support and cannot share information easily. ▪ If a best practice sharing application exists, access will be restricted, contents will not be uniform in utility or completeness, and use will be spotty.	▪ IT systems have a single integrated information architecture that represents the information critical to business decision making and problem solving and gather, store, analyze, and share information in compliance with that architecture. ▪ Applications are designed to maximize access and usability by workers and be waste free, easily maintainable, and interoperable. ▪ The capture and dissemination of new learning across the enterprise uses a standard format that fully enables the evaluation and use of the learning. The system is accessible by all employees.
Accounting System	Structure reflects an accretion of legacy accounts and measures, regulatory requirements, and an assemblage of additions and changes that reflect the preference of different leaders across the history of the business. Profit centers, as defined in the chart of accounts,[8] do not align with business entities and, within a business, the business functions that implement it. Tracking of financial activity does not allow accounting for all costs down to the work process level.	Structured in compliance with the company's business model. For example, profit centers, as defined in the chart of accounts, align with business entities. Tracking of financial activity allows accounting by each business function (value stream) down to the work process level. Financial metrics required to manage the business's performance are immediately available and employ formulas consistent with the company's business model.
Work Processes		
	▪ Almost all administrative and operating work processes are neither standardized nor documented. Where documentation exists, their formats are inconsistent, their contents are insufficient to guide performance, and their actual use is infrequent. Also, observations of the processes as implemented will find that the standards are not followed. ▪ Few processes have defined measures that clarify how well each is performing (e.g., cycle time, throughput, defect rate, value-added ratio, unit cost), and fewer still have measures that reflect how well the process is contributing to business success.	▪ All work processes in every business function are standardized and documented in a consistent format that contains the information needed to guide each process's correct implementation and improvement. These documented work standards are easily accessible to workers, continuously improved, immediately updated with each new improvement, and disseminated businesswide. ▪ Processes have measures of performance that clarify how well each process is operating with respect to the features of importance as defined by the company's business model. Measurements are regularly gathered, verified, and used to guide performance improvement.

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Exhibit 1. How Different Is a Lean Enterprise From the Typical Business? (continued)

Feature	Typical Large U.S. Enterprise	Lean Enterprise
Work Processes (cont'd)		
	▪ Processes are rarely improved with regard to their throughput, cycle time, productivity, and cost. When changes are made, they do not flow from a systematic problem-solving activity and typically respond to some bottleneck or need to cut costs. ▪ Improvement of processes, when pursued, targets cost reduction, raising revenue generation, or other goals that will elevate the business's financial performance without reference to customer values. ▪ Few, if any, processes flow continuously. Instead, processes experience bottlenecks, wait states, over production, inventory, and other forms of waste. ▪ If a process flows, it simply means that it has no bottlenecks. If its rate of output matches takt, it is totally a function of chance.	▪ Processes have documented takt times. ▪ Processes are continually improved with regard to their value-added ratio, throughput, cycle time, inventory needs, cost efficiency, repeatability, reproducibility, and robustness. Systematic problem-solving methods are used to generate improvements. Areas for improvement are targeted to accomplish the current year's business goals. Every improvement must increase value or eliminate waste as judged from the customer's perspective. ▪ Processes flow continuously at a pace that matches customer demand (takt). ▪ Processes are pulled, meaning that they are initiated only when a new demand from a customer is received.
Workplaces		
Facilities	▪ Shop areas are cleaned but not maintained in an orderly state that organizes equipment and materials to efficiently support workers in performing their jobs safely. ▪ Office areas are cleaned regularly but are not maintained in an orderly state that organizes equipment and materials to efficiently support workers in performing their jobs safely. ▪ Work areas do not display information critical to steering and achieving the work performed within the setting. ▪ Work areas have few features that support interaction among teams and team members (e.g., meeting areas, communication or signaling devices).	▪ Shop areas are cleaned regularly and maintained in an orderly state that organizes equipment and materials to efficiently support workers in performing their jobs in a waste-free and safe manner. ▪ Office areas are cleaned regularly and maintained in an orderly state that organizes equipment and materials to efficiently support workers in performing their jobs in a waste-free and safe manner. ▪ Work areas display information critical to steering, accomplishing, and improving the work performed in the setting (e.g., workflow maps; reports of operating measures, targets, and current status; inventory status). ▪ Work areas have features that support interaction among teams and team members (e.g., meeting areas, communication or signaling devices).

Continued...

Exhibit 1. How Different Is a Lean Enterprise From the Typical Business? (continued)

Feature	Typical Large U.S. Enterprise	Lean Enterprise
Equipment	▪ Equipment is not regularly monitored for its condition, and preventive maintenance procedures are not implemented. ▪ Equipment manuals and related files are missing or hard to access. ▪ Individual equipment histories, where they exist, give inadequate information to support failure analysis. ▪ Equipment maintenance staff do not work continuously to upgrade their skills, streamline and standardize maintenance activities, and reduce maintenance costs. ▪ Equipment maintenance staff are not involved in the design stages for new equipment development or purchase.	▪ Equipment monitoring and preventive maintenance procedures are documented and consistently implemented. ▪ Equipment manuals and related files are present in the work area and easily accessible. ▪ Individual equipment histories exist and support failure analysis. ▪ Equipment uptime and performance to specifications are measured consistently. ▪ Equipment maintenance teams work continuously to upgrade their skills, streamline and standardize maintenance activities, and reduce maintenance costs. ▪ Equipment maintenance staff are involved in the design stages for new equipment development or purchase.
Product or Service Offerings		
	▪ Product development is performed by a separate dedicated function. Its focus is on fielding an offering that will generate maximum financial return for the business and enhance its marketplace position relative to competitors. ▪ Offerings are decomposed into components and features for production and resourcing purposes only. ▪ Improvements to offerings will occur as required by the demands of competition and the requirements for realizing higher financial gains. These “improvements” may or may not enhance the value delivered to customers, as increasing profitability does not necessarily require that element to be included. ▪ Neither the components and features of each offering nor the stages of the customers’ buying–benefiting experience are evaluated with reference to customer values and satisfaction and continuously improved from that perspective.	▪ Each offering is conceived, developed, and tested by a cross-functional team representing all elements of the business that must market, sell, resource, produce, install, and support it. The team also designs the offering’s production value stream and ensures that both the offering and the value stream maximally satisfy customer values and minimize waste. The team includes suppliers. ▪ Each offering is decomposed logically into its components and features. These are represented in values frameworks.[9] Each framework links the features of a product or service offering with one or more customer values and the current level of customer satisfaction with how that feature is satisfying it. ▪ Once in production, each offering is continually improved with regard to its value as perceived by customers. ▪ The stages of the customers’ buying–benefiting experience are represented, evaluated with reference to customer values and satisfaction, and continuously improved using the same approach applied to the business’s offering. *Continued...*

Exhibit 5. How Different Is a Lean Enterprise From the Typical Business? (continued)

Feature	Typical Large U.S. Enterprise	Lean Enterprise
Extended Value Stream		
Customers	▪ Customers are important because they supply the business's revenue and profits. The critical question a business addresses is "How do we get prospective customers to buy what we offer at a price that is maximally profitable to us?" Efforts to answer this question will focus on solutions that require the least modification in the business as it conducts itself, as such modifications reduce profit and incur risk. Preference is given to solutions that will win more of each customer's "wallet share" at the least cost to the business and provide it the most advantage vis-à-vis its competitors. ▪ Customer feedback solicitations are implemented mostly for show. There will be no systematic process for using that feedback to alter what the business offers and how it provides it. ▪ Marketing methods will include efforts to elicit buying behavior through the manipulation of people's emotions and conditioned responses (e.g., differential responses to colors or texture). ▪ When information is gathered from customers, it will be on an intermittent basis. It will gather information the producer deems important for marketing purposes—e.g., demographic facts about customers, gross judgments of satisfaction, the customer's judgment of the producer's status versus its competitors, or the likelihood that customer will buy again from the producer. ▪ Customer information is used to shape marketing programs and not to extract waste from the business or add value to what it delivers its customers.	▪ Customers are viewed as people striving to accomplish a purpose the business desires to enable. The business exists to maximize each customer's success and value satisfaction. The purpose of maximally enabling the customer's success and value satisfaction drives business decision making. The critical question is, "What offering, with what features, provided in what manner will enable the customer's greatest level of success and delight him or her?" ▪ Customers are engaged in sharing their perspectives about their purpose, the setting within which they pursue that purpose, their needs, and their values. ▪ Customers are educated by the business's marketing efforts to make smart decisions from the customers' perspectives even if that decision leads them to choose another supplier. ▪ Customer values and satisfaction information is detailed and linked to specific features of the producer's offering and the buying–benefiting experience the producer supports. ▪ The business collects information that differentiates the status of each value as a "Must Be," "Satisfiers," or "Delighters." ▪ Customer values and satisfaction information flows through to shape the business's decision making about its new offerings, improvements to existing offerings, improvements to the customer's buying–benefiting experience, and how to increase the value-adding contribution of each business operation.
Suppliers	▪ Suppliers are seen as the source for a needed resource. The relationship with them focuses on pricing, contracting, fulfillment, and payment. ▪ Suppliers are not supported in improving their own businesses.	▪ Suppliers are seen as partners in commerce. ▪ Suppliers are informed about the end customers' values and the methods used by the business to satisfy them. ▪ Suppliers are engaged in sharing their perspectives about their tasks and needs and the challenges they face in supplying the products and services the business needs.

Continued...

Exhibit 5. How Different Is a Lean Enterprise From the Typical Business? (continued)

Feature	Typical Large U.S. Enterprise	Lean Enterprise
Suppliers (cont'd)	▪ Suppliers are not involved in providing input to business decision making. Information sought from them is limited to the supplier's offerings, costs, and terms. ▪ Suppliers may experience delayed payments without prior notice when it is to the business's short-term advantage to improve its cash-in-hand position. ▪ The business may use its purchasing power to extract price concessions from its suppliers irrespective of the consequences for the suppliers.	▪ Suppliers are provided timely information about the business's needs and timely payments for materials or services delivered. ▪ Suppliers are supported in learning and using lean thinking to improve their success as a business. ▪ Suppliers are engaged in the improvement of existing products, the development of new product development, and the elimination of waste in the acquisition, use, and final disposition of what they supply.

Footnotes to Exhibit 5

1 Refers to a company's purpose, vision, and core values. A company's business intent may be understood by studying its public speech about its intent and analyzing its conduct. Its public speech is communicated through its website, marketing materials, news releases, and annual report. Its conduct is reflected in its decision making and the actions it undertakes. These include whether its measurement system gauges the delivery of what it promises in its purpose, vision, and core values and what behaviors the criteria that trigger executive compensation actually reinforce. When discrepancies exist between a company's conduct and its public speech, you should use its conduct to decide what its actual business intent is. As U.S. District Court Judge Sidney S. Stein concluded, a business's public speech is "mere commercial puffery" (Neumann, 2013).

2 *Appendix F: Testing Speech Against Corporate Conduct* provides guidance about how to analyze business measures to uncover a company's true business intent.

3 A few examples of companies using these methods include the Archer Daniel Midland Company, Enron Corporation, Siemens AG, and Xerox Corporation.

4 See the chapters *Task 6 Solve Problems* and *Task 7 Make Decisions* for a description of biologically based, information-based, and knowledge-based approaches to problem solving and decision making.

5 See Comaford (2017), Hathi (2008), Pendall (2017), and Porath (2014).

6 See Deloitte (2018).

7 An information architecture represents the contents and relationship among the elements of information maintained in a company's automated system. Each element has a standard definition, type, format, and other specifications that ensure it is captured and stored the same way everywhere, every time.

8 A chart of accounts is the organizing schema for capturing and recording a business's financial activities. It is the accounting equivalent of an IT department's information architecture document. Its structure determines how clearly a business can understand the financial performance and effects of its component activities and resources.

9 A values framework represents the components and features of an offering or its related buying–benefiting experience. The framework for an offering solely addresses features of the product or service the business is supplying. The buying–benefiting experience framework details the activities the customer must engage in to access, acquire, prepare to use, and use an offering; maintain it in a useful state between uses; dispose of it or its byproducts; and extract benefit from it. Each framework guides you in collecting customer values and satisfaction information, helps you organize your findings, and provides a structure for storing those findings for easy access and use. See *Maintaining a Customer Values Repository* in *Task 3 Understand Customer Values*.