Introduction

The full adoption of the lean approach to commerce as described by Vitalo, Bujak, Vitalo, Bierley, and Ruffino (2023) in their book *The Lean Champion Resource Guide* 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 level of the practice. Only is this way can we reveal just how different a lean enterprise is from the typical commercial organization.

A Comparison of a Typical Business and a Lean Enterprise

Exhibit 1, below, contrasts the typical large U.S. business with described by Vitalo, Bujak, Vitalo, Bierley et al. (2023) vision of a lean enterprise of the same size. By "large," we mean businesses with revenues of approximately one billion U.S. dollars or more. The picture of the typical large U.S. business was generated by the just mentioned authors based on their more than 20 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 they 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 strategy[1])
- Structure (how business components are decomposed and organized in relation to one another)
- 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

[1] 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.

How Different Is a Lean Enterprise?

Before viewing Exhibit 1, understand that the exhibit *does not* compare “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 the purpose of this article. 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.

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

<table>
<tr><th>Feature</th><th>Typical Large U.S. Enterprise</th><th>Lean Enterprise</th></tr>
<tr>
<td>Business Intent[1]
(Footnotes appear on page 50)</td>
<td>Public Presentation
Purpose
To serve customers by producing quality products or services that benefit them while delivering extraordinary financial benefits to its shareholders.
Vision
Vary but generally address 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. Definition of values are consistent across lean and non-lean enterprises.
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 conduct internally and externally finds that it is not consistent with its publicly presented business intent and deviates even more obviously when the business encounters crises.</td>
<td>Public Presentation
Purpose
To provide its customers an ever-more value-ladened 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 provides all its stakeholders the benefits they seek.
Core Values
Identify values such as integrity, innovation, teaming, customer focus, respect for diversity, excellence in execution, and ensuring safe and environmentally friendly operations. Definition of values are consistent across lean and non-lean enterprises.
Stakeholders
Accepts as its stakeholders its customers, employees, owners, suppliers, and the communities and governments within which it operates.
Reality Test of Public Presentation
■ An analysis of the business’s key result measures will reveal that:
▪ they do assess whether 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 conduct internally and externally finds that it is consistent with its publicly presented business intent, even when the business encounters crises.
Continued...</td>
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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
Strategy		
Commercial Strategy	Employs a mix of methods to succeed commercially that include using control strategies to limit competition, exploit customer weaknesses, limit the ability of customers 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 that limits customer information or a customer's right to redress or establish protectionist government policies such as tariffs, subsidies, or special tax breaks. Another example is using one's market position or financial strength to undermine the abilities of competitors to compete (e.g., tying up competitors in lawsuits, buying them out solely to eliminate them as competitors). 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 or, in the service sector, writing contracts or license agreements in torturous 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 through excellence and fosters free marketplaces. Emphasizes perfecting business operations by making them waste free and maximally value adding as defined from the perspectives of customers. This approach uses a detailed understanding of customer values to drive all business decision making. It also analyzes the customer's industry and marketplaces to anticipate requirements the customer may encounter due to changing business conditions. As a result, the business's offerings are exquisitely designed to satisfy customer values, fit smoothly within the customer's value stream, and maximally enable the customer's success. Finally, the commitment to customers extends to creating a buying–benefiting experience that is 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. ▪ Engages, aligns, enables, and supports internal and external stakeholders in a common pursuit of 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. Decision-making authority and resource control is retained by management. Non-managerial 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 apply to every employee in a lean enterprise, from the CEO to each frontline worker, and empowers them to fulfill them. *Continued...*

Exhibit 1. 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 that address accomplishing a specific goal defined by management. Rewards are provided to those employees who support the success of their superiors and accomplish what they have been asked to do. The expressed mode of working together is to coordinate efforts, but the typical culture is one where individuals 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. It deteriorates as one moves up in job level and outside one's immediate work group. *Business Planning and Goal Setting* The key inputs to planing are the business's past year results, bonus triggers, shareholder expectations, and projected economic conditions. Planning may solicit input from lower management, but all decisions are made at the top. *Deployment of Plans and Goals* ■ Lower-level planning and goal setting is the responsibility of each function. A cascading goal model may be espoused but not rigorously implemented. The top level of managers within each department set their department goals and plans with reference to the business's goals and plan as they judge appropriate. ■ 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 have a process for turning function goals into concrete action plans (who does what, when, where, how, with what resources, and to achieve what measurable outcomes).	The responsibilities include 1. adding value as defined by customers in a manner that benefits all stakeholders, 2. measuring one's impact on value, 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. The above responsibilities recognize that the mechanisms by which employees create increasing business success is through learning better ways to realize the business's purposes and transferring that learning across the enterprise. It enables this performance by ensuring that employees are fully informed about the business and their roles, skilled in information-based problem solving and decision making, have opportunities to apply their capabilities to generate business improvements, and are empowered to do so. It also creates mechanisms to capture, share, evaluate, and act on contributor ideas and feedback and fosters teaming within work units and across work units within a business. It 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. *Business Planning and Goal Setting* Maximizes participation in policy development and the setting of goals, allocation of resources, and application of those resources to accomplish the business's aims. The planning approach uses a Hoshin Kanri methodology. It gathers ideas for improving the business horizontally at each level of the business. It integrates them and passes them upward. Each work unit within each level, generates its input by completing an analysis of its prior year's performance, extracting learning, and applying that learning to defining ways to improve *Continued...*

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

Feature	Typical Large U.S. Enterprise	Lean Enterprise
Organizational Strategy (cont'd)		business success. Using this input, as well as the results from an analysis of the business's marketplaces and any changing conditions in its customers' needs and circumstances, the businesswide leadership team defines next year's goals and plans. *Deployment of Plans and Goals* ■ The goals defined by the leadership team are passed downward. At each hand-off point, a discussion takes place to ensure alignment of purposes. Each lower level provides feedback that may modify the goals and plans they receive. Once these are commonly agreed to, the lower-level organization develops and shares how it will accomplish its contribution to goal achievement. This solution becomes the hand-off to the next lower-level team. At each level, planning is accomplished cross-functionally. As a result, goals and plans are owned communally vertically and horizontally. The deployment of the business's goals and plans is complete, consistent, and integrated at all levels. ■ A standardized process is used to transform goals into action plans. These action plans incorporate, as appropriate, the use of lean tools (e.g., Kaizen, 6S, Flow) to accomplish their purposes. ■ Each work area has visual displays educating about goals, methods, and current performance that help employees focus their efforts and evaluate their individual, work team, and work unit accomplishments daily.
Structure		
	■ Uses a mix of line, staff, and function approaches that typically fragments the business into separate parallel functions not reporting to the same authority. ■ 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 performance, not their contributions to their cross-functional team's success.	■ Organized by business within multiactivity companies. Each business integrates into a single team all the administrative, support, and operating functions required to implement the business. ■ At every level of performance, people manage from a system's perspective, always accounting for their effects on the business as a whole. *Continued ...*

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

Feature	Typical Large U.S. Enterprise	Lean Enterprise
Structure (cont'd)		
	■ Authority for decision making and control of resourcing is retained by managers. ■ Responsibility and accountability for outcomes may be delegated to lower levels.	■ Ensures that each work unit has the authority, responsibility, and accountability for its own success, the success of work units immediately below it, and the success of the business as a whole. ■ Enables 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 best advances 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 biological approaches to problem solving and decision making ("gut feel," "what we have done in the past," "what the boss expects"),[4] not information- or knowledge-based approaches. ■ 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 contribution to business success. ■ All strive for perfection by continuously promoting, facilitating, developing, 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 improve the work processes for which they are responsible. ■ Managerial improvement efforts flow from problem-solving activities and always include follow-up to ensure use, measurement of results, and accounting for cost and benefits delivered. ■ 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 their personal success. *Continued...*

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

Feature	Typical Large U.S. Enterprise	Lean Enterprise
Non-Management 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 non-management employees are unfamiliar with the business's marketplace and organizational strategy, current business plan and goals, key performance indicators, and its 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 non-management employees distrust management's honesty when management communicates with them and see management as focused only on profits.[5] ▪ Approximately half of all non-management 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 percent] and that business leaders are committed to helping improve society [47 percent]. 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 1. 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 for measurement are not standardized, documented, and verified and may be subject to discretionary adjustments either in method used 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 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 a 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, method of measurement, and target for 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 1. 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 status on measures. ■ Performance is analyzed to understand what enabled each person's success and what hindered the employees still greater success. Learning is extracted and used to guide improvement. A Performance Improvement Plan 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, ▪ 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 ▪ 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 the periodic renewal sessions that extract learning from organizational performance, and ▪ the use of a systematic process that analyzes information about achievement versus targets, uncovers its root causes for the status of achievement made, extracts learning, and uses that learning to guide improvement. ■ Learning is correctly understood as knowledge and documented in a standard format and rapidly disseminated businesswide.

Continued...

Exhibit 1. 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 people needs of the business 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; and 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. ■ 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, rewards, and incentives systems are *role status indifferent* and triggered 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 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 as to 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 automated systems must capture, store, analyze, and share. Elements of business information are captured and stored inconsistently by different applications. ■ Applications may overlap in function and will not be able to 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 business's model. For example, profit centers, as defined in the chart of accounts, align with business entities. Tracking of financial activity allows accounting by business function (value stream) down to the work process level within each business. Financial metrics required to manage the business's performance are immediately available and employ formulas consistent with the business's model.
Work Processes		
	■ Almost all administrative and operating work processes are neither standardized nor documented. Where documentation exists, their formats are inconsistent, their contents 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 process in every business function are standardized, documented in a consistent format that contains all the information needed to guide each process's correct implementation and improvement. These 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 company's business model. Measurements are regularly gathered, verified, and use 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
	▪ 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 will simply mean that it has no bottlenecks. If its rate of output matches takt, it will be 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 perspective of the customer. ▪ 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 in a safe manner. ▪ 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 in a safe manner. ▪ 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 is 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 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 1. 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 least cost and most advantage the business 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/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," "satisfier," or "deligther." ▪ 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, needs, and the challenges they face in supplying the products and services the business needs.

Continued...

Exhibit 1. 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 supplier.	■ Suppliers are provided timely information about the business's usage and anticipated needs and timely payments for materials or serviced delivered. ■ Suppliers are supported in learning and using lean thinking to improve their success as a business. ■ Suppliers are engaged in new product development and improvement and in eliminating waste in the acquisition, use, and final disposition of what they supply.

Footnotes to Exhibit 1

[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 by 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; whether its measurement system gauges the achievement of what it promises in its purpose, vision, and core values; and the criteria that trigger management bonuses and whether those criteria are fully consistent with its expressed business intent. 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] *Step 9.2 Align Measures with the Business's Strategic Intent* 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 *Task 6 Solve Problems* and *Task 7 Make Decisions* for a description of biological, 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, typing, format, and other specification 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 finding for easy access and use. See *Maintaining a Customer Values Repository* in *Task 3 Understand Customer Values*.

References

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