



McKinsey&Company

# Lean management enterprise: Becoming the best imaginable

Moving towards your vision



# You can see where your organization could go....?

“named the **most sought-after employer** in the industry”

“successfully **launched more new products** this quarter than in the three previous quarters combined”

“increased **retention of top salespeople** by 15 percent”

“unveiled an **all-new digital offering** whose mobile app became the top financial-services download”





**“increased revenues** even after the bankruptcy of its largest customer meant it **lost an estimated 18 percent of its sales”**

**“improved companywide cost efficiency** led to a long-awaited restoration of its **A+ rating”**

**“building on its reputation** for simplicity and ease of use, the new product took **18 percent of the market** in its first year”

**“reduced patient wait times 35 percent”**

**“ranked first in customer experience** for the first time across **all three of its major business lines”**

**“smoothly integrated an acquisition that doubled the size** of its leading business”

**“rocketed up the survey results to become one of the 10 most valuable brands”**



# You're making big investments...

“announced a series of initiatives designed to **accelerate innovation and new-product development**”

“launched a three-year **IT platform renewal and digitization** effort”

“started a **cost-efficiency program** that led analysts to raise their profit estimates for the year by half a point”

Transforming an organization is always a huge bet, against long odds.

The reason is simple: real transformation requires more than most organizations realize. We describe individual people as transformed if they transform how they behave. The same is true for organizations, whose “behavior” is, fundamentally, management. An organization is therefore transformed only if it transforms how it manages.

Few do. As a result, the changes eventually fade—often sooner rather than later, and no matter how much time and effort they may have cost.

Organizations can, however, reverse the odds and become the best imaginable. Reaching those heights

is possible only by changing much more than a process or function. It begins with a much deeper sense of what the organization wants to see:

- People who are fully engaged in their work
- Managers who are able to lead and develop their teams
- Teams who can respond flexibly as the business changes each day
- Businesses that can anticipate what customers will value and deliver exactly that.

Making this ideal an everyday reality means returning to first principles—to the disciplines that reinforce a thoughtful approach to management, taming the complexity that drains energy from the organization.





# ...could you raise the odds of their success?

“**rushed launches** of recent products **omitted crucial features**, resulting in 30 percent loss of **market share**”

“disclosed **another 9-month delay in its automation program**, which is rumored to be 60 percent over budget and only 40 percent complete”

“**former employees** report a **bottom-line focus** so intense that they spent **more time on budget planning than on their ‘day jobs’**”

It means **linking the organization’s vision to actions** that people take as part of their work, building a common purpose toward common goals across the entire enterprise.

It means **developing people** with the expectation that everyone, throughout the organization, should have the opportunity to contribute to the best of their abilities.

It means **seeing problems as irreplaceable opportunities to make the business stronger**, and solving problems by addressing their deepest causes.

Finally, it means **creating new ways to understand customers and meet their needs** with the fewest resources possible.

Together, these disciplines allow organizations to focus on what really matters. Leaders can focus on leading. Managers can focus on managing. Workers can focus on their real work.

Our role is to serve as a guide and interpreter, helping the organization immerse itself in a new language of management: new skills and habits of mind, reinforced by practices and tools that make change tangible. As the organization learns, the guidance changes, until the enterprise is able to improve itself on its own—and not just once, but continually as its business needs to.

The language the organization learns is the lean management system.



# Becoming easier to work with – and for

## A digital helping hand for new clients

A large European bank's biggest concern centered on its commercial business, particularly the process of bringing new customers on board. Although clients praised the bank's security and institutional reach, they also said it was "hard to work with" and "inflexible," requiring too many forms that they could not understand. Company treasurers hoping for a quick start in managing their organization's assets instead reported slow, even "painful" processes while lost opportunities accumulated.

While some degree of complexity was inevitable given regulatory constraints, the bank recognized that many of the problems originated from its own systems – some of them which were outdated and heavily manual. But rather than immediately digitize, it completely reexamined the entire onboarding process from top to bottom, looking for redundancies and communication gaps that a fresh start could eliminate. And at each step, it listened closely to how clients said they felt about the process.

That listening led the bank to assign new clients a single point of contact who would help lead them through the first few days and weeks. Overlapping forms were combined into a single digital portal so that the clients could input all of the required information just once, rather than multiple times for different purposes. A limited investment in new technology allowed bank representatives to walk clients through the new processes via remote connections to the client's own computers. The learning environment was not just realistic, but real.

Within the first year, client satisfaction increased by more than 10 percent. The net economic impact—revenue increases and cost decreases—combined to more than €5 million. And employee engagement rose by more than 15 percent, as relationship managers and specialist personnel alike reported that they felt better able to exceed their clients' expectations.





# Learning to act on what customers want

**“Why should picking up a rental car at the airport have to take so long?”**

That was the question too many customers were asking of one of the largest rental-car agencies—even after it had invested years of effort on performance improvement. Just one slip-up at any point from the rental counter to the exit gate would be enough to cause a delay. And that was happening too often.

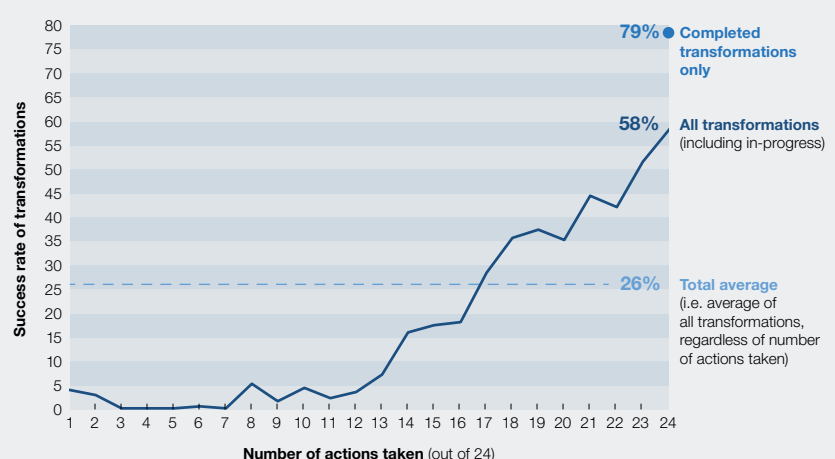
The problem was that no one person at the company was responsible for making sure that the whole process went smoothly. Instead, each of the functions involved—marketing and sales, IT, customer service, shuttle buses, car cleaners, security personnel at exit gates—focused only on its own performance. Even when everyone tried their best, small miscommunications led to big breakdowns.

The solution required the groups to start collaborating, something they had rarely done in the past. Breaking down internal barriers allowed the company to shift its goal from having the most available cars—a figure that only indirectly served customers—to one that reflected what customers really cared about: the right car for them at the right time. The company provided more options for choosing vehicles and managing reservations, such as new mobile-device applications and innovative kiosks that reduced waiting times while still connecting customers with live agents.

As these changes took hold, customer-service scores rose—doubling in some locations—while revenue increased and cost-to-serve fell.

## More is more

In a late 2014 survey on corporate transformation, we asked 1,700 executives about 24 actions organizations can take (ranging from alignment on transformation goals to role-modeling of new behaviors), which change how people work. Rather than yield a list of priorities, though, the results showed that sustained success correlated most closely to the number of actions taken. The more actions, the better the results.





# A partner along the way

For the past 20 years, we have helped organizations around the world transform themselves. The people who will help you include executives with decades of industry experience and leading experts in every functional specialty, from call-center design and procurement analytics to organizational behavior and IT integration.



**Kweilin Ellingrud** | Principal, Minneapolis

The leader of McKinsey's Minneapolis office, Kweilin Ellingrud has spent more than a decade working with senior leadership teams on topics ranging from operations to strategy, primarily in financial services. Her focus is on technology enablement in business processes, contact-center operations, and related customer-experience fields.



**Ron Fardell** | Senior Expert, Detroit

Ron Fardell has more than 25 years of experience in operations, strategy, industrial engineering, and continuous improvement, with certification as a Lean Institute Sensei and as a Six Sigma black belt. His expertise aided three organizations in winning the Shingo Prize for Operational Excellence, including the first enterprise-level gold medal to be awarded. He has organized and conducted more than 100 enterprise-, site-, and department-level lean assessments in industries from automotive and aerospace & defense to insurance and banking.



**Valerie Moyeses** | Senior Expert, Munich

For the past 15 years, Valerie Moyeses has helped institutions in the insurance, electric power, natural gas, and banking sectors generate powerful customer insights and achieve new levels of performance throughout the organization. She helps leaders design the management systems and cultural changes that lead to continuous improvement, year after year.



It's a commitment. But you won't be starting anew, because you will build on what your organization has already done.

And you won't be depending on others, because you will be enabling your people to keep building on their own.



**Francisco Ortega** | Director, Buenos Aires

With more than dozen years of experience in leading lean-management transformations throughout Latin America, Francisco Ortega, leader of McKinsey's Buenos Aires office, specializes in serving the financial-services industry. His expertise extends from reimagining customer experience in branch networks to redefining customer experience across entire institutions, from credit cards to corporate banking.



**Ruben Schaubroeck** | Principal, Antwerp

Ruben Schaubroeck leads McKinsey's Business Technology Office in Benelux, with a practice centered on helping telecommunications, public-sector, and financial-services clients execute end-to-end IT strategies that break through internal barriers and increase enterprise-wide collaboration. He recently supported a fiber-to-the-home deployment project for a telecom company and a digital-enterprise transformation for a retail bank.



**Joydeep Sengupta** | Director, Dubai

As the leader of the McKinsey Implementation hub in the Middle East, Joydeep Sengupta uses his 20 years of experience financial services, telecommunications, and manufacturing to help transform the business and operational performance of organizations across sectors. Examples of his work include the design and creation of a world-class operations company; and overhauling the digital platform for one of the world's largest sovereign wealth funds.

**We understand day-to-day challenges, whether at the front line, the management level, or the executive suite. We help build a complete support structure of resources and skills that help people transform how they work each day.**





# Management transformation

## **“Go and See” programs**

To experience firsthand the impact that the lean management system can achieve, consider joining us in visiting one of the organizations that is already making it happen. Ranging from banks and insurers to logistics providers and utilities, host institutions on four continents give an intense, one-day overview of their operations, which may be combined with workshop, academy, and certification programs for additional capability building.

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## **Operational Excellence Index**

Through an intensive one- to three-day review of their management practices, organizations develop lasting insights about their potential for operational excellence, along with practical ideas for raising performance and strengthening a culture of continuous improvement.

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## **Client Learning**

A variety of learning methods integrate years of research insights, turning them into tailored curricula. Using the latest digital and immersive technologies, clients translate what they learn into daily business practices for lasting performance improvement. Programs include the McKinsey Academy for senior professionals and leadership teams, the McKinsey Capability Centers’ hands-on model factory experiences, targeted McKinsey Leadership Development programs such as Centered Leadership or the Change Leaders Forum, and online professional development options such as the McKinsey Capability Building Assessment—Leadership evaluation.

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## **Digital Labs**

McKinsey Digital Labs combines strategic thinking and technology expertise to help clients separate digital opportunity from hype, while building capabilities across the organization. Designing business prototypes proves that opportunities are real, and orchestrating delivery to ensure that technology investment translates into business outcomes.





## Implementation

Implementation experts work on-site with clients to help them move beyond recommendations and pilots to achieve long-term improvement and measurable, bottom-line results. Rigorous and supportive coaching helps strengthen and align leadership, transform processes, optimize management practices, and enable the client organization to develop a new way of working.

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## Solutions

McKinsey Solutions are combinations of specialized data, software, and expertise that channel McKinsey knowledge and provide a clear view of complex problems. More than 20 solutions provide insights in fields ranging from organizational health, transformational change, and corporate performance through to mining operations and insurance asset-allocation decisions.

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## Analytics

To help organizations turn data into actionable insights and improved performance, McKinsey Analytics identifies the highest-value opportunities, sources the most relevant internal and external data, applies world-class analytics and modeling, and drives enterprise-wide adoption.

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## Recovery & Transformation Services (RTS)

RTS helps distressed companies and underperforming business units drive rapid and dramatic performance improvement, from acute crisis management through to long-term recovery.



# Getting better happens naturally

“We started our journey in 2007. In the first year, we increased our lending capacity by about 40 percent without adding personnel. Since then we keep finding ways to serve more clients. We now realize that we aren’t finished, and probably never will be. Moreover, we don’t want to be, because then we might stop improving.”

– *Retired CEO, North American lender*

“Across the organization, we feel a confidence that was missing before. People know that they can finally rely on our processes – they don’t have to waste their time triple-checking to make sure other departments get their work done. Instead, they can focus on doing more of their own work, and finding new ways to serve customers.”

– *Division head, European insurer*

“Our clients now know exactly what we’re doing for them at any given point in time. It gives them a much stronger sense of control, and makes the whole relationship much more collaborative.”

– *Senior partner, professional-services firm*

“There’s a remarkable freedom that comes from knowing that as a leader, you can easily see what is happening everywhere in the organization – right now. That lets us as a leadership team use our time and energy on the strategic questions that matter, rather than on trying to collate three-month-old data just to get an idea of how we’re doing.”

– *CFO, global insurer*

“As a public agency, we’re under extraordinary pressure to use resources carefully. It’s a huge victory for us to be able to say that we’re serving far more people, far more quickly, but at the same standard of accuracy and with the same staffing levels.”

– *senior civil servant, European government*

“We’re to a point now where we continually reassess how the management system is doing – is it still meeting our needs? How should it evolve? We’re finding new ways to integrate the organization together more closely, so that even our contractors are speaking the same management language.”

– *COO, financial data company*



# Published work

## Compendiums

**The Lean Management Enterprise:** A system for daily progress, meaningful purpose, and lasting value (McKinsey & Company 2014).  
Winner, Shingo Research and Professional Publication Award

**Lean Management:** New frontiers for financial institutions (McKinsey & Company 2011).

**Banking on Lean**  
(McKinsey & Company 2008).

## Articles (selected)

**“A new order for law”**  
Alex D’Amico and Christian Johnson  
McKinsey Insights & Publications, August 2015, [www.mckinsey.com](http://www.mckinsey.com)

**“How to beat the transformation odds”**  
David Jacquemont, Dana Maor, and Angelika Reich  
McKinsey Insights & Publications, April 2015, [www.mckinsey.com](http://www.mckinsey.com)

**“Building a culture of continuous improvement in insurance”**  
Alex D’Amico, Zachary Surak, and Alex Singla  
McKinsey Insights & Publications, April 2015, [www.mckinsey.com](http://www.mckinsey.com)

**“Bringing out the best in people”**  
Stefan de Raedemaeker, Javier Feijoo, and David Jacquemont  
McKinsey Insights & Publications, January 2015, [www.mckinsey.com](http://www.mckinsey.com)

**“Next frontiers for lean”**  
Ewan Duncan and Ron Ritter  
McKinsey Quarterly, February 2014, [www.mckinsey.com](http://www.mckinsey.com)

**“(Still) learning from Toyota”**  
Deryl Sturdevant  
McKinsey Quarterly, February 2014, [www.mckinsey.com](http://www.mckinsey.com)

**“When Toyota met e-commerce: Lean at Amazon”**  
Marc Onetto  
McKinsey Quarterly, February 2014, [www.mckinsey.com](http://www.mckinsey.com)



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