Building on more than a decade of experience in serving organizations that have dramatically transformed themselves, The Lean Management Enterprise: A system for daily progress, meaningful purpose, and lasting value considers how organizations will fare now that more of their competitors may be starting to hear about—and use—the management principles once known as “lean manufacturing.” This collection of articles and interviews constitutes the third in a series that began in 2008 with Banking on Lean. That compendium articulated how lean ideas could be adapted to challenging financial-services environments where, for example, the work is difficult to monitor, employees are uniquely skilled, and products are highly tailored. The hope was that by showing lean’s potential for service-sector organizations, we could inspire executives to embark on a lean journey.

A second compendium, Lean Management: New frontiers for financial institutions, followed in 2011 and reflected the many advances organizations had made over the intervening three years. Most important, leaders were recognizing how much more a transformation could achieve when it unleashed the potential of each individual, reinforcing management skills and unlocking employees’ problem-solving capabilities. To underscore this point, we began using the term “lean management.” And we explained that success rests on building from a small, isolated success story until it reaches the entire enterprise, including functions that once seemed too difficult to transform, such as IT, product development, finance, marketing and sales, and communications.

Since then, it has become increasingly clear that the most successful services organizations—whether in finance, telecommunications, or the public sector—are those that deeply commit to the disciplines of lean management. They are the ones with the flexibility to respond to changing market demands and deliver what customers value as efficiently as possible. They are the ones whose employees are contributing to their fullest potential. They are the ones where everyone from the front line to the CEO knows how to see problems, solve them, and push the organization to improve. And they are the ones with the greatest sense of purpose, so that their people understand where the top team wants to take the company and how they can help get there. Together, these elements must manifest in organizational systems, with people and processes all working together for the same purpose, from the CEO to the front line.

In this compendium, we have included ten interviews with executives representing banking, business services, insurance, telecommunications,
and public-sector institutions, in addition to seven articles on topics that will help organizations arrive at a new level of performance that comes from embedding lean principles and practices throughout their enterprises. If you are relatively new to the concepts of lean management, we suggest you start with the introduction on page 8 followed by the chapter introductions on pages 16, 66, 104, and 130. These will give a full overview of how to think about lean management, so that you can get the most out of the articles and interviews.

If you are a CEO or member of the C-suite, we hope you will pay special attention to the final section, “Connecting strategy, goals, and meaningful purpose,” and to the interviews with your peers, which appear in every section. For example, Marv Adams, COO of TD Ameritrade, shares insights from his three decades of applying lean-management principles to help rid large organizations of “valueless complexity.” Yves Poullet, CEO of Euroclear Bank, describes how lean management has helped him achieve his strategic objectives. And Martin Lippert, former COO of TDC, a Danish telecommunications company, notes that he started with lean management with little inkling of the tremendous impact it would have on customers and employees.

To bring lean management to life, we have started each section with the story of Mary, a typical midlevel manager in a fictional company. We will use her story to illustrate how different it feels to work in a company that has embedded the lean-management system.

We hope you will enjoy reading this latest compendium. If you have comments or questions for the authors, or if you would like an opportunity to visit a company that has implemented the lean-management system, please note the list of contacts at the back.

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Principal
On behalf of McKinsey’s global leadership team for lean management
In late October 2012, an unprecedented storm struck the East Coast of the United States, paralyzing transport networks and bringing normal city life to an abrupt halt. The New York Stock Exchange had its first unplanned closure since 1888. Many employees were unable to get to work, and companies struggled to keep their businesses running with a skeleton staff.

A crisis like this represents a test for an organization. How do you cope with customer demand when half your employees can’t leave their homes and the other half are battling against widespread disruption and damage? People at one company talked about their experiences:

“Everyone was trying to help everyone else. We were all working toward the same goal.”

“I felt a sense of belonging.”

“Our vice president came and sat down with us to take customer calls.”

“The walls in the organization disappeared.”

“We trusted each other to do our best.”

Similar stories arise in almost every organization during natural disasters or other events (epidemics, data-center failures, public-transit strikes) that substantially disrupt customers or the workplace. Adversity, it seems, encourages people to do their best work and band together in pursuit of a common cause. What could companies accomplish if only they could find a way to replicate this effect (without the stress) under normal circumstances?

Organizations that follow lean-management principles and practices are able to create similar conditions in their ordinary day-to-day business. They operate seamlessly across functions and departments while building a culture of mutual respect, collaboration, and shared purpose. They are adept at renewing themselves, continuously improving their operations, and getting people to bring their best to work. In fact, lean management could be described as a mechanism for codifying the good practices that arise under pressure.

Codifying lean management results in the creation of a rich and integrated set of tools and practices that help guide how people work on a day-to-day basis. Accordingly, each of the four sections of this compendium will open with an example of how Mary, the head of claims processing for an insurer, follows the disciplines of lean management in the course of meeting daily challenges.