

## Where to start

### You have enough resources

Apply some basic lean principles to identify the waste and complexity in the organization, and free up the people and space you need to pursue the next big thing.

### Foster a creative culture

Build off the empowerment and enthusiasm generated with Lean. Balance efficiency with creativity – empower the wing-nut with the off-beat ideas in your Friday morning meeting.

### Fail early and often

One of the easiest ways for innovations to derail is failing to identify the target customer. Get models, prototypes, simulations and other demonstrations in their hands early to hone in on their sense of value.

#### Learn more about Lean Innovation

An interactive one-day Leadership program focused on leading and supporting product and service innovation.

## Driving Innovation in a Lean Environment

For more information or to register for this Program, call 1.888.393.2338 or email [execed@business.queensu.ca](mailto:execed@business.queensu.ca)

# Lean Innovation



**Barry Cross**

Lecturer, Operations Management and Technology - Queen's School of Business  
[bcross@business.queensu.ca](mailto:bcross@business.queensu.ca)

In the Spring of 2008, as oil prices were climbing above \$130 per barrel, the Chairman of OPEC was in the press, stating that oil prices are 'abnormally high', and that OPEC was prepared to do everything possible to bring them to normal levels<sup>1</sup>. Given the access to easy oil that those oil producing countries enjoy, that seems like an odd position. Yet deeper analysis helps us understand that OPEC was justifiably concerned that if society got serious about it, we could begin converting our reliance on oil consumption to something more sustainable (and less profitable for them).

At the same time, T. Boone Pickens, the Texas-based oil billionaire, committed millions of dollars of his own money towards investigating the use of natural gas as a long-term oil substitute. Robert Brusca, a well-known independent Wall Street economist, commented that society would not be able to sustain itself in the manner to which it had become accustomed should oil prices remain high. Many other politicians, celebrities and experts commented at the time that we need to do something.

Few initiatives got real traction and attention. Oil prices returned to 'normal' levels. Hummer drivers stopped being abused in parking lots. No one cared that Leonardo di Caprio had sold his SUV for a Prius. While we all believe that oil prices will go up again, the concern has been back-burnered for most of us.

### Why?

Essentially, our culture wasn't ready to pursue the effort associated with the necessary innovation to get us there. Maybe another shock is required, maybe time will get us there. But right now, we aren't ready.

If we look at our organizations in the same light, do we have that innovative spirit necessary to make the next steps in our business? Can we stand still and survive? Generally, the answer is no. Dozens of innovation books and articles hitting the presses every year, and we consume them all looking for that spark or magic bullet. Our company does well, but how do we lock in on what's next?

That's where Lean comes in. Typically thought of as a means of cost-cutting, head count reduction in organizations less familiar with Lean, it can be one of the most powerful tools we have in shifting the culture of our organization, and freeing up the necessary resources to pursue the ideas written on the white board.

I'm not a fan of 'processes' for Innovation (e.g. "7 Easy Steps..."), but I am a firm believer in establishing an effective culture, and seeing what happens next. Lean can do that. A recent survey of Fortune 500 executives indicated that their top barriers to innovation were a lack of resources and short-term thinking. A different survey by Bain and Co. illustrates that management believes their businesses are too complex. Tie in the fact that most of us don't understand all the offerings at, say, our bank or perhaps the local Starbucks, and you have an environment ripe for Lean. Lean eliminates the waste in our business, frees up resources, and empowers employees to drive the business.

### **Eat what you kill.**

As we lean the business, enthusiasm is generated, ideas start to surface, and we recognize that there are opportunities here we didn't realize existed. Those opportunities were buried behind the time and effort required to manage the 'stuff' in our business no one cared about.

This is where Lean and Innovation come together. They seem like odd bedfellows, but we are looking for some simple, but fundamental changes to our business that allow us to pursue those blue oceans out there<sup>2</sup>. What can we eliminate that people don't want, so that we have the resources to develop what they really want to pay for (even if they don't know it yet)?

There are some very successful companies that have done just that: On the service side, there are great examples such as Cirque du Soleil, Netflix (and Zip.ca in Canada, in the on-line DVD rental business), Saunders Farms near Ottawa, and Accor Hotels Formule 1 budget hotel chain in Europe.

Netflix re-shaped the movie-night experience in millions of households and has forced Blockbuster to the brink. Netflix eliminated the bricks and mortar associated with the movie

store and created an on-line experience that gives the consumer greater selection, better advice and 'all-in' pricing in the form of a monthly subscription. Movies arrive at your doorstep by mail, and you return the movie whenever you are done with it without worrying about late fees.

Cirque created an entire entertainment segment that didn't exist previously. Formule 1 is now as large as their next 5 largest competitors in the European budget hotel business combined. Saunders Farm used 100 acres to create Agri-tourism near Ottawa that now draws tens of thousands of guests every year. These organizations created fundamentally new businesses by focusing on leaning out what people didn't want and developing new ideas that really excited the market.

Once an organization has the culture right, we look at generating and capturing ideas, refining those ideas and then understanding what it will take to bring the concepts to life. This isn't a process so much as a framework, but it starts with the corner office. What do we talk about? What do we reward? Within the organization, facilitate new benchmarks, or shut off e-mail for two hours a week. Say between 2 and 4pm on Wednesdays, you aren't expected to respond to e-mail. How much more productive and creative could you be during that time?

The first steps are easy.

### **Where to Start**

You have enough resources – Apply some basic lean principles to identify the waste and complexity in the organization, and free up the people and space you need to pursue the next big thing.

Foster a creative culture – Build off the empowerment and enthusiasm generated with Lean. Balance efficiency with creativity – empower the wing-nut with the off-beat ideas in your Friday morning meeting.

Fail early and often – One of the easiest ways for innovations to derail is failing to identify the target customer. Get models, prototypes, simulations and other demonstrations in their hands early to hone in on their sense of value.

# Driving Innovation FAQs –

My Organization continues to ‘watch our beltline’ after the recent economic challenges. Can we still be innovative?

Absolutely, for two reasons. First, this may be one of the best times to be pursuing an innovation agenda. Many companies are justifiably cautious right now, which may delay investments and activities associated with innovative products or services. Those of us who are active in innovation at this time are more easily differentiated. Secondly, our approach here is applying Lean to support the resources requirements and drive the right culture that facilitates innovation, regardless of the economy.

---

We've tried lean initiatives and they fall as a priority when something explodes or the "next big thing" comes along. How do leading organizations keep it on the radar? What's a reasonable timeline to expect to see results?

Typically Lean (or any organization-wide initiative) fails by going tactical too early, without the proper supporting culture and executive enthusiasm behind it. As well, it's often perceived as a cost-cutting tool, with related head-count reductions, departmental cuts, etc. It's a challenge for most employees to get behind that type of activity. When organizations recognize this as a philosophy and way of life that is applicable in good times and in bad, and really understand it, it sticks. When it comes time to start applying Lean, we look at the broader picture first, and adjust perceptions a bit, well in advance of looking for waste in a particular process. Still, in most situations, we can start to see results in days or weeks. Morale goes up, people are engaged, enthusiastic. That tends to keep it on the radar.

---

I'm not the boss. Lean seems like something that has to come from the top down. How can middle managers take steps in the lean direction?

You're right. Organizationally, this needs to come from the top. Lean needs to be part of the culture, and culture is driven by the behaviour of leadership. If this is new to your company, and leadership hasn't quite bought in yet, a great opportunity would be a 5S (Sort, Straighten, Shine, Standardize and Sustain) exercise on the area around your department. Take pictures before and after and then take the Boss on a tour through the area. People will be amazed at the new look, the space freed up and how much easier it is to function. Be prepared, however, for other areas of the company to ask for your help running a 5S in their area! It's contagious. What we do with that freed up space comes up when we look at innovation.

## My industry isn't really perceived as innovative. Is there something here for me?

Yes, and industries like yours may enjoy the biggest payoff. What we really focus on is value – what does the customer want (even if they don't know it yet)? So, what are we doing that the customer isn't interested in? (Where are we wasting our time?) How do we identify what they really want? How do we generate ideas, capture those ideas, refine and implement them? Industries that are a bit quieter and not thought of as innovative may exist happily like that because customers don't expect much. What do you think will happen when you start raising the bar?

---

## Are there any best practice examples of companies that leveraged their lean efforts for more business? The same way people tout their "green" factor, is anyone touting their "lean?"

Lean is still pretty widely misunderstood, or is perhaps thought of as a bit sleepy, so it isn't often that companies broadcast it as a core strategy. Still, very well known companies have quietly or publically integrated Lean into their fabric by itself or in combination with 6-Sigma. General Electric, Motorola, Honda, Toyota are all examples. I've worked with other organizations who really take the time to understand Lean, and make it a way of life to the point where they put their Lean Vision on the back of company business cards.

There was a recent survey done of top-level executives that asked what the largest barriers were to innovation in their companies. They answered a short-term focus and a lack of resources. Lean addresses those issues.