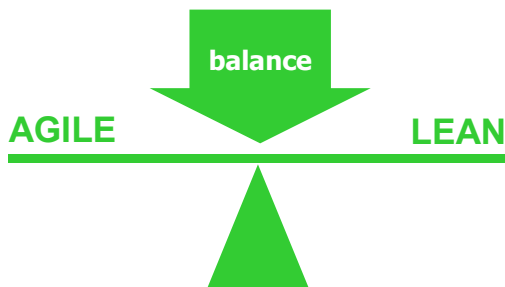




... lean AND marketing

On first reading, it is easy to assume that "lean thinking" is short-term survivalism and the enemy of personal development, research, business development and marketing. grasp wants to debunk this myth, explaining in this article how a balance should be sought between agility and leanness. We review each of the principles of lean thinking and show how marketing has a vital role to play in genuine lean thinking.

"Lean Thinking" = Originally created by Toyota over a 20 year period to compete with US car manufacturing operations. The principles of lean are often now applied to service businesses and office environments. Frequently claimed benefits include: reduced defects, reduced inventory and improved service level.

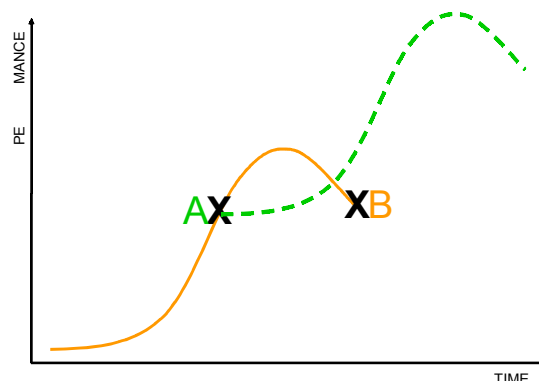


A wave of restructuring is hitting UK food manufacturing. Senior management changes and plant closures are sending out the message that cost reduction reigns supreme. **BUT being lean, being cut down to the bone carries a risk:** the reliance on continually wringing efficiencies from the same market.

Market sectors with a high degree of rivalry – like UK food manufacturing – rarely look agile, more often reacting to competitor activity, following trends and defending positions. **Being agile, being resource-heavy carries a cost:** a drain on cash flow that many business models seem unable to bear any longer.

"Agility" = Using market knowledge and elements of a virtual organisation to exploit profitable opportunities in changing marketspaces.

Without being agile though, businesses run the risk of forfeiting the future to more long-sighted competitors ... organisations who may well not be competitors today! As with Charles Handy's sigmoid curves (right): businesses need to innovate (point "A") and develop new profit & revenue streams before it is too late (point "B").



Cutting costs is often an unfortunate necessity, but cutting costs AND surrendering a good chance of a better future is unforgivable.

"In the U.S. and overseas, companies have increasingly turned to cost-cutting programs to increase shareholder value. But lean manufacturing, Six Sigma and outsourcing don't do much to create top-line growth. They only improve the bottom line. While operational efficiency may temporarily increase profits, it does not provide a strategy for long-term growth."
(Flentov, 2004)

So, how do we create sustainable competitive advantage? **It is crucial to note that agility and leanness are NOT mutually exclusive** ... With balance between the two, genuine long-term leanness can be delivered (didn't Toyota display significant agility when launching their premium Lexus brand whilst still pioneering lean thinking!?).

... grasping the 5 principles of lean thinking

1. **SPECIFY VALUE** – Value can be defined from customer through to end user perspectives. We must take out cost that adds no value (ie "waste") once we know what it is from research. **We must also look for things that cost us little but appeal to customers/consumers, through research and creative foresight.** We must dig deep enough in our research to challenge assumption and reveal intangible value. Creative foresight should allow us to challenge what research reveals currently adds value ... can we intervene to add value in new ways?
2. **IDENTIFY THE VALUE STREAM** – An iterative process of employee communication, bespoke research, and innovation workshops can help identify the business processes that will continue to add value. Consideration should be given to:
 - **Each and every product** ... and their components
 - **Every business function** ... marketing as well as operations
 - **The upstream supply chain** ... supplier development (incl marketing suppliers) has a big role to play, and can actually help a lean business appear more attractive to suppliers.

Marketing must help create compelling two-way employee communication programmes, regularly reinvigorate research on the value stream, and discuss changes in business processes. Businesses must not fall into the trap of assuming that value in customer terms does not

change over time. In many sectors customer segmentation, relationship building and dialogue will reveal a growing trend for more individualistic definitions of value.

3. **FLOW** – Value creating activities should follow one another smoothly. Flexibility within all functions becomes critical to allowing flow to happen:
 - **Redesign work** ... to eliminate stoppages; make resources scaleable where possible
 - **Ignore traditional boundaries** ... between jobs, functions and organisations; focus on maintaining sustainable momentum.

Flexibility must be built into marketing teams to allow expansion/contraction of resources and marketing staff must be confident and equipped to progress projects beyond the boundaries of the function. As a function that should always be at the forefront of change, marketing must be at least as flexible as any other function.

4. **PULL** – Generate absolute understanding of the customer to **enable resources to be allocated (“pulled down”) upon customer request.** This can eliminate stock holding and reduce waiting times. This has **clear implications for the dynamic modelling of demand; a shared responsibility of sales, marketing and planning functions.**
5. **PERFECTION** – As category or sector champions, businesses should be “competing against perfection” at every level of their offering ... this perfection must be sought in the upstream supply chain, in management offices, in customers, and by end-users: not just in isolated factories. **Marketing must also be prepared to speak against the bulk of opinion when necessary to champion the centring of lean principles upon the customer.**

Summary

Lean thinking does not mean “cut the marketing budget” no more than it means “cut the training budget”, BUT:

“marketing scholars and executives should understand the origins of and principles of lean thinking and ... prepare [to adopt] elements of lean enterprise.” (Piercy & Morgan, 1997).

Switches can be made between leanness and agility within businesses’ operational value chains (often referred to as “de-coupling points”) but also between business functions, and over time. Marketing is indispensable to lean in:

- The provision of customer research and creative foresight
- Fostering a holistic understanding of a business' position in a value chain
- Creating flow by being at least as flexible as any other function
- Being a key partner in dynamically modelling demand
- Consistently championing the centring of lean principles on the customer.

HOW TO DO LEAN ...

1. **Specify the structure of every activity**; if you don't know what you do it is difficult to improve it
2. **Connect the supply chain**; customers and suppliers communicating directly and unambiguously
3. **Keep the process as simple as possible for every product or service is simple and direct**; streamline everything
4. **Engage people at the lowest level possible**; people who do the work should improve it (with scientific facilitation).

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