Lean Leadership Development Program

Bill Owad
Cardinal Health

Mark Reich
Lean Enterprise Institute
Lean Enterprise Institute

- Non-profit education and research institute based in Cambridge, MA with 15 global affiliates

- CEO John Shook, 15 full-time employees, extensive list of faculty and associates

- Founded in 1997 by Dr. James Womack, principal scientist of the MIT IMVP study that resulted in *The Machine That Changed the World*

- Over 250,000 members from all industries

- **Mission:** Advance Lean thinking and practice in all things, everywhere
## Co-Learning Partner Examples

<table>
<thead>
<tr>
<th>Partner</th>
<th>Lean Transformation/ Research Focus</th>
<th>Key Co-Learning Activities</th>
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<tbody>
<tr>
<td>GE Appliances</td>
<td>Challenges of reshoring manufacturing from China to the U.S.</td>
<td>• Hoshin/management system&lt;br&gt;• Shop-floor support&lt;br&gt;• Top management coaching&lt;br&gt;• Product development</td>
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<tr>
<td>Cardinal Health</td>
<td>Making lean transformation through targeted A3 development at the executive level</td>
<td>• Senior management coaching&lt;br&gt;• Targeted mentoring and support based on A3s focused on real business problems</td>
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<tr>
<td>University of Michigan Health System</td>
<td>Lean transformation in a large academic teaching hospital</td>
<td>• A3 mentoring&lt;br&gt;• Targeted front-line improvement activities&lt;br&gt;• Top management coaching</td>
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<tr>
<td>Kroger</td>
<td>Lean transformation in a retail environment</td>
<td>• Creating the model store (starting with a model area)&lt;br&gt;• End-to-end improvement in a grocery division</td>
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<tr>
<td>Omni Guide</td>
<td>Setup and implementation of tools and strategies at the shop floor</td>
<td>• Hoshin/management system&lt;br&gt;• Shop-floor support&lt;br&gt;• Top management coaching&lt;br&gt;• Product development</td>
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**Lean Leadership Core Need of Co-Learning Partners**
Lean Transformation Model

SITUATIONAL APPROACH
- Value-Driven Purpose -
“WHAT PROBLEM ARE WE TRYING TO SOLVE?”

PROCESS IMPROVEMENT
Continuous, real, practical changes to improve the way the work is done

MANAGEMENT SYSTEM

Responsible Leadership

CAPABILITY DEVELOPMENT
Sustainable improvement capability in all people at all levels

Basic Thinking, Mindset, Assumptions
That drive this transformation
Transformation Questions

1. What is our purpose or what problem are we trying to solve, what value to create?
2. How do we improve the actual work?
3. How do we develop the people?
4. What role must leadership take and how does the management system support the new way of working?
5. What basic thinking or assumptions underlie this transformation?
The Twin Responsibilities of a Lean Leader

Get the job done *and* develop your people... and accomplish those *at the same time*
Developing Key Leaders at Our Co-Learning Partners

• GE Appliances
• University of Michigan Health System
• **Cardinal Health**

....to be better problem solvers and serve the Customer and the Team Member
GE Appliances & Lighting
Headquartered at Appliance Park in Louisville, KY

Global headquarters of GE Appliances & Lighting, Louisville, KY

GE Appliances snapshot

• $5.3 billion revenues in 2010
• 10,000 employees
• Six U.S. manufacturing operations
• 8 million+ washers, dishwashers, ranges, refrigerators produced in ’10

• 104-year-old business with large-scale production beginning in Appliance Park in 1953, remains largest manufacturing operation
• $1 billion investment 2010-2014, 1,300 new U.S. jobs
Developing a Key Leader

Plant Manager
Building 5
Bottom Freezer Refrigerators
# Development Plan

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**Standardized Work**

**Problem Solving**

**Operations Management**
Solving Problems at Operations Speed
University of Michigan Health System
Lean Leader Program

Purpose
Strengthen organizational capability to problem-solve at all levels – connect to value-added work for the patient

Audience
Top Management (Medical Group, Health System, and Divisional Top Management - CEOs, CFO, others)

Modeled on program we developed with Cardinal Health
Lean Leader Development Path

“The work processes are the people development processes” ~ John Shook

Lean Leadership Capabilities & Behaviors
(= Entrustable Professional Activities)
The UMHS Lean Leader Development Process

Content of Development:
- Hoshin planning
- Targeted problem solving through A3 thinking and practice

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**Lean Enterprise Institute**
- LEI Coach
- Senior Coach

**UMHS**
- Senior Leader
- Internal Coach
- Lean Leader
- LL Team Impact

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1) Leadership is demonstrated by understanding the facts, not through reports
2) You must be a coach and a learner
3) Focus on and support improving the process and through this, developing the people.
4) Challenge organizational assumptions
5) For problems to be solved continuously, the leader must:
   a) Motivate to True North
   b) Create culture for problems to be brought to the surface
Cardinal Health Lean Leader Program

Cardinal Health – LEI Co-Learning Partner

Partnership Focus - Lean Leader Program
- Tied to succession planning

Details to be presented by:

Bill Owad, SVP Operational Excellence
Essential facts

Leading provider of products and services across the healthcare sector with an extensive footprint across multiple channels.

- **60,000** sites delivered to daily
- **30,000** plus employees with direct operations in **10** countries
- **86%** of hospitals in the U.S. use our products and services
- **#21** on *Fortune* 500 list
- **$108B** FY12 pro forma revenue*

*An estimate of the pro forma revenue for fiscal 2012 in accordance with generally accepted accounting principles with adjustments expected to reflect each company as a stand-alone entity. The estimate is based on assumptions that management currently believes are reasonable, but actual revenue may vary materially from the estimate.*
Essential purpose

We are more than 30,000 people applying our **deep understanding** of healthcare to deliver **inventive** and **meaningful solutions** that help improve the **cost-effectiveness** and **quality** of healthcare so our customers can focus on patients.
Case for change

Voice of the Customer
- Product availability issues
- Inconsistent and variation in performance
- Increasing compliance requirements
- Low loyalty / high churn
- Large network
- Buy and hold model → FFS\(^1\) model, putting pressure on cost
- Lots of capital tied up in inventory
- Rising transportation costs
- Lead time variability / supply chain responsiveness
- Frustration with current processes
- Insular → end-to-end focus
- Information silos → information sharing
- Unclear roles and responsibilities
- Not empowered

Voice of the Business

Voice of the Employee

1 Fee-for-service
Operational Excellence timeline: 2004-2012

Concept to reality

2004
- Pre-launch - 2004
- Process improvement
- Quality and Operations
- Sizing the opportunity
- Evaluating the capability
- Drive cost out

2005
- January – accelerate
- June - 169 BB, 297 GB, 209 KL, 1,600 sponsors,
- Shift to “Value Stream”
- Pharma Lean
- Innovation awards

2006
- Shift to “Value Creation”
- Supply chain lean
- Talent Review and requirements
- Top Gun
- June - 209 BB, 1,037 GB/KL

2007
- Enterprise capability
- Perfect processes
- Value stream alignment
- Customer facing work
- +95 promotions
- 1,025 improvement projects

2008
- Top Gun
- Customer trials
- MBB promotions
- June:- +65 promotions
- Full value stream view
- Lean office
- HVN Sponsor

2009
- Top Gun
- Lean Road Maps - full enterprise
- Extend the V.S.
- MBB Internal candidates
- Shingo Assessor workshops with HVN

2010
- Enterprise capability
- Perfect processes
- Value stream alignment
- Customer facing work
- +95 promotions
- 1,025 improvement projects

2011
- $1.0B achieved
- $1.5B working capital achieved
- Lean Leader
- 170+ promotions
- > 5,000 projects
- >100 customer engagements

2012
- Top Gun
- Lean Road Maps - full enterprise
- Extend the V.S.
- MBB Internal candidates
- Shingo Assessor workshops with HVN

Pharmaceutical Employee Engagement

Employee engagement
Manager effectiveness

>20% increase in VOE Scores
Medical Employee Engagement

Employee engagement
Manager effectiveness

10% increase in VOE Scores

FY08: 69, 63
FY09: 74, 59
FY10: 76, 65
FY11: 75, 66
FY13: 75, 66
FY14: 76, 70
Safety (Total Recordable Incident Rate)

R<sub>x</sub> - 55% reduction in TRIR

Med - 20% reduction in TRIR

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>FY09</th>
<th>FY10</th>
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<th>FY13</th>
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<td>TRIR</td>
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</table>

Red bars for FY09 to FY12 show the TRIR values for each fiscal year. The blue bars for FY13 show the reduced TRIR values.
Shipping accuracy (DPMs)

R_x - 67% improvement

Med - 52% improvement

FY07: 2,074
FY08: 1,971
FY09: 1,895
FY10: 1,481
FY11: 1,660
FY12: 1,381
FY13: 1,294

R - 67% improvement

Med - 52% improvement
Essential to customers

We are proud to be recognized for our continued commitment to improving the efficiency of our supply chain across both segments. #1 ranking in 2011, 2012 & 2013 – first repeat winner in 2012 and the trend continued into 2013.

“Cardinal Health took the No. 1 spot in the Healthcare Supply Chain Top 25 for the third year in a row ... Cardinal uniquely brings together, under one ownership structure, an expanding global presence and increasing vertical integration in the form of a manufacturer, medical surgical distributor, international sourcing company, pharmaceutical wholesaler and retail pharmacy along with a myriad of other services

Gartner Healthcare Supply Chain Top 25 Report
Strategy - Stepping up

FIVE BOLD STEPS

1. Leverage Academy for Excellence in Healthcare
2. Extend Lean Leader / Scale
3. Implement Pan-Asian design
4. CAH Operating System / Process Alignment
5. Value Stream Alignment

Capability

Internal Value Delivery

Change / Program Leadership

Brand & Influence

Extend & Consult

Extend our Operational Excellence capability internally and externally to create / support a competitive advantage

SUPPORTS

Safer, Productive, Effective and Efficient Healthcare

VALUES

Lean Enterprise, Data Driven, Inventive, Collaborative, Challenging
Combine Tools / Behaviors / Value Chains / Support Systems

CHALLENGES

-Role / assignment minimization and conflict
-Project vs Strategic Program
Extend Lean Leader / Scale

0 The problem

0 9 years, >300 staff moved to new leadership roles....however..

Director and above – 1300 global staff
Inconsistent “BEHAVIORS”
Thinking “tools” NOT “system”

0 Assessment

0 Current exposure to “LRTS” and kaizen sponsorship is not achieving our desired future state
Our Experiment – “Lean Leader”

0 Cardinal Health / LEI partnership – 3\textsuperscript{rd} year

0 18 month, gemba based, with direct coaching

0 Objective

  0 Embed a consistent understanding of “LEAN MANAGEMENT/ LEAN ENTERPRISE”

  0 Change thinking and daily behavior

0 Results – Leaders thinking and behaving differently
Why develop Lean Leaders

- #1 in peer group
- 40% quality and safety improvement
- 40% lead time reduction
- 35% productivity increase

Lean transformations REQUIRE internal lean leaders to drive and sustain benefits
Why develop Lean Leaders

- **29%** Fewer emergency room visits
- **53%** Reduction of lab test turnaround time
- **25%** Reduction of inpatient harm rates
- **3.7%** Reduction in overall patient costs
- **0%** Medication reconciliation errors
- **50%** Reduction of unnecessary biopsy call back rate
What is a Lean Leader

1. Able to capture the “big” picture and current status

2. Can create a clear vision for organization including customer image

3. Able to identify gaps

4. Understands initial direction and priority setting (Q,V,C)

5. Introduces simple measurements and target setting

6. Develops low cost solutions

7. Communicates simple, concise and visual ideas

8. Executes implementation plans

9. Able to maintain energy, focus and drive in self and others

10. Realizes good results

11. Develops others

12. Good grasp of lean concepts providing context to lead and develop others
How are Lean Leaders selected

- A good candidate for lean leader development will enter the program with *some* experience centered on:
  - A targeted number of years
    - In the workforce
    - In “operations” (your gemba)
    - In a continuous improvement role
    - Supervised others
  - A targeted variety of:
    - Product lines / unique value streams supported
    - Functional areas
  - And the right people skills to be able to manage by influence
How are Lean Leaders selected

- Qualified
- Wants to learn

- Nominates candidate
- Mentors

- Drives the process

- Ties to a career path
- Recognized
How are Lean Leaders developed

Through a combination of:

- Classroom training
- Experiential workshops
- Coaching
- Book learning
- Gemba walks/benchmarking
How are Lean Leaders developed

Experiences

Leader capabilities

Knowledge
# How are Lean Leaders developed

<table>
<thead>
<tr>
<th>Key Internal Cardinal Dates</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
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<td>Close of Fiscal Year</td>
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<td>National Meeting MBO's</td>
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## Targeted Learning

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<thead>
<tr>
<th>Value Stream Thinking (Coaching)</th>
<th>Feb</th>
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<td>Gemba Walk #1: &quot;5 Lean Principles&quot;</td>
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## Value Stream Thinking (Coaching)

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<td>Project #1 - Individual; Small Scope</td>
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<td>Project #2 - Individual; Small; Experiential</td>
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## Partner Collaboration / Opportunities

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## Key Internal Cardinal Dates

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Early in the program...

How am I going to apply this manufacturing stuff to a services business?

How am I going to do these lean projects along with my day job?

I have to read how many books?

When is my coach coming? I have to update my A3!
Midway through the program...

- I can apply Lean concepts and tools to improve my job...Can’t wait to get back to work!

- My fellow Lean Leaders are facing similar problems...I can learn from them!

- My Lean Coach is very helpful guiding me through problem solving...I want to provide this same coaching to my team!

- Lean Thinking makes perfect sense...Why do not all organizations develop their employees in this discipline?
How will the program be sustained

• A key objective of this program is to ultimately become self-sufficient

  – Develop pool of internal coaches

  – Develop the lean leaders to coach and mentor future waves

  – Document the standard work associated with the program

  – Engage the organization through structured talent review
Questions?
Thank you!

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