



## Big Company Disease – *What is it? What's the Remedy?*

*Lean Pathways Inc  
Pascal Dennis*

Lean Enterprise Institute

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## Today's Presenter



### Pascal Dennis

- Professional engineer, author, and lean advisor
- Developed lean skills at Toyota Motor Manufacturing Canada
- Manager of operations, finance, HR, and health, safety & environment
- Principal, Lean Pathways, Inc.
- Member of the Lean Enterprise Institute faculty.
- Author of *Lean Production Simplified*, *Andy & Me*, *Getting the Right Things Done* - all Shingo Research Prize winners
- Most recent book: *The Remedy - Bringing Lean Out of the Factory to Transform the Entire Organization*

## "Big Company Disease" Learning Session

- At the Lean Transformation Summit 2011  
– "Frontiers and Fundamentals"
- March 9 & 10, 2011
- Dallas, TX

# Lean Transformation Summit

March 9-10, 2011, Dallas, TX  
"Frontiers and Fundamentals"

Also at the Summit

- Example companies: Acme Alliance, Coca-Cola, Ford, Starbucks
- Keynotes by John Shook, Jim Womack
- Pre-conference workshops, Panel Discussion, Networking
- Register by Jan. 28, Save \$400 (Past Attendee? Save \$100 more)
- Details: [lean.org](http://lean.org)

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# Homework

- What is Big Company Disease?
- Draw out your answer
  - Don't worry if you "can't draw"
  - Stick figures, arrows & boxes are fine
  - Have fun!
- Purpose: to clarify, simplify & lock in understanding

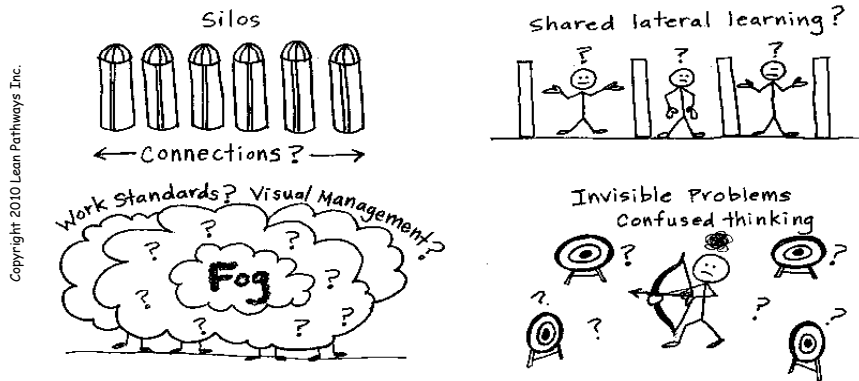


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# What is Big Company Disease?

## Big Company Disease



Source: *The Remedy – Bringing Lean Out of the Factory to Transform the Entire Organization* (Wiley: NY 2010)

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## Symptoms

- Silos -- unit efficiency, not overall effectiveness
  - Internal connections?
  - Customer connection?
- Alignment, focus?
- Standards?
- Problems visible?
- Shared, experiential learning?

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## Why Should You Care?

- Big company disease afflicts even the best...\*
  - Toyota
  - Microsoft
  - HP, Boeing, Disney, Merck, Xerox...
- It almost killed\*
  - IBM
  - GM
  - Other...
- *Can it also afflict not-so-big companies?*

\* Source: *How the Mighty Fall*, by Jim Collins (McGraw-Hill: New York 2009)

## Deming's Deadly Diseases

- No constancy of purpose
- Emphasis on short-term profits
- Evaluation of performance
  - Based on narrow, end-of-pipe metrics
- Management mobility
- Running the organization on visible figures only

Source: *Out of the Crisis*, by W. Edwards Deming (MIT CAE, Cambridge 1986)

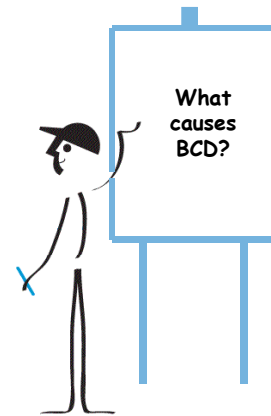
## Stages of Big Company Disease

- *Hubris borne of success*
- Undisciplined pursuit of more
- Denial of risk & peril
- Grasping for salvation
- Collapse into irrelevancy or death

Source: *How the Mighty Fall*, by Jim Collins (McGraw-Hill: New York 2009)

## Homework

- What *causes* Big Company Disease?
- Draw out your answer
  - Don't worry if you "can't draw"
  - Stick figures, arrows & boxes are fine
  - Have fun!
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## What is Hubris?

- Overbearing pride
- Arrogance
  - *The pride that blinds...*
- *He who the Gods would destroy, they first hold high...*
- *Pride goeth before destruction*

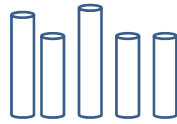
Source: *How the Mighty Fall*, by Jim Collins (McGraw-Hill: New York 2009)

## Contributing Factors

- Size – *out of sight, out of mind...*
- Complexity
  - Many, deep silos
- Self-absorption; the inertia of large objects
  - → “Product out” versus “Customer in” thinking
- Absence of shared concepts (e.g. TPS, DBS...)
  - Multiple languages across silos
- How we keep score
  - Standard cost accounting

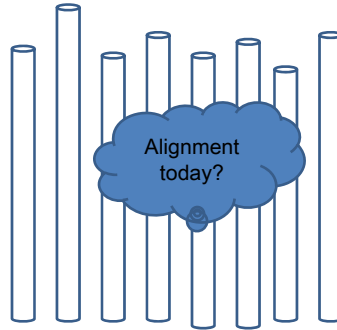
# Big Companies – then & now

Alignment  
in 1950  
  
Informal  
Collegial



1950

Fewer silos  
Less deep  
Less complex



Alignment  
today?

Today

Many more silos  
Much deeper  
Much more complex

Source: *The High-Velocity Edge*, by Steven J. Spear (McGraw-Hill: New York 2010)

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# Spider Web Metaphor

How do complex  
systems fail?



- Complex systems fail when wrong combo of filaments breaks at the wrong time.
- So how do complex systems *succeed*?

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## How Do Complex Systems Succeed?

- In *nature* complex systems in nature achieve order & stability through application of *simple rules*
- E.g. birds successfully migrate year after year by following rules:
  - *Try to go the same direction as all the other birds*
  - *Try to stay in the middle of the flock*
  - *Try not to hit anything...*
- Can man-made systems achieve stability in this way?

Source: *The High-Velocity Edge*, by Steven J. Spear (McGraw-Hill: New York 2010)

## 'Lean' is.....

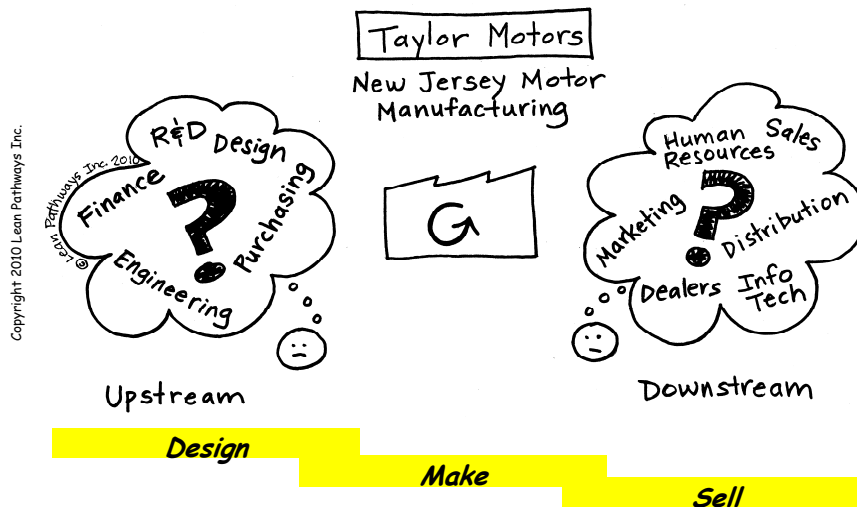
“A business system involving **all employees** which constantly pursues the **elimination of waste & variation** to shorten the lead time of a process.”

# A Business System...

- Most industries entail 3 phases
  - Design
  - Make
  - Sell
- Where is most of the delay?
- Where do we usually focus?
  - ....
- → The Remedy – Bringing Lean *Out* of the Factory...



# Why Lean Outside the Factory?



Source: *The Remedy – Bringing Lean Out of the Factory to Transform the Entire Organization* (Wiley: NY 2010)

## Lean Outside the Factory

- Sales & Marketing
- Design & Engineering
- Planning & scheduling
- Distribution
- Retail
- Human Resources
- Other?

## Homework

- What is *Value* in Sales & Marketing?
  - ...
  - ...
  - ...
- What kind of waste do we see in Sales & Marketing?
  - ...
  - ...
  - ...
- What are common mental models?
  - ...
  - ...

## Homework

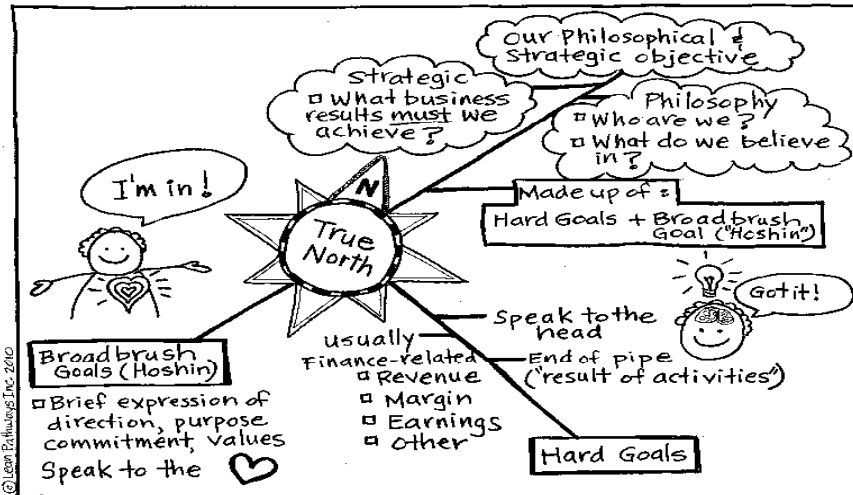
- Answer the same questions for
  - Design & Engineering
  - Planning & Scheduling
  - Retail
  - Finance
  - Human Resources
  - Other...
- *What is Value?*
- *What kind of waste do we see?*
- *What are common mental models?*

## So How Do We Avoid Hubris?

- By applying Lean Fundamentals across the entire value stream
  - Strategy Deployment\*
  - *The Four Rules*
  - And thereby *making problems visible*

\* Reference: *Getting the Right Things Done – a Leader's Guide to Planning & Execution*  
by Pascal Dennis (LEI: Cambridge 2006)

## We Begin by Defining...



Source: *The Remedy – Bringing Lean Out of the Factory to Transform the Entire Organization* (Wiley: New York 2010)

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## The Four Rules

1. All work is highly specified
2. Every customer/supplier relationship is direct, binary & self-diagnostic
3. The pathway for each product & service is simple, pre-specified & self-diagnostic
4. Problems are solved using scientific method at lowest level supported by a capable teacher



Source: *The High-Velocity Edge*, by Steven J. Spear (McGraw-Hill: New York 2010)

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# Rule 1: Standards – All Work is Highly Specified

TAKT TIME	177 SEC	CYCLE TIME	137 SEC
ELEMENTS OF OPERATION			
①	Pick Skin (End Of Master)	1	2
②	Load Skin To Next Machine	1	1
③	Pick Sub Assembly	2	1
④	Install Sub Assy To Skin	6	3
⑤	Pick FR Skin	2	2
⑥	Load FR Skin	2	2
⑦	Load RR Skin	8	2
⑧	Load RR Skin	2	1
⑨	Pick RR Base Inner	1	1
⑩	Install WBLD Nut	2	1
⑪	Load Assy Jig (Prep)	9	1
⑫	Pick Frame + Hinge Side	3	3
⑬	Install Frame + Hinge Sub	9	1
⑭	Load Hinge Side Jig	7	1
⑮	Weld Sub Assy + Hinge Side	6	1
⑯	Pick Weld CRASH BAR	14	2

**STANDARD WORK ANALYSIS SHEET**

OPERATION NAME: R RR DOOR  
OPERATION NUMBER: #1

NOTE PLACE

PAGE / OF 1

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# Rule 1: Embedded Tests

Job Element Sheet		Date Created: 06 01
1. Pick horn & gun	02-1	<div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 2px;">                     CRITICAL OPTICAL FUNCTIONAL ASSEMBLY                 </div> <div style="border: 1px solid black; border-radius: 50%; padding: 2px;">SAP</div> <div style="border: 1px solid black; border-radius: 50%; padding: 2px;">GWB</div> <div style="border: 1px solid black; padding: 2px;">A T L</div> <div style="border: 1px solid black; padding: 2px;">F A A</div> </div>
2. Align bolt through horn bracket (per diagram 1)	Keep 20 - 25 bolts in Tool pouch	
3. Align bolt into rad support (per diagram 2) & tighten	First hole from Right fender Torque target 12 Nm (Min 10 Nm, Max 15 Nm) Loose or cross thread Condition not allowed (see diagram 3)	
Revisions	Initials	
1. BOLT CHANGE WITH LOCK WASHER 0701	[Initials]	1. WEAR YOUR PPE - OBTAIN GUINER'S SAFETY GLASSES & SAFETY SHOES 2. DO NOT TOUCH FINGERS.

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## Rule 2: Customer-Supplier Connections

- Direct
  - Customers and suppliers communicate directly
- Binary
  - Do/Don't Do and Good/No Good signals
- Self-diagnostic
  - Problems are immediately obvious
- *Effect*
  - An information-rich workplace



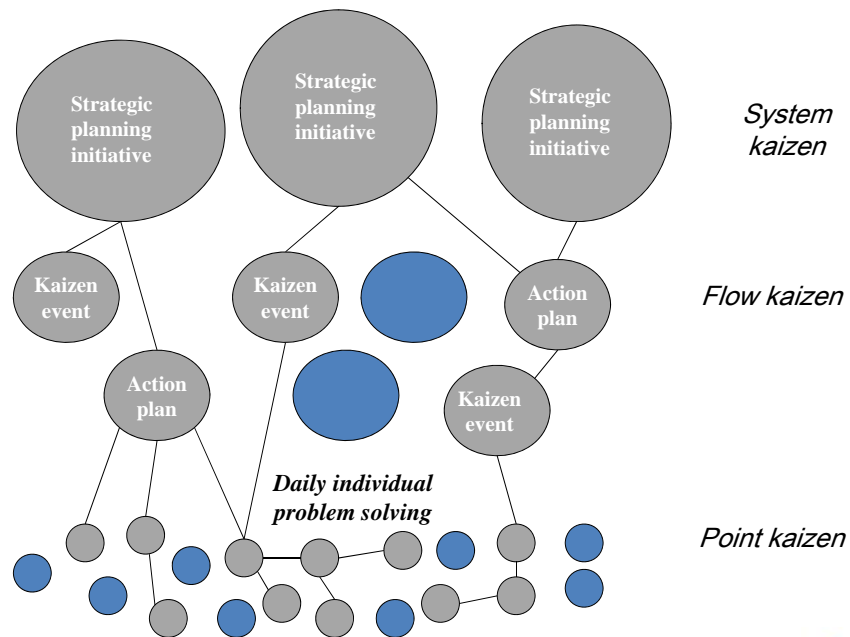
## Rule 3: Is this a simple, pre-specified Pathway?

- We're sorry, this slide will not be available as part of this presentation.

## Rule 4: Improvement

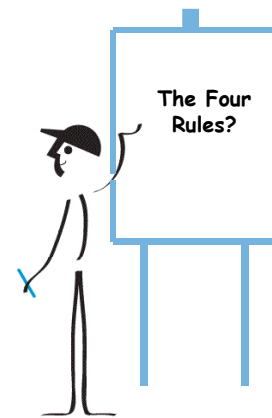
Our Problem Solving approach is:

- *Structured*
  - It's a "drill"
- *Standardized*
  - We share our approach laterally
- *Self-diagnostic*
  - Every iteration contains tests
- People who do the work are responsible for improving it
- Each person is assigned a capable teacher

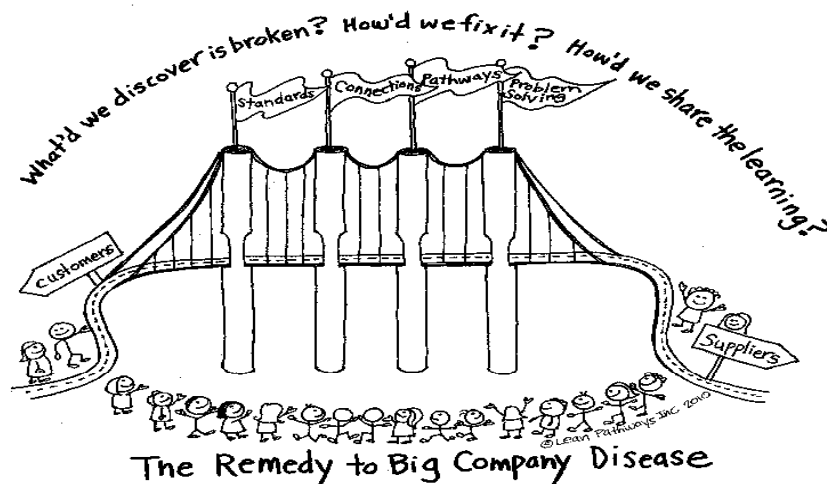


# Homework

- Draw out the Four Rules of Lean
  - Don't worry if you "can't draw"
  - Stick figures, arrows & boxes are fine
  - Have fun!
- Purpose: to clarify, simplify & lock in understanding



# What's the Remedy?



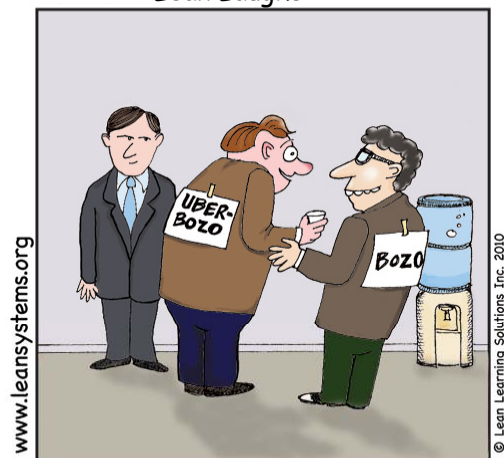
Source: *The Remedy – Bringing Lean Out of the Factory to Transform the Entire Organization* (Wiley: NY 2010)

## What Can Leaders Do?

- Understand the nature of Big Company Disease
- Develop a shared language of improvement & disseminate it across the value stream
- Implement the Four Rules in your zone of control
- Improve how we keep score
- Other?

## Keep It Light

Lean Laughs

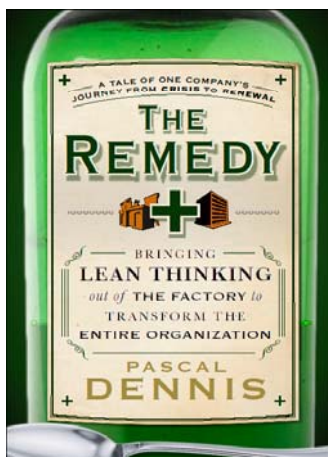


Wilson began to experiment with the idea of "make problems visible".

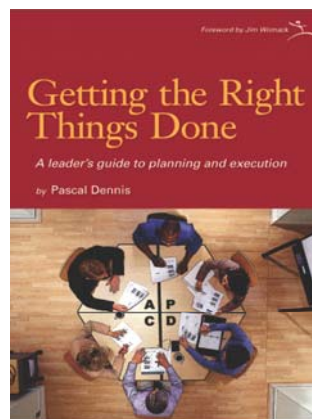
## What are you going to do tomorrow?

- Come up with at least three ideas that will help alleviate Big Company Disease in your organization
  - ...
  - ...
  - ...
  - ...

## Recommended Reading



[www.amazon.com](http://www.amazon.com) or [www.barnes&noble.com](http://www.barnes&noble.com)



[www.lean.org](http://www.lean.org)

## Contact Information



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- [lean.org/workshops](http://lean.org/workshops)
- [info@lean.org](mailto:info@lean.org)
- 617-871-2900
- Lean Pathways
- [leansystems.org](http://leansystems.org)
- [info@leansystems.org](mailto:info@leansystems.org)
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**Big Company Disease –**  
*What is it? What's the Remedy?*

***Questions & Answers***

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