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For Immediate Release

Cost Cutting Mistakenly Seen as Lean Production's Biggest Benefit of Past 10 Years *Lean Enterprise Institute founder warns that companies are short-sighted; Says main benefit is growth, not simple cost cutting*

Cambridge, Mass., Aug. 15, 2007 – Although cutting costs was rated the top benefit in a recent lean production survey completed by nearly 2,500 businesspeople, the founder of the group that conducted the opinion poll warned that companies are missing the full growth potential of lean management.

A whopping 46.1 percent of the managers and executives rated “reduced cost” as the biggest benefit of implementing lean management concepts, more than all other benefits combined, according to the survey conducted by [Lean Enterprise Institute](http://www.lean.org), a nonprofit management research center in Cambridge, Mass. Respondents rated the other top three benefits as increased customer satisfaction (16.3 percent), reduced inventory (7.5 percent), and increased product quality (6.4 percent).

“When I look back over the past 10 years, I’m gratified that most products cost less and work better,” said [James Womack](http://www.lean.org), Ph.D., who launched LEI in 1997. “And I’m equally gratified that lean management works in every company, industry, and country where it is seriously tried.

“But the biggest benefit of lean is that it frees resources by using less human effort, less space, less capital, and less time to make a given amount of products and services and to make them with fewer defects to precise customer desires, compared with traditional management,” Womack continued. “By freeing resources, lean management turns waste into available capacity. The biggest benefits come when management uses this capacity to grow the business, whether it is a service or manufacturing enterprise.”

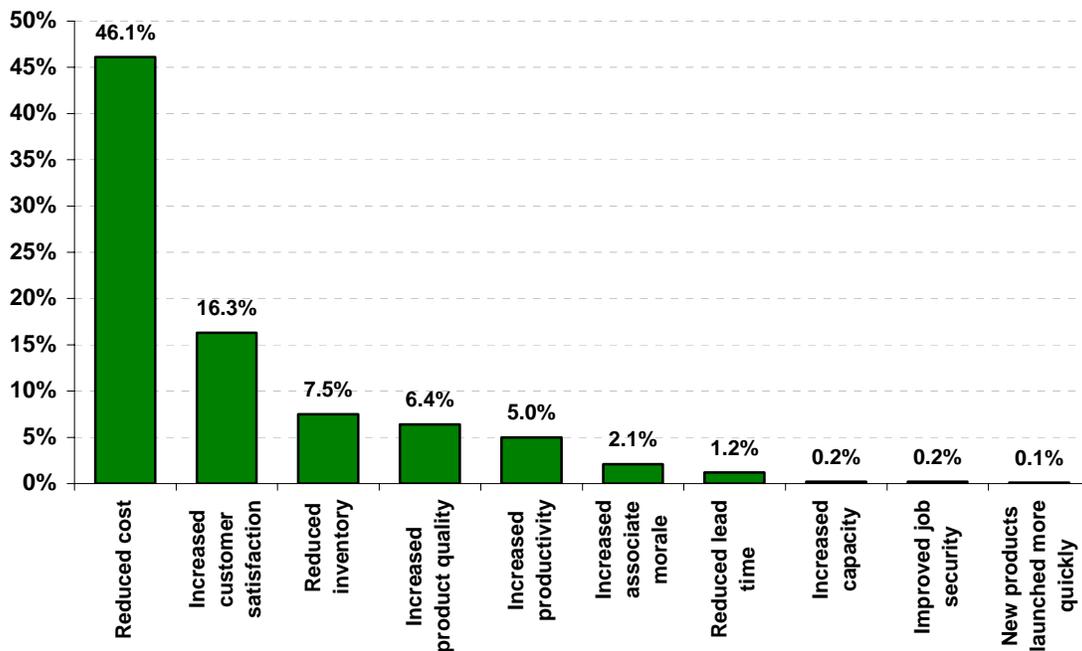
Womack said it was unfortunate that most companies see lean concepts as primarily cost-cutting tools. “Cost cutting is important but lean management is not a quick solution for cost reduction,” said Womack. “It’s a fundamentally different system than traditional management for organizing and managing employees, suppliers, customer relationships, product development, production, and the overall enterprise.”

Lean's Next 10 Years

Added Womack, “The big opportunity in the next 10 years to make all of our lives better is to transfer the lean process knowledge pioneered in the factory to the rest of the economy, especially service industries such as healthcare, retail, and air travel.”

Since 2003, LEI has conducted an annual survey of its lean community about the major obstacles and trends in transforming companies from traditional business systems to lean. This year to mark its 10th anniversary, LEI also asked customers, “In your experience, what have been lean’s biggest benefits over the years?” The questionnaire asked respondents to select their top three choices from a list of 10. LEI distributed surveys to 77, 200 subscribers to its monthly e-letter and received more than 2,400 responses. The results follow:

Biggest Benefits - 2007



Source: Lean Enterprise Institute, 2007 Survey

The responses about the benefits of a lean business system in the latest survey could indicate that lean is positioned in many organizations as the latest "continuous improvement" methodology where the focus is primarily on cutting costs, noted [Dave LaHote](#), president of [LEI's Lean Education](#) unit.

“Although cost savings is a side benefit of reducing waste, organizations that focus on this area usually miss the real opportunity to significantly transform their businesses,” LaHote said. “Many organizations get some limited results because they have a sharper focus for their improvement efforts and some new tools to use but few significantly change the way they make business decisions, develop future management talent, and

lead the business. This may explain that while many organizations like the savings they get with a focus on lean tools and waste reduction, few significantly change their competitive position and even fewer break through to lead their industry in quality, value, innovation, growth, and profitability as Toyota has done in the auto business.”

What is Lean?

Lean production is a business system for organizing and managing product development, operations, suppliers, and customer relations that requires less human effort, less space, less capital, less material, and less time to make products with fewer defects to precise customer desires, compared with traditional management.

Toyota pioneered lean management as a complete business system after World War II. During the late 1980s, a research team headed by Womack at MIT’s International Motor Vehicle Program coined the term “lean” to describe Toyota’s system.

Lean Enterprise Institute Marks 10th Anniversary

Based in Cambridge, Mass., the Lean Enterprise Institute (LEI) is a 501(c)(3) nonprofit education, publishing, conferencing, and management research center founded in September 1997 by management expert James P. Womack, PhD. LEI helps organizations transform themselves into lean enterprises. Its workshops and workbooks teach lean techniques like value-stream mapping, lean manufacturing, and strategy deployment. Its management seminars and books help managers and executives develop the leadership behaviors that sustain lean enterprises. Its conferences showcase firms making lean breakthroughs. And its Lean Enterprise Partners research program with a small number of enterprises tests new approaches to lean management. The Lean Global Network, organized by LEI, has 12 nonprofit global affiliates in South America, Europe, and Asia. For more information visit LEI at <http://www.lean.org>.