

# Lean Leadership Development Program

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**Lean Enterprise Institute**



**CardinalHealth**

# 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

Partner	Lean Transformation/ Research Focus	Key Co-Learning Activities
<b>GE Appliances</b>	Challenges of reshoring manufacturing from China to the U.S.	<ul style="list-style-type: none"> <li>• Hoshin/management system</li> <li>• Shop-floor support</li> <li>• Top management coaching</li> <li>• Product development</li> </ul>
<b>Cardinal Health</b>	Making lean transformation through targeted A3 development at the executive level	<ul style="list-style-type: none"> <li>• Senior management coaching</li> <li>• Targeted mentoring and support based on A3s focused on real business problems</li> </ul>
<b>University of Michigan Health System</b>	Lean transformation in a large academic teaching hospital	<ul style="list-style-type: none"> <li>• A3 mentoring</li> <li>• Targeted front-line improvement activities</li> <li>• Top management coaching</li> </ul>
<b>Kroger</b>	Lean transformation in a retail	<ul style="list-style-type: none"> <li>• Creating the</li> <li>• el store (starting</li> </ul>
<b>Omni Gu</b>	up	<ul style="list-style-type: none"> <li>• Hoshin/management system</li> </ul>

Lean Leadership Core Need of Co-Learning Partners

# Lean Transformation Model

## SITUATIONAL APPROACH

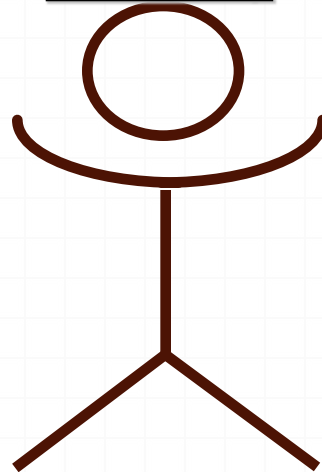
- Value-Driven Purpose -

“WHAT PROBLEM ARE WE TRYING TO SOLVE?”

### PROCESS IMPROVEMENT

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

Responsible  
Leadership



MANAGEMENT  
SYSTEM

### CAPABILITY DEVELOPMENT

Sustainable  
improvement  
capability  
in all people  
at all levels

Basic Thinking, Mindset, Assumptions

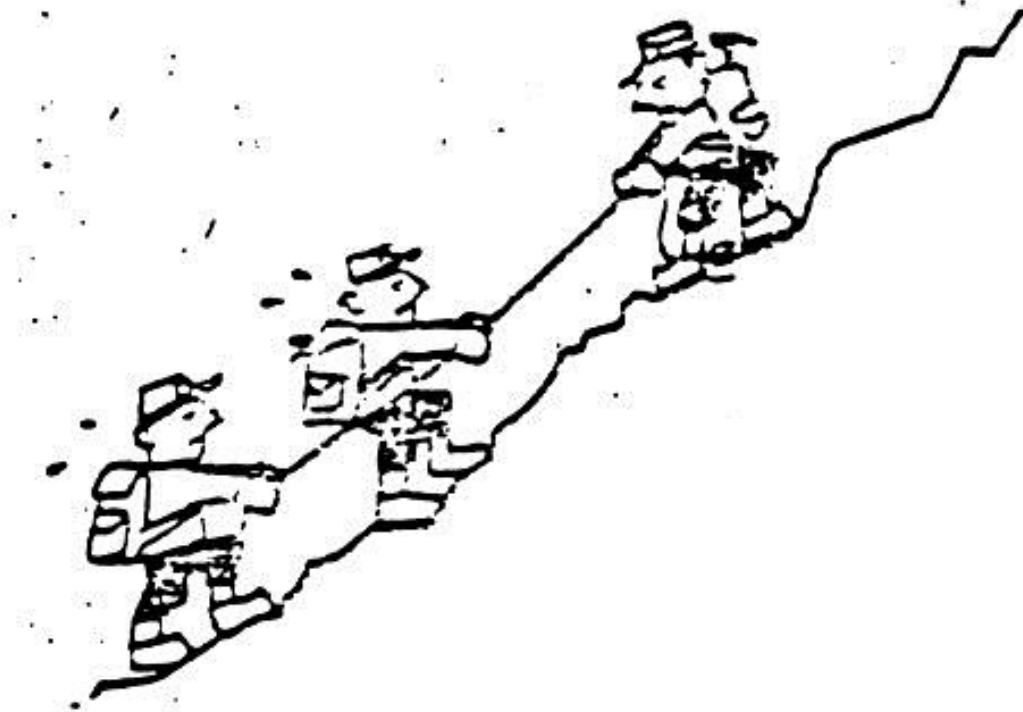
That drive this transformation

# 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

	WK1	WK2	WK3	WK4	WK5	WK6	WK7	WK8	WK9	WK10	WK11	WK12
Pre-Work	█											
SW1		█										
SW2					█							
PS 1								█				
PS 2									█	█		
SFM												█

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**

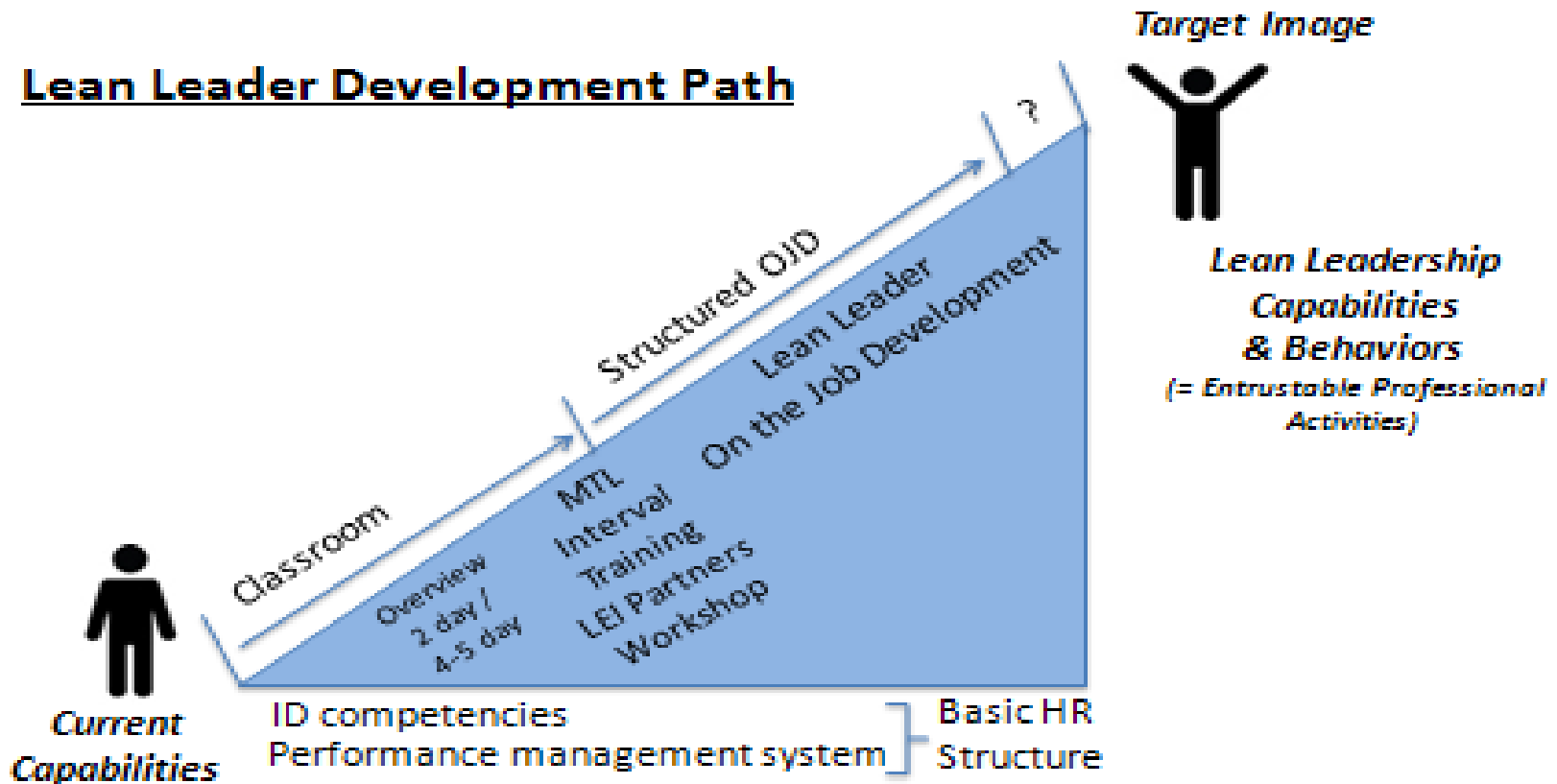
Top Management (Medical Group, Health System, and Divisional Top Management - CEOs, CFO, others)

**Modeled on program we developed with  
Cardinal Health**

# Lean Leader Development Path

*"The work processes **are** the people development processes" ~ John Shook*

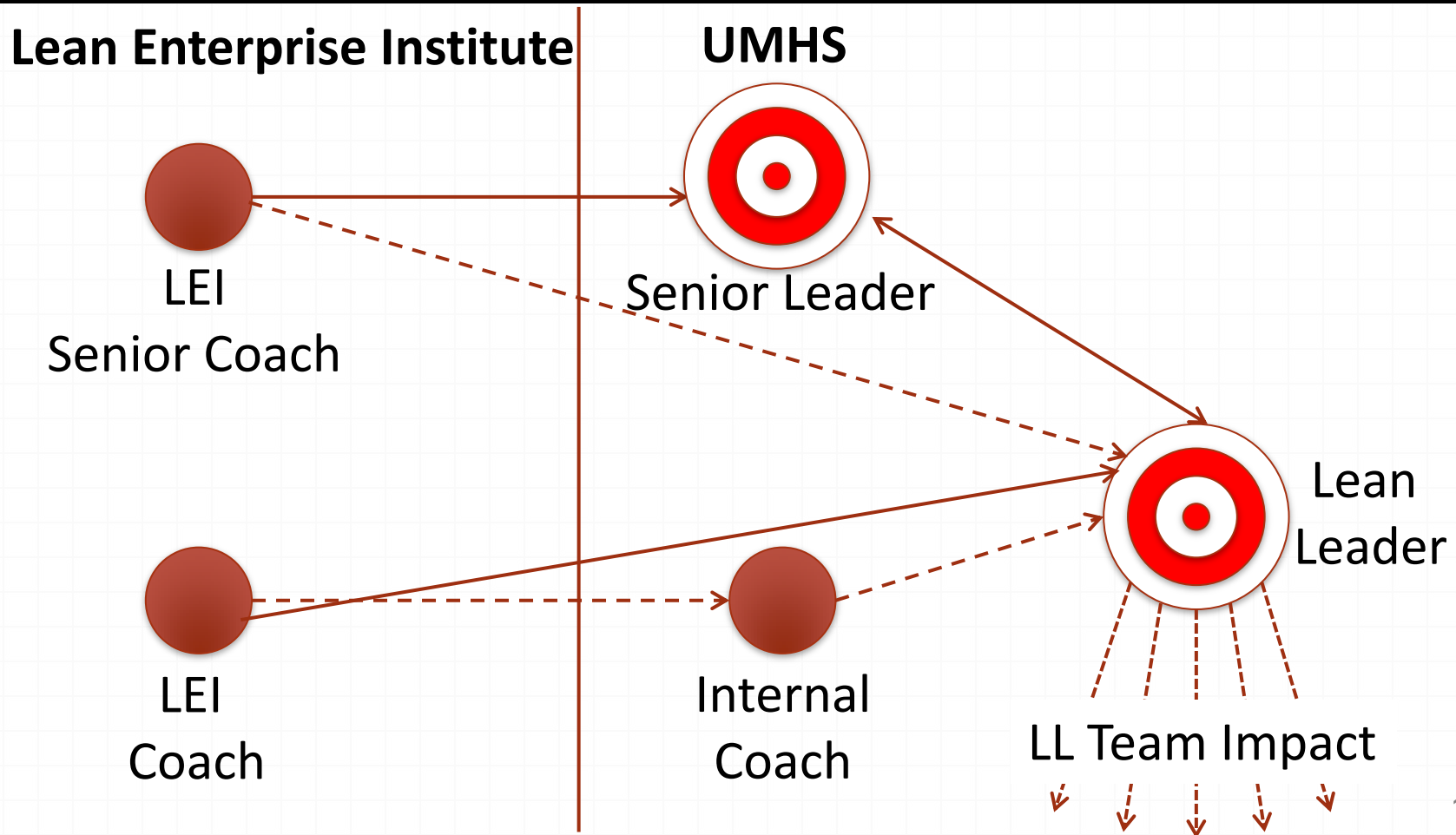
## Lean Leader Development Path



# The UMHS Lean Leader Development Process

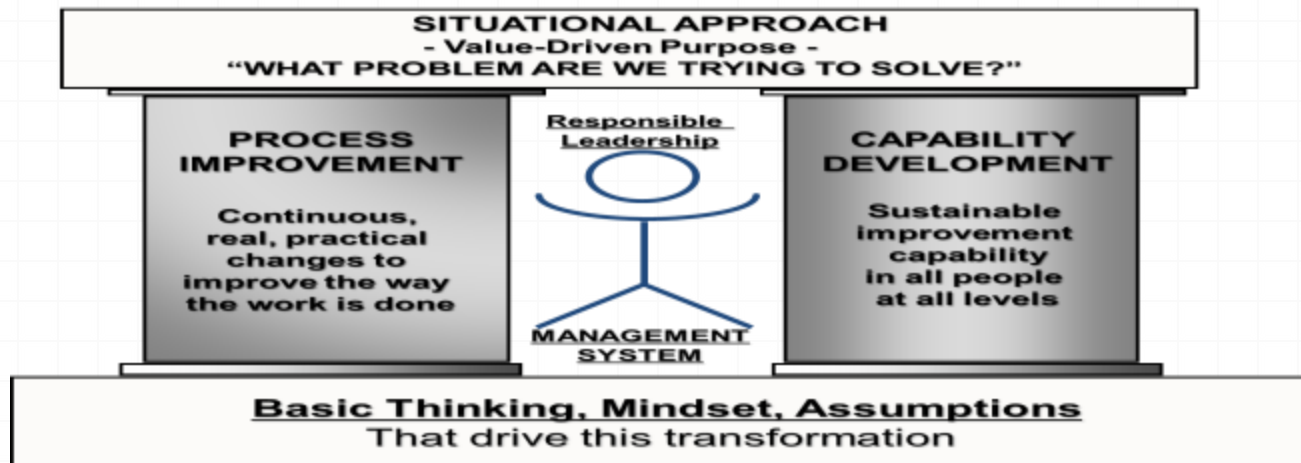
## Content of Development:

- Hoshin planning
- Targeted problem solving through A3 thinking and practice



# LEI's Overall Learning Points for Leaders

- 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

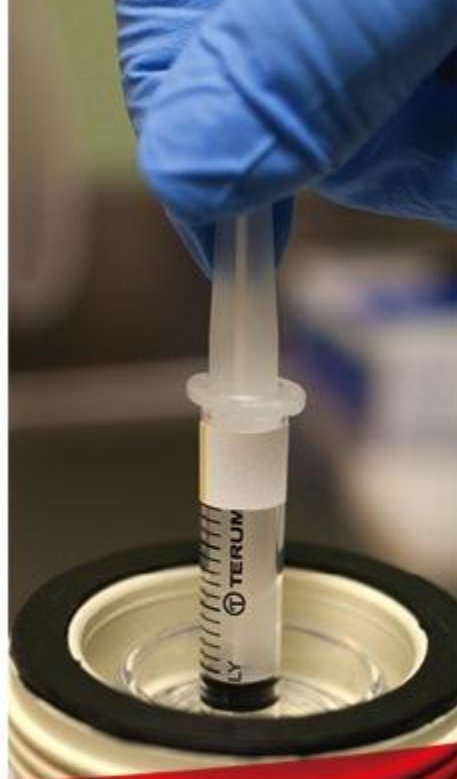
**Cardinal Health** – LEI Co-Learning Partner

**Partnership Focus** - Lean Leader Program  
- Tied to succession planning

Details to be presented by:

**Bill Owad, SVP Operational Excellence**





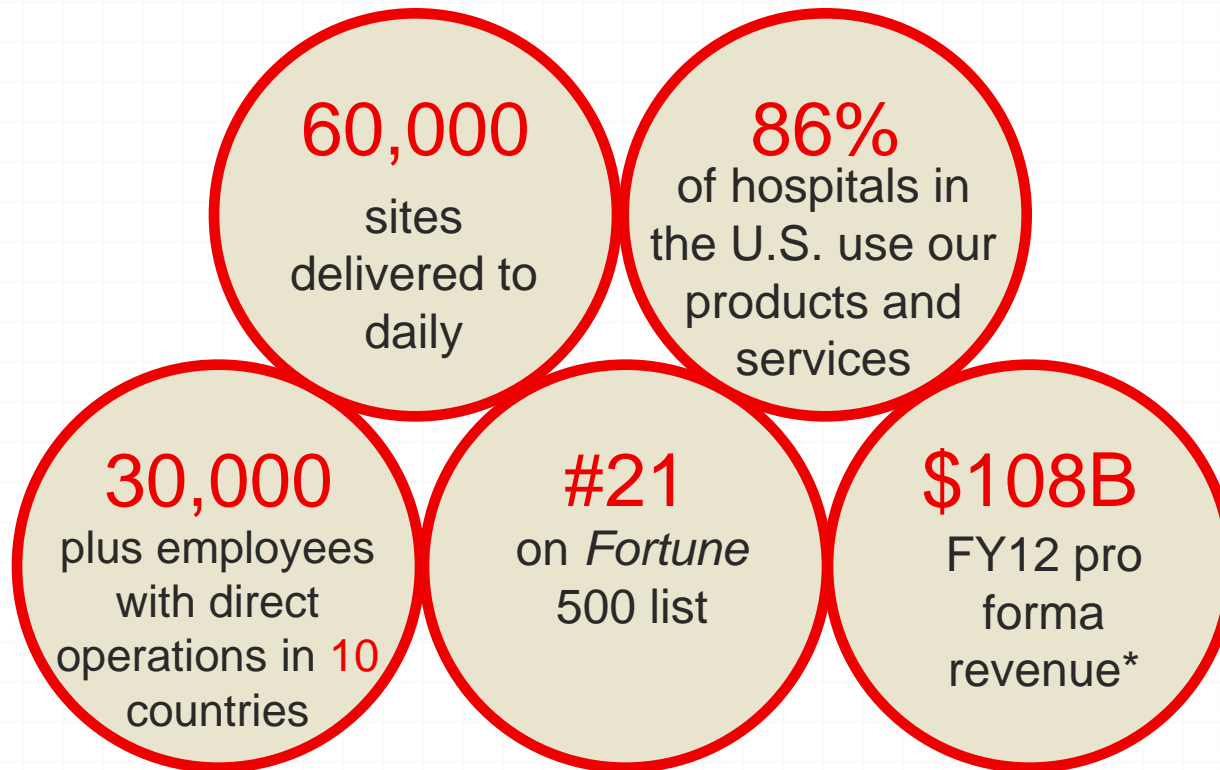
*Leaders - Essential to Excellence™*

**William Owad**  
SVP, Operational Excellence



# Essential facts

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



\*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

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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.

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# Case for change

## Voice of the Customer

- 0 Product availability issues
- 0 Inconsistent and variation in performance
- 0 Increasing compliance requirements
- 0 Low loyalty / high churn

## Voice of the Business

- 0 Large network
- 0 Buy and hold model → FFS<sup>1</sup> model, putting pressure on cost
- 0 Lots of capital tied up in inventory
- 0 Rising transportation costs
- 0 Lead time variability / supply chain responsiveness

## Voice of the Employee

- 0 Frustration with current processes
- 0 Insular → end-to-end focus
- 0 Information silos → information sharing
- 0 Unclear roles and responsibilities
- 0 Not empowered

<sup>1</sup> Fee-for-service

# Concept to reality

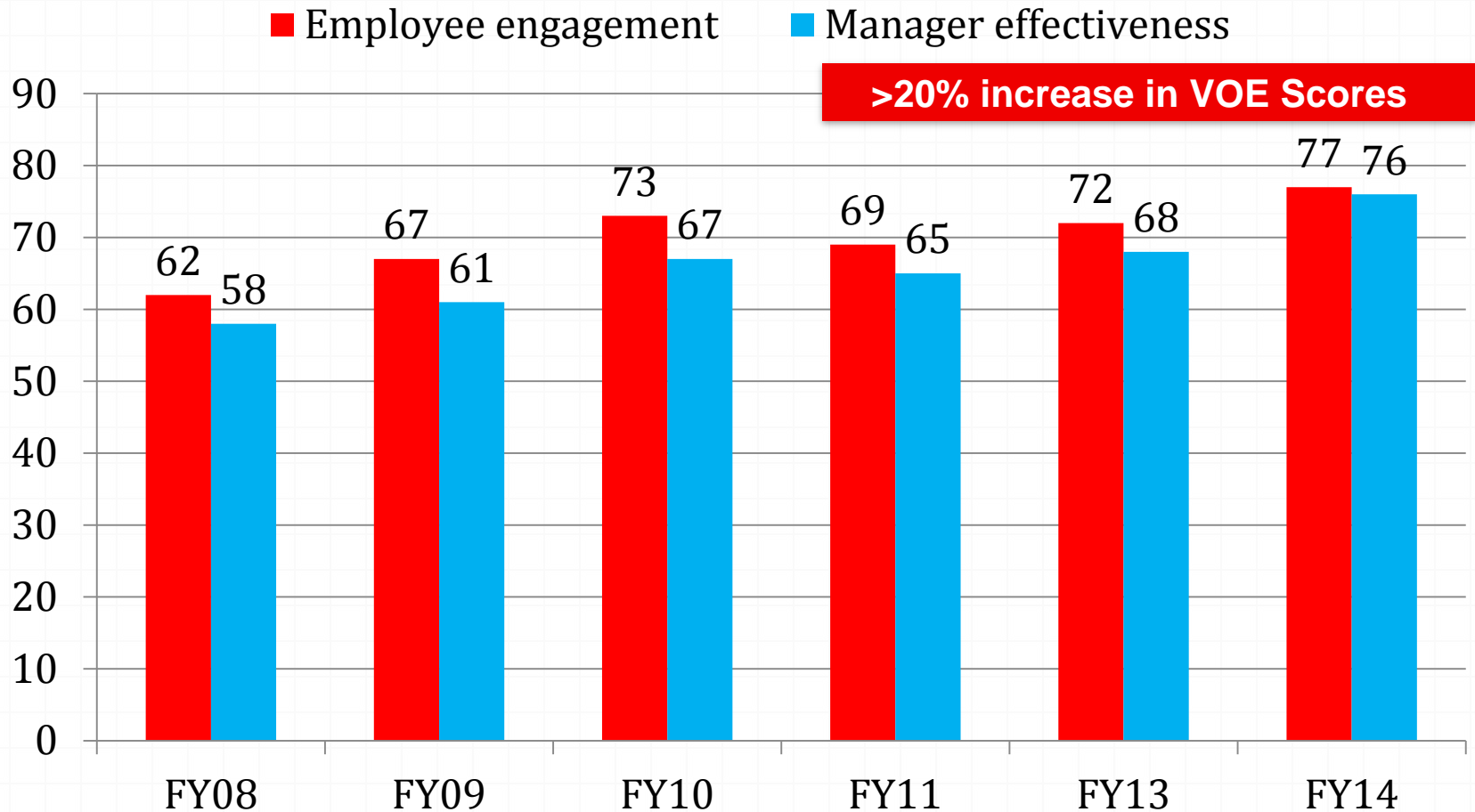
- |   |   |   |   |   |
|---|---|---|---|---|
| <ul style="list-style-type: none"> <li>•Pre-launch - 2004</li> <li>•Process improvement</li> <li>•Quality and Operations</li> <li>•Sizing the opportunity</li> <li>•Evaluating the capability</li> <li>•Drive cost out</li> </ul> | <ul style="list-style-type: none"> <li>•January – accelerate</li> <li>•June –169 BB, 297 GB, 209 KL, 1,600 sponsors,</li> <li>•Shift to “Value Stream”</li> <li>•Pharma Lean</li> <li>•Innovation awards</li> </ul> | <ul style="list-style-type: none"> <li>•Shift to “Value Creation”</li> <li>• Supply chain lean</li> <li>•Talent Review and requirements</li> <li>•Top Gun</li> <li>•June - 209 BB, 1,037 GB/KL</li> </ul> | <ul style="list-style-type: none"> <li>• Enterprise capability</li> <li>•Perfect processes</li> <li>•Value stream alignment</li> <li>•Customer facing work</li> <li>•+95 promotions</li> <li>•1,025 improvement projects</li> </ul> | <ul style="list-style-type: none"> <li>•\$1.0B achieved</li> <li>• \$1.5B working capital achieved</li> <li>•Lean Leader</li> <li>•170+ promotions</li> <li>• &gt; 5,000 projects</li> <li>•&gt;100 customer engagements</li> </ul> |
|---|---|---|---|---|

2004 2005 2006 2007 2008 2009 2010 2011 2012

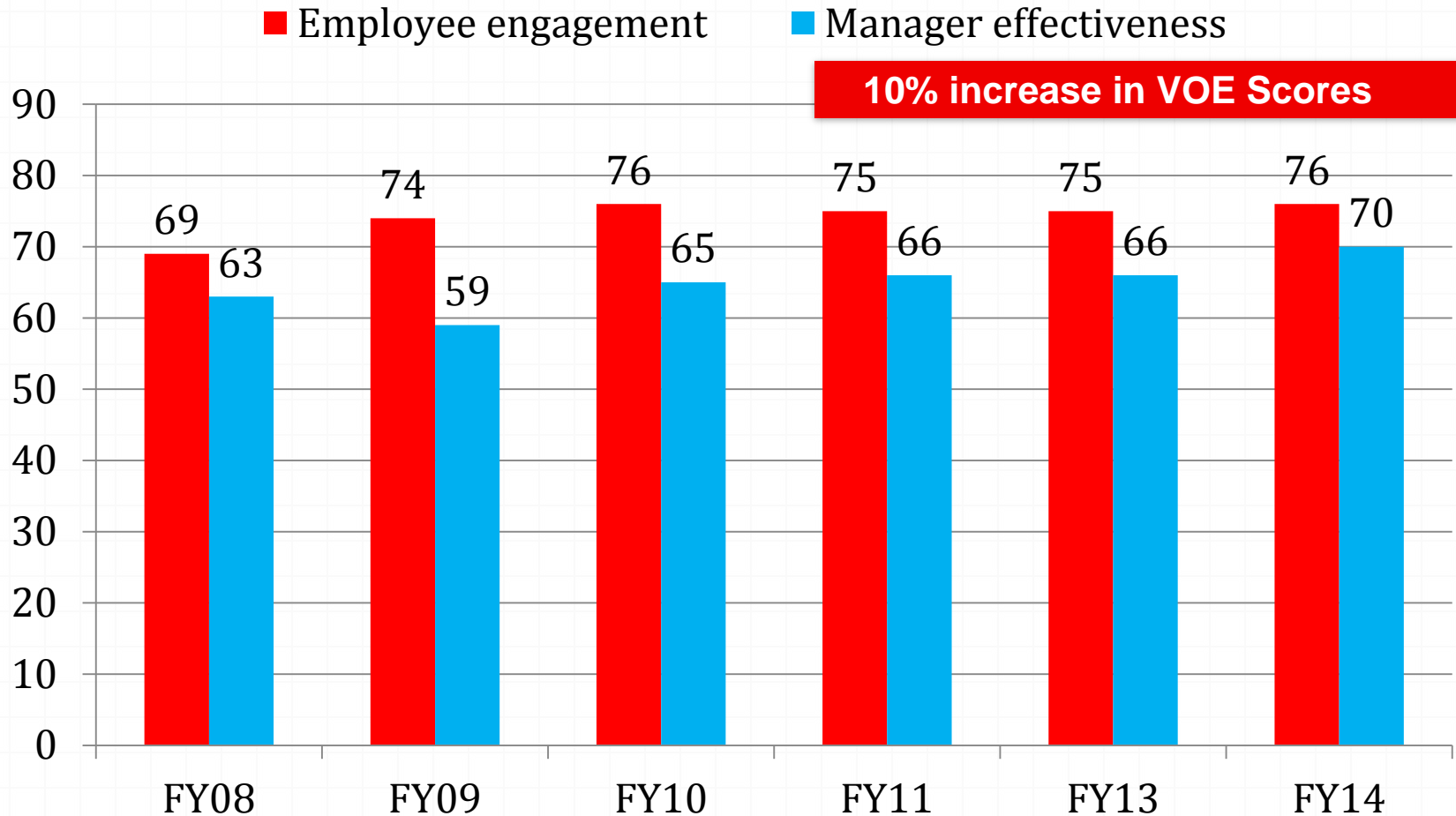


- |   |   |  |   |
|---|---|--|---|
| <ul style="list-style-type: none"> <li>•May 2005, full deployment launch</li> <li>•12 Site Assessments</li> <li>•June, Sponsor, BB, Kaizen</li> <li>•December summit</li> </ul> | <ul style="list-style-type: none"> <li>•Top Gun</li> <li>•Medical lean</li> <li>•MBB promotions</li> <li>•June - 160 BB (net of 55 “PTS), 835 GB/ KL</li> </ul> | <ul style="list-style-type: none"> <li>•Top Gun</li> <li>•Customer trials</li> <li>•MBB promotions</li> <li>•June:- +65 promotions</li> <li>•Full value stream view</li> <li>•Lean office</li> <li>•HVN Sponsor</li> </ul> | <ul style="list-style-type: none"> <li>• Lean Road Maps - full enterprise</li> <li>•Extend the V.S.</li> <li>• MBB Internal candidates</li> <li>• Shingo Assessor workshops with HVN</li> </ul> |
|---|---|--|---|

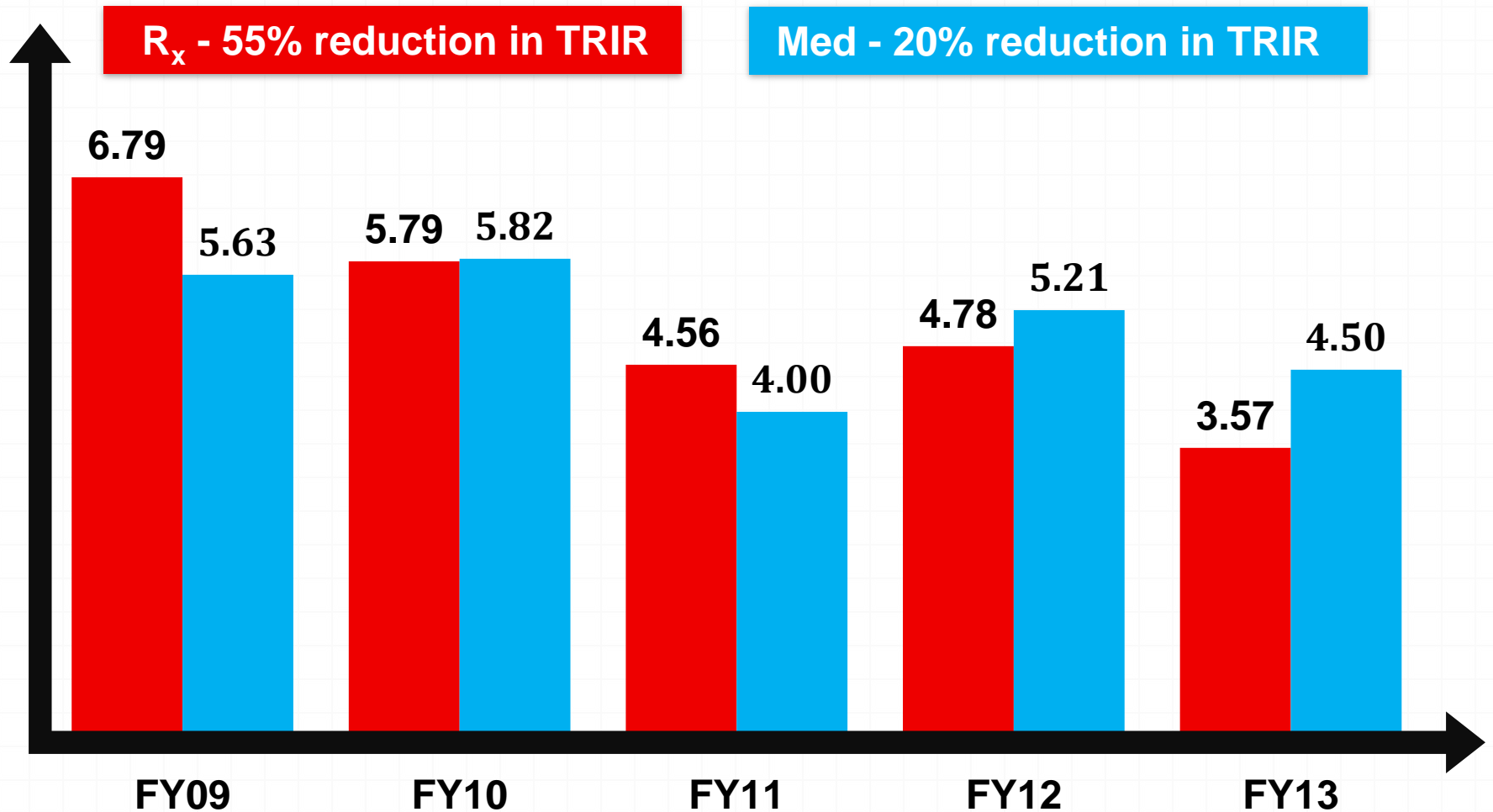
# Pharmaceutical Employee Engagement



# Medical Employee Engagement

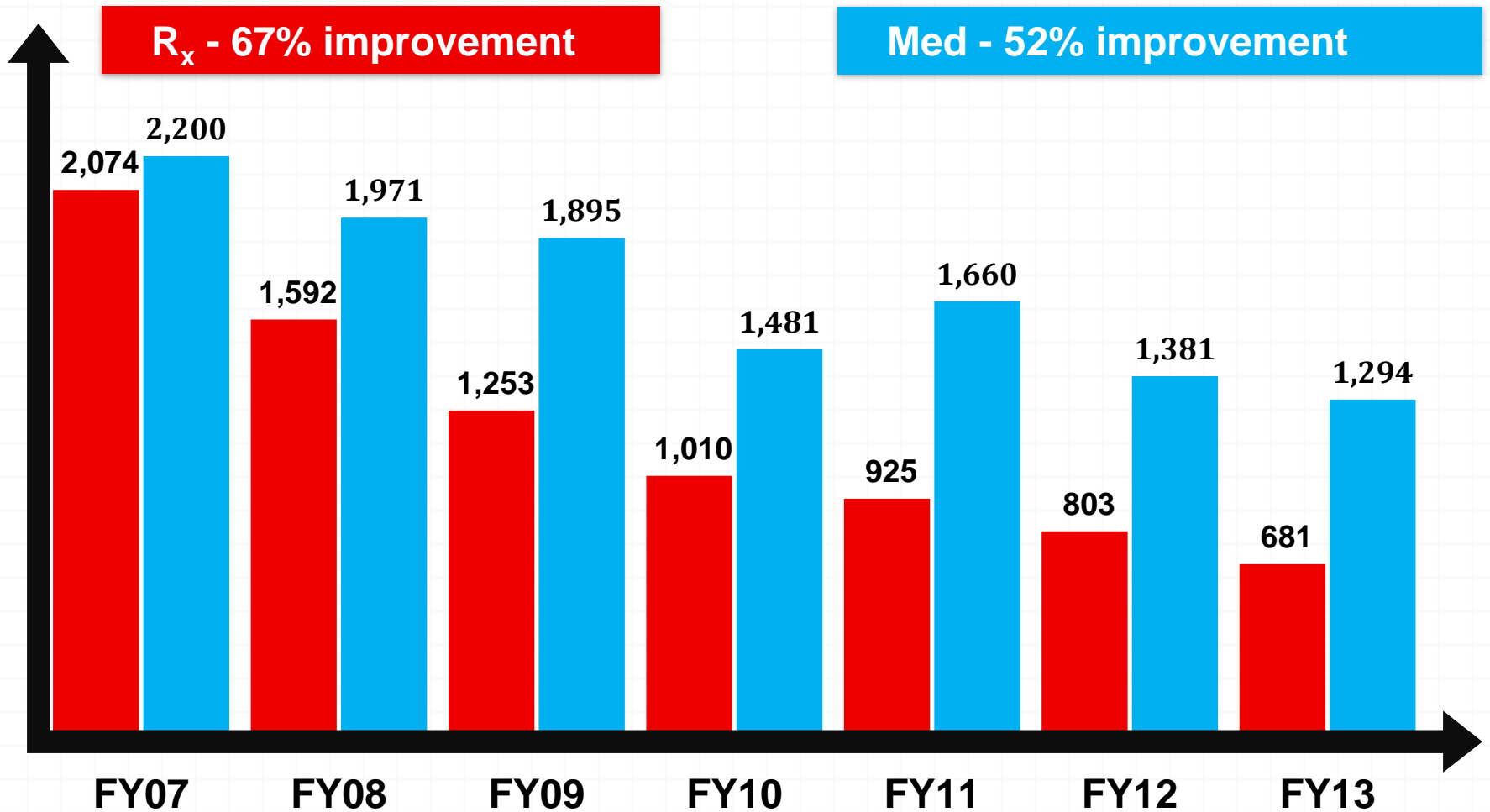


# Safety (Total Recordable Incident Rate)





# Shipping accuracy (DPMs)



# 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.



**1** Thank you for making us #1.  
We couldn't have done it without you.

Gartner Research ranks Cardinal Health #1 among Healthcare Supply Chain Top 25 for 2012.

[Read more >](#)

“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



# 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<sup>rd</sup> 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



Lean transformations REQUIRE internal lean leaders to drive and sustain benefits

# Why develop Lean Leaders

**29%**

Fewer emergency room visits

**3.7%**

Reduction in overall patient costs

**53%**

Reduction of lab test turnaround time

**0%**

Medication reconciliation errors

**25%**

Reduction of inpatient harm rates

**50%**

Reduction of unnecessary biopsy  
call back rate

# What is a Lean Leader

1. Able to capture the "big" picture and current status

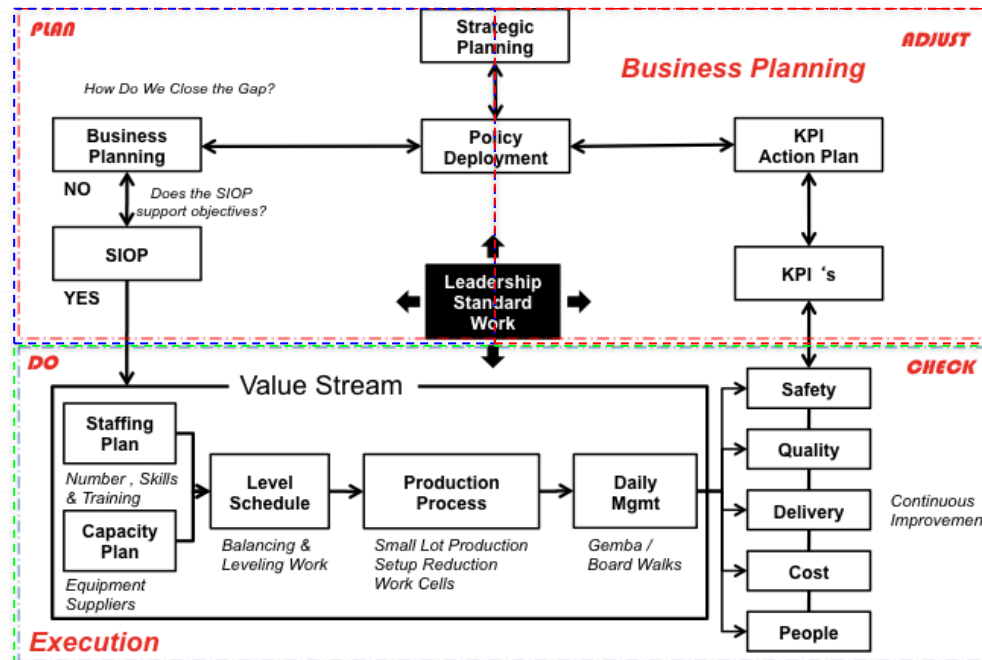
12. Good grasp of lean concepts providing context to lead and develop others

11. Develops others

10. Realizes good results

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

8. Executes implementation plans



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

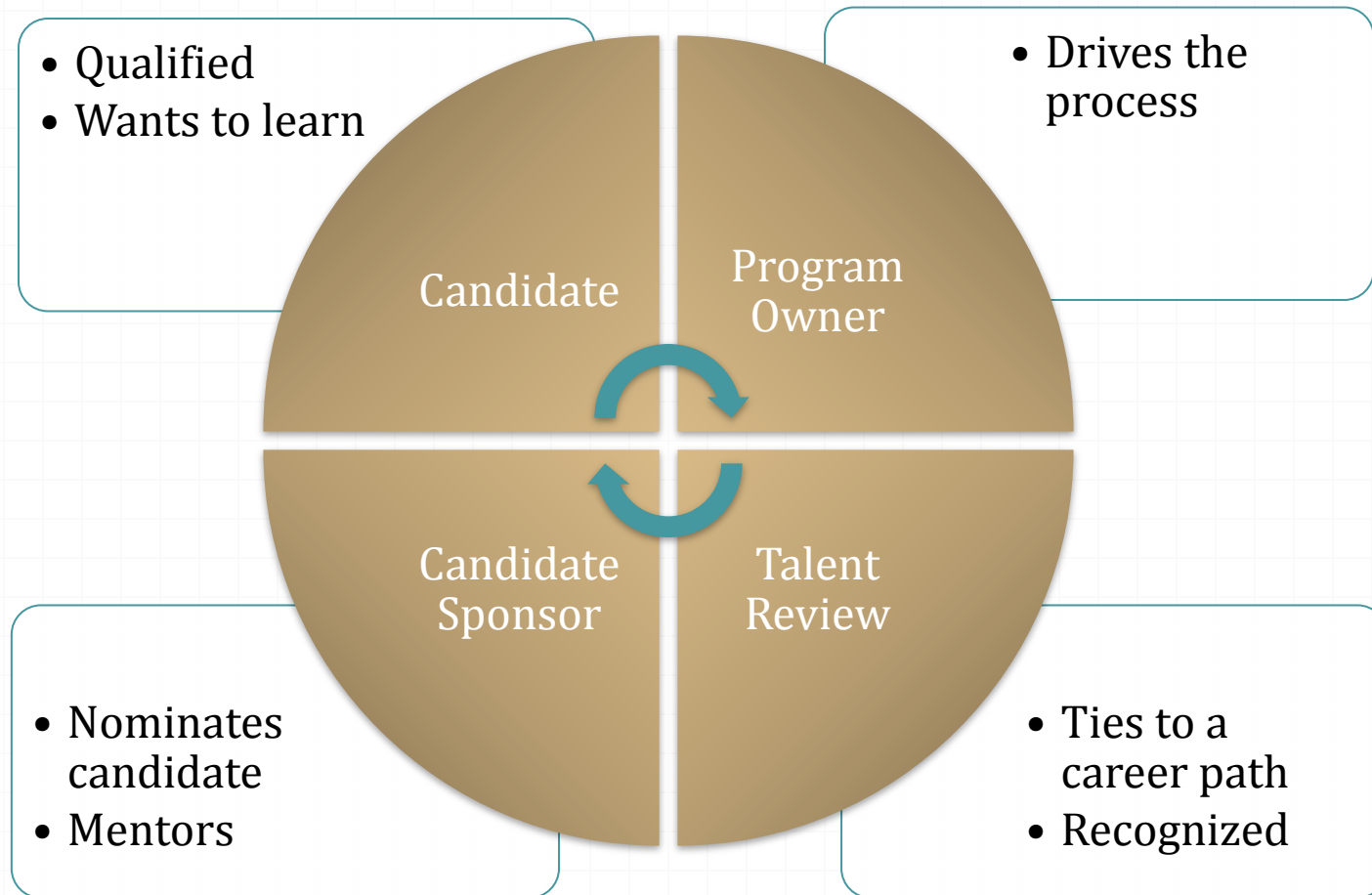
7. Communicates simple, concise and visual ideas



# How are Lean Leaders selected

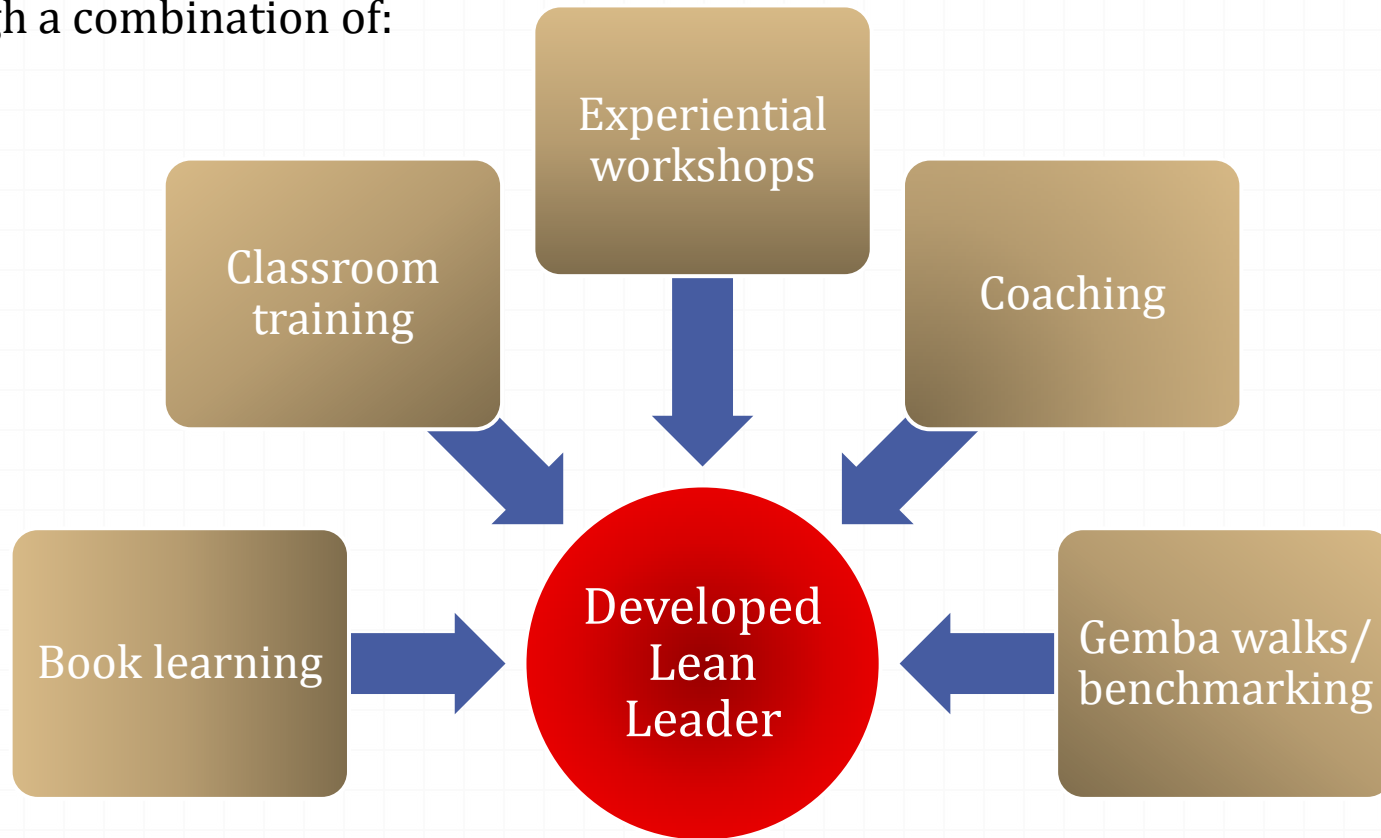
- A good candidate for lean leader development will enter the program with *some* experience centered on:
  - A targeted number of years
    - In the workforce
    - In “operations” (your gemba)
    - In a continuous improvement role
    - Supervised others
  - A targeted variety of:
    - Product lines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

# How are Lean Leaders selected



# How are Lean Leaders developed

Through a combination of:





# How are Lean Leaders developed

	Feb	Mar	Apr	May	June	Jul	Aug	
<b>Key Internal Cardinal Dates</b>					Close of Fiscal Year		National Meeting MBO's	
<b>Targeted Learning</b>	Kickoff		LEI Partners / VS Mapping Workshop		Gemba Walk #1 "5 Lean Principles"			
<b>Value Stream Thinking (Coaching)</b>	Project Identification			Coach Visit		Coach Visit	Coach Visit	
		Project # 1 - Individual; Small Scope			Project #2 - Individual; Small; Experiential			
<b>Partner Collaboration / Opportunities</b>			Black Belt meeting		HVN Summit	←		
<b>Readings</b>	Managing to Learn	Lean Thinking	Learning to See or Mapping to See		Kaizen Express			

	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
<b>Key Internal Cardinal Dates</b>								
<b>Targeted Learning</b>	Gemba Walk #2 "Tools & Concepts" Peer Review			Gemba Walk #3 "OSA WS" Peer Review			Gemba Walk #4 "Best Practice" Site	
<b>Value Stream Thinking (Coaching)</b>	Correct / Reflection	Coach Visit		Coach Visit		Coach Visit		Coach Visit
	Project # 3 - Team; Linked to MBO				Project #4 - Enterprise			
<b>Partner Collaboration / Opportunities</b>	← Site Visits / Benchmarking →						LEI Summit	Black Belt meeting
<b>Readings</b>	Toyota Kata		Who's Counting?	Seeing the Whole		Lean Healthcare Book		

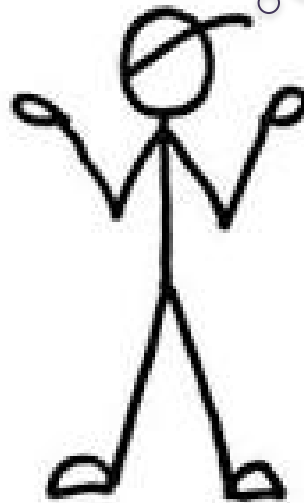
# Early in the program...

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

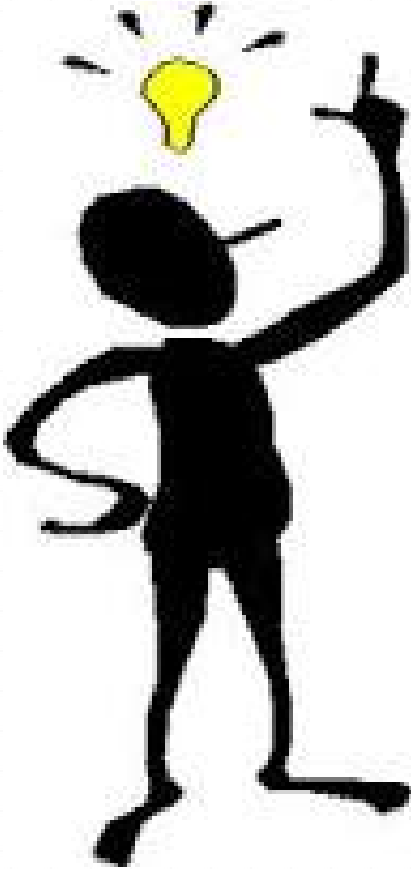
How am I going to do these lean projects along with my day job?

I have to read how many books?

When is my coach coming? I have to update my A3!



# Midway through the program...



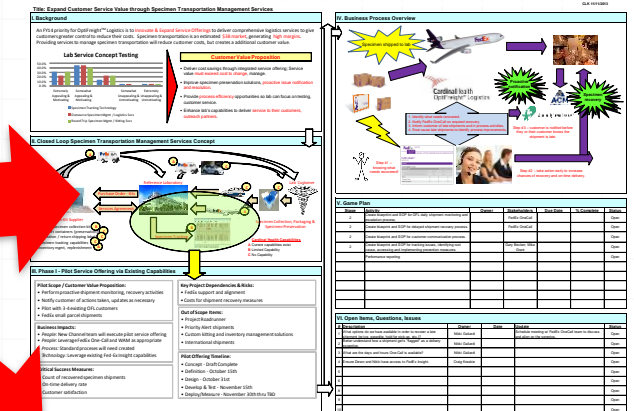
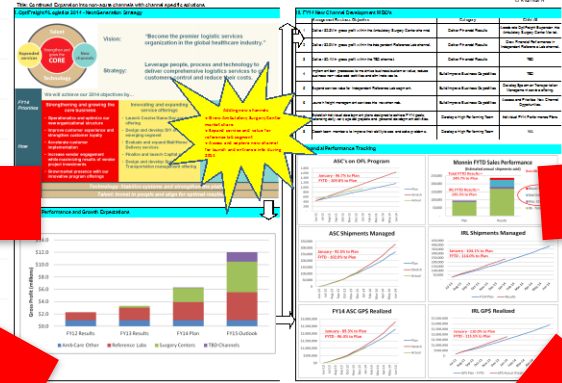
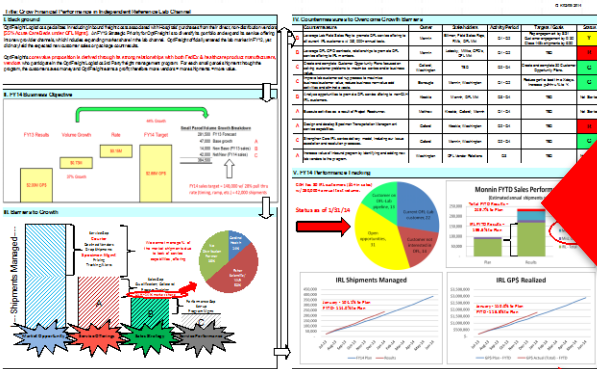
- I can apply Lean concepts and tools to improve my job...**Can't wait to get back to work!**
- My fellow Lean Leaders are facing similar problems...**I can learn from them!**
- My Lean Coach is very helpful guiding me through problem solving...**I want to provide this same coaching to my team!**
- Lean Thinking makes perfect sense...**Why do not all organizations develop their employees in this discipline?**

# Lean integrated into my daily work

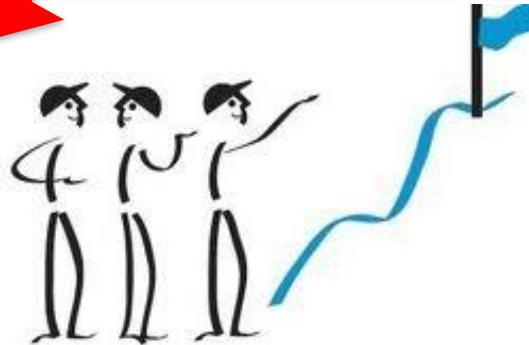
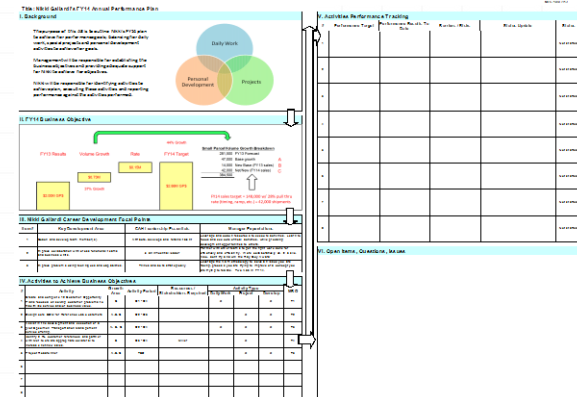
## Plan Achievement

## Strategic Planning

## Service Development

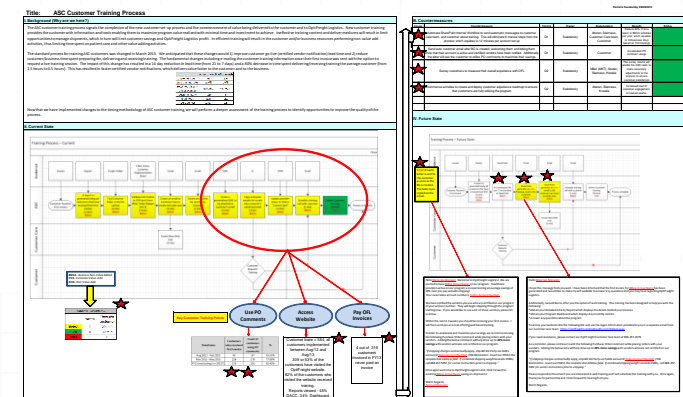


## Individual Development



**Problem Solving!**

## Process Improvements





# 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?



**CardinalHealth**



**Lean Enterprise Institute**

**Thank you!**

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