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GREENS, SHOOTS AND STAYS

This issue looks at the beginnings of lean's adoption of sustainable and green-friendly policies.

Organisations and interviews featured in this edition include: Adnams, Dessault Systémes, SA Partners, Ramboll Gas and Oil, SMMT Industry Forum, Joseph Paris, Lincoln Forbes, Joseph Paris, Bill Bellows and Jean Cunningham.

IN THIS ISSUE:

Lean and green: *Lincoln Forbes*, adjunct professor at Florida International University, analyses lean's role in creating sustainably constructed buildings and how we can make the construction industry more environmentally friendly.

Lean accounting: Consultant *Jean Cunningham* explores the best way for a business to undertake leaning its books, and how the ideas can benefit an organisation.

Managing businesses for the future; a sustainable approach: *Andy Wood*, CEO of Adnams, and *Keivan Zokaei*, of S A Partners investigate sustainability in lean business practices. Is the idea a pipedream or a practical and pragmatic approach to production in the 21st century?

Continuously improving management: *Tuan Nguyen*, senior manager of DELMIA Global Enterprise Manufacturing Intelligence at Dassault Systèmes, talks about how manufacturers can take a more lean approach to management.

INTRODUCING YOUR

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More information on our editorial board, their experience, and views on lean is available on the *LMJ* website: www.leanmj.com

Lessons from Mt. Stupid

LMJ editorial board member *Joseph Paris* returns to discuss the ideas of short short term-ism in the business world over continuous improvement.

READ ABOUT:

- **The idea of Mt Stupid: spending more money and wasting time on a programme you won't stick with.**
- **The short term-ism that plagues boardroom decision making.**
- **Managers not realising continuous improvement needs to be continuous.**

The premier example of Mt. Stupid: the director of operational excellence in Europe for a publicly-traded company was speaking at a conference – which is not so unusual, as most of the speakers and attendees were in operational excellence (or continuous improvement) leadership roles. He was a bright and passionate individual. He was fully engaged in the programme and hoped to continue on it for his time at the company.

A month later the much learn'd and passionate individual had been released. The company had killed the entire operational excellence program to cut costs.

Believe it or not, this happens more than you might imagine; operational excellence programmes being cut or killed to save costs, continuous improvement programs ceasing to be continuous, lean and six-sigma programmes being starved of oxygen – the incredible idea of corporate leadership on the improvement teams to accomplish grand goals with little or no support, and the more incredible acceptance of the demands under such conditions by the improvement team leadership.

The misalignment of expectations of programme-objectives

versus ability-to-deliver responsibility isn't just to be blamed on corporate leadership, though. It's possible to place responsibility for the pending doom on the leadership of the improvement teams for not understanding what is being asked of them, and what they truly need to accomplish the task. In essence, they are setting themselves up for failure – being held accountable and responsible, but without authority – before they even start.

YOU WANT ME TO FIGHT A DESPERATE BATTLE AGAINST INCREDIBLE ODDS – WHERE DO I SIGN UP?

There is a reason that young people join the armed services, bungee-jump, and participate in extreme sports much more often than older folks; they don't know any better, it looks sexy, and participation feeds the ego. If a few others join, a crowd mentality forms, and a frenzy often follows. These people are referred to as adrenaline junkies – they love the rush of excitement and challenge of facing the peril.

Oftentimes, they will engage in the activity long before they have the capability for success. In fact, getting slightly injured is looked upon as a badge of honour; proof, if you will, that the experience was in fact perilous, they had overcome, and they have the t-shirt to prove it.

> "Incompetent people will pursue a path born out of ignorance with great confidence until it is glaringly apparent that the path is wrong"

These people don't come back home and talk about all the successful runs they had. They will talk of the wipe-outs and near misses. Smiling all the time.

IF YOU SQUINT REAL HARD, YOU CAN SEE SUCCESS FROM THE PEAK OF MT STUPID:

Inspired by the case of McArthur Wheeler – who rubbed lemon juice on his face before he robbed banks in the misguided belief that the cameras would not be able to record him during the robbery – David Dunning and Justin Kruger of the psychology department at Cornell University, observed a pattern of behaviour where an ignorance of real requirements led to overestimation of capabilities – often in the extreme.

There had been references to such misguided belief going back to antiquity;

- "Real knowledge is to know the extent of one's ignorance." – Confucius
- "Ignorance more frequently begets confidence than does knowledge." – Charles Darwin
- "One of the painful things about our time is that those who feel certainty are stupid, and those with any imagination and understanding are filled with doubt and indecision." – Bertrand Russell

In 1999, Dunning and Kruger released a study –known as the Dunning-Kruger effect – that proposed, for a given challenge, incompetent people will pursue a path born out of ignorance with great confidence until it is glaringly apparent that the path is wrong – with the resultant realisation setting their confidence into a deep devaluation before the process of rebuilding can occur.

Setting off on the journey: embarking on a new venture is a very exciting time. Everyone builds themselves up to face the challenge. But are those selecting the individuals to complete the task selecting the right people?

The selection process is the most critical step when formulating the members of the team – especially those initial members who will form the core, the leadership, of the team. During the interview, the interviewer will want to select the individual whose credentials and experience satisfy the prima facie requirements – but will gravitate towards selecting the most confident and enthusiastic person they can find. They will listen with great interest to the person who has a general understanding of the challenge - and who possesses a can do attitude - over the person who is more cerebral, contemplative and modest to risk taking. The risk takers are uniquely aware of their own inability, over the more capable person, who is consciously consignant of the reality of the challenge and more reserved.

Climbing Mt. Stupid: And so our ambitious – though unlearn'd and unprepared – adventurer begins his ill-conceived journey up the slope of Mt. Stupid. Subtle warnings that he might not be on sound footing go largely ignored. Instead, he:

- overestimates his own level of skill because he doesn't know any better;
- fails to recognise genuine skill in others because he doesn't realise his own shortcomings;
- fails to recognise the extremity of his inadequacy because he can't measure what he doesn't know.

Reaching the peak of Mt. Stupid: More often than not, and directly related to his level of confidence and the size of his ego, our adventurer's realisation that he lacks the skills or knowledge become apparent when the decisions he has made, or course he is on, is incontrovertibly incorrect – he has reached the peak of Mt Stupid. Here, he finally is faced with, and must acknowledge, his own lack of skill and capability.

Falling from the peak: Depending upon how high our adventurer has climbed and the magnitude that he allowed his misguided confidence and ego to drive him beyond the reasonable, the fall from the peak can be a gentle stroll down a hill, or falling off a cliff. It is at this point that the misalignment of the expectations to the results is glaringly apparent with the operational excellence programme, and those involved, become de minimis or outright terminated. But this failure, though predestined, is not of nefarious intent.

> "It's possible to place responsibility for the pending doom on the leadership of the improvement teams for not understanding what is being asked of them"

A contemporary example of a board of directors selecting arrogance over competence – and the subsequent fall from Mt. Stupid – is the story of retailer JC Penney, and Ron Johnson. JC Penney had been struggling for several years with the condition of its business becoming increasingly tenuous. It was time for a change in leadership at the top.

In November 2011, the board of directors decided to hire Ron Johnson as CEO. Johnson had been senior vice president of retail operations of Apple, during which time Apple's retail operation grew from nothing to being an envy of the retail industry – with profits that never seemed to stop growing.

When the hiring of Johnson was announced, JC Penney's stock rose almost 25%. But Johnson ignorance of the industry was only surpassed by his arrogance. The first signal should have been Johnson's insistence of commuting to work, from California to Texas, on a private jet.

Although the leadership of JC Penney was loath to admit a mistake had been made, it soon became glaringly apparent that Johnson and his strategies – instead of being on the path to salvation – were actually accelerating JC Penney on the path to destruction. Often described as one of the most aggressively unsuccessful tenures in retail history, Johnson's rebranding and revitalisation efforts were ambitious, but could not be supported by cash-flows. In addition, Johnson's plans served to push away the customers loyal to JC Penney in pursuit of an undefined expanded customer base.

Ultimately, JC Penney terminated Johnson in April of 2013.

Valley of Despair: Eventually, our adventurer completes his fall and finds himself at the bottom. He has lost all confidence in himself and his beliefs. At this point, he has to make a decision; does

he re-assess his circumstances and begin to take corrective action? Or does he give up? And what about the company? Does it assess its experiences and re-engineer and redeploy the operational excellence programme? Or does it eliminate it to reduce costs?

Probably the best example of this is the story of Steve Jobs and the company he co-founded with Steve Wozniak, Apple Computers. Soon after Apple Computers went public, the board of directors became uncomfortable with its leader being rather inexperienced in business – especially a publicly-traded company looking to transition from an entrepreneurial start-up to a mature enterprise. The result was that Steve Jobs was unceremoniously discharged from the company he helped to create. But Steve Jobs did not wallow. First, he took his fortune and started NeXT Incorporated With the help of Ross Perot, NeXT Incorporated was eventually sold to Apple. Afterwards, Steve Jobs bought The Graphics Group from LucasFilm (which he renamed Pixar), helped to make the company a huge success, and parlayed his investment into his being the largest private investor of the Walt Disney Corporation (7%) and a seat on the Disney board of directors.

In 2000, with Apple Computer facing a life-and-death struggle, the board of directors of Apple Computer asked Steve Jobs to rejoin the company – eventually becoming president and CEO.

Slope of enlightenment: Let's assume that our adventurer does not give-up his career as a change-agent – but instead he decides to reflect on his experience, and discover the Tao (the way).

In this phase, he performs a self-assessment of his beliefs and capabilities. He compares them with what is needed for him to achieve his goals. And he goes about acquiring the capability (either personally or by proxy).

Plateau of sustainability: In this final phase, real sustainability is achieved. There is no fanfare. There is no panic or talk of a burning platform. There is just cerebral and methodical forward movement in a continuous and deliberate manner.

The humble servant leader: But there is something magical that also happens to our adventurer. His experience has taught him that he does not know nearly as much as he thought he did and – striped of hype and hubris – his confidence has been set to be more aligned with reality.

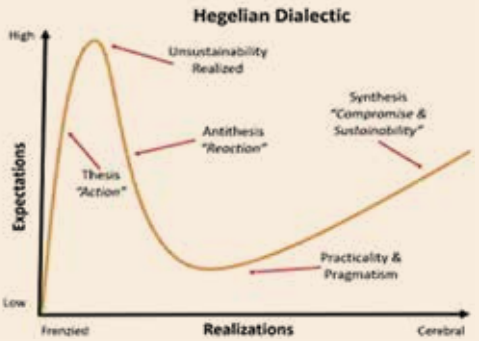
Over time, even as he learns more and more, he realises his knowledge in absolute terms is less and less. He has become humble and wise.

And now, a true mentor, he can be a positive and indelible force within the world.

The Hegelian dialectic: By this evidence, the Dunning-Kruger effect is, in fact, a variant application of the Hegelian dialectic; a form and method for argument and reasoning. Named after Georg Wilhelm Friedrich Hegel, a German philosopher who is credited with the theory's formation and development.

The Hegelian dialectic is usually described in three phases;

- a thesis, a new paradigm – usually a transformational challenge to the status-quo,
- an antithesis, which contradicts or negates the thesis,
- and the reconciliation of the two being resolved by means of a synthesis.



> "The selection process is the most critical step when formulating the members of the team – especially those initial members who will form the core, the leadership, of the team"

We see this pattern repeat itself throughout history. A most glaring example in contemporary times came with the introduction of the internet.

Thesis: In the later 1990s the internet was the next undiscovered country – a technical wild west where everything and anything was possible and without boundaries without limitation.

Soon, the hype turned into a frenzy as start-up after start-up promised great fortunes in the new economy of dot-coms.

It did not matter that these fledgling companies were losing money by the barrelful. In their new economy, cash didn't matter – what mattered was eyeballs to the website. And the CEO's of these new-economy companies, when challenged, would scoff arrogantly at the ignorant who didn't understand. Investment money kept pouring into these companies chasing revenue and profitability numbers that had no basis in reality.

The mantra of this thesis became, if you are not an internet company, you are a dinosaur business and about to become extinct. The euphoria drove the stock-prices of the dot-coms to unrealistic and unsustainable levels – a bubble had formed.

Antithesis: Suddenly and spectacularly, the dot-com bubble exploded in 2001. Billions of dollars, if not trillions, were lost in a very short time by investors across the spectrum – from the institutional investor to the investment novice. The once mighty CEO's of these companies, who at one time demonstrated such hubris in their new economy with little patience for those who did not understand, were exposed for the arrogance in their ignorance.

Afterwards, the investor backlash against all businesses and business models that relied on the internet were anathema. The opinion on business changed from if you are not an internet business, you are soon to be extinct to, if you are an internet business, you are not a real business.

Synthesis: But, over time, more pragmatic eyes looked beyond the hype of the internet and focused on the realistic potential and power that did exist. The market matured, and so did the business models, giving us innovative companies like Google and social media companies. And although users are important, they are secondary to earnings before interest, taxes, depreciation and mmortisations (EBITDA) and free cash-flow generated from operations.

SO WHAT CAN WE LEARN FROM THIS? HOW CAN WE APPLY IT TO OUR OPERATIONAL EXCELLENCE PROGRAMMES?

1. If this is your first attempt at operational excellence (or continuous improvement, lean, six-sigma), make every attempt to set pragmatic goals. Hire the cerebral and the deliberate over the emotionally super-charged. Listen to them and give them the support they need. Realise that everyone's expectations will probably not be met.

2. If you have climbed and fallen from Mt. Stupid, or are about to; take a moment to reflect on the journey. What was good? What was not so good? How can we build on the successes? How can we ensure the failures do not recur? After all, the only alternatives to moving forward are to stand still or go backwards.

3. Get going again. Move forward with your new-found expertise and wisdom.

4. Achieve a sustainable program in both pace and impact.

In all things, in all initiatives, in all great aspirations, one should: evaluate critically, consider cerebrally, prepare calmly, and act deliberately.

FURTHER READING:

- ***Psychology Today: When Ignorance Begets Confidence: The Classic Dunning-Kruger.***
- **PsyBlog: The Dunning-Kruger Effect: Why The Incompetent Don't Know They're Incompetent.**
- ***Pacific Standard Magazine: Why People Have So Much Trouble Recognizing Their Own Incompetence.***
- ***ARS-Technica: Revisiting why incompetents think they're awesome.***