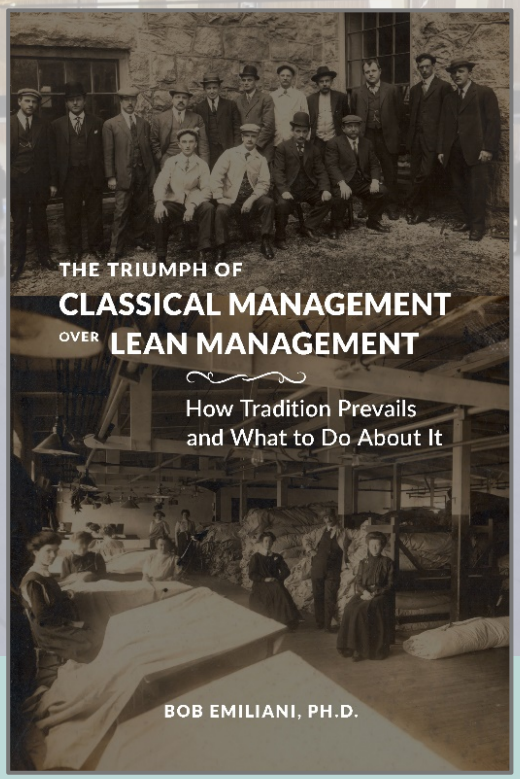
Supplement to the Book

The Triumph of Classical Management Over Lean Management

How Tradition Prevails and What to Do About It



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Still Managing

Like It's 1900?

Contents

Introduction

Why Do Executives Resist Lean Management?

Since the dawn of progressive management over 100 years ago, business leaders have been largely indifferent to its adoption, despite the great potential for producing better business results and better outcomes for employees, suppliers, customers, investors, and communities.

Lean management, a derivative of Toyota's management system and the most recent form of progressive management, has also faced resistance. The question is, Why?

> ***"Lean management has no future if we cannot figure out why executives resist it."***

I have worked in this problem for more than 25 years. Most of that time was spent uncovering the nuances and details of the required form and shape of effective Lean leadership, to help business leaders understand how to lead a Lean transformation.

But, such efforts are destined to be meaningless if business leaders adopt only certain Lean tools and methods instead of the management system in its entirety. The fundamental problem of executive resistance to Lean management must be solved to enable the identification of countermeasures that could lead to its wider acceptance.

A few years ago, I undertook a more focused research project to solve this important problem. My specific interest was in the economic, social, political, and historical reasons for executive resistance to Lean management. These four areas emerged as important factors in research that I conducted from 2007 to 2011.

The result was a book titled *The Triumph of Classical Management Over Lean Management: How Tradition Prevails and What to Do About It* (published February 2018). This book has been lauded as a great advancement.

> ***"Superb! In-depth and brilliant research."***
> ***"An excellent analysis. It's right on target."***

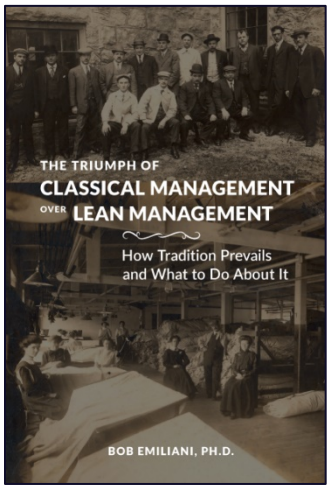
I refer you to *Triumph of Classical Management* to understand the economic, social, political, and historical basis for executive resistance to Lean management.

But the job was not yet done. While four dimensions of resistance – economic, social, political, and historical – had been comprehensively examined, two more dimensions remained to be explored. My research questions were:

- What is the philosophical basis for executive resistance to Lean?
- What is the business basis for executive resistance to Lean?

The following pages document these two additional dimensions. My research on these six dimensions has answered the key questions that people have long asked:

- Why don't CEOs adopt Lean?
- Why do executives avoid Lean training?
- Why don't executives apply their Lean training?
- Why don't executives participate in kaizen?
- Why don't executives go to the genba?
- Why don't executives think scientifically?
- Why don't executives practice their katas?
- Why don't leaders want to improve?



- Why do bosses shoot down improvement ideas?
- Why don't leaders care about their people?
- Why aren't there more truly Lean companies?

and

- What can be done to change this?

Previously, the best that knowledgeable people could do was provide superficial answers such as:

- "They didn't learn about Lean in school."
- "CEOs stick with what got them to be CEOs."
- "They can't let go of traditional command and control management."
- Executives are risk averse, insecure, and need total control"
- "CEO can't admit it when they are wrong."

Others did not even bother to attempt to answer these questions because they considered it to be a waste of time. This has long been the most important problem facing the Lean community. My peers, in fact, told me that it was "not worthwhile" and "not a useful contribution" to Lean knowledge. But I did not give up on this problem because Lean management is important, and because better management of organizations is so important and consequential to people's lives and livelihoods, and to society.

Going forward, the challenge is to identify and implement countermeasures to see if they result in wider acceptance for Lean. *Triumph of Classical Management* offers some countermeasures, as do the following pages. In addition, you will have to challenge yourself, or your team, to think of other countermeasures.

There are two remaining dimensions that could provide additional insight and understanding to the problem of executive resistance to Lean management. They are the psychological basis and neurological basis.

The Business Philosophy Triangle

Why Do Executives Resist Lean Management?

In general, business transformation and management improvement efforts struggle and often fail. In the context of Lean management, failure is understood to take a few different forms:

- Misunderstanding and misapplication of Lean management
- Inability to achieve material and information flow
- Regression from Lean management back to Classical management

But often, the chance to fail does not occur because Lean management is not even considered by executives as an alternative to Classical management. How might a business leaders' philosophy lead to that outcome? In general, the world follows the "Western" methods of business and management thinking and practice. The philosophy associated with this is, of course, Western philosophy.

> ***"The tradition of Western business thinking and practices is informed by economic liberalism, hierarchical management control, and conventional leadership routines."***

We know that managers raised in the Western tradition have great difficulty understanding the Eastern philosophy and practices associated with Toyota's management system, from which Lean was derived.

How does this new perspective and different knowledge area answer the question, "Why do executives resist Lean management?" The image on the next page presents the basic contours of three distinct Western philosophical "isms:" Realism, Idealism, and Pragmatism, shown as the three corners of the "Business Philosophy Triangle."

A Philosophical Explanation for Executive Resistance to Lean Management

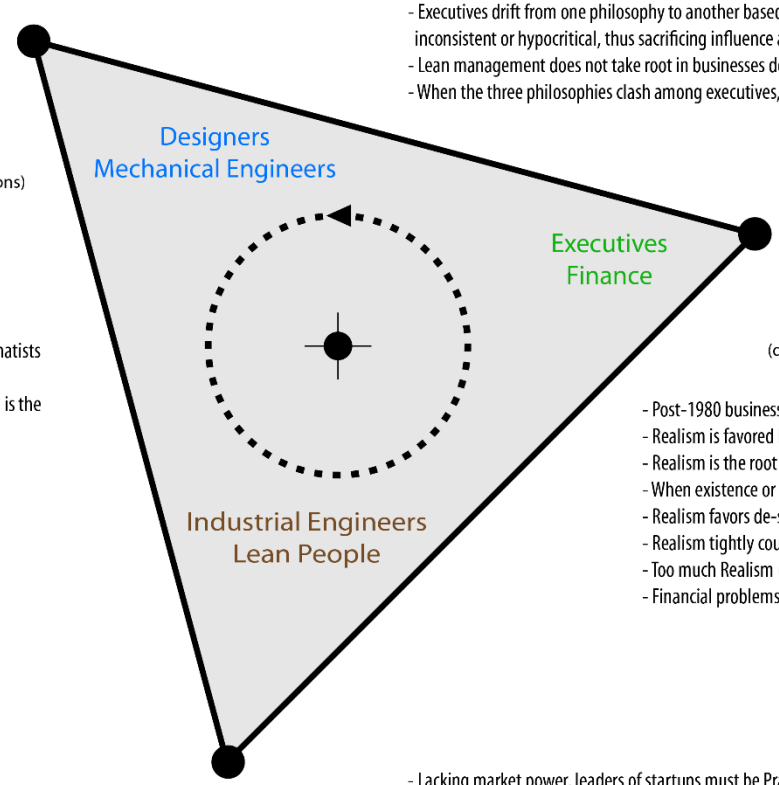
- Philosophy of business varies according to leader, macroeconomic conditions, and market power
- Executives drift from one philosophy to another based on need or circumstance, causing executives to appear inconsistent or hypocritical, thus sacrificing influence among stakeholders
- Lean management does not take root in businesses dominated by executives with strong Realist philosophy
- When the three philosophies clash among executives, Realists win, Idealists stay, and Pragmatists leave or are dismissed

Philosophical Idealism

Insight: Mind, Spirit, Dreams, Subjectivity

ECONOMIC RECOVERY
(difficult but improving conditions)

- Idealists are the creators; skilled artisans and craftsmen
- Idealists are independent and prideful
- Idealists tend to be sheltered by management
- Executives who cannot empathize with Idealists and Pragmatists create conflicts, reduce innovation, and reduce productivity
- Idealism and Realism are "office" philosophies, Pragmatism is the "factory" (or "producer") philosophy



Philosophical Realism

Examination: Fact, Objectivity, Uniformity, Conformity

ECONOMIC RECESSION
(difficult business conditions or greed)

- Post-1980 business has drifted towards Realism (economic rationalism)
- Realism is favored by executives of large companies
- Realism is the root business philosophy for sellers' markets (oligopoly, monopoly)
- When existence or profits are threatened, executives become strong Realists
- Realism favors de-socializing, de-humanizaing, and de-experimentation
- Realism tightly couples with the pseudologic of executive instinct and sentiment
- Too much Realism (economic rationalism) eventually leads to financial problems
- Financial problems lead to increased Realism, not increased Pragmatism

Three Methods of Thinking

Realism
Idealism
Pragmatism

All Three Are Needed
- Rough Balance -

Philosophical Pragmatism

Action: Learn-by-Doing, Experimentation, Trial-and-Error

ECONOMIC EXPANSION
(sales and profit growth)

- Lacking market power, leaders of startups must be Pragmatic; scrap the past and create a better now
- Pragmatism is the root business philosophy for competitive buyers' markets
- Pragmatism takes two forms: Social (cooperation, teamwork) and experimental (i.e. PDCA, kaizen)
- Pragmatism is creative, inventive, and innovative - just do it, do it now, try it and see; progressive
- Promotion from skilled worker (Pragmatism) to manager (Realism) is a difficult philosophical transition
- Pragmatic Lean management does not appeal to executives' imaginations
- Lean does not appeal to workers' imaginations because they fear Realist executives will drive them harder

Adapted and expanded from RCL, 1944 and 1945

The text embedded in the image explains key characteristics of Realism, Idealism, and Pragmatism in relation to executive disinterest in Lean, resistance to Lean, or the failure of Lean to take root in organizations.

It is obvious that CEOs mismanage when they get the company (managers and workers) stuck in one corner or another. CEOs and their direct reports must frequently circulate among the philosophies — the dotted circle — to assure that they do not get stuck in their own favorite philosophical corner. CEOs are responsible for all three philosophies that exist in business, not just their own Realist philosophy.

The Business Philosophy Triangle suggests that leaders, typically absent from the workplace, must be taught the need for circulating around the triangle (dotted circle). They must also be taught the atypical business conditions under which it might be wise to retreat to one corner — but only for the time actually needed. They must return to a balanced position soon after business conditions stabilize.

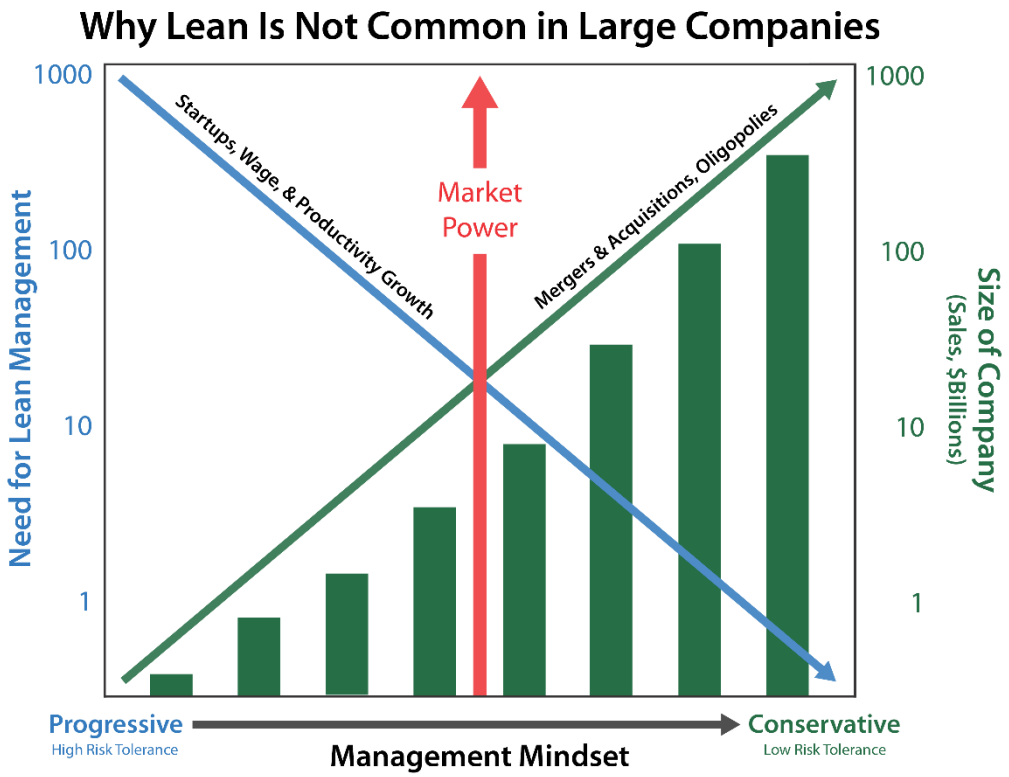
The Business Philosophy Triangle also suggests numerous practical process that executives can practice to avoid the problem of executive resistance to Lean management. Toyota-style kaizen is a preferred method for identifying and implementing processes that can solve this common social problem in business.

Look carefully at the Business Philosophy Triangle and ask yourself these questions:

- What does it mean in relation to the responsibilities of human resource executives and Boards of Directors?
- What does it mean for employees and investors? Communities and suppliers?
- Are our company's problems caused by executives being stuck in philosophical corner of the triangle (thus, absentee leaders)?
- Do we experience the same recurring problems because of that?
- How do we restore philosophical balance in the executive team?
- How do we develop future leaders to be both philosophically balanced and present?

The LeanX-Diagram, below, tells another story that is complimentary to *Triumph of Classical Management* and highlights the Realism corner of the Business Philosophy Triangle as it relates to Lean management.

Study it carefully as well, because it tells you a lot about business, the passions and interests of CEOs, and Lean.



Adapted from https://bobemiliani.com/the-business-philosophy-triangle/

Business Leaders' Case for Ignoring Lean

Why Do Executives Resist Lean Management?

You may think it odd, but my view is that arousing interest in Lean management is irresponsible and disrespectful if people are certain to run into known, nearly immovable structural impediments that make it unable for them to actualize their dreams and contribute in greater ways to both work and society. The most formidable impediment that everyone easily recognizes is leadership.

The business case used by business leaders to ignore Lean is deceptively simple. I explain it with the continuing understanding that what follows merely points out the facts, with no intention to disparage or disrespect, and to simply illuminate the common state of affairs so that improvement ideas can be generated and implemented.

In most of the world, companies operate in a free market. This means it is a competitive market governed by the laws of supply and demand, which serves to determine prices – a "price-system" – based on the quantity supplied by producers and the quantity demanded by users. Rarely are the two in equilibrium, and for good a reason: Profits. The gain in profit depending on the price that the market will bear as determined by supply and demand at any given point in time. (Note that "supply and demand" applies to the goods and services a company produces as well as the company itself).

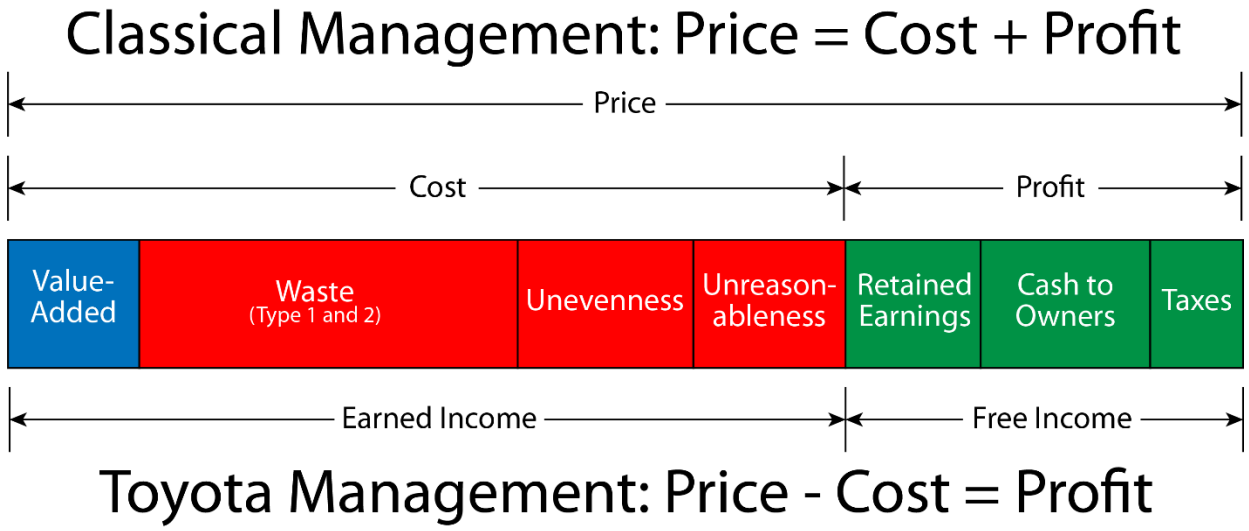
There are certain facts of business thinking and practice that are relevant to the business case for ignoring Lean. They are as follows:

- Owners and managers very much want to avoid gluts (buyers' markets), and so they are always angling to achieve sellers' markets and therefore gain pricing power — in other words, an overwhelming fear of competition.

- Business leaders are generally distrustful, and specifically distrustful of stakeholders such as suppliers, employees, and competitors — and often their peers as well.
- They don't like workers because they can neither be capitalized nor depreciated. Efficiency, productivity, and cost reduction are of interest, but these are best achieved by procuring new machine technologies (machine-based process improvement); there is far less interest in human-based technologies (the brain; ideas and creativity) in large part because technology decides who wins and who loses.
- Business leaders love economies of scale, more for scale than for economies (though, EoS does amortize waste, which is so much easier to do than eliminate waste).
- They are self-interested and seek to maximize their own gains, with salesmanship, marketing campaigns, and sales promotions featuring prominently in efforts to maximize gains.
- They have a zero-sum mindset, where one party's loss is another party's gain, and so they always seek to win at someone else's expense.
- Winning is paramount for leaders, even if only in appearance, because it confers status, authority, and the right to maintain the status quo — which is why, for example, challenging leaders to adopt Lean management or practice Lean methods and tools, usually fails.
- They believe a business must "grow or die," which is actually a statement about the importance of gaining leverage over other stakeholders, to win.
- They love dealmaking and are always on the hunt for mergers and acquisitions. The "synergies" (cost savings) that help sell the deal rarely materialize because they are not important.
- The bigger the company (scale), the more it is able to "buy cheap and sell dear;" to gain market power in order to exert leverage over suppliers to obtain low prices and leverage over customers to obtain high prices, and generally to gain tangible and intangible concessions from any party that the company interacts with.

Business is the pursuit of profit (gain) "with the frame of mind that is native to the countinghouse." Managers are required to produce a profit, free income, which is embedded in price as well as determined by price. Therefore, there is an incentive to withhold supply to achieve a sellers' market and gain pricing power. But, as demand varies over time, supply must be throttled to avoid overproduction and the creation of a buyers' market. The ability to throttle output is of supreme importance and is aided by economies of scale (and sales incentives), which greatly extends the range of available throttling positions and price points. In other words, the cost savings achievable with economies of scale is of less importance than the number of price points and price increases that are achievable.

The image below shows the view of price, cost, and profit for Classical management and for Toyota management. Importantly, it shows the breakdown of cost as the sum of value-added plus waste plus unevenness plus unreasonableness, and profit as the sum of retained earnings plus cash distributed to shareholders plus taxes. When a product or service is sold, the producer earns income (cost of production) plus free income (profit). Price, cost, and profit are all important parameters. But which do managers focus more on, and why?



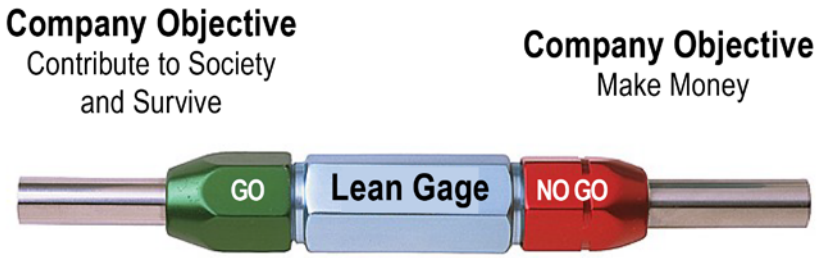
When a company's objective is to make money (Classical management), management's focus is on prices. Specifically, increasing unit prices to gain more free income (profit; i.e. wealth). Waste, unevenness, and unreasonableness raise both market prices and profit (as a percent of cost) — with prices having been set by managers. Greater mismatches in supply and demand, especially those which favor the producer (and which generate greater amounts of waste, unevenness, and unreasonableness), result in higher prices for customers. Working to obtain a sellers' market — by mergers and acquisitions, patents, economies of scale, monopoly, or other methods — means there is little or no need to eliminate waste, unevenness, and unreasonableness.

The existence of waste, unevenness, and unreasonableness is beneficial in terms of higher prices; it is a desirable feature of Classical management, not a flaw. It standardizes, legitimizes, and normalizes CEOs' use of the Wealth Creation Playbook (see *Triumph of Classical Management*, p. 34). In Classical management practice, waste, unevenness, and unreasonableness helps business leaders run the business more successfully in a market economy, always in the short-term because of the ever-fluctuating nature of supply and demand. They use the market economy to their advantage. The fact that companies often overproduce (or destroy wealth) does not alter business leaders' underlying logic for ignoring Lean, because overproduction can provide tactical wins in pursuit of larger strategic wins.

When a company's objective is to contribute to society and survive (Toyota management), while gaining free income (profit), then management's focus is on reducing total costs by eliminating waste, unevenness, and unreasonableness to lower market prices while helping to obtain more profit — with prices having been set by customers. A closer match between producer's supply and customers' demand results in fair prices for customers. Toyota must operate in a market economy, just like every other business, so some of its practices bend towards Classical management (such as sales promotions), or a desire to keep supply tight to avoid too much discounting or brand (or model) erosion. Such is the reality, which results in compromise — at least until better solutions can be found.

Fundamentally, Classical management operating in a market economy is driven to pursue a profitable price. Toyota management, also operating in a market economy, is driven to pursue satisfying the material wants and needs of the members of society. In Classical management, business leaders have no interest in the product, processes, or people; only that the price is profitable. It is the opposite for Toyota management, and presumably true for Lean management as well, recognizing that profits are akin to human nutrition (food energy), whereas loan credit, used liberally in Classical management, is akin to steroids (artificially boosting performance) to gain the upper hand.

And finally, it is important to recognize that survival was a primary reason for the creation of the Toyota Production System and The Toyota Way. If management has no interest in the business surviving, meaning it viewed merely as a (private) property that can be sold, merged, or liquidated at any time – whichever is more profitable – then the *raison d'etre* for pursuing Lean management disappears. And since a business is property, executive teams seek to increase enterprise value, and in doing so they choose the simplest means possible: the Wealth Creation Playbook, not Lean.



https://bobemiliani.com/business-leaders-case-for-ignoring-lean/

Additional Insights

Why Business Leaders Vote “No” for Lean

Why Do Executives Resist Lean Management?

Every Lean promoter and advocate knows that the adoption of Lean management is in business leaders’ interests, not against their interests. The interests encompass that of the business itself and all its stakeholders: employees (executive and non-executive), suppliers, customers, investors, communities, and even competitors. Yet, business leaders, over some 30 years, have delivered a clear and consistent message: Lean management is not in our interest; we are against it.

As a result, we see widespread use of Lean tools but very few Lean transformations. We see widespread engagement among wage earners and especially professional staff, but little engagement among executives. We see small gains in productivity and cost reduction, but we see few examples of the big gains that result from continuous flow and just-in-time.

What we see is Classical management with the addition of some Lean tools. In other words, we see no change.

If it is in business leaders’ interest to adopt Lean, why do they perpetually vote against it? Why do most leaders vote against their own interests?

The full embrace of Lean management sets in motion a giant redistribution problem; a redistribution of pretty much everything, to greater or lesser extents, that exists in a business. Lean transformation means a redistribution of wealth, power, control,

prestige, status, time, knowledge, responsibilities, human interaction, recognition, training, focus, priorities, work, energy, beliefs (sentiments), behaviors (for leaders and non-leaders), competencies, rewards, historical preferences, prejudices, support, and perquisites, to name just a few.

It is no secret that most business leaders view wage earners and professional staff negatively from a social status perspective, and for executives to view themselves as higher status and more worthy, or of greater value to the organization, than others.

In addition, there is the question of whether wage earners and professional staff deserve the benefits that come from redistribution. If the perception among executives is that wage earners and professional staff are well-compensated yet still underperform to business needs or executives' expectations, then Lean management (redistribution) in its full form will not be forthcoming. In other words, wage earners and professional staff do not deserve Lean management.

Wage earners and professional staff may have legitimate needs with respect to doing their job, which Lean management can actualize, to help the business grow and become more successful. But, those needs will go unfulfilled so long as the budget owners view them, the primary beneficiaries of redistribution, as inferior.

So even though the continuation of Classical management does broad harm to the many – humanity, the economy, the environment, and so on – executives continue to vote for it because it serves their interests in avoiding redistribution.

Toyota's management system, and its derivative Lean management, set off a revolution in consciousness about what leadership and management should be. But it also generated a backlash because Lean management is not commensurate with business leaders' view of the workforce and its view of entitlement – a right to individual respect, challenging work, social fulfillment, and economic prosperity – and its achievement via the wholesale redistribution of business affairs.

It is difficult to imagine Lean making further inroads into the practice of management if such fundamental problems as this continue to be ignored by Lean's promoters and advocates.

What is easy to imagine is Lean promoters and advocates continuing to complain about how business leaders don't "get it," continued glorification of the few business leaders that do "get it," and perpetually wishing for more Lean leaders like them. So stop complaining, praising, and wishing. The core problems have now been carefully and comprehensively analyzed, like never before, and I offer solutions and inspiration for developing lots of new ideas.

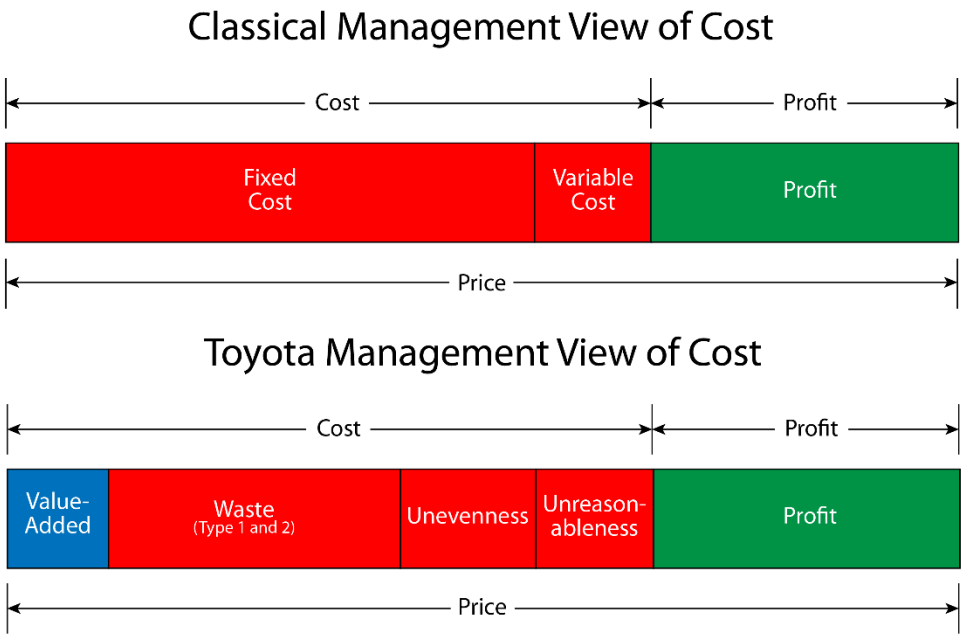
Adapted from https://bobemiliani.com/why-business-leaders-vote-no-for-lean/

Money vs. Process View of Cost

Why Do Executives Resist Lean Management?

Two of the principal teachings of Toyota-style kaizen is to think of cost problems in terms of processes and in non-financial terms such as time, distance, space, defects, quantity, turnbacks, etc. To be able to effectively think in non-financial terms, we were taught to understand the difference between value-added work, waste, unevenness, and unreasonableness. These two learnings made a big impact on me because thinking in this way led to improvements that could not otherwise be achieved by thinking about cost problems in terms of money or budgets (both of which I was well-versed in, having been responsible for P&L as a project manager and as a business unit manager).

The money view of cost problems is a frame that leads to a narrow choice of possible solutions. In contrast, the process view of cost problems is a frame that leads to a wide range of possible solutions. The image below shows the two frames — the two views of cost — based on money (Classical management, top) and process (Toyota management, bottom).



The Classical management view of cost shows a major defect in the understanding of costs (fixed cost/variable cost) that spans economics, finance, investment banking, private equity, accounting, and, of course, management decision-making, and which, in turn, has far-reaching consequences. Namely, it sabotages Lean, and is one of the many controlling mechanisms used by leaders to reject Lean, knowingly or otherwise. In economics, accounting, etc., costs exist abstractly outside the reality of physical processes as fixed costs and variable costs, and so management's response to cost problems is different (*de jure*) than the response to cost problems understood in physical reality (*de facto*).

The Toyota management view of cost shows how the defect was repaired: via the realization that processes generate costs. If you improve the process — with an understanding of value-added work, waste, unevenness, and unreasonableness — then the cost is reduced (inclusive of improvement in all the non-financial parameters cited above). The result, if kaizen is practiced consistently, is the development of human capabilities, improved management decision-making, and production of consistent business results.

CEOs and CFOs think in terms of abstract fixed costs and variable costs (and spreadsheets, also abstract, as is money itself) while workers think in terms of physical processes. Leaders cannot understand costs if they do not understand physical processes, and so the quality of their decision-making will be greatly reduced and always cluster around the same set of solutions that every other CEO and CFO uses. There is no creativity or originality in problem-solving when cost problems in business exist as abstractions. And that is why business always moves confidently in the direction of that which has been previously established. In other words, status quo.

Executives' unwillingness to learn the physical reality of processes and costs is a conscious withdrawal of discovery, learning, and enlightenment. It is purposeful underemployment of executive capability, in preference for whim, and which in turn assures worker capability is likewise underemployed. In making this fateful decision, executives assure that the business will run with abundant waste, unevenness, and

unreasonableness as features of management practice rather than as flaws in management practice. Upon deeper analysis, one finds that this is an integral part of the design of Classical management in market economies. The process view of cost is therefore unwelcome, which means Lean is unwelcome.

I say "fateful decision" because it rejects process, and therefore sequential or consecutive change, and cause-and-effect. Business remains on a largely non-scientific and non-evolutionary footing in that when change does occur, it is but a small difference from the previous way of thinking and doing things — often a difference largely in name only. Management decision-making favors as hoc, whatever-is-right-for-the-moment decisions, and thus fails to build on the success and failures of self or others — as is the case in science or engineering, which are clearly evolutionary. In business, the same mistakes are repeated again and again because management ignores process and causation. A classic example is when a subordinate is unable to tell the boss the truth when a problem arises, or when managers ignore the root cause of a problem because it is economically, socially, or politically inconvenient.

Business, as represented by Classical management practice, remains static, rather than dynamic as is the case for Toyota management. Business is classified as a social science, and business characteristics are likewise classified according to a taxonomy of static technical terms. Business lives up to the word "social," but it fails to live up to the word "science." To become an evolutionary science — one that benefits humanity to greater levels than it has thus far — and which will be necessary for the future — business leaders must accept both process (sequential or consecutive change) and causality.

Adapted from https://bobemiliani.com/money-vs-process-view-of-cost/

How Leaders Sabotage Lean

Why Do Executives Resist Lean Management?

Let's take the word "leader" to mean anyone in an organization who has management responsibility, beginning with supervisors and extending to CEOs. Most leaders have good intentions when it comes to doing their job, satisfying customers, and helping the organization prosper. Yet, even leaders with good intentions have a handicap: They possess inherited knowledge from the past which they apply to the present, even though it is no longer relevant. Whether it is intended or not, this sabotages the practice of Lean management, whose intent it is to produce better results for business and society than can be achieved with Classical management.

Sabotage comes from the French word sabot (wooden shoe) and means to engage in foot-dragging; to slow down, confuse, disrupt, thwart, impair, obstruct, or vandalize. What is the purpose of sabotage when it comes to Lean? It is to maintain the status quo; to protect an old, obviously inferior, management practice, and to protect the inherited knowledge and the vested interests. The result of sabotage is to maintain current equilibrium conditions, thus preventing change to a new and obviously superior management practice, one that is needed for rapid adaptation in a more quickly changing business environment. Sabotage can be overt, such as when leaders erect clear obstacles. More often, sabotage is covert; small actions that impede progress, or subtle actions that signal process improvement work has little or no value.

Here is a small sample of the ways leaders sabotage Lean:

- Limits or withholds Lean training
- Makes Lean complex
- Requires review and approval before process improvement can begin
- Requires a business case (ROI) or similar justifications to work on a process improvement
- Continues holding people accountable to Classical management metrics
- Rewards Classical management thinking and practices
- Creates new metrics that do not aid people in their improvement efforts
- Delegates continuous improvement to lower-level people
- Unwilling to learn; closed-minded, incurious
- Avoids Lean training
- Micro- or nano-manage Lean activities
- Does not apply what was learned in Lean training (in classroom or genba)
- Not rewarding people for successful application of Lean principles, methods, and tools
- Cherry-picks Lean tools
- Limits Lean management to the use of selected Lean tools
- Mandates use of Lean tools
- Requires certifications or levels of achievement (gold-silver-bronze) to establish Lean competency
- Avoids coaching or teaching problem-solving methods to workers
- Avoids hands-on improvement activities
- Does not change criteria for advancement (promotion)
- Promotes favorites over skilled Lean people
- Performance appraisal process ignores or discounts Lean efforts
- Not interested in cause-and-effect
- Not leveling customer demand
- Views problems as bad
- Kaizen is atomized into small, discrete “events” (e.g. 5S kaizen)
- Material and information flow is not the desired goal
- Not letting employees try new ideas

- Makes false statements, such as saying Lean is only for operations
- Demands “flawless execution” or says “failure is not an option”
- Blaming or punishing people for mistakes
- Holds people accountable for results, but not for process
- Ignores the advice of others more knowledgeable
- Devalues workers and their work
- Accepts recurring problems
- Unwilling to share resources
- Does not trust or respect workers
- Does not believe in or promote teamwork
- Speeding up workers
- Blames middle managers for lack of progress
- Consultants (not employees) improve processes
- Ignores feedback
- Ignores facts
- Absence of profit-sharing
- Continuation of discretionary (vs. true economically necessary) layoffs
- Laying off continuous improvement leaders
- Disinterest
- Can you think of other examples?

Sabotage is intended to result in failure. Failure should signal the need for thinking. Yet, if management’s mantra is “failure is not an option” (in fact or in political appearance) or “flawless execution,” then failure does not actually occur (i.e. everything is a success; it is only a matter of defining it as such), and so thinking does not occur. The result is that managers rely on instincts and shared beliefs and habits of thought that were learned from the groups of managers they have been a part of over time. This thwarts the uptake of Lean among managers and workers alike, and thus perpetuates Classical management. Said another way, Lean contaminates managers’ instincts and their shared beliefs and habits of thought. Lean, therefore, is unwelcome, and efforts to sabotage Lean are thus both justified and vindicated.

This does not make the saboteurs bad people, nor are they to be disrespected. They are merely carrying forward traditions that they judge to be both useful and effective at advancing the pecuniary ends of business. It can be said, however, that they lack a skeptical frame of mind, one of inquiry directed towards advancing the practice of management.

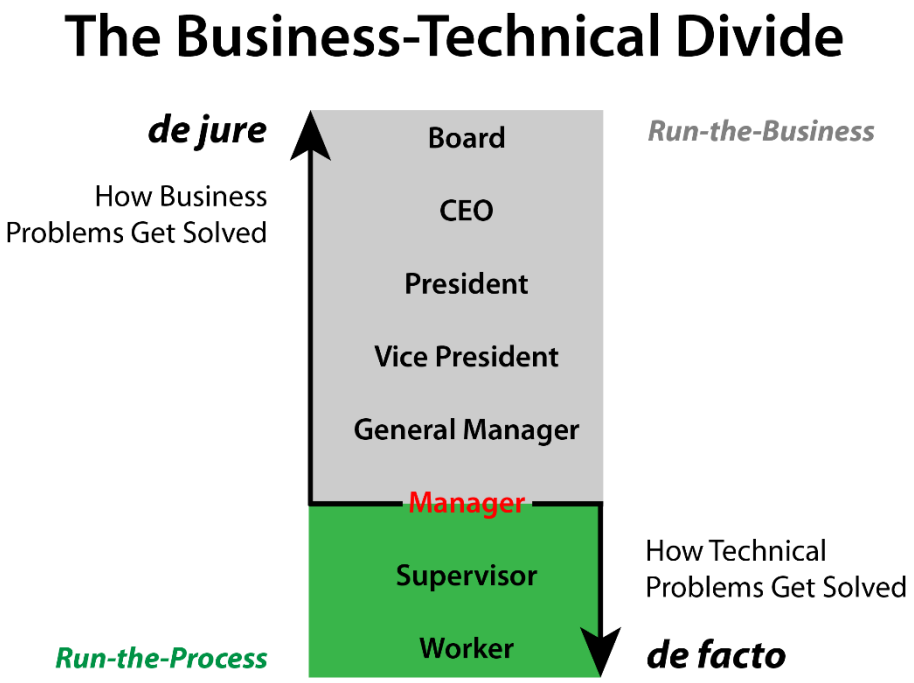
So, from a management perspective, something is judged to be an improvement if and only if it reinforces the status quo (disrespect for labor is one example of status quo, which explains why "continuous improvement" usually takes place in the absence of "respect for people"). This is not the Lean person's understanding of improvement, which is to dismantle the status quo and bring the company and its processes forward — to quickly bury the "dead hand of the past" and endlessly produce "change for the better."

Adapted from https://bobemiliani.com/how-leaders-sabotage-lean/

The Problem Lean May Never Overcome

Why Do Executives Resist Lean Management?

The image at below shows the problem that Lean, as well as its predecessor systems of progressive management, has been unable to overcome and may never overcome: The inability to displace *de jure* — except in rare cases, and for only a limited time. Sooner or later, *de jure* wins.



The image shows the existence of two different problem-solving mindsets within one company or organization: *de jure* and *de facto*. The former mindset is used for solving business (i.e. money) problems (running the business) while the latter mindset is used for solving technical problems (running the process).

De jure is characteristic of Classical management while *de facto* is characteristic of Lean management. What Lean people see as defects in Classical management, executives see as time-tested features of a exquisitely-developed system for making money, one that is both right and good — and scarcely in need of improvement, such as closing the run-the-business and run-the-process divide.

De jure is tightly coupled to the past, while *de facto* is tightly coupled to the present. If something in business is difficult to change, that is because it is held in place by nearly invisible chains moored to the past.

Leaders do what they can understand, and Classical management, deeply ingrained in their thinking from one leader to the next, is what they understand. Leaders do not do what they do not understand, and so Lean thinking and Lean practice is invariably delegated to the lower levels of the organization.

The mid-manager level is the inflection point. Middle-managers must, at some point, choose between *de jure* and *de facto*.

To learn more about *de jure* and how it affects leaders' thinking and management practice, its relation to *de facto*, and what you can do about it, please read *Triumph of Classical Management*.

To learn how to close the *de jure* (run-the-business)-*de facto* (run-the-process) divide, please read *Speed Leadership: A New Way to Lead for Rapidly Changing Times*.

Adapted from https://bobemiliani.com/the-problem-lean-may-never-overcome/

Four Images Explain It All

Why Do Executives Resist Lean Management?

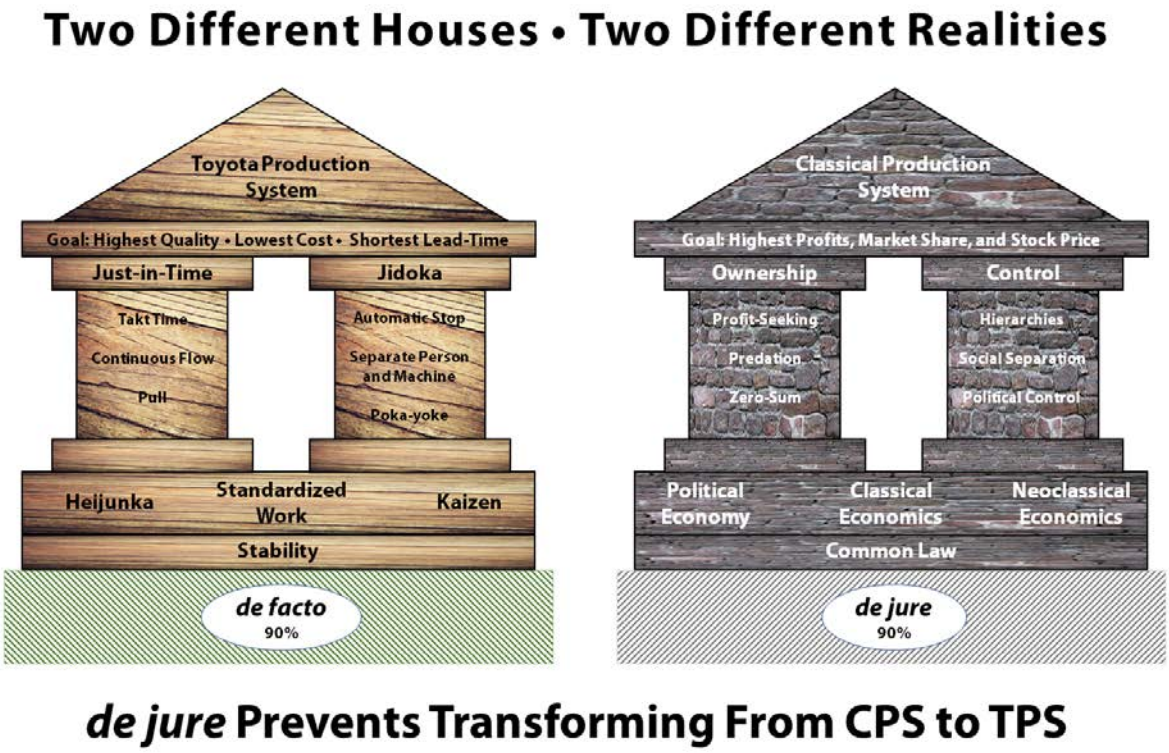
We are all aware that precious few Lean transformations fulfill the vision of having many Toyota-like managed companies in all industries. For decades, the prevailing wisdom was that better explanations of Lean, from Lean tools to Lean strategy, and more and more examples of Lean success, no matter how limited, would gain ever-growing numbers of CEO converts. But that has not happened, and so the prevailing wisdom has turned out to be wrong. Furthermore, the common analysis of what's holding Lean back has consistently been superficial.

My recent research makes it clear that the past does not merely inhibit the advancement and practice of Lean, it cripples Lean. Specifically, various economic, social, political, and historical artifacts — particularly *de jure* thinking and practices, ancient in their origin and ubiquitous among leaders throughout time. These hold great power over the *de facto* thinking and practices, ubiquitous among technicians (non-managers) throughout time. This is the reason why we see so few Lean transformations. It is too bad we did not know this 35 years ago. But now we do.

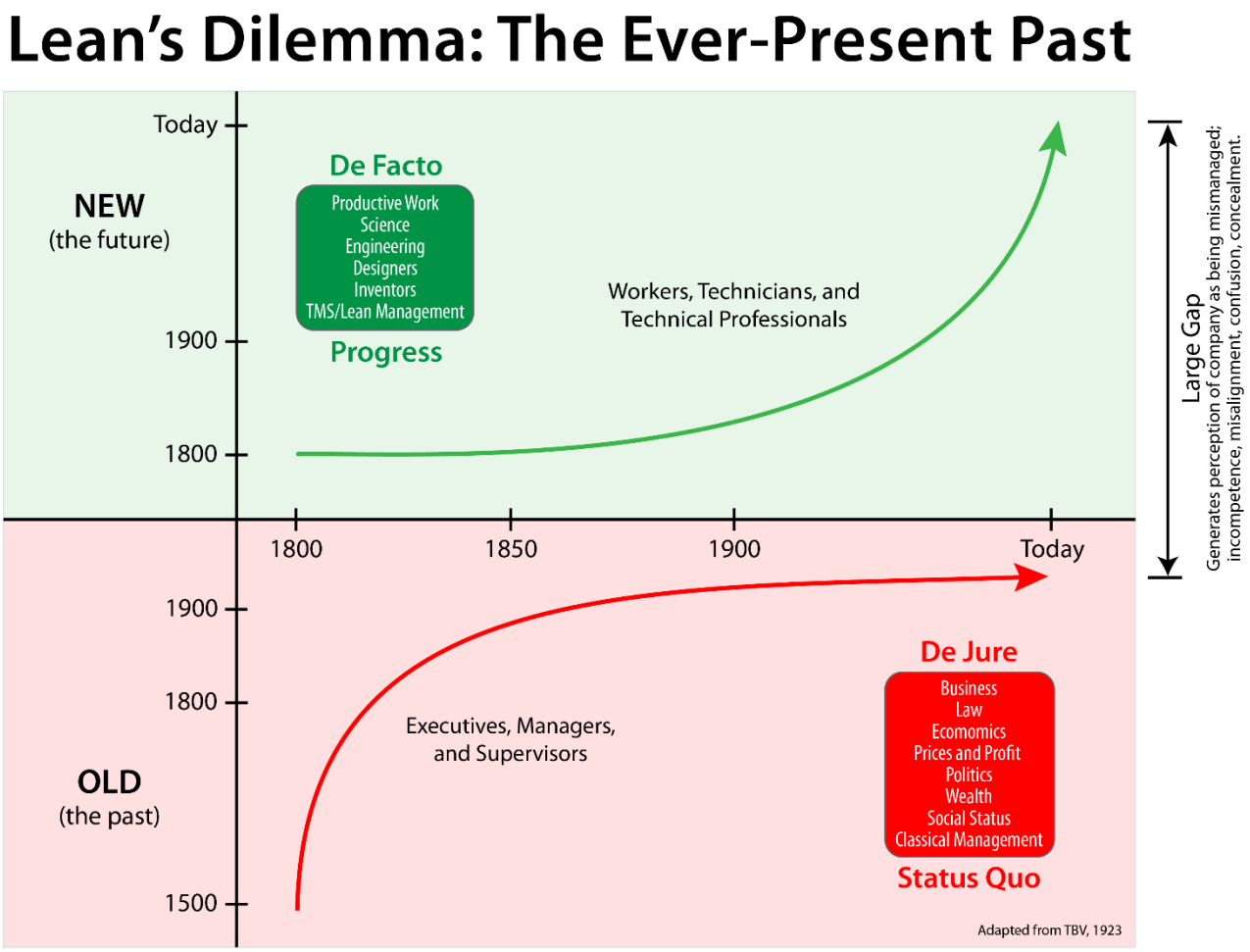
I created the images on the following pages to help people understand how *de jure* routinely overpowers *de facto*. They provide unique insight into why it has proven to be so difficult to advance Lean management.

Adapted from https://bobemiliani.com/whats-holding-lean-back/

This image plainly reveals the fundamental differences between Toyota's mostly *de facto* management thinking and practice and other businesses' mostly *de jure* management thinking and practice. A quick example: The "price system" (price = cost + profit) thrives, while Taiichi Ohno's "cost system" (price – cost = profit) is of no interest to executives. They find the "cost system" (and thus Lean management) unappealing. The "price system" has long been institutionalized, and executives are habituated to it.

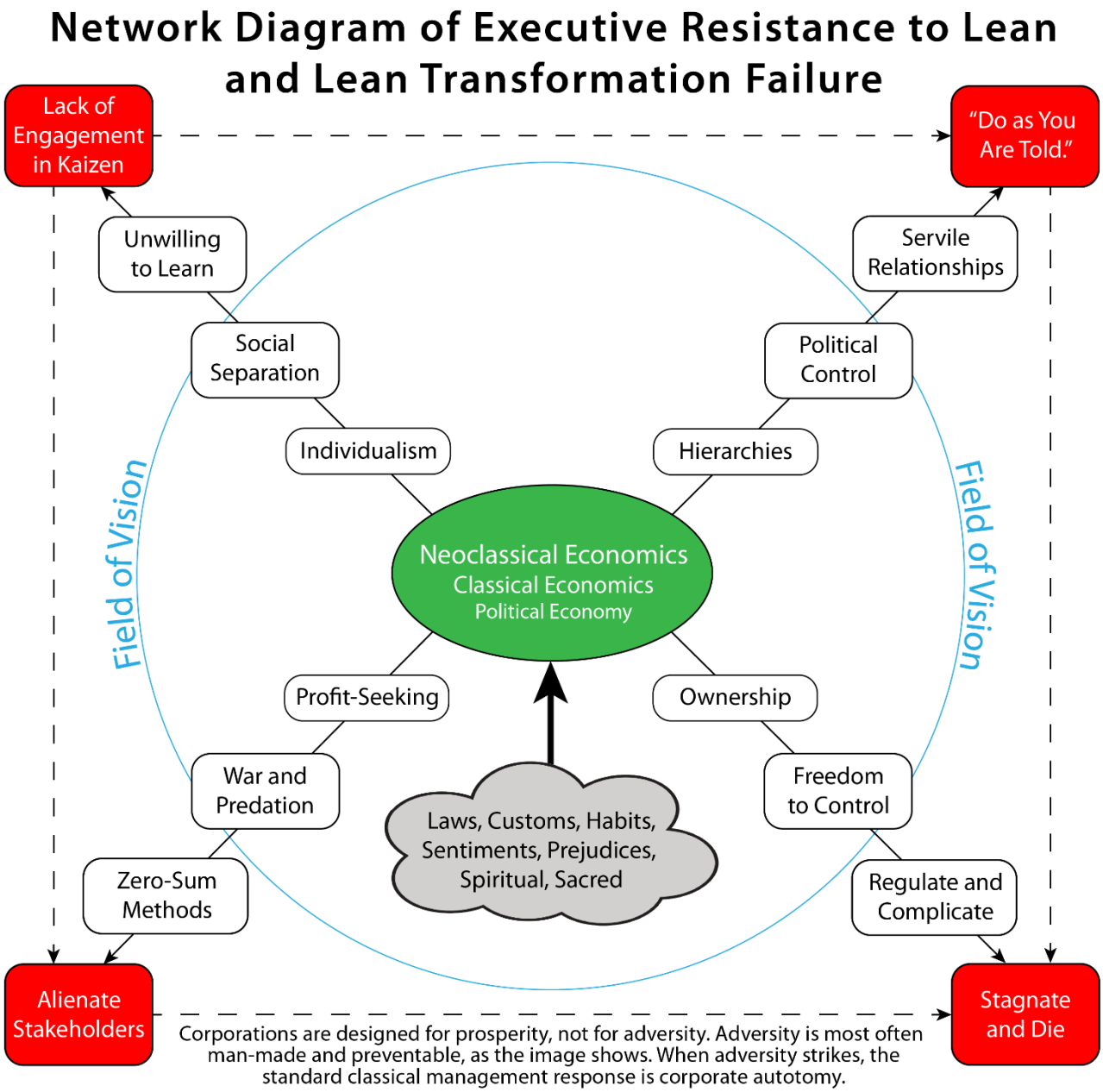


This image shows time fields in which *de jure* thinking and practice from the past diverge from *de facto* thinking and practice, resulting in a large gap.

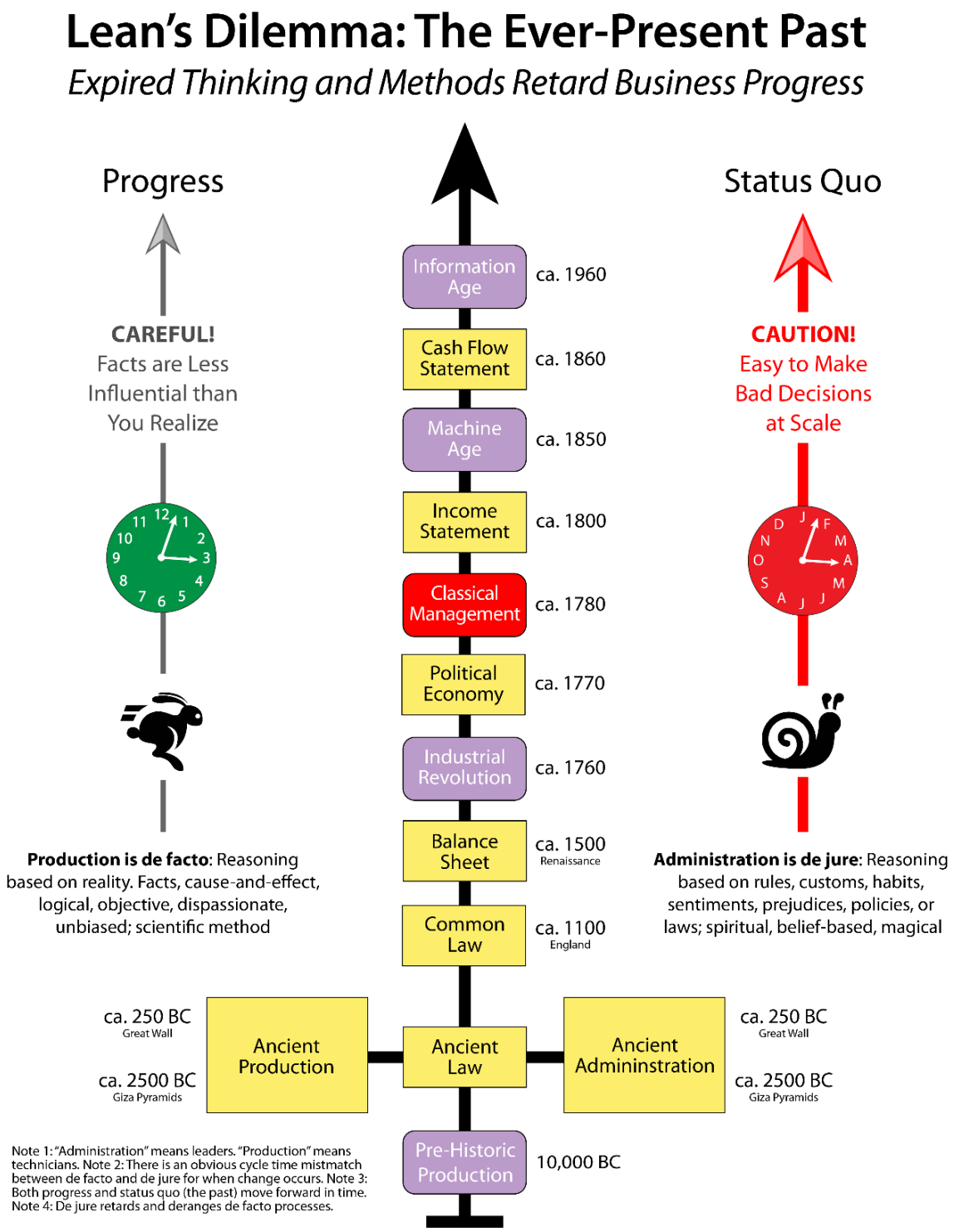


Note 1: Depicts boundaries (not axes as in a graph), time fields (not to scale), and paths.
Note 2: "De facto" means the thinking and practices based on that which exist in reality: facts, cause-and-effect, logical, objective, dispassionate, unbiased; scientific method. "De jure" means the thinking and practices based on rules, customs, habits, sentiments, prejudices, policies, or laws; spiritual, belief-based, magical. In any company, the population of de facto reasoning people far outnumber the de jure leaders. Yet, the few reduce the pace, performance, and product of the many. The cumulative wisdom of tradition prevails because it is more highly valued than logical (scientific) reasoning. Logical reasoning in business is seen as incomplete. Therefore, the past is ever-present, which delays and slows down progress in business and society.

This image shows relationships between *de jure* and *de facto* outcomes that result in corporate distress.



This image illustrates how the ancient past remains with us, in force, to the present day, and highlights the time delay caused by *de jure*.



Concluding Thoughts

Why Do Executives Resist Lean Management?

I hope you found this quick tour through some of my recent writings following the publication of *Triumph of Classical Management Over Lean Management* to be both insightful and helpful. You might not have liked what you read, but don't be saddened or disillusioned. There remains immense opportunity to improve how Lean management is advanced among the leaders of organizations both large and small.

> *Remember the words of Henry Gantt:*
> ***"The usual way of doing a thing is always the wrong way."***

The run-the-business vs. run-the-process divide is a deeply entrenched mental model that functions as a strong barrier against the uptake of Lean among executives — especially, but not limited to, big corporations. The leaders of small companies think the same way. The distinction between *de jure* for business (money) problem-solving and *de facto* for process (technical) problem-solving helps us finally, and clearly, understand why executives invariably delegate Lean to lower levels of the organization.

We must also recognize what this research means more broadly. For example, business leaders view *de facto* reasoning as incomplete, and is often ill-advised for decision-making. Therefore, a mostly *de facto* system of management (i.e. TPS or Lean) is viewed as inferior and manifestly unsuitable to the task on increasing enterprise value.

There is no doubt that this is a mountain to overcome. But, nothing is impossible if people use their brains.

– End –

About Bob Emiliani

Bio and Publications

M.L. "Bob" Emiliani is a professor, researcher, author, historian of progressive management, and executive trainer. He is a long-time TPS/Lean practitioner and was the first to focus on Lean leadership as an area of scholarly study.

Prior joining academia, Dr. Emiliani worked in industry for 15 years and had management responsibility in engineering (R&D, new product development) and operations (manufacturing and supply chain). He also had responsibility for implementing TPS in manufacturing and supply networks at Pratt & Whitney, and in teaching and administrative processes in higher education.

Dr. Emiliani is a versatile author whose work spans engineering, social sciences, and humanities. He has authored or co-authored 47 peer-reviewed papers in six separate disciplines (leadership, management, management history, supply chain management, higher education, and materials engineering) and is the author or co-author of 19 books.

Dr. Emiliani earned a Ph.D. in Engineering from Brown University, an M.S. in Chemical Engineering from the University of Rhode Island, and a B.S. in Mechanical Engineering from the University of Miami.

Books

- *The Triumph of Classical Management Over Lean Management: How Tradition Prevails and What to Do About It*, 2018
- *Conversations with Taiichi Ohno: Management Insights for the Digital Age*, 2017
- *Critique of Lean: Pathway to Improvement*, 2017
- *Speed Leadership: A Better Way To Lead In Rapidly Changing Times*, 2015
- *Shingijutsu-Kaizen: The Art of Discovery and Learning*, with R. Wood and M. Herscher, 2015
- *Lean Is Not Mean: 68 Practical Lessons in Lean Leadership*, 2015

- *Lean University: A Guide to Renewal and Prosperity*. 2015
- *Lean Teaching: A Guide to Becoming a Better Teacher*, 2015
- *Kaizen Forever: Teachings of Chihiro Nakao*, with K. Yoshino and R. Go, 2015
- *Moving Forward Faster: The Mental Evolution from Fake Lean to REAL Lean*, 2011
- *REAL LEAN: Unsolved Problems in Lean Management*, Volume 6, 2010
- *REAL LEAN: Strategies for Lean Management Success*, Volume 5, 2010
- *Principles of Mass and Flow Production*, F.G. Woollard, Special 55th Anniversary Reprint Edition, with Bob Emiliani, 2009
- *REAL LEAN: Learning the Craft of Lean Management*, Volume 4, 2008
- *REAL LEAN: The Keys to Sustaining Lean Management*, Volume 3, 2008
- *Practical Lean Leadership: A Strategic Leadership Guide for Executives*, 2008
- *REAL LEAN: Critical Issues and Opportunities in Lean Management*, Volume 2, 2007
- *Better Thinking, Better Results: Case Study and Analysis of an Enterprise-Wide Lean Transformation*, with D. Stec, L. Grasso, and J. Stodder, second edition, 2007, Shingo Research Award (2003, first edition)
- *REAL LEAN: Understanding the Lean Management System*, Volume 1, 2007

Selected Refereed Journal Publications

- "Music as a Framework to Better Understand Lean Leadership," *Leadership and Organizational Development Journal*, Vol. 34, Issue 5, 2013, pp. 407-426
- "Frank George Woollard: Forgotten Pioneer of Flow Production," with P.J. Seymour, *Journal of Management History*, Volume 17, Issue 1, 2011, pp. 66-87
- "Standardized Work for Executive Leadership," *Leadership and Organizational Development Journal*, Vol. 29, No. 1, 2008, pp. 24-46
- "Origins of Lean Management in America: The Role of Connecticut Businesses," *Journal of Management History*, Vol. 12, No. 2, 2006, pp. 167-184
- "Leaders Lost in Transformation," with D.J. Stec, *Leadership and Organizational Development Journal*, Vol. 26, No. 5, 2005, pp. 370-387
- "Using Value Stream Maps to Improve Leadership," with D.J. Stec, *Leadership and Organizational Development Journal*, Vol. 25, No. 8, 2004, pp. 622-645
- "Linking Leaders' Beliefs to Their Behaviors and Competencies," *Management Decision*, Vol. 41, No. 9, 2003, pp. 893-910
- "Lean Behaviors," *Management Decision*, Vol. 36, No. 9, 1998, pp. 615-631. Outstanding Paper Award, 1998 volume of *Management Decision*
- "Continuous Personal Improvement," *Journal of Workplace Learning*, Vol. 10, No. 1, 1998, pp. 29-38

Den Norske Opera & Ballett
Olso, Norway
Photos by Bob Emiliani

Lean's Perpetual Struggle

544.74 +9.01 (1.68%) 2:36PM EST - Nasdaq Real Time Price

Income Statement

View: Annual Data | Quarterly Data

Period Ending	Sep 26, 2013	Sep 29, 2012
Total Revenue	**170,910,000**	**156,508,000**
Cost of Revenue	106,606,000	97,846,000
Gross Profit	**64,304,000**	**58,662,000**
Operating Expenses		
Research Development	4,475,000	3,381,000
Selling General and Administrative	10,831,000	10,040,000
Non Recurring	-	-
Others	-	-
Total Operating Expenses	-	-
Operating Income or Loss	**48,999,000**	**56,241,000**
Income from Continuing Operations		
Total Other Income/Expenses Net	1,166,000	522,000
Earnings Before Interest And Taxes	50,165,000	56,763,000
Interest Expense	-	-
Income Before Tax	50,165,000	56,763,000
Income Tax Expense	13,118,000	14,030,000
Minority Interest	-	-
Net Income From Continuing Ops	37,037,000	41,733,000
Non-recurring Events		
Discontinued Operations	-	-
Extraordinary Items	-	-
Effect Of Accounting Changes	-	-
Other Items	-	-
Net Income	**37,037,000**	**41,733,000**
Preferred Stock And Other Adjustments	-	-
Net Income Applicable To Common Shares	**37,037,000**	**41,733,000**

To Business Leaders,
This is a More Convincing
Reality Than This