

## Lean and Engaging: a winning formula for sustainable success

If it wasn't a contradiction in terms, it would be tempting describe 'constant change' as the new 'norm' of organisational life. What is indisputable is that organisations are facing some of the greatest challenges they have ever had to deal with in relation to the magnitude and pace of change, the degree of complexity and ambiguity, the need to both cut overheads *and* respond rapidly and effectively in a highly competitive global marketplace.

The good news is that there are now well-proven practices for achieving these outcomes. We propose that by combining two of the most powerful models for improving organisational performance, organisations can effectively rise to these challenges. They can become both lean and efficient, *and* release the huge potential that resides within their employees.

These models are the **Lean** methodology, and **Engaging Leadership**. Each on their own has been proven to increase productivity, but combined, they present a formidable force to maximise **sustainable** success - in any organisation, sector or industry.

### The Lean method for enhancing performance

The principles of 'Lean' are now commonly understood and widely applied across an extensive range of industries in both the private and public sector.

While 'respect for people' and 'teamwork' are fundamental aspects of Lean practice, we believe that the benefits of adopting a Lean approach could be strengthened considerably by supporting the development of an 'engaging' culture across the organisation. This is particularly important given the publication of several academic studies that have found negative results in relation to the application of Lean.

For example, some studies have found that the way in which Lean has been adopted has had the opposite effect of giving employees more autonomy and responsibility, and has increased work demands and "exploited peer pressure" with the result of damaging staff motivation and well-being<sup>1,2</sup>. Other studies have reported positive outcomes<sup>3,4</sup>, or a mix of positive and negative consequences<sup>5</sup>.

Some of the reasons for the variations in results is likely to have been found because Lean has been designed and implemented differently in organisations, and the

<sup>1</sup>Turnbull, P. J. (1988). 'The limits to "Japanisation"—just-in-time, labour relations and the UK automotive industry.' *New Technology, Work and Employment*, 3, 7–20.

<sup>2</sup>Babson, S. (1993). 'Lean or mean: The MIT model and lean production at Mazda.' *Labour Studies Journal*, 18, 3–24.

<sup>2</sup> Landsbergis, P.A., Cahill, J., & Schnall, P. (1999). 'The impact of lean production and related new systems of work organization on worker health.' *Journal of Occupational Health Psychology*, 4, 108-130.

<sup>3</sup> Adler, P. S. & Cole, R.E. (1993). 'Designed for learning: A tale of two auto plants'. *Sloan Management Review*, 34, 85-94.

<sup>4</sup> Mullarkey, S., Jackson, P. R., & Parker, S. K. (1995). 'Introducing JIT within product-based work-teams.' *International Journal of Operations and Production Management*, 15, 62–79.

<sup>5</sup> Jackson, P. R., & Mullarkey, S. (2000). 'Lean production teams and health in garment manufacture.' *Journal of Occupational Health Psychology*, 5, 231–245.

contextual factors have varied considerably (for example, in relation to the influence of product markets, technology, the role of unions, etc).

In a particularly significant and rigorous academic study by organisational psychologist Sharon Parker<sup>6</sup>, it was found that in examining the impact of adopting three different Lean production practices, namely: lean teams, assembly lines, and workflow formalisation, all resulted in a significant negative outcomes in employee attitudes, including a reduction in employee commitment to the organisation (for all groups), increased job depression (for two of the groups), and reduced Role Breadth Self-efficacy (RBSE) for the assembly lines. RBSE, which affects individuals' motivation to be proactive in making innovative suggestions, is clearly of increasing and critical importance for organisations<sup>7</sup>.

In the current tough economic climate, it is of enormous importance to organisations that they invest their efforts and resources in ways that maximise the opportunity for the greatest return on their investments. If by introducing Lean production methods there is only short-term gain and long-term cost, this could be a risk too far.

One well-known fact in the field of organisational studies is that if staff commitment, morale, and well-being deteriorates, as sure as night follows day, this will lead to reduced performance, resistance to change, and increased costs in relation to sickness rates, absenteeism, higher turnover and loss of precious talent.<sup>8, 9, 10</sup>.

So how can the potential benefits of lean production and its positive impact on organisational systems and processes be maximised in a way that it also increases its impact on the commitment, effort and effectiveness of an organisation's employees? Consider that, if these two potential outcomes are brought together, it will ensure that an organisation can increase its productivity, reduce its costs, and **sustain** high levels of performance.

We believe that the answer is by combining a focus on Lean and engagement, and embedding this in the culture of organisations, teams and individual leader behaviours.

### **The role of engagement in creating superior organisational effectiveness**

As stated above, in a world of constant change and relentless competition, organisations need employees who are not only open to change and are adaptable, but are also so committed and motivated to their role and organisation's vision and goals that they are **proactive** in seeking ways of developing and improving themselves, their teams, and organisations. They must voluntarily '*go beyond the job description*' to add extra value.

<sup>6</sup> Parker, S. (2003). 'Longitudinal effects of lean production on employee outcomes and the mediating role of work characteristics'. *Journal of Applied Psychology*, 88, 4, 620-634.

<sup>7</sup> Strauss, K., Griffin, M. & Rafferty, A. (2009). 'Proactivity directed toward the team and organisation: the role of leadership, commitment and role breadth.' *British Journal of Management*, 20, 279-291.

<sup>8</sup> Mathieu, J. E. & Zajac, D. M. (1990). 'A review of the antecedents, correlates and consequences of organizational commitment'. *Psychological Bulletin*, 108, 171-194.

<sup>9</sup> Wright, T.A. & Cropanzano, R. (2000). 'Psychological well-being, & job satisfaction as predictors of job performance.' *Journal of Occupational Health Psychology*, 5, 1, 84-94.

<sup>10</sup> Harter et al., (2003). *Well-being in the Workplace & its Relationship to Business Outcomes: A Review of Gallup Studies*. American Psychological Association.

Not surprisingly, organisations that have highly engaged staff have been found to deliver higher levels of performance and productivity than their peers in the same industry<sup>11</sup>. Superior performance has been measured with respect to a range of outputs, including higher levels of customer satisfaction, productivity, profitability, innovation, successful change implementation, safety practices, and reduced absenteeism and turnover.<sup>12</sup>

The great news is that engagement is also good for individuals, as measured by higher levels of job satisfaction, commitment, motivation, well-being, and self-efficacy (the belief in one's own ability to achieve tasks and goals). The latter outcome is of particular importance when jobs become more challenging or when people are facing significant changes to their role or what is expected of them.

Given the need to increase pressure on productivity in organisations with proportionately fewer resources, the impact on employees' levels of stress and strain becomes a matter of increasing concern, both ethically and in business terms. It is important to note that one of the world's greatest experts in burnout, US academic Christina Maslach, maintains that job engagement is the opposite of burnout at work.<sup>13</sup>

So how can organisations increase levels of employee engagement?

### Leadership and engagement – a proven model

An organisation cannot command engagement; it is a 'gift' offered by the employee. Not surprisingly then, employee engagement is regarded as a two-way process between the individual and their organisation. Research studies consistently reveal that the means by which engagement is created or encouraged lies largely in the hands of a person's line manager, but this must be supported by the culture of the organisation<sup>14</sup>.

When we undertook our three-year investigation into the nature of effective leadership, there was no established model that had been aimed at increasing employee engagement. Our research involving over 6,000 managers and professionals across the UK resulted in model we named "*engaging transformational leadership*" that has now been tested in numerous organisations and industries, both by our researchers and independently. It has been proven to significantly impact on employees' levels of job motivation, satisfaction, commitment, self-esteem, and reduced stress<sup>15, 16</sup>.

<sup>11</sup> Salanova, M. Agut, S. & Peiro, J.M. (2006). 'Linking organizational resources and work engagement to employee performance and customer loyalty: The Mediation of service climate.' *Journal of Applied Psychology*, 90, 6, 1217-1227.

<sup>12</sup> Harter et al., (2002). 'Business-unit level relationship between employee satisfaction, employee engagement, and business outcomes: a meta-analysis. *Journal of Applied Psychology*, 87, 268-279.

<sup>13</sup> Maslach, C. & Leiter, M.P. (2008). 'Early predictors of job burnout and engagement.' *Journal of Applied Psychology*, 93,3, 498-512.

<sup>14</sup> Alimo-Metcalfe, B. & Alban-Metcalfe, J. (2008). '*Engaging leadership: Creating organisations that maximise the potential of their people*'. London: CIPD.

<sup>15</sup> Alimo-Metcalfe, B. & Alban-Metcalfe, R.J. (2001). The development of a new transformational leadership questionnaire. *The Journal of Occupational & Organizational Psychology*, 74, 1-27.

<sup>16</sup> Alban-Metcalfe, J. & Alimo-Metcalfe, B. (2007). The development of the private sector version of the (Engaging) Transformational Leadership Questionnaire (ELQ). *Leadership & Organisational Development Journal*, 28, 2, 104-121.

The diagram below describes the 14-dimensional model which has been translated into a 360-feedback instrument, the *Transformational Leadership Questionnaire (TLQ)*. As can be seen from the clusters, it describes behaviours of leadership that work at the various levels of leadership, namely:

- 1-2-1 relationships between line managers and their staff
- behaviours which help to create the appropriate culture in teams and across the organisation
- how leadership can bring the wide range of stakeholders – internal and external – together in achieving a shared vision.

In essence, the model reflects leadership behaviours of valuing individuals and their contributions; empowering them to use their discretion in taking the initiative, encouraging them to question the traditional ways of doing things and to think of innovative solutions to problems; actively and continuously supporting their development; encouraging the generation of ideas across the organisation and exploitation of learning from mistakes; being mindful of the needs of a range of stakeholder groups; and creating the opportunities and relationships that enable the creation of a shared vision, towards which all stakeholders strive to achieve.



*Fig 1: Engaging Transformational Leadership model*

### Does this new model increase engagement?

Data gathered from thousands of reviewers (bosses, peers, direct reports and others) rating a target manager in real life situations over the past ten years has been analysed a number of times showing that whatever the organisation, the level of manager being rated, and the occupation of the people involved (managers and staff), the extent to which line managers do, or do not, display these behaviours significantly affects the

impact they have on their staff's motivation, commitment, self-confidence, and well-being.

We have published numerous papers, including rigorous research papers that have produced the evidence.<sup>17</sup> In addition, a wide range of independent researchers from across the world have supported these findings in their studies.

### Does it affect productivity?

Knowing that these behaviours affect engagement is very important, but there are other considerations that should be taken into account. The ultimate test for any leadership model is whether these ways of behaving, embedded in the culture of teams, directly and significantly predicts their productivity.

One of the best kept secrets of academic research into leadership is that there are hardly any studies that show that leadership predicts productivity.

One of the reasons is that you can only test this relationship in a longitudinal study where you measure leadership at Time 1, and then some months later, you assess productivity. You must also ensure that you control for other factors that could be influencing productivity, such as resources available, the size of the team, the difficulty of the task/project, etc. Such a study is clearly hugely time-consuming, and requires significant financial investment. Somewhat uniquely, we have conducted such research with partners in King's College London, and investigated the impact of our model of engaging transformational leadership in 46 teams, and assessed their productivity.

Our findings were that ***the model of engaging transformational leadership, embedded in the culture of teams, significantly predicts their productivity, morale, and well-being.***<sup>18</sup>

### Can organisations create a more engaging leadership culture in practice?

The short answer is "yes!" We know because we have been working with organisations across the public and private sector, supporting them in creating cultures of engagement and of increased effectiveness, and have obtained substantial evidence that it can significantly transform their performance.

Included in our case studies are:

- an organisation that demonstrated savings of £12m in 18 months by improving performance, reducing absenteeism, and other staff costs caused by low morale
- an organisation that transformed a culture of low morale, high absenteeism and low performance, into one in which over 600 ideas generated by staff over a 2-year period transformed its culture into one with one of the highest levels of

<sup>17</sup> Alban-Metcalfe, R. J. & Alimo-Metcalfe, B. (2000a). An analysis of the convergent and discriminant validity of the Transformational Leadership Questionnaire. *International Journal of Selection & Assessment*, 8, 3, 158-175.

<sup>18</sup> Alimo-Metcalfe, B., Alban-Metcalfe, J., Bradley, M., Mariathan, J. & Samele, C. (2008). 'The impact of engaging leadership on performance, attitudes to work and well-being at work: a longitudinal study'. *The Journal of Health Organization & Management*, 22, 6, 586-598.

morale in the sector, where customer satisfaction ratings increased considerably, and objective performance measures also increased significantly across the organisation. They joined the Top 10 of the *Sunday Times Best Companies to Work For* as a result.

- an organisation that significantly increased engagement, as witnessed by staff increasing the number of suggestions for innovative practice, voluntarily making more effort in customer service activities, and introducing new services and generating new products which had a significant positive impact on profit.

### Concluding comments

Organisations can no longer rely on their employees merely fulfilling a narrow predetermined job description with inflexible contractual arrangements, and expect to succeed in such a fast-changing world of tighter profit margins. They have to create cultures in which employees – the sole means of their success – are willing to not only adapt to the changes and challenges that they will regularly encounter in the workplace, but are committed to being proactive in using their initiative to go ‘beyond their job descriptions’ to constantly consider ways of improving the quality of the products and services they offer. This will require nothing short of transformation, in organisations, their staff, and those responsible for leading.

The new model of ‘engaging’ transformational leadership can support Lean methods such that the power of Lean practices are both strengthened and sustained, to ensure that all the organisation’s resources are maximised to achieve the highest levels of quality and added value for the customer. Those organisations smart enough to combine these approaches will not only be the best performers, but sustainably so.

### Recommended reading:

- Alimo-Metcalfe, B. & Alban-Metcalfe, J. (2008). *‘Engaging leadership: Creating organisations that maximise the potential of their people’*. London: CIPD