

# Frame Lean Transformation with Operating Principles

Posted by [dustinmattison1974](#) Jan 8, 2015

**I interviewed Jeff Sipes who discussed Frame Lean Transformation with Operating Principles.**

**Summary:** When a company gets serious about transforming its operations to be lean and competitive, the initiative elevates to a strategic level and costs quickly get into hundreds of thousands or millions (depending on the size of the company). This investment in the future requires structure and one part of that structure can be Operating Principles.

Operating Principles are five succinct and focused statements that provide the leadership with evidence of their having developed direction and the workforce with a sense of what is most important. The Operating Principles create alignment from top floor to shop floor if utilized effectively. They help leadership teams and workforces to avoid wandering and trashing...a form of hidden waste that sucks scarce resources from otherwise important work and makes an organization "angry".

The process to create the Operating Principles is simple. The output is simple. But the value to an organization is profound!

**It's nice to speak with you today, Jeff. I'm looking forward today to hearing your views on the topic of frame lean transformation with operating principles.**

Thank you, Dustin. It's good to talk to you again too. By way of refresher, I'm with Back2Basics, a consulting company that primarily works with manufacturing companies on lean and business-process management initiatives to help get competitive.

The topic about frame lean transformation with operating principles is one that is, I think, a very important topic for companies, particularly those companies serious about transforming their operations to be lean and more competitive. When they do that, their initiatives are going to elevate to a strategic level, and, very likely costs are going to go into the hundreds of thousands, if not millions, dollars, depending upon the size of the company, of course. This is an investment in the future that requires some structure and one part of that structure can be operating principles.

Operating principles are five succinct and focused statements that provide the leadership with evidence that they have developed a direction and with the workforce with a sense of what's most important. The operating principles create alignment from top floor to shop floor if they're done well and effectively, they help the leadership teams and workforce to avoid wandering and thrashing and confusion; what a form of hidden waste that is that sucks scarce resources that could otherwise go to important work and, quite frankly, can make an organization angry. The process to create the operating principles is a simple process. The output is a simple output, but the value to an organization, Dustin, I believe is profound.

**Can you talk a little bit more about why a company that's embarking on a transformation journey needs what you call operating principles?**

If the company has been on their improvement journey for some period of time, they very likely have started off with spot projects or relatively narrow projects. As they get deeper into this and begin to understand the potential for their business and begin to think in terms of transformation as opposed to just a series of projects, they start wondering, How do I tie it together? How do I create a sense of purpose with this improvement transformation? The operating principles are one way that you can begin to create that link or anchor that pulls this all together.

## **How do operating principles differ compared to business strategy or goals?**

Operating principles are, as stated, very operational. Let's contrast the operating principles to the business strategy that says, "We're going to be in XYZ Market and this geography." That's the business strategy that tells you where you're going to go; this is not what the operating principles are doing. Likewise, you might say, "Our financial goals are to reach Y percent of return on assets," whatever your measurement happens to be.

Again, that financial goal is something that's very specific and for a stated purpose, but, again, it's different than the operating principles. The operating principles define what you want this business to look, smell, feel like. It provides a sense of direction that's at a higher level, that we can become very passionate about, quite frankly.

## **Can you share a couple of examples of operating-principle statements to help us understand what they look like?**

Sure, Dustin, let me take two here. These are two of my favorites. By the way, from company to company, these operating principles aren't going to be the same. This isn't a cookie cutter but, rather, it's something that you build to be consistent with that organization.

A couple of examples I have, the first one is: clear, or clarity. The statement that goes with this for this particular client goes like this: Clear. There is no ambiguity in our work processes. We know what, when, and how to do it. That's a pretty succinct statement, but it's full of meat and potatoes. If I go to a part of my operation and I don't have standard work, I don't have standard processes, I don't have a consistent way that things should be done, then I don't have clarity.

Likewise, if I have somebody working on my front line in my business and that person on the front line asks their boss or their technician who comes around or their quality person a question about what they're doing and we don't give that person on the front line an answer and leave them hanging, we don't have clarity, and what a disservice we do when we create that kind of situation.

The second example is clean or cleanliness. The statement for this particular client goes like this: Our facilities are clean and organized. Always customer-visit ready, anytime, any day. Think about that statement. It says, "I don't care when you come to look at my plant"—if I'm in the manufacturing business; that's where a lot of my work tends to be—"I don't care when you come. I'm not going to get ready for you; I'm always ready for you."

That drives down into the organization such that we have an expectation for everything in its place, a place for everything, clean, organized. With that comes all kind of operational effectiveness and productivity as a by-product. Those are just two examples that hopefully will help illustrate what I'm getting at with operating principles.

## **What is the process to create the operating principles for a company or segment of a company?**

Great question, Dustin. They need to be driven from the top of whatever the organization is, whether it's the whole organization, a division, or even a plant or business unit, for that matter. It needs to drive from the top, and the way we do that is to start with a population of 20 operating statements. These are a wide range of operating statements, but it begins to paint a picture.

I would work with the leadership group to a bit of background and baseline training with them, but then we would take that set of 20 operating statements, and, individually, they would rank-order them. They've decided individually what are most important to them, submit them—and I say, "Don't work on these together. I don't

want to know what you collectively think yet; I want to what you individually think”—send them to, in my case it would be me, and I would tabulate those and begin to do a bit of analysis on them such that we can see where the commonalities are at and where the differences are at among this group of leaders, because that’s very telling as you start to get it back.

Then we would work together to boil this down to that set of top five ideas that are important to their business. If I have 20 top ideas, it’s too many to pay attention to. I’ll get confused in the size of all that. I boil it down to the five that we can really begin to link on to. We would work those statements so that they reflect that culture, that geographic area, but it would be their statement that they then would share with the workforce, and that becomes the anchor for improvement.

**It sounds so simple. Why do you say the operating principles can have a profound effect on a company?**

I truly believe they can be a profound effect because they create that alignment from top floor to shop floor; they serve as a way to get everybody in the organization—I don’t care if you’re on the front line, if you’re in the executive suite or somewhere in between—it allows us to become anchored to a foundation so that we know what’s important, that the projects we’re taking on ought to support these operating principles.

Quite frankly, sometimes somebody will say, “Here’s a project we ought to do,” and it doesn’t support the operating principles or vice versa, and you say, “Is this a project we really should do?” Maybe it’s not. It helps to sort out some of that wheat from chaff, but it allows that whole organization to become passionate about improvement. That’s why I think it is so simple, yet so profound.

**Thank you, Jeff, for sharing today.**

Thank you, Dustin, it was my pleasure. Talk to you later.

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