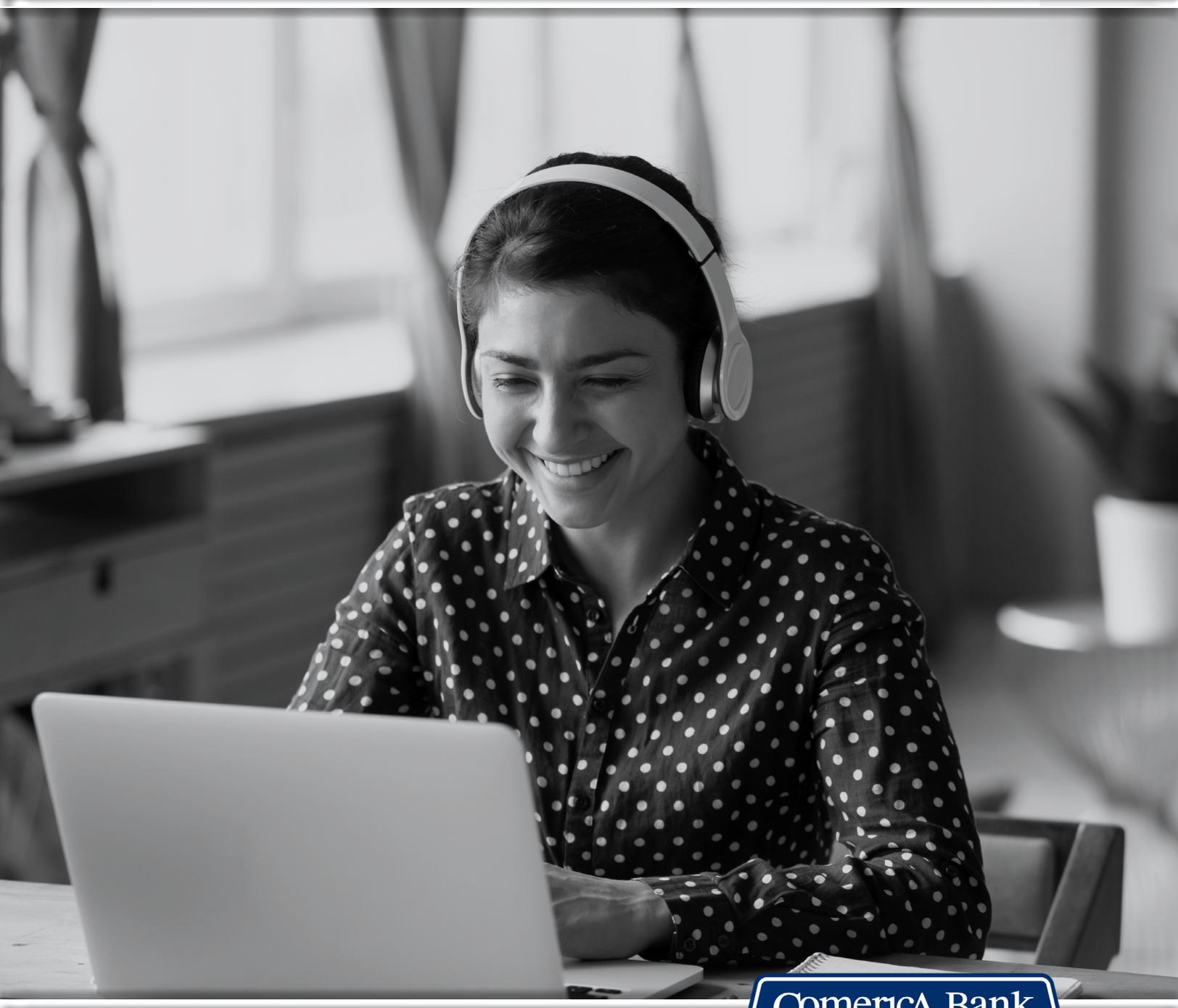


What to Know About a Lean Business Model



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Introduction

Maximum customer value and minimal business waste — these are overarching ideals that every company continually strives to achieve. However, while these two standards are guiding principles for businesses, they often seem difficult, if not impossible, to realize.

That's where the lean business model steps in. While there

are endless options of different business models, the lean approach is one specifically designed to drive customer value while also minimizing and eliminating business waste.

If the end result of implementing a lean strategy is increased value and decreased costs, business owners likely don't need much convincing. This model may

be especially advantageous in difficult economic times when margins are squeezed, revenue dries up and consumer preferences shift.

Here are some key points to know about the lean business model and how you can implement one.



What is lean?

Lean has roots in the Japanese manufacturing industry, but its concepts can be applied across businesses of all types and sizes. Rather than a strict program with rigid rules, lean is a way of thinking.

We know the goal of lean is to maximize value and minimize waste, but how exactly is this done? The lean methodology places a big emphasis on processes, experimentation, human capital, shared leadership and continuous improvement. Lean involves taking a holistic perspective of a business's value chain, management culture and technology stack to ensure each facilitates end-user value and minimal waste.

For example, lean thinking encourages the reduction or removal of processes that impart no value. It begins with a vision — to reduce waste — and to realize the goal, a business might examine a specific value chain segment, focusing on the flow of products and services. Contextualizing each process in the grander scheme of maximum customer value helps identify those processes which can be reformed or eliminated.

The benefits of lean can include:

- Reduced need for capital and cash.
- Increased productivity and efficiency.
- Shortened development cycles and time to market.
- Greater engagement with employees.
- Higher quality products and services.
- Accelerated logistics.



The principles of lean business

There are five fundamental principles that define lean business, as established by the Lean Enterprise Institute®. Becoming familiar with them is crucial to transforming your business through a lean vision and model.

1. Identify value

Value is not just what a customer is willing to pay for a product or service but also how well their needs and expectations are met, or surpassed. Lean businesses must define this value, both in terms of price point and more intrinsic customer satisfaction. Businesses can quantify and qualify value on their own, but hearing directly from end users through surveys, focus groups and feedback helps paint a fuller picture.

2. Map the value stream

Chart out all processes for a product value chain, from raw materials to the customer's doorstep. This is a rather straightforward accounting of all the steps taken to bring a product or service to the end user, but it can highlight waste to reduce or areas to improve on. Using your value definition as a reference, eliminate all steps that do not contribute to value whenever possible. This

helps optimize the value chain, while also ensuring customer value is always in focus. Charting out the value chain can also be approached as reverse engineering, and anchoring the map to end user value helps focus your efforts.

3. Create flow

After the waste and excess has been trimmed, the value-creation steps must be sequenced tightly so that products or services flow



uninterrupted to the end user. This may require a reimagining of traditional processes or a cross-functional team to break down silos and bottlenecks in order to streamline the flow and creation of value. Often, the natural byproducts of such efforts are increased efficiency and productivity.

4. Establish pull

Creating flow is instrumental to establishing pull. Your products and services first need to flow before a customer can “pull” them at any time. This is the opposite of order-driven production. Instead, the idea is to have the inventory ready to meet customer demand and expectations, like for two-day shipping or just-in-time production.

5. Seek perfection

Continuous improvement is a major pillar of lean. If your business completed all the preceding steps, congratulations — now the task is to perfect your operations for maximum value and zero waste. While this might sound like a challenge, all it takes is a dedicated effort to track KPIs, collect data, analyze intelligence and act on insights. Pursuing continuous improvement is a constant and dynamic organizational responsibility, from the C-suite down to the grassroots workforce.



How to transform your business

Each implementation of a lean model will look different from business to business. This is because, as noted, there is no checklist of what to do. Rather, lean is an overarching methodology that organizations can interpret and execute in their own ways.

Lean may be particularly advantageous for startup businesses that may have limited capital, but it can work for larger businesses too. The key is to internalize the best practices of lean, weave lean into the culture, train employees, recognize wins and push for continuous improvement. Roughly, this works like:

1. Assemble background context (like a value chain map).
2. Assess the current state of waste and realized customer value.
3. Identify a target, like a more streamlined flow of product from raw material to delivery.
4. Analyze performance and results.
5. Develop countermeasures to address root problems.
6. Continue to track metrics and identify the next challenge.

Banking that meets your lean needs

Value is the object of lean business models. If you are considering a lean implementation, having the infrastructure and support to pull off such a transformation is critical. As the Leading Bank for Business¹, Comerica Bank has the accounts, products and services you can depend on so that you derive actual value from your banking relationship.



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Sources:

<https://www.lean.org/WhatsLean/Principles.cfm>

¹Comerica ranks first nationally among the top 25 U.S. financial holding companies, based on commercial and industrial loans outstanding as a percentage of assets, as of March 31, 2020. Data provided by S&P Global Market Intelligence.

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