Lean Knowledge Principles: Application to the Compliance Program

In the October 2011 issue of Harvard Business Journal is an article, entitled "*Lean Knowledge Work*", where authors Bradley Staats and David Upton explore the issue of whether the lean knowledge principles derived from the Toyota Production System can be applied to knowledge work. While there is no one definition of 'lean' it has generally included "numerous approaches to improving operations, all based upon the same principles; relentless attention to detail, commitment to data-driven experimentation and charging workers with the ongoing task of increasing efficiency and eliminating waste in their jobs."

The authors began by noting that most people in the business world believe that 'knowledge' based work does not lend itself to lean principles. The reason for this is that knowledge based work is not repetitive based and cannot be repetitively defined. The use of a knowledge based decision making calculus involves use of expertise and judgment, which as the authors put it, is "locked inside the worker's head." However, the authors posit that much knowledge based "can be articulated". Moreover, many knowledge based activities have nothing to do with applying judgment but "can be streamlined to continually find and root out waste." From my own corporate experience, such knowledge should be captured in a Knowledge Management (KM) system or the company risks losing such knowledge when senior employees retire or move on to other assignments. Under KM a base of knowledge should be available to a wide number of employees to draw upon and not be limited to being inside the head of a limited number of employees.

The authors draw upon six principles to make knowledge based organizations lean. They are:

1. Eliminate Waste

The authors point to several 'wastes' which are endemic to a knowledge based organization and can 'eat up huge amounts of time." These include printing documents, requesting information need to make decisions, setting up meetings and other routine administrative tasks. While recognizing that most employees in corporate America today do not have any administrative support to handle such tasks, the authors suggest that employees not focus simply on eliminating large, obvious forms of waste but focus on small waste which they termed "nickels [of waste] that no one has bothered to pick up."

2. Specify the Work

My corporate experience in a legal department is that very little knowledge is written down. Usually there is no attempt at anything resembling KM. However, the authors suggest that employees start with the repeatable parts of a process and codify them. You do not have to specify everything, but certain parts of a process could be specified and made available for others to learn from or draw upon in future work or transaction

3. Specify How Workers Should Communicate With One Another

The authors note that in a knowledge based system, 'many problems are too big or too complex for one person to tackle" so that organizations may use teams to perform knowledge based work. This can also be true in the compliance context where the Compliance Department may work with a Legal Department, an internal Compliance Champion, or external third parties going through a vetting process or others. When multiple parties are involved it is imperative that good communications be carried out throughout the entire process involved. The authors suggest three guidelines: (1) Define who should be communicating, how often and what should be communicated; (2) Create a shared understating of what is being communicated; and (3) Resolve any disagreements with facts, not opinions.

4. Address Any Problems Which Arise Quickly and Directly

The authors advocate that if a problem crops up, it should be resolved by the employee who created it. This is because that person usually has a quicker and more expeditious solution. If such a person cannot do so, a team member should work on it or at least participate in the resolution. This would also hold true for the location where any problem arises. It should be resolved in that location. Lastly, do not let problems fester and grow. They should be resolved as soon as possible as they arise.

5. Plan for an Incremental Journey

The authors suggest that you start small on your journey to lean; as you probably will not get it right the first time. Further you should write down your lessons learned in the process so you will have a record of what worked and what did not work so that at least you will not have to redo that part of the process. Moreover, the lean process implementation is not one set in stone. Be nimble and agile so that you can respond to opportunities to improve the process as they arise. Also remember that not every lean approach works for every knowledge based task or system. Lean focuses on the more repetitive work so spend your time and efforts there.

6. Engage Your Managers

The authors believe that lean principles result from "bottom up improvement'. However, middle managers should be engaged with their teams, both through education on its benefits and with support throughout the project. Additionally and not surprisingly, senior managers must be long term champions for any such change. For employees to take innovation seriously, senior management must actively support the process. Such a sea-change will require man-power investment, training and monetary investment all of which senior management must actively support. There must be a clear, long term commitment from such senior management to the project.

This article presents a new way for many in a Compliance or Legal Department to think through the challenges of a compliance program, whether based on the Foreign Corrupt Practices Act (FCPA), the UK Bribery Act or both. I continually press that the top priority of a compliance program is to "document, document, document" all the while understanding that a compliance program is very much process driven. The lean approach can be used in many of the process steps where documentation is the key. The discretion and expertise brought to bear in compliance programs can then be overlaid on this system. In today's economic reality, this approach can help a corporate compliance department deliver a more robust, yet more economical compliance product.