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The Impact of Lean Management Methods on Business Performance

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Abstract: ***Lean manufacturing methods use a number of techniques such as Just In Time (JIT), continuous improvement, reducing time and inventory, improving processes and eliminating waste to improve customer satisfaction, improve the quality, efficiency, and flexibility of the organization (Garza-Reyes, 2015). The studies related to the topic of lean management revolve around the influence of lean management, lean production, streamlined methods ... on the performance of the business, especially the operating results. oriented to sustainability. Previous studies confirm the polar relationship of lean management to the performance of businesses in many different aspects. The paper focuses on assessing the impact as well as the role of streamlined philosophy in improving the performance of businesses.***

Keywords: lean management, lean practice, performance

1. Introduction

In many studies, lean management is only mentioned as a method and strategy to improve the performance of enterprises. The studies assess the level of lean management implementation at different levels based on different perspective and approach. Therefore, the identification of supporting tools and factors affecting the success of lean management have not been focused on exploiting. Moreover, proposals for the development of human resource management principles and issues to support lean management have not been implemented and systematized.
In addition, aspects of the 4.0 technology revolution, which are directly related to information technology, have not been properly evaluated in relation to lean management, while refined management methods and systems compact current depends and is heavily influenced by applications based on this technology. Numerous studies have identified that sustainable business performance of a business should be addressed through a continuous adjustment process, which can be facilitated by adaptive capabilities (Eikelenboom and de Jong, 2019) which can be created based on the application of modern technologies to production and business activities.

2. Lean Management

The lean concept is understood that businesses can use resources, money and time less than competitors in production and business but achieve production goals with fewer errors and more diverse competitors (Ballard, 2012). The core view of lean is to minimize non-value-added activities in any system (Rafique et al., 2017). Lean manufacturing has therefore become one of the most common management initiatives that companies adopt to enhance competitiveness (Abreu-Ledón, 2018).

The streamlined concept developed in the Japanese automobile industry as an effective management strategy. This concept came from the Toyota Production System (TPS) after World War II. Leanness is defined as the degree of acceptance and implementation of the lean philosophy within an organization (Cortes et al., 2016). TPS uses a number of techniques such as Just In Time (JIT), continuous improvement, reducing time and inventory, improving processes and eliminating waste to improve customer satisfaction and improve quality. quality, effectiveness, and flexibility of the organization. (Garza-Reyes, 2015).

From the streamlined physics, lean strategy is a model / concept to create an improvement system and eliminate all waste that may arise from the supply chain, production processes in turn to improve product quality, reduce business costs and increase customer benefits (Duarte and Cruz-Machado, 2013)

Based on Toyota's lean manufacturing system, Lean Management was proposed by a set of experts and scientists in 1990 at Massachusetts Institute of Technology (Jing et al., 2020).

Developed in the context of manufacturing industry, lean has quickly formed and developed as a philosophy, which has been applied in many different contexts and areas of activity. The many instances of entities achieving success in lean management have shown that this model plays an important role in enhancing corporate governance innovation (Jing et al., 2020). Lean management is currently being applied effectively in many different fields, not only in the manufacturing sector but also in the fields of restaurant, hotel and personnel service activities ... In every context, philosophy Lean management applied in management plays a role in increasing business efficiency for enterprises based on the principle of reducing unnecessary waste while ensuring the results.

Based on the evidence of the success of streamlined management practices for the performance of the firm, the perception and attitude of the manager as well as the owner of the business may be dominated and brought to the fore. Enterprise management activities operate in a streamlined direction. This trend is explained in favor of rational action theory. Individual attitudes towards a behavior depend on the person's perception or beliefs about the behavior (Fishbein and Ajzen, 1975).

The success of lean management is also a topic of concern when there are still many cases of failures in implementing this model. Statistically, 60-90% of management improvement programs in the direction of lean management fail (Pearce, 2019) raises the question of whether lean management can be successful, depends and is subject to affected by what factors. Studying the success of lean philosophy, most researchers believe that the failure of lean management is due to cultural, managerial, technical and practical barriers. reality (Rafique et al, 2017).

3. Business Performance

Performance is a research topic that often receives interest in most management areas. The problem occured in conflict of interest from theoretical researchers and managers. Although the methods used to improve and manage performance are widespread and accessible, the concepts, approach angles and performance assessments still have many inconsistencies. and controversial. Scientists have proposed, discussed and debated issues of analytical level (from the individual, the unit to the entire organization) and conceptual bases for evaluating results.

In different contexts and approaches, the performance is again defined in other ways by scientists. From an enterprise perspective, business performance is defined as the result of the firm's key tasks (Wu et al., 2006). With that perspective, Wu et al. (2006) suggested that performance includes market results and financial results.

This is also the view of Kim and Lee (2010) on business results. More generally, Bhasin (2008) broadens the concept of business performance by relying on a five-component results evaluation framework. The components of results according to Bhasin (2008) include: financial results, markets / customers, processes, human resources development, and future values. While expanding the component criteria of performance, the above views still focus on indicators related to the operation of the enterprise and do not mention the aspects of social responsibility.

Expanding the scope of evaluation, beyond the internal content of the indicators related to internal organization, the concept of performance results is added by external factors Torres and authors (2019). Accordingly, business results are a series of indicators focused on the evaluation of profits, growth (internal) or social results of companies (Torres et al., 2019). Along with the similar approach, extending the results evaluation aspects beyond the scope of the enterprise, Kruja and Berberi (2020) think that performance should also concern the shareholders, a group. Other important subjects of the organization. Kruja and Berberi (2020), argue that in order to evaluate business results, it is necessary to consider the output aspects such as financial efficiency, product market efficiency and shareholder return. This view draws close to the concept of sustainable business results, whereby businesses, in addition to ensuring the benefits of the organization, also perform social responsibility with stakeholders and at the same time follow. chasing sustainable goals for the ecological environment.

Approaching from a process perspective, Abreu-Ledón et al (2018) think that performance must be evaluated through many criteria throughout the operation process. Accordingly, performance is primarily measured using indicators of the extent to which the operating plan (or process), such as inventory, cycle time, delivery results, and flexibility of the system.

Approach from a financial perspective, business results are evaluated by Esmaeel, and the authors (2018) through two views. In which the financial view assesses performance by indicators such as ROI and profit margins, while the non-financial perspective accesses indicators such as market share, sales growth and the number of services / assets. new product to evaluate performance (Esmaeel, et al, 2018).

Because of the peculiar nature of the business involved in the confidentiality of the enterprise's own data, the evaluation of performance has sometimes encountered obstacles. Business results in research should be measured by subjective evaluation methods. The reason for using subjective evaluation methods is that many companies and organizations refuse to disclose their actual financial information and financial records (Esmaeel, et al, 2018). In that case, the objective data will not indicate the actual business results of a company because the published or declared figures of the company may be misleading due to manipulation and adjustment. according to the specific goals of the business. For these reasons, the study approaches the concept of performance combined with the measurement methodology of the subjective perspective of the manager as an appropriate alternative to the objective measurement method.

4. The impact of lean management methods on business performance

There are many factors that influence business performance but confirming the role of lean in operating to achieve better results is always the opinion of many researchers. When leanness is an indicator of superiority (Schonberger, 1986; Berggren, 1992), this factor creates a better competitiveness of market participants, which is a favorable condition for businesses. businesses improve and enhance operational results, towards the organization's goals. Because the lean-oriented application has been extended to all aspects of corporate management since the 2000s (Abreu-Ledón et al, 2018), the impact of this philosophy is not only assessed by performance indicators (such as quality, cost, distribution and flexibility), but also measured by more general indicators, such as finance, market, business and competitiveness (Abreu- Ledón et al., 2018), these are the component indicators used to assess business performance of a business.

Lean philosophy pursues management orientations from the perspective of innovation and optimizes all operations through continuous innovation. On the other hand, innovation is seen as creativity (Man, 2001) novelty (Johannessen et al., 2010) and the ability to maximize profits (Stewart and Fenn, 2006). In other words, through the innovation of lean management, businesses can improve sales and profitability, and improve business results. For these reasons, many researchers favor lean production because lean methods create many benefits such as: shortening cycle time; shorten preparation time; lower production wastage; faster response time; lower cost; greater production flexibility; high quality; better customer service; higher sales; the amount of goods sold is higher; and increase profits.

On the other hand, Fliedner and Majeske (2010); Rafique et al., 2017 also emphasized that the core of lean is that businesses reduce waste and useless waste in operations and eliminate activities that do not add value to businesses. The reduction of these costs directly increases the profit margin, improves the financial indicators of the business, which are the components used to evaluate performance.

In the current economic context, enterprises operate in addition to pursuing benefits for the organization and at the same time ensure the rights of stakeholders such as employees, shareholders, social sectors and the whole environment. The concept of sustainable business results was introduced and gradually became the dominant trend on a global scale. Performance evaluation also shifts and broadens the scope of criteria, targeting more relevant audiences (such as Kruja and Berberi, 2020). Empirical evidence also demonstrates the role of flexibility in business performance approach from this social responsibility perspective. Most of the relevant research confirms that the integrated application of lean - green elements has a positive impact on sustainable business-oriented business results (Bhattacharya et al., 2019). On the other hand, the lean-green integration model has a positive impact on the results of production organization systems (Bhattacharya et al., 2019).

5. Conclusion

In short, lean management is not only a way to reduce waste and help businesses run better, thereby improving performance regardless of financial or non-financial perspective. or objective evidence. Examining and examining doubts about the existence of a positive relationship between streamlined management and business performance is essential.

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