

This book is intended to provide guidance to enterprises management and to professionals engaged in the “Continuous Improvement” initiative or program implementation and enable them to structure and manage its strategic implementation successfully. As you have realized, this is not a traditional book on Kaizen philosophy or practices that focus upon continuous improvement of processes in manufacturing, and engineering!

Throughout the chapters of this book, we have emphasized that successful enterprise businesses have to balance two needs:

1. The need to look backward in order to maintain the existing business and its current customers, and
2. The need to look forward in order to explore and achieve performance breakthroughs and to identify and attract new customers and new sources of value.

Achieving this balance requires specific and intensive actions along eight overarching determining factors, that matter the most, among dozens:

1. Leadership
2. Culture and Values
3. Strategic Planning and Management
4. Performance Measurement
5. Performance Management
6. Alignment and Commitment
7. Process Improvement and Management
8. Sustainability

There are literally hundreds of other books that emphasize the technical aspects of each of these overarching determining factors. The focus in these chapters has been on their strategic, social and organizational aspects that are so crucial to moving an enterprise business from its current maturity stage to a higher and ultimately to the “Continuous Improvement” maturity stage.

As exciting as these eight overarching determining factors are, they all have been strongly resisted, and they and others like them will continue to be resisted by

enterprise businesses that lack critical enablers. The type of transformation to a higher maturity stage that we advocate in this book will only come into being through multiple changes in the Context, Focus, Integration, and Interactivity of each of these overarching determining factors. By this, we extend the results of Dean Spitzer on “Transforming Performance Measurement” (Spitzer, 2007).

Without these enablers, the development and implementation of a “Continuous Improvement” initiative in your business does not stand much of a chance to succeed. As you have seen throughout the previous chapters, it is the strategic, social and organizational aspects of these eight overarching determining factors that impede real and deep change, and it is in transforming these aspects that the promise of “Continuous Improvement” maturity stage can be realized.

Throughout these chapters, we have outlined some practical steps that you, as enterprise business executive, manager or leader, can take right now to begin moving your business from its current maturity stage to a higher one. Do not be concerned if you cannot do all of these things, illustrated in Fig. 12.1, or even very many of them. The most successful transformations, especially those that touch virtually every aspect of an enterprise business performance like “Continuous Improvement” maturity stage does, are more likely to be evolutionary than revolutionary.

The inner wheel in Fig. 12.1 describes a basic improvement process. The outer wheel is intended to focus on how effectively your enterprise business goes about the business of improvement. How well do you do it? Do you do a better job of improving than your competition? The outer wheel focuses on the eight overarching determining factors of strategic management.

The previous chapters, as you have also realized, are not about the technical aspects of each of the eight overarching determining factors; they are about creating an optimal environment (context) for their effective use. Many enterprise businesses are engaged in implementing improvement initiatives with direct focus upon revenues, expenses and profits, but few are able to establish the right environment for the effective deployment of each of the eight overarching determining factors.

If your improvement activities are not ultimately providing more funds (i.e., bottom line cash flow and profits statements) for fulfilling your vision, then how effective can they be? As an enterprise executive, you must avoid the temptation to focus on cost reductions only, which is where the vast majority of your competitors focus. Instead, review the eight overarching determining factor of strategic management discussed throughout this chapter, and see how improving one or more of them might make a meaningful improvement in your business performance improvement recipe.

Most enterprise businesses have very competent people crunching to improve the business and have made massive investments to educate and train their employees on the technical aspects of each of the eight overarching determining factors. But almost none have done anything to improve the social and organizational context to make the improvement of these determining factors enjoyable and productive for all the people in the enterprise business.

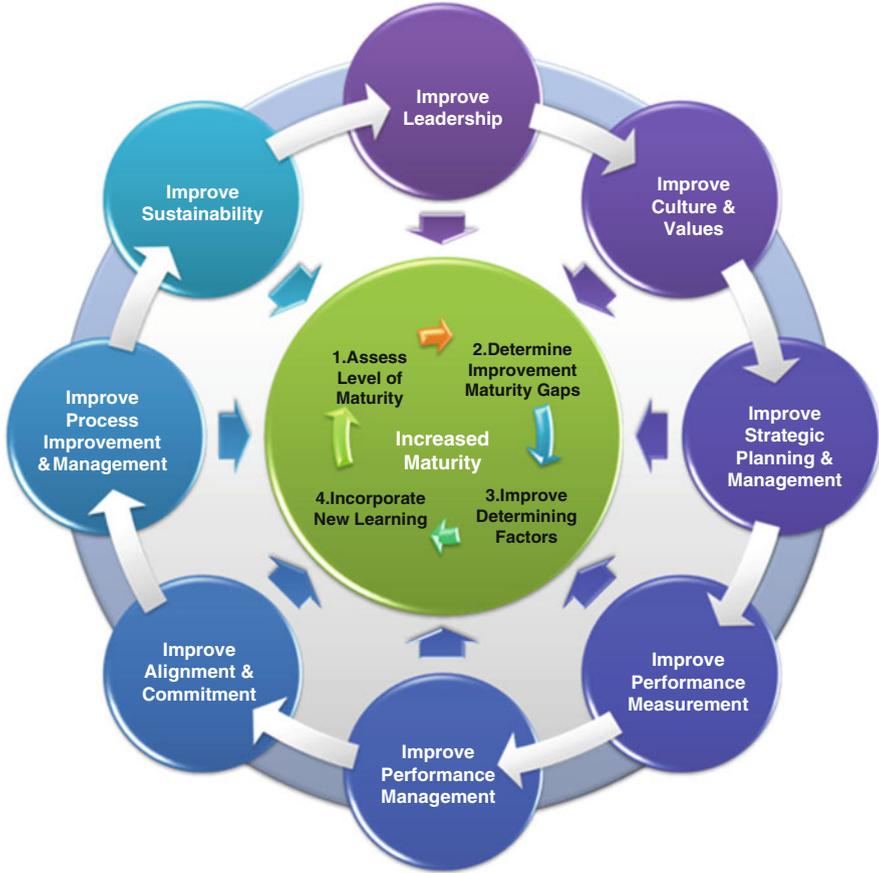


Fig. 12.1 The improvement maturity pathway to enterprise business excellence

Enterprise business executives and managers are expected to address their shareholders wealth, earnings growth, and total return on assets, but the most successful enterprise businesses understand that those measures should not be the primary targets of their intended strategies. Achieving attractive financial performance is the reward for having aimed at (and hit) the real target; i.e., maximizing the value created for the primary constituents of the enterprise business.

When an enterprise business thinks of itself as a financial engine whose purpose is to generate attractive financial returns with direct focus upon revenues, expenses and profits, the enterprise business is least likely to maximize those returns in the long run. Often, finance people end up shuffling a portfolio of assets in a self-destructive quest for “growth businesses” with no real understanding of the value-creation dynamics of enterprise businesses they are responsible for. Or, as with the banking or automotive service chains, attempts to profit without delivering superior value tends to place different corporate, their associated divisions and departments

in competition. As a result, it ends in lost business, long-term customer alienation, and corporate disgrace.

When the right actions are taken and done right – the way that is being advocated in this book – both the enterprise business (including the people within it) and the customers will be impacted positively. For the enterprise business, moving to the “Continuous Improvement” maturity stage leads to improvements in virtually every aspect of the enterprise business performance from Accident reduction to Zero defects, including: improved intended strategy execution, better investment decisions, increased value creation and value capture from diverse assets (tangible and intangible), improved relationships (customers, employees, suppliers, partners, and others), increased synergy and synchronicity of the supply chain, increased forecasting accuracy, enhanced employee motivation, commitment and performance, greater organizational learning, and much, much more.

By encouraging internal cooperation instead of internal competition, an enterprise at the “Continuous Improvement” maturity stage releases within the business the creative energy that would otherwise be devoted to survival. It encourages communication instead of secrecy, which builds trust rather than distrust, and thereby creates a business that can respond to changes in the market.

As you have learned throughout the chapters of this book, moving an enterprise business to the “Continuous Improvement” maturity stage is a journey. It requires a new way of thinking and those of us who have traveled down this road universally proclaim the new way of thinking to be worth the effort, and the results do show up on the bottom line. You will know that you are making progress on the journey when people in the enterprise business start asking the right questions, and are engaging in dialogue rather than independent technical improvement projects or workshops.

We have indicated in a previous chapter that improvement in each of the eight overarching determining factors is about “change in form, quality, or state, over time.” We have also indicated that the resources that support the work being completed to improve these determining factors or their constituent elements can be optimized methodically. Our next book entitled “Handbook on Continuous Improvement Transformation: The Lean Six Sigma Framework and Systematic Methodology for Implementation,” will guide you through the technical methodic equally vital for implementing and sustaining a “Continuous Improvement” initiative or program in your enterprise business.

When speaking to, and consulting with, organization clients on: how to create awareness on “Continuous Improvement” transformation using the strategic management maturity model the way that we advocate in this book; how to have managers and staff develop the capability for ongoing, incremental evolution to maturity and improvement; we have found that they often do not know where to start or what they should be aiming to achieve. Enterprise businesses realize that they have a long way to go to achieve a “Continuous Improvement” transformation but have no overall structured approach of how to get there and what steps they need to take. This journey to the “Continuous Improvement” state of maturity is a large and complicated set of tasks for an enterprise business, so we have broken the journey down into eight overarching dimensions of strategic management that

matter the most. We have then provided, for each dimension, a visionary state of maturity and then provide a practical roadmap of how to get there.

Based on the material that we have provided throughout this book, the challenge is not to turn the heads of enterprise business leaders – from CEOs to supervisors – toward implementing the eight overarching determining factors of strategic management selected and developed, but to manage repeatedly and consistently those determining factors strategically, synergistically, and with appropriate alignment and synchronicity to achieve systematic maturation and improvement across the enterprise business. As we have indicated already, the maturation process is about movement to a higher stage of being, whereas improvement in each overarching determining factor of strategic management is about “change in form, quality, or state, over time.”

Within enterprise businesses at a “Continuous Improvement” maturity stage like Toyota’s and GE’s family of companies, observation of employees behavior shows that people feel good about focusing on developing daily behavior patterns by sensing and understanding any improvement opportunity and reacting to it in a way that moves the enterprise business forward. Instead of an activity to be avoided or feared, “Continuous Improvement” transformation thinking pattern becomes an activity that employees actually enjoy, and opportunity for business activities improvement become an activity that employees look forward to performing. Within these families of companies, there is no “finish line” mentality. The objective is not to win, but to develop the capability of the enterprise business to keep improving, adapting, and satisfying dynamic customer requirements. This capability for ongoing, incremental evolution and improvement represents the best assurance of durable competitive advantage and enterprise business survival.

12.1 Improving and Managing

Within an enterprise business at the “Continuous Improvement” stage of maturity, improving and managing are one and the same. The framework and systematic methodology provided in our next book is to a considerable degree how such an enterprise manages its activities, processes and people from day to day. In comparison, enterprise businesses at lower maturity stage tend to see managing as a unique and separate activity. Improvement is something extra, added on to managing.

An interesting point here is that many of managers would probably be afraid to focus so heavily on this second philosophy (i.e. improvement) at the expense of the first philosophy (i.e. make production). They would feel that they are letting go of something they currently try very hard to control, because they are accustomed to focusing on outcomes, not on drivers and process details. In such approach managers concentrate on outcome targets and consequences. And consequently, the enterprise business will think of itself as a financial engine whose purpose is to generate attractive financial returns with direct focus upon

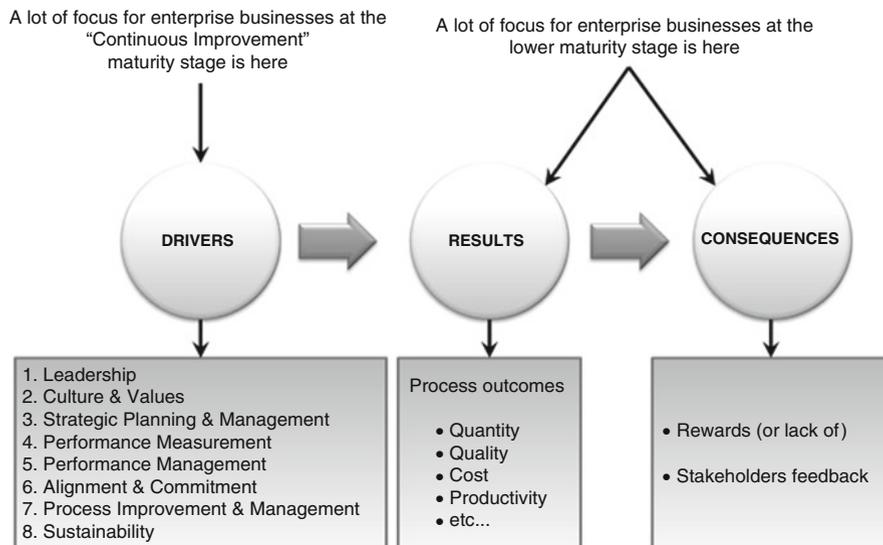


Fig. 12.2 Focusing on means in order to achieve desired results

revenues, expenses and profits. As such, it is least likely to maximize those returns in the long run.

In contrast, as depicted in Fig. 12.2, an enterprise business at the “Continuous Improvement” stage of maturity puts considerable emphasis on how to tackle the drivers and details of a process, which is what generates the outcomes.

Outcome targets, such as the desired production quantity and quality, are of course necessary. But if you focus on continuously improving the process – systematically, through the framework and systematic methodology provided in this book, rather than just random improvement – then the desired outcomes will come. Making the desired production or service quantity and quality, for example, will happen automatically when you focus on the drivers and details of a process through correct application of the systematic methodology provided.

The eight overarching determining factors of strategic management listed in the figure above are drivers necessary to achieve a state of “Continuous Improvement” as developed in this book. Each of the drivers can be considered at both operational and departmental level within an enterprise business if each department is considered as a unit which acquired and provide services and products to the other department within an enterprise business. The relative importance of each driver will vary from situation to situation and from time to time depending upon market pressures and other changing circumstances but it is unlikely that the total number will be fewer than the eight overarching determining factors of strategic management shown in Fig. 12.2 above. It is best to play safe and consider all of these eight determining factors all of the time. Conceivably, there may be more in some situations but in many years of experience with a range of businesses across a spectrum of industries we have not yet found such a case.

12.2 Final Admonition

As we consider the enterprise maturity, from the perspective of systems theory, it is important to remember that “Continuous Improvement” maturity is not about strength in any one aspect of the enterprise, but about the health of the enterprise as a “total system.” Some enterprise businesses excel at one, two or three of the eight determining factors of strategic management elaborated. However, for any enterprise to achieve superior results, it is essential that all eight determining factors work in tandem with each other.

If your enterprise business falls behind your competitors, it is generally not possible to catch up quickly or in a few leaps. If there was something you could do, or implement, to get caught up again quickly, then your competitors will be doing that too. If you want your enterprise business to thrive for a long time, then how it interacts continuously with conditions inside and outside the enterprise business through the eight overarching determining factors of strategic management is important. This capability for ongoing, incremental evolution to maturity and improvement represents the best assurance of durable competitive advantage and company survival, because:

1. *Small, incremental steps let you learn along the way, make adjustments, and discover the path to where you want to be.* Since you cannot see very far ahead, you cannot rely on up front planning alone. Improvement, adaptation, and even innovation result to a great extent from the accumulation of small steps; each lesson learned helps you recognize the next step and adds to your knowledge and capability.
2. *Relying on technical innovation alone often provides only temporary competitive advantage.* Technological innovations are important and offer competitive advantage, but they come infrequently and can often be copied by competitors. In many cases you cannot expect to enjoy more than a brief technological advantage over competitors. Technological innovation is also arguably less the product of revolutionary breakthroughs by single individuals than the cumulative result of many incremental adaptations and improvements that have been pointed in a particular direction and conducted with special focus and energy.
3. *Cost and quality competitiveness tend to result from accumulation of many small steps over time.* Again, if one could simply implement some measures to achieve cost and quality competitiveness, then every enterprise business would do it. Cost and quality improvements are actually made in small steps and take considerable time to achieve and accumulate. The results of ongoing and small steps cost reduction and quality improvement are therefore difficult to copy, and thus offer a special competitive advantage. It is highly advantageous for an enterprise business in a competitive environment to combine efforts at innovation with unending ongoing improvement of cost and quality competitiveness, even in the case of mature products or services.
4. Relying on periodic improvements and innovations alone – only improving when you make a special effort or campaign – conceals a system that is static

and vulnerable. Here is an interesting point to consider about your own enterprise business: in many cases the normal operating condition of an enterprise business – its nature – is not improving. Many enterprise business executives and managers think of improvement as something that happens periodically, like a project or campaign: a special effort to improve or change is made when the need becomes urgent. But this is not how a “Continuous Improvement” state of maturity actually comes about. Relying on periodic improvement or change efforts should be seen for what it is: only an occasional add-on to a system that by its nature tends to stand still.

Enterprise businesses that understand and can use the material described in this book to manage their strategy, systems, and processes more effectively and more consistently will find that it provides a tremendous competitive advantage. Successful incumbents must tolerate initial failure and grasp the need for course correction. In effect, enterprise businesses have to focus on learning and adjusting as much as on executing.

We urge enterprise businesses with new business models for “Continuous Improvement” to be patient for realizing “Continuous Improvement” capability but impatient for realizing short term profit as an early validation that the model works. A short term profitable business is the best early indication of a viable model.

Real transformation takes time, and a renewal effort risks losing momentum if there are no short-term goals to meet and celebrate. Most people won’t go on the long march unless they see compelling evidence within 1 or 2 years that the journey to “Continuous Improvement” is producing expected results. Without short-term profits, too many people give up or actively join the ranks of those people who have been making waves.

One to two years into a successful transformation effort, you find quality beginning to go up on certain indices or the decline in net income stopping. You find some successful new product or service introductions or an upward shift in market share. You find an impressive productivity improvement or a statistically higher customer-satisfaction rating. But whatever the case, the profit is unambiguous. The result is not just a judgment call that can be discounted by those opposing the transformation to “Continuous Improvement” stage of maturity.

Creating short-term profits is different from hoping for short-term profits. The latter is passive, the former active. In a successful transformation, enterprise business executives and managers actively look for ways to obtain clear performance improvements, establish goals in the yearly planning system, achieve the objectives, and reward the people involved with recognition and promotion. Enterprise business executives and managers often complain about being forced to produce short-term profits, but we have found that pressure can be a useful element in a transformation effort to “Continuous Improvement” stage of maturity. When it becomes clear to people that major transformation will take a long time, urgency levels can drop. Commitments to produce short-term profits help keep the urgency level up and force detailed analytical thinking that can clarify or revise visions.

The progressive realization of the enterprise full potential by moving from its current maturity stage towards a higher (ultimately “Continuous Improvement”) maturity stage, requires a framework and a systematic methodology for studying the constituent elements or processes and systems associated with the eight overarching determining factors. It also requires a way of differentiating between the different types of variation present in those processes and systems. In addition to the way of thinking described throughout the chapters of this book, and which must be put to practice, there are techniques to be learned. In our next book, we will describe the framework and systematic methodology for improving processes used within projects and operations work.