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No

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## Kaizen: The art of continuous improvement

Submitted by Robert Heller on Fri, 2005-04-08 11:16.

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Talking recently to a group of managers, mostly from high-tech businesses like software, I had the opposite of an epiphany: a tremendous letdown. I asked them six very basic questions about their companies. Were they making the right things? And in the most effective way? And at the lowest economic cost? Were they as good as or better than their best competitor? Were they serving the widest possible market? Did they have a Unique Selling Proposition - a reason for somebody to buy from them, rather than anybody else?

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To my shock-horror, hardly any hands rose in reply to any of the six questions. There aren't many possible explanations. Possibly the unraised hands were telling the truth: the answers were overwhelmingly No. Or the audience could nearly all have been shy or modest - an unlikely story. Perhaps these managers really didn't know the answers, which, of course, is tantamount to No. None of

these three possibilities is remotely satisfactory, which leaves just one less damning theory: that a Yes answer couldn't possibly be right - because, however good you are, you can always improve.

That's the basis of kaizen, the Japanese doctrine that changed the world. It's bluntly expressed by the 'half-way to-the-wall' school of practitioners: every year, managers are expected to improve operations on key parameters by half the distance between the present position and the wall - that is, zero cost or time. As keen mathematicians will spot, you never reach the wall. The wall in the questions above is to make or supply the right things in the most effective way and at the lowest cost. You never get there: a Yes answer only states that you've done and are doing your damndest.

Two of the next three questions brook little argument. The widest possible market, in terms of global spread or products and customers, is another wall that maybe can't be reached, but must be approached. Being as good as or better than the best competitor, though, brooks no argument. A company should know, thanks to stringent benchmarking and accurate customer surveys, how it compares to the competition: it can scarcely afford to be thought inferior. Comparative lags should provide the stimulus to get closer to that wall.

Similarly, how can a business expect to succeed in the marketplace if its own bosses can think of no reason for the customers to come - and keep on coming? This is a common failure: consultants working on the Royal Society of Arts enquiry into Tomorrow's Company were astounded to find that many chief executives couldn't explain what, if anything, was different about their companies. This internal bafflement is especially odd since external perceptions of corporations differ markedly, sometimes in beneficial ways,

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sometimes harmfully. It's even odder when you consider the torrent of words and activity devoted to changing corporate cultures.

Any effort devoted to such change must run to waste if the culture vultures don't know what kind of company they wish to create or recreate: or if their endeavours are directed towards evolving a company that's much the same as its contemporaries - including its competitors. In fact, the sameness of corporate vision and mission statements, and the similarity of change programmes, is striking and deeply depressing. In cultures as in competition, vive la différence: the USP is what elevates one competitor or one company head and shoulders above the rest.

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True, achieving a distinctive edge is becoming harder and harder. Car companies are cutting down on component suppliers and relying increasingly on these fewer providers for whole sub-assemblies. The suppliers face the same problem: as a Bosch executive explained, 'Quality is getting more and more equal all over the world, products are getting more and more equal, the procedures by

which they are produced are more and more equal, even the machinery on which they are produced is more and more identical.'

Information technology is an even more compelling example, especially in personal computers, which, with few exceptions, are coming to rely on essentially the same innards: microprocessors, chip-sets, mother-boards and all. Differentiation thus rests primarily on the skills of integration, packaging, 'bells and whistles', marketing and quality of service. The Bosch man argues that the latter 'may be decisive' in the competitive wars. Certainly Daewoo's swift rise up the chart of British car imports owes little to the merits of its cars, much to its unprecedented customer service package.

Given this background, the future looks dim for firms which (like those represented in my audience of managers) are basically getting by: performing respectably, no doubt, but below the best standards, and leaving their futures to look after themselves. Dimness needn't mean disappearance. One of the most cast-iron predictions, for example, was that the PC industry, like the car industry before it, would coalesce into very few large competitors, with the small fry succumbing to their fate. Consolidation has indeed occurred - but surprising numbers of tiny competitors still cling around the edges of PC suppliers who can provide integrated solutions and enjoy large market shares.

The vital phenomenon here is the sheer spread of markets. Far smaller players than in the past are now truly global, operating in a whole range of markets from Europe to the Pacific Basin. I've come across a company based in Auckland (deliberately located there by non-Kiwis to take advantage of the convenient time zone) that sells advertising on escalator steps: an American firm run from the Philippines that operates its high-tech cash register business via a world-wide PC network: and a Yorkshire company that delivers office furniture fabrics anywhere in the world within 24 hours.

The same spread means that fringe companies can pick up orders from a much wider choice of customers. But the firms seizing their true global chances won't be fringe operators: they'll be the companies which are trying to answer all the six questions above with a Yes. The Yorkshire company, Camborne Fabrics, for example, is seeking to raise its on-time delivery performance from a mere 97% to 100%. Perfectionism doesn't make for an easy life: and one reason for the abundance of No answers is that many managements, knowing that continuous improvement is highly strenuous, prefer to avoid the stress.

Long ago, a study of wire-drawing companies in the South uncovered several such firms, whose bosses were all somewhat bemused by a competitor who, unlike them, invested in the latest machinery and strove with might and main to become a top supplier to companies

like Ford. 'As for me', said one of the bemused, 'I'd rather take the dog for a walk.' That missed the point of modern management. Once you have achieved a six-Yes company, there's time and money available for walking dogs and much else besides.

That's because all-round excellence can't be achieved without effective delegation to teams of people who all know their jobs, execute their tasks willingly to the best of their abilities and concentrate on achieving or excelling the expected outcomes. Those who have the opposite type of company are welcome to walk their dogs. Probably, like the six-No managers in that audience, they spend vastly more time putting out fires than in considering the future. What sort of future do they have?

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