## EXECUTIVE SUMMARY

Many organizations have reached a serious maturity, decline or even extinction stage with their formal improvement initiatives. As the changes come at warp speed, technology alone is not the answer, but more of the same lean, TPS, OpEx and other continuous improvement programs are not good enough. Most organizations need a holistic, higher order, enterprisewide, technology enabled and culturally connected approach to strategic improvement. A reference model approach to strategic and breakthrough improvement helps define and integrate the systematic architecture of leadership, aligned infrastructure, digital technology integration and behavioral/cultural development to reach higher order improvement and sustain success.
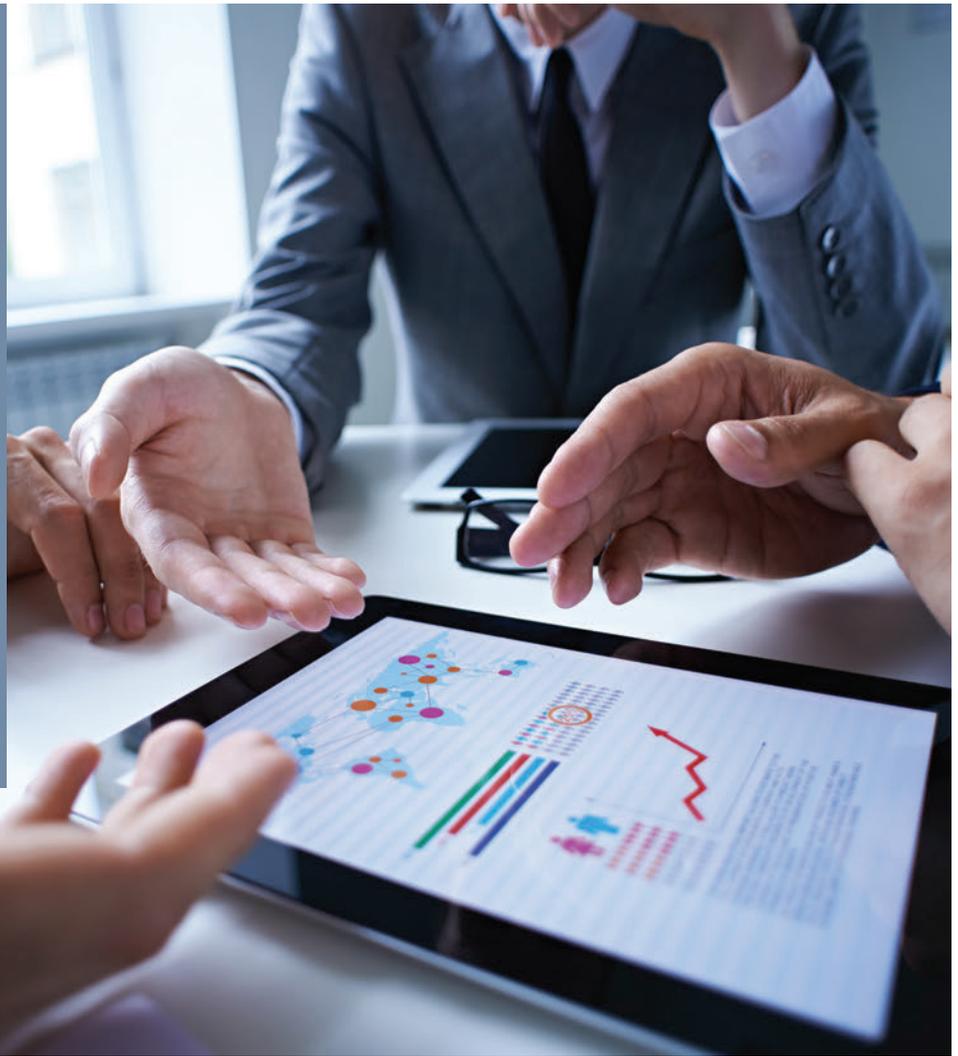
Sustaining strategic and breakthrough improvement

BY TERENCE T. BURTON

Every executive frets about the future. They all understand conceptually that business stability and remaining the same is not a viable option. They observe the Amazons, Home Depots, Walmarts and other giants battling it out on the e-commerce playing field and wonder how their market disruptions will impact their own $250 million company or business unit's future state. These inevitable disruptions are being fueled by warp speed emerging global market opportunities, technology and process innovations, empowered consumers with changing preferences, and evolving regulatory and compliance challenges.

Welcome to the digitized economy – where the world and business are evolving at a faster pace than ever and the rate of adoption is increasing exponentially with no end in sight.

Now the bad news: For many organizations, their magnitude and rate of improvement from their lean, kaizen, TPS, Six Sigma and other continuous improvement initiatives have reached a maturity and decline point. In fact, in some organizations their formal and disciplined continuous improvement programs have all but disappeared in favor of more symptomatic instant gratification activities.

This is an unpopular message, but many organizations who claim to have an initiative in place are merely mimicking the Toyota Production System (TPS) or just going through the motions with the standard menu of kaizen or lean methodologies and tools, symbolic storyboards and beautification exercises – and very questionable business value. Preaching the standard lean, TPS or some other continuous improvement mantras and following the boilerplate recipes of other organizations are rapidly

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becoming extinct. Recognize that the Toyota way is not necessarily your way in an ever-changing competitive digital economy.

Time to reflect and renew

Organizations that wish to achieve more from their continuous improvement initiatives need to put the keys down and rethink their journey in light of a rapidly changing world. More of the same will not get organizations to where they need to go. First of all, the popular tools and methodologies-focused approaches are easy to teach, but they do not change culture. Sure, there are temporary mindset changes, but they go away quickly as priorities are diverted away from the structured disciplines of continuous improvement.

How about leadership, unwavering commitment and true culture change? Everyone talks a good game about leadership, culture change or sustaining the gains, but people and organizations always seem to gravitate back to the tools and techniques. Why? Because it is "the accepted unquestioned religion." It's what people know and are comfortable with, like going back to the well. What happens in religions and continuous improvement?

- People stand their ground, strictly follow their beliefs and shut out change. People are mandated to follow a rigorous recipe of methodologies and approaches.
- On the surface, these initiatives have the look and feel of success. Organizations practice engagement and empowerment, teaming, using the tools and jargon and other visual signs of progress. A closer diagnostic usually reveals that there is more going through the motions than well-aligned and executed improvement efforts and tangible results.
- When work and thinking become overly standardized, people lose creativity and their ability to think beyond the box. Continuous improvement practitioners

accomplish the exact opposite of what they are trying to do. People are going through the expected motions and talking the lingo, but there are no tangible continued operating results coming out of their efforts. When people don't feel success, they disengage – and management commitment also fades away quickly.
- Leadership doesn't help continuous improvement sustainability and internalization much with token commitments, management edicts, conflicting priorities, short-term performance and random behaviors. Culture is a continuously moving and churning outcome based on the combined behaviors, choices and actions of leadership – and all people in organizations.

A higher order of improvement is needed

Many consultants, trainers and practitioners are no longer adding value because they are preaching the same old generic stories in the same "Field of Dreams" mode (i.e., if you follow the recipe and go through the motions enough, the results will come).

When every organization is using the same check-the-box approaches and working on the same basic things, where's the competitive advantage? So many people are not breaking away from the continuous improvement herd, adapting the evolutionary process of improvement to their changing worlds and achieving new breakthroughs in improvement for many reasons: Commitment, time, resources, wrong focus, lack of knowledge, fixed beliefs, a fanatical focus on instant gratification based on the wrong metrics, and many more.

If insanity is doing the same thing over and over again, insanity kills improvement.

What do we mean by this? The same people, same thinking, same process and same information always achieve the same or lesser results. Organizations that fail to recognize the following realities

will have extreme difficulty changing and coping with the inevitable disruptive changes of the present and future.

Here are a few basic truths that executives and their organizations must accept before they can move on to a higher order of strategic improvement:

1. You can't change culture with tools. History demonstrates the birth-death cycles of dozens of previous continuous improvement efforts. The typical executive-mandated, top down, tools-focused, train-the-masses, measure compliance, report funny savings approaches to continuous improvement have not stuck because they eventually add questionable value. Tools-based improvements backslide when the attention and impetus is removed, plain and simple. More important, change leaders and practitioners have come up short on the human behavioral and cultural development aspects of change.
2. You can't change culture by token commitments, edicts and random behaviors. Culture is a continuously moving and churning outcome based on the combined behaviors, choices and actions of organizations. Organizations cannot mimic culture change; they must discover their own secret sauce in their own way. They must focus on the means of adaptive leadership, strategy, a formal planning and execution architecture, technology and digitization, talent development and real-time closed-loop performance.
3. The previous beliefs of continuous improvement simplicity and "no technology needed" are out the window. Manual kanban cards, magnetic boards, manually updated performance charts and corrective actions after the fact are obsolete practices. Real-time strategy alignment, formal architecture-driven daily management, predictive and preventive analytics, data visualization, dynamic and/or mobility-based flow controls,

You can't change culture with tools.

real-time performance dashboards, universal flex cell designs based on current facts (e.g., build anything anywhere to demand) and digitized early warning signals are a few examples of continuous improvement technology upgrades.

4. It takes a permanent, adaptive, systematic business systems approach to behaving, thinking and working. A higher order, daily business system approach to strategic improvement is the superglue that adapts, synchronizes and holds the means of cultural transformation together. The name is insignificant – it's the totally integrated business systems approach that matters.

5. The future of continuous improvement is truly continuous and evolutionary. Digitization and fierce global competition will continue to create constant disruptions in organizational business models. A more holistic, enterprisewide, innovative and highly aligned and integrated process of strategic improvement is the only answer to these inevitable challenges.

Successful organizations are responding to the speed of change required to remain competitive with a more holistic, higher order daily business systems approach to lean and continuous improvement in general. How are they responding? They have a greater focus on the integration of leadership, strategy alignment, sustainable infrastructure, digital technology integration, talent management and cultural development – and much less focus on just the methodologies and tools themselves.

How to evolve strategic improvement

Technology is definitely accelerating the transformation of organizations into higher order global transactional enterprises. The notion of process is being morphed from physical assets to technologies such as 3-D printing, additive manufacturing, robotics, subtractive finishing and the like.

The physical content of work is also being replaced with a complex, interconnected network of professional and knowledge-based transactional processes. Manufacturing is less relevant than the total supply chain and the integration of other core knowledge processes. As these shifts to higher technology and human content processes evolve, the ability to improve becomes much more complex. However, and this is for sure, the new and evolving opportunities for improvement are much larger than ever before.

How do organizations capitalize on this new success? They achieve breakthrough success through the seamless integration of improvement and the right enabling technologies. More specifically, through the seamless integration of strategy, structure, people, process, equipment, technology, energy, performance and the socio-technical elements of change – timeless principles of basic industrial and systems engineering adapted to today's world.

This is the idea behind holistic and higher order. Too much focus on just strategy, or technology, or capital equipment, or incremental "as-is" continuous improvement, or merely mimicking methodologies and tools, or the mechanics of teaming routines or the wrong performance measures will always throw major improvement initiatives out of strategic balance and produce suboptimal and nonsustainable results – as we can observe in many organizations today and have observed for decades.

A transformation reference model approach works well. A few years ago, it became more challenging for us to adapt and align lean and other strategic improvement initiatives in different industries and operating environments. We were also watching many organizations depart from their formal and disciplined kaizen, lean, TPS, Six Sigma and other continuous improvement initiatives. Well-intended continuous improvement practitioners were struggling to keep their initiatives alive while management shifted focus to more immediate, daily, short-term performance issues. Continuous improvement was becoming a token program as we heard many comments like, "Management is not giving us the time to improve using our disciplined model and approach."

We reviewed all of our engagements to reflect on all the nontools challenges that influence the success of change. We continuously benchmarked other organizations to better understand the broader critical success factors (e.g., leadership, infrastructure, emerging technologies, deployment and execution, talent and cultural development, performance management, etc.).

This effort evolved into the development of what we refer to as The Lean Business System Reference Model. This is not some new branding of lean, TPS, Six Sigma, kaizen or any other continuous improvement initiative of the past. Rather, it is a reference guide for architecting and implementing a daily internalized and culturally connected business system approach to strategic improvement.

Our intent was to benchmark best organizations and also incorporate our own known clients' success criteria and experiences into a reference model for use by other organizations that are competitively challenged and missing the mark on strategic and transformation-scale improvement.

Regardless of the specific structure and naming conventions, all best-performing strategic improvement organizations have some form of reference model content and best practices in place, a necessary prerequisite for achieving transformation-scale results. Figure 1 provides an overview of our reference model structure.

The reference model is a proven guide for designing ("in your own way") the systematic architecture of leadership, infrastructure, digital technology integration and behavioral/cultural development to achieve higher order improvement and sustainable success.

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The reference model was initially named "lean," but it is a practical guide for any major transformation initiative because it integrates all of the formal critical success factors, totally integrated processes and best practices, working harmoniously and continuously to achieve breakthroughs in operating performance.

Regardless of the labels (e.g., lean, TPS, OpEx, business transformation, supply chain excellence, time-to-market excellence, optimizing the customer experience, e-commerce transformation, etc.), the architecture incorporates the same success-enabling elements. Hence, the reference model is an effective design, operating and sustainability guide for all well-structured and integrated transformation initiatives.

At a high level, best-performing organizations are proactively practicing and leading the charge in the following areas:

- Adaptive leadership, a highly focused but flexible operating strategy and enterprisewide governance to lead and reinforce improvement as a way of life
- Tight, real-time alignment of strategic and tactical improvement opportunities to current and evolving business requirements
- A living deployment plan, where improvement initiatives are well-defined, prioritized, teed up and regulated based on resources and quick implementation
- A purpose-driven communication and awareness effort to communicate, reinforce and continuously evolve your success-enabling culture
- A strong, laser-focused talent, teaming, engagement and human capital development initiative to provide a higher personal and professional work environment
- Flawless and efficient execution and sustainability of top priority needs for rapid results
- Visible, real-time metrics (digital performance dashboards) that are

LEAN BUSINESS SYSTEM REFERENCE MODEL

Figure 1. Enterprises can use a reference model as a practical way to help design transformative continuous improvement that lasts.
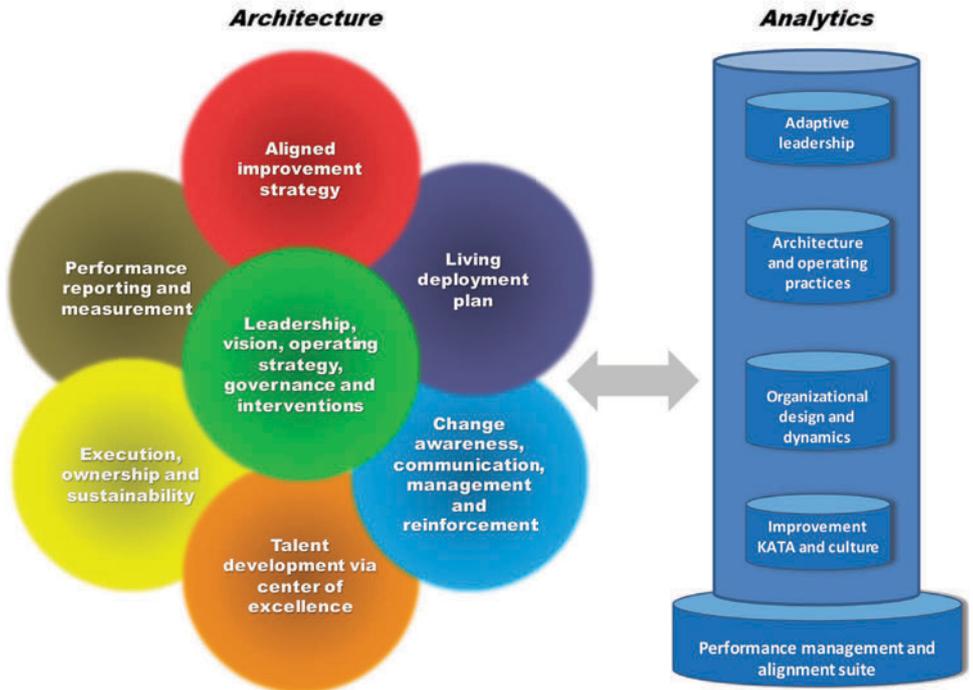
well-aligned to business objectives and cultural development needs, with broad ownership for results
- Selection and integration of the right emerging and enabling technologies (a holistic IT approach, not piecemeal apps) that allow for quick response and adjustment to market, customer and other internal operating changes
- Continuous targeted people and cultural nurturing and development as the foundation of their success

Remember, this is a reference model. The particular graphical representation is not important; the content is what makes this systematic and culturally infused model work.

Who are the masters of the reference model's content and best practices? Organizations such as Toyota, Amazon, Ahrens, Flextronics, Lincoln Electric, Avery Dennison, General Cable, Audi, GE, Harley-Davidson, Bosch, Motorola, IBM, BMW, Deere, Lockheed Martin, Raytheon, Dana, Boeing, Porsche,

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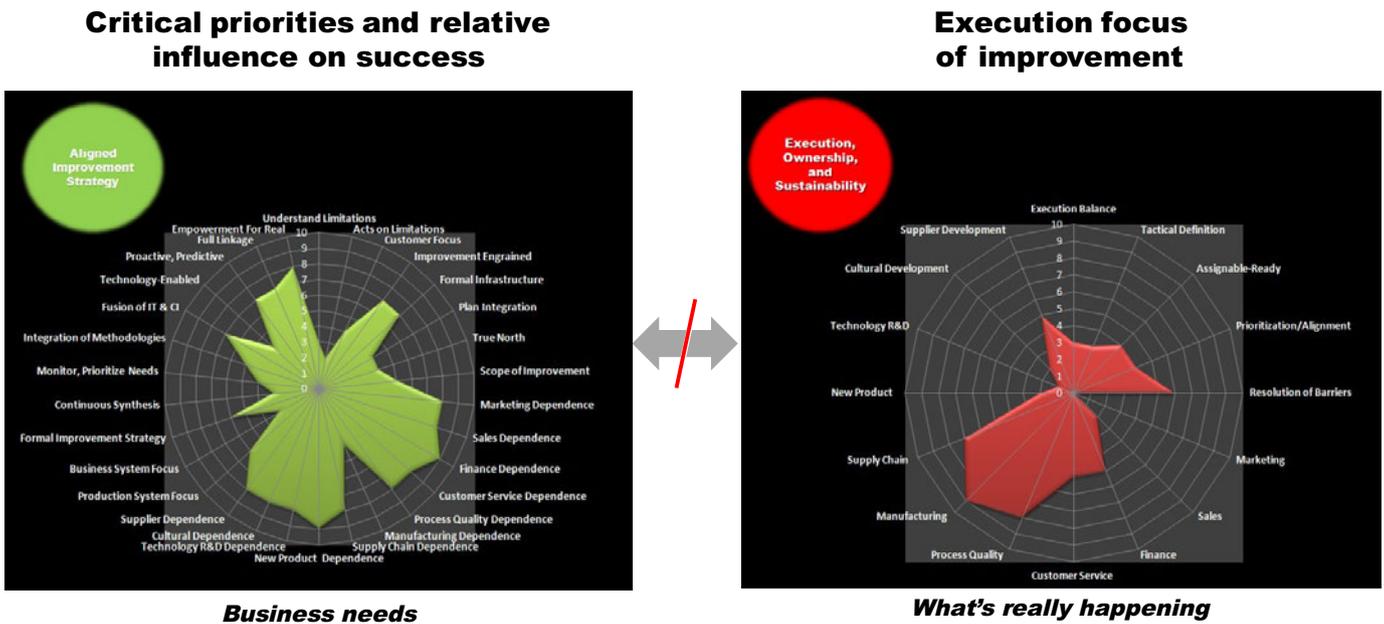
Johnson Controls, Home Depot, Houzz, Visteon, Honda, Daimler Benz, Emerson Electric, Caterpillar, Honeywell and dozens of other great global organizations – and many of their suppliers. We have also achieved great sustainable success with our own client base, and the reference model approach provides a continuous means of assessment and renewal. Recognize that this list and other successes is but a micro-sample of corporations, where the larger majority of organizations are in the needs improvement stage.

Cultural transformation has taken on a more center stage position in our reference model. Within each of the architectural elements of the reference model are frameworks of integrated concepts, principles, guides, processes, an expanded body of improvement knowledge and best practices. The intent of the reference model is to guide, communicate, educate and create a shared understanding of a holistic, higher order, enterprisewide business system approach to strategic improvement.

MISMATCHED PRIORITIES LEAD TO DOOM

Figure 2. When your business strategy doesn't match up with your improvement strategy, commitment and interest levels wane.

Critical priorities and relative influence on success

Business needs

Execution focus of improvement

What's really happening

Have all of the major corporations named above used this reference model verbatim? No, it's just our reference model, a reference model in general. But they have all achieved mastery of many of the elements, content and best practices included in the reference model. More importantly, they continue to evolve to higher levels of sustainable strategic improvement and superior industry performance.

So how do you measure success? The reference model includes assessment and evaluation criteria and incorporates more than 600 best practice evaluation points and 50 graphical analytics. This analytics capability is useful in pointing out gaps, root causes of underperformance and missed opportunities with an organization's strategic improvement initiatives. For example, have a look at the example metric chart in Figure 2.

This particular chart is a graphical example of one of the largest detractors of success and sustainability: Misalignment of business strategy and improvement strategy. The example shows that the organization's current focus of improvement is in manufacturing, while the largest strategic opportunities and needs are within other work/value streams of the organization. What happens to commitment and

interest levels when everyone is working on the wrong things? The answer is obvious.

By the way, this part of the reference model is not an exhaustive 600-question exercise. We use relevant sections over time based on current conditions and needs. Analytics is the ongoing assessment and performance measurement piece of our reference model.

The analytics and graphics are selected, used and interpreted for your own organizational situations, in your own way. It's a reference model, and all of the elements and components must be adapted in your own way.

Organizations can never achieve renewed success with their strategic improvement initiatives through the continuation of daily knee-jerk reactions and the same traditional approaches. Strategic improvement is an innovative, exploratory, never-ending journey – not a series of discrete check-the-box programs with a perceived endpoint.

Recognize that this is not a criticism: The world has and continues to change beyond the capabilities of existing beliefs, practices and approaches. A higher order of strategic improvement is desperately needed in many organizations. Enterprises need a system that

quickly identifies and capitalizes on new opportunities, executes effectively and efficiently with all the necessary competencies and continues to produce sustainable success. A reference model approach to breakthrough improvement incorporates all of the lessons learned (and continue to learn – it is an evolving reference model) and best practices about how to design and integrate all of the necessary critical success factors. It's not the recipe, but it engages people to better adapt the most critical success factors of strategic improvement into their organizations based on their own ongoing business requirements and cultural development needs.

> **Strategic improvement is an innovative, exploratory, never-ending journey.**

Make no mistake about it, digital technology is rapidly becoming a major differentiator in strategic improvement. It's not a replacement for the tough work of improvement by any means, and it's not the next golden egg. However, refusal to embrace and connect digital technology and improvement will leave organizations in a serious competitive disadvantaged state. It's about people engagement to adapt the right technology applications that take improvement to the next levels of excellence. People are the still the heart and soul of transformation and the organization's greatest asset. ❖