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Creating culture change: kaizen and performance improvement

There is a Big Bang theory in organisational change that real change only takes place with a significant shift in strategic thinking and direction, either through a major CRM, SOP, IT, matrix restructuring, a major sales initiative or merger or JV with another company. In these uncertain times, Philip Atkinson strongly suggests that although any one of these initiatives can affect performance positively, it will only happen in the much longer term; and in the short and medium term poses considerable risk to the business and its investors because of poor implementation. He suggests that organisations can mitigate the risk of Big Bang or idea change by committing to continuous and relentless improvement (kaizen). A much safer and more predictable route to focus continuously on

performance is the most effective use of resources, deliver a high ROI improvement, carries significantly less risk and is instantly measurable and manageable.

Strategy 1: the big idea, Big Bang or big change

When we are talking business transformation, we can highlight the keys to successful change. There are two approaches that work, but one takes much longer than the other. Firstly, there is the Big Bang when we focus on the really big idea. That is what I call a total transformational change. The big change happens because the big idea unites people and meets all their needs in one huge commitment to take action. Usually this is down to a major CRM, SOP or IT intervention, a merger,



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restructuring using matrix principles or other large-scale, organisation-wide commitment. The danger is the risk of poor or suboptimal implementation.

In theory, in Big Bang transformational change everyone is on board; there are no dissenters, and the change for key or strategic business reasons has to happen. It is to be hoped that there is enough energy and passion in the system and the people to bring about that change. Usually this variant of change is vital to business continuity; if it does not happen, the organisation may cease to function effectively and its existence may be in question. So, committing to this massive change can be highly questionable unless you are certain of a very high ROI yield in financial or business expansion. In theory, the big idea or big change happens when there is enough pressure pushing for that change, and with that pressure any barriers, resistance and opposition allegedly crumble. The big change works, but the conditions that have to be satisfied to make the change stick require an enormous undertaking and sustained energy with a rigid focus on implementation.

Strategy 2: kaizen – relentless improvement step by step

The second strategy that works effectively all the time is the one that many organisations are starting to favour. Here, change is still a challenge, but there should be no need for a big exercise in publishing the intent of the change beyond the message: *small actions x lots of people = big changes*. A systematic, sequenced and logical approach categorises this approach. There is no hullabaloo, no coffee mugs or t-shirts with empowering banner headlines proclaiming: *Teamwork across boundaries, Leadership is our creed or The Customer is King*. This does not require a charisma makeover or transplant for the management team, or pumped up, high-profile rallies and orchestrated training events with change initiative giveaways such as badges, mugs and penholders.

No, this approach to change focuses upon small, sequenced steps with an injection of steady and substantial momentum so that change becomes the culture of the business, and the core behaviour of the individual. The simple idea of kaizen is vigilance and awareness, looking for opportunities to do things better. That is all things. Can we eliminate waste in our business processes? Can we reduce costs? Can we reduce rework? Can we do things faster with fewer errors? Can we create a culture of zero defects? Can we design processes to be error free? Can we reduce cycle time in all activities? How can we do things smarter? The questions are many, but the overall push is to eradicate waste and develop a preventative culture where ideas flow from all, with the purpose of producing sustained continual improvement.

Nothing changes until behaviour changes

Kaizen operates across the whole business. It is not only for people at the top or only for customer facing staff. Kaizen operates on the principle that everyone can improve his or her individual performance whether customer-facing or not. You have just as important a role in supporting those who are customer facing. There is shared knowledge in kaizen that each day we are committing to improving performance, reducing waste, winning new accounts (however small), reducing cycle time, containing costs, investing in improvements that engender results, and it is very engaging and a powerful aphrodisiac for staff. The implementation of kaizen confirms a high ROI, relating to perfecting cause-effect relationships across the organisation and creates a habitual set of behaviours that lead to significant and a steady improvement in business results.

Even just by altering one or two aspects of behaviour in our work roles, we can improve our overall organisational effectiveness. Simply by focusing on making new small choices in how we work and how we focus our energies, we can significantly shift our business performance. It is the little changes, or changes in our micro behaviours, that influence our business performance. People are more able to commit to continuous small improvements than the Big Bang alternative, where too much is going on to effectively adapt and change as fast as the changes require to be implemented. It is all about making commitments and promises. I take it most staff can improve their performance by 1–3% over time and keep up the momentum. This is true of us all personally, whether we are trying to lose weight, get fit or establish a fit and healthy business.

Corporate kaizen

My interest in kaizen, benchmarking, modelling and learning from others was stimulated by a 10-day study tour of Japan and the Far East. The purpose of the tour was to visit companies who were using culture change to bring about a significant shift in their business performance. I was keen to learn those things that were least apparent about the way they approached change or continuous improvement (CI): kaizen. I was also interested in how the other 20 people on the self-financed trip would respond, and how they would reframe the experience. One of the big memories for me was seeing how Toyota's use of the 4Ps for organisational excellence of philosophy, process, people and problem-solving was totally immersed in its culture.¹

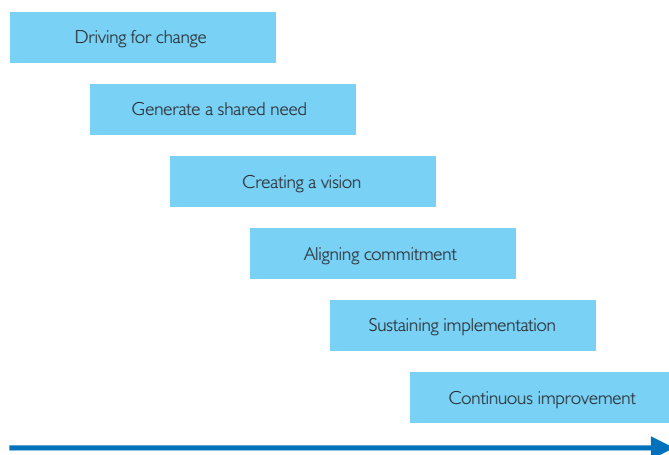
One day that stands out was our visit to one of the 30 Toyota plants. During the study tour we had the opportunity to exchange views and debate key issues. On such occasions, some discussions did get out of hand. A heated discussion developed with a group of Toyota managers who had been kind enough to take us through one of their most innovative



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Kaizen: mission to mindset
Figure 1



Change acceleration process
Figure 2

production plants. We had just completed a two-hour tour of the Toyota plant in Toyoda City. We had been sitting with the senior management team and asking questions about CI or kaizen. At first, our hosts were bemused. To them, kaizen was no more than business as usual!

Of our party of 20, most asked questions trying to identify the critical issues to work on in order to emulate the Japanese approach to lean and quality improvement. Several asked questions implying that the Japanese approach to lean problem-solving could be quickly imported into European and American businesses.

The question that created a most interesting response was: *'With the ongoing Japanese recession, how long will it be until we in Europe catch up and overtake you?'*

The manager who had conducted the tour spoke in clear English and his response was simple and to the point: *'We estimate it would take you 20 years to be where we are now, and by that time we will have progressed further. We are now working on reducing our defect rate to below 5 to 6 parts per million. That journey started in 1969 when we first started introducing what you know as continuous improvement or kaizen.'*

We left that meeting hall in silence. We had been exposed to depressing statistics. Each day, the 1,200 employees at this plant, including service and non-manufacturing personnel, produced 2,500 cars. That is over two cars per person per day! The 4P's really were enshrined in how each and every employee worked.

All employees participated in CI or kaizen. Staggeringly, the average number of ideas processed in a year in Toyota was 180 for each employee, of which 98% percent are implemented. I wonder if the average company in the UK quantifies suggested ideas that flow from staff and then measures these against implementation tabulating the results.

Interestingly, our host and guide told us why Toyota and other Japanese companies were very open about the process of CI that had worked for them. He stated clearly: *'They tell you these things because they know you will never implement them. You do not have the ability to implement and sustain a culture of CI because you are too focused on short-term fixes.'*

Journey to kaizen

A colleague, Malcolm Holden², has captured the 4P mindset in Figure 1. By focusing on answering the questions inherent in each component from mission to mindset, you can clearly see that the process is not as complex as many think. What is required is authentic leadership to progress this through the whole business.

Central to this is commitment from the top team. Obviously, every organisation will want to see results from its CI or kaizen initiative quickly. Traditional thinking on implementation has suggested that the larger the company, the longer the time span required for CI to take hold. The reason behind this self-limiting belief is the perceived difficulty associated with promoting cultural change and creating the intense changes that need to be undertaken to shape the business.

CI can be rooted within the culture of smaller companies quite quickly. In a medium-size company with 100–200 employees and a turnover of approximately £10 million–£20 million, CI should be firmly assimilated within a maximum of two years. What is important is not the size of the business, but the commitment to change.

Why does CI take so long to establish?

It should not! When working with a 1,200-employee company, the CEO considered that the cultural change programme would normally take anywhere between five and seven years to take hold because the change required to permeate through the management layers and influencing leadership style. This is negative belief that is commonly shared. Change can be radically accelerated by focusing all attention on those who lead and manage others – that is, the top 30% of managers who control the organisation.

Years ago, companies were quoting that change would take five to seven years to take hold. It only takes this time if you allow it to take this long. If you are committed, influencing the business quickly can be achieved; it just requires a stronger focus on implementation. Implementation plans have to be drawn up, and reviewed. Organisational change is a systemic rather than a systematic process. Changes introduced today have to be reviewed and then subsequent changes refined to take account

of any variation in expectations. In effect, we are developing a lean learning organisation all the time by focusing on implementation and what worked, and identifying what did not work and the subsequent action required to ensure that the changes had the desired effect.

Change implementation can be accelerated

Consider the following proposition. Realistically, can organisations nowadays really afford to wait for five or seven years until the desired customer-focused culture kicks in and starts delivering results? In that time the market could be completely dead, or new start-up companies could have grown organically to eclipse the old players. However, when an organisation relies on a fairly standard and traditional approach to improvement, rather than kaizen or CI, and does not instigate a true cultural change, then change will take this length of time. When organisations focus upon change through leadership, there is every reason to create the compelling future in a short period of time, given the energy, commitment and focus.

GE's commitment to speed

GE is renowned as a proponent and driver of lean, Six Sigma and CI. Over the years, I have worked for many divisions within GE, including for capital, money and plastics, and its approach to change is simple: in order to get better in your market place you must constantly change and improve. The goal of GE is to be Number 1 or 2 in every market it operates in the world, and the way it achieves this is through its culture and its process of change acceleration.

It all started with former CEO Jack Welch, and continues with Jeffrey Immelt, who believes that one factor separates GE from its competitors, and that is speed of response in every context, from developing products to responding to customer enquiries. Delivering faster to customers and making and implementing decisions are the important characteristics of successful businesses in the 21st Century. GE has taken for granted that it will be providing error-free service and goods because it

invested in the quality methodology in the 1990s and has now relaunched a drive for Six Sigma CI and application of lean.³

How does the average organisation compare to GE's commitment to implement change? The average organisation allows the change to happen in its own time. There is often no urgency. In a typical business, the collective self-limiting beliefs shared by management will determine the speed of implementation of the change. You know now that quality of service is just not good enough to be the key differentiator in the market place. Time is the competitive advantage and this relates to the private, public and third sectors. It is also 100% applicable in actually managing and implementing corporate change itself – see Figure 2. So what action will we take to prepare ourselves for speedy implementation of kaizen or CI?

Tailored drive for CI

CI is not a package that can be taken from the shelf of one organisation and dropped quickly and neatly into another to have the same impact. A package suitable for one organisation might lead to failure for another. CI cannot be uprooted from one culture and grafted quickly on to another. It must be tailored to fit an organisation's special demands and circumstances. Organisations differ on a number of dimensions and each has a special history, values, culture and management system that makes it different from others. These are the factors that will determine the speed of implementation.

Cultural surveys and lean audits are critical to the effectiveness of CI. Time needs invested in assessing where the organisation is now in terms of culture. Planning how to bridge the gap between as-is now and the desirable future shape of the business is undertaken. Senior staff who adopt this front-loaded approach in their implementation plans discuss and agree very precisely what they want the shape and form of the organisation to become. They define the characteristics of the business they desire. In particular, they define the leadership behaviour of the people who will drive the organisation. Then they cause this to happen through innovative learning strategies.



During a 10-day study tour of Japan and the Far East, one of the 30 Toyota plants was visited

Resurrecting poor culture change

The matter is not whether cultural change is appropriate or not, but rather how can we ensure we do it right; because if you do it wrong – and 90% of organisations do – it becomes even more difficult to resurrect the programme and start again. Many companies do repeat the exercise and get the same poor results.

Using cultural surveys and managerial audits will ensure that implementation is speedy and successful. A cultural survey will highlight the key problems in the business and suggest specific actions and should highlight the major hard and soft issues that need addressed in order for change to be effective.

No one would genuinely wish to leap head first into a CI drive without a thorough analysis and diagnosis of the special problems that impact on the organisation. The audit must be conducted quickly, usually with the help of an objective individual or group. Without stating the obvious, the focus of attention should be on how well people are led and the ability of the company and its key personnel to change.

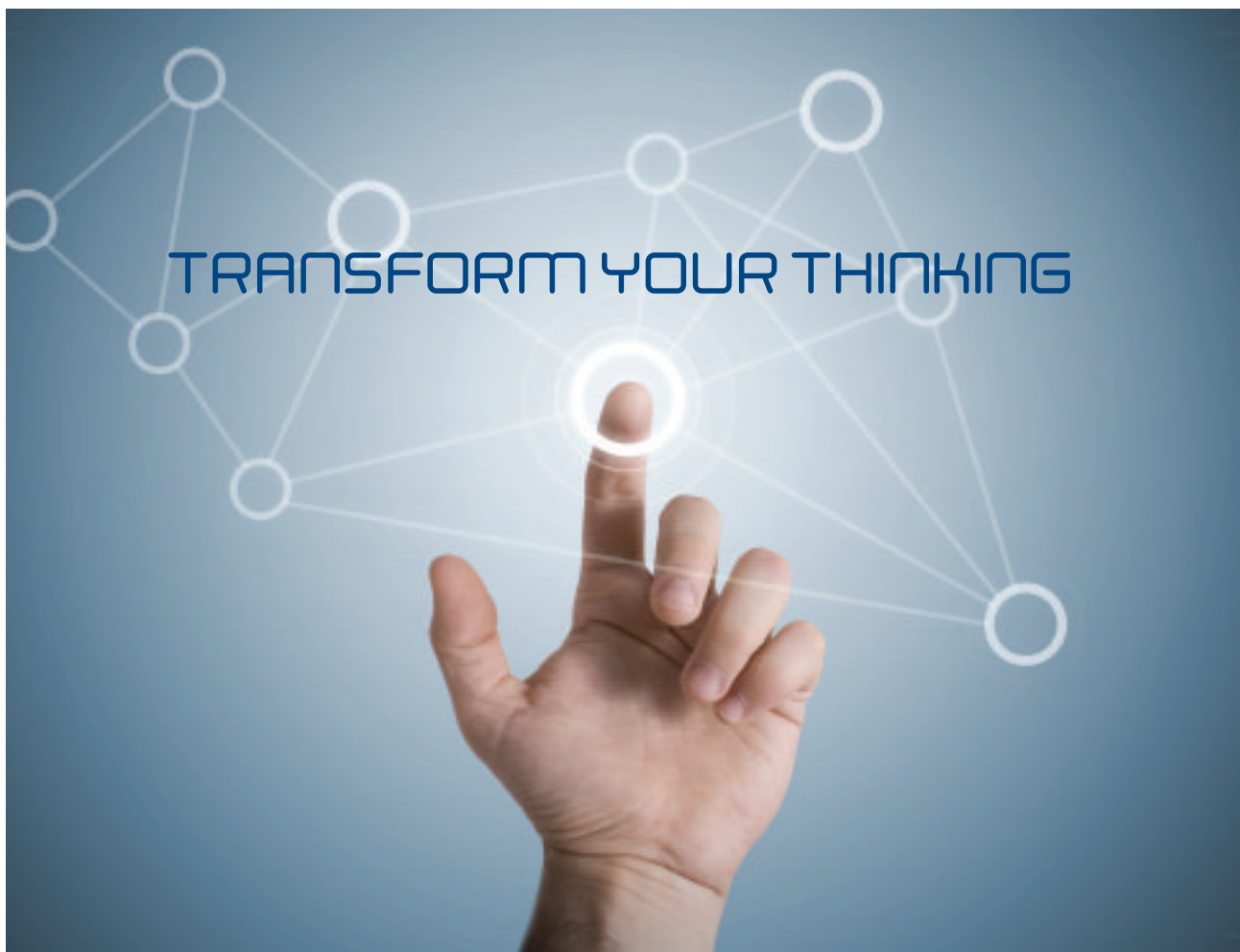
Selling the benefits of change to an organisation is easy when you can demonstrate that specific actions will yield specific results and outcomes. If you want change to be speedy, it can be; it all depends on the action the client is prepared to take. Asked if culture change could work in financial services in a two-year period, I answered the CEO honestly: 'Yes, if you support it and your team live the values.' And it did!

Wanting to change is not enough

CI philosophy is possible in the short term. The drive can be so structured that there is continuous feedback as milestones are reached and targets are achieved. This means that wanting to change culture is not enough; we also need to structure a systematic framework to which we can adhere and that can be communicated to all. Once cultural diagnostics are completed, the time comes for harnessing the technical issues for change. They can be put right very quickly. The change in culture cannot be over-emphasised.

The output of the cultural survey is an outline of the major problems experienced in CI terms, the assessment of the predominant management style and its impact upon people, communication and information systems within the company. Within the options for implementation inherent in any diagnostic survey there is a plan or critical path that provides senior staff with a sequential step-by-step approach to implementation. They then have a period to review the plan, before they meet to agree action. The cultural survey and implementation plan then becomes the vehicle for change.

Ideally, the results from the diagnostics and the implementation plan should be shared with the larger management team. Then, discussion must take place to win the approval of those who will probably be mostly responsible for implementation – that is, line managers who manage the majority of people.



Stage 3: implementation

The purpose of this phase is to win commitment to change from all areas. Each manager should agree with the plan or come up with an alternative approach that will convince all present about their commitment to implementing CI in their discrete work area. If there are dissenters in the management team, this is the time to discuss alternatives or reject CI as an inappropriate strategy for the business. Part of the responsibility will be geared towards promoting and communicating the purpose and progress of CI throughout the organisation, the pace of CI, and how and when it will filter down through and between functions. These are some of the many aspects of planning for CI that have to be agreed. We can only assess progress when we have developed a flexible plan to implement CI.

Words and workshops can influence behaviour in the short term, but their impact on individual performance is dependent upon the pressure and intensity in the organisation to put the ideas into effect. For CI to work, it is necessary for companies to set up structures to put the principles into practice. Passion has its place in any change, but systems and structures are also required to establish a framework for making things happen.

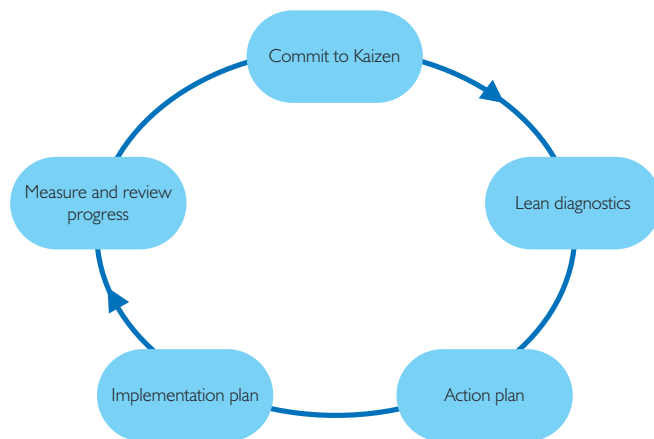
Sponsorship and steering groups are made up of the management team the focus on implementation is critical and to do this one has to ensure a positive interplay between internal and external change makers or consultants. Most organisations do not have the internal capability to manage this type of change.

For external support, you need someone who is well experienced with cultural and behavioural change. The whole concept of CI is based on changing peoples' attitudes. It is unlikely that a systems person will have the same degree of understanding and, more important, empathy with the difficulties of managing change. Whatever the characteristics of the external resource, it must have good grounding in organisational development and understand or have worked with companies managing change.

Maintaining enthusiasm and morale

Enthusiasm, passion and positivity should be increased and sustained during a CI drive. The role of the management team is to ensure that people are constantly given feedback on performance and improvements implemented. Positive, rather than negative reinforcement is more powerful in motivating people. Keeping enthusiasm for CI high is not always easy and this has to be the central role of the team driving the programme. There can be a danger that the change team mistakenly believe that they have set sufficient messages and examples throughout the business. However, communication should be judged from the receiver's viewpoint rather than the sender's. There are few occasions when a company can over-communicate. This is one of those times when you should.

When CI first arrives on the scene, the management team may be turned on by the whole approach. Although there will be sceptics at first, CI sounds, looks and feels like a good idea. Enthusiasm increases and with it, the perception that things will change for the better. The dawning reality that change will take time and can be painful can reduce enthusiasm. Sooner or later, management make the change and start moving along their own personal change curves.



Five-stage kaizen process
Figure 3

We must make all efforts to motivate others to support the programme – see Figure 3. In the real world, many different personalities run large and small organisations. Rationality does not always guide their behaviour. There are times when managers pursue interests other than those of the company. Plans should be made to inject enthusiasm into the drive every six weeks. Many people balk at this being too frequent, but if you aim for every six weeks there is a chance that you might get around to doing something at least every three months.

Kaizen: becoming a way of life

The secret to kaizen lies in building a strong culture, and that will be a challenge for many organisations throughout Europe and the USA, but there is every reason for organisations to brace the best of kaizen and start building it into their business. This starts with a simple five-stage kaizen process of winning commitment to CI and demonstrating the benefits that will accrue across the whole business.

The second stage is diagnostic review or lean audit, which focuses upon identifying areas for improvement. Here one can use many lean tools to add measurements of key processes after which Pareto analysis can be applied.

Stage 3 is focusing on the recommendations of the lean diagnostic review focusing on precise actions and incorporating them within an implementation plan and the final stage in true kaizen fashion is measuring and reviewing progress. This is built into an action research process, which is cyclical, progressive and continuous.

One final point to ponder: on any one day, how many new ideas are being implemented in your organisation and how does that compare to Toyota, whose workforce on a daily basis dream up new and better ways of doing things results with a 97% implementation record?

Whatever the characteristics of the external resource, it must have good grounding in organisational development and understand or have worked with companies managing change.





About the author

Philip Atkinson specialises in strategic cultural and behavioural change. For the last 20 years, he has been engaged as a consultant supporting companies in strategic development, leadership, organisational design, post-acquisition integration, lean Six Sigma, quality management and culture change. He has partnered with a variety of blue-chip companies in industries ranging from pharmaceuticals to genetics, and the automotive industry to finance and banking. He regularly presents at conferences and workshop sessions and has written seven books on change management. His new book: *Lean Six Sigma in 30 Days*, is due to be published in summer 2013.

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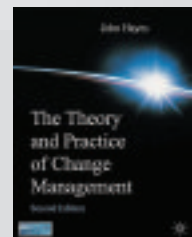
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