Best Practice Series
Continuous Improvement Processes
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Summary:

In this article we'll explore the "holy grail" of performance improvement – continuous improvement processes or programs that are so well established that their cost improvements, productivity enhancements, and quality improvements occur at a sufficiently predictable rate as to be included in business planning for the company. Highlights:

Key features of successful continuous improvement programs.

Action steps – how to get quick forward progress going to establish a successful continuous improvement program in your company.

Background

It needs to be said at the outset that only a very, very few companies actually have an improvement process in place that meets this criteria. As we explore the requirements for a successful continuous improvement process, the reasons for this will become clear. Fortunately in business as elsewhere in life, noting the absence of some condition, also allows clarity as to the actions needed to remedy that absence.

In stark relief is the contrast between the Detroit Big 3, and Toyota and Honda. In the news in the last few days have been announcements of huge losses by Ford and Chrysler, accompanied by statements from Daimler-Benz that "small cars can't be made profitably in North America," in stark contrast to the Toyota and Honda small cars that ARE being profitably made in the US.

Every sale by the two Japanese giants, both of which are now large US operations, has been made, essentially, at the expense of the Big 3. We should all be asking – "how did this happen; what are the differences in how these companies *think*?" The *what* of what they do is well known, lean, pull systems, etc., i.e., techniques done in the factory. Mastering these will put one, at best, less far behind, with no hope of equaling or surpassing them. It is the thinking, the organizational habits, reward system, that creates these kinds of techniques and how to apply them that one should strive to master or improve on.

The key features of a continuous improvement program include:

- **Universal; everyone participates** – the process of developing improvement suggestions, ideas, is part of everyone's job, at all levels. In many traditional factories, by contrast, only manufacturing engineers were supposed to be the ones coming up with improved methods. However, most of the expenses in a company are for non-direct functions that often have a greater impact on performance than just cheaper products.

- **Fact-based, objective** – the value or benefit of any performance improvement absolutely MUST be verifiable by objective measurements, at a minimum, or better by financial measurements. If a "cost savings" doesn't appear in reduced expenditures, it is what we call "funny money" savings, like Monopoly money. A quote from a Hughes Aircraft executive long ago comes to mind "If we have any more of these 'cost savings,' we'll be out of business." The company had a suggestion program that didn't require objective/financial validation, and so the program was swamped with hundreds of good sounding, but useless ideas that did not actually save a nickel.

- **Included in employee evaluations** – since developing improvements is part of everyone's job, it must therefore be included in regular performance evaluations. Many people will object to this.

Question – do you want these folks on your team? Whose clear intention is to just show up and do the minimum? Think about it.

- **Job security is handled** – for real savings to occur within a company, often someone's job has to at least partly, go away, or be reduced in content. No one in their "right" mind will suggest something that will put them on the street. Remember number 8 of Edwards Deming's 14 points – "Management must drive out fear so that everyone can work FOR the company." Not AT the company. What are people afraid of the most? Being put on the street. If leaders do not address and ensure that in people's minds they are secure in their jobs (within reason), there will be no improvements, no matter how much training is given or pep talks made.

  Example – some years ago during a tour of a Toyota plant, our group was told that the plant had 22 production workers sitting at home where they had been for the last 6 months. This resulted from their very successful productivity improvement process, and so were people that the company would have been paying anyway, had the improvements not occurred. Some people we have told this story to looked somewhat physically ill at the thought of paying *production* workers to not work.

  The management at the plant, though, was very, very clear that had these people been laid off, the results would prove fatal in the long run, as the improvement process would stop in its tracks. Fatal, because the way that Toyota paid the plant for its subassemblies was based on a yearly 10% reduction in production cost.

- **Multiple teams** – improvement work is largely a team process in any combination of several ways:

  - **Work group teams** – these are one's immediate work associates who work with the processes every day that are the target of the improvement effort.

  - **Lateral teams** – work group teams may organize meetings with other work group teams in related, lateral or different areas to collaborate on improvements.

  - **Vertical teams** – work group teams may organize meetings with work groups at "higher" or "lower" levels in the organization to collaborate on improvements.

  - **Cross-functional teams** – these are teams organized from multiple functional areas to accomplish specific objectives such as select an ERP system, implementation, bring a new facility into operation.

- **Scheduled** – improvement teams generally need to meet and work on a regular, scheduled basis to maintain consistent, predictable results. Otherwise, the effort is fragmented, scattered, and crowded out by the press of daily work priorities. *Predictable, consistent* results requires equally predictable, consistent participation and input.

- **Education and training** – improvement team members need to be educated in different concepts so they see things differently, a new view / vantage point, not only initially, but at intervals. Training is needed to generate proficiency in use of tools and techniques, such as statistical methods. An erroneous assumption, widely made, is that education and training alone will generate improvements. This is simply not true – it is the fuel for a process, and if the process is not running effectively, its like an auto engine that is not in gear. Lots of fuel consumed, noise generated, but no forward movement.

- **Collaboration skills** – with teamwork of various sorts at the center of continuous improvement processes, it is vital that those on improvement teams have good communication and social skills, that they be able to get along and work well with others. Those, for example, who need to dominate every situation have difficulty on improvement teams, however bright they may be.

- **Leadership** – the short version of leadership is leading by example. Accordingly, it is imperative that top management themselves participate personally in their own improvement processes and teams, and exempt no one and no functional area from organized, systematic efforts to improve processes throughout the company. Just "backing" the efforts of others results in a perception of lip service; its cheap talk. Further, top management is a team also, with specific processes, effective or ineffective, that have far-reaching impact on a company. If these processes don't, themselves, improve over time, the stockholders will be eventually looking for new leadership, as it is certain that performance of the company will come up short sooner or later.

The good news is that some improvements are better than no improvements, and a slow-moving, or intermittent improvement program is still better than none at all. Further, remember the power of improving the improvement process itself – the ultimate leverage.

Action Steps

To get your company's improvement process moving forward we suggest the following action steps:

- **Assess current status** – use the above described characteristics of continuous improvement programs as a checklist. Compare each to your company's characteristics; do an assessment, honestly and objectively as to where the company stands on each one. For example, there may be intermittent education and training classes, even periodic, or informal improvement projects, but they are not scheduled.

- **Rank your findings** – make a list of your results, putting the areas where the initial payoff from efforts would be the greatest at the top. This will tell you where to start.

- **Enroll others** – you can make an impact no matter where you are in the company. If you can't, your company is very likely among those that is living on borrowed time, so to speak, as the success being enjoyed, (or perhaps the survival) is due to external or chance factors. One word of caution, though – many people take even the very idea that the current situation could be improved as a direct criticism of their ability. This defensive posture is one of the hurdles that any company must overcome to transform themselves from wherever they are now into a dynamic, continuously improving company. Everyone must, sooner or later, confront the truth that every process in every organization can be improved – a lot, and indefinitely.

- **Educate yourself and others** – inform yourself and your associates on Best Practices, the 4 Essential Factors, and in particular, each of the characteristics we have identified above as being an integral part of a successful on-going continuous improvement process that consistently produces substantial, clearly measurable performance improvements. Enroll in our free Get Started Webinar, "Understanding and Generating Best Practices."

- **Get top management support** – of those you enroll in the continuous improvement process, the most important is top management. Suggestion as to how to get the dialog started – we see companies regularly that have something about "we are committed to continuous improvements" or similar

words, yet there is no process at all in place to generate them. If this is the case, at least you have buy-in for the idea – it just needs "legs."

- **Start in your own work group** – the best proof that improvements can be made is to make some. Within your own work group you can find improvements and implement them. No one will complain that your group is working better, more efficiently, doing more with the same resources, even defensive disbelievers.

- **Consider outside support** – most companies find that some degree of external support is essential in transforming key processes within a company. How much, and in what way, depends on a variety of factors within the company. PROACTION can arrange for a summary-level assessment with a team from your company that may prove helpful. Our view is that if you are going to do your own brain surgery, which is required in this case, having an independent facilitator or coach will narrow the path and avoid detours.

Conclusions

The subject of continuous improvement teams, processes and how to make them work well is literally a book-sized topic. In a planned book, it is a sizeable chapter. Improvement teams are the most effective way to generate the level of process ownership required for consistent, high-level successful performance. If people doing the work don't have any authority to change anything, even glaringly dumb things, there will be no ownership.

It is a simple, basic human fact that one cannot order people to emotionally take ownership of something. Each person has to make up his/her mind, and decide in his/her heart what they will take on for themselves. Absent this, one ends up with "I'm just doin' my job" as the attitude.

Finally, if you are still unclear as to why continuous improvements are a necessary fact of even mere survival in most industries, consider this: even if you have a patent-protected, highly profitable monopoly in your market, just the fact that you are not moving forward leaves you vulnerable to being beaten out of your business by a smarter, faster moving, continuously improving competitor. Just ask Xerox Corporation, which at one time had just this situation – a patent-protected, highly profitable monopoly.

Getting an effective continuous improvement program up and running is one of the most essential steps you can take to move your company along the Path to Best Practices.