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-Richard Zarbo, MD

Wednesday's Words of Quality

Lesson #6

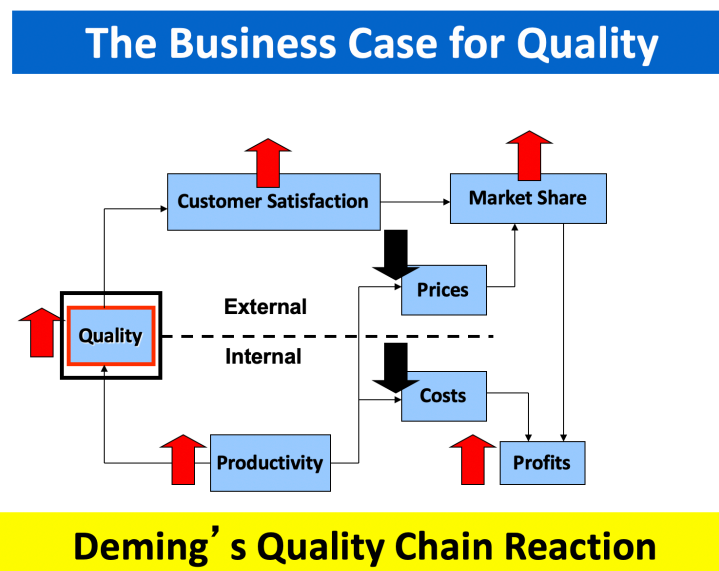
The Business Case for Change

Lean is a Business Management System

"If you don't like change, you will like irrelevance even less." - General Eric Shinseki

Our business case for change lies in the sensitivity that "Learning is not compulsory, and neither is survival" as Dr. Deming was fond of saying.

Key to our survival strategy is Deming's Quality Chain Reaction where pursuit of quality leads to designing work systems so that people are capable of consistently doing things right the first time. The result is a business with increased productivity (not doing it twice with rework) and decreased costs of doing the work. This in turn, enables a business to offer lower prices to customers which attract increased business volumes resulting in increased profits and higher customer satisfaction. This is the basis for creating a business culture of continuous improvement and change that sees quality as more than a desirable outcome but as the foundation of a business strategy to remain competitive.



The term *Continual Improvement* connotes the ongoing nature of the strategy. According to Deming, Quality is not a state to be achieved but rather an ongoing company-wide effort at continual improvement. This is THE PROCESS- the way everyone thinks, talks, works and acts every day. This is the definition of culture- the way we all behave.

But don't just listen to Deming's rationale for continual change. Henry Ford got it right almost 100 years ago:

"Our own attitude is that we are charged with discovering the best way of doing everything, and that we must regard every process employed in manufacturing as purely experimental. If we reach a stage in production which seems remarkable as compared with what has gone before, then that is just a stage of production and nothing more."

The success of this strategy is obvious in comparing organizations in which Continuous Improvement is at the core of their DNA. The Lean 20 is a list of Lean companies suggested by readers of *Evolving Excellence and Superfactory*. The Lean 20 average business return of 12.71% is a simple average of the year to date performance of each company, which can be compared to the S&P 500. The 10 top performers returned 16- 32% more than the non-Lean practicing businesses comprising the S&P 500 over time. I take this as evidence of superior business performance.

Constancy of Purpose

Creating constancy of purpose towards improving work product and service levels is the basis of continual improvement. This enables us to be competitive and to grow in a very tough healthcare market where patients and reimbursements are declining. Ultimately, this allows us to stay in business and to provide jobs.

This constancy of purpose is focused on the customer. Who are your customers? Internal as well as external? What do they want? What specifically are their needs and expectations? How well are you serving them? Are you just meeting minimum expectations and someone else's benchmarks or are you thrilling them?

Constancy of purpose requires leaders to address:

- philosophy and policy
- core values
- long term strategic course

In Lean lesson #1, I discussed the philosophy at the core of people development, supported by an appropriate management system that empowers the workforce to effectively employ technical tools of work efficiency and process improvement. It is our role as leaders to reinforce this cultural transformation in the workers perception of their work roles, to create structures for empowered workers to be accountable and successful, to communicate, support, reward and model this culture of engaged workers, helping to identify and resolve defects and eliminate waste. Leaders must be engaged and lead from "the shop floor" to use the manufacturing analogy. It is from this perspective that opportunities for improvement become evident daily, at a very granular level.

What to Do

"Doing your best is not good enough. You have to know what to do. Then do your best. "

-W. Edwards Deming

As a leader, knowing what to do is the part each of you and your workers own in your area of expertise. That requires constant attention to refining what you do to be better, continually. For that you need a structure that provides accountability by defined teams for continual identification and correction of defective work and work processes in the workplace and at individual workstations where this occurs with on-going measures of how well you are performing. We will address these topics subsequently in this series.

You Must Lead the Change

What is your role in leading change and assuring successful transformation to a Lean working culture? What is expected of you? What is the difference between leadership and management?

John Kotter, a voice of the Western management style, would say ***"Leadership is the development of vision and strategies, the alignment of relevant people behind those strategies, and the empowerment of individuals to make the vision happen, despite obstacles. This stands in contrast with management, which involves keeping the current system operating through planning, budgeting, organizing, staffing, controlling, and problem solving."***

Both roles are very important to business success and we often wear both hats.

But Deming would call us to a different understanding for business success in the Lean culture, notably his **Principle #7- Adopt and Institute Leadership**.

By leadership he means, ***"The job of management is not supervision, but leadership. Management must work on sources of improvement, the intent of quality of product and of service, and on the translation of the intent into design and actual product."***

In other words, your primary focus is overseeing the continuous development of a better system of work in which employees can be more effective in achieving the goals that you have assigned them. Otherwise, you're not doing the job. And they can't be expected to do their jobs to your level of expectation in a flawed system of work.

To quote Deming again, ***"The required transformation of Western style of management requires that managers be leaders."***

Kotter's 8 Steps of Change

Change, especially significant change of the status quo is not easy. Everyone loves the idea of change for the better, until it's his or her time to change. Kotter describes a number of managerial behaviors that are critical to succeed in producing change. When managers produce successful change of any significance in organizations, the effort is usually a time-consuming and highly complex 8-step process, never a 1-2-3, hit-and-run affair. According to Kotter, managers who opportunistically skip steps or proceed in the wrong order rarely achieve their aspirations.

In the most successful change efforts, leaders must move through 8 complicated stages in which they (1) create a sense of urgency, (2) put together a strong enough team to direct the process, (3) create an appropriate vision, (4) communicate that new vision broadly, (5) empower employees to act on the vision, (6) produce sufficient short-term results to give their efforts credibility and to disempower the cynics, (7) build momentum and use that momentum to tackle the tougher change problems, and (8) anchor the new behavior in organizational culture.

Implementing Successful Change

“The effort is usually a time consuming and highly complex 8-step process, never a 1-2-3, hit-and-run affair”

1. Create a sense of urgency
2. Put together a strong enough team to direct the process
3. Create an appropriate vision
4. Communicate that new vision broadly
5. Empower employees to act on the vision
6. Produce sufficient short-term results to give efforts credibility and dis-empower the cynics
7. Build momentum and use that to tackle the tougher change problems
8. Anchor the behavior in organizational culture

“Managers who opportunistically skip steps or proceed in the wrong order rarely achieve their aspirations”

On What Leaders Really Do -John Kotter

Practical Tips in Producing Change in Ways People Work

The structures we create and the support we provide to sustain worker-involved change is critical to its success. Dr. Jeffrey Liker has nicely framed the key issues for leaders who are intent on truly changing culture that will result in ***“a business transformation that puts customers first and does this through developing people. People who do the work have to improve the work.”***

“As we are progressing on the ‘Lean journey’, companies are maturing from process-improvement toolkits to lean value-stream management, to employee engagement in problem solving, to aligned culture focused by self-aware leadership on the right business problems. The companies I teach are begging for guidance on leadership. They have had enough discussion of tools. They understand that path is a dead end. It is the right time for this discussion, but how do you have the discussion?”

“There are tools, but they are not tools for ‘improving the process.’ They are tools for making problems visible and for helping people think about how to solve those problems. Whether it is a kanban or standardized work or 5S, these are tools to set a

standard and make the deviation from the standard visible to the work group. Then the work group must develop problem-solving skills to identify the root cause and solve the real problem."

"Any solution is an experiment that is 'right half the time.' If the tools do not change the way people who do the work think about their own processes, the tools are a failure. If leaders do not understand how to use the tools to unleash the creativity and motivation of people, they are not leaders-they are just administering a bureaucratic process."

-Jeffrey Liker

The Bottom Line

"You get what you accept and what you accept sets the standard." -Joseph Bujak, MD

It is common to for leaders to speak of change in the same sentence with changing culture. But our own experience with culture change these past 15 years in the Henry Ford Production System across all laboratories of 800 employees across the Henry Ford Health System has taught us repeatedly that culture is a desirable but secondary outcome to changing structure and process that enables and expects employees to work differently.

References:

W. Edwards Deming: *Out of the Crisis*. MIT Press 2000.

John P. Kotter: *On What Leaders Really Do*. Harvard Business School Press, 1999.

Jeffrey K. Liker: Personal communication and book review at Lean Enterprise Institute of *The Lean Manager: A Novel of Lean Transformation* (2009, Balle and Balle)

Next WWQ: Lesson #7 – Role of the Team Leader for Quality

Additional 2-day Lean Silver Certification Training for HFHS is scheduled for April 23-24 and September 24-25.

Search [Henry Ford Production System LEAN Silver](#)

Certification at <https://hfhs.eventsair.com/HenryFordCEPortal/hfhs/cmereg>

Prerequisite beginner Bronze Certification Training (6 modules) may be found in HFHS University, HealthStream.

Search the Catalog for Lean Bronze.