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## 2.1 Continuous Improvement at Toyota

To reliably possess the continuous improvement capability is the same as having CI as the chief principle (or mode) of existence, or, in others words, that everything else in the nature of a given culture points to and serves CI as its objective. In a CI organisation the CI culture underlies any purposeful activity of the organisation and all activities revert to it as if to their ultimate goal. It is not the technology and not the processes that define the expectations against a culture but strictly the other way around.

Now, how is such a culture constituted? As I pointed out above in the Introduction, in a way that each one of its constituents is in support of CI. We do not call a culture continuously improving if periods of stagnation or decline are experienced let alone allowed in the processes and to revitalize them external help is needed in the form of policy re-deployment, an OCM project, or other discreet, non-systemic measures. This is, however, the case in an average company, even where there is at least a more or less faithful understanding of CI, such as that it is not confused with random, casual, or just puzzling improvements in the value chain. In such companies even if they have a more or less distinct and coherent CI platform in place the latter's power may dissipate from time to time as most probably it leaks somewhere and/or lacks coherence in the first place. What happens is that the CI platform or the universe that is meant to encompass the whole reality of the company may turn out not to be structured just well enough to be able to exact a permanent pressure on and mould the organisation toward improvement.

The ultimate capability of continuous improvement is a form of existence for a company. The company is put together in a way that it can only improve and if it does not then it has lost at least one of its defining characteristics. When we talk about organisations as human systems in reflection of the lesson that asset focus and OCM cannot generate a culture capable of dependably attaining and superseding standards, we also mean that a CI organisation will be organised around people and it will be a human system.

All this is very much apparent from the case of Toyota. In reconstructing the Toyota approach to culture Jeffrey Liker and Michael Hoseus are very clear early on in their book that “[f]rom the time Toyota first started its operation, the leaders believed that the key to success was investment in its people. The Toyota culture has evolved since the company’s founding and is the core competence of the company. It is the reason why operations are lean. . . The Toyota Way is first and foremost about culture—the way people think and behave is deeply rooted in the company philosophy and its principles. At the core it is about respect for people and continuous improvement. . .” (Liker and Hoseus 2008, p. 4).

You hear very much the same from Art Byrne: “(. . .) Lean has to be your strategy—the foundational core of everything you do—if you are to be successful. (. . .) Most important, you have to understand that the main thing you are trying to transform is your people.” (Byrne 2013a, 16 %).

“Rooted in” or “foundational” are just a little less than “constituted by” that I used above but they effectively mean the same. Their intent is the same. Behaviours and practice are rooted in a certain philosophy and principles, and together they constitute the culture of continuous improvement so much characteristic of the Toyota Way. This philosophy is and this culture are about continuous improvement through the people. Analytically speaking, that is, before anything else would happen on the shop floor or in the value chain the principles have long been identified in “people and kaizen first”, and the company practice will build on them as on fundamental assumptions. The tools are then only secondary, indeed supplementary, to this philosophy.

Toyota developed this mentality in the years of austerity and small order batches back in the time when it was a producer of automatic looms and has not abandoned it ever since. While the heart and soul of TPS, so to say, are prior to the bones and flesh stratifying on them if we take an average company we see that its philosophy and principles are at best inferred from but mostly adds-on to a more or less adequate reading of a culture of tools application, with culture itself rather a by-product of day-in day-out fire fighting with the armoury on hand (Anderson 2010).

Some would say that the principles of people and kaizen are a passion mongering cover-up for the very materialistic admission that without these there is not much point in pursuing profit in a larger scale. Without people and the people’s coordinated efforts to improve their productive environment we would not be talking about either production or value creation of any sort, while if in turn a company can secure the aligned thinking and activity of its people in the interest of continuous improvement, other things equal the business can run only well.

I cannot refute this argument but there is also little need for that. In these pages I do not want to demonstrate that Toyota is either a welfare institution, or a charity, or a philanthropic organisation of any other sort. It is certainly none of them. What I want to prove is that Toyota’s approach including its turn to the people, for whatever purposes it happens, pays better off in continuous improvement. And my question again is why Western companies, in awareness of this, cannot dependably take after Toyota. Later in these book I’ll come back to TPS while developing

an ethical stance against the instrumentalisation of people. I'll argue that yes, there are some disturbing aspects of the TPS practice along with some very agreeable ones. But then we are not there just yet.

The Toyota Way has gone through many decades of evolution in a very special fermenting crock where Japanese traditions, values, and the austerity of the 1930s and even more of the post-war era met with a family's long-term commitment to *œuvre* building with no haste for quarterly show-offs, much less concern for shareholder value, and no interest whatsoever in unsubstantiated asset expansion.

**Toyota is fairly unique even in Japan, which is actually a warning to the observer of an evolution rooted in a very specific constellation of historical context, values and recognitions, constraints and virtues, industrial expertise and skills, leadership and customer pool etc. And as much as the context of fermentation remains irreproducible so does the actual Toyota culture which, as it turns out, is much more the product of a step-by-step evolution than conscious design—an evolution to demand a good deal of self-confidence as well as an almost blind trust in the future such as today's companies are eminently lacking in.**

The most telltale sign of the uniqueness of Toyota in its home country, however, is the inability of the world to distill TPS into Lean. What is analogous to the difficulties of transplanting the institutions of the rule of law and democracy across the world it has ample signs by now that home-grown TPS, rooted in the peculiar line-up of the Toyota story, is impossible to just copy paste elsewhere. The reconstruction of TPS cannot reproduce its one-time historic and cultural context, therefore no matter how the world grasps the Toyota Way itself, whether we consider a given reconstruction faithful or not, the efforts spent on reproduction cannot result in an authentic functioning replica as long as the original context is not uprooted and exported in whole. Indeed, under such circumstances, one had better see the Toyota Way as Toyota's (own) way and not a way for anyone else. The experience amassed during many decades of evolution, powerfully constraining transplantations, just cannot be synthesized into an analytic framework of implementation.

It is the last of my desires to create a myth from Toyota, I am not even the right person for that. What I want to make understood however is the context-bound, evolutionary nature of change in general and the inoperability of ready-made, off-the-shelf "solutions" in organisation development in particular. When I said above that the intent of this book is to provide a framework of operations improvement I kept this concern, i.e., to avoid recipes, very much alive for myself. And while the reader must therefore not lay their faith in the reality of a step-by-step model of change that is both simple and thorough and still Toyota I repeat a claim for actionability. While aware of my own strict expectations of continuous improvement fleshed out just a few pages earlier this model to be entrusted to the reader's

attention has to remain highly useful in the sense of providing a way out of the impasse created by the context-bound nature of TPS on the one hand, and the cultural as well as business constraints on today's smaller and larger corporations on the other.

Reproduction is impossible but reconstruction, understanding, and translation are not. Translation will lose something of the original but gain something anew and will certainly speak to one's own folks. What I hope to gain against the evident and necessary losses, as I pointed out earlier, are transparency, speed and sustainability. I expect the model to balance out the frustration over the inoperability of the TPS original outside Japan and its consequent bastardization into Lean, and will be specifically useful for companies that are tired of or even lost in their own translation efforts.

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## 2.2 The Toyota DNA

As its original in biology the Toyota DNA, too, is a double helix, of product and people value streams, stabilized by problem solving (Liker and Hoseus 2008, p. 37ff.) The underlying (cultural, philosophical) assumption of “kaizen through the people” originating in the broader Japanese culture, exemplified in this connect, and purportedly reinforced in every single moment in the life of the Toyota Motor Corporation precede the actual values and norms Toyota people live by on the shop floors, the values which in turn define the behaviours and the artefacts visible to the external eye (*ibid.*, p. 6). Indeed it is the third—the behaviours and artefact layer—that grasps the imagination of the industrial tourists and would be taken home without sensitivity to the two more profound layers. It is through the control of this layer that industrial tourists back home want to create the impetus for sustainable change. Change, nevertheless, at least sustainably, just resists to happen much like explained earlier.

That philosophy and principles should define a company culture and govern floor practice is a mere laughing stock in Western eyes (cf. Bower's sympathetic approach 2003). We do not realize that we shall live by a philosophy and we shall develop principles of some sort anyway, only they will be reflective of an often hidden, informal, *ad hoc*, counterproductive culture underlying as-is practice. Lofty principles will be replaced by the rather base principles of survival, conflicts, and cynicism. Philosophy will center around appearances, power, and finger-pointing. Is it a reality in the West? Of course, it is. (More of it below.)

A sweeping consequence of this reality is the overwhelming lack of imagination to achieve something great. Ambitions among CEO's and managers are increasingly on the wane, giving way to complacency, caution, incredulity, egotism, politics, turf wars, you name it.

**If continuous improvement is not in the DNA of an organisation in a way that we see it at Toyota and at the same time CEO's fall captive to and cannot or do not wish to amend this lack of perpetual buzz, companies quickly grey into the background and the working life of employees can easily become meaningless (Michaelson et al. 2014). When we talk about the Toyota DNA we talk about meaningfulness in creation.**

Not all positions, for sure, are equally productive in this respect. Yet, the general climate is supposed to be like this. Again, as I will amply demonstrate, I am not an uncritical fan of the actual Toyota practice and I do not hold a bulk opinion of our Western business culture either. I am looking at the Toyota Way as an idea at this stage and at the West as another (underperforming) idea, reducible by and large to OCM. Ideas that actual practice do colour but they are still there as standards. And if I am right our standards are largely misplaced.

Quite characteristic of our (Western) approach to kaizen is the publisher's, Norman Bodek's Foreword to Shigeo Shingo's valuable book, *Kaizen and the art of creative thinking*. Bodek says: "Kaizen is a powerful process that can and will save the average American company over \$4000 a year, per employee, if applied. (...) I am sure than many of you reading this book will also make a million dollars for your company by taking the material in this book and teaching the information to all your employees." (Shingo 2007, n/a).

In fact no perspective on kaizen could be stranger to the Toyota culture and no remarks more misleading even if Toyota is not in the forefront of Shingo's argument. This instrumental understanding of how knowledge is transferred and what ultimate objective it is supposed to serve (expressed in financial terms) is a typical Western misconception of continuous improvement already castigated here but happily disseminated by Bodek.

Curiously, Bodek should be aware of the fallacy, too. Toward the end of the book, in a conversation with David S. Veech, then Executive Director of the Institute for Lean Systems in Louisville, Kentucky, when talking about how Six Sigma avoids ordinary workers, a robust problem solving method reserved with this for a select few, he realizes that contrary to the result oriented Six Sigma the once admired Quality Control Circles method did die out in the States. Veech interjected: "I know why we are not doing it in America; because Quality Control Circles were all about the process and what we seem to care about are results." Bodek concurred by reflecting on his own experience: "I am working with one company, and all they can think about is profits, and the company is melting and disappearing, instead of focusing on the process. Focus on the right process and you will get the right results." (Shingo 2007, pp. 232–233) Isn't that so true? Why then reinforce the wrong approach in the Foreword?

Then Fidelity Investments Chairman and CEO Edward C. Johnson's Foreword to Maasaki Imai's ingenious *Gemba Kaizen* (1997) grasps the essence very nicely. "With practice (...) kaizen or continual improvement, can become a way of life.

It's an attitude, a spirit that prevails at all times in the company. It's nothing that you expect to implement overnight or turn on when sales start declining. But once kaizen does take hold, employers and managers alike begin to recognize that part of their job—as important as doing the work—is learning how to improve the way they do it.” (Imai 1997, pp. xii–xiii). Art Byrne, once President of Wiremold, one of the earliest and most eminent companies to be transformed under the aegis of Western Lean and later bought up by the French Legrand, the take-over putting an end to the company's intensive Lean journey (cf. Emiliani et al. 2003), consolidates this into a simple admonition: “Don't just do lean; be lean” (Byrne 2013a).

A champion of quality circles, Imai reinforces the position also taken by this book on teaching (preferring learning instead) and on asset expansion (vis-à-vis kaizen). In a conversation with Art Byrne he is told: “I think that about 90 % of American businessmen don't understand the depth of the disparity in the Japanese versus American manufacturing system. Almost all U.S. manufacturing managers that you talk with today will tell you that they are doing just-in-time, but most of them are way off-track. (. . .) Very few understand how fundamental you have to get and how detailed you have to get, and even fewer understand that it's really a people thing. You have to change people's attitudes, and that takes time, a lot of commitment, and a lot of education. We tend to be a country that is oriented towards making this quarter or making this month. This in turn makes it difficult for long-term change to occur. We talk about it, we publicize it, but when it comes right down to actually doing it, most companies balk” (Imai 1997, p. 163).

Imai himself also concludes: “The kaizen concept explains why companies cannot remain static for long in Japan. Western management, meanwhile, worships innovation: major changes in the wake of technological breakthroughs; the latest management concepts or production techniques. Innovation is dramatic, a real attention getter. Kaizen, on the other hand, is often undramatic and subtle. But innovation is one-shot, and its results are often problematic, while the kaizen process, based on common sense and low cost approaches, assures incremental progress that pays off in the long run” (Imai 1997, p. 2).

But still, for all their wisdom, isn't here some hubris, pretension, and even, one might say, a lack of empathy with the Western way echoed in these and similar lines? Look at Imai's enrollment of the ideas associated with and conditional of kaizen that he says must be learnt to realize kaizen strategy at all (Imai, *ibid.*):

- Kaizen and management
- Process versus result
- Following the PDCA/SDCA cycle
- Putting quality first
- Speak with data
- The next process is the customer

Right at the beginning, the first three conditions go diametrically against the Western mindset as Imai sees it and I see it, and to a lesser degree maybe all the rest

of the claims do. What I want to emphasize with this is a coherence problem in implementation offered by a wide variety of TPS/kaizen/Lean books, not just Imai's earlier *Kaizen* (Imai 1986) and his *Gemba Kaizen* (Imai 1997).

**If our own, perhaps wrong-headed, culture in the West has priorities that create a generally unfavourable context for enduring, sustainable kaizen, why would the repetition of claims for enduring, sustainable kaizen help us integrate this approach?**

By looking at possible answers to this question we shall perhaps also be able to answer this that why Legrand would kill—on condition that it is not apt to act wholly irrationally—a successful, even spectacular Lean program in its main market if not for other benefits; and indeed why TPS has such a slow, excruciating career in the West, and for that matter in Asia, too, for all the obvious benefits a TPS culture carries, obvious at least from well-written sources and its adept champions? Well, let me make this tentative suggestion at this point that maybe TPS is, after all, not worth the effort; and paradoxically, while enthusiastically promoting it as the most developed, almost only solution to operational woes, we inadvertently drive managements to the less painful but riskier sources of growth, i.e., in M&A's, strategic asset management, and new markets, reinforcing the very same cultural dispositions that we set out to cure?

Curtis Quirin, a seasoned manufacturing executive, says, and let me cite him in more length: (Quirin n/a). "If you think about it, there are really only a few companies that can be considered lean: Toyota, Honda and Danaher. The rest of the companies that embark on a lean journey, in my opinion, seem to only dabble with lean tools when they are convenient, and then the efforts fade away over time. It's surprising because lean thinking has been mainstream for more than a decade and there are thousands of people who have been trained and understand lean principles. Jim Womack and the Lean Enterprise team have done a great job as thought leaders; and in the book "The Toyota Way", Jeffrey Liker has broken the Toyota Production System down to its essence.

I visit many companies each year, and even in some of the worst, I am often surprised to find someone there who has had lean training. They are usually able to talk about waste or single-piece flow, but I leave wondering what happened. Why didn't the lean activity continue? Why was there no follow-through? Many times during plant tours, you will see evidence of lean tucked in the corner or off in the back. I wish I had a dollar for every unused andon signal, heijunka board or employee glass wall that I have seen set aside and gathering dust. (...)

Over the years, I have observed some of the reasons for this lean fanfare-and-fade phenomenon. You can probably add your own thoughts to this list, but here is my best shot:

- Not used as an overall business philosophy
- People versus process dependent
- Use of 'tools' only
- All functions aren't committed or involved
- Conflicting metrics
- Good for the plant, but not for senior leaders (it has to start at the top)
- Forgetting the front and back end of the business (suppliers, customer demand and inventory strategy)
- Home run mentality

However, when you really dig into it, the basic reason why the implementation of lean fails at most companies boils down to culture. Not Japanese versus American, but the corporate culture and how the company is led from the top. What most leaders fail to realize is that lean is a management philosophy, not simply a collection of tools for material and information flow or problem solving. And, most corporate leaders either do not understand its value or do not have the patience and control to implement it. Slow, steady continuous improvement does not lead to immediate recognition, quick promotions or soaring share prices. Successful implementation requires something that is very rare in both people and organisations: constancy of purpose. However, if you stick with it, it is amazing how the little day-to-day improvements add up over time; after a few months, you look back and realize how much has been accomplished.

The problem is that at most companies, managers are still looking for the 'big bang' project or turbocharged effort of their employees. They all sound good and come with great fanfare or personal sacrifice, but they are usually not sustainable."

The reader will recognize that the upshot of this argument is in line with what has been said in these pages. Quirin is complaining of, just as Imai earlier pointed out in his quite similar inventory, the lack of a constitutive philosophy, the dominance of an asset and tool centered mindset, lack of sufficient interest in processes etc., while at the same time chiding leaders for not realizing the importance of all this. On balance I do share his representation of the facts but I do not quite share his understanding and sentiments. Can we really say that it is all a failure of executives, or is it perhaps something entirely different, maybe rational calculation on their part?

From what we have read one can only adduce that the executive and management culture can be an enduring bulwark against change.

**Much the same way, however, as the Japanese are inculcated from their early youth with the values that would finally serve as the platform for Toyota it is true for our own (put collectively) Western culture that certain values and dispositions stand out from a variety of others and**

(continued)

**can easily be considered fundamental. To challenge and change them in a work environment, however portent evidence is called forth, is not only often pretentious, but may also be harmful for people as well as community.**

It is little wonder that such cultural dispositions (or inhibitions in Quirin's and Imai's assessment) will equally leave their mark on the thinking of a chief executive and will be reinforced by the collective wisdom of the organisation.

**Any decision, as a result, against TPS, entailing the behaviours listed by Quirin and Imai, will then be indicative not so much of a failure to demonstrate the 'right' attitude to change as the surfacing of rational calculation which incidentally plays down the TPS option.**

It is curious then how to proceed with TPS/Lean implementation in these circumstances.

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