How to Structure a CONTINUOUS IMPROVEMENT Function for Success

Learn why it’s not about the tools…and why it’s all about YOU.

From the team at:

Continuous Improvement Software for CPG Companies

INTRODUCTION

The highly sought after Continuous Improvement culture is quite elusive. Many have dared to venture on the journey to operational excellence – and an overwhelming majority of them end up in a calamitous defeat. However, the few who get it right enjoy lifelong market supremacy and a quality of life that others can only admire and envy from afar. This whitepaper explores several common approaches to Continuous Improvement and reveals the stark differences between those who end up victorious and those who face immanent peril.

According to a study by leading global Management Consulting firm, McKinsey and Co, over **70% of Continuous Improvement initiatives fail to sustain** beyond 5 years. With such a high failure rate, why do companies continue to strive to implement Lean, Six Sigma, TPM, Agile Manufacturing and other related initiatives?

For the companies that do achieve success, the rewards are tremendous. Just to name a few: stronger competitive edge in the market, happier customers and employees, increased long-term viability, greater agility, consistent growth in profitability, etc.

Meanwhile, others waste time, effort, talent, and other resources – achieving limited and isolated successes that fail to stand the test of time. Additionally, leaders start to lose credibility with their workforce as Continuous Improvement becomes viewed as another flavor of the month instead of this euphoric culture change that it is hyped up to be.

Unfortunately for these companies, there is no copy-and-paste or sure-fire “How to” manual for implementing Continuous Improvement. In fact, **CI is not something to be implemented at all but more a means to accelerate your company toward its strategic vision**. However, there are three ingredients present in all successful transformations.

Those three things are:

1) **Clear Vision of the Future** (Strategic Alignment and Deployment)
2) **Constant Experimentation** (Learning & Problem-Solving Culture)
3) **Organizational Immersion** (Performance Transparency & Engagement)

This document will dive into each of these to build the case for how the most successful companies approach Continuous Improvement in their organizations and what you can do to dramatically increase your chances for success.

CLEAR VISION OF THE FUTURE

One of the most important functions of leadership is **to provide a clear strategic vision for their organization**. This helps to align the efforts of the entire organization in the same direction to accelerate progress toward the company’s true north. Then apply the energy, resources, and guidance needed to move the organization forward. According to the Harvard Business Review, **over 90% of company strategies fail to get implemented**. Ideally, every employee in the company should be able to connect how their work helps to deliver the company strategy. Unfortunately, **only 14% of the typical company’s workforce has any level of familiarity of the overall strategy or how their work contributes** according to William Scheimann, author of *Performance Management: Putting Research into Action.*
Lacking a clear vision allows dissention and competing agendas to erode company performance. Ambitious managers go rogue and employees disengage from the greater mission at hand. Then patterns of behavior emerge that undermine what the company is trying to achieve.

Companies need to know and understand why they want to improve and in what way. This works even better when there is a clear long-term mission that can engage the workforce’s hearts and minds. In the book Good to Great by Jim Collins, companies that make the leap from good enough to great tend to have the following characteristics pertaining to strategy:

- **Level 5 Leaders** – those who consistently put the needs of the company or customer ahead of their own
- **Hedgehog Concept** – focusing on the few things that are most important and not getting distracted by fads and trends
- **Culture of Discipline** – people consistently exercising discipline in thought and action
- **Flywheel and Doomloop** – building gradual momentum behind a strategy instead of taking shortcuts to breakthrough

**Observation of Clear Vision of the Future**

In 2013, Alfons Krauthausen, Managing Director B2B/Infrastructure Sector of Regenersis Sömmerda, a German electronics refurbishment company, took bold action to regain a stronghold in a competitive market. The company was facing emerging competition from Polish and Czech Republican companies, who had the benefit of lower labor costs, and needed to apply aggressive action to reverse the trend of a declining market share.

The company selected three areas of focus in order to break a silo-mindset and make the transition:

1) double-digit growth in productivity
2) double-digit growth in profitability
3) significant reduction in absenteeism

After significant focus and energy was invested in driving these critical objectives, the company was able to increase productivity and gross margins by 14% and 18% respectively. Absenteeism also fell by 33%.

The key to success in this strategy deployment and any other is concentrated effort on a few critical points. Regenersis Sömmerda was able to nail down the necessary areas for improvement to three points and divert all necessary time, talent, energy against achieving success in those key areas. However, it’s important to sustain in all other important areas of the business as well. [1]

**Transgression of Clear Vision of the Future**

In July of 1979, International Harvester, an agricultural equipment manufacturing company, developed a strategic plan, which was essentially a mash-up of several other plans submitted by each individual division. The overall approach was to increase profit and market share, which was pretty typical of the company’s strategic objectives. The issue with the strategy is the failure to address the gaping holes in performance, which included terribly inefficient production processes and disastrous labor relations.

Failure to develop a strategy that tackled these issues head on or dedicate the sufficient resources to overcome these challenges had destructive effects on the company’s future. Needless to say, the targets of increased market share and profitability were never sustainably achieved. After a crippling six-month strike by its labor force, the company was forced to sell off some of its most valued assets. [2]

**Summary of Clear Vision of the Future**

Peter Drucker, also known as the Father of Modern Management Theory, stated that **there is no greater waste than perfecting something that should never have been done in the first place**. All Continuous Improvement efforts should be made with the intent to move the company in the direction of its strategy. This is impossible without leadership first effectively developing and deploying strategy into the organization. Many CI functions measure effectiveness based on how frequently their Lean, Six Sigma, or TPM tools are being applied with no regard to company strategy. **Don’t fall into the trap of “appearing to be winning” while making no real progress at all.** Improver enables leaders to deploy strategy and maintain alignment throughout the entire organization, including Manufacturing, Marketing, R&D, Supply Chain and all other functions. This helps to drive the right improvements and build the type of momentum needed to dominate in your market.
CONSTANT EXPERIMENTATION

Experience is the best teacher. **Telling someone a thing makes them aware – but do they really learn?** Some companies form a culture that discourages experimentation. The fear of failure or “looking bad” outweighs the benefits of creating a true learning organization. In these cases, people come into an organization, are whipped into compliance, and denied opportunities to try their ideas out to learn from what happens. Operators are disciplined for making changes that result in quality issues or line stoppages instead of being encouraged to continue the experiment until the desired result is achieved. People become really creative at saying “no” instead of using the gift of creation to consider how something good for the company and customers could be accomplished. In these environments, creativity and risk-taking are discouraged and a bias for political safety becomes the lay of the land. Consequently, the workforce fails to develop the capability to solve the problems they see in their work areas and choose compliance and complacency as a means of survival. This lack of problem-solving capability becomes an incredible liability for the company in the long run. As employees become more fearful of making the changes that are sometimes obviously needed, they wait for management to come in and fix problems; then they resist the change as they have become conditioned not to change. Additionally, management is a limited resource and simply can’t tackle every problem. **Simple problems that are detrimental to performance live on for years** before being addressed, further breeding a culture of complacency and disengagement.

Conversely, companies who encourage experimentation create a distinct competitive advantage compared to those who do not. For starters, more problems get solved in less time, resulting in immediate gains. By engaging everyone to address the issues affecting their area of work, **losses are eliminated at a greater pace and a culture of Continuous Improvement can start to emerge.** Another benefit is that people get better at experimenting – meaning they achieve the desired result with less and less resources consumed over time. **This in itself is a skill that can only be mastered through practice, or KATA.**

In this environment, leaders need to do three things:

1) cultivate the adequate sense of urgency to improve  
2) grant their people some degree of freedom to experiment their way to success  
3) provide structure, coaching, training, and resources needed to achieve the desired result

**This method works even more effectively when experimentation efforts are directed toward a clear company strategy** as described in the Clear Vision of the Future section of this document.

*Observation of Constant Experimentation*

Australian pharmaceutical manufacturer AstraZeneca was facing challenges in declining market share and cost pressure due to an increasingly competitive landscape. They recognized that an underdeveloped workforce was keeping them from edging out competitors and took action to create a highly effective learning culture within the company with a focus on its manufacturing operation. The company took several steps to stimulate increased learning activity, including the deployment of a skills matrix, establishing peer-learning activities, and providing resources needed to foster accelerated on-the-job training. One of the most impactful steps taken was to establish controls that allowed for increased risk-taking by learners so that people could benefit from experiential learning.

These measures and others enabled employees to increase their overall capability, which then led to increased ownership and accountability. AstraZeneca was able to create a work environment with the lowest degree of turnover in the industry and increased ability to provide up and downstream partners with skilled support. The company experienced phenomena of reverse turnover where employees who previously left were coming back once they realized how much more their value was being realized with the company. [3]

*Success is knowing you did your best to become the best that you are capable of becoming”*  
- John Wooden
Transgression of Constant Experimentation

LKT Products is a small manufacturer of guitar cases that grew from a garage operation with just a few people to a 55-person production plant. Their CEO / Owner micro-managed the company to relative success and was resistant to changes in the way the business was run. The CEO hired an Operations Leader with experience implementing Lean at Hewlett Packard, who wanted to bring Continuous Improvement into LKT. Unfortunately, the CEO had instilled a culture of resistance to change that ultimately derailed this effort.

The new Operations Leader started preparing the workforce for some changes in the way the business operated. However, the CEO did not make the effort to attend early trainings and kick-off sessions. As a result of this disengagement at the top, the initiative started to lose credibility among senior leadership and department leads. Early kaizen events showed promise but quickly waned as people reverted back to their old practices out of fear of retribution from the CEO. As the Operations leader pressed on to conduct CI activities in other areas of the plant, a similar dynamic played out. The workforce ultimately rejected the initiative and the Operations Leader left the company.

In this case, the culture of resistance to change and lack of experimentation was deeply ingrained, starving the effort of needed resources and leadership engagement, condemning it to failure. [4]

Summary of Constant Experimentation

In any business, there are an infinite number of problems to be solved. The effectiveness of your organization depends heavily on your ability to build the capability of problem-solving and deploying this talent against the most important challenges. Avoid the trap of creating an environment where learning through experimentation is discouraged, resulting in an atmosphere of fear, slow growth, and complacency with the status quo. This only increases the organization’s aversion to change; including changes for the better. Improver provides a powerful platform to facilitate the process of building problem-solving capability within the workforce. The system’s flexible and best-in-class PDCA process encourages a team-based approach to solving the problems keeping your business from achieving its vision.

ORGANIZATION IMMERSION

Continuous Improvement is not a one man or woman show. It is an orchestration conducted by top leadership and executed at every level in the organization. There should be no one exempt from supporting the effort to move the company toward its vision. Many companies approach CI by sticking a low-level engineer or manager into the factories, and in some cases, an entire corporate function is created. Then they expect these supplemental resources to lead the company to a CI culture and generate incredible returns on investment. The problem with this approach is that leadership cannot be outsourced or delegated. CI is a job for people at all levels.

Some leaders or managers will find it more convenient to hide losses and disengage from improvement efforts as they fail to accept responsibility for any lack of progress. This provides a false sense of success and breeds further complacency. Companies that deploy successful Continuous Improvement engagements foster a culture of embracing the need for improvement. They encourage greater transparency at all levels in the organization to show the gap between company’s current state and the target condition. This is true at the production line level as well as the overall strategic vision level and all in between. This visibility stimulates greater engagement to leverage the ideas and efforts of everyone in the company to close the gap to successful execution of strategy. It also helps leadership to provide energy where needed to close gaps that pose a greater risk to the business’ overall success.
Finally, this transparency enables the practice of positively recognizing people and teams as they overcome the challenges keeping their respective areas from success. It provides a feedback loop that reveals the results from experimentation. As the saying goes, what gets rewarded – gets repeated. It’s important that the practice of improving things in the direction of the company’s strategy get’s recognized and rewarded.

Observation of Organizational Immersion

In 2003, New Balance shoe manufacturing company out of Boston, Massachusetts in the US decided to begin its CI journey in order to seize a greater market share and grow the business. They convinced several retailers that they could deliver production orders within 24 hours of receipt; but knew they would need to make dramatic changes to the way manufacturing was done. They made several changes to the business, including increasing visibility to the execution of daily operations by key members of leadership. As improvements were made, they wanted to ensure sustainability so they instituted daily performance reviews and auditing programs. They combined this with daily problem-solving activities to cultivate an attitude of openness to change and overcoming challenges. The review processes became a cornerstone of their success in business and in Lean.

As a result, the company was able to reduce order delivery time to within 24 hours as promised along with a host of other benefits including: reduced safety stocks and inventory, cut production costs, continued growth, remain as an American-made company, and more.

This is a typical case study of overcoming one of the most challenging barriers to any organizational transformation. It’s the challenge of transitioning from a culture where issues are hidden from sight to one of embracing losses and engaging the workforce in solving the problems keeping the business from achieving its vision. [5]

Transgression of Organizational Immersion

In the weeks leading up to space shuttle Columbia’s launch, NASA managers were downplaying the risk of a piece of foam breaking off the shuttle at launch, which would later have catastrophic consequences. This is a case where leaders where clearly aware of the risks and failed to escalate the issue and deploy the resources required to effectively mitigate them. NASA engineers who raised the potential for such a serious issue were silenced and rejected for being the bearers of bad news. Simply having the astronauts conduct safety walks leading up to launch would have greatly increased the chances of detecting and resolving the problem.

As a result, worst came to worst and the spacecraft exploded at launch, taking seven astronauts’ lives with it. Managers had fostered a culture of hiding potential problems to spare themselves the trouble of being blamed for a smaller mistake, later resulting in catastrophe.

Unfortunately, even after such a disastrous outcome, managers still argued that there was little they could have done to avoid the outcome. [6]

Summary of Organizational Immersion

As the late Dr. Martin Luther King Jr. put it, “darkness cannot drive out darkness. Only light can do that.” Only when opportunities are brought to the light can the appropriate resources be applied to improving them. Encourage the behavior of bringing opportunities into the forefront and taking initiative to drive improvement as long as improvement is defined as closing the gap between the current state and the company’s vision. Avoid fostering a punitive culture around opportunities. This only encourages people to hide losses and shortcomings, which ultimately leads to a state of ignorance, disengagement, and constant crisis. Impruver combines an incredible visual performance management system that highlights opportunities for improvement, and then automatically recognizes people as they set and exceed personal records. These success stories are also automatically posted to the company’s Better Everyday Wall to stimulate a conversation around improvement and share best practices.
Introducing **IMPROVER**

Continuous Improvement Software for CPG Companies

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- Be the first to capture emerging market opportunities
- Systematically drive alignment at every level in the organization
- Ensure that everyone understands how their work contributes to the company’s vision

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**Build** Problem-solving Capability

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- Visualize performance results and identify areas for greatest opportunity
- Promote a culture of Continuous Improvement by recognizing personal bests
- Engage in a dialogue around getting better everyday

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STRUCTURING A CONTINUOUS IMPROVEMENT FUNCTION FOR SUCCESS

There are several common Continuous Improvement structures employed to achieve desired business results. The structure you chose should be based on what you aim to achieve. Let’s dive into some common models and assess the pros and cons of each.

**The Project / Task Manager**

This is probably the most common model where companies place a Continuous Improvement resource at a low level in the plant. This is sometimes an engineer or someone who has demonstrated a capacity for process improvement. Their role is to either make changes themselves that others have deemed as needed or facilitate the use of lean tools and / or kaizen events. Their effectiveness is usually measured on how many lean tools they use or engage others in using, or projects / tasks completed throughout the course of the year. They may even go as far as to train others on the lean tools and then track savings or other benefits gained from using the tools.

**Pros:**
- Demonstrates the usefulness of CI tools
- Generates some quick wins
- Spreads some competency into the organization
- Usually working on things that are important to local leadership

**Cons:**
- Fails to address the cultural shortcomings within the organization
- Can be difficult to generate engagement at the management level
- Improvements are difficult to sustain as managers and operators are often not fully bought in
- Often more committed to applying tools or completing projects than accelerating progress against strategy

**The Leadership Supplement**

In this model, a member of the local leadership team is given the role of “implementing” Continuous Improvement. This is usually an experienced engineer or operations leader with a track record of making improvements. This person might report into the Plant Manager or someone else on the leadership team with a dotted line to a corporate function. Another version of this model is to have the local CI Leader report to a corporate function with a dotted line to the plant. They too are often measured on how many lean tools or activities they deploy throughout the year and what gains were achieved. In the TPM model, this person might be charged with driving organizational compliance to a set of standards or pre-determined guidelines. They may also provide training and set expectations that others, usually those lower in the organization, engage in the use of CI tools or processes.

**Pros:**
- Demonstrates the usefulness of CI tools
- Spreads some competency into the organization
- Has a platform to encourage leadership engagement in CI
- Has more resources and influence to stimulate CI culture

**Cons:**
- Effectiveness is limited to leadership understanding and commitment to CI
- The CI Manager’s effectiveness can be limited by internal plant politics
- CI is often viewed as “that person’s job” and not a true organizational effort
- Can have an agenda that conflicts with those of other leaders in the plant and be viewed as an unwanted disruptor
- Can be difficult to generate engagement at the upper management level
- Improvements are difficult to sustain as managers and operators may not be fully bought in
- Often more committed to applying tools than accelerating progress against strategy (compliance instead of results-focused)
The “Hi, we’re from corporate and we’re here to help” or Consultant Model

In this model, centralized (corporate) resources or external consultants are deployed into the plant to diagnose and “fix” issues through the use of CI tools. Their directive is to pinpoint what’s broken and apply a methodology, conduct workshops, and / or train local teams on how to overcome the challenge. The corporate resources/consultants are usually evaluated on how often the plants reach out for help (or billable hours), gains achieved through the use of their methods, or how often their tools get applied at the plant.

**Pros:**
- Efforts can be commissioned against broader strategy
- Often more focused on developing some degree of capability within the plants
- Has a platform to engage plant leadership in CI activity

**Cons:**
- Difficult to sustain gains as engagements are usually too short to develop true local capability
- Disregards the significance of creating a CI culture
- Usually offers a limited set of methods for addressing opportunities for improvement
- Can be expensive as travel costs and higher salaries / fees are considered
- Often more committed to applying tools than accelerating progress against strategy (compliance instead of results-focused)

The Corporate Mandate

This approach, otherwise termed as the Bury the Dissenters and Carry the Wounded method, is used to rapidly transform the way an organization operates to conform to a prescribed set of Continuous Improvement practices. In some extreme cases, this can mean immediately cutting headcount as a way to “lean-out” the company. It can be executed using internal or external consultants, deployed through existing leadership channels, or by installing CI resources in the plants. However the objective is clear, those who do not actively engage will be removed from the company.

**Pros:**
- Substantial short-term gains can be achieved

**Cons:**
- Completely disregards and disrupts existing processes that the business is built on
- Devastates morale and true voluntary engagement
- Undermines the significance of people and talent development
- Destroys culture and demonstrates lack of empathy
- Encourages turnover as people are viewed as unimportant – and those who remain are often those with limited options
- Almost impossible to sustain gains over the long term
- Usually focused on compliance instead of progress against greater strategy
The Sensei or Coach (internal or external)

This approach leverages subject matter and motivation experts to accelerate the company’s progress against its strategy or CI agenda. The sensei or coach is granted some level of immunity from internal politics and their role is two-fold: 1) identify which behaviors need to be strengthened or weakened per person, and 2) develop, monitor, and motivate the execution of corrective action plans.

Pros:

- The responsibility for CI execution rests with the organization’s natural chain of command
- The focus is on people and talent development instead of short-term gains
- Coaches can be deployed at any and all levels within the organization to accelerate progress
- Often leaders learn to be better coaches, driving greater accountability and ownership to lower levels in the organization
- The gains are more sustainable as the “why” is more apparent
- Fosters a culture of respect for people and limits resentment
- Often CI efforts are more focused on what the organization feels is most important and aligned with broader strategy
- Reduces focus on tools and increases focus on healthy behaviors and culture

Cons:

- The pace is often slower as progress is only made as true people capability is developed

So What is the Ideal Model?

The ideal model is subjective to the culture and needs of your organization. Any combination of the above approaches can be effective depending on what your company is trying to achieve. Any approach chosen should consider the long-term affect on the company, which is mostly improved through people and talent development. For more short-term gains, tools and mandates can be applied but with potentially severe long-term consequences. If this approach is taken, additional investment is needed in the long-term development of a healthy CI culture and people capability. Applying tools is like causing a wave in the ocean. You’ll see a short-term rise in the water but quickly dissipates because the overall water level is still low. Developing people and culture is like increasing the amount of water in the ocean. You’ll still see rises and falls in water levels but the overall tide continues to rise with time.

Additionally, consider that, as John Wooden put it, all activity is not progress. The purpose of any CI function is to accelerate progress against the company’s strategic vision; tools can help but are not the focus. Avoid getting trapped in the mindset of doing CI for reasons other than building a more successful company in the long-term.
CONCLUSION

Many leaders approach Continuous Improvement as another initiative to be implemented instead of a fundamental shift in the way they do business. They believe that by planting experts into the workforce, everyone will see how great the tools are and CI will be on auto-pilot from that point on. Unfortunately, these leaders misunderstand their role in this transformation, being to establish the true north for the company and work to move the organization forward and an increasingly greater pace.

Toyota is widely recognized as the creator of modern-day Continuous Improvement. They started on a journey of rapidly accelerating progress against their strategic vision. They did this by having a clear vision of the future, a constant experimentation / problem-solving culture, and immersing their organization in the effort to improve. Along the way, they developed many interesting tools and thought processes as a means to help them achieve their goals. Many have made snapshot observations of what Toyota was doing at a particular moment in time and tried to immolate their processes and results, mainly without success. Unfortunately they overlooked the painstaking journey that Toyota engaged to develop their people’s problem-solving capability and alignment to the company’s strategy.

Many relics developed in the early days of what we now call Continuous Improvement still sustain today; one of which being the aversion to reliance on software technology. This was part of Toyota’s strategy over 70 years ago. In today’s world, software technologies are disrupting industries, forcing companies like Toyota to adopt the use of software to remain competitive. Technology-driven upstarts like Tesla and others pose a formidable threat to Toyota’s position in the market. Toyota has now turned to technology for automatically capturing data from the shop floor, deploying strategy, and other critical elements of their production system.

The key takeaway is that while clear vision of the future, constant experimentation, and organizational immersion are still at the heart of accelerating the company to its true north, technologies like Impruver are an incredible tool for administering the transformation and accelerating growth.
SOURCES


