



Six steps to improving productivity

Part I of Professor John Seddon's 'six steps' which will be serialised throughout 2007/8 in *Management Services Journal*.

Step 1: Be prepared to change the way you think

Most managers receive this challenge as an affront. It is tantamount to saying there is something wrong with the way you currently think. Let me persuade you to stay with me by saying your problem – assuming you do need to change your thinking! – is not your fault. Through our organisations, government and educational institutions we have educated managers to think in ways that are sub-optimal. There is a better way.

To start at the beginning, I expect you recognise this: The organisation as a top-down hierarchy. Work designed in functional specialisms. Decision-making is separated from work – decision-making being management's job. In making

decisions, managers use measures of budget, activity, productivity, standards and the like. Managers believe their job is to manage budgets and manage people. Most organisations are designed and managed this way. The news (if it is news for you) is this doesn't work very well.

Why do we teach this thinking? Because it worked originally – it is the thinking that was epitomised by mass production and at the turn of the century it led to a quantum leap in performance. Our problem is we have not continued to question; we invented a system of management and, over time, we have assumed it to be unsurpassable. Yet it has been surpassed. In case you doubt me,

consider this: The number of man hours it takes to build a Lexus is LESS than the number of man hours used to RE-WORK a top-of-the-line luxury German car at the end of the line after it has been made. Just stop and think about that.

Are the Toyota managers smarter, more committed, more enthusiastic or is it perhaps because they are Japanese that they can achieve this? None is true. Toyota achieved this extraordinary leap in performance by using better methods. These methods weren't dreamt up in a boardroom, they emerged from solving practical problems while working against seemingly insurmountable odds. Is this better thinking unique to Toyota? No,



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many organisations are learning to work this way. My consulting company has been dedicated to introducing these ideas to service organisations; we know they result in outstanding improvements to performance and morale.

So why aren't more people thinking and working in this better way? Because this thinking represents a fundamental challenge to current managerial beliefs and, consequentially, it is hard to understand if you think the 'other' way – you are naturally inclined to interpret what you hear from your current point of view. You might be wondering why, therefore, I am foolish enough to attempt to help you change your thinking with a series of short articles. I fully recognise the limitation of the written word, but in each of the next five steps I'm going to give you something practical to do. I am sure that if you do these exercises with an open mind, you will learn. In any event, as my editor tells me, it might make for interesting copy.

The better way starts from a different point of view

While we have learned to think of our organisations as top-down hierarchies, they don't look like that to our customers. If you assume (as I do) that the purpose of any organisation is to get and keep customers, to take the customers' view of an organisation leads to a different and more productive set of problems

to address. When you look 'outside-in', you always find out how unproductive your organisation is. What accounts for this, sometimes alarming damage to productivity? The way the organisation is designed and managed. Because, for example, measures are related to functions and managers of those functions need to meet targets, the parts achieve their goals at the expense of the whole.

Managers know this. They often give graphic accounts of the ingenuity they use to 'win' while others 'lose'. Even this obvious madness does not encourage managers to question whether there is a better way, in part because to question the status quo is itself a dangerous thing to do. But if we are to gain a quantum leap in performance in UK organisations, we must learn about the better way.

While we might think of work as being managed and controlled through functional hierarchies and their associated measures, in practice work 'flows' through an organisation. If functional design and measurement can impede flow – which it always does – learning to manage flow will improve performance. The first step to managing flow is to think of your organisation as responding to customer demands. Think of it this way: if your organisation responds to a customer demand by doing what the customer wants and no more, your service will improve and your costs will fall. If Toyota's Lexus line can respond to customer demand by making a car in a week it

ought not to be beyond the realms of possibility for any organisation to do likewise. If your organisation produces goods that are less complex than a car and, bear in mind, many service organisations 'make' nothing at all, the gains from this way of thinking can be achieved in a very short time.

Paradox...good service always results in lower costs

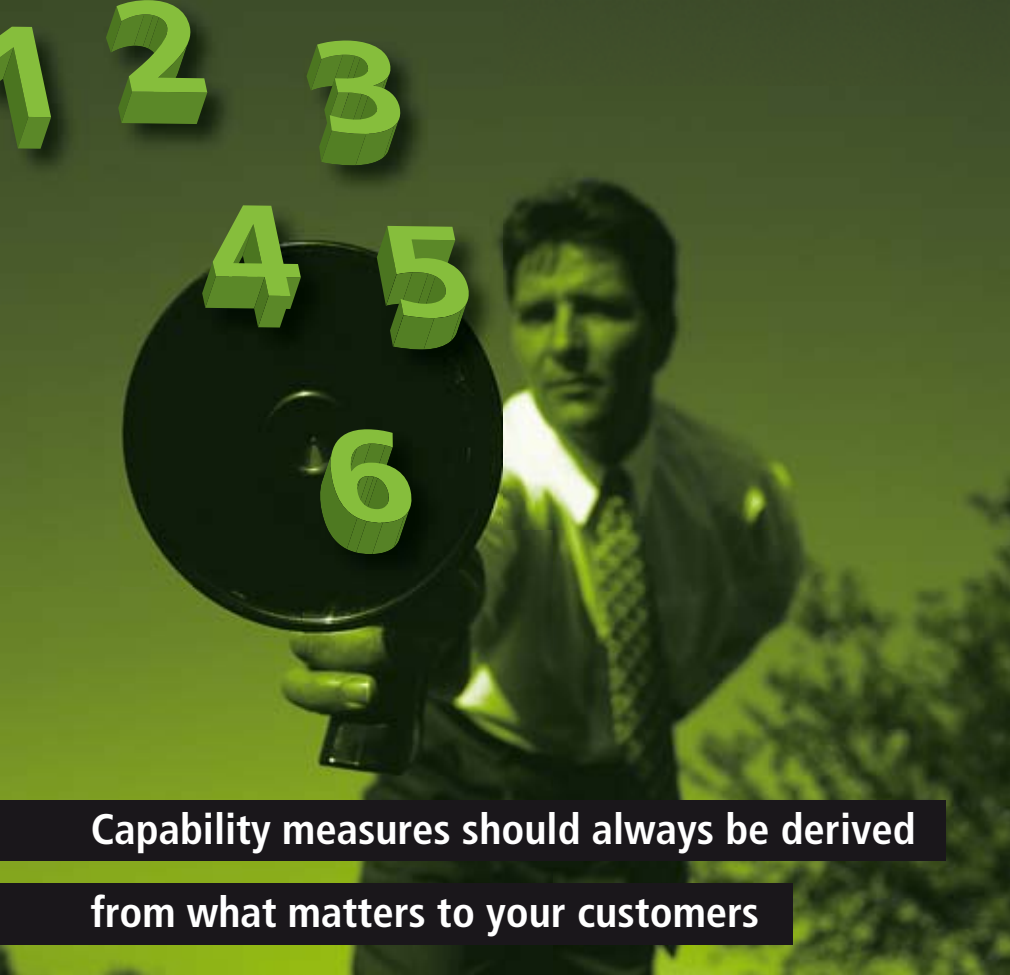
Traditionally-minded managers don't believe this, they think service and cost always need to be balanced.

If you are going to manage flow, you need measures that tell you about how well your flows work. These are capability measures. They should always be derived from what matters to your customers and they will tell you what you are predictably achieving for good or ill. This is to take

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management's attention away from 'costs' and instead to focus on the causes of costs. And as managers learn to eradicate the causes of costs what do you suppose happens to costs? It is self-evident.

How many managers proclaim their people to be their most important



Capability measures should always be derived from what matters to your customers

asset, yet design and manage the work their people do in ways that cause demoralisation? The answer is most. In traditionally designed organisations the managers see their role as managing people. They fail to recognise that their 'people problems' are caused by the way the work is designed and managed.

Paradox... standards are anathema to performance improvement

Working with standards focuses attention on achievement of standards. Working with capability results in learning about 'how high we can go'.

When an organisation's workers are judged by their managers on achievement of standards or targets, and, as is always the case in traditional thinking, their performance is governed more by their system than anything they can do, the workers become demoralised. By contrast, when workers have measures in THEIR hands that relate to purpose, and they have the freedom to experiment with method, they become tuned in and turned on. In short, changing the design and management of the work mobilises the people – it removes the causes of workers being disenfranchised.

Paradox... with every pair of hands you get a free brain – but whether the brain is engaged depends on the design of the work

Managers foolishly pursue the

'engagement' of their workers by employing 'employee participation' programmes. The better way to engage employees is to change the role of management. When managers learn to manage by acting on the system, they naturally engage their workers – who know what is going on – in improving the system. And this is the heart of the better way. The better way of thinking is to understand and manage your organisation as a system, to understand how the parts work together to achieve the aim. The final paradox is that this is the starting place for improving your productivity – to understand your current organisation as a system, for it IS a system, regardless of how you currently manage it.

The next steps will take you through some simple exercises to do just that; but be warned. If yours is a traditional, functional, hierarchical organisation with all the attendant features, be prepared for some shocks. You will discover for yourself that what you currently do doesn't work very well. It could give you the impetus you need to make a substantial change. I hope it does, for the future belongs to leaders of change.

This series *Six steps to improving productivity* is based on *The Vanguard Guide to Understanding Your Organisation as a System*, published by Vanguard Education. Downloaded from www.lean-service.com – improve service and cut costs.

About the Author

Professor John Seddon



John Seddon is an occupational psychologist and management thinker credited with translating the Toyota Production System (TPS) for service organisations.

John began his career researching the reasons for failures of major change programmes. This led him to W Edwards Deming, whom John credits with introducing him to the importance of understanding and managing organisations as systems and Taiichi Ohno who showed the practicality and power of doing so in manufacturing. The economic performance of the TPS is legendary. John has translated the principles behind the TPS for service organisations. In service organisations change can be much faster than in manufacturing, but managers firstly have to change the way they think.

In his time John has been a leading critic of management fads, in particular ISO 9000, which he describes as being based on bad theory. Most of his criticisms of management and their fads are based on his view that it is management thinking that needs to change. John has been an ardent critic of the government's approach to public sector reform, in particular the adverse consequences of targets and specifications. These, he says, are components of the 'command and control' philosophy which, he argues, is a failing management paradigm. John proposes instead managers learn to adopt a systems perspective.

John is a visiting professor at the Lean Enterprise Research Centre, University of Cardiff. He is an entertaining, controversial and informed speaker. John's latest book (*Freedom from Command and Control*, see page 21 for John Lucey's review of the book) and other publications are available from the Vanguard web site: www.lean-service.com or direct from Vanguard, Villiers House, 1 Nelson Street, Buckingham MK18 1BU.