

# Leading Transformation – Managing Improvement



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# How will “Managing for Quality” change?

- Session 1 Making Quality-Based Executive Decisions
- Session 2 Leading Transformation – Managing Improvement**
- Session 3 Designing Quality as an Inclusive Business System
- Session 4 Conducting Executive Inquiries and Formulating Strategy
- Session 5 Understanding Japanese-Style Strategy Management
- Session 6 Learning to Lead Change – Triple-Loop Experience
- Session 7 Engineering Management – Designing Future Firms
- Session 8 Understanding the Financial Component of Quality
- Session 9 Reflecting on Strategic Implications of Attractive Quality
- Session 10 Discovering Profound Insights of Operational Excellence
- Session 11 Defining Quality to Apply to Everyone, Everywhere
- Session 12 Managing for Quality Amidst Digital Turbulence

# Summary of Session #2:

This presentation describes how *quality managers need to become the “change masters”* within their organizations. It describes three distinct improvement approaches that are necessary to include in any strategic management process:

- **Improvement** as a “**work changer**” for increasing quality, efficiency, and cost management.
- **Breakthrough** as a “**technology changer**” for developing productive systems through equipment and software technology integration projects.
- **Transformation** as a “**game changer**” for shifting strategic direction of a firm based on industry, market or product changes in its purposeful intent and operating culture.

The presentation closes by contrasting perspective shifts in decision-making strategy and managerial responsibility that occur across these unique structural environments.

## QM/OE Focus Areas:

- **Leadership,**
- **Strategic planning,**
- **Management methods,**
- **Quality tools,**
- **Supply chain,**
- **Customer focus,**
- **Learning and development**

# Abstract of Session #2:

The objective of this webinar is to make sense of change management. Three terms are used to describe change: improvement, breakthrough and transformation. It is interesting that Juran focused on improvement and breakthrough while Deming had a focus on transformation. Investigating distinctions between these areas shows a real difference in thinking between Juran and Deming. If the quality manager of the future is to act as a “change master” in their organization, then they must learn this distinction and how to manage its application across organizational levels.

This webinar will describe three distinct operational strategies for managing change in organizations that must be mastered by quality leaders who are coaching their executive team in the three approaches to improvement for change management. These three strategies are necessary for inclusion in an organization’s strategic management process as they have differing impact on both daily management systems and the process of strategy formulation and deployment (e.g., hoshin kanri):

- Improvement as a “work changer” for efficiency, quality and cost management.
- Breakthrough as a “technology changer” for changing productive systems through equipment and software projects
- Transformation as a “game changer” for changing the direction of a firm based on industry, market or product changes in purposeful intent.

The webinar closes by presenting a matrix that contrasts these three change strategies with the focus of different organizational levels that are charged with their execution and the application of quality management methods that should be applied in order so these “change management strategies” operate effectively and efficiently to gain improvement goals desired by the organization’s governance function.

# Learning Objectives for Session #2:

## **Learning Objective 1:**

Understand the distinctions between change and improvement.

## **Learning Objective 2:**

Discover how the three categories of improvement operate and how they combine to create a systematic approach for organizations to “change for the better.”

## **Learning Objective 3:**

Learn how management and leadership activities approach improvement using these three different categories to generate systemic increase in the performance of their organizations through blended strategies that create the effect of continuous improvement.

# Stability is an unnatural state of existence ....



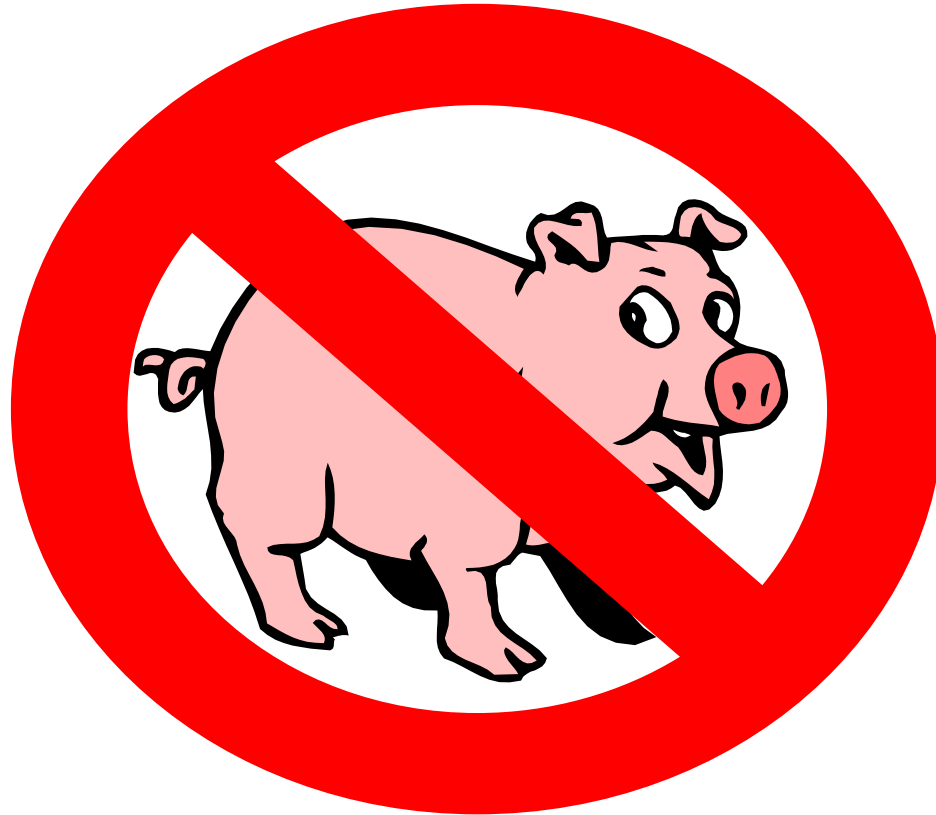
***“Insanity is doing what you have always done and expecting a different result.”***

***~ Albert Einstein.***

**Don't do things the same old way: if you always do what you have always done you will always get what you have always got!**

# Change abandons old ways of doing things:

**We can't do things the Same Old Way!**



## Either we manage change or change management!



# Do we want growth or development?



## **Growth:**

More of the **same** – increasing in capacity or volume.

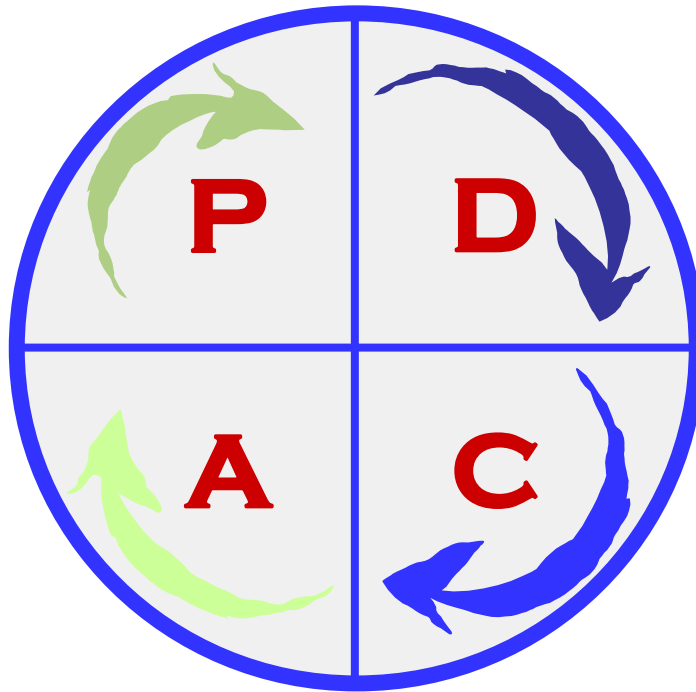
## **Development:**

More that is somehow **different** – increasing in capability or competence.





# A Japanese aphorism for change:



**P**LEASE

**D**ON'T

**C**HANGE

**A**GIN!

# Do we want change or improvement?

**MAKE  
CHANGES**

## **Change:**

Doing things **differently** than they were done.

## **Improvement:**

Doing things **better** than they were done!



# Leading Transformation – Managing Improvement



**Greece** – Philosopher Heraclites: **Everything exists in a state of change**: you can't step into the same river twice!

**China** – I Ching – The Book of Changes: **Change is either auspicious** (of good luck) **or inauspicious** (of bad luck).

**Japan** – Kaizen – the way of improving: **Change for the better!**

# Leading Transformation – Managing Improvement

**Change management** applies a **structured approach to transition** an organization from its current state to the desired future state that has the capability of achieving its purposeful benefits.

**Managing change for the better** applies either: **continual improvement, breakthrough** or **transformation** to create the future state. Each approach is designed to integrate managerial structure, system capability, and human competence to manage transitions and also mitigate the unintended or negative consequences of change.

# Leading Transformation – Managing Improvement

## Part 1:

Understanding the nature of:

## Continual Improvement

# Job #1: Manage Strategy by Leading Change

**There are three approaches to develop and deploy strategy:**



Strategic Management will deploy choices about organizational policy into action in order to achieve the long-term objectives. Different approaches define a systematic way to apply resources as a means to achieve its purposeful goals:

- **Grand Strategy:** *Obtains and deploys resources* to achieve the strategic or required performance capability.
- **Operational Art:** *Positions resources* to direct the organizational energy to achieve specific operational results.
- **Tactical Operations:** *Specifies action and deploys methods and tools to execute a strategy of improvement* and achieve desired results at the organization's working level.

**These three operate as a system!**

# Three Mechanisms for Deploying Change:

**Grand strategy** converts financial resources from investor-customers to working resources that enable operation of the daily management system, so it produces value for the consuming customer.

**Operational art** deploys or allocates resources to create operational capability which may be coordinated to assure quality in daily management outcomes.

**Operational tactics** applies work procedures to tactically coordinated to deliver predictably good results while preventing occurrences of failure in the delivery of customer experience with products and services.

**Change must be deployed into the daily management system of an organization.**



# What is the meaning of a “gemba” at work?

Aristotle said excellence is the result of habit – doing routine work in the best possible way consistently over time.

## **Gemba** (現場)

### 5W + 1 H QUESTIONS:

What happened?

Who was there?

When did it happen?

Where did it happen?

Why did it happen?

How did it happen?

### ANSWERS:

Survey – conduct a detailed scrutiny

The King – executive function

At Sunset – end of working period

At the point of doing the real work

To understand the real thing

Personal activity required to notice

**Transforming organizations requires that executives study their gemba and initiate actions that will make it better.**

# Taiichi Ohno on the “gemba” concept:

**“You can view office work the same as the production floor where we make things. *You can have the “gemba philosophy” for administrative work by identifying your administrative gemba.*”**

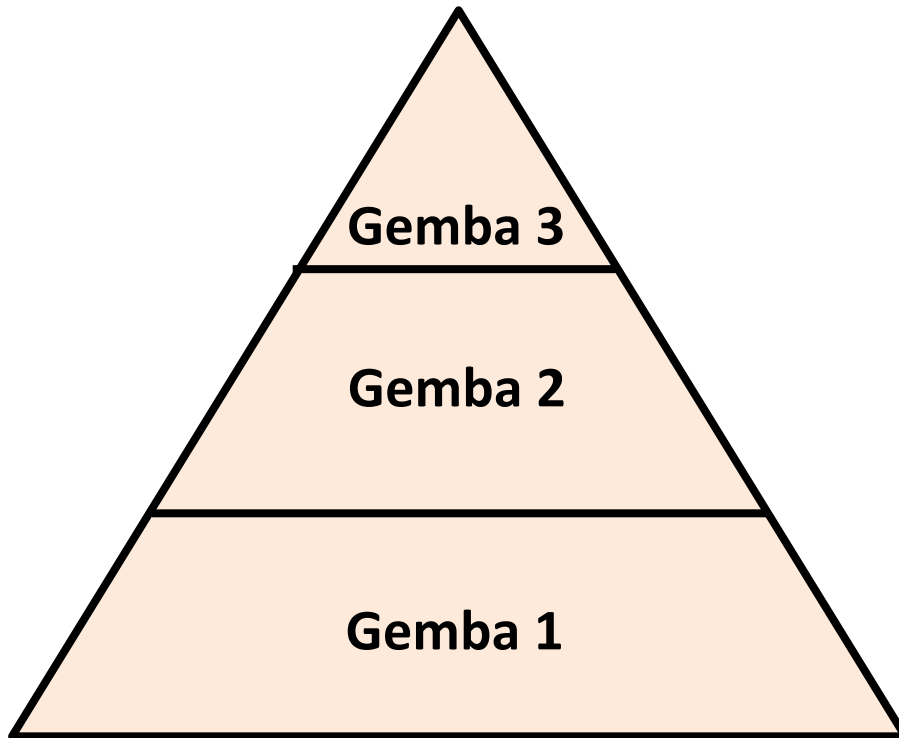
“Managerial departments think they do not need supervision. They cannot see the work.”

“White collar workers ... tend to get rotated out of their position. That is why nobody is looking at what is happening with their work. After a few years of doing one thing, they move on to another position. Nobody really checks to see what they did while they were there.”

~ Taiichi Ohno  
***Workplace Management***

# Structuring comprehensive change programs:

## Creating a pragmatic model for change management:



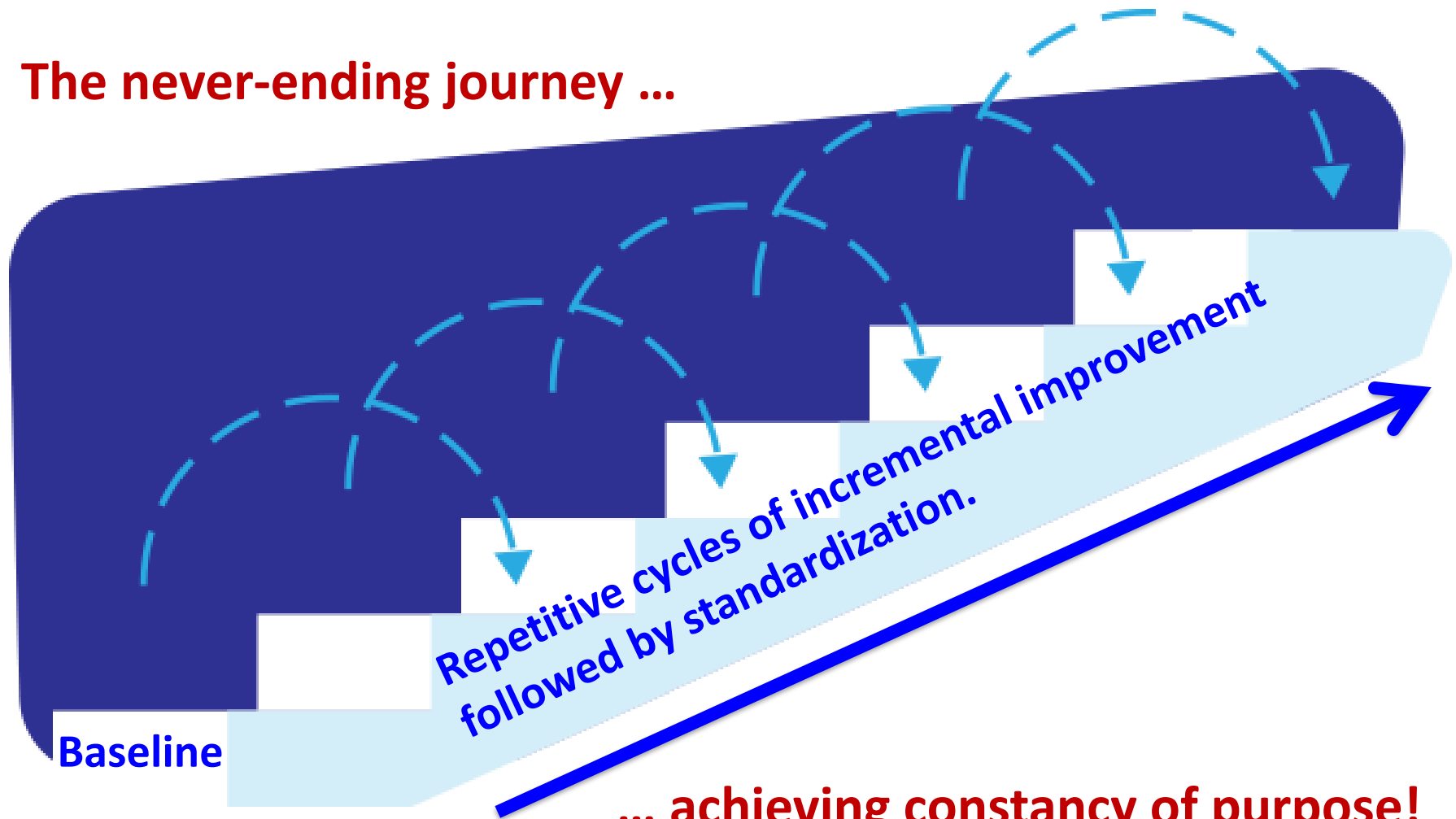
How does strategic change that creates improvement happen within and across these organizational levels?

Is the internal idea of change the same as the external concept?

Comprehensive change is integrated across the whole organization.

# How does “continual improvement” operate?

The never-ending journey ...



... achieving constancy of purpose!

Constantly seeking a better way to work!

# Continual Improvement:

*A structured approach to management that applies constant effort to improve performance through repetitive learning cycles using an integrated SDCA / PDCA process to achieve change applying both incremental and breakthrough projects.*

# Change on the First Order:

## Continual Improvement:

### Work Changer – Process-Oriented

**The evolutionary, incremental improvement of work and deliverables by reducing lags, leaks and friction that cause waste or inefficiency, resulting in financial losses to an organization and its customers, or by society.**

# What is “continual improvement” of work?



Henri Fayol (1841-1925), author of *General and Industrial Management* (1916):

Managing requires “a ***constant search for improvements*** that can be introduced into every sphere of activity.”

“The search for improvement should be pursued unceasingly at all levels and throughout all parts of the business. ***The executive in charge should have an active, unrelenting intent to effect improvement.***”



# Continual improvement is a marathon!



- The executive in charge must maintain the constant intent to pursue material improvements.
- Workers also must be alert to discovering better ways to do their work.
- In all aspects of work lags, leaks and friction that create waste and inefficiency must be eliminated thereby reducing the cost of work transactions.

# Leading Transformation – Managing Improvement

## Part 2:

## Understanding the nature of:

# Breakthrough

# How does “breakthrough” operate?



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**“Disruptive change in an organization’s infrastructure, technology, or market that causes a ‘step function’ change in performance.” ~ Joe Juran**

# What did Juran say about “breakthrough”?

## ***Incremental or Evolutionary (Continual) Improvement:***

- Relatively small steps in progress, one-step-at-a-time.
- Slow but steady increase in the capability of a single process.
- Low-cost, low-risk, low-complexity, low-effort improvements.
- Typically implemented by front-line workers within their own process.
- On-going, relentless effort to drive improvement in all business areas.

## ***Breakthrough or Revolutionary Improvement:***

- Projects that make “step-function” change all at once.
- Projects tend to be major, cross-functional activities.
- Projects may be formally designated by management and assigned a full-time project manager.
- Projects tend to be facilitated by using new generation technology.

# Change on the Second Order

## Breakthrough:

### Technology Changer – System-Oriented

**A step-function change in work performance that occurs by introducing technical change to products, services, or processes, resulting in an increased capability and/or capacity of a productive system, or enhanced competence of the individuals who deliver the productive output of that system.**



# What occurs in a “breakthrough” change?



- An **important discovery** that provides answers to a persistent problem.
- Activity that **extends key performance capabilities** to levels or conditions that are well beyond the current state.
- Acts **removing constraints or obstacles** that lie in the path of achieving a vision.

# How should we interpret “technology”?

- **Technology Change:** increasing system-wide performance drastically (e.g., either in equipment (like automation equipment or material handling equipment) or software (e.g., either dedicated production support software or enterprise-wide systems software)).
- **Production Process Change:** transforming the flow of business using innovative work processes (e.g., implementing kanban, heijunka, or a major change process) or a change in operating business model that addresses customers or markets in innovative ways (e.g., opening either opening new markets or creating new products).
- **Workforce Competence Change:** enabling new ways of thinking or operating that supports technoshifts (i.e., digitization, nanotechnology, or robotics).



# Breakthrough shifts our way of working:



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**Applying technologies to fundamentally  
re-imagine how we work!**

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## Part 3:

## Understanding the nature of:

# Transformation

# How does “transformation” operate?



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**Transformation changes systems...**

**... and the way people work in them!**

# Change on the Third Order:

## Transformation:

### Game Changer – Culture-Oriented

**Disruptive change occurring in organizational positioning by shifting the intent, purpose, or culture of an organization or the mindset of its employees in a way that will fundamentally and dynamically alter the form or operation or way that effectiveness is delivered.**

# Deming on Transformative Role of Leaders:

W. Edwards Deming in *The New Economics* (1992, 1994) stated:

- “Understanding of profound knowledge will lead to transformation of management. The transformation will lead to adoption of what we have learned to call a system with a stated aim.”
- “Transformation in any organization will take place under a leader. It will not be spontaneous.”
- “The job of a leader is to accomplish transformation of his organization. He possesses knowledge, personality, and persuasive power.”
- “To accomplish transformation ... (a leader also) understands .. What would bring gains to the organization” and “is compelled to accomplish the transformation as an obligation to himself.”

# What is “transformative” change?



Transformative change **creates the future operating system** of an organization and the system that it needs to address its future challenges.

It is a **designed approach** that **creates a culture and system of operations** which will deliver the performance required in an expected future state.

# Effective transformation is an executive job!



## Role of the executive function:

- Establish the meaning, significance and urgency of forces driving transformation.
- Communicate clearly the strategy as well as the rationale driving this need for the transformation.
- Act as a role model of the desired set of behaviors required as a result of change.

## Role of the quality professional as a trusted executive advisor:

- Coach executives in the actions they need to take to accomplish their role in transformation.
- Facilitate the integration of transformation activities across the levels and functions of the organization.
- Support change management teams in their improvement activities.



# Leading Transformation – Managing Improvement

## Part 4:

## Understanding the Roles of:

# Management and Leadership

**Systemic change = designed improvement!**

# **Transformation** **...going beyond change**



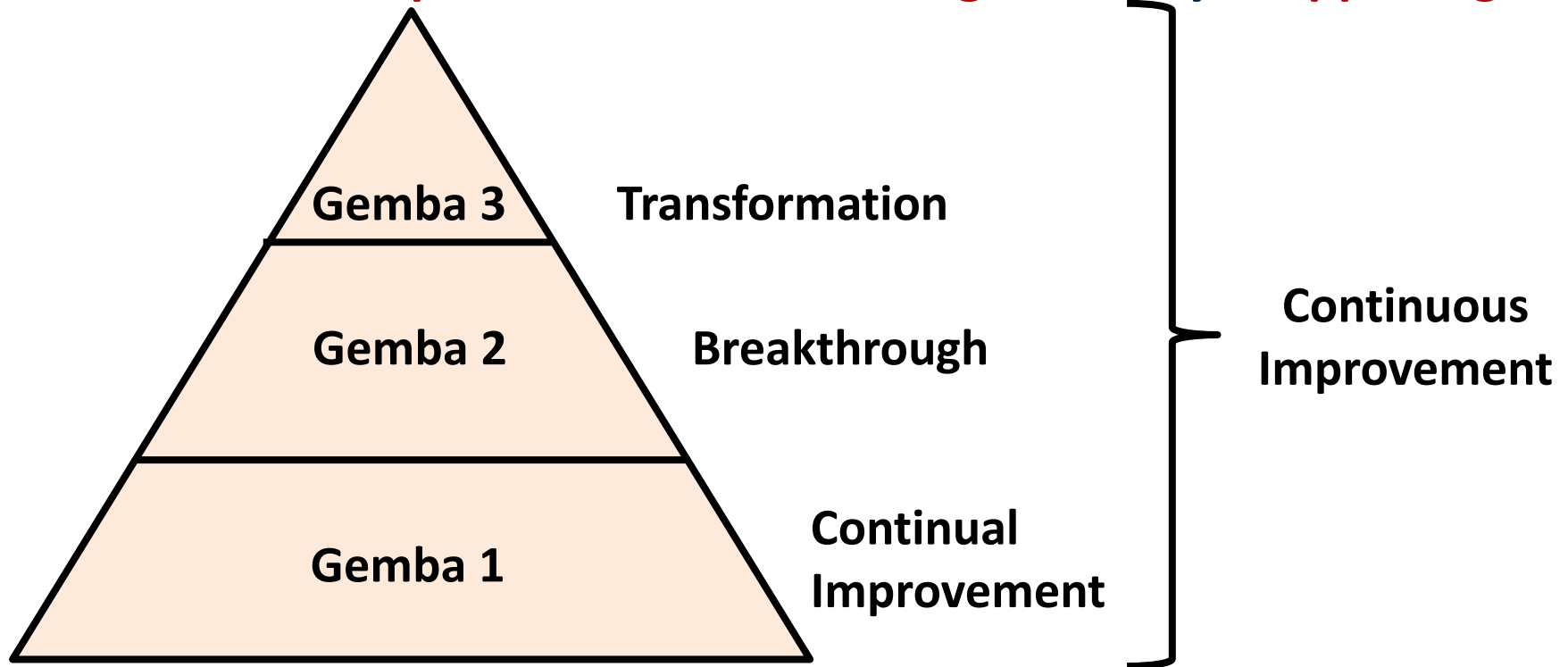
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**At each level of change ...**

**... the operating system is different!**

# Structuring comprehensive change programs:

Managing change projects internally is one perspective; but, from an external viewpoint, it looks like change is **always** happening!



Collective activity coordinated across an organization enables the management of comprehensive change!

# Managing Across Organizational Gemba:

The nature and structure of each Gemba changes in both focus and content and must be improved in different ways!

Quality Characteristic	<i>Gemba</i> (現場) #1	<i>Gemba</i> (現場) #2	<i>Gemba</i> (現場) #3
Customer Focus	Workers	Customers	Owners
Work Objectives	Work Productivity	Work Priority	Work Profitability
Dominant Function	Perform/Operate	Supervise/Manage	Command/Control
Performance Focus	Flow Efficiency	Productivity	Resource Efficiency
Performance Approach	Quality/Efficiency	Productivity Growth	Financial Growth
Quality Mindset	Right the First Time	Serve the Customer	Get Business Results
Team Approach	Work Group/Circle	Program/Project	Committee/Council

Together this system of change projects appears,  
from an EXTERNAL customer perspective, as

**Continuous Improvement!**



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# Develop a structured approach to change:

## Step 1: Understand & document – Are we doing the right things?

- Reduce fear of change and involve employees to develop shared understanding.
- Rationalize and document standard work processes.
- Develop a predictive work process measurement system.

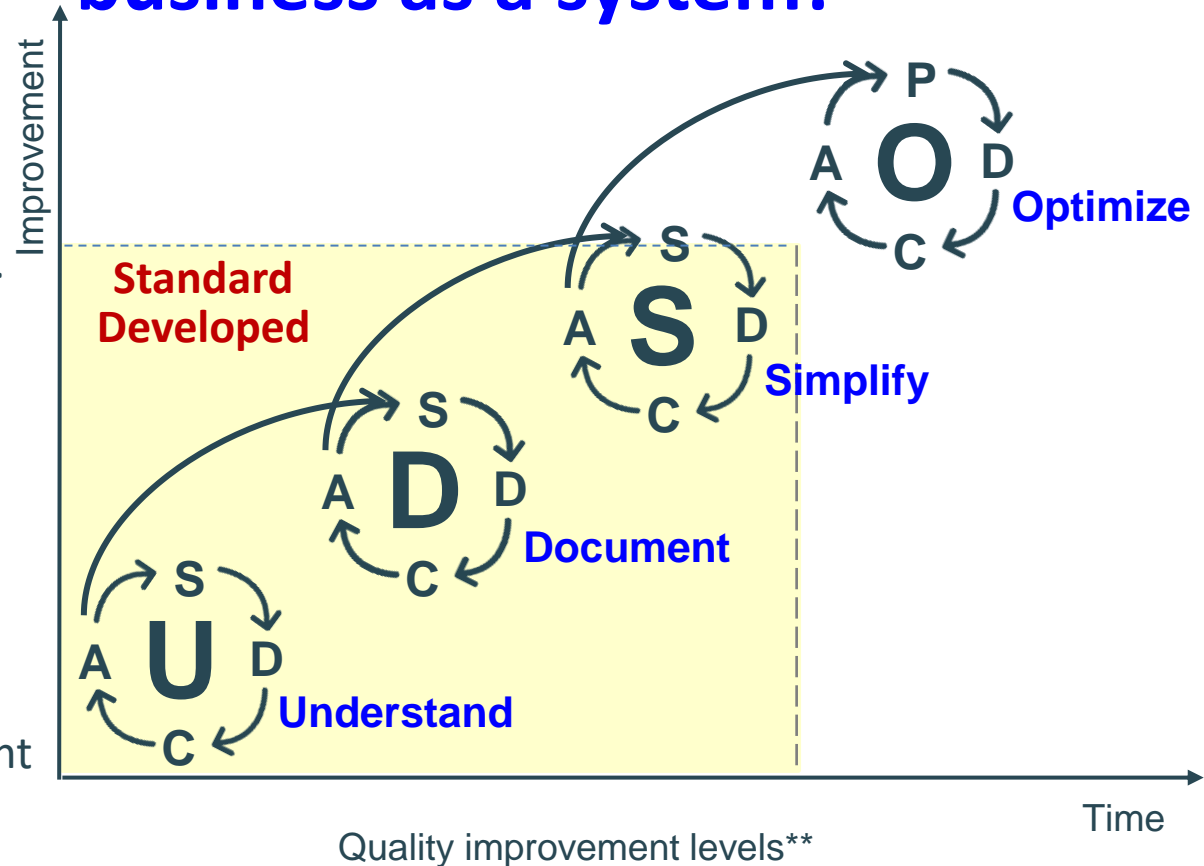
## Step 2: Simplify – Are we doing the right things right?

- Improve processes: reduce defects and cost, eliminate performance variation

## Step 3: Optimize – How do we decide what is right?

- Define purpose, set priorities, and link and align improvement effort.

## Learn to design your business as a system!



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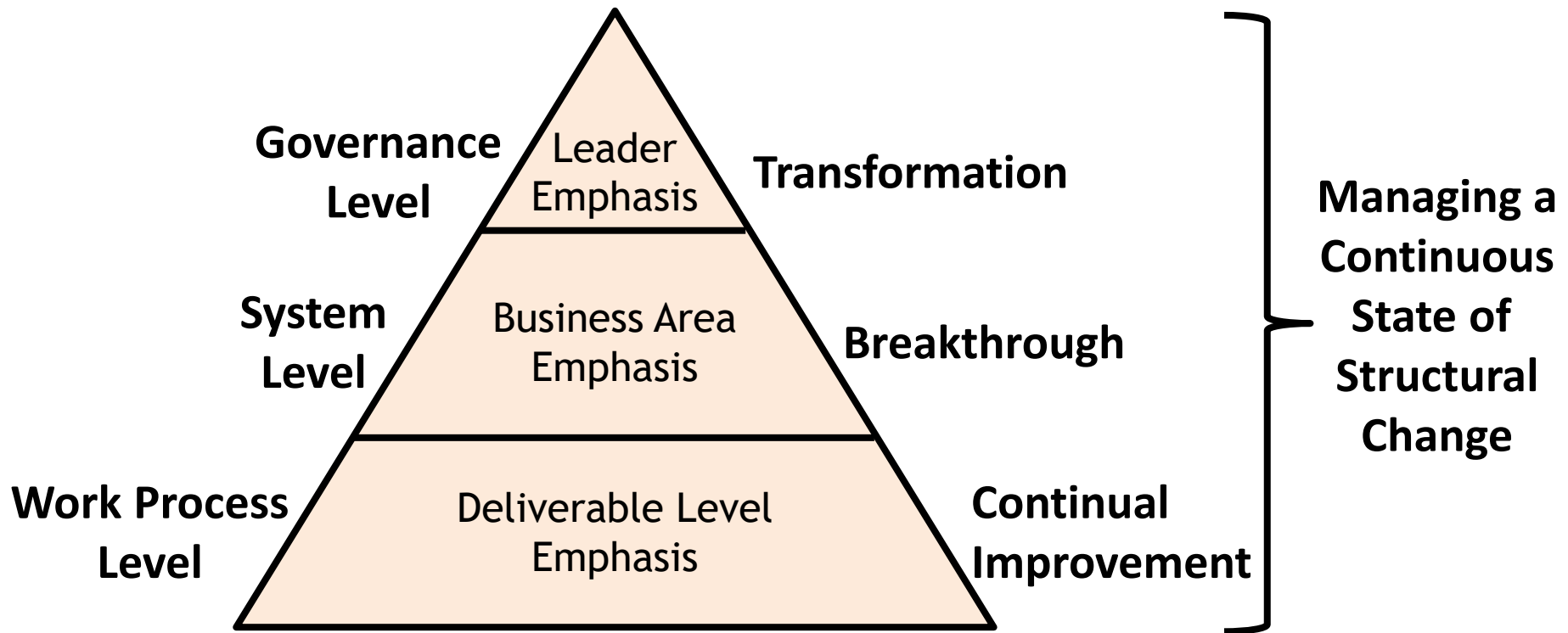
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\* G. H. Watson, Process Management to Enable Growth, 2011

\*\* G. H. Watson, Business Systems Engineering, Wiley, 1994

# Coordinating a Portfolio of Change Projects:

In reality – there exists a **portfolio** of multiple-generation business improvement actions that must be coordinated to drive change.



**Managers improve processes ...**

**... Leaders improve systems!**



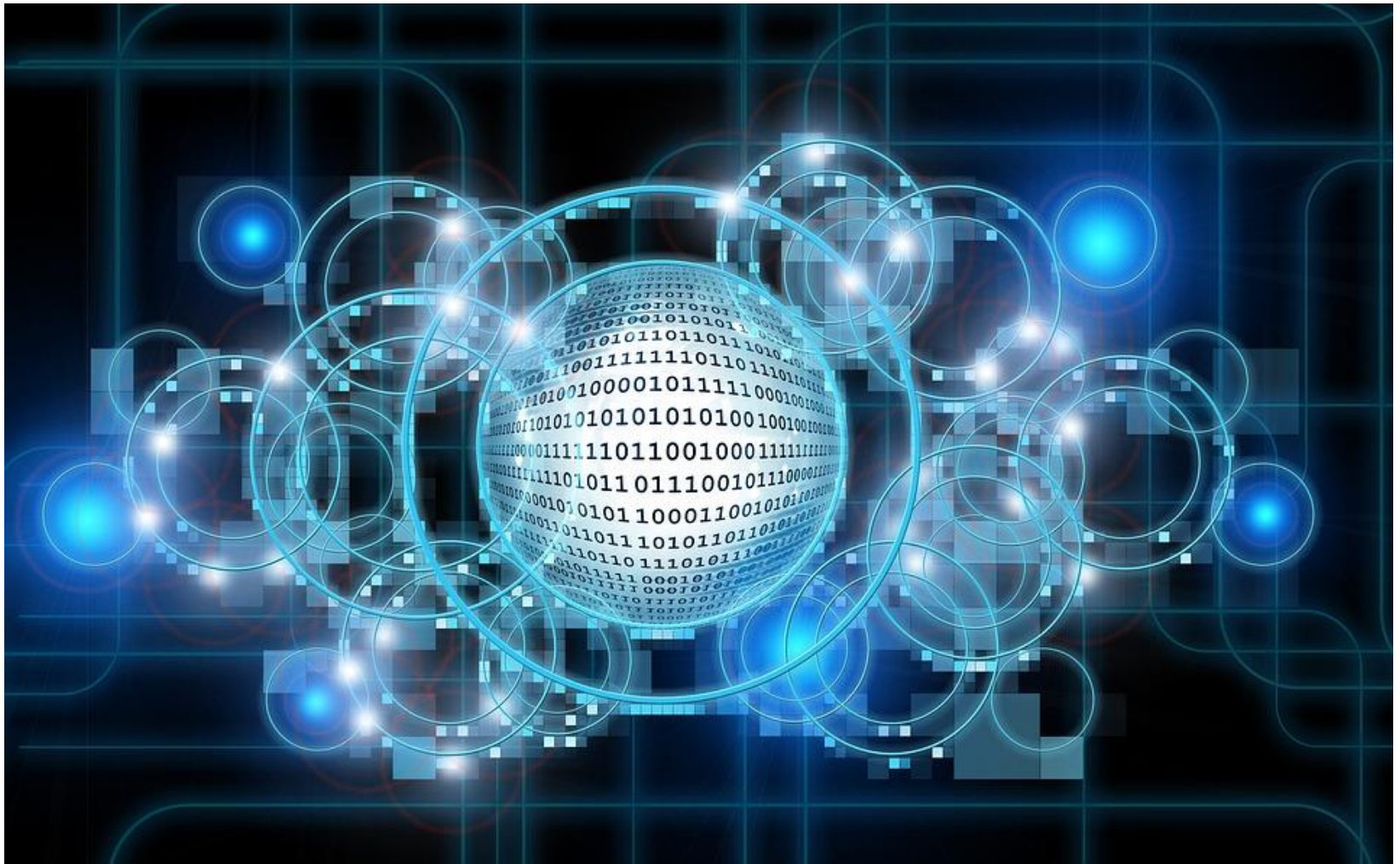
# Take-away – there are no easy solutions!

You can't add **butter** to a **housefly** to create a **butterfly**!



**Designing change into the DNA of the organization is necessary!**

# Design your way to the future of quality ...



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## ... an inclusive business system!





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Thank you

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# Future QMD Webinars – 6:00 PM ET

(unless noted otherwise)

## Managing for Quality Webinar Series by Dr Gregory H. Watson:

- No. 3: "Designing Quality as an Inclusive Business System" April 2, 2020
- No. 4: "Strategy Inquiry, Formulation, and Deployment" April 28, 2020
- No. 5: "Understanding Japanese-style Strategy Management" May 19, 2020
- No. 6: "Organizational Learning – Triple-loop Experience" June 16, 2020
- No. 7: "Managerial Engineering – Designing Future Firms" July 21, 2020
- No. 8: "Understanding the Financial Component of Quality" August 18, 2020
- No. 9: "Strategic Reflections on Kano's Attractive Quality" September 15, 2020
- No. 10: "Insights into the Essence of Operational Excellence" September 29, 2020
- No. 11: "Defining Quality to Apply to Everyone, Everywhere" October 14, 2020
- No. 12: "Managing for Quality Amidst Digital Turbulence" November 17, 2020

**Luciana Paulise:** "Hiring, training and engaging the new generations in quality management" April 20, 2020

**Gary Cokins:** "Strategy Management with a Strategy Map and its Balanced Scorecard" May 14, 2020

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