

The Beautiful System

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It's World Cup hype time again. The "Beautiful Game" commands front and back pages across the world. What about the business pages? Can organisational leaders learn any useful lessons from football? PMI proposes that they could get some insights into building a Beautiful System.

The Beautiful Game

Two hundred years ago, football was a disorganised excuse for a riot, illegal in many places, played occasionally by hundreds of people on feast days. Different towns had different rules, so they could not play each other. Then, in the 1860s, some English enthusiasts created a short book of rules that are still recognisable today; details about the size of the teams, goals, the pitch, the ball, and some rules about playing with the body, not the hands. Within a few years the game had spread around the world, watched by 10s of thousands, leagues developing, internationals possible.

Football now has a universal appeal; it can be watched by anyone, anywhere, with the briefest of introductions, and be played by almost anyone who can walk. It is the dominant force in many people's lives across the world.

Much of the appeal of football remains in its essential simplicity on the pitch. The obvious elegance of multiple passes, or a long-range goal, causes billions to watch in the hope of a few moments of joy, in spite of the need for rules about offside or obstruction. Behind the game itself there are countless ownership and management models, but all come together in front of the crowds.

The beauty is a consequence of having a few simple rules that allow for subtlety. It derives from the process of the game more than the results. There can be joy in a nil-nil draw and little satisfaction from a high scoring game (for neutrals anyway!).

The not-so-beautiful organisation

Organisational management is also practised around the world. Millions of people try to manage the creation of products or services that generate profits or benefit the community. However, management is anything but simple. The rules often change within the same organisation across locations, or from one year to the next, or when a new boss arrives. It is hard to develop your skills when it's not clear what is permitted. Even the goals change, depending on circumstances out of control of the rule makers.

Working life is very unsatisfactory for most. Most participants, leaders and workers alike, would not describe their organisation as beautiful, even those who are committed to their organisation (a natural aspect of humanity).

How has this complex ugliness come about? Is there any parallel with sports that may help leaders create beauty and simplicity in management?

200 years ago, management of organisations was in similar disarray to football. People were struggling with large and complex civil organisations. Starting with shipbuilding, spreading to manufacturing and railways, they responded to their circumstances with all manner of systems for ownership, communication, measurement and control. By the 1920s however, the variety settled down within giant mass production organisations such as General Motors. They made fortunes. In the US and much of Europe it appeared that something equivalent to the rules of football had been codified. Many others tried to learn them, to apply them in their “local league”.

However, these rules were anything but simple, needing years of instruction and practice. But it seemed worth it, and business schools and accounting colleges taught thousands about book-keeping and financial control. In many cases stock and shareholders benefited from the resultant profits. All seemed well. Good game!

The bad news was that customers were not so well served, with often-faulty products, whilst employees, safety and the environment suffered unless supported by vigorous legislation. But no-one made too much fuss about the rules. The teachers taught, and the students passed their exams, achieved their MBAs, applied the lessons at work, thinking their system was doing the best it could.

It turns out that this Western rules system—results and target driven—is not the only game in town. The systems determined by the rules were, and are, indeed doing the best they can. They carry on doing so to this day, but their best is no longer good enough.

The old world started to change in the 1970s. Slowly at first, Japanese cars began to make their mark; being noticed as more reliable and cheaper. As the Japanese makes won market share, Western academics and managers visited the factories, could not believe what they saw, and cried “foul”. They did not accept that some Japanese companies were already more productive than the Big 3 of GM, Ford and Chrysler. By Western rules it was not possible to make the products so cheaply, with so little inventory and investment, therefore they dived, clutching their wallets. They demanded penalties, and were rewarded by governments who only knew the old rules. Import quotas, “buy British” or “Support America” campaigns flourished. Prices were forced up as a consequence, but people kept on buying the products, thus creating extra profit, which the Japanese companies used to invest in production capacity in the West. It did not seem fair!

To crown it all, the Japanese were, and are, prepared to make their rules public, hosting visits, addressing conferences, educating suppliers, sponsoring joint ventures even. Their productivity has moved relentlessly ahead, decade after decade. Surely the West would learn and apply. But somehow, just as Rugby Union, Rugby League and perhaps American football all look similar to a non-enthusiast, so the Western rule guardians could not, cannot, comprehend the game that the leading Japanese car companies are playing. They sometimes try to learn the elaborate skills—Lean or Six Sigma, but think it’s OK to move the goal posts—profit before customers. Then they give up on the tools because they don’t seem to create immediate profit.

A beautiful system

For more than 60 years, Toyota has been relentlessly building its place in the world's automotive market, the toughest commercial sector on the planet. In 2006 they will become the largest manufacturer and are already much the most profitable. Further, all knowledgeable observers are confident that their success will continue, even though their president professes to see great challenges ahead.

What is the secret of Toyota's success? What is so obscure that it has been overlooked by so many researchers even though Toyota educates its suppliers, and hence, indirectly its competitors. What is so obscure that it cannot be introduced into Western companies by recruits attracted from Toyota itself?

The beautiful principles

The non-secrets are a combination of

1. constancy of purpose of their leadership culture—how people think.
 - Optimise the whole system for the benefit of society and the customer.
Contrast this with the culture of your organisation. Almost certainly it will be based upon profit or some target sent from government.
2. a few operating and improvement principles—how people decide and act.
 - Focus the operations on pull from the demand, providing products and services one by one, as far as possible.
Traditional organisations focus on internal efficiencies and convenience such as batch and queue, as anyone who has been through an airport will testify.
 - Create standard operations and get them on target with minimum variation. From sales to research, production to marketing.
In the west we think standardisation means mindless conformance, and encourage everyone to do their best no matter what the confusion to the system.
 - Create standard approaches to improvement. From everyday opportunities to strategic change.
This concept it barely even thought about in the West. Everyone does the best they can at the time, generally introducing new fixes that increase complexity and cost.
 - Create measurement systems that serve the processes, rather than targets that threaten them.
This idea is foreign to the whole results discipline of western accounting.

The result is that managers in the beautiful system find that they are able to operate consistently wherever they move in the world, developing their skills as their career progresses, understanding what the details are even when they become very senior leaders.

One manifestation of the beauty of Toyota's system is their ability to put a new facility into a new country and start it up on time, on cost, producing better products from new recruits than the residents have ever done with years of application of their (ugly) system. Another is to know that they will receive about one suggestion for improvement per month per employee, and apply over 95% of them. For any

manager who has tried to run a suggestion scheme in the West, this is as sublime as a great work of art.

Learning the beautiful system

Western business and accounting schools still do not teach Toyota's methods, By and large they still earn their living repeating the rules that have lead to the near collapse of the old guard. You can read much more in *Profit Beyond Measure*, by H Thomas Johnson and Anders Broms, Nicholas Brealey, 2000, ISBN 1-85788-268-7

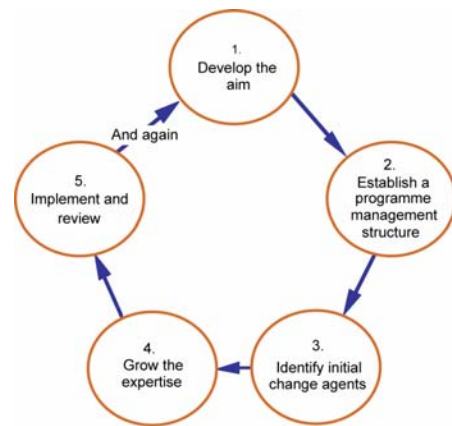
PMI has worked for more than 20 years to gain insight into the success of Toyota and others like it, in order to be able to help organisations and individuals to transform their approach to leadership and improvement. We can show how the application of these principles can improve your results, and to create systems which have some beauty of their own.

Create your beautiful system

It is not possible to copy the Toyota system, any more than it is possible to copy Real Madrid (or even your local recreation park team!) However, you can draw upon their theory and practise to inform yourself as you lead your own system.

PMI's systemic leadership model works at global and local scales, integrating the concepts of strategic leadership with the practicalities of supporting key improvement projects and training internal expertise in process management and improvement techniques.

1. The senior management learns how to see their organization as a system, building alignment on its purpose and priorities for change. A small, controllable, initial phase is developed.
2. We create a system of planning and review, to control the resources and ensure that the top management gets good feedback as the work progresses.
3. They identify the very best people to lead the initial projects, and also those who will be managing the processes that are developed, after the project team has moved on.
4. Training is provided for senior managers, project sponsors, project team leaders and members, process managers and operators, always delivered in the context of the organisation's current circumstance.
5. Key projects are led by trained people, sponsored by educated senior managers, interacting with process managers who are developing their own expertise.
- The work is reviewed in the light of the original aims, the objectives of the project work, and the impact upon those around the activities. This provides the basis for the next phases. They too will be developed with their leaders, endlessly adapting to the environment at that time.



Those who take part in such a programme find their lives are transformed. When they are clear about the overall objectives, of the intention to improve the organisation on the customers' behalf, they see it as the right thing to do.

As they experience the project and process work, and realize the power of the methodologies for them to make a better contribution, their enthusiasm grows and grows. They feel good. They see a whole new opportunity for beauty in their lives.

Jane Seddon and Jan Gillett own Process Management International Ltd, based in Meriden, in the West Midlands of the UK. They have presented in many conferences ranging from the British Deming Association in the early 90s to the International Congress for Quality in 2002 and Tokyo in 2005, as well as at the ANQ in Delhi and Taipei.

PMI was founded in 1984 and consults and trains clients in systemic and systematic business improvement and Six Sigma all over the world. We have a unique approach to improvement encompassing all aspects of change including strategy, system based improvement and most importantly people processes. This approach is augmented by a robust methodology of unparalleled pedigree.

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