



The Fit Organization:

HOW TO CREATE A CONTINUOUS-IMPROVEMENT CULTURE

‘Fit’ companies don’t get that way by accident: they intentionally pursue a course of action that makes them stronger and more agile over time.

By Daniel Markovitz

FOR MORE THAN 20 YEARS, leaders around the world have been fascinated by the Toyota Production System. The system — known as ‘lean’ — has made the automaker one of the most successful and admired companies in the world, and as a result, the benefits of applying lean manufacturing principles to any kind of organization are now well known: greater profitability, higher quality, lower costs, and improved employee engagement — to name a few.

Unfortunately, while many have tried, few organizations have actually achieved a lean transformation. The reasons for this are varied: some leaders can’t make the intellectual leap required to translate a system from auto manufacturing to, say, healthcare or banking; and in other cases, the Japanese jargon — *heijunka*, *kanban*, *muda* — is too high a hurdle to overcome, and lean is never seen as anything but an alien way of working. I would argue that trying to be like Toyota is their key mistake: what leaders need to do instead is learn — from Toyota — how to convert their flabby organizations into ‘fit’ ones.

I define a fit organization as ‘a dynamic, constantly-improving, profoundly customer-focused entity that delivers superior performance and results over the long haul’. As evidenced by Toyota, becoming this kind of organization rests upon six principles:

1. Making an unshakeable *commitment*
2. to *increase value* by
3. Doing the *right work* (things that deliver value to the customer)
4. In the *right way* (through standard work)
5. With *continuous monitoring*
6. And *structured coaching* for everyone (using a scientific method).

These principles are the subject of the six chapters of my latest book [*Building the Fit Organization*], in which I distill critical principles from Toyota’s ‘lean playbook’. The core of lean is founded on the concept of *continuous improvement* in both products and processes and the elimination of non-value added activities. In this article I will share some of my thinking about this universal principle of organizational fitness.

The Improvement Imperative

In a 2014 *New Yorker* article, James Surowiecki made the case that the biggest change in performance over the past few decades isn’t that the best performers in various fields are so much better than they used to be — although they are; but rather, that so *many* people in these fields are so extraordinarily good.

For example, in the 1970s, only two chess players had ‘Elo ratings’ (a measure of skill level) higher than 2700. These days, there are typically more than 30 such players. Likewise, the quality of classical musicians has improved dramatically — to the point that piano virtuosos are now, as *Times* music critic **Anthony Tommasini** has observed, “a dime a dozen.”

The story is the same for professional athletes. Innate athletic ability is now the bare minimum requirement for success; what really matters is a relentless *commitment to practice and improvement*. Gone are the days when professional baseball and football players sold insurance or laid bricks in the off-season; today’s pro athletes spend that time honing their physical condition — and any athlete that isn’t willing to commit to fitness and improvement isn’t going to compete at that level for very long.

The business world has seen the same shift. In the decades after World War II, American manufacturers dominated, unchal-

lenged by foreign competition. However, with dominance came complacency, in the form of low productivity and poor quality. One 1969 study found that 30 per cent of the people who bought a new American car that year judged it to be in unsatisfactory condition; in 1974, service calls for American televisions were five times as common as for Japanese televisions; and in 1979, it took American companies more than three times longer than Japanese firms to manufacture their TVs.

With the arrival of foreign competition — primarily from Japan — the imperative to improve became unavoidable. But for some companies and industries, it was too late: the U.S. television industry, which had more than 90 manufacturers in the 1950s, ceased to exist in any meaningful way when **Zenith** was sold to Korea’s **LG Electronics** in 1995.

By contrast, the U.S. auto industry has survived — but only by dramatically improving product quality. As in sports and music, however, the gap between the best and the worst in

What a Nutritionist Can Teach Us About Business **by Matthew E. May**

Not long ago, I decided to enlist the guidance of a nutritionist. I liked the results I was seeing in one of my regular tennis partners: I had observed him gradually getting faster and less-winded than he used to — and unfortunately for me, winning more of our matches than ever. When I asked him about his ‘program’, he informed me that he had been under the watchful eye of a nutrition expert, and happily shared a referral.

The truth was, I should have had a lot more energy. I wasn’t eating much and I exercised like a maniac — playing tennis, mountain biking, and stand-up paddle boarding on a regular basis. Over the course of two short weeks, what I learned about nutrition was contradictory to nearly everything I thought I knew. Most surprisingly, I found that these lessons have parallels to business.

I stand 5’ 10”, and on my initial visit to the nutritionist, weighed in at 183.5 pounds, carrying 19.9% body fat — not exactly the pinnacle of athleticism. The first thing I learned was that I was starving myself: in an effort to get leaner and faster, I was barely consuming 1000 calories a day — and the means by which I was consuming them was entirely wrong for my metabolism. Through a body-composition measurement, blood test and lipid profile, my nutritionist was able to tell me my exact eating patterns. He then advised me that my metabolic type fell into the 3% of the population that is equally efficient at burning fat, carbohydrate and protein. It turns out, 74% of the North American population is fat and protein efficient, and 23% is carbohydrate efficient. Clearly, this is why one-size-fits-all diets don’t work.

Essentially, my eating habits were shutting my metabolism down, making me ‘run cold’. For someone of my composition, I should have been consuming far more than 1,000 calories — and in completely different categories. Here’s what was happening: when I reduced my calorie intake, my body perceived it as a starvation threat, and cooled its metabolic rate down in an effort to become more efficient. As I kept cutting calories, my body

perceived it as trauma, and further cooled down (i.e. slowed), causing me to hoard fat to survive. My metabolic engine then looked to a new source of fuel for energy, consuming muscle tissue that had no caloric support for repair. As it used muscle tissue for energy, my lean muscle mass declined, while fat stores remained constant, or elevated.

As I became more sluggish and tired, I started craving sweets and fats, and my body’s release and utilization of insulin and blood sugar became inefficient. When my weight started to rise, I became emotionally distraught and started binging. My blood sugar levels became sporadic, creating an inability to utilize nutrients effectively.

Lesson 1: Business as a Body

What I was doing to my body is not unlike what happens in many companies. In its early days, a start-up grows like crazy, progressing through adolescence and young adulthood before maturity sets in. At this point, the founding group is not necessarily complacent, but is likely comfortable; growth slows, and at some point, performance isn’t what it used to be. Layers have been added, silos erected, and the vim and vigour that once characterized the company is somehow missing.

Innovation wanes, and competitors start nibbling at market space. Costs swell in proportion to growth, and senior management puts the squeeze on to stem the tide; in other words, they ‘go on a diet’: they make cuts and then cut some more, eventually begin burning the equivalent of lean muscle tissue. Speed bumps get put in place, and all of a sudden, good ideas — those essential creative nutrients — aren’t getting implemented.

Because opportunities aren’t being properly ‘fed’, the company’s metabolism slows even further. Management begins looking for silver bullet programs — grasping at the latest management fads. With all good intention, the company starves itself, unable to figure out why it keeps slowing down.

the industry has shrunk: in 1998, **J.D. Power and Associates** found that the most reliable car had 92 problems per 100 vehicles, while the least reliable had 517 — a gap of 425. By 2012, the gap had closed to 284 problems. As J.D. Power's **Dave Sargent** has said, "We don't have total clunkers like we used to."

And it's not just cars: despite increasing complexity in nearly every category you can think of — from cell phones to planes to computers — quality and reliability has continually increased. The overall lesson is clear: improve, or face extinction.

Making Improvement a Daily Habit

Don't try to find a spot on the StairMaster at your local gym on January 8th. The busiest week of the year at any gym is the second week of the new year, when — fueled by an excess of calories from the holiday season — people make resolutions to get fit. Of course, by February, everything is back to normal, and you could toss a football in the gym without hitting anyone.

Organizations aren't that different. Preceding each new fiscal year, senior management announces its goal to capture the top spot in the marketplace, rolls out 37 new strategic initiatives, and vows to elevate employee engagement. By the second quarter, it's business as usual: people get caught up in trying to make the quarterly numbers and employees feel no more connection to the company's vision than they did before. The organization loses momentum, fails to achieve its stated goals, and waddles along until the next annual strategic off-site, when the cycle repeats itself.

For both individuals and organizations, the root problem is the same: there may be a stated goal — 'lose 15 pounds' or 'be #1' — but there is often no clearly-defined program to reach that goal. If there is, it is often the latest fad, promising results with minimal effort. More importantly, for people who abandon their fitness efforts, going to the gym and exercising is something that remains external to the daily flow of their lives:

Lesson 2: Small Lots, High Frequency

My nutritionist wanted to reverse my downward-spiraling metabolic rate. "We need to rekindle your fire," he said, before bumping my caloric intake by 50%. But the real secret was *how I would get* that 50% more: six meals a day — three larger and three smaller ones, roughly two hours apart — each strategically arranged in a specific mix of carbs, protein and fat, to play to my metabolic profile.

Having worked with **Toyota** for close to a decade, the process reminded me of its Production System, a lean and just-in-time manufacturing process that is focused on achieving higher quality, lower costs, and shortest lead time through a method known as 'small lots, high frequency'. This is the exact opposite of most traditional assembly processes — which use a 'large batch and queue' approach.

Lesson 3: Information is Like Water

In terms of the specific form in which my new mix of calories came, it was essentially single-ingredient items: an egg, an apple, a carrot, some nuts. I loved the simplicity of this, and felt like I was constantly eating, but that's not all. The doctor ordered me to drink five liters of water every day. Yes, you read that right: *five liters*.

This was the most difficult part of my 'new way to eat'. I didn't know how important water is to metabolism — acting as a catalyst for the transport of nutrients, a thermostat, and a key insulator against temperature swings. If your water level is low, your body perceives it as trauma and stores fat under your skin to protect the body. In a way, water is even more important than food. "Miss a meal; but do NOT miss irrigation," my nutritionist advised.

In business, not only can you starve your company of the creative fuel that it needs, you can also dehydrate it. The equivalent of water in today's organizations is information, which must be both copious and free-flowing — otherwise, people will hoard it, and a lack of free-flowing, transparent information will eventually wreak havoc on both innovation and performance.

Lesson 4: Little Shifts, Big Difference

After two weeks of eating correctly and drinking water constantly, my body fat dropped by three per cent, and I lost five pounds. Because of the change in my body-fat-to-muscle ratio, that really meant I had lost six pounds of fat and added one back in muscle. Yet I didn't do anything special — exercise-wise — to gain that muscle. It turns out that nearly all of your body's muscle-building ability comes from your diet — not from exercise.

It's important to note that I was never 'on a diet', in the traditional sense of the word. I was creating an entirely new way of eating. The challenge of using only single-ingredient food items forced me to be creative. To this day, this simple constraint produces endless recipe options.

On the 90th day of being under the nutritionist's watchful eye, I weighed in at a lean 162 lbs., with 9% body fat. I am now stronger and more energetic, and my performance has improved dramatically: I have been winning more tennis matches and bike races than ever before. I can't think of a business that wouldn't want similar results.

As I discovered, the health of a company works much like the health of the human body: both need proper care and feeding to maintain performance. Are you inadvertently starving or dehydrating your company? As indicated herein, it's easy enough to reverse.



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it is viewed as a chore that requires additional time and effort — not as something that is as fundamental to their life as, say, going to work or brushing their teeth.

Truly fit individuals don't so much make a generic commitment to getting fit as they weave exercise — and health — into the fabric of their daily lives. Similarly, truly fit organizations don't so much make a commitment to an improvement program *per se* as they build improvement into the way they operate, every single day.

Creating the Culture

Organizations don't naturally turn towards continuous improvement. It takes focused, concerted effort to create this kind of behaviour and culture. Following are nine points to consider.

1. STATE YOUR COMMITMENT TO CONTINUOUS IMPROVEMENT — AND EXPLAIN WHY. Most organizations face a 'flavour of the month' problem with new initiatives, because often, the underlying rationale isn't articulated. HR initiatives, in particular, tend to receive this sort of cynicism, and you can understand why: most people don't see how self-identifying as a **Myers-Briggs ENTJ** is going to affect new product development — or their bonus at the end of the year. Fit leaders live the gospel of continuous improvement and continually show how it directly affects the organization by connecting it to larger goals and strategy.

2. PARTICIPATE, DON'T PROCLAIM. Nothing is more toxic to the establishment of a continuous improvement culture than hypocrisy. A fit leader participates in improvement activities herself. It doesn't matter whether she is leading them or involved peripherally — the key is regular participation. People need to see that you value improvement enough to invest your own time in the same activities you're asking *them* to commit to.

3. CHALLENGE PEOPLE TO IMPROVE. THEN, CHALLENGE THEM AGAIN! Organizational inertia is a formidable opponent. You're not going to overcome it by asking people to do one project — or two, or even five. People are busy with their daily responsibilities. As a leader, you need to continually challenge them to find improvements. This kind of ongoing pursuit can be emotionally difficult, because people may feel that they can never satisfy you. But challenging people is actually a sign of respect, for their existing skills and their capacity for growth and learning.

4. GIVE PEOPLE TIME TO IMPROVE. Make no mistake about it: committing to improvement means regularly devoting time and attention to it. **Google** and **3M** have garnered much press for their '20 per cent time' rule — free time for people to work on new products and projects. I would argue that if creating something new is worth 20 per cent of peoples' time, surely, improving every facet of the way your company operates is worth at *least* six per cent (i.e. 30 minutes a day). At Bloomington, Minnesota-based **Quality Bike Parts**, managers are held accountable for giving employees the time to implement their improvement ideas, which may involve redistributing work, bringing in temp labour and shifting schedules.

5. MAKE IDEAS VISIBLE AND RESPOND TO THEM — QUICKLY. A **Google** search for 'suggestion box' leads to page after page of boxes with padlocks. I'm not sure where the notion came from that employee suggestions — like dangerous animals — should be kept under lock and key. Instead, post improvement ideas in public, where everyone can see them—and always respond to them within a few days. **Quality Bike Parts'** policy is that managers must respond to ideas within 48 hours, and those that are selected must be implemented within three weeks. Fit companies know that if you don't respond to all ideas, you increase the likelihood that people will see your actions as inauthentic.

6. FOCUS ON INCREASING CUSTOMER VALUE — NOT ON COST SAVINGS. Cutting expenses is not inspiring to anyone, and as a result, asking people to find cost savings is a guaranteed dead end. People are much more energized when they are able to make improvements that create value, provide better service, or make their colleagues' lives (and their own) a little easier.

7. EXPECT (SOME) FAILURE. If you're consistently running experiments, you will inevitably fail, some of the time. Don't criticize people for not succeeding. The Silicon Valley mantra these days is, 'fail fast', which provides license to experiment without fear of failure.

8. LISTEN CAREFULLY FOR COMPLAINTS. Sometimes it's hard for people to think about improvements they can make; but by contrast, it's usually pretty easy for them to find things to complain about. Fortunately, every complaint is a nascent improvement opportunity: seize upon them, and challenge people to solve them.

9. DRIVE OUT FEAR. Your team won't embrace improvement if people are afraid that their ideas will be dismissed, or if they're afraid it will cost them (or their co-workers) a job. You must make it absolutely clear that *no one will lose his or her job as a result of any improvement*. Even if a particular role becomes unnecessary, that person will still have a home somewhere in the organization.

Continuous Improvement...Of People

To this point, I've argued that a continuous improvement philosophy is vital to making your processes work better; but let me shift gears and suggest that this isn't its biggest benefit. Sure, your processes will get better, faster and produce higher-quality outputs; but an even more valuable outcome will be the growth and development of your people.

Creating and nurturing an atmosphere of continuous improvement ensures that your employees will develop the skills needed for success — their own, and your organization's. Author and lean expert **Michael Ballé** argues that companies should start their problem-solving and improvement efforts with small, relatively trivial problems before tackling bigger issues. The goal is to use problem-solving as a teaching device — similar to the way doctors are trained via problem-based teaching.

By embracing this approach, you can build an organization filled with scientists — or at least, scientific thinkers. That's because everyone — from shipping clerks to product engineers, from accounts payable staff to inventory planners — will become proficient in the scientific method of problem-solving: understanding a problem; formulating a hypothesis about why it exists; developing an experiment or counter-measure to test that hypothesis; and finally, evaluating the results to see whether the hypothesis was proved or disproved. This process is known as the Shewhart Cycle (see **Figure One**), and it is typically expressed as 'PDSA': Plan-Do-Study-Adjust.

It's hard to overstate the value of rigorous scientific thinking. On a global level, we would still be living in caves and hunting wildebeest if it weren't for scientific thinkers who figured out that if they planted seeds at the right time, they could harvest wheat a few months later. At the level of your daily job, scientific thinking is nearly as important: its emphasis on making improvements based on close analysis of the work itself — rather than internal politics, personal agendas or wishful thinking — aligns people around common goals and fosters productive dialogue around problems.

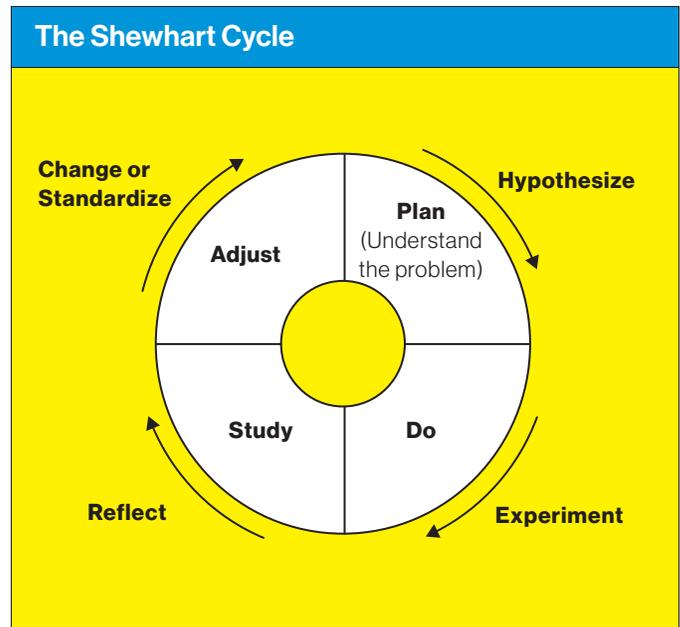


FIGURE ONE

Sadly, most organizations don't engage in PDSA. Instead, they rush to the Do phase, and typically stall there. If you've ever hired a new ad agency because sales were down, you know what I'm talking about: such moves tend to be knee-jerk reactions to problems that aren't fully understood. With scientific thinking, you don't act until you have a solid grasp of the root cause of the problem, and that reduces the likelihood of wasting time and effort trying to improve the situation.

Developing this thinking process is essential for long-term success, whether you're an athlete or a coach, a CEO or a front-line worker.

In closing

Fit companies and leaders love problems, because they see them as opportunities for improvement — and they engage in scientific thinking to analyze and solve them. In the end, the pursuit of organizational fitness is like the pursuit of physical fitness: there are no secret formulas, no shortcuts to the promised land. Both kinds of fitness require continual focus and commitment to the hard work of improvement.

When you accept your current physical or organizational limitations as opportunities for growth and begin to see the never-ending journey of improvement as something inherently worthwhile, you have taken the first step towards fitness. **RM**



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