

# Escape the Improvement Trap

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*We wrote this book as a result of our frustration of watching so many organizations trying to improve over the last 25 years. They typically adopted one of a number of different improvement methodologies: TQM, Re-engineering, Value-Engineering, today Lean and Six Sigma and a host of other "acronyms du jour." Yet despite working hard to adopt/apply the particular improvement methodology very few organizations actually experienced a true transformation and radically improved their competitive position. Most get a little bit better but their competitive position stays the same as the competitors also advanced by adopting and applying the same tools in a very similar fashion. We did quite a bit of research over the last three years to better understand why this situation exists. We define five levels of Improvement Maturity that describe the range of results.*

*Each Chapter begins with a story about Independence Enterprise, a fictional company taken from real-life situations. The Chapters close with a description of how Independence addressed the topics discussed in that chapter. The first two chapters of the book focus on why most companies are average in terms of improvement maturity. In the summary close of the first chapter we ask, "What would a private equity group do if they were to take over your business tomorrow?" Their questions would link to the five missing ingredients we individually address in the subsequent chapters. The book provides three different assessment instruments for measuring the improvement maturity level of an organization.*

*Each chapter closes with a Wrap-Up checklist to deploy the principles discussed. The book includes dozens of named company examples, mini-case studies, photos of real visual controls, and worksheets that the reader can use for working the topics discussed. The Executive Mindset (Chapter 8) is intended to be a guide for actions senior leaders must take if they wish to operate at a Level 4 or 5 in terms of improvement maturity for their respective industry (Top 20%). One of the points stressed in this chapter is "Strength of Character is a Litmus Test for Leadership Credibility." We believe integrity and a high degree of humility are critical to reaching the 5th Level of Improvement Maturity.*

*The following pages share a few highlights from the book.*

## Your Vision for Industry Leadership?

- True Industry-best business growth and return on equity
- Engaged workforce — entrepreneurial practices
- Leading market share, customer loyalty and image
- Fastest speed to market with new products and services
- Meaningful partnerships with suppliers
- Least-cost “Lean Sigma” operations

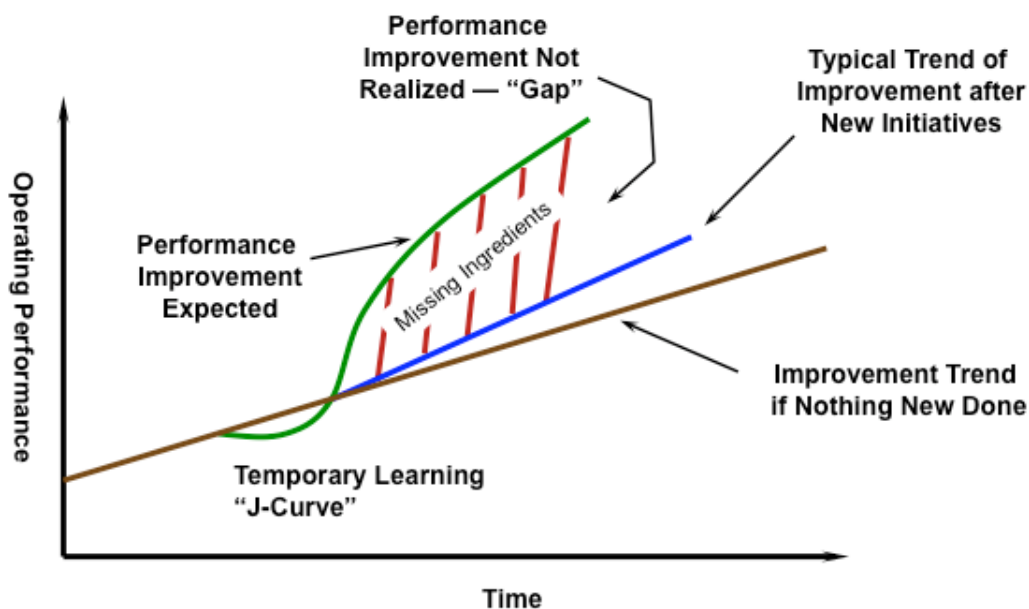
With increasing global competition, many companies have intense new interest in the common business improvement tools, hoping they will help them achieve the vision of industry leadership. A few of the popular ones are:

- Lean process improvement to eliminate non-value (waste) work
- Six Sigma process improvement and variation control
- Supply-chain management
- Enterprise Requirements Planning (ERP)
- ISO, QS, et al

After implementation of an improvement program, company leadership looks back on the progress made and asks if the results have been as expected. Has it been worth the cost and effort?

According to annual surveys (McKinsey, Bain, ours and others), the answer is “no” in about 70% of respondents' opinions. The diagram below illustrates the too-frequent results.

### Pain and Disappointment “Gap”



Since their actual results accomplished are so much less than expected, the survey respondents typically fail to appreciate that they did experience a modest improvement in their trend. So they rate the effort a failure, rather than seeking to learn what further actions are needed to experience the competitive gain they hoped to accomplish.

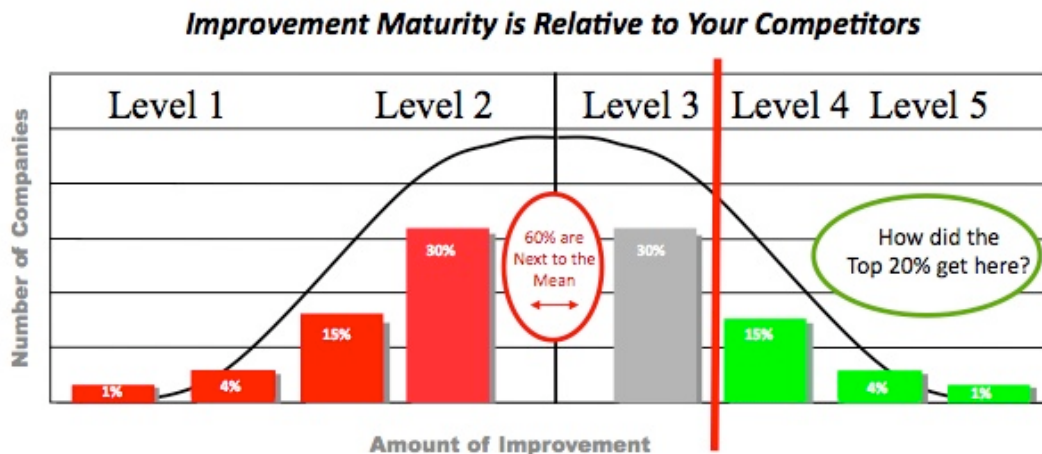
The pain of that answer has led to faulty conclusions that "the tools don't work" or that there are other tools they can use to achieve meaningful business performance improvements, if they can just "find the right program."

### The Improvement Trap

Our research has uncovered a de facto "trap" that prevents many companies from achieving the results they hoped from their business performance improvement efforts. It's not obvious and takes some explanation.

Most organizations do not realize they are merely average, not exceptional, in terms of their improvement maturity and resulting ability to gain market share on their competitors. We simply need to decide on a metric. It's a mathematical fact that there will be a 50/50 split in terms of improvement maturity for any given industry, with most gathered near the mean.

The diagram below illustrates the results of the trap --- most companies stuck in the middle. To learn why (how the trap works) please read further.

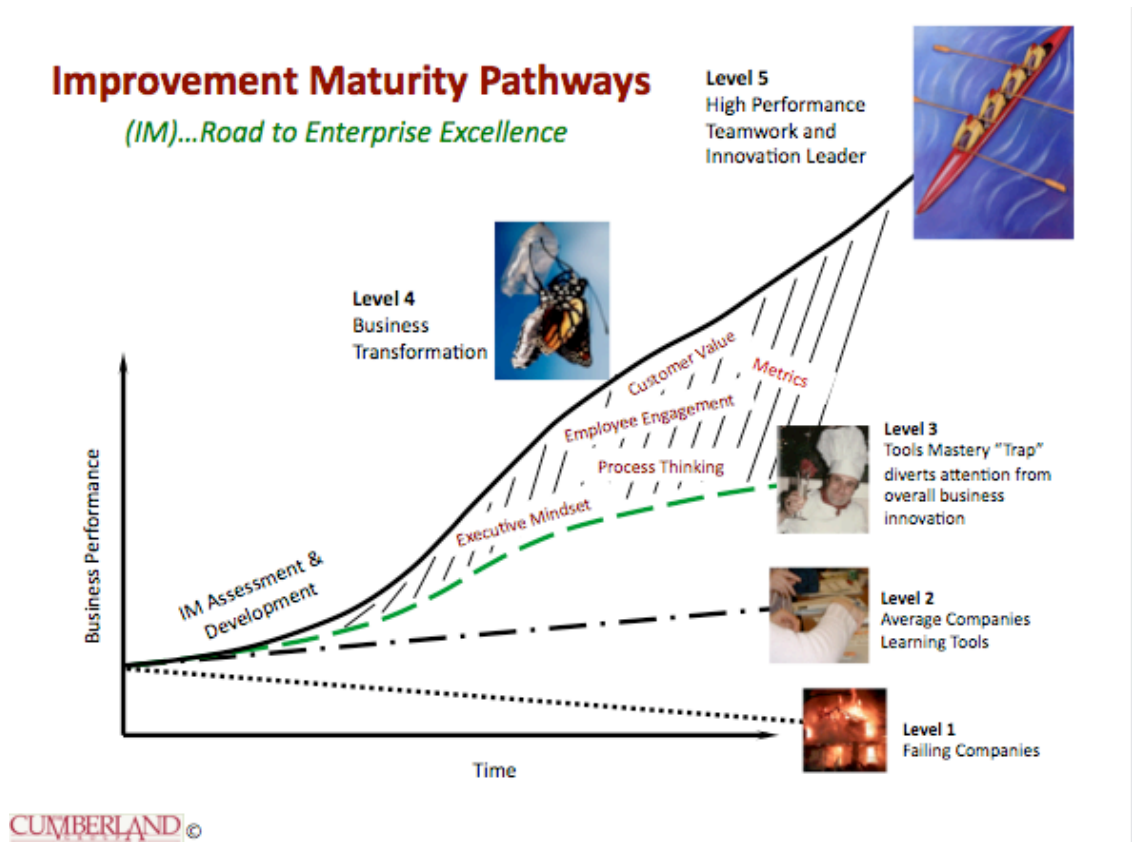


Companies learn and adopt the 'Lean Sigma tools' pretty much the same way their competitors do it. They appoint some smart person to lead the effort. That person finds things to improve, typically using improvement teams to attack waste and remove obvious non-value activities.

Meanwhile, the organization does its business pretty much the same way it always has. Things get better, but they get better in the competitors' companies also, so as a result competitive positions don't change much. And, unfortunately, the satisfaction of getting better creates an inertia that gets in the way of stretching for truly transformational improvements and new competitive advantage. That satisfaction becomes complacency that "traps" most organizations at an average level of improvement effectiveness, just keeping pace with other organizations in their respective industry. They don't gain....in spite of serious efforts with whatever tool set they have utilized.

### Improvement Maturity Levels

To put the trap and its consequences in context, we define five levels of Improvement Maturity (IM) typically exhibited by the competitors in any industry. They are illustrated in the diagram below.



**A Level 1 Organization Is a Disaster.** There are so many problems in an organization at this level that no one has the time or interest in attempting a performance improvement initiative.

**A Level 2** *Organization Is Just Learning an Improvement Methodology or Tool Set. Most of the training the Level 2 organization is doing involves teaching people about the tools; they try to see if the 'tools' work in their environment.*

**A Level 3** *Organization Knows the Improvement Tools Very Well. They have a number of employees that would be considered a Master Chef or Tool Master (e.g., Master Black Belt). Most of their improvement activities are centered around the Tool-Masters. Those individuals may serve as project team leads or facilitators. Level 3 organizations have implemented meaningful changes, and they are better than average.*

*But the improvement program is run by the tool masters not by senior leadership, so the focus is looking inside the organization for things to improve. The improvement program exists as a parallel world to the way business gets done. There is an endless list of activities inside an organization that can be improved; only a handful of those activities will result in a meaningful competitive difference. This disconnect with reality relative to the outside world, coupled with tools "success" becomes a major roadblock and decreases the probability of real transformation. It traps the organization in Level 3.*

**A Level 4** *Organization Has Begun to Transform its Business. Level 4 organizations have a pretty good knowledge of the basic improvement tool set, but — more importantly — the entire organization, not just the tool masters, are driven to serve customers and stay ahead of the competition. Leaders in Level 2 & 3 organizations strive to serve customers better, but a Level 4 organization is much more effective at doing this. Level 4 organizations routinely add more value in the products and services to their customers in meaningful, systemic new ways, develop entirely new value streams and begin to create new businesses. This transition from Level 3 average to Level 4 & 5 greatness is a major challenge for organizations burdened by traditional management cultures focused primarily on "control of the status quo" versus "continuous improvement" outside the current box.*

**A Level 5** *Organization Has a Culture Different from Any of the other four. Level 5 organizations are also very rare (less than 5% of an overall industry). Organizations at this level tend to focus less on how good they are and more on how good they are not. Employee engagement in Level 5 organizations is more than twice as high as in a Level 3.*

*Leaders in a Level 5 organization are very much in touch with reality. People do not try to hide problems or resolve them quietly out-of-sight. Leaders are just as concerned about a near miss as they are an actual defect or error.*

*Level 5 organizations are very process and outcome focused; they constantly strive to create the 'perfect' process for their main business activities. Perfection (exactly*

*meeting customer requirements with zero resources waste) is their primary goal and they measure their progress in terms of how far they fall short of perfection. Having no weakly applied Improvement Maturity ingredients is key to how they do it.*

*With an ambitious Lean/Sigma/etc. initiative in hand, Level 3 companies 'believe' they are poised to move into Levels 4 or 5 with the Top 20% of the industry. But most organizations never progress beyond Level 3. The better job an organization does of being a 'tool master,' the less likely it is to progress into the Top 20%. That tool strength, when used to excess, actually becomes a weakness that prevents the organization from progressing to the next level: in other words, the company gets trapped in Level 3.*

### **Moving Beyond the Improvement Tools**

*Although they are important to do well, our premise is that 'tools' alone will not result in transformation. To use the tools most effectively (high ROI), leadership needs to address five ingredients (shown in 'the gap' between levels 3 and 4 in the Improvement Maturity Pathways diagram above) that are typically weak or missing in most improvement recipes. The most effective organizations in terms of improvement maturity (IM) actively manage the following ingredients.*

**Improvement Maturity (IM) ingredients** commonly weak or missing:

1. **Customer Value** – drives improvement. Sounds obvious, but many organizations do not have a crisp, clear value proposition that drives key improvement actions. If the Value Proposition is not clear and accurate, nothing else that follows will be crisply aligned.
2. **People Engagement** – Leaders create an engaging environment where people can do their best work; an environment that fosters and facilitates collaborative innovation and execution of the best-known way to do work. Leadership truly respects people and they develop people's critical thinking skills and abilities.
3. **Key Metrics** – Focus on the vital few, meaningful, validated business-process metrics for the current environment; avoid drowning in irrelevant details. Metrics provide visual, rapid, and meaningful feedback at all levels to people inside the organization, so people constantly learn how to do a better job of adding value. Linking back to ingredient #1 above, if the overall value proposition is not clear, the metrics cannot possibly be aligned well enough to be better than average, relative to the competition.



4. **Process Thinking** – *Process improvement efforts maximize cross-functional process performance and foster deeper process understanding. The current state of a process is viewed as an experiment, and its capability is constantly improved to more reliably deliver value without waste.*
  
5. **Executive Mindset** – *This is the glue that holds these ingredients together and provides focus. If leadership is loose on any of the above items (and most are), the company will not rise to the top of its industry in a sustainable fashion. A level 4 or 5 leadership team constantly hones their ability and the ability of their associates to better see waste.*

*Jeffery Liker, author of “the Toyota Way” and other Lean related books said, “The five ingredients are spot on for anyone serious about performance improvement....” Think about how those ingredients are positioned and practiced in your business. Are they sufficient to get you on the path to levels 4 and 5?*

***The key challenge is to look at your business performance improvement efforts from a different perspective.*** *All organizations to a degree apply the ingredients in our ‘Missing’ list. We have a Three Question improvement maturity assessment we would be happy to share if you request it for a quick check of effectiveness.*

*In the end, the final assessment of your improvement maturity (effectiveness) is two questions: Are you doing a better job of getting better this year than you were last year? Have your improvements made a competitive difference to your business relative to your industry as a whole? If the answer to both of these questions is “Yes!” then maybe these issues do not apply to your organization.*

*However, if you’re not improving your competitive position in a consistent, sustainable way, then our conclusion would be that you are not adequately managing the IM ingredients to ensure improvement of the right things needed now for increasing competitive position. Failure to provide for the IM ingredients and other fundamental support systems (all of them, none weak or missing, carefully integrated, simple as possible) is a primary cause of CI failure, regardless of the improvement tools used.*

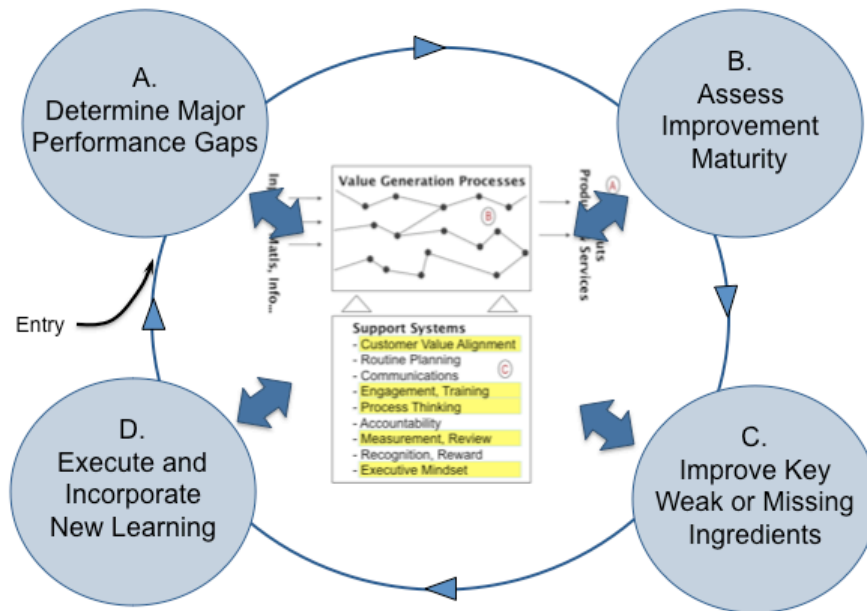
### ***Improving Business Improvement....Faster Than Your Competitors Do It***

*Achieving sustainable industry leadership at the front of the pack requires doing more things right — and faster — than the competitors. They are working harder too, to improve their capabilities in increasingly competitive global markets. So true leadership requires being able to execute continuous business improvements better, faster and cheaper than most everyone else. Having the infrastructure and disciplines to do that consistently is Improvement Maturity (IM).*

As with all collaborative business efforts, the “weakest ingredient” has a major impact. Usually negative. The challenge is to find the weak ingredients and fix them. None of them are complicated “rocket science,” but there are many pieces in the organizational infrastructure so a simple process model cuts through the complexity.

The diagram below is a high-level view of a model for continuous improvement of Improvement Maturity. Routinely using it as a roadmap, leaders can focus on their important business performance gaps, identify the improvement maturity shortfalls preventing faster business performance improvements, improve the weak or missing IM ingredients, and institutionalize the IM ingredients for faster business improvement going forward.

### Improvement Maturity Process to Enterprise Excellence



### IM Enables Fast Whole-Organization Learning and Improvement

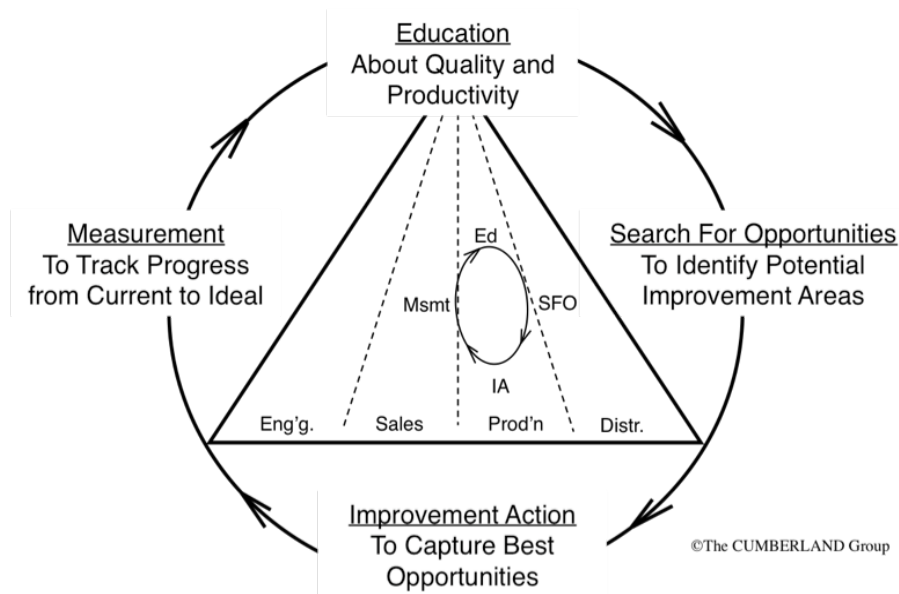
What are the observable attributes of an organization with Improvement Maturity? A continuously improving (CI) business culture practices four activities — essential CI support systems — (figure below, Continuous Improvement Cycle) at all levels and across all functions in the business. Everyone is aware of them and has made them part of their routine thinking. Long term planning, near term planning and daily operations include them. And they are part of the organizational support systems that guide and sustain the efforts of all the business teams.



Engage the entire business team. In "Good To Great", Jim Collins used a wonderful flywheel metaphor to describe the business impact of letting everyone know how they individually can contribute to business success --- and their own success --- with daily pushes on the flywheel. The Improvement Maturity (IM) Process enables maximum acceleration of the flywheel!

## A Continuous Improvement Cycle

Practicing four Continuous Improvement (CI) functions in daily operations



Winning sports teams exhibit improvement maturity. They master all the fundamentals, design smart game plans and practice committed, seamless teamwork. The winners have few weak ingredients.

Winning companies perfect their practice of the IM ingredients on the pathway to enterprise excellence and industry leadership.

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