

Organisational Sustainability



Organisational Sustainability – Managing for the sustained success of an organisation the Quality Management approach

**A presentation to the CQI West of Scotland
Branch on February 4, 2010 by Tony Brown
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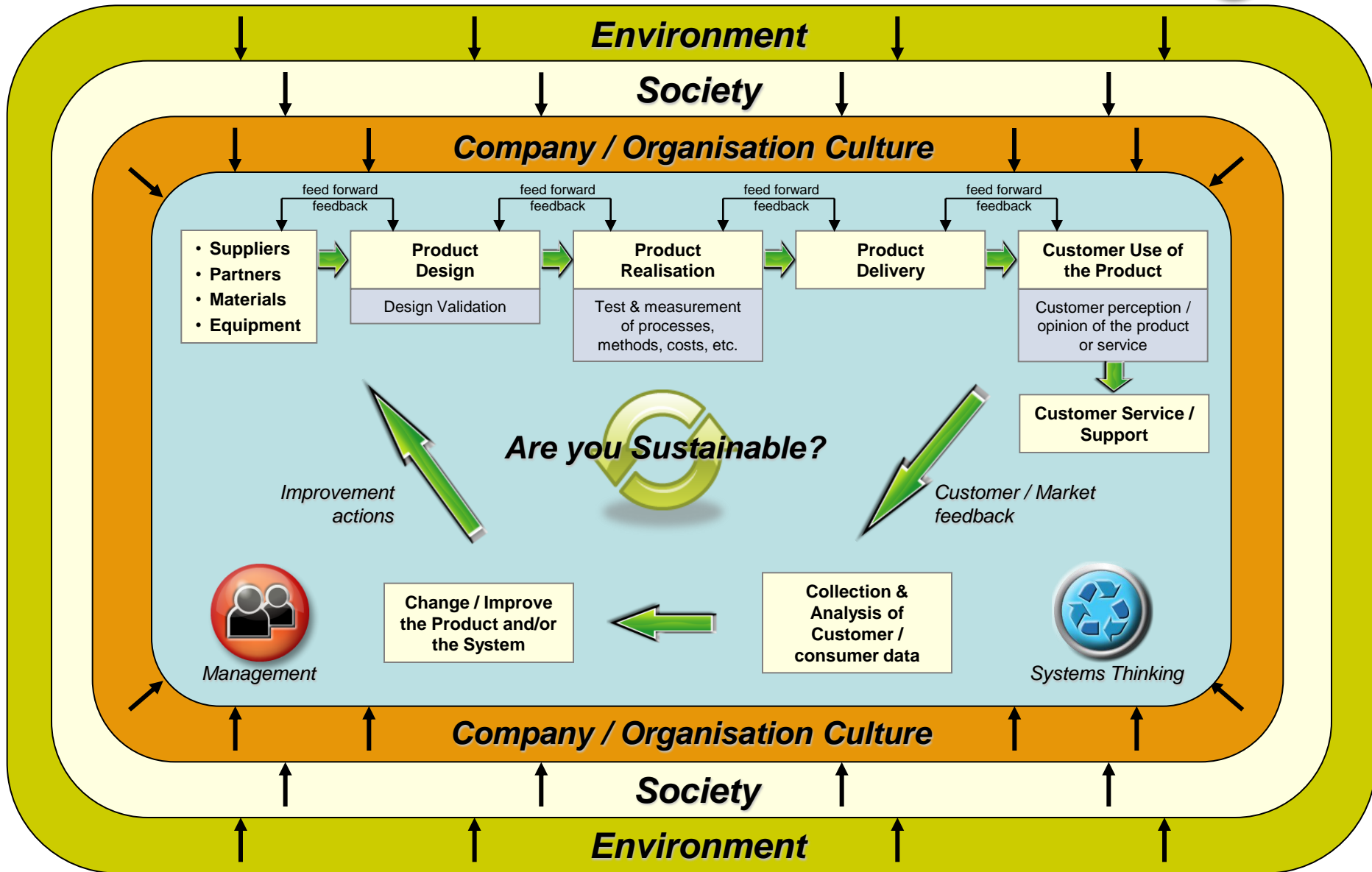
Organisational Sustainability

Introduction

- Never before in human history has the rate of change in our society led to the demise of so many enterprises.
- The rate of technological progress continues to speed up.

- Globalisation has seen the Government helpless to prevent the flight of capital, industries or out-sourcing to low cost countries in the east.

- Survival is management number one task.
- Sustainability has to be the number one item on every CEO's agenda...



An Organisation viewed as a Sustainable System (after W. E. Deming)



Fuzzy Issue	Need for Change Identified	Moments of Truth across Situations	Change / Improvement Starting Point	Change Process
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Organisational Sustainability

What is sustainability?- a contestable concept

“Extend the socially useful life of an enterprise so that they contribute resources to achieve the enterprise’s and society environmental, social and economical goals”



Organisational Sustainability

**What is sustainability?- a
contestable concept**

**The result of the ability of an
organisation to achieve and
maintain its objectives in the long
term**

ISO9000 definition

Organisational Sustainability

Fundamentals

- **Putting customer first**
- **Devolution of leadership**
- **Autonomous management**
- **Avoid the forces of destruction**
- **Quality has to be job1#**
- **Good enough never is in the search for the competitive edge**



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Fundamentals

- **Maintain organisational fitness**
- **Systems thinking**
- **Managing variability**
- **Keep the culture agile and achieving constant renewal**
- **Maximising the enterprises capabilities**



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The forces of destruction

- **Asset stripping**
- **Mergers**
- **Bonus payments**
- **Mc Colough's cycle 'emergence; full flower of growth; prestige; stagnation and death.**
- **Obsession with direct labour costs**



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The forces of destruction

- **Abandoning large businesses with low margins.**
- **Creating a mismatch between the product and the market place.**
- **Using resources to buy other companies**
- **Appraisal systems, targets without a methods.**



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The obstacles:

- Hope for instant pudding.
- The supposition that automation, gadgets and new machinery will transform your industry
- Search for examples rather than improvement.
- Our problems are different
- Reliance on quality departments to take care of quality problems
- Blaming the trouble on the work force
- False starts, fads and delegated initiatives
- Installing Quality Control without a learning process.
- The unmanned computer
- The supposition that it is only necessary to meet specifications.
- The fallacy of zero defects
- Inadequate testing of prototypes
- Anyone that comes to help us must understand all about our business



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Elements of enterprise sustainability

- **Human sustainability**
- **Ecological sustainability**
- **Leadership focus on the long term**
- **Build from within, organic growth**
- **Never lose sight of the customer.**
- **Have the ability to transform the enterprise.**



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Elements of enterprise sustainability

- **Culture built on efficiency, effectiveness and continual improvement.**
- **Involved themselves on the development, renewal and regeneration of the enterprise and society**
- **Knowledge management retention, transfer and mentoring.**
- **Always provide value to society**



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The silent killers

- **Customer neglect.**
- **Unclear strategy and/or conflicting priority.**
- **An in-effective management team.**
- **Command and control style of management system**
- **Poor vertical communication**
- **Poor co -ordination across functions**
- **Insufficient leadership skills from top to bottom**

The 15 year rule



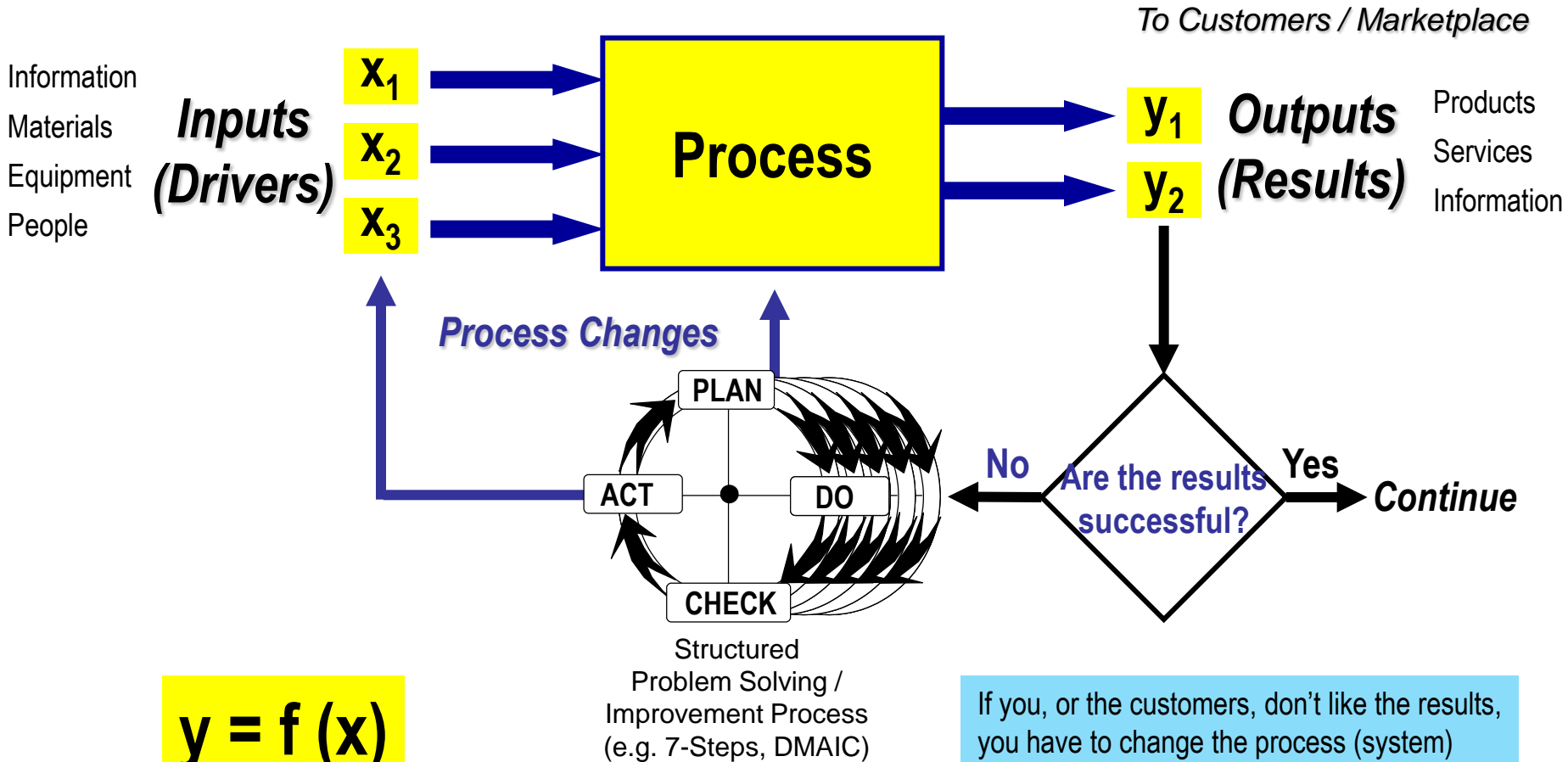
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Enterprise fitness – enterprise elements

- **Leadership team**
- **Reliable work system**
- **Management systems and lean processes**
- **Vision, values and mission**
- **Human resource system**
- **Supply chain synergy**
- **Systems thinking**
- **Policy deployment**



Generic Model – Systems Thinking



$$y = f(x)$$

The output of a process (y) is controlled by a few critical inputs (Xs)

If you, or the customers, don't like the results, you have to change the process (system)

Two other ways change the results:

- Distort the data (self delusion)
- Distort the process (cut corners)

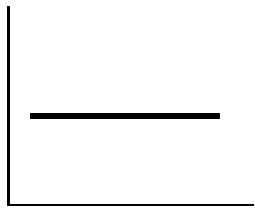


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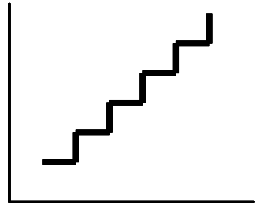
Enterprise capabilities

- **Co-ordination**
- **Human competences**
- **Commitment**
- **Innovation, continual improvement**
- **Capacity and deliver system**
- **Capable management processes**
- **Knowledge learning, transfer and management**

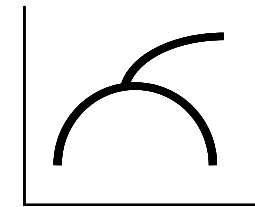




Control



Incremental Improvement



Breakthrough

Standardisation



Control Process

High Quality

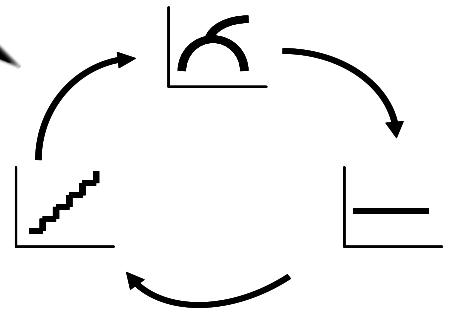


Customer Satisfaction

Innovation



New market value



**Clock Speed
(Cycle of Survival)**

Business Logic of the Three Management Paradigms



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Summary and conclusions

- *Predicting the future is a tough gig, History is bunk' said Henry Ford.*
- *Consistency of purpose – build a system that works, stick to it, change when the voice of the customer changes.*
- *Avoid the forces of destruction and the many obstacles'*
- *'Survival of the fittest' as Darwin said*
“You don't have to do these things, survival is optional” Dr Deming



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**Managing for the sustained
success of an organisation the
Quality Management approach
using ISO9004**

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Standards Development Group

Influence:

Provided 161 comments, 84 accepted by the BSI, 85% of the UK comments to ISOTC176 – many accepted for the standard.

WE welcome more SDG scrutineers

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Critical to Survival (CTS) based on 9004 and on the 8 Quality Management Principles – Customers (4.2)

- Consistently meeting customer needs and expectations.
- Long term planning
- Establish and maintain good relationship
- Resource planning for future needs
- Establish and maintain processes for innovation and continual improvement

Organisational Sustainability

Critical to Survival (CTS) based on 9004 and on the 8 Quality Management Principles – Leadership (5)

- Managing the vision, mission and organisational values process.
- Deployment is the key to successful strategies and policies.
- Key focus on Customer changing needs
- Assessment of organization process capability

Organisational Sustainability

Critical to Survival (CTS) based on 9004 and on the 8 Quality Management Principles – People (5.4/6)

- Effective communication
- People empowerment
- Understand key competencies
- Employee involvement
- Mentoring and coaching
- Knowledge management

Organisational Sustainability

Critical to Survival (CTS) based on 9004 and on the 8 Quality Management Principles – Suppliers (6.4)

- Selection, evaluation and improvement
- Understand suppliers process capability
- Open Communication
- Mutually beneficial Relationships
- Continual Improvement of processes

Organisational Sustainability

Critical to Survival (CTS) based on 9004 and the 8 Quality Management Principles – Process (7)

- Customer needs, expectation and requirements
- Process management
- Methods, facilities and activities
- Process competence
- Process capability
- Work environment

Organisational Sustainability

Critical to Survival (CTS) based on 9004 the 8 Quality Management Principles – Systems thinking

- Identify , understanding and managing interrelating processes as systems.

Organisational Sustainability

Critical to Survival (CTS) based on 9004 and the 8 Quality Management Principles – Continual Improvement

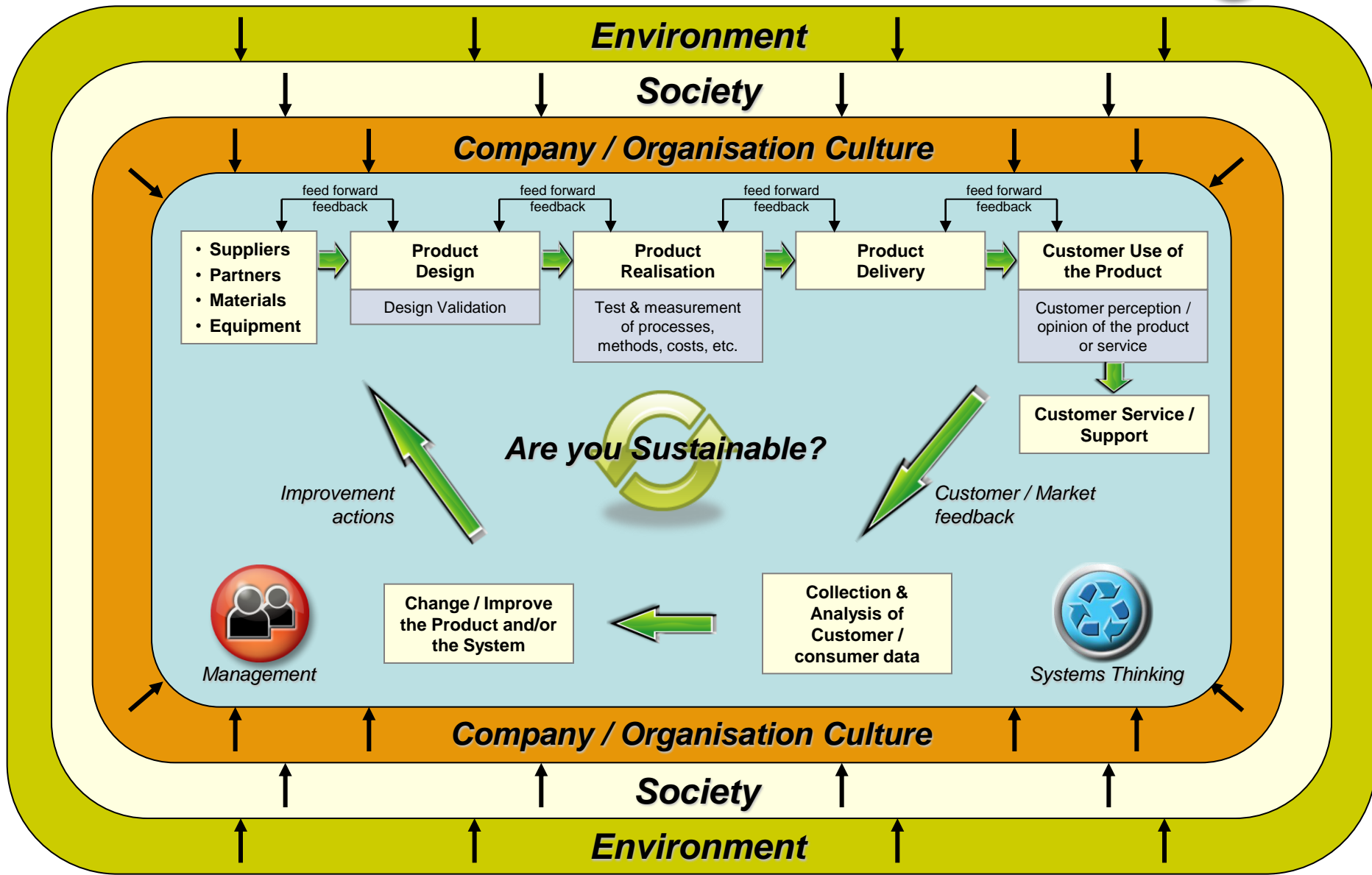
- Innovation
- Process improvement
- Systems self assessment
- Benchmarking
- Learning organisation

Organisational Sustainability

Critical to Survival (CTS) based on 9004 and the 8 Quality Management Principles – Factual decision making

- Risk assessment
- KPIs
- Internal audit
- Monitoring, measurement and review

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Case Studies

- **Gore – autonomous management system**
- **John Lewis – not for profit enterprise**
- **Toyota – 40 years of profit improvement and market share, Deming award winner in 1963**
- **Ford Motor Co. Deming transformation, lost and regained. 1980-2009**
- **Dunn's Bakery – Crouch End London excellence since 1827 !**
- **Lloyd's shipping 249 years – still transforming itself**



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Case Studies – Toyota

“Toyota has recorded annual losses in the last two years of global recession, after nearly 50 years of achieving unmatched financial results in its industry”



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Case Studies - Toyota

Shoichiro Toyoda, the 84-year-old family patriarch and honorary chairman of Toyota Motors, responded to this by announcing a stunning shake-up of top management.

He chastised top managers for losing sight of the fundamentals that had made the company so outstanding and promised that the company would “return to basics.”



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Case Studies – Toyota

A sharp decline in Toyota's inventory-turnover ratio after the late 1980s as evidence of “lean fatigue”, resulting in excessive inventory growth and diminished financial performance.

This is the company that had achieved the legendary 56 stock turns !



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Case Studies – Toyota

Toyota's expansion into an increasingly dispersed global network of plants and suppliers made it difficult to fill customer orders for the manufacturer's increasing variety of models in a reasonable lead-time.

- ***The loss of highly skilled Toyota trained people and the inability to fill the gaps with suitably trained replacements in the Toyota Way***



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Case Studies – Toyota

Producing to customer order – a condition relentlessly pursued in Toyota plants for decades – requires patient effort on the shop floor to increase the mix of models and to decrease delivery lead-times.

But after the late 1990s, Toyota often replaced its patient problem-solving techniques with quick compromises, or workarounds such as shipping units over long distances



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Case Studies – Toyota

Compromising long-standing fundamentals such as flowing work continuously in lot sizes of one and addressing any abnormality with an immediate solution – Stop and Take Action.



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Case Studies – Toyota

- Toyota's management culture at its zenith was process-driven, not results-driven.
- Toyota eschewed the financial markets' absurdly impossible demand to produce higher results quarter by quarter.
- It rejected the idea espoused by lean authorities that a company can improve its overall performance by subtracting parts.



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Case Studies – Toyota

- It assumed that a properly orchestrated process would generate results sufficient to sustain the organisation's on-going activities.
- Its pathway to higher results echoed by Dr Deming's advice, given many years ago, to improve the capability of the process, not to demand that people meet higher targets



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Case Studies – Toyota

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Case Studies – Toyota

- The reversal of Toyota's fortunes in the past decade suggests that many of its top managers lost the habit of thought that had previously shaped the company's policies and actions.
- They lost the habit of thought that caused the company, perhaps unconsciously, to act like a living system.



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Case Studies – Toyota

- Toyota adopted the finance-oriented mechanistic thinking that had spawned the inferior management practices and the poor performance shown by most of its competitors after the 1970s
- And because it abandoned living-system thinking for mechanistic thinking, Toyota began to embrace a virtual world of finance, not a concrete world of humans in cooperative relationships.

