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Outside the Walls of a Lean Enterprise

Guest was Dr. Michael Balle



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Michael Ballé is the co-author of, *The Gold Mine*, a bestselling business novel of The Lean turnaround, and recently, *The Lean Manager*, a novel of lean transformation, both published by the Lean Enterprise Institute. For the past 15 years, he has studied lean transformations, helping companies develop a lean culture. He is an engaging and colorful public speaker, experienced in running interactive workshops.

As a managing partner of ESG Consultants, Michael coaches executives in obtaining exceptional performance through using the lean tools, principles, and management attitudes. His main coaching technique is the “Real Place Visit,” where he helps senior executives to learn to see their own operational shop floors, teach their people the spirit of kaizen and draw the right conclusions for their business as a whole. He has assisted companies in their lean transformations in various fields such as manufacturing, engineering, construction, services, and healthcare.

Michael holds a doctorate from the Sorbonne in Social Sciences and Knowledge Sciences. He is co-founder of the Projet Lean Entreprise and the Institut Lean France (www.lean.enst.fr), France’s leading lean initiative. It is conducted in collaboration with Telecom Paris, where Michael is associate researcher.

Dr. Michael Balle is the Gemba Coach at the Lean Enterprise Institute

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Joe Dager: Welcome everyone; this is Joe Dager with the Business 901 podcast. I would like to welcome Dr. Michael Balle. Michael is a Lean expert; contributor to the Lean Edge and Michael you defined this for me but you also are the European or the French arm of the Lean Enterprise Institute. Is that correct?

Michael Balle: I was Senior Advisor to the French Lean Institute, which I have started here. Yes.

Joe: We were just talking and before this started a little bit and you have just published a new section to the Goldmine and audio book. Could you just kind of tell me what the Goldmine was about and why did you decide to go out with the audio book of it?

Michael: The Goldmine was about Lean turnaround. This is about to try to get people the feeling of what it feels like to use Lean to turnaround. Most of the people I work with are in similar situations so what we're looking at in The Goldmine is the first two years of Lean. The sequel was The Lean Manager, which is Lean Transformation, so in Lean Transformation we see more experience. It's the same character from the Goldmine. He is a more experienced leader, and we're looking at not just the first two years but probably the first five years in terms of moving from turnaround to transformation.

First there is a turnaround, survival, and then you have to transform to get sustainable results over time.

Joe: The audio version and the original book, The Goldmine was written as a fictional story, correct?

Michael: Absolutely.

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Joe: So it goes along with a nice storyline to sit there and be able to listen to it as an audiobook.

Michael: I think the idea of an audio book it grew from the recommendation that the message should be delivered in whichever form people that will want it and many people now drive to work and reading a book is something of a big commitment. One of the great forms of giving books now is through audio. When we started exploring it, the producer of the audio looked at the book and got very excited about the idea... With the fact it was a novel and they went along with the idea of having characters represent... Well, the characters as opposed to just reading the book. I thought they did a stunning job to be honest...it's a very, very nice piece. You hear the book being enacted in a way. All the scenes are with different voices for different characters. I think it's very good.

Joe: I listened to parts of it. I had already read it, and I thought that was interesting because of the different characters rather than just that one narrator.

Michael: Having read the book and when you listened to it, did you get something more from it or was it different?

Joe: It is very different, and I'll have to tell you I've been listening to audio books now for probably six years. My subscription is I get two a month. So, I have a different appreciation than most on audio books. This is the first time that I've read a book and then listened to the audio. Which is interesting because a few times, I have listened to an audio book and say I have to have that book? Because I want to be to thumb through, or I want to be able to through digests certain parts of it differently. I think when I listen to an audio book I get a more appreciation of the overall concept. I pull two or three concepts away

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from it. Where when I read a book, and I'll be more precise with what I'm getting out of it. I enjoyed it, and I probably enjoyed it more than reading the book.

Michael: Wow.

Joe: I think I probably got more out of the book if that makes any sense.

Michael: It makes perfect sense Joe. As an author these business novels at the end of the day are teaching manuals. But, you get into the game of writing the best possible book. At the editing stage, people tend to get carried away with the novelized form. This is happening to the book I'm currently reading. The readers and the editors want me to put in more of the fiction novels. I have to remind everyone at the end of these are teaching manuals. So, I'm not surprised that in the audio form you get more carried away with the flow of the story and the people particularly when there are actors giving life to the story. Whereas when you are actually reading the book the formal training is stronger.

Joe: I like the audio because it stays with you longer and you start identifying more with the characters and I'll go back to the more original fiction books of business that I remember that I first heard was "The Goal."

Michael: Oh, yeah.

Joe: The first time I think I actually listened to that as an audio the first time and that story has always stayed with me. That's what I like about audio books, is that I don't try to digest a lot of information. I want the story to stay with me because I think that it is a different type of learning experience, but it's one that just stays there I don't know how quite to explain that but it's always in the back of your mind, and you relate to it so much

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stronger than what you do read the book.

Reading the book I'll read through, and I'll look at it, but I don't remember as many particular things about a book. I have to pull it out and use a book more, but the audio I actually remember the story, and it reinforces all those things that I learned originally. I liked it. I recommended it. I thought it was a very different take, and I'm a pretty good critic on audio books?

So I compliment you and the editor on how to do that. One of the things about it, as you said, a realistic story, is you really talk about "Lean" as a system in it, do you not?

Michael: Yes, absolutely. That has to be the main point of The Goldmine. But one thing I'm currently working on that tends to disappear also from the conversation is the very first chapter of The Goldmine is about a business problem. "Lean" is not a religion. "Lean" is not a philosophy. These guys have a business problem, and "Lean" is a method to solve that business problem. I think that's a very important point that tends to get lost in the conversation about "Lean" when we get into the detail of the talks. Most of the people I work with would fit The Goldmine situation which is they would be CEOs and owners of companies from, I'd say, 15 million to 500 million Euros turnover companies. In each case the business situation is not quite the same, there is a specific challenge.

We used "Lean" to respond to this. So really, there's a strong focus on results and how - the two points of The Goldmine is: you focus on the results, but the unique things about "Lean" are you get your objective through developing the people. I recently had a conversation in which somebody said "Well, that's always what I try to do. I always try to develop people as the way I manage." We had a conversation because this is not by

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developing people along the way. This is very specific as we get the object through developing people.

Developing people becomes the central method of which you get the objectives. I think the system is all about how you develop the people. But we shouldn't lose track of the fuller picture, which is we have a business problem, we understand it, and then it's not the CEO as a brilliant manager who is going to solve it on his own and then make everyone else apply. It's the CEO who is going to develop every individual in the company so that together the company will solve the business problem.

Joe: It's hard to be right, and the only way you're right is when you collaborate with other people because you kind of correct each other along the way. The more people you collaborate with and the more feedback you get, probably the more correct you get.

Michael: Absolutely. It's very interesting because this whole area is linked to this work I'm doing on respect at the moment. In Lean, it's very defined. There are two elements people also miss about this. One is, both the *The Goldmine* and the *The Lean Manager* essentially describe working with a Sensei. The notion is that as a CEO, as a plant manager, you don't just learn along with your guys. You have somebody who is like a sports coach that is taking you along. When you look at athletes, the better athletes -, the more recognized they are in the profession - they don't get less coaching. They probably get more coaching because they're more specific and more important. So the one aspect here of the learning is that the learning has not just happened on their own. They're taught by the Sensei. In *The Lean Manager*, the poor guy has two Senseis. Another point I'd like to make on this is that the Sensei tends to be this curmudgeonly, gruff guy that tends to

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be in the literature, but it really doesn't have to be. In the book I'm currently writing, he's just a nice guy, and he has a very different style of teaching.

The second point is - one point I've tried to clarify in *The Lean Manager* but probably should be clarified even further is that the notion of teamwork in "Lean" is not one of team spirit, of just being together. Often people say with teamwork, the team has to function well. I think I have to specify this is not at all what we seek.

Teamwork is about an individual development through solving problems with others. It's a very different notion. For instance, we don't need meetings just to know what everybody else is doing that doesn't concern you directly. You know those meetings where everybody has to report the status on what they do, and everybody else does email? This is very un-"Lean".

Teamwork in "Lean" is this one guy has full responsibility for solving a problem, but the way he's taught by his boss and his Sensei, he can't solve the problem alone. That's exactly what you're saying. He has to solve the problem with all of the other people who are part of the problem with him. That's what we mean by teamwork.

Joe: You kind of touched upon a point there. In "Lean", can you define what respect means?

Michael: We try. We try. I think that the tools are very easy to define because they're quite specific. I can give you my own take on respect, and I'll be very cautious on this, as this is the result of my current work. The way I see it, respect has two very pragmatic things. The most immediate thing I see: respect is about making sure people understand

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their opinion counts. This is as pragmatic as it gets, is that you acknowledge people's opinions all the time. It doesn't mean you agree with them. Understanding doesn't mean agreement, but we use the production analysis board with the comments all the time.

We use specific ways of just saying to people, "We hear your opinion on this. And we're interested in your opinion. And please give us your opinion." I think it's very important for people who work in a company that they understand that the senior people actually take their opinion into account.

The second part I would say about respect, which the deeper part is; I believe that people in a company have a right to succeed. It's not a duty to succeed. It's a right to succeed.

They have a right to succeed in their day. They have a right to come home saying, "Darling," to their partners, "Darling, I've had a really good day, I've succeeded." And they have a right to succeed in their career.

This is part of what management should do. How do we create situations where people can succeed? I believe that this trust that comes from this is very powerful. This mutual trust is built on mutual wins.

It's short wins, and this goes with the Kaizen, is that if people work together and have wins together, in short, ways, they will build this trust. This is so powerful for companies.

So, respect has many, many different dimensions. One is the teamwork that we were talking about. You develop individuals by teaching them how to solve problems with others. The other is this notion that it has to be a win-win. It has to be some element of shared success that leads to developing these mutual trusts.

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Does this make any sense or is it being too theoretical?

Joe: Oh no, I think it does. What I take from that is when we talk about continuous improvement; it really is about them issues, teamwork, respect and Kaizen, the continuous, the smaller iterations, for lack of a better word. But that's really what PDCA is, which the essence of Lean culture is.

Michael: Oh, absolutely, Joe, you couldn't be more... what hit me... you know my background is a social science. What hit me is really what we're dealing with is change. Our markets change tremendously quickly. These times, business, we've been through the most amazing two years. It has spared nobody, not even Toyota, as we've noticed. We have to, everybody; we will have to deal with change all the time.

What I've seen happen is that change, for any of us, is partly exciting and partly scary, if that makes any sense.

Joe: Change is always scary?

Michael: Well, it's somewhat scary but change is also exciting. You can imagine all sorts of change situations that people would actually find exciting: new place to live, a new job, a new opportunity. What I've noticed is that senior people tend to be more excited than scared by change. Actually, this is probably how they became senior people in the organizations. They'll appreciate results, they want big changes now. Mostly they come with their ideas, and they want to imprint their ideas on the rest of us. Change to them is not something... it is scary, but it's exciting.

As you go down toward where the real work is being done, the value-added work is being

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done; I find that people find change scarier than exciting. Most of the time people who work on the shelf floor, when you talk to them, they've been taught all their life to toe the line and follow the procedure.

Then suddenly something comes from above saying, "Oh, no, no, we're going to change everything." How do you convert? You know, first you have to obey and toe the line, and then suddenly change. And now we have to obey again. It's all very complicated and quite scary.

I think the brilliance of Lean is that it breaks down the global challenge, which is the big change, the exciting and scary big change, into small steps. This is what we do. We mince it into very small steps, which are actually not so scary, which are the Kaizen. I think this is very, very powerful.

So, when I work with CEOs and we understand the challenge, and we start to have a pretty good idea of how the organization needs to respond to face this challenge, the next step is to break it down into very small Kaizen steps for people to learn to change. Let me see if I can give you an example.

Joe: Before you start can you define Kaizen for me a little bit? Are you defining Kaizen as just continuous improvement?

Michael: Kaizen has two aspects. One aspect is problem-solving, which means every production cell should work at a certain level of standard. Everything should work at a certain level. Then, because the environment changes all the time, the machinery runs down, the customer changes their mind. You know, something happens. So, we're not at

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that level. We have to do is to fight very hard every day to stay at that level although the environment has changed.

The second part of Kaizen is, once you are at that level, how do you push the limit? How do you move beyond? How do you have the number of quality problems you have? How do you do the same volume work with one person less on the team in the process, but not with working harder? How do you work safer? That would be the second element of Kaizen. So one is just holding to the standards no matter what the world throws at you. The second time is once you hold your standard, how do you push yourself to actually improve the standard? That would be Kaizen, and Kaizen in terms of small, practical steps.

This is not a revolution; this is solve one thing and prove one thing. This is not turning everything around.

Joe: I just didn't want to go farther in the thing as using Kaizen and someone having a different interpretation of where you were going with it.

Michael: I think, again, every experienced person, no matter how, will have a slightly different take to it, I think you're totally right too. Again, one thing I've learned is that Kaizen is personal. Its like, "How do you, Joe, find a topic in which you will improve your own work and workstation? Not your neighbor's, not your partner's, not your suppliers, but you." I think this is a very strong thing about Kaizen. Kaizen is about changing yourself before trying to change others, which is not always easy. I mean, except for us professors, of course. Because once we become professors, the good thing is we don't have to learn anything anymore, and we don't have to change anything anymore. But for the rest of the people, that's what it is.

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So, let me go back to that example. I think it's interesting. I work with this company that is doing well commercially because they're an industrial company in France. Rather than do like everybody else has done, they've kept a very wide catalog of products, industrial products. Everybody else said we reduce the catalog in terms of references, and we source everything from China, and we'll be fine. What they've done is said, "No, our customers actually like to have a wide array of references." So they've kept a very wide catalog.

What that means because when products come from China, they're in the containers of the ships wherever. So, it means they have kept quite a bit of manufacturing capability here in France in order to transform quickly to adapt to this wide catalog. Yeah? You see it?

Now, when we look at this situation what we see is that in order to have this wide catalog, they carry an enormous amount of inventory. They're doing fine because they're very profitable, but they haven't been cash-positive in 15 years, I think. They always struggle with this inventory. They have every better computer system to deal with this inventory, never works. In this case we said, "Well, you know, guys if we do Lean, the only thing to do here is to reduce the batch sizes." This will pool the whole system. So we have to down to the machining guys and say, "Well, no, you know, do not produce more than asked. End of story. Do not produce more than asked."

So if you're asked three parts, but your batch size is 50 parts, you just do three parts, and then change it. It was very tough, very tough. But they started doing this, again, it's tough, it's an understandable change for them. Then they realized that they didn't have enough production capacity with all these changes that we were trying to make.

So then you say, there's this great Kaizen tool which is called SMED that's been around for

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60 years now. And so they started applying it, and eventually they got the changes down. This had a tremendous impact of cash flow pumping through tens of millions of Euros. This company's been cash-positive for the first time in 15 years, and the cash curve is still growing. And the service is better to customers.

Do you see the link? Here at the management at the senior level we've seen their business model. We've seen the challenge in their business model. We've seen the operational thing we needed to improve, and we've broken it down into Kaizen so that everybody on the shelf can participate through that effort. And when we've aligned those stars correctly, then the business results are just tremendous.

Joe: Has this company been practicing Lean before? Were they a Lean company before?

Michael: That's an interesting story. We've actually written a paper with the CEO of this company on it, which is called "The Lean Leap," that's published by "Reflection," the review from the Society of Organizational Learning. They actually have practiced Lean before in a more... six month way, I'll say, with a Lean office and six monthly projects, essentially focused on productivity and cost reduction. They got pretty disenchanted with this. They'd been doing this for two to three years. They asked themselves, "Well, we want to continue with Lean, but this way of practicing Lean is not very... doesn't work with us."

We ended up talking, and we ended up practicing Lean in a different way. So, yeah, they had some background in Lean. But then we had to change our minds about quite a number of things.

Joe: Now, when someone instills Lean like that, can they do it without a Sensei? Could

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they do it without a coach?

Michael: That's a tricky question. I have to say, I am looking. I'm looking, honestly, because I think Senseis are the biggest bottleneck in Lean implementation. I have not yet found an example of transformation without a Sensei. However, I have seen many companies that have progressed by doing Lean on their own. I think we have two different kinds of theory here. We have continuous improvement progress, and, yeah, many companies have done great things on their own. Then we have actual transformation.

Transformation is something we're talking about two to four percent e-biz improvement. We're talking about massive cash improvements. We're talking about increased market share. You know, transformation. So far, this I've not seen without a Sensei.

Joe: One of the things that I always look at is a true transformation takes place when you go into that knowledge field and the knowledge and the value you're applying are more important than the product and the tools and services you provide. You start adding value to them things, and that requires someone that's been there before to show you the way, doesn't it?

Michael: Show you the way is one thing. Yes, definitely. When you were mentioning, the PDCA, basically, as I see it, the Sensei has two essential roles. At the P stage, the role of Sensei is focusing on the right problems. Because, on your own, you tend to want to learn more about what you already do, already know something about. And the Sensei - it's painful working with the Sensei because the Sensei says "Not interested in that." Yeah, yeah, you can go further on your own, but the Sensei will move you in the areas of learning what you need to learn, not what you want to learn. So, the Sensei has a role

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there in the P stage in terms of keeping the dynamic going.

Also very importantly, the Sensei has a role at the act stage. Because my experience is that, once you run experiments, it's actually quite hard to draw the right conclusions from your own experiments. Because, once you have an idea in your mind, this is what you'll see on your experiments. People will see what they look for, and there the discussion with the Sensei is the key to actually reframe. And maybe the experiment you had, the Sensei will look at it completely differently and take you in a complete different direction. So yeah in the PDCA, as I see it, the Sensei has a very important part, to really move you forward.

Joe: That's an interesting take on it. So, you're saying he plays more of a role as in the beginning, to kick it off and right in the end, to see if it's really time to standardize or go through another cycle?

Michael: Let me go deeper in this. I think he plays a role all along because, as I grow older in this, more people are motivated when they really want to do this. They will do things, there's no problem with what they do on the check, and they'll do it. But the big argument is, are we focusing on the right problems? And this is a very different situation. This is a very difficult core discussion, so here all along the discussion with the Sensei is, do we understand our challenges correctly? And we go through deeper and deeper discussions about what the challenge is. And the second thing in terms of the act, it's not a matter of standardizing. It's a matter of drawing the right conclusions from what we've just done. I don't have an example, we should look into specific examples, but it's very easy to say "We've tried this, it never worked..." I do have an example, I just saw a company that they've said... In engineering, they've tried to say that they'd have one engineer owning a

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product, like this idea chief engineer that the engineer signs a product.

They've tried this, and then the engineers became very dogmatic and couldn't work with the other functions and so forth. So they went to another format, where it was a committee owning a product. Talking to them, I think that their conclusion that it didn't work is incorrect from what happened to them. The real conclusion is that they were on the right track but didn't know how to make it work, and you shouldn't give up on the first attempt.

This is a critical case, where you should start again and understand why the communication didn't go well between the project manager and the rest of the functions. So this is a typical example. If you don't work with the Sensei you try something, it doesn't turn out exactly the way you thought it would be, so you say this doesn't work, lets move on to the next tool. If you work with a Sensei and say "Well now actually what happened was exactly what was supposed to happen to you." You've discovered something you've never seen before, and now you need to work at it a lot harder to actually progress there. Do you see what I mean?

Joe: Yes, I think we need to go back to that good coach aspect.

Michael: Absolutely.

Joe: Someone looking from the outside in always sees it differently and gives you a different slant because so many times you're blinded by what's going on within your world?

Michael: People always only see what they're looking for. That's the key rule, and that's fine, that's absolutely fine. So, the role of the Sensei is really to say "Yeah, well hang on

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you're still looking for the key under the light because that's where there's light, but in this situation maybe the key is somewhere over there." And that's what the Sensei does, yeah.

Joe: But in the essence of continuous improvement, it's still about you doing continuous improvement. I mean, just the definition of that word means that you have to be doing it all the time, and it's got to be you doing it on an individual basis, doesn't it?

Michael: Yes, absolutely. That's another debate that I'm having at the moment with Morgan. I think that we agree that every company needs some sort of... rationalization method? Somewhere we need an effort to be more rational. So, by being more rational, you get better processes and better results. I think we've all been taught from the 19th century a very Taylorist way of rationalizing, which is the new boss. Or the extra consultant looks at your process, maps it thinks it silly, draws a better, you know, invents a better mousetrap, draws a new process says to people "Apply it!" So, what we're talking about rationalization are design and set. And it's OK. Taylorism has given us 3% compound productivity since 1988. I'm not going to complain about it, but I think Lean is a complete radical departure, because of the insistence that everybody should learn to think by themselves. And we do rationalize things, but in a different way which is based on improve and standardize.

So its move and the issue is "Yes this is where you are and what is the next step? Where do you want to be tomorrow? Move, move, move". And in order to sustain this constant movement and not be chaos, you need to agree amongst yourself, what is the standard. How do you agree that yes, we understand that this is not ideal, but currently this is the least wasteful way of doing it, so let's just keep to it. And we have standards not because

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they are rules, not because design and set, but because we need a firm stand, so we can improve further.

So, absolutely, it's all about maintaining a steady rhythm of improvement. They don't need to solve everything themselves. They don't need to figure the better mousetrap all the time. But what they do need to do is to keep their people continuously working on improving standards. And then this will collectively take them into a place where their competitors can't follow them.

Joe: One of the things you mentioned earlier is that there has been a drastic change in our economy in the last two years, in the way we do business. How has Lean adapted and changed the last two years in the reflection of that statement?

Michael: Well, that's a very interesting question. I think that probably, I think that Lean, certainly TPS, was born out of a necessity to adapt to these conditions, these tough conditions. And I think honestly, I can see the companies I work with and I know they came into their own in the crisis. I think it's, I'd say it's the other way around, to me, that it really, these extremely tough market conditions, I've dealt with 20 to 40 turnovers in very brutal situations, and it was amazing to see companies who had, you could see it. Because companies who had three or four years Lean into them, they just took it in their stride. It was amazing. Companies that were in their second year they scramble and companies who had just started, just reverted to all their old modes of behaviors and focused on cost-cutting and shot themselves in the foot. So I really think that this is what Lean is made for. I have a slightly different take than many people have on the Toyota crisis. It was great to watch.

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Toyota hit the first volume crisis, and then the so-called quality crisis. We now know there was absolutely nothing wrong with the Toyota cars, but God knows what happened with this PR crisis. But it was amazing to see how the company responded. And I think this is the essence of Lean is like, you know, sometimes you get the wrong end of the stick thrown at you, but you've trained everybody to respond and respond and respond. So the crisis has really revealed; Lean comes into its own.

Joe: That's interesting, your look, because it's kind of like Toyota really had to turn in and reflect upon themselves, and look at themselves as, in the true Lean sense as, even if it wasn't a problem of theirs, they reflected that they had to... I'm not sure the is Hansei the correct word for it? But they had to kind of do the suffering and internalize the pain to be able to move forward.

Michael: Well, I think as a Toyota-watcher, some people are bird-watchers, I tend to see myself as a Toyota-watcher.

I see it quite differently. I think certainly there was a lot of internal debates as far as 2004 within Toyota, about this whole growth thing. To them, it was not a new thing. They were waiting for some disaster to happen. It's like when you're sailing and you're suddenly, there's too much wind, and you're carrying too much sail. But because you're in a competition, and you want the prize, at some point, it's still giving, it's giving, and it's giving. So you don't want to take the sail down. You don't want to touch anything. You know, it's getting very noisy, and you can see everything is overburdened, but you're making so much headway that you don't want to touch anything, anything. If I touch anything, everything is going to go, poof. Then suddenly you hit the wrong way, and then

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poof, you get a dunking. And that pushes you to actually do, what you were, that you actually make the changes you were preparing to do but hadn't committed to doing.

So I don't know if my example makes much sense, but I see Toyota has been, internally, they've been debating and debating and debating. They knew they were overstretched. They were, they knew they had to do something about it. They knew, something, particularly on the engineering side, they knew they were coming up with too many products, too fast. They knew that their engineering was overburdened. They knew they relied too much on external engineers. And suddenly this thing hit them. The quality thing hit them. Which is interesting, because in this particular case there was no quality problem, which is one of the reasons they reacted so slowly to it because they couldn't find it?

But it became this big PR thing, and what it really did, is that it confirmed in their minds that it was time to take a step back, and the catastrophe they were waiting for had happened. And so the action plans that they had been discussing, was time to put them into effect. So I don't see it as Hansei as a result of the pain they got through. I think of it as continuous for a sense of Hansei. Don't forget that until 2008, they had the five, the five years the most profitable they ever, which is why they had so much cash on hand to deal with the crisis.

Joe: It's like when things are going well, you kind of just, you play it out till it stops, because...

Michael: Sure.

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Joe: You keep the momentum going.

Michael: It's business. It's business. Look at the results, you know? Would you have believed that General Motors would be in Chapter 11? I remember sitting at a dinner 10 years ago with Jim Womack, and we're talking about this, and Jim says, "General Motors goes into Chapter 11 in 10 years. I've plotted the curve," and I remember Jim saying this, and he said, "I've plotted the curve, and the curve intersects the ground there." It was 10 years ago, and you think "Never. Never. General Motors has been with us forever. Never. They're just too big to fail." But, they drove them into the ground, you know? So, sure. It's business. I always thought that all these arguments about Toyota growing too fast - I've seen what they've done with the French plant here. The French Toyota plant has the one - I think it still is...well not any longer - but was the only Toyota plant to have three shifts.

Toyota usually uses two shifts because they need one shift to repair the machines and do a lot of work that needs to be done. But here, the market here has such a soft underbelly in the small car segment that they decided to just burn the plant. So, yes the plant had not the same resistance of machines. Yes, they did things that they wouldn't consider doing as proper TPS way.

We've had a lot of experts saying this is not true TPS and so forth. But the truth is they hit the European markets like crazy, and all the local constructions have suffered enormously. So again, it's about business first. It's not an ideology. It's not a religion. It's about business first. It's about having a system so that your people carry the business objective in a way that you have immediate results now but that you also build for the future at the

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same time.

Joe: What's the difference between TPS and Lean?

Michael: That's a very interesting question. You'll regret having asked this to somebody with a background in knowledge theory. I see it as a number of translation mechanisms. First, there is something magic that happens with Taiichi Ohno and his workshop. Then they ask him to write it down because they need to teach it to other people. Apparently Taiichi Ohno was very much set against this but then eventually they forced him to do it, and we have a first translation when they started formulating. Before, we had something called the Kanban system or the Ohno system, and now it becomes the Toyota Production System. Do you see what I mean? It's translated. It's not the same as what Taiichi Ohno was doing, and it's a translation. Then, at some point, this goes out in the world, and it's translated into "Just in time". Do you remember the time it was all about "Just in time?"

Joe: We used to call it "Jetted in time" is what happened, OK?

Michael: There you go. So it emerges out of Toyota, it's called "Just in time" and the other version of it emerges that's "Total Quality." People didn't understand it was the same thing at the time; they just had a different bit. I think that when Jim and Dan discovered through this INP video study that Toyota was actually twice the result, half the effort - something crazy was going on - they came up with their own translation. Their translation, when they're talking about it, one of their students called it "Lean" which is a great name. Wonderful in English. Doesn't translate in any language in the world, which is great. And he has a branding mechanism because you have to keep calling him "Lean." So it's their translation.

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What I call "Lean" would be trying to do what Toyota did outside of Toyota. I think they did a stunningly good job. They really hit on many core things. But TPS is one thing, Lean has developed to be another thing pretty much driven by the success of value stream mapping. All of these are translations.

Joe: I always see a different perspective a little bit on "Lean" from, let's say, the European community and especially software developers that it's a more pure sense, and I think more influenced by Toyota than what the American sense of it is. Would you agree with that statement?

Michael: That's an interesting take. As far as a Toyota watcher, and as a social researcher, I've taken the strange stand of not going to visit Toyota in Japan. The reason is I didn't want to be contaminated by the Japanese culture sentiment. Everybody who goes to visit Toyota in Japan comes back saying "It's incredible, but hey, they're Japanese so of course it's incredible." So what I do is I visit Toyota plants everywhere in the world where I can get access to them. I try to see what is non-culturally linked - what is it that they manage to buy in any culture? What I had to deal with at first was that TPS application from one plant to another is very different. The core principles are always there. The specifics of it are totally, again, interpretive of the local market.

The second thing I had to deal with was that people from this plant or that plant think that what they have done is TPS. For instance, people in the plant in Kentucky, which had a very strong leader in Mr. Cho and a very strong history, are convinced that the way they apply TPS is TPS.

If you visit the plant in Durban in South Africa, you see a pretty different picture. I've just

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been in the plant in Tianjin in China and, again, something was rather different. They're all convinced that they're application of TPS is TPS. So I'm not surprised that you get this impression, but I think it's even more fragmented than just the U.S. and Europe. I think that in different situations TPS just applies differently.

Joe: I think that's a good take, I really haven't discussed or had the opportunity to talk to someone in South Africa and China. So my take is from just Europe and the United States. I noticed a difference just from talking to them and the way they talk about it. When I interview them, I just get a different take than what I do from the two different places. So I think you're 100 percent right. It's just that I have a smaller viewpoint of it, and I think you're correct there.

One other thing, just a question out of the blue have you ever had an opportunity to see the silver book, what they call the sales and marketing book at Toyota?

Michael: Yes, I have.

Joe: That is something that I really have not seen, or I see, that here is the silver book, I can go buy it on Amazon or something. Is it out there? I mean, can you find it? Is that available?

Michael: No.

Joe: And is there a difference about it? What is the silver book about?

Michael: Oh, same thing, application of TPS to sales.

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Anyway, the version of it I have been shown is not as specific and applied as it would be on the production side. But the one main difference, I think, it's a discussion I've been having with my friends at the Lean Institute is on the management side of TPS, I think we've latched on to the three basic concepts of go and see, ask why, and show respect. And one of the debates I have, and I suspect that the correct formulation would be put the customer first, go and see, ask why, and show respect. And to me that's a very, particularly in the engineering work that I do with Lean Engineering, one of the biggest fights I have is about going back to what does it mean to put customers first.

So the version of the silver book that I have seen is strongly focused, as it would be as a sales book, on put customer first. But beyond that, it is about applying PDCA and kaizen to your approaches. So it's pretty much the same thing.

Joe: I've heard about the book, and I've read a little bit about it. Like I said, I've just never seen where they have shared so many other things. I've just never seen that portion or that thing out saying this is or even referenced in most any other book.

Michael: To be honest, again, the concept that I developed is full enterprise Lean. It's wall to wall, end to end, top to bottom, you know what I mean, right? Because I work with CEOs and how to get their results through developing people and it's not just a manufacturing... Do you know Orry Fiume and Art Byrne, the guys from Wiremold?

Joe: Yes.

Michael: They keep saying lean is not a manufacturing tactic, it's a business strategy. And I completely subscribe to this view. So you look at all the different functions, and we

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know a lot about manufacturing, but to be honest, and Toyota has been very, very open on manufacturing. But, to be honest, I mean Lean in engineering has to be more important if not more than lean in manufacturing.

Toyota didn't become number one by having lower manufacturing costs; they became number one by making cars people bought. And this is all about engineering.

But there are also many areas of Toyota that we know very little about such as, like you were mentioning, software. The agile community has to say about what they do with lean. But my brushes with Toyota software people are that they do something different, for sure. But it's not agile; it's something else again.

So I think we have only got one piece of the elephant, which is the manufacturing side. But the next piece, I'm working a lot; I've been working a lot for the past 10 years trying to understand the engineering side, which is extremely powerful and just as fascinating and involved as the manufacturing side.

I've not yet gone into the sales and marketing side or the IT side or all these other aspects. But they're there.

For instance, the procurement and purchasing side, again, there's nothing much published on this. There's a great book by Mr. Roy Vasher and colleagues that I really recommend to everybody on the supply chain side.

And again, it's extremely, the same principles there. The tools are very specific to the activity. It's very involved, and it's very powerful.

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Do you see what I mean? I think we've only seen one bit of it.

Joe: Oh, I agree with you. I have blogged about how I would market to Toyota. I just went to "The Toyota Way" and Jeff Liker's book. He had a pyramid of the Toyota supply chain, and it spelled out what the requirements were of the supply chain and really the relationship. It was all about the relationship with Toyota up the steps of the supply chain, building content and building a marketing strategy.

It was not meant to be taken literally that's the way I would do it, but it showed a progression of PDCA up the staircase in learning the Toyota culture and how to become a partner with them. And that is how I would market to them.

I've never really seen good, except one book on Toyota on sales and marketing. That one, it was more of a Lexus story on how they came through it. But that's the only other thing I've seen on it. So it was just my take on it is all that was.

Michael: Marketing is not my field at all. But here is what I found with engineering and product development, not process development, product development. It appears to me that one of the big revolutions that we are looking at is that, and it explains a lot of Toyota's behavior in this quality crisis they had.

When you're with, let's say a mid-size company, they tend to think in terms of marketing terms as defined by marketing forever, which is they look at their markets as markets. So they have these numbers of markets. And they think that the next product should be like the killer app. They want to define the product that is going to take the market. So usually what they come up with is how to use the technology of today to solve problems of

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tomorrow. Trying to say if we had the perfect product in the entire market what would it be? You see what I'm saying?

Do you see people doing this?

Joe: I agree with you.

Michael: So they have these brainstorming sessions, and they go and they do the scenarios on the markets and they look at products, and they see all the features they could do. And they throw all the features in the product and say, "We got this project with these features, and it should take the entire market." You see them do this? So what I've learned is that you say, "No. Hang on. We're trying to do something else." What we want is that our products become standards of the customers. We want a product that whenever the customer says, "I want to know the brand." Whenever the purchasing guy says, "I've found a cheaper brand somewhere in the world."

The internal guy is going to say, "Well hang on, let's talk about this. Maybe it's cheaper but we have very good reasons to believe that using the leading brand is better." And really the idea is that thing once a person has bought at Toyota, they will never get out of the Toyota family. And it's why they created Lexus, why they created Scion, it's this idea that your product is such a standard that you won't buy another car and another brand.

I think, and part of the standard that Toyota has offered to their customer is peace of mind, which is why this safety crisis has thrown them in such a big problem. They've never admitted to anything wrong with the car, but they did admit repeatedly that they were sorry, that it affected the peace of mind of Toyota owners. And their entire communication

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has not been in marketing terms at non-Toyota owners, it's not been a sales message.

Their entire communication including the ongoing recalls has been them reassuring Toyota owners that Toyota is still Toyota. So here we have... when you look at it say, and this will work with any company just say, "Guys, let's take your biggest customer, pick one specific customer, your biggest customer, let's look at your product and service." And then say, "What specific problems for this customer you would have to solve so that your product or your service is standard for them?"

That if you're... and these customers choose, it's a no-brainer that you're going to use us. I have a good example, I know some people have kids, has the Beyblade spinning things hit the states or not? You know they call these spinning toys for kids, those spinners or... how do you call them?

Joe: Say that again Michael.

Michael: Something that spins, the kid spins it, and they have battles? How do you call them? Anyway, the kid just wants one brand, and the brand is in such demand that every store in France is out of this. And so all the alternative brands have come up. And they're really, as a parent, they're the same product. But my kid won't have any of the others. He just wants this one, and right away, he just wants this one. So this is where you teach. So when you go from a product development point of view, it changes radically where you tried to do. Because now you're looking at one customer, you're looking at specific problems, and you're looking at how do you solve these specific problems for this one customer. Thereby delivering more value to this customer and more generally you're looking at how you use new techniques, new technology to solve today's problems.

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This moves you into the product development in a completely different direction. So here I say again that Lean has this incredible reframing, in fact, I don't know how it applies to marketing, but I'm sure there's a marketing impact of this. So you're no longer looking at markets and trying to find a killer app to take to market, you're looking at existing products with existing customers and you're looking and saying, "How does my product become standard with the customer?" Which is why I have this specific cost of views issues I need to solve for a specific customer. And it's completely different.

Joe: And I think it is because that's where I go back with the Lean thing is that is more knowledge creation, and actually the very best Lean methods in marketing used are when the teacher becomes your customer, and you listen to him.

Michael: That's where you, are but to do this I think you need a change of glasses, and you need to look at individual customers on markets and you need to look at very specific problems, not market trends. I think that radically defines how we look at marketing.

Joe: I think there's technology out there to do that now, is that we can get more specific and address certain issues and problems and they're small enough issues and problems that they can become part of continuous improvement, as we knock them down and we do that, and that's what should drive our continuous improvement efforts.

Michael: One of the things I've found in working with service organizations mostly with sales is, incredible how much information we lose. Every time the customer picks up the phone and talk to you just to buy something, they tell you a lot of things about what they like, and they don't like. But this information is not captured, is of no interest for the company. So typically companies use the usual marketing focus groups and marketing

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surveys and they ignore the fact that customers talk to them all the time. The customer says, "I like this, I don't like this, why don't you do this or I had this wrong with your product." This is typically completely normal with companies, by companies. So yeah, I think that by using, besides the use of technology and databases, we could really change the way we look at the market, absolutely.

Joe: What is in the near future for you? Are you speaking anywhere or what other engagements do you have coming up?

Michael: Well, I'm going to the States. I'm going to the U.S. at the end of March. The occasion was we were very honored to receive the second Shingo prize for the Lean Manager. So I am going to the award ceremony. And I will be doing two workshops in Boston with LEI. One workshop is about what you do in Lean; you must go to the Gemba. You must go and see their shop floor, and you must go -- and one question from senior managers is what you do once you are there?

What makes Lean different from management by walking about and again it is very different, because it is far more technical, too.

Michael: And I have another workshop about the topics that I am working on currently with people I work with, which is this notion of full enterprise Lean. How you do you Lean end-to-end and wall-to-wall in for the entire company and not just in production. So, these will be the two workshops I will be doing in the States.

Joe: Are they available on the LEI site?

Michael: I am sure they are. Yes, certainly.

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Joseph T. Dager

Lean Six Sigma Black Belt

Ph: 260-438-0411 Fax: 260-818-2022

Email: jtdager@business901.com

Web/Blog: <http://www.business901.com>

Twitter: [@business901](https://twitter.com/business901)



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