



Markovitz on Keeping Your Company Fit

Guest was Dan Markovitz

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Transcription of Interview

Joe: *Welcome everyone. This is Joe Dager, the host of the Business901 Podcast. With me today is Dan Markovitz. Dan helps organizations become faster, stronger, and more agile through the application of Lean principles to knowledge work. His first book, 'A Factory of One' applied Lean principles to personal performance. His latest work centers on Organizational Fitness and as you might expect again, using Lean Principles. Dan works from coast to coast with Elan Enterprise in the East and Stanford in the West and stopping over at the Fisher School of Business at the Ohio State. Dan, thanks for joining me once again and I'd have first to ask you just, how have you been?*

Dan: *Joe, it's a pleasure to be here, and I've been doing fine. Racking up a lot of frequent flyer miles on United Airlines, but otherwise doing really, really well. Thank you.*

Joe: *Well you seem to be going coast to coast and actually sort of around the world in your speaking engagements.*

Dan: *Yes. As part of the promotional activity for my book which comes out next month,*

on September 22 or 23 or something like that, I have been working on securing speaking engagements as you say around the world. I keynoted a conference in Iceland, The Lean Island Conference in April and I'm really honored, and excited, and proud to have been invited to do a keynote presentation at the Lean -- I always get this wrong but Lean Enterprise Academy Summit in the UK. So Lean Enterprise Academy, of course, is the sister organization of the Lean Enterprise Institute. So that's in November, and then I've got some other stuff going on in some other countries as well. I'll be in Zurich doing a presentation and maybe even in Istanbul if I'm lucky.

Joe: *That sounds pretty exciting. I have to ask you since you have centered much of your career on applying Lean to knowledge workers, does your new book 'Building the Fit Organization' follow that same path?*

Dan: Yes and no. I'm coming down firmly in the middle of defense and waffling. I certainly talk more about knowledge workers than I do about the manufacturing floor. I've never actually worked in a plant. I've toured them but I never worked there, so I always feel as though I'd be a little bit of a poser if I'm talking about how to set up an assembly line. The ideas, I generally use examples from the knowledge working world, but the principles that I talk about and the ideas are certainly applicable to any kind of organization or any part of an organization, whether it's the accounting department or the production shop, and so anyone could use it. But again, I often talk more about the knowledge workers. The other issue I think is that Lean has been so -- I'm probably overstating it, but it's pretty well entrenched in the manufacturing environment. People know what Lean is about. They

understand the lessons of Toyota and how it applies to whether it's lawnmowers or jet engines. There still seems to be a cognitive bridge or gap between the application of Lean in a manufacturing world to the knowledge working world. And so I feel as though we need more help in making that translation of transferring Lean to manufacturing into the knowledge working world.

Joe: *We mentioned that before the podcast here and talked a bit that some of that Lean can even be limited somewhat because of that constant reference to Toyota and that benchmarking that we always seem to want to go towards when we talk about Lean. But that's not necessarily, Lean principles apply very well across the whole organization, don't they?*

Dan: They absolutely do. You know a process is a process, regardless of whether you're moving paper, or moving bits and bytes of data in a spreadsheet, or you're moving pieces of metal that are in an assembly line. Work is work, waste is waste, process is process, and we can use the same lens to inspect, analyze, and improve the work that's being done regardless of the environment. And I think, in particular, the fundamental principles for improvement, that certainly applies to anything, whether you're a high school cross country runner or a golfer, it's really the same thing, isn't it? Although improvement principles that we certainly have learned from Toyota are applicable to playing a game of golf, to improving the process by which we open up new accounts.

Joe: *I'm totally in agreement because I think Lean has kind of matured now, a little bit*

moving away from just that cost-cutting thinking to more of what I would call a knowledge-building type thinking. Would that be accurate?

Dan: Jim Womack talks about this semi-regularly about how he wishes he could have come up with a better term than Lean. Because it rhymes with mean and so many people have understood Lean to be cost-cutting; cutting out people, cutting out free, cutting out catered lunches or catered meetings, cutting out the coffee machine at the office, cutting the visions – whatever it happens to be. And interestingly, one of the arguments that I make in my book and in the new book, I’m drawing a parallel between personal physical fitness and what I’m calling organization fitness is that if you want to be fit, you don’t just lose weight. You don’t just go on a diet. You don’t just cut from an organizational standpoint; you don’t just cut expenses. You can get skinny if you stop eating, but you don’t get fit, you don’t get strong, you don’t get agile. You just become brittle, and frail, and slow.

If you want to get fit, you need to build strength, you need to build agility, you need to build flexibility. And organizational, I think the same thing is true. If you want to be Lean or if you want to be a fit organization, you can’t just look at cutting costs because if the underlying processes aren’t improved, all you’ve done is delay the inevitable reckon. And if a company improves or the economic situation improves, those costs always come back. We lay you off this month, Joe, because business is bad, and we take your work and we assign it to the people on your team or your colleague, and then a year from now when business is better, the process is still the same, so now this person is overloaded, and we

hire your replacement back and we're back to exactly where we started. In the best case scenario or the worst case scenario, of course, the company's performance suffers because now we've taken your work, dumped it on someone else who isn't able to do two jobs.

Joe: *What you're saying there is really maybe one of those key things about sustainability that we're lacking is it's just not about as you're saying cutting costs. It's you have to gain strength while you're doing it.*

Dan: That is exactly right. And as I mentioned, I use the personal physical fitness metaphor and the athletic metaphor. You have to gain strength while you're losing weight. And organizationally, you have to do the same thing. There were a couple of interesting studies done by some of the big-name consulting firms like McKinsey. They pointed out that in the wake of the great recession in 2008, 2009, companies, of course, we all know this, many of us lived through it, cut expenses laying off people left and right. And what they found was that within two years, most of those expenses came back because the company didn't build the fitness level. They didn't increase the ability of their people to do more work. All they did was dump more work on them. And that's a fundamentally different thing than increasing the ability to do work by improving processes, by improving individual people's capabilities.

Joe: *One of the most misunderstood terms of Lean was standard work, and I believe you devoted a chapter to talking about standard work in your book. How does that apply to organizational fitness and the knowledge workers?*

Dan: You know I talk about standard work in a couple of ways. First of all, I point out that if you think about athletics or exercise, there are standard ways of doing an exercise. If you're in a gym and you're going to do squats with barbells or something, there's a right way to do it. You want to have your knees and feet in a certain kind of alignment. You want to have your back in a certain position because if you don't, you're going to hurt your knee pretty badly. You'll blow out your knee, and that's bad; so you don't want to just make it up as you go along. There is an established best practice or best way of doing it. That doesn't mean that there can't be a better way of course but for right now, that's what we call the best way. And in athletics, not just fitness, we also have the same thing. There is a right way to swing the golf club. There's a right way to kick. There's a right way to hit a tennis forehand. There's a right way to serve. There's a right way to swim. I have been doing a lot of swimming with a local masters group, and there's a right way to hold your arms and where to put your head and so on.

So we accept that there is a right way to do things. There's a standard way if you will, or standard work for these athletic activities. And I think it's important to recognize that there's a value to having a standard way of working or a right way of working in a fit organization. On the frontlines of any organization, we can see this from something like the TWI, the training within industry legacy, where there's a right way to tighten a bolt or to stamp a piece of metal. We know that there's a right way to do this without getting hurt and to ensure that the product or the metal or the object comes out of the production process properly. There is a right way to process an invoice. There is a right way to do an

analysis of a budget or something like that. And I think on for leaders as well, and this, of course, has been bubbling recently or have been at a high bubble in the Lean community for the last year or so, there's also a right way to lead which brings us to the leader standard work. How does a leader spend her day?

Historically, there hasn't really been a standard. There hasn't been any sort of structure. The CEO or President comes into his or her office and starts fighting fires, but there's no structure to it. What about going to the shop floor or going to the -- if we leave the manufacturing metaphor out of this, what about going to where the invoices are processed, the accounting department. What about going to new product development? What about going to the customer service area and listening to phone calls and coaching people on how to deal with customers? Starting to add those kinds of standard practices to the daily and weekly routine is I think an incredibly powerful way of helping the company become more fit in a lot of ways. It tightens the bonds between the frontline staff and the leadership team. It improves the amount of communication and the speed of communication, because now the leadership team gets to see stuff in real time each day, not waiting for a weekend, or month end, or quarter end report. It builds greater morale, and these are all things that are very important to having a fit organization or an organization committed to continuous improvement.

Joe: *One of the messages that I received from your book is that coaching needs to really take a much larger role in the organization for it to become fit.*

Dan: Absolutely. A friend of mine and one of the people that I interviewed for the book is a woman named Carolyn Brodsky. She runs one of the last American climbing rope manufacturing company. So it's used for sports climbing and for arborists, firefighters and things like this, and she has committed to embracing Lean and continuous improvement in all facets. One of the things she talks about is she says the greatest competitive weapon we have is our employee's brains. That really struck me. By the way, they're a small company. They probably had about a hundred people working there, so we're not talking about globe-girdling enterprise or anything, but she says that the hundred people that work here, this is our greatest, competitive advantage. It's our greatest weapon. And she understands that in order to get the best to use that weapon and to keep that weapon sharp and increasingly sharp and increasingly powerful and potent requires coaching. It requires teaching them how to solve problems. It requires teaching them to see wastes and to see improvement opportunities, and that is what she dedicates much of her day too. Now obviously she still has plenty of fires to fight as the head of the company, and there's plenty of chaos just like everybody else deals with, but she really invests her time in those guys because she knows that that's where the future of the company lies, with the people that are hanging rope or shipping rope or designing rope and so on. And as I said, they are the last American made rope manufacturer, and they're doing really well against cheaper competitors from Asia primarily.

Joe: *When I think of coaching, I kind of think of someone that has done that job before, that he knows how to do the job. And I see that in a lot of different areas and so forth. Do we need to make the investment in time and personnel to be able to do that? Do new*

managers need to come up from lack of a better word, the factory floor or do they need to come up and be trained very much so in the jobs that they are managing?

Dan: Hey Joe, did you see the movie -- it was a real Schmaltz fest, but did you see the movie McFarland USA?

Joe: No.

Dan: It's a Disney movie. It came out earlier this year. Kevin Costner is the star, and he is a football coach who gets drummed out of his school and he ends up somewhere in Central California in the farming area, Central Valley. And he is asked to become the coach of the McFarland -- well actually, there is no McFarland cross country team but he starts the McFarland cross country team and within eight years, they actually become the California State Champions. He was a football coach and knew absolutely nothing about running. Zero. He was not a runner himself. He was not a competitive runner. He didn't work with coaches from his other schools, but he built a real juggernaut in a very short amount of time. It was a really remarkable story. It's a Disney Movie, so it's kind of Schmaltz, and they shortened some of the timelines, but what struck me about this and what I see elsewhere is that it's not important, it's nice if you know the actual processes; that really is a good thing, it's helpful, but you don't have to be an engineer to coach engineers. You don't have to be a machinist to coach a machinist. You don't have to be an accountant to coach the folks working in the credit or the invoicing department. You don't have to be a sales star to coach sales people. It certainly helps because it gives you

automatic credibility but if you can ask the right questions, and obviously you want to study and learn as much as you can, but if you can ask the right questions and get people to engage in scientific thinking, that is a really important role and an important way in helping people improve; even if you don't know anything about it. I really think that Mike Rother did the world a tremendous service by writing Toyota Kata where he talks about the improvement question, the improvement content, the questions you ask and the process by which you help people learn. So it would be nice if you know a lot about whatever the subject matter is, but if you can help people through structured thinking, that's pretty darn good because they have the engineering skill, and you're helping them with the problem-solving know-how. That was a long answer, but I hoped that makes sense.

Joe: *So you're saying that you don't have to have the intimate knowledge because you may be able to just draw that knowledge in those people that have that and repeating it will strengthen their own skills because you're actually asking the right questions maybe, or the ability to dig deeper is the thing that you as a coach is doing, right?*

Dan: That's exactly right and you know the truth is, when you think about it, organizations are large, complex animals, and it's really unlikely that someone is going to be a particle physicist or someone is going to be a neurochemist or someone's going to be an expert in pretty much anything. Companies are now so broad and encompass so many areas that it's impossible for any one person to know all of those things. They can still take what they do know, and they can take their understanding of plan, do, study, adjust scientific thinking, and they can use that knowledge to help improve the performance of

people in specialized areas that they may not themselves understand.

Joe: *You end the book discussing the Coaching Triangle; what is that?*

Dan: That comes out of my experience both as an employee in a lot of different companies and as a coach myself. I used to be a high school cross country running coach. I was also a high school and college competitive runner. But we talk about coaching, and it's important to understand that there are really three elements to it. Which as you said is what I call the 'Coaching Triangle.' One is certainly the notion of go and see, and that's well known in the Toyota world. Go and see with your own eyes what's happening. I think it's important for any leader -- if you're going to coach, you can't do it from the conference room, you can't just call it in or phone it in; you really want to see what's going on.

The second element is participation. I think that people can smell hypocrisy. They can smell a fake from a mile away. If you as a coach or leader are not participating in improvement, either the improvement that the employee is doing or your own improvement projects, people understand that you're not really committed to it. You're saying what's good for the goose is not necessarily good enough for the gander. It's good enough for you minions to be doing these things, but I'm not going to participating in it.

I think one of the reasons that the TV show Undercover Boss is so compelling is that you see these bosses, the CEO's that are so in the dark about what's actually happening in the frontlines. But if you're regularly participating in what people are doing - and regularly

doesn't have to be every day, maybe it's every month, you don't have the salacious details of the Undercover Boss where the CEO is finding out for the first time that people don't have driver's licenses in their logistics department or something, participating is really important.

The last thing, of course, is show respect and showing respect is not just the obvious 'don't be an insulting jerk.' Although that's certainly important, but also the showing respect is that Lean notion of respecting people's ability to learn so that I am not going to give you the answer to something, even though it will be faster, and even though it will be easier, and even though we could take care of the problem much more quickly if I gave you the answer now. I'm going to respect your ability to figure out how to solve problems or to help you solve the problem for yourself. I'm respecting your innate talents and your ability and your desire to grow. That I think is in a lot of respect the hardest part of the coaching triangle because we want to be helpful.

The folks at the Lean Coaching Summit; they talk about this all the time. We want to be helpful; we want to be supportive, and so it's so natural for us to say, "Here, let me show you how to do this." "Here, let me tell you what the answer is." But people aren't really going to learn unless they do it on their own unless they can struggle through it. It's really difficult for us to short-circuit our innate desire to do it quickly, to do it easily and to be helpful. And those three elements – the go and see, participate, and show respect, those are the three elements that I call the Coaching Triangle.

Joe: *You make it sound like all this stuff is a people thing, and Lean is a people thing. What happened to all the data?*

Dan: Well you know I was an English major, so I shy away from the data, although I'm pretty good with Excel. I think when you think about what Lean is, what we're really talking about is improvement, and we're talking about the ability to embed scientific thinking at all levels of an organization and that's really fundamentally a people proposition. There was this great quote, and I'm going to butcher it, but it came from Charles Fishman. About six years ago or eight years ago, he wrote an article for Ink Magazine about Toyota, and it's called 'No Satisfaction of Toyota' if any of your listeners are interested in finding it. He talked about how Toyota's car factory is not really a factory at all; it's really a giant brain. It's not about making cars; it's about figuring out how to make cars. And not just figuring out how to make cars, but figuring out better ways to make cars. That really struck me because that's not about machines. It's not about processes. It's about people. And yes, you use data to support your scientific thinking and your investigations and your experiments because you need to know whether you're better off today than you were yesterday, and you want to know whether your new way of doing things is working or whether it's actually making things worse, but it's about people. Again, it's not a car factory; it's a giant brain. And I think really when you look at organizations that are not embracing the Lean principles, it could break your heart about the brains that are not being utilized.

Joe: *I think that's well said, Dan. One other area that I would touch upon before the*

podcast gets away from me here time wise is the part where you talk about thinking horizontally. And when we talk about being Agile and we talk about thinking horizontally, I kind of think about that T-shaped person that we need T-shaped organization and everything. Is that a fair analogy or what did you mean by that chapter?

Dan: It's less about the T-shaped person than it is about the notion that because organizations are in general organized functionally, we tend to create metrics, KPI's that are vertically oriented. One example that I give in my book is about the credit department, one of their key metrics is the days sales outstanding. And so all they're trying to do is reduce the days sales outstanding. Or you can think of a sales department. What they're trying to do is increase sales. They're not necessarily being measured on other things, and so it leads to sales programs and discounts and pushing things out the door and what not. So people are focused vertically; they're not focused horizontally, and I think focusing horizontally means thinking about the customer. How can we start thinking about the performance of one of our vertical silos in terms of how it affects the customer?

And so a simple example might be currently a lot of call centers track the length of time that a customer service rep spends on the phone with customers. The assumption is that the faster we can end those calls theoretically, the service is better. And so of course what they're trying to do is lower cost because a call center is a cost center, and so we're going to either higher fewer people or we're going to make things automated or we're going to outsource it to India where labor costs are lower. None of that really thinks about how the service affects the customer. So we're looking at our vertical metrics, the cost per call and

we're not looking at customer satisfaction. And a simple way of changing the way people think is actually what American Express has done. They no longer look at the length of call; they look at the net promoters score. So does it take the customer service rep 30 seconds or 30 minutes to answer the question? They don't really care. They want to know that at the end of it, the customer is more likely to recommend American Express to their friends than they were before the call. Zappos, of course, takes that to the extreme. They are very proud of the fact that their longest customer service call was 10 hours and either 29 minutes or 39 minutes. I can't remember. And they don't care what their customer service expense is because all they want to do is -- what's the name of the book, 'Deliver Happiness.' All they want to do is deliver happiness.

And so that's an example of how you can shift from thinking vertically to thinking horizontally. Thinking horizontally means thinking about the customer. How does our credit department think about the customer and how can we use, what metrics can we use to ensure that the customer's needs and happiness are being measured, rather than these arbitrary vertical silo-oriented metrics.

Joe: *When I think of what you just said there and I relate it to the credit department, so the credit department doesn't necessarily end out this nasty note after 60 days of non-payment, they kind of maybe say, "Is there a problem with the order?"*

Dan: Right. At one of the companies I worked at, we used to put our small specialty retailers, these mom and pop stores, we put them on credit hold. Now these guys are just

credible credit risks. Everyone knows that. I was at Asics and so the mom and pop running stores and triathlon stores, they were lucky to pay their light bills on time, much less pay their shoe bills on time. And so the credit department, every month they'd be meeting with the CFO and the CFO would say your DSO's are going up or this class of retailer, the DSO's are going up, this is no good. And eventually we ended up thinking about the customers, and we started calculating DSO's by customer class. So we would have different DSO measure for the big chains; the Foot Lockers, the Foot Actions, the Sports Authorities, the Dick's Sporting Goods, because those guys are professional, and you really want to watch that. And the little guys, the truth is they're only about 5% of the business. No matter how bad their DSO's got, it wasn't going to make or break the financial year for Asics. But, we were really able to serve those guys, the specialty run shops well by giving them a higher DSO number basically. We'd say we don't care if we collect from these guys in 30 days or 40 days or whatever the DSO was that they wanted. We could do it longer because this is what they need. So we oriented our internal metrics, these DSO metrics around the needs of this particular customer class, and it made all the difference. Now all of a sudden, these specialty guys are able to place their orders, and we can ship them products and they can take care of their running customers really easily, and that built up so much loyalty. The Asics door in my time there, they went from number three in the running channel, the specialty run channel to number one. It was a position they held for the next 19 years. Of course, there were other things that were being one but that's a real good example of how the company can start thinking horizontally about a particular customer or type of customer, instead of thinking vertically.

Joe: *And really when I think of horizontally, I think of more of a systems type approach systems thinking versus more on isolation.*

Dan: Yes. That certainly is a big piece of it, for sure. You do need to think in terms of entire systems, but I believe that having the customer as in your sights, and in your planning, and in your thinking at all times is really the first step towards what I'm calling horizontal thinking. You know it's similar, in my book I draw the analogy again to physical fitness. If you are planning to let's say run the Boston Marathon, you're going to tailor your workouts and your exercises to being ready for the Boston Marathon in April Its going to be a completely different regimen, training regimen and timetable than if you're going to running a 10k race next month. Or it can be totally different than if you're trying to rehab a knee injury, or if you're trying to swim the English Channel, or if you're trying to improve your tennis game. You're going to tailor your exercises and your workouts for that specific event. And I think the same is true on the organizational level. You want to tailor the way the various functional silos work and the way they think in terms of the KPI's which tend to drive that. We want to point those towards the specific customer that they're serving. What do these customers need and how can we set up our organizations that we meet those customer needs.

Joe: *Great stuff Dan. Is there something that you would like to mention about the book that I haven't?*

Dan: That's a good question. You've been very thorough as always. I think what I would

add is that the reason I am talking, using this extended metaphor of physical fitness is because I see so often that people have difficulty making the connection between their work and their company and Toyota, which is where all conversations about Lean start. "Let me tell you about Toyota and let me tell you about Taiichi Ohno." And what I wanted to do was talk about Lean and talk about improvement in a way that pretty much everyone can understand; in a way that resonates with pretty much everyone. Because whether you're an Olympic swimmer or not, or whether you're an Olympic runner or not, everyone has done some level of fitness. They understand the basics of what it means to be fit or to try to be fit. And so I wanted to help people -- I think the expression I used with a friend of mine recently or I used with you before the podcast was, give people an easy, gentle, cognitive on-ramp into these changes that we're talking about, and that's what I was hoping to accomplish with this book. So people can say, okay here are six principles for improvement, I understand this. And then later on, if they want to go deeper and learn about the roots and learn about what Taiichi Ohno did and Toyota, they want to learn the Japanese, they want to learn all of those things -- terrific! That's absolutely wonderful. But for starters, let's give them something that speaks to them where they are. I don't think as a community, I don't think we're serving our customers well by hitting them, by trying to teach them how to pronounce and teaching them the difference between Muda, Mura and Muri. I think it's a whole lot easier to speak with language and words and examples that resonate with their daily lives. Now I'm climbing off my soapbox.

Joe: *When will the book be published and, of course, would be available and who's the publisher? And I know it would be available on Amazon and so forth but could you give me*

some background there?

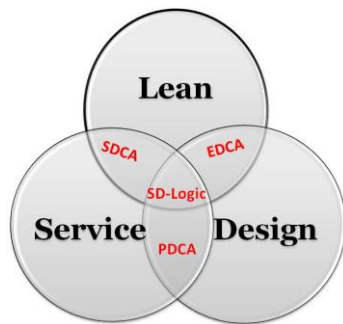
Dan: Yes, absolutely. The official title is 'Building the Fit Organization' and it hits Amazon and I think Barnes and Noble on September 22 or September 23, so just about a month from now. Oh, the publisher is McGraw-Hill. They've been a wonderful partner for me and hats off to them. And if you're interested, you can read more about the book, and you can download the introduction and Chapter one – I can't remember, but you can download some of the book from my Website, Markovitzconsulting.com. And again, it will be available in just about a month online or in the stores.

Joe: *And the best way to contact you is also through...*

Dan: Yes, Markovitzconsulting.com. And I'm available at Dan@Markovitzconsulting.com.

Joe: *Okay Dan, I'd like to thank you very much. I look forward to seeing the completed version. This podcast will be available on the Business90 iTunes store and the Business901 blog site. Thanks everyone for listening.*

Dan: Joe, it's been a real pleasure joining you today.



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Joe Dager is President of Business901, a firm specializing in bringing the continuous improvement process to the sales and marketing arena. He takes his process thinking of over thirty years in marketing within a wide variety of industries and applies it through Lean Marketing and Lean Service Design.

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