

Introduction: Transforming Our Understanding of Leadership and Management

Imagine you have a way of managing that generates initiative among everyone in the organization to adapt, improve, and keep the organization moving forward. Imagine that although this method is different from how we currently manage, it is ultimately not difficult to understand. That is the subject of this book, which describes a way of bringing an organization to the top, and keeping it there, by influencing how everyone in it, yourself included, thinks, acts, and reacts.

In many organizations there is an unspoken frustration because of a gap between desired results and what really happens. Targets are set, but they are not reached. Change does not take place.

The music industry's major labels, for example, were broadsided by digital music downloads, even though the widespread popularity of compiling homemade mix cassettes, starting over 30 years ago, indicated that the market was there. For several decades Detroit's automakers chose not to focus on developing smaller, more efficient vehicles for their product portfolios, despite repeated signals since the 1970s that there was a growing market for them. More recently, PC industry giants were late to develop compact, Internet-oriented laptops tailored for Web surfing, e-mail, sharing photos, downloading music, and watching videos, even though many people, sitting in plain view in coffeeshops, use their laptop primarily for these tasks.

Our reaction to the fate of the music industry, the automakers, the PC companies, and hundreds of organizations like them is predictable: we blame an organization's failure to adapt on poor decision making by managers and leaders, and we may even call for those leaders to be replaced. Yet can there really be so many managers and leaders who themselves are the problem? Is that the root cause? I can assure you that we are on the wrong path with from-the-hip assertions about bad managers, and that hiring new ones, or more MBAs, is not going to solve this problem.

So what is it that makes organizations fall behind and even totally miss the boat, and what can we do about it? What should we change, and *to* what should we change it? Once you know the answers to these questions, you will be even more capable of leading and managing people, and of ensuring that your organization will find its way into the future.

Most companies are led, managed, and populated by thoughtful, hardworking people who want their organization, their team, to succeed. The conclusion has become clear: it is not the people, but rather the prevailing *management system* within which we work that is a culprit. A problem lies in how we are managing our organizations, and there is a growing consensus that a new approach is needed. But we have not yet seen what that change should be.

Business authors sometimes suggest that well-established, successful companies decline, while newer companies do well, because the new companies are not encumbered by an earlier, outmoded way of thinking. On the surface that may seem true, but the important lesson actually lies one step deeper. The problem is not that a company's thinking is old, but that its thinking does not incorporate constant improvement and adaptation.

Drawing on my research about Toyota, I offer you a means for managing people, for how leaders can conduct themselves, that is demonstrably superior to how we currently go about it. I am writing for anyone who is searching for a way to lead, manage, and develop people that produces improvement, adaptiveness, and superior results. You may be an experienced manager, executive, engineer, or perhaps you are just starting to learn about or practice management. Your organization

may have only a few people or it may have thousands. You are successful, but you want to be better and still relevant tomorrow.

With that in mind, here is my definition of *management*:

The systematic pursuit of desired conditions by utilizing human capabilities in a concerted way.

Since we cannot know the future, it is impossible to say what sort of management systems we will be using then. However, precisely because we cannot see ahead we can argue the following: that an effective management system will be one that keeps an organization adjusting to unpredictable, dynamic conditions and satisfying customers. Situations may always be different from place to place and time to time, so we cannot specify in advance what should be the content of people's actions. Leading people to implementing specific solutions such as assembly cells, Six Sigma tools, *kanban*, diesel or hybrid power trains, today's high-margin product, and so on will not make an organization adaptive and continuously improving. Of greater interest is how people can sense and understand a situation, and react to it in a way that moves the organization forward.

One of the best examples we currently have of an adaptive, continuously improving company is Toyota. Of course, Toyota makes mistakes too, but so far no other company seems to improve and adapt—every day in all processes—as systematically, effectively, and continuously. Few companies achieve so many ambitious objectives, usually on time and within budget.

How Does Toyota Do It?

We have known for a long while that Toyota does something that makes it more capable of continuously improving than other companies, and by now we have recognized that it lies in its management approach. But how Toyota manages from day to day and thereby embeds continuous improvement and adaptation into and across the organization has not yet been explained.

That is about to change.

In the ongoing effort to understand and describe what Toyota is doing, most books provide lists of the organization's practices or principles. The individual points may all be correct, yet making lists circumvents explaining how Toyota manages people, and as our now 20 years of unsuccessfully trying emulate Toyota's success shows, such lists are not actionable. This is because an organization's collection of practices and principles at any point in time is an *outcome* that springs from its members' routines of thinking and behavior. Any organization's competitiveness, ability to adapt, and culture arise from the routines and habits by which the people in the organization conduct themselves every day. It is an issue of human behavior.

The evidence of the last 20 years indicates that trying to copy or reproduce another company's tools, techniques, or principles does little to change an organization's culture, its way of doing things. For example, how do you get people to actually live principles? On the other hand, focusing on developing daily behavior patterns *is* a leverage point because, as the field of psychology shows us, with practice, behavior patterns are changeable, learnable, and reproducible.

What has been missing, and the gap that *Toyota Kata* fills, is a look inside the engine room, that is, a clear explanation of daily behavior patterns at Toyota and how they are taught. By describing these underlying thinking and behavior routines, *Toyota Kata* establishes the context within which the Toyota practices previously observed and written about are developed and function. This gives us new power.

This book describes two particular behavior routines, habits or patterns of thinking and conducting oneself, that are practiced over and over every day at Toyota. In Japan such routines are called *kata*. These behavior patterns are not visible, are not described in Toyota documents, and it takes a long time to recognize them. Yet they are how Toyota leads and manages its people. These two kata are taught to all Toyota employees and are a big part of what propels that company as an adaptive and continuously improving organization. If you want to understand Toyota and emulate its success, then these kata, more

than the company's techniques or principles, are what you should be studying. Toward that end, they are presented here for you.

Toyota's intention in using these kata is different enough from our management style that, from the perspective of our way of doing things, we do not immediately understand or see it. However, I think we are now close to a eureka or "lightbulb" moment, a different way of viewing, interpreting, and understanding what Toyota is doing. Once we understand how Toyota uses the two kata described in this book, there can be a shift in our perception that will enable us to progress further, because once we recognize the underlying pattern in how something works, the subject becomes easier to grasp. "The penny finally dropped and now I understand it." The kata presented here cannot be explained in just one chapter, but the penny eventually drops, and once you get it they are not so difficult to comprehend. This makes sense too, since Toyota would like everyone in the organization to practice and utilize them.

This Book Will Help You Get It

The new information that is presented here does not supplant what has already been written about Toyota, although it will require some adjustment in how we have thus far approached adopting "lean manufacturing." The objective is that you will gain a much more useful understanding of how Toyota manages to achieve continuous improvement and adaptiveness, which will tell you a lot about Toyota as a whole, and a clearer view of what it will take to develop such behavior patterns in a non-Toyota organization. To do that, we'll tackle two overarching questions:

1. What are the unseen managerial routines and thinking that lie behind Toyota's success with continuous improvement and adaptation?
2. How can other companies develop similar routines and thinking in their organizations?

This book presents behavior patterns at Toyota at a level where we are talking about psychology in organizations rather than just Toyota. Although the behavior routines presented here were discovered

through research in production settings, they are universal and applicable in many different organizations, old or new, manufacturing or otherwise, from top to bottom. This is about a different and more effective way of managing people.

How I Learned

I have never been a Toyota employee and I have not worked in a Toyota facility. In retrospect this handicap turned out to be an advantage for two reasons:

1. I had to figure things out myself by trying them, by experimenting, in real factory and managerial settings.
2. After numerous iterations of experimentation I began to notice patterns of thinking and behavior that are different from our prevailing managerial routines. These are the differences that Toyota insiders tend to overlook because they lack points of comparison, and that Toyota visitors, observers, benchmarkers, and interviewers will not see at the surface.

Most of the findings in this book are based on hands-on experimentation and firsthand observation working with a great many organizations. This iterative “test it yourself” approach takes a lot of time but provides considerably deeper understanding and insight than can be gained through benchmarking or interviewing alone. The lessons here come from several years of:

- Applying certain technical and managerial Toyota practices in non-Toyota factory settings. This involved iterative trials, with particular attention paid to what did *not* work as intended, investigating why, adjusting accordingly, and trying again. This experimentation approach is referred to as Plan-Do-Check-Act (PDCA).
- Periodically visiting Toyota group sites and suppliers, and meeting with a variety of Toyota employees and former employees, in order to make observations and discuss recent findings.

The work involved a regular interplay between these two aspects of the research, with one potentially influencing the direction of the

other as I went back and forth between them. To facilitate and support this reciprocation, I maintain and regularly update a written document, to reflect on what is being learned and what the next questions are. This document not only captures learning, it also ensures that communication is focused on facts and data as much as possible. You are, essentially, holding the current, civilian version (as of this writing) of that document in your hands. This is how I have been distilling out fundamental but not immediately visible aspects of Toyota's approach, what is behind the curtain, so to speak.

Note that Toyota does not utilize some of the terminology that is introduced here. To help us understand the way that Toyota people think and operate, I had to create some new terms. A Toyota employee may respond to a particular terminology with, "I don't know what that is," but they will work and behave as described here.

The five parts of this book mirror how the research unfolded.

- Part I sets the challenge of long-term organizational survival.
- In Part II we use that lens to examine how we are currently managing our organizations. This is important as preparation, because to comprehend what is different about Toyota's thinking and behavior routines, we first have to understand our own.
- This then leads to the next question: How should people in an organization act so that it will thrive long term? A big part of Toyota's answer to that question is what I call the "improvement kata," which is examined in detail and is the heart of the book. The penny should drop for you in Part III.
- But the improvement kata does not come to life in an organization simply because it is a good idea. The next logical question was: How does Toyota teach people improvement kata behavior? The answer is what I call Toyota's "coaching kata," which is described in Part IV.
- Finally, after presenting these two Toyota kata the question becomes: How do we develop improvement kata behavior in non-Toyota organizations? That is the subject of Part V, how other companies can develop their own kata to suit their own organizations, and of most of my current research.

The research cycle never ends, of course, which means this book reflects a level of understanding at a point in time. There is more to learn and there are undoubtedly some mistakes here. It is an interim report, as is any book, because nothing is the last word.

A final comment: The way of thinking and acting described here has a potential beyond the business world. It shows us a scientifically systematic and constructive way of dealing with problems, uncertainty, and change, in other words, how we can work together and achieve beyond what we can see. The more I studied Toyota, the more I became intrigued by the broader possibility of such life lessons, and I invite you to think about them too as you go through this book.

M.R.

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Ann Arbor, USA/Cologne, Germany