



WHAT'S NEXT?

"I have been coached by NFL greats like Don Shula and Jim Mora, in addition to other profound leaders in both business and nonprofit corporations. The insight and wisdom that Manny and Karl illuminate in *Profit through Change* will empower and equip leaders in any genre and propel their organizations to the pinnacle of excellence and success. This book comes highly recommend and without doubt it will prove itself as a profitable tool for today's leaders who want their organizations to be successful."

- DUAN HANKS, MIAMI DOLPHINS

KARL EBERLE AND MANNY BARRIGER

*"RECOGNIZING THE RIGHT QUESTIONS TO ASK."
"UNDERSTAND THE NEED TO CHANGE FOR COMPETITIVENESS."
"EXECUTING EFFECTIVE AND MEANINGFUL CHANGE."*

Many top executives are asking the right questions but are simply ineffective in implementing impactful change. Karl Eberle and Manny Barriger have answered these questions and more while coaching senior leaders. Together they have written this book to assist in resolving these items.

To implement world-class systems, you have to see the big picture—from leadership to organizational structure to the processes, products, and people. Karl and Manny offer lessons based on winning strategies for senior leaders through entry level employees, towards improving performance, modifying approaches to change, and improving profitability.

Karl and Manny currently work with numerous companies to assist in developing effective strategies to deal with these issues.



KARL EBERLE is a veteran of the manufacturing industry with proven results in delivering profitable and effective leadership strategies. He was a Senior VP of Global Manufacturing at Harley Davidson Motor Company and a division manager at John Deere. For the past five years, Karl has worked as a trusted multi-industry consultant, helping improve their effectiveness.



MANNY BARRIGER is a renowned subject-matter expert in Operational Excellence who's worked as a premier consultant in a variety of industries delivering efficient and profitable results to everything from the financial industry, top consultancies, manufacturing, oil and gas, and medical. He combines expert knowledge with hands-on problem-solving experience to lead companies in strategic success. His work with world-class problem solvers led him to found Rent-A-Blackbelt®, which provides Lean Six Sigma results to corporations.

Karl and Manny collaborated to write *Profit Through Change*. It is applicable for business leaders that recognize the need to improve profitability through effective leadership.

**TECHNICAL EDITOR:
DR. LARRY KEEFHAVER**



PRAISE FOR *PROFIT THROUGH CHANGE*...

If you want an easy-to-read business book that will revolutionize the way you lead, this is the book for you. Many business leaders still don't understand that Lean and Six Sigma are not just technical programs for a few geeks, they represent an entirely new way to think about organizations and people. This book combines the insights from an intuitive leader (Karl) who explains how to determine what needs to change and a process expert (Manny) who explains how to get it done. The combination is your crystal ball, enabling you to create the future that you want through your leadership along with the help of expert business-improvement professionals.

—**Tom Pyzdek**, author of the best-selling *Six Sigma Handbook* and *The Handbook for Quality Management*

As a member of the US House of Representatives who represents Missouri's Fifth Congressional District, I have worked directly with Karl and the leadership at Harley-Davidson Motor Company in the building of its Kansas City Vehicle Operations facility. The factory became a "key factory" for the iconic motorcycle company using many of the principles as Karl has documented in this book, *Profit through Change*. Karl's leadership has proven him to be highly respected in transforming the profitability of companies! The book shows us a world-class, profitable model for corporate business leaders.

—**Congressman Emanuel Clever I**, US House of Representatives

In my position as CEO of Harley-Davidson, I witnessed Karl's progression within HD and his very positive impact on the entire company. Karl and I collaborated on the development of the factory and operating systems at the Kansas City operations. His innovative, "profit-through-change" actions were extremely effective in our manufacturing operations. This book is a must-read for all business leaders.

—**Rich Teerlink**, former president, CEO, CFO, and board chairman of Harley-Davidson, author of *More than a Motorcycle: The Leadership Journey at Harley-Davidson*

It is great to see Manny apply Master Black Belt tools for both Lean and Six Sigma in this book for Business Improvement Professionals®. This book, *Profit through Change*, provides an incredible view of where to begin on any journey of change that a business is involved with. Karl's lessons in leadership are seasoned and wise from a very successful career within an iconic corporation. To see these two authors together again makes for a good read.

—**Forrest W. Breyfogle III**, author and creator of Integrated Enterprise Excellence Operational Excellence System, CEO, Smarter Solutions, Inc.

Manny's work contributes to the human journey, in that it is another step toward meeting the rationality and spirituality of need. In this book, *Profit through Change*, he carries on the work of my father, Dr. Thomas Gillespie, PhD, Physicist, University of London, who was his lifelong teacher.

—**Terry Gillespie**, blues musician recording artist

In *Profit through Change*, Karl Eberle and Manny Barriger provide business leaders with both the practical principles and the production practices that will definitely increase profit through incremental change and eliminate waste. All sectors of business can definitely benefit from the experience and expertise of these seasoned and experienced business consulting experts.

—**Dr. Larry Keefauver**, best-selling author and international consultant

I have been coached by NFL greats like Don Shula and Jim Mora, in addition to other profound leaders in both business and nonprofit corporations. The insight and wisdom that Manny and Karl illuminate in *Profit through Change* will empower and equip leaders in any genre and propel their organizations to the pinnacle of excellence and success. This book comes highly recommend and without doubt it will prove itself as a profitable tool for today's leaders who want their organizations to be successful.

—**Duan Hanks**, Miami Dolphins

Profit through Change

What's Next?

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and

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What's Next?

By Karl Eberle and Manny Barriger

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Contents

Preface: You Can Profit through Change!

Introduction: The Art of Change

Chapter 1: We Need Help!

Chapter 2: Recognize What's Needed

Chapter 3: Secure Help

Chapter 4: Do the Work

Chapter 5: Implement Changes—Throughput

Chapter 6: Utilize Effective Leadership to Ensure Success

Conclusion: Achieve Profit through Change

Endnotes

Preface

You Can Profit through Change!

We are proven business leaders with problem-solving capabilities that include decades of experience and success in producing profit through eliminating waste and delivering needed change to maximize the performance of people and financial assets within a wide variety of unique markets. Together we bring complementary and synergistic strengths to the table in this clear and focused treatment of what business leaders need to do next throughout their company to create *profit through change*.

By way of introduction...

Karl Eberle brings more than four decades of progressive wins in industry to us in this book. He has held senior leadership positions at Harley-Davidson Motor Company as senior vice president of global manufacturing and John Deere as division manager of consumer products. This background combined with experience at Motorola has provided Karl with proven results in strategy, lean manufacturing, labor relations, and leadership. Since his retirement from Harley-Davidson, Karl has been a trusted consultant with numerous companies, including Caterpillar, on improving their profitability by introducing change in the areas of leadership organization/structure, mentoring, process improvement, strategy, and change management.

Manny Barriger works as a top consultant to many industries, including manufacturing, petroleum, government, top consultant firms, financial, Six Sigma, chemical, and medical. He has succeeded with many teams and entire companies as a subject-matter expert in process excellence. The hands-on experiences gained on this great professional journey gives him an excellent background as an effective problem solver delivering results through Lean Manufacturing, Six Sigma, finance, process engineering, change management, and strategy. He founded a corporation called Rent-A-Blackbelt® while working with the best problem-solving professionals in the world.

Karl and Manny have teamed up to integrate the executive approach to change with extensive tools to implement *profit through change*. They have collaborated to:

- Identify and eliminate waste throughout a company, beginning with senior leadership and moving into process and organizational structure.
- Enhance communication while eliminating organizational/cultural confusion and chaos.
- Facilitate constructive change *to increase productivity, capacity, and profitability*.

To prepare the way for you to learn from their approach and techniques, read on to discover how to...

“PROFIT THROUGH CHANGE”

“WHAT’S NEXT?”

Why write this book? We have had the privilege of working with Fortune 500 companies such as John Deere, Harley-Davidson, Caterpillar, Booz Allen Hamilton, the US Army, General Motors, Allen Bradley, and numerous other companies. We have worked with their corporate leaders, managers, and employees in the process for developing highly successful and winning teams with effective systems for the delivery of profitability and productivity in business.

Your company will profit
from the principles, tools, and insights we give in this book
as experienced and proven consultants.

The *Financial Times* in London interviewed Manny before the recent big oil crash, and its journalists were fascinated by the information along with his ability to use numbers and make predictions in the real world. They said, “Why don’t you write a book?”

One of the reporters added, “Because a key question in the business world today is: *what’s next?*”

Businesses in America have the capability to deal with any challenge to their productivity and profitability if they properly answer this question:

How do we establish a competitive position to become *world-class* in our field?

We have the ability to ask the right questions, identify waste and inefficiency, and recommend the delivery of *change* that will bring increased profitability to your company. Our experience has taught us that many leaders are not equipped to bring impactful change to their company. Why is that?

- Leaders are often not able to recognize and assess what change is needed or where waste in process exists.
- Some company leaders are unable to deliver the change required.
- Other leaders simply do not have the time and experience to develop and drive the necessary changes for minimizing waste, maximizing people and financial, and increasing profitability.

As experienced advisors and consultants, we consult with business leaders with an unbiased, outside, and objective point of view to assess the current leadership, organization, and processes in place in the company. Then we deliver to leadership an executive strategy that outlines the needed change and critical steps necessary for the future.

In consulting and partnering with corporations, there has been ongoing opportunity for us to apply the tools and principles we have learned and developed working with Fortune 500 companies for maximizing business success, profitability, productivity, and excellence.

Paraphrasing a comment by Honeywell's chairman and former CEO,

Execution requires a comprehensive understanding of a business, its people, and its environment. The leader is in a unique position to achieve that understanding. And the leader is in the best position to make execution happen, through his or her deep personal involvement in the substance and even the details of *execution*.¹

As consultants, we partner with leaders in achieving the understanding necessary to *execute change* that leads to less waste with improved productivity and profitability.

Karl's perspective provides leadership with the top-down, big-picture overview, while Manny's focus is from the bottom up. We start with senior leadership; agree on approach, direction, and scope; and then work directly with leaders/managers and their teams. Karl will give the leader(s) the big-picture overview for each step and what is needed for change. Manny will develop the details to be implemented for change. We will simplify business issues and problems, with clear solutions that are a part of the culture.

Ready to improve your business *profitability* and *leadership effectiveness*?

Ready to answer "What's next?" for your company?

Then read on.

The best example that I can provide on the concepts of “Profit through Change”, including empowerment and real change, happened while at Harley-Davidson Motor Company.

As a motorcycle company in 1995 our customer demand far exceeded the capacity to build motorcycles. At that time my position was General Manager of the Tomahawk factory which produced the fiberglass parts for all the motorcycles manufactured at the plant in York, Pennsylvania. Our CEO, Rich Teerlink requested me to lead a small team to find the best place, and build a new factory for the company.

This would be the first new factory that Harley-Davidson Motor Company had ever constructed. The guidelines given were very short and simple:

Lead the site search team while teaming up with a representative from each of our international unions. (United Steelworkers of America, and International Association of Machinist and Aerospace Workers) Our lead team was made up of Jimmy Pinto, Keith Kirchner and me. Our deliverable was to operate as partners and make a proposal to him on where to construct the factory.

We would design an operating system based on empowerment with metrics unlike any that the company had utilized and implemented collaboratively before.

The factory must be in production by January of 1998.

Rich’s final words were, “Call me when you need me.”

This was the start of a two-year journey that opened my mind to massive change, strong relationships, empowerment and amazing results. It came with a huge commitment in time, energy and an open mind.

There were four important areas that needed to be completed to deliver this business venture:

1. Selecting the core team that would design, and startup the facility.
2. Design the factory including layouts, processes with all the equipment.
3. Develop a world-class operating system that would be used in our factory.
4. Select the best site that would meet our physical requirements, employee needs, and community involvement desires.

Recognizing the need to form the right team was critical, and this is where we began. The first weeks were spent in selecting current employees to head up the design of the new facility. Each candidate was interviewed jointly, and then we agreed upon the final selection. The final team was approximately twenty employees made up of both salary, and hourly. This was a critical step because we needed leaders that were not only technically competent but leaders that had an open mind in doing things in a new and

better way. The results required leaders who were collaborative, creative, financially minded, and team players. They needed to operate in a culture unlike any that the company had experienced before.

Once the critical team members were selected, our job began with the intensive analysis of what the processes, equipment, layouts and utilities needed to be designed for the new factory. Because of timelines and the interconnectivity of all the functions, this was by far the critical path item to keep the project on schedule. This one area alone required us to empower each team to make very important decisions. There was no way that leadership could get involved in all the details and maintain schedule. A key element for success was frequent communication meetings to keep the entire team apprised of the progress and key milestones.

Finding the best location to build the new factory was a key risk for the factory timeline. Without the site selected we could not commence construction of the factory or hiring and training of employees. Our lead team agreed that we needed external help to find the best overall location, with acceptable incentives. Interviews were held with several search companies and we selected the JM Mullis Company. During the interview Mike Mullis the owner and our contact, asked me why I was bringing the union with me. He stated very explicitly that we did not need them, and it would be easier to do it without them. My explanation to him was that we were partners in this endeavor, and that we would jointly select the final location. Mike was less than convinced but accepted the fact that we would do this with the union. From that day forward, the four of us proceeded as a team to select the best sight for the new factory.

It began with a list of location requirements, including acreage, utilities, logistics, employment and training. These were submitted to the state agencies via JM Mullis while keeping Harley-Davidson Motor Company anonymous. The team reviewed proposals from over twenty states, each proposal was reviewed against the criteria, and then we visited each of the five finalists. Each community was given the same opportunity and requirements for the visit. These visits involved key leaders from the community and state government, usually this included the mayor and the governor.

The Harley-Davidson Motor Company corporate team was augmented with support from, finance and human resources. The purpose of the visits was to collect key information that would help us decide which community best suited our overall needs. Our visits included community colleges, building sites, utility companies, neighborhood communities, city hall, transportation companies and community recreational facilities. We needed to understand the most complete picture of how we would operate and live in the community.

In the end, we broke ground in July of 1996 in Kansas City, Missouri and the factory was in production by January of 1998. The grand opening of the facility was scheduled with the Governor of Missouri in attendance. When I called Rich Teerlink to make certain that he would be coming, his response was, "I will be there but you need to pick me up at the airport because I have no clue where you built the factory!" As Rich and I walked

through the factory for the first time, I could see the tears of joy in his eyes. For me it was the ultimate compliment that he trusted me to do the right thing, and that I delivered to my commitment.

The factory successfully launched three platforms of motorcycles and a new engine over the next five years. While the operating system proved to be successful for over thirteen years, it never did become the best in class operating system for all of Harley-Davidson's factories. The system would be difficult to implement in existing factories due to the amount of change and commitment required to implement our system in a traditional factory. In addition, the concept of using peer pressure in holding hourly employees accountable to hourly employees was inconsistent at our factory.

Ultimately, the factory did revert to a traditional leadership structure, because of the need to operate with one operating system companywide that met the needs of the business and the operating environment.

Today the Kansas City plant remains as one of two vehicle assembly factories for the Harley-Davidson Motor Company.

Chapter 1

We Need Help!

As we have worked with many companies, business leaders across the board candidly confess, “We need help!”

Asking for help is very difficult unless there is either somebody from the outside looking in or a new person getting injected into the organization saying, “We need help!” So many companies are unable to come to the realization that they need help. We believe that opportunity for change—resulting in increased productivity, profitability, and becoming world-class—exists in most companies.

We have developed the questions, tools, and metrics for companies to truly understand how to become more efficient so that they can grow both their effectiveness and their profitability. Beyond fixing operational problems, we have identified how leadership can develop accountability in both top-down and bottom-up ways to improve, measure, and track performance, as well as in improving the health of the company.

In this book, Karl will provide insights for leadership into how to lead and implement change, what Manny provides is metrics and diagnostics, so that companies understand where they are now, where they need help, and how to anticipate what’s next. The separation between our inputs is identified in each chapter with “Manny will now elaborate on the diagnostics.” Whenever appropriate, we have also inserted our names in the content with a text separator.

A company needs strong leadership that isn’t threatened by change and also understands the risk/reward of what change means for their company’s future. Leadership must be willing to embrace needed change to move the company forward. As leaders, they can develop a mind-set that they will get satisfaction from seeing how both their employees and customers reap benefits while the company’s profitability, productivity, and value increase systematically.

We are often surprised at how resistant, at times, both company leaders and employees are to change. One would think that both would want to improve just to make more money, but many companies are satisfied with the status quo and maintaining things the way they’ve always been done. Once the need for change is *recognized*, privately owned companies seem quicker to change than publicly owned companies.

Starting the Conversation

There are many ways that a conversation with a company can get started. One of the ways that I have helped a company looked like this:

The president of a \$150 million company called me (Karl). After a brief phone conference, he invited me to visit his factory in California. He told me that he got my name through some business associates, and because of the extremely positive recommendations, he did not need anything else from me. He agreed to a five-day study on the overall health of his entire operations. I explained that we would take a look at everything in the company from incoming orders and engineering to manufacturing. We would need access to every leader, manager, and floor employee. Then we would provide a thorough report, including recommendations and assessments for the president's consideration. I clarified for him that there would be two of us doing the assessment, so that we could do a thorough analysis during the five days and collaborate on the report.

When we arrived at the factory the first morning, we met with the president. He explained that he really needed help with lean initiatives, including work instructions. That leader had recently experienced a lot of employee turnover and was having difficulty making the daily production numbers. He also spent time providing us with an overview of the operations and leadership.

After leaving the president's office, we spent the next five days deep diving into systems, leadership meetings, and floor processes. We talked to employees at all levels. By the second day, there were some very obvious issues that needed to be addressed urgently. They included the lack of leadership with maintenance and poor execution of production. Both of these issues were the responsibility of leaders of the company, and require leadership changes.

John P. Kotter is the Konosuke Matsushita Professor of Leadership of Harvard Business School, emeritus. In his astute book *Leading Change*, he asserts and we agree that “because change is so difficult to accomplish, a powerful force is required to sustain the process [of change]. No one individual, even a monarch-like CEO, is never able to develop the right *vision*, *communicate* it to large numbers of people, *eliminate* all the key obstacles, generate short-term wins, lead and manage dozens of change projects, and anchor new approaches deep in the organization's culture. Weak committees are even worse. A strong guiding coalition is always needed—one with the right composition, level of trust, and shared objective. *Building a team is always an essential part of the early stages of any effort to restructure, reengineer, or retool a set of strategies.*”³

Let's unpack the demand of business leaders (“We need help”), in light of Dr. Kotter's assertion and our expertise and experience as Business Improvement Professionals®.

What makes change initially possible in any business or corporation is the “we,” not the “I.” When a CEO, a founder, the core family, or the top executives of a business recognize that no one person can effectively produce all the change needed to substantially eliminate waste while increasing profits for the long term, then a crucial, major leap toward change has been made!

Coalitions, Not Monarchs, Lead Change!

You know this is right. You don’t have to be a Harvard intellectual or a proven professional to know this. Forget about business for a moment. Listen to Coach “K,” Mike Krzyzewski, the winningest coach in the history of men’s college basketball and coach of five championship teams: “It’s important to begin using plural pronouns right away. ‘Our’ instead of ‘my,’ ‘we’ instead of ‘I,’ and ‘us’ instead of ‘me.’ Remember that leadership on a team is not singular, it’s plural.”⁴ The winning team for change in a business isn’t focused on making the leader or executive leadership, founders, president, chairman of the board, or CEO look greater. It’s about a coalition—a team of leaders, managers, and people on the floor—working together to take the steps that Dr. Kotter emphasized above:

- ✓ Formulating the right vision
- ✓ Communicating it to a large number of people
- ✓ Eliminating key obstacles, including obstructionists, narcissistic and/or greedy executives, waste, laziness, procrastination, obsolete traditions, company culture that’s more about image than execution, and finally the attitude “my way or the highway”
- ✓ Generating short-term wins. Remember, the team (including the consultants) is building trust and confidence in the strategies for change with short-terms wins. Sport championships are built one win at a time, just as in business
- ✓ Leading and managing numerous change projects
- ✓ Anchoring new approaches deep within the organization’s culture. A number of those “we’ve never done it that way before” or “that’s the way we’ve always done it” attitudes will have to give way to a new day in the company’s culture.

When we hear leadership say, “We need help,” we immediately have confidence built on our past experience and success with other companies that our prospective business leader(s) have taken the first mega step in the right direction with “we” instead of “I.”

Of course, putting together the right “we,” or team, is critical for doing what’s next. So, a quick review of Dr. Kotter’s four key qualities or characteristics for these team players is important here:

1. *Position Power:* Are enough key players on board, especially the main line managers, so that those left out cannot easily block progress?
2. *Expertise:* Are the various points of view—in terms of discipline, work experience, nationality, etc.—adequately represented? This expertise is

relevant to the task at hand so that informed, intelligent decisions will be made.

Pause right here...a critical point of view that must not be overlooked is that of the “outside, experienced, expert” brought by a Business Improvement Professional® to the team.

3. *Credibility*: Does the group—including the consultant(s)—have enough people with good reputations in the firm so that its recommendations will be taken seriously by the other employees?
4. *Leadership*: Does the group include enough proven leaders to be able to drive the change?

Now we have unpacked for you the all-important first steps in *profit through change*. To recap, they are: understanding that *we need help* and “we” is about a team, an orchestra working together—not a solo artist. *Need* will be explored in the next chapter. Briefly, *need* is about coming to a recognition that something must change in order for profit to increase and waste to decrease. And help isn’t a sign of weakness; rather, those leaders who seek help from within and outside their business have the strength, boldness, and courage to change. After declaring that help is needed, what’s next?

In order to start the conversation of *what’s next*, these key elements have to be in play:

- An owner, CEO, or top-level executive—that is, leader with authority in the company—must want help and desire change.
- That leader is motivated to seek out help (often times it is an outside business expert), who can come in unbiased, and get the big picture from top to bottom of the company’s leadership, organizational structure, processes, products, and people.
- The leader needs to be open and realistic about what he or she feels is needed for change and what the desired outcomes are—for example, elimination of waste, more efficient productivity, or better communication between management and employees.
- The leader also needs to be comfortable with the selected team. The team needs to report back with a complete overview of the company, using an open and practical approach to understand what are the strengths, opportunities, recommended changes, and approaches, with expected outcomes.

The next step is to *perform the review*. In the case I was analyzing, I opted to bring in an associate to focus on the floor operations/people, as well as on processes and production leadership, while I covered the senior leadership, management processes, and organizational structure.

We spent an intensive week in the company, meeting with all departments, including senior leaders, support staff, and production employees. I reviewed the production processes and products, and often I met in the evening with my associate. We were positioned to deliver an executive report.

The strengths of the company included its products, its dedicated employees, and its design and sales capabilities, as well as its reputation and business. The opportunities discovered went far beyond and deeper than what was originally discussed with the president of the company. The immediate need went much deeper than implementing lean manufacturing on the floor. They needed:

1. Organizational vision;
2. Competent leadership in critical areas;
3. Utilization of leadership currently in place;
4. Processes integrating sales, product development, and manufacturing;
5. Moral courage to address personnel issues;
6. Long-term cost control strategy; and
7. Organizational structure clarification.

The recommendations included specific leadership changes, organizational structure changes, labor changes, as well as the potential impact of recommended changes.

The overall report was very detailed with specific timing, impact, and sequence of what needed to be completed. We sent the report to the president and requested a follow-up meeting.

In many smaller companies there is no clear organizational chart that defines who reports to whom and who makes decisions, taking responsibility for processes, policies, and productivity. In some companies, one or two central people have everyone reporting to them.

So, communication, change, efficiency, and productivity are all bottlenecked when everything has to go through one or two people. In this instance, much of my initial time in the company was spent with people telling me about what they do, whom they believe that they report to, their experience or skills in doing what they do, and where they see waste, inefficiency, lack of communication, and need for improvement or change.

Focusing on Where Help Is Really Needed

I've (Karl) found, that assessing what a company needs works best when there are two people—like Manny and I or another experienced consultant--seasoned in processes. We talk to almost everyone involved in the process initially. While we talk to leaders, we first focus on everything needed from cradle to grave. I look for people to talk about process and metrics. I also ask them, "What do you do? How do you know how well you are doing? Show me how you understand what you have to do." I spend about an average of thirty minutes with each individual. I usually spend time on the floor understanding customer demands, process flow, material handling, metrics, shipments, quality, and inventory. Understanding these areas quickly helps you understand opportunities and impactful changes.

Once specific issues are identified, a strategy needs to be developed to help a company move forward. I consulted with one company whose process for negotiating union contracts was inefficient and led to disastrous results with the company paying more than double they needed to pay for semiskilled work. So, we developed a strategy to expand a factory in another state to produce their products and cut the labor cost by half. Strategies to move forward must eliminate waste, lower costs, and significantly improve overall communication. Think of how much time is wasted through miscommunication or no communication with the right person who can make decisions. What creates waste? Chaos and complexity.

We use the term *business homeostasis* to describe what is needed in healthy business organizations that are world-class. In physiology, homeostasis happens when your internal organs are all functioning properly and doing their job, maintaining a stable internal environment. The result is good health. The same is true for great business.

Karl has a leadership ability to assess a business's homeostasis to see if the organization is healthy. We are able to go to key factors within the process (business, organization) and put numbers on those factors, showing the owners where they are now. Often companies default to chaos. At times, employees find that chaos is a wonderful situation because nobody knows what's going on, nobody knows what's happening, and there's no predictability to the future, and consequently employees are not held accountable for their waste, inefficiency, and lack of performance. Remember, you can't determine *what's next* if you don't know where you are currently and if everyone is working in a chaotic fog. In chaos, there is a lack of accountability.

Conclusion

Achieve Profit through Change

“No pain, no gain” is what most leaders say about change. What we have *proven* as “business problem-solving professionals” is that it takes a world-class leader to recognize that there is a real need for change in the organization and that change will be required to achieve the real benefit of eliminating waste and increasing profits for the company. Furthermore, it takes courageous and confident leaders to implement the necessary change that will put a company on track to improved long term profitability. The only real variable is whether the change process is developed from within the company, outside the company, or a combination of both. Each and every situation is unique; it takes an in-depth analysis to understand the right changes for your company. A Business Improvement Professional[®] is needed to help leaders know how fast the change can happen.

Both of us want to stress the importance of understanding that *profit through change* is a process and not an event. It takes time to make lasting change that will become engrained in the culture of the organization. The best definition of “culture” that I have heard is, “what goes on in an organization when no one is looking.” To get this to be a positive result requires ongoing leadership involvement and time. Whether it is an employee picking up a piece of paper in the aisle when passing it or calling out another employee for not wearing safety glasses requires lots of positive examples from leadership. This is equally true about metrics, communications, “management by walking around,” or just caring about employees. It takes time, energy, and dedication to reap the long-term benefit.

It continues to be my experience, working with many companies, that an ongoing involvement, focused on metered introduction of change, produces the biggest positive *profit through change* for the company. That involvement varies significantly with the maturity of the company and the type of change needed. Through my experience with major corporations, it has proven that outside involvement with the people and culture is required for one to two days a month, once we begin the change process to ensure that it becomes culturally embedded. This interval provides enough frequency to stay connected to the organization and employees but is far enough apart in time to see if results are occurring.

I (Karl) can best demonstrate this with an example from a company that I have worked with for the last two years. The company is a \$50 million design and manufacturing company. It is privately held and is in the third generation of leadership of the founding family. I received a call from the CEO/owner to come and visit him at his company. He had said that he got my name from an associate and was interested in implementing lean in his company. I set up an appointment and then did some research on the owner and the company. What I found was a company with an outstanding reputation and very unique products. What encouraged me most was that the CEO recognized the need and he wanted to take steps to implement the change required to correct the situation.

Upon my first meeting, the CEO, David, was very open and set the tone of the meeting with this statement: “Our company does not have an issue of securing enough work; our issue is getting the money to the bottom-line profit.” The CEO explained what he believed were the issues. He was looking for a proposal to implement lean manufacturing in operations. He had indicated that the company had implemented lean before, but it did not stick. What I proposed was taking a broader view of the organization first and seeing if there were other symptoms or issues that may have been preventing change from being integrated into the culture of the company. David hesitantly agreed to a one-week study and to review the report that followed.

We spent a week deeply engrained into all aspects of the business—from finance, sales, human resources, marketing, and engineering, to materials and manufacturing. During our analysis, everyone we met was cooperative, open, and interested in improving. I focused on leadership and my partner handled operations. We compared notes every day, and what we found was not in sync with what was thought to be the issue. We found leaders in the wrong jobs (HR manager), underutilized leaders (VP of engineering), silo leaders (VP sales), and leaders not aligned to the company objective (president). We found processes involving bidding, engineering, and manufacturing of products not connected or aligned. By the time projects got to the floor, they were usually late, incomplete, and there was no time remaining to develop lean manufacturing techniques.

Fast-forward to the report and my follow-up meeting with David: I had outlined the major issues that we found, solutions, impact, and a path forward. What was surprising to him was that implementing lean was near the bottom of the list. What was on the top of the list were leadership issues; organizational changes; process changes involving sales, bidding, engineering, and materials; and finally operations. The list included moving key leaders to new positions, mentoring, and displacing the current president of the company. As you can imagine, this report was received with less than 100 percent acceptance.

During the follow-up meeting, we discussed many points of the report and finally agreed to implement four things:

1. Change a key leader’s position, moving that leader from HR to head of manufacturing.
2. Hire an experienced HR leader.
3. Implement a manufacturing engineering position.
4. Install metrics on the floor.

Once these changes were implemented and we had several progress meetings with David, our credibility began to build. This relationship and preliminary progress were critical to convincing the CEO to take a significant step: replace the current president with the VP of engineering. This was absolutely required because change was not sticking due to lack of leadership involvement and support. David agreed to move forward with displacing the president and within a couple of months the rate of positive change accelerated quickly.

Fast-forward eighteen months and the company was not only doing extremely well, it was on its way to implementing lean, not only in operations but also within the leadership structure. Today, sales and engineering are collaborative, bid margins are being realized, and bottom-line profitability has never been better. The culture of the organization has improved dramatically, and employees see a bright future. We are now actively engaged in a growth strategy that will ensure that the company will prosper through another generation.

The consulting involvement has gone from fifteen days a month to less than three days a month. The bulk of current time is being spent on mentoring key leaders, providing input on strategy, and teaching employees new tools and skill sets, such as problem solving and waste elimination.

The changes are being driven from within the organization and are owned by the leadership. The best testimony that I have received came from the CEO during one of our status meetings. He told me that the board was asking him why the last two years have been so successful. David also asked all his key leaders to let him know what they thought were the top reasons. He then looked at me and said, “My list is very short; I am going to tell the board that the one thing that was truly different was that Karl is involved and is having a real positive impact.” He then thanked me for my involvement and assistance in driving *profit through change*.

My response was simple and I truly believe it: “The one thing I did was provide an outside perspective of what was going on within the company and the changes that I knew would be impactful to the company. The improvement came from the CEO and his key leaders leading the change and engaging with the employees.”

We, Manny and Karl, would highly recommend to any leader who has recognized the need for change, to spend quality time up front, picking the right Business Improvement Professional® for analyzing the change needed, the process/priority for the changes, and the ongoing measurement system. This time will not only expedite the overall process, but it will produce the best ongoing results for the organization.

The impact that change will have on your company is directly related to the investment that you personally take in shaping and implementing the future change. There is no limit on how much your company will profit through change.

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