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Arun Hariharan

Forewords by Mikel J. Harry, Ph.D.
and Dr. K.K. Nohria

Continuous Permanent Improvement

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Continuous Permanent Improvement

Arun Hariharan

*Forewords by Mikel J. Harry, PhD
and Dr. Kewal K. Nohria*

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The Global Voice of Quality™

*To my parents Lakshmi and N. A. Hariharan,
my wife Bhuvana, our children Lakshmi and Srihari,
and to all the quality masters.*

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Foreword

Mikel J. Harry, PhD, the co-creator of Six Sigma, consultant to the world's top CEOs, and national best-selling author, is founder and CEO, Six Sigma Management Institute, Inc. He is also founder and CEO, The Great Discovery, LLC.

It has been my distinct privilege to follow Arun Hariharan's career over the past decade. On several deeply meaningful occasions, we had the opportunity to interact and share our experiences and insights on the subject of business excellence. With each such encounter, it became more evident that his foundation of knowledge on the subject was growing exponentially in terms of both breadth and depth, not to mention taking on a sense of refinement and polish. At this point, I would have to say that Arun is a true master of business optimization. From this perspective, managers and executives alike should heed his wisdom and rely on his counsel.

Given these accolades, it is my professional opinion that his work is a “must read” for any leader who seeks to achieve their next level of business success. The author's direct and comprehensive hands-on experience and tactical command of business excellence are most evident as he covers all aspects of the quality domain—from strategy to implementation to results to the “people” aspects—in a logical flow. The author skillfully navigates the intersection of subject matter expertise and the “power of the pen.” The book is smooth and highly readable. It takes hard work and a deep understanding of any subject to make it easy for others. This book reflects a level of insight and wisdom that only comes after the personal experience of many years of leading business excellence efforts. Full of relevant experiences, examples, and anecdotes, the book is like a knowledge warehouse that is packed full of what it takes to achieve success. The bottom line is simple. If you want to increase the velocity and quality of your business, I would strongly recommend reading this book.

Mikel J. Harry, PhD

Foreword

Dr. Kewal K. Nohria is the former chairman and managing director of Crompton Greaves Ltd., the former chairman of the Quality Promotion Board of India, and has held the office of president of industry associations like the Associated Chambers of Commerce and Industry of India (ASSOCHAM) and the Confederation of Indian Industry (CII).

Arun Hariharan's book *Continuous Permanent Improvement* is a welcome addition to the literature of management. Most books so far have dealt with certain specific aspects of the journey to achieve excellence. This book synthesizes all the elements required to achieve business excellence, and could well be considered a reference book on the subject.

The author has not only dealt in depth with the theory of the subject, but has provided a practical road map to be followed while implementing a strategy to achieve business excellence. He has done this based on his actual hands-on experience in implementing excellence in a number of large companies.

I have personally witnessed the wonderful work done and the excellent results achieved by Arun at several companies during the last decade or so. I was very impressed by the depth, variety, and strategic linkage of quality initiatives in companies where Arun led the business excellence effort.

Arun rightly points out that excellence is a journey that never ends, but brings benefits at every step. It is not a one-time effort, but has to become a part of daily management. Therefore, top management commitment and visible involvement is a must. Arun further points out that any company can undertake this journey as long as there is a desire and determination to improve.

I think this book is a "must read" for business leaders, managers, teachers, and students who wish to learn about the theory, principles, and practice of business excellence.

Dr. Kewal K. Nohria

Preface

On a recent visit to Japan, I had an opportunity to visit Toyota's headquarters. During a meeting with some of their top executives, I asked one of them what role the senior leadership played in Toyota's much admired quality philosophy. The reply I received was—like many things about Toyota and Japan—disarmingly simple, yet profound! He merely said, “We follow a philosophy of *improve every day*.”

That's it—*improve every day*! He had captured in three words the essence of what it takes to achieve, and sustain, excellence in business—or, for that matter, in any other field.

Just imagine the power of improvements, even small ones (in fact, *mostly* small ones), achieved every day, continuously over a period of weeks, months, years, decades! Needless to say, to be meaningful, any improvement, however small, needs to be permanent (*permanent* here means not rigid or “cast in stone,” but sustainable for as long as it is relevant).

Companies like Toyota, and the leadership position in quality and business that they have been able to achieve, are living examples of the power of *improve every day*, or *continuous permanent improvement*.

And that is the theme of this book. The title *Continuous Permanent Improvement* seeks to convey the book's message.

Continuous permanent improvement (CPI) is not a new *ism*. The purpose of this book is not to expound any new theory or tools, but to share experiences in implementing existing methods with a bias toward business results. In fact, one of the important lessons we have learned is that most existing models or methods, if adhered to in the right spirit, will give results.

This book is a distillation of experiences and lessons learned from successes and mistakes in nearly three decades of experience, mostly working with business processes, systematic thinking, customer focus, quality, and performance measurements—for the collection of which I have used the broad name *business excellence*. In the last 28 years, I have had the opportunity to work with a variety of companies and industries as diverse as financial services, telecom, manufacturing, conglomerate, and management consulting. In addition, I have also been fortunate to interact with numerous business and quality leaders while speaking at conferences, at corporate management development programs, or at business schools.

During the last dozen years or so, I have had the opportunity to work with large companies such as Bharti Airtel and the Reliance Capital group.

Within the short span of a few years beginning around 1999, Bharti Airtel achieved tremendous year-on-year growth, becoming the industry leader in telecommunications in India, a position it has retained for many years at the time of this writing. The company started relatively small, but in less than 15 years grew to operate in about 20 countries and rank among the top five global mobile service providers in terms of number of customers.

The Reliance Capital group has several achievements to its credit. Most of the businesses in the group have achieved tremendous, rapid growth during the last several years. Some of its companies are among the leaders in their respective industries, and some are among the fastest to achieve profitability as compared to the competition. Recently, Nippon Life, one of the world's largest insurance companies, acquired a stake in two of Reliance Capital's group companies for a total of about INR 45 billion (approximately USD 830 million). This is the largest foreign direct investment ever in the Indian financial services industry up to the time of this writing.

Obviously, many factors have contributed to the achievements of these companies, including, but not limited to, visionary leadership, business acumen, human talent, execution capability, technology, investment in rapid growth in geographical presence and distribution networks, and so forth. Along with all of these, it is my firm conviction that their belief, strategy, and initiatives in business excellence also made a significant contribution to their business achievements (and their ability to sustain and build upon these achievements) over the years.

Two questions need to be asked and answered here. The first question is, have the companies in these examples reached perfection

in business excellence? The second question is, has business excellence contributed to their achieving significant and sustained business results?

My answer to the first question (whether these companies—or any other company, for that matter—have reached perfection in business excellence) is *no*, I don't think so. Every company will continue to face challenges; what is important is to recognize problems and challenges as opportunities for continuous permanent improvement.

At the same time, my answer to the second question (has business excellence contributed to their business results) is a resounding *yes*. To repeat the cliché, quality is a journey, not a destination. The companies in these examples have shown that every step in this journey can give tremendous business results.

In fact, I believe it is good news if these companies, like any other company, have not reached perfection. This only makes them more *real*, and hence makes it easier for any company to aspire to get similar business results through business excellence. If only “perfect” companies could achieve this, many of us would not even start the journey.

So, the good news is, no, you don't have to be perfect, and, yes, every step in your business excellence journey can make your business stronger and give you results. After all, most businesses exist to achieve business results and not some so-called ideal of perfection.

In fact, my experience has been that having a business excellence road map and relentlessly implementing it started giving us quantifiable results within a few months, and continued giving results month after month, quarter after quarter, for years. More on the road map in Chapter 1.

While I have drawn on my nearly three decades of experience, this book is not about any specific companies or industries. Therefore, I believe the contents of this book can be applied in any industry—service or manufacturing or government or education or nonprofit. The target audience of this book is business, functional, and quality leaders. Business schools and students may also use it as a text or reference book for courses on business excellence or quality.

The book is intended to share the experience and results of organizations that have derived substantial and sustained business results by focusing on continuous permanent improvement. Its aim is to strengthen the belief of the reader in the strategic importance of CPI, because the stronger your belief, the bigger and more sustained will be your results. The book also covers challenges related to mind-sets and other change management aspects that leaders typically will

need to grapple with. Some of the very effective improvement methods and tools are explained in simple language with real examples, with senior business leaders in mind.

The book begins with the strategic aspects of business excellence and the role of the leadership. It talks about how to create a living road map for business excellence that is linked to the business strategy. This road map provides the broad framework that is essential for continuity and sustaining of business excellence efforts and results. The book goes on to talk about knowing who your customers are and how to listen to them. Next, it covers how to design processes and performance measures from the customer's perspective. These processes and measures are the basis or foundation for continuous permanent improvement. The book then covers how to improve performance and sustain the improvement. It talks about the role of both formal methods such as Lean, Six Sigma, and business excellence models, as well as ideas and innovation in continuous permanent improvement. It introduces the 360-degree knowledge management model, with examples of implementation and results. This is followed by a word to business leaders, quality professionals, and services. The cycle of continuous permanent improvement in the penultimate chapter provides a visual map or summary of the book's key message. The last chapter is a "call to action" that provides action steps on how to implement what is written in the book.

This book is not intended to be a detailed manual on specific tools and techniques. There are plenty of excellent training manuals available on the tools and techniques of Lean, Six Sigma, and other methodologies for the use of project leaders and teams that work on specific improvement projects. While there are numerous books on specific components of quality or business excellence, I felt there was a need for a book that puts it all together. I have tried to cover all aspects of excellence from strategy and culture to implementation and measurement, to results and sustaining those results—and attempted to put it in a logical flow. In other words, I have attempted to cover all components of a strategic quality program end to end (or "wing to wing" as some quality experts like to say). And I have made an effort to do so in simple, nontechnical language so that business leaders and senior executives from any business and any functional area find it easy to identify with and apply. This book tells the story of my actual experiences in implementing business excellence in various companies. The book mostly talks through examples and anecdotes; I thought that this way you would find it more interesting and, more importantly, easier to implement in your organization.

1

Business or Excellence: Do We Have a Choice?

Are you too busy for improvement? Look, you'll stop being busy either when you die or when the company goes bankrupt.

—Shigeo Shingo

The company was a new entrant in its industry. Let's call it *company X* (you can think of your own company or some other company that you know). Quite a few established players had existed in the industry for several years before X came along. The current top three companies had each taken between seven and 10 years to reach their current size and position.

AIMING FOR LEADERSHIP—FAST

X's ambition was to become the industry leader (in size) within its first three years of coming into being. They had capital available, and soon they were on an explosive growth path. In three years the number of cities in which the company rolled out its business grew by 10 times.

In the same period, the number of employees grew by 30 times! Almost all of these employees were salespeople. They were given tall targets and taller incentives if they met their targets. With extensive (and expensive) ad campaigns and aggressive (though not necessarily profitable) pricing to back them, many of the salespeople did initially succeed in selling to a number of customers.

GROWING PAINS

With new customers being added in large numbers every day, the company was on a roll. Or, was it?

Within weeks, some customer complaints started trickling in. Several customers started complaining that they did not get what they were promised when they were promised, or that X's products and service were of inferior quality compared to the competition.

Some employees of company X (some of them recruited from competitors who were the current industry leaders) suggested that perhaps in the quest for rapid growth, the company had taken some shortcuts instead of creating a strong foundation at the back end, including robust processes, trained people, and tested technology. "Have we been too hasty in going out and selling before we create this infrastructure?" they wondered. "After all, our previous company took a few years to build this capability before they started to expand in a big way. And they would also think ahead to ensure that the infrastructure they built today was scalable to handle the size of the business a few years from now."

However, these were isolated voices, and they were soon shouted down by the high-testosterone sales types. "What wimps you are! Can't you see we're in the rapid growth phase? At this stage, we're building size and scale—and that's all that matters. Our target (and bonuses) depend on making this company number one in three years. Customer service, processes, and quality can wait. In the rapid growth phase, there will always be some complaints, but we can't let them get in the way of growth!"

MAD ABOUT GROWTH

Unfortunately, the "rapid growth phase" turned out to be a "rapid money-burning phase." There was no institutionalization of standardized processes. The number of complaints was increasing, but the company turned a deaf ear to the voice of the customers. The leader of this business espoused a strategy of "crowding out" any complaining customers. "If 10 customers complain, go out and get another hundred customers. Then the complainers will be in the minority" was his message to his people.

When someone reminded him about the quality issues, he snapped back, “I’m sorry; I have a business to build and run. Quality can wait!”

The company seemed to have almost become mad in their pursuit of rapid growth. So mad that they almost forgot the reason for their existence—the customers. They actually started seeing customers—especially complaining customers—as a hurdle to realizing their growth dreams. The lowest point in this madness came one day when, confronted with increasing numbers of complaints, they shut down their customer service call center “to prevent the distracting voices from coming in.” It was like cutting off the head to cure a headache!

AN EXPENSIVE LESSON

In a few months, the company found itself hopelessly ill-equipped to serve the customers who had signed up (and there were a few hundred thousand of them). Many customers sent their complaints directly to the CEO or the chairman. Some even wrote to the industry regulator, and some to the media. Soon, the company was in the news for all the wrong reasons. Almost overnight, new customers stopped signing up. Existing customers started to leave.

Finally, the company realized its folly. They had gone out and started selling aggressively before they *had* anything to sell! Having learned the hard way that there are no shortcuts to success—especially with customers—they started doing what they should have done two years earlier: the back-end operations were strengthened with processes, trained people, and technology. They were sure now that the customers would start coming back.

But alas, it was too late. The company’s image had taken such a beating that—as in the story of the boy who cried “wolf”—nobody believed them anymore. Neither promises of superior products and service nor cutting prices below the competition worked now. Customers just refused to come back!

That was seven years ago. Their “slow” competitors had taken about that much time to become industry leaders. And here was X, which had set out to topple the leaders in three years, still a nobody. They had sprinted fast, but got nowhere. The worst part was that their past actions had sealed their future, too; there seemed to be no

chance of recovering now. Seven years and tons of money—wasted! Customer confidence—lost forever! They realized too late that *fast* can actually be *slow*.

The business leader, who had been in a hurry to set up the business first and worry about quality later, now realized that there *can* be no business without quality. After all, to have a business, you need customers, and to have customers, you need quality.

X had learned its lesson—that in any medium- to large-sized business, there is no substitute for building a foundation of standardized processes, trained people who will actually deliver what the salespeople promised to customers, and appropriate technology—*before* going out and selling and building scale. You can't scale up without processes!

The lesson for all of us from the sad story of X (I promise you some happy stories, too, as we go along) is that it is important, but not enough, to merely have a goal—in X's case the goal was to become the industry leader. It is equally important to have a plan or strategy on *how* to get there. X had no strategy, or, at best, an incomplete strategy. Their *how* was limited to throwing money at opening more offices and hiring more salespeople. However, they forgot a most important *how*—which is the need to plan for *excellence*. They saw excellence as something that would slow down their growth. In reality, however, it was running too fast without excellence that killed them. They finally realized that there can be no business without excellence.

***It is important, but not enough, to merely
have a goal . . . It is equally important to
have a plan or strategy on how to get there.***

The next chapter is about business excellence strategy, or how to plan for excellence as part of your business strategy.

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Continuous Permanent Improvement

Arun Hariharan

Forewords by Mikel J. Harry, Ph.D. and Dr. K.K. Nohria.

Continuous permanent improvement (CPI) is not a new *ism*. The purpose of this book is not to expound any new theory or tools, but to share experiences in implementing existing quality and excellence methods with a bias toward business results. In fact, one of the important lessons we have learned is that most existing models or methods, if adhered to in the right spirit, will give results.

This book is a distillation of experiences and lessons learned from successes and mistakes in nearly three decades of experience, mostly working with business processes, systematic thinking, customer focus, quality, and performance measurements—in a variety of companies and industries as diverse as financial services, telecom, manufacturing, conglomerate, and management consulting. Not being limited to any specific companies or industries, the contents of this book can be applied in any industry—service or manufacturing or government or education or nonprofit.

The target audience of this book is business, functional, and quality leaders. Business schools and students may also use it as a text or reference book for courses on business excellence or quality. It is intended to share the experience and results of organizations that have derived substantial and sustained business results by focusing on continuous permanent improvement. Its aim is to strengthen the belief of the reader in the strategic importance of CPI, because the stronger your belief, the bigger and more sustained will be your results. The book also covers challenges related to mind-sets and other change management aspects that leaders typically will need to grapple with. Some of the very effective improvement methods and tools are explained in simple language with real examples, with senior business leaders in mind.

About the Author: **Arun Hariharan** is the Founder & CEO of The CPI Coach (cpicoach.webs.com), a company that provides partnership, consulting and training in Business Excellence and related areas. He has helped several large companies in diverse industries achieve substantial and sustained business results and competitive-edge through business excellence strategy and implementation. He is the former President - Quality & Knowledge Management at Reliance Capital Ltd., one of India's largest financial service groups. Previously he was Senior Vice President - Quality & Knowledge Management at Bharti Airtel Ltd. (India's largest telecom company) and Head of Knowledge Management at the RPG Group (a large diverse conglomerate group). He has also worked as a Senior Consultant with Ernst & Young's global management consulting.

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