Interview with Toyota and leadership expert Art Smalley

INTERVIEW – Last month we caught up with Toyota veteran Art Smalley in Las Vegas and discussed with him the role of leadership in a lean transformation and the four different types of problem solving he talks about in his new book.

Interviewee: Art Smalley, President of Art of Lean, author and speaker

Interview by: Roberto Priolo, Editor, Planet Lean

Roberto Priolo: **I thought we'd start by looking back at your time at Toyota and at Donnelly Corporation – what did you learn about the application of lean to the extended supply chain during your time with the two organizations?**

Art Smalley: First of all, it's important to say that no matter where you go, there is always a supplier-customer relationship. What changes is the context: at Toyota I worked in the division that built engines, which supplied the vehicle plants, while at Donnelly we were making lots of parts for several OEMs. Both were eye-opening experiences.

When we talk about a lean supply chain, it is important to think about all aspects: delivery performance, quality performance, cost performance, etc. You are only as strong as your supplied parts, and strengthening your supply base has a lot to do with the respect for people component of lean (which includes suppliers). A huge percentage of your quality is influenced by the outside, so you better have a way of working productively – ideally harmoniously – with your suppliers.

Toyota had perhaps a bit of an initial advantage in this sense, because many of its suppliers had previously been part of the organization (Denso, Aishin, Boshoku, Gosei, Aichi Steel, etc.) for a long time. This structure has helped Toyota foster and maintain good working relations with suppliers. In the West, we tend to see more adversarial and short-term relationships, based mainly on cost. Neither side works very well with the other and the distrust is often evident.

RP: **Let's stay on what sets Toyota apart. A common argument we hear is that the lean methodology is not really successful given the fact that Toyota's success has never been fully replicated. What do you say to that?**

AS: I find this argument a bit strange. It is like arguing that everyone who plays basketball but is not at Michael Jordan or LeBron James level is not successful. Or that anyone who does physics but is not as good as Albert Einstein is a flop. We can point this at consultants as well for laughs. You are not Taiichi Ohno level of ability? You are all a failure! It is kind of silly, in reality.

It's not realistic to think that everybody who does lean will become Toyota. Everyone conveniently forgets that Toyota has been at this for a long time, dating back to at least the early 1950s. And even after the first five years, the organization was not transformed by any means. However, everybody can improve with the right set of attitude, skills, and commitment. Rather than saying, "We are failing because we are not Toyota level today," I think you should focus on improving in order to reach your organizational goals for this month, this quarter, this year, etc. That is the real crux of the issue – are you improving based upon where you are and where you need to be.

RP: **In your experience, what is the weakest link in a lean transformation?**

AS: Every situation is different, but what I see holding many organizations back is the fact that they don't have a group of capable people leading the transformation. The capability to lead change can

only be learned by doing, and by failing a few times. Most organizations apply some type of tool kit or workshop approach and it usually does not go very far.

RP: **Does that mean you agree with the idea that leadership is teachable?**

AS: Elements of leadership are teachable, but like the Toyota success topic above (or any sports analogy for example) you'll see a wide variation with regards to leadership ability and performance. It's like the situational leadership model of learning. Different tasks required different approaches, which vary by the skill and will component of the learner. Some situations require high levels of direction, some require coaching or supporting, some are fit for delegation in terms of leadership. Lean transformations are similar to that, as one size does not fit all situations. And there is also the need to learn by doing.

RP: **Let's move on to your talk at this year's Lean Management Conference in Wroclaw, Poland in June. You are going to talk about leadership there – what is the most important lesson on leadership that you learned during your time at Toyota?**

AS: There are a couple of things. First of all, that it is not just about one person at the top leading change. Leadership is required at every level of the organization. There are no super heroes, and everyone has people to rely upon – even Taichii Ohno did. One of the most impressive things about the Toyota system is the critical importance placed on the different *levels of leadership*, with the majority of training taking place at supervisor level. The team member is responsible for the cycle of work being performed. The team leader is responsible for the hour and the team members under his or her supervision. The Group Leader is responsible for the shift, the day, etc. and everyone reporting to them. The manager is responsible for the performance of all the teams and week (and of course intervals leading into that bucket of time). The site leader owns the month and all people and time intervals leading up into that level. Someone above that owns the quarter and someone above that owns the year, etc. Matching leadership roles and practices to the appropriate level of the organization and strengthening the weakest link in the chain of leadership and management is something most organizations need to work on in order to improve.

This also ties into problem solving by type of problem and style appropriate to the level in question. It is not a one-size-fits-all answer by any means. The presentation I will give in Poland will focus on solving four types of problems and the leadership skills you need to do so effectively.

RP: **Speaking of problems to be solved, prioritizing is often very difficult. What are the things an organization on the lean journey has to keep in mind as it tries to figure out what problems to tackle next?**

AS: To use a medical type of analogy, let's think of this as a triage. First we have the problems of the moment and of the hour, which I call type-1 problems or troubleshooting. These are the most urgent items of the moment, and you need a good system for rapid response and good daily troubleshooting.

However, tackling these alone is actually not enough – at the end of the week and the end of the month you often look at KPIs and see that you are still not on target.

This leads us to type-2 gaps from standard. These are the areas where you consistently fall short of your plans and targets. Sometimes these are large one-time problems and sometimes they are repeat instances. In order to fix them, you must study them, break them down, get to root causes, and establish effective recurrence prevention countermeasures. Most organization struggle with these and get stuck in troubleshooting.

There are also type-3 problems – they are more long-term and can wait a bit longer – for example when you realize an area is laid out wrong or that your machines could be used more effectively. Or you might decide to improve an area that is meeting plans and has no obvious problems – there is always room for improvement. Traditionally this is what we call *Kaizen* in Japanese.

Finally, type-4 problems are the big-picture issues related to your company's ability to innovate. If not tackled, they will prevent you from staying in business in the long term. You are not going to solve your innovation problem in a day, but some resources have to be committed and some conditions created today that will allow you to achieve your goals tomorrow. Apple is the classic example of a forward-looking organization that has managed to stay innovative, but Toyota is once again another good example, as demonstrated by its successes setting up shop outside Japan, developing the Prius or launching the Lexus brand.

I talk more about this in my upcoming book *The Four Types of Problem Solving*.

RP: **I recently came across the video of your talk on leadership at Fort Bragg. Two things you said about Toyota really struck me: the use of the term *cho* and the 1-to-5 leadership ratio. What do these simple things tell us about Toyota's culture?**

AS: The term *Cho* means "leader" in Japanese (*hancho*, *kumicho*, *kacho*, *bucho*, etc.), and the way Toyota uses it shows how the company managed to strike a balance between management and leadership. At Toyota in Japanese you are called a leader by title (plant leader, production leader, team leader and so on) because you are expected to be one. You are also expected to manage things and improve performance. In the West, we want you to be a leader but we call you a manager or supervisor. Education, too, is more aimed at management than at leadership (think of MBA programs).

Stephen Covey has a good quote worth remembering from time to time: "You can manage things but you have to lead people". In other words, you have to set up a good process and manage the process for improvement. However, in the end you have to lead people and influence their behaviors and actions as well. That balance is difficult for most people and organizations to achieve.

The leadership structure is another fundamental characteristic of Toyota's culture. When you ask a senior leader in Toyota how he or she can manage thousands of people, their general answer is, "I don't, I lead and manage 5-7 direct reports." This is the general rule at most every level in Toyota, all the way down to individual teams. They have a fundamental concept of what is a team, what size it can be (which varies by area), how it should operate, etc. and how it should approach improvement. It is a cascaded style of leadership that relies upon structure and order (Toyota attempts to flatten the pyramid as much as possible and drive leadership to the lowest level possible). The most

challenging thing about it is to keep that chain of communication effective top to bottom without distorting the message.

This article is also available in Polish here.

THE INTERVIEWEE

Art Smalley is President of Art of Lean, an organization that helps organizations implement lean. Art learned about lean manufacturing while living, studying, and working in Japan for 10 years as one of the first foreign nationals to work for Toyota. He spent the majority of his Toyota career helping the company transfer its production, engineering, and management systems to facilities around the world. After leaving Toyota, Art was director of lean production operations at Donnelly Corporation, an automotive supplier with more than 15 plants in North America and Europe. He subsequently joined McKinsey & Company, before establishing Art of Lean. Art was inducted into the Shingo Prize Academy in 2006.