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See for Yourself

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Booz & Company

from **strategy+business** issue 48, Autumn 2007

reprint number 07301

See for Yourself

Firsthand observation on the front lines can offer the critical insights that make for inspired — and inspiring — leadership.

by **Tim Laseter and Larry Laseter**

Sam Walton discovered the advantages of centralized checkout counters by taking a 500-mile bus trip to visit a competitor in 1951. In the 1960s, Taiichi Ohno, the father of the Toyota production system, trained his managers by having them stand in a small circle on the factory floor for eight-hour stints simply observing the manufacturing process. Today, Jeff Immelt, CEO of GE, spends 60 percent of his typical 100-hour workweek on the road.

Great leaders understand something that is often lost in today's world of global connectivity, where a surfeit of data is accessible with a few keystrokes. Computer-generated reports certainly play an important role in management, but the critical, visceral insight needed for effective leadership can come only from firsthand contact. The best executives get out of their offices and away from their computer screens to observe their frontline employees, competitors, customers, and suppliers on the job.

Most business gurus tout cleverly titled management concepts

while ignoring this relatively simple practice. Pick your program: Lean Six Sigma, Servant Leadership, Strategic Sourcing, Disruptive Innovation. This list of possible strategic business initiatives has a lot in common with the diet books forever topping the bestseller lists. Each promotes itself as a silver bullet; most deliver benefits, but rarely to the extent advertised; and few prove sustainable over the long run. Diet fads and management fads alike offer recipes for success but rarely get at the fundamental changes needed to deliver more than temporary improvement.

In the case of weight loss, medical science has shown that exercise, not dieting, offers the key to sustained improvement. Exercise burns calories but, more important, it builds muscle mass and fundamentally improves the body's metabolism. With exercise, any number of diets can produce good results.

We believe that in business management, the analog to exercise is firsthand observation. Executives and companies that have ingrained a culture of face-to-face, on-the-spot problem solving have a superior "metabolism." They create products



and services that solve real customer problems, adopt ideas from others and make them their own, collaborate with suppliers to eliminate waste, and engage the hearts and minds of their entire workforce. Their new “diets” stick, and improvements last.

To get the most out of a regimen of firsthand observation, consider the following principles.

Go and See

No company embraces the principle of firsthand observation more than the Toyota Motor Corporation. A

expanded the number of cup holders and storage pockets, pointless in the Japanese market where trips are shorter and riders rarely eat in the vehicle, but popular with Americans.

A culture of on-the-spot problem solving dates back to the early days of Toyota and its founding family. According to company lore, Toyota founder Kiichiro Toyoda once reprimanded a factory worker who was bemoaning the failure of his grinding machine. Toyoda rolled up his sleeves, pulled a handful of sludge from the oil pan, and

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What exercise is to weight loss, firsthand observation is to corporate success.

philosophy of *genchi genbutsu*, literally translated as “go and see,” permeates the organization from the manufacturing floor to product development and even corporate staff functions. Toyota’s executive in charge of real estate visited every single property now in Toyota’s vast global portfolio of land and buildings before approving any of the investments.

The chief engineer for the 2004 Sierra minivan had never designed a vehicle specifically for the North American market, so he set out to drive in all 50 states and every province of Canada and Mexico. The insights he gained on his trip led him to redesign the popular minivan, making it bigger but easier to handle, at a price US\$1,000 lower than the previous version. His observations of North American driving conditions led to enhancements of the turning radius and side-wind stability. The team also

challenged the worker to solve his own problems by getting his hands dirty. To this day, Toyota managers develop deep expertise over their careers and are expected to be true experts of the domains they manage.

Prepare to Learn

In his autobiography, Wal-Mart founder Sam Walton commented, “Most everything I’ve done I’ve copied from someone else.” Walton, like other great leaders, was a true student of his industry, always seeking out new learning opportunities. A commitment to “go and see” is merely a first step. Louis Pasteur’s comment that “fortune favors the prepared mind” leads us further along the path of capturing the full value of direct observation.

Consider the experience of a U.S. automotive supplier that exchanged benchmarking visits with a Japanese competitor in the late

1980s. Executives of the supplier clamored for spots on the trip to Japan, but because they had not spent sufficient time observing their own factories, the visit became a boondoggle that yielded limited competitive intelligence.

In contrast, the Japanese contingent, made up of experienced managers and engineers, arrived in the U.S. equipped with cameras and tape recorders. Though the Japanese immediately accepted the prohibition against cameras, they pleaded the case for tape recorders on the grounds that their English was limited and that they'd need to review the tapes to ensure that they fully understood the host's commentary. Because the host was unable to speak Japanese and could not conduct the tour in the guests' native tongue (the Japanese hosts had led their tour in English), he felt he had to accede to their request.

Moments into the tour, one of the guests asked about the cycle time and capacity of a key piece of proprietary equipment. The host refused to answer the question, but he realized that the Japanese would capture the necessary information by simply replaying their tapes and timing the sounds of the machine as it cycled through its processes. Worse yet, halfway through the tour the host discovered that the tour group included industrial artists who were busily sketching detailed perspective drawings of key pieces of equipment.

Look for Problems

Although benchmarking visits may suggest a focus on solutions, the real power of observation comes from finding the problems. Accordingly, more and more companies have come to embrace ethnographic

research, which helps identify problems faced by customers.

Disney "Imagineers," members of the creative group responsible for developing park attractions, spend substantial time in the company's various theme parks watching guests. Such observations have led to creative solutions to the inevitable problem of waiting in line. One of Disney's latest attractions, Expedition Everest, includes a museum dedicated to the legend of the Himalayan Yeti. The line for the new roller coaster wanders through the museum, distracting the waiting guests while providing the foundation of the story undergirding the

rankings in *Car and Driver* than any other model in history.

By observing "snacking occasions," the Mars Corporation found that kids often made a mess eating candies packaged in bags and boxes, like M&M's, while riding in the car. Mars then introduced cup-shaped packaging that fit in cup holders and had a resealable opening that let parents parcel out the candy in smaller servings.

Seek Out Root Causes

Some problems may suggest obvious solutions. In most cases, however, solutions are not obvious, and identifying a problem's root cause

Toyota's chief engineer for the 2004 Sierra minivan redesigned the vehicle after driving across North America.

upcoming ride, where the guests will encounter a broken track and be forced to flee the savage Yeti.

Honda engineers have also observed Disney's guests to uncover problems, but in the parking lot rather than the park. A couple of decades ago, the company's car designers noted that people were struggling to lift awkward items such as baby strollers into and out of car trunks. Inspired to solve this problem, the team lowered the trunk opening to be flush with the car bumper. The lower opening is now a common feature among sedans, but in 1989, innovations such as this helped propel the Honda Accord to first place in U.S. unit sales, and similar innovations derived from observation have allowed it to sustain more top 10

becomes a critical part of firsthand observation. Toyota, always seeking the simple but avoiding the simplistic, searches for root causes by applying the "Five Whys" principle: asking several "why" questions in order to determine a problem's genesis. Why do people avoid long lines at Disneyworld? Because they are bored in line. Why are they bored? Because the line lasts 30 minutes with nothing to do but queue. Why does it last 30 minutes, and why is there nothing to do? And so on. By asking "why" at least five times, the observer eventually finds the problem's origin.

Jeff Wilke, senior vice president (SVP) of North America retail for Amazon.com, regularly visited the company's fulfillment centers when he served as SVP of operations for

the company. He insisted that his staff spend time in the field rather than reading reports in the Seattle headquarters. On one field visit, Wilke encountered one of his analysts, a Ph.D. in operations research, working to generate a computer-optimized “picking path” for the hourly associates who were charged with gathering the items in a customer order. The analyst commented that some of the most experienced “pickers” defined a more efficient picking route for themselves than the one they got from a computer program. Wilke quickly challenged him to incorporate the experience-based heuristics of the best pickers into the computer algorithms. During peak holiday season, well over half of Amazon’s fulfillment center associates would be inexperienced temporary employees, so codifying this expert knowledge was critical to operational performance.

In an industrial company, a team developing a sourcing strategy gleaned an equally useful insight from observation during a tour of a mini-mill that produced metal bar stock — basic steel bars that can be machined or forged into finished metal products. The team noticed a chart posted in the production area of the plant, tracking the number of different steel specifications produced in the mini-mill each month divided by the number of “melts” in the cupola that fed the continuous casting machine. The team was shocked to see that the ratio varied between just 1.1 and 1.4 over the posted months, indicating that running two sequential batches of the same steel mix was rare.

By probing the supplier host, the team discovered why this metric was so important. The supplier ex-

plained that molten steel fed the continuous caster by repeated pouring from multiple cupolas. When the mix changed from one cupola to the next, the resulting bar stock was a mix of the two steel specifications for a period of time. Consequently, this transitional output

By asking “why” at least five times, the observer eventually finds the problem’s origin.

would not meet quality standards for either specification and would be rejected and recycled back into the melting process for another batch. Although the material was reclaimed in the process, the off-spec product consumed valuable capacity, and the material also underwent the expensive, energy-sapping process of remelting. From the standpoint of profit, this was a very wasteful situation.

Reflecting on this insight, the team identified a key opportunity to collaborate with the mini-mill supplier to rationalize steel specifications and to place orders in a way that would enable sequential runs of the same materials in the cupola. It produced a win-win for the mini-mill and ultimately for this important customer.

Teach Others to Observe

The final principle for effective observation is to teach others to observe. An anecdote from Tom Taylor, former executive vice president (EVP) of merchandising for The Home Depot stores, demonstrates how these frontline visits offer opportunities to learn and to teach by looking for problems from a customer perspective.

The EVP of merchandising has responsibility for all decisions related to merchandising products in Home Depot’s 2,100 retail stores. These decisions include which brands to carry, prices, and how to present and promote the products. Effectiveness in Taylor’s group was

critical to generating the company’s sales and profitability.

When Taylor took over the chief merchandising role in 2005, he began meeting with his team of merchants, who make buying decisions for the entire chain, to understand both their near-term plans and their long-term strategies for profitably growing product lines. He quickly realized that many of his team members used a considerable amount of data in decision making, but they did not really understand how the consumers and store associates interfaced with the products inside a busy, 100,000-square-foot warehouse that averaged more than 10,000 customer transactions each week. Taylor decided his group needed to see for themselves, so he began to host weekly “store walks.” Each week, one manager had an opportunity to discuss his or her department’s product lines in the aisles of a Home Depot store. Taylor invited the division presidents and other field leaders to attend these walks as well so that they could bring their cross-functional perspectives to every discussion.

Taylor had a better understanding of the stores than anyone. He was one of the longest-serving

associates in the company, having been with Home Depot since shortly after its founding in 1978. He had risen from part-time associate to executive vice president of all U.S. stores prior to his appointment as merchandising EVP. So when Taylor began to host the new store walks, he was in a comfortable environment.

On one of the early walks, the merchant responsible for vacuum cleaners was given the opportunity

associate and customer would find competing claims made by the product manufacturers with no supporting evidence. All of those present thus recognized that they needed to rationalize stock keeping units (SKUs) toward a better customer experience. No set of data could have made that point so well inside the sterile confines of a meeting room.

Go to a Home Depot store today and you will find only 12

allowed for some last-minute tactical adjustments that stopped the Union Army's campaign to take the Confederate capital of Richmond in 1862.

This approach gave Jackson a visceral understanding of the meaning of war. As he explained, "War means fighting. The business of the soldier is to fight. Armies are not called out to dig trenches, to throw up breastworks, to live in camps, but to find the enemy and strike him; to invade his country, and do him all possible damage in the shortest possible time." This commitment to results, in turn, made him an inspiration to his troops, who trusted him, literally, with their lives.

Few executives today inspire their followers that way. The well-meaning leader who considers management an art equally applicable across any industry, be it aircraft engines or banking, can never match the leader who truly understands the business at hand and continually invests the time to learn more about it.

Given the unpopularity of observation, it's no wonder that many employees view executives as Dilbert cartoon characters: clueless autocrats anxious to implement the next management fad as a "strategic initiative." And in such an environment, the odds of success probably match those of a fad diet. Embracing firsthand observation as an integral part of your personal management style and embedding it in a company's culture can break the fad cycle. It connects everyone to reality and forces a collaborative, problem-solving mind-set that can produce enduring results rather than just temporary improvement. +

Reprint No. 07301

Home Depot's merchandising group goes to the front lines to think about decisions from a customer's perspective.

to talk about his category. After a thorough discussion of the "Good, Better, Best" positioning of the nine models of vacuum cleaners carried in the stores, Taylor turned his attention to a complementary product — carpet stain remover. Taylor asked a simple question of the unsuspecting merchant: "If you were a new hourly associate here on a busy Saturday afternoon and a customer asked you which carpet cleaner she should use to remove a pet stain from her carpet, what would you recommend and why?" The merchant looked down the aisle and saw 26 products to remove carpet stains, seven of which specifically claimed to be best at removing pet stains. Some of these products carried the same brand as the vacuum cleaners being displayed, others carried the brands of some of the top cleaning products of the stores, and the remainder consisted of brands specializing in carpet cleaning. Reading the product labels, the

carpet cleaners, and each of these is clearly positioned as the one best suited to a particular deep-cleaning vacuum machine. And that's just one product. The Home Depot merchandising group no longer sits at headquarters making decisions far from the action. They now go to the front lines to see what is happening and think about their decisions from a customer's perspective.

Making It Personal

Thomas Jonathan "Stonewall" Jackson, a general of the Confederate Army in the U.S. Civil War, ranks among the most gifted tactical commanders in American military history. Though he fought on the losing side, his reputation was such that, almost 150 years later, West Point cadets still study the brilliant leadership of this alumnus. Stories of Jackson portray a personal commitment to firsthand observation. Jackson's visit to the front lines before the Battle of Fredericksburg

strategy+business magazine
is published by Booz & Company Inc.
To subscribe, visit www.strategy-business.com
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Originally published as “See for Yourself” by
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