Chapter One

INTRODUCING LEO

Back in 2003, the chief executive of a large East Coast hospital invited me to an 11 a.m. meeting with him and his leadership team. "We have a problem," he began. The organization had gone through weeks of training in Six Sigma with the goal of trimming waste and boosting efficiency. But six months later, the results were meager. He wanted to know if I could help.

In the course of our talk, I asked each of the six executives what I thought was a simple question: "You learned a lot of tool sets during your training, so tell me what percentage of them you've been able to apply in your work." The answers shook me. "Fifty percent," said the chief medical officer. "Thirty percent," said the CFO. All six of them had the same basic response: a huge chunk of the Six Sigma tools they had spent so much time learning was simply inappropriate to their needs.

It's ironic in a way. At a time in history when we have, more than ever, an abundance of impressive management tools to help us seriously ratchet up performance, most of us have made only marginal gains. Lean manufacturing, reengineering, Total Quality Management, Six Sigma: on and on the list goes. A handful of inspired leaders—Jack Welch of General Electric comes to mind—have made the most of these tools. But many companies have invested huge amounts of time, energy, and cash in them without significantly improving the quality of their operations.

After the meeting with the hospital leaders, I called my own team together. Now I was the one saying, "We have a problem." Like the rest of the management community, we had been automatically introducing the whole gamut of Six Sigma and the other management tools into companies without having an in-depth understanding of the companies' goals, their cultures, or their core strengths and weaknesses. "We have to change," I said. "We have to start tailoring the tools to fit each company's circumstances." No more cookie-cutter presentations for us.

That was when we began to develop the management approach that we now call LEO, for Listen, Enrich, and Optimize, and we have spent all the years since then putting it to the test in one organization after another. It has passed with flying colors, because LEO is not simply another management tool; rather, it is an overall methodology that makes it possible to apply management tools to maximum advantage. In other words, LEO represents a new mindset, a transformational way to think about the decisions that managers on every level make and the actions that they take. It is a system devised to help companies dramatically improve their performance, to make quality part of their corporate DNA.

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When I go to visit a company today, I explain the LEO strategy. I assure the leaders that whatever suggestions we make, and whatever management tools we employ, will be geared precisely to their company's special needs and particular makeup. If they follow the LEO methodology, they will achieve a major, measurable increase in the quality of their operations, their products, and their bottom line.

In the chapters ahead, I explain the various aspects of LEO in detail. I also show through case histories how it has actually been implemented, although the names of the companies described and sometimes the products or services that they provide have been altered to protect their confidentiality. Right now, though, I would like to introduce you to the basic elements of the LEO strategy:

- **LISTEN: Observe and Understand.** To obtain a deep comprehension of the issue at hand, put aside past assumptions and interact directly with all relevant parties—specifically including customers, suppliers, and employees. Add to your findings whatever relevant data can be uncovered.

> *One of a company's two call centers was experiencing many more database-entry errors than the other. Company*

> *managers suspected that it was a training problem, assuming that the errors were concentrated in the third shift, where most new hires were assigned. We began the* Listen *process with intense data mining of the center's records. When we analyzed the figures, we discovered that most of the errors were in fact committed during the first shift and were clustered in a single row of 20 workstations—a row that was next to the windows. The glare from the windows was making it difficult for workers to see their screens clearly. Our suggestion that the company cover the windows was vetoed by the public relations department, which led frequent tours through the center. Instead, tinted window glass was installed and glare filters were added to each workstation. Entry errors were reduced by 95 percent.*

- **ENRICH: Explore and Discover.** Based upon the information you have gathered, reach out to all relevant parties for ideas and possible solutions. The wider you cast your net, the more likely it is that you will move beyond the usual suspects to discover new and better answers.

> *At a hospital division serving the elderly with neurological problems such as Parkinson's or dementia, we discovered in the* Listen *process that many patients had to go through three to six weeks of tests and waiting for results before a diagnosis could be delivered. If a patient arrived complaining of dizziness, say, she might be tested for an inner ear infection; if the results were negative, she would be tested in the next day or two for another possible cause; and so it went as*

> *the weeks passed. Based on our observations and numerous interviews with patients and staff members, we created a detailed map of the existing process, identifying areas of waste and inefficiency. With that laid out in front of us, we entered the* Enrich *phase of LEO, using analytical tools to develop new and improved patient flow.*
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> *Today, after an in-depth interview with a geriatrician, patients are given a series of basic tests on the first day that cover most conditions. Then all of their doctors get together to consider the results and jointly arrive at a diagnosis and treatment plan. Their conclusions are passed on to the patients by a neurologist or geriatrician. The whole process can take as little as two days.*

- **OPTIMIZE: Improve and Perfect.** Examine the solutions you have found and select the best. Subject it to every kind of challenge it might conceivably encounter, and correct any and all possible shortcomings.

> *When a new application was found for its electric motor, a company's engineers would come up with a design and put the result through a 12-week process to make sure it worked properly. If it failed the evaluation, they would come up with another design and go through the whole process again. We suggested another approach that is part of LEO's* Optimize *phase. Instead of focusing on the nuts and bolts of a particular design, we turned our attention to the essential purpose of the motor—to transform electricity into torque, causing a shaft to turn. We eventually found that by closely measuring the efficiency of that transformation under various*

> *conditions, we could accurately predict whether a new design would pass the evaluation process. Now, rather than putting a new design through a dozen weeks of testing, the engineers can determine its quality in all of 10 minutes.*

By rigorously and consistently using one or all of the LEO guidelines, these three companies achieved far higher levels of performance, thereby measurably enhancing their products, services, and finances. That's because LEO can find answers to the questions that plague managers everywhere: Why are my sales dropping off? What can I do about my excessive scrap? How do I reduce high turnover? How can I match my competitor's price? Why is my new product pipeline empty? How can I get to best in class in my industry?

In the final analysis, though, the answers to all these questions boil down to one word: *quality*. The unending pursuit of quality, of perfection, is the single most important action any individual or organization can take to resolve problems and achieve goals.

We all know quality when we see it. I think of the performance I attended by Ravi Shankar, the great Indian composer and sitar virtuoso. He was 88 years old at that time, but the standard he set for himself and the musicians who accompanied him never flagged. Show or no show, if their playing was anything less than perfect, Shankar's eyes would blaze at them. Quality above all.

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Sadly, the striving for perfection that used to be the hallmark of American business has fallen away in recent years, and our economy has paid the price. The loss of quality is manifest in every aspect of our personal and business lives.

Not long ago, I purchased two books and an audio CD on Amazon.com. When my order arrived, the CD was missing, even though the shipping slip listed all three items. After spending 15 minutes searching the site for a telephone number to call, I reached a customer service representative. He listened to my tale and immediately promised to have the missing CD mailed to me, no questions asked. That led me to inquire whether this sort of mistake happens frequently. "From time to time," he replied. "It's human error."

I don't doubt that Amazon, like most consumer outfits, tries to avoid such errors. Yet all of us are constantly encountering something similar in our dealings with merchants of every kind. It's annoying, and it's a symptom of the quality failures that are plaguing our country. And when those failures occur on a larger scale, it can be frightening.

Ever since a 1999 report by the Institute of Medicine found that medical mistakes in hospitals caused up to 98,000 deaths a year, leaders of the medical profession have initiated dozens of projects to improve patient safety.

Some hospitals set up computerized drug-ordering systems to reduce medication errors. Others instituted programs to cut back on infections, including the installation of waterless antiseptic hand washes. The schedules of interns were rearranged to avoid the sleep deprivation that can lead to medical error.

But the results have been minimal. One investigation, released in 2010, of 10 hospitals in North Carolina found that there had been no appreciable lowering of patient injuries between 2002 and

2007—even though North Carolina had been selected for the study because its hospitals were in the forefront of the patient safety movement. According to a federal report dealing with Medicare hospital patients for the month of October 2008, 13.5 percent of them experienced "adverse events," meaning medical errors. In the case of 1.5 percent of the patients, some 15,000 people, those errors contributed to their deaths.

In a 2010 interview with the *New York Times*, Dr. Robert M. Wachter, chief of hospital medicine at the University of California, San Francisco, summed up the prospects for greater patient safety:

> Process changes, like a new computer system or the use of a checklist, may help a bit, but if they are not embedded in a system in which the providers are engaged in safety efforts, educated about how to identify safety hazards and fix them, and have a culture of strong communication and teamwork, progress may be painfully slow.*

In other words, you're not going to achieve real quality piecemeal. It requires an organization's total and continuing commitment to the cause. The ancient Greek philosopher Aristotle said it best: "Quality is not an act, it is a habit."

THE FOUR CORNERSTONES

There are many paths to quality. LEO projects, for example, may take a month, a few years—or anywhere in between. They may be

* Denise Gray, "Study Finds No Progress in Safety at Hospitals," *New York Times*, November 2, 2010, p. A1.

limited to a single area of an organization or include the organization as a whole—or anywhere in between. It all depends upon the degree to which the management wants to commit to the Listen, Enrich, and Optimize approach. Sometimes companies start small, are impressed by the results, and then decide to go for a wholesale deployment.

For organizations that make a major commitment to LEO, their success will be determined in large measure by the level of their commitment to four basic principles. We call them *cornerstones* because the more closely you abide by them, the more your total LEO experience will align with your expectations.

The attitudes expressed in the four cornerstones are not arbitrary; they are carefully considered and essential elements of the LEO approach. Once they are embedded in any organization's culture, its quality will soar.

1. Quality Is My Responsibility

The next time someone stands up at a meeting and talks about quality, listen carefully to the attendees' reactions. Chances are they will be all about what other people can do to improve things. One person will want to refer the matter to the Quality department. Another person will shrug, saying that it's an operational issue that's best left to Engineering. That attitude defeats any possibility of achieving a quality transformation.

The pursuit of quality must be a personal responsibility, reflected in every aspect of your work. When you make a decision, do you ask yourself whether it will improve your customers' experience with the company? Do you consider whether it will improve your employees' motivation? Do you ponder whether it will advance the quality initiative?

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Those are the same kind of searching questions we are all learning to ask ourselves about the environment: Are we recycling our glass and paper? Are we picking up after our dogs or turning off the sprinkler overnight? We recognize the need to be personally responsible for the environment. LEO calls upon us to do the same for our organizations. I say, let everyone become her own quality department. I say, quality is *my* responsibility.

Responsibility carries with it accountability, and a LEO organization has no room for the blame game, the shunting of your responsibility for error onto others. Accountability without responsibility is morally repugnant and counterproductive, poisoning an organization's relationships and culture. Doing your job to the best of your ability is the starting point. Learning from your mistakes, doing your job right, and then finding new ways to do it better—that's the LEO way.

2. All the People, All the Time

How often have you been in a public space that sports an overflowing trash can? At the end of the day, the janitor walks in and picks up the overflow, and he is likely to do that very same thing every day until he retires. A bigger trash can would make his job easier

and greatly improve the looks of the place, but it never happens. The janitor never even considers the idea, and even if he did, he most likely would never bother to suggest it to his boss. Why? "It's not my job," he'd say.

In a LEO deployment, it becomes his job. There is no way a company can attain quality without the dedication of the whole universe of its stakeholders—every supplier and distributor as well as every manager and frontline worker. The quality mission belongs to all the people, all the time.

Leaders have a special duty to constantly reinforce that message by delivering it in every meeting and every encounter with their reports and by walking the talk, demonstrating their personal commitment to quality in their own work lives. For example, at your meetings, do you make sure that everyone has a chance to speak her mind? It's a hallmark of the LEO approach. And if you make it clear that you consider it to be important, your aides will pass that behavior down through the ranks.

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Employees on every level are to be treated as full partners in the quality campaign, regularly encouraged to continuously improve their own performance and share their ideas for improving other operations. Their contributions toward greater quality need to be acknowledged and, where appropriate, amply rewarded.

3. An I-Can-Do-It Mindset

A salesperson had to meet with a customer in another state. But before she could buy the airline ticket, she told me, she had to get four levels of managers to sign off on the trip. I know of one company that actually requires a vice president's signature.

Any management that is so insecure about and untrusting of its employees is not going to receive the benefit of its workers' best performance or fresh insights. If you treat an associate like a child, don't expect him to behave like an independent-minded, responsibility-seeking adult.

There's a straight line between leaders' policies and the behavior and attitudes of their workers—and between those attitudes and the company's quality quotient. In a LEO deployment, management needs to build up employees' confidence in themselves and their readiness to take part in the quality transformation.

That means talking to your boss about *your role* in LEO and the aspects you feel secure about, and also those that you're unsure of. It means conducting similar discussions with your reports, helping them with aspects they don't understand and inspiring them to have a can-do attitude toward LEO. Managers and line people alike need to be encouraged to think and act outside the box.

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4. No One Size Fits All

It's always tempting to look for a policy or a procedure that can be applied across the board to any and all situations. It would make life so much simpler. But too often, such solutions prove counterproductive. There are so many special cases and exceptions that, in fact, one size never comes very close to fitting all. The result: lots of confusion and waste.

That unhappy scenario often plays out when a company takes on a quality program like Six Sigma, which is typically applied in a strict, no-exceptions manner. By the same token, copying a quality program that was a smash hit at another company rarely succeeds, and can actually lower your quality level.

Every organization is unique. Even within the same industry, even within the same locale, no two companies will have matching management skills, corporate cultures, or talent bases. Just as the transfusion of the wrong blood type can devastate a person, the infusion of the wrong management program can cripple an organization. A LEO deployment recognizes the absolute necessity of tailoring solutions to the specific needs of the particular company. If an organization has already been trained in Six Sigma tools, for example, the deployment would blend the appropriate Six Sigma tools into the LEO program.

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The no-one-size-fits-all principle is also a guide to relationships during a LEO project. Leaders on all levels need to avoid automatic, knee-jerk responses to issues arising from the quality campaign. The way you've always handled a situation in the past may not be appropriate in a LEO environment. Initiatives and reactions need to be considered solely in terms of whether they advance or hold back the thrust toward greater quality—that is the new metric.

MOVING FORWARD WITH LEO

In the chapter just ahead, you will learn how LEO is used to deal with the various kinds of challenges that managers confront in their everyday business lives. I will describe and display the basics of LEO, providing insight into this effective method. You will also see LEO coping with a nuts-and-bolts problem that was slowing the pace of recovery from a natural disaster.

Throughout the rest of the chapters, case studies will provide not only anecdotal stories but also hard facts on how LEO deployments work, what kinds of problems they have been used to solve, and what types of outcomes can be expected.

Remember: Listen, Enrich, and Optimize.