

# Sun Tzu to Toyota – The Essence of Speed Based Competition

**Special Report**

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Whether or not a strategy is effective, whether in warfare or in business, hinges on the ability to devise a means of behavior where a competitive advantage can be *sustained*. This means that organizations want to evolve a business model, and a means of engagement that their competitors are unable to easily match or to which they cannot readily adapt.

Sometimes companies cannot compete simply due to their lack of financial or other resources to match a larger rival. Yet there are many intriguing examples where smaller less wealthy companies managed to compete very well against – even the giants.

Companies like Costco, Dollar Tree, Save-a-Lot, and Dick’s Sporting Goods, have managed to outperform even mighty Wal-Mart by finding segments where they could provide better service, quality of product, or even pricing in selected niche segments.<sup>1</sup>

What is the essence of such success? Some answer may lie in the teachings of the ancient Chinese general Sun Tzu. He was famous in Chinese history as a brilliant leader and strategist. He came to fame in about 512 BC when he – with an army of about 30,000 men attacked the army of Ch`u – which was approximately 200,000 strong and soundly defeated them.<sup>2</sup> Sun Tzu wrote his treatise “The Art of War” which has been studied by Military historians for some time and has recently received some notoriety in the business world where his teachings have equal relevance.

Sun Tzu was unconventional – by modern day standards. He recognized a mental side to conflict, and valued guile and deception as an integral part of warfare. Modern military doctrine – as practiced from the Napoleonic era through the Second World War called for conflict aimed at the destruction of the enemy, the removal of their capability to wage war. Sun Tzu felt that should not be the intent. He argued that “. . . hence to fight and conquer in all your battles is not supreme excellence; supreme excellence consists in breaking the enemy's resistance without fighting.”<sup>3</sup>

By this, he felt that competing head to head in battle - to engage in what has been called ‘attrition warfare’ was wasteful. It is far better to defeat an opponent by breaking him mentally, by trickery or other means. He implied that to surround an enemy - making him surrender because he believed his situation was hopeless was a far more brilliant act of generalship than one leaving countless dead bodies on the field. He seems like he was advocating that one must fight the conflict on your own terms, rather than on those of the enemy. He wanted to change the rules of competition in some way, to put his opponent at a disadvantage always keeping them off balance. HO YEN-HIS of the Sung dynasty puts this very clearly in his note: “*When the enemy has made a plan of attack against us, we must anticipate him by delivering our own attack first.*”<sup>4</sup> In other words, define the means of competition in a way that is not expected by an opponent – or competitor. Sun Tzu suggests that being different than an opponent expects - can be a powerful way to achieve a competitive advantage.

In business terms, this can mean: compete in an arena where competitors are not able. A fabulous example of this is found in the new strategy developed by Lou Gerstner, and enhanced by his successor, Sam Palmisano at IBM.

When Lou Gerstner joined IBM and was tasked with saving a company that was in a steep decline, he evolved a strategy that moved IBM from selling “products to customers” to selling “services to clients”. He spoke to his clients – many of the Fortune 500 who told him that data processing was confusing, with so much new technology, it was hard to figure out the best approach. They wanted someone who could help them put all the pieces together. IBM, at that time, had mainframes, desktops, and software. They were in the best position (as compared with Dell, HP, Microsoft, and Compaq) to propose integrated solutions.<sup>5</sup> When he bought Lotus Development Corporation – he enhanced his software skills, and

## ABOUT The Author



### Len Brzowski

is the former CEO of Robotron Corporation. Under his leadership, Robotron was named by Crain’s as one of the leading high tech companies in Michigan, and was recognized by the US Chamber of Commerce as one of the 50 most innovative small businesses in the United States.

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when he then added PricewaterhouseCoopers to IBM's portfolio, IBM became a full service business transformation consulting company.<sup>6</sup>

### **Mental Incapacity to Think Anew**

Another reason competitors often cannot compete effectively is more difficult to understand. It stems from being locked in a mind-set that prohibits action. Southwest Airlines developed a fabled and low-cost model based on using one type of aircraft, lower cost airports, simplified seat assignment systems, no meal service, and they tend to fly shorter point-to-point routes.<sup>7</sup> While intellectually, these elements are easy to understand, but the legacy carriers like Delta and United, have been unable to duplicate SWA's performance even when they tried to launch their own low cost airlines – Song, and United Express. Legendary Southwest CEO, Herb Kelleher states “Anyone can copy [the business model], but they can't copy the culture!”<sup>8</sup>

And so, it seems the most elusive aspect of adapting to the changing competitive landscape is overcoming ones paradigm and historical thought patterns and organizational culture. The consequences of being locked in a particular mind-set can be devastating as outlined in the following strategy example from the Second World War. It shows that German military planners after the First World War understood Sun Tzu remarkably well. It is useful to examine this in greater detail.

### **Blitzkrieg**

For at least 300 years prior to the outbreak of the Second World War, armed conflict followed a predictable pattern. Armies lined up across from each other – looking over an expanse of “no man's land”. One side started the attack, and its lines would advance toward the waiting enemy over the killing field.

Such warfare was often predictable, with the strongest side prevailing. In this context, war was the application of brute force against brute force. The “strongest” of course was the side with the greatest numbers of soldiers, or weapons, or perhaps the side with the more powerful, accurate or deadly weapons. It was thought of in mathematical terms. One side simply had to commit more men in a given sector than the opposition could kill in the time it took to run across no-man's land – leaving enough survivors on the other side to begin inflicting decisive damage.

By World War I, generals and their strategists were calculating how many men per mile they needed to overcome an opposing enemy. Such a bloody slugfest was termed a “war of attrition” which went on until one force lost sufficient resources to continue the struggle. Other aspects of such conflict were also predictable. When one force attacked, the advances almost always “ran out of steam”. Troops were exhausted, the battlefield was chaotic and filled with smoke, units could not easily assess battlefield conditions, and units lost contact with other supporting units. When the assaults ran out, the side most beaten would typically retreat and reform its' lines, while the side winning the day would also consolidate again. The battle paused, as the sides ‘licked their wounds’ giving soldiers a chance to regain their strength, and generals a chance to reassess the battlefield and to plan their next action.

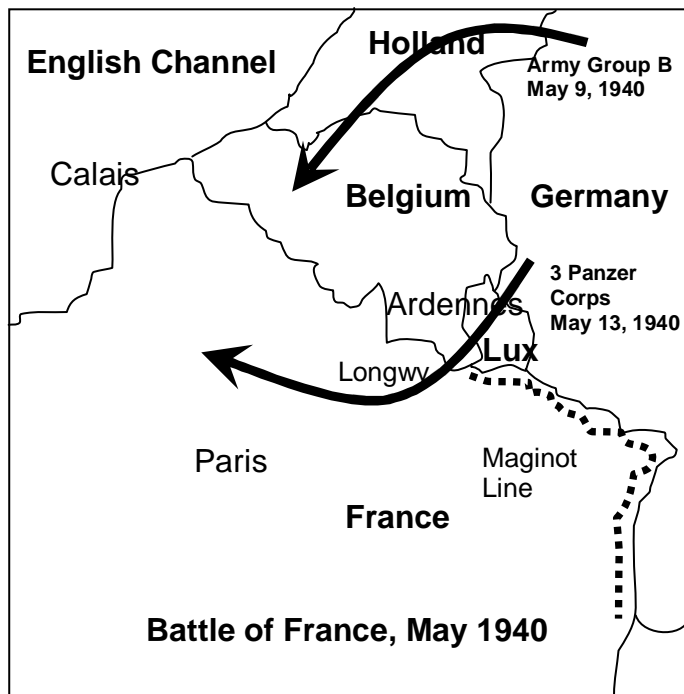
It was almost a cyclic pattern, a sort of slow-motion conflict.

### **The Battle of France**

Wars of attrition are gruesome affairs, but this pattern of conflict is what dominated the minds of Allied military planners in May of 1940 as they waited for the inevitable German attack to invade France. They felt relatively confident in their position. After all, since the end of World War I, the French invested 12.5 Billion Francs on the heavily fortified Maginot Line which extended from the mountains of Switzerland to the town of Longwy (at the edge of the Ardennes Forest).<sup>9</sup>

The sizes of the armies were roughly matched, with 138 German divisions standing against 135 Allied Divisions. What about weaponry? Most people today assume the German Panzers were so vastly superior, that they simply swept the French and British equipment from the field. But the evidence is contrary. One for one, the French tanks of the day were state of the art.<sup>10</sup> In fact, due to war production restrictions imposed by the Allies after World War I at Versailles, German tank production by that time in the war was limited and the German's had only 349 modern versions of its tanks available for the invasion of France.<sup>11</sup> Most military analysts also gave the technological advantage in field artillery (which was the main killer in the last war) to the French as well. It appears there was general parity among the opposing sides.

That the attack was coming was surely no surprise. France and Britain had declared war some 8 months earlier, after watching how the Germans summarily conquered Austria, Hungary and Poland, the tactics could not have been completely a surprise.



The Allies could also read a map. They believed an assault through the Swiss Alps, or into the face of the heavily fortified Maginot Line, was unlikely. They knew well the terrain in the Ardennes Forest with its narrow dirt roads and dense trees would be inhospitable for Panzers – especially in the mud after a spring rain. And so, as the French believed in World War I they now believed the attack would come through the “low countries” of Belgium and Holland, and positioned their armies accordingly. [They did not completely ignore a threat of an Ardennes assault, and did leave in reserve the French 7<sup>th</sup> and 9<sup>th</sup> Armies along the Meuse River just in case, assuming they could always re-deploy troops from Belgium if needed.] But, Belgium was the logical place to expect the assault. It

was after all, ideal tank country and the French and British saw that mechanized tank warfare was a German forte.

The Germans had set an elaborate trap, as if they were inside the minds of the Allied Generals. On May 9<sup>th</sup>, as expected, the Germans launched Army Group B into Holland and Belgium. And, as expected, the Allies moved north to engage them.

Once the Allies had moved sufficiently north in response to the May 9<sup>th</sup> assault, the trap began to close. The Germans had carefully snaked three Panzer Corps through the dense Ardennes and caught the French unawares as they blasted their way across the Meuse River at Sedan on May 14<sup>th</sup>.

Churchill was scrambling to reassure the British citizenry that everything was under control:

*It would be foolish, however, to disguise the gravity of the hour. It would be MORE foolish to lose heart and courage or to suppose that well-trained well-equipped armies numbering three or four millions of men can be overcome in the space of a few weeks, or even months, by a raid of mechanized vehicles, however formidable. We may look with confidence to the stabilization of the Front in France . . . May 19, 1940<sup>12</sup>*

Whether Churchill was ill advised or simply trying to avoid panic at home is impossible to say. But it seems as though he didn't appreciate the gravity of the situation. His reference to "the stabilization of the Front" suggests he was looking at this battle from a World War I perspective. He 'knew' that assaults always ran out of steam and became stabilized as the armies re-grouped. What he was facing now was much different.

Two days after Churchill made that address, the Allies were in full retreat. Churchill, just barely ordered the massive sea evacuation from Dunkirk in time to save a major portion of the Allied armies, as the Germans reached the English Channel. France was conquered in just 12 days.

It is interesting to note that in the entire war up until that time, German casualties were about 200,000 men (killed, wounded, or captured). During the same time, Allied casualties totaled over 3,500,000 men, with almost 3 million of those being wounded or captured.<sup>13</sup>

What an amazing military feat, given the Allies had parity of forces and technology, knew the attack was coming, and had some insight into German tactics by watching their earlier military actions!

### **What happened?**

While Churchill and all his military advisors anticipated a stabilizing front, as was the case in the war where they had first hand experience, Blitzkrieg was altogether different.

The German commanders:

- ❑ Got inside the minds of their opponents, and used their biases and paradigms against them to create a trap
- ❑ Used deception by launching the frontal assault through the Low Countries forcing the Allies to commit their troops oblivious to the real threat emerging in the Ardennes. This is what Sun Tzu wrote around 500 BC – where the goal is to shape the enemy's mind so that if armed conflict were necessary, it would be relatively quick and bloodless. Tzu described this as using a combination of "cheng" and "ch'i" (the orthodox in conjunction with the unexpected) to keep opponents off balance.<sup>14</sup>

And most importantly,

- ❑ They did not pause the attack – as the Allied Generals expected. German commanders, after breaking through the French lines in Sedan, forced their weary troops and tanks to press on, encircling the retreating French, hitting them again before they could re-group and re-establish their command and control systems. (The same tactics were employed by German units across the theater as they attacked multiple areas of weakness, and then quickly reinforced those thrusts that were achieving the greatest success.)

Here is how one historian, Basil Liddell Hart described the impact:

*The issue turned on the time factor at stage after stage. French counter movements were repeatedly thrown out of gear because their timing was too slow to catch up with the changing situation . . . The French, trained in the slow-motion methods of World War I, were mentally unfit to cope with the new tempo, and it caused widespread paralysis among them.*<sup>15</sup>

The ability of the Germans to "operate within the decision making cycle of their opponents", made all the difference in the world. The Allied military leaders were "locked" in the mind set of the last war – where massed troops and firepower were the keys to success. The revolutionary new German strategy kept the Allies off balance, unsure of themselves, and in a state of constant reaction. This was a concept that no Allied general of the time, with the possible exception of George S. Patton, understood. Once the momentum was building, one should not relieve the pressure, nor worry about one's flanks. The faster one moves, the less possible it is for the enemy to plan and execute actions to stop a Blitzkrieg assault. (Patton was on more than one occasion held up by an uncomprehending Eisenhower when his troops got

too far ahead of the remaining Allied forces – a source of frustration to America’s preeminent tank commander.)

So, it seems that speed itself can be an effective element of strategy aimed at overcoming an opponent.

### **So, what does this have to do with business?**

To answer this, it is necessary to begin with the premise that good strategy, whether in warfare or in business, is to devise a means of competition where a SUSTAINABLE competitive advantage can be gained. Anything other than that puts an enterprise in the “me-too” category that usually results in competition based on price – the business equivalent of “attrition warfare”. As countless auto suppliers can attest, being pressed by their customers into a commodity status is no easy place to be. Such entities are forced into constant efforts to reduce sales prices and costs in an unrelenting fashion – sometimes a ‘downward spiral’.

As was illustrated by the German Blitzkrieg, one way to create advantage is to change the rules of competition in a manner that is unexpected and difficult for competitors to comprehend and copy. After the First World War, they studied carefully the hard lessons of the conflict, and resolved never again to become mired in a bloody trench-based war of attrition. They completely rethought their strategy and tactics, banking that the Allies (victors in the last war) would not feel so motivated to find a new business model.<sup>16</sup>

In the case of the Germans, speed was the key driving factor in their new mode of warfare. Speed as a means of competition, is a concept that has been central to many industry leading enterprises. It has led to a body of thought known as “Speed-based Competition”. Sun Tzu also saw speed as a powerful all. He said: *“Thus, though we have heard of stupid haste in war, cleverness has never been seen associated with long delays”*.<sup>17</sup> This is explained further by Chang Yu who said: *“So long as victory can be attained, stupid haste is preferable to clever dilatoriness.”*<sup>18</sup>

As implied by these last quotations, speed does not imply rash action or ill-planned behavior. On the contrary, the German war model in France was carefully conceived, and put together in the context of an overall approach that was fully integrated. The context of this over-arching plan will be discussed later.

For the moment consider mainly that Sun Tzu argued that slowness always gives ones opponent time to act, take the initiative, or turn the tables on the other. He also saw that slowness consumes more resources, resulting in higher costs, draining coffers of the kingdom. Today, businesses have every incentive to value speed, and for the very same reasons outlined by Sun Tzu.

Here are some recent examples –

### **Motorola v. Nokia – the cell phone war**

Motorola once dominated the cellular phone market with its flip phone – based on analog technology. An upstart Finnish company, Nokia, bet on digital technology as becoming the global standard and developed a powerful company culture and development process that made it gain product momentum not only in Europe, but in North America as well. Motorola’s bureaucratic culture made its leaders ignore what was happening in Europe, while Nokia came out with newer, more exciting, and more feature-rich products. Rather than change, the Motorola company stubbornly fought to protect its market position with the outdated analog product. At one point Nokia was introducing a new cell phone model every 35 days. They were re-defining competition on the basis of style with features like more ring-tone options and multi-colored fascias, making the Motorola product look old-fashioned by comparison. Within 5 years, Nokia overtook Motorola and by 1999 enjoyed a 26.2% share of the global cell phone market as compared to Motorola’s 15%. Motorola’s numbers would decline further resulting in the ouster of then CEO Christopher Galvin.<sup>19</sup>

## **Toyota – Good *thinking* means good products**

The Toyota Production System (TPS) (Toyota's version of Lean Manufacturing), is another example. At its essence, TPS is about structuring an operational plan to produce new vehicles in less time than competition. This is possible by developing a strong culture and a unique way of looking at process design, which is captured by the expression "*Yoi kangae, yoi shina!*" that's Toyota-speak for "Good thinking means good products." That is leading to a monster increase in productivity and market responsiveness -- all part of the company's obsession with what former President and Vice-Chairman Fujio Cho calls "*the criticality of speed.*"

At one point, Toyota was able to launch a new vehicle in about 18 months, as compared with 28-36 months for GM and Ford. They accomplished this by re-thinking the entire way cars were designed and produced (developing a new paradigm). They commonized parts and tooling, sharing multiple elements across car lines. They concentrated their energy (and that of all their suppliers) on developing ways of designing cars using parallel paths for various activities (rather than sequential ones). By standardizing the design and launch process, in close collaboration with suppliers, they gained substantial momentum.

Toyota also has fewer nameplates than their US competitors. However, their combination of speed and flexibility is world class. More important, a similar dance is happening at 30 Toyota plants worldwide, with some able to make as many as eight different models on the same line. What Toyota learned was that their TPS approach not only reduced the length of the product development cycle, but also reduced costs. Its operating margin of 8%-plus (vs. 2% in 1993) now dwarfs those of Detroit's Big Three. Toyota lords a substantial cost advantage over GM. Sean McAlinden, chief economist at the Center for Automotive Research, estimates Toyota spends \$1,300 less per vehicle than GM in North America. When GM's pension and health care costs are included, Toyota's advantage widens to over \$2,000 per vehicle -- adding up to a grand total of \$10 billion on the bottom line.

The greater reliance on more common parts and fewer nameplates also helps them with improved quality as a direct consequence. When GM, for example introduces a new vehicle, it is not uncommon for there to be 75-80% of the parts that are brand new. In Toyota's case, only 20-30% of the parts would be untested. While some US auto industry pundits criticize Toyota as having less exciting styling than do the US brands, the consumer acceptance has driven Toyota market share upwards to where they now enjoy the #2 spot (over Ford) and are closing in on GM.<sup>20</sup>

## **Wal-mart: buy it low, stack it high, sell it cheap**

One final example, is Wal-Mart. The Bentonville Arkansas discount retail giant is sometimes seen as beating its rivals through aggressive purchasing tactics and the exploitation of its work force. That's a significant oversimplification. Wal-mart's low prices have helped drive into Bankruptcy such powerhouses as Toys R Us and K-mart. At the core of its success, like Toyota, is speed. Sam Walton's motto was "Buy it low, stack it high, and sell it cheap".

To enable Wal-mart to offer low prices, it is good at purchasing and has been a pioneer in global sourcing to help make that so. Its real advantage, however, is supply chain management and merchandising expertise that gets more sales per store and better inventory turnover than its competitors. Consider this. More than a million Wal-Mart workers sold a quarter trillion dollars worth of goods in 2004 in some 3,700 stores.<sup>21</sup>

What may seem even more remarkable is that America's productivity has grown at more than 2.5 percent a year for most of the last decade. Wal-Mart alone accounts for more than 10 percent of that growth.<sup>22</sup>

Its productivity is nothing short of astounding. Inventory turns at Wal-Mart's distribution centers is over 300 per year!<sup>23</sup> This is made possible by technology. Wal-Mart was among the first to adopt UPC

barcode scanning (long before K-mart) and they transferred the data by rooftop transmitters on every store so that their distribution centers had real time, minute-by-minute data about sales and stock levels on every SKU in every Wal-Mart store. This gave them the ability to quickly launch trucks from distribution centers to each store delivering what was needed, on time. This also enabled merchandise planners to stock each store differently depending on local tastes and buying patterns – a feat that none of its competitors could match.<sup>24</sup>

Speed and agility - these are widely accepted as the keys to success in aerial combat and warfare. These three preceding examples highlight that the same principles can and do apply in business.

Achieving them and making them a sustainable part of a corporate strategy are not easy things. Increasing evidence is appearing, for example, that most companies that launch lean manufacturing initiatives fail to sustain the efforts.

### **What can we learn about implementation from Toyota?**

At Toyota, the TPS is not taught by a group of initiates from the HR or training departments, Toyota sends its best – *plant managers* to teach the new teams. Seizo Okamoto, president of Toyota Motor Corp.'s truck plant in Princeton, Indiana, is one of the foremost experts in the renowned Toyota Production System. When asked by a reporter from the Detroit News, “What's the most difficult aspect of the Toyota Production System to grasp? He replied “Kaizen -- it's not easy to maintain continuous improvement. You have to motivate [people] to have the kaizen mind-set.”<sup>25</sup>

This example is interesting in two respects. By using senior leaders, like Mr. Okamoto to teach subordinates about TPS, it sends a clear message to all employees that this IS AN IMPORTANT THING, not just another training class. He also is trying to say that while the mechanics of the Toyota Production System and Kaizen are not so hard to grasp, developing a deep understanding is much harder, and that is what is needed to develop the “mind set” to keep the system going.

It is further interesting to note that one of Toyota’s “14 Principles” which guide operations is this: “Make Decisions Slowly”. At first blush, that seems oddly counter-intuitive for an entity that is trying to compete based on “the criticality of speed”. Yet, when one understands it more deeply it can be appreciated that rushing quickly to implement actions without careful analysis can lead to miscalculations and costly mistakes. And so making decisions slowly DOES often enable one to implement more quickly – and effectively.

Toyota’s training regime is also slow and methodical, and recognizes that more than just the mechanics; they must imbue the values of *Improvement, Respect and Efficiency* so that they are internalized by all students. Mr. Okamoto goes on to describe one aspect of the teaching method:

*My direct tutor was Mr. Cho [the current Vice Chairman of Toyota], but sometimes I was taught by Mr. Ohno [called the father of TPS]. He once brought me to a supplier in Tokyo and we looked around. He said, 'You stay here a week. There are 10 team members here. You can reduce that to five. I'll be back Friday.' By just glancing around, he had found the problem. He was a very interesting teacher. His teaching method was unique. He didn't tell us everything at first. He gave us a lot of time to think first. Now I apply the same way of thinking at TMMI (Toyota Motor Manufacturing Indiana): How can you find the problem by yourself? Even when I'm teaching the Toyota Production System, I don't give them a clear answer at first. I wait for them to find the problem. It requires a lot of patience.*

... Mr. Seizo Okamoto<sup>26</sup>

Again, the mental aspect seems key to success. Sun Tzu saw that armies should use misjudgments, confusion, deception, and speed to get inside the decision cycle of their foes. He also saw that mental attitude of his own troops was equally crucial to successful military campaigns. He discussed morale, ‘spirit-d’ corps’, self confidence, trust in leadership, and a

moral commitment as important to producing success. Poorly trained soldiers with no moral fiber cannot produce victory.

Mr. Okamoto sees that mental attitude is equally key to Toyota's success in implementing the TPS. The "Kaizen Mind-set" also stems from employees with training, deep understanding and motivation to adopt it.

### **What Organizational Factors Enabled These Successes?**

Again, it is important not to simply equate speed to bold or rash behavior that sometimes produces a lucky outcome. Speed is a powerful tool if it is used in the context of an over arching and integrated approach. It requires a significant paradigm shift.

Developing the "mind-set" for Blitzkrieg, the Toyota Production System, or Speed-Based competition is not so easy, but is fundamental to success. Too often, American managers have insufficient patience to build the deep understanding, cultivate a supportive culture, develop the team orientation and the climate of trust needed to make these tools become effective.

Another factor that inhibits speed is the bureaucratic tradition, the top-down command and control system, fed perhaps by the large number of CEO's who developed their leadership views as a consequence of prior World War II military experiences.

These leaders grew up with a drill regulation mind-set, all taken together, reveal an "obsession for control" by high-level superiors over low-level subordinates that restrict imagination, initiative, and adaptability needed by a system to evolve the instinctive and flexible to responses to rapidly changing market conditions.

Managing these paradoxes is at the core of making speed an effective tool. While the goal is speed, it is also necessary to maintain control. Business leaders who empower, typically admire local initiative, but need all efforts to be aligned in the context of a broader plan. The following are principles needed to make speed-based competition viable.

### **Building Alignment**

When a group is small, it is mainly possible for the manager/department head to control virtually all decisions and actions, thus insuring good alignment of all actions against his or her personal goals and strategy. Of course, as any organization grows in size this alignment becomes increasingly difficult as the number of decisions expands and it becomes necessary to delegate and empower others. The question is, as subordinates must act on their own initiative, what guides them to make decisions in a way that leaders would feel were in consort with their own thinking and values?

Additionally, it is hard to avoid the conclusion that if speed is desired, it is not possible without real empowerment. A hierarchical command and control structure simply cannot react as fast as one that puts significant decision making authority at low levels. A chain of command is still needed, but today's agile leaders expect something different from subordinates – initiative, while subordinates expect broader latitude with which to exercise that initiative. The goal in speed- based competition is to enable subordinates to use initiative to exploit situations as they are emerging. Empowerment furthermore, does not imply that managers must be disconnected from subordinates. In fact, they want to keep in close contact to be aware of breakthroughs, important new insights, situations, and ideas. They also need to continually communicate changing thoughts and strategic revisions downward. For manager and subordinate alike, the focus is always outward – on the environment, the customer, and the competitor.<sup>27</sup>

## **Cohesion:** mutual trust, unity of purpose, alignment

This involves defining the main goal or vision of the organization, communicating it and insuring that everyone understands and accepts it. The more complete the understanding and acceptance, the more effectively the organization will execute. Once people understand, it should be easier for managers to be willing to really empower subordinates on the assumption that if they understand and share the overall organizational goals, they can be counted on to make daily decisions that are consistent with broad objectives.

If one thinks about it, to really empower someone, a manager must first *trust* them. Trust has multiple dimensions of course, including the feeling that one can predict with high certainty how someone else will act under a specific set of circumstances. It also pertains to one's reliance on the integrity and honesty of another.

In an effective organization, it is necessary that this trust is bi-directional – boss to subordinate as well as subordinate to boss. If the superior lacks trust in a direct report, he or she is more prone to check up, second guess, and micromanage – all behaviors that threaten initiative. (If speed is vital, then one needs people at all levels of the organization to seize initiative consistent with certain broad guidelines).

If the supervisor is untrustworthy, the subordinate is prone to hold back, anticipating a change in leadership direction, priorities and support. Not to mention, there may be fear of retribution in the event of an unsuccessful outcome. Again, such behaviors undermine speed and initiative.

The next aspect of “*cohesion*” is that involving unity of purpose. The members of the organization must be in agreement on the basic goals of the organization, so much so that it is understood and internalized by everyone. In the case of Nokia, the expressed goal of “beating Motorola” was publicly discussed and used as a main point of focus in company meetings, planning sessions and discussions and their strategic plan.<sup>28</sup> In the case of Toyota, they have had a long time goal to achieve a 15% global market share, which has formed the basis of their strategic planning focus.<sup>29</sup>

There is a lot written about trust, and how to build it, and in combat, personal relationships, and in business. It flows from shared time (and experience) together, mutual testing, and deep knowledge of one another and how each person thinks. This takes time. The Israeli army, arguably one of the most effective in the modern world, has a practice of promoting up its officers from the ranks, rather than promoting them to other units, and keeping the combat units together over a long period of time.<sup>30</sup>

Ways of building and expanding trust involve spending time together in personal exploration, sharing a joint stressful experience (i.e. basic training), talking, being involved in training (as a team).

## **Focus:** concentrated energy in an intended direction

Initiative, with total empowerment can result in disaster. Launching too many initiatives with little control or coordination stretches valuable resources and can render all efforts ineffective. There needs to be a broader objective that all managers comprehend that helps them grasp the context within which their efforts must be carried out. The Germans called this concept “the sharp point”. It means focus, and implies a general direction. If empowered subordinates are taking initiative they may need to make quick decisions in response to changing conditions or competitive actions. We want them to decide in a manner that supports the overall corporate objective, consistent with senior leadership intent. “Focus” is a statement of purpose that defines management priorities and intentions.

At Microsoft, software designers often face conflicts over the desire to complete projects on budget, to provide a new user feature, or to maximize security of their product. This was contributing to such confusion that Bill Gates issued an internal directive stating clearly that “whenever there is a choice between adding a new feature to a product and improving security: choose security”. In Toyota’s case the

guidance is: “move in the direction that improves throughput time”<sup>31</sup>. “*Focus*” enables direction to flow from senior leadership down to the lowest levels of the organization so all employees can make better quality decisions every day.

**Intuition:** intuitive feel

This implies the ability for a manager to sense changes in the environment, or behaviors of a customer or actions of a competitor that require him or her to change a tactical actions. In many cases a subordinate may not have the chance to communicate back to superiors and must take the initiative.

Assume a sales person is sent to a customer with the intent of selling product “A”. When she arrives she spends some time talking to the engineers in the company, before going on to meet the purchasing agent. She learns that a competitor is stumbling badly on an order for product “B” and the client is concerned about missing an important deadline. Product “B” is one the company has been trying for years to sell to that client, but another competitor has been entrenched.

An effective leader would likely want her to recognize this as an opportunity, and immediately change the focus of this sales call. The company may now have the opportunity to solve a critical problem for its customer, get some important new business, and help drive a competitor out of that client for the foreseeable future. So, she calls back to the office, speaks to the estimator, engineering, and operations people, and collects the information needed to pursue the matter responsibly with the purchasing agent.

Further, when she addresses purchasing, they are visibly open to the idea, but because time is critical, they ask for certain commitments (e.g. to deliver by a certain date, and to a specific price), what should she do? If she goes back to the office to consult with all involved departments (as is company policy), valuable time may be spent, and this may unwittingly allow a window for the competitor to come back with some reassuring news. She senses that if the requested commitments can be agreed to on the spot, the door can be closed on the competitor and the purchase order can be in hand. She calls back and talks to a couple of people, and all evidence suggests that the firm can likely meet the requested commitments, yet company procedure calls for a meeting and formal sign-off by all departments. Her boss and bosses boss are both out of the country and inaccessible. What should she do?

Without her intuition the entire opportunity might have been missed. If she did not feel empowered, she may have felt the easy path for her would be to simply get the PO for product “A” – as was always intended. Without “*focus*”, she might not know that a key company goal was to weaken that specific competitor, and without mutual trust, she might not take the risk of making the all important decision for fear that she would be second guessed and subsequently criticized.

It is easy to see how all these principles begin to come together, and reinforce each other.

**Mission Contract:** pact between superior and subordinate

The German military called it the “mission-order concept”. In an empowering environment, the manager asks their subordinate to undertake a specific mission (e.g. increase sales by 20% for a specific product). However, the manager gives broad latitude to the subordinate to determine just how to accomplish that goal – so long as he acts in harmony with company goals and policies.

In Toyota’s case, hourly employees are freely given broad latitude to develop and continually improve the standards workbook that governs their work area.<sup>32</sup> It is also true that in the Japanese system people get promoted who repeatedly demonstrate that their actions are consistent with the intentions of senior executives whether or not those intentions were expressly articulated.<sup>33</sup>

In the example of the 20% sales increase, the possible ways to accomplish this might include:

- ❑ Increase advertising effort (This might require exceeding the existing ad budget, but so long as the incremental variable contribution is greater than the added expenses, it may be a good choice)
- ❑ Reduce prices (here again, it might reduce target gross margins, but if the incremental volume is sufficient, this too might be reasonable)
- ❑ Offer other inducements to customers (e.g. extended warranties, free training, etc. These also come with a cost, and may impact the activities of some other department – but an economic analysis could also be done to define the cost vs. benefit)
- ❑ Add sales staff and make more sales calls (and so forth.)

An astute subordinate might probe their boss regarding the amount of latitude that seems prudent, may negotiate for added budget, or to reduce the size of the sales goal. But once this give-and-take is complete, the salesperson is empowered to execute as he sees fit. If trust exists, the manager should know from experience and prior training, that the salesperson understands the economic calculations to make the tradeoffs outlined above, and has the intuition to assess the probability of success with each possible act. Trust also implies that failure does not bring with it retribution from above.

### Putting all these concepts together

Making these four concepts work together to create a fast, flexible and agile organization requires many things.

First it requires leadership that is self-confident and does not see empowerment as “loss of control”. They need to be engaged in “selling” the vision and mission in a way that is compelling to employees – helping them become engaged and committed. They also need to be patient and willing to explain their goals and dreams in detail, and often.

Next, there needs to be a commitment to training and team development. Toyota understands that developing a “Kaizen Mind Set”, for example, required a deep understanding. They comprehend that shallow explanations produce shallow understanding. Building the culture and commitment to a fast and agile mind set, based on empowerment needs a deep understanding. Such training requires that *managers must participate* together with their subordinates. All must share the training experience together in the joint pursuit of a common way of thinking. It is the common, shared mind-set that is key. This is achievable only by “exercising our minds together in solving problems, hypothetical and real, thus developing a common language, and common outlook, developing trust.”<sup>34</sup>

Finding ways to make an organization faster can give it a leg up on competition. It can give that company a sustainable competitive advantage, the ability to surprise competitors and achieve unparalleled success in the market. Think fast.

<sup>1</sup> “How to Beat Wal-Mart”, by Matthew Maier, Business 2.0, May 2005 Issue, pp 108-114.

<sup>2</sup> “Sun Tzu on the Art of War: The Oldest Military Treatise in the World”, Translated from the Chinese with Introduction and Critical Notes by Lionel Giles, PhD, Department of Oriental Printed Books and MSS, in the British Museum, First Published in 1910, from the Introduction. <http://www.kimsoft.com/polwar.htm>.

<sup>3</sup> Ibid, from Chapter III, “Attack by Stratagem”, paragraph #2.

<sup>4</sup> Ibid, from Chapter III, “Attack by Stratagem”, paragraph #3.

<sup>5</sup> “IBM Corp. Turnaround”, by Robert D. Austin and Richard L. Nolan, Case # 9-600-098, 11/14/2000, Harvard Business School Publishing.

<sup>6</sup> “Inside Sam’s \$100 Billion Growth Machine”, by David Kirkpatrick, Fortune Magazine, June 14, 2004, pp 80-92.

<sup>7</sup> “Southwest Airlines: Using Human Resources for Competitive Advantage”, by Charles A. O’Reilly, Case # HR1A, Graduate School of Business - Stanford University, 3/6/1995.

<sup>8</sup> “PR Blitzkrieg: Maneuver Warfare for Marketing Communications”, by Dr. Chet Richards, from Tarkenton & Addams Public Relations, Atlanta, May 2002, p 1.

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- <sup>9</sup> “*Certain to Win: The Strategy of John Boyd Applied to Business*”, by Chet Richards, ISBN 1-4134-5376-p 19.
- <sup>10</sup> “*History of the Second World War*”, Basil H Liddell Hart, ISBN 0-306-80912-5, Putnam Books, 1971; and by General F. W. von Mellenthin, “*Panzer Battles*”, ISBN 0-345-32158-8, Ballentine Books, 1971.
- <sup>11</sup> “*Ballentine’s Illustrated History of the Violent Century*”, Weapons Book #41, Douglas Orgill
- <sup>12</sup> “*Certain to Win: The Strategy of John Boyd Applied to Business*”, by Chet Richards, ISBN 1-4134-5376-Xlibris Books, 2004. p 17.
- <sup>13</sup> “*Boyd: The Fighter Pilot Who Changed the Art of War*”, by Robert Coram, ISBN 0-316-88146-5, Little Brown and Company, 2002.
- <sup>14</sup> “*The Illustrated Art of War: the Definitive English Translation*”, by Sun Tzu, as translated by Samuel B. Griffith, Oxford University Press, USA (October 15, 2005), ISBN: 019518999X, p 56.
- <sup>15</sup> “*Strategy*”, by B. H. Liddell Hart, Penguin Books, ISBN 0-452-01071-3, 1991.
- <sup>16</sup> Two of our Living Case Study companies, Quicken Loans, and Diplomat Specialty Pharmacy are two companies who also re-invented their means of competition in dramatic ways.
- <sup>17</sup> Op. cit., Sun Tzu on the Art of War, Chapter II, paragraph #5.
- <sup>18</sup> Ibid., Paragraph #5
- <sup>19</sup> “Nokia,” by Stephen Baker, Roger O. Crockett, and Neil Gross, *Business Week*, August 10, 1998, p54-60. and “*Nokia Corp.: Innovation and Efficiency in a High-Growth Global Firm*”, Case study by Katherine Roberts, John Doornik, Graduate School of Business Stanford University, 2001, (38 pages)
- <sup>20</sup> “*Can Anything Stop Toyota? An inside look at how it's reinventing the auto industry*”, Business Week Online, November 17, 2003; and “*Toyota, GM locked in fight for worldwide supremacy: Japanese automaker overtakes Ford to become No. 2 and wants the top position*”, The Detroit News, Sunday, February 13, 2005.
- <sup>21</sup> “*WAL-MART The Global Giant*”, Online News Hour with Jim Lehrer, August 20, 2004.  
[http://www.pbs.org/newshour/bb/business/july-dec04/wal-mart\\_8-20.html](http://www.pbs.org/newshour/bb/business/july-dec04/wal-mart_8-20.html)
- <sup>22</sup> Ibid
- <sup>23</sup> Ibid
- <sup>24</sup> “*Wal Mart Stores in 2003*”, Harvard Business School Publishing, Case # 9-704-430.
- <sup>25</sup> “*Indiana Plant President Passes on Lessons: Leader Helps to Keep Toyota Production System's Values of Improvement, Respect and Efficiency Alive*”, The Detroit News, Monday, November 28, 2005.
- <sup>26</sup> Ibid
- <sup>27</sup> “*Thinking like Marines*”, by Michael Duncan Wiley, from [www.belisarius.com/modern\\_business\\_strategy/wly/thinking\\_like\\_marines.htm](http://www.belisarius.com/modern_business_strategy/wly/thinking_like_marines.htm), 1991, p 4.
- <sup>28</sup> Nokia case, op. cit.
- <sup>29</sup> “*Can Anything Stop Toyota?*”, op. cit.
- <sup>30</sup> Certain to Win, op. cit.
- <sup>31</sup> “*PR Blitzkrieg*” op. cit. p 2.
- <sup>32</sup> “*PR Blitzkrieg:*”, op. cit. p. 2
- <sup>33</sup> Interview with Jun Kobayashi, general manager at Koito – a major Toyota owned auto supplier.
- <sup>34</sup> “*Thinking like Marines*”, op. cit. p6.