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A MANIFESTO FOR OPERATIONAL EXCELLENCE IN EUROPE

Make Europe Great Again, Economically

What a Company Is Really For, and the Lean Case for Being Profitable Today and Tomorrow

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ABSTRACT

Ask a room of European business owners what holds their companies back,

➔ You will hear about taxes, red tape and people who no longer want to work.

Ask them what their company is for,

➔ The room goes quiet.

The second question decides the first. A company's ultimate goal is a higher purpose that its people can see from the shop floor. Underneath it sits a blunt, pragmatic goal that every firm shares: make money today, and still be making it tomorrow. Cost-cutting serves neither. Drawing on Toyota, Deming, Goldratt, Seddon and four decades of Lean practice, the argument is built as a house, with quality and capacity as its pillars, fulfilled and competent people as its foundation, and systems thinking as the beam that holds it together. Most of it costs nothing except management attention.

KEYWORDS: *Lean; operational excellence; corporate purpose; systems thinking; employee engagement; European competitiveness*
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I. A BREAKFAST WITH THE WRONG VILLAINS

IN 2024 I WAS INVITED to a business breakfast hosted by a French government minister. The theme was work in France.[1] The croissants were excellent. The diagnosis was not.

My fellow entrepreneurs had two complaints, and they agreed on both. Taxes are strangling French companies. And the French, apparently, no longer want to work, which makes hiring impossible. The proposed cure was just as unanimous, and every item on it was addressed to the State.

I am not going to argue tax policy here. That debate belongs to economists, and to another breakfast. What struck me was the shape of the conversation. Every cause sat outside the company. Someone else was the problem, and someone else held the solution.

Psychologists have a drawing for that shape. In 1968 Stephen Karpman sketched it as a triangle with three roles: the Victim, the Persecutor and the Rescuer (Karpman, 1968). Around our table the casting was effortless. The business owners took the Victim's chair. Taxes, and the mythical worker who refuses to work, played Persecutor. The minister, willing or not, was handed the Rescuer's cape (Figure 2). The triangle is comfortable, which is exactly its problem. Nobody inside it has to change anything on Monday morning.



FIGURE 2. *The drama triangle at breakfast. Karpman's three roles (1968), as cast by the conversation in Section I: owners in the Victim's chair, taxes and the "unwilling worker" as Persecutor, the State invited to play Rescuer. Illustration from the author's teaching material.*

My own experience says the opposite. In the companies I have worked for, colleagues mostly arrive motivated. We have occasionally turned down public grants because our projects could not wait six months for the paperwork. What separated those companies from the ones at the breakfast was not luck, sector or subsidy. It was a body of practice that surprisingly few people at that table had heard of: the science of continuous improvement, which goes by the names Lean, operational excellence and just-in-time.

The word *lean* was coined at MIT in the late 1980s by John Krafcik, a research assistant on the International Motor Vehicle Program, to describe what his team had found at Toyota (Krafcik, 1988; Womack, Jones & Roos, 1990). It is an unlucky word for a good idea.[2] Executives hear "lean" and think "fewer people", and that single misreading has done the method more harm than all of its critics combined.

The toolbox itself is large, and some of the tools are almost embarrassingly simple. 5S, at bottom, means putting things back where they belong (Bicheno & Holweg, 2016). Others take nerve. The no-blame rule forbids naming the colleague involved when something goes wrong and turns the

[1] I attended in a personal capacity. The exchange is reported from memory and no participant is named: the point is the pattern of the conversation, not the people in it.

[2] Readers who wince at the word are right to: it sounds like a diet, which is precisely the misreading described here. Krafcik used it to describe plants that combined high productivity with high quality, not as a recipe for redundancies.

investigation toward the system that let it happen. Deming estimated that 94 per cent of troubles and possibilities for improvement belong to the system, which is to say to management, and 6 per cent to special causes (Deming, 1986). Blaming an operator for a system fault is like blaming the thermometer for the fever.

The principles of Lean are universal. Their application is local. Every company needs its own plan, and changing a culture takes ambition. The method below has never failed me, and it starts somewhere most improvement programmes never look.

II. WHAT IS A COMPANY FOR?

NOT "MAKING MONEY". Not "serving our customers". Both are true and both are useless, in the way it is true and useless to say that a football club exists to score goals.

A company's ultimate goal has to speak to its customers, its employees and its suppliers well enough that they want to become actors in the company rather than spectators of it. Collins and Porras call this core purpose, "the organization's fundamental reason for being" (Collins & Porras, 1996). Frank Devine, who has spent his career building improvement cultures from the shop floor up, calls it the Higher Purpose, and he asks every employee in the system to diagnose what stands between them and it (Devine, 2023; Lean Competency System, 2023). The vocabulary matters less than the test. Can the person sweeping the floor tell you why the company exists?

The best-known version of that test is a story. In 1962, so it goes, President Kennedy toured NASA, stopped in front of a janitor holding a broom and asked him what he did. "I'm helping put a man on the moon." Nobody has ever produced the janitor.[3] It hardly matters. Andrew Carton went through NASA's archives from the Kennedy years and found that the agency's leaders did something very close to what the story describes. They built a ladder of meaning from daily tasks to the moon landing, and from the moon landing to something larger, and employees began to describe their own work in those terms (Carton, 2018).

A purpose that works has two properties. It is achievable: tangible, close enough to touch, not a slogan on a lobby wall. And the company survives long enough to reach it. That second condition brings us, unromantically, to money.

Underneath the higher purpose sits a pragmatic goal that every company on earth shares. Eli Goldratt stated it in a novel, of all places, in which a plant manager has ninety days to save his factory: the goal is to make money (Goldratt & Cox, 1984). The Theory of Constraints community later sharpened the formula into "make more money now and in the future" (Cox & Schleier, 2010). The last five words carry the whole argument of this paper. Profitable today is easy. Profitable today *and* tomorrow is a discipline.

Peter Drucker set out the hierarchy seventy years ago. "There is only one valid definition of business purpose: to create a customer." Profit, he added, "is not the explanation, cause or rationale of business behavior and business decisions, but the test of their validity" (Drucker, 1954). Purpose on top. Profit as the exam. A company needs both, and neither can stand in for the other.

III. HOW A COMPANY MAKES MONEY, AND HOW IT STOPS

PROFIT IS REVENUE minus expenses. Simple arithmetic invites simple strategies, and the simplest of all is to cut expenses. It works, too. For a quarter or two.

[3] The anecdote circulates in many versions, and none of them comes with a reliable primary source that I know of. Carton borrows it for the title of his article, which is probably as close to an official version as it will ever get.

Then the invoice arrives. Cheaper inputs produce more defects. Thinner teams answer more slowly. Customers notice and leave; the best employees notice first and leave earlier. None of this appears on the line where the saving was booked. It appears everywhere else, as rework, complaints, overtime and churn, which is why the hidden costs of poor quality are so easy to ignore and so hard to survive. Philip Crosby made the point in 1979 with a title that still irritates finance departments. Quality is free, he wrote. "What costs money are the unquality things—all the actions that involve not doing jobs right the first time" (Crosby, 1979).

John Seddon has spent two decades making the service-sector version of the argument, and it has never been popular in boardrooms: manage costs, and your costs go up (Seddon, 2003). Cut the people who answer the phone and the problems they would have solved come back as more calls. Seddon calls this failure demand, "demand caused by a failure to do something or do something right for the customer". When his team analysed 1,200 calls to one council housing service, 80 per cent turned out to be failure demand (The Open University, n.d.). Four calls in five, paid for twice.

The business-history shelves are crowded with companies that protected this year's margin and mortgaged the next decade. Kodak's own engineer, Steven Sasson, built a working digital camera in 1975; executives saw no market for it (Goodrich, 2022), and the company filed for bankruptcy protection in 2012. Kodak did not miss the technology, Scott Anthony argues. It missed the business model (Anthony, 2016). Blockbuster nearly doubled its revenue under John Antioco, then scrapped late fees and moved into online rental, spending today's profit to buy tomorrow's customers. The boardroom fight that followed was over his pay and his growth strategy. Antioco was gone by 2007. Three years later Blockbuster filed for bankruptcy (Antioco, 2011).

Somewhere tonight a Lean manager is lying awake, wondering how to make the board see that true Lean is about winning market share and not a cost-cutting exercise. I have been that manager. The board usually comes round when the question changes from "how much can we save?" to "how much more can we sell with what we already have?"

Which leads to the question I am asked at nearly every conference. *What do I do when I have too many people?*

Congratulations. You have spare capacity, and it is already on the payroll. In my experience the idle employee is mostly a management fantasy; people who look idle are usually waiting for a part, a decision or a signature. Suppose, though, that they really are idle. Then you are holding the cheapest innovation budget you will ever be given. Build the product your customers keep asking for. Open the market you never had time for.

Toyota has made this choice in public. In August 2008, with truck sales collapsing, it halted Tundra and Sequoia production in Texas and Indiana for three months. It kept 4,500 workers on full pay and benefits and rotated them through safety drills, productivity exercises, maintenance training and skills tests, at an estimated cost of at least US$50 million (Chappell, 2008). That was not charity. A company that lays people off after every improvement teaches its workforce one lesson, and teaches it fast: never improve anything.

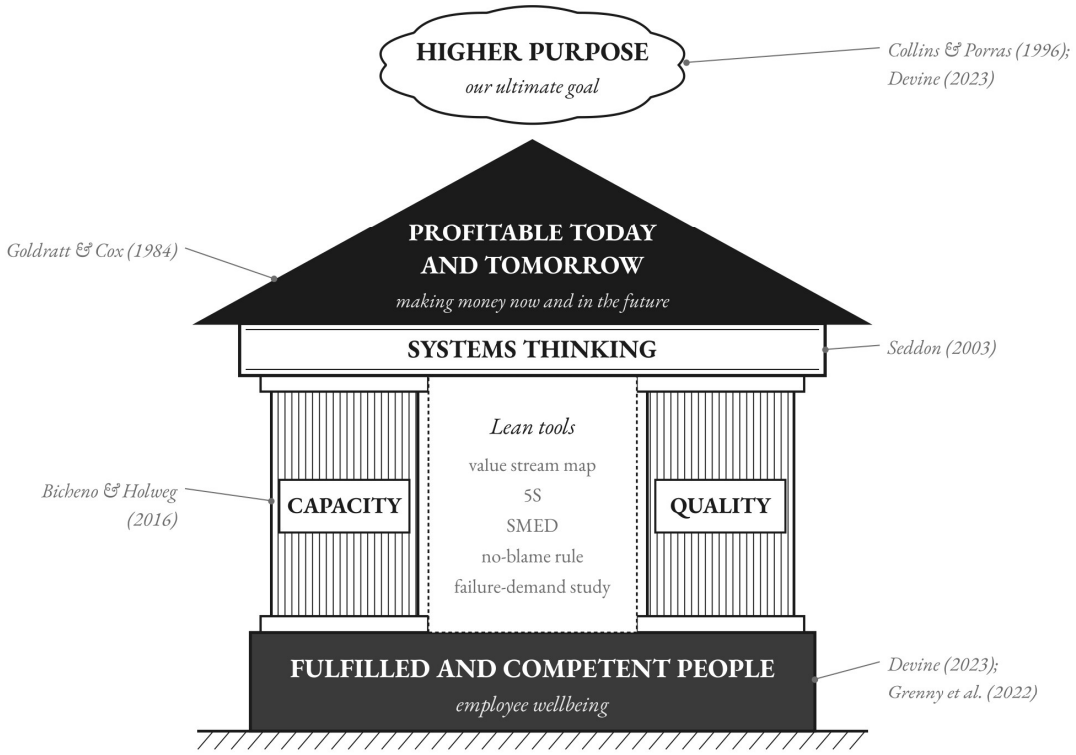


FIGURE 1. *The House of Lean. The higher purpose is the ultimate goal; the roof is the pragmatic goal it depends on; quality and capacity carry the roof; fulfilled and competent people carry everything; systems thinking binds the structure. The works noted in the margin are the five books I give every leadership team. Adapted from the author's teaching material.*

IV. PROFITABLE TODAY AND TOMORROW: THE HOUSE

INSTEAD OF SHRINKING its expenses, a company must grow its income *faster* than its expenses. That sentence is the whole of operational excellence. Taiichi Ohno, the engineer behind the Toyota Production System, described his job in two lines:

> "All we are doing is looking at the time line from the moment the customer gives us an order to the point when we collect the cash. And we are reducing that time line by removing the non-value-added wastes."
>
> — *Ohno (1988)*

Shorten that timeline and the same people, machines and square metres produce more cash, sooner. I attack it from three directions and draw them as a house (Figure 1). The shape is borrowed, gratefully, from the Toyota Production System house that Lean practitioners have been sketching on whiteboards for decades (Lean Enterprise Institute, n.d.). The higher purpose floats above the roof. The roof is the pragmatic goal, profitable today and tomorrow. Two pillars hold it up, quality and capacity, and they stand on a foundation of fulfilled, competent people. A beam of systems thinking ties the structure together, because a pillar improved in isolation simply moves the problem next door.

1. Quality first, every time

Better quality means fewer corrections and happier customers. That is the obvious half. The less obvious half is that quality applies to everything a company produces, including its emails. Count the hours your managers lose to email ping-pong because the first message was vague. Every "sorry, what exactly do you need?" is failure demand with a subject line.

Deming drew the logic as a chain reaction. Improve quality, and costs fall, because there is less rework, there are fewer mistakes and fewer delays. Productivity rises. Better quality at a lower price captures the market, the company stays in business, and it provides jobs, then more jobs (Deming, 1986; The W. Edwards Deming Institute, n.d.). Read the chain again and look for cost reduction. It is there, in second place, as a consequence. Never as the target.

2. Capacity without capital

The second pillar is capacity: more output without major investment. Reorganise the flow of information, the flow of product and the processes that connect them. Produce more without sweating more.

The Lean literature offers dozens of tools, and choosing among them is where most programmes go wrong. Start with a value stream map, the pencil-and-paper picture of how material and information actually travel from order to delivery (Rother & Shook, 1999). It tells you where to dig. One tip from many years of maps: look at the piles. Inventory behaves like the water in a river; lower the level and the rocks appear (Bicheno & Holweg, 2016). Every stack of work-in-progress is hiding something, usually a machine that breaks, a supplier who is late or a decision nobody wants to take.

3. Fulfilled and competent people

The foundation is the part executives skip because it sounds soft. It is the hardest part of the house. People need to be fulfilled and competent, and they need to understand why their work matters. In 2025 that is not a perk. It is the price of entry.

I meet exceptional colleagues every day. I have yet to meet a person who does not want to work. Wasted talent I meet constantly. Deming put it in a single sentence: "The greatest waste in America is failure to use the abilities of people" (Deming, 1986). Replace America with Europe and the sentence holds. Gallup finds that only 13 per cent of European employees are engaged at work, the lowest of any region in the world (Harter, 2023), and puts the global cost of low engagement at US$8.9 trillion, or 9 per cent of global GDP (Gallup, 2024).

Thirteen per cent is not a portrait of lazy people. It is a portrait of systems that waste them.

Meaning and competence both depend on conversations most managers avoid. When a team cannot tell the person who designed a process that the process is broken, the no-blame rule is a poster on the wall. Grenny and his co-authors built a whole discipline around those moments, when stakes are high, opinions differ and emotions run strong (Grenny et al., 2022). Devine goes a step further. Every employee in the system diagnoses the obstacles between it and its higher purpose, and then agrees a joint change plan with senior leaders by consensus, not negotiation (Devine, 2023; Lean Competency System, 2023). People support what they help build. What is done to them, they quietly resist.

Choose a purpose people can actually reach and they will give it everything. Like you, like me, most employees are exceptional, given half a chance.

4. The beam: systems thinking

Across the top of the pillars runs the beam. Seddon's central claim is that the system governs performance, and that command-and-control management, with its targets and its cost controls, designs the system badly and then blames the people working in it (Seddon, 2003). Deming's 94 per cent says the same thing in numbers. You cannot exhort your way out of a bad system. You redesign it, with the people who run it.

V. START AGAIN

THE BEST NEWS about Lean is the price. Most of it is free, so you can do it again. And again.

I love the Formula One pit stop. The world championship has existed since 1950, which ought to mean that by now everyone knows how to change four tyres. In the 1990s a stop took around ten seconds, refuelling included (Punt, 2024). At the 2023 Qatar Grand Prix, McLaren changed all four of Lando Norris's tyres in 1.80 seconds, beating the 1.82 seconds Red Bull had held since 2019 (Formula 1, 2023). Seventy-three years into the sport, somebody still found two hundredths of a second.

Factories learned the same lesson decades earlier. Shigeo Shingo built an entire method, SMED, on the conviction that a die change taking hours could be done in single-digit minutes (Shingo, 1985). Nobody at McLaren declared the pit stop finished in 2019. That refusal is the method: improve, measure, start again.

VI. MAKE EUROPE GREAT AGAIN, ECONOMICALLY

EUROPE DOES NOT LACK engineers, ideas or talent. When Mario Draghi presented his report on European competitiveness in September 2024, he estimated that Europe needs EUR 750 to 800 billion of additional investment every year (Draghi, 2024). That is a job for governments and capital markets, and I wish them well.

The company-level share of the job is cheaper. It costs a value stream map, a no-blame rule, a few honest conversations and a purpose people can see from the shop floor. No minister needs to sign anything. Nobody needs to play Victim.

So here is my proposal.[4] Let us make Europe great again, economically, one sound business decision at a time. Let European companies and their people stand out through operational excellence, and let them say so out loud. Share what works, across borders and across industries. Copy your neighbours without shame: Toyota built kanban on an idea Ohno took from American supermarkets (Ohno, 1988), and nobody has ever held it against them.

Then go and find the pile of inventory nearest your office. Start on Monday.

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[4] The phrase is used here in a strictly economic sense: competitiveness built through better management decisions inside companies, in every European country. It carries no other meaning.

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