

Why do corporations fail after having great success? That is a good question but I submit it has little to do with leadership. Further, despite all the garbage put out to the contrary, there is very little difference in the talent or the desire to do well from one company to another cumulatively.

Why then do they fail? I am in the insurance business and watched as Home, INA, Aetna, Continental, USF&G and a host of other entities a hundred years old all write their names in the ledger of extinction.

I submit the following as the clue to the answer. When I was thirty my deceased father then living had access to a furniture manufacturer that made great mahogany furniture. He arranged a big discount for a large order for his new home and rented a truck to carry it and then used me to help load and unload.

We arrived at the plant and the furniture was brought out for us to load. When the dining room table was brought out the quality control employees stopped them and took out a white marker and circled a defect. He then turned to dad and apologized and said he would go into the plant for one unblemished. He returned with one and we loaded it. As we drove away my dad said what quality. I smiled and said what waste.

Out west in LA, a company needed an order of 100,000 semi conductors circa 1992. They developed the specs and sent them to various suppliers including one Japanese company. Through an interpreter they reviewed the specs with the Japanese who understood well what they needed. The Japanese asked why he wanted ten bad ones and the American explained this amount was allowable in the order. Confused the Japanese remained silent.

When bids were received the Japanese won the order. They then shipped the order when completed and called the company to make sure it had been received. The Americans were thrilled with the prompt delivery but had a question. Why was there a baggy on the outside of the boxes that had ten conductors that look like had been ruined through the use of a pair of pliers. Silence met the question then the Japanese admitted they did not know why the Americans wanted ten ruined semi conductors but the specs required it. The American gasped and said are you telling me there are no bad semiconductors in the entire shipment? The Japanese responded of course not because that would be waste.

Years later, my father deceased, I had occasion to return to that furniture factory. As I passed by I sadly realized this 100 year old company had closed and the

factory was now a warehouse and in the warehouse were semiconductors made by the same Japanese company.

Leadership and talent had little to do with this. Pareto is right. 85% of problems are process driven and 15% are people driven. If you improve the process enough the 15% disappears as well because when human error might enter the process detects and redirects it. So no I do not think leadership accounts for anything.

Another example. Mac Arthur was probably the most brilliant general we ever had. Yet he lost the Philippines and was driven 3,000 miles south. Did he provide bad leadership? Hardly. The Japanese had used process improvement to have superiority in men and equipment. The South lost the war of northern aggression because Lee was an inferior to Sherman and Grant? Hardly.

Companies fail when they stop improving process. They fail when they become top down organizations. Watch McDonalds. They are on the road to extinction as is Wal-Mart because they are top down driven and they do not use constant process improvement. Depot is just another emulation of this failing process.

A bit more WW2 fact. Roosevelt called for Boeing to fill the skies with bombers in 1941 and gave them a blank check. They huffed and puffed and built 27 planes in a month. After Pearl Harbor Deming was brought into institute total process improvement. America began to fill the skies with quantity and quality. The end for Japan was a battle called the Marianas turkey shoot. That was the battle that effectively destroyed the Japanese air force in the Pacific. That morning the two sides met and inflicted similar casualties. At noon round two happened. The Americans had complete replacements and greater numbers. The Japanese had no replacements and fewer numbers. By the end of a day a captured Japanese pilot stated that in the morning they were confident their leadership and skill would prevail. At noon outnumbered they still believed in their skill and leadership. By 3 PM they knew American numbers and quality would make them extinct before sundown. The Americans did.

Deming did the same thing with Kaiser and the Liberty ships. They built them in less than sixty days. It swamped the Nazi sea power and negated the U boat attacks. It helped crush them by providing an unending and ever increasing supply line of supplies and war material. The American air force did the same thing to the Luftwaffe. Do you think the Germans had inferior leadership or a bad plan? Hardly.

After the war America turned from this process and began mass production because we had no competitors. Deming, embittered, went to Japan and saw the devastation. The Allied commission had him meet with surviving and unindicted Japanese industry heads. They later were living under bombed out bridges. He explained his system and concluded that if they would listen to him Japan could be rebuilt in less than five years, become the leading Asian economic power in ten years and become the largest global economic power in twenty years. It took six months but faced with no alternative the Japanese agreed to give this American and his crazy notions a shot. He pretty much was spot on huh? Leadership or process? Today Japan gives an award for contributions to his system.

The insurance companies failed because they never understood the need for process improvement and stayed the same in a changing world. Process improvement is to organizations what growing is to a tomato. When you pick it the tomato begins to die. Green and growing or ripe and rotting.

I speak with total confidence McDonalds and Wal-Mart are repeating the same mistakes A&P once made and Zayre and Sears and Kmart and Penney's and all the rest. Seen a WT Grant recently? Top-down management eating the financial seed and running the business by short term income numbers. No seed no future crop and no harvest only a collision with the ledger of extinction. We never learn and this has nothing to do with leadership. Nada.