



The Power of LEO

The Revolutionary Process for Achieving Extraordinary Results

THE SUMMARY IN BRIEF

Hailed as “the Quality Prophet” by *BusinessWeek*, Subir Chowdhury is the long-established global authority on the critical importance of quality and how to achieve it with Design for Six Sigma (DFSS). Now, he takes it to the next level by showing you how to build quality into the DNA of your entire organization.

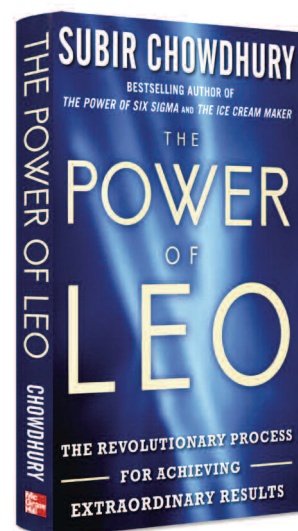
In his best-selling book *The Ice Cream Maker*, Chowdhury introduced his next-generation management system — LEO. In *The Power of LEO*, he describes how continuous focus on quality improvement can revolutionize any process — from manufacturing operations to managerial decision making. The secret is to stop delegating the responsibility of quality to specific teams or departments and permanently lodge it within the core of an organization’s culture.

Chowdhury’s profoundly simple, yet extraordinarily effective, management system is based on three basic principles: Listen, Enrich and Optimize.

Quality methodologies like Six Sigma and Lean can be highly effective but are used narrowly and by limited personnel within an organization. LEO is the encompassing strategy that can be easily embraced by everyone within an organization, resulting in measurable improvements in your operations, products and bottom line.

IN THIS SUMMARY, YOU WILL LEARN:

- How to seek input from all stakeholders within your organization, from suppliers to employees to customers.
- How to create new ideas for improvement and solutions for problems using simple techniques.
- How to select the best improvement idea or solution, subject it to testing in the real world and correct all shortcomings.
- How to make quality a way of life.



by Subir Chowdhury

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THE COMPLETE SUMMARY: THE POWER OF LEO

by Subir Chowdhury

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Introducing LEO

In 2003, the chief executive of a large East Coast hospital invited me to meet 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 chief financial officer. 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 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 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.

Listen, Enrich and Optimize

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. 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.

Here are the basic elements of the LEO strategy:

- **LISTEN: Observe and Understand.** To obtain a deep comprehension of the issue at hand, put



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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.

- **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.
- **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.

By rigorously and consistently using one or all of the LEO guidelines, we have seen companies achieve 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? How do I reduce high turnover? How can I match my competitor's price? Why is my new product pipeline empty? In the final analysis, though, the answers to 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.

The Four Cornerstones

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 pursuit of quality must be a personal responsibility, reflected in every aspect of your work.

2. All the People, All the Time. 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 front-line worker. The quality mission belongs to all the people, all the time.

3. An I-Can-Do-It Mindset. In a LEO deploy-

ment, management needs to build up employees' confidence in themselves and their readiness to take part in the quality transformation.

4. No One Size Fits All. A LEO deployment recognizes the absolute necessity of tailoring solutions to the specific needs of the particular company. ●

LEO at Work

All across the world, it seems, nature is on a rampage. Earthquakes, tsunamis and tornadoes have been creating havoc. When the rubble is cleared away, many residents are determined to return and rebuild. We have worked with a foundation that helps make that happen.

When we first volunteered to help this foundation in May 2009, we explained that we would be using our LEO system and asked to take on the organization's most difficult management problem. The most pressing need, we were told, was to find ways to improve the way the foundation gathered data on all of its activities.

I remember arriving at the foundation's headquarters that August. On a tour of the most hard-hit area, I was shown hundreds of concrete slabs — all that remained of the old homes. I also saw the dozen or so new homes that the foundation had put up — a disappointing number, since it was so far short of its goal of 250. We were determined to help speed up the pace.

Listen

In so many companies, the leaders dedicate themselves to collecting data associated with a problem without asking “why” and “how” questions about the process behind that data. Then they deploy one or another time-consuming, costly management tool in an effort to solve the problem.

In the course of our study of the foundation's “acquired lots” process in the rebuilding, we uncovered the bottleneck. The problem was centered in two sub-processes: “Identify potential lots for purchase within the target area” and “find out whether a purchase is in fact feasible.” The processes were fairly complex.

Ownership had to be determined and the owners found — no small matter given the exodus following the disaster. The zoning stats had to be checked, along with any mortgages, taxes due or other liens on the property. Owners had to be interviewed to find out whether they wanted to live on the lot with a new home, wanted to sell the property to the foundation or simply had no interest in the whole project.

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Enrich

With full knowledge of the situation on the ground, we had the basis for developing a solution. We made a list of all the tasks in the “acquire lots” process. Then we sat down with the CEO and three of his aides and gradually, over hours, tried to put all of those tasks into a logical, step-by-step sequence. There was debate within the room, occasionally heated, over many items, but when the working session was over, all parties were pleased with the result.

Optimize

Once the various elements of the solution had been identified, they were subjected to a rigorous examination to make sure the process would continue to function under unexpected but not impossible circumstances — a power failure, for example. The goal, after all, was not just to put out a fire but also to prevent it from happening again.

In designing LEO, we selected three general areas of corporate activity where potential quality resides and where the Listen, Enrich and Optimize functions could be most effectively applied. The three areas are *Fire*, *Flow* and *Future*. *Fire* refers to a specific, often sudden problem in any area of the organization. *Flow* speaks to the operations side of the company. And *Future* covers new products and services. ●

Putting Out Fires

In a chocolate and jelly bean plant we were called to tour, chocolate makes up 75 percent of the production, but in terms of profit margins, the two are equal. In fact, the market for the company’s jelly beans has so outstripped the plant’s capacity that 12 percent of total production, worth \$5 million, has had to be outsourced.

The Listen phase started with a survey of the chocolate and jelly bean operations to sort out problems and identify the most costly fire. After looking over the data and talking with management, we focused on the jelly bean operation. Not that fires were lacking on the chocolate side, but they paled in comparison to the opportunities in jelly beans.

From conversations with management and front-line people, we learned about three main problem areas in jelly bean production:

1. **Too much waste scrap**
2. **Insufficient output**
3. **Overweight packages**

When we compared the financial data for the three

areas, our optimum target became obvious. Trimming the weight of the packages could save \$1 million a year, while solving the other two issues could yield a total of only \$400,000.

What we found in the overweight bags was an inordinate number of underweight beans. Because of those lightweights, the machine was tossing an extra bucketful of beans into a substantial number of bags, pushing their weight as high as 5 ounces.

We could now redefine our immediate goal. It became, “Reduce/eliminate the production of underweight jelly beans.” We had moved from “overweight packaging” to “underweight product.” With that accomplished, we were ready to initiate the Enrich phase of LEO.

Finding a Fire’s Flash Point

Our next move was to study the dispensing of cornstarch. That’s where we hit pay dirt.

When we studied the dumping process, we saw that the cornstarch fell only about 18 inches before hitting the tray. But the flow of the starch was disrupted by a crossbeam that was part of the mogul’s structural support. Across the top of the beam was a thick deposit of starch, something like the buildup of snow on a picket fence. The location of the beam matched the area of the trays where the underweight bean centers were found.

We concluded that the crossbeam reduced the amount of cornstarch laid down in those areas, preventing the formation of normal molds and thus of full-weight bean centers.

Fire Prevention

Moving from the Enrich phase of LEO, we proposed steps that would both put out the fire and prevent its recurrence.

Once the crossbeam was replaced by four new supports in the corners of the mogul, at a cost of \$25,000, we tested the new arrangement. This time, the patterns of variation seen during the days of the crossbeam were absent. Once these changes were put in place, the benefits to the company proved to be far greater than the expected \$1 million in savings. When the glob problem vanished, there was no longer any need to shut down the plant each year for cleaning, and there were no more empty trays being sent through the system by the operator-inspector. All told, the LEO deployment increased the productive capacity of the plant by a substantial 15 percent, which made it possible for the company to stop outsourcing the \$5 million of production and bring it back in-house. ●

Fixing the Flow

Imagine what it would be like if you went to work one morning, sat down at your desk and everything went perfectly — no complaints, no recalls, no slip-ups, not a single problem. You would probably be bored out of your skull, but not to worry: No organization — and no process within that organization — is ever going to run perfectly.

I remember overhearing a woman and her friend talking about their children's grades at school. "I don't expect Jimmy to get 100 in every class," the woman was saying. Her friend nodded approvingly. Then the woman continued, "As long as he gets 95."

She didn't expect perfection, but she did expect that her son would never stop striving for it. And that's not so far from the underlying principle of the LEO approach. It assumes that every process could — and should — run more and more smoothly. Continuous quality improvement is the goal.

There are three basic conditions that help to explain why processes tend to run amok:

- **Unreasonable work.** You're told to complete 700 assemblies this shift when four people — a fifth of your crew — are missing and your normal production goal, fully staffed, is 650 assemblies. Or you're told you have to make the company's services best in class, but the company doesn't even measure service quality. Or you're told that you have to greet every person coming into the store as if he or she were your best friend, this toward the end of a double shift that you're working because a colleague caught the flu.
- **Uneven work.** You have eight meetings on Monday, two on Tuesday, none on Wednesday, six on Thursday and seven on Friday — and that's just this week. There's no way you can schedule your work and get it done in eight hours when your schedule is constantly being messed around with. So you work 12 hours and the next day you begin to fade in the afternoon.
- **Unnecessary work.** You spend hours of every day looking for lost files on your computer system ... or waiting until somebody else finishes using the printer ... or waiting for a meeting to start ... or redoing a chart that you've already redone twice. The sign of unnecessary work: Everyone's always busy, but everyone's falling behind.

LEO helps companies find ways to treat these conditions on a continuing, sustainable basis. The object is not to achieve perfection, but to keep moving toward it. ●

What Engineers Don't Know

During LEO Future projects, companies develop new products or services, or improve existing ones. The Listen, Enrich and Optimize stages are all pursued, with greater or lesser emphasis on one or another, depending upon the project and the organization. Though the ultimate goal of Fire and Flow projects is to provide value to the customer, they are concerned with the processes that deliver existing products. Future projects require a different, more forward-looking mindset and a direct, structured connection with those external stakeholders called "customers."

Commanding the Future

On a sun-filled September weekend, a dozen product development engineers set out on an unlikely mission. They were to spend the two days interviewing and riding around with local car owners at a shopping center in Oakbrook, Ill., a suburb of Chicago. Over the next month, two more groups of engineers from the same organization undertook a similar assignment in San Diego, Calif. and Birmingham, Ala. Their company was in the early stages of planning for a new midsize, five-passenger sedan, and the engineers had been assigned to find out what potential customers actually thought about and how they experienced their cars.

All weekend long, two-person teams in Oakbrook interviewed and drove with the car owners. They made copious notes about every detail of the encounters — not just what was said, but how the owners interacted with their cars. When an owner frowned as he stopped at a red light, an explanation was sought. "It's a small thing," the owner said, "but I just had my brakes serviced, and I still get that squeal when I come to a full stop." The complaint was carefully noted.

Gaining a Firsthand Understanding

This assignment was not something that the engineers had done before. In fact, that was the point of the exercise. It addressed a serious, seldom-asked question: How can engineers design a new product that truly speaks to the needs and wants of customers without a firsthand understanding of those needs and wants? The question had not been considered through all the earlier generations of the company's vehicles.

The shopping-center encounters signaled the start of the Listen phase of the LEO Future deployment. After gathering the information, the company proceeded, over the next 18 months, to apply the LEO philosophy and

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tools to the development of a new passenger car that has since won major critical acclaim. ●

Listening Hard

Listening in LEO is not a rigid, step-by-step technique for finding out what customers want or need. In fact, there is no strict methodology that can possibly be successfully applied to the infinite variations of a customer's experience and desires. Each organization is unique in terms of its products and processes, and the way it interacts with and is perceived by its customers.

Listen is, like every aspect of LEO, eclectic — tailored to the particular company and its particular customers. And those customers may not be the folks who are buying the company's products. They may be internal customers — the people working in the call center who are making an unusual number of errors, or suppliers — the people who no longer answer your calls because they lose money trying to cope with your unreliable requests for bids.

Fire, Flow or Future

In a LEO deployment, you may be listening in order to find a new service for existing customers ... or to improve a current product ... or to reduce the amount of scrap and rework in your plant ... or to deal with any of a dozen concerns that come under the heading of Fire, Flow or Future.

Companies typically rely on marketers and customer service people to find out what customers want and don't want. The marketers conduct surveys and focus groups. They connect with customers and potential customers on company websites, on Facebook and via Twitter. The customer service department records customers' comments and complaints as expressed in e-mails and phone calls. There is no question, the information gathered in this way is vitally important and should be part of any company's product planning.

Meanwhile, line managers are constantly monitoring their areas, whether they're in Production or Accounting, and they provide company leaders with essential information about these operations.

But when serious problems arise in the sales or operations areas, or when a new or improved product is required, these sources of information are not enough. Management needs a better comprehension of the situation, one that is both broader and more intimate — broader because the particular situation must be understood in the context of the organization as a whole, and more intimate because the best solutions emerge only from in-depth knowledge of the circumstances and the people involved.

LEO is dedicated to the proposition that the most efficient, profitable strategy calls for the conversion of customer needs and wishes into specific corporate goals. The Listen stage delivers the raw material for that conversion. ●

Enriching the Product

In the Listen phase, the emphasis is on pinpointing the customer's real needs and the real nature of the problem. In the Enrich phase, the search is on for the best solution. The Enrich phase makes products and processes better — it enriches them by introducing greater quality and it also tends to enrich the owners of the organizations that utilize this phase of the LEO process.

Endgame

For company leaders, the Enrich phase requires a new mindset. After you have passed through the Listen stage, your horizons are open wide to possibilities that you had not seen before. But finding the right one for now, the idea that will achieve your immediate goal, requires that you alter your mental approach.

To get the most out of the Enrich process, you need to embrace change and the idea that what you have now and what you have done up to this point simply isn't good enough. That's not so easy for anyone, and especially for executives whose every move is studied, analyzed and critiqued by everyone else in the organization.

But there is a powerful message delivered to everyone when you sign on for change. It goes something like this: "Our company has to move beyond the status quo and adopt continuous improvement as our central strategy. And that goes for everyone in the company — including me!"

That's the attitude that a LEO deployment in general, and the Enrich phase in particular, calls for. It's the quality mindset. ●

LEO's Commitment to Continuous Improvement

The Enrich phase reflects LEO's commitment to continuous improvement, to the unending effort to achieve greater quality. Yes, the search for a solution to a problem must come to an end after a reasonable length of time and some decision must be reached. But management should not be too easily or too quickly satisfied with the search results. LEO subscribes to the belief that there is always a better, yet-to-be-discovered alternative.

Don't Compromise; Optimize!

His son was off at school, and Philip Stanhope, better known as Lord Chesterfield, an 18th-century British statesman, sent him a series of letters whose wit and wisdom have stood the test of time. This is one of my favorites of his advice: “Aim at perfection in everything, though in most things it is unattainable. However, they who aim at it, and persevere, will come much nearer to it than those whose laziness and despondency make them give it up as unattainable.”

As Lord Chesterfield suggests, there are two basic ways of thinking about perfection. Either it is the absolute best that anyone or anything is or could possibly be, or it is that which most closely approaches that state at any given moment. Generations of philosophers have argued that any perfect world would have to leave room for improvement.

LEO is dedicated to that second idea, to the goal of continuous improvement as a corporate strategy. And nothing so clearly demonstrates that dedication as LEO's third leg, the Optimize phase. After all, it takes place, chronologically, after a team has come up with a method to put out the fire, or a solution to a flow problem or a new product design. Essentially, Optimize says to a company or organization, “Congratulations! You've come a long way. Now, let's go all the way and make things even better.”

Continuous Improvement

That is not always a popular position. The temptation to stop after the Enrich phase, to take the solution and run with it, can be hard to resist. It seems so natural to breathe a sigh of relief once you have a way to remove the immediate difficulty and simply apply the remedy — and forget the whole thing. Why delay for a second? Why spend more time and money trying to come up with a better answer? Why worry about the future when you feel you have barely enough time, energy and resources to take care of the present?

The various answers to those questions all boil down to one word: *quality*. If you want to turn out high-quality products or services — the kind that will truly delight your existing customers and attract new ones — you need to keep raising the bar on quality. You need to keep straining toward perfection. ●

An All-Out LEO Deployment

The CEO wanted to change his company's whole culture to make it more customer-centric and he knew

that Six Sigma could help in that regard. But there were a couple of problems. “To start with,” he said, “I'm not Jack Welch. Aside from that, my people's knowledge level just isn't high enough for them to handle Six Sigma. It's too complicated.”

Eventually, he turned to me with a question: “Do you know of any way to work a real, lasting culture change that's not so hard to get your arms around, that's not so technical?” I did.

Several months later, the CEO and I signed a contract for a full-dress LEO deployment at his company. We promised that the deployment would transform the corporate culture, given the full support of the project by him and his top aides. We also promised that, based upon our studies of the performance of the manufacturing plants, the organization would realize a savings of at least \$85 million within 18 months.

As it happened, the company involved operated 12 plants with 20,000 employees, but one of the most important things to know about the LEO approach is this: It can be tailored to the needs and circumstances of virtually any company of any size, whether it be product- or service-oriented, profit or nonprofit. It can work as a full monty deployment for the entire organization, or on an in-and-out basis to cope with a single problem — or anywhere in between. And it is designed to aid company leaders in meeting their goals while raising shareholder value by reducing costs, lifting revenues and increasing profitability.

In that first conversation with the CEO, I asked him whether he was willing to learn the LEO system and personally lead the deployment. I also listed the four key aspects of a full-scale LEO deployment that he and his top executives would be responsible for:

1. **Commitment.** Become active, knowledgeable participants in the planning stage, strong advocates for the LEO approach and partners in the LEO deployment itself.
2. **Consistency.** Closely monitor the progress of the deployment to make sure that its goals and procedures are honored, and that personnel and financial resources are available as needed.
3. **Competency.** See to it that the training programs, including the individual LEO projects, are producing leaders who can maintain the LEO system post-deployment. Establish an environment of trust and patience during the deployment.
4. **Communication.** Use every means available, from the intranet to town hall meetings to personal workplace visits, to express your commit-

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ment to LEO and to spread word of the deployment's progress. Foster two-way communication to elicit feedback, good and bad, concerning the deployment. ●

The Quality Mindset

For a LEO project to succeed, it must have the support of the company's leaders, managers and front-line people who are directly involved in the effort. But something more is required if LEO is to transform the company, allowing it to achieve unprecedented growth, profitability and overall quality. It requires that the individual people within the company, leaders and frontline employees alike, acquire a high-quality mindset.

That same equation applies to any world-class organization. Just consider what has happened to Toyota in recent years. For decades, the company was the very definition of world class — individual quality wed to process quality. In 2008, it passed General Motors to become the world's leading carmaker. But within a year, its reputation and its sales were in tatters.

Battered by reports of crashes of its cars as a result of unintended acceleration, Toyota recalled 3.8 million Lexus and Toyota vehicles late in 2009 — its largest recall ever. But that was just the beginning. The total was to rise to more than 11 million before 2010 was over, all because of high-speed incidents, including a fatal crash related to acceleration.

The company's process quality had clearly fallen, and it soon became obvious that there were problems with its people quality as well. After the first recall, the *New York Times* noted: "Toyota faced questions over whether it fixed potentially dangerous defects in new models without recalling those already on the road." The U.S. Transportation Department levied three maximum fines on the company for a total of \$48.8 million.

"We now have proof that Toyota failed to live up to its legal obligations," said Transportation Secretary Ray LaHood. "Worse yet, they knowingly hid a dangerous defect for months from U.S. officials and did not take action to protect millions of drivers and their families."

The company's president, Akio Toyoda, apologized profusely. Seeking an explanation for Toyota's malaise, he spoke of a growth rate that "may have been too quick," suggesting that because of this, "priorities became confused." In other words, among those leading the company, profit was given a higher priority than performance. Profit trumped quality.

The kind of dishonesty described by LaHood — any

dishonesty, for that matter — drives out individual quality. The LEO system is based upon honest data. If the information gathered in the Listen phase of a LEO project is false or misleading, for example, the project will fail.

For much the same reason, high-quality leaders understand how important honesty is to their success and to the success of their organization.

A State of Mind

"There is one thing I have learned that will help me if I apply it in my life," wrote one student. "That one thing is called LEO." Another excerpt: "Listen is the key when it comes down to anything."

When LEO was devised, it was intended to be of value to managers in trouble, not troubled youngsters. But the basic ideas behind LEO are simple and applicable in everyday life. They provide a template for intelligent, organized, data-based decision making in any circumstances.

I remember those letters when I considered how I might, as an individual, make things better in America, as well as globally. They helped in my decision to establish *Global Quality Awareness*, as it's known, which calls upon people to "Practice Individual Quality. Inspire Global Change." And the words of LEO that you have read so often in these pages now serve a broader purpose: Listen hard to others and to yourself; Enrich the lives around you by giving a little more every day; Optimize everything you do by setting your mind to excellence.

I believe that the LEO focus on individual quality that has worked so well for so many companies can also work for individuals and have positive effects on nations as well. The pursuit of excellence, and the commitment to quality, will set us on the path toward a brighter future. Dr. Seuss had it right:

*Unless someone like you cares a whole awful lot,
Nothing is going to get better. It's not.* ●

RECOMMENDED READING LIST

If you liked *The Power of LEO*, you'll also like:

1. ***Bury My Heart at Conference Room B* by Stan Slap.** Slap helps executives ignite the power of any manager's emotional commitment to the company.
2. ***Change the Culture, Change the Game* by Roger Connors and Tom Smith.** Learn how to build a culture of accountability in your organization through the Results Pyramid: Experiences, Beliefs, Actions and Results.
3. ***Managing* by Henry Mintzberg.** Classic Mintzberg: iconoclastic, irreverent, carefully researched, myth-breaking, *Managing* reveals what managers do, how they do it, and how they can do it better.