

Transcript for the Institute of Productivity (UK) Podcast (questions and answers):

January 15, 2020,

Featuring: Alin Postescu, John Heap

The role of productivity in companies and at the state level is more important than ever in these pandemic times and beyond. The time when everything that was produced and delivered was profitable enough is long gone. The visibility of productivity growth at the company level by improving costs for consistent profitability and at the level of people's well-being at the state level is more than necessary.

Productivity is the only way for companies and states.

John Heap:

Could you explain your background and, in particular, how you came to be interested in productivity?

Alin Postescu:

First of all, thank you for this opportunity to discuss. About me, I am a consultant in productivity for profitability.

The story of the beginning of my journey into the world of productivity begins in October 1995. I was in a third year college course on designing information systems for manufacturing companies. That's when my first concerns about reducing costs through productivity began. That's when I first heard about zero inventory manufacturing companies. I had actually heard of Just-In-Time and Toyota Production System for the first time. I had just learned in detail about inventory in the previous year. Now the professor was telling me that the goal is to be zero inventory. This apparent contradiction prompted me seriously. Then I understood that the primary goal of companies is to reduce costs that can be done consistently only through productivity. Later I understood that productivity is the only way for the sustainable development of both companies and states.

Then, all my ongoing research and my books so far have their roots in that beautiful October 1995.

At the same time, over the years, my interest in productivity has been boosted by many people. In particular, I would like to sincerely thank my good friends John Heap and Shigeyasu Sakamoto for their continued support for me and for their very good advice.

John Heap:

Could you explain why you established Exegens?

Alin Postescu:

It's a question that gladly reminds me of the mood I experienced when I decided how to work for years to come. It was a really emotional state. It was the spring of 2005. I was immediately after completing my first doctoral thesis in economics in which I researched how to reduce costs for new products in the Toyota Production System paradigm.

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The reason for founding Exegens was to practically apply what I had learned, to understand the production systems of the companies with which I wanted to have consulting projects and to develop the science of productivity in order to really and continuously improve the costs of companies.

In fact, the answer to this question is in the vision statement of the Exegens, a statement established in 2005 and which I have not changed so far. I don't think it's necessary. This is on our website. So, Exegens' vision is: "To explore the potential of Profitability through Productivity for inspiring the business environment to assume a responsible use of all resources for the expected results."

In fact, my belief is that the usefulness of any management theory depends on its practical application. An effective management methodology should be the theory of practices. That is, practice comes first. This is what I seek to do when I develop new practical concepts in the field of productivity for the continuous improvement of costs.

John Heap:

Could you, relatively briefly, explain the thinking behind the content of your books?

Alin Postecă:

Thank you very much for the question. In short, I believe that the time when everything that was produced and delivered was profitable enough is long gone. Continuous fulfillment of profit expectations through the successful implementation of a strategy of continuous cost improvement based on productivity growth is - and will remain - the core goal of any company.

So, my research and books so far are in the area of operational excellence. For me, operational excellence means continuously directing companies' attention to the ideal cost or zero cost of losses and waste.

For this I have developed the three innovative concepts so far.

The first concept is Manufacturing Cost Policy Deployment, published in three books, which is the strategic approach to systematic and systemic improvements.

The second concept is Speed-Based Target Profit, published in my latest book, which is actually a new profitable production planning paradigm to achieve TAKT PROFIT.

The third concept is KAIZENshiro Budgeting, a book being written, which refers to the development of the strategy of continuous improvement of costs with visibility at the level of master budget and balance sheet.

So, the general goal of my research is to achieve the goal of ideal cost or zero cost of losses and waste in operations by using the full potential of productivity and quality.

John Heap:

What is the Romanian government doing to prepare the nation for a post-pandemic world?

Alin Postecă:

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We must be honest that the post-pandemic world is a world that is quite difficult to define and also to be addressed. We live in unpredictable times with radical changes in many industries and global social activities. There are many elements of all kinds that accentuate the effects of the pandemic and which are the ingredients of this deepening economic and social crisis. The premises are specific to a lasting crisis. The passive option is not a winning option.

I believe that the global direction is to increase productivity amid total respect for the environment and for people. The role of productivity must increase more than ever to fully respect the limited resources of our planet, all the resources of our house.

In this global context, I think that the Romanian government is quite aligned with the European one. I will not go into political details, but I think that Romania's detailed plans for the next period, which already have funding sources, some plans already underway, create the premises for a real increase in Romanian productivity and implicitly companies with Romanian capital.

These plans aim to increase Romanian productivity consistently by: improving transport networks, improving the health system, improving the education system, improving the justice system, and so on. In conclusion, I believe that the Romanian government is on the right track now.

John Heap:

What would you like to see them do?

Alin Posteuca:

As it is known, plans are plans and results are results. Even if there is already a clear financing of Romania's plans for the next period, from vision to measurable results is a long way. However, as is well known, the role of the state must increase in times of crisis. State investments are vital for shortening and mitigating the effects of the pandemic and the economic crisis. Let's get back to the question. What would be good for the Romanian government to do? I think some relevant elements can be listed.

First of all, I believe that there is a need to define a measurable national vision of productivity, a vision for the next 15 or 20 years. The key ingredients should be "Respect the Globe" and "Respect the People".

Secondly, all national capacities should be strengthened in order to respect this vision of national productivity through a detailed mission of productivity at the level of industrial, social, and so on branches. Specifically, achieving a deployment of the vision and mission of national productivity by identifying and increasing areas with the potential to sustain a robust global competitiveness. I think that there is a need for a practical and results-oriented collaboration between the academic and research environment with the business environment and the state environment. Convergence of actions to the vision of productivity is essential.

Third, there is a need to define clear expectations for each national domain, expectations that converge on the national productivity mission and that are deployed to teams and individuals to ensure the system's improvements on a continuous basis. Specifically, a multi-annual and annual

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national productivity master plan is needed for the next 15 or 20 years to facilitate the effective and efficient implementation of the national productivity vision and mission.

Fourthly, I believe that there is a need to develop and strengthen productivity deployment targets or managerial indicators for each area of interest, with clear systemic improvement actions (or Kaikaku type) and systematic improvement activity (or Kaizen type) to support the annual and especially multiannual national productivity plan. An important area for improvement is the effectiveness and efficiency of the work of state employees.

Fifth, I believe that each ministry should have the set of managerial indicators to be continuously responsible and based on work in inter-ministerial teams. In this way it will be possible to continuously develop and sustain a robust vision of productivity regardless of the temporary leadership of the government by one political party or another.

This is the way to achieve national well-being and full respect for all national and international resources in a totally and continuously transparent way.

John Heap:

What do you see as the ‘real secrets’ to improving productivity in an organization?

Alin Posteuca:

This is an excellent question. Everything is secret until you start learning and researching intensely and continuously. The biggest secret is your own person. Secrets exist to be discovered. A big secret is the current and future relationship between people and new technologies.

Returning to productivity, I can list three so-called secrets of success in increasing the productivity of companies.

First of all, there is a need to continuously study the potential for improving productivity. The continuous identification of the most effective and efficient directions to improve productivity, improvements that are convergent to the vision and mission of productivity, is what many companies lack. In fact, many companies have not defined their vision and mission of productivity and do not continuously identify opportunities to increase productivity regardless of the current and / or future business context. Increasing productivity is the basic goal of any company, whether sales decrease or increase, to support the cardinal goal of consistent cost reduction and to achieve the necessary profit.

The second ingredient of success is the successful and complete continuous planning and implementation of systematic and systemic improvement activities. Consistent productivity growth is not a coincidence. There is a need to create a work environment conducive to maximizing people's creativity. Real and continuous leadership is needed. A company needs the fullest potential for innovation to create effective and efficient products, processes, technologies that can be easily implemented. It takes a master plan of company productivity for that.

Third, there is a need for continuous productivity measurement and a management system that continuously monitors and promotes productivity. The use of a single productivity measurement system is not enough. Confirmations and reconfirmations of productivity measurements are

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needed to gain everyone's trust in the company's management system and to sustain a culture of continuous improvement.

So, I believe that these so-called three secrets are the true directions of consistent productivity growth in companies:

- ✓ understanding and aligning productivity potential with the vision of productivity,
- ✓ developing productivity improvements and
- ✓ measuring productivity based on a robust managerial organization and a continuous promotion plan.

So, in conclusion, the journey of productivity is an endless one to continuously fulfill the cardinal goal of reducing costs and making the necessary profit.

In times of crisis, there is a need to maximize productivity, maximize innovation and promote real and continuous leadership. I believe that a strong strategy for continuous productivity improvement is one with an inside-out approach rather than an outside-in one.

Thank you very much for this pleasant discussion.