Strategic Kaizen:

The Architecture of Designed Profitability

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ABSTRACT

Manufacturing organizations strive for operational excellence but often fail to achieve financial excellence. This paradox - operational metrics improving while profitability remains unchanged - reflects not a lack of discipline but a lack of economic architecture. Established approaches such as Total Productive Maintenance (TPM), Total Quality Management (TQM), World Class Manufacturing (WCM), Industrial Engineering (IE), Just in Time (JIT), Lean Manufacturing (LM), Traditional Kaizen (TK), the Theory of Constraints (TOC) and Hoshin Kanri (HK) each optimise a specific dimension of performance, yet none provides a governing logic for financial outcomes. Many organisations find that these methods do not secure profitability. Financial excellence remains under examined. This study presents Strategic Kaizen as a paradigm that embeds profit prospectively through Takt Profit and formalises the role of recoverable economic mass and time in designed profitability, illustrated through real world cases. The paradigm advances operations management by embedding profitability as a structural parameter.

KEYWORDS

Strategic Kaizen; Takt Profit; Speed-Based Target Profit; KAIZENshiro Budget; Dual Profit Growth; Synchronous Profitable Operations; Profit Speed.

1. INTRODUCTION: THE IMPROVEMENT - PROFIT PARADOX

Every organisation is accountable for sustained profit as the economic expression of its ability to convert productive time and other resources into value for all stakeholders. That ability depends on its recoverable economic mass. When recoverable economic mass declines, strategic coherence weakens and the organisation's capacity to sustain long-term competitiveness becomes increasingly constrained.

To meet this imperative, organisations have invested deeply in operational improvement. TPM strengthens equipment effectiveness, TQM ensures conformity, IE refines methods and time use, JIT synchronises flow with demand, Lean eliminates waste, Traditional Kaizen drives incremental improvement, WCM integrates these disciplines, TOC focuses attention on the constraint and Hoshin Kanri aligns strategy with execution. Each embodies decades of validated knowledge. Yet the paradox endures. Organisations that excel in these methodologies do not consistently achieve sustained or proportional profitability. Operational indicators improve while financial performance stagnates or declines. Losses and waste are reduced, and flow stabilises, yet costs continue to rise and the required economic return fails to materialise. Operational excellence is achieved; financial excellence remains elusive.

The cause is structural. Each methodology optimises a specific dimension - effectiveness, efficiency, quality, flow or alignment - yet none is built on an economic logic that links improvement to the organisation's required profit per unit of time. Losses and waste fall and flow improves, but the essential question remains unanswered: *is the organisation generating the profit per minute of bottleneck time required to meet its strategic objectives while integrating financial and operational performance as simultaneous constraints?* These methodologies cannot answer this because they were never designed to. This is not a failure of effort; it is a failure of architecture.

Strategy, operations and finance operate on different logics, time horizons and languages, leaving the organisation without a shared economic denominator. The present study builds on the author's prior work (Posteucă and Sakamoto, 2017, Posteucă, 2018, Posteucă, 2019) , where the empirical foundations and iterative Action Research cycles underlying the Strategic Kaizen paradigm are documented extensively (Posteucă, 2015). Strategic Kaizen reframes profit as a prospective design parameter - an operational constraint expressed per takt minute - rather than a retrospective financial result (Posteucă, 2021). Through Speed-Based Target Profit, Takt Profit, and the KAIZENshiro Budget, this body of work transforms productivity into economics and establishes profitability as a condition to be engineered (Posteucă, 2023). The governing formulas, verification identities, and economic stratification tables introduced here are original contributions that extend operations-economic theory, and the paper consolidates these elements into a unified architecture of designed profitability.

Against this background, the present paper addresses a clear gap in the literature: no prior studies have examined the methodology that underpins the architecture of designed profitability. The purpose of this paper is to develop a scientifically grounded and systematically structured methodology that formalises this architecture and positions it as an operational economic discipline. Five fundamental problems define this need and its treatment in this paper:

- *A persistent gap between operational improvement and financial performance,* arising from the absence of an economic logic that links productivity gains to profitability; this paper establishes the conceptual basis for reconnecting the two.
- *Operational KPIs that measure physical performance but provide no indication of whether profit is generated at the rate required by constrained time;* this paper introduces a measurement logic that restores economic relevance to operational indicators.
- *Flow efficiency aligned with demand but not with economic requirements,* allowing takt time conformance to coexist with structural unprofitability; this paper outlines how operational rhythm can be aligned with financial viability.
- *Improvement portfolios assembled through visibility, urgency, or managerial preference rather than economic relevance;* this paper offers a structured basis for prioritising improvements according to their financial significance.
- *Profit treated as a retrospective outcome rather than a designed operational requirement,* leaving decisions without a forward looking economic anchor; this paper reframes profit as a parameter that must be embedded into operational design.

2. THE STRATEGIC KAIZEN ARCHITECTURE: CONCEPTUAL FOUNDATIONS

Strategic Kaizen (SK) resolves these structural misalignments by establishing a coherent and interconnected economic architecture. It does not add another tool to the improvement repertoire. It reconstructs the governing logic itself, embedding Profit Speed as the primary constraint of strategy, system design and daily operational governance. The architecture rests on a set of interconnected concepts, expressed in part through the SBTP formula shown in Figure 1.

CONCEPT	GOVERNING FORMULA	OPERATIONAL MEANING
1. Takt Time	TT = B ÷ V	How fast must we produce? (min/unit)
2. Takt Profit (TP)	TP = Contribution Profit/unit ÷ TT	How profitable must each minute be? ($/min)
3. SBTP	SBTP = [V×P − E − C − A − RT] ÷ B	Required Profit Speed at the bottleneck ($/min)
4. KAIZENshiro (RT)	RT = Σ CCLW eliminated by SK portfolio	Designed annual cost improvement ($)
5. Dual Verification Identity	SBTP × TT = Contribution Profit/unit	Internal consistency check - mandatory in every design cycle

Figure 1: The Economic - Operational Foundations of Strategic Kaizen

2.1 Speed-Based Target Profit (SBTP) - Profit as an Operational Constraint

SBTP becomes the system's required Profit Speed, defined as the profit that must be generated per minute of net available bottleneck time to meet annual strategic and financial objectives. It converts the annual profit target into a real-time operational constraint. Once SBTP is known, every capacity choice, strategic improvement effort, and budget decision can be judged against a single economic standard. The full SBTP formula aligns the organisation's financial architecture with its operational reality:

$$SBTP\ (\$/min) = [\ V \times P - E - C - A - RT\ ] \div B$$

Where: **V** - Target volume of quality outputs (units/period); **P** - Target price per unit ($/unit); **E** - Target selling, general and administrative expenses ($/period); **C** - Target basic operating cost - materials, direct labour, overhead ($/period); **A** - Allowable CLW (cost of losses and waste) ($/period); **RT** - Required CLW elimination through strategic improvements ($/period); **B** - Net available processing time at the bottleneck (min/period).

The power of SBTP is not the formula but the discipline it imposes: a direct, non-negotiable economic link between the board's profit ambition and the bottleneck's capacity reality. When the formula cannot be met without structural change, that is not a flaw - it is SBTP revealing the gap that must be redesigned and fulfilled through Strategic Kaizen.

2.2 Takt Profit - The Governing Economic Rhythm

Takt Profit becomes the required profit per takt minute - the profit that must be generated for each unit of net available bottleneck time divided by target volume. It extends takt time's synchronisation to demand by adding a second, equally binding synchronisation: to profit demand. *Takt time asks how fast must we produce? Takt Profit asks how profitable must each minute be?* Together, they define the dual rhythm operations must sustain. The verification step is essential: multiplying SBTP by takt time must yield the contribution profit per unit. This cross check confirms that operational and financial parameters are aligned and that the designed Profit Speed is both achievable operationally and economically sufficient.

2.3 The Cost of Losses and Waste (CLW) - The Improvement Resource Base

The CLW represents the monetised total of all losses across manufacturing (ineffective use of assets expressed as lost time and lost material), and waste (expressed as excess inputs that add no output value). It is the economic substrate from which the KAIZENshiro draws its improvement potential. CLW is structured into four domains - equipment losses, human work losses, material and energy losses, and stock waste - each decomposed into traceable cost elements linked to specific operational failures.

The distinction between total CLW and Critical CLW (CCLW) is decisive. Total CLW defines the theoretical upper bound of improvement potential; CCLW defines the practicable improvement pool within which the annual KAIZENshiro target must be set. *Shiro*, alongside the much more familiar word Kaizen, carries a dual meaning in Japanese - "white" and "castle". Or, put differently, Shiro can be understood as "improvable value" in Japanese (Posteucă, 2023, Posteucă and Sakamoto, 2017). In the architecture of designed profitability, it marks the scientifically grounded improvement margin: the protected space between current cost realities and the target cost structure. It is the strategic fortification against CLW, preserving the purity of the improvement margin by excluding all feasible CCLW.

The example quantifies two loss categories and shows how scrap, bottleneck cycle-time deviations and an improved bottleneck method translate into fully traceable improvement economics (Figure 2).

Example 1: Scrap Loss Quantification (SBTP numerator)

Monthly Output: 20,000 parts processed; 19,500 non defective;
Acceptable Scrap: 1% = 195 parts.
Unacceptable Scrap: 305 parts above the acceptable limit.
Material Loss: 305 parts × $150 = **$45,750.**
Time Loss Cost: Ideal cycle time 0.50 min/part; conversion cost $1,200/min → **$183,000** for the unacceptable scrap.
Total CLW: $228,750 per month, equal to **$2,745,000 per year.**

This loss represents the **numerator** of the SBTP logic: the economic mass that must be recovered and converted into profit contribution. It supports **Dual Profit** by generating the ***internal profit*** share created through reducing CLW and, implicitly, lowering the unit cost required to achieve the annual targets of **Takt Profit** and **SBTP.**

Example 2: Bottleneck Cycle Time Loss Quantification (SBTP denominator)

Available Bottleneck Time: 10,560 minutes per month (22 days × 480 minutes).
Cycle Time Deviation: Ideal 0.50 min/part vs. actual 0.58 min/part → 0.08 min/part loss.
Monthly Impact: At 19,500 parts, the deviation consumes **1,560 bottleneck minutes.**
Annual Economic Loss: 1,560 min/month × $1,200/min → **$1,872,000 per year.**

Method Level Improvement: Ideal cycle time reduced from 0.50 to 0.47 min/part, eliminating 0.03 min/part of auxiliary function time. **Capacity Freed:** 585 minutes per month → **$702,000 per month**, equal to **$8,424,000 per year.**

Total Bottleneck Time CLW: $10,296,000 per year ($1,872,000 + $8,424,000) - the bottleneck time space that Must-Win Strategic Kaizen (SK) projects must reclaim through design so recovered minutes contribute directly to annual profit.

This loss forms the **SBTP denominator:** recovering bottleneck minutes increases the required Profit Speed. It supports **Dual Profit** by generating the ***external profit*** share created through higher volumes and sales, enabling the organisation to meet the annual targets for **Takt Profit** and **SBTP**.

Figure 2: Strategic Kaizen CLW Quantification: Force - Loss Decomposition (Dual Profit)

Interpretation: The dual economic structure of designed profitability becomes explicit when examining how losses affect both value generation and the time available to generate it. Scrap losses reduce economic value per minute, especially (the SBTP numerator). Bottleneck cycle-time losses reduce the minutes available to generate value (the SBTP denominator). Takt Profit sets the required profit per takt minute; SBTP sets the required profit per bottleneck minute. The numerator captures recoverable economic mass; the denominator captures recoverable productive time. Together, the two examples total $2,745,000 + $10,296,000 = $13,043,000 per year - the space (CCLW → KAIZENshiro) that Must-Win Strategic Kaizen (SK) projects must reclaim through design, so improvements contribute directly to the annual profit target. Annual KAIZENshiro: $47,500,000, representing 32% of transformation cost after full CLW monetisation. Feasible CCLW (RT): 32.5% of KAIZENshiro, equal to $15,437,500. Annual Strategic Kaizen (SK) Portfolio: 14 Must-Win Strategic Kaizen projects drawn from this CCLW base, including scrap reduction, bottleneck cycle time improvement and design of an innovative method for the bottleneck. Economic function: CCLW provides the justification for the Must Win Strategic Kaizen project (SK), directly reducing the RT term in the SBTP formula and increasing Takt Profit by design. Thus, recoverable economic mass is operationalised through the KAIZENshiro Budget, which quantifies the economically reclaimable portion of CCLW and embeds it as a structural term in the SBTP equation.

2.4 KAIZENshiro Budget - The Economic Design of Improvement

The KAIZENshiro Budget (RT) defines the annual economic contribution that the organisation's improvement portfolio must deliver - the planned reduction in CCLW through strategic productivity improvement. It is not an aspirational target; it is a structural term in the SBTP formula. Once RT enters the profit equation, cost improvement is no longer a managerial choice but a mathematical requirement. The KAIZENshiro is cascaded from module to process to project through the annual financial and operational catchball, ensuring that every Must-Win Strategic Kaizen project carries a quantified and auditable contribution to profit. Its structure comprises five layers - manufacturing cost, performance level, module utilisation, and module materials - culminating in the product and factory level. Whereas traditional budgeting establishes cost ceilings, the KAIZENshiro Budget designs profit floors.

The pro-forma profit and loss structure that follows shows how the KAIZENshiro Budget is embedded in the financial architecture and directly governs the achievability of the annual profit target (see table 1).

Table 1. KAIZENshiro Budget, Annual Pro-Forma P&L Integration, and KAIZENshiro

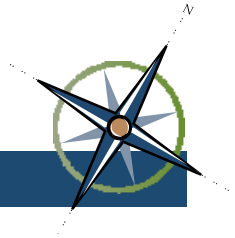
Line Item / Economic Function	Current Year (Y2 Actual)	Without KAIZENshiro (Y3 Base)	With KAIZENshiro (Y3 Target)
A'. Total Revenue (sales) = V × P ($)	152,878	171,954	171,954
A1. Volume (V) – units	130,000	150,000	150,000
A2. Unit Price (P) ($)	1.176	1.1464	1.1464
B'. SG&A Expenditure E ($)	28,400	29,600	29,600
C. Base Cost (C) ($)	114,200	130,600	130,600
D. Total CLW = 31% × C (Total Loss) ($)	35,402	40,886	40,886
E'. Allowable CLW = 10% × CLW (Tolerable Loss) ($) A	3,540	4,089	4,089
F. CCLW = CLW − E (Critical Eliminable Loss)($)	31,862	36,797	36,797

G. KAIZENshiro Budget (RT) = 6% × C ($)	6,852 (Y2 actual)	$0 (no designed)	7,836 (RT designed)
G1. RT as % of CCLW ($)	21.50%	21.30%	21.30%
H. Cost after KAIZENshiro (C') = C − RT ($)	107,348	130,600	122,764
I. Total Cost Envelope = E + C' ($)	135,748	160,200	152,364
J. Target Profit (J) (A' * 11%) ($)	**17,130**	**11,754 ⚠ SHORTFALL**	**19,590 ✓ TARGET MET**
K. Verification: A' − (E + C') = J ($)	17,130	11,754	19,590
L. Internal Profit = 40% × J (= RT) ($)	**6,852**	**0**	**7,836 ✓ TARGET MET**
M. External Profit = J − Internal Profit ($)	10,278	11,754	11,754
N. Available Bottleneck Time (B) – minutes	196,500	201,500	201,500
O. SBTP = J ÷ B (Profit per Bottleneck Minute) ($)/min	0.0872	0.0583	0.0972
P. Takt Profit = J ÷ V (Profit per Unit) ($)	0.1318	0.07836	0.1306
Q. Takt Time = B ÷ V (minutes per unit)	1.51	1.34	1.34
R. Verification: SBTP × Takt Time ≈ Takt Profit ($)	0.1318	0.07836	0.1306
S. Verification: SBTP × B = Takt Profit × V = J ($)	17,130	11,754	19,590
T. Unit Cost Reduction = RT ÷ V ($/Unit) ($)	0.0527	0	0.0522
U. Cost Reduction (% of C) = RT ÷ C (%)	**6.00%**	**0.00%**	**6.00%**
KAIZENshiro STRATIFICATION (RT = $7,836)			
Module 1: Final Assembly (bottleneck)	**$3,134**	11 SK projects	40.4% of RT - OEE losses primary lever
Module 2: Sub-Assembly & Fabrication	**$2,006**	7 SK projects	25.5% of RT - labour & method losses
Module 3: Precision Machining	**$1,394**	4 SK projects	17.5% of RT - setup & scrap losses
Module 4: Logistics, Energy & Indirect	**$1,302**	3 White-collar SK	16.6% of RT - white-collar losses
TOTAL KAIZENshiro (RT)	**$7,836**	**25 SK projects**	**100% - SPO target: SBTP = $0.972/min**

Note: Illustrative Example: Manufacturing, Sales-Growth Scenario

The table demonstrates that the KAIZENshiro Budget (RT) is not an aspirational improvement target but a structural economic term that determines whether profit is mathematically achievable. In the Y3 Base scenario, where RT is 0, the organisation carries the full burden of its critical losses (CCLW), leaving profit at only $11,754 despite higher volume. In contrast, the Y3 Target scenario introduces an RT of $7,836 - equivalent to 6% of C - which reduces the cost base, compresses the total cost envelope, and lifts profit to $19,590. The shift is not managerial; it is algebraic.

Once RT enters the profit equation, improvement ceases to be optional. The reduction of CCLW becomes the economic precondition for achieving the profit target, and the alignment between SBTP, Takt Profit, and Takt



Time confirms the internal coherence of the system: with RT, the financial and operational architecture locks into place; without it, it fragments. The stratification of RT across modules - 40.4% in Final Assembly, 25.5% in Sub-Assembly, 17.5% in Precision Machining, and 16.6% in Indirect and Energy - demonstrates that profit becomes traceable, auditable, and operationalised through concrete Must-Win Strategic Kaizen (SK) projects

KAIZENshiro Budget complements traditional budgeting, which typically operates through the imposition of cost ceilings, by introducing a disciplined construction of profit thresholds. Within this conceptual framework, the traditional focus on limiting expenditure is replaced by an architecture that obliges the organisation to build its annual profit structurally rather than to pursue it through hope, negotiation, or retrospective adjustments. KAIZENshiro Budget embeds improvement directly into the organisation's financial structure, ensuring that annual profit is realised through a quantified, distributed, and economically governed portfolio of improvements.

2.5 Dual Profit Growth and Synchronous Profitable Operations

Strategic Kaizen (SK) creates profit through two structurally distinct yet mutually reinforcing channels. Their combined action forms the organisation's Dual Profit Growth mechanism - a design in which effectiveness and efficiency operate in synchrony, not as competing managerial priorities but as complementary economic functions.

External profit growth is driven by an organisation's ability to expand its revenue-earning capacity by increasing throughput at the bottleneck. When losses, unplanned downtime, and OEE deviations are removed at the constraint, the system releases additional productive volume ΔV and each incremental unit contributes directly to profit through its contribution margin, expressed as:

$$\Delta \text{ Profit}_{\text{External}} = \Delta V * (P - \text{variable cost per unit})$$

In this channel, the effectiveness vector enlarges the volume term V in the SBTP architecture. Profit grows not necessarily through cost compression but through the restoration of synchronised flow and the disciplined utilisation of the bottleneck.

Internal profit grows through the disciplined removal of Critical Cost and Loss Waste (CCLW) and the delivery of the annual KAIZENshiro Budget (RT). As CCLW is eliminated, each recovered unit of CCLW is converted directly into internal profit, tightening the cost base and strengthening the organisation's capacity to generate sustained, structural earnings, expressed as:

$$\Delta \text{ Profit}_{\text{Internal}} = RT_{\text{achieved}} = \sum \text{CLW eliminated across all SL projects}$$

Here, the efficiency vector reduces the structural cost terms ***C*** and ***A***, strengthening the economic foundation of the organisation independently of market conditions. RT is therefore not an aspirational target but a quantified economic requirement embedded in the profit equation.

Dual Profit Growth across expansion and contraction reflects an architecture intentionally designed to operate under opposing market conditions.

a. Under sales expansion, effectiveness dominates: the organisation expands ***V*** through bottleneck improvement while simultaneously executing the KAIZENshiro to prevent unwarranted cost growth that could absorb the target profitability arising from revenue expansion. The governing identity becomes:

$$\Delta \text{ Profit} = \Delta V * (P - C_{\text{variable}}) + RT_{\text{achieved}}$$

b. Under sales contraction, efficiency becomes decisive: the organisation must eliminate CCLW at a rate sufficient to offset the loss of revenue. Profit improves only when:

$$RT_{achieved} \geq \Delta Revenue_{lost}$$

ensuring that:

$$\Delta\ Profit = -\Delta Revenue_{lost} + RT_{achieved}$$

This dual logic gives Strategic Kaizen a structural robustness absent from improvement frameworks whose economic validity collapses when demand weakens.

Synchronous Profitable Operations (SPO) marks the organisational condition in which strategy, operations, and economics are fully aligned. It is realised when actual Takt Profit meets or exceeds the required SBTP and when the KAIZENshiro Budget is delivered in full, creating a unified, stable, and self-reinforcing economic architecture:

$$\text{SPO Condition: Actual Takt Profit} \geq \text{SBTP and } RT_{achieved} = RT_{designed}$$

In this state, every bottleneck minute generates the profit mandated by the strategic plan. SPO replaces the aspiration of operational excellence with the engineered certainty of financial excellence. It is not a static equilibrium but a continuously recalibrated condition, advanced each year through the disciplined development and execution of the Strategic Kaizen portfolio.

3. DISCUSSION: CONCEPTUAL, MANAGERIAL AND GOVERNANCE IMPLICATIONS

This section examines how the Strategic Kaizen architecture reshapes organisational economics, managerial decision-making, and governance. By treating profitability as an engineered condition rather than an observed outcome, Strategic Kaizen resolves the disconnect between improvement activity and financial performance. SBTP, expressed as a required profit rate per bottleneck minute, provides a forward-looking economic constraint that directs ROI-oriented operational improvement and shifts leadership from interpreting results to designing the conditions that make them inevitable.

A key managerial implication is the elevation of improvement into a governance mechanism. The KAIZENshiro Budget assigns quantified economic contributions to modules, processes, and Strategic Kaizen projects, ensuring a direct line of sight from ambition to action. Monthly SBTP tracking offers an immediate economic signal, enabling continuous steering. Improvement becomes a non-discretionary, accountable element of the organisation's economic design. Because SBTP integrates financial and operational parameters, Strategic Kaizen requires cross functional economic alignment. Finance, operations, engineering, procurement, and sales operate on a shared denominator of designed profitability. The annual KAIZENshiro cycle reconciles strategic ambition with operational feasibility and distributes improvement requirements as a collective commitment, resolving the structural disconnect between financial targets and operational capability that characterises many organisations.

Within this governance logic, the three phases of Strategic Kaizen provide the structural pathway through which designed profitability becomes executable. Their sequencing ensures that economic intent is systematically translated into operational reality, with each phase fulfilling a distinct governance function:

- *Phase 1: Measurement and Interpretation* - establishes the analytical foundation by quantifying losses, waste, and constraints through CLW stratification and CCLW identification, and by defining Ideal Takt Profit together with the stratified KAIZENshiro potential.

- *Phase 2: Annual Development* - reconciles financial requirements with operational capacity through annual financial and operational reconciliation, assembling the portfolio of Must-Win Strategic Kaizen projects and formalising their charters and resource commitments.
- *Phase 3: Execution and Governance* - executes these commitments through disciplined project implementation, monthly SBTP monitoring, and year-end SPO closure, embedding institutional learning into the next annual cycle.

These phases do not merely structure execution; they constitute the organisation's economic governance cycle.

The approach also establishes a disciplined annual rhythm that embeds strategic improvements into the organisation's economic architecture. This rhythm clarifies losses, waste, and constraints; aligns financial and operational expectations; executes improvement projects with rigour; and uses monthly SBTP monitoring and the SPO audit to feed institutional learning into the next cycle. Improvement becomes a continuous economic system rather than a collection of isolated initiatives. The governance logic is cyclical, cumulative, and evidence based, ensuring that each annual iteration strengthens the next.

A further implication concerns organisational performance under contraction. Strategic Kaizen introduces a third strategic path beyond cost cutting or withdrawal: the disciplined elimination of losses and waste at a rate sufficient to stabilise profitability. This path depends on the analytical visibility of the CCLW pool and the organisation's capacity to convert it into designed profit - a possibility not previously articulated within mainstream operations strategy (Goldratt, 2004). It positions loss elimination as a strategic lever rather than a technical activity, enabling organisations to maintain profitability even under declining demand or tightening margins.

The KAIZENshiro Budget extends this logic by embedding cost improvement as a structural term in the profit formula and distributing it as project level obligations. Existing frameworks - zero based budgeting, activity based costing, balanced scorecards (Kaplan and Norton, 1996), and Hoshin Kanri (Akao, 1991) - strengthen alignment but do not integrate improvement requirements into the economic architecture of operations. KAIZENshiro shifts the relationship between improvement and finance from reporting to co design, making strategic improvements a precondition for profitability.

Traditional Kaizen strengthens discipline and local optimisation, yet its contribution remains largely operational. Its incremental, activity-focused logic cannot demonstrate whether improvement generates profit or enhances system-wide financial performance (Imai, 1986). Established approaches such as Industrial Engineering, TPM, TQM, WCM, Lean, and TOC (Ohno, 1988, Deming, 1986, Nakajima, 1988, Womack and Jones, 1996, Goldratt, 2004) advance operational excellence but cannot show whether improvement creates profit, leaving their economic effect interpretive.

Theoretically, Strategic Kaizen sits at the intersection of Lean's takt time logic (Rother and Shook, 1998), TOC's constraint based reasoning, TPM's loss elimination paradigm, WCM's cost deployment methodology, and Hoshin's disciplined deployment framework. Its distinctive contribution is the introduction of Takt Profit as the governing economic rhythm and its integration into SBTP, transforming profit from aspiration into operational constraint. The applicability of Strategic Kaizen may depend on the availability of granular operational data and the organisation's capacity to quantify CLW with sufficient precision. In this sense, Strategic Kaizen provides not only a methodology for improvement but a comprehensive economic governance architecture. The integration of digital monitoring and real time economic governance further strengthens this architecture and represents a promising frontier for future research.

4. CONCLUSION

Strategic Kaizen establishes a unified economic architecture in which profitability is treated as a designed operational condition rather than a financial outcome. By expressing profit requirements through Takt Profit,

governing them through SBTP, and operationalising them through KAIZENshiro and Must Win Strategic Kaizen projects, the approach aligns strategy, operations, and finance around a single temporal economic constraint. This alignment replaces retrospective financial interpretation with forward looking economic design. Within this framework, operational excellence is defined by the organisation's ability to sustain the profit rhythm required by strategy. Flow, quality, and stability remain essential, yet they generate durable financial performance only when synchronised with the designed profit rate. Maturity is therefore measured by economic coherence rather than by the absence of operational defects.

For senior executives and researchers alike, the implications are clear: quantify losses and waste, determine the required profit speed, design the KAIZENshiro structure, and govern strategic improvement as an integrated economic system. In volatile markets, retrospective controls cannot prevent margin erosion. Strategic Kaizen becomes essential because it shapes the economic conditions of profitability before results appear. Profit is designed before it is achieved; what is not designed will, inevitably, need to be explained.

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About the Author

Alin Posteucă, is the founder of Strategic Kaizen, an architecture through which strategy becomes executable and profitability becomes a deliberately constructed outcome. His work shows how the structure of time, flow, cost behaviour, and an organisation's full strategic improvement potential can be brought into operational alignment so that profit is designed rather than observed after the fact. Through this architecture, he provides a structural foundation for profit aligned strategy and operations, establishing Strategic Kaizen as a rigorous discipline within operational management.

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An ISSN signals credibility, permanence, and global visibility. It reflects the rigor, collaboration, and commitment to excellence that define this peer-reviewed international publication.

For five years, the QOR Newsletter has focused on advancing knowledge in quality, excellence, and operational research - publishing technical and opinion articles, success stories, and announcements related to conferences and books. Every issue is the result of a talented and dedicated team - Publisher, Editor, Assistant Editor, Editorial Review Board, Editorial Advisory Board, Coordinators – and Contributing Authors. Their work has strengthened this publication issue after issue.

The QOR Newsletter is also a powerful expression of the broader OES Community - where professionals share knowledge that creates a ripple effect across public, private, and non-profit sector organizations worldwide. That knowledge enables organizations to apply best management practices, strengthen capabilities, and achieve measurable improvements in organizational performance.

To everyone involved - thank you for helping raise the bar. The best is yet to come!

Organizational Excellence Specialists

Announcing a New International Partnership!

STIRLING CENTRE
FOR STRATEGIC LEARNING AND INNOVATION

We are pleased to be a key partner working in a strategic collaboration with Stirling Centre for Strategic Learning and Innovation (Scotland).

This international partnership establishes a framework to jointly explore initiatives in organizational excellence, applied learning, professional development pathways, research, benchmarking, and certification models.

By bringing together the applied excellence expertise of Organizational Excellence Specialists, including the Organizational Excellence Framework (OEF) publication and Turnkey Toolkit, with the academic strengths of the Stirling Centre, including academic programme design, quality assurance, and credential development, the partnership aims to create meaningful and globally relevant learning opportunities for leaders and institutions across sectors.

Be sure to follow our impactful initiatives in the months ahead!

https://stirlingcentre.org.uk/
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