12/26/2018 Kaizen









**INVESTING > FINANCIAL ANALYSIS** 

# Kaizen

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#### What is Kaizen

Kaizen is a Japanese term meaning "change for the better" or "continuous improvement." It is a Japanese business philosophy regarding the processes that continuously improve operations and involve all employees. Kaizen sees improvement in productivity as a gradual and methodical process. The concept of kaizen encompasses a wide range of ideas. It involves making the work environment more efficient and effective by creating a team atmosphere, improving everyday procedures, ensuring employee satisfaction, and making a job more fulfilling, less tiring, and safer.

#### **BREAKING DOWN Kaizen**

Some of the key objectives of the kaizen philosophy include <u>quality control</u>, just-in-time delivery, standardized work, the use of efficient equipment, and the elimination of waste. The overall goal of kaizen is to make small changes over a period of time to create improvements within a company. That doesn't mean alterations happen slowly; it simply recognizes that small changes now can have huge impacts in the future. Improvements can come from any employee at any time. The idea is that everyone has a stake in the company's success and everyone should strive, at all times, to help make the <u>business model</u> better.

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Many companies have adopted the kaizen concept. Most notably, Toyota employs the kaizen philosophy within its organization and has esteemed it as one of its core values. Within its production system, Toyota encourages and empowers all employees to identify areas of potential improvement and create viable solutions. Their process of identifying solutions is called "kaizen blitz."

## **Traditional Concepts**

Traditional Japanese ideas of kaizen follow five basic tenets: teamwork, personal discipline, improved morale, quality, and suggestions for improvement. These five tenets lead to three major outcomes: elimination of waste, good housekeeping, and standardization. Ideally, kaizen becomes so ingrained in a company's culture that it eventually becomes natural to employees. The kaizen concept posits that there is no perfect end and that everything can be improved upon. People must strive to evolve and innovate constantly. The basic principle of kaizen is that people who perform certain tasks and activities are the most knowledgeable about that task/activity; including them to effect change is the best strategy for improvement.

# **Contemporary Attitudes**

Nothing gets done in a kaizen framework without teamwork. Regular team meetings involve discussions about improvements, changes, and projects. Minor changes might only affect a small team. Large projects may require the entire company to undergo restructuring.

Improvements generally follow the PDCA format, which stands for "plan-do-check-act." The "plan" portion includes mapping out the changes so that everyone knows what to expect when teams try to solve a problem. The "do" means implementing the best solution to the problem. The "check" step involves evaluating the solution to the problem to see if it worked. When a company performs the "act" stage, it determines whether or not the solution should become a company standard or if it needs further changes. If managers decide to implement more changes, kaizen goes back to the plan step and the process starts over.

### **Related Terms**