



September 14, 2007

Watco Team:

Do you know why a lion tamer takes a chair into a lion's den? Because extending the chair with the legs pointed out paralyzes the lion as it tries to focus on all four legs at once. Like the lion, we can become paralyzed when we try to focus on too many things at once.

All of us have heard about the proverbial shallow lake--very wide but not too deep. That is what happens when we dilute our attention over too many projects. We never have enough time to delve deep enough into a matter to affect a real solution. What typically happens is we only deal with the immediate crisis...a band-aid approach, rather than implementing a real solution that will be sustained by others over the long term.

How many times do all of us realize that we keep dealing with the same issues time and time again? Simply put, this is a waste of time. To effect true, sustainable improvements, we must start by setting priorities and concentrating our efforts on a narrower set of priorities. Priorities are typically determined by identifying the projects that will produce the greatest value or improvement. Another characteristic of a priority is the importance of one priority to another priority. In other words, does implementing one improvement depend on other improvements?

The goal should be to prioritize improvements that can act as a foundation for other improvements and thus maximize the value of each investment of time and resources.

Once we have established our priorities, the next task is to define a plan that leads to improvements that can be sustained over time. Many times we look for the quick and easy way to address the immediate concern rather than drilling down to truly identify and understand the "root cause" for the problem. Identification of root cause really comes from understanding the cause and effect relationships that make up the activity.

Once we understand how a process works then we can identify how the process can be improved to realize the desired result. The best way I've found to understand the process and improvements is by asking and listening to the people who perform the work in the field. Many times they know what needs to be done--it is just that no one has asked them for their opinions. What better resource is there than asking and engaging the people who do it everyday? My experience is that the people in the field want to be part of an improvement process and appreciate the opportunity to get engaged in the improvement process.

Next we must teach our people why changes are needed and how it will improve performance. Then we must establish a discipline that allows people to repeat the improved process and

actions consistently in order to sustain the improved results over time. At Watco, our priorities are set by achievement of our Foundation Principles: Achieving Customer Satisfaction and Improving Profitability over the Long Term. How many times in a day, week or month do we allow our attention to be diverted to addressing only the symptoms rather than the true solutions to delivering the right cars to our Customers, at the right time, in the right condition? Or deliver repair services safely, efficiently and in a quality manner within the cycle times required by our Customers? As leaders it is our job to build the relationships with our people and engage them in the continuous improvement process to insure that we deliver quality service to our customers, safely and efficiently for the benefit of all.

We have great people at Watco. Let's make sure we maximize the value of this most precious asset.

Thanks for being part of the Watco team!

A handwritten signature in black ink, appearing to read "T. D. Stan" or similar, written in a cursive style.