

A Whitepaper from Juran

The Source for Breakthrough

3 Ways Lean and Six Sigma Will Create Breakthrough Strategy


Strategy

Juran

Our expertise has been developed over more than six decades of real-world experience, and our methods are universal and have been applied in nearly every industry and culture around the world. Our mission is to prepare a new generation of business leaders who will build greater prosperity for our society through the application of the operational excellence methods and values of Dr. Joseph M. Juran in the context of new technologies, advanced applications, and expanding lessons learned. We want to be seen as trusted advisers, enabling global leaders to achieve measureable, breakthrough results.



3 Ways Lean and Six Sigma Will Create Breakthrough Strategy



Lean and Six Sigma are best known for helping organizations pursue near-perfection levels of business performance. The disciplined and rigorous methodologies of Lean Six Sigma can accelerate breakthroughs in quality, cost reduction, operational speed, customer satisfaction, and more – whether a manufacturing or service organization. In fact, a 2007 report published in iSixSigma magazine estimated that Fortune 500 companies save \$21 billion per year – or 2% of total revenue – through their improvement initiatives. The study found that 53% of Fortune 500 companies use strategies like Lean Six Sigma, and that figure rises to 82% when looking at the Fortune 100.

While reports like the iSixSigma study are relatively commonplace, giving Lean and Six Sigma the reputation of being directly focused on the bottom line, what often goes overlooked is the impact Lean and Six Sigma have on developing and executing breakthrough strategy in three areas: process innovation, process improvement, and process management.


Process Innovation

Key ingredients to achieving high performance and sustaining a competitive advantage are operational speed, quality, cost reduction, and customer satisfaction. Lean and Six Sigma can impact process innovation in these areas by removing waste and driving high-quality business processes in support of a company's strategic priorities.

Studies have shown that, regardless of industry, 30% to 50% of operating costs are pure waste. Using some basic tools to eliminate this waste not only reduces costs, but also allows a business to become faster and much more responsive to its customers, driving revenue growth. In this regard, a solid improvement strategy can impact process innovation by driving broad cultural change, creating internal capabilities required for continuous improvement, and establishing a common language for breakthrough improvement.

The essence of Lean is that any expenditure of resources for any goal other than the creation of value for the end consumer is wasteful – and, thus, should be eliminated. “Value” is anything the customer would be willing to pay for. The ultimate goal is to provide perfect value to the customer through a perfect value creation process that has zero waste.

While Six Sigma also enables organizations to pursue perfection, the focus is not on removing waste, but rather on using statistical and quality management methods to identify defects and errors and minimizing variability in manufacturing and service business processes. Six Sigma projects follow a series of prescribed steps to achieve specific quantified targets, such as reducing billing errors, manufacturing defects, or increasing customer satisfaction. To achieve Six Sigma quality, a process



must produce no more than 3.4 defects per million opportunities. An “opportunity” is defined as a chance for nonconformance, or not meeting the required customer specifications. This means that for a process to reach Six Sigma, it has to be nearly flawless.

Contemporary thinking related to improvement is allowing companies to not only improve operations, but also innovate – rethinking the fundamentals of how work gets done, how value is created, and how to best to meet and exceed the expectations of the customer. Regardless of the industry, country, or market, CEOs are searching for breakthrough products and services, which often require major operational changes and fundamental redesigns of their business models.

In 2006, IBM surveyed 765 corporate and government leaders worldwide as part of its Global CEO Study. One key finding of that survey was that CEOs said that their biggest barrier to innovation was an “unsupportive culture and climate.” In short, these CEOs said their companies failed to engage in meaningful innovation because they lacked the processes, discipline, and organizational mindset to create breakthrough improvements on a continuous basis.

Although Lean and Six Sigma are commonly viewed as a performance improvement methodologies, the impact they can have on process improvement is extraordinary. The fact-based analysis that is the foundation of Lean Six Sigma, coupled with its focus on direct customer input, provides a perfect catalyst for broad-scale innovation.

When broad-scale innovation is woven into the cultural fabric of the organization, creating breakthrough strategy becomes not only easier, but also more commonplace.

Process Improvement

There are a variety of ways to implement process improvement, here are two of the best known and successful.


The focus of **Lean** is to improve speed and reduce inventory by removing waste through a prescribed five-step process:

1. Identifying customer value
2. Mapping the value stream
3. Creating flow
4. Seeking perfection
5. Pulling based on demand

The focus of **Six Sigma** is to reduce defects and variation through a similar, yet different five-step process:

1. Define (the problem)
2. Measure (the problem)
3. Analyze (root causes)
4. Improve (the process)
5. Control (the process)

Companies that adopt Lean look to reduce waste, which invariably means reducing variation and process inefficiencies. Companies that adopt Six Sigma look to reduce defects and variation, which ultimately reduces waste. While they can be deployed independently, Lean benefits from the root cause analysis and culture changing structure of Six Sigma, and Six Sigma benefits from the speed, waste elimination, and simplicity of




solutions found in Lean. Together, they form a powerful continuous process improvement methodology that can create sustainable breakthrough results. However, to be effective in deploying an improvement strategy, companies must be aware of critical success factors.

- **Management Support:**

Management is critical to building a successful performance improvement organization, regardless of the methodology adopted by the company. It is management's job to ensure that the right projects are selected, the right people are picked for project teams, performance improvement methodologies are followed, project roles and responsibilities are clearly defined, projects are appropriately communicated, education and training are supported, and management visibly supports the project team.

- **The Right Projects:** The success of performance improvement programs is rooted in the projects selected. Unfortunately, many organizations fail to develop criteria for project selection, which results in projects that provide no real benefit to the organization. If employees aren't working on the right projects, it doesn't matter how well the projects are run – the results just won't make a difference. Thus, the "right" projects should be linked to organizational strategies, have identifiable and quantifiable hard results, and be realistic in scope.

- **The Right People:** Being selected to be on a performance improvement team should be viewed as an honor, not a chore. Because performance improvement projects are designed to achieve a sustainable improvement in the organization's performance, projects are ideal breeding grounds for the next generation of leaders. As such, the "right" people include those employees who have demonstrated leadership skills, problem-solving skills, and the ability to make a difference in the organization.
- **Adherence to Methodologies:** Management must ensure that the improvement methodology is adhered to and used effectively. To allow project teams to shortcut the proven methodology only serves to tell employees that the management team is sloppy in its approach to performance improvement.
- **Roles and Responsibilities:** Being clear about *who* is responsible for *what* is management's job. This not only includes the roles and responsibilities of the members of the project team, but also those who play ad hoc roles.
- **Communications:** Poor communications can quickly derail any project team. If the immediate supervisors of the project's team members do not understand the



organization's priorities, then they can become an obstacle in providing the team members with the time required to serve effectively on the team. If project team members are not clear on the project's purpose, goals, boundaries, and expectations, then the project can quickly get off track – and stay there. And if staff is not aware of what projects are under way and why, then they'll likely come to resent their peers who are serving on teams, but only seem to be gone much of the time.

- **Education and Training:** To be effective in deploying a performance improvement strategy, there must be an investment in education and training. To cobble together an inadequate training program not only sends signals that the organization is not committed to performance improvement, but it also sets up everyone for frustration, aggravation, and failure.
- **Management Visibility:** It is alarming how often we hear about executives who are named project sponsors or champions, only to rarely – if ever – show up for meetings, ask for updates, or show any real interest in the project at all. If you want performance improvement to be seen as a strategic imperative, then you must treat it like a strategic imperative. An executive's mere attendance at a project meeting tells everyone present that the project is of the


utmost importance and a high organizational priority. Show a lack of management interest in the project, and you will soon discover that the project team shows a lack of interest as well.

While deploying a performance improvement program is not for the faint of heart – after all, there are many barriers to overcome – the ability to create breakthrough performance improvement strategies is unparalleled. Companies that effectively adopt a solid approach have been shown to hold a competitive advantage in their markets and corporate culture.

Process Management

Process management are the activities related to planning and monitoring the performance of a process. The most successful companies use process management to provide a strategic perspective into their key business processes, which are a collection of related, structured activities that produce a specific service or product. Most organizations have five to 10 key business processes, which can include critical business functions such as supply chain, revenue cycle, and distribution. If any of these key business processes were to fail, the results to the company could be catastrophic.

Monitoring the performance of a key business process is the work of process "owners" using key performance indicators, or scorecards that keep management apprised of the



effectiveness and efficiency of the process. Process management enables companies to keep one eye on operations and the other on operational strategy; it is only through effective process management can companies determine where to devote strategic operational resources.

Improvement, planning, and control play a large role in process management, as each includes steps and tools to plan, monitor, and improve key business processes and their associated key performance indicators. Many times, companies seek to obtain a competitive advantage not by maintaining their key performance indicators at industry-accepted norms, but rather by leapfrogging the competition by improving processes that are already performing well.

Whether innovating processes, improving processes, or managing processes, a solid improvement strategy offers companies in all industries a distinct competitive advantage.

How to Determine Where You Stand

The Juran Organizational Health Check (JOHC) analyzes internal and environmental factors critical to your success in today's volatile marketplace and compares them to performance excellence industry standards. You get meaningful data on your organization's strengths and weaknesses that can help you close the gaps and achieve superior quality and sustainable results. With more than 1,000 assessments completed, Juran has the experience and insight that can help jumpstart your journey to becoming a world-class organization. The JOHC provides a quick qualitative review – or “fitness test” – against industry best practices, with a summary of your organization's ability to meet your own plans and your customer needs.

To learn more about the Juran Organizational Health Check or take a FREE Health Check, please visit our website at:

<http://www.juran.com/organization-health-check>

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