

A Whitepaper from Juran

*The Source for Breakthrough*

# 5 Unexpected Ways Continuous Improvement With Lean Six Sigma Can Improve Your Company

Lean Six Sigma



## 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. We are trusted advisers, enabling global leaders to achieve measurable, breakthrough results. We provide best-in-class services designed to improve our clients' organizational performance and business results. Improvement is our business, and we are fully committed to our clients and believe that our clients' success is our success.



# 5 Unexpected Ways Continuous Improvement With Lean Six Sigma Can Improve Your Company

For most organizations, the terms Lean and Six Sigma mean measures and methods of quality that strive for near-perfection. Lean focuses on minimizing waste in processes, products, and services, while Six Sigma focuses on reducing the variability and causes of defects. They are both highly disciplined continuous improvement processes that help companies create and sustain competitive advantages.

## About Lean

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 of Lean is to provide perfect value to the customer through a perfect value creation process that has zero waste. Accomplishing this requires that organizations – whether service, manufacturing, or healthcare – optimize the flow of products and services through entire value streams that flow across technologies, assets, and departments to customers. The result is the ability to respond to changing customer demands while maintaining high quality, low cost, high variety, and enhanced throughput times.

## About Six Sigma

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.

Six Sigma uses two sub-methodologies: DMAIC, which stands for Define, Measure, Analyze, Improve, and Control, is used for existing processes; DMADV, which stands for Define, Measure, Analyze, Design, and Verify, is used for new processes.



Together, Lean and Six Sigma – or Lean Six Sigma – provide a comprehensive set of methods and tools that enable organizations to improve quality and reduce costs – all for the ultimate goal of continuous value creation for the customer. Certainly, these are strategic advantages for any company. However, there are five additional benefits that Lean Six Sigma companies enjoy.

### **#1: Strategic Planning**

Strategic planning is driven by an organization's mission and vision statements, with the mission statement focused on why the organization exists and the vision statement articulating what the organization hopes to achieve. The very best strategic plans translate the vision statement to quantifiable and measurable objectives, such as increasing market share or reducing employee turnover. Lean Six Sigma can accelerate the pace at which those objectives are achieved.

For instance, if a company objective is to increase market share, one strategy might be to lower prices by reducing costs, another strategy might be to reduce product or service complaints, and a third strategy might be to add product or service features and benefits that will hold the price level.

Whatever the strategy happens to be, Lean Six Sigma can help make your company the best at what it does.

### **#2: Productivity**

As organizations reduce waste and variation from their processes, the noticeable effect is that it increases employee productivity. This happens for several reasons. First, with less waste and less variation, there is less rework. When you get it right the first time, you don't spend time fixing errors. Imagine if your billing department operated at Six Sigma levels, meaning that a billing error occurred just once every couple of months (depending on how many bills your company processes and the number of line items on each invoice). The number of hours required to correct erroneous bills would drop to near-zero, which means you would either need fewer billers or could process more bills without adding staff.

Second, Lean Six Sigma forces organizations to rethink how work gets done, which creates natural efficiencies. Departments that often work collaboratively are moved closer together, supply rooms are eliminated as inventory moves to just-in-time-models, paper processes are eliminated for more efficient electronic methods, and more. Every time waste or variation is removed from a process,



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it makes those who interact with the process not only more effective, but also more efficient – and greater efficiency leads to higher productivity, which allows organizations to grow without adding employees, or eliminate vacant positions that are no longer needed.

### **#3: Employee Satisfaction**

With increased employee productivity comes increased employee motivation, as well as higher employee satisfaction. Employees who don't have to fight through poorly designed processes, devise work-arounds to get things done, or spend time on non-value-adding steps are more motivated and happier. But this isn't the only employee benefit. As organizations imbed Lean Six Sigma into the fabric of their companies, employees naturally become more attuned to identifying waste and variation, as well as seeking opportunities to improve quality and create additional customer value.

For organizations that have taken a methodical approach to implementing Lean Six Sigma, the result is usually the transformation of employees into "improvement experts." When all of your employees are actively involved in creating customer value by seeking opportunities to remove waste and variation in processes, the sustainable competitive advantage is enhanced dramatically. Not only that, employees

see their roles within the organization as more than just the duties defined by their job descriptions; their jobs are now aligned with the mission and vision of the organization. When that happens, employee motivation and satisfaction rise, too.

### **#4: Customer Loyalty**

Imagine a company that was adept at creating customer value, reducing defects, reducing variation in its products and services, increasing features and benefits, offering a high variety of options at little to no additional cost, and increasing the speed at which the products and services were delivered. That company would certainly enjoy high customer satisfaction, which translates to equally high customer loyalty and retention.

That's not all. Organizations that are skilled at Lean Six Sigma also discover that their customers become powerful referral sources. Customers not only maintain a loyalty to the organization's products and services, but they also often become raving fans, telling colleagues, family, and friends about their experiences.

### **#5: Supply Chain Management**

What mature Lean Six Sigma companies usually discover is that to continuously improve processes, suppliers must eventually become integrated into their quality improvement initiatives. To fully



reduce waste and variation in your processes, your suppliers must reduce the waste and variation in their processes, too. For instance, if 25% of one supplier's product is regularly returned because it doesn't meet your specifications, this increases your costs, decreases cycle time, reduces employee efficiency, and more. Even worse, there is a greater likelihood that one of your supplier's defective parts makes it into your inventory and is eventually passed on to a customer.

Involving every aspect of the supply chain – beginning with your suppliers – becomes a tremendous competitive advantage. Whether your suppliers improve their processes, or you drive down the number of your suppliers – or both – the ripple effect it has throughout your organization cannot be overstated. This is why the most successful Lean Six Sigma companies move as far up the supply chain as possible – sometimes even having a supplier move its facilities next door – because ineffective supply chain management can cause the organization to become infected by waste and variation.

## The Organization Health Check

Juran Global's Organization Health Check 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, we have the experience and insight that can help jumpstart your journey to becoming a world-class organization. The Organization Health Check provides a quick qualitative review – or "fitness test" – against industry best practices. We provide a summary of your organization's ability to meet your own plans and your customer needs.

To learn more about the Organization Health Check or take a free Health Check, please visit our website at <http://bit.ly/juran3>, or contact us at:

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