

Wass Consulting Group, Inc.

Management Insight

<http://www.wcginc.com>

Vol. 8, No. 1



Breakthrough Performance ResultsSM

Strategic Leverage from Six Sigma and Lean

Summary

The Six Sigma methodology has matured for over a decade. Its companion methodology, the Lean Enterprise, is somewhat more recent. While each has its advocates, and each has independently generated important benefits, the greatest benefits are being realized by firms simultaneously applying both methodologies to address with laser precision their specific business environment and circumstances. The Wass Consulting Group, Inc. (WCG) has developed a unique, results-driven approach to the strategic deployment of Six Sigma and Lean called **Breakthrough Performance ResultsSM**. As always, knowing where and how to get started and stay aligned is paramount. Critical elements in the successful implementation of Breakthrough Process PerformanceSM include the effective pace and alignment of Six Sigma and Lean programs with the organization's vision and strategy, corporate culture and history, and business priorities and economics.

Background

A previous WCG *Management Insight*, Hands-on Management Making a Comeback, Vol. 7, No. 3, provided a chronology of many management tools, techniques and styles which have historically come into favor over time. Six Sigma and Lean Enterprise are

gaining in popularity and acceptance, and are being successfully adopted across a broader range of manufacturing, and now service, enterprises. They are the subject of this and a series of subsequent articles as the Wass Consulting Group, Inc. presents its Breakthrough Performance ResultsSM approach to strategically and effectively deploying both Six Sigma and Lean for results.

Enterprises Other than Manufacturing?

The Chairman of a Fortune 100 company, while noting that Six Sigma can be applied to all processes, service as well as manufacturing, pointed out that:

"Our experience shows the average savings for a (Six Sigma/Lean) Service project is DOUBLE that of a Manufacturing project."

Not only are these methodologies of direct application outside the manufacturing context, the benefits to the enterprise are perhaps more significant. "Service" companies like Allstate, Citigroup, GMAC Mortgage, Starwood Hotels, and many others are joining the likes of "manufacturing" companies like Caterpillar, Motorola, GE, and Honeywell in targeting Six Sigma and Lean on key core and support

business processes within their respective service operations.

What are Six Sigma and Lean?

Six Sigma focuses on improving the performance of the enterprise at meeting customer requirements by reducing process defects, and thereby generating cost savings, competitive advantage, and **improved business success**. Six Sigma relies on the disciplined collection and analysis of data to continually and significantly improve business process performance and thereby quality. To do so, Six Sigma employs a large number of existing tools and techniques in a flexible, best-fit yet robust, fashion.

Lean Enterprise, or Lean, formerly known as Lean Manufacturing, seeks to increase process speed and reduce waste in business processes. Slow processes are wasteful, so a key objective of Lean is to identify and then reduce or eliminate wait time, process delays, and time traps. The payoffs include cost savings, competitive advantage, and **improved business success**.

Why Pursue Them Together?

Combining the two approaches maximizes the rate of shareholder value appreciation by leveraging each for the fastest rate of improvement in customer satisfaction, costs, quality, process speed, and return on invested capital. Quality problems slow down any process, but Six Sigma alone cannot dramatically improve process speed. Improving speed makes quality tools more effective. Lean techniques alone will not bring a process into statistical control, but this can be accomplished in a timely manner when combined with Six Sigma techniques. Faster

speed and higher quality drive revenue growth, reduced cost, and improved capital utilization. And, the organization that learns how to employ both Lean and Six Sigma has learned important tools to help them be nimble and tough competitors ready to seize market opportunities.

WCG's Breakthrough Performance ResultsSM

Wass Consulting Group, Inc. believes that superior, top of industry, business performance and results can best be achieved when executive management develops, adopts and then adheres to a business management model appropriate to the specific environment of the enterprise. Such a management model has been described by WCG in a previous *Management Insight* article series, which started with "Reevaluating Your Business Management Model - Are All of It's Gear's Meshing?", Vol. 7, No. 4. This article suggests that key steps in using a management model include:

- Setting appropriate enterprise, and then business unit, specific strategies in view of its overall vision and mission
- Defining and communicating an "Operating Philosophy" to guide day-to-day decision making and management
- Identifying the various core and support business processes, and then optimizing them by eliminating work where possible, outsourcing elements of work where feasible and prudent, and then reengineering the remaining work for efficient and effective operations
- Organizing and staffing to institute and implement these business processes

- Finally, establishing an ongoing mechanism to collect and analyze operational and cost performance data as feedback to each of the above steps

Breakthrough Performance ResultsSM, developed by WCG, is an approach an enterprise or operating unit may use to leverage the principles of Six Sigma and Lean within the structure of such a management model to maximize results. BPRSM assures that Six Sigma and Lean initiatives are:

- Fully integrated into, and in alignment with, the selected business strategy
- Understood and championed by key executives
- Articulated for all employees in the published Operating Philosophy
- Focused first on the key core business processes, and therefore projects that are most critical to improving results
- Effectively tracked for both costs and results within broader business performance matrices

This approach keeps Six Sigma and Lean wholly integrated into and aligned with the firm's business purpose, strategy and tactics, and prevents them from developing a "life of their own" as sometimes happens with unbridled Six Sigma and Lean initiatives. It also aids project selection and prioritization efforts, and thus helps avoid common pitfalls in the deployment of Six Sigma and Lean.

Conclusions

As with other "ologies", excellence in execution is paramount to achieving top results. While most efforts associated with Six Sigma and/or Lean are better than no effort at all, only the best planning and execution of an intelligently combined Six Sigma and Lean initiative will deliver world class/top decile results.

WCG believes that the combination of Breakthrough Performance ResultsSM for the deployment of Six Sigma and Lean, employed in tandem with an effective business management model, can empower the excellence in execution that will deliver breakthrough results.

The Wass Consulting Group, Inc. would be pleased to discuss application of Breakthrough Performance ResultsSM in addressing your specific situation.

The Wass Consulting Group, Inc.

The principals of WCG have served the utility and energy industries for over 30 years, and have lived through the changes industry has encountered.

Our mission has remained the same, to provide general management consulting services that address the challenges that boards of directors and senior executives face in their daily operations, including matters of mission, governance, strategy, organization, business process transformation and re-engineering, benchmarking, operational improvement, competitive analysis, due diligence, post-merger integration, market entry, litigation support, and others.

As a complement to these consulting services, we also provide Executive Search consulting for our energy clients.