

Lean Six Sigma Report - No. 03

Since 2000, literally thousands of companies have implemented improvement initiatives. The questions we want to answer here are what are the mistakes being made that we need to avoid repeating, and what do we need to do at the leadership level to make sure we succeed with any business improvement initiative including Lean Six Sigma.

by **George Lee Sye**

CONTENTS

[Making the same mistakes as everybody else](#)

[Learning from the people who paved the way](#)

[Must do's for success with Lean Six Sigma initiatives](#)

[Closing the sale](#)

Soarent Publishing - PO Box 544, Clifton Beach, Australia, 4879

www.soarentpublishing.com

© All rights reserved by George Lee Sye (2011)

ISBN ?

1. The Same Mistakes Are Repeated

Since the late 1980s, thousands of organisations have implemented Lean and Six Sigma initiatives. However, not all have been successful. In fact one US consultant suggests that the failure rate is as high as 20 percent.

We've found in our own research that this figure is probably fairly accurate, and a large proportion of companies who have a Lean and / or Six Sigma initiative underway are struggling to get the returns the methodology potentially offers.

In fact well known companies have gone close to bankruptcy in spite of the fact they had a Six Sigma initiative in place.

So who's to blame?

It would be very easy to blame this lack of return on the initiative or methodology itself. However, unless any change is managed effectively, the quality of the technical merits of the initiative itself will not make the change successful.

Success depends on the *way* it is implemented and the way it is utilised!

What are the most common mistakes?

It is interesting to note that the most common mistakes make no reference to the technical quality of the Lean and Six Sigma methodologies. The most common mistakes that result in failed initiatives of this nature are generally associated with the *change* leadership and supporting system elements of the roll out. These are both the soft side of the change and the technical elements of the system that supports the initiative.

Some of the *most* common change leadership mistakes in implementing business improvement with Lean and Six Sigma include:

Number 1 - The Concept of BI:

Thinking that if a company has a list of improvement ideas that it is doing business improvement. When the list only consists of solutions and ideas that were generated by business leaders and upper management, the company is not doing 'business improvement' properly.

Number 2 - Direction:

A failure to establish a common sense of direction – stakeholders have *no* idea what the desired future state looks like, the *real* objective is unclear. Not knowing where you are headed with this will result in confusion and a lack of purposeful action.

Number 3 - Purpose:

A failure to establish a common understanding of *why* the initiative is important across the organisation. A company reports billions of dollars in profit, and yet there is this drive to improve. Without a reason to change, why would anyone *want* to change? Many leaders give reasons why, but they tend to be their own reasons for changing, not reasons that the wider audience really connects with.

Number 4 - Leadership:

A failure to build a powerful guiding coalition of individuals with credibility and formal authority. The improvement initiative is driven by the improvement manager ... you don't have to be a rocket scientist to see that this is fraught with danger. Business improvement *must* be on the agenda of business leaders.

Number 5 - Human Resources:

Allocating people who can be spared to learn about and work on business improvement instead of the *best* people. A failure to involve the best people sends the *wrong* message to the workforce – it says 'business improvement is not really that important'.

Number 6 - Focus:

A failure to maintain focus on business improvement at the leadership level – momentum is lost through shifting focus.

Number 7 - Options and Choices:

Failing to *anchor* changes firmly in the way the organisation does business – allowing the day-to-day do what we've always done mentality to remain. Unless your organisation's performance systems and structures are aligned to continual improvement, there will be a lack of action in undertaking what is essentially new and uncomfortable. The old way of working with a process will prevail.

Number 8 - Strategy:

Approaching the initiative with a *training* dominant view – We talk about this approach as 'sheep dipping' which means putting as many people as possible through Lean and Six Sigma training. This is great for training providers, the more people they get through the more money they make. This is bad for companies. If *all* you do is training it won't work anyway.

Number 9 - Methodology:

A failure to adapt the most appropriate methodology to suit your business, industry and needs. Many companies, including some of the largest in the world, have spent a fortune training people in the skills of Six Sigma when in fact they needed Lean first. When a training participant only

learns Six Sigma and is given a ‘throughput improvement’ project to work on, they will be using a less than optimal toolkit to solve the problem.

In working with businesses of every conceivable size over the past decade, I’ve found that if trained people are *not* allocated the time to do project work, if leaders do not commit *some* of their time to the formal aspects of the improvement initiative, if the key elements of an operating system are not in place, the initiative *will* eventually disappear. It will *not* add reportable value to the business and people will say Lean Six Sigma doesn’t work.

Dealing with Emotions

One of the least planned and most often overlooked aspects of rolling out any initiative which requires change, is the emotional aspect. If you are able to master the science and psychology of managing emotions during change, and apply the principles to your roll-out of whatever business improvement methodology you choose, your improvements will be *way* more dramatic and achieved more quickly.

Most organisations have a propensity for focusing on the technical aspects of any change, and they often pay the price for that one sided focus.

2. Learning From The Past

We Can and Should Learn From General Electric

One of the most talked about examples of Lean and Six Sigma implementation is that of General Electric, and for good reason. The implementation of Six Sigma under the leadership of Jack Welch is an example from which we can learn.

GE wasn't always a Six Sigma company. No one had really questioned GE's quality, and its reputation was good. For many years, Welch had focused his attention on improving the speed of the organisation, the level of involvement of company employees in decision-making, and the level of productivity of the workforce. He expected his strategies alone would ensure higher quality, however the expected level of quality was never realised. Not until the workforce forcefully pushed the case for a focus on quality did Welch take action. Welch first became aware of Six Sigma during 1994, but was hesitant at first. With specific metrics, a standard reporting framework, a language of its own and central control, Six Sigma appeared to be in conflict with his business strategies.

During April 1995 a survey was circulated around the workforce and the results showed that employees were not satisfied with the quality of GE's processes and products. The real turning point came when the CEO of Allied Signal, Larry Bossidy, convinced Welch of the value of Six Sigma. Bossidy had worked for GE for more than thirty years, and was a vice chairman when he left in July 1991 to take over as CEO of Allied Signal. During 1994, Allied Signal had implemented Six Sigma under the leadership of Bossidy.

Bossidy spoke to GE's Corporate Executive Council and gave them his view of the value the initiative would bring to GE. Not long after that, Welch had Gary M. Reiner conduct research into the work of companies that had Six Sigma initiatives.

By the fall of 1995 Welch had made the decision to move forward with Six Sigma as a company-wide initiative.

Six Sigma is Launched

In January 1996, Welch announced the launch of Six Sigma to the top 500 managers of GE at Boca Raton in Florida. He predicted GE would be a Six Sigma company in four years, knowing full well that Motorola had taken more than a decade to achieve that type of result. The opportunity existed to learn from Motorola who had already done most of the hard work associated with developing the initiative.

On 22nd of May 1997, Welch sent a memo, co-signed by his two vice chairmen to the 500 managers who had attended the Boca meeting in Florida. Three points contained in the memo clearly demonstrated Welch's commitment to the initiative.

Effective 1/1/98, one must have begun Green Belt or Black Belt training in order to be promoted to an EB or SEB position.

Effective 7/1/98, one must have completed Green Belt or Black Belt training in order to be promoted to an EB or SEB position.

Effective 1/1/99, all exempt employees including officers, must have begun Green Belt or Black Belt training.

Extract from GE Memo

It was a case of 'get involved or forget about promotion'.

Welch also linked 40 percent of bonuses to Six Sigma for his 120 vice presidents. His commitment to the initiative very quickly became clear. He talked about Six Sigma in speeches, and in 1996 circulated a six-page pamphlet titled 'The Goal and the Journey'. The pamphlet informed readers what Six Sigma was all about, and was clear in conveying the message that the initiative was company-wide, for which a significant amount of resources would be allocated. Accordingly, the list of applicants for Six Sigma training was extensive.

Experiencing Massive Returns

In the first year of the program, GE invested US\$200 million with a return of US\$170 million. By spring 1999, approximately 800 champions had been trained, including every officer and senior executive of the company. 700 Master Black Belts had been trained as well as 4,500 Black Belts.

The results achieved with Six Sigma were beyond the expectations of Welch. Reports indicate that some 3,000 projects were finished in 1996, and some 30,000 employees received some form of Lean or Six Sigma training.

By 1998, the operating margin for the company stood at a record level of 16.7 percent. During that year GE invested US\$450 million in the initiative with a return of US\$1.5 billion.

It is not uncommon to find out that a senior executive is an accredited practitioner of Six Sigma. During 2003 I was quite amazed to see that the CEO of one of the European based GE businesses was in fact a Master Black Belt.

Six Sigma continued to evolve for GE as lessons were learned. In GE's 2000 Annual Report, Jack Welch announced an additional goal for the Six Sigma initiative, and that was the reduction of lead times (something he referred to as 'span'). The focus of GE had been on defect reduction, yet time in a process offered incredible opportunities for the business. While customers were being provided with defect free products, there was enormous variation in the time taken to deliver these products. By reducing the average and variation of process and lead times, the customer experience would be enhanced, and overheads and inventories could be significantly reduced. It was recognised that most of the tools of Six Sigma focused on reducing defects so

additional tools were required and these came from integrating Six Sigma with the Lean Manufacturing methodology.

So what lessons can we learn from Jack Welch's approach?

Here's a few of the most important ones.

1. Business leaders must be committed to the initiative. Commitment is only demonstrated through consistent action and engagement.
2. Link Lean Six Sigma to performance measures and rewards.
3. Link Lean Six Sigma training and development to promotion criteria.
4. Maintain focus on the initiative. Avoid moving to the 'flavour of the month' initiative.
5. Treat Lean Six Sigma as an investment, not a cost. It will provide returns unlike any other investment.
6. Use it as part of your leadership development program and success planning.
7. Challenge business leaders with customer focused goals (such as span).
8. Integrate Lean Six Sigma with complimentary initiatives that are applicable to the industry in which you work. (Lean, Theory of Constraints etc) One shoe size does not fit all – Lean Six Sigma that seems to be right for one company is probably not perfect for you.

3. What Must You Do as a Business Leader?

Moving Quickly Along The Path to Success

Many organisations around the world have tried their hand at continual improvement in one form or another. Many lessons have been learned, and many leading practices have evolved as a result. The path to success can be accelerated by *modelling* leading practices, in effect learning from the mistakes and successes of others.

The activities that you *must* undertake (listed below) are based on both leading practices and the principles behind making any change successful in its implementation. These activities will form a part of an implementation strategy that encompasses both the technical and motivational aspects of organisational change.

It's important for you to remember one key point ... the ability of people *never* enters the equation of successful change, the only issue is motivation.

To make your implementation successful, you must:

1. Generate a broad understanding of the intended outcome

This is the basis for establishing a common view of what it is that you intend creating through the implementation of Lean Six Sigma. A leader who exhibits passion about the future state, and takes the time to articulate that vision in such a way that all stakeholders share it, will be a powerful driving force for successful change. A clear vision of where the organisation is headed, plays a significant part in aligning efforts and inspiring action by large numbers of people. Like the engines of an aircraft, when they are aligned in their efforts, then the destination can be reached by all stakeholders. The alignment of action at all layers within the organisation is the goal.

2. Create a compelling reason for people to change

Knowing the reason why any change is necessary must come before knowing how the change will be achieved. If you think about it, change usually occurs as the result of one of two experiences – desperation or inspiration. The reason that really drives people to change may well be based on the cost or consequence of not making this change, for example if you don't reduce variation in your final products, then you'll lose market share to your competitors and might ultimately be acquired by a larger company. The reason that drives them may well be based on the benefits of doing the change, for example by reducing variation in your final products you'll be able to improve the capability of your external customers and as a result capture more of the market. When the reasons to change are compelling enough for those involved - your key stakeholders if you like, you now have leverage. The transition to a new state can be accelerated and sustained.

Having said that, there is one important point every leader must remember. Your reasons for change as a business leader are probably not the same as for those involved in the production of your products or delivery of services. Just because you are motivated by share price or business growth, doesn't mean the operator is. If you are going to tell people why change is necessary, you must deliver reasons that mean something to your audience.

3. Create a Business Improvement Operating System

Any implementation of change has risks, *regardless* of how well it is planned. You must recognise these risks and construct an operating system and infrastructure that helps create a management control framework that is proactive, interactive and reactive.

(Refer to Business Improvement Leadership Report 2011-02)

4. Build a powerful coalition of key players to guide the change

Not only must the leader of an organisation be visibly committed to the change, the right coalition of key senior people must also be committed in order to guide the change. Excuses for not having time are unacceptable. People choose to use their time in any way they want. Knowing that the change is important to the leadership of the organisation will drive an employee's behaviour. The right combination of key players will help transcend 'silos' and ensure a consistent theme permeates the organisation.

5. Keep Continual Improvement on the agenda

Whatever it is you focus on consistently you generate. Leaders must focus their attention on a handful of key strategies. Many leaders and managers try to juggle ten, twenty, or even more 'important' items. If you're a business leader, I'd like to challenge you to try this.

(a) Write down *all* of the things that you need to focus on to make your business, or your part of the business a success.

(b) Now reduce that list to the *top* five items that are linked to the strategic objectives of the business. If you have Lean Six Sigma in your organisation, include it in that list of five.

(c) Now hold out your upturned hand and imagine these five items written on your five fingers. For the next week, *every* time you meet with someone within your formal area of control, ask a question about any of these five items. At the end of the week ask these people what they believe is important to you as the leader of the business and I think the message will come through loud and clear.

'What interests my boss fascinates me immensely.'

Let's refer to this as 'strategic conversation'.

Continuous and highly visible ‘strategic conversation’ [that includes business improvement or Lean Six Sigma or whatever you choose to call it] by the top and middle management level of a company ensures that everyone knows it *is* important to the business. This type of conversation is a powerful tool for driving the focus of employees.

Not only should business improvement be on the informal discussion agenda, it should *also* be on the formal reporting agenda. Think about ‘safety’ for a moment, that’s how a safety focus is created in an organisation. All we’re simply doing here is adding an improvement focus.

One major company I worked with in Australia found that having weekly project status reports at the senior executive level was a significant factor in business units maintaining their focus and support for Lean Six Sigma in each of the business units. A major coal mine in Australia found that fortnightly project reports to the senior management team was one of the key factors in keeping that focus and maintaining momentum for improvement in their organisation.

6. Involve your best people

The best people in your organisation are the people who must be put to work on formal process improvement projects if you’re using Lean Six Sigma. Not only will you enhance the skills and knowledge of the future leaders of your organisation, you also maximise the chance of success for individual projects and the overall initiative.

Successes will be realised *much* sooner, and the enhanced transfer of knowledge throughout the company will contribute positively to the culture of the organisation. This action sends the message that Lean Six Sigma is important to the business.

7. Anchor changes firmly in the way your organisation does business

The transformation will only ‘stick’ when the old way of doing things can no longer exist. In essence it becomes ‘the way we do things around here’.

The alignment of performance systems and the organisational context around continual improvement concepts is vital if you wish to ensure it sticks *and* gets the results you want.

8. Choose formal process improvement projects carefully

Formally recognised projects must ultimately be selected on the basis of their contribution to the strategic objectives of the organisation. Benefits of such projects must be quantifiable in some way and are ideally reflected in bottom line results and / or the business risk profile.

9. Appoint full time BI Practitioners

This approach has proven successful in ensuring the concentrated focus on improvement, and acceleration of project work. In reality, project time frames can be reduced as opposed to part time project work, with returns being realised sooner. This full time commitment during initial training contributes to the learning process through early application of skills learnt.

A study conducted in Australia during 2002 by one of the largest mining companies in the world, reported that bottom line returns were significantly greater for *full* time improvement project team leaders than part time team leaders. In fact, the results showed a *tenfold* increase in reported benefits.

I have seen this problem in virtually every organisation I have worked with. They start out trying to minimise the level of investment they make in their BI initiative only to realise the returns they get are not what they expect. Two years later they start appointing full time project team leaders to compliment their part time approach to BI.

Other practices you might consider

I have observed many practices that offer the chance to shortcut the road to success with business improvement. I've included some worth considering:

Reward, Recognise and Celebrate Short Term Successes

The establishment of short term goals provides a foundation for achievement, recognition, reward and celebration. Whilst the longer term aspects of a business are critical, leaders must also think about the short term aspects of their business, and the idea of momentum.

Train Members of the Board

Would you dare make this suggestion? Some of the best companies actually do this.

By training board members as you would the champions of business improvement, you create the platform for your business improvement initiative to continue *beyond* the tenure of the current CEO. This approach reduces the risk of Lean Six Sigma disappearing when new business leaders take over and implement new initiatives as a part of their desire to change the organisation.

Go on, make the suggestion,

Establish a System of Mentoring

Mentoring has proven to be an absolutely essential element in developing project team leaders during the training phase. The *ideal* mentor is a full time business improvement professional at the Lean Six Sigma Master Black Belt level. They are focused on providing mentoring for:

- Project team leaders
- Project Champions
- Business leaders

Involve Finance People

Finance people can be involved in helping team leaders establish baselines and identify improvement benefits in financial terms. They can also take a significant role in validating claimed financial benefits.

The upfront involvement of financial people ensures the credibility of claimed financial benefits, and *ultimately* the credibility of the initiative.

Link Variable Remuneration with Improvement Results

By tying in the variable component of remuneration with improvement results, a much higher level of motivation exists for middle and senior managers to give continual improvement the focus it deserves. Some organisations have linked as much as 40 percent of variable remuneration to the results of Lean Six Sigma or business improvement.

These types of incentives can also exist at the workforce level, again a great source of motivation to continually improve.

One of the most successful approaches I have seen is where all employees have access to up to a 10 percent bonus each year. A large chunk of this is only given if business improvement targets are met. The result was that every employee had a vested interest in making sure continual improvement projects rapidly realised sustainable benefits to the business. This meant that they benefited by not only participating in BI activities, but by supporting other employees and departments that were involved in value adding BI activities.

Use the BI Budget to Back Fill

One incredibly successful approach that I've seen is to have a major chunk of the business improvement group budget allocated for back filling staff who are engaged in project work.

Think about this for a moment.

When you take people away from the work place to engage in a process improvement project, its highly likely that causes pain for the host department. The idea that you can fund the back fill of people sets you up to address that pain.

When you're working on process improvement projects that generate genuine value against either the Profit and Loss Statement or Balance Sheet, there's absolutely no reason why you shouldn't invest in back filling.

Well that's about it. Let's start to wrap this up.

Conclusion

Before I leave the topic of what leaders must do, I want to discuss one final element associated with leadership. First let me tell you a story.

Some years ago I had a very interesting discussion with the Managing Director of a medium sized company about the implementation of Lean Six Sigma in his business.

He told me about the difficulties he had experienced in keeping the initiative going. In the conversation he said it never really became a part of the way work was done in the business. His next level managers weren't committed to it and over the short-term focus had drifted away from the philosophies of improving the business *proactively*.

He was concerned about whether or not it was even worth continuing. With so many other things on his plate it was now becoming a distraction.

So I asked him a few questions. Questions like ...

Q. What training did you participate in?

Q. What tools from the program have you used yourself?

Q. How do you run your meetings with the management team?

His responses can be summarised in a few words.

He had not attended any formal education or training beyond a very short 'executive alignment' session. He admitted that during the session he had also attended to other work commitments, you know phone calls and so on.

He said his work life was very hectic considering his enormous responsibilities, and "he did not really have the time to commit to any training".

If I had one dollar for every time I have heard that!

Okay, granted he knew quite a bit about the methodology, there's absolutely no doubt about that. however, he had never used any of the tools or processes or event minor pieces from the Lean Six Sigma toolkit ... *ever!*

I also noted that his approach to meetings and facilitation was the same as ... well the same as everybody else's approach. His meeting agendas were just lists of discussion topics. No defined outcomes or written purpose. The meetings [in my opinion] were lengthy studies of what had occurred in the past. Plus one of his greatest challenges was getting the team to agree on decisions.

I noticed that he often used phrases like “I don’t have the time”, “the approach has always worked for me” and “what I’ve always done is this”.

You get the picture.

Here’s what I told him about his leadership of the initiative.

He *espoused* the value of engaging in Lean Six Sigma for the business and its participants. More importantly, he *truly* believed it ... he did, I have no doubts about that whatsoever. He committed resources by putting in place a team of people who focus on the project work and manage the day-to-day Lean Six Sigma function.

Now ... you need to listen carefully to this ... when he talked to people about what was happening and he saw the day-to-day operation for himself, he knew that people were *incredibly* busy (as he was). He gets told by his direct reports that ‘we don’t have time to attend training’, he hears excuses for *not* spending time on formal business improvement or Lean Six Sigma projects such as ‘there’s nothing wrong with what I do now, it’s always worked’.

Every time he sees or hears this, deep down inside he knows *exactly* what these people mean and are experiencing. These are actually *his* reasons for not really being involved in it. He is emotionally connected to their excuses for not using the initiative themselves, so how can he sell the concept?

The non verbal part of his communication conveyed his true feelings.

Here’s my point.

If you want to sell something ... and we are all selling ... you must convey and transfer feeling to the buyer.

What do I mean by that?

My experience with leadership has been that ‘selling’ and ‘leading’ is the *same* thing! Is it not interesting that we use the term *buy-in* when we talk about leading change?

To sell an idea to your people, to get *their* buy-in, to close the sale, *you* have to be emotionally connected to it, to have feeling for it. You *cannot* be emotionally connected to the excuses for not doing it.

If you are a car salesperson, can you honestly expect to effectively sell Ford or Holden motor vehicles yet drive a different brand of vehicle yourself because you see it as better value for money?

When the customer says she’ll buy the different brand because it’s cheaper, you’re emotionally connected to that very *same* reason for not buying the car you’re selling yourself.

I'm not suggesting that all a leader does is sell, I *am* suggesting that influencing how people think and what they buy-in to is a significant part of the role. And a business leader or manager *cannot* expect to get buy-in for business improvement at *any* level when they do not use the terminology or concepts themselves!

When people give excuses for not doing it a business leader will never be able to lead them beyond that paradigm when the same paradigm is theirs.

The only way we can change that paradigm is to do it ourselves, thus severing the emotional connection to the excuses we get.

I think the phrases used, perhaps to the point of excess, are that leaders have got to not only 'talk the talk', but also 'walk the talk'.

If you say you don't have time, hold that thought for a moment.

The CEO of Ford [a company with more than 300,000 employees world-wide] had time to undertake Lean Six Sigma training and champion projects. He has 300,000 employees!

Source: Paton, S.M., "Consumer Driven Six Sigma Saves Ford \$300 Million", Quality Digest, September 2001, <http://www.qualitydigest.com/sept01/html/ford.html> (2001)

I'm sure we all can make the time, we just need to learn how.

Any opportunities to include life management training for leaders and managers in the early phases of your business improvement initiative roll-out should be explored.

I now spend the major proportion of my time coaching business leaders and employees in self *and* business leadership skills. The intention of this is twofold:

1. To help all people realise that continual improvement is the key to success in *anything*, not something you do as an add-on in business.
2. To provide participants with the psychology and tools they need to become more effective in *all* aspects of their life (both personal and professional) and have more time for proactive improvement.

I believe *this* is a powerful way to create the mental space and emotional desire to develop business improvement capability and so far this is proving to be true.

I wish you good fortune in your business efforts.

George Lee Sye

About the Author



George is founder of Soarent Vision Pty. Ltd. Under his Chairmanship, Soarent Vision is rapidly expanding its entrepreneurial arm and establishing itself as a growth company and SME to model. His business growth technology and leadership methodologies are being applied at many levels inside some of the most successful corporations in the world.

His company specialises in increasing company margins and valuation multiples through effective application of (a) business leadership and execution frameworks and (b) business improvement methodologies such as Lean Six Sigma.

With customers in the ASX top 200 companies, the positive impact of his work is felt at many levels inside and outside some of the most successful corporations in the world.

He has written and published 16 books over the past 4 years in the area of business improvement and personal leadership, including his best selling title Process Mastery with Lean Six Sigma 2nd Edition. His 2007 published business leader's guide to the implementation of Lean Six Sigma (Process Alchemy 2nd Edition) is now translated and distributed in China by the largest publishing company in that country, Oriental Press.

He has delivered over 300 seminars (more than 1,000 full days of speaking) across the world, including events in the USA, South Africa, New Zealand, South America and Papua New Guinea. Some 25,000 business leaders have personally experienced his philosophies in formal training courses, as well as his incredible enthusiasm and energy for life.

Visit www.soarent.com.au for more information.

END