

Focused Lean Six Sigma

Achieving breakthrough performance in operations

As most manufacturing firms know, Lean Six Sigma is a proven way to improve operations. Yet while users continue to tout the solid benefits and results from their Lean Six Sigma initiatives, many companies continue to struggle to achieve the large-scale performance change they had been seeking. The reasons are understandable: Lean Six Sigma typically focuses on solving smaller problems rather than the bigger, more strategic issues that can generate breakthrough performance.

Many companies have successfully used Lean Six Sigma to improve their operations, yet true transformation has been elusive, even as firms deploy more lean experts and “black belts” to handle tough situations.

Leading companies, however, have discovered the major improvements they originally sought by adopting what we call a Focused Lean Six Sigma approach. They take a different perspective to create longer-lasting change.

The gains have been significant, including savings of up to 25 percent. For example, a global pharmaceutical firm we worked with reduced spending by 20 percent; an insurance giant saved \$50 million by linking manufacturing and complexity management practices to corporate strategy.

By corraling the effort and energy of their entire organizations, firms can apply Lean Six Sigma concepts how and where they are needed and unlock the full potential of the company.

Three Steps to Lean Six Sigma

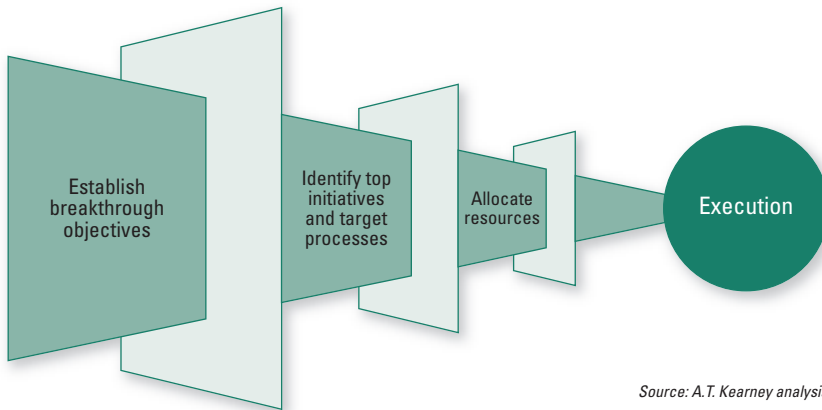
Lean Six Sigma works best when initiatives are aligned with the broader strategic goals of the company. This is not always a straightforward task. For example, if a business has the vague strategic goal “to become more responsive to customers’ needs,” how does that translate to efforts on the plant floor? Or another example: What takes higher priority—reducing change-over times or reducing waste? Clearly, being able to change a line more quickly gives the business more flexibility to respond to customers’ needs. But producing less waste frees up the resources necessary for those customer “re-dos,” and could offer added flexibility.

Obviously, judgment is needed in such cases. To help companies apply a strategic focus to confront questions like these in various settings, we offer a three-step process for implementing a Focused Lean Six Sigma approach (see figure on the following page).



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FIGURE: Three steps to execute Focused Lean Six Sigma



Source: A.T. Kearney analysis

Establish breakthrough objectives.

Lean Six Sigma initiatives must be aligned directly to a company's business goals. Senior leaders face a host of challenges as they try to connect day-to-day activities with strategy: setting the right business objectives, balancing supply with demand, and pushing the organization to make the right trade-offs between cost and service. This requires articulating the strategy and future vision for the business using measurable objectives that can be accomplished in a two- to three-year timeframe. Senior leaders do not shy away from making these objectives as challenging as possible and forcing their teams to consider major change rather than incremental improvements. The level of challenge established and the organization's overall prowess will drive which objectives to pursue. The next move is to line up the entire organization behind the corporate goals and strategy. This process helps break down big, bold objectives into smaller, more achievable chunks that Lean Six Sigma teams can more easily digest (*see sidebar: Breakthroughs at a Major Bank*).

Identify top initiatives and target processes.

At all times, a certain number of initiatives should be "in the hopper" ready to begin. Once breakthrough business objectives are determined, it is time to re-examine these queued-up initiatives to determine which ones align best with them. It is imperative to identify initiatives necessary to meet annual objectives and the critical processes that can ensure breakthroughs are achieved.

Companies that go through this exercise often discover two things. First, after adding up the expected results of these initiatives, a significant

gap still remains for meeting the actual "breakthrough." Second, many initiatives don't align well with the overall objectives and, subsequently, are better off being halted. Such findings can lead to heated internal debates, as every initiative has an owner being asked to make a sacrifice, and different people have different views on what is important. For example, production may support initiatives to reduce the number of products to stabilize demand, but this is at odds with sales and marketing's desire for increased variety and more demand flexibility.

Also, halting unproductive initiatives mid-year can cause problems when they leave a budget hole that needs to be plugged. To encourage the right targets and behaviors, budgeting must be connected to setting strategy and breakthrough objectives. This will help remove "sentimental" issues from the discussion and get everyone viewing the bigger picture.

For example, a global manufacturer of food ingredients laid out a multi-year strategy for a major product line. One of its largest plants was deemed a "one-product-line-only" plant, which meant a loss of roughly

Breakthroughs at a Major Bank

A banking client we worked with had a single strategic goal—to reduce its efficiency ratio to around 50 percent, in line with its peers. To do this, it focused on improving efficiency in its global treasury services business, curtailing operating expenses drastically while maintaining high levels of quality and customer service. In workshops, leaders brought forward several initiatives to improve the end-to-end business, including an analysis of service policies. A team of Six Sigma green and black belts developed guidelines for meeting customer requirements and standards to measure performance. Leaders from various functions were engaged in the process to help address constraints and identify possible roadblocks. Within three years, the bank reduced its costs by more than \$100 million while revenues rose.

half its volume. To make this work, the company set a breakthrough objective: to reduce fixed costs by at least

to reduce labor and assets costs. The company achieved its goal within the specified timeframe.

that point makes it easier to identify where best to apply your mostly limited Lean Six Sigma resources.

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35 percent within a year. Mapping ongoing initiatives against this objective, the company refocused its efforts

diminishing returns after which the extra value of more time and effort begins to decline. A model for finding

Allocate resources.

A thorough review of the “new and improved” list of initiatives allows the team to develop a few scenarios around how aggressive they can be in pursuing each one while still ensuring that customer expectations are met and critical processes perform stably. For almost every initiative, there is a point of

Tools for Change

Following these three steps, “normal” Lean Six Sigma project management can take over and provide the tools and skills needed to deploy lasting change, including metrics to monitor results. The right metrics, identified in the course of Focused Lean Six Sigma, will help to determine how well initiatives are being executed and whether or not breakthroughs are being achieved.

This more focused approach provides a framework for ensuring that initiatives on the “ground floor” align with the business strategy at the top levels of the organization.

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