

# LEAN SIX SIGMA FOR A COMPLEX WORLD

**Chris Seifert and Stephen Wilson of Wilson Perumal & Company, highlight the four key principles for making Lean Six Sigma relevant and financially rewarding in today’s complex environment**

The world has changed dramatically since Lean and Six Sigma (LSS) first came to prominence in the 1990s. Email, the internet, and now social media have dramatically increased the interconnectedness of the world. Globalisation has led to increased competition, forcing companies to expand product portfolios and design increasingly complex manufacturing processes and supply chains. Government regulation has become progressively more active, forcing companies to create new organisations and processes to ensure compliance. All these changes have dramatically increased the complexity of the environment in which companies operate, and the pace of change continues to accelerate.

Against this backdrop of change and complexity, achieving operational excellence is now more important, and more challenging, than ever. Your competitive strategy will not be sustainable if your company is unable to consistently and reliably execute. Any advantage you do have is fleeting, and the complexity of today’s world is thwarting efforts to become operationally excellent. In a survey of executives by AlixPartners, only 31 per cent of respondents were able to achieve the results promised by Lean Six Sigma practitioners, and one in seven executives were unable to quantify any benefits. In a similar survey by Accenture, 58 per cent of executives reported their continuous improvement programmes delivered minimal financial impact.

The headline? Many CEOs, CFOs and management teams are waking up to the uncomfortable fact that despite the tens or hundreds of ongoing Lean Six Sigma projects – and deep investment of money and resources – they are not seeing any discernible impact on the bottom line.

What is behind this? The traditional response to poor results from LSS teams is often to point towards lack of “buy-in” on the part of management. Certainly, if management isn’t committed to change, then change won’t happen. But in our experience, this is not the heart of the matter.

Generally, we find there is tremendous commitment on the part of the executive team. Most executives have demonstrated commitment throughout their professional journeys.

No, the root cause isn’t lack of commitment. It is one of methodology. LSS is bumping up against the realities of an increasingly complex world. As with other management orthodoxies, it has failed to evolve with changing realities of today’s complex world, and requires some updating to leverage its full power. First, let’s acknowledge the ways in which traditional LSS programmes have become out of sync with the demands of today.

- Traditional LSS frequently fails to acknowledge the Vicious Complexity Cycle: As complexity increases, the execution of business processes becomes more difficult, and eventually a company loses control of its core processes. The processes simply cannot deliver consistent and reliable performance. In turn, this causes poor business results. And what does any good manager in a company with an LSS capability do when business results suffer? She focuses attention on the problem, brings in Black Belts to investigate the issues, starts a new initiative, and perhaps stands up a new organisation. And thus, the answer to addressing the impact of

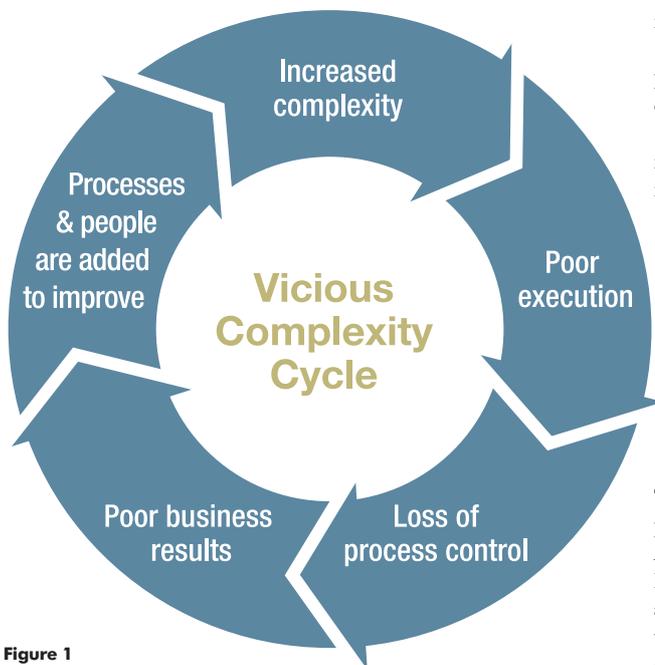


Figure 1

## 7 Element Operational Excellence Management System



Figure 2

increasing complexity is frequently to add more complexity. (see figure 1)

- Traditional LSS is a bottom-up approach that fails to account for the interactions that create complexity: it relies on taking a broad scope of a business issue and breaking it down into many “parcels” to create manageable Black Belt projects, each worked in isolation. These projects may add tremendous value, but what is absent is a more holistic top-down approach to project selection and management – one that recognises the interactions between your processes, your offering, and your organisation – the odds are against them leading to significant or transformational benefits.

- The pace of many traditional LSS projects is out of sync with business reality. The common training/coaching model has a Black Belt working a project over 4-6 months. But the rapid pace of change in the environment means that the inputs to these processes are changing as quickly as the process itself. Add in multiple projects to a Black Belt’s responsibility and the duration to achieve results delays further.

- Traditional deployments focus leaders on managing deployments, rather than learning to lead in a complex environment. Complex operating environments require a different approach to leadership. The LSS approach to engaging leadership typically focuses on teaching the skills necessary to lead “the deployment,” with emphases on managing to the number of certified belts, projects in process, and so on and doesn’t address the new requirements of leaders in managing complexity.

What can leaders do to overcome these deficiencies? How can a company get the big returns on investments in Lean Six Sigma?

The good news is that you don’t have to throw out the work you’ve already done. The application of four core principles can unlock the promise of your LSS capabilities.

- 1) Anchor around a top-down view of the company. Rather than isolating individual processes and assuming that many small projects will add up to big returns, start with a broader view of your operating model and ensure that is aligned with your strategy in a way that will deliver Operational Excellence.

You need this view to get leverage from your significant LSS capabilities. For example, rather than working a supply chain sub-process in isolation, recognise that the root cause may lay upstream in the new product introduction capability or in the organisational design. We start by diagnosing the operating model, then focus efforts (and Black-Belts) on the key areas that will lead to financial benefit (vs. diffusing efforts).

- 2) Gain control of your processes first, and then improve them. Breaking the Vicious Complexity Cycle requires regaining control of the business processes that have been impacted by complexity. This is the opposite of DMAIC, which ends with maintaining control. The best way to do this is by implementing an Operational Excellence Management System to install the key controls necessary for managing the risks within your operations. (See figure 2)

- 3) Acknowledge and address the complexity in your business. Examine the impact of the interactions between products, processes and your organisation, and actively pursue removing complexity where it isn’t truly creating value for customers and shareholders. Complexity reduction efforts will multiply the benefits of LSS. For example, far better to invest time improving one process than many duplicate processes.

- 4) Train your leaders on what it means to lead and embed Operational Excellence in the business, as opposed to what it means to run a Lean Six Sigma Deployment. Teach leaders how to work on their management system, and the supporting culture, to become more effective leaders. They must recognise that Lean Six Sigma is simply one approach within a broader management system, and focusing on it alone will not enable them to be successful in today’s complex world.

You’ve already demonstrated your commitment to success and Operational Excellence by initiating a Lean Six Sigma deployment. If you aren’t getting the results you expected, focus on the four principles and assess gaps. Implementing the four principles we have outlined above can get your Lean Six Sigma deployment back on track and unlock the true potential of a powerful methodology. ■

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