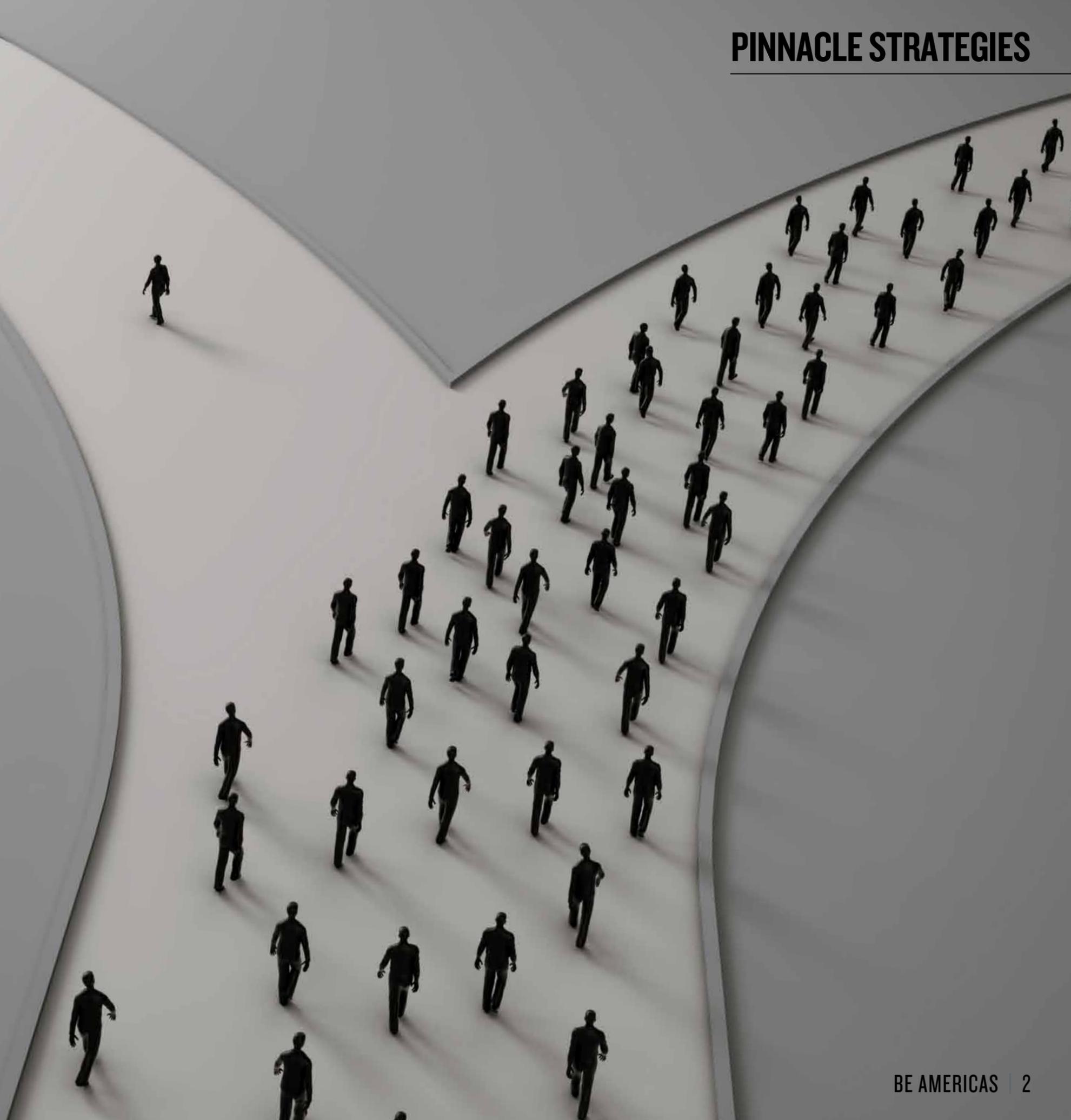# CHANGING
HOW WE
CHANGE

Just as continuous improvement programs involve changes in operating processes, the way we look at continuous improvement is changing all the time, too

WRITTEN BY: **THOMAS R. CUTLER**

Neither the theory of constraints (TOC) nor lean six sigma is a religion, although there are zealot believers in both who may disagree. Mark Woeppel, president and CEO of Pinnacle Strategies, acknowledges many organizations struggle to achieve real bottom line results with continuous improvement (CI) efforts, whether in cost savings or increased revenues. In spite of the widespread implementation of lean and six sigma principles, poor results persist.
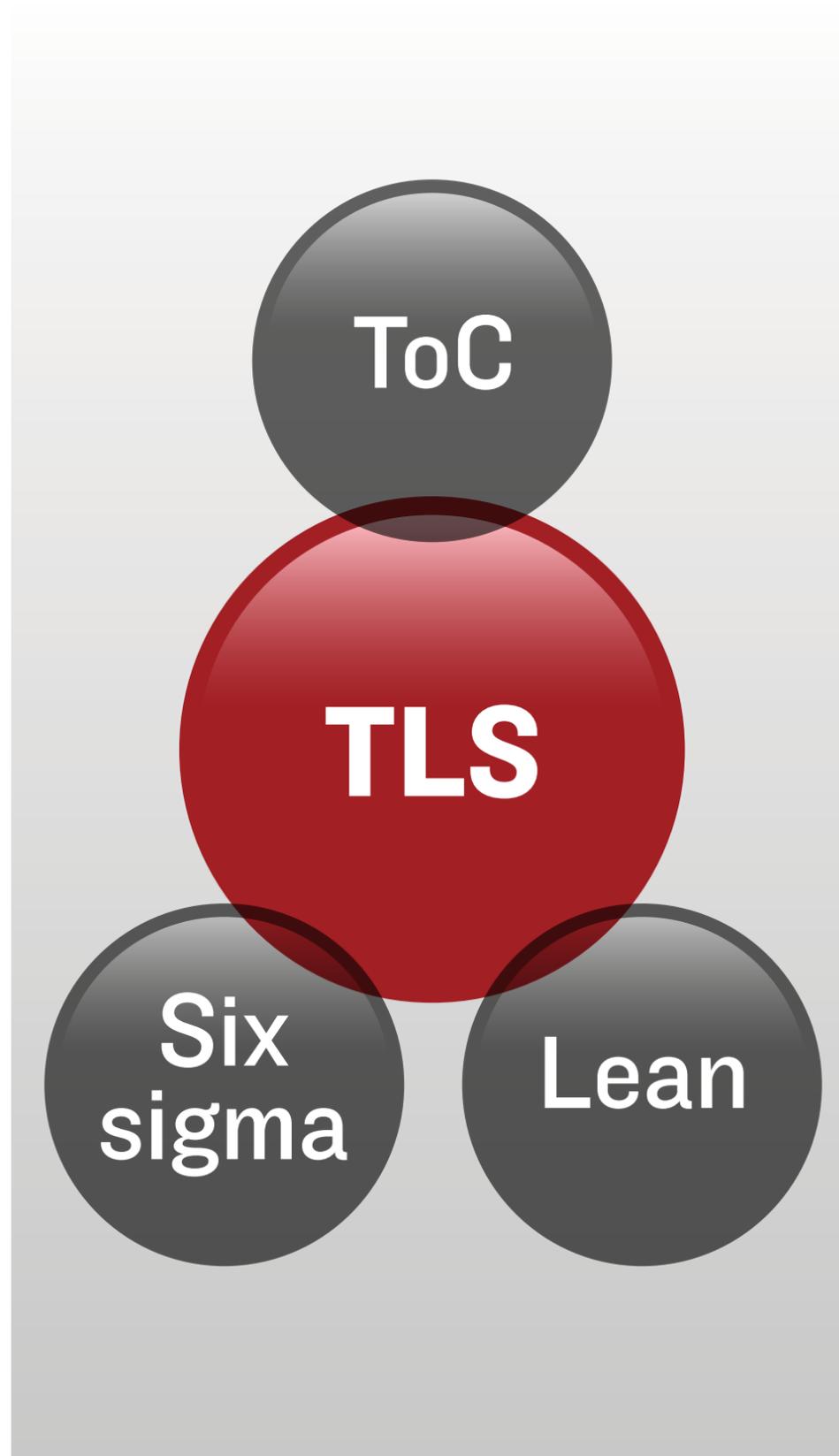
Just as lean and six sigma became an integrated process, we now have another integration with the theory of constraints lean six sigma (TLS) process, which generates 15 to 20 times better performance than lean or six sigma alone.

The root causes of poor CI program performance must be considered first. A systematic framework for creating positive ongoing bottom line results is essential. At the heart of continuous improvement is the need to change, but many changes result in little real improvement, thus the mismatch between expectations for change and the desired results.

ADDITIVE VERSUS SYSTEM APPROACH

There are two distinct approaches to improvement. One, the traditional additive approach, suggests that when there is improvement in many different places, it will improve the entire system; or put another way, "every little bit helps". In contrast, the systems approach to improvement delineates that not every improvement yields an improvement to the system as a whole. Woeppel agrees; "Not every bit helps....most changes don't do a thing".

US manufacturers believe in continuous improvement, with seven out of ten using lean, and nearly three out of ten using six sigma. "US manufacturers are trying a variety of tools to improve their competiveness," Woeppel acknowledges, "but there is a long way between trying and achieving. When we look at results, we see that fewer than 25 percent of companies report significant progress towards becoming world class. Even though many organizations try to improve their performance, most of the time, their results fall far short of expectations."

The goal for any continuous improvement program is to systematically create improvements. The CI teams must get results; they must improve. The improvement targets that seem to be closest at hand are the biggest time sinks in the process; the steps that take the longest or consume the most time. The longest setups, the highest scrap rates, the longest process times, are tempting targets for improvement.

The teams must not only get results, they have to get meaningful results; improve the things that are important to the business. Most CI projects are focused on reducing the process time—unless there is a major business problem such as a quality or reliability issue, which threatens the organization. Management will intervene with a special team to solve that problem. Once the danger has passed, CI teams are left to decide where to work next. The methods of lean and six sigma guide project teams to focus on either the time sinks directly (lean) or indirectly, targeting the high variation processes (six sigma).

"CI teams are not systematically deployed to create meaningful business results," noted Woeppel. "They improve the process in the hopes of a real return; this is the traditional approach to improvement. The goal for any continuous improvement program is to systematically

Many changes result in little real improvement

> "ORGANIZATIONS STRUGGLE TO ACHIEVE REAL BOTTOM LINE RESULTS WITH CONTINUOUS IMPROVEMENT (CI) EFFORTS"

create improvements." For most organizations, an improvement is not really an improvement unless it improves the bottom line either now, or sometime in the future. Just because a company is leaner does not mean it is more profitable. The improvement program must demonstrate measurable and financially justifiable results for its efforts. Clearly, the traditional approach to continuous improvement is not working and gives way for the TLS approach.

The projects undertaken are almost exclusively focused on eliminating or reducing process time. Most improvement teams simply choose the wrong processes to improve. Fooling ourselves into believing that saving an hour in the process is going to eliminate an hour's worth of expenses is false; that it will lead to improvement in the bottom line is also false.

The priests of lean and six sigma say, "someday it will," but the data shows that "someday" never comes. Since most organizations do not reduce their workforce as a result of improvement efforts, rarely do time savings appear on the bottom line. Unless the organization produces (sells) more with the same quantity of resources, the return on these "improvements" will be negligible. Only the projects focused on the leverage point have any significant return at all. The weakest link determines the strength

The lack of measurable results creates problems for continuous improvement programs

of the chain; to improve the chain companies must focus on the weakest link, yet CI teams continue to work on projects elsewhere. They "improve" the links that do not affect the strength of the chain.

The lack of measurable results creates problems for the continuous improvement programs and the managers who commission such programs. Senior managers wonder why investments in programs do not create the promised returns and become skeptical that CI programs will do anything significant. When senior management loses confidence in CI, the rest of the organization soon follows.

DOUBLE THE BOTTOM LINE

The Lean Enterprise Institute surveyed lean practitioners about the biggest obstacles to lean implementations. Most practitioners cite "resistance to change" as the biggest obstacle...from every level of management, the middle, front line, and employees on the plant floor.

Unrealized financial value ranked very low in obstacles, indicating the practitioners do not connect the lack of bottom line results to organizational resistance. Rather, they seem to be focused on implementation "maturity", which is another way of saying that the organization is using all the tools. Results indicate that there is a disconnection between the goals of lean practitioners and management; emphasizing tool adoption over results achievement.

Woeppel is clear that the integration of TOC, lean, and six sigma create a more balanced approach. He suggests that using TOC to create alignment with the goal is useful. It allows CI managers to identify

THE RESULT OF CI FAILURE...

- Most projects don't deliver the results for which they are designed
- Overall company performance does not improve
- Implementations are difficult
- Managers get frustrated with CI projects
- Most managers stop supporting CI projects and initiatives
- People become cynical about CI initiatives
- Resistance to change is rampant in the organization
- The problems CI programs were implemented to solve still exist

> **"CONTINUOUS IMPROVEMENT AND BUSINESS EXCELLENCE ARE NOT SOMETHING TO BE ADDED TO THE WORK OF MANAGERS; THIS IS THE WORK OF MANAGERS"**

There is not a straight line from process excellence to financial performance

the constraint, align the measurement system, and project deployment around the constraint. It also prevents local optimization conflicts, identifies movement of the constraint, as well as stabilizing the global process with strategic buffers.

Lean methodology allows for the elimination of waste by articulating the value—what is important to the customer. It allows all parties to understand core processes, identify the sources of waste, and remove waste from processes. The result is a smooth flow which eliminates excess inventory and removes unnecessary steps and activities.

Six sigma used in conjunction with lean and TOC is able to stabilize processes to create consistency, identify and

systematically remove the source(s) of process variation, as well as match the voice of the customer to the voice of the process., "It also allows CI practitioners to design robust processes with minimum variation and understand when there is a limiting factor or process capability," adds Woeppel.

Tools are important, but they are not as important as the core skill of leadership. Pinnacle Strategies' data revealed that process management is twice as important when predicting customer satisfaction as when predicting financial results. Good processes are important to customers, but there is not a straight line from process excellence to financial performance. Companies may have happy customers, but unhappy stockholders.

The lesson for

management and continuous improvement program directors is that the soft skills of leadership are very important to delivering results. The real leaders must be commissioning, guiding, and delivering real accountability to CI teams. CI and business excellence initiatives cannot be delegated to the 'business excellence department'. "Leadership must be fully engaged in continuous improvement," says Woeppel with urgency and conviction. "Continuous improvement and business excellence are not something to be added to the work of managers; this is the work of managers."

Implementing TLS deviates from a single theistic approach. It takes the best from many solutions. It is an integration of best practices and lessons learned. **BE**

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