

Moving Lean and Six Sigma from FAD to Core Operational Practice

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Today's Key Points

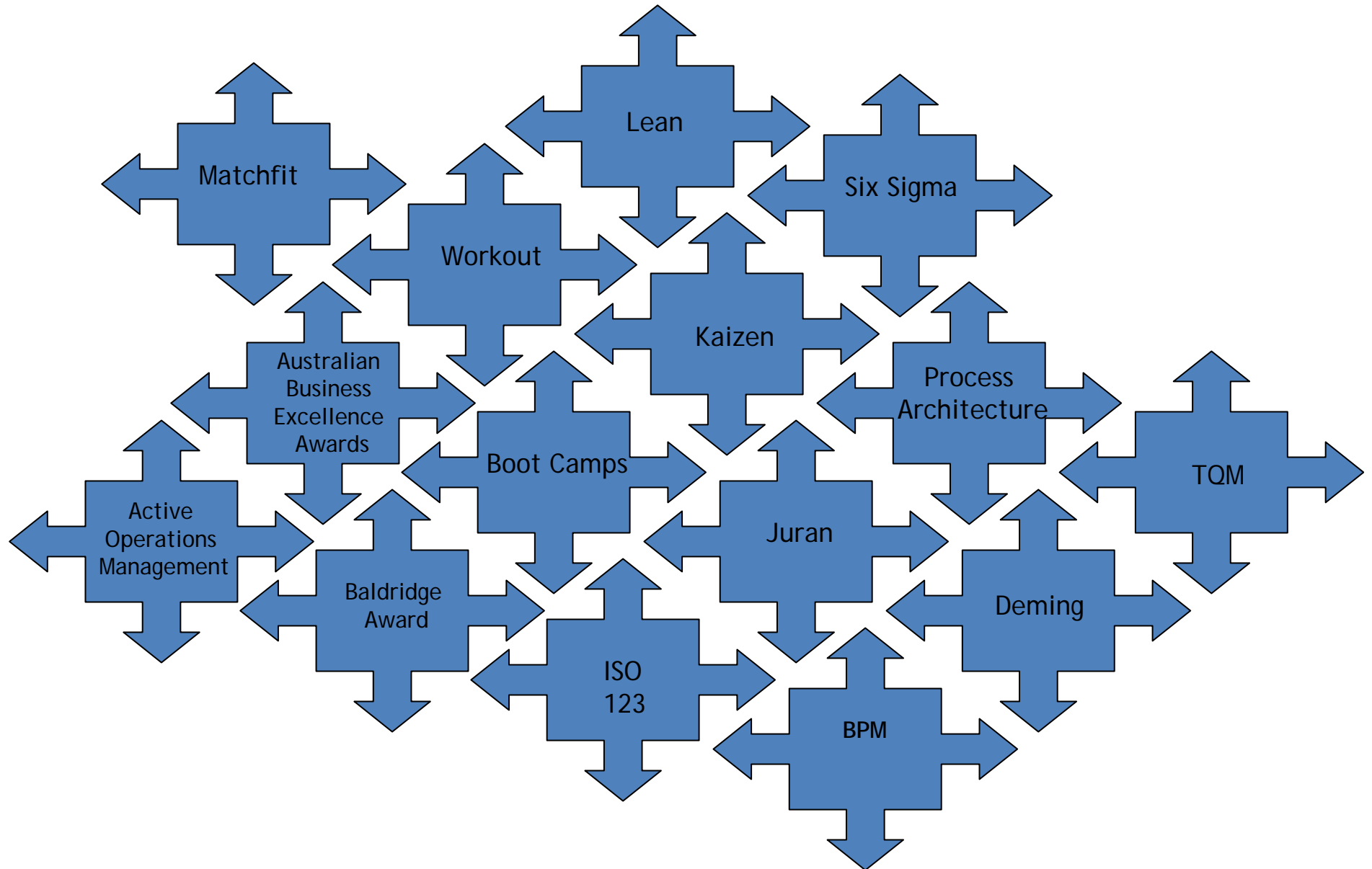
▸ **Setting Context**

▸ **Today's Challenges**

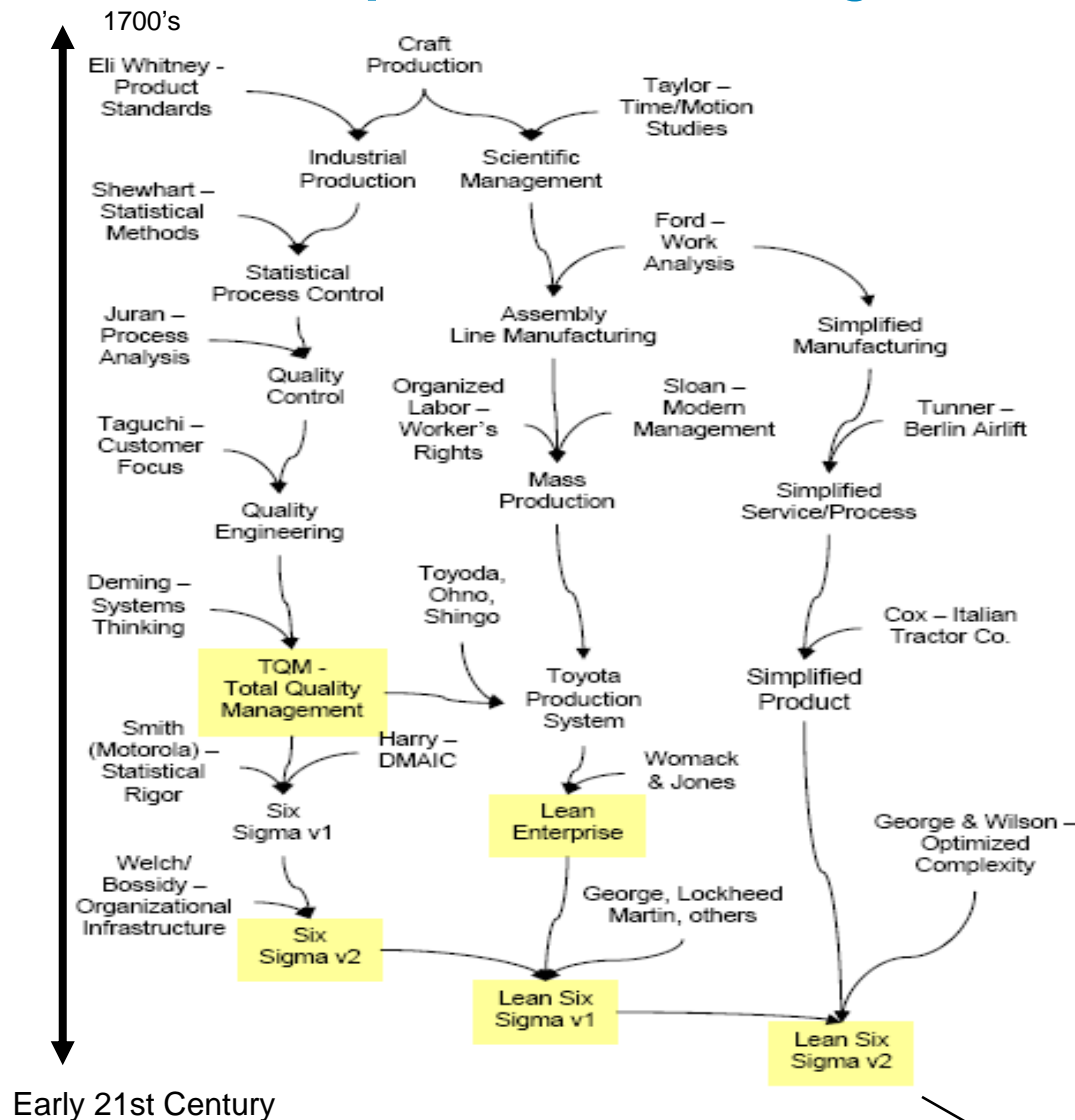
▸ **A Way Forward**

Setting Context

You would have heard of many of these ‘branded’ Operations and Process Management ‘products’



The science and economics of operations and process management is not new



Six Sigma and Lean

- A subset of Quality
- Quality a subset of Operations Management
 - Fundamentals of Ops and Process management
 - Operations Strategy
 - Operations Design
 - People
 - Process
 - Equipment
 - Systems
 - Supply Chain Management
 - Resource and Capacity Planning
 - Improvement
 - Project management
 - Risk and Quality Assurance

Quo Vadis

Fundamentally they are the same

Philosophy:

All work is a process

They must be owned and measured

- A firm belief that all work can be improved by understanding how it is performed

Principles:

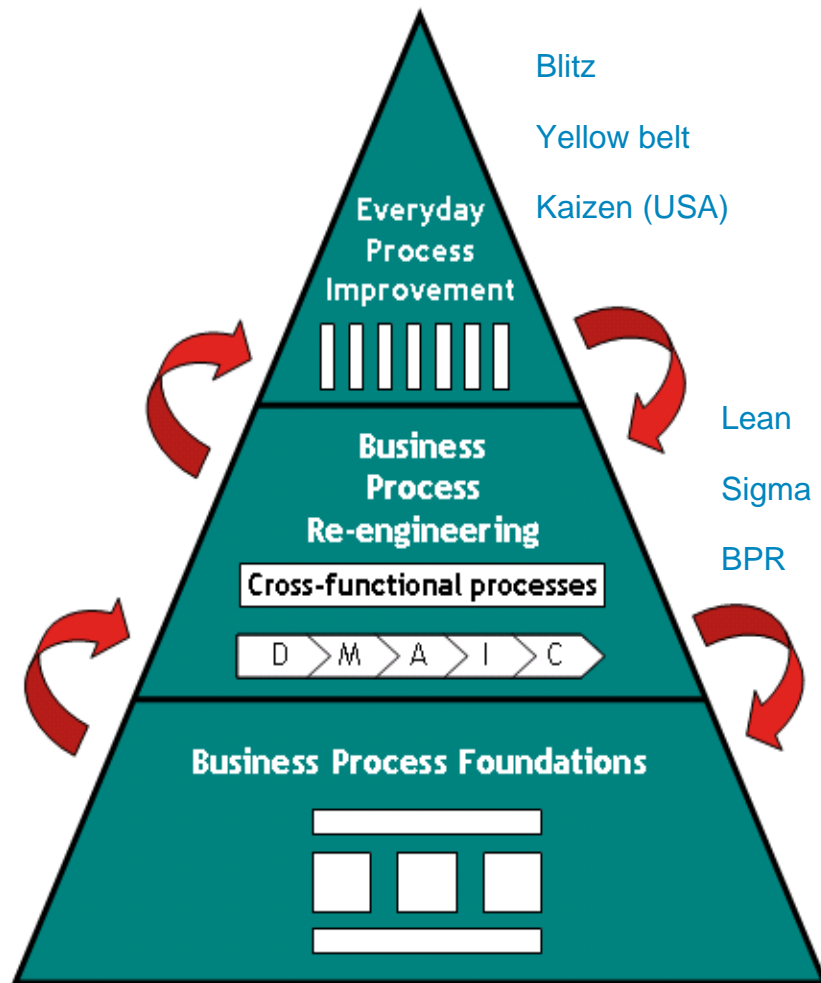
- Focus on the customer
- Understand and manage variation
- Use facts and data, not jumping to solutions

Philosophy, principles and tools apply equally well for all types of operations:

- Sales and Marketing Operation
- Operations, Maintenance and Distribution Operations
- Design and Projects Operation
- Support Operation
- Information Technology Operation
- Management Operation

Anyone including the Managing Director run or are part of an operation

Today you will generally here of three types of improvement



Management systems, ISO, Excellence Frameworks

Everyday Process Improvement

- > Short time frame, relatively simple changes focused within an immediate team

Business Process Re-engineering

- > Focuses on end-to-end processes across multiple teams to drive more complex process changes, including automation & offshoring

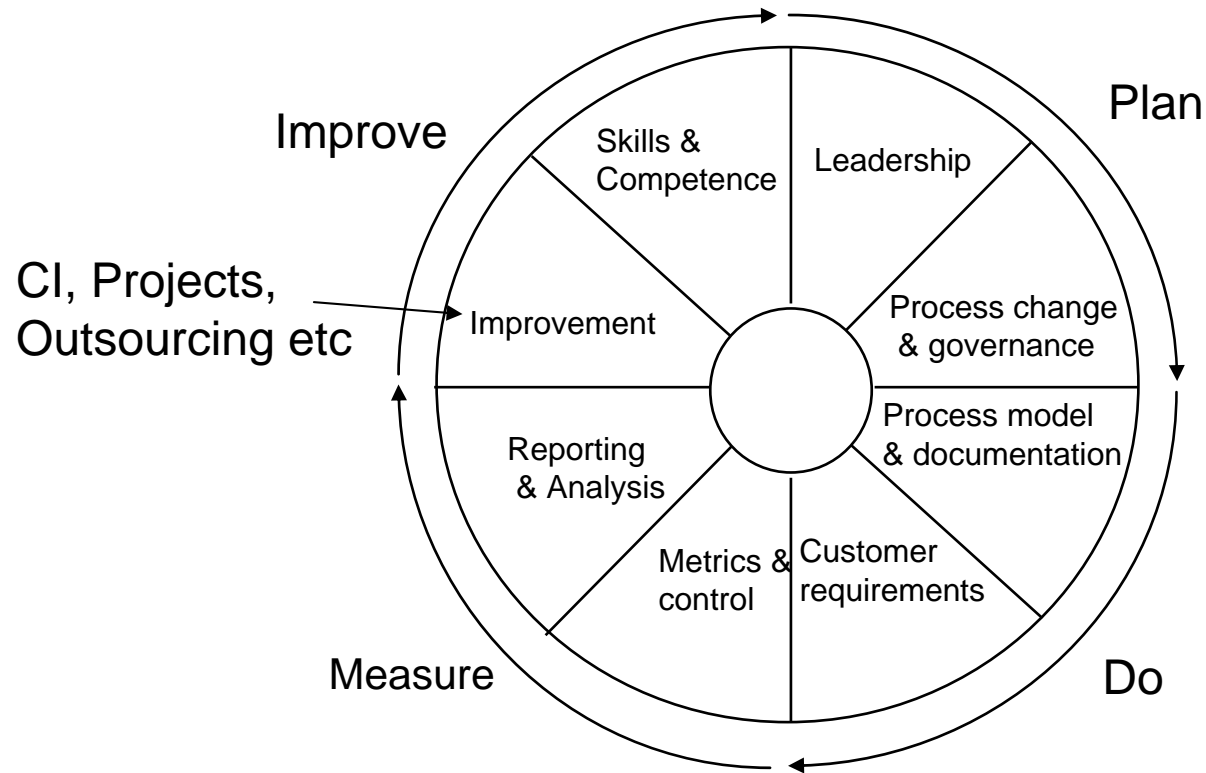
Business Process Foundations

- > Facilitates the end-to-end management and improvement of our business processes and ensures changes are sustained

All three approaches are important to achieve our desired outcomes

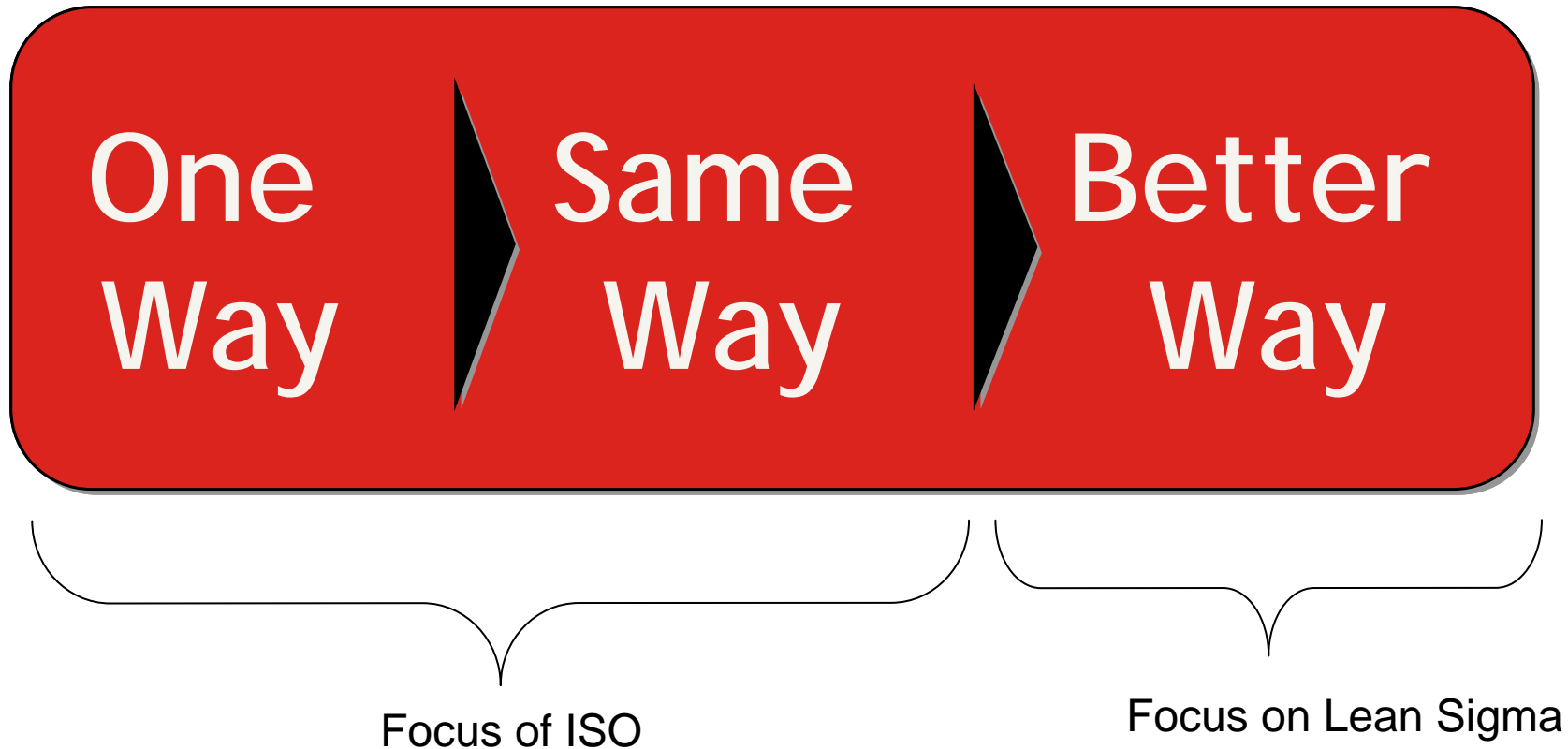
Continuous Improvement Approach \ KPI	Increase Customer Satisfaction	Increase Employee Engagement (EOS)	Direct \$ benefits	Sustainability
Everyday Improvement	LOW to medium	HIGH	LOW to medium	LOW
Re-engineering	HIGH	MEDIUM	HIGH	LOW
Business Process Management	MEDIUM to high	LOW	MEDIUM to high	HIGH

Example of one companies quality approach



**Role of a true “Quality” or “CI” manager is to coordinate all this!
Does not do it all but manages the journey
ISO itself is built in to this and is not separate
Requires a broader skill set role is usually often part of a efficiency portfolio**

Journey to operational and process excellence



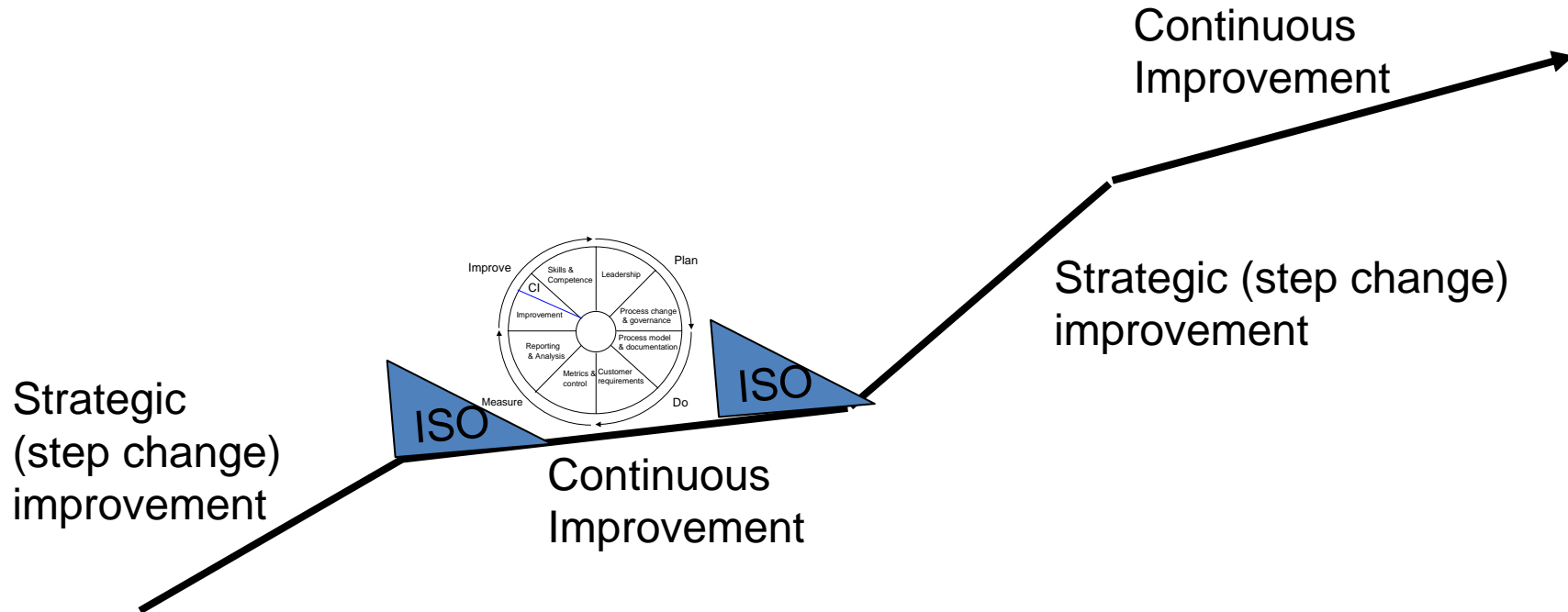
Challenges that face us

Not ending up here?



ISO

ISO should be the chock but too often it's also a barrier



Quality Deployments have all been successful... for a relatively short time (< one generation)

A real search for identity! Yet part of the Quality Family



ISO



Six Sigma



Lean



Yet business people just keep trucking along, and have Not fully accepted quality into the day to day of business

Despite the successes

Example 1



41 % increase in productivity in two years (volumes \uparrow 36%, FTE \downarrow 4%)



Industry leading customer satisfaction rating (From 6.9 to 7.5)



Costs down 19% (\$222 to \$181 per member \downarrow 19%)



Service Level \uparrow 17% (timeliness)

Example 2



EOS from 38% to 61% over 3 yrs



Productivity: \uparrow 24% in 2 years

Non-Lending losses \downarrow 91%

Example 3



45% productivity improvement



EOS \uparrow 19% in 3 yrs (now 67%)

Non-Lending losses down 90%

Example 4



14% p.a. productivity improvement (49% \uparrow in 3 years)



EOS from a low of 34% to 52% since 2005



International Payments unit costs \downarrow 36% (\$4.66 to 2.97 in 3 yrs)



Service on time 99.996%



Accuracy 99.981%

Observations and Broad Findings

- Many incredible successes of both Lean and Six Sigma
- More hard nosed studies suggest:
 - Lean and Sigma have mainly replaced rather than added to the concepts of JIT and TQM*
 - They are essentially repackaged versions of the former and tend to follow fad (product) life cycle
 - Means a new fad will come soon
- Businesses are sceptical (especially in Oz)

* Lean, six sigma and lean sigma: fads or real process improvement methods?
Dag Naslad BPM Journal 2008

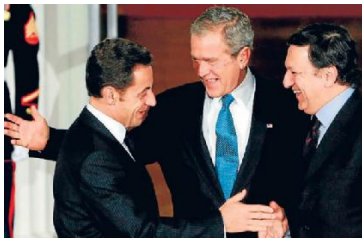
More challenges that face us

- **Branding.....Gimmicky**
- **Qualifications...Loose and too myopic**
 -5 years to be an MBB?
 - a chartered accountant in five years
 - An actuary in five years
 - A doctor
 - A senior engineer?
- **Lack of attention at MBA level**
 - Quality and Operations Management is usually only one subject and often and elective
 - Not seen as important for the upcoming senior executives toolset

We need to broaden the skill sets of Lean Six

Challenges that faces us

1. The rise and rise of “Leadership” or “Backslapping” training to detriment of Quality and Operations training (seen as inferior)



2. A critical initial ingredient but sometimes lacks further substance

A way forward

5 critical ingredients

1. Leadership

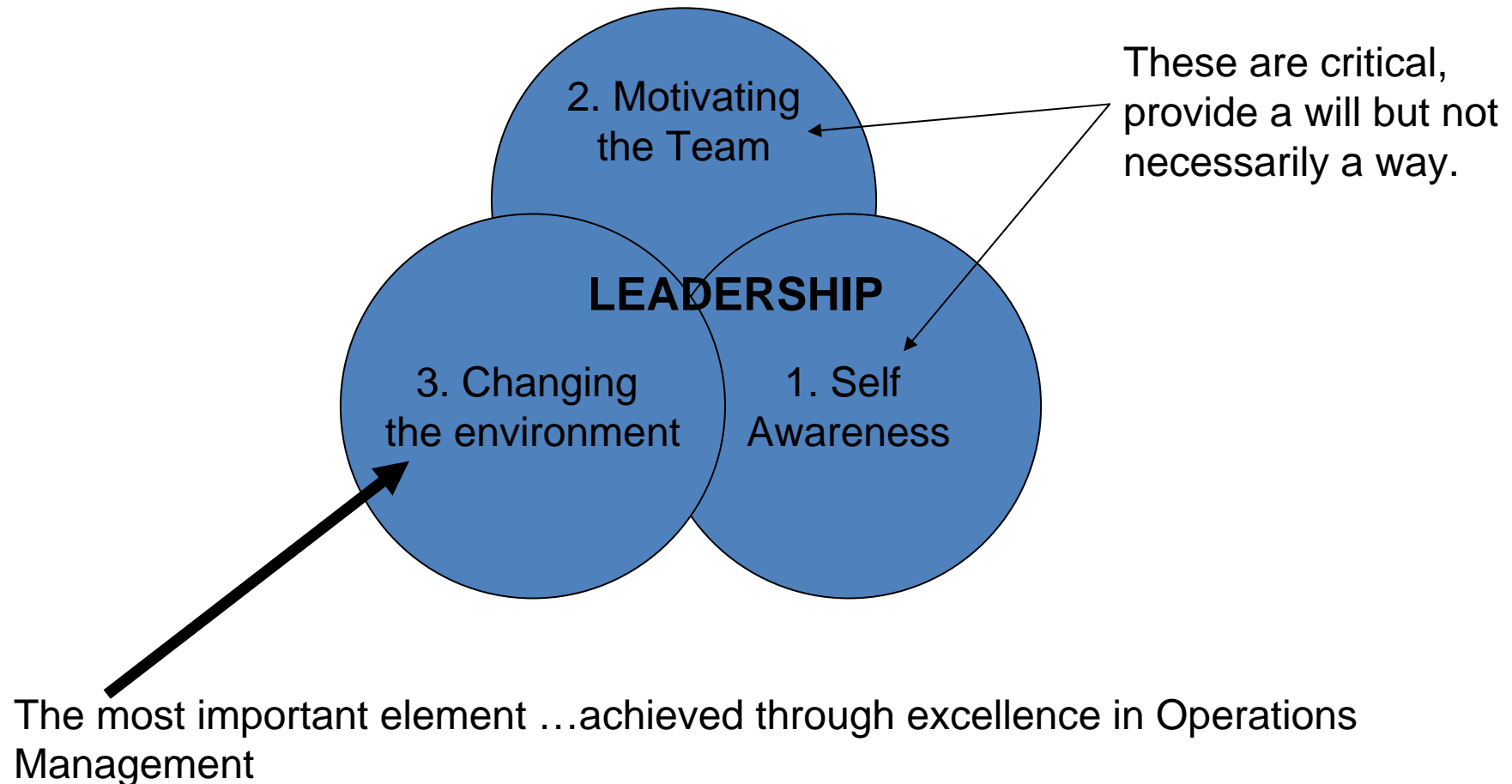


"So, if it's good it's Mister Coffee... and if it's bad, it's me?"

Fundamental Attribution Error:

Deming summed this up blaming the person not the system

A renewed approach to leadership



A partnership with HR

Must cross the bridge and work together not compete



2. Quick Wins...*seeing is believing*

Facts & Experience

Spelling

Arithmetic

Organising

Scheduling

Accounting

Project

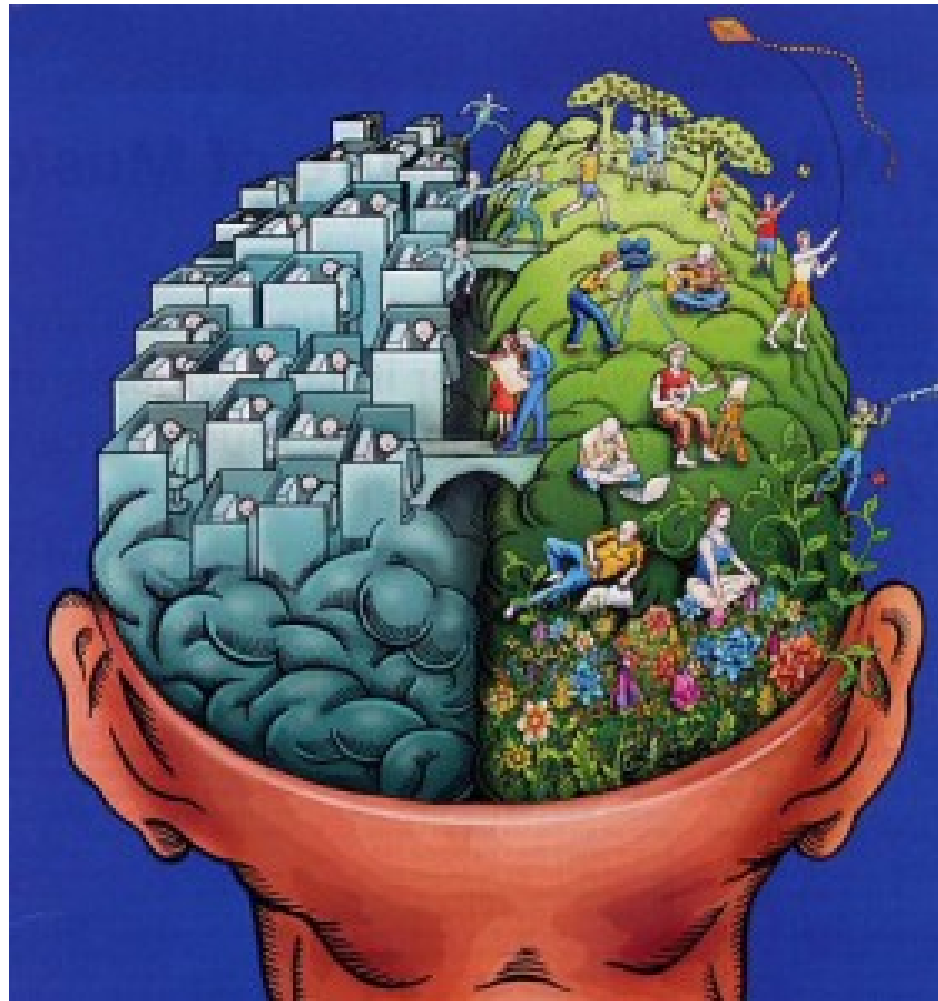
Engineering

Building

“Finance”

Commerce

Grads



Intuition & Concepts

Art

Music

Design

Mathematics

Advanced Physics

Most Engineering

Architecture

Musicians

Artists,

Advertisers

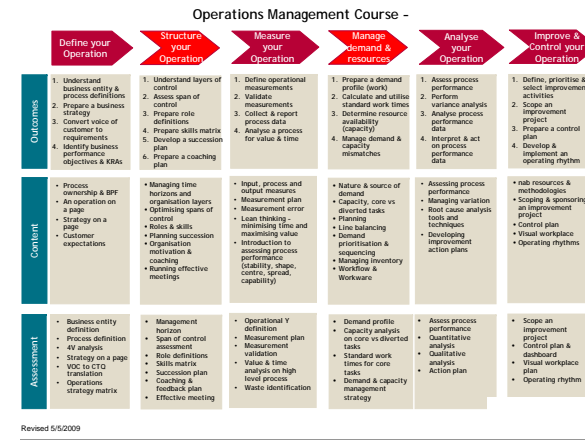
Arts/Science/Eng

Grads

3. Holistic capability and training

Operations Management

- Operations strategy
 - Determining what your operation should do
- Operational structure
- Developing correct operational Measurements
- Managing your resources
- Assessing the operations performance
- Sustaining and improving performance



Helping people day to day, not just in project sense

4. Build a Community of Practice



- Forums
- Newsletters
- Snr guest speakers

5. Tools and Methods

Build a common tool box and deploy group wide

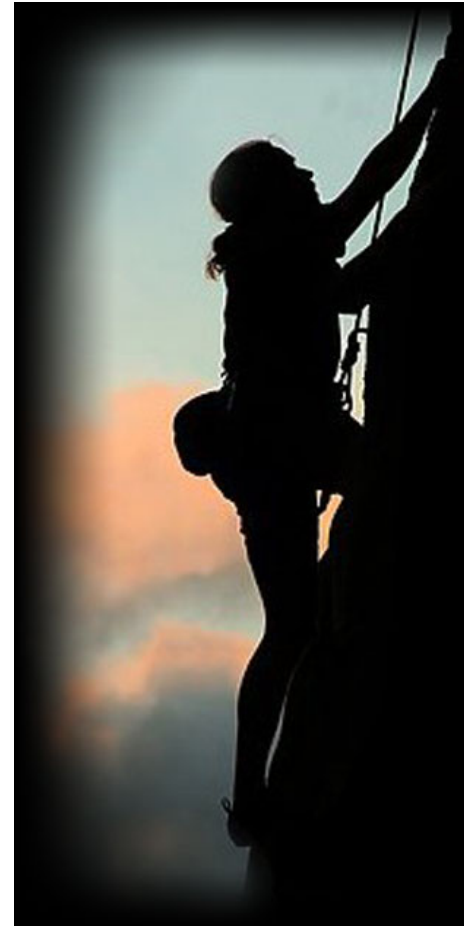
- Necessary but time consuming
- Difficult to justify value until pull grows



Unfortunately has to
be done on the run

Are we up to the challenge

- No Gimmicks
- No Lean sigma wars
- No sigma arrogance
- Work with HR
- Build and broaden our own expertise





Questions?