

Lean Six Sigma

Where does it fit within Operational Excellence?



Endeavor Management

2700 Post Oak Blvd.
Suite 1400
Houston, Texas 77056

P + 713.877.8130
F + 713.877.1823
www.endeavormgmt.com

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LSS vs OE: Same Tools, Different Names?

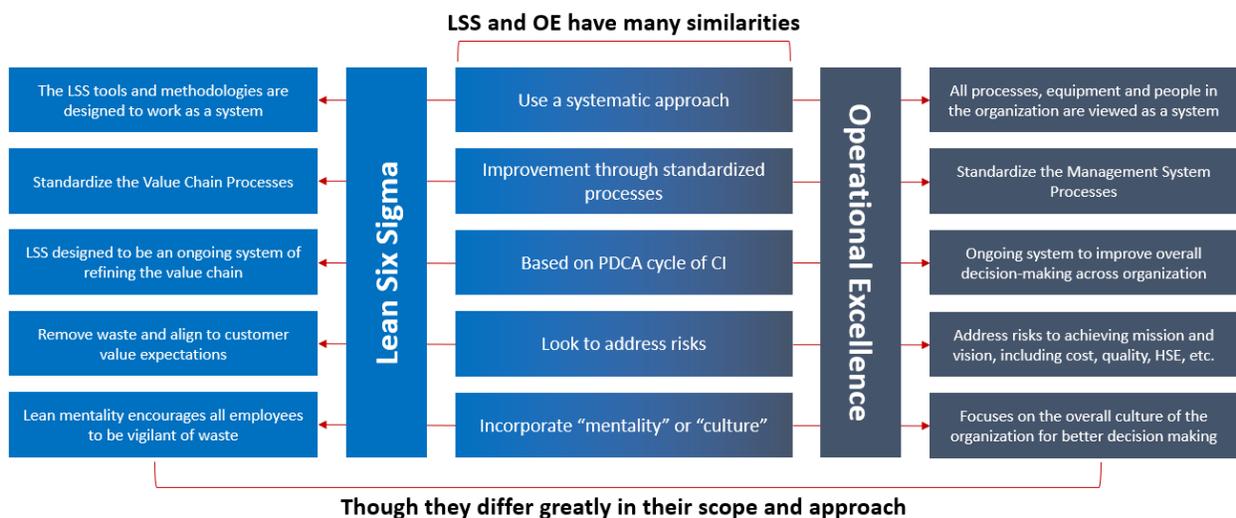
There seems to be a lot of noise and general misconceptions about Lean Six Sigma (LSS) and Operational Excellence (OE). Are they different terms for the same thing? Are they just different approaches to the same end goal? If they are different, which one is right for me?

This is not an inconsequential topic since both are considered approaches to Continuous Improvement (CI). Studies have found over half of executives say their CI programs have failed to produce the expected results and over 2/3 say their programs need to be changed or reconsidered. Without clear expectations, both on the expected benefits and the required investment and organizational commitment to make them work, expectations can easily be missed. Avoiding this requires having a clear idea of the difference between alternative approaches to CI and why some work in some situations but not others.

Similarities

It is easy to see why many people see LSS and OE as essentially the same thing. On the surface, they have many similarities. They are both based on the same fundamental principles of taking a systematic approach to continuous improvement. They both result in standardization of processes, they both look to address risk and they both incorporate some aspect of culture that is necessary for success.

From the outside looking in, they seem very similar, but this is where the similarities end. When you look at the scope of what they are seeking to accomplish and the specific approach they require, they are completely different.



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Key Differences

Overall, the key difference between the two is the scope of what they consider the “system”. With LSS, the system is usually a single process within the overall value chain, whereas Operational Excellence is not possible without looking at the entire organization as a system. LSS can work very well in the right conditions, but often it runs into two critical limitations.

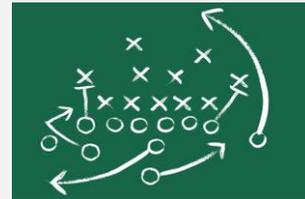
LSS Limitation #1: Problems Outside the “System”

A LSS program can result in a world-class set of Standard Work Processes, but if any of the systems for hiring the right staff, for documenting the standards, for training or for rewarding workers for following the process are broken, the standards will not lead to sustainable improved performance.

LSS Limitation #2: Inadvertent Negative Impacts

Any process within the business can have an indirect impact on seemingly unrelated processes. What can seem like waste within that process may be enabling agility or efficiency elsewhere. This is a natural limitation of bottom-up approaches like LSS, and even temporary improvements may lead to negative long-term impacts to the overall system.

LSS vs. OE in Football



A simple analogy can be found in football. Taking a LSS approach is like taking an individual play, assessing its performance, and refining it to address its weaknesses over time.

OE requires a different approach. It starts with the overall strategy and vision for the team and looks at how that vision and strategy translates to every decision made by the team. From how the coaching staff makes decisions about team members, positions and play calls to how the players’ behavior impacts the overall appeal of the team with the fans, how to better leverage merchandising, advertising and marketing, and how everything works together to achieving the vision and strategy. Within that system, it may be appropriate to focus on a single play that needs refinement, but all of it is done as part of a broader system for managing the team.

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Operational Excellence requires a different approach – one that starts with the overall strategy and vision for the organization and ensures alignment across all decisions on how to meet that vision and execute the strategy. This includes aligning how the organization identifies, assesses and prioritizes risks, whether the risk is to product quality and customer value, to the overall growth targets of the business, to the health and safety of employees and stakeholders, to the environment, or to anything else that the organization values.

Lean Six Sigma and Operational Excellence are not the same thing, but they are also not incompatible. LSS has been proven to be successful in many applications, but it has several limitations absent something to align the broader organization. Operational Excellence can deliver tremendous sustained value by creating greater alignment across the organization, but it still relies on the proper application of tools like LSS to unlock value where needed. When LSS becomes a part of the overall journey toward Operational Excellence, the value of both programs is amplified.

Lean Six Sigma		Operational Excellence
Bottom-up: focused on individual processes	Overall Approach	Top Down: focused on the overall business
Enhance customer value	Objectives	Consistent and reliable execution of the strategy in alignment with the mission and vision
Cost, Lead-Time, Quality	Success Measures	Revenue, Profitability, Growth, Safety, Environmental Performance, Employee Retention
<ul style="list-style-type: none"> • Well-known processes • Wide variety of tools available • Faster ROI 	Benefits	<ul style="list-style-type: none"> • Transformative results impacting whole business • Holistic view of the business • Long-term results
<ul style="list-style-type: none"> • Quickly addressing problematic processes in targeted way • Industries with very low volatility • Companies with very similar, low variability processes 	Best For	<ul style="list-style-type: none"> • Driving sustained transformation over long-term • Highly volatile industries • Companies with differentiated businesses and needs

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About Endeavor

Endeavor Management is an international management consulting firm that collaboratively works with their clients to achieve greater value from their transformational business initiatives. Endeavor serves as a catalyst by providing pragmatic methodologies and industry expertise in Transformational Strategies, Operational Excellence, Organizational Effectiveness, and Transformational Leadership.

Our clients include those responsible for:

- Business Strategy
- Marketing and Brand Strategy
- Operations
- Technology Deployment
- Strategic Human Capital
- Corporate Finance

The firm's 40-year heritage has produced a substantial portfolio of proven methodologies, deep operational insight and broad industry experience. This experience enables our team to quickly understand the dynamics of client companies and markets. Endeavor's clients span the globe and are typically leaders in their industry.