people, inventory, space, downtime, overhead support, etc.;
6. Financial improvement such as margin improvement, cost reduction, scrap reduction, material reduction, overhead reduction, and other specific P&L line item accounts.

Although these are all great metrics, we encourage our clients to use “The Good Day or Bad Day” approach when applying these Lean and Six Sigma metrics to their specific environments. This is a pretty simple approach. Imagine yourself walking around your organization. You walk into the Customer Service area. You walk through the Program Office. You walk through the Sales and Contracts department. You walk through the Finance department. You walk through the Production areas, the Supply Chain Management group. How do you know if you’re having a Good Day or a Bad Day? The answer would be easy if we had a few very visual, daily, event-driven metrics in each of these areas around the categories mentioned above. Let’s take schedule Attainment – That’s an easy one for a Production area. But what about Customer Service or Warranty? It’s the same logic. How many customer service issues were we not able to resolve today? How many returns received today have not yet been processed? What is the status of new products in the development queue? What was yesterday’s collections vs. receivables due? How many orders received today are not releasable to manufacturing? How many drawings are in the drafting rev level change queue? How many A, B, and C level part shortages occurred today? There are so many incredible Lean and Six Sigma opportunities in these transactional processes – It’s literally a goldmine for most organizations. All it takes is the first step: Visual, role-specific dashboard approach to performance measurement. These key process metrics should be measured daily at a minimum, and many organizations are moving to event-driven metrics that allow them to monitor, sense, interpret, respond, and measure in real time.

Performance Measurement: Lessons Learned

For many organizations, Lean and Six Sigma run the risk of becoming the next lost opportunity like other previous improvement initiatives. Management believes in it, their customers are demanding that they do it, but they just can’t figure out how to turn actions into more cash flow and profitability. Lean and Six Sigma are extremely powerful enablers of strategic improvement and breakthroughs in operating performance. However, Lean and Six Sigma blindly deployed in the absence of understanding your Business Mastery requirements, and without a well organized Business Improvement Strategy and the right daily metrics is a prescription for disappointing results and a rapid loss of organizational interest.
In this issue:

- Lean and Six Sigma Performance Measurement
- CEO’s Management Consulting Practice

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Celebrating 15 Years

1991 - 2006
Thank you to the thousands of people who had the courage to “step up” and transform your organizations.

Terence T. Burton, President

Lean and Six Sigma Performance Measurement

Many organizations deploying Lean and Six Sigma eventually hit what we refer to as the performance measurement wall. These organizations begin with the right intentions, however the bottom-line results from their Lean and Six Sigma initiatives are often illusionary. One of the major reasons for this is a lack of a well-structured Business Improvement Strategy on the front end of the deployment process. The Business Improvement Strategy drives the organization to focus on the most important improvement initiatives, and deploy of the right resources, tools and methodologies to the highest impact opportunities. The right performance metrics are also a by-product of this well-structured and well-thought out process. We see the sheer terminology of Lean and Six Sigma engulfing most organizations . . . And confusing them at the same time about where to begin or what to do next. Lean and Six Sigma are nothing more than enablers of strategic improvement success – The means, not the ends. When in doubt about performance measurement, the best option is to return to the basics of what we are trying to master as organizations.

Understand Your Business Masteries

First of all, most organizations have no more than 5-10 mission-critical elements to their strategic plan. We refer to these as Business Masteries, and we have developed a framework called the Business Masteries Model™ to address these strategic needs. After working in hundreds of organizations, it’s not surprising how similar these initiatives are across industries. Fact is, everyone is in the same basic brawl for global competitiveness and survival. The Business Masteries Model summarizes these requirements into a practical framework:

- **Leadership Mastery:** Organizations need creative leadership that is willing to step up and reinvent the fundamental rules and practices of their industry and the total supply chain. This must include the vision, the detailed strategy, awareness and recognition of the need, communication and reinforcement, regular progress and feedback, recognition and rewards, and countermeasures for unacceptable performance/behaviors.

- **Innovation Mastery:** Innovation is mission-critical in everything we do as organizations. We must leverage total supply chain skill sets to optimize the total time-to-market cycle. This means developing new technologies, products, processes, and best business practices faster, better, more reliable, and at lower global cost: Over, and over, and over!

- **Customer Mastery:** Organizations must do a much better job of understanding the voice of the customer CTQ’s across various market segments and respond in real

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time. This means mastering the masteries and their associated costs to an acceptable profit expectation for their stakeholders, who are also customers.

- **Supply Chain Mastery:**
  Organizations must make the investment to create a synchronized and fluid supply chain, so that they can real-time manage the complex logistics of matching supply and demand - Getting the right inbound and outbound products to the right places at the right time, and executing upstream and downstream adjustments instantaneously.

- **Integration and Data Mastery:**
  Organizations need highly integrated information so they can monitor, sense, interpret, and respond to new opportunities and measure their performance in real-time (i.e., A single version of the facts, uniform monitor, sense, interpret, respond, and measure best practices).

- **Human Resource Mastery:**
  Associates must be provided with the opportunities for constant injections of new skills and capabilities, so they understand the challenges of the New Economy and have the right technical, teaming, and personal skills to execute change.

  The well structured Business Improvement Strategy is a large part of what we refer to as the Foundation Mastery in our model. Many organizations are missing this Foundation Mastery and will have difficulty moving forward and mastering the other masteries. Within your own organization we can define 2-3 high level, key performance indicators for each of these strategic elements mentioned above. Every Lean, Six Sigma or any other strategic improvement initiative should be forced to pass the litmus test in terms of being directly linked to these key performance metrics. World Class Lean and Six Sigma environments have a formal evaluation process where they continuously rate the importance and likely success of potential initiatives in the pipeline against these factors. This formal process strives for alignment and linkage between strategic needs and daily Lean and Six Sigma activities. This formal process also regulates improvement activity where organizations do a great job on fewer targeted opportunities, rather than the typical train the masses and activity-for-activity’s sake improvement programs.

- **“Good Day or Bad Day” Metrics**
  In a Lean and Six Sigma environment, performance metrics tend to fall into the following major categories:

1. Velocity improvement, responsiveness, speed, flex bandwidth, cycle time reduction, quick changeover;
2. Schedule attainment through robust synchronization (pull), optimizing throughput up and down the total value stream, and fully integrated customer and supplier networks;
3. Quality improvement, defect reduction, elimination of waste, rework, repair, scrap;
4. Process capability, stability and variation reduction, parameter optimization, predictability, reliability;
5. Productivity improvement and accomplishing more value-added output with less inputs or resources such as
The Center for Excellence in Operations, Inc. (CEO) is a leading operations management consulting firm specializing in Breakthrough Operations Improvement. The focus of our firm is practical “hands-on” implementation followed by tangible breakthroughs in business performance. Our primary goal is to help small and mid-sized Manufacturing, Distribution, and Services enterprises implement the latest operations management methodologies and become Best-In-Class performers in their industry.

Our firm was founded in 1991 and we provide high impact services based on our 10X Principle: Many of our clients achieve real annualized benefits in excess of ten times CEO’s fees, within twelve months from the start of our projects. Additionally, 100% of our clients have rehired CEO for other projects because of our ability to deliver proven results. CEO understands implementation — We work with clients to implement innovative, systemic change and sustainable breakthrough results.

**Services That Drive Results**

- Lean Enterprise Strategy
- Mixed Mode, Small Lot Production
- Mass Customization
- Pull Systems and Kanban
- Job Shop Load Centers
- Collaborative Scheduling Processes
- Cycle Time Reduction
- Work Cell Design and 5S Practices
- Set-Up Reduction and Quick Changeover
- Visual, Event-Driven Metrics
- Collaborative Forecasting and Planning
- Sales Inventory Operations Planning (SIOP)
- Push, Pull, and Push-Pull Systems
- Value Chain Synchronization Strategies
- Lean Extended Enterprise and Enabling IT
- Lean Supply and Continuous Replenishment
- Vendor Managed Inventory Systems
- Supplier Partnering and Development
- 6σ Velocity/Flexibility Improvement
- Concept Engineering and QFD
- New Product Strategy and Planning
- Platform and Portfolio Planning
- New Product Risk Assessment
- Structured Stage/Gate Processes
- Design for 6σ (DFSS) Methodologies
- Automation Tools (CAD/CAM, modeling, KMS)
- Program, Project, and Cost Management
- 6σ Strategy and Deployment Planning
- Black Belt and Green Belt Certification
- Transactional Six Sigma
- Process Capability (Cpk) and SPC
- Gage R&R, FMEA, Control Plans
- Kaizen, Poka-Yoke Practices
- Supplier Quality
- Cost of Quality/Non-Conformance