2. Organizational Goals and Six Sigma Projects

For six sigma projects to be impactful to the organization, they must be aligned with the organization's goals and objectives. Every organization has both short and long-term goals that should be accomplished for the continued success of the organization.

This short- and long-term planning is often called Hoshin Planning, where a vision for the organization is created by top management. Often times, this vision setting process might include up to 4 different vision statements for the organization that describe the company in the next 5 years.

This vision is then cascaded to the organization where action plans and company goals and objectives are created that align with that vision and move the organization towards that new vision.

This is also where six sigma is useful to an organization because there are often gaps between where a company is, and where they want to be, and a six-sigma project can be used to close that gap.

Oftentimes, a multitude of potential project ideas are generated during the hoshin planning process. It is up to the leaders of an organization, along with their six sigma counterparts including Master Black Belts, Black Belts, Organizational champions and key executives to work through a project selection process to prioritize the right projects.

This project selection process should consider a number of different factors. The first is the impact of a project in terms of the ROI or increased profit or reduced costs.

The probability of success should also be considered when determining the benefits of a project. This probability of success can be combined with the financial impact to calculate the expected value of a project.

For example, if a project has a 50/50 chance of success versus failure, and the profit gained upon success is $1,000,000, then the expected value can be calculated like this:

Expected Value = Probability * Profit = 50% * $1M = 500,000.

It is important when outlining the benefits of a project to take a system approach. That is, to consider the entire organization system as a whole to ensure that you're not locally optimizing one process that has a negative, detrimental effect on another part of the organization.

The second factor that should be considered for any project is the required resources. This might include the human resources, capital costs, the duration of the project and other soft costs such as customer perception, etc.

Once we have these two factors, the benefits and the costs, we can weigh them each against each other to see which project should be prioritized.

SWOT ANALYSIS

One tool that an organization can use to create a vision for the organization is SWOT Analysis.

SWOT stands for Strengths, Weaknesses, Opportunities & Threats and your strategic plan and vision for your organization should address all of these things.

You must leverage the core strengths of your business to drive growth while improving on your weaknesses to ensure that you're fully taking advantage of your opportunities and addressing any potential threats to the business.

Similarly, your vision should take advantage of opportunities in the market place, while also addressing or minimizing threats to the organization.

3. Organizational Drivers and Metrics

Once an organization has a vision for its future, and an action plan to achieve that new vision and its objectives, it's now time to measure progress against those objectives.

To measure progress against the goals, an organization should identify metrics and key drivers to track their progress.

A metric is a key business result, such as revenue, profit margins, new customer acquisition, net income, volume of product sold, levels of customer satisfaction and other such metrics that indicate whether an organization is moving is the right direction. These are the key drivers of a business that should be tracked and monitored.

Reliability	*Performance*	*Quality*	*Manufacturing*	*Financial*
✓ MTTR	✓ Functionality	✓ Complaints	✓ Lead Time	✓ Revenue
✓ MTBF	✓ Satisfaction	✓ COPQ	✓ Capacity	✓ Costs
✓ Availability	✓ DPMOs	✓ Yield	✓ OEE	✓ Profit/Loss

These metrics do not necessarily have to be financial. They must however give the data and information they need, about key projects, or processes, or process outputs to indicate if an organization is winning or losing.

Peter Drucker said – "What Gets Measured, gets Managed".

This is true even if that thing being measured (and managed) harms the organization. So, it's incredibly important to measure the right things, so that the right things get managed, and the right results are achieved.

Once we have metrics that are aligned with our vision, we can track our progress against those metrics to determine if the work we're doing, and the improvements we're making are having the positive effect that we initially believed they would.

Voice of the Customer (VOC)

We can't talk about organizational drivers and metrics without talking about the customer.

Business exists to serve a customer, and the vision for our organization should reflect that desire to serve a customer.

And to ensure that our customer is serving the right customer, in the right way, we must first capture the voice of the customer, and to make sure we're delivering the value that they need and want.

We can take a page out of Lean here and talk about value, which is defined as everything that a customer is willing to pay for. Top managers of an organization should make sure that the vision for the organization is focused on providing value to the customer.

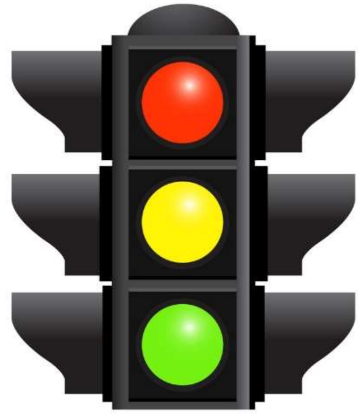
There are many different tools and techniques to capture the voice of the customer, which we will talk about throughout this course.

Chapter 5 is specifically dedicated to VOC, and Chapter 7 also covers many of the VOC tools including customer surveys, interview, round tables, brainstorming, SIPOC, stakeholder analysis, customer complaints, competitive benchmarking, trade studies, market analysis, focus groups and QFD (Quality Function Deployment).

This voice of the customer analysis should attempt to capture both the explicitly stated needs, but also any implicit needs that the customer might have. These implicit needs might also include innovative ideas that are intended to excite or delight your customer. These go far beyond simply meeting the customers needs.

You should also remember that there are both internal and external customers. The external customers are the traditional customers that we think about here, the folks that are buying the products or services that you offer. However, many teams and groups have internal customers that they serve as well, and you should consider both when identifying customer needs.

Balanced Scorecard



Once you have a complete understanding of your customer needs, and you've created a vision for your organization that has been translated down into goals, objectives and action plans, and you've identified the key metrics in your business, it's time to monitor your progress against those metrics and action plans.

The balanced scorecard is a tool that allows an organization to track and monitor progress against key metrics, business drivers, projects and action plans.

This scorecard is called balanced because it should include metrics from all areas of the business, including financial, operational, quality, safety, customer service, project management, and employee development.

By periodically reviewing the balanced scorecard, and organization can identify where they are succeeding, and where they are falling behind. In areas where they are succeeding, they should continue executing their action plans. In areas where they are falling behind, an organization should consider changing the strategies they are using to achieve those metrics.

Scoreboard/Dashboard

A scoreboard or a dashboard is simply a visual representation of the balanced scorecard. This scorecard serves as a one-stop-shop for leaders, managers and executives to see how they are performing against key targets and metrics.

This concept of a scoreboard doesn't just apply to the boardroom, it should also be used on the shop floor or in the office.

On the shop floor, employees need a tool to help them understand how they are progressing against key metrics. This might include daily production, performance against safety and quality targets, and other critical data that employees might need to make critical day-to-day decisions.

Key Performance Indicator (KPI)

Every employee's goals, and objectives should be aligned with the vision and mission of the organization. Additionally, every employee should be given key performance indicators (KPIs), or key results areas (KRAs) that help them track their own personal progress towards their own objectives.

Think about stats in professional sports. A quarterback in football could be judged by their completion percentage, touchdowns thrown per game, touchdown to interception ratio, yards completed per throw and many more.

These personal metrics help a QB know if they are performing well, or if they need improvement.

KPIs should relate to both the quality and quantify of an employee's work, and they should be quantifiable in nature. These can be thought of as SMART targets (specific, measurement, attainable, realistic, time-bound) that an employee can use to judge their own performance in real time.

Remember, these KPIs should be linked to the overall objectives of the department, and organization as a whole. In this way, if our employees are all successful in their day-to-day activities, the organization as a whole will be successful.