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Making Process Improvement Work

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With Dave Cochran, executive vice president at QualPro, a firm that helps corporations identify and implement actions that dramatically increase sales, reduce costs and improve quality in only a few weeks or months. QualPro uses an implementation approach called the QualPro Process.

Question: You say that Six Sigma has largely failed to provide a reasonable ROI for its shareholders. So why has it become such a popular method of process improvement?
Cochran: One of the biggest reasons is that it's had such a visible champion in (former General Electric CEO) Jack Welch. The fact of the matter is, it's a really attractive concept for senior executives: Just establish a program and wait for the checks and benefits to start rolling in. When Six Sigma was really popular, it had gotten to the point where CEOs could get a stock boost just by announcing a Six Sigma program. So why wouldn't you do it?

Question: What are some of the shortcomings of Six Sigma?
Cochran: A Six Sigma program can be quite expensive. Jack Welch would talk about the hundreds of millions of dollars GE spent on Six Sigma. Even more important is its impact on manpower. You're taking people out of other jobs and putting them into Six Sigma roles. Most Six Sigma experts are not prepared to be true process improvement experts. To become a Six Sigma expert, you get four weeks of training and complete a small project. With Six Sigma, you're taking the responsibility for improvement away from the line organization. The accountability no longer lies with them. They're not the ones at the end of the year whose jobs are on the line; instead, it's the Six Sigma expert's job that's on the line. That tends to dilute the effectiveness of performance improvement efforts. The Six Sigma approach can yield results, but they are rarely breakthrough-type performance improvements. The benefits tend to be small and localized. That comes from Six Sigma's emphasis on "chunking up" processes. So what can happen is that you end up with sub-optimization rather than optimization. You've optimized one process, but you don't have the ability to foresee what might happen down the line, how it will impact other processes.

Question: You advocate a statistical method of process improvement called Multivariable Testing (MVT). Can you briefly explain how it works?
Cochran: MVT starts with choosing a large, profit-enhancing opportunity. I say that MVT is a very powerful weapon, so you don't want to point it at insignificant targets. Then there is a 12-step process. I won't walk you through all the steps, but the first few involve developing improvement ideas that will help you meet your objectives. So if your goal is to improve sales at your retail stores, it might involve changes in advertising or signage, for instance. You can use a variety of methods to get these ideas, from reviewing historical data to data mining-type activities to extensive brainstorming throughout the organization. One of the benefits of MVT is the morale-building aspect. It involves all of the people throughout an organization. They all get to submit ideas, and those ideas get equal treatment. You might get hundreds of ideas on the table. Then you narrow the list to those that meet three criteria: It's practical, meaning easy to test. It's fast, which is just what it says — if it works, can it be put in place next week? It's cost-free. If an idea is going to increase your capital costs, then it comes off the list. So starting with hundreds of ideas, you'll commonly end up with 20 or 30 that fit these three criteria. Then we test those ideas. We determine the precise impact of the ideas, individually and in combinations. This points us toward the right ideas to implement. The heart of MVT is, when you test your ideas, about 22 percent of them actually work. Another 22 percent of them will actually hurt your results, and 53 percent of them will make no difference. The impact will be very large if you begin stacking the ideas that work on top of one another while eliminating the harmful ones.

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