

Six Sigma and Organizational Goals

Organizational Drivers and Metrics



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Session Overview

- Recognize Key Business Drivers for all types of organizations
 - Profit
 - Market Share
 - Customer Satisfaction
 - Efficiency
 - Product Differentiation
- Understand how key metrics and scorecards are developed and how they impact the organization

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Key Business Drivers

- All organizations rely heavily on measurement and analysis of performance
- Measurements provide feedback on strategy, processes, outputs and results
- A comprehensive and balanced set of measures tied to customer and organizational requirements provides a clear basis for aligning activities with organizational goals
- Clear measures help guide the selection of Six Sigma projects to ensure the most important issues are being addressed in order to maximize competitive advantage
- Common Business Measures: Profit, Market Share, Customer Satisfaction, Efficiency, Product Differentiation



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Profit

- Profit = Total Revenue – Total Costs
- Can be measured at various levels; business level, department, process, or product level
- Six Sigma projects can support both cost and revenue:
 - Reduce costs through the more effective use of resources
 - Increase opportunity to earn more revenue by creating free capacity

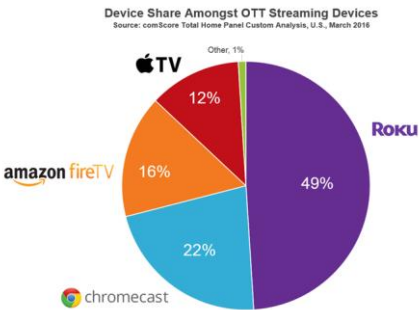
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Market Share

- Market share is the percent of total sales in an industry that is generated by a particular company
- Six Sigma projects support market share growth through the creation of:
 - Consistent high-quality products and services
 - Faster lead times
 - Creating capacity to be able to produce more



Customer Satisfaction

- Customer satisfaction is how well a company provides their product or service to meets the customers' expectations
- Six Sigma projects help by resolving the root causes of process issues in order to improve the overall customer experience

Customer Satisfaction Survey on McDVoice.com

Please rate your satisfaction with...

	Highly Satisfied	Satisfied	Neither Satisfied nor Dissatisfied	Dissatisfied	Highly Dissatisfied
The accuracy of your order.	☒	☐	☐	☐	☐
The friendliness of the crew.	☐	☒	☐	☐	☐
The cleanliness of the restaurant.	☐	☐	☒	☐	☐
The temperature of your food.	☐	☒	☐	☐	☐
The speed of service.	☐	☐	☒	☐	☐
The taste of your food.	☒	☐	☐	☐	☐

Next

Progress 15%

Efficiency

- (1) : effective operation as measured by a comparison of production with cost (as in energy, time, and money)
- (2) : the ratio of the useful energy delivered by a dynamic system to the energy supplied to it

Merriam-webster.com

$$Efficiency = \frac{W_{out}}{W_{in}}$$

Output Work/Energy
(Work / Energy generated by the system)

Input Work/Energy
(Work / Energy supplied to the system)



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Product (or Service) Differentiation

- Product Differentiation identified the qualities that sets a product apart from similar products with the aim of driving consumer choice
- Six Sigma supports differentiation by:
 - Speed
 - Quality



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Key Performance Indicator (KPI)

- A Key Performance Indicator is a quantifiable measurement that reflects the critical success factors of a process, department, or organization
- KPI's can be applied at all levels of the organization – there can be KPIs for products, services, processes, as well as outcome KPIs that are measures of overall performance.

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Outcome KPI ->

NORTH CAROLINA		69	72	KANSAS
Tar Heels				Jayhawks

Matchup		
FG	23-73	29-66
Field Goal %	31.5	43.9
3PT	5-23	6-17
Three Point %	21.7	35.3
FT	18-22	8-14
Free Throw %	81.8	57.1
Rebounds	55	35
Offensive Rebounds	24	8
Defensive Rebounds	31	27
Assists	9	11
Steals	2	6
Blocks	6	5
Total Turnovers	13	9
Fouls	13	16
Technical Fouls	0	0
Largest Lead	16	7



<- Internal KPIs

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Balanced Scorecard

- A measurement system to monitor both financial and non-financial measures as well as leading and lagging measures of performance.
 - Usually Financial, Customer, Business Process, and Learning and Growth
- A management system to focus the vision and strategy of the organization and translate them into actions
- Provides feedback on internal process results as well as external outcome measures to continually improve strategy and processes



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Balanced Scorecard Example

Department process and owner	Higher-level objective supported	Balanced scorecard category	Metric	Target level	Actual level
Change requests (quality engineer)	Compliance in all audits	Internal business process	Requests in progress	<10	3
			Action items in progress	<15	9
			Oldest open request	<30 days	21 days
Budget (manager or leader)	Meet company's expense budget	Financial	Actual vs. planned expenditures	Below budget	Below budget
Performance and staffing (manager or leader)	Complete performance management objectives and development plans on time and use to improve performance	Learning and growth	Objectives submitted on time	100%	100%
			Development plans submitted on time	100%	100%
			Mid-year reviews completed on time	100%	100%
			Significant item on all development plans executed	100%	80%, in progress
			Delinquent training occurrences	0	1
Product development support (quality engineer)	Meet revenue goals and launch schedule for new products	Customer	On-time quality engineering deliverables	90%	97%
			Document turnaround time within three business days	85%	85%



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Session Recap

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