

**ABChinaTalent.com**  
**Bi-Monthly Newsletter**  
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Welcome to the ABChina Talent bi-monthly newsletter. ABChina is a talent search and consulting firm dedicated to providing your company with the latest business techniques used world wide to increase sales, reduce cost and win in an ever changing and increasingly competitive global marketplace. ABChina's focus is on creating winning solutions for your business by working together to leverage innovation, benchmark performance and accumulate knowledge.

As this is your first edition of our newsletter our editors will focus this edition on answering the question of, "why all companies must seek out improvement to be the company of choice for their customers". The foundation of improvement is centered around process, process is defined as;

A series of steps or actions that lead to a desired result or output.; A set of common tasks that creates a product, service, process, or plan that will satisfy a customer or group of customers; A sequential series of steps leading to a desired outcome.

Processes are largely affected by one or more of the following factors:

- a) personnel who operate the processes;
- b) materials which are used as inputs (including information);
- c) machines or equipment being used in the process (in process execution or monitoring/measurement)
- d) methods (including criteria and various documentations used along the process);
- e) work environment

Understanding how these factors interact and affect processes is a key consideration in process improvement.

Today all companies face a compelling need to improve their performance and so do their suppliers. Every company in the supply chain must play its part to ensure a close working relationship between their suppliers and their customers. But every supply chain is only as strong as its weakest link. To become a long term viable and effective supplier each company must have control of their business. All companies must become proactive rather than always having to react to their customers' demands. Companies need to deliver support to their customers to ensure the survival of the supply and their position within it. Winning companies will develop a business process culture by focusing on process, analyzing it and changing attitudes. Then by implementing the resulting improvements to enable them to deliver results and improve to meet the new business realities customers' demand.

Okay so process is important, how does process improvement relate to your business and what are the benchmark tools your competitors are or will be using to win customers? The following will introduce you to two benchmark methodologies world class companies use to constantly improve. The last section (5S) will introduce you to the standard most global customers are looking for to identify and select tightly managed production facilities.

### **Six Sigma**

Six Sigma is a rigorous and a systematic methodology that utilizes information (management by facts) and statistical analysis to measure and improve a company's operational performance, practices and

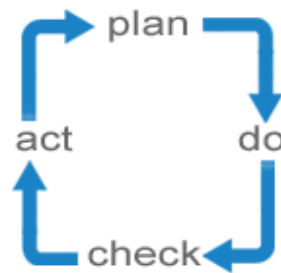
systems by identifying and preventing 'defects' in manufacturing and service-related processes in order to anticipate and exceed expectations of all customers to accomplish effectiveness.

The goal of Six Sigma is to increase profits by eliminating variability, defects and waste that undermine customer loyalty.

Six Sigma can be understood/perceived at three levels:

1. **Metric:** 3.4 Defects Per Million Opportunities. DPMO allows you to take complexity of product/process into account. Rule of thumb is to consider at least three opportunities for a physical part/component - one for form, one for fit and one for function, in absence of better considerations. Also you want to be Six Sigma in the [Critical to Quality](#) characteristics and not the whole unit/characteristics.
2. **Methodology:** [DMAIC/DFSS](#) structured problem solving roadmap and tools.
3. **Philosophy:** Reduce variation in your business and take customer-focused, data driven decisions.

Six Sigma is a methodology that provides businesses with the tools to improve the capability of their business processes. This increase in performance and decrease in process variation leads to defect reduction and vast improvement in profits, employee morale and quality of product.



Here's an article with more detail on defining Six Sigma: [What is Six Sigma?](#)

### **Lean Manufacturing**

Initiative focused on eliminating all waste in manufacturing processes.

The Production System Design Laboratory (PSD), Massachusetts Institute of Technology (MIT) <http://lean2.mit.edu/> states that 'Lean production is aimed at the elimination of waste in every area of production including customer relations, product design, supplier networks and factory management. Its goal is to incorporate less human effort, less inventory, less time to develop products, and less space to become highly responsive to customer demand while producing top quality products in the most efficient and economical manner possible.'

Principles of Lean Enterprise:

- Zero waiting time
- Zero Inventory
- Scheduling -- internal customer pull instead of push system
- Batch to Flow -- cut batch sizes
- Line Balancing
- Cut actual process times.

The 7 wastes are at the root of all unprofitable activity within your organization.

The 7 wastes consist of:

1. Defects
2. Overproduction
3. Transportation
4. Waiting
5. Inventory
6. Motion
7. Processing

Use the acronym 'DOTWIMP' to remember the 7 Wastes of Lean.

The worst of all the 7 wastes is overproduction because it includes in essence all others and was the main driving force for the Toyota JIT system, they were smart enough to tackle this one to eliminate the rest.

## 5 Laws of Lean Six Sigma

5 Laws of Lean Six Sigma have been formulated to provide direction to improvement efforts. The laws are a conglomeration of Key Ideas of Six Sigma and Lean.

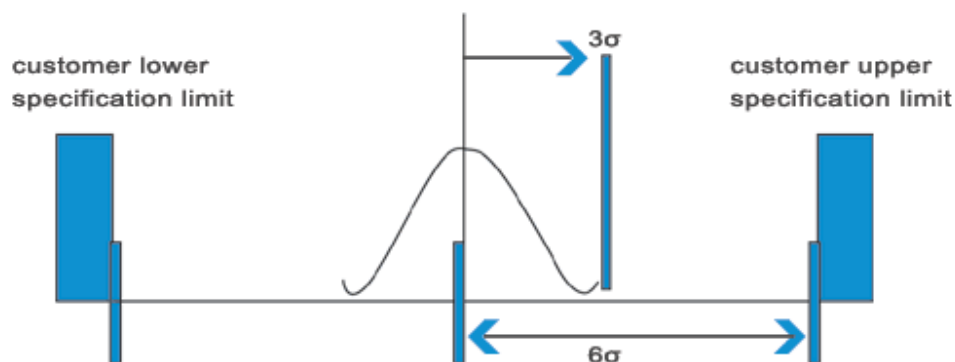
Law 0: The Law of the Market - Customer Critical to Quality defines quality and is the highest priority for improvement, followed by ROIC (Return On Invested Capital) and Net Present value. It is called the Zero<sup>th</sup> law as it is the base on which others are built.

Law 1: The Law of Flexibility - The velocity of any process is proportional to the flexibility of the process.

Law 2: The Law of Focus - 20% of the activities in a process cause 80% of the delay. (Related to Pareto Principle)

Law 3: The Law of Velocity - The velocity of any process is inversely proportional to the amount of WIP (work in process). This is also called "Little's Law".

Law 4: The complexity of the service or product offering adds more non-value, costs and WIP than either poor quality (low Sigma) or slow speed (un-Lean) process problems.



## 5S

5S is the Japanese concept for House Keeping.

- 1.) Sort (Seiri)
- 2.) Straighten (Seiton)
- 3.) Shine (Seiso)
- 4.) Standardize (Seiketsu)
- 5.) Sustain (Shitsuke)

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### Japanese - English Translations

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Seiri - Put things in order

(remove what is not needed and keep what is needed)

Seiton - Proper Arrangement

(Place things in such a way that they can be easily reached whenever they are needed)

Seiso - Clean

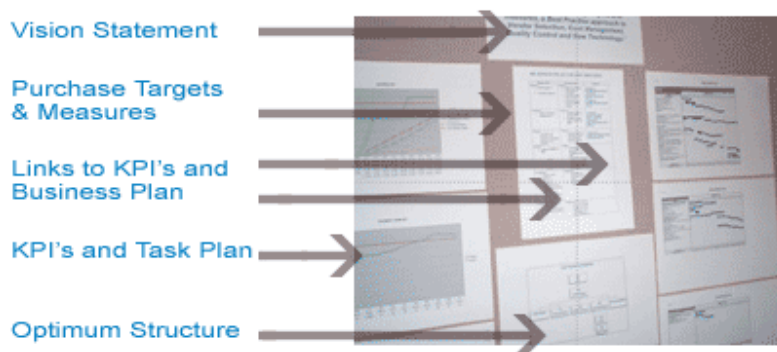
(Keep things clean and polished; no trash or dirt in the workplace)

Seiketsu - Purity

(Maintain cleanliness after cleaning - perpetual cleaning)

Shitsuke - Commitment (Actually this is not a part of '4S', but a typical teaching and attitude towards any undertaking to inspire pride and adherence to standards established for the four components)

So what is the return for companies using these tools? Each business and company are different so results vary. However companies will see improvements in all key areas when these tools are effectively introduced. The key areas all companies focus on are; reduced labor costs, reduced manufacturing costs, reduced defects or errors, increased sales, increased profits and an overall increase in efficiency. These efficiencies are measured by what will be the last term we will define "metrics". Metrics are business conditions which are measured to understand quality levels, metric means measurement.



By tracking metrics to monitor your business performance to goals and then implementing process improvement tools your company will be able to soundly continue to compete on what is often the most important decision in a buyers mind, "what is your price, quality and delivery performance".