

THE SMALL BUSINESS CFO REPORT

Helping you create equity in your business

I. Adding Value to Your Business by Improving Your Processes

To be successful with a small business, working hard is not enough, you also need to work smart. To see how "smart" you are working, you need to look at the processes you use in your business. How do things get done in your business? Are there obvious weak spots in how you do things that produce wasted time, wasted resources or poor results? Even if there are no obvious problems in your processes, are there ways you could do things better, faster, or with less resources? If you can make your business processes more efficient, you can add to your bottom line and improve the quality of your products or services and as a result, you will be adding value to your business.

II. Approaching Process Improvement with Lean Six Sigma Principles

Lean Six Sigma is a combination of two quality improvement methods (Lean - making work faster and Six Sigma - making work better) developed and utilized by Fortune 500 companies, primarily in the area of manufacturing. There are four keys elements to Lean Six Sigma:

1. Delight your customers with speed and quality

Lean Six Sigma's goal is to eliminate anything in a process that doesn't meet a customer's needs and to develop an awareness that customer needs should define daily work activities. Customers can be external (the businesses that use your products and services) or internal (co-workers who use your work output).

2. Improve your processes

Dr. Edward Deming, was an American statistician who spearheaded the quality movement in Japan after World War II. Dr. Deming asserted that 85% of problems were built into the way work was done and 15% were the fault of individual employees. In other words, most problems are in the system. Most improvements in processes either eliminate variation or improve flow and speed. Thus, to improve processes there is a need to examine and document the flow of work and the steps in the process and to give people the knowledge and methods to improve that work.

3. Work together for maximum gain

To improve processes, people need to work together on problem identification and resolution and to develop a process improvement mentality.

4. Base decisions on data and facts

Good decisions are based on assumptions and good data. Lean Six Sigma calls for collecting data on processes so that decisions can be based on hard facts rather than educated guesses.

III. DMAIC - the Lean Six Sigma Method to Improving Processes

Lean Six Sigma uses a problem solving process referred to as DMAIC along with a number of associated problem solving tools to help improve processes. DMAIC stands for:

Define - The problem, project scope, success measurements and project team are defined.

Measure - The process is observed and data is gathered.

Analyze - The data collected is analyzed and improvement opportunities are identified.

Improve - Solutions are generated, evaluated and implemented.

Control - New procedures are documented, people are trained and vital elements are tracked.

The problem solving tools are a collection of diagrams, charts and data collection methods that facilitate the DMAIC process.

IV. Process Rules of Thumb

In addition to the DMAIC process, Lean Six Sigma identifies some helpful rules of thumb regarding process improvement.

1. The speed of a process is proportional to how fast people can switch between different types of tasks. Thus, to speed up a process, try to eliminate things that delay moving from one process task to another such as missing information, having to wait for approvals or authorizations, or access to equipment.
2. 20% of the activities in a process cause 80% of the problems and delays. When looking to improve processes, try to identify these major areas for process improvement.
3. The speed of a process is inversely related to the amount of work in process, so a work in process goes up, speed goes down. So, to speed up a process, try to reduce the amount of work flowing through the process at any one time.
4. The complexity of service or product offered adds more cost and work than either poor quality or slow speed problems. If you can reduce the amount and complexity of your products or services you are likely to reap the rewards in process efficiency.

V. Putting Lean Six Sigma Principles into Action

While it takes time and training to become familiar with the DMAIC process and tools, you can start using the principles of Lean Six Sigma to help improve your processes right away. Start by identifying the three to five most critical processes in your company. Ask yourself "Who is the client for this process? Is the client external or internal? What is it the client really wants from the process?" Once you have an idea of what the client wants from the process, you can see how close the process is to delivering it and begin to look at the process itself for ways of improving it. That's where the DMAIC method and tools can be of great help, but often just becoming more aware of your processes and the importance of your clients needs will spur ideas for improvements in the process.

V. Summary

Small businesses must efficiently utilize their resources to survive. It is not enough for a small business to work hard, it must also work smart. Working smart requires efficient processes in every facet of a small business's operations. Making processes more efficient is also a good way to increase the value of a small business by adding to its bottom line and by increasing the quality of its products and services. Lean Six Sigma is a quality improvement method that focuses on improving processes to delight customers with quality and speed. Lean Six Sigma uses a problem solving method called DMAIC (Define, Measure, Analyze, Improve and Control) along with associated tools (graphs, charts, data collection methods, etc) to help improve processes. While learning how to effectively work with DMAIC takes some time and effort, the Principles of Lean Six Sigma can be utilized immediately in any small business by identifying key processes and focusing on clients' needs from these processes.