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To focus improvement efforts, find the "Leverage Point"

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The "Ultimate Improvement Cycle" is based upon the principles associated with Lean, Six Sigma, and the Theory of Constraints, but it is unique in that it capitalizes on a time-released formula for use of the key tools, techniques, principles, and actions of all three initiatives focused on the right area.

By Bob Sproull

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When I began my career in manufacturing, I knew little about the inner workings of a manufacturing facility. I knew that you had to process customer orders, order raw materials, create a production schedule, process them into a finished product, and deliver them to a customer in a timely manner. But, I was unaware of the intricacies involved in doing all this.

I was taught that if I maximized the efficiencies and utilizations of each individual operation, I could maximize the efficiencies and utilization of the entire system; that the key to reaching global optimization was to achieve "local optimums." I was taught that every operation was equal in value, and that the key to increasing profits was to reduce the amount of money required to operate each individual process. I was taught that manpower was expendable, so that it was okay to lay off excess manpower. I was taught that inventory was needed to protect all of the steps in the process so that if you had downtime, you could use inventory to continue running. Besides, inventory was viewed by cost accounting as an asset, so how could it possibly be bad?

As I continued learning, I began to realize that some of what I had taken as being gospel truth was, in fact, bogus. In the years that followed I began to understand better the different roles of groups within a typical company and how they impacted the success of the company. I learned that processes do not always result in a product according to a plan, because of downtime and quality problems; the impact and influence that leadership can have on an organization, and how performance metrics invariably influence the behaviors of the resources within the organization.

As a consultant, I have been able to study the inner workings of many companies in many types of industries, and I have discovered a better way to make the most of your precious resources. Not only do I have an idea of why you may have failed to achieve an acceptable and sustainable return on your improvement investment, but I have a solution for you as well. The solution is not revolutionary, but it is innovative.

I offer a way to make certain that improvement efforts are focused in the right place, at the right time, using the right methods and tools, with the right amount of resources to deliver the maximum amount of return on your improvement investment. This method addresses the problems associated with cost accounting, variation, waste, and performance measurements.

But most of all, this method focuses an organization on the right area to optimize throughput, operating expense, inventory, revenues, and margins.

The "Ultimate Improvement Cycle" is based upon the principles associated with Lean, Six Sigma, and the Theory of Constraints, but it is unique in that it capitalizes on a time-released formula for use of the key tools, techniques, principles, and actions of all three initiatives focused on the right area. To do so...



tools, techniques, principles, and actions of all three initiatives focused on the right area. It does not require any more resources than you currently have available, but it does provide the focus needed to achieve maximum resource utilization, which translates into maximum return on investment. Using this method will provide you with a self-funded improvement effort that will sustain itself.

The Ultimate Improvement Cycle developed from many years of analysis of both failures and successes using Lean, Six Sigma, and the Theory of Constraints as stand-alone improvement initiatives. The Theory of Constraints (TOC) reveals interdependencies that exist within an organization, and it focuses the group's efforts on the constraining operation.

Although TOC provides the necessary focus, Lean works to simplify and free the constraint of unnecessary waste, as well as increasing the throughput of your total system.

As Lean is doing this, Six Sigma removes variation and defects, while working to sustain the improvements.

My analysis revealed a common thread between successful initiatives, no matter whether they were based on Lean, Six Sigma, or TOC models. The key to success is the leverage point, or where the improvement efforts were focused. Although eliminating waste (Lean) and reducing variation (Six Sigma) are both critical components of all successful improvement initiatives, where these efforts are focused will determine the ultimate impact on a company's bottom line.

By integrating Lean, Six Sigma, and the Theory of Constraints into a single improvement cycle, I have developed a recipe that will maximize your return on investment, cash flow, and net profit. I am convinced that The Ultimate Improvement Cycle is the definitive improvement strategy going forward, and I am confident that if you follow the guidelines I have developed, your company will not only survive in this new global economy, but it will flourish.

Why have so many Lean, Six Sigma, and TOC initiatives failed? Some authors have stated that the Lean and Six Sigma philosophies are at odds with or contradictory to TOC. Others have suggested that Lean and Six Sigma are only complementary to TOC. It is my belief, however, that Lean and Six Sigma are essential ingredients for the success of TOC. By the same token, success in Lean and Six Sigma initiatives is driven by adopting TOC as the basis for improvement, because TOC supplies both the focus and leverage points needed for true improvement.

All three initiatives, when implemented in concert with each other, represent the best possible strategy for maximizing revenues and profits. These three initiatives are symbiotic: they not only coexist, but each one benefits from the others' presence. In fact, they form the ultimate improvement cycle and act as a guide for maximizing profits.

You may be saying to yourself, “Is he crazy? I can't do even one initiative right, let alone all three at the same time!” The truth is that by integrating Lean, Six Sigma, and the TOC, life becomes much easier on the plant floor. Because you are typically limiting your focus to one operation at a time (i.e., the constraint) and not attempting an enterprisewide improvement initiative, you will have:

- fewer resource allocation problems;
- fewer problems to solve at any one time;
- fewer amounts of waste to remove at any one time;
- less organizational chaos and disorder;
- products that flow through your operation much faster and more efficiently;
- a rate of revenue generation that improves dramatically;
- more motivated employees;
- faster return on investment;
- and much more impressive bottom-line results.

Bob Sproull heads Sproull Consulting and is the author of *The Ultimate Improvement Cycle: Maximizing Profits through the Integration of Lean, Six Sigma, and the Theory of Constraints*, recently released by Productivity Press.

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