

Driving operational innovation using Lean Six Sigma

CEOs today face mounting pressures to innovate; yet finding ways to actually enable innovation remains a challenge for many. Top companies with successful track records of innovation, however, have discovered one possible solution. Lean Six Sigma, a relatively well-known approach for achieving operational excellence, can, as it turns out, do more than simply improve processes. It can help leaders discover innovation opportunities far beyond operations, enhance financial performance and create organizations that have an inherent inclination toward innovation.

In today's marketplace, competitive pressures are accelerating the pace of change CEOs face. The resulting opportunities and threats have placed innovation near the top of CEOs' priority lists. Yet, for many, innovation success has been sporadic at best.

Key here, we argue, is having the right operations strategy. Such a strategy, if focused not just on efficiency but also on growth, can serve as a foundation for innovation in processes and operations throughout an organization, from R&D to manufacturing, marketing, finance, and even a company's underlying business model. Simply put, this sort of strategy is not about doing things better; it is about doing better things.

As part of our analysis, we examined several leading companies that have implemented operations strategies using Lean Six Sigma. They have established disciplined working environments with a clear focus on customer needs, detailed data collection and analysis and facts, not theories. They share the following characteristics, which set them apart from those with a traditional operational improvement mindset:

- *An innovation vision based on factual customer and market insights* – Leaders crafted a compelling vision based on a keen understanding of market demands and their own capabilities.

- *Leadership committed to perpetual innovation* – CEOs and business unit leaders were committed to making an indelible organizational change, not just launching another initiative.
- *Alignment across the extended enterprise* – The strategic innovation vision was used as a unifying force to align disparate business units and influence supplier and customer relationships.
- *Organizational capabilities that made innovation habitual* – Lean Six Sigma initiatives involved an intense initial period of training, dedicated resources and a spate of projects to jumpstart their transformation. As the mindset became mainstream, these companies established enduring processes that helped drive continuous innovation throughout the organization.

The successful companies we studied deployed Lean Six Sigma approaches to surface significant innovation opportunities that helped drive innovation in operations and processes throughout their organizations. In the process, they were able to improve business performance and establish organizations that now have an inherent inclination toward innovation.



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How can IBM help?

- **Strategy & Change:** Fuses business strategy with technology insight to help organizations develop, align and implement their business vision to drive innovation and growth.
- **Operations Strategy:** Improves the efficiency of current processes and organizations by developing new structures to enable operations innovation.
- **Lean Six Sigma:** IBM elevates Lean Six Sigma and Process Management to new levels by embedding these best-practice techniques within an end-to-end approach to building dynamic operational capabilities for sustained success aligned with the enterprise strategy.

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