Interview with Joe De Feo, Juran Institute, Juran.com

Choosing the Right Process Improvement Methodology

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Michael Cyger: Hey everyone. My name is Michael Cyger and I'm the Founder and Publisher of iSixSigma.com – the largest community of Lean and Six Sigma professionals in the world and the resource for learning to drive breakthrough improvement.

Here's what we do here. We bring on successful Lean and Six Sigma business leaders, learn from their experiences, and share their strategies and tactics. Then, when you have a success to share, you come on the show and give back as today's guest is going to do.

And here's today's big question: many people know what it means to improve a process, but which methodology is the right methodology for your organization? Is it Lean Six Sigma, Theory of Constraints, PDCA, or some other framework?

Joining me today to answer this question is Joe De Feo. Joe is the CEO and Executive Coach at Juran Institute – a globally recognized training and consulting firm that enables organizations from any industry to learn the tools and techniques for managing quality and performance excellence. Joe, welcome to the show.

Joe De Feo: Hey. Thanks, Mike. It's good to be back. It's good to see you back at the helm.

Michael: Thank you, Joe. It's good to be back.

We're going to dive into some of the different types of process improvement methodologies so we can define and compare them for the audience. Then, we'll help the audience select the best methodology for their organization;

whether they're already into process improvement and they need to readjust and refocus, or whether they are brand new to implementing a quality process at their organization and they're trying to figure out what's right for them. Sound good?

Joe: Yeah. Sounds great. Let's roll.

Michael: Okay. So let's start off with some basic descriptions. Let's start off with Lean and then, Six Sigma because often people refer to Lean Six Sigma or Six Sigma as just one methodology. So let's just start with Lean. How do you describe the Lean methodology to somebody that doesn't know much about Lean?

Joe: Well, I think your question is very good because the first thing we have to do, wherever we are, is to define those words because they mean so many things to different people. And so, if you go by the Japanese version of Lean, the American version of Lean, or society's versions of Lean, they all have a very different description. So, whatever I define it as, if I offend anybody, at least I'm putting a box around it.

And my history growing up on Lean from working with Toyota in the US and (Unclear 2:32.7) working with Japan and Toyota particularly; and then, my own experience doing Just In Time manufacturing and early Lean, and then Lean, and now, at the helm of Juran, doing all that in many industries. We define Lean, and I think it's very simply defined as, the improvement of product or service delivery, speed and throughput so that the customer will get their product and service better, faster, cheaper at the same time the organization can mobilize quickly and get the business result benefit of them. And so, what falls under the Lean box are things like rapid improvement events because we're going after speed, so by removing an obstacle, we can go faster; rapid improvement event aimed at throughput, which is anything that's constraining. And you mentioned Theory of Constraints. The Theory of Constraints came before Lean, so they applied the Theory of Constraints there. It includes Kanbans in the manufacturing and even in the health care setting now, where it's the ability for a person performing work to be able to pass work off to the next person and if it's not completely right, they can send it back. So what Juran called a very close feedback group between

processor, customer, and their supplier. So you have rapid improvement, you have Kanban, you have the entire, in the manufacturing side, inventory management, inventory reduction. But I will define Lean in the simplest terms: Lean is about understanding market and customer demand and matching your delivery capability to that. And many folks want to focus on rapid improvement, 6S, and that, but it's really about matching demand. So what Toyota was able to do in the Toyota production system is to really be able to not create a whole bunch of inventory, but match the inventory demand to the customer demand. And so, they were able to produce cars when customers want them; and that ability to do that then enabled them to mass customize cars to be able to produce what the customer wants. And so, if you keep that evolving over year after year, you go from this mass production, mass customization to really a one car per person mentality.

Michael: So that's a fantastic definition and I love the way that we're talking about improving speed and throughput to be able to match it, but I really love your definition. Understanding the demand of the customers and matching it with the supply from your process. And so, is it safe to say that Lean is really an umbrella that includes all of the tools to do that, including rapid improvement events like Kaizen or Workout, Theory of Constraints, Kanban; are those sort of frameworks that fall in underneath the umbrella of Lean?

Joe: Yes. And if you say Lean Enterprise, it makes more sense because Lean methods are one thing, but if you're looking at an organization to matching demands, you obviously need those in various parts of the organization. So, yes, the Lean Enterprise umbrella includes that collection of tools. And mind you, it includes a collection of corrective action tools, but at a different level than a Six Sigma corrective action toolkit might.

Michael: So I understand Lean now, or Lean Enterprise. How do organizations that are implementing Lean Enterprise typically refer to it within their organizations? Do they say, 'I'm a Lean service company'? Do they say, 'I'm a Lean Enterprise'?

Joe: Very interesting because there's a number of — what they do is they all narrow it down; that whole intent of Lean. So, for instance, the manufacturing companies get matching demand and delivery. Service

companies don't quite get it and working in hospitals don't quite get it, so they say, 'we are practicing Lean' or they're practicing Six Sigma, or Lean Six Sigma. They're practicing Lean in this case. And what that means is we're doing rapid improvement events; we're doing Kanban; we're doing 6S. And so, they tend to narrow that down, but they will say, 'we're doing Lean' and that's why I always have to say, 'so what are you doing?' And so, they'll say, 'we're doing 6S'. Okay. Got that. What else are you doing? 'I'm doing rapid improvement.' Okay. Got that. 'We're doing inventory management.' Okay. So now I understand you're looking at that. So, yes, they say, 'I'm Lean' and we see that in Lean Enterprise and Lean organization are the kinds of two ways. One for profit; one for non-profit agencies.

Michael: All right. Very clear in my mind now. I get that. So let's take a step forward to Six Sigma. Let me first ask you this: today, is Lean Six Sigma the same as Six Sigma?

Joe: No it's not because of its own evolution. So let me answer that with Six Sigma first. So, Six Sigma was the evolution from basic quality improvement and PDCA. Lean evolved from Just In Time and the manufacturing side. So, Lean evolved from there and we got Lean. Six Sigma evolved from quality improvement. Lean Six Sigma evolved from the belief, and the necessary belief, that we don't need two separate entities all focused on the same goal of improving business performance fighting each other. The processes that we have are slow and get stopped. The processes we have also create highly variable outputs. Hence, the combination of Six Sigma to reduce variation and Lean to improve speed and throughput. Now, that's not saying that Company A's company calls all of that Lean, another company calls all of the Six Sigma; what we like to see is, if you're using a toolbox of Six Sigma to reduce variation defects and focus on those products and services that customers have and you're using Lean, use the term Lean Six Sigma. It just says, clearly, 'we're doing both'. Now, how do we do both? We do it with rapid improvement events. We do it with Six Sigma events. And the difference between those are scale – large or small. You could have a large Six Sigma project or a small Six Sigma project. You could have a big Lean project or a small Lean project. So your whole point of this presentation today is actually very good because what's the right methodology for us? Clearly, if we're at an organization that's getting a lot of pushback from a

customer because, 'my services vary from day to day', that doesn't necessarily lend itself to go reduce improving speed. It means go find where the variation is. Is the variation in how fast we answer calls? How good we answer the calls? Is it person-to-person? Day-to-day? So that Lean toolbox doesn't necessarily have that Six Sigma tool. Just like the Six Sigma tool, people tend to think about variation in defect. Well, speed can be variable as well. But you don't need to have a sledgehammer to fix speed issues when you've got a toolset of Lean. So Lean Six Sigma is the coming together of those toolkits. Now, there's one other step. Six Sigma came with a very easy terminology of DMAIC. There's no real easy Lean methodology like that, so to conduct rapid improvement events, to conduct corrective action, or even do a Lean project, we recommend you just follow define, measure, analyze, improve control; so instead of defining the defect, you're defining the flow. So, in some organizations, some companies will do that. And so, Lean Six Sigma is the coming together not only of the methodologies and the toolkit all under that umbrella, but also the people doing it. So we create Lean experts. We create Six Sigma experts. We create Lean Six Sigma experts. Sadly, just like when I started my career twenty-five years ago, the Just In Time people got more attention of upper management because they thought it was faster, simpler, easier and we did a great job of improving speed, but we never changed the definition of quality so that we might've been creating defects faster, or creating products that customers didn't want. So the other side of Six Sigma, which came from the quality roots, is that you can't limit your definition to just deficiency and defect. You got to open it up to what the customer means and that is, 'we have the right products and the right features to meet our needs'. And Lean doesn't design features unless the only feature you have is speed. Okay? You don't design the cover of a book, the shape of a computer, the documents that you're giving your customer with Lean. You do do that with design tools. You do do that with some of the Six Sigma tools. So, to not upset Lean folks or not upset Six Sigma folks, there are different purposes. Similarly, there's a different purpose to doing just a root cause analysis, which we define as, 'we had a process operating at good performing levels. Something changed and caused a problem. Do a root cause analysis. Correct that change and move on'. And so, we can differentiate; incidentally, Dr. Juran said the best way to manage business performance, is to focus on what satisfies the customer's wants and needs – the customer's wants and needs, what products that work, services that work. And they also

want those things that meet their needs. So, it has the right color, the right shape, the right dimension, the right reliability, and the right everything. So, to do that, you plan, control, and improve. Hence, we have root cause corrective action process control-to-control. We have Lean Six Sigma to make improvement. Both of those do root cause analysis, but of a different type. Corrective action root cause analysis is typically looking at a sporadic spike – a special cause – where Lean and Six Sigma are going at system issues, or chronic issues, or embedded in the organization issues, or common cause. And when you approach those two things that way, the toolbox is different because correcting something that changed from day-to-day once is very different from trying to weed out all the deficiency in that process over many years.

Michael: Makes sense. So is it an over simplification to say that Lean Enterprise will help your process speed and throughput and Six Sigma will reduce the variation so the customer gets a more consistent product, and then Lean Six Sigma envelops both of those toolsets to reduce variation and supply the demand that customers expect when they expect it?

Joe: Yes and I'm going to go one step further. The application of those three can be independent or all together. So, you asked the question: what's the right method? We may have a very important need that we focus on Lean right now, but as we focus on Lean, we're going to realize that we have other issues because a process is a process. They have systemic, they have chronic, and they have sporadic. So we might move down that Lean path and move over. We might move down the Six Sigma path and realize that not every problem needs to be a DAMAIC project, so we might have to do some more simpler ones. Or we find that our problem lies in design and we do a (Unclear 13:48.2) for a design project or quality by design. So, the real statement is: to manage a business performance focused on the customer and what's important to them, the Lean, Lean Six Sigma, and Six Sigma methodologies are all under one roof, but you can go down the path at different times and, ideally, how you teach your people and who becomes the experts. What you don't want is experts fighting each other, but we have electricians, we have mechanical engineers, electrical engineers, and we have chemical engineer. They all have different paths, but they're all engineers. And so, Lean, Six Sigma, and Lean Six Sigma process improvement, they're all process

engineers. That's what they do. And so, people have to understand that different tools for different issues; but pick the right one at the right time and teach the right people. Not everybody becomes a Lean Sensei. Not everybody becomes a Lean Six Sigma black belt.

Michael: Yeah. Joe, there a couple of other methodologies that I was going to ask you about. Theory of Constraints and Just In Time. Are those not methodologies that will compete with Lean or Six Sigma, but those are actually methodologies that fit under both of those umbrellas?

Joe: Well, I think you have two things going on there. One is they are different methodologies. They came in a different point in time as well. So, both of those I would consider to be predecessors to Lean Enterprise predecessor to Six Sigma; and particularly Theory of Constraints came out with a very important book – The Goal. And the message, at that time, was we have an inventory problem, we have a throughput problem and the reason is we have constraints. And the best way I describe it to people is that you could see constraints pretty easy when you start looking. Just drive through center of town and watch who the bottlenecks are. They're at bad intersections. They're at tight intersections. Go into a parking lot; watch how people have trouble getting through doors. So we can see these constraints, so the Theory of Constraint concept was a tool, and a method, and an approach, but that evolved into the toolkit of Lean Enterprise. In the same way, Just In Time was the method that evolved into the purpose of Lean Enterprise; is to deliver product and service just in time. But depending on the country that you're in, the business that you're in, or the industry you're in, those terms might be the same as we just talked about. So, Just In Time might be the banner for Lean. Theory of Constraints might be the entire banner for Six Sigma and Lean. But what most organizations do – and we do this as well – is that in black belt training, they're both learning Just In Time and Theory of Constraints because that's where we believe it needs to be.

Michael: Okay. That makes sense. And do you see companies, today, that go out and implement the Toyota Production System (TPS), or do they, today, realize that TPS was great in the day that Toyota was dominating the market with the highest quality products delivered exactly when the customers wanted them and today it's evolved into Lean Enterprise?

Joe: Well, I think if you went to Toyota and you went to Japan, you wouldn't find people talking about Lean Enterprise and that's what's very different. We, over here in America and around the world, see what they did and we call it Lean Enterprise and Lean thinking. Matter of fact, very similar thing happened in the 1970s with quality circles. A lot of American researchers went over there and said, 'wow, these guys are doing all these things' and they came back with quality circles. They didn't come back with the stuff they were doing. So we got quality circles, but we found out later it was a little bit narrow. The same thing here. We came back with this piece. So I think the answer to the question lies in that the Toyota Production System is a system that embellishes the enterprise and continues improvement; and it continues to improve in design as well as process. So, under that is the Lean Six Sigma set of methods and tools. That evolved from many, many places. The good thing about the Toyota Production System is that we don't see as many people saying, 'we want to do the Toyota Production System', but that's evolved to, 'we want to do the ACME Production System. We want to do the Johnson Controls Operating System, or a business operating system, or the Mayo Clinic Operating System'. And so, what that does is it forced people to really think, 'okay, we're a system. What are those things in our system? What's the purpose of our system?' So, organizations, now, are smart enough to define their operating system, or business system, or production system and put their name on it, but put the methods under it. And there's a reason for that. Health care doesn't make Toyotas. Food industry doesn't make cars. And so, the more you use one company's name to blanket all industries, the more cynicism you're going to get.

Michael: Yeah.

Joe: Matter of fact, when Toyota has a recall, all of a sudden the Toyota Production System is bad. Or when a (Unclear 18:38.4) winner years ago had an issue related to the banking crisis – had nothing to do with their customers, all (Unclear 18:45.1) is bad. So you want to lessen that cynicism, and the best way to do that is to call it your own and then use the tools and methodologies that are under that.

Michael: That's a great point. I'm going to dive into that a little bit more with our questions later on in the interview, Joe, but I'm glad you brought that up because it's a great point. So let me ask you about one other methodology that was big in the United States back in the eighties. You mentioned a bunch of quality gurus went over to help Japan post WWII. They stayed there. Japan took off with their quality initiatives. They started these quality circles. They came back to the US and then we had a total quality management revolution. Everybody was doing total quality management. Does anybody implement quality processes today and call it TQM anymore?

Joe: Absolutely. Matter of fact, Japanese particularly. You go to Japan — and we're working with a Japanese company and they're calling their total quality management program total quality management. And the reason is because the words mean something. And, once again, the US likes to brand things and then shoot them when we're done with the brand. But I've been through third world countries, emerging markets, China, and the words 'total quality management' mean the same thing as Toyota Production System. It means the enterprise system. Now, in the way that we define TQM here, that's kind of narrow. But what I tell people is that just like the quality circles, and the quality improvement, and TQM, and the reengineering, each of those methods did the right thing at the right time to help us move forward. And although those methods are all the same under that TQM banner, we can't live with the same term very long. And that's not different in quality as it is in finance or as it is anywhere else. We have to keep evolving our educational level. We have to keep evolving from very complex systems to simpler systems. And so, our methods evolve. But yeah, TQM is uses surprisingly more than you think and even people that are using Six Sigma, they're putting it under their TQM banner. I know a very successful company – Doosan Construction Equipment – that's based in Korea and they're all over the world; particularly with their Korean based company and they call it their total quality management system. I see another European company do the same thing. So yes, it's still practiced.

Michael: So we don't necessarily see it called TQM in the US, but outside of the US, it's still used widely.

Joe: Yes. And I would say why it makes sense; because we tend to move fast. We want to evolve fast. They kind of move slower so they're using that and it works. But what they're bringing into that is Six Sigma and Lean, so their total quality management means, 'that's how we manage our quality management system here, or business system'.

Michael: Yeah. All right. Excellent. Joe, we're going to dive into more of the questions about which methodologies might be the appropriates ones for different industries, different processes, different types of companies, and different companies around the world, but first I want to take a step back and ask you a few questions about Juran Institute. You run Juran Institute, named for the Founder, Dr. Joseph Juran. If you had to summarize Dr. Juran's quality net legacy in a nutshell, how do you describe it to people?

Joe: Well, I think there's two ways. One is him and one is his method; and I'll go with him first. In the short time that I got to work with him, twenty-five years to a hundred and three, his legacy was, 'do the right thing for the customer and the customer will do the right thing for you'. And so, if you do the right thing for the customer, they will pay you back by buying and using your product and service. But he went a little bit more and said, 'but the customer need change, so you always have to monitoring that'. So, today, doing the right thing for the customer also may mean doing the right thing for society. Dr. Juran was all about doing the right things for society. Now, in the method side, Dr. Juran's legacy is going to be for not just very specific things like naming the Pareto Principle, the Universal Sequence or breakthrough, or his handbook; it's going to be remembered for providing a framework to helping an organization manage business results through quality. And that is permeated in many, many textbooks and many, many book, and like I tell the students I have today, they have no idea who Dr. Juran was, but they're seeing it in history books, they're seeing it engineering books, and business books. And then they look it up and said, 'oh okay. That's who that was'. And the same way a production person would look for Taylor, a quality person would look for Juran. But the legacy is he provided that framework that helps us manage business results through quality.

Michael: Yeah. Great. Great description and for anybody that hasn't had the pleasure or the opportunity to read Dr. Juran's books, you invited me to Dr.

Juran's hundredth birthday celebration. When the architect of quality came out, I was very fortunate and very thankful for that and I got to shake Dr. Juran's hand and he personally signed my copy of the book, which I treasure. And then, of course, there's the Juran Institute Six Sigma Breakthrough and Beyond book, which I have and Juran's Quality Handbook, which look at that one. I haven't quite read every chapter in here yet.

Joe: Why not?

Michael: Phenomenal contributions to quality; to businesses; to society. A lot of people may not have the opportunity to go back and watch Dr. Juran speak and they should look for those opportunities on video, they should look for the opportunities to read the books and to study his works because he has really changed the profession and changed how businesses operate. So let me ask you this, Joe. You're clearly well versed in all of the methodologies. How long have you been practicing quality and process improvement?

Joe: I got involved in 1985. And interesting how you just described that and I like how you recognize that my approach and our approach is not about a guru. It's about the methods that are needed to get business results. And that goes back to your question. When did I get started? In 1985, I was a technical trainer, teaching electronics to service engineers and I was a High School teacher before that, so I love teaching. And an opportunity came about. It was actually two opportunities. One was, I just finished my Masters in Business and I wanted to run a training department. And so, I went to the training department in the company – PerkinElmer – I was working for. It was a very successful company at the time. And they didn't have a job opening, so I kind of went outside as every good college graduate who had just had their company pay for you to go outside. And out of two hundred applicants, I came in number two for a job at a very large successful company and I did not get the job because I did not know who Juran and Deming were. So, 1986, I did not know who Juran and Deming were. So I was very curious and the recruiter said, 'you better find out'. He didn't know either. So I went back to PerkinElmer and I went back the to HR department and they said, 'I don't know who Juran and Deming are, but you should talk to this guy, Tom (Unclear 26:28.7) and he works for the President'. So I went and found Tom and I said, 'Tom, who's Juran and Deming?' He said, 'oh' and he described

Dr. Juran and Dr. Deming. And he said, 'and by the way, our company is going to be launching, what's called, the quality business plan and we're going to play back against our competitors – particularly, the Japanese – who are really beating us up'. And not only that, I said, 'my God, that is great. I'd love to do that'. So I posted for the job and got the job as, basically, facilitator of quality improvementing. What's really interesting is that my address on my business card was 77 Danbury Road, Wilton, Connecticut and the Juran Institute was 88 Danbury Road, Wilton, Connecticut – across the street. And so, I took that job. We launched a quality business plan. I got my training from each of the divisions – one at Deming, one at Crosby, and one at Juran – and I saw the benefits of their emphasis. Clearly, that the Crosby side was really getting leaders energized. The Deming side was being very clear about the importance of customers and use of data analysis. And then, the Juran side, which is really that framework that I talked about. So I got to work heavily with Juran Institute and the other two. And then we brought it Schemberger for Just In Time. We bought in design and experiments experts. We had manufacturing design experts. We had Wodroid and Dewhurst – very famous at the time for design for manufacturing. And so, I got all this exposure and we did turn the place around. As a matter of fact, we were the runner up to (Unclear 28:10.4) and the first (Unclear 28:12.0) award.

Michael: Wow.

Joe: That's how good we got. However, that was also, like I graduated, time to move on and I ended up getting offered a job at Juran Institute because I had just utilized their methods and materials and it was at a time where the Institute was really expanding. And so, I went over there.

Michael: You went across the street.

Joe: I literally went across the street. I actually have two business cards. One with one side of the street; one with the other. And it was just a really strange story, so I tell everybody that I got to be running Juran Institute because they didn't know who they were. And so, it's really interesting that I had the pleasure of working with them. And being a trained educator, I came in and I was the educator, whereas a lot of the other folks were deployment leaders. And so, I got qualified in a lot of things and I loved it, and I went and took a

lot of assignments nobody had because I'm the junior guy. And over time, I just outlived everybody, including Dr. Juran, but he was a hundred and three. And so, I still delivered about fifty percent of the time and I will not stop doing that because that was the model that Dr. Juran set. And prior to being with (Unclear 29:18.1) with Chairman, he did the same thing and he's still doing the same thing at North Carolina State University.

Michael: Yeah. Definitely. And so, you've probably worked with tens, if not hundreds, of companies over the years. Definitely hundreds.

Joe: If I look back, it would be really amazing. So, twenty-three years at Juran Institute and I could define the answer to that question. The first five years were hundred and hundreds of companies because I was the trainer and I would go in and just do what I was told to do and come out. So, one year, I taught a forty-five day workshop around the world to companies like (Unclear 29.55.5) Executives and Duracell Executives. And so, if I were to count all those, it would be in the thousands. But the clients that I supported face-to-face deployment, where I got a lot of the experience beyond what I had before that would probably be five to six hundred people. And I got to work with Steve Jobs. I got to work with Bob Kidder from Duracell. All these guys that are young era and one thing that's remarkable is all CEOs are good – that's why they got to be CEOs -, but not all are great and the ones that are great, you learn from. And so, yeah, I had really good opportunities. Plus, going with Dr. Juran to some of the places he went because we use to tag along a lot of the time. I mean that would just — he got in doors that I couldn't get in and he got paid a heck of a lot more than we could get.

Michael: So tell me what it was like to work with Steve Jobs. What was that engagement? What did you do with him?

Joe: Not to talk about Apple, but this was Apple long before "i". This was Apple computers.

Michael: Right.

Joe: And Apple computers had a very good director of quality and they engaged one of our key people in the services side to help them. And so, for a

good period of time, we were doing the same Juran at quality improvement training that we were doing around the world there. And Jobs was just a young technical person, although he ran the company.

Michael: It was the first time he was CEO before he left and started his other movie companies and everything and then came back to Apple for the iPod/iPhone.

Joe: And there's a video on YouTube, which we put out there, which was Steve Jobs talking about Dr. Juran because Steve Jobs got a little doctrination from that and it's pretty good; and I don't want to put it into your video, but if you want to see it, you can go out there and see it. And we are not surprised that Apple has done as well as they did because Apple truly understands the needs of customers and are able to create products that meet those needs. Customers don't want iPads and iPhones, but they want the convenience of communication and they figured it out.

Michael: Right.

Joe: And this is, I think, the gem behind people who get to know the real heart behind quality methods like this; is that they learn to really outperform their competitors because they have a much better understanding of their customers. And once you have that, you then create a system behind it. And Toyota gets it. They spend enormous amount of time understanding their customers. Ford gets it. Our automotive companies, after many, many decades get it. Hospitals are starting to get it. So you're starting to see a real difference between who gets it and who doesn't get it. And the ones who don't get it, eventually have two choices. They get it or they go out.

Michael: Right. Well, I'm interested to see that video. I'm glad you brought it up. I'll find it and I'll link to it underneath this video, so if somebody wants to watch that after this one they can do that. So the other personal question I have for you, Joe, since you've been in the industry so long, since you've been exposed to so many companies and so many great people at these companies using the Juran framework and philosophy and implementing it in their company, what would you say is your greatest quality accomplishment?

Maybe something you did; maybe something that you didn't do, but you had an impact on.

Joe: I tell everybody it was Duracell – my great accomplishment – because Durcell, before they were sold to Gillette, was a battery manufacturer that was in a leverage buyout and I got to meet the CEO and Chairman, Bob Kidder, and his staff. And Bob Kidder was a guy who was a ex-McKinsey partner who came into Duracell and I had to do a sales call. One of my first sales calls. And I did the sales call and I talked and I talked, and I did this, and I did that never realizing what he did. And at the end, he says, 'you know what?' He says, 'I already watched all fifteen of Dr. Juran's videotapes. I already checked out who Juran Institute was. And all you had to do was just find that out. We could've moved faster'. So I learned a valuable lesson, but he hired me and hired us, and over the next vie years, Duracell became an absolutely unbelievable company because that guy, Bob Kidder, walked around every day with a strategic planners pocket that said, 'we are going to outperform out competitor – won't mention their name – in performance of our product' and they did everything they could. And as a result, they told me, later on, that it was probably one of the best things he ever did was really to get the methodologies for project-by-project improvement. And so, I always use Duracell as a case example. And by the way, Bob Kidder went on to unbelievable at Borden, and most recently, Chrysler's acting Chairman because he's part of the KKR. But I learned so much from that organization. Not to poo-poo any other organizations; that happened early in my career and it just stuck. And the thing that I learned from that and they learned from us. The thing that I learned from them is that every organization can learn from somebody else who knows something about something they don't know and they were so willing to take that chance and take that risk. And today, we see a lot of organizations that like, because everybody can Google everything, they're an expert at everything, but there's not enough depth of expertise in some folks.

Michael: Right.

Joe: Or worse, they don't have the bandwidth. They just don't have the bandwidth, so I learned a lot from that and it was a great experience.

Michael: Excellent. All right. So a lot of people, like we did early in the interview, Joe, we defined terms and I think by defining them they help make them more concrete in people's minds so now you can have a communication. I was in a meeting with some quality improvement professionals last week and they were talking about end-to-end – getting the mindset of end-to-end processes within your business so that people within the business can now think, 'well, it's not just the work that I do in my one area, but it comes in front another group, it leaves from another group, and the customer actually experiences the entire process from end-to end'. When they place the order and how long they have to wait; and at GE we called it wing-to-wing, and you can call it cradle-to-grave. And one person in the group said, 'well, I hate using the terminology like that because there's so much' and I said, 'well, if you can't define it, if you can't give it a name and then have people understand what that means, it makes it much more difficult to communicate, and have a conversation, and take the thought process within the organization to the next level'. So I don't want to belabor the point, but I like to define these and I appreciate you helping us define them in our minds so that we can continue the conversation. What do you say when people are confused about the difference between a process improvement methodology and a business improvement methodology?

Joe: And I agree with you in your comment and the one thing we learned from Dr. Juran was a very precise communicator. And so, every book he did had a huge glossary. Matter of fact, he believes every organization should have their own glossary and for the same reason we have dictionaries and languages, is so that we can communicate. So, if we spoke different languages and didn't know each other's words, we could not communicate. So, if you said Lean and I said Lean, and we didn't have the same upbringing on Lean, we would be thinking apples and apples, but it's really apples and oranges. So Dr. Juran always started off by saying, 'well, let's define it'. So you'll notice in every book we have and every course we do, we define because we want to put ourselves in the same perspective. So, to answer your question about business process improvement and process improvement, I'm going to define it very simply. That the whole purpose of a business; is to grow and make money. The whole purpose of a non-business is to grow and meet budget. So let's keep that there. So the next question is: why do we do process improvement? We only do process improvement to grow and make

money or grow and keep our budget. So, hence, all process improvement is related to business improvement. And so, that's one definition. The process improvement methods of Lean, Six Sigma, Kanban, JIT, Theory of Constraints, all have a purpose to really go after the steps and tasks that go from end to end in an organization. Now, because the end to end can be so great, we break them down into parts, and so, we call those process improvement projects; quality projects; Lean projects. And the reason is that there could be many, many parts. Now, the reality is that a business improves when those parts improve. Now, what really messes people up is that there really isn't a definition between process improvement from a manufacturing connotation and business process improvement from a non-manufacturing. So you'll hear people say, 'we're doing management business process improvement'. If you don't define that, you believe the same definition as me. But no, business process improvement means all the back offices, which later became called transactional; meaning business processes that are unrelated to production. So, if you don't define, you will get multiple definitions. So, we like to think of it as a business that's trying to improve its performance. They can apply business process improvements to adjust business processes or business process improvement to all processes. The business process improvement apply to all processes people call kinds of things – process improvement, quality improvement, CPI, continuous process; all that.

Michael: Right.

Joe: The reality is one focuses on the process and if you do them across the business, you've got it. You mentioned, though, the end-to-end and the one good contribution that the Lean folks brought in is the term 'value stream', and that a business process is a beginning and an end with a bunch of work done in the middle. And although we quantify the waste there, the Lean terminology of a value stream gives a message that all business processes should go from end to end and provide value not just to the end customer, which its purpose is, but also to the business. So, looking at the value along the way forces you to really ask the question, 'is this useful or not useful? Is it value or non-value?' So, in today's terminology, you could get some synonyms – process improvement, business process improvement, value stream, mapping value stream; they all mean the same thing. But what could

really separate them apart is your time in history because things have evolved. If you open up a dictionary today and see process improvement and business process improvement, it would probably say non-production production, non-business production; and if you go into an industry like a hospital and you see process improvement, it might have a little different meaning than a government agency meaning process improvement.

Michael: Yeah. And so, when you said that the purpose of business process improvement is to – and I'm trying to remember exactly how you phrased it – grow the business and increase revenue, or if it's a non-for-profit organization, grow the business and maintain budget, or maybe it's a back office, grow the operation and maintain the budget. What about when you're the government, or you're the IRS, or you're the US Postal Service?

Joe: That's kind of what I mean about the agency side. So, you don't have a top line grow.

Michael: Right.

Joe: But what we say is that you have a charter, you have a set of requirements, and your job is to grow and stay alive. That's what I mean by grow. Just say alive. But your measure of success is meeting the budget or giving money back in the budget.

Michael: Right.

Joe: And what we do now is that the organizations that meet and exceed budgets in the sense they do good on it and they get more money. So it really does have a similar connotation. But there's a limiting factor. They don't get revenue from satisfying customers. But what they do get is approval of the next budget cycle, or disapproval if you don't do that. And also, not just government, but you have to look at agencies that are government with defense; and defense contractors are different from defense agencies. So it kind of puts you in two buckets. One is anybody that has a customer that pays you money and you could increase the top line versus a government, which gives you a budget and you've got to maintain that.

Michael: Yeah.

Joe: It doesn't matter, so it's still process improvement.

Michael: Okay. All right. So let's dive into how does a company choose the right business improvement methodology to implement at their organization? What do you say to somebody where you don't know what industry they're in, you don't know what product they produce, what service is delivered; what's you general advice?

Joe: This might shock you, but we would start off with what problem you have that you're trying to solve and why. And it's a very simple question, but the reason I have to ask that, and we have to ask that, is because there's a group of people that say, 'we would like you to help us do Lean. We would like you to help us do Six Sigma'. It's usually not come and you could help us. So they already got this 'what we want' and then we'll say, 'why do you want to do Lean? Why do you want to do Six Sigma?' And I'm asking that to get the answer to that first question. What do you need? What's wrong? And so, once they answer those questions — and so, some may say, 'we got customer dissatisfaction. We have great products and great services, but we're delivering late in the sense that we're not getting it on time, so we're paying extra penalties. We have a great design and great features, but we have a lot of complexity and people are complaining'. So you're trying to find that 'it' and if they say, 'we want to change the culture', well, unfortunately, you got to ask another question. Why? And it usually goes back to that. So once you get the organization or whomever you're working with to answers the question why, then comes a simple answer – what methodology is best? So, for instance, I recently got brought into an organization that makes home products and they said, 'we want you to come in and do the Juran Management of Quality Workshop that Dr. Juran did'. It's a five-day workshop that we did in two now. And I said, 'why?' They said, 'well, because we want out staff to learn what you learned'. I said, 'that's great. Why?' You think somebody wants to learn what you learned just because you thought it was good? That's not how learning is. So, why? 'Well, we've changed our focus and we've gone from this to this.' I said, 'okay. So what's the problem?' He said, 'well people are confused. Processes are good'. I said, 'okay. Now you got it'. So now I understand why you want

this course. Now, let's talk about what comes in the course. You have a design issue. You have a process issue. You have a defect issue. You have a variation issue. They said, 'yeah. We have all that'. So now I can say, 'okay, we've got the whole method'. So one is starting with what the business need is and it sounds very consultative, but it is. It's a mistake people make because one shoe does not fit all.

Michael: Right.

Joe: Or one size doesn't fit all. So, from there, if you can picture a decision symbol with above it is what's wrong, and then a decision with a bunch of arrows coming out. And one arrow might be stay the course, just do it, fight the fires, and so, therefore, corrective action root cause analysis at its simplest. The other one might be you really should engage in true process improvement project by project because your problems are multifunctional, and so, a Six Sigma methodology is your best bet, and any definition like that. You're clearly working on throughput speed deliver times, or too much inventory. Go after Lean right off the bat. Do that. If it's very narrow and it's a department issue, or like you said, a back office issue, then maybe it's something very simple of a self-directed work team or a 6S standardization of the workplace. So that's how they pick and choose. The problem with that thinking, though, from a customer's side, is that they don't have experts in all four of those. They don't have experts in those. So you tend to go down one path. And so, this is why Lean and Six Sigma have come together; today, the approach to educating and supporting the customer is, here is the umbrella of tools. Pick the right one as you move down the path. The commonalities to them are good. They have to have resources. They have to have a leader. They have to have subject matter experts. They have some methodologies; some tools. So that's what's common to them all. But let's pick the problem that you can solve right now because some people get expectations of I'm going to fix things very quickly and it's not. I think the other thing, too, is that the consulting companies like the McKinsey's and those big BCGs; they come in and solve the problem and they leave. That changes the baseline. The methodologies we talk about. We do that too, but the real benefit of these methodologies is to transfer that knowledge to the workforce because of what I think I tried to explain earlier from Dr. Juran. Customer needs constantly change. And because customer needs constantly change, the processes and

product features have to constantly change. Therefore, if you keep calling people in to fix the problem every time the needs change, you're in trouble. So these are really core skills that have to be learned and applied. And if you're stuck or you need a boost, great. But they're really, what we call, training led consulting versus consulting led consulting meaning you're educations your own people to go solve their own (Unclear 48:12.6) and their own problems. And I think that's a significant benefit and a significant risk because people don't realize that that's expensive in the short term, but it's got a big gain in the long term.

Michael: Exactly.

Joe: And it's just like hire a black belt. Hiring a black belt may speed you up in the training, but it may not do anything for the improvement because that black belt doesn't know you from anyone else. They're just an external consultant. You just happened to hire him fulltime. And we see that a lot, so I'd like to think that the approach is good and sound – what's the problem? What methods are best? And is it training led or consulting led? And maturity of that business, maturity of that industry, and that timeline where they are is really going to dictate what to do for a second and third. Interesting. I was at a function at Christmas time – the holiday season – and I met the ex-CEO of Allied. And I think you met him years ago too.

Michael: Are you speaking about Larry Bossidy?

Joe: Larry Bossidy. He was sitting in front of me in the show. And I said, 'oh I never met Larry Bossidy, so I want to meet him'. And I said, 'hi, how are you doing? I'm Joe De Feo from Juran'. This was a year ago. He said, 'oh good to meet you. I know Joe Juran' and I said, 'that's great'. He said, 'yeah. I was sad he passed away'. And then he looked at me and said, 'you know, we should've done Lean first; not Six Sigma'. And I said, 'well, why do you say that?' Just out of the blue.

Michael: Yeah.

Joe: And he said, 'because the culture wasn't ready to take on some really deep thought thinking and the Lean stuff seemed to be simpler to grasp. I

realize the importance of it, but I would've done it the other way'. And I sat down, I looked at my wife and I said, 'that was very interesting. I never met this guy and he just said that, and it's almost like he had to get that off his chest'. And I think what that said was, at the time I need help, the only tool I saw I took and it worked, but then I learned this other thing and it worked faster. So if I went with that first; so we call leading with Lean or leading with Six Sigma and match it to your business need.

Michael: Yeah. No. That's a great point.

Joe: And he's still very active. He was very interesting and very active.

Michael: Yeah. All right. So let me ask you. You gave a couple of examples if I were in this industry I'd think about this and, of course, I'm going to ask you right now, Joe, what would you do in health care? What would you do in information technology? What would you do in a finance group? And of course, I'm asking you to pick one specific scenario, describe it quickly, and then tell me what you would recommend as a methodology knowing that not every business is the same, not every maturity level is the same, not every industry is the same, so can't just take what you're going to say, Joe – and I think you'll agree with me – as the gospel. You need to go back to your original question: what methodology should I pick, you need to say why and that why is specific to every single company. But having said that, people need to be able to look, and benchmark, and take in data and say okay, I understand this, I understand this because it cements their way of thinking and it allows them to then build on top of that and select a more appropriate methodology for them. So let me ask you this. Which methodology would you recommend – what's the right methodology – for a health care organization? And describe the scenario briefly and then tell me what you would recommend.

Joe: I'm going to answer all your questions by following the money. So, for health care, the money comes from insurance providers and the government. And so, if you don't satisfy those two, you don't get reimbursed. And so, the biggest problem in hospitals not getting reimbursed is too much variation in the hospital. So, with too much variation, they really have to find out where those defects are coming from and attack them from the service provider, the

insurance provider, or the payer point of view and there's millions of dollars left on the table. So they need some Six Sigma, no question, in health care.

Michael: And that's Six Sigma because there's variation related to why they're not being able to.

Joe: Right. Variation. So, two doctors. A patient comes in. Two doctors treat them differently. One is five thousand; one is ten thousand. So that goes off and gets, well, why are they different? So that variation creates a slowdown. So, why does that happen? Now, there are two other places in a hospital that Six Sigma is less important and Lean is very important. And that is the OR and ED. The operating rooms, or any diagnostic room – operating room, diagnostic room, or emergency room; those things are driven off flow and the more patients you put through, the more money you make and therefore, we stay alive. Follow the money again. Those three areas are clearly, clearly conducive to Leaning them out. There's a lot of obstacles to prevent those things from happening and when you Lean them out, you realize you have excess capacity and therefore, you don't have to build new rooms. So, hospitals. It may not give you the answer you want, but there are two areas. One is follow the money. You got a lot of variation. Go after that money first. If you want to really bring in the higher paying, go after those diagnostic labs.

Michael: That's exactly the kind of answer I was looking for, Joe. What if you run a facilities department at a University; at a hospital; at a manufacturing facility? You're the backend. You make sure that the floors swept; that the lights are replaced; that the buildings have the proper backup power. You're facilities management. Your budget gets slashed every single year.

Joe: Picking these Universities, picking those kind of facilities, the biggest process between a person and their customer. So if I'm the electrician, I got to go fix a light. If I'm the janitor, I got to go clean the bins. If I am the sweeper, I got to go sweep the floors. How am I going to apply that? Well, clearly, 6S and speed, 6S and Lean are the best ways to go. Why? Because the 6S methodology gets any department – any specific area – to be able to standardize. So if I am simply the janitor, I have got my areas clean, it's neat,

I can mobilize quickly, I've got standardization of materials, and I get out there. Same thing. Electricians, plumbers and facilities are a group of laborers like that. In a sense, they're professional laborers. They march out. Same thing with the maintenance department in a factory or a building. They have to be really simply 6S thinking, and that's probably going to get the mostly what they want. And then the other one is simplifications. Simplify, simplify, simplify.

Michael: Yeah.

Joe: Just because we tend to do those things very slowly. Cost call comes in. I need your help. The work order of process flow slows me down, so simplification through process improvement and using something very simple like a 6S methodology of Lean.

Michael: And that will allow them to do their job more efficiently and effective so that they can reduce their costs and try to meet their budgets.

Joe: Yeah. And people don't realize reduction of cost comes from standardization. If I have multiple types of inventory that I use to manage these facilities with, well, I'm probably spending more money than I need to. So, if I standardize and buy more of the same, I can reduce my cost. Or, when you don't have standardization, you tend to have to manage more suppliers. You have to manage more things. Once again, reduction of cost. And here's another one. If you can't find things, you spend more hours doing that; eventually you hire more people. So, if you can simplify things, you may not have to hire more people. And just like an accountant, an R&D person, an engineer, a janitor, a carpenter, the more time you spend wrench time, the more value you provide the customer.

Michael: Right.

Joe: The more time you spend trying to figure out how to do that, the less value you provide.

Michael: Yeah. All right. What's the best methodology for an organization or a division within a company that focuses on information technology?

Keeping the backends up and running. Making sure that the computers are processing what they need to process. The Internet is up and running. The IT group that develops the fixes for the bugs, unfortunately, that customers experience or developing new products. There's Agile out there in the software world. There's Scrum out there. There are a lot of methodologies that are just for software development. What do you do when a company comes to you and says, 'they're helping us do things, but we're not delivering what the customer wants'? What do you recommend to them?

Joe: Yeah. We call it quality in a nano second because the IT world is an nano second. What you just described there is quality by design designed for Six Sigma like program. Why? Most technology companies are in fast paced environments and they have great design engineers. When they have a clear understanding of customer requirements, they can design anything. Most software bugs – most system bugs – come when you don't have a clear understanding of those requirements. And so, the whole idea behind Agile and Scrum is to bring the design engineers closer to the customer. Move faster; get rid of things. And so, that is what we call and Juran calls the quality by design side. Meaning get the customer, voice the customer clearly understood as possible, and then use a standard process for designing and developing. And I would also say that, if you do that, there's a pretty good chance you're going to lead to process innovation; not just product innovation because you might find things you can design in that changes the process. So, for instance, if I find that a customer wants a very high uptime and self-maintenance, well, that might eliminate testing in our lab because if they can self-test, why do we have to test? So you get process innovation. So, quality by design no question. If I were to identify the biggest failure of a lot of newly designed technology products is clearly not understanding the large caste of customers. Not just the user, but also the caste of customers around that. Can it be tested? Can it be built? Can it be designed? We work with large deliverers of IT services. One of the biggest issues they have is service level agreement discrepancy. Was it in the agreement or not? Well, it's not that we don't know how to do it; we're charging you for something you think shouldn't of been charged for. Once again, we didnt' have a clear understanding of the voice of the customer. And I could even narrow down quality by design and design for Six Sigma into really simply truly understanding that voice of the customer and then let your design process

take it from there. And Agile and Scrum has really tried to speed that up. That's all they're trying to do.

Michael: Yeah. All right. So let me just pick one more area. Customer service. Every business has a customer service department. They handle inquiries in from the customer either for new business, or to service their current business, or complaints that are coming in. Can you pick a scenario, describe it briefly, and tell us what methodology would be best to support a customer service department?

Joe: Just smile a lot. There you go. That's what it used to be. I'm going to give my answer with something that just happened to me this week. And I'm actually going to go out on a limb and say, a couple years ago, Hertz was sold and their service was horrible. This last week, I was so shocked at how good their service was I had to find out. And the answer to my question is, good customer service comes when you eliminate customer dissatisfaction. What are the things that make them mad first? And that is a process improvement Six Sigma initiative. So, for instance, I went to the Hertz place. Yeah. You see my name up in lights, but I actually said, 'can I change my car?' I'm in California. I want a cool car. They said, 'sure. Come with me. Here's a couple choices'. I said, 'what do I got to do?' He said, 'nothing. Just do you like that one?' Yes. He said it's going to be a fifty-dollar upgrade. I said, 'what do I got to do?' He said, 'nothing. Just stay here. I'll come right back'. Two years ago, that would not have happened.

Michael: Right.

Joe: Then, when I brought the car back, you used to get this grumpy person. They were asking me not just how about the car, what did you like, but they really were adding value to making my (Unclear 1:00:59.9). By the way, you have to go over there. That's where the thing is. How many times have you had to say, 'where is the bus?' So there was clearly they solved the issues of my dissatisfaction and maybe it was just one place, but I see it in a number of places now. So, anything customer service, get rid of the dissatisfaction first. Then focus on ways you want to sell me more business. I'm not going to name this company. I walked into another company and the first thing they said is, 'are you putting a new kitchen?' And I said, 'do I have it written on

my shirt, I want to put in a new kitchen? Of course, I'm not. I'm looking for a bowl'. And they're trying to get you to buy a new kitchen. That's not the right approach to customer service. Customer service should be, let me get what I want then you get what you want. And if you get those backwards, you might be selling more, but you're surely not making a customer very happy.

Michael: Yeah. Great point, Joe. Can a company choose one improvement methodology and then move to another one later? Are they going to look like they're flip floppers, or that they chose the wrong methodology to begin with? In what scenarios have you seen that as an appropriate response at an organization?

Joe: Obviously, it's very pragmatic to use the right tool at the right time, so we start with one today and we got to go to one tomorrow. The failure in what you just described – the flip-flop – is that we are really bad educating and communicating. And so, that's where the real problem lies. It's gotten better. I got to be honest with you. I don't see that much like we used to ten years ago. And the reason is because my business operating system has Lean and Six Sigma, and these tools versus I'm doing the Juran method, or the Deming method, or the Lean method. So, I think one reason why we're seeing less of that is because we call it a business operating system and we explain, 'our business operating system will morph and change back, therefore the tools have to'. Also, there is an evolution of maturity. So we might start with something simple and advance later. And here's a very good reason for that. So, the education piece comes in. We're operating at twenty percent defect level. It's not going to take much to get us to one. But when we're at one, we got to go to .1 – hard – and .1 to 0.1 it's even harder. So there's a real reason to be more sophisticated as higher and higher levels of quality of attained and this where a lot of people really fall apart. Like, we got to a high level and so, we don't have to train anybody new coming in. We don't do this. Well, no. It's actually you got to do more. It's harder to stay at that level. It's much easier to be a bad performer than a good performer. And so, people will then say, 'what do we got to do? Oh, we did that. We did that'. When you ask the question, 'what did you do?', oh yeah, we brought it in; we never really did it. So, the real message is education and communicating that right now, in this point in time, this is what's going to

help us and it's just like a strategy. You change that every three to five years, so your method has got to change every three to five years. And unfortunately, some people don't get that and they're creating, 'this is a new fad and we've been there; we've done that'. And I just say, 'well, if you've been there and done that, then why am I here today?' Obviously you didn't do that because I know that works and it didn't work for you. Why? And then you get the whole host of reasons.

Michael: So being able to call it a business operating system, or my company operating system, and starting off with a focus on, say, Lean and standardizing your processes and making sure you have the right flow for the right demand from your customers; and then, when you solve that problem that you put Lean in for and you understand, now, what the business problems are, you can look for the appropriate tools at that time. And maybe that's Six Sigma, and maybe that's Lean Six Sigma, and maybe it's some other toolset, but then you just continue to evolve your business operating system to match what the business needs to support the customer at that time.

Joe: Yes. And really, the evolution of that operating system might be in technology itself, so you see a lot of common systems going to like a SharePoint workflow. A lot of processes being instead of doing design of experiment, you simulate them on an iGrafx-like tool. So the evolution is not just method, it's also technology. And as you change technology, clearly some of the — for instance, this technology you and I are doing right now, to get this information before, you'd have to read a book or you go to a public workshop. So, now I'm given this technology to you, you're going to give it to your customers, and the customers are going to have it in their hands. So it's very different and so, I have to prepare different, you have to prepare different and so, the organization has to prepare different.

Michael: Right.

Joe: And what's important to you is having the technology that allows us to go on uninterrupted. So it's very different and people tend to forget that we have to change for certain reasons.

Michael: Yeah. Definitely. All right.

Joe: How come you didn't say financial services? I love to talk about financial services.

Michael: All right. Let me ask you. Financial services. So you want to talk about financial services and choosing the right business improvement methodology?

Joe: Yes because they do it worse than anybody.

Michael: So what is the right methodology for financial services?

Joe: Well, this is going to be a backwards answer because financial services want to do Lean and Six Sigma, but they really don't want to do anything because they make money off interest rates. That's where most of their money comes from. And when interest rates are high, who needs to make improvements? And so, one is, don't do anything complex in financial service. Keep it real simple. Do very simple; voice a customer, a lot of small bets, a lot of new products. So really design side. A lot of new bets. A lot of new products. Keep people hopping. Keep them coming to you because more customers, more product. In low interest rate environments, it just makes it harder. So, when it's low interest rate environments, process innovation. And I'm going to say different for process improvement. Process innovation. You have got to figure out how to compete. If you're a brick and mortar, how to compete with the eBanking – the eServices – and at the same time still keep customers face-to-face. So, I've seen a lot of financial institutions, whether it be bank or insurance companies, try to remain stagnant and old looking when, in fact, they really need process innovation. And I just tell them. We just got through this (Unclear 1:07:22.8). Large deployments and large banks love to do all these black belts and do this. Well, that's adding cost to a very tight system. And so, you better be very nimble and pragmatic in financial services. And the reason I bring it up is because I don't like going after financial services because it's all about interest rates. But it doesn't have to be because they don't know there's an alternative. And so, the alternative is small bites and go from there.

Michael: So, right now we're in low interest rates. So your recommendation for financial services would be to focus on process innovation. How is process innovation different from new product development or new product offerings?

Joe: Product innovation assumes that the process we have now is not going to meet the customer requirement ever. So what are we going to different to do that? So, for instance, I have a virtual company. A lot of my consultants are around the world and we used to send e-mails about policies and procedures, and that was costly. And the assumption was it's a push system. So now we have it on SharePoint. Then we went from SharePoint, we had a policy procedure that said, 'fill out this form and send it in for approval for vacation'. Now, you just click on your screen, fill out a form, and it goes right into HR and boom, it's done. And so, we decided that let's not try to speed up how we do expense reports.

Michael: Joe, we froze for just a moment there. You were talking about process innovation and the fact that at Juran, because your consultants are virtual, they're around the world, that you used to be push via e-mail and then you moved to SharePoint, where now they sign on, everything is electronically processed because they can specify the dates on a calendar that they want and it goes to HR for approval. So is that the kind of process innovation that needs to happen? Where you're taking out the costs and operating more efficiently using technology?

Joe: Yes and not even assuming, I can even take out the cost. Just assuming that I have to find a simpler, faster method and therefore, the application is my new method. So, instead of trying to redesign my travel expense system, we went out and found us software as a service system. Ten bucks a person a month. Boom. It's done. Linked to QuickBooks. Same thing with applications – apps – on phones. Delta has a great app. Starbucks have great apps. Those apps. What are those apps there for? Those apps are there so you won't have to tie them up doing things that you can do very quickly and they work. So, process innovation is taking design methods – quality by design – and just applying them to the process. Here's our output. The output we know is good. How can we do that faster, better, cheaper in a completely new

environment? And if you evolve quality by design into product to quality by design into process, you'll get process innovation. It's a Leapfrog thinking.

Michael: Yeah. Definitely. All right. So, Joe, I know that we are on for about an hour right now. Do you have a little more? I've got one more main question and then another one before the final question.

Joe: I'm good. It's Friday.

Michael: All right. I thank you for your time, Joe. Let me ask you this. When I was at GE, Six Sigma took off because it was always tied to the bottom line or the top line. So, the business cared because we're either reducing costs so that we could do more with that money, or because we were growing the top line and business owners could see, hey, I'm delivering more, I'm bringing in more revenue by executing these Six Sigma projects. Is it important for every organization implementing process improvements to tie it to the bottom line or top line?

Joe: Yes. There's no question, no matter what initiative, what program, what function, what person that comes in the company, if it's not helping the business, you're going to move off it. And so, it absolutely has to. And we do that in organizations by creating functions. So we have a business plan every year because we have a finance function. We have a production plan every year because we have a product department. We have the new designs because we have engineering departments. So, if you don't take these methods and create a function, then there's a little chance it's going to continue forward. People have this belief that we all learn how to do this and therefore, it just happens. No. It doesn't just happen. It's got to be a function. It's got to be part of the system. It's got to be there. And it's got to be part of the strategic plan because otherwise it won't happen. GE was very successful at doing two things. Everything at GE was tied right to the paychecks of the executives and if you didn't do that, it died. That's the right thing. Companies take too long to do that. The second one they did was they tied it to the business plan. We're going to do this every year. This is what it's going to be. Now, as we got good, and good, and good, or as you got good, and good in GE, they said, 'okay. We don't need to focus on this. Let's focus on this. But we keep the training, keep the education going along'. And

unfortunately, even a good company like GE or Motorola may win in the marketplace and get so caught up in winning, they back off. And when you back off, that just means someone else surpasses you and they get better. And if you don't believe a business cycle is an up and down movement and that everything is a straight line, then you're going to believe that Toyota never makes good quality cars and Motorola never made a good quality anything. The reality is you're going to go up and down and the key is when you come down, you get back up quicker. And those methods are there, so yes, if you don't tie it to something in the business, it will die.

Michael: So even with a Lean program, where you're trying to simplify your work processes and 6S everything and standardize, you still need to tie it to finances. You need to show that your efforts are paying off financially either in your budget and overall budget, in something.

Joe: Yes; and that should be every function. So, if you're an HR function and it costs you too much money to recruit people, you should pay the price for that. So, not just quality, but we're taking about these functions right now, so yes. And, if not, what's the purpose?

Michael: Right.

Joe: Just to keep a bunch of people running around as black belts? No. The purpose is to keep improving. Continuous improvement year after year. And the reason is because the needs change and somebody's got to be looking out for that customer.

Michael: All right Joe. So here's my final question. You've been in the industry for twenty-five years I think you said.

Joe: Yes. Rather young.

Michael: And you're called up everyday by companies, or every week I'm sure, by new companies that are thinking about implementing some sort of process improvement methodology that they need to change, that they know they have problems, they just don't know what the solution is and then you go in there and you pitch the executive team. What's your response to the

executives who say, 'oh we've tried TQM in the past and Lean and Six Sigma, and what you're suggesting sounds similar'? What's your response to the naysayers at the top level of an organization that know they need some sort of change in order to be competitive, but don't want to be associated with some of the business buzzwords that have happened over the past twenty years?

Joe: I think, in the comment of Larry Bossidy and David Kearns from Xerox years ago, he told me something. Somebody said, 'I really liked all that quality stuff, but I wish it wasn't so expensive'. And I said, 'well, why is it so expensive?' Well, we did this, this and this. I said, 'you didn't have to do it that way'. So the answer to your question is, when there is a naysayer, there's a reason they have the right to be a naysayer. Find out what it is. So, in Bossidy's case, he said, 'I should've done Lean'. He probably was a naysayer to Six Sigma because he probably was looking for something faster, something quicker, something really specific to a need, but none of his own people found out about that. And so, they started moving down this path. So, one is I try to find out why they're saying it. Are they saying it from past experience? Are they saying it because they hear someone else say it? Are they saying it because there's a person inside who really doesn't want us there? They want to do something themselves. I think I limit it to those three things. And once you do, then you can answer the question. Oh, you don't want to do it because you think it's too expensive. Why do you think it's too expensive? 'Well, I heard I have to train a hundred black belts.' Well, no you don't. Where did you hear you had to train a hundred black belts? 'From a company who trained a hundred black belts.' Well, why did they train a hundred black belts? 'I don't know.' Well, let me tell you why they trained a hundred black belts. They didn't train them all at once. They trained them over time, And, by the way, did you know that each black belt has to return three times their paycheck or else they can't keep their job? 'No. I did not know that.' Was that something of interest to you? So, you got to find out why they're saying it. And I have a belief that everybody has their own opinion and they deserve a comment on it because it's right. It's their experience. And I get that question all the time. It's the hardest selling job in the world; is to go in and try to answer the question and not sound like a sales guy. I just say, 'listen. You got to have a pragmatic solution to your problem. If you don't know what your problem is, all solutions are bad. All solutions

are good. So, why you don't like it?' And you know what? There are a lot of reasons not to like some of these methodologies. There are, I call it, the internal experts are advocates of their own expertise. Well, if you had a twenty-five years history in automotives, you're probably really good at the AB process and pretty good at Lean, which you never worked in food and you never worked in tel-coms, so it's not the same. So you become this really strong advocate, so now all of a sudden, you're not getting the results because you're an advocate of A and the president says, 'someone told me we should do B, but I don't think we should'. We'll say, 'why do you not want to move off of A? Why do you want to move off A?' 'Well, because we're stale. We're stagnant.' 'Oh you're not getting the business result.' 'That's right.' Okay. Why? So you have to help that discussion along. And really, once you help the discussion along, not you can become a salesperson. How can I help you? Whether I'm an internal guy or an external consultant trying to make a living, how can I help you? Well, there are the methods to follow. Training used to scare people because it's expensive. Training with methods like this today is getting a lot cheaper. So that's less of an issue. The issue is, I don't want to have to pick the wrong thing right now; and that's a worry for a lot of companies. Hospitals don't have a lot of excess people that are professional nurses and physicians, and they jump ship a lot. So if I'm going to train black belts here and the hospital down the road is going to pay them ten percent more, I'm going to lose them. So the training led approach may not be as important to them as helping me right now. The training stuff will help me later. We're right now. So, sometimes you have to help them stop doing some things. You have to help them move on (Unclear 1:18:27.5) implement a method. And, as Dr. Juran said, how do you change a culture? You have to provide enough time and if it's not the right time, don't try to change the culture.

Michael: Great advice. I love your response also. As Deming said, "you can't manage what you can't measure", so you need to get the data. If there's an executive that has a negative perception of something, you need to get the data. Why do they have that? You can't fix, or you can't even address anything without understanding their viewpoint.

Joe: Yeah. And I would advice your listeners, here, that if you're the internal advocate of change, if you're the internal advocate of process improvement,

your best friend is someone not in your company. Your best friend is all the experts outside your company because you're going to get so narrow thinking that you're going to defeat your own purpose. And in this field, you don't want to defeat your own purpose today because if you leave one company unsuccessful, you're not getting a job at another one. You can lie as a salesman out there. You can say, 'I sold this' and you did. But when you're a change agent and you say, 'I left the company because my boss didn't want to do this', they're going to say, 'you're a change guy? Come on'. So be careful.

Michael: Great point Joe. All right. If you have a follow-up question, please post it in the comments below this video and we'll ask Joe to come back and answer as many as he can. Also, if you'd like to follow Juran Institute, you can do so at the Juran Institute website at Juran.com. You'll also find their newsletter sign up for The Juran Report in the upper left hand corner and they have links to their Twitter account, which is @TheBigQByJuran. I'll have a link below this video. And their Facebook page, if you're into Facebook and you want to follow their updates, they're at Facebook.com/JuranInstitute. Joe, this is the point of the conversation where I urge the audience right now. If they received value out of this interview, which I know I did because you've done a fantastic job explaining these concepts and how they all fit together, please take a moment to say thank you. You can do this by simply posting a comment below, saying hey Joe; I appreciate it when you described this. You can post on Twitter to TheBigQByJuran and say thanks, Joe. I'm going to have a link below that somebody could just click on it if you have a Twitter account to just say thanks to Joe; or on Facebook. I urge you guys. Make a connection to Joe. We can't achieve anything all by ourselves. We need to rely on other people and relationships are how business gets done. So, reach out to Joe. He's a fantastic guy. I've known Joe. Joe, we've probably known each other since 2000/2002; something like that. When I was living out in Connecticut.

Joe: 2001. Yeah.

Michael: Yeah.

Joe: You're old too.

Michael: Joe De Feo, CEO and Executive Coach at Juran Institute. Thank you for coming on the iSixSigma Show, sharing your knowledge so openly and generously, and helping others to become successful change agents and business leaders.

Joe: Mike, thank you, and all your friends at iSixSigma because without guys like you, who are trying to bring together various thought leaders, most people wouldn't be advancing. So thanks a lot.

Michael: I appreciate that. Thank you all for watching. We'll see you next time.

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