RESEARCH BRIEF

Six Sigma for Sales Management:

What is “Lean Six Sigma,” and Why Should Sales Managers Care?

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About The Sales Management Association

The Sales Management Association is a global professional association focused on sales management's unique business and career issues. The Sales Management Association fosters a community of interest among sales force effectiveness thought leaders, consultants, academics, and sales management practitioners across many industries.

Through training workshops, online resources, and research materials, The Sales Management Association addresses the management issues of greatest concern to practicing sales managers. The Sales Management Association's focus areas include management leadership, sales force performance coaching, sales planning, sales process management, enabling technologies, incentive compensation, and sales force support.

Note to Members

Six Sigma for Sales Management:

What is "Lean Six Sigma," and Why Should Sales Managers Care?

The answer to the twofold question posed in the title of this article is simple. Lean Six Sigma is a management method now used in most major manufacturing companies and many large service organizations to improve their performance, and you should care about it because they do. Lean Six Sigma is the lens through which many of your customers look at what they do. So it only makes sense for you to look at what they do—and what you do—through that lens too.

In fact, at a well-attended conference on Six Sigma in sales and marketing in Las Vegas not long ago, an executive from Sun Microsystems mentioned that Bank of America said words to the effect, "If you can't send along Black Belts [Six Sigma experts] with your sales team, don't call on us."

Few customers take such an extreme approach. Yet many speak the language of Six Sigma and use its methods to define, measure, analyze, improve, and control the things they do, make, and deliver to their customers. In doing so, they apply these methods to their internal processes and to their interactions with vendors.

This article won't explain Six Sigma in much depth. There are already good sources for that information, and I'll mention a few later. In any event, I have found that sales professionals typically take to Six Sigma like ducks to, well . . . duck season. The reasons for this include the arcane jargon and statistical concepts that some Six Sigma experts can't get away from, but also what might be termed sales resistance on the part of salespeople.

In this article I will briefly explain Six Sigma. But first I'll show just a bit how Six Sigma works in sales.

Six Sigma in Action

Belts, Not Suspenders

Six Sigma experts are managers and professionals who have had formal training in, and practical experience with, Six Sigma methods and tools. They have worked on formal Six Sigma projects, which follow a specific sequence as noted in the accompanying article.

- *Black Belts* have had a certain level of formal training in Six Sigma methods and tools and have completed at least one formal Six Sigma project
- *Master Black Belts* oversee Black Belts and have additional Six Sigma training and experience
- *Green Belts* have some formal training, but work in operating or support departments
- *Yellow Belts* have light training and some familiarity with the method

In Six Sigma companies-those that use the method as their basic management framework-Black Belts and Master Black Belts work full time on Six Sigma projects. In these projects, they apply the methodology to solve specific problems in operating and support departments, including, most recently, sales and marketing.

In the early 2000s, business forms manufacturer Standard Register had to find ways to remain relevant in the age of desktop publishing and print-on-demand technologies. As a $1 billion plus company, Standard Register sells to industry leaders, who are major users of forms and cost-saving technologies—a potentially lethal combination for this vendor.

Yet the company found these customers were often confused by the many options they faced for creating, storing, routing, and archiving forms. Meanwhile, although many customers perceived it as a commodity supplier, Standard Register possessed deep expertise in workflow, paper flow, and cost management in this area. Perhaps the company could reposition itself in the rapidly changing forms industry by offering that expertise to customers.

That's where Six Sigma came in, under CEO Jonathan Ward, who is a champion of the methodology. The company learned that customers often lacked knowledge about their own processes, workflows, and costs. So, the sales team worked with Standard Register's Six Sigma experts and used their tools to elevate their customers' forms needs, flows, and costs.

This enabled the sales team to gain access to C-level executives and to make the case for more transformative measures than the next forms purchase. For instance, Standard Register offered on-site "concierge" services to help customers choose between desktop printers, on-site or off-site print centers, and other options to minimize waste, reduce costs, and ensure the right level of quality. With this effort, Standard Register actually increased its margins while saving individual customers from 20% to 70% of their costs.

Lean and Six Sigma in Essence

Six Sigma is essentially a method of quality improvement, which is also known as process improvement. As you may know, over the past thirty years what might be termed a quality revolution swept through large manufacturing organizations. Under the rubric of Total Quality Management (TQM), kaisen, quality circles, and other labels, quality improvement and process improvement transformed operating practices and procedures in companies such as Toyota, Motorola, 3M, and hundreds of others.

Six Sigma, currently the most sophisticated iteration of process improvement, was developed by Motorola, enhanced at Allied Signal, and made famous at General Electric under Jack Welch. It has also been used to improve performance at hundreds of other companies.

In practice, Six Sigma is generally implemented after applying another method called Lean. Lean grew out of lean manufacturing as developed by Toyota and documented in the 1990 book *The Machine That Changed the World: The Story of Lean Production* by James P. Womack and Daniel T. Jones. You "lean" a process by ridding it of all waste, which means anything that doesn't add value for the customer.

The basic Lean principles are value, value stream, flow, pull, and perfection. In applying these principles, you identify what constitutes *value* for the customer; define the *value stream*, that is, the activities that create value; make the value stream *flow* faster by ridding it of waste and redundancy; let customers *pull* the product as they need it; and constantly strive toward *perfection*. After you Lean a process and make it as value oriented and waste free as possible, you can apply Six Sigma to it to raise the level of quality and further improve performance. Indeed, this widely practiced approach is known as Lean Six Sigma.

Core Principles of Six Sigma

Okay, what is Six Sigma itself? It's a technical measure of quality that I won't get into here. It's Greek. Literally. But the basic method rests on five core principles:

1. *Create Value for Customers:* A company exists to create—and sell—something of value to customers; that's the North Star that must guide all our activities.
2. *Manage Data and Facts:* We need measurements, data, and facts on what we're doing and the results we're getting before we make decisions; otherwise, we're operating from opinion and politics.

3. *Analyze Cause-and-Effect:* A problem occurs for a reason; if we find the cause of a problem and eliminate it, then we've solved the problem.
4. *Minimize Waste, Errors, and Defects:* Like a watch or a car, a business process should have all the parts it requires, and do everything it's supposed to do—and nothing else; if we rid the process of useless activities and eliminate or at least minimize mistakes, the process will run correctly and produce the intended results.
5. *Create Collaboration:* All process improvement methods recognize that business activities and functions are interconnected and that they all have to work together for any of them to succeed.

These essential tenets may seem like Problem Solving 101 or even like management bromides. Yet they are anything but in the hands of Six Sigma experts, known as "belts," [see sidebar "Belts, Not Suspenders"] or anyone who is serious about fact-based management.

That is really the essence of Six Sigma: fact-based management. Six Sigma is based on the scientific method as embodied in the five steps of a Six Sigma project. Those five steps are to *define* the problem, *measure* the relevant activities and results, *analyze* the data collected in the measure step, *improve* the activities, based on that analysis, and *control* for the results you want to achieve. The five steps are called DMAIC (*de may' ik*) and they bring scientific rigor to what might look like Problem Solving 101.

I will show how sales and marketing executives have used Six Sigma methodology to do some things that every sales manager wants to do: make the sales force more consultative, solve customers' problems, manage salespeople more effectively, and learn and deliver what customers really want.

Fact-Based Sales Problem Solving

As much as anything, salespeople exist to solve customers' problems. Of course, that means the problems that the company's products and services are designed to solve for customers. Yet, it also means the problems that bedevil customers *and* salespeople in any business, such as incorrect deliveries, errors/returns, poor installation, lack of follow-up, etc.

Standard Register also employed Six Sigma in this area to good effect. A group of eight hospitals in Phoenix had experienced chronic problems regarding invoicing despite account managers' repeated attempts to resolve them.

The information available was anecdotal. At one location, billings couldn't be reconciled with purchase orders. At another, incorrect shipments had arrived repeatedly. Yet, the nature and frequency of the problems were unclear. Were a few vocal people creating the perception of poor service, or was poor service really occurring repeatedly? The situation grew heated and had to be resolved.

The hospital group didn't have its own Six Sigma initiative, and they only wanted a solution, not a "methodology." But they agreed to work with Standard Register to gather facts on the problems in the various locations in a systematic way using a Voice of the Customer (VOC) survey (see sidebar "Tools, Not Rules").

The hospital administrators wanted a sound, productive survey *and* wanted the survey to come from them rather than Standard Register. Susan Kraus, a Standard Register Black Belt, helped them design a sample of respondents and survey questions that would produce data that would give them a handle on the situation.

As a result of the survey, both the hospital administrators and the salespeople understood what was happening. Essentially, both the hospital locations and the company had overlooked several basic procedures that each of their organizations had already established.

Why was Six Sigma instrumental in this?

The causes of the glitches (remember the cause-and-effect element of Six Sigma?) had eluded both the customer and the vendor because the "evidence" had been anecdotal and scattershot rather than organized and analyzed. For that reason, the root causes of the problems could not be identified. Once the root causes were diagnosed and eliminated, the invoicing and delivery routines became as routine as they should have been all along.

The VOC survey provided a framework that enabled the account manager and customer service people to accomplish something that eluded their individual efforts. Rather than a series of well-intentioned but lightly armed account managers individually tackling individual problems, the survey provided a structured, efficient way to gather the right data to identify the scope, nature, and causes of the problems.

As you see from these examples from Standard Register's experience, Six Sigma helps overcome sales challenges ranging from the relatively global challenge of repositioning your company in the eyes of the customer, to the relatively mundane but important one of solving recurring customer-service problems.

Cases from two other companies show how Six Sigma can help address two other challenges sales managers regularly face: that of making sales truly consultative and that of improving salespeople's performance.

Making Sales Truly Consultative

Many companies talk about bringing a consultative approach to their sales efforts, but this often amounts to mere positioning rather than actually helping the customer make or save money. In other words, a truly consultative approach creates new value for the customer. Such an approach makes sense for many products, particularly those with a large information component. By that I mean that a key function of the sales force is to give customers information about the product in all its dimensions.

This goes far beyond discussing product specs and uses and reaches deeply into customers' operations to show them how to make and save money with your products and services.

Here's an excellent example of what I mean. Johnson & Johnson's Ortho-Clinical Diagnostics manufactures blood chemistry products for hospital labs. Hospital labs work under intense time and cost pressures. *That's* their problem. Getting high-quality products at competitive prices actually isn't their problem. So this J&J unit challenged itself to discover a way to help customers improve their lab processes and reduce costs.

J&J formed a team of Six Sigma experts with sales experience to go into the labs to improve workflows, first on a pilot basis (a common Six Sigma approach) and then on an operational basis. Those teams analyzed foot-traffic patterns, blood-sample arrival and processing schedules, and results reporting procedures to learn how the lab work was actually performed. When did samples arrive? How did people move about? What tests did they perform? Which materials did they use? Was their equipment properly placed?

Such analysis identified usually straightforward changes that generated time, cost, and resource savings. Changing the location of equipment improved traffic patterns. Scheduling blood draws more frequently eliminated downtime and bottlenecks. Reducing inventory freed up thousands of dollars per lab.

Based on these efforts, Ortho-Clinical Diagnostics built a consulting business that augments its product lines, binds its customers closer to the company, and generates profitable revenue in its own right.

Tools, Not Rules

Six Sigma employs various tools in projects. Some of the most useful and most commonly used ones include the following:

- *Voice of the Customer (VOC):* Market research surveys, including carefully structured questionnaires used in telephone, personal, and mail surveys, gather data and information in organized ways to analyze problems and their causes.

- *SIPOC Chart:* A SIPOC (*sy' pock*) chart lays out the key parts of a business process so you can see what's going on. These parts, as indicated by the SIPOC acronym, are Supplier, Input, Process, Output, and Customer. The supplier provides an input to the process, in which people or equipment generate output for an internal or external customer. The charts are like maps that help you see the process-and potential hotspots-clearly.

- *Process Map:* A process map is similar to a SIPOC except it focuses on the process itself. Proper sales process maps identify not just what your company does, but the decisions/actions required from the customer at each phase. This allows everyone (not just salespeople) to focus on how to help the customer make progress toward the sale.

- *Critical to Quality (CTQ):* CTQ describes elements of a product, service, customer relationship, or other aspects of a company's performance that the customer considers to be of real value.

For more on these and other tools and on all things Six Sigma, visit www.isixsigma.com and www.salesperformance.com.

According to Jim Ellis, the company's director of sales process excellence, "About 80 percent of our clients recover the cost of our services in less than 12 months, and 100 percent do at 24 months. After that, the savings go to the bottom line."

This consulting activity binds customers closer to the company and generates revenue in its own right. This case shows what can happen when you look at the total process in which customers employ your product or service through the eyes of the customer and the lens of Six Sigma.

Managing Salespeople the Six Sigma Way

Six Sigma's information-based approach brings new insights to the actual management of salespeople. For example, Darwin Cox, a Six Sigma expert at Unisys Corporation, studied potential success factors on over 400 Unisys sales executives, including sales skills, usage of the Siebel CRM system, account characteristics, etc. The goal was to identify, statistically, which factors most influenced success.

The analysis identified two factors that accounted for more than half of the variation in performance. Cox said, "The first factor was gaining knowledge about the client and documenting it in our internal system. Salespeople who did that hit 242 percent of their target, almost five times greater than those that didn't. The second factor was time spent with clients. Our top performers spent 68 percent of their time client facing versus 37 percent for low performers."

Unsurprising? Perhaps. But such measures precisely define and validate the often conventional wisdom and common-sense behavioral changes that improve salespeople's performance. Sound management doesn't rely on guesswork or even on "doing what makes sense." It's learning what high performers do and then giving low performers reasons to do those things.

It's also a matter of getting the whole picture. In this case, success did not depend on just spending time with customers or on gaining knowledge of the customer. It depended on documenting that knowledge in the internal system, an activity that calls for thinking about what you are inputting and a degree of discipline. These two factors—real knowledge of the customer and spending time with the customer—increase the chances of having long and productive interactions with the customer. You can also create metrics on whether salespeople document client data and spend time with clients and relate these metrics to performance and rewards—and you can do this for less powerful but still significant behaviors.

Learning What Customers *Really* Value

After Standard Register executives saw how VOC helped resolve problems at the hospital group, they applied it to customer retention and loyalty. To retain customers and build loyalty, you must be doing and delivering the things that customers actually want you to do and deliver. To clearly define these things, the company asked customers what product, service, and relationship attributes they valued and measured two key characteristics of each attribute:

- How important is this attribute to the customer?
- How well do we perform on that attribute?

To measure loyalty, as opposed to satisfaction, the survey asked three additional questions:

- How satisfied are you with your relationship with Standard Register?
- How likely are you to re-partner with us in the future?
- How likely are you to recommend us to another company?

This made it possible to correlate the attribute questions with the loyalty questions so the key drivers of loyalty for specific customers could be identified. Each Strategic Account Manager receives the responses for his or her accounts. Standard Register Six Sigma expert Susan Kraus points out: "We encouraged them to take those results back to their customers and to ask about opportunities to improve our performance." Because part of the account manager's compensation is based on the customer's VOC scores, this is one way Standard Register fulfills customers' expectations. Again, VOC converts vague, anecdotal information into concrete, specific, actionable facts.

However, Standard Register took this effort even further by quantifying the impact of the company's products and services in dollars so they could sell on value and not just price. To do this, Susan Kraus and her team helped the Strategic Account Managers develop account scorecards that were more specific than the VOC surveys mentioned earlier.

This meant identifying the measurable attributes most critical to the customer's business. (These are called CTQs—Critical to Quality—in Six Sigma.) These CTQs would be tracked on the account's scorecard over time and used to evaluate Standard Register's performance. A Six Sigma approach defines CTQs in specific ways so they can be measured precisely and consistently. Thus, all information on the scorecards had to be supportable by objective, valid data.

These scorecards gave the account teams a new and practical way to be measured by the customer and by Standard Register. It drove behaviors and communications that differed from those that prevailed when the company focused mainly on the more traditional concerns of price and delivery. For instance, some customers chose metrics such as call-center wait times, turnaround times for design services, and money spent with minority outsourced suppliers.

Such metrics broadened the salespeople's reach into their accounts. If a CTQ related to an end-user's requirement, the customer had in effect agreed that the team needed to speak with those end-users or their managers rather than only with purchasing. Speaking with end-users or their managers was the only way to understand their requirements, to find ways to address them, and to measure the company's performance in addressing them. Stories circulated within Standard Register about how customers agreeing with CTQs opened doors that had been shut to account managers for years.

The effect was to start a new, more value-oriented conversation with the customer, one that went well beyond low price and fast delivery. Moreover, the metrics gave account managers real leverage within

Standard Register. For instance, if an internal department failed to deliver a promised improvement for a customer, it was a documented fact and not the salesperson's opinion. Such facts drive system changes and resource allocations that are often impossible in organizations ruled by personalities and politics.

It takes discipline to ask, "What does the customer want?" to learn what they really value, and to ask, "How do we know?" to get supporting data and facts. But the answers to those questions cut through the impressions, assumptions, and emotions that cloud so many account relationships. And the result is a more value-oriented and therefore stronger account relationship.

What Next?

At this point the questions that opened part I of this article—what is Six Sigma, and why should sales management care?—prompt several other questions that sales force leadership may want to answer. These include:

- Do our firm's customers (or competitors) have Six Sigma or other process improvement initiatives underway? If so, what are they doing and how could it affect our customer relationships?
- Does our company have an active Six Sigma effort at headquarters or in another division? Do we have Black Belts or Master Black Belts whose brains the sales force could pick for ideas on improving our sales processes as they relate to our customers?
- How can I and my sales team learn more about Six Sigma?

Regarding the latter question, there are a huge number of ways available to salespeople and to anyone else who wants to learn about Six Sigma or even the methodology. These include Websites, books, and magazines, as well as courses and, at many companies, in-house experts. Answering the first and second questions calls for some of the legwork and questioning that seasoned salespeople do so well.

It is effort that will certainly repay itself. Given the pervasiveness of Six Sigma in major accounts and the intensity and success with which many companies have applied it, anyone whose livelihood depends on knowing how customers think and manage should know about Six Sigma.

About The Author

Michael J. Webb, author of "Sales and Marketing the Six Sigma Way" (Kaplan, 2006), is the foremost expert on sales process improvement. Mr. Webb founded Sales Performance Consultants, Inc. in 2002, to help senior executives who were struggling to make their sales funnels flow faster.

His unique approach aligns marketers and sellers to solve problems for customers, resulting in faster deal flow, higher margins, reduced cost of sales, and much improved sales forecast accuracy. Clients include Fortune 500 and smaller companies (such as MAQUET, WaterFurnace Industries, Replicon Inc., and many others). Mr. Webb delivered the keynote address to the first two conferences ever held on applying Six Sigma to marketing and sales. He has authored numerous articles, published in iSixSigma magazine, MarketingProfs, Marketing Times, and many others.

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