

Lean Six Sigma Principles

DMAIC Approach

DEFINE: Process is labor intensive

MEASURE: Takes 120 hours annually

Analyze: Use Fishbone Diagram to define Root Cause

IMPROVE: Automate the process

CONTROL: Conduct Failure Modes and Effects Analysis (FMEA); build controls into the system

Ishikawa (Fishbone) Diagram Root Cause Analysis



Failure Models & Effects Analysis (FMEA)

1 Describe this step.

2 How can this step go wrong?

3 What impact will this have if this problem does occur?

4 What are the possible causes?

5 How can we prevent this from happening?

Using Lean Six Sigma to Optimize Short-Term Incentive Plan Administration

Challenge

A global manufacturing company with 15,000 employees operating from 30 countries wanted to optimize its Short-Term Incentive Plan (STIP) process, which required an estimated **120 hours per year** to complete at the corporate level. The Lean Six Sigma DMAIC approach and various Lean tools were used to **greatly improve quality and decrease administration and reporting time.**

The global compensation team was responsible for:

- Setting plan metrics and targets for **80 complex STIPs** across multiple countries
- Coordinating with **20 local controllers worldwide** who are responsible for calculating and inputting the quarterly metric results
- Reviewing quarterly results with the local controllers
- Creating PowerPoint **reports 3 times a year** to review with the C-suite

The company was looking for a way to preserve quality and reduce administration time so they could focus more on the business results and implications.

Identifying the Root Cause(s) to be Addressed

We used the Lean Six Sigma Ishikawa (Fishbone) Diagram to identify the root cause of the extensive process timeline. We looked at the following:

- Commitment – There was no issue with the commitment of controllers, plant managers and supervisors to uphold their end of the process.
- Knowledge – In general, controllers, plant managers and supervisors understood the key criteria in the short-term incentive plans.
- Timing – While timing was tight, it was tied to the release of financial information, which was on a strict schedule.
- Process – We identified several manual steps in the process that could be automated and made error-proof.

Solution

Working with the company's global compensation team, Findley developed an automated tool to:

- Set and input plan metrics and targets in a single platform
- Automatically generate reports to review plan design and results
- Have the ability to readily add or remove plans
- Accommodate multiple plan design features (multipliers, add-ons, circuit breakers, etc.)

Results

The time requirement to administer the STIPs was **reduced from 120 hours to 8 hours** annually, and we used an abbreviated FMEA process to produce greater consistency and reduce errors in data entry.