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Podcast Transcription

Implementing Lean Marketing Systems



The Trumpet of Smarter Solutions

Guest was Forrest Breyfogle

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Forrest Breyfogle discusses his new book Business Process Management Guide and the Integrated Enterprise Excellence (IEE) system.

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Transcription of the Podcast

Joe Dager: Welcome everyone! This is Joe Dager, the host of the business901 podcast. With me today is Forrest Breyfogle. He is the CEO of Smarter Solutions. He has authored or co-authored over a dozen books. His most recent book is the Business Process Management Guide Book. His five books that Integrated Enterprise Excellence, provides radical management advancements in utilization and integration of score cards, strategic planning and process improvements. Forrest was named Quality Profession of the Year for 2011 by Quality Magazine, and he also has received the prestigious Crosby Medal from the American Society for Quality, which most of us know as ASQ, for his earlier book Implementing Six Sigma, and was presented the Leadership Award at the 2013 Lean and Six Sigma World Conference. Forrest, I would like to welcome you and I have to admit I have a few of those 14 books lying around here, and there's not a lot of dust on them so thanks for joining me.

Forrest Breyfogle: Great to be here.

Joe: Before we start talking about current standard affairs, I would really like to touch

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base with you about the past just for a second. You have lasted as long as anyone, I think, in the consulting industry in this quality and continuous improvement field. What's your secret?

Forrest: I don't know about there being a great secret, but you just got to have stamina, I guess, and love to hit your head against the wall sometimes. I guess I believe in what I'm working in and so whenever you believe in something; you can go in and overcome a lot of difficulties that would be insurmountable if you didn't believe in the concepts.

Joe: What has changed and maybe, what has not changed over this time?

Forrest: I think one of the things that have stayed pretty much constant overtime is that organizations really need to do something fundamentally different. They need to improve not only their processes, but they need to integrate things a little bit better than I think, that is normally done throughout the organization as a whole.

Joe: Change is really a constant part of this whole process.

Forrest: Yes it is, and I think a lot of times people will just go in and execute changes but they tend to be in silos, and they don't impact necessarily the big picture. I think that's the missing link in a lot of our process improvement efforts. A lot of times they stall out in organizations.

Joe: Your latest series of books consisted of five books series on Integrated Enterprise Excellence and is that what you talk about? Did you break the silos apart in your book series?

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Forrest: Yes. That's what I was really striving to do with the five books and where I really got into road maps for not only executing projects like doing some enhanced methodologies for Lean Six Sigma project, but also, I put together a nine-step business system for the enterprise as a whole. One thing that I think is a problem in most of our organizations is that we have people in the north wing of the building working on scorecards and the people in the south wing of the building working on process improvement efforts, and they don't talk to, each other. To me that's an issue, and I think they need to be drawn together.

Joe: In your new book, does that gather all the silos together and give that big overview of it?

Forrest: Yes. I think it takes what I have described in the five books; the Integrated Enterprise Excellence and elaborate a little more on what was implied in the other book series, but I just went in and did a little bit more on the day-to-day process efforts. A lot of times I focused on projects that help the enterprise as a whole in the five book sets, but I had implied that you would actually use the value chain on predictive scorecards to manage your current processes that you have at the local level. In the new book and the BPM book, I just basically highlighted that more than was done previously.

Joe: Tell me who should read your book and explain the concept. Should I read one or two of the five part series then also read the Business Process Management Guide Book or should I read the guide book and then read one of the subsets?

Forrest: It kind of depends where you're at. If you're a practitioner that you really want to

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do a better job and really get into nuts and bolts of executing process improvement projects, then volume III of the Integrated Enterprise Excellence series would be a good place to start along with the Lean Six Sigma Project Execution Guide. Those two books really get in the nuts and bolts of actually doing Lean Six Sigma Projects. However, volume II gets into the business system. I mentioned that nine-step business system where you really lead from not strategy so much but you lead in through this, hard to believe as I call it, value chain.

Elaborating on that more, I think fundamentally, we have some issues with our current business system. We had a financial crisis at the turn of the century and then also about 2008; we had another financial crisis. Nobody seems to be talking about our business system is needing enhancements II think their business system is part of the problem of letters to these issues. That's what I'm really trying to do with this nine-step system. Now most organizations start with strategies as step number one but a lot of times these strategies word like I want to be the best of the best. What I'm suggesting is strategies need to go in and line more with the financials and that's what I described in volume II is that nine-step business system will not only bring scorecards and process together but it also helps you figure out where you should focus your efforts and how you build your strategies.

Those books get into the nuts and bolts of actually doing the enterprise as a whole, that's volume II. Volume III does the project execution and the project execution guide. Now there's also a volume I that's written as a novel comparable to *The Goal*. I do have another book in there that also talks about problems with the traditional red-yellow-green scorecards, stack bar charts, pie charts and so on, and then a lead to the IEE system. The

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newer book goes in and puts a business process management spin to it so that's kind of a netting out of what all the books read. It kind of depends where you're at, which book is the best one to start with.

Joe: From a personal stand point, I find organizations seldom are good at understanding their own capabilities it seems like. Do you work from the core capabilities? Do you think that's an important of building strategy?

Forrest: I think it's that very important is you look at what you're good at, so you want to emphasize that obviously. A lot of times what we're doing is building strategies that are really based upon the gut, and they're really not analytically and innovatively determined. That's what I'm suggesting that we really need to have is an overall system where we can look at things readily and figure out where we should focus our efforts. One of the key concepts that I put in to this IEE system and also a BPM extension here is the value chain. The value chain is what you do and how you measure what you do relative to performance measures. The performance measures I have are predictive too. So the idea is you would like to have this all clickable. This is going to maintain continuity overtime because if you're a hospital, do you do hospital things. That value chain is going to maintain pretty much continuity even though you bought another hospital. If you build bridges, you're going to do processes that are relative to building bridges. Each organization is going to have their value chain, and that's step number two in the overall nine-step process. Then you go from there to analyze and so on to get to projects that are going to help the enterprise as a whole.

Joe: I get this picture that, okay; we are defining our strategies through our value chain

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and through what we're good at and everything. But to lead, aren't we supposed to have this grander vision. We talked about these inspiring leaders. Is there a disconnect in what you're saying or does it go hand-in-hand?

Forrest: I think it's important to have what you just described. When I have the vision and mission, that's really step number one, and that's going to maintain pretty much continuity. You need to have leaders that are inspirational, but you can have inspirational leaders that lead you down the wrong direction. What I think you need to have is a whole orchestrated system that pulls it basically all together so that you have leaders that are leading you in the right direction. We're giving our charge basically going in the right direction, and I think that's what's missing. So often, someone in a high level can have the best of intentions but if they make a mistake, it could be the destruction of the companies. I think there have been some companies that experienced that. Not everybody is like Steve Jobs was at Apple. You just had a vision on what should actually get done and best go get her done kind of thing. You may not have had the best personality for his leadership, but he is able to get things done in a timely fashion. What I'm looking and suggesting is you need to orchestrate people to actually pull it all together, and now you have the characteristics of good leaders that got a good foundation and a good road map to help them go lead them in the right direction, lead everybody in the right direction.

Joe: Is this similar to the Hoshin Kanri approach where we are taking things down the organization and back up and going through that process, kind of Americanizing that approach?

Forrest: I think it really challenges the Hoshin Kanri system. Hoshin Kanri leads from the

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strategies and then you cascade that throughout the organization. I do have it cascading, throughout the organization, but I don't have strategies as the lead to cascade throughout the organization. I think there are problems with the Hoshin planning process. A lot of times those strategies are worded like we want to be the best of the best, and also those strategies that are in the Hoshin planning are typically not developed in line with the financials. What I'm suggesting is you really like to have strategies aligned to financials. We have certain example that we want to improve profit margins; we might look at our data and then we come back and say, "Gee-whiz, we're just getting an awful lot of returns." I think one of our strategies is to figure out what we need to do to reduce the number of returns that we actually are having. There's going to be an owner of that. The owner of that metric is going to be asking for projects and efforts to go in and reduce the number of returns. Using an approach that I suggest, we might come out and say the most important thing to improve profit margins is reducing defect returns. I have never seen a strategy coming out from the traditional approaches saying you need to reduce the number of defects. It's not so grandiose but to me that may be the most beneficial thing you could do for an organization, just as an illustration.

Joe: I think one of the things that Lean has a problem with is talking the language of business which is financials to leaders. They talk about sustainability and I think how you gain sustainability as talking the language of leaders. Do you think this process in the business process management that you propose talks the language of leaders?

Forrest: I think that's what it really does because right now, we're talking about what can be done to improve the financials. Ideally you would like to be talking to the CFO's, not just the operational folks. The thing is they are not necessarily going to be asking for this

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kind of thing but to me they should be. They might be looking at what they can do to have better tax scheduling and things like that so they take the benefits of tax laws and things like that to figure out and move around beans and so on. But to me, that's what should be focused on. A lot of times what we do is we really focus on the operations piece of it but we can lose some of the big picture of it and to me, that's what you really want to do is look at the overall piece of it and really align the financials and talk their language. Now, they understand that Y is a function of x , where the output y that the big Y being your financials is the function of which you actually do in your processes. If you don't like what you have for the overall y , you got to do something different in the processes or create a new process or something else. The next question is what are you actually going to be doing and that's what I like to think that this IEE system really can help you do, so you're helping the enterprise as a whole.

Joe: The parts that I haven't heard are how this affects the outside structure in sales and marketing side. Is this tied to the market place? Are we going to make these improvements that the customer notices?

Forrest: I think that's a very important point that needs to get stressed. You really want to look at the enterprise as a whole and figure out what your constraints to your bottle necks are. For example, if we go in and analyze our processes or our systems and look at the metrics, as a way I'm suggesting, we might determine that we've got access capacity. Therefore, we need to be working on improvement efforts in the sales and marketing. I was doing a keynote for a major defense contractor and the general manager was describing in a presentation how they had been doing so much effort in Lean. I toured their facility and I started, "Sure enough man, you're doing a great job in Lean. However, I

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noticed you got a lot of idle equipment. What projects are you doing in sales and marketing because that's obviously your bottle neck and they're not doing anything in there?" To me, that's the big issue. You need to go in and look at the enterprise as a whole including marketing and sales to figure out where you should be focused in your improvement efforts and maybe you need to develop new products. That to me is a part of it or you may need to change some of your rules. For example, we might be going in and sales is going in and give it all sorts of special deals at the end of the quarter so that they met their goals and they get their bonuses by just breaking the back of manufacturing because now they got to go in and put a lot of extra overtime, people are making mistakes and that cause a lot of extra money to it. We might be able, by looking at this approach, change the compensation structure that we have for the sales force, so we're not just getting a spike at the end of the quarter every time because you're creating a bunch of sales. I'm suggesting, just look at the big picture and then you can figure out where you can focus your efforts.

Joe: The other thing that I've seen that you've developed is a performance reporting systems software, some different software. Can you touch upon that and what did you find that we needed another piece of software out there for?

Forrest: I know. I think, like you've said, we've got a lot of software that's available but one thing that I was missing is that a good reporting system that we have for our metrics often what happens is we'll have red-yellow-green score cards, we'll set our goals throughout the organization. But the problem you can have with that, which sounds really attractive, is that you can lead to a lot of firefighting. If for example, the goal that you're setting is within the reigns that you would experience with common cause variability, you

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can basically have triggers from red to green where you think you've made improvement but in reality you didn't and I'm suggesting that's a very unhealthy manner, a way presenting information.

What I've done here is I've gone in and create in a methodology where you can go in and have these predictive score cards which red-yellow-green score cards are. We're looking at as our process of how we're performing and we're going to look at metrics and see in relative to whether they're stable or not. If they are stable, then we can go in and consider the data from the recent region instability to make a predictive statement and then we put in the software down at the bottom of the graph so we have that present this information. We make a statement. We say our processes are predictable and we got a 2% common cause defective rate. Not everybody can understand that, from the CEO down to the line operator. So now the question is we going to work on that or not. With this overall value chain, I suggested earlier, we'd have metrics throughout the organization that would be tracking our processes used in this particular format. Then when we look at them collectively, we determine which ones were actually did get improved that's going to help the overall financials and those metrics are going to be pulling for projects that's going to improve it because if we've just got common cause variability and it's a stable process, the only way to make it better is through an execution of an improvement effort, and that's what I think is missing with the traditional way of score carding.

Our software that's set on the server with the mini-tabs statistical software and then it goes out, like once a day, and it updates the charts so everybody can have clickable access throughout the world. Also, part of this value chain that also links to the processes that are giving you those particular metrics.

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Joe: The software is cloud-based?

Forrest: You can do a cloud-based or you can go in and do it locally within the company, so it's called Enterprise Performance Reporting System and it's our EPRS software.

Joe: Now you seem to bring up the Balanced Scorecard a lot or a similar method to it. Is that an important part of your thinking?

Forrest: One section I wrote in one of the books was on the Balanced Scorecard and people think I talked favorably on it and I really don't like the traditional approach or I think it has some issues maybe as a better way of saying it because what happens is the Balanced Scorecard is leading from strategies also. Again, as I mentioned earlier with the Hoshin Kanri, often those strategies are worded like I want to be the best of the best and then you're cascading it throughout the organization. What happens when you get new leaders? That's another problem. Now, they change the strategies and now that can mess up your metrics when it gets cascaded throughout the organization so what I'm suggesting, you don't want to use the Balanced Scorecard. The other thing that Balanced Scorecard does is it creates a forced balance. What I want to do is have a natural balance through this value chain. I want to look at not only on-time delivery but defective rates and I don't want to go in and just do a better job with on-time delivery and sacrifice defective rates so I want to go in and do them both. I want to have more of a natural balance rather than the four quadrants that suggested traditionally in the Balanced Scorecard.

Joe: It sounds like you came up with a smarter solution.

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Forrest: That's why I started right after my 24-year from IBM. The last 12 years, I was kind of an internal statistical consultant within IBM which kind of helped this and when my first book out in 1992. My first book, I had sections at the end, it was called statistical methods for testing development manufacturing. I had to do it as smarter considerations. And so that's...I said, "Well, gee-whiz, we were trying to do things smarter all the time and so it just kind of stuck. That's kind of one of the main things we try to focus on.

Joe: All your books, implementing guide book, execution guide, are they all of that? Can I execute out of them? Am I going to be able to implement from the books?

Forrest: One thing I've done is that we do have training in consulting within Smarter Solutions. We've been around since 1992 and we do all that but the thing is I wrote the books so that someone could go in and read the books and basically do it on their own. It was not just a deck of slides. Even our training makes references to the books so that someone has something more than just a deck of slides to reference down the road when they're doing a problem. If somebody called me about an issue, I could say, "Gee-whiz, turn to page 375 and in about 10 minutes we might be able to address a vast majority of the type of questions I get. A couple of books like implementing in volume II, there are like 1,100 pages, so it gets into the real nuts and bolts of actually doing it, of actually executing it. I do have other people that are actually teaching courses from those books. I just kind of believe that we need to do something fundamentally different and that's my approach of getting the words out there is into these books. Also, we have webinars and articles on our website smartersolutions.com.

Joe: What is upcoming for you? I mean you're averaging about a book a year. Do you

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have another one coming?

Forrest: Right now, every time I do the last I say never again but sometimes, something comes up and then we decide that I really need to go in and put something else together because I do write a lot articles and sometimes those can evolve into books. You just have to have a wife that puts up with you I guess and also have a desire that you want to make a change, make a difference.

Joe: Is there any particular point that you would like to mention that maybe I didn't ask?

Forrest: I think one of the things that is missing within BPM and Lean Six Sigma or when you read various articles that people have on BPM and Lean Six Sigma, often they go in and talk about selling the concepts. I want to sell BPM or you need to go in and sell Lean Six Sigma in the organization. To me, you shouldn't have to want to sell it. Enterprise is a whole or the executive leadership would want to go in and actually do the methodology that you're talking about. A lot of times we end up focusing on the tools. Lean Six Sigma we're focusing on the certifications so it becomes a training exercise. BPM got some other problems. It's got training and certification along with it. Where I'm suggesting is what we really like to do is have leadership look at things a little differently. What I'm suggesting is really not very easy to do. With Lean Six Sigma, we might have leaderships saying, "Well, go off and save me money." and therefore we demonstrate we save a 100 million dollars but nobody can find the money. But in all these cases, the leadership did not really change how they looked at numbers and how they build strategies. That's what I'm really suggesting if you take the whole enchilada then proposing as the IEE is that the leadership throughout the organization would be going in and undertaking this. The other thing that I

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think is missing is that the MBA program at business schools, really don't teach a system for execution within an organization. How do you build a business? It really doesn't get into. That's what I'm really trying to do with the IEE system, as I believe that there's a real need for a system that kind of pulls it all together and that's what I've really been focused along with this.

Joe: What is the best place for someone to get the book and to contact you?

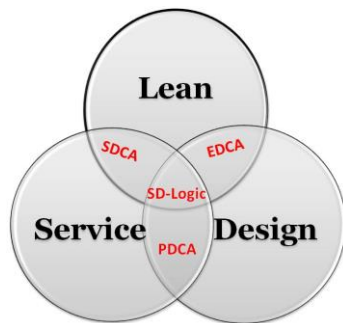
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Joe: I would like to thank you very much Forrest.

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Joe Dager is president of Business901, a firm specializing in bringing the continuous improvement process to the sales and marketing arena. He takes his process thinking of over thirty years in marketing within a wide variety of industries and applies it through Lean Marketing and Lean Service Design.

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