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SKF's CEO and President Tom Johnstone:

"Six Sigma is Today's Best Way to Work"

Since 2005, SKF calculates that they have saved about a half billion SEK through improvement efforts in accordance with Six Sigma. "This work is one of our overall corporate goals. It's about evolution, not revolution, and as the leader, I need to be patient, consistent, and act the role model," emphasized CEO and President Tom Johnstone when Potential met him in Gothenburg.

"It was at a 3M plant in Brazil in 2002 that I became convinced that Six Sigma would work within SKF, says Managing Director Tom Johnstone, who at that time was the director of SKF's automotive division. When he questioned his top-level managers, 40 percent said yes, 40 percent said wait, and 20 percent said go if the others were willing. That meant a go ahead for Six Sigma.

Tom Johnstone liked Six Sigma's toolbox. It felt sharper than the TQM methodology SKF worked with earlier. When he became Executive Director in April 2003, he intended to implement Six Sigma as a comprehensive company program, but bided his time until the beginning of 2004. "We needed to establish a new standard on the market, and Six Sigma contains processes, methodology, and a way of working. Six Sigma will help us to reach the next level.

Let the Results Speak for Themselves

The launch opened with a long series of seminars for top-level management on different levels. "We followed the manual to the letter. I wanted us to do right from the start. We wanted to have a slow and evolutionary process, but not a revolution – there was no reason for that," says Tom Johnstone. "I really wanted to avoid the "BOHICA Syndrome," that is, when the workers think, "*Bend Over - Here It Comes Again*" and then continue as if nothing had happened."

Tom Johnstone was anxious to build further on the improvements that had been achieved earlier. He also wanted to adapt the launch to SKF's company culture, which meant moving slowly in the beginning and letting the results speak for themselves. It also meant building a firm foundation for training, which, oddly enough, got its start at the top of the organisation. "An American-style launch with drums beating, flags flying, and colourful T-shirts doesn't appeal to us," says Tom Johnstone, who comes from the Glasgow area and sees many similarities between Scottish and Swedish company cultures.

Hard and Soft Savings

At SKF, there is talk about both hard and soft savings within the Six Sigma project. "We report the hard savings," says Tom Johnstone, who prefers careful estimates of how much cash has been saved.

Since 2005, SKF estimates that they have saved about a half billion SEK. A controller always signs off on the estimated financial savings for the project, and there are obvious national cultural differences when it comes to making the financial calculations.

“An American isn’t modest, rather he plays it up. A Swede or a Scotsman makes careful estimations. I advocate the latter. The soft savings are perhaps larger than the hard ones, but they cannot be quantified in financial terms. They shouldn’t, however, be underestimated,” says Johnstone.

“Six Sigma has also shown itself to be positive for both internal and external cooperation. It is easier to communicate facts using a common, knowledge-based platform like Six Sigma. Facts are not emotional!”

In addition, Six Sigma has given the company a common language for improvement that builds bridges to other organisations. Cooperation with the Caterpillar Company for the joint development of software solutions is an example of this.

Being a Role Model

Tom Johnstone perceives his role to be “a living example”.

SKF Group

Celebrated 100-year Jubilee in 2007

Earned > 53 Billion SEK in 2006

120 Production Facilities in 24 Countries

Upwards of 41,000 Employees

--Picture caption--

“It is important to be a role model, my actions are vital,” says Tom Johnstone.

“My actions are vital. If I do not practice what I preach, I will be unmasked. For sure. A leader’s behaviour is the most powerful method of communication!”

Therefore, Johnstone spends much of his time talking about ongoing projects. He brings up Six Sigma efforts in the financial reportings and in meetings with board members and investors. He makes sure that Black Belt and Green Belt Projects get management’s preference. And he participates in the meetings with Champions and other group leaders where possible projects are discussed.

Tom Johnstone will himself go through Green Belt training during 2008, and even run his own Green Belt project. “The project will presumably deal with how I, as the Managing Director, lead this company. And I will use the Six Sigma methodology, but I have not decided exactly what the project will be.”

A total of 200 of the highest-ranking managers within SKF will participate in Green Belt training.

Black Belt as a Career Path

One per cent of the SKF Group's 41,000 employees will become Black Belt-educated. During the first half of 2007, 248 had already been trained as Black Belts. "It is important that Black Belts have good career opportunities at SKF and that it is viewed as a definite merit to be been a Black Belt when someone applies for, for instance, a line manager's post. "Our future managers will be Black Belts. That does not mean that we will disqualify those that are not Black Belts, but given two equally qualified candidates, the choice obviously falls on the candidate with Black Belt experience. As more managers receiving training, all top-level managers within SKF will be Six Sigma-trained. This will strongly influence and develop our culture.

Advice for Other Executives

What advice do you wish to give to other Swedish executives?

"Get information about Six Sigma and what it entails. Think about and see if it is suitable for your company's culture. You must believe in it, with both heart and mind. That is my first advice. Secondly, build your culture in small steps – think of it as evolution. Thirdly, be clear and consistent. And finally, you must be persistent. Try to visit the organisations that have successfully implemented Six Sigma.

Would you do anything differently today?

Generally speaking, no. But we might have created a stronger Six Sigma-structure from the beginning and we could have had a Six Sigma top meeting already in 2005 instead of the Lisbon meeting in 2006 where we gathered some 200 managers and key personnel plus the entire Six Sigma community of Black Belts and Champions.

2, 464 Improvement Projects with Huge Savings

At the beginning of the 1990's, SKF implemented a TQM program that was influenced by Motorola's Six Sigma efforts. A more orthodox program for Six Sigma was started at the end of the 1990s within certain areas of the company. Tom Johnstone, the manager of the Automotive Division with its 7, 000 employees, launched Six Sigma within his division. In 2003, when he was appointed CEO and President, it naturally followed that Six Sigma became a comprehensive program for the entire SKF Group.

Major Investments in Training and Improvement Projects

To spread and firmly establish the program, about 90 seminars were held for various top-level managers within the Group. During the first half of 2007, 248 Black Belts and 1,404 Green Belts have been trained, 256 projects have been completed, and there are 2,464 projects in the database. 200 of the highest-ranking managers are slated for Green Belt training, and as a part of their training, they will carry out a project in their own business area.

Six Sigma is one of the comprehensive Group goals, which among other things, means that of all full-time employees, 1% will be Black Belts and they will annually run two projects with the purpose of saving three times each project's costs.

SKF has created an infrastructure for Six Sigma by which, among other things, they will have Champions in top-level management, a Six Sigma board, a Core Team extensively qualified in Six Sigma, a project database, and multiple Six Sigma training centres.

“Hard savings” and “soft savings” are prominent terms at SKF. “Hard savings,” which are measured in hard currency, reached 150 MSEK in 2005, 200 MSEK in 2006, and during the first half of 2007, 137 MSEK. “Soft savings” deal more with relationships to customers and co-workers. SKF, to say the least, places an equal emphasis on “soft savings” but realises that they are difficult to quantify monetarily.

Future Challenges

Tom Johnstone does not think that Six Sigma is the final word for methods of working. There will be new models and new concepts. However, Six Sigma is currently the best working method. “Today, it is important to create a consensus between Six Sigma and Lean. Many principles and tools work well together, but certain aspects need adjustments. Tom Johnstone also emphasises how important it is with Design For Six Sigma (DFSS), according to the principle “do right from the beginning.” Many processes are either poorly designed or poorly executed.

Other improvement projects are also needed within the Group. They need to be carried out more quickly. Results and best practices need to be spread more effectively. Future challenges are likely to center on improving the company’s processes even more, perhaps from the start with partners and suppliers, via SKF, all the way to the customer. “I believe that it will go even smoother when more employees get trained in the Six Sigma methodology,” says Johnstone.

Instructional Leadership

Tom Johnstone is valued as a leader by SKF’s employees. How has he learned leadership? “One of my role models was a mathematics teacher. I admired her instructional ability to communicate with her students. I studied mathematics at university and thought about becoming a teacher; however, life takes many turns. However, I think that leadership is largely about the belief in your message and the ability to communicate it. As a leader, you must have a feeling for, and luck with, timing. Sometimes a decision can be right on, but if the timing is not there, it can fall flat. And as a high-ranking leader, you can never let yourself be swept away by the title on your business card. The golden rule for leadership, as expressed by most religions, is and remains, “Do unto others as you would have them do unto you,” concludes Johnstone.