

# A BPTrends Overview of the Lean Six Sigma Market

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In June of 2005 Wolf and Harmon attended the International Society of Six Sigma Professionals (ISSSP) annual Leadership Conference, one of the major Six Sigma Conferences, and interviewed attendees and vendors. This report summarizes our understanding of the Six Sigma market in the summer of 2005.

Hopefully, in 2006 we will be able to publish a more extensive report on Lean Six Sigma products and consultants which will include a description of each of the major vendors and their offerings and a discussion of a number of related technologies and tools sold to support Lean Six Sigma and Quality Control efforts. In the meantime this overview will provide readers with an introduction to our current understanding the Lean Six Sigma market.

## The Technologies that Define this Market

Lean and Six Sigma are both process improvement methodologies. **Six Sigma** includes a variety of techniques and tools designed to minimize the defects that occur during a process. A subset of Six Sigma, Design For Six Sigma (DFSS) includes techniques that can be used to design new products and processes that are less likely to have defects in the future. **Lean** focuses on streamlining process flows and on eliminating non-value adding activities. They both derive from the work of theorists and practitioners who have worked, broadly speaking, in the quality control tradition of Deming and Juran.

There are several other technologies that also fall within the Quality Control tradition. (See Figure 1.) Two obvious ones are **ISO 9000** and its variations (These are standardized approaches to documenting processes) and **TQM** (a program to manage for quality). Some would argue that TQM techniques overlap with Six Sigma techniques. They may, but most companies, today, discriminate between them, and consider TQM a part of the older, larger Quality Control tradition, and we will do the same. In addition, there are national awards based largely on Quality criteria. In the US, there is the **Baldrige Award**, and in Japan there is the **Deming Prize**, both given to companies that show that they understand process, maintain high quality, manage systematic improvement, and achieve outstanding performance.

There are also some other technologies that are beginning to interact with Six Sigma and Lean. **CMMI** (Corporate Maturity Model Integrated) began as a program to analyze practices at IT organizations and determine how they could improve their processes. Recently, it has been expanded to provide analysis techniques and a maturity model for any organization's business processes. Increasingly, Six Sigma and Lean practitioners are using maturity models to help determine where their organizations are and what types of interventions will be most effective.

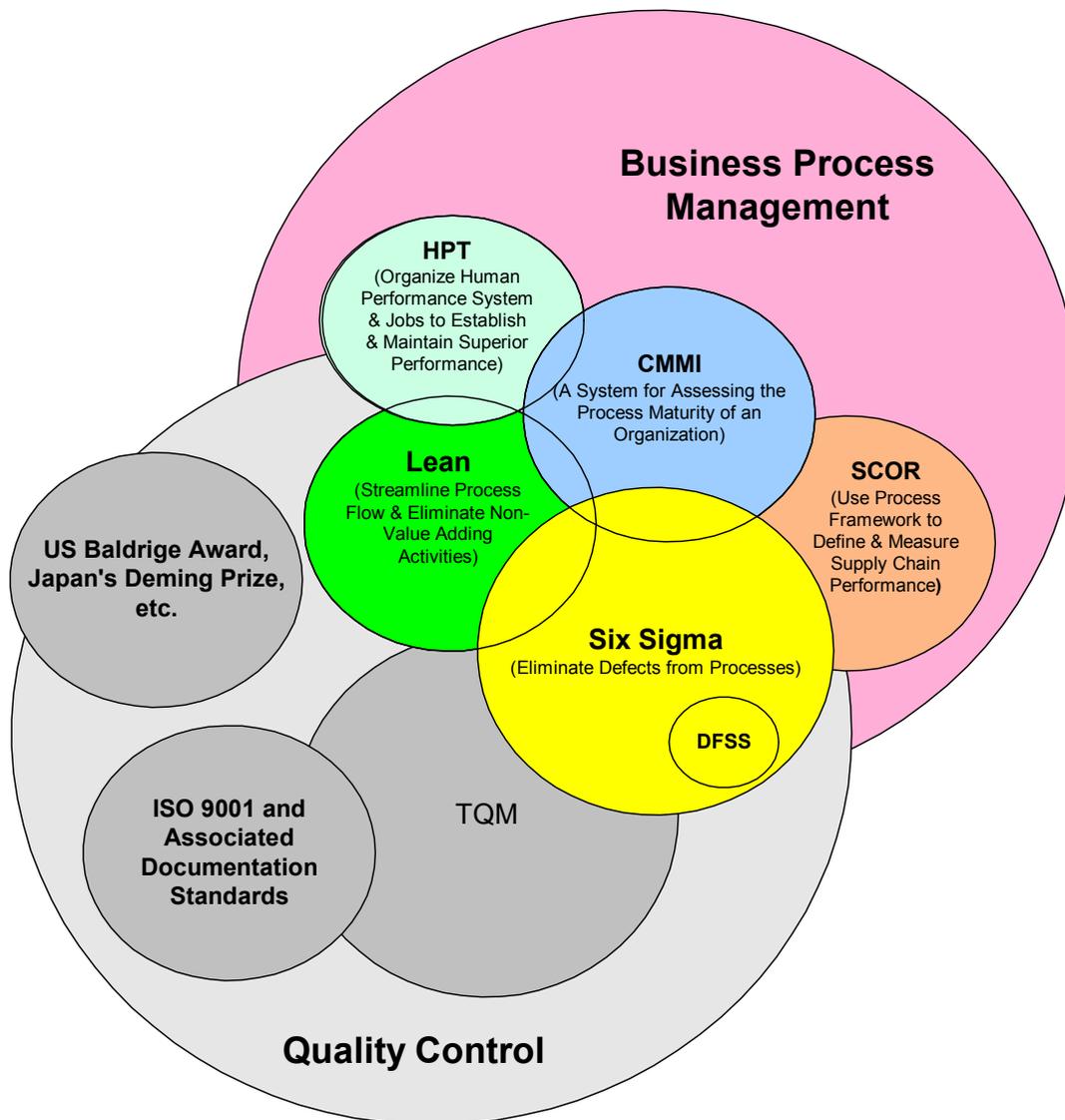


Figure 1. The Quality Control Tradition and Some Specific Technologies.

The **SCOR** (Supply Chain Operations Reference) model is a business process framework developed by the Supply Chain Council (SCC), a consortium of supply chain managers from some 700 organizations. The SCC created SCOR to provide supply chain managers with a common vocabulary, a common set of high-level process models, and measures that would facilitate benchmarking and the identification of supply chain problem areas. Many Six Sigma and Lean practitioners have found it convenient to use SCOR to quickly analyze entire supply chains and identify areas where process improvement would be most beneficial.

Human Performance Technology (**HPT**) is a set of models and techniques developed by the International Society for Performance Improvement (ISPI) an association of individuals who originally came out of the behavioral psychology tradition in the mid-Sixties. HPT provides tools that facilitate the analysis of human performance problems and the design of jobs, training, and job supervision systems that assure better employee and management performance. A number of Lean and Six Sigma practitioners have begun to explore how to incorporate HPT into their process improvement solutions to assure that employees and managers work together to

implement and maintain improved process designs.

Six Sigma practitioners have always used the term **Business Process Management** (BPM) to refer to a general approach to managing Six Sigma efforts. Today that term is being used more broadly, outside the Six Sigma arena, to include a variety of new process management initiatives which include major business process redesign projects, performance measurement, enterprise architectures and alignment efforts, and IT initiatives to automate business processes. Increasingly, many companies will seek to combine their Lean Six Sigma initiatives and their BPM initiatives into a coordinated program to facilitate senior management prioritization and control.

This overview is only going to focus on companies that currently define themselves as Lean Six Sigma organizations. There are software vendors that sell SCOR modeling tools and consultants that offer HPI advice and mentoring, but we will ignore these niche markets. Similarly, we are going to ignore ISO 9000 and TQM vendors as well as the various SCOR, CMMI and BPM vendors.

## The Lean Six Sigma Market

Unlike the BPM Suites or the Business Process Modeling markets, which are both organized around software vendors, the Six Sigma market is organized around training and consulting companies. In essence, once a company commits to Six Sigma, it embraces the idea of training a significant number of employees to lead and undertake Six Sigma projects. The leading Six Sigma companies specialize in helping companies accomplish specific projects and providing training and mentoring for employees in Six Sigma practices.

Although there are well over 100 Six Sigma training and consulting companies listed in *Quality Digest* magazine's annual list of Six Sigma Service companies, most are small consultancies. Our discussions with vendors suggest there are six leading companies that define the Six Sigma market

In addition, there are some small software companies that provide products that are used by Six Sigma practitioners. They can be roughly divided into four groups: 1) Statistical tools, 2) Data collection and analysis tools, 3) project management tools and 4) process modeling tools.

## The Size of the Lean Six Sigma Market

Each of the six leading Lean Six Sigma Consultancies has between 50 and 100 employees. Each gives between 250 and 500 training courses a year, usually in conjunction with projects that they help companies accomplish. All six are privately held, but we estimate that each makes between \$15 million and \$20 million. Each is growing by over 10% a year. Thus, the six leading companies, taken together, are earning between \$90 and \$120 million a year. Assume that all the other Lean Six Sigma consultancies, the assorted software vendors, and corporations committed to Lean Six Sigma spend or earn about \$100 million a year. That would yield a total Lean Six Sigma market of between \$190 million and \$220 million. That's probably about as good an estimate as one can come up with at this point.

The iSixSigma website ([www.isixsigma.com](http://www.isixsigma.com)) published a list by Geoff Jamieson of Ford Motor Company of companies that have Six Sigma initiatives. Jamieson came up with a list of 115 companies. Subsequent discussion eliminated some, but as time has passed others have probably been added. Thus, it is probably safe to assume that at least 150 companies have active Six Sigma programs.

Six Sigma began in the US and was largely confined there for several years, but has recently begun to be adopted by foreign companies. Thus, most Lean Six Sigma consulting and training

organizations now have a worldwide presence and expect the market outside North America to grow rapidly in the next few years.

The American Society for Quality (ASQ) ([www.asq.org](http://www.asq.org)) has been in existence since the 1946. It currently has over 100,000 members. In 2003 it established a Special Interest Group on Six Sigma that any ASQ member could join. The Six Sigma SIG currently has only a fraction of the members who are members of ASQ.

ISSSP is a popular Lean Six Sigma membership organization with some 12,000 members.

The bottomline: Six Sigma is changing and growing steadily and constitutes a \$200 million plus market.