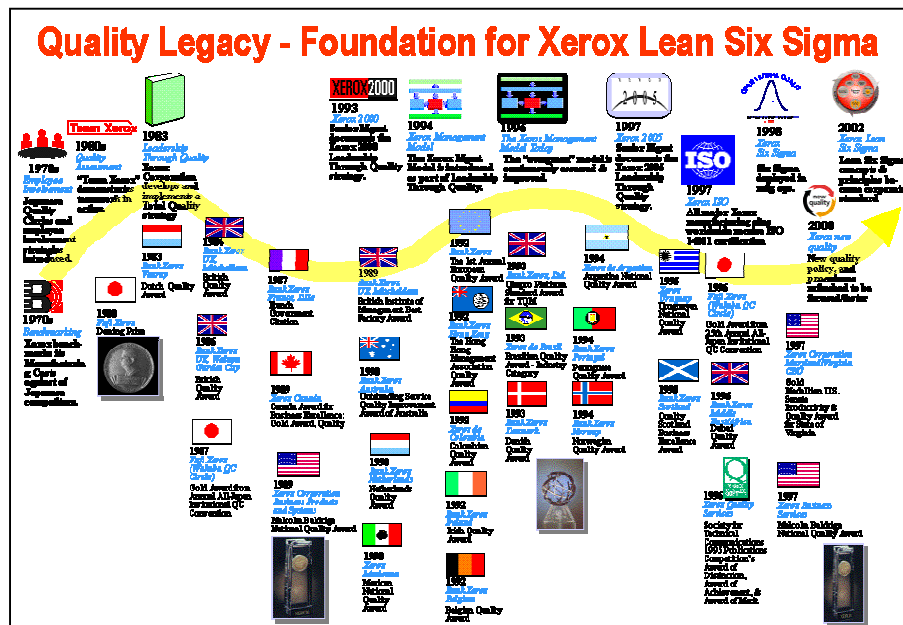


Xerox Lean Six Sigma

Evolution of Xerox Lean Six Sigma:

This initial paragraph provides brief background comments and describes how Xerox Lean Six Sigma has evolved. The origin of Xerox Lean Six Sigma can be traced back to Xerox's initial "Leadership Through Quality" initiative in the early 80's. Improvement processes, tools and techniques were deployed across the corporation and centered on improving business processes to create higher levels of customer satisfaction, quality and productivity.



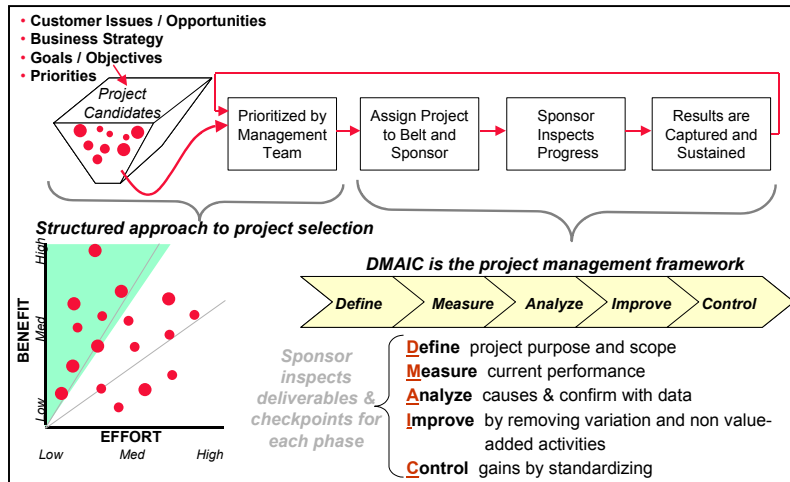
As improvement processes evolved through the 80's and 90's, various approaches to improving business results were explored. In the late 90's six sigma and lean concepts were adopted locally by manufacturing and supply chain operations. While these efforts improved overall efficiency and effectiveness of specific processes, they were very focused and limited in scope. In mid 2002 the decision was made to integrate lean and six

sigma as a corporate-wide strategy, commit the resources required to enable a robust deployment, identify projects based on value creation/ EP impact, and engage every function and value chain across Xerox. Key deployment management positions were staffed in every major organization, full-time Black Belt candidates were identified based on the individual's performance record and leadership potential, and intense training began in January 2003.

Since then more than 400 Black Belts have been trained, nearly 700 high-business impact projects executed and significant financial benefits delivered. Additionally, 2,000 leaders have participated in 2-day workshops, over 2,000 people are in some phase of the Green Belt certification process and over 11,000 employees are engaged in Yellow Belt awareness training. Leadership at all levels in Xerox are working to integrate Lean Six Sigma principles into all business processes, including product design and development, integrated supply chain, marketing and sales, customer services, infrastructure/governance, and strategy deployment. Looking toward 2005, plans are in place to continue this momentum to drive even higher levels of customer value and financial benefits across Xerox.

How does Six Sigma support the goals of Xerox?

The management teams identify Xerox Lean Six Sigma projects based on customer experience improvement opportunities, alignment of strategic plans, ability to close business gaps and key areas for



process improvement. As shown in the diagram on the left, Xerox views the Lean Six Sigma processes as two distinctly different stages. The first phase of the process focuses on project selection and prioritization. Potential projects are assessed based on their potential business impact and estimated effort. The business unit Deployment Manager works with the leadership team to identify the next best opportunity based on various business factors. To assure alignment to Xerox goals, it is ultimately the leader of the operation that is accountable for the projects being selected.

Once the project is selected and the appropriate sponsor confirmed, the project is queued up for assignment to the next available Black Belt. The Black Belt, responsible for the project execution, uses the DMAIC improvement process or Design for Lean Six Sigma DMEDI process to identify and deploy the best solution for the defined business problem. Xerox Lean Six Sigma projects are addressing every leg of the value lever tree shown on the right. The results of these projects directly support Xerox goals.

How significant was the role of management in making Six Sigma a success within your organization?

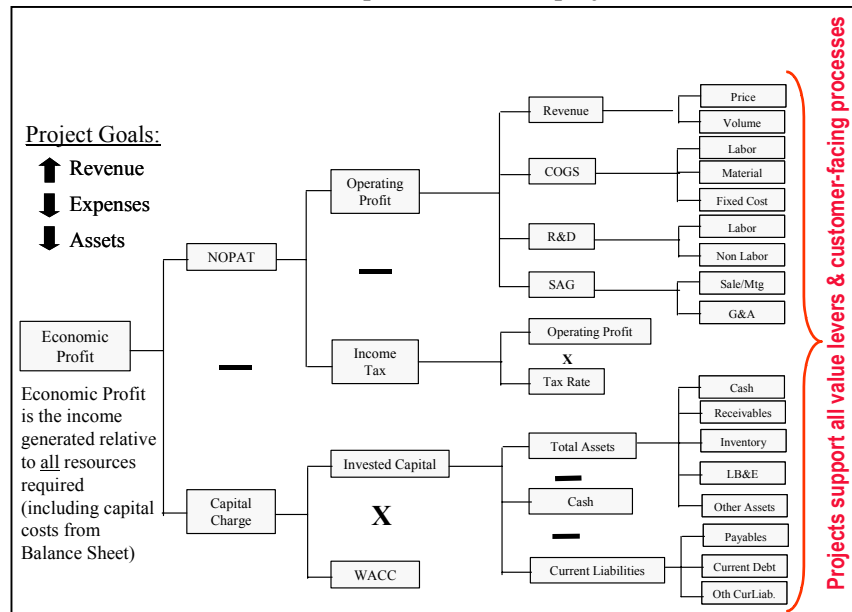
Dedicated and committed leadership is critical to the success of Xerox Lean Six Sigma.

The worldwide deployment was the direct result of Xerox Chairman and CEO Anne Mulcahy believing in the approach and asking the question of her leadership team in mid 2002, “Is it time Xerox got serious about deploying Six Sigma worldwide?” After preliminary presentations addressing the question, the leadership team committed to participating in a 2-1/2 day leadership workshop to better understand the concepts, experience the approach and agree on a recommended deployment recipe.

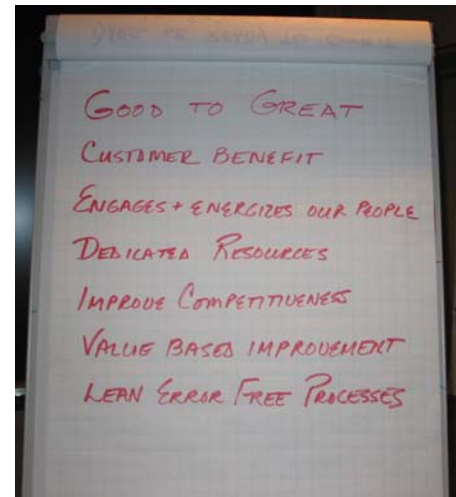
This workshop enabled the decisions required to aggressively ramp-up Xerox Lean Six Sigma across all organizations worldwide in 2003.

What communication channels have you used to communicate Six Sigma to employees?

Communications has taken various forms in Xerox. Starting with the CEO, Xerox Lean Six Sigma is a key part of every employee communication. It is communicated as a key enabler in our quest to return Xerox to greatness. During the leadership workshop, referenced above, Anne Mulcahy stated, “What I



worry most about is how to return Xerox to greatness... Lean Six Sigma is not the only answer, but it's a significant part of the equation. Lean Six Sigma is incredibly different..." The illustration on the right shows the key communication themes identified during the original leadership workshop with Anne and the leadership team. These messages have been continually reinforced since then.



In addition to leadership communications via speeches, meetings, newsletters, etc., an extensive intranet site was established to provide reference information, deployment details, project successes, answers to frequently asked questions and other useful resources. Formal curriculum also plays a key role in communicating Xerox Lean Six Sigma to all employees.

To supplement the standard Black Belt and Green Belt courses, an online Yellow Belt awareness program was launched early in 2003. Accessible to all employees via a Learning@Xerox employee learning tool, it provides a basic understanding of core processes, tools and expectations. To date over 11,000 employees have taken advantage of this online learning experience.

What complexities have you experienced in the implementation and evolution of Six Sigma?

As shown in our evolution on page 1, six sigma had its start in 1998 in the manufacturing operations. While we experience good results in focused organizations, the potential of the strategy was limited. When the decision was made to deploy the strategy worldwide across all parts of the value chain we experienced increased complexity in the deployment and several challenges. Specifically, how do we take a set of processes, tools and concepts viewed by many as a manufacturing process and use it to drive

The Path to Transformation – The Proven Recipe Adopted by Xerox Senior Leadership (Nov., 2002)

- a) Projects will be selected based on value creation opportunity (ROIC/Economic Profit) with number of projects in process controlled
- b) Adopt a consistent financial results tracking approach as determined by deployment team and the financial organization
- c) Deploy and train resources in roles as defined (Full Time Black Belts, Full Time Deployment Managers, Sponsors, Green Belts) using consistent training
- d) Assign demonstrated top performers to the full-time roles
- e) Adopt the defined organizational structure to enable success
- f) Operations leadership will be engaged in the process and will integrate Lean Six Sigma into daily business operations
- g) Commit at least 0.5% of employee population as Black Belts in '03 and another 0.5% in '04 to achieve critical mass towards our transformation

significant business results in all areas of the business? Additionally, how do we measure success and compare cost reduction initiatives to revenue growth projects and cash utilization efforts?

To address this complexity and enable a successful implementation, Xerox deployed a proven recipe recommended by the George Group. Even though minor variations have occurred, the recipe shown on the left has clearly guided our deployment over the past 18 months.

How is Xerox integrating Lean Six Sigma tools into daily operations and into the services and solutions Xerox offers to its customers?

Xerox Lean Six Sigma builds on our original Leadership Through Quality and the evolution of quality tools and principles. It now defines quality in Xerox. Customer focus is at the heart of the Xerox Lean Six Sigma icon. The outer ring represents Xerox people providing value to the customer, as defined by the voice of the customer, leading to improved business results. This cycle is never-ending because continuous improvement is never-ending. The tools and



processes for sustaining this perpetual, customer-centric cycle are contained within each of the four components that surround the customer focus circle. They include the Performance Excellence Process, DMAIC Improvement Process, Market Trends & Benchmarking, and Behaviors & Leadership.

The Performance Excellence Process supports the alignment of strategies and performance objectives, while the DMAIC Improvement Process provides the basic principles and tools for process improvement. Benchmarking & Market Trends provide the reference points and best practices for setting aggressive performance targets and finding better ways to improve processes. These three components of the framework are supported by the Behaviors & Leadership component.

Management processes, at all levels, are being modified to inspect project progress and assure that projects are being prioritized to focus on the key business gaps and strategies critical to the business success of each operation. From a services and solutions perspective, many customer offerings are now based on sound Lean Six Sigma principles. Additionally, many of the projects completed or being worked are addressing customer issues and key customer pain points. Helping customer find better ways to do great work and improving their overall experience with Xerox are two important considerations in identifying Lean Six Sigma projects.

How do you continue the progress of Six Sigma within Xerox?

Xerox Lean Six Sigma is viewed in three dimensions, Projects and Results, Cultural Change and Leadership Development. To continue the progress Xerox must balance all three dimensions. While the economic benefits from the hundreds of Black Belt projects are positively impacting financial results, if we fail to change the culture or develop the Black Belts into our future leaders, the business results will be short lived.

Xerox Lean Six Sigma Viewed in Three Dimensions

- **Projects and Results**
- **Culture Change**
- **Leadership Development**

We also realized that many Six Sigma deployments efforts do not achieve their full potential. We believe the key differentiators of success and our ability to continue to make progress in Xerox include:

- Ability to achieve full integration into the business and “how we work”
- Project selection linked to business strategies
- Project selection link to customer value
- Ability to change culture & leadership behavior
- Engaging of the full value chain in all geographies and operations
- Ability to track results (i.e., robust Project Tracking System)

While Xerox has made significant progress over the last 18 months in ramping-up Lean Six Sigma, we still have a way to go to fully integrate the concepts and establish Xerox Lean Six Sigma as “how we run the business.” We also believe the basic elements of the deployment recipe are sound and are now enabled across the organization. As project successes continue to stack up and gain increased visibility, the momentum will continue to build. Xerox Lean Six Sigma will be a significant part of the equation for moving Xerox from a good company to a truly great company again.