

Six Sigma Equals Profit

By
George R. Aslinger
Aslinger & Associates

Six-Sigma has received a great deal of publicity in business and quality journals, newspapers, and annual reports of major corporations the past few years. Is this another passing fad or is there something different about Six Sigma?

What is Six-Sigma?

Six-Sigma is a unique analytical business process that enables companies to drastically improve their profitability by designing and monitoring everyday business activities in ways that minimize waste and resources. In statistics “sigma” is used to identify variation. Companies who adopt Six-Sigma as a philosophy seek to reduce variation in the business processes that cause waste and inefficiencies. A business operating at six-sigma produces 3.4 defects per million opportunities while a business operating at three-sigma will produce 66,807 defects. Which business do you want to buy your products or services from?

Motorola developed practical ways to use the theory of six-sigma to achieve a ten-fold improvement in quality, cost and service in 5 years. In 1988 Motorola won the Malcolm Baldrige National Quality Award attributing much of the success to the implementation of six-sigma concepts. Momentum and publicity concerning six-sigma have continued to build through the decade of the 1990's with big name companies such as Allied Signal, Bombardier, Navistar, Nokia, Polaroid, Siebe, Avery-Dennison, Texas Instruments and General Electric initiating six-sigma efforts. Having gone through black-belt (six-sigma expert) training, completing three successful projects and witnessing the impact on customers, suppliers, employees, and bottom line results, I'm convinced that Six-Sigma is more than a passing fad for organizations that incorporate the following critical success factors:

Critical Success Factors

Leadership commitment - a senior leader who can set priorities, commit resources, break down barriers, overcome resistance, and is committed to improving profitability.

Focused resources - Black-belts, employees formally trained as internal experts, are placed into full time roles focused on applying Six-Sigma tools and strategies to one or two high priority projects.

Common tools and language - Training is used to develop common language, knowledge, tools and problem solving approaches throughout the organization.

Disciplined project approach - Regular project reviews are conducted with process owners, champions, and senior management.

Bottom-line business measures - The bottom line financial impact of every Six-Sigma project is measured and reported.

Who benefits from Six-Sigma?

Customers - As Six-Sigma projects are completed and process capability improves customers see an increase in the value they receive.

Stockholders - Removing variation from manufacturing and business processes dramatically reduces operating cost by eliminating the cost of rework and requirements for capacity, staffing, and capital. Allied Signal Inc. has realized savings of \$2 billion since adopting Six-Sigma as a strategy to avoid bankruptcy.

Employees - Learn new skills and improve performance on the job leading to growth and prosperity.

Suppliers - Sources of variation often include raw materials or components. With specific knowledge suppliers are able to go back to their factory and identify and eliminate the root cause of the variation. This reduces cost for the supplier.

Will Six-Sigma Stick Around?

Yes! Why? Six-Sigma is different from other quality improvement programs because of the focus on profitability. The positive impact on Customers, Stockholders, Employees and Suppliers creates energy and momentum that are difficult to stop. Six-Sigma will not be a passing fad in organizations that have committed leadership with a strong vision for what can be accomplished, and, that incorporate the critical success factors into their process. Crosby said “Quality is Free”, Six-Sigma says quality is profitable.