

SIX SIGMA

The Breakthrough Management Strategy Revolutionizing The World's Top Corporations

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MAIN IDEA

The traditional approach to improving corporate profitability has generally been to attempt to reduce costs. Six sigma is a management theory which states the key to greater bottom-line profitability lies not in reducing costs but in improving quality.

Specifically, those companies that re-create their business processes in such a way that defects never arise in the first place have and maintain a significant competitive advantage over companies that are forced to spend time and resources identifying and rectifying product defects or process mistakes. In short, whichever company can operate to the highest quality standards will always have the lowest rather than the highest cost structure in its industry.

Historically, companies have tended to be happy with a three- to four-sigma defect level -- which corresponds statistically to between 66,807 and 6,210 defects per million opportunities. At that level, the cost of fixing those defects is usually in the 20- to 30-percent of revenues range. When a company undertakes a successful six sigma program, its defect level will ultimately fall to the six-sigma level -- less than one defect every 3.4 million opportunities. At that level of performance, the cost of quality drops to less than 1-percent of sales, leaving the balance of the revenue that would otherwise be spent on fixing defects to flow directly to the bottom-line profit.

The message is simple. The company that achieves the greatest level of quality will always win. Six sigma provides the tools for improving quality -- by recreating and redesigning the way processes work.

Section 1 -- The Six Sigma Philosophy Page 2

Six sigma is a business process which empowers companies to dramatically and immediately increase their profitability by:

1. Streamlining operations.
2. Improving quality.
3. Eliminating defects or mistakes.

In essence, six sigma provides specific methods organizations can use to re-create business processes so that less defects and errors will arise in the future. As such, six sigma is proactive rather than reactive -- it focuses on changing processes so less errors arise rather than fixing errors.

Section 2 -- Applying The Six Sigma Philosophy Page 4

Applying the six sigma philosophy to a process, a division or a company requires five key steps:

1. Develop consistent measurement metrics.
2. Unmask any hidden factories.
3. Apply the Breakthrough Strategy.
 - Stage 1 -- Identification
 1. Recognize -- Understand the six sigma program.
 2. Define -- Identify the highest priority projects.
 - Stage 2 -- Characterization
 3. Measure -- Develop a performance baseline.
 4. Analyze -- Set specific short- and long-term targets.
 - Stage 3 -- Optimization
 5. Improve -- Start with the most critical variables first.
 6. Control -- Make the results tangible and real.
 - Stage 4 -- Institutionalization
 7. Standardize -- Identify best-practice processes.
 8. Integrate -- Strengthen use of best-practice processes.
4. Measure ongoing performance on the sigma scale.
5. Maintain an ongoing focus on the key business drivers.

Section 3 -- The Key Players In Any Six Sigma Program Page 7

Putting together a successful six sigma program requires the correct people to fill these roles:

1. Champions -- The people who provide project leadership and commitment (Deployment Champions) as well as people at the business unit level who oversee the Black Belts and focus on achieving the six sigma targets (Project Champions).
2. Master Black Belts -- The people selected to act as in-house experts on the six sigma program.
3. Black Belts -- The people who spend 100-percent of their work hours applying six sigma principles.
4. Green Belts -- The people who participate in six sigma programs as a part of their job responsibilities.

The heart and soul of any six sigma project is usually the Black Belts. Therefore, the training and nurture of an ongoing supply of Black Belts becomes a high priority activity.

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