

## **Lean Six Sigma in Plain English—Part 2**

What do accelerated ROI and net income improvement; improved valuation; increased customer loyalty; breakthrough top-and bottom-line results; and significant gains in quality performance have in common? Lean Six Sigma delivers these, and more. In fact, analysts will often increase stock ratings for those public companies that announce that they have embraced Lean Six Sigma as a business strategy.

This four-part article is intended to demystify Lean Six Sigma (LSS), and to answer the most frequently asked questions of our firm. Simply put, large or small, manufacturing, service or public sector, all can benefit financially from LSS.

Some of the questions that will be answered are: What is Lean Six Sigma? What does the term Sigma refer to? What is the history of Six Sigma? Where are most companies operating today in terms of sigma performance? Is "operational excellence" the primary focus for Lean Six Sigma? Has the definition of quality changed over the years? What are the roles of Champions, Master Black Belts, Black Belts, and Green Belts? What steps are there in a typical Lean Six Sigma deployment approach?

### **What is the history of Six Sigma?**

The Six Sigma methodology was first developed and used by Motorola in 1986. Robert Galvin, Motorola's Chairman, decided that it was time for change. And traditional quality levels (four sigma) simply weren't sufficient. Motorola set a new standard of six sigma and began developing the means to achieve it. Motorola's efforts paid off with impressive performance and financial results. In 1988, Motorola won the Malcolm Baldrige National Quality Award, which set the standard for other companies.

Later the Six Sigma Research Institute was formed in Schaumburg, Illinois. The institute received financial support and participation from IBM, Texas Instruments Defense Group, Digital Electronics, Asea Brown Boveri, and Kodak. The institute began to develop Six Sigma implementation strategies, development guidelines, and advanced application tools.

It wasn't until late 1993 that Six Sigma really began to transform business. That's the year that AlliedSignal's Larry Bossidy adopted Six Sigma as a business strategy. And not long after AlliedSignal began its pursuit of Six Sigma quality, Jack Welch, then Chairman and Chief Executive of General Electric, followed suit.

The unprecedented success of Six Sigma at General Electric prompted a number of other companies to adopt Six Sigma during the next several years. The list of companies includes: Sony, Toshiba, Dow Chemical, Ford, Seagate Technology, Shimano, DuPont, Nokia, Polaroid, American Express, ABB, Navistar, Bombardier, Lockheed Martin, and many others.

Despite the impressive list of Six Sigma companies, it is still a relatively short list. It is growing, however, at a faster rate. And many service organizations now realize that they, too, can benefit from Six Sigma. Financial institutions, healthcare organizations, schools, insurance companies, and even government agencies are showing considerable interest in Six Sigma. At a time of heightened global competition, there is no better opportunity for organizations of all sizes to embrace Six Sigma as a business strategy.

### **Where are most companies operating today in terms of sigma performance?**

Leading global companies have attained six sigma. However, this represents less than fifteen percent of organizations worldwide. Many larger companies are operating at levels of around five sigma, or approximately 230 defects per million. The majority of organizations, however, operate at around three to four sigma, or approximately 23,000 defects per million.

Manufacturers typically operate at higher sigma levels than their service sector counterparts. Larger service organizations typically operate around three sigma or approximately 67,000 incorrect transactions per million. The majority of service organizations, however, operate around two sigma or approximately 309,000 incorrect transactions per million.

In terms of financial impact it is estimated that companies operating at three to four sigma lose 20-25 percent of their total revenue due to defects, errors and mistakes. Six Sigma initiatives focus on the systematic elimination of process variation to achieve significant financial results. And Six Sigma application virtually eliminates defects and errors before they occur, which saves valuable company resources. That translates into accelerated ROI and net income improvement, improved valuation, increased customer loyalty, breakthrough top- and bottom-line results, and world-class recognition.

### **About the Author**



Stanley Cherkasky is the Managing Partner of Change Management Consulting, Inc. Founder of the firm, Stan is the principal architect of the *Performance Improvement Breakthrough*<sup>™</sup> methodology, and the *Six Sigma Lean Advantage*<sup>™</sup>—innovative and proven strategies that accelerate ROI and net income improvement, build customer loyalty, and create world-class recognition.

Stan has more than three decades of business and consulting experience, in both the private and public sectors, in the United States and abroad. Stan specializes in building high-performance teams, and working closely with senior leaders to achieve breakthrough financial, organizational, and operating improvement. He has been quoted in many business publications, including *Fortune*, *Business Week* and the *Wall Street Journal*.

**About Change Management Consulting, Inc. (CMC)**

Founded in 1993, Change Management Consulting is a global management consulting and training company, dedicated to helping organizations of all sizes improve performance, achieve goals and advance leadership capability. As a full-service organizational improvement firm, CMC focuses on organizational and leadership development, compliance management (ISO 9001 and its derivatives), strategic planning and Lean Six Sigma initiatives.

Headquartered in Wayne, NJ with offices in San Diego, Dallas and Detroit, CMC has a proven track record in helping public and private sector clients implement pragmatic continual improvement initiatives that drive financially measurable results. CMC also has extensive experience in obtaining grants and funding assistance for its clients. Learn more at [www.cmc-changemanagement.com](http://www.cmc-changemanagement.com) or contact CMC at (877) 268-2440 or (973) 696-7878.