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The Six Sigma Revolution: Will you be a Dude or Dud?
- Learn how GE has saved over \$6 billion -

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During your studies here at the Ivey School of Business you will undoubtedly learn a great deal about winning in business. Sure, we all think that after graduation we'll run out there kick butts and take names and, once we've made it, someone will call us "dude". Of course it is also possible that we'll run out there and make many of the mistakes that have been made before us. Quite frankly we could end up duds. The real question is: what will make the difference?

Motorola in the mid-1980's was well on the way to becoming yet another bunch of duds. At the time they were spending between \$800 and \$900 million each year simply on correcting *poor quality*, which was equivalent to 5-10% of their annual revenues. Two employees (Mikel Harry and Richard Schroeder) recognized the scale of this problem, and came up with a new approach to save Motorola from disaster – this new approach was called Six Sigma. After only four years, Six Sigma had been credited with saving Motorola more than \$2.2 billion while dramatically improving the quality of their products. Approximately ten years later, General Electric (GE) became the first company to adopt Six Sigma in a services environment. In so doing, GE became one of the biggest corporate champions of Six Sigma and has managed to realize over \$6 billion in benefits to date.

So what is Six Sigma? Very simply, it is an approach to problem solving that will both increase quality and control costs in virtually all business operations. More importantly though: how does it work? Well, it turns out that there's not really much that is new within Six Sigma. It pulls together approaches and tools that have been around for a long time like many elements from Total Quality Management (TQM), Statistical Process Control (SPC) and project management. What is new is that all of the elements gel together very well in a neat little package or methodology.

This methodology is called DMAIC, an acronym from the five phases of a Six Sigma project: Define-Measure-Analyze-Improve-Control. It is applied by teams in the organization who are generally comprised of hands-on employees from the functional areas involved in the project. These teams are led by a Six Sigma practitioner who acts as a facilitator, guiding the team through the methodology. During the Define phase, teams focus their efforts on a manageable improvement goal for the business issue at hand. In Measure, the team collects reliable data around the business issue. Analyze, sees teams digging deep into the data with statistical analysis to get down to the root cause. Once in Improve, teams generate possible solutions to the verified cause and select the most feasible business solution. Finally through Control, teams ensure that

once a solution has successfully been put into place the improvement is sustained over time.

At face value you may still be thinking “so what’s the big deal?”. But take a quick look at what we just covered, the project was completed by the very employees that do the work and will be directly affected by the changes necessitated in the project. This means a couple of things, they’ve had input which leads to buy-in and job satisfaction, they are involved in changing their workplace for the better and the solution didn’t come from above or outside. In other words, employees become internal change agents encouraging each other to improve. Also, those employees were from different functional areas, which helps to break down organizational silos and facilitate cross-functional cooperation. Oh yeah, we fixed that business issue without having to call in some big consulting firm too!

At this point some of the benefits of Six Sigma should be obvious, but why should you be interested? Well, odds are that you’ll end up at a company that faces some kind of challenge. With the rising Canadian dollar and increased global competition, that challenge might involve making your company’s product or service better and more cost effective at the same time. Six Sigma can help you overcome these types of challenges and more. But, in the end the choice is up to you, dude or dud?

Find out more about Six Sigma by reading [Demystifying Six Sigma](#) by Alan Larson, ISBN 0-8144-7184-6 and [The Six Sigma Way](#) by Peter S Pande, Robert P Neuman, Roland R Cavanagh, ISBN 0071358064.

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