

YESTERDAY'S MARKETS

American Banker 225	▲	0.1%
American Banker 50	▲	0.3%
Dow Jones Industrial Average	▼	0.3%
Standard & Poor's 500	▼	0.1%

10-year Treasury yield 4.858%, up 0.051

AMERICAN BANKER®

THE FINANCIAL SERVICES DAILY

Volume CLXIX No. 93

www.americanbanker.com

Get the Real Thing with Six Sigma

■ BY GREG BRUE

The rapid and widespread acceptance of Six Sigma and its phenomenal success have touched off a stampede of self-proclaimed experts all claiming to possess the knowledge to put the methodology into action. Expectations frequently fall short, however, because some of the practitioners are virtual imposters who do not fully understand or practice the true Six Sigma methodology.

Though the product being distributed by these supposed experts does not have enough substance to yield optimal results, it does contain enough information to be dangerous. The intellectual property looks credible enough to fool a novice and even generates excitement about Six Sigma implementation.

However, what's being disseminated now are altered, covered-up, watered-down versions of the original success model — this mechanical, recipe thinking is diluted from the true independent problem-solving that once existed. Essential tools are being misapplied, resulting in less-than-stellar performances.

Corporate managers are no longer clear about what they are entitled to when implementing Six Sigma. Often, disillusioned CEOs walk around like the emperor with new clothes, thinking their system is every-

thing they've been told it should be. They remain unaware until the dire reality of their situation becomes apparent — the numbers don't add up and there is a huge gap between the savings promised and those delivered.

Consider the case of a current client of mine, a \$40 billion company that hired a self-anointed expert to implement what he called Six Sigma. Over the course of three years the company should have easily surpassed \$250 million in savings. Instead, it saved a pathetic \$20 million.

This deployment failed on many fronts. Company leaders neglected to take an active interest in the system, too few resources were committed, and there was a lack of reinforcement and control for sustainability.

Cleaning up such a failure can be done, but the uphill battle can take its toll on all parties involved and cost a tremendous amount of time, money, and energy. The company's failure to deliver on its promise diminishes shareholder confidence and employee moral, leaving both groups reluctant to attempt a second deployment with any degree of enthusiasm. What remains, of course, is the task and expense of contracting a second team to deploy the system, not to mention what it cost the first time around.

It is crucial that corporate

managers choose authentic teams to lead the deployment. However, distinguishing the genuine articles from those who just hang out a shingle can be difficult. Keep these things in mind when choosing a Six Sigma consultant:

- A true provider has the ability to challenge C-level executives into rethinking the existing business model and strategy to drive growth. If the CEO does not endorse the program, the Six Sigma firm must be willing to walk away from the implementation, because without support from the top, Six Sigma will fail to produce maximum ROI.

- A provider will insist that everyone be part of the process. Fiefdoms refusing to adopt Six Sigma will sabotage the process. Achieving enterprisewide buy-in prevents the emergence of gremlins with their own political agendas. This is accomplished through the ongoing dissemination of information from the leadership team to everyone in the organization.

- For public companies, Six Sigma pros must be able to validate project savings at stockholder meetings and show how it translates into growth for the company. Further, they must have the ability to convert Six Sigma activities into the "first call report" used by Wall Street analysts and clearly see the connection between their ability to

raise the bar on corporate performance and the price/earnings ratio of the company's stock.

- True Six Sigma firms will be able to assess up front the potential savings with enough confidence to guarantee a minimum savings equal to 20% of a company's revenues, accepting the risk of being compensated on the basis of this savings

- Talk to CEOs of companies

that have been served by Six Sigma practitioners and had sustainable results. If they say the consultants changed their corporate lives by instituting a sort of genetic change and by influencing the company's culture, you have a winner.

Mr. Brue is the president and chief executive officer of Six Sigma Consultants Inc. in Albuquerque.