

In Defense of Six Sigma

What it is, and what it isn't

Let me start with this disclaimer: I don't like management. It's not that I don't like *managers*; I do. Most of my best friends are managers, and they are good people who accomplish a great deal. I'm also not saying that I don't like business. I believe that businesses are the greatest engines in the history of mankind for improving the welfare of humanity. Businesses have been responsible for most of the innovations (in medicine, agriculture, improved housing, etc.) of the past 200 years.

What I don't like is the hierarchical command-and-control structure, in which some have command authority over others. I believe that the future of business will involve complex adaptive systems designed so that free agents cooperate because



the incentive structure makes it in their interest to do so, not because someone commands them to do so. Good models for such organizations are free market economies. There are a few companies exploring new organizational models, as I discuss in my book *The End of Management* (Atlantis Publishing, 1999).

Although my Utopian world might never exist, it behooves us to learn how to do a good job managing organizations. Some experts believe that organizations exist because of the high cost of executing transactions in the marketplace. Within an organization, we can reallocate resources without the need to negotiate contracts, formally transfer ownership of assets, and so on. There's no need for lawyers because managers do things on their own authority.

Organizations have "owner" constituencies that they must serve. Businesses have shareholders or private owners. The equivalent for nonprofit organizations are contributors. Organizations also serve

"customer" constituencies. Businesses must produce things that people want and are willing to buy. Nonprofits must produce things that contributors are willing to buy for the benefit of others. Both types of organizations must do one thing: create value. The output must be of greater value than the inputs needed to produce it. If the output serves the constituencies well, the organization is effective. If it creates added value with a minimum of resources, it's efficient. Boards of directors evaluate this and then direct or replace ineffective or inefficient managers.

Six Sigma's role in all of this is to help management produce the maximum value while using minimum resources. It does this by rationalizing management (i.e., it applies scientific principles to processes). By using the Six Sigma define-measure-analyze-improve-control approach, processes are improved in the sense that they are more effective, more efficient, or both. If no process exists, or if existing processes are deemed beyond repair, then "design for Six Sigma" methods are used to create effective and efficient processes. Properly applied, Six Sigma minimizes the negative impact of politics on the organization. Of course, in any undertaking involving human beings, politics can never be completely eliminated.

Six Sigma is neither a panacea nor a mere tool. The companies that have successfully implemented Six Sigma are well-known. Nevertheless, the picture isn't entirely rosy. Failures also exist, most notably Motorola's, the company that invented Six Sigma.

Running a successful business involves much more than Six Sigma. Any organization that obsesses on Six Sigma to the exclusion of such things as radical innovation, solid financial management and a keen eye for changing external factors can expect to find itself in trouble someday. Six Sigma can help an organization do some things better, but there are times when Six Sigma doesn't

apply. Recognizing Six Sigma's limits while exploiting its strengths is the job of senior leadership.

If you are a manager working in a traditional organization, deploying Six Sigma will rock your world. Your most cherished assumptions will be challenged by your boss, the accepted way of doing things will no longer work. A new full-time, temporary position that has a single mission, change the organization, will be created. People with the word "belt" in their job title will suddenly appear, speaking an odd new language. They will prowl the halls of your department, stirring things up as they uncover inefficiency and waste in places where you never dreamed improvement was possible. Your data will be scrutinized, once-indispensable reports will be discontinued, and new reports (most of them graphical) will appear with peculiar lines on them labeled "control limits" and "process mean." In some organizations, you won't be eligible for advancement until you are a trained "belt." In others, you won't even be allowed to stay.

When done properly, the net result of deploying Six Sigma is an organization that does a better job of serving owners and customers. Employees who adapt to the new culture are better paid and happier. The work environment is exciting and dynamic, and change becomes a way of life. Decisions are based on reason and rationality, rather than on mysterious back-room politics.

However, when done half-heartedly, Six Sigma (or any other improvement initiative) is a colossal waste of money and time. Either do it right, or don't do it at all.

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