

Six Sigma makes a comeback

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With the outlook for sales growth dim, everyone from Target to Cadbury to Merck is turning to Six Sigma to squeeze out more savings.

Here's one more reason why the world may face a jobless recovery: Six Sigma. In an attempt to boost earnings without putting more people on the payroll, companies are embracing the controversial data-driven system that aims to radically reduce production defects and improve processes in everything from marketing to manufacturing.

Companies as varied as drug giant Merck (MRK), British confectioner Cadbury, (CBY) and doughnut maker Dunkin' Brands are increasingly turning to Six Sigma to lift their bottom lines. Capital One (COF) says it has launched a Six Sigma initiative to "drive continuous improvement" in its operations, while Pfizer (PFE) this year embarked on 85 Six Sigma projects to lower the cost of delivering medicines to patients in its pharmaceutical sciences division. "We're applying Lean Six Sigma across the whole R&D process," says Pfizer Senior Vice-President Annette Doherty. (Lean Six Sigma includes elements of lean manufacturing techniques.) Even the Chicago law firm Seyfarth Shaw has become a Six Sigma devotee, with Managing Partner J. Stephen Poor calling it "a very powerful tool" in making client meetings more productive.

Such interest speaks to the level of anxiety permeating the corporate landscape. Six Sigma expert Anand Sharma, CEO of TBM Consulting Group, says that "in the last 90 days we have had 50% more inquiries and proposals out than ever before." Ads seeking Six Sigma experts and "black belts" increased to 7,155 in August from 6,585 in June, according to job site aggregator Indeed.com.

Faced with the prospect of lackluster sales through the end of the year, leaders are looking for alternative routes to growth. "When you know the result of your cost-cutting efforts will be letting go 15% of your workforce, you don't need a consultant," says David Silverstein, CEO of consultancy Breakthrough Management Group International. While heavy layoffs and cost-cutting helped boost earnings in the second quarter, many companies are now so tightly managed that further gains may be tougher to come by.

Thus the renewed interest in Six Sigma and its emphasis on rigorously measuring and perfecting various processes. Unlike in the 1990s, when such executives as General Electric's Jack Welch embraced Six Sigma with missionary zeal, consultants say today's converts generally are looking for a fast way to save money. "We've really seen in the past 12 to 18 months that companies that want Lean Six Sigma want something very different," says Mark O. George, managing director in the Process & Innovation Performance group at Accenture (ACN). Instead of the kind of cultural change often associated with a Six Sigma initiative, they're looking for techniques that can pay off quickly. David Niles, president of Six Sigma consultancy SSA & Co., says clients now tell him, "'What I really want is results, and I want them in 90 days.'"

Critics say Six Sigma has its drawbacks. They argue its obsessive focus on measurements can squelch innovation or prove ill-suited to processes away from the factory floor. And investments can take many months, if not years, to pay off. "If you're thinking about it being useful for the current economic downturn, it may be a little late to start a lot of Six Sigma work," says Thomas Davenport, a professor of management at Babson College.

Still, Six Sigma is finding new life, especially in retail. Target (TGT) claims more than \$100 million in savings over the past six years from the program. Mike Fisher, Best Buy's (BBY)

senior director of Lean Six Sigma, says projects like streamlining appliance installation have helped the company save up to \$20 million in some cases. "Without a doubt, it put us in a better position to muscle through the recession by getting all of those inefficiencies out," says Fisher. SSA has helped several retailers expand programs in the past year. Retail practice leader Suzanne Long says that three national retail chains are among the consultancy's new clients.

For a sense of the new approach to Six Sigma, consider Target. It hasn't enforced its program with the rigor common in manufacturing. "Some companies require their employees to use Six Sigma," says spokesperson Beth Hanson. "You don't have to be a black belt or green belt or be certified at all to use Six Sigma [here]. We just offer employees the tools."

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