

## TECHNOLOGY

# Six Sigma: Flavor of the Month?

BY DAVID B. WATERS

Is Six Sigma just a “flavor of the month,” or does it present real opportunities for our industry? Six Sigma is much like some of the more familiar business programs such as TQM (Total Quality Management) and BPR (Business Process Re-engineering). It is also significantly different from these business programs.

Six Sigma focuses on, and affects, the entire organization (vendors, customers, financials and culture). Forget the approach of each department having autonomy to do what “is best for the business.” With Six Sigma, there is only *one* business and there is only *one* team. Unlike its quality management predecessors, Six Sigma takes a proactive approach in reducing defects and increasing component quality.

However, its focus is not centered on defects and quality control. The focus is on the customer.

Companies such as GE, Motorola and Honeywell have saved millions (perhaps billions) of dollars since implementing the Six Sigma business process. But how does Six Sigma fit the convenience store industry and why should it be considered?

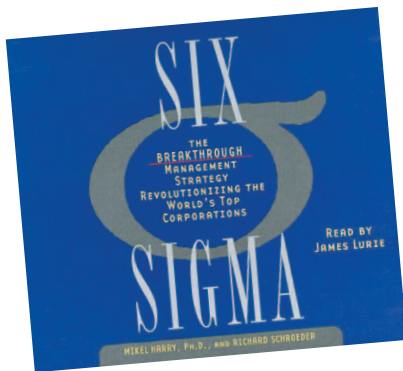
To answer these questions, we must first discuss specific challenges that face our industry. We are all too familiar with the challenges imposed from

increased competition, government regulation and other factors that have put increased stress on already declining profit margins. Turnover of store personnel further complicates a complex situation. The convenience store industry must continue to adapt to changing customer demands, but it cannot afford to make these changes in small steps.

The convenience store industry, like other industries, has been caught between fighting change and embracing it. In this age of new competitors, new channels of competition (e-business and e-commerce) and rapidly changing technology, we are not afforded the luxury of taking our time. Taking a year to make a strategic business decision, two more years to implement it and another year to adjust or realize we made a mistake is unacceptable. Add the complexity of multiple business decisions within multiple departments or organizations, and the challenge of managing change is significantly magnified.

Evaluating, selecting, implementing and supporting new business strategies can be a daunting task, even for the best-managed companies. Like other industries, the convenience store industry requires a framework to work within; a means to accurately evaluate dissimilar projects, a way to manage projects and a roadmap to lead organizational change associated with these projects.

This is where Six Sigma comes in. Six Sigma provides a proven framework that enables companies to accurately evaluate return on investment (ROI) while providing the capability to compare projected returns of dissimilar projects, i.e., compare ROI on a store build-out project with the ROI of a technology project.



“Six Sigma is a business process that helps monitor waste and resources while eliminating quality issues as early in the process as possible,” wrote Mikel Harry, Ph.D., and Richard Schroeder in *Six Sigma: The Breakthrough Management Strategy Revolutionizing the World’s Top Corporations*. Six Sigma is

tunities,” a company will generate 6,210 defects (at Four Sigma).

So, what does this have to do with the retail petroleum business? It’s about changing and transforming an industry, one company at a time. Six Sigma is about managing change; transforming organizations.

Most people would say that if their company was operating at a 99.4 percent efficiency level it would be doing great. What would these people say about a company that operated at a 99.98 percent efficiency level? Actually, 99.4 percent equals Four Sigma and 99.98 percent equals Five Sigma.

Would you be satisfied with 99.4 percent efficiency — 6,210 defects per million opportunities? If so, we will most likely be reading about your business in next year’s obituaries. The retail petroleum industry is too competitive to continue playing by rules that were invented for a 1980s business.

Success within the convenience store industry will be determined by a company’s ability to embrace and manage change. Maybe “success” is the wrong term. Said more accurately, “survival” within the convenience store industry will be determined by a company’s ability to embrace and manage change.

How is your company positioned to embrace change? Remember, surviving within a competitive industry will be determined by your willingness and ability to embrace and manage change. ○

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## SUCCESSING WITH SIX SIGMA:

- 1 Demands executive level involvement
- 2 Takes an “outside-in” perspective
- 3 Requires everyone to know why
- 4 Provides a framework to do it right the first time
- 5 Demands an honest assessment of your business
- 6 Incorporates benchmarking into your normal business practices
- 7 Ties incentives to performance
- 8 Focuses on people
- 9 Recognizes its effect on corporate culture

more about “how” than it is about “what.” Six Sigma provides businesses with a proven framework for managing business projects while also serving as a tool to manage change. Anyone who has ever undertaken the task of implementing a strategy or project that directly influences corporate culture can appreciate the struggle of managing change. The ability to effectively manage change is necessary for any company that wants to continue operating convenience stores. Owners and operators must *embrace* change, not merely *tolerate* it. Six Sigma is a process that can help manage the change process and serve as a catalyst for initiating change.

According to some industry experts, most U.S. companies operate between the 3.5 Sigma and the 4.0 Sigma levels. That means, for every million “oppor-