Six Sigma: Is There a Role in the C-Store Industry?
-- By David Waters

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Have you ever heard of Six Sigma? I would venture to guess that most business leaders have not heard of Six Sigma, or have little idea of its benefits.

Six Sigma is much like some of the more familiar business programs such as TQM (Total Quality Management) and BPR (Business Process Reengineering). It is also different from these business programs from several significant perspectives.
For example, Six Sigma focuses on and affects the entire organization (vendors, customers, financials and culture). Forget the approach where each department has 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. Increased competition, regulatory pressures, and other governmental restraints have put increased stress on already declining profit margins. High turnover of store personnel further complicates a complex situation. The c-store industry must continue to adapt to changing customer demands, but it cannot afford to make these changes in small steps.

Also, the c-store industry, like many industries, has been a victim of change. In this time of e-competition, e-business, e-payments or e-whatever, changing technology is just one of many forces creating the need to take a new approach toward managing change. We are no longer afforded the luxury of taking a year to make strategic business decisions, two more years to implement, and another year to realize we made a mistake.

Evaluating, selecting, implementing and supporting new business strategies can be a daunting task, even for the best managed companies. The c-store industry needs 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 and while providing the capability to compare projected returns of dissimilar projects, i.e., compare return on investment (ROI) on a store build-out project with the ROI of a technology project.

By providing businesses with a framework, Six Sigma serves as a tool for managing change. Anyone who has ever undertaken the task of implementing a strategy or project that directly impacts 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. More specifically, "Six Sigma is a business process that helps monitor waste and resources while eliminating quality issues as early in the process as possible," say Mikel Harry and Richard Schroeder in their book "Six Sigma: The Breakthrough Management Strategy Revolutionizing the World's Top Corporations." Six Sigma is more about "how" than it is about "what."

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 c-store industry will be determined by a company's ability to embrace and manage change.

Embracing change requires more than acknowledging the need to change, or having a good approach, such as Six Sigma; it requires senior management's involvement for the duration of the ride. Often, executives rally the troops, give nice speeches about the need to change, everyone solutes the plan, and then it's back to business as usual. This isn't *embracing* change. Regardless if it is a new way to market to customers, or it is changing the way a company sells products, c-store executives must get involved from start to finish. The ability to manage change will determine the strength and viability of a business' foundation.

One key component in managing change is having the ability to accurately measure change. Six Sigma provides companies a method to measure results. These results are viewed as the number of opportunities compared to the number of defects. If a company wanted to measure customer satisfaction, it would look at the number of times customers were served (opportunities) compared to the number of times customers complained (defects). The following chart highlights the vast difference in the number of defects that occur at companies operating at Four Sigma, Five Sigma, and Six Sigma levels.

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 "opportunities" a company will generate 6,210 defects (at Four Sigma). Historically, companies have "hit the wall" when they reached the Five Sigma level. This is the point where organizations find out if they are "playing" Six Sigma or "living" Six Sigma.

Here are nine major points to consider for companies wishing to succeed using Six Sigma.

- 1. Demand executive level involvement—Without it, you will fail.
- 2. Take an "outside in" perspective—Focus on the customer.
- 3. Require everyone to know why—Every employee should know the reason behind the change.
- 4. Provide a framework to do it right the first time—Defects are costly.
- 5. Honestly assess your business—Do not kid yourself.

  Assess the outlook and future path of the business.
  Evaluate your current performance.
  Review systems and capacity for change and improvement.
  Examine corporate culture.

- 6. Incorporate benchmarking—Know your competitors.
- 7. Tie incentives to performance—Results are required.
- 8. Focus on the people—Your customers, your employees and your partners.
- 9. Recognize the impact on corporate culture—This is no small task.

How is your company positioned to embrace change? Do you still have on the boxing gloves or are you welcoming change with open arms? Remember, survival within the convenience store industry will be determined by a your willingness and ability to embrace and manage change.

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