

BEATING RECESSION WITH A BLACK BELT

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In the current economic downturn, many companies are looking for ways to cut operational costs in order to stay competitive. One of the methodologies available is Six Sigma and it can be applied in any organisation whether in a manufacturing or service industry. It has been proven across a wide range of industries including automotive, transportation, defence, manufacturing, healthcare, logistics, education, telecommunications and construction.

Six Sigma can be considered both as a business strategy and a science that has the aim of reducing manufacturing and service costs. It creates significant improvements in customer satisfaction and bottom-line savings by combining statistical and business process methodologies into an integrated model of process, product and service improvement.

According to Dr. Satnam Singh, managing Director of Meridian Biz Management Sdn Bhd, and himself a Six Sigma Black Belt, the main benefit of a Six Sigma training programme is the reduction of variation and subjectivity in decision-making through the creation of a system where everyone collects and analyses data in a cohesive and systematic manner.

“The fundamental concept of Six Sigma is to improve processes whilst improving the quality of the process outputs,” he says. Sigma itself is a statistical concept that represents the amount of variation present in a process relative to customer requirements or specifications. “When a process operates at a higher sigma level, the variation is so small that the resulting process and services are virtually defect-free.”

Dr. Satnam was extensively trained for Lean Systems and Six Sigma while working for a multinational in the UK for 12 years. Since then, he has conducted various training programmes and workshop sessions on workplace improvement, variation and waste reduction, and practical problem-solving techniques. He also has extensive experience in developing and conducting Six Sigma Champions Training, Black Belt, Green Belt and Yellow Belt training programmes for private companies, major GLCs in Malaysia and other government agencies.

Customer focus becomes the top priority in Six Sigma and improvements are defined by their impact on customer satisfaction and value. From an internal perspective, Six Sigma provides a way of improving processes so that company can efficiently and predictably produce world-class products and services. “Six Sigma places a clear focus on bottom-line impact in hard dollar savings. No Six Sigma project will be approved unless the team determines the savings generated from it,” explains Satnam.

Six Sigma has also been very successful in integrating human aspects (such as culture change and customer focus) with process aspects (such as process stability and variation reduction). Six Sigma links the tools and techniques in a sequential manner and combines with the notion that Six Sigma creates a powerful infrastructure for training key personnel in an organisation starting from the top management.

“During an economic downturn, headcount reduction should only be the very last resort as it usually ends up costing far more in the long term than it saves in the short term,” says Satnam. In fact, for many companies, employee costs are minimal compared to other costs such as high inventory levels, payment of penalties, inefficient processes, high product or process rejects and excess wastage of raw materials or resources.

Companies should take the current economic downturn as a positive sign to train or re-train their workforce especially in the areas of process improvements so that they are fully-equipped for the challenge ahead, advises Satnam. “The worst possible scenario is to cut workforce levels to save costs and then struggle to find the right people to carry out projects when the recovery comes.” In the event that the downturn persists, the training still helps the business become more efficient and the workforce better skilled.

Another common downturn reaction is for companies to reduce prices to gain more business and improve market share. But this strategy is hardly sustainable in the long-term as competitors will be reacting in the same way, forcing companies into a vicious downward spiral. Only companies with competitive cost structures are able to compete. Reducing operating costs through process improvements is the only viable way in the long term. “The power of Six Sigma can help by reducing the variation and non-value added activities to improve a company’s cost structure and enhance customer satisfaction.”