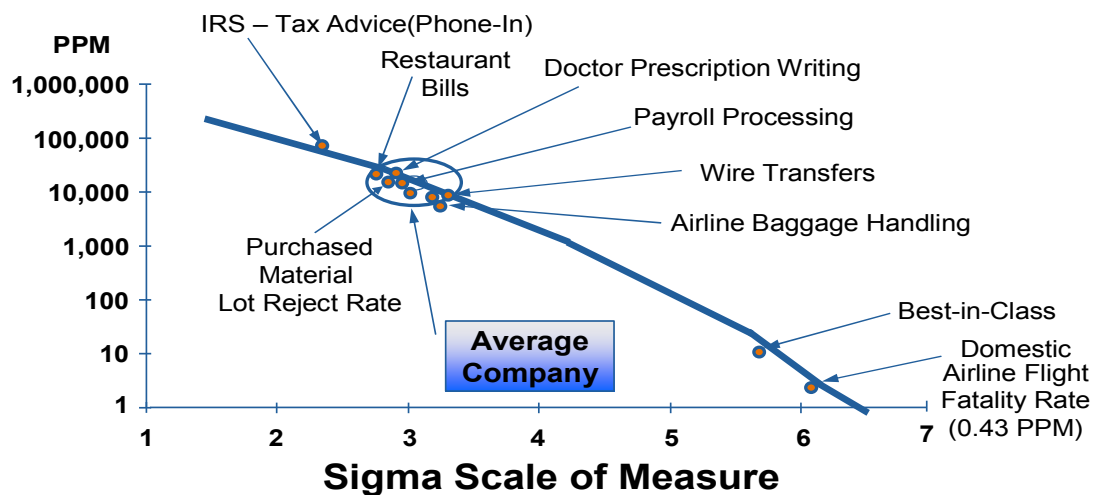


## Why Organizations need Lean Six Sigma?

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Processes in most professionally managed organizations are seen to be running around **3.5 sigma level** which translates to defect percentages between 3% to 5%.

### Sigma Quality Level with various services



**A Sigma rating indicates the ability of a process to perform without defects**

According to the famous Quality Expert, Dr. Phil Crosby, **organizations operating around 3.5 sigma level spend nearly 20 % of their sales-revenue on “Cost of Poor Quality”** which includes cost of internal failures (mistakes / defects within the organization), cost of external failures (mistakes / defects that reach the external customer) and hidden costs associated with these failures.

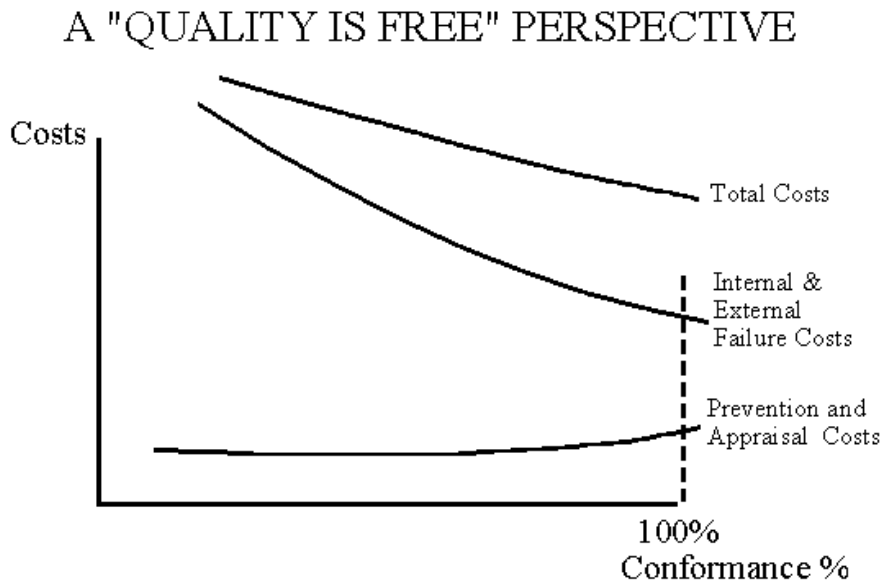
Organizations implementing Lean Six Sigma focus on collecting data related to the external and external failures, finding root causes leading to such failures, building preventions (through corrective and preventive actions) and tracking the consequent quality improvements over a period of time.

An outcome of implementing Lean Six Sigma is that **“Cost of Conformance”** (i.e. cost of inspection and cost of prevention) increases but correspondingly the Cost of Poor Quality (**Cost of Non-Conformance**) **drops sharply**. By the time the organization achieves ‘six sigma levels of quality’ it is seen to be spending about 2 % of their sales-revenue on “Cost of Conformance” but the cost of Poor Quality drops to less than 0.5 % of sales revenue.

Thus in moving from 3.5 sigma level of quality to 6.0 sigma level of quality, the Total Cost of Quality (i.e. Cost of Conformance + Cost of Non-Conformance) drops to 2.5 % of sales-revenue against the earlier situation when the Cost of Poor Quality itself was 20 % of the sales-revenue.

What the organization has been losing due to external failures, internal failures and hidden costs now contributes to adding nearly 17.5 % of sales-revenue as profits for the organization.

Contrary to popular belief that high quality means high cost, implementation of Lean Six Sigma is a practical way of achieving higher quality and faster deliveries at lower costs. **This is the concept that Dr. Phil Crosby termed as “QUALITY IS FREE”.**



Prevention & appraisal costs do not intersect with internal & external failure costs when external failure costs are correctly specified.