

Taking the Six Sigma approach

By Del Jones, USA TODAY

A performance gap in the insurance industry is an example of a problem tailor-made for Six Sigma.

It's common in insurance that the top agents sell far more policies than the worst. Insurance companies traditionally jump to conclusions when looking for ways to narrow that gap. For instance, they might offer a trip to Hawaii in a monthly contest to motivate less-productive agents to sell more policies. But that incentive tends to just increase the performance of the best agents and make the gap even wider.

Six Sigma uses an approach called DMAIC, which stands for define, measure, analyze, improve and control. A Six Sigma project would recognize the gap as a defect and go through several steps before attempting a solution.

"Having the loudest opinion doesn't make it right," says Elizabeth Keim, president of the American Society for Quality and a Six Sigma consultant.

The project might first measure agents to learn that the top 25% sell nine times the policies as the bottom 35%. An analysis would consider such steps as mapping how top agents spend their day, investigating specialists who have had success training the worst agents, or seeing how the hiring process could be changed to avoid hiring underperformers in the first place.

The next step would be to test proposed solutions, such as training methods, or to see if psychological profiles truly identify poor performers among new hires. Only those steps that prove statistically fruitful would be introduced on a wide scale. Most companies try to make improvements before measuring what really works. The improvement step comes almost last in DMAIC.

Companies have discovered that Six Sigma is less about overall accuracy and more about reducing variation. For example, passengers might like airlines to improve on-time performance, but it's more important to them for airlines to eliminate flights that are late 45 minutes or more.

Federal Express would not have a business if package-delivery time averaged 12 hours, but the "variation was all over the lot," says Jack Welch, former CEO of General Electric. Examples of success:

- The National Science Foundation turned to Raytheon to cut the cost and danger of evacuating sick people from Antarctica. Using Six Sigma, Raytheon came up with ways of pre-screening scientists for possible psychological problems. They benchmarked companies including BP Amoco that station employees in remote places. Evacuations fell 22%.
- Many hospitals used it to reduce prescription errors. One in Milwaukee used Six Sigma to map the process as prescriptions originated with a doctor's scribble, were filled by the pharmacy and then administered by nurses. Most mistakes came from errors in reading the doctors' handwriting. The hospital implemented a program requiring doctors to type the prescriptions into a computer, slashing errors.

(RE: Insurance, Healthcare, Sales, HR)