Reviewed by Paul Harmon

Praveen Gupta was at Motorola in 1987 when Bill Smith first proposed what has become Six Sigma, and has been working to improve processes ever since. Somewhere along the line Mr. Gupta became focused on the problems of relating corporate goals and profits to process changes.

Mr. Gupta describes the history and practices of Six Sigma in a few succinct chapters. He goes on to compare and contrast Six Sigma measures with ISO 9000 measures and the measures used by the US’s Baldrige award system. In the end he concludes that, while each contributes to improved processes, they do not tend to establish clear links to corporate goals, and ultimately, to corporate profits. Or, put slightly differently, there is no way to conclude, from lots of specific Six Sigma projects, whether the organization, as a whole is getting better.

Next, Gupta considers Kaplan and Norton’s Balanced Scorecard system. Balanced Scorecard seeks to shift senior management’s attention for financial measures to a more balanced set of measures which include: (1) Financial Measures, (2) Customer-Related Measures, (3) Internal Business Operations Measures, and (4) Learning and Growth Measures. Gupta describes the system and some of its successes. He proceeds, however, to argue that, as a generalization, the Balanced Scorecard has been more successful with senior managers than with operations managers.

In other words, Six Sigma focuses on processes, and rather narrowly defined processes at that, and doesn’t reach up to link to strategies and goals. Balanced Scorecard starts with the strategies and goals of senior managers and doesn’t reach downward to provide direction for managers and employees engaged with lower-level process improvement.

Gupta concludes that a better performance measurement system is required, and proposes it. Gupta’s solution is the Six Sigma Business Scorecard. In a nutshell, he attempts to merge the best of the scorecard approach with some Six Sigma measurement concepts. Rather than rely on four sets of measures, Gupta proposes that companies rely on seven, including:

- Leadership and Profitability
- Management and Improvement
- Employees and Innovation
- Purchasing and Supplier Management
- Operational Execution
- Sales and Distribution
- Service and Growth

Gupta defines measures that can be associated with each of the seven categories. He proceeds to define a Business Performance Index, which he uses to assign an overall Sigma rating to the organization as a whole. For reasons that I don’t fully understand, there is only a vague relationship between the Six Sigma
Business Scorecard categories and the 10 specific measures he uses to determine his Corporate Wellness, or Business Performance Index (BPIn). The measures he tracks for the BPIn include:

1. Number of employees recognized for excellence
2. Profitability
3. Rate of improvement (all departments)
4. Recommendations per employee
5. Total spend/sales
6. Suppliers’ defect rate (Sigma)
7. Operational cycle time variance from planned
8. Process defect rate (Sigma)
9. New business ($/total sales $)
10. Customer satisfaction

Gupta has a complex system that applies weightings to the various measures and then sums them up to get an overall Corporate Sigma.

At one point, Gupta complains that a system he is evaluating won’t work because it is too complex for middle managers to understand. One is tempted to say that about Gupta’s Six Sigma Business Scorecard methodology. It depends on more measures than a typical Balanced Scorecard system, and it introduces a whole new set of measures that managers would need to track to establish a Corporate Sigma. More important, it isn’t clear to me how people working on specific process improvement projects would be able to use this rather abstract approach to see how their specific process improvement efforts contributed to corporate strategic success, or corporate profitability.

I’ll be surprised if many companies adopt Gupta’s Six Sigma Business Scorecard approach. Having said that, however, I still feel free to recommend this book to those concerned with the measurement of corporate performance, with Balanced Scorecard programs, and with Six Sigma programs. Clearly Gupta has thought long and hard about these issues and he provides detailed discussions of many important and difficult issues that those involved in performance management must solve in the years ahead. A company may not adopt Gupta’s entire approach, but this book is a valuable sourcebook that describes specific problems and suggests ways of dealing with the shortcomings of existing practices. It will probably inspire others to work on the important problems that Gupta pinpoints.

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