

# Chapter 4

## The Application of Six Sigma in the Hospitality Industry

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### ABSTRACT

*This chapter reviews various methods or tools used in modern organizations to improve customer satisfaction and productivity against the relevant body of literature and the popular business performance improvement methodology called Six Sigma. Starwood Hotels and Resorts was the first company in the hotel sector to adopt this system organization-wide in January 2001. Six Sigma is a highly structured performance improvement methodology that is predominately based on project work. This study reveals how Six Sigma can assist managers to improve performance in three main areas: improve customer service, product quality, and the quality of decision making from improving organization-wide processes.*

### PART 1. THE CASE FOR SIX SIGMA

#### INTRODUCTION

Billions of losses incurred by WorldCom's employees and investors might have been avoided by applying statistical tools of Six Sigma. A new approach to financial monitoring could have detected WorldCom's declining fortunes. If techniques from economics and finance were applied in conjunction with the tools of Six Sigma these losses could have been minimized. Motorola has been credited with inventing the concept of Six Sigma in the 1980's and G.E. for having popularized it in the 1990's. Many companies, including service organizations such as American Express, for example, claim Six Sigma helped them increase their margins over time. Many of these companies are featured on the internet.

Sigma is a word taken from the Greek alphabet and is a statistical reference for measuring variation in data. Six Sigma aims to reduce mistakes and defects to "near zero levels" through process improvement. By one definition, (Stalter, 2000) "Six Sigma is a statistical term that applies to services as well

DOI: 10.4018/978-1-4666-8565-9.ch004

as a production line that measures how much a process deviates from the ideal. Six Sigma quality equals just 3.4 flaws per million opportunities” – defects occur within a process only 3.4 times in one million opportunities (p. 1A).

A more detailed explanation is shown in Appendix A. For illustration, a case in point is performance measurement in Academia. In our current educational institutions, achieving a test score of 99% often seems impossible in some exams. Reaching a score of 95% qualifies students for a grade of A or A+. This sends a clear message to the student that she/he achieved the highest possible score. In the world of Six Sigma, however, it is made clear that 99% is not always good enough. Within the sphere of business operations, a score of 99% may yield excessively high variability. For example, an airline operating at only 99% effectiveness would prove catastrophic. The most important criteria for success within an airline is to get passengers from Point A to Point B safely. Statistically, the most dangerous parts of a flight are take-offs and landings. If the airline industry operated at 99% effectiveness with regards to take-offs and landings, the results would be daily catastrophe. At 99% effectiveness, the world would face about 3000 mishaps or crashes daily. Thankfully, airlines operate at a level over Six Sigma when it comes to take-offs and landing (baggage is not included!).

Although Six Sigma for the most part concentrates on project work requiring staffers with specialized abilities including sound analytical skills and business acumen, Six Sigma is not, however, as some might think about statistics and numbers alone. Valuable skills are taught to practically everyone in the organization, such as team dynamics, decision making, conducting effective meetings, consensus building and so forth. Staffers also gain valuable experience from working cross functionally with Executive Leadership teams and with hotel unit general managers. In a Six Sigma environment, hotel general managers who may not have had the time or the resources in the past to accomplish certain specialist tasks and projects, now have the resources in the form of Black Belts (dedicated and Master trained consultants who assist 10-12 Black Belts in as many hotels). In addition, hotel general managers have a proven methodology-in the form of Six Sigma, which enables them to become better decision makers, and by implication, more effective leaders.

## **BACKGROUND**

### **Hotels**

A hotel is a social place made up of several interconnected and complementary businesses under one roof. To be competitive hotels, by their very nature need to be change adept and responsive to the dynamic environments in which they operate in. On the other hand, hotel leaders must be able to spot real customer preferences, as opposed to perceived, and real trends, as opposed to aberrations, in order to compete more effectively. To this end, fine-tuning of processes and work methods is crucial, if for no other reason, to stay ahead of competitors. Structure, systems and people need to be synchronized and integrated throughout the hotel enterprise to ensure consistent and sustainable service excellence considered by many in the industry as a key engine for growth.

Hotel customers or guests as they are referred to in the hotel trade are more sophisticated, knowledgeable, and value conscious than ever before. For example, inconsistencies with products and service quality, including management’s attitude and performance, are much less tolerated. By and large, systems such as Six Sigma enable people at all levels of an organization to focus more intensely on the so

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