

3M to use favorite GE quality program Six sigma adoption to be companywide
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3M Co. will adopt the Six Sigma quality program companywide as part of its push to increase efficiency, the Maplewood-based manufacturer said Wednesday.

Six Sigma, a statistics-driven quality and efficiency improvement program, was already in use in parts of 3M, said Jon Greer, director of investor relations. But its companywide adoption shows the influence of new CEO W. James McNerney Jr., a former high-ranking executive at General Electric, which is "an ardent embracer of Six Sigma," Greer said.

Analysts differed on the impact of the Six Sigma news, although one said he believes McNerney will use the program to make fundamental changes at 3M.

3M also said it plans to streamline its process for moving products from research and development into commercial introduction and centralize its procurement procedures.

3M said the moves should help it meet such objectives as its stated goal of 10 percent earnings growth this year despite expected slow economic growth in the United States and overseas.

The company announced the new programs while confirming that its year-end and fourth-quarter results were in line with the advance figures it reported last week. Those results fell short of analysts' projections.

For 2000, 3M reported net earnings of \$1.87 billion, or \$4.68 a share, on sales of \$16.72 billion. That compares with net earnings of \$1.71 billion, or \$4.21 a share, on sales of \$15.75 billion for 1999.

Without nonrecurring items, the company had net earnings for the fourth quarter of \$447 million, or \$1.12 a share. Net earnings for the same period a year earlier were \$444 million, or \$1.10 a share. Sales for the period rose about 2 percent to \$4.14 billion.

Although the company has made some use of Six Sigma in the past, "to have teeth, [Six Sigma] has to be employed from top to bottom," said Edward Jones analyst Bill Fiala.

"James McNerney is trying to improve 3M's culture when it comes to execution, and Six Sigma will be the tool. . . . Over the next three to four years Six Sigma will change the way they do business. It will have an impact on almost every employee," Fiala said.

However, Jack Kelly, an analyst at Goldman Sachs, said he doesn't think Six Sigma signals a major cultural shift for the company.

"It's an example of how McNerney is going to raise the bar for things like accountability in budgets, product quality and executing game plans," Kelly said.

3M's Greer said the primary change coming from adopting Six Sigma will be to put quality programs under a single umbrella.

First established by Motorola in the 1980s, Six Sigma was adopted by a handful of companies, including GE and AlliedSignal, in the 1990s. By 1999 AlliedSignal said the program had saved it about \$2 billion.

Another Minnesota institution - Honeywell - was introduced to the system in 1999 when it merged with AlliedSignal. Honeywell is now in the process of becoming a division of GE.

The program gets its name from the Greek letter Sigma, which statisticians use to represent a standard deviation from a mean. The higher the number of sigmas, the lower the number of errors. The program is based on the belief that eliminating errors leads companies to simplify their productions processes, removing redundancies and resulting in savings.

"It takes what is basically a touchy-feely concept of quality used by corporate America and makes it a very hard, by-the-numbers concept of quality," Fiala said of Six Sigma. "GE helped put it on the map."

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2000	1999	% chng.	Revenue	\$4,136.0	\$4,023.0	+2.8	Income#	326.0	444.0	-26.6	
Earn/share	0.82	1.10	-25.5	12 months Revenue	\$16,664.0	\$15,659.0	+6.4	Income#	1,782.0	1,763.0	+1.1
Earn/share	4.45	4.34	+2.5								

Figures in millions except for earnings per share.

4th quarter 2000 the company had nonrecurring items which reduced net income by \$121 million, or 30 cents per share. Nonrecurring items during 2000 decreased net income by \$90 million, or 23 cents per share and nonrecurring items during 1999 increased net income by \$52 million, or 13 cents per share.

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