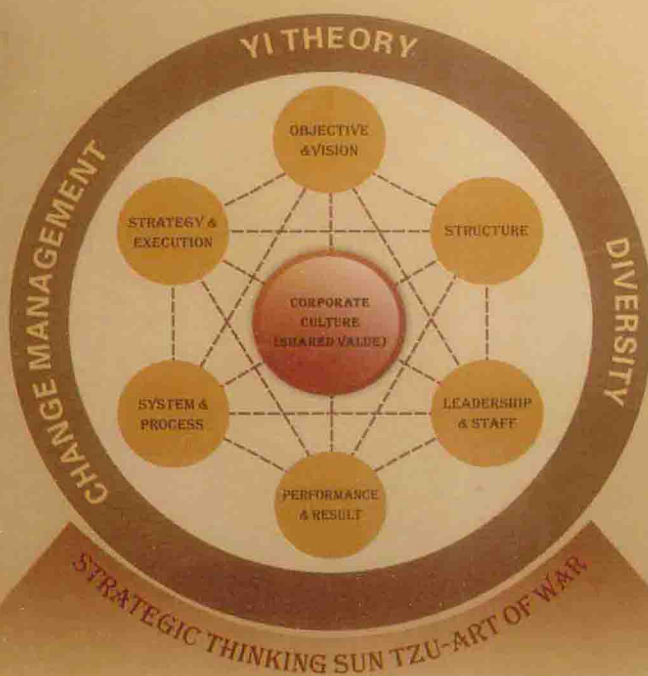


# High Performance Enterprises Management

Pow Tien Tee Qiao Jinhao Li Hua

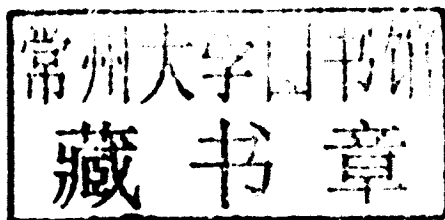


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Pow Tien Tee    Qiao Jinhao    Li Hua



Xidian University Press

## Content Abstract

This book makes in-depth and refined analysis on the basic elements of modern enterprises' operation (Vision, Mission, Shared Value, Goals, Strategy, and System/Process) by in-depth reviewing on complicated business and market operation. It is a symbolic combination of the writer's accumulated experience in the position of international enterprises' top management and practical understanding on Chinese traditional culture. In the meantime this book also explains the evolution process from a normal enterprise to excellent enterprise through standard enterprise and high performance enterprise. A series of business cases are narrated and studied in the book, vividly denoting enterprises' efforts on deploying and utilizing basic elements of enterprises' operation.

This book is designed as a textbook for senior undergraduates and postgraduates. And it can be also used as a reference book for business management.

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## **Preface**

What is the ultimate goal of business operations and management? Profit maximization seems to be the most widely accepted answer. Many of today's enterprises are also taking on this goal as they expand their business. However, profit maximization should not be the ultimate goal in business operations; it is rather a necessary objective in the enterprise's expansion. In the event that the enterprise produces negative results, then the enterprise will be deemed to have failed to achieve their ultimate goal. In most cases, the enterprise will make relentless efforts to pursue positive results. Hence, the impetus of relentless pursuit for positive results is the ultimate goal of any business operations and management.

The pursuit of profit maximization is achieved through a series of management activities and initiatives. This series of activities and initiatives materialize through the combination of several organic elements of business management. Somehow, these elements exist in all enterprises business management, regardless of their size, business nature or type of industry. The only difference lies in the variations in manifestations of these elements. Managers and employees apply and organize these elements accordingly as they manage and operate the business. These elements include vision, mission, values, goals, strategies, systems and processes.

The very basis of enterprises management is to combine and integrate use of the organic elements of business management. However, in today's increasingly complex and volatile macro- and micro-environment, and with evolving economic, technical, social and cultural conditions, companies must be equipped with the ability to change, adapt and reform in order to ensure survival and further development of the enterprise. The management elements must address environmental and corporate changes accordingly, and adapt to "change management" needs in a timely manner with appropriate assessment, adjustments or regrouping. The management of enterprise risk and preparation for crisis management are essential in this process.

An enterprise needs to appropriately apply a combination of the elements of business management and synchronize the use of changing management strategies which will allow businesses to develop into a standard enterprise. Enterprises seeking to be in a dominant position in a fiercely competitive market must make concerted efforts through innovation, relationship management etc, to ensure further growth into high-performance enterprises. Although different enterprises may not share similar ultimate goals, a considerable part of any enterprise's ultimate goal is to fulfill the responsibilities of a corporate citizen and make a significant contribution to society. This is one of the important criteria for business excellence. Enterprises that wish to develop from a high-performance enterprise into the next level of excellence will have to go through a long process.

In today's world, the frequency of international interactions and economic exchanges are rapidly increasing. The business operation and management of enterprises are also increasingly facing the new international challenges. To adapt to these conditions, many contemporary business management theories and tools have emerged. Most of these theories and tools are derived from the business management practices of the major Western countries. However, upon careful in-depth study, it appears that these theories and tools have also adopted or have been influenced by traditional Chinese wisdom. China's economy is developing rapidly, especially with the reforms and opening up over the past three decades. China's economy is also increasingly integrated with the world economy and international business environment. We are now witnessing the transformation of the Chinese enterprise from a "inducing foreign investment" strategy to a "investing in the world market" mindset. Gradually, an increasing number of national enterprises have come to be ranked among the world's largest and most outstanding enterprises. We have every reason to believe that by combining the wisdom of traditional Chinese culture and international business best practices with an economically fertile landscape, Chinese enterprises will stand in good condition. As Chinese enterprises gain success and confidence, they will be able to develop contemporary business management theories and tools infused with Chinese characteristics.

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# Chapter One

## The Ultimate Goals and Basic Elements of Enterprise Management

The ultimate goal of any enterprises varies according to its background, stage of development and numerous other factors. Regardless of its ultimate goal, enterprises have to achieve it through profitability. In order to accomplish profit maximization, enterprises have to endure a complicated process. This is achieved through the integrated application and organic combination of many basic elements of enterprise management. The basic elements of business management include: vision, mission, values, goals, strategies, system/process. These elements are interdependently linked and restrained. The joint function and the interaction between these elements affect business activities of enterprises. The real challenge is how to organize and apply these enterprise management elements effectively. To this effect, we can refer to some of today's Western business management models and tools. Actually the Western business management models and tools also echo the wisdom and essence of traditional Chinese culture. The incorporation of Chinese traditional culture into business culture is a beneficial supplement to the energetic Chinese economic development and business environment.



### Part 1 The ultimate goals of enterprise

In social and economic activities, many companies are seeking to maximize profit, which seems to have become the core objective of businesses. However, profit maximization may not be the ideal goal of business management.

Conceptual creation is the precursor to the materialization of actual creation. Goals form the basis of an organization's activities. The establishment of an organization should be clearly defined by its organizational purposes. Correspondingly, there are a series of questions to answer first: What should be the nature of the business of this organization? Is it a nonprofit organizations or a for-profit organization? Which industry does the organization intend to be part of? Enterprise, as a form of economic organization, must have a clear goal. To a newly set up organization, it is very important to set up long-term development goals. Quite often, this determines whether business leaders can succeed. Every business has different objectives, such as the ultimate goal, strategic objectives, commercial objectives, long-term or short-term goals, as well as human resources objectives, financial targets, sales targets and so on. Each enterprise is driven by different time lines, goals and hence operates accordingly and carries out the different levels of business activities. These goals are set according to each enterprise's ultimate goal at different stages, different levels and in different areas. Therefore, the ultimate goal of the enterprise is the cornerstone the starting point and the business directive guide, of all activities of the enterprise.

Enterprises have different founding backgrounds, their ultimate goals will thus differ. Some can be described as noble, such as the creation of employment opportunities, or to build a cleaner society. For some business leaders, who took over or inherited family businesses, they are often driven by personal visions. However, this kind of situation tends to be relatively rare. More often than not, businesses are started in order to make a living due to unemployment or other distressed situations. In these cases, the ultimate goal of these venture are often not so lofty, but rather straightforward. For example, many small businessmen's ultimate goal is to allow their family to live a better life. There are actually many reasons or motivations driving people to set up businesses. Of course, it is the result of the operation of an enterprise beyond personal interests and expectations which makes the existence of this enterprise more meaningful. As the enterprise develops, the ultimate goal may change accordingly to the different stages of business growth.

### [Case study]

*Xi'an's distinctive local snacks, especially Hui Fang are usually found in a number of specialty stores. They provide delicious snacks for the constant stream of tourists and local diners. There is a famous "LaoBaiJia Lamb Stew of Bread" which is very popular with diners. This restaurant is nearly a hundred years. The delicious and authentic bubble bun, despite the cramped premises on a cramped narrow street, is still crowded with visitors. A visit by the Finnish president to Xian included a dinner at this restaurant. The store's fame has been cultivated by the word of mouth of diners.*

*Nowadays, many restaurants tend to achieve good reputation and fame through franchising and expansion. However, this store has remained unchanged and continued its operations as usual without expansion. The restaurant owner explains that the restaurant is an ancestral property. They are contented with what they have and they are reluctant to leave the old neighborhood. The restaurant closes on weekends and holidays, and also when the weather is too hot or cold, sometimes for few days. This offers the family members and workers time for good rest. In fact, many old stores at Hui Fang are open only for half a day, regardless of how good the business is in the afternoon. One of the important reasons is to take into account the weaker competitors so that their businesses have a living space. One key factor why they are able to continue to flourish is due to weak and less established competitors.*

Regardless of the different ultimate goals of businesses and the different stages of enterprise development, enterprises need to go through the operation of specific business activities to realize ultimate goals. Enterprises operate through a series of activities to achieve its goals on different levels, at different stages, in different industries so as to achieve their ultimate goal. Enterprises should pursue profit gains as it is a means as well as a necessary path for enterprises to achieve their ultimate goals. A profitless enterprise is like a barren tree with no flowers. In a situation where there are negative business results, the enterprise will be powerless to achieve their ultimate goals. Leading U.S. scholar Louis D. Brandeis once said, "In any business, profitability is not just a small

success; it is a necessary condition for success, because continuing losses means failure. Similarly, high profits do not mean success.” In fact, more and more outstanding enterprises pursue profit whilst putting more emphasis on the responsibility of caring for their consumers and employees, as well as social contribution. It is often manifested in the actual operation of the relentless pursuit of profits; the drive of enterprise and the real impetus behind is the ultimate goal. The enterprise’s ultimate goal is embodied of the enterprise values; the pursuit of corporate profits is a necessary means to materialize its corporate value.

Enterprises make effort to gain profits in order to achieve their ultimate goals. To maximize corporate profits, it is a complex process that needs to operate through a range of specific activities. Enterprises operate specific business activities constructively through the combination of many organic elements of enterprise management and effective integration.



## Part 2 Overview of the basic elements of enterprise management

There are a wide variety of organizational forms, such as political parties, governments, schools, hospitals and enterprises. Sun Tzu teaches: “Managing a large army is the same as managing a small one; this is because there is an organization within congregation.” Every enterprise is a cell in the economic body. There are different sizes and types of enterprise, through their common operations constitute the cornerstone of the social and economic development. Although the ultimate goal of business operations is not to maximize profits, profit is a necessary path to achieving their ultimate goal. Profits must be achieved through the improvement of the organization and a highly efficient management.

Enterprise management refers to operational activities that will enable key business goals to be achieved. Managers apply planning, organizing, leading and controlling so as to implement the enterprise’s management activities. All these are based on the organic combination of a series of enterprise management basic elements.

Enterprise is a form of economic organization. Its basic elements of management has the basic characteristics of the general organization and its special attributes. Enterprise refers to a group of people who are working together for a common goal or a set of shared goals for an economic entity. In general, business management includes the following basic elements: vision, mission, value, goal, strategy, and system/process with the organizational structure and organizational operation. This can refer to Figure 1-1.

**Vision:** People in the same organization are sharing a collective direction in the enterprise development and enterprise operation approach. This involves a commitment to reach into the future and realizing what the organization wants. Vision is usually very close to the ultimate goal of business operations.

**Mission:** Aligns with vision and sets up short, mid- and long-term targeted plans so as to

fulfill visionary objectives.

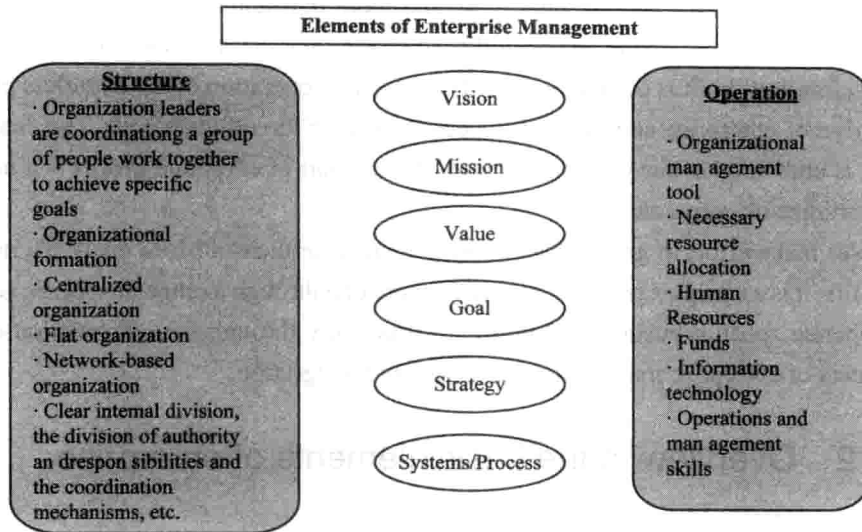


Figure 1-1 Organizational basic elements

**Value:** People in the enterprise act in accordance with the values promoted by the enterprise through the corporate culture and exemplified by how employees personally carry out various activities. As far as these values are concerned, an important issue facing the enterprise is how to let employees firmly believe that the proprietor of the values works with the team to achieve their business goals.

**Goal:** Managers need to develop a set of goals for or together with employees at different stages and levels of the target system in order to achieve the corporate mission. The important issue here is to correctly quantify objectives and improve its enforceability.

**Strategy:** Managers and staff set out strategic plans and tactics to achieve their business goals whilst the enterprise should clearly strategize the methods and mental approach to achieve corporate goals.

**Systems/Process:** Management provides work practices, systems and methods of operation as operational tools and guidelines. An enterprise's systems and processes are involved in all aspects of business management, such as the code of conduct, the procurement process, payment system and so on.

The above basic elements of enterprise management permeate all aspects of business management through enterprise management functions so as to be properly realized and fully implemented. Corporate management functions include the management of funds and other resources for maximum effectiveness so as to achieve business goals. It is executed through enterprise management functions such as planning(setting goals), organizing(collaborative problem solving), leading (coordination) and controlling (monitoring and measurement). This will require the company's vision, mission, values, goals and systems/ processes and strategic measures to achieve them.

The vision is infinitely close to the ultimate goal of business operations; the mission is operating under certain conditions to fulfill the visionary plans; the goal is the specific operational indicator to achieve the vision and mission of the enterprise through business operations; the strategy is operating plan and strategic tactic to achieve business objectives; the systems/process is policy, organizational structure, means and tools for the effective implementation of the strategic plans, enterprise operational goals. The above elements are interdependent and closely linked. Effective operation is based on structured shared values. The corporate culture is cultivated through shared value and has great influence on the constructive operational behavior of the enterprise. In actual operations, we need to have co-ordinated thinking and attitudes so as to understand, use and organize the basic elements of the enterprise management in order to achieve operational efficiency of the enterprises.

An enterprise's business operation is conducted within the overall socio-economic environment. Socio-economic environment is not static, but constantly evolves, while the enterprise itself is in a state of continuous growth and progress. Therefore, corporate management is conducted inside and outside in the changing environment; this allows it to effectively respond to internal and external environmental factors of diversification. An enterprise has to make effective changes, especially in today's global economy where business operations have become increasingly diverse and complex. In the early 21st century, the enterprise has to face both local and global level challenges. An enterprise's competitive situation is reflected by the relevant environmental factors. This includes the pressure of globalization/internationalization, innovation, increased competition, and changing economic, social and customer environments. Furthermore, the enterprise would have to face the tricky and unpredictable supply of energy and raw materials. When observing the situation of enterprises at different time periods, the increase in complexity is obvious. Under these operating conditions, the enterprise must manage and solve ever-increasing complex problems, in order to survive and achieve goals. Business managers must be able to face this challenge and allow the enterprise to attend to the vital interests of the different participants. The interests and needs of different participants may be quite different. For example, employees may be interested in workplace safety and learning opportunities, while shareholders may place greater importance on higher returns. One of the biggest challenges in corporate management is balancing participant's contentment and enterprise's gain. Whatever the original intention is, which is directly or indirectly influenced by the global economic environment, it is necessary to adjust the basic elements of the enterprise management portfolio so as to adapt to environmental changes. Therefore, corporate management, in addition to the effective use of the basic elements of enterprise management, must embrace change management which will enable enterprises to achieve lasting and efficient operations. Business management is a very complex activity that requires effective integration at both macro and micro levels. In simplified terms, business management theories and management practices are an important proposition in today's enterprise management. There are now a number of management models and tools available to solve these problems one way or another. This includes the ISO quality management system, the Balanced

Scorecard, Six Sigma, and so on. In the actual business operations, it is appropriate to introduce management tools and effective applications of enterprise management basic elements. This combination has important practical significances—to achieve business goals, mission, vision, as well as the ultimate goal.

Appropriate combination of business management basic elements and change management synchronization will allow businesses to develop a standardized enterprise and effectively achieve the ultimate goal of the enterprise. In reality, many companies fully implement corporate social responsibility initiatives so as to make significant contributions to society as an ultimate goal of business operations. To achieve this ultimate goal, enterprises are required to put in much efforts through innovation, relationship management etc. An enterprise that wishes to further grow from high-performance enterprise to become an excellence-level enterprise would have to go through this long course as illustrated in Figure 1-2.

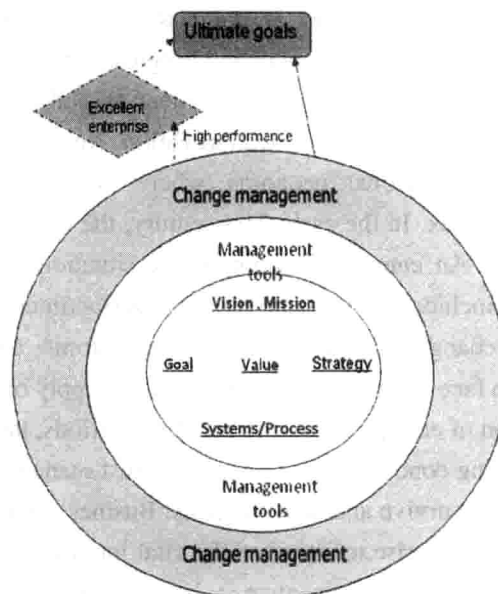


Figure 1-2 Enterprise management fundamentals

In today's complex business environment, companies are looking for different ways to seek and obtain a dominant position amidst the fierce competition. However, how does one obtain a dominant position? The answer may be ever-changing, but in any case, the enterprise should focus on the following two aspects:

1. Build a capacity to develop and supervise the implementation of enterprise development planning through a strong, efficient and astute organization;
2. Manage the company's business so as to create employment opportunities for people and fulfill the planned rapid growth expectation of efficiency and innovation in a high-yield market-orientated operation.

All enterprises have to face brutal competition in the market, and only when the above-mentioned two elements are put into effect, would it be possible for the enterprise to win in

the market. To effectively achieve these two aspects, proper application of enterprise management basic elements is critical. We can refer to many business management theories and practices of outstanding enterprises. In business, we very often hear the comment that “the market-place is akin to the battlefield”. This comment is largely influenced by the “Art of War”, a cultural classic written by Sun Tzu 2,300 years ago during the Warring States Period. “Art of War” is China’s first-ever classic war strategy and battlefield philosophy work. The concepts and teachings described in the book are of important reference value on personal strategic planning and business management. As described by the book, most of it can be found in the contemporary world and amongst everyday behavior. The following are some important ideas:

**1. Strategic wins rules:** There are five basic factors: first is “Way”, second is “Heaven”, third is “Earth”, fourth is “General”, and fifth is “Law”.

**2. Alliance:** One can not associate with those who do not comprehensively understand the vassal state’s strategic plans.

**3. Manpower:** The general has the quality of “Wisdom”, “Humanity”, “Credibility”, “Courage”, “Intelligence” and “Firmness”.

**4. Force strength:** Leaders who are good at war, make attention on creating winning situations, without blaming on subordinates. Thus, leaders can select and make use of talents and create winning situations.

**5. Organization:** Managing a big force is the same as managing a small force; The force needs to be properly structured.

The above are the ideological essence of Sun Tzu’s “Art of War”. Its application to today’s economic activities is focused on business awareness and understanding. It actually contains a lot of management wisdom in Chinese traditional culture, and the effective application to enterprise management is bound to benefit the enterprise.

As illustrated by Figure 1-3, the right part of the figure explains Sun Tzu’s carefully thought-out military organizational structure, and the left part explains the military campaign to win. The explanation below is the goal of the military campaign. When observed from a business management point of view, it can be understood as a comprehensive summary of the enterprise organizational structure, corporate management principles (elements) and corporate vision (target).

In fact, the spirit and essence of Art of War in today’s economic activities has been increasingly recognized in enterprises that understand and use it. In addition to the “Art of War” there are a lot of classics in traditional Chinese culture that contain a number of management wisdom which provides significant reference for contemporary business management. This includes the “Book of Changes” which is very relevant in today’s world as management scenario planning becomes increasingly common. Business operations will benefit when traditional Chinese spirit and essence can be effectively put to use in enterprise management.

In the original 13 chapters, there is no complete structural organization mentioned except little shown on army structure. However, that must be some form of structural organization to guide the 5 factors.

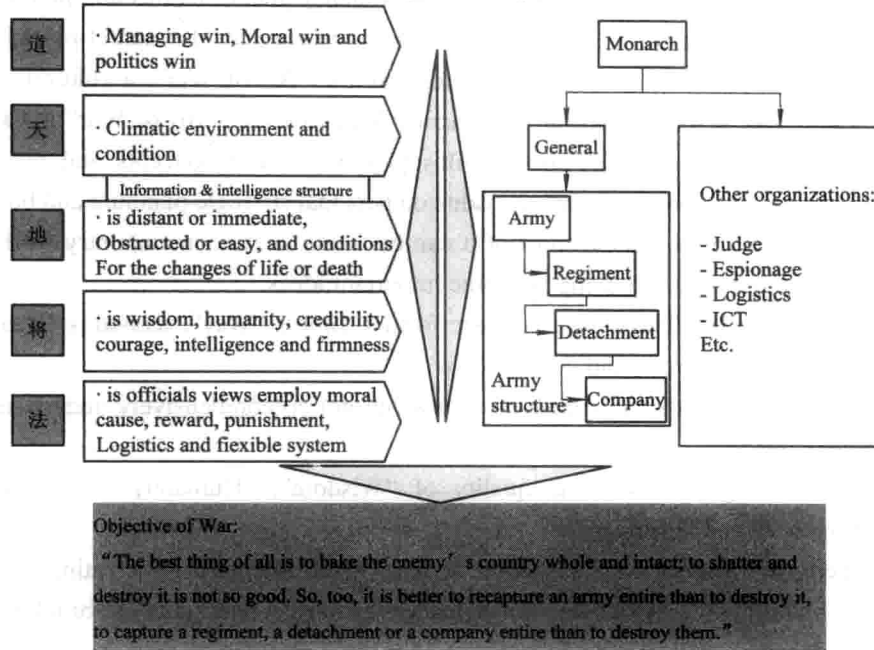


Figure 1-3 The conceptual organization structure in "Art of War"



## Part 3 Enterprise management models and tools

In order to cope with the complexity of enterprise in the fight for survival and under constantly developing environments, business managers can use different business management models and tools to examine the corporate environment. They can consistently carry out the appropriate operations management in the enterprise development direction. Business management models and tools are simple descriptions of a complex entity or process. Each enterprise management model and tool has different characteristics which are applicable to different types or stages of development. The ISO 9000, for example, is a quality management system which has been universally adopted in large multinational corporations, even relevant small enterprises must fully implement such tools and employees will be required to scale the system accordingly to see whether it is appropriate. When faced with a wide range of business management models and tools, the chosen one must be easily integrated with enterprise's own inherent characteristics. The actual operating conditions and stage of development should be applied to the targetted models. The application of these models and tools should be sufficiently profound and will allow business managers to form the basis for their decision-making.

In reality there are quite number of widely accepted and commonly applied management models and tools; examples include the ISO 9000 quality management system, benchmarking, value chain analysis, 7S model and so on. The following is a brief introduction to some of the

typical models and tools. Interested readers can also access concerned books and information for in-depth study.

### ISO 9000 Quality Management System

The ISO 9000 quality management system was developed by the International Organization for Standardization (ISO). The organization is the world's most important non-governmental international standardization body, and its main function is to draw up technical standards. The organization has no legislative power, mandating it as a strategic partner of the same level as the World Health Organization. Together with the International Electro Technical Commission and the International Telecommunication Union, the cooperation jointly promotes a free and fair global trade system. ISO standards are usually developed according to market demands by different experts in the field; most of them are highly detailed standards for products. ISO technical standards are for suppliers and customers to provide a framework for reference, or a common technical language. Here are some very famous ISO standards: A4 paper size standard (ISO 216); standard warning signs across language boundaries (See Figure 1-4).







Characteristics	Examples
<ul style="list-style-type: none"> <li>Technical agreements which provide a <b>reference framework</b>, or a <b>common technological language</b>, between suppliers and their customers</li> <li>Facilitates trade and the transfer of technology</li> <li><b>Voluntary standards</b> - may become a market requirement</li> </ul>	<ul style="list-style-type: none"> <li><b>A4 format ISO standard paper sizes</b>              (ISO 216)</li> <li><b>Standardized symbols to provide danger warnings across linguistic frontiers</b>  <div style="display: flex; justify-content: space-around; align-items: flex-start;"> <div style="text-align: center;"> <p>Sitting forbidden</p>  </div> <div style="text-align: center;"> <p>No access for unauthorized persons</p>  </div> <div style="text-align: center;"> <p>Staying in front of machine forbidden</p>  </div> </div> <p>(ISO 7010)</p> <div style="display: flex; align-items: center;">  <div style="margin-left: 10px;">fire extinguisher</div> </div> <div style="display: flex; align-items: center;">  <div style="margin-left: 10px;">emergency exit</div> </div> </li> </ul>

Figure 1-4 Characteristics and examples of iso standards

The ISO 9000 quality management system is focused on the general management of the quality management system. It provides a quality management framework covering the production and delivery of products or services to customers throughout the process. The ISO 9000 quality management system is to meet customer requirements and applicable requirements, in order to enhance customer satisfaction. This system is also constantly in pursuit of its goals to improve performance. ISO 9000 quality management system has eight principles of quality management for enterprises to improve their performance. The revised ISO 9000:2000 series of standards are based on eight management principles. The eight principles are: customer focus, leadership role, full participation, process approach, system approach to management, continual improvement, reality-based decision-making and mutually beneficial supplier relationships.

ISO organization developed international standards which are recognized and adopted by the organization's over 100 member countries and regions worldwide. There are hundreds of thousands of enterprises, institutions and organizations using the ISO 9000 quality management system and third-party certification. ISO 9000 quality management system has an important role to improve enterprise management level, so as to meet customer needs in a timely and efficient manner. To a certain extent, the system has also become a "test" for domestic enterprises to enter the international market. More and more domestic enterprises have recognized the importance of the ISO 9000 quality management system being introduced and applied in business management.

The nature of the ISO 9000 quality management system is to develop standards and the strict implementation of it lies in a prevention approach. It is through the development or introduction of practical standards and strict implementation on the prevention of substandard items that allows enterprises to ensure improved quality, lower costs, and achieving high performance. For a better understanding of the spirit and essence of the ISO 9000 quality management system, we can understand "no rules, no standards," "forewarned is forearmed, without prejudging the waste. Any success depends upon previous preplan and preparation."

### **8D Tool**

In order to achieve operational excellence, many companies set "zero defects" as a key strategic objective. "Zero Defects" refers to all products or services commitments with respect to the internal or external customer requirements, without any deviation. "Zero Defect" means facing the challenges of the "Fail". "Fail" means "do not meet the specific requirements." Any "Fail" defects, problems, failures or deviations are not around to meet specific specifications due to process deficiency.

Achieve "zero defects" will require some problem-solving tools, including 8D. 8D (8 Disciplines) means "eight principles" to solve the problem, also known as the TOPS (Team Oriented Problem Solving or Team-Oriented Problem Solving methods). One of the earliest tool in the market, 8D gained popularity in the 1980s where it is a quality management tool used by Ford Motor Company. From then on, Ford promoted this method to their suppliers and it was implemented gradually. It has now become a widely used international automotive industry solution of product. Now the 8D has a solution to the problem of effective systematic method/tool widely accepted by many enterprises. It is based on the 8D process of analysis which is shown in Figure 1-5. The first step of implementation of 8D is to set up the improvement working group which comprises members drawn from staff from different departments. This improvement working group is a temporary team across functional boundaries. The effectiveness of the group work in a collaborative team largely depends on coordination among the members of the group, that is, synergy among group members which in 8D practice is indispensable as a success factor.

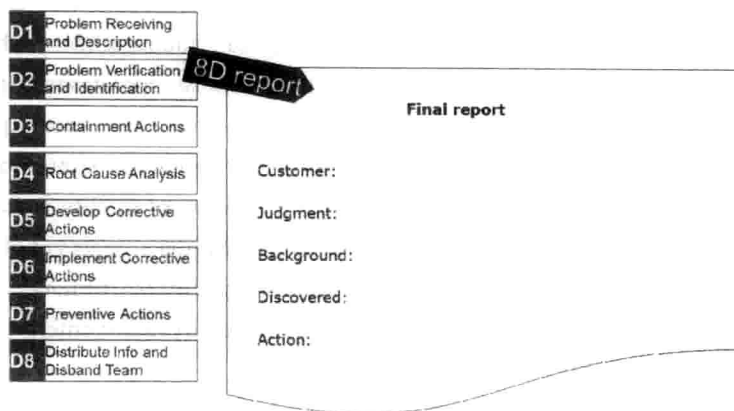


Figure 1-5 8D process and 8D report

### Six Sigma

8D is an efficient and systematic approach to the problems of team-based solutions. In a sense, 8D is not able to solve an entire problem, and it also does not work to achieve sustainable improvement. In order to achieve sustainable improvement, we can refer to Six Sigma—another outstanding quality management tools. As shown in Figure 1-6, continuous improvement suggests the notion that 99% is still imperfect.

Sigma is a statistical concept: 1 Sigma means 690,000 failures per million opportunities, 2 sigma means 308,000 failures per million opportunities, 3 sigma means 66,800 failures per every million opportunities, 4 sigma means 6210 failures per million opportunities, 5 sigma means 230 failures per million opportunities, 6 sigma means 3.4 failures per million opportunities. If the enterprise quality management level is 1 to 2 Sigma, the daily business operation would have wasted one-third of the resources, two-thirds of the operation in wrong doing, and it simply cannot survive in this business. The flaws of the general company's quality rate are in the 3 to 4 sigma. In general, 3 sigma level of an enterprise's quality management is perceived as a lack of competitiveness. 4 sigma level of an enterprise's operations management would mean a higher management standard, and the ability to win a number of satisfied customers. If the business can achieve 6 Sigma, it means that the enterprise is almost perfect in reaching customer requirements. Such enterprises win customer loyalty by offering excellence in management and a strong competitive advantage.

Six Sigma is a management model and tool which can improve corporate profitability, and operational excellence. It was first applied by Motorola in 1987, and generated profits of \$ 14 billion. Six Sigma is used to indicate the average distribution of operational processes or steps. Sigma can reduce the error rate per one million opportunities for any business or production processes, or reduce the appearance of possible defects. Any defect, regardless of its size will lead to customer dissatisfaction. Therefore, business managers must ensure that the defect rate is on the decline and Sigma level is constantly rising in all operational processes. The key of Six Sigma management model is business process improvement, which follows the structure model DMAIC.