

THE PIVOT PALETTE

A quarterly publication of PIVOT Management Consultants



Quarter 2, 1998

MISSION

Be a premier provider of management consulting services to industry in the high technology, manufacturing / design, services, healthcare, education and government fields.

Be the best partner a business leader can have to help accelerate the move along the path of continuous quality improvement and quality system enhancement, rethinking and changing the way our client's business is done internally and for the marketplace and industry our client serves.

Implement operational improvements across all functions and levels of our client's organization to achieve improved strategic and marketplace position, delivering value added measurable results.

Provide a positive, rewarding, collaborative work environment within PIVOT that fosters personal growth, fulfillment and success for our associates, suppliers and clients.

VISION

Together we will. . .

Work to fully understand the requirements of our jobs, the requirements of our clients and the systems that support us.

Provide error free services, analysis information, education and skills training on time to our clients.

Practice ethical, honest and fair behavior in our interactions with clients, associates and suppliers. We will not promise anything we cannot honestly deliver.

Inspire trust and respect by our clients, associates and suppliers, through PIVOT's proven commitment to our mutual success.

Have fun!

WORLD-CLASS

KEY CHALLENGES TO SUCCESS

In our last issue we examined some of the broad initiatives, performance benchmarks and core practices for companies deemed to be at or nearest to world-class, as they voraciously pursued best practices. Although we did not define world-class, these practices showed us metrics we might want to adopt in our own organizations. To succeed however, there are other challenges we are likely to face. Continuing on the thought process started in the last issue, we now look at these key challenges.

Key Challenges to Success noted are:

- Excessive regulation
- Customer focus and satisfaction
- Internal costs
- Foreign competition
- Supplier costs
- Workforce skill levels
- Production cycle times
- Shrinking markets
- Quality control
- Need for modernization
- Access to capital
- Labor relations.

Further, plants that had made significant progress toward world-class status were very likely to be engaged in the following best practices:

- Extensive implementation of quality management programs
- TQM
- Quick changeover techniques
- Emphasis on cross-training of production employees
- Production employees interaction with customers

This latter best practice enabled world-class plants to tie many elements of best practices together - empowerment, plant-floor objectives, customer service and continuous improvement.

We too have found that organizations that have successfully implemented employee empowerment and natural work teams move toward improved business results faster. However, it does need a certain kind of leadership from the top - personal, consistent, and continuous demonstration of commitment to employees and to becoming the best.

Manufacturing organizations that have widely adopted Total Quality Management (TQM) have some of the best quality performances among all plants across the full cross section of modern manufacturing. This shows up in three fundamental metrics:

- High yield of these plants
- Continuous improvements in yields
- Very low scrap and rework costs

Although ISO 9000 or QS 9000 do not seem to be featured here, the key objective of such certifications has been to create the tools for allowing continuous improvement to exist.

In this article covering two issues, we've tried to understand what world-class organizations do to achieve that status. We have not defined metrics used, and should mention that the most important metric is that of continuous improvement and the profitability that it drives. This profitability connects the organization with the fundamental changes in quality itself that are taking place in today's global markets. The key challenge is that if companies do not change their quality programs fast enough to incorporate these new techniques, (e.g., each of the 10 best plants selected by Industry Week has adopted a kaizen approach to continuous improvement) they might be left behind.

For more details and specific companies, check the Special Issue of Industry Week - Census of Manufacturing.

NO MERGING OF ISO 9000 AND ISO 14000

The basic conclusion of a Technical Advisory Group set up by the International Organization for Standardization is not to merge ISO 9000 and ISO 14000 into one family of standards. The recommendations are to make them both compatible and thus easier for businesses to implement. Compatibility should allow the common elements of the standards to be implemented in a shared manner, without the duplication or imposition of conflicting requirements.

ISO 9000 FOR HEALTH CARE SEMINAR

Hospitals, private practices and special service providers are slowly beginning to adopt the ISO 9000 series standards. A hospital, a private practice, and a surgery center have already taken the lead and become certified. A home health care unit and a therapy center have recently started on their pursuit of certification to ISO 9001, and now an HMO is ready to be certified! Awareness is building as more and more articles are being published on the subject and people in the industry are beginning to see that ISO 9000 and JCAHO do not have to be in conflict.

So far we have offered the first two seminars on this subject in this country. We now bring the third such seminar, being offered in Orlando, Florida. To get more details, check our website (<http://www.pivotmc.com>) or call us at 909-941-3311. Although you might not see the benefits of ISO 9000, consider the fact that most of your customers (patients), suppliers, and boards of directors understand ISO 9000.

We repeat here that our booklet **How Does ISO 9000 Apply to The Health Care Industry?** has been published, is available for \$7.50 and may be ordered by calling 909-985-9294.

ISO 9000 - RETURN ON INVESTMENT

We have always maintained that an organization can very quickly see a return on its ISO 9000 investment if it uses ISO 9000 as a foundation for change and for continuous improvement. Now ISO has published a new brochure on how businesses and other organizations can draw the maximum benefit from the ISO 9000 family and should be available shortly. This 12-page brochure is titled: *Selection and Use of ISO 9000*.

DRUCKER SOURS ON TEAMS

As controversial as ever, Peter F. Drucker - who suggested 25 years ago that management should operate as a team - now argues that teams are declining because they have not been a useful tool for either innovation or decision-making. "I am all for teams, but they are more difficult to make work than I foresaw," he says. "Teams can only accomplish goals if they are have very clear, very capably designed tasks. Teams don't work

the moment there are not clear specifications."

We have seen teams deliver excellent results - and these were all guided by good leadership. Whenever an organization has tried to build a team culture without good leadership, teams have floundered - whether it be teams in sports or organizations.

"There is still the need in every organization for somebody to be able to say this is it," says Drucker. "When the ship goes down, you don't call a meeting. The captain gives an order or everybody drowns."

As we have argued, there is no right organization, the organization has to fit the need and teams are not right for all occasions.

OUR CONSULTANTS - QUICK PROFILE

Akhilesh Gulati, MS, MBA, is a founding Partner with PIVOT Management Consultants. His past service includes positions as Management Consultant at Gemini Consulting working with Fortune 200 companies; Planning Engineer, Bay Shipbuilding Corporation and Chief Engineer, IRI Shipping Lines.

Akhilesh is experienced in operations and work process improvement and innovation, work process analysis, production, design, Kaizen, TQM and reengineering in diverse industries: shipbuilding, oil and gas, aerospace, insurance, healthcare, hi-tech and manufacturing.

He received his MBA from UCLA, and MS in Marine Systems Management and BS in Naval Architecture and Marine Engineering from the University of Michigan, Ann Arbor. He is a Registered Professional Marine Engineer in the United Kingdom; Fellow, Institute for the Advancement of Engineering. He has served as Past Chair (1993/94), American Society for Quality, Section 0702; and Quality Award Examiner, California Council for Quality and Service.

Akhilesh has taught courses in World Class Manufacturing, Information Technology in Manufacturing, Tools for Manufacturing Excellence, and Benchmarking & Reengineering at UCLA Extension.

If you have any comments/suggestions, please contact:
Akhilesh Gulati, Phone: 909-941-3311
or write to: PIVOT, P.O. Box 536, Upland, CA 91785-0536

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UNDERSTANDING CHANGE AT WORK

Change is a constant - is something of a cliché these days. Yet it is true that change in the workplace has become a way of life. Mergers, takeovers, layoffs, deregulations, downsizing, rightsizing, new technology and increased competition are daily occurrences, yet the frequency and severity of change requires a quick response if we are to maintain a competitive edge in a dynamic workplace. The following three models of change can help us understand and manage change better.

1. LEWIN'S THREE STAGE CHANGE MODEL

Unfreezing

Creating the motivation and readiness to change.

Changing

Helping people see things, judge things, feel things, and react differently, based on a new point of view.

Refreezing

Helping people to integrate the new point of view into the organization as well as into individual behavior patterns.

2. THE FIVE STAGE CHANGE MODEL

This model builds on Lewin's model, overlaying a structured approach to change. It includes a sequence of activities that must occur for successful change implementation. The five stages include:

Readiness

- Is there a perceived need to change?
- Is there a common or shared vision?
- Is there complete support for the change objectives?
- Is upper management mobilized to support the change?
- Is there a mechanism to overcome resistance to change?

Mobilization

- How will we seek participation by those affected by the change?
- How will we structure the resources involved in the change definition and implementation?
- What are the priorities and sequences for implementing the improvement initiatives? How will they be communicated?
- Are roles and responsibilities defined and understood by those affected by the change?
- Is there a structured process for communicating management expectations to all employees?
- Is management role-modeling the desired change?

Analysis & Design

- Examine the 'as-is' condition;
- Identify the desired changes and the barriers to change;
- Design the "should be" model (could include implementation schedules, roles and responsibilities, enabling procedures, training requirements and courses, key indicators).

Implementation

Must have the same discipline as the other steps of the change process and would go from conducting a pilot implementation to evaluating the results and proceeding with full scale implementation after acceptable results are achieved.

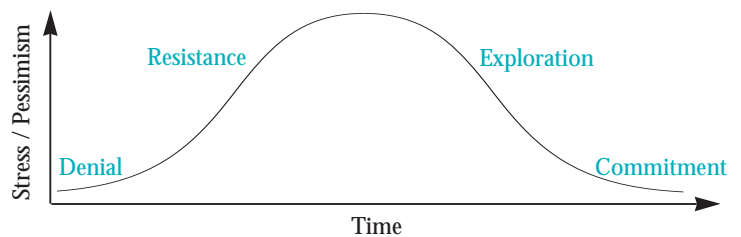
Migration

Involves transferring a change process from one area to another to achieve an even broader benefit; in effect, institutionalizing change throughout the various divisions of the organization.

3. EMOTIONAL CYCLE OF CHANGE

One of the strongest feelings during transition (from the old way to the new) is that of loss, along with the struggle to accept a new direction. The focus is on feelings and attitudes as they shift from denial of change in the early stages to commitment and satisfaction.

There are typically four phases to this transition, the intensity varying with individual levels of stress and pessimism:



Denial

Withdrawal, "business as usual," "another flavor of the month," focus on the past. There is activity but not much gets done.

Resistance

Anger, blame, anxiety, depression. "What's the difference? The company does not care anymore."

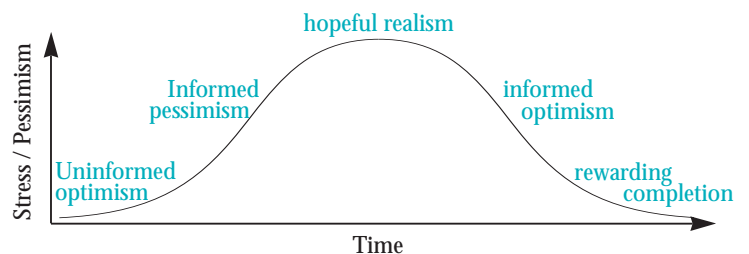
Exploration

Overpreparation, confusion, chaos, energy, lack of focus. "Let's try this and this and what about . . ."

Commitment

Employees begin working together. There is cooperation and better focus. People are looking for the next challenge.

On the other hand, when people get voluntarily involved in a significant change activity or project, their level of optimism about the venture is often directly related to their expectations of what will be involved. As they learn about what is involved in the project, they may become pessimistic about their ability to accomplish the task or may be less willing to participate. The level of pessimism or optimism about the success of the change is thus a function of the data that are available concerning the task requirements of the individual or the organization.



BEYOND PROCESS FLOWS, MAPPING VALUE STREAMS

Process flow diagrams (PFDs) are becoming very familiar although I feel this tool is often not used to its potential. I have been wondering what we could do to make this tool even more valuable and how to use the same principles of flowcharting to get more value out of them. And, bingo - value flows were created!

Value flows: a way to specify value, a way to view value as a sequence of steps as we perform operations to finally arrive at a finished good; a way to see where in a process we add value and where we waste it; a way to improve processes rather than simply performing tasks faster (as may often happen when we flow processes); a way to satisfy the financial mind-set of executive management as we show how we contribute to our relative cost position and create a basis for differentiation in bringing product to market. As a way to determine the validity of the various steps in the production process, it is not a totally new concept.

The concept of 'value chains' may be familiar to many. It breaks up a firm into its strategically relevant activities in order to understand the behavior of costs and the existing and potential sources of differentiation. Often this is embedded in the larger stream of activities, from the supplier value chain through the buyer's value chain.

What if we were to examine value flows for streams of activities, within our lower level processes?

One might argue that adding value to a PFD is something that we normally address in documenting the process in the first place; it often occurs but is not always recognized as such. One could argue that what I am referring to is about streamlining processes by recognizing inefficiencies and redundancies during preparation of the PFD with the expert team.

I suggest taking the value flow concept

beyond examining mere inefficiencies and redundancies, but also examining it from the 'value to the customer' standpoint. Isn't that the reason for a business/organization to exist in the first place: to fulfill the needs of the customer? The whole value system encompasses the supplier, the firm, the distribution channels and culminates with the end-user (customer, buyer, consumer). Value streams can bring home the *value chain* concept and look at real value added from the customers' perspective.

While PFDs are a wonderful tool to obtain a good understanding of the overall process steps and the interrelationships, to remove redundancies and reduce inefficiencies, examining value streams will give us a far greater competitive edge.

Akhilesh Gulati, Partner

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PIVOT Management Consultants

P.O. Box 536, Upland, CA 91785-0536
U.S.A.

Phone: 909-941-3311
<http://www.pivotmc.com>

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