

# THE PIVOT PALETTE

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## 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!

## SIMPLICITY

### THE NEXT CHALLENGE?

Getting tired of the cliché "the good old days?" You are not alone! What people are referring to is the simpler life, the days of fewer market demands, fewer information needs and lower product and process complexity. Continuing on the thought process started in the last two issues, we now examine another key challenge facing world-class and other organizations - simplicity! There is so much interest in this subject that it is the theme of the next annual conference of the Association for Manufacturing Excellence.

"Simplicity" is not really a new focus. If we examine the results achieved through reengineering, it becomes clear that that was what reengineering tried to achieve.

Although companies for ages have been touting simplicity in their products to make them more user friendly and to reduce the learning curve in the use of their products, simplicity is a much larger issue. In today's globally dispersed companies, there is the issue of organizational structures, convoluted supply chains, distribution networks and policies concerning far flung operations across countries with various degrees of economic development and government regulation.

While enterprise-wide computer systems (ERP) are being designed to come to the rescue, they add another dimension of complexity of their own! And cyber-transactions are not making the world any simpler - customers want fast responses on small, customized orders! Exacerbating the situation is the need to base competitive strategy on greater product variety.

So what are companies doing to simplify their operations? Implementation of "lean" just-in-time systems has helped organizations minimize or eliminate non-value added steps. Other analyses have led to elimination of travel distances, work-in-process inventories, and manufacturing cycle times. Using TQM tools has helped streamline the flow of paperwork and work

processes in office environments. Periodic *kaizen* activities, rethinking and tweaking the processes on a regular basis is becoming a staple in many organizations and there is increasing emphasis on identification and removal of the root cause of the problem - rather than taking a shot-gun approach.

Companies are also re-examining the value added from complex computer systems. For example, reducing WIP at the GE facility in Multilin reduced the need for extensive shop floor controls and tracking systems; yet others are discovering that visual systems, such as *kanban* to trigger work-in-process movement can be an improvement over a complex computer system. Others are finding comfort in the changed role of the computer. One company increased the use of computers for information management, but decreased their use for control. It didn't reduce the value of having a computer system, but it changed the absolute reliance on the computer to control everything.

The first step for companies is to take stock of their processes and systems. After these are prioritized in terms of linkages to organizational goals and key success factors, the next step would be to form a team and chart key processes. Flow maps allow you to view your processes at various levels of detail and can show redundancies, complexities, and resource allocations. They can also be useful in redesigning the process from scratch, avoiding the inherent complexities from the existing process. Starting with deliverables that are clearly defined and the constraints specified, can be a good move. These simpler flow paths allow you to use current technology and knowledge without being encumbered by older systems and the multiplicity of differences that added to the complexity.

While this will not be the end of the challenge, it is a step in the right direction - to simplicity! *Simplicity* may even become the next *mantra*.

## ISO 9000 FOR HEALTH CARE SEMINAR

Hospitals, private practices and special service providers are beginning to adopt the ISO 9000 series standards. Two hospitals, private practices, and a couple of surgery centers 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. Others are exhibiting cautious curiosity 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.

Having offered the first two seminars on this subject in this country, we now bring the third such seminar, on October 15, 1998, in Orlando Florida. To register or for more details, check our website (<http://www.pivotmc.com>) or call us at 909-985-9294. Although you might not see ISO 9000 as beneficial right away, consider the fact that most of your customers (patients), suppliers, and boards of directors understand ISO 9000 and are quite likely certified themselves.

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.

## AS 9000 - THE NEW QUALITY STANDARD FOR THE AEROSPACE INDUSTRY

Written by the Society of Automotive Engineers in conjunction with Boeing, General Electric and United Technologies, AS 9000 was officially released in May 1997. Starting July 1998, it will become a requirement for companies supplying to Northrop Grumman - although, the complete implementation window is 3-5 years, depending on whether the company is a tier one or tier three supplier.

## ISO 9000 - FROM AROUND THE WORLD

We see a trend for the public sector and non-manufacturing organizations worldwide adopting ISO 9000 as their quality standard to help them ensure that their services consistently satisfy their customers, improve the quality and speed of their response, and reduce costs. Here are some examples:

- The entire **Malaysian** Civil Service is expected to have adopted ISO 9000 by the year 2000. The Malaysian Government believes that ISO 9000 can contribute significantly to improving quality and enhance development of an excellent work culture.
- Motor manufacturers in the **UK** are driving ISO 9000 certification of dealer networks - with Volvo Car UK Ltd. having achieved an industry first with ISO 9000 certification of its head office operation and independent network of 168 British dealers.

- **Brazil** currently ranks top among Latin American countries in ISO 9000 certifications (over 1300 or 60% of the regional total), and 20th in the world.
- **IKEA**, the **Swedish** multinational furniture company, recognizing the part played by quality management based on ISO 9000 in reducing production costs, has a strategy of partnership with suppliers in order to reduce costs. Their greater emphasis on auditing suppliers also recognizes the fortunate fact that the number of companies certified to ISO 9000 or implementing their quality system, SIP4, has risen from 60% to 90%.
- The **Pakistani** Government is encouraging ISO 9000 implementation by offering grants to exporting companies which achieve certification and by assisting small business to reduce the cost of certification through the formation of self-help groups.
- ISO 9000 certification in **Israel** is up 55% since June 1996, to 1750 in January 1998 with another 1250 in the process - in various industrial sectors, including construction, health services and the military. Even the Bridges and Structures Department of the Ministry of Infrastructure is going through ISO 9001 implementation. Both private and public hospitals and medical services are looking to certification for reducing costs and improving customer satisfaction. The Israel Air Force Supply Department reports that it had improved its method of responding to requests since completing the certification process successfully.
- The **Hong Kong** Housing Association imposed an ISO 9000 project tendering precondition on its contractors in early 1993 and by 1995, 62 such contractors had been awarded ISO 9000 certification.
- **Thailand** is enrolling ISO 9000 within education - both on the curriculum for students and as the framework for quality management to improve the performance of institutions.

## SIMPLICITY FOCUS

Simplicity is being adopted as a strategic focus by many companies as they try to deal with rapid growth, traditional organization structures and cumbersome processes. One GE plant, using this strategic focus, reduced WIP by 90%, reduced lot sizes from 500 to about 20, became more competitive, increased global market share, doubled revenues since 1995 and quadrupled earnings.

Now that's a case for "Keep It Simple, S . . .!"

If you have any comments/suggestions, please contact::  
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CHARTING

ACHIEVING ORGANIZATIONAL EFFECTIVENESS

Ever faced the situation when some task was not completed because there was confusion about who was supposed to do what? RASI Charting is a technique for identifying organizational and functional areas, key activities, and decision points where ambiguities exist; for bringing the differences out in the open and resolving them through team effort.

The approach enables management from the same or different organization levels, roles, functions, business units, or product lines to actively participate in systematic discussion/description of the tasks or activities that are to be clarified.

Although RASI charting can be used in a number of ways to organize and clarify roles and responsibilities within an organization, it is best to limit its scope to clearly defined areas. The intent should be to systematically clarify, within the defined area, relationships for:

- a. Decisions or functions (activities, tasks)
- b. Organizational roles (organizational and functional roles)
- c. Participation of each role player in each decision

Typically, RASI charting will be completed in a five step process:

1. Introductory meeting
2. Developing key activity and task lists
3. Conduct responsibility workshops to create the RASI Matrix
4. Communicate and reinforce the new definitions
5. Follow-up to ensure relationships are being adhered to.

**Definition of Symbols**

The responsibility charting process involves use of symbols that are applied at the intersection of role and decisions/activities. The four RASI symbols used are defined below:

**(R) Responsibility** The individual who actually completes the task, the doer. Responsible for action / implementation. Although it is beneficial to limit to one “R” per task (horizontal line), responsibility can be shared. In case of shared responsibility, the degree of responsibility is determined by the Responsibility Charting workshop team.

**(A) Accountability** The single individual or specific group has the authority to ensure action. Includes yes or no authority and veto power. Only one “A” can be assigned to a function.

**(S) Support** The individual(s) to be consulted prior to a final decision or action, 2-way communication. The role of these individuals is to provide their support and be a resource to the team.

**(I) Inform** The individual(s) to be informed after a decision or action is taken, 1-way communication.

**Constructing the Responsibility Chart**

In the RASI Charting process, the decisions or key activities/tasks, the organization participants, and their interrelationships are arrayed in a matrix. Decisions or key activities/tasks are listed on the left hand column of the matrix; the participants/functions/departments are listed along the top. Interrelationships (RASI) are indicated in the squares of the grid.

Below is an example of a Responsibility Chart using the four codes: Responsibility (R), Accountability (A), Support (S), and Inform (I) to describe the type of participation.

Decisions & Key Activities	Organizational Role				
	VP Mktg	VP Admin	VP Fin	VP Oper	VP HR
1. Develop Mktg Strategy	A	R	I	S	-
2. Develop Budget	SI	R	R	AR	R
3. Monitor Expenses	I	R	R	AR	-
4. Analyze Earning Trends	I	I	A	I	-
5. Develop People Resources	S	AS	R	S	R

**Benefits**

In addition to improved team work and cooperation, better communication, and higher motivation of employees, Responsibility Charting can result in:

- a. Increased productivity through well defined accountability
- b. Reduced errors and rework because needs are clarified
- c. Increased capacity by eliminating overlaps and redundancies
- d. Streamlined organization structure by eliminating unneeded layers and placing accountability and responsibilities where they belong
- e. Better trained people by involving them in workshops where fellow workers discuss all roles and functions
- f. Better planning processes because of more participation of team members as a result of building in communication interfaces.

ISO 9000 - THE VALUE-ADDED CONCEPT

In the rush to implement ISO 9000 in order to obtain a certificate for marketing purposes or to placate customers, many companies are missing out on an opportunity to draw value added from their investment.

Most companies appear to pursue ISO 9000 as they were passing a test! They seek a certificate, and if they manage to improve their organizational systems in the process, it is an added bonus. Thus they miss the value added potential of ISO 9000 and cry that ISO 9000 does not fulfill the hopes and expectations of its users.

I hope, through this article, to show the various ways that organizations can gain full potential of this investment.

**Foundation for TQM**

ISO 9000 provides the formal structure to support quality improvement, a system of traceability and accountability and clear objective quality standards. It provides a framework for establishing continuous improvement because

of its clauses on management review, internal audit and corrective and preventive actions. TQM complements ISO 9000 by providing the "how to" tools for continuous quality improvement, people participation and leadership. It leads to bottom line results, satisfied employees and customers, company growth and market recognition.

**A Communication Tool**

An effective dialogue between customer and supplier is fundamental to establishing an interactive and cooperative service relationship. Elements 4.3 and 4.4 along with other elements of the standard lead the way to ensure strong effective communication in this regard.

ISO 9000, when implemented properly, creates or enhances a comprehensive system for communication within and among departments and divisions - enabling the gathering and dissemination of information inside and where useful, outside the company. In fact, at one of our clients, it fostered communication

across divisions (lessons learned from ISO 9000 implementation). It helped employees discover how their work adds value to the organization and what they can do to avoid non-value added activities - leading to substantial savings, and laying the foundation for reengineering of processes.

**Change Agent**

It provides a structure for change - processes have to be examined and all parties involved have to agree to the process before it can be documented. Often, processes being documented are found to be in such disarray that they may be called 'broken processes.' Redesign of the process becomes a natural step and it lays the groundwork for not only removing redundancies but also breakthroughs in efficiency. The auditing process makes process review an ongoing practice in the organization - facilitating continuous change.

*More on the value-added concepts of ISO 9000 in the next issue.*

*Akhilesh Gulati, Partner*

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