Quarter 3 1999

THE PIVOT PALETTE

A quarterly publication of PIVOT Management Consultants

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!

JUST SAY NO

To ISO 9000

Let's all "just say no" to ISO 9000. Forget what our customers are requiring - who are they to tell us what our quality requirements are, anyhow? Forget the fact that thousands of companies are reporting a good payback (one-and-a-half-year return on investment on the average) on their investment in quality system development and maintenance. Forget the fact that in a growing number of industries, ISO 9000 has become the basic foundation of industry-specific standards that harmonize quality system requirements for industries like automotive, aerospace and telecommunications. Let's abandon the whole ISO 9000 fiasco and get back to the basics of real quality. After all (referring to clauses of ISO 9001):

4.1 - What does management have to do with quality? Let them get back to work on the bottom line.

4.2 - Why should we write down what we intend to do to make quality happen? We should just do it! And quality planning - if that isn't a waste of time, then I don't know what is.

4.3 - And how about this contract review nonsense? Hey, if we don't happen to know every detail of what the customer wants, we can always do the job over.

4.4 - Design engineers have more important things to do than work on quality. If they do happen to design a product that can't be made, well, isn't that the reason we invented design change notices?

4.5 - Document control, why bother? Eventually we'll find the latest print revision.

4.6 - Suppliers better know what we want and how to do it already. Otherwise we just fire the whole lot of them and get new ones.

4.7 - Customer-supplied product: I never did understand what the fuss was all about. If we break it or lose it, we can always get more from the customer, which has plenty.

4.8 - How about product identification? I've always believed that 'parts is parts.'

4.9 - And like we needed some big international standard to tell us how to control the process. That's what final inspection is for.

4.10 - Our inspectors are very dedicated. surely they can work a lot more productively if they are not burdened down with all kinds of procedures and forms to fill out.

4.11 - Calibration? Hey, we spend big bucks for our measurement equipment. it better be accurate.

4.12 - And how about inspection of test status? What's the worst thing that could happen? We inspect a few pieces twice, right?

4.13 - We already know how to deal with nonconforming material. Make it right the first time.

4.14 - Corrective/preventive action. For what?

4.15 - Handling, etc. That's not even a quality issue. If we make it right, then we've done the job. If it gets lost, bruised, or ruined afterwards, we guarantee we will replace it at no extra cost.

4.16 - Quality records are nothing but a maintenance problem. I say we ditch the whole lot. We almost never have to use them anyway.

4.17 - Internal quality audits wouldn't be necessary if we didn't have to get ready for those ISO auditors, so that goes away automatically.

4.18 - Training. What an insult. Our people are dedicated to quality. They don't need a training program to tell them how to build quality.

4.19 - Servicing is only necessary when the customer misuses or breaks the product anyway. They should take whatever they can after that.

4.20 - Statistical techniques don't apply to us. Never did, never will.

So what is your sense, do you really need ISO 9000? Should we just dump it?

Greg Swan,BVQI Registrar

IN BRIEF

PIVOT's Consortia Arrangement with WLAC

On our continued effort to assist organizations improve their processes and the skills of their people PIVOT has acquired a consortium relationship with West Los Angeles College (WLAC), in Southern California. While the state of California (like many other states) has for many years offered grants (through the Employment Training Panel) to companies for upgrading the skills of their employees, the paperwork and the grant approval process has been a deterrent to many small companies. This consortia arrangement allows us to offer our services to small companies and to facilitate the ETP grant process. Please feel free to contact us to explore how you can use this excellent opportunity - at practically no cost to you - to bring in ISO 9000, team building, problem solving, lean manufacturing etc. .

ISO 9000 Hits Car Dealerships!

Of the 3,500 car dealerships in Canada, about 28 have been certified to ISO 9002. One dealership that achieved its certification recently is stated to have raised customer satisfaction and loyalty by 20 percent. Another dealership reported an increase by one-third in service sales. Interestingly, Chrysler in Canada has mandated that the top 200 dealerships in Canada become certified to ISO 9000 international quality standards. The focus in all these dealerships is on the customer and based on continuous improvement. It also helps them improve their internal processes and allows them to standardize the processes they have across the dealership so that all employees understand what they are and how they work. When we consider that service departments need equipment calibration and technical training, handle service complaints and purchase parts from OEM suppliers, they are well geared for benefiting from ISO 9000.

American Red Cross Agency Earns ISO 9002

The South Carolina Region of the American Red Cross Blood Services has earned the distinction of being the first Red Cross region in the United States to earn ISO 9000 registration. The South Carolina Region services more than 35 counties across two states. Its facilities collect, process and distribute more than 120,000 pints of blood annually, and maintain the third largest rare-blood depository in the Red Cross system. It is the third blood collection agency in the United States to become registered to ISO 9000 standards.

TL 9000 - ISO 9000 For The Telecom Industry

Over the past few years we have been observing the increasing number of corporate mergers and how it challenges one to optimize use of facilities portfolios. The globalization of telecommunications is one of the key forces driving the need for the standardized quality requirements found in TL9000. Companies have complained that one of the reasons the cost of doing business on a global scale is escalating is because of overlapping standards and audit procedures.

The telecommunications industry feels the pain and is doing something about it. A consortium of about 50 companies comprised of telecommunication service providers and suppliers have joined forces to address this issue. This group known as the Quality Excellence for Suppliers of Telecommunications (QuEST) Leadership Forum began in 1996. It originated when executives from Bell Atlantic, BellSouth, Pacific Bell and Southwestern Bell initiated an effort to bring better quality requirements to the industry. Forum membership is open to all telecommunications service providers and suppliers of telecommunications hardware and software equipment, installation, system design, and any products that are integrated into the telecommunications system worldwide.

TL 9000 is based upon the ISO 9000 standard. This is a generic international quality systems standard that applies to all types of organizations – large or small, manufacturing or service (this includes government, education, and healthcare), global or domestic, public or private, etc. QuEST Forum has taken this standard as the backbone for TL 9000 and developed "adders" specific to the telecom industry. There are some adders that are common to suppliers of hardware, software and services as well as some that are specific to those particular industries. In addition, QuEST Forum has developed the cost/performance metrics that will be used to measure results relative to the requirements, again these are specific to the hardware, software, and service organizations.

The QuEST Forum continues to meet with the plan that the TL 9000 standard and set of associated metric requirements will be complete by the end of 1999. Should you want to know more about the direction and implications of the standard or hear about the latest and greatest status of the TL 9000 development, call us and ask for Triche Guenin.

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

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Five Steps

FOR

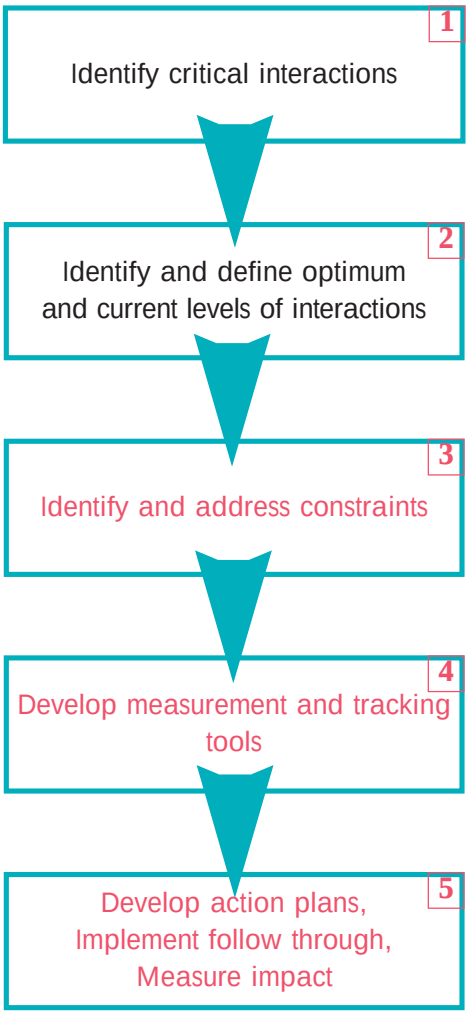
Resolving Internal Interface Issues

Although teams are fast becoming the norm in many companies, personal and departmental issues and disagreements persist. This may result in finger-pointing or a simple loss of productivity - eventually resulting in loss of customer's perception of good service quality. The methodology described below can help companies identify, prioritize and resolve interface issues between two or more functions.

We have used these tools in various industries from manufacturing to healthcare to insurance. In each case there were disagreements and blatant blaming between the two parties, customer satisfaction was suffering and one of the companies was actually losing market share.

The steps described have have been designed to help improve communication and working relationship between functions, departments or divisions. The steps will take you through identification and selection of the issues to be worked on. As in any problem solving process, we then go through identification of barriers and development of action and measurement plans. The process can help achieve acceptable levels of satisfaction between two parties (internal customers) and have a measurable impact.

The five steps are shown in the center of this page.



Once the two disagreeing parties have been identified, the key interfaces need to be determined. It is best to have an experienced facilitator work on the next stages, starting with the crucial **step 1** whereby all the interfacing activities are listed along with the effectiveness of the interaction. This allows us to determine the extent of the interfaces and the impact it has on the functioning between two parties (lets call them A & B). To help identify the satisfiers and dissatisfiers, A could, for example, list what B does that helps them satisfy customers better, what A wishes that B would do differently (or stop doing) to help A satisfy customers better, etc. B should try similar approaches. This starts the process of understanding one's own desires and the other party's needs.

We can now move to **step 2**, where we start by looking at the critical interactions identified and define an optimum satisfaction level - independently between the two parties. This is then shared by the the two parties and a facilitator helps them reach agreement on current and optimum levels.

In **step 3** we identify the barriers or constraints that hold us from achieving the agreed upon optimum. These constraints could include: lack of awareness, lack of training, different procedural requirements. If multiple constraints are identified, the facilitator can help the teams by using problem solving tools like pareto charts. A cost-benefit analysis may also be useful. Brainstorming may then be used to generate ideas for removing the constraints.

In **step 4** we not only select ideas (from the brainstorm generated list) but also develop measurement tools - this will help us know how we improve and track and report progress to management. Make sure that you consider tools for tracking progress and for communication.

All this effort is useless unless we follow **step 5** - implementation. This involves developing action plans, follow through and measuring impact of actions.

Following this simple approach will not only improve relations between internal customers and other departments, but also lead to improved satisfaction of the external customer, and have a direct impact on the quality and cost of the product itself.

RADICAL THINKING?

Input, Output or Throughput?

Soon after I completed my MS in Naval Architecture and Marine Engineering some fifteen years ago I got introduced to the concept of 'Throughput' . *The Goal* (author: Eliyahu Goldratt) had just been published and I was intrigued as I considered the flaws in the way we commonly measured manufacturing performance. Prior to my two years at the University of Michigan, I had spent eight years as a Marine Engineer and within the confines of our small plant, we had sort of followed the principles laid out in *The Goal*. I found it interesting that what I learned at the University did not necessarily focus on throughput, but on input or output! What is even more surprising is that even today many companies continue to swear by the old paradigms.

Shop floors are kept busy churning out product. When defects are discovered, rework and repair is the norm and no one really tries to get to the root cause. Companies are thus unable to ship on time or keep up with demand and back orders continue to grow. Increased overtime may be incurred with no evident benefit. Interpreting this to be a capacity issue, companies purchase new, faster equipment. Often they seek computer integrated solutions thinking that the computer will resolve all their problems. What they end up doing is producing defective products faster! The focus being on local output (how much is produced at each stage) rather than on overall throughput (the rate at which the system generates money). Changing customer demands does not make life easier either!

For most small companies, it seems hard to imagine that it is not necessarily the machine or the operator that caused the capacity constraint.

The culprit could be the company policy that states that all machines must be running at all times in order to maximize return on the equipment. The culprit could be our system which says that we reward people based on the number of pieces they process or customer complaints they resolve. A poorly designed machine, the distribution system or a weak corrective/preventive action system may be causing the constraint.

As time to market and time to produce become more and more relevant today (with customers demanding ever faster service) the need to respond to customers is more critical than ever. However, this does not mean that companies increase output, rather that they have the flexibility to meet changing demand in a timely manner. By understanding and managing their processes, understanding and managing their constraints, companies can become more agile. By focusing on throughput, companies can be more responsive to the need for speed. They can improve their operations and their profitability.

Input, output or throughput - you decide.

Akhilesh Gulati, Partner

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