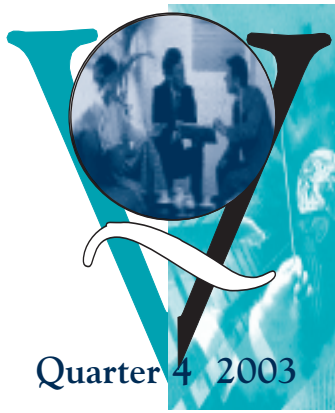


THE PIVOT PALETTE

A quarterly publication of PIVOT Management Consultants



Quarter 4 2003

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!

INTRODUCING

BUSINESSES CONTINUITY PLANNING

An industry report, published in a contingency planning journal, indicates that 90% of businesses without a disaster recovery plan went bankrupt within two years following a disaster. Hardly a week goes by without tornado, fire, flood, earthquake, or some other disaster striking somewhere. We are not vulnerable to natural disasters alone - today we have to contend with disaster emanating from technological, infrastructure and human acts. As evidenced by the September 11, 2001 attack on the World Trade Center, the August 1998 US embassy bombing in Kenya and Tanzania, and the Oklahoma bombing on 1997, organizations must prepare to avert disasters caused by terrorism, sabotage by unhappy employees, or even random computer hackers located thousands of miles away. The massive power outage of December 1998 in San Francisco, the 2001 California power crisis, and the recent black out on the East Coast reminds us how dependent businesses are on electricity. Billions of dollars are lost to shut down of core business activities by unplanned disruptions.

The world has changed and managers planning for business continuity have to as well. Facility professionals play a key role in this and realize their vulnerability to events causing a disruption in normal business operations especially those caused by nature, technological issues, infrastructure failures and human acts. The new world has us scrutinizing the causes in a different light. It is more important than ever that executive management communicate with facility managers to discuss potential events that could cause unrecoverable damage if a business continuity plan is not in place.

A business continuity plan is a comprehensive set of actions to be taken before, during and after a disaster. These actions form the plan that must be documented and tested to ensure the continuity of operations and availability of critical resources during any event that

disrupts normal business operations. The primary objective of business continuity planning is to protect the organization when an event renders all or parts of its operations unusable. The planning process should minimize the disruption of critical operations and ensure some level of organizational stability and an orderly recovery after a disaster. Other objectives of business continuity planning include:

- o Providing a sense of security
- o Minimizing risk of delays
- o Guaranteeing the reliability of standby systems
- o Providing a standard for testing the plan
- o Minimizing decision-making during a disaster

Organizations are responding to these turbulent environment in many ways:

- o Rethinking business mission and strategy;
- o Reengineering work processes;
- o Striving for higher quality and increased efficiency;
- o Turning to less hierarchical forms

Other issues that need to be addressed:

- o Strategic development of working places,
- o Security and control,
- o Insurance considerations,
- o Strategies at managing risk,
- o Location planning
- o Building functionality and serviceability
- o Operations and maintenance

The destruction of the World Trade Center on Sept. 11, 2001 was a turning point in history, especially from a business continuity standpoint. Business continuity planning, access and security controls, demand an enhanced focus on preparedness to address potential problems, and is something every business must focus on seriously. PIVOT can help.

BALDRIGE CRITERIA & APPLICATIONS NOW AVAILABLE ONLINE

The criteria is used by thousands of companies to assess and improve performance in seven key areas: leadership, strategic planning, customer and market focus, measurement, analysis and knowledge management, business processes, and business results. There are three separate packages of the 2004 criteria: large and small service and manufacturing organizations, health care facilities and education providers. A not-for-profit category is slated to be added in 2005.

Additionally, for the first time, organizations can submit their application for the award electronically or on a CD in PDF format. The deadline for 2004 applications is May 13. Application forms booklets are available by calling 301-975-2036, or at: http://baldrige.nist.gov/Award_Application.htm.

PIVOT can also provide assistance if your company needs help to get itself ready to apply.

THE GEMBA WALK

In Japan, an apparent innovation is occurring, called the Gemba Walk. Gemba means factory floor. This process reminds us of "Management-By-Walking-Around or MBWA that was prevalent in America 15 years ago. The power in the Gemba walk lies in:

- Selecting a theme or purpose for each walk, e.g., examine quality charts . . .
- Questioning the supervisors informally
- Listening attentively. This is a learning exercise for the manager.
- Sharing what you learned from the walk through the plant
- Writing a short memo on what you learned and posting it for others to see
- Following up to monitor progress

We have used essentially these same processes in the past and found them to be overwhelmingly successful in increasing department productivity and quality. Except, we didn't call it the Gemba walk . . . it was MBWA!

THE UNREGISTERED BLUES

As you all know by now, certifications for the ISO 9000:1994 series are now obsolete. What does this mean for organizations that didn't make the transition before the December 16, 2003 deadline? Organizations holding certificates for the 1994 version may no longer claim to be ISO 9000 registered. This may mean failure to fulfill customer requirements relative to maintaining a quality management system and loss of market share through a lessor stature in your marketplace.

ISO 9001:2000 Publicity Guidelines

The International Organization for Standardization has issued new guidelines for publicizing registration to the ISO 9001:2000 quality management system and the ISO 14001 environmental management system standards. The new guidelines insist upon reference to the full designation of ISO 9001:2000, not ISO 9001 (whether it be the new version or not), in order to avoid confusion between valid and invalid versions. There are other important details to take note of. The guidelines are available as a free download from ISO's Web site, www.iso.org.

SIX SIGMA TRAINING

Certification as Six Sigma Black Belt and Green Belt are becoming important and there are not many opportunities for getting this training locally in the Los Angeles region. Therefore we are offering public and on-site training - in the **1 day a week** format. This format seems to be convenient to most organizations as they find longer time commitments rather challenging (letting key people away from work). We incorporate topics of *Lean* and *Triz* as well. In addition, we also offer Lean Six Sigma Champion training / certification. For details, please call us or visit our website at www.pivotmc.com.

We also realize that implementing six sigma requires a critical mass, not only black belts or green belts. In order to prepare your whole organization we offer Six Sigma for the Workforce (a 40 hour program) training and we may be able to help provide this training with assistance from State Grants **[Give us a call: 877-pivotmc](#)**.

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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GETTING TO THE ROOT OF THE MATTER! AGAIN . . .

Finding the root cause of a problem and then removing it to prevent recurrence is of extreme importance to any quality management system. Unfortunately, we find that there are far too many organizations that consciously or unconsciously take an easy road to corrective action, using a convenient fix instead. Corrective action is hardly ever easy. Fixes, or repairs, although easy, are not necessarily corrective action, especially when the root cause(s) of the problem has not been found.

Ignoring the root cause step can happen in one of these two ways. The organization may not have anyone with the skills or the knowledge to know how to go about the process. They may purposely put great pressure on their technical staff to take shortcuts in order to meet schedules or reduce costs.

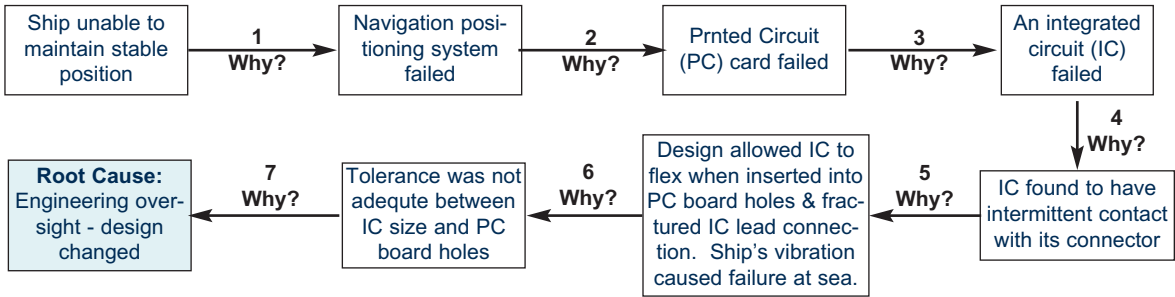
At this point, let's once more define just what a root cause is. It's the original reason(s) for non-conformance of requirements within a process and when removed, that non-conformance is eliminated. Unresolved problems have a way of growing and producing more problems. If the root cause is not found and eliminated, the same problem will often occur again or reappear in a different form.

A lot of money and effort has been spent in the past troubleshooting and testing and fixing but much of that is wasted since the root cause was not necessarily found or even looked for! Thus, the problem is destined to be repeated. And sometimes, again and again!

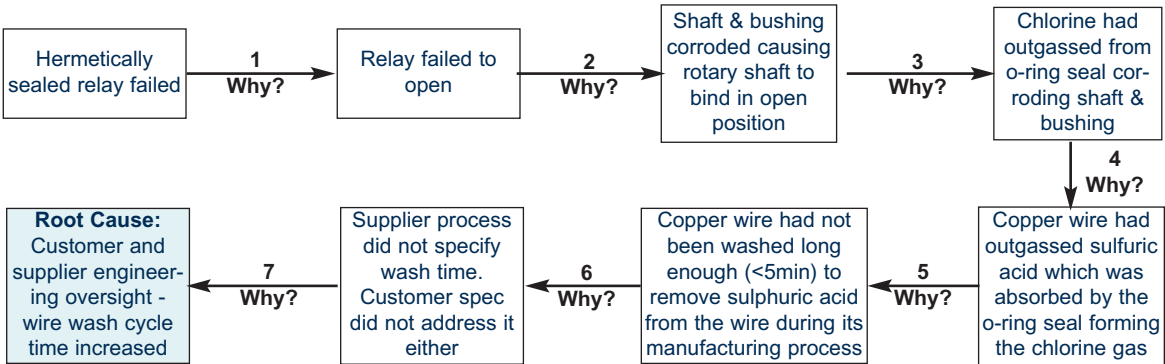
Some organizations brag that their products never go out the door with a defect, and although commendable, the process of 100% inspection is expensive! If the corrective action process ALWAYS includes adequate root cause analysis and is ALWAYS implemented, the expensive need for all the retest, repair and re-inspection tasks is greatly reduced with significant reduction in the cost of manufacturing your product!

There are a number of techniques for finding root cause, among them, the Ishikawa Fishbone Diagram (also known as the cause and effect diagram), and The Seven Whys. The latter involves simply asking "why" after each step to better isolate the problem to a successfully lower level component of the non-conforming system. Usually, the root cause will be found before one gets to the seventh "why", depending on the complexity of the system.

Example 1:
Ship unable to stay course



Example 2:
Failed Relays



But We Are Different!

As a seasoned consultant the sentiment I like least to hear is, "But you don't understand, we are different!" "It just does not apply to us. It won't work here!" It is frustrating for non-automotive or hi-tech organizations implementing process improvement as most books cite examples from large manufacturing organizations.

Let us take a moment to examine the differences.

Robinsons May, JC Penny, Sears . . . are all different, yet they are the same. They all sell clothes, cosmetics, furniture, household goods, etc. They all try to attract customers and keep them for life. So, are all retail organizations the same or are they really different? They bring in material from various locations, assemble (display) them in their stores in a manner that will be attractive to the customer, meet customer expectations of attractiveness, test the market, re-arrange (rework) the displays . . . to finally package, bill and collect payments from customers.

Healthcare organizations: hospitals, medical centers take in raw material in the form of sick patients, medicines, bandages; they work on them storing, assembling, monitoring, testing, and

eventually producing finished good in the form of healthy patients (customers). They strive for customer satisfaction and employee satisfaction, while at the same time trying to make a profit and please stockholders. Then, of course, they have to go through the billing and collection cycle.

Most manufacturing companies are different as they come in many forms. Hi-tech and low tech, assembly line and job shops, large organizations and small ones, yet they all rely on people who have often acquired skills studying at the same institutions! They also take in raw material and work on them storing, assembling, monitoring, testing and eventually shipping finished goods . . . finally getting into the billing and collection cycle.

In the publications industry, people take the raw information, use various tools like pen and paper, computers, to develop reports/articles, cut and paste words, images and data, which is then reviewed for accuracy and consistency, checked for meeting customer requirements, before being finally sent into production (printing) before being packaged for sale, billing and collections.

As we grow up and learn to read and write, we learn the same alphabet, yet using the same 26 letters, we are able to create not hundreds, not thousands, but millions of documents, research papers, books, plays . . . and the list goes on.

In each case we see differences, yet we see similarities. The basics are the same, the details different. They all work in processes, and as users and participants in the process, we need to learn how to take the tools of process improvement and use them to our advantage. The differences are in the way we adapt them to our needs. Just like we take the 26 letters to create wonderful stories, we can take the tools of process improvement, may they be classic PDCA approach or the latest buzz word of Lean or DMAIC, to create positive change in our organizations.

Across the world different people, speaking different languages, learning in different institutions, working in organizations with different levels of sophistication continue to apply these tools and methodologies to their competitive advantage!

So next time you say '*but we are different*' . . . admit - this is really a copout! *Are you really that different?*

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