

# THE PIVOT PALETTE

A quarterly publication of PIVOT Management Consultants



Quarter 4, 1998

## MISSION

**B**e 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

**T**ogether 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!

## COMPETITIVE GOVERNMENT

### SIX SIGMA SERVICE: CALIFORNIA STATE PARKS QUALITY JOURNEY

**I**n our past issues we have covered various aspects of quality management and had discussions about the benefits of quality awards or the quality journey. When we speak with people we often hear of skepticism that it is simply another flavor the month - often to feed consultants, that it does not really do anything to help you become competitive.

This article shows that even the government can become competitive when it shows commitment and uses proven models such as the Baldrige Award criteria or ISO 9000. The following article, written by Denzil Verardo, PhD, Deputy Director of California Department of Parks and Recreation, describes their Quality journey.

*The California Department of Parks and Recreation was awarded "Best in Class" in the Government category in Baldrige-based 1997 California Quality Award competition administered by the California Council for Quality and Service. While an honor in itself, the significance of the award was verification that our journey, begun in 1993, was indeed on the right track.*

*Our baseline in 1993 was typical of many government organizations who had not embraced modern management techniques for problem solving. Steeped in a history of almost a century, California State Parks was legendary in its service to the public, but almost as "legendary" in its inefficiency and high error rates for most business processes. The obvious linkages inherent in the Baldrige process between leadership, strategic planning, efficient operations and organizational results was unknown except to a handful of individual staff members. However, that was about to change.*

*In 1993, State Parks began an intensive quality management training program for all managers and supervisors up through the executive staff. It consisted of four weeks of courses beginning with TQM basics, and culminating with*

*strategic planning. Heavy emphasis was placed on modern management tools which would facilitate the use of statistical control charts in numerous parts of the organization ultimately resulting in management by "data" rather than by "experience." Customer service increased, errors decreased, and cycle times were reduced. State Parks used the Baldrige criteria as a benchmark tool since it allowed external feedback based on a standard, recognizable instrument.*

*By 1996, tremendous progress had been made in linking organizational metrics associated with State Parks core programs, to both the strategic plan and the field operation. Internally, State Parks' reputation became one of a model of government efficiency as well as a benchmark for other state and national agencies. By 1997 over 15,000 copies of the Department's strategic plan, The Seventh Generation, and its linked performance budget had been requested. And that legendary service? Even it improved so that visitor complaints dropped to 225 in 1996 out of State Parks' 70,000,000 visitors - nicely within a 6 sigma range!*

*Thus, in 1997, California State Parks again prepared a California Quality Award application, and the results speak for themselves. We are now using the feedback from that process to further improve workforce development linkages to the strategic plan and business results. Look at 3M Dental, North Island Federal Credit Union, IBM, AT & T Languages Line Services, Motorola and other Malcolm Baldrige or California Quality Award Winners - here comes State Parks. Who says government can't be competitive?!*

If the government can improve and adopt techniques to become competitive, so can all businesses, small or large. All we need is: a commitment to improve, and any proven models that can help us. You too can achieve Six Sigma Quality!

### ISO 9000 FOR HEALTH CARE BOOKLET

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.

### AS9000 WORKSHOP - QUALITY STANDARD FOR THE AEROSPACE INDUSTRY

Published by the Society of Automotive Engineers (SAE), AS9000 has become the quality standard for the aerospace industry. Now that there are a plethora of standards (D1-9000, QS 9000) once again, how does one make sense of all this? What if you are already certified to ISO 9001 or QS9000 or D1-9000? Do you still need AS9000? If you want to understand the new standards and how they relate to each other, attend this one day workshop in Los Angeles on November 19, 1998. Call us or check our web site for details.

### ISO 9000 & ISO 14000 COMPATIBILITY

Earlier this year, the International Organization for Standardization endorsed creating common elements in ISO 9000 and ISO 14000 to ensure greater compatibility between the two standards. The improved standards are expected to be published by the year 2000.

### TOTAL ENTERPRISE INNOVATION

Redefining each function for competitive advantage - to capture this new entity, we need to delve into each aspect of management to show what has changed and how, and to describe the successful strategies for competing in the new era. Here is how the new enterprise is taking shape in various areas:

**Markets/customers:** From concept to customer, all functions participating in the process of innovation and commercialization must be tightly integrated to meet the demand for creative new products.

**Production:** Leading-edge manufacturers put the accent on time, flexibility, and delivering what the customer really wants.

**Workforce:** The old workforce won't work; technology isn't the only thing to change.

**Finance:** There is a need to account for change. The goal is to heighten finance's strategic role while avoiding net losses and extraordinary charges.

**Organizational Structure:** Today's best competitors leverage operations, technology, and knowledge throughout the enterprise, using a multiplicity of corporate structures for competitive advantage.

Does this apply to manufacturing, service or health care organi-

zations? As Peter F. Drucker puts it, "Altogether, there are no more service industries in the traditional sense. There are only production industries."

### CHALLENGES IN THE HEALTH CARE ENVIRONMENT

Increasingly, professional organizations in the health care field are offering conferences and workshops to help managers and professionals understand applications of various tools and practices to improve quality and overcome the challenges in the health care environment. We have now offered three seminars on the use of ISO 9000 international quality standards in the health care industry. University of Kentucky is now sponsoring a similar conference in December. The Healthcare Information and Management Systems Society conference in November covers seven critical tools: process improvement, improving patient processes, business process redesign, benchmarking, cost accounting/activity-based-costing, decisions support systems and project management.

These same tools have been used (under the quality umbrella) by the manufacturing and service industries to lead them back to a competitive position in the world. The health care industry finally seems to be taking notice!

### OUR SERVICES

We have often been asked what areas we concentrate on, since we do not generally list our services in this publication. So, here is a brief listing of our services to manufacturing, services and health care organizations: Our focus is on Implementation and Results in quality and operations. We assist clients with:

- Process streamlining and cost reduction systems
- Processes to improve customer retention
- Cycle time reduction
- Total Quality Management through continuous improvement, kaizen and reengineering
- On-site training: cost of quality, SPC, internal auditor, cycle time reduction, etc.
- Post-merger integration (cultural and operations)
- Strategic performance measures
- Quality systems to ISO 9000, D-1 9000 etc. in manufacturing, services & healthcare

Best of all, we guarantee satisfaction. *Give us a call!*

If you have any comments/suggestions, please contact:  
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## PROS, CONS & PERFORMANCE MEASURES

Ever wondered why you spend time doing strategic planning when on one really follows the strategy? Ever wondered if those who do not have a formal strategy are better off because they do not spend an enormous amount of time playing the strategic planning game? Here we examine the question of usefulness of strategy as a management tool. The following is adapted from Mintzberg's widely used book, *The Strategy Process*.

Let us first examine the alternative to strategy. This alternative is to have no rules beyond the simple decision to look for profitable prospects. Under these conditions the firm does not select formal objectives, performs no appraisals, formulates no search and evaluation rules. Instead, it would inform the business world of its interest in 'good' profitable opportunities; it would evaluate each new opportunity on the merits of its individual profitability.

Several reasons can be given in favor of this approach:

1. The firm would save the time, money, and executive talent which are required for a thorough strategic analysis; such savings can be very considerable.
2. The field of potential opportunities will be in no way restricted. Objectives and strategy limit the field of its search. Since strategies are based on uncertain and incomplete knowledge, there is a chance that some attractive opportunities will be missed. An opportunity firm takes no such chances.
3. The firm reaps the full advantage of the 'delay principle.' By delaying commitment until an opportunity is in hand, it is able to act on the basis of the best possible information.

Counterposed to these are some weighty disadvantages:

1. In the absence of strategy, there are no rules to guide the search for new opportunities, both inside and outside the firm. Internally, the research and development has no guidelines for its contribution to diversification. The external acquisition department similarly lacks focus. Thus the firm as a whole wither passively waits for opportunities, or pursues a 'buckshot' search technique.
2. Project decisions will be of poorer quality than in firms with strategy. Without a focus for its efforts, the staff will lack the depth of knowledge in any particular area needed for competent analysis. Without strategy criteria, it will lack tools for recognizing outstanding opportunities. As a result, managers acting on such advice will be forced into extreme forms of behavior. Conservatives will refuse to take what, with better information, might be reasonable risks; entrepreneurs will plunge in without appreciation of potential costs and dangers.
3. The firm will have no formal provision for partial ignorance. No yardsticks will be available to judge whether a particular opportunity is a rare one, or whether much better ones are likely to develop in the future. Thus there will be a danger of either overcommitment of resources or failure to fully use the resources available within a budget period.

4. Without the benefit of a periodic appraisal, the firm would have no assurance that its overall resource allocation pattern is efficient and that some product lines are not absolute.
5. The firm will lack an internal ability to anticipate change. Without a strategy, managers will either do nothing or risk the danger of acting at cross-purposes. For example, the director of marketing could assume that growth will be attained through adding new products to the existing product line. He will proceed to expand and strengthen the present marketing organization. At the same time, the director of engineering could assume that progress is to be made by eliminating the obsolete product line and diversifying into brand new markets. He would, therefore, take appropriate action to curtail support of existing products and initiate developments for radically new missions. The potential result would be a marketing organization with no products to sell and a product line without marketing capability.

As we can see, the advantages of not missing any bets and of not committing the firm's resources until the last moment are pitted against the disadvantages of inefficient search, enhanced risk of making bad decisions, and lack of control over the overall resource allocation pattern.

Speaking of control, leads us straight into another important area - that of strategic performance measures. If we decide that there are certain goals we want to achieve, a certain direction we want to move to, we then need a means to measure that progress. Strategic performance measures (different from financial measures) provide that way. Leading companies the world over have been devising new tools for designing and analyzing strategic performance measures. Two tools that have gained widespread acceptance include: the Balanced Scorecard (covered a couple of issues earlier), and the Dashboard Approach (will be described in a subsequent issue of PIVOT Palette). Either way, they categorize the measures under certain grouping important to the organization, such as: Growth Measures, Client Satisfaction, Quality, Business Management, Environmental Performance, Shareholder Satisfaction, Employee Satisfaction, Productivity, Control Effectiveness, Financial Perspective, etc. . . . allowing for strategic alignment throughout the organization.

To strategize, or not to strategize . . . is your choice.

**ISO 9000 - THE VALUE-ADDED CONCEPT, PART II**

In the last issue we showed the various ways that organizations can gain full potential of their investment in ISO 9000. Although, this sounded ridiculous at first (afterall, many companies are implementing ISO 9000 because their customers demand it of them) we were able to see how ISO 9000 does add value to the organization, if done with sincerity. Three areas we examined were:

1. *Foundation for TQM*
2. *A Communication Tool*
3. *Change Agent*

Let us now examine other ways in which ISO 9000 can add value to the organization.

**Cost Savings**

By providing a system for prevention of non-conforming products, it forces companies to have clear standards for not allowing shipment of non-conforming products. Corrective and preventive action calls for removing root causes - leading to cost savings. ISO 9000 also assures discipline in the

work place, adequate control of production and support activities, and adherence to customer requirements - all leading to substantial cost savings.

**Market recognition**

This is an obvious reason for why many companies seek certification - although often as a reaction. Certification can open doors to customers who would not otherwise have done business with the firm - thus increasing the revenue stream and associated profits. Improved quality may also allow companies to increase prices without negative repercussions.

Let us also examine briefly some of the *potential problems* that can confront organizations *without ISO 9000* or an equivalent systemic approach to quality management.

Future survival may be threatened should certain 'knowledgeable' individuals be absent for a long period.

Organizational growth may be limited or chaotic because knowledge, procedures, work instructions and responsibilities have not been documented for easy training or skills transfer.

There may be a lot of finger pointing as authority, roles and responsibilities are not clearly defined.

Competitive position may be threatened (may even erode) as other firms get certified.

There may be redundancies and unnecessary steps in processes because of prior habits or previous perceived needs.

Quality and scheduling problems may arise because of inadequacy of the contract review process and accepting contracts that exceed the firm's capabilities.

So, don't take certification as an "exam" to be passed - realize the advantage of a customized quality system and examine the value added concepts of ISO!

***Akhilesh Gulati, Partner***

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