



Quarter 4 1999

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!

THE PIVOT PALETTE

A quarterly publication of PIVOT Management Consultants

DO YOU KNOW

WHAT YOUR CUSTOMERS REALLY WANT FROM YOUR COMPANY?

Organizational assessments can help you find what your clients think about your products and services and provide you with ideas for growth and improvement. External assessments shed light into how clients, suppliers, and partners view your organization, while internal assessments investigate the views of your employees. An outside party is the preferred mechanism used to carry out the project as it leads to higher response rates and a more objective view of your operations. In addition, it can be completed fast while relieving your staff from the additional work.

A local manufacturer recently utilized West Los Angeles College's Performance Improvement Center of Excellence to complete an external client assessment over a period of four months. The purpose of the assessment was to identify how the manufacturer's clients evaluate the company's overall strategy, sales and marketing, customer service, technical support, as well as to compare them with the competition. The survey, customized for the manufacturer's specific needs, was tested with phone interviews of eight clients. Subsequently, the questionnaire was finalized and sent to all the company's clients. A core finding of the responses was that a new sales/marketing approach could help the company increase sales volumes and obtain a greater portion of the market. Clients requested more frequent contact with sales personnel through onsite visits or calls to be informed of existing and new products. They also indicated interest in providing input for new product development. The company is already taking action to implement these client suggestions. A series of sales staff development sessions

along with other tactical changes are being implemented to shift the company's sales strategy towards close relationship marketing.

If you are interested in conducting a similar external organizational assessment it is important to remember to include open-ended questions. You can be direct and ask, 'if you were our President what would you do to get more business?' Open-ended questions give respondents the opportunity to provide interesting feedback to your company's engine.

Many resources are available to assist you in conducting an external or an internal assessment. There are consulting organizations (independents and those linked to Community Colleges) that provide an array of consulting services including survey design and analysis as well as facilitative consulting sessions to assist you in designing and implementing your change plan. Some, like PIVOT Management Consultants even work with Community Colleges and can link you to other colleges in your region that can assist you to implement your plan with technical assistance and training.

Again, if you really want to find out what your customers really want from your company, think of external assessments.

Dr. Tasos Sioukas
Director of Consulting Services
Performance Improvement Center of Excellence
West Los Angeles College

ISO 9000:2000

Registrations to the 1994 editions of ISO 9001, 9002 or 9003 shall have a maximum validity of three years from the publication date of ISO 9001:2000-which is expected to be published in the fourth quarter of 2000. This is being considered because ISO 9001:2000 represents a fundamental change in approach from the 1994 series. For more information you can visit ISO's Web site at <http://www.iso.ch>.

HOSPITAL REGISTERED TO ISO 9002

Memorial Medical Center of West Michigan became the second hospital in North America to be registered to ISO 9002. As ISO 9000 standards are becoming more popular within the health care sector, dozens of other health care organizations have been registered worldwide. US health care institutions, though, are lagging behind.

SIX SIGMA, ANOTHER FAD?

Quality Digest reports that after several years of steady growth, General Electric (GE) recently announced that its six sigma quality initiative had led the company to the highest quarterly profits in its history. GE is now home to nearly 4,000 full-time, fully trained black belts and master black belts! Although GE did not invent six sigma, they learned it from the experiences of Motorola and AlliedSignal.

Although six sigma has always been in the domain of the manufacturing arena, Citibank, a Citigroup company, undertook the challenge to make it work in the service industry. Its efforts have resulted in significant improvements in process timeliness, cash management and customer loyalty and satisfaction.

QUALITY IN INDIA

When we think of India, perhaps quality is not part of the equation. Until we think of the Indians we know - our doctors, engineers and software people! Then we are confused at most. A recently published article in Quality Progress (Dec. 1999) detailed the evolution of the quality movement in India. It was impressive to note that even a country like India has hospitals certified to ISO 9000. The software industry may have a lot of Indians in the US, but few would know that 25% of the software companies that have been assessed for SEI-CMM (a software quality standard) level 3 and above are in

India. And, five companies have already achieved SEI-CMM level 5, the highest level - with only a handful organizations worldwide to have obtained this standard. Indeed, Motorola in India is the only Motorola plant to obtain this rating! And surprisingly, Total Productive Maintenance (TPM) is playing a significant role in companies getting on the quality bandwagon. I wonder what we can learn from this.

PREDICTIONS FOR PERFORMANCE IMPROVEMENT

The best is yet to come! So writes John Farrell, senior director of channel marketing, Carlson Marketing Group, in the December 1999 issue of *Incentives*. He believes that there are a number of emerging trends that will have a profound impact on the way the performance improvement industry helps corporations improve people's performance. Here are his predictions:

1. Measurement will be mandatory
2. Technology will make self-directed, personalized programs the norm in performance improvement.
3. The agency of the future will provide clients with "one-stop-shopping" capabilities.
4. There will be a wholesale shift to integrate employment channel partners and consumers across entire organizations.
5. Companies that value intellectual capital and adopt long-term solutions will be most successful.
6. Performance improvement will continue to be a viable business strategy that generates incremental sales and profits.
7. Innovation will continue to be an uneven process whereby benefits accrue slowly, but will be rewarded with competitive advantage.
8. Customer retention will matter more than initial acquisition.

PIVOT WEB SITE

We will soon be unveiling our new look on our website. In addition to the regular items, it will feature an online forum where you can send us your questions and we will try to answer them while leaving it open for others to respond. Be sure to visit it and send us your comments.

If you have any comments/suggestions, please contact:
 Akhilesh Gulati, Phone: 877-pivot-mc
 or write to: PIVOT, P.O. Box 536, Upland, CA 91785-0536

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IN ISO 9000 AUDITS

Ever wonder where the major problems have been found in ISO 9000 certification audits? Independent of PIVOT experience, Figure 1. illustrates the relative number of minor and major audit findings for all twenty elements of ISO 9001 by major Registrars. Following is a discussion of the top five elements.

Element 4.5 – Document & Data Control: The highest number of total deviations. This result is to be expected, considering how pervasive documents and data are within an organization, especially in order to meet the requirements of ISO 9000.

Element 4.11 – Inspection, Measuring & Test Equipment: Followed by 4.10, Inspection & Testing, and 4.9, Process Control. Taken together, they form the basis for process control in production. With most companies focusing on production, the production group typically employs the most people, has the most floor space and must control the most varied processes within the company. Thus, it would seem likely that this area would also have the greatest potential for problems.

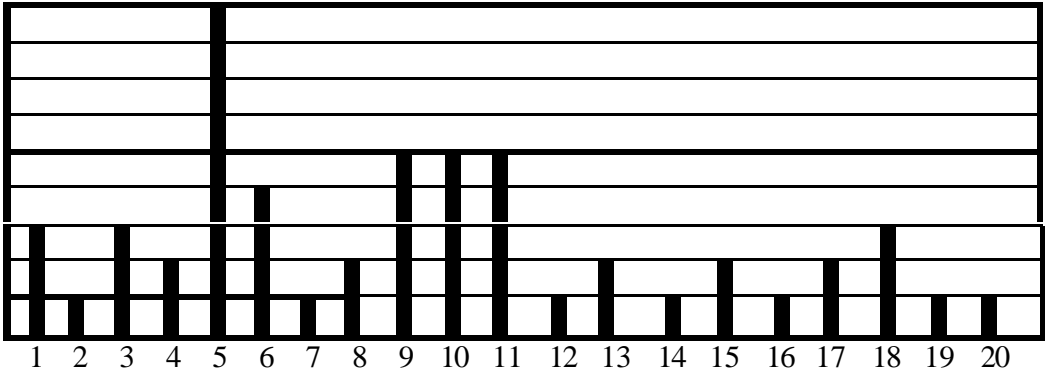
Element 4.6 – Purchasing: For many companies going through registration, this is the first time they have looked at their subcontractors / suppliers with an eye toward assessment and evaluation. And again, with the standard’s requirements, this is an area where any short-comings are fairly obvious.

Overall, even though it is not shown as a top item in audit findings, Element 4.14, Corrective & Preventive Action, when effectively performed, will usually keep the top element findings in the minor range or eliminate them altogether. PIVOT is very effective in helping our clients implement this element and achieving client certification with a Registrar on the first try!

As a company, your best course is to take a balanced approach to ISO implementation. You may want to review your internal audit performance in these areas, but too much emphasis here may cause shortcomings elsewhere. The goal is a fully implemented and integrated quality system that meets *all* the ISO 9000 requirements.

Jim Schaming, Partner

Figure 1: Registrar Findings: ISO Element Numbers 4.1 to 4.20



Annual Defect Budget Statements?

Ten-fifteen years ago I heard the anecdotes touting Japanese quality. An American company had ordered some parts from a Japanese company and agreed to accept 5% defectives. When the shipment was received, there were two separate cartons - one with the 95% good parts, the other with the 5% defective parts. The Japanese could never understand why the American company wanted 5% defective parts!

Since that time I have attained two additional graduate degrees, worked at a couple of companies and put in many years as a management consultant. During these years I have been exposed to financial budgeting concepts. I also learned that at many institutions, one had to spend the budget - otherwise less would be allocated during the next budgeting period. The concept was stretched when used for environmental emissions - if a company came in lower than its assigned allowance/budget, it could sell its excess allowance to another company that had higher emissions.

Time moved on and I became more familiar with quality concepts. Defects per million parts was introduced and Motorola and Allied Signal introduced six-sigma concepts - setting new benchmarks in industry.

Now it all started coming full circle. As we started to use cross-functional teams and benchmarking best industry practices, we were able to take successful concepts from one industry to another, from one discipline to another. Until it came to defects and to budgeting.

Why not budget defects? The concept is not entirely new - we are all familiar with the term 'zero defect', although not many believe it can be achieved. Six-sigma has come closer to it: 3.4 defects per million parts. Is that not the same as defect budgeting?

Six-sigma says that we cannot produce more than 3.4 defects per million parts. Of course, if your customer is more considerate and is willing to accept a few more defects,

more power to you - but it may really be more expensive for you in the long run.

Either way, it provides you with a defect budget but your defects have been budgeted by your customer. Working backward from here through your various processes, you can decide how to design your processes and products to ensure that you meet your defect budget.

If we were to really follow this process, quality might yet make it to the boardroom. Currently all the budgeting we see is the financial budget and that is also the focus of our annual statements. Perhaps it is time to change and do annual defect budgets in these same statements!

Defect budgeting - radical thinking? Not really!

Akhilesh Gulati, Partner

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