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## A Powerful Process for Eliminating Waste – Part I

By Tom McBride
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Several methodologies exist to help organizations eliminate waste. Just-In-Time (JIT) and Lean Manufacturing have been highly successful on the factory floor and have been heavily developed over several decades. Others, including Total Quality Management (TQM) and Reengineering, have been effective across a broader range of environments. For offices and other non-manufacturing areas, I prefer a hybrid approach that combines the best tools of several methodologies. This two-part article outlines a process that has been applied successfully in numerous environments.

The effectiveness of this or any process will depend heavily on the readiness of the organization. An organization that supports continuous improvement and teamwork, has developed a high level of trust, and is skilled in the use of kaizen events, will be prepared to achieve great success. (A Kaizen event is a high intensity attack by a team on a significant area of organizational waste and is usually reserved for those few opportunities providing the greatest benefit to the organization.)

**Part I addresses the "discovery" stage.**

**Find the waste –** Look for what is consistently causing "pain" or is limiting the organization. The focus can also be on dollars (sales, profits, margins, inventory, cost of quality), performance (lead times, on-time delivery), processes, or how people spend their time.

**Measure the waste –** The objective is to accurately define the magnitude of waste that currently exists. Numerous tools are available to facilitate this step, including fish-bone diagrams, process analysis flow charts, the 5-Why technique, personal work analysis charts, and many others.

**Pareto analysis -** This charting technique is used to visually apply the "80/20 rule" to identify the larger areas of waste.

**Narrow the focus -** Select and focus on the "critical few" areas that would provide the greatest benefit to your business.

**Dig deeper –** Within the "critical few", dig deeper until the major contributors to waste have been found and quantified. Continue digging deeper until satisfied that the major root causes have been identified and quantified. A root cause is something on which you can take action to solve the problem.

**Assign root causes –** Develop a quantified list of causes requiring solutions.

Upon reaching this point in the process the team will have a valuable understanding of current conditions. Our next issue will address how to develop and implement solutions.

## Recycling Your Old Computers

By Rich Eichacker
Vibrance Technology Corporation

Ready to upgrade to a new P4? Great! This will free up your PII which you can give to the kids. But what about that old 486 they've been using for the past 3 years?

A study by the National Safety Council found that in 1998 21 million PCs became obsolete, and by 2005, this will increase to more than 63 million. What do we do with all these obsolete computers?

There are a couple options, but the one that we should avoid is throwing them in the trash. The lead and mercury in monitors and circuit boards can leach out of landfills and contaminate water supplies. In 2000, Massachusetts passed a law making it illegal to dispose of computer monitors, televisions and any other electronic equipment.

This subject recently got my attention as my wife and I prepared to move. I had no desire to transport and store a 486 tower, a couple of old laptops, and numerous cables, switch boxes, PC cards, manuals and software. My hope was that someone could put this equipment to good use.

My research led me to the Enabling Support Foundation and the South End Tech. Center. To each I donated

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# The Changing Landscape of Gift and Estate Taxation

By Sandra LeDuc, CPA, CVA
LeDuc and Sikowitz

The Economic Growth and Tax Relief Reconciliation Act of 2001 signed by President Bush in early June has begun the process of unwinding the estate tax. Although repeal is scheduled for 2010 the law is reinstated in 2011.

Planning will be a moving target for the next several years. Aside from the obvious problem of not knowing what 2011 holds in store, basic planning principles have been upset.

Until now gift and estate tax rules have used the same exemptions and tax rate schedules. Under this act these two tax systems are pried apart beginning in 2004. Exemptions begin to work on two different schedules. Basis rules that dictate the income tax treatment for transactions involving transferred property begin to change. In 2010 the estate tax is repealed and the gift tax continues on.

Beginning in 2002 through 2004 the exemption for each of the two taxes is raised to $1 million. While the estate tax exemption continues to rise to $3.5 million by 2009 the gift tax exemption remains at $1 million.

The top estate and gift tax rates will fall in tandem by 10% to 45% progressively through 2009. The gift tax rate after 2009 will be the top income tax rate.

Under old law recipients of gifts have not received increased basis for property received. On the other hand, inherited property has received the benefit of a "stepped up" basis with the advantage of significant income tax savings on the appreciation of property up through the date of death. The new law allows only limited basis adjustments on inherited property once the estate tax is repealed. The decedent's estate would be permitted to increase basis on inherited assets by $1.3 million or as much as $4.3 where a surviving spouse is provided for.

The new law may have the unintended effect of pitting the interests of different generations against one another. A common strategy of planning has been to move appreciating property such as rental real estate and stock in family-owned businesses out of an estate by gift to the next generation over the donor's lifetime. Although this property did not receive a stepped-up basis it did eliminate appreciated value from taxation at the date of death with the added benefit of moving income to younger family members. Under the new law, lifetime transfers are likely to be rethought as planners consider the wisdom of paying a gift tax on property that would otherwise never be subject to inheritance tax.

Because most states assess inheritance tax based state tax credit on the federal return, they are apt to have to revise their inheritance tax laws in response to lowering revenues.

One thing is certain: while most planners don't believe that the estate tax will ever be fully repealed, every estate plan needs to be reviewed and monitored over the next several years in light of this new law and other changes that are bound to surface.

## Recycling Your Old Computers

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about half the equipment, receiving a tax write-off in return. Both organizations refurbish and distribute outdated office equipment. PCs are loaded with appropriate software so that they can be used for educational purposes by kids in the Boston area. In general, organizations such as these are looking for PCs (486-66 or better), MACs, monitors, printers, scanners and copiers, as well as cables, software, NICs and modems.

Listed below are some organizations that collect and "recycle" computer equipment. If you know of any other resources for recycling, please email me at rich@vibrancetech.com and I'll post them at www.vibrancetech.com.

Enabling Support Foundation at Boston Latin Academy in Roxbury
www.enabling.org/bla Robert Ambrose 978-369-5593

Loads programs such as Word and Excel on older PCs for educational purposes in the Boston area.

South End Technology Center in Boston
www.tech-center.wego.com Danny Pimento 617-578-0597

Distributes equipment to needy children in the Boston area.

The PEP Computer Recycling web site contains a directory of recycling resources in the US and around the world.
www.microweb.com/pepsite/Recycle/recycle_index.html

World Computer Exchange in Hull
www.worldcomputerexchange.org 781-925-3078

Distributes equipment to international organizations

Conigliaro Industries in Framingham
www.conigliaro.com/recycling/plastics.cfm 508-872-9668

Recycles and transforms a number of materials into new products.

## Hiring an Outsider as CEO

By John A. Haas, Ph.D.
Management Strategies Group

You've been running your company for a long time and it's time to cut back. You feel your kids aren't ready to take over or your long-term employees have too little outside experience to run the company. Or you're an inactive investor and aren't sure the veteran CEO can achieve your expected ROI. So you decide hire an experienced outsider.

**The Search**

What are the specs? You probably want someone with hands-on general management experience, with a record of achieving significant growth and profitability. While industry-specific experience may not be necessary, you want someone who's managed planning, budgets, operations, people, technology, etc. in somewhat compatible industries in companies of comparable size (and preferably larger) than yours.

By whatever process you choose, you finally narrow down your search to a few candidates you feel understand the current situation and desired future state for your business. Finalists should be interviewed by future peers, subordinates and other relevant inside and outside stakeholders, to assure a "chemistry" comfort level. Assuming you're able to negotiate appropriate compensation, benefits, equity participation, etc. you've got your new CEO.

**Starting Right**

Armed with an understanding of your current business condition, needs and opportunities, your new CEO will typically start by spending time with the management team, other key employees, customers, vendors and outside business advisors to learn what they do, their perceptions of business and organizational problems and possible solutions.

Based on these conversations and past experience, your new CEO can probably quickly identify and prioritize needed corrective and proactive actions. To both jump-start the company down the right path and to impress you with his/her acumen, decisiveness and results-orientation, he/she will go ahead taking needed steps and making changes.

What's wrong here? There is a good likelihood of falling into the "being right but not effective" trap. While it may not necessarily be efficient, the new CEO runs the risks of a) not sufficiently considering the corporate "culture" into which the changes are being made; and b) not taking the time communicating about the changes to get enough "buy in" from those effected and involved.

The point is the new CEO must connect to the existing culture. People whose knowledge gained through long, loyal service to the company should not be ignored nor trivialized.

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## Making the Most of Your Media Relations Program

By Heather C. Conover
Conover & Company Communications, Inc.

One aspect of public relations, media relations, concentrates on obtaining third party endorsements that build credibility for a company and its brand. If you would like to see your company's story told; your new products announced; or your CEO featured in newspaper, magazine, television, radio, and on-line media, you're not alone. In fact, many reporters and editors are deluged with news releases, e-mails, faxes, and phone calls from public relations agencies and in-house public relations departments. With all this competition for airtime and editorial space, it's not easy to attract the attention of members of the media. Following are a few suggestions for improving your chances of obtaining the publicity your company seeks.

**First, do your homework.**

Be cognizant and respectful of a reporter's deadlines. Don't call during this time unless you have breaking news.

Get to know the publications and shows you're thinking of "pitching." What audiences are they targeting? Is there a good fit with your story and the demographics and subjects covered by the media outlet? Once you've determined which media outlets and reporters are most likely to cover your company's story, follow the stories covered by particular reporters. Get to know what each reporter likes to write or talk about and tailor your materials and "pitch" accordingly.

Your story should have a "hook." News and trend stories are compelling, amusing or off-beat stories and visuals are attention-grabbing, and stories that tie in to other news events can give your company an opportunity for publicity that might not otherwise be available. Reporters get tired of hearing the same pitch day in and day out. Don't be afraid to be creative.

If you've sent a news release or other materials to a reporter don't call to ask if the reporter received your materials. Instead, use the phone call to "sell" the reporter on your story.

Develop a relationship based on trust and cooperation with reporters. Don't make claims that can't be substantiated. Offer to help with background on other stories a reporter is writing.

Finally, don't give up. It can be a long process, particularly if you don't have a breaking news story. Staying in touch with reporters and offering stories tailored to their media outlets and beats will pay off.

# Energy Availability: Current Reality or Fond Memory?

By Frank Licata
Licata Kelleher & Company

Guest Column

Press reports about a potential energy availability and reliability problem have been confusing and contradictory. They alternate between alarming and reassuring.

It would be wise to think of the warnings as fact peaking up above the whir of competing agendas, economic and political. Professionals inside the energy industry are absolutely concerned about areas outside of California, including New England.

The advent of deregulation has distributed the responsibility and accountability of energy supply. Separate and independent entities now perform supply, transmission, distribution, and delivery, where previously a single proprietor managed an integrated network. Resources are now subject to economic forces that will dictate where, region by region, energy supply will be allocated. The North American Electric Reliability Council, a utility consortium, summed it up in their October 2000 Reliability Assessment: "The users and operators of the system who used to cooperate voluntarily on reliability matters are now competitors without the same incentives to cooperate with each other or comply with voluntary reliability rules. Little or no effective recourse exists today under the current voluntary model to correct such behavior."

Other factors contributing to this reduced availability and reliability condition include aging energy facilities, constrained supply growth, and a growing dependence on a single fuel (natural gas).

Some recent reports are little more than damage control pieces. Documents previously issued without political intent give insight into the reality. Case in point: the North American Electric Reliability Council, again, reflecting worry about transmission facilities, stated in late 2000: "...a reliable level of operation will be highly dependent upon continually increasing coordination with surrounding systems… Transmission congestion will worsen and as a result, transactions will continue to be curtailed until other appropriate congestion relief methods are implemented."

## Potential Loss Exposures

Power shortages, manifested by black-outs, surges, brown-outs and spikes in energy costs, could result in lost production, loss of data and computer equipment, litigation, and ultimately lost profits. Due diligence should be exercised to minimize vulnerability to D&O claims by stockholders.

An effective risk management program would involve a formal process for risk identification and evaluation. Remediation would include some or all of the following:

- Infrastructure configuration improvements
- Continuity strategic design plans
- Event response plans
- Quality verification and improvement measures
- Risk financing methods (insurance, etc.)
- Contractual risk transfer methods
- Protection from exceptional energy price increases in the future (hedging)

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