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Need More From Your Equipment?

By Tom McBride, Partners for Creative Solutions, Inc.

Does it surprise you that a typical machine produces only 30-50% of its capability during scheduled production time? If you need to increase production capacity, before buying additional equipment or outsourcing, consider improving performance of your current equipment.

To find out how a piece of equipment is performing, calculate its OEE (Overall Equipment Effectiveness). This powerful metric considers three major components using the equation

OEE (%) = Availability (%) x Performance Factor x Quality Factor

Where:

- **Availability** is the percentage of planned time the equipment actually operates. $\text{Availability (\%)} = \frac{\text{Run Time}}{\text{Planned Operating Time}} \times 100$.
- **Performance factor** is actual output divided by theoretical output. Theoretical output is what the machine could produce if it ran at its accepted full speed production rate throughout its run

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The Great Tax Gap

By Sandra LeDuc, CPA, CVA
LeDuc • Sikowitz • Ausin LLP

If you feel as though you are single-handedly supporting the federal government you may be right. The IRS's National Research Program has just released its first estimate of lost tax revenue since 1988. The study is based on 2001 income tax and concludes that as much as 19% of total tax that legally should have been collected was not. That was \$345 billion. In today's dollars it may be as much as \$400 billion. That should get even a politician's attention.

If you are asking yourself how you carve out your 19%, most of us have neither the stomach nor the opportunity for this tax savings. Most is due to gross income slipping in under the radar screen as opposed to improper deductions.

This problem takes the form of domestic workers who are not reported by employers, business workers who do not receive 1099s or W2 forms, cash business revenue (both legal and illegal) that doesn't get recorded, improper tax shelters, "misinterpretation" of the law, and all sorts of reporting errors. Some was due to failure to file returns or just the inability of taxpayers to pay their tax.

The IRS Commissioner Mark Everson points out that tax simplification will eliminate some of the problem by reducing errors and preventing intentional misreporting. He is not alone in this belief. The current Internal Revenue Code and regulations are tens of thousands of pages long and just plain unworkable. Compliance is complicated and expensive and, frequently, common sense is missing from the equation.

The Commissioner also promises he will make use of the study to inform both the process and the targets of audits which are scheduled to be stepped up. To be effective, the IRS staff, which has been less than effective due to a shortage in experienced workers, should be beefed up with more seasoned auditors.

What will it mean to taxpayers? Businesses will be burdened with new efforts to increase information reporting so that the computer audit process can be expanded. The last time there was a comprehensive expansion in information reporting—1986—we experienced a couple of years of irritation and process development headaches until compliance became routine. It has been an effective tool for the IRS.

Perhaps the rest of us can expect our tax bill to be reduced. Sure we can!

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Holding a News Conference - Part II

By Heather C. Conover
Conover + Company
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In the last issue we discussed planning a news conference, including determining if you have newsworthy information, selecting the right venue, identifying spokespersons, and notifying the media. In this article we will provide additional tips on planning for and holding a news conference.

Decide early in the process if your news conference will be a media event or a larger community event. Community news conferences can

help bring the media to your event, but they also can serve as platforms for business leaders and politicians, leading to lengthy and unfocused events where your news is lost. If you include community leaders, consider presenting your information to the media privately before the public portion of the program. This will enable reporters to receive the information they need in time to meet deadlines.

Next, identify a moderator and spokespersons; individuals to assist media representatives and guests the day of the event; and people to plan and coordinate the logistics, including room set-up and traffic flow. Room set-up should include separate check-in and seating areas for the media and guests, access to electricity, a podium with a lectern and a working microphone, and chairs for spokespersons and guests.

Make a list of all the materials needed for the news conference and assign an individual(s) to oversee their preparation. Materials will include an agenda; a media kit containing a news release, fact sheet, a biography and photographs of the speaker(s); prepared statements for the spokespersons; talking points; anticipated questions with answers; directional signs; a banner or poster with the organization's name and logo; and backdrops for the stage.

Prior to the news conference, schedule and hold a rehearsal with the moderator and all the spokespersons. Have someone ask the anticipated questions and identify who will answer each question.

Arrive an hour or two before the news conference is scheduled to see to last minute matters. As media representatives arrive give each a media kit, escort them to the reserved area, and assist with equipment or other needs. Make a list of VIPs who attend so the moderator can acknowledge them.

Begin on time with the moderator thanking everyone for attending, acknowledging VIPs, and introducing spokespersons. Following the presentations, the moderator should summarize the key points and open the session up to questions. Limit the question and answer (Q&A) portion to 15 to 20 minutes and ask the media to identify themselves and the names of their organizations during the Q&A. The moderator should bring the event to a close at the appropriate time, identify any spokespersons who will be available to answer additional questions, and thank everyone for attending the event.

Individuals who have been assigned to assist the media should accompany spokespersons after the formal portion of the news conference is over to ensure that reporters have access to these individuals and that they receive the information they need. If a spokesperson is unable to answer a reporter's question, the reporter's contact information should be obtained and someone who can answer the question should get back to the reporter in time for him or her to meet their deadline.

Next issue: After the news conference

Need More From Your Equipment?

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time. A performance factor of less than 1.0 can be caused by nuisance stops, making adjustments, running at less than standard speed, etc.

- **Quality factor** is the ratio of good quality product to the total produced.

Example:

- A machine used for an 8 hour shift (480 minutes) had a planned downtime of 30 minutes (20 for breaks and 10 for meetings).
- There was also 120 minutes of unplanned downtime (45 for breakdowns, 35 waiting for material, and 40 for changeovers).
- The machine is capable of producing 2 pieces per minute.
- 440 pieces were produced during the shift, but 30 pieces failed inspection.

Calculate OEE:

Availability = 73.3% = Run time (330) / Planned Operating Time (450) x 100.

Planned Operating Time = 450 (480 - planned downtime of 30)

Run Time = 330 (450 planned operating time - 120 unplanned downtime)

Performance Factor = .667 (Actual Output of 440 / Theoretical Output of 660)

Theoretical Output = 2 x 330 (run time) = 660

Quality factor = .932 (good product / total product)

Good product = 410 (440 produced - 30 bad)

OEE = 73.3% x .667 x .932 = 45.6%

OEE is a measure of the good quality produced compared to what could have been produced under ideal (perfect) conditions. Although ideal conditions are rare and are usually brief, world class organizations have sustained OEE's of 85-90% by applying the Total Productive Maintenance (TPM) improvement philosophy. A powerful component of lean manufacturing, TPM challenges teams comprised of operators, maintenance technicians, supervisors, and support personnel to make dramatic improvements in machinery operation, care, and output. TPM is a company-wide effort that helps create a shift in attitude from "I operate and you fix" to "we optimize quality output".

If your organization relies heavily on equipment, you may wish to find out more about the TPM philosophy at www.pcs-info.com.

Delegate or Stagnate

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

Over the years a number of client business owner-managers have said or strongly inferred "I hate my job!" What's going on?

Clearly, all have led their organizations to a certain size and financial success. They lead by example—personifying high standards of customer service, quality, a work ethic, absolute integrity, etc. They serve as chief cheerleader, business developer, marketer, planner, fund-raiser and decision maker.

They feel forced into playing all these roles, even recognizing their shortcomings and/or lack of interest. Why haven't they delegated?

You Set the Tone

Some clients tell me their managers don't seem to care enough about the company or achieving results. Others note that, without close monitoring,

key managers will go off to pursue what they see as promising and interesting directions.

The entrepreneur should reflect on how his/her behavior and management style encourage these dysfunctional management efforts. In the former scenario, the CEO's style may suggest that he/she will make virtually all decisions, thereby encouraging managers to "delegate" decisions upward rather than risk being reprimanded or undermined. In the case of the far-flung efforts, I wonder whether the CEO has articulated the vision and goals, and gotten management buy-in.

Aligning Interests and Effort

Some ideas to help owner-managers delegate with confidence:

- Involve key staff in identifying compelling long- and short-term goals, including financial ones.
- Ask each manager to propose

specific performance targets in his/her responsibility area for the coming time period.

- Discuss and finalize individual and team goals.
- Ask each manager to develop and present a detailed project plan for achieving each performance goal, including steps, timetable, resource requirements and milestone events.
- Tie specific monetary rewards to goal achievement.

The discipline required to develop performance-based incentives leads to clearly defined goals and integrated individual and team efforts, and make it "matter" whether goals are accomplished. Having incentives in place allow the owner-manager to step back and focus on what they're best at, most interested in and where they're most needed, with confidence that key staff are pursuing the right goals.

Broadband for the People

By Rich Eichacker
Vibrance Technology Corporation

Many in the U.S. still do not have access to high-speed internet service. Broadband is typically not available to these people for a number of reasons: 1) the cost of running new DSL or cable service is high, 2) DSL, cable, and even wireless have distance limitations which impede their use in rural areas, and 3) satellite broadband can be costly and doesn't offer the speeds of other broadband services. With all the homes and businesses in the U.S. already connected to the power grid, broadband over power lines, or BPL, could prove to be one of the biggest factors in expanding internet access to all Americans.

As an up-and-coming technology in the early 2000s, there was a lot of activity surrounding BPL: the FCC held hearings, products were in development, and trial deployments were rolled out. The activity level seemed to die down until the end of last year when both California and New York released reports from their respective public utility commissions

outlining policies promoting BPL. Both states are interested in encouraging BPL and providing a "BPL-friendly regulatory framework" that would encourage investment, protect ratepayers from risk, and maintain the safety and reliability of existing power service. The studies noted that developing BPL services would increase competition among broadband suppliers and therefore reduce prices and increase innovation and service. Another benefit: BPL could create a "smart electrical grid" which would improve reliability and monitoring, detect power outages, and allow utilities to implement such features as automatic meter reading, equipment monitoring, and remote disconnect and connect.

BPL has a number of hurdles to overcome before it matures. One of the bigger problems is the potential interference caused by the broadband signals radiating from the power lines. Ham radio operators, as well as FEMA and other government

organizations, have raised concerns that interference from BPL could interfere with fire, police, shortwave, and other radio systems important to national security. Another hurdle is actually getting the internet signals onto and off of the high voltage power lines. In some cases, this has been solved by creating a wireless network that originates at the pole.

If BPL succeeds, some advantages of this new technology could emerge: 1) Internet use would increase, opening new markets. Studies have found that faster connection speeds result in greater use of the internet. 2) BPL is potentially easier to use than other technologies (just plug your computer into the outlet). 3) Household appliances, already connected to the power grid, could be made "intelligent" by fitting them with internet access. *Imagine your refrigerator contacting your grocery store for a delivery...*

Creating a Sound Record-Storage Strategy

By Gretchen P. Fox
President & Founder, Fox Relocation
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Once upon a time in America, offices were lined with rows of gray filing cabinets filled to capacity with memos, reports, and presentations. Important papers; even if no one ever read them again, had to be stored somewhere. So, more cabinets were brought in until companies sprang up specializing in document storage and retrieval, shredding and removing. Then in the 1980s, hard copy documents were replaced with electronic transmissions. Large-capacity servers could store an untold number of documents in virtual space for perpetuity—and, by the way, we also printed and stored the paper version.

Following are three recommendations to consider when devising an effective Records-Management program:

Assess needs and options.

When establishing a records-management program, determine how much you file, the types of documents to retain, the likelihood

that the documents will require quick access and where documents need to be located.

Facilities managers must be prepared to question departments on requirements, provide tools for assessment and present options for storing and accessing records.

If paper must be saved, off-site storage and retrieval is a recommended solution for managing inactive records. Sub prime real estate storage is another. There are many cost- and space-efficient filing systems, from lateral filing to high-density file rooms to help a company organize its records.

Develop guidelines for retention.

Corporate retention guidelines should detail duration, location and destruction. Use organizations to guide the creation or validation of existing guidelines:

- Industry organizations: Established regulatory guidelines or legal precedents.
- Legal counsel: Understanding of regulatory and legal requirements

and advice.

- Records-management firms: Inventory records, insight on industry-specific issues, and develop retention guidelines.

Purge.

Regardless of whether papered or paperless, routine archiving or purging should be mandatory. Develop the process and goals for distributing retention guidelines and solicit key people who will enable your company to stay current.

Confidential handling and shredding is a major concern. Work with your landlord to determine the building's capability for managing secured trash. Consult with outside record-removal companies to provide details for dealing with record disposal. Look to computer specialists to help with data purging.

With a little planning and effective implementation of the plan, a solid records management system can be developed that maximizes space utilization, makes the best possible use of technology and delivers documents in acceptable format on a timely basis.

The best opportunity for a record-storage strategy is prior to a relocation, renovation or redesign but do not underestimate the time or resources required.

Guest Column

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