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Tax Strategy for Year End

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

The rewards could be great for those of us who are willing to do a bit of year end tax planning.

Capital Gains and Losses

Take a few minutes to call your broker or log on to your brokerage website to determine just how much you've realized in capital gains or losses to date in your taxable accounts. Check last year's return to determine if there are loss carryovers into 2006. While we don't ordinarily suggest that tax considerations drive investment decisions, this is the time of the year to review the quality of your investments and consider some strategic investment moves in light of your income tax situation.

Some tax rules to remember while working this out with your accountant and/or broker:

- long-term capital gains are taxable at 15% on the federal return,
- you may utilize up to \$3,000 of net capital losses against ordinary income,
- you can take deductions for the fair market value of donations of long-term capital gain property

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Corporate Culture: Walking the Talk

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

Most small business owners succeed because they identified a compelling niche product or service, took prudent risks and energetically focused efforts.

This Thing Called "Culture"

As employees are hired into various roles they learn "how things work around here." These include operating policies and procedures, knowing what they can decide vs. get approval, risk-taking allowed or expected, in which people or functions the "power" resides, and so forth. These elements together contribute to defining the organization's culture. It can't be directly measured or seen, but it is ubiquitous and powerful.

All owner-managed businesses share one common characteristic: the entrepreneur defines and drives the organization's culture. This is a fact, and need not be conscious or intentional. By its nature, the company is formed in the owner-manager's image and reflects his or her values, behavior and management style.

By definition, every organization has a culture. It may be a consciously constructed set of norms, values and operating policies, or just evolve over time. New employees are indoctrinated into the culture. They may also influence the culture in ways that help or hinder progress, as they introduce accepted or encouraged behaviors from earlier work experience. Cultural shifts may happen without being noticed or intended.

Taking Hold of the Culture

As organizations grow, the owner-manager is forced to delegate more responsibilities. (Those that don't or can't are impeding growth.) With expanded scope, geographic presence and staffing levels, sub-cultures often develop. These are based on local leaders' management styles; yet still operate within the larger corporate culture. This can produce variations in the "work ethic," acceptable policies and procedures and perhaps the company's image among customers, vendors or competitors.

To sustain growth, the owner-manager must change focus from hands-on decision maker to leader. (S)he becomes the chief cheerleader, marketer and "enabler." The enlightened owner-manager will be visible to and support employees, taking pains to praise, mentor and especially celebrate successes. (S)he will encourage taking initiative and prudent risks in the interest of pursuing the mission and goals. Rewards will encourage and reinforce desired behavior and goal achievement. Company values will be defined, communicated and basis for taking action.

By consciously personifying these values in their daily behavior, the owner-manager reinforces and can continuously shape the desired culture.

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Service Providers Make Gains Combining Lean & Six Sigma

By Tom McBride,
Partners for Creative Solutions, Inc.

The terms *lean* and *six sigma* are widely recognized, due in part to the tremendous success of companies like Toyota and General Electric. While both philosophies have foundations in manufacturing, service providers large and small are getting into the act as pressures mount to control costs and improve value in the eyes of customers.

Both lean and six sigma reduce variation to achieve breakthrough results in operating costs and quality. Lean not only addresses

individual processes but also the "flow" of work between processes, and as a result is generally superior to six sigma at reducing lead times. Six sigma projects often focus on individual processes and utilize powerful statistics to improve process efficiency and dramatically reduce defects (by definition six sigma quality is defined as less than 3.4 defects per million). Their unique strengths combine to produce the greatest gains when they are applied together.

Here are a few examples of successful applications.

Bank of America started lean six sigma as a corporate initiative in 2001 and has trained over 10,000 associates in the techniques. A few examples from thousands of process

redesign projects are: \$1.3 M saved in relocating new hires; \$5 M increased revenue from improved lockbox deposit availability; \$10.7 M revenue from improving customer referrals from tellers; \$30 M revenue/\$1.5 M savings from measuring return on sponsored events.

A regional **Insurance agency** used lean to reduce customer transaction times by 27%, saving \$50,000 annually. They also cut total cycle time for mail transactions from 30 days to 24 hours.

Valley Baptist Medical Center had a lengthy, inefficient process for discharging in-patients, a common concern for hospitals. Using six sigma and lean tools the project team reduced the average time to execute a discharge order from 185 minutes to a more consistent 48 minutes.

In 1999 the new mayor of **Fort Wayne**, Indiana, had a vision of a city that was safer, had more good jobs, and provided excellent service to its citizens. Within three years Fort Wayne trained more than 60 employees in six sigma and lean techniques, and launched 60 projects that achieved direct savings of \$3 million. They also reduced response times for services, improved fire safety, and made it easier to do business in the city. (1)

A **Westin Hotel** location in Colorado improved from "poor performer" to one of the top 10 hotels in the chain by applying six sigma. (2)

In summary, service providers of all types and sizes are combining lean and six sigma to ensure long term viability. Go to www.pcs-info.com and click *coming events* to learn more about this topic.

References: 1) George, Lean Six Sigma for Service, 2003; 2) Eckes, The Six Sigma Revolution, 2001

Tax Strategy for Year End

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to qualified charities up to 30% of your adjusted gross income,

- capital losses may be carried over indefinitely,
- you may not deduct losses on securities if you buy that security back within 30 days of the sale.

Timing of Income and Deductions

A relatively quick assessment of your tax situation will lay the foundation for determining whether you want more taxable income in the year or less. By considering your vulnerability to alternative minimum tax, your overall tax rate, and what you think the year 2007 has in store, you can construct a two year plan in which you make the most of deductions and the lower tax brackets. At this time of the year such knowledge gives you an opportunity to plan between 2006 and 2007.

Accelerated Depreciation

Taxpayers who own businesses and invest in eligible business property can secure a deduction for up to \$108,000 this year in first year

depreciation. The property must be placed in service by the end of the year. The first year depreciation is reduced if you make investments over \$400,000.

Deferred Income-Retirement Planning

Another element of planning that deserves serious attention is pension planning. While there is considerable flexibility in some plans such as IRAs, other plans must actually be established by year end although not completely funded. Speak with your financial planner and tax accountant now to determine what strategies should be considered. You'll want to take into consideration the census of employees including their dates of employment, dates of birth, compensation and so on. Plan designs can satisfy all owners' goals but should be thought through by December 31, 2006.

Overcoming that tax-related attention deficit disorder in November and December will pay off in both your ability to control tax cost and your head start on organizing your data for the year.

Microsoft Office 2007

By Rich Eichacker
Vibrance Technology Corporation

Microsoft Office is about to get a face lift. Office 2007, which is slated for release in early 2007, is focused on making Word, Excel, Outlook, and PowerPoint easier to use.

Statistics show that people use less than 25% of the features in Office. This new release aims to make all the features more accessible and more intuitive. The big change? Command Tabs and Ribbons.

Command Tabs and Ribbons have replaced menus and toolbars, respectively. Ribbon buttons are now grouped and have better graphics and they are large enough to accommodate titles and verbose descriptions. This is a big improvement over the tiny toolbar icons in previous versions of Office.

Galleries and Live Preview help users select features and better visualize how the command will effect their document. Galleries give you a visual representation of a formatting

option. For example, when creating a chart in Excel, a gallery of chart formats pops up from the ribbon and displays a thumbnail image of each format choice. This is where Live Preview comes in. As you hover over each format thumbnail, the chart on your spreadsheet changes to reflect the format, so not only do you get the overview of format choices presented on the ribbon, but you also see exactly how that format will look in your document. Another example of this is font formatting. Select the paragraph you want to format then browse through the font choices. Not only does the font menu display the fonts, but the selected paragraph changes font as you hover over the choices on the menu. Galleries and Live Preview totally eliminate the "pick, click, and undo" trial-and-error formatting of previous versions.

The Mini Toolbar is another nice feature. Select some text and this

toolbar becomes partially visible near the selection, presenting you with a quick way to adjust font size or paragraph formatting. If you move your mouse towards the toolbar, it becomes less transparent, if you move away from it, it disappears.

To see these new features in action, visit the Office 2007 site. Particularly interesting is the link "See the new user interface at work" in the middle of the main page.

I have to admit that when I started writing this article, I was skeptical. I assumed that this new release would offer a bunch of features that most people, including myself, wouldn't use. Now, I have to say that I'm impressed. I believe Microsoft has met its goal of making Office easier to use and more intuitive.

Please visit ProductivityReports.com for web site links.

Becoming a Thought Leader

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

Small companies lacking the resources to spend on an integrated marketing campaign often find it difficult to compete with their larger, deep-pocketed competitors. How can leaders of companies with limited resources to spend on marketing raise their visibility and reputation among their target audiences of potential and current customers, current and prospective employees, and influencers? One excellent way is by carefully identifying those target audiences and becoming a recognized authority, or thought leader.

According to Wikipedia, a thought leader describes a person who is recognized among his or her peers for innovative ideas and demonstrates the confidence to promote those ideas.

How does one accomplish this? Here are two things to do to start down the path of becoming a thought leader:

1. Write articles, white papers, and case studies that provide

information about a particular problem or need within your industry and that provide solutions and useful information for current and potential customers. These should not be sales pitches or self-promotional, but rather informative, helpful, and illustrative of your knowledge of the industry. Many industry publications or area business publications accept authored articles. Check with the editor first and discuss (by phone or email) your idea with him or her. The editor will typically provide useful guidance for your article based on his or her knowledge of the publication's subscribers. Post articles, white papers, and case studies on your website; hand them out at meetings and conferences; and email or mail them to your customers, prospects, and others that would be interested in the information.

2. Speak at conferences, trade shows, and meetings that will put you

in front of your target audience. You probably already belong to a couple or more of these groups and know about others that you'd like to join if you had the time and/or money. Look at the groups' past speakers and topics and suggest a subject about which you're confident the groups' members would be interested. Remember, this is not a forum for shamelessly pitching your product or service, but rather an opportunity to provide solutions to problems plaguing the industry, discuss trends that will have an impact on the industry, and/or share insights and knowledge that will be helpful to those in the audience.

Becoming a thought leader won't take place overnight. The effort will take time, commitment, and ... thought.

Next issue: More on becoming (and staying) a thought leader.

Got Energy?

By Clarissa Rodriguez,
Master Productivity Architect,
Clear Road Associates

The #1 Way Executives Reduce Their Effectiveness and How To Fix It

Maximizing personal energy is the single most important card one plays every day at work and in life. And yet, many executives habitually overwork themselves and their colleagues, by working extra long days, ignoring breaks, skipping meals, not getting enough sleep and exercising infrequently or not at all. These energy leeches lead to foggy decision-making, diminished quality and creativity of work outcomes, and limited revenues.

The bottom line is that it is really, really hard, if not impossible, for the human brain to come up with new, fresh ideas when its owner is overworked, overtired and stressed out. Practicing these three critical energy boosters will allow you to think more clearly, make better decisions, and thus leverage your three sources of power: energy, time and money. And, you are likely to find yourself developing more

productive working relationships with clients and colleagues.



Whenever possible create a standard work schedule. Set boundaries around your workday.

Take breaks at least every 90 minutes. Do not allow weekends and evening to be used to make up time. If we manage ourselves efficiently during the day, we eliminate the need for weekend and evening work.



Practice extreme self-care. Get regular exercise and plenty of sleep. Eight

hours each night is recommended for optimal functioning. Every minute of exercise adds two minutes to your life; 20 minutes just three times a week adds years, and the activity increases brainpower, clarity and focused attention.



Never skip a meal again. Eat six times daily, three meals and three snacks, at

regular intervals. Eat real rather than processed foods, and balanced meals. Choose a protein as the main nutrient in your meal, and add some healthy fats, natural carbohydrates and non-starchy vegetables. Eat solid food and drink plenty of water.

Steps for success: Honoring these best practices is not always a top priority and the distractions of work and daily life can make it a challenge. Select one small change, such as taking a five-minute break every 90 minutes, and use a timer as a friendly reminder to pause. As you boost your energy you will be more focused, centered and relaxed; save time at work, produce ideas that are more creative and hit your daily targets with greater ease. What are you waiting for?

Guest Column

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Heather C. Conover, founder and CEO of **Conover + Company Communications**, has over 20 years of strategic marketing communications and public relations experience and has worked with a wide array of firms ranging from start-ups to Fortune 500 companies. Through the development and implementation of marketing communications and public relations strategies, she helps companies achieve their corporate goals and reach and motivate their target audiences.

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