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We seemed to have been on holiday for the last month and whilst we all need to recharge our batteries the work of quality still needs to be done. We have combined April and May into one issue so we hope you enjoy our latest edition.

In line with our National Quality Week theme of "Paving the way to Quality beyond Standards", this month sees the first of a series of articles on promoting "Organizational Excellence". SAQI sits on the Organizational Excellence Technical Committee of the Quality Management Division (QMD) of ASQ and we have approached the international committee members to supply articles for our readers. The first one in this issue is by Prashant Hoskote who is the chair of this committee and he tells us about organizational excellence from an Indian perspective. We are looking forward to articles from the other international members of this committee. Also we have another article supplied by Lance Coleman one of our newly appointed USA authors as well as our regular contributors.

I have recently been involved with the South African Department of Public Service and Administration (DPSA) who are investigating why we have a shortage of Quality Professionals across various sectors in our country and what can we do to rectify this situation? We would welcome any comments on this subject from our members. Do you agree that we have a problem, what is the size of the problem and if so what are your ideas for rectifying the current situation? I would be happy to receive comments at exec@saqi.co.za

Paul Harding
SAQI MD



Waste not, want not....

By Lance Coleman

The benefits to be received by employers and employees alike, by eliminating the 8th waste.

Based on the Toyota Production System (TPS) and used in hundreds of thousands of organizations across the world in the last 30 years, Lean is a set of management practices that organizations utilize to improve efficiency and effectiveness by eliminating waste. The 7 wastes of Lean Manufacturing (or Muda) originally identified in TPS are – waiting, inventory, motion, transportation, defects, over processing and over production. The 8th waste of Lean is unique from the original 7 in that its elimination can *directly* benefit the employees as well as the employer. The 8th waste is considered to be underutilization of (personnel) resources or sub-optimization. An underutilized employee is not challenged by their duties and hence not working up to their full potential. This does not mean that the employee is unhappy or not doing good work but rather that in an optimal situation, the company could get more value out of the work that the employee is producing. Conversely, the fully utilized employee is more engaged, more fulfilled, contributes more to the company and has greater opportunities for advancement. Another example of underutilization is when an employee is doing a job that they are not well-suited for, while another job is available at which they would likely excel.

Sometimes however, underutilization of employees can lead to employees becoming actively disengaged and that is when there is a serious problem. Actively disengaged workers are unhappy, unfulfilled, and cost the company money. An employee that is doing a job that is too easy; too difficult; or that they have not been properly trained for can, on occasion, become overburdened (Muri) and frustrated. This frustration can lead to the employee becoming actively disengaged. When workers become actively disengaged the following dire consequences are observed:

- Tardiness increases
- Absenteeism increases
- Productivity decreases
- Work quality decreases
- Employee satisfaction decreases
- Employee moral decreases

When the situation really becomes toxic, the contagion can spread from one employee to another. Truly, who would want to work in this type of

workplace? So how do you fight the 8th waste? As with the other 7 wastes, Lean, Quality and Six Sigma tools can be deployed to help eliminate the 8th waste as well. First of all, a company must accurately match position needs versus stated requirements. Usually Quality Function Deployment (QFD) is used to translate customer needs into technical specifications or service requirements. By substituting desired competencies for customer needs and training, education, experience, etc. for technical requirements, QFD becomes a great tool to match company requirements to needed functions, and to assess the strength of this relationship. Companies may then establish any or all of the following:

1. Formal program of company training, both classroom and on-the-job (OJT)
2. Tuition reimbursement programs
3. Encouraging employees to pursue professional certification
4. Encouraging employees to attend professional conferences and seminars
5. Encourage volunteerism to learn new skills and increase the usage of existing skills
6. Aggressive recruitment of employee input through Kaizen and other similar programs
7. Recognition of employee contributions
8. Recognition of employee achievements
9. Opportunities for employee advancement
10. Recognition of employee advancement within the company

Combating the 8th waste takes place in three stages for the company. In stage 1, numbers 1-5 on the list all address adding employee knowledge and skills. In stage 2, numbers 6-8 address utilizing the employee to their fullest potential while recognizing achievements and contributions. In stage 3, engaged and interested employees are given opportunities to advance and that advancement is recognized and applauded when it happens as shown in numbers 9-10.

Combating the 8th waste successfully requires cooperation and commitment between both company and employee. In order to combat the 8th waste, employees must cultivate the following:

Knowledge of the surrounding environment – Acquire knowledge of both your industry and your company structure so that you can identify and intelligently discuss possible career paths.

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Self awareness – Know your own strengths and weaknesses. What natural skills do you have that might allow you to thrive at a particular career? Equally important is to identify your likes and dislikes. One of the most unpleasant situations possible arises when someone has a “good” job that they hate because they are doing something that they truly dislike every day.

Aggressive self promotion (or making your employer aware of the value you deliver to customers) - It is not enough to do a good job. You need to do a good job AND make management aware of that fact. This can be done by volunteering to perform tasks outside of your job description, occasionally volunteering for overtime, becoming an expert on something.

Clear communication skills – tell your manager, human resources and anyone else who will listen where you want to be in 3 years (or two, or four...) and ask them to help you develop a plan to get there.

Lean, Quality and Six Sigma tools can help with these endeavors. I have been fortunate to recently work for a company that believes in developing their employees and promoting from within. I joined the company after being out of the field for over a decade and had to take a position several levels below what might be expected based on my education and previous experience. Consequently, I entered the company as an underutilized employee. I used an *Ishikawa diagram* to map out what inputs would be needed to propel me along an upward career trajectory. Thinking of how to fight the 8th waste and avoid becoming a statistic, I developed a *thought map* which included a 3 year plan that incorporated the items below, along with identifying resources that would be needed to carry out that plan. Each numbered item on the list might be considered a branch off of the stem of my career fishbone. Each bullet represents the benefits of traveling down this particular path.

1. Professional certifications
 - To learn more about a new industry
 - To validate my existing skills
2. Volunteerism
 - Using some of my existing skills that I didn't utilize in my day to day activities
 - Learning more about the company and its processes
 - Increasing my (positive) visibility
3. Company training
 - Took classes that would help me better perform my day-to-day duties
 - Identified and took classes that everyone in a leadership role had previously taken
4. Attend professional conferences
 - Adding to ways I could positively impact the company
 - Adding to my overall knowledge and skill base

- Allowing me to network with peers
- Finding professional mentors and sources of information outside of the company

I encourage anyone reading this to article to become actively engaged in both your company and your career this year. Embrace Lean and other continuous improvement methodology to eliminate the 8th waste around you. Reach out to potential mentors both inside and outside of your company: I suggest you approach those doing what you do (benchmarking), and those doing what you want to do in the future (modeling). Find out what type of training your company offers. Find out if they will purchase a membership in a professional organization or send you to professional conferences (often if you are an organization member and volunteer for a few hours, you can attend conferences for free). If your company doesn't have a formal training and advancement path, then develop your own, using some of the ideas that I have mentioned above and sit down with both human resources and your manager to discuss creating a path for your career advancement. Give yourself a visual reminder of where you are headed. Develop an Ishikawa diagram with your future goal as the stem, and the various types of inputs (i.e. classroom training, degree, OJT, certifications etc.) that you will need to reach that goal, in lieu of the 6Ms. A *decision tree* can be used in conjunction with a *prioritization matrix* to determine the most efficient path to success. Use *pictograms* as a visual reminder and incentive to see where you are and keep progressing.

Yes, this is a lot of work, sometimes navigating uncharted territory. Companies can and do cultivate well-trained, engaged and loyal employees by putting in the time and effort to eliminate the 8th waste. As an individual, you ask yourself, will I see any benefit if I actually commit to doing all of this? What did all of this time and effort do for me, you might also ask? Well, after 2-1/2 years, I had received one promotion and two substantial merit increases that had doubled both my initial salary as well as my initial amount of vacation time. I was also being considered for another promotion at that time. Feel free to draw your own conclusions...

This article was first published in the August 2013 issue of ASQ Six Sigma Forum magazine.

BIOGRAPHY

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Quality – It Isn't What You Throw At A Problem

By Prashant Hoskote

During my career, I have seen many organizations and business leaders frustrated by a lack of real success and impact with their quality programs. Great enthusiasm surrounding initial implementations eventually turns to disappointment two or three years later, when leaders wonder what was the result of their investment. How has the business improved? Why haven't the big dials moved?



All too often Quality is viewed as Lean, Six Sigma, ISO or a myriad of other concepts or programs that make their way into organizations with great splash and much fizzle. But these are primarily improvement methods, important and required but if implemented as a standalone initiative, not a systemic approach to 'organizational excellence'. To start with the solution, without thoroughly understanding the broader needs of the organization, is the tail wagging the dog? No Quality method is a silver bullet. No Quality method, on its own, addresses the organization as a system and the need to drive systemic quality and service excellence.

So what should an organization do, and where should it start? Leaders must first see the organization, and Quality's role, as a systems approach. Quality isn't something you throw at a problem. It's a combination of several techniques mentioned above that best suit the business culture of the company. More importantly, it is a carefully executed plan that helps the entire organization function successfully. i.e. what initiative applies where and how does it address the company's strategic plan?

Five Recommendations to Make Quality and Organizational Excellence Pay For You

In my view, there are five key elements to successfully implement Quality and Organizational Excellence in a systemic way.

1. There should be an overarching approach to Quality...a

plan. Where and how will the theory and tools of quality be applied? How will they be used to drive excellence? Every organization should have a quality system that makes sense to them. At the cost of sounding cliché, one size does not fit all. The structure will be unique to each organization, but whatever they are, the elements of the quality system must be intentionally developed, implemented and measured. To look at a graphic of a quality system should tell us how Quality is implemented in that business and how it drives excellence and customer service. This can be further complex if it's a conglomerate of companies with separate Management Teams, but there needs to be consistency across the Group. At the Max Group we call it the *Max Quality System*. More about this later in the article.



2. The Chief Quality Officer (CQO) / Quality Leader (QL) should be at the planning table and report to the CEO. This is a clear commitment to the importance of Quality in the organization and makes it possible for the quality team to understand business strategy and appropriately support it. In turn, to support Strategy, Quality must supply both strategic and tactical approaches. This may involve a strategic (top down) organizational excellence program like Baldrige (what we call Max Performance Excellence Framework, the Tatas call it Tata Business Excellence Model) or EFQM Frameworks, in conjunction with a tactical (bottom up) business improvement methodology like Lean Six Sigma, Kaizen etc. In a sense, force change down from a strategic perspective, but also push change up. This way, everyone has an opportunity

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to participate in organizational transformation.

- To be effective, Quality Leaders must understand and speak the 'language of business' – Money, as well as the language of 'managing change'. Too many Quality leaders are practitioners - tactical thinkers who are more absorbed with method than business needs and organizational outcomes. The CQO must first be a 'Business Manager' before he/she is a Quality Manager. In addition, successful implementation of Quality requires broad consensus. Quality must be required, but it cannot be dictated. So, the CQO must bring together divergent groups within the business (in a Quality Council) to discuss organizational pain points, explain strategic needs and reach agreement on what's important and how to address it. Quality leaders must be seen as relationship builders, whose focus is on helping, not hindering, the work of the business.



- Everyone in the organization must have an unrelenting, passionate focus on Customers and Service. All the quality drivers (the quality system, quality strategy, excellence model, Lean, Six Sigma, ISO, etc.) are all there for only one reason – to reach out to customers in the most economical way, to provide what they want when they want it. If this approach is not taken, the Business will lose credibility, customers and money.
- Finally, Quality must prove its value. It is the responsibility of Quality to both measure itself and the impact of its strategy and tactics. There must be a balanced set of Measures of Success (MOS), a scorecard if you like, for the business that shows where improvement is or isn't being made. If Quality doesn't demonstrate impact on cost, revenue, customer satisfaction, turnaround times, capacity creation, employee engagement, and passion, then stop doing it till you seek the right quality leaders and redesign your quality system.

Elements of the Max Quality System

Organizations may find various ways to link concepts for their own quality system. We at Max Group chose these elements for its Quality System because they represent accepted approaches to manage Quality and Service Excellence in a Group as large and diverse as ours:



Each of the elements of the MQS is represented in a graphic of interlocked puzzle pieces – to indicate how the separate concepts are integrated.

How the Max Quality System (MQS) Works

- (MPEF) MAX Performance Excellence Framework (Excellence Driver)
Annual Assessments (Cycles of Improvement)
Each year, internal MPEF assessors follow a common approach of assessing our business' health. Gaps are identified and each business prioritizes action plans to drive improvements before the next assessment.
- Lean Six Sigma / MAXimize Quality (Cost and Culture Drivers)
This represents a top-down and bottom-up approach to drive out costs, improve consistency of execution, increase capacity through process improvement and change culture
 - Lean Six Sigma requires leadership-sponsored projects. Objective – cost saves, revenue improvements - high Business and Strategic impact.
 - MAXimize Quality (and a companion program in the healthcare system – MAXimize Healthcare) requires training in basic quality methods to any employee interested in improving their own work area. Minimal information about root-cause-analysis, as well as Pareto and trend charts, allow groups of employees to tackle small projects that make their job easier, reduce cost and process TAT. Objective - Encourage continuous improvement and build a Quality culture.
- Standard Metrics (MQS Scorecard)
What gets measured... sure gets done! The MQS Scorecard rolls up key metrics in four categories –

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Finance, Customer, People and Process from all businesses. The Group Managing Director, the CEO Council and the Quality Council use the Scorecard to determine if we are driving important change and improvement across the Group. It also answers two critical questions CEOs typically have, "What's the return I am getting from what I spend on Quality?" and "I don't want to see multiple metrics to see if my company is moving in the right direction. Can I get a single metric view?". Measures included in the scorecard are: Cost saves, Revenue improvements, Customer Experience Index (Top Box Score), Quality DNA and MPEF Score (arrived at from the annual assessment of each Business).

4. Standardized Best Practices (Synergy Driver)

Best Practices are shared in two ways.

1. Through the annual assessment process, teams identify significant practices that they think would benefit all businesses. These are rolled up to a CEO Council, which picks up to five that will be implemented over each year.
2. Tactical best practices are shared by businesses through a common platform called maXters, a 'facebook-like' knowledge management platform, accessible to all employees across the Group.

Impact of practices used will be measured and reported.

5. Service Excellence (The Big Dial)

A common service definition, protocols, standards and measures will be in place across the Group to institutionalize a consistent internal and external service culture. In a sense all initiatives drive to this end to measure progress toward the vision, "To be one of India's most admired corporates for Service Excellence."

6. Communications (Culture Driver)

The corporate Quality and Service Excellence function coordinates these communications. The intent is to encourage an improvement culture, through recognition of process improvements and by providing examples of the impact positive change can have on our employees.

7. Reward and Recognition (Culture Driver)

Public recognition of involvement in driving organization performance occurs at multiple levels across the Group and during the Max Excellence Day.

8. Quality and Service Excellence Council (Leadership Driver)

The Council is made up of Quality Leaders from all Group businesses. The Council reviews the annual Quality Plan, MPEF assessment cycle, Scorecard measures, best practices and other Quality and Service issues, and make recommendations to the CEO Council and Managing Director of the Group.

The Long in The Short

In summary, what we call 'Quality' can only have a real impact if it is viewed as strategic as well as tactical business solution. If we

only see Quality as a tool, we will miss the huge strategic impact Quality can have in transforming all areas of a business. *Quality must be systematic in its approach and systemic to our businesses.*

Author's details

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Prashant has 26 years of experience in the Quality function and has worked with reputed organizations in India and Overseas - such as Taj Group of Hotels, Standard Chartered Bank, Qimpro Consultants and Mashreq Bank (UAE).

He has been a Speaker and Panelist at various international conferences in the USA, Singapore and Dubai such as the WCQI organized by the ASQ, USA.

Prashant is a Senior Member of the ASQ and the Chair of the Organizational Excellence Technical Committee of the Quality Management Division (QMD) of ASQ. Prashant is qualified as a Certified Trainer and Facilitator from the Juran Institute Inc. He has qualified as a Six Sigma Black Belt and has a Leadership qualification from INSEAD, Paris.

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The Deming Approach in a Service Company



By Paul Naysmith

It was yesterday, a glorious sunny distraction of a day, I would admire through the window, where I read a plea for help. In the April 2014 Quality World Magazine's (Deming's cross-application, 2014) letter section, a reader implored the editor to "help the large number of service industries in the UK to understand how Deming's work can apply to them". The young lady who had written in, was a touch frustrated how an article in a previous magazine, focused on the application of Deming's philosophies in a manufacturing sector.

I can appreciate this young lady's frustrations as there are great many works on Deming in an industrial manufacturing sense, and as I myself work in a very successful service company, perhaps I can assist in providing some relief in the way of an explanation. Like any good detailed account portrayed in a story, let us go back to the source: Dr. W. Edwards Deming.

Deming himself was not an industrialist, nor a manufacturer; however he was a management consultant that lived a long life, the majority of which was travelling and providing a much needed new set of philosophies to business leaders. He also wrote over 170 articles and two bestselling books that today are a staple for business management students (Kilian, 1992). He really did come to notoriety in a "service" environment, working for the census, applying his statistical techniques, learned from his physicist mentor and friend Dr. Walter Shewhart (we'll come back to him a little later).

Shortly after the end of Second World War in Japan, Deming was invited to speak to engineers and business leaders, as the United States supported the reconstruction of the country, and to boost the recovery of the economy and their people. To rapidly rebuild the country back to self sufficient strength, factories worked endlessly from the learning of Deming's ideas, and subsequently created our challenge today of many people thinking that Deming's approach is only for a business that makes physical things.

I can understand why there are so many works, articles or books on Deming in an industrial manufacturing sense as I have been working in these types businesses in the past. The results are tangible and real, and they can be achieved in a very short period of time, and therefore very easy to write about. However if you do dig a little deeper, you will find some written works specifically on Deming and Service such as "Total Quality Service: Principles, Practices, and Implementation (Just the Facts)" by D.H Stamatis (Stamatis, 1995).

I'm going off on a tangent and have I forgotten what I am trying to

do? I am here to help a fellow Quality Punk relate a little more to Deming in a service application. I see the key to Deming's principle as a mix of people management with a large soupcon of statistical appreciation. I see "service" (in a business sense) as a provision of assistance to a customer, or a series of activities that provide a level of satisfaction to a paying client. Now that I've got my appalling oversimplifications out of the way, let us see how we can apply or provide Deming's top notch ideas in a service business. As Deming has a large body of work, I'm going to distill down to the most common or famous of his ideas, mainly to keep this article length manageable, I don't yet have the luxury of time to write a worthy book on this topic. Maybe one day in the future I will.

1. The Continuous Improvement Cycle

Back to our other character in our story: Dr. Walter Shewhart. Many incorrectly reference the idea or principle of PDCA (poorly recreated in the figure below) to Dr. Deming, however it was Deming that celebrated this very simple idea and promoted it. You may know this as the Plan-Do-Check-Act cycle or the PDSA, where Deming adapted the "S" for Study, becoming the Deming Cycle. Regardless of what it is called it's a goodie, however being true to the great man, like Deming, we'll refer to this as the Shewhart Cycle (Deming, 1982). This is the founding principle of continuous improvement or any good Quality management practice, regardless of business type.

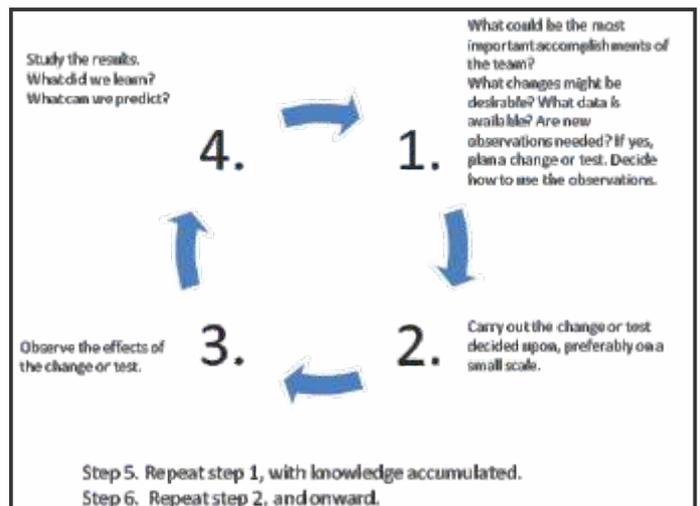


Figure 1 - The Shewhart Cycle.

Applying this in a service scenario is very easy for me. I apply this on a daily basis, always looking for a way to improve my business and find that it is a brilliant tool to influence senior leadership. For example, we had challenges assisting multiple clients and

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their varying needs, all very much at the same time. So starting at point number one, we started to collect data and our observations over the many years of data collection, was that there was now a predictable period or peak activity in any given year, as well as the challenges experienced. So as a management team, we improved on the training and information provided to a small number of select service provider team members to test if this training or information worked. We didn't need to wait too long to see the results, and we were fortunate that the customers gave immediate feedback with great satisfaction. From this, we applied it on a greater scale, and monitored the results to see if the changes made were stable and therefore predictable. Within half a year, we monitored a significant drop in the original set of observed challenges, by a factor of seven compared to the previous twelve months. Now that we showed improvement, however not eradication of the issues, we initiated the process again, ever looking to improve further on what we established.

2. Deadly Diseases

So Deming in his words believed in a "System of Profound Knowledge" (Deming, 1982) and this is the basis for continuous improvement (as described above). However if you have ever attempted change and improvements, you may have to overcome barriers and blockers. Deming in "Out of the Crisis" called them "The Deadly Diseases" (Deming, 1982) "afflicting most companies in the Western World". I presume a Western world of the early 1980's when he wrote them, however before I critique them or show application in a service environment, I will list them out straight from Out of the Crisis chapter 3:

- i) Lack of constancy of purpose to plan (a) service that will have a market and keep the company in business and provide jobs.
- ii) Emphasis on short term profits: short term thinking.
- iii) Evaluation of performance, merit rating, or annual review.
- iv) Mobility of management: job hopping.
- v) Management by use of visible figures, with little or no consideration of figures that are unknown or unknowable.
- vi) Excessive medical costs
- vii) Excessive costs of liability, swelled by lawyers that work on contingency fees.

Table 1 - The Deadly Diseases (adapted)

I like a list, that's just a character trait I have, however they are good for going through in a sequence in explaining ideas.

So starting at (i), how does lack of constancy of purpose apply in a service? The core to this are the following questions: what does

management care about this month? What is our priority? And where are we going? Without answers to these questions, how can we know what do to provide assistance to clients. My personal appreciation of this first disease being addressed, was when my CEO provided a very clear single direction to the whole company, and then demonstrating it through action. As a result of this disease being cured, there has been increased activity with current and new clients, and improved financial results, providing security to the many employees.

(ii) I like this one (focus on short term profits), mainly it is very easy to provide examples of service sector short term thinking. If you have been locked in a cabinet in the last five years, you may not be aware of the recent banking issues across the world. The drive for selling products (subprime mortgages) to people that could barely pay them back, did make a fast buck to the banker, that ultimately resulted in a global recession. Looking at longer term profits not short term gains will ensure business success. For example, Amazon.com doesn't make a huge amount of profit on their e-readers, however it understands that this gives a reader the opportunity to buy e-books over and over, where they can make a profit in the longer term.

(iii) Evaluation of performance can remove the humanistic element of leadership. The assumption of performance appraisal focuses on the faults or the corrections needed to be made on employees. How this really should be expressed in today's terms is that we should focus on the system that creates employee behavior rather than blaming the employee. Peter Scholtes' work in this field is certainly worth a consideration if you wish to learn more (Scholtes, 1998). For example, a supermarket employee that is unhappy and does a poor job, (it) is because the management is poor, simple as this may sound, you may wish to look at Wal-Mart's current performance as a reference.

(iv) Mobility of management. I presume back in the early 80's, many leaders would be job hopping, however what does this do to a business?: it creates instability. I cannot see this being any different in contemporary times. Granted headhunters today would argue with me that new people will bring new ideas or energy or a savior, the "White Knight Syndrome" (Latzko & Saunders, 1995). However if we cannot have employees that are with the employer with some time, this will create instability, and erode the business understanding. In a service environment, I see this especially in my favourite restaurant. I remember that I loved the food and service, then one day, although the food was consistent as previous, the service was abismal. With my Improvement Ninja craft, I learned that the last manager left (to go to another higher paying role) and the new manager was a trainee. As a customer, experienced in good service and food, I have an expectation to have this each time I go to that restaurant. Richard Branson once put it "train your employees well enough so they can leave. Treat them well enough, that they don't want to". Again this comes back down to good management, if there is an ambitious employee that wants to progress, help them to find that within your company.

(v) running the business on visible figures, is important, we do

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need to pay our employees, pay our vendors, pay taxes. Now Dr. Deming is attempting to express there is a difference between the visible and the invisible. In fact he does explain perfectly that the invisible numbers, are actually more important. He would use an example that visible numbers in business are like a thermometer on a wall. (Latzko & Saunders, 1995) A thermometer tells us the temperature, it changes nothing if it is too hot or cold. This goes onto the cost of poor-quality or non-quality, and how in your service business do you measure customer retention in a financial figure? For example, the car insurance industry spends massive amounts on advertising for new customers. I see their business model is to get new customers and to the detriment of their existing customers. I personally see this every year when I get a new premium come from my current provider, only to be underbid by their competitor. Rather than my current provider compete, they let me go, and go on the hunt for another customer. So how much do they have lose of their bottom line to advertise and send out welcome packs. I see these as invisible costs.

(vi) Alright here I'm going to struggle with excessive medical costs. In America at the time of writing of his book, and in many ways which remain today, the cost of medical insurance is a massive cost too, much higher in some ways than the inputs to the business. In other parts of the world, this isn't a factor, for example in the UK where there is universal healthcare not borne by the private sector. If I were to evolve this today, I would suggest re-wording this as excessive costs of non-safety. In a service environment, we are typically working with people, and if someone is injured as a result of the service, this would create a safety cost. This could be financial in the form a legal action or through loss of service provision due to poor reputation. For example in the many physical cosmetic services, we hear horror stories of people being injured as a result of a treatment, and affecting the individual's health.

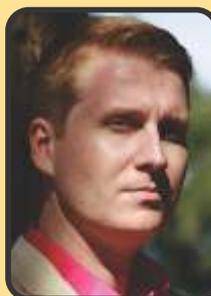
(vii) Excessive legal costs at the time of Dr. Deming was a statement that, to end a business relationship, there was a need to separate as the contract between provider and customer was written in such a way to tie the two legally. What Deming was getting to was that business had evolved at that point in time to have punishment clauses in the contract with their supplier. He suggested the focus best be with the supplier working on building pride in their service or product, and the customer is obliged to somehow assist in the improvement of the supplier's service or product. In modern times, and the ease of getting a "no win no fee" lawyer, working in the service sector you could be a prime target for being sued, as primarily you are working directly with people.

In summary, Deming's ideas are not confined to good manufacturing principles, and perhaps there are not enough real world examples of exceptional service provision as a result of the application of his teaching. The principles Deming set out are really the foundations for excellent business, regardless how or what you may do. They can be applied to a service sector and it will provide you with the results, only if believed in by your upper management and applied by the key influencers in your business. I see a future where the lines of goods and services are

supported on the leadership foundations of Deming's teachings, and the customer's only experience is a sensation of Quality, regardless of where it is provided.



About Paul Naysmith:



As well as being a Quality Punk and Improvement Ninja, [Paul Naysmith](#) is the HSEQ regional manager in the United States for a leading oil- and gas-well services company. He is a Chartered Fellow with the UK's Chartered Quality Institute (CQI) and an honorary member of the South African Quality Institute (SAQI). Naysmith has a bachelor of science in paper science and management, and has worked in industrial textiles, food manufacturing, and the aerospace industry. When not working, he enjoys photography, training to become a Cajun, and spending every precious moment with his family. Connect with him on [www.paulnaysmith.com](#), LinkedIn, or follow on twitter [@PNaysmith](#) or buy his printed book [Business Management Tips from a Quality Punk](#) also available as an [ebook](#) (Lulu, 2013). Paul is a regular contributor to the eQuality Edge Magazine, Quality World Magazine and Quality Digest Magazine. Reproduction of any of Paul's articles can only be authorized by contacting him directly at [naysmith@yahoo.com](#)

**QUALITY
MAKES NO SENSE
WITHOUT U AND I**

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Transparency and Good Governance Lacking in the Retirement Industry

Article by Ian Young and Terrance M. Booysen

With only six out of 100 people in South Africa being able to retire comfortably, much can be said about the state of the local retirement industry. Why are so many citizens unhappy at the pay-out stage and why aren't people saving enough for their retirement?

The answers to these questions are actually quite simple. The industry itself has caused this dilemma because of *inter alia*; historically high cost and commission structures, structuring of products such as guaranteed products, smoothed bonuses and penalty clauses. This has also been allowed to happen by Trustees Boards approaching retirement fund issues from a perspective of what suits them personally – and not "walking" in their members' shoes. The same goes for employers who participate in *umbrella funds*. Too often the "corporate speak" of these meetings is more important than the real needs of members. In reality, the average person simply cannot *actually* understand the complexity of their insurance products and they become bull dozed with fear tactics adopted by many unscrupulous players in the industry.

A "less is more approach"

There is a clear case in the industry for a "less is more approach". Members care about benefits – not posh offices, boardrooms and egos. National Treasury clearly states the obvious: the industry needs to ensure simpler products, lower costs and improved savings. Too many suppliers are using the "market beating" returns to attract business but their high costs negate any benefit these returns may derive for the man in the street. In fact seventy-five percent of asset managers do not beat the index.

A retirement fund is after all a *savings vehicle*, or at least it is supposed to be. As employers, we have to be seen therefore as placing people at the heart of the issue, and tackling the perceived lack of care for their wellbeing and that of their communities. It is easy to grow R250 per month (escalating annually) to R1m over 40 years. Why are we not seeing this?

The questions we raise in this article are; where do you stand as a leader in industry and are you taking a lead as the perceived guardian of your employees' future?

What needs to happen?

For ease of getting straight to the point, let's not debate the fact that it is the company's obligation and moral duty to provide a retirement fund for its employees. However, in creating the fund it must be established upon the basis that it meets the requirements of all the company's employees,

and not for the leaders of the company alone. Remember of course that whilst the management of the company only consists of between 10 - 15 percent of its structures, the pay differential between management and the average employee remains quite uneven. With this in mind, employers should also bear the following factors in mind, namely:

- choose the fund carefully, and ensure that -- as the guardian for others -- the benefits of the fund will meet the needs of all the employees;
- diligently eliminate cost layers and complexity;
- choose simple benefits and structures;
- maximise savings and ensure transparency; and
- ensure suppliers' smart technology can easily support members and keep them informed.

There are countless examples in South Africa where employees have been members of their company's retirement fund for their whole working lives, only to discover at the end of their working lives that the fund value is nowhere near what they had been promised, leaving them in desperate poverty. With class actions now alive and well in South Africa, including the myriad of employee protective legislation already in place, it won't be too long until someone takes legal action against employers and boards for knowingly, over a period of many years, allowing such a situation to arise. Irrespective as to how this situation has come about -- by omission or otherwise -- employers will need to rapidly address this unacceptable state of affairs, particularly since companies in South Africa are generally expected to report upon the manner in which they safeguard the interests of their human capital within their annual Integrated Reporting.

Since most employers are counselled by actuaries, consultants and investment gurus when deciding upon the manner and type of funds the company will support, clearly it is nearly impossible for companies and their board of directors to claim ignorance when retirement funds have been ill-chosen and where employees are left stranded.

Company directors to be held liable for non-payment of contributions

In terms of the Financial Services Laws Amendment Act 2013, signed into law in January 2014, convicted employers can now face a fine of up to R10 million and/or imprisonment of up to ten years. Previously, what was only a 'referable event', is now a criminal act. The revised Act stipulates "the key director who is regularly involved in the management of the company's overall financial affairs" will now be personally liable for the payment of fund

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contributions. Employers and their trustees are required to identify such persons, failing which all the directors will be held personally liable if they do not pay fund contributions.

What are the employer/trustee responsibilities?

The role of trustees is very clear; through the employer, trustees need to manage the retirement funds and ensure there's compliance with the legal requirements that apply to these funds. This includes ensuring that all decisions and actions are taken according to the retirement fund laws and rules. But it also means acting in the best interest of the members (i.e. employees). Employers need to ensure their members (employees) receive the best return on their invested funds by asking appropriate market and socio-economic related questions and making sure that wise decisions are made.

In addition, it is the responsibility of the trustees to make sure that the assets they are responsible for are not abused and that they themselves do not become open for bribery. This means keeping a close watch over fund administrators to ensure members' assets are managed properly according to the law, and that trustees are beyond reproach. Moreover, regular audits as well as checks-and-balances should be a regular governance exercise that is undertaken by the employer so that the necessary assurances and/or counter measures can be proactively managed to avoid any possible unwanted investment risks.

Uncompromised transparency

There needs to be absolute transparency with both trustees of a retirement fund and the recipients of these funds - about what they are getting. Members must understand what the fee structures are that potentially eat into their savings. At the same time, members must be empowered in such a way that they have a say upon their retirement products, and especially so in order to lower cost structures which enable them to achieve a greater return in the long run on their savings. The only way to do this is to redistribute the wealth from the retirement companies into the pension savings of members - this means changing cost structure models and fee layering for the best interest of the people.

Complex products, with many options, variables, split investment choices, multiple asset managers, and bespoke plans for the employees' "personal needs" - all cost more. Companies should not let anyone tell them otherwise. If they want this, then they must go in with their eyes open and make sure they pay a fair price.

Complete overhaul needed

More forward looking investors who underpin their retirement plan solutions with sound governance practices are needed in the Pension Fund Industry. There is no need to wait for National Treasury to force this change.

Companies and investment firms need to challenge the status quo and bring about change in the financial services industry. Undeniably, the world would be a better place if everyone practiced the good governance principles espoused within the King Report on Governance for South Africa 2009 ('King III'). Good governance, which includes ethical business practices, requires all the industry players

to be transparent in their advice, their actions and their products.

Retirement funds can only be transparent if they are in "good health" and have nothing to hide. The industry needs to ensure that there are better governance practices, by forcing full fee disclosure at one touch point. To this extent, retirement fund providers should operate under the business principle that "less is more" and they should become an early adopter of full disclosure and not wait until transparency is enforced by legislation.

Companies can also lead this change by ensuring their retirement fund providers operate with integrity, good governance and are fully compliant. Besides being FAIS compliant and meeting other industry regulations, companies should seek out providers that have audits and controls which are continuously updated throughout the year. In addition, they should have a robust technology system in place which has solid control of the processes and workflows, is able to match assets and liabilities on a daily basis and provides a 24/7 view of the fund's investments.

Innovating by doing it differently

LifeSense Financial Services is leading the change for complete openness as well as the creation of a financial model that means "fewer fees for them and more money for the members". They have done this by creating simple products with the lowest fees on the market, balanced with strong market investment returns. LifeSense has proven that its business model works - having improved its members Net Replacement Ratio (NRR) enormously by bringing simple products with no penalties, fees or commissions other than what has been provided for in their client agreements.

More information about CGF can be found at www.cgf.co.za
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About LifeSense

LifeSense is a Financial Services company bringing much needed transparent financial services to South Africans. Founded in 1988, LifeSense is an independent, licensed retirement fund administrator and financial services consultancy. LifeSense provides clients with a range of services including retirement fund administration and consulting, retirement annuities, financial planning, payroll services and private wealth creation. The company has invested in world-class technology to manage and safeguard its client's funds and investments. Some of its clients include: McCann's Worldgroup, Twincare International, Rohlig Grinrod, Lowe Partners, Total SA, SA Guide Dogs for the Blind, Pretoria Urology Hospital, Redhill School, and Yokogawa. (Where required, LifeSense companies are registered Financial Service Providers. LifeSense Financial Services Private Clients Division Pty Ltd. FSP: 10024. LifeSense Financial Services Administration Division Pty Ltd. FSP: 27496. LifeSense Financial Services Administration Division Pty Ltd. is registered with the Financial Services Board as a Section 13B Administrator.)

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Quality in Schools

a regular column by Dr Richard Hayward

As most of our readers are parents themselves, we have asked SAQI's education editor Richard Hayward (rdphayward@yahoo.com), a retired headmaster and published author to give us some words of wisdom on how to get quality principles instilled in young people.

Protecting children from corporal punishment

by Dr Richard Hayward

Recently I was in the audience at a talk given by retired judge, Albie Sachs. He was a judge on the bench of the first sitting of the Constitutional Court. In the apartheid era, Albie Sachs was an activist and was almost killed when he opened a parcel bomb addressed to him. Today he is honoured world-wide as a distinguished jurist and one of the writers of our much esteemed Constitution.

In his talk the judge recounted an appeal brought before the Constitutional Court. A religious organisation had asked that corporal punishment be allowed in its schools. The organisation claimed that it was a basic tenet of their faith and quoted biblical texts to support the viewpoint. Furthermore, the organisation stated that parents who sent their children to their schools wanted the children to be punished using corporal punishment.

Judge Albie Sachs graphically described to the audience two encounters with corporal punishment from his own life. As a youngster he was a pupil at a famous Cape Town school. On an almost daily basis, he was given 'six of the best' by a particular teacher who always seemed to find fault with his work. Albie Sachs realised the total injustice of the teacher's actions but simply had to endure the pain.

A second encounter with corporal punishment was when he was in solitary confinement in jail. Outside his cell he could hear juvenile offenders being regularly beaten by the warders. What made the situation more agonising for his vivid imagination was that he could never see what was happening. All he could hear were the terrified, feral screams of the victims. When he was later taken out of his cell to the courtyard, he would see the selfsame warders calmly drinking their coffee while reading the daily newspapers. Broken canes were scattered on the ground.

The judge's rejection of the appeal for corporal punishment to be allowed in schools was not based solely on his personal

experiences. Yet those experiences made him aware of how corporal punishment could be both unfair and violent. The core of the argument that he handed down was that corporal punishment was a denial of the basic human rights of any individual.

At the end of his talk, the chairperson invited questions from the floor. A teenage girl from a Johannesburg private school told the judge that there was no corporal punishment in her own school. However, her friends at a Sowetan school were beaten by the teachers. 'What,' she asked the judge, 'could be done?'

Twenty years into our democracy and it being banned by law, corporal punishment is still happening in our schools. It's occurs not only in Soweto but across the land. It's pertinent to ask the question whether your own children or any of their peers are subject to corporal punishment. Ask them. Remind them that children have responsibilities to behave in certain ways in their interaction with their parents, teachers, peers and others. Crucially though, children also have certain inalienable rights. One of them is not to be physically assaulted. Remind them of that right too.

What was Albie Sach's reply to the young questioner? He told her that he admired her courage in raising the question. She was advised to report it to others which by implication were adults. The principal of the teenager happened to be in the audience on that afternoon. I think that there would have been a knock on his door the next day! The judge challenged the organisers of the function to do something to help the girl's Sowetan friends.

Silence can sometimes be seen as a sign of agreement. There's the saying that sums it up succinctly: 'Evil triumphs when good people do nothing.'

Under the aegis of SAQI, Richard Hayward does Continuing Professional Teacher Development (CPTD) programmes. They are recognised by the South African Council for Educators and earn Professional Development (PD) points. For more details, please go to www.saqi.co.za or contact him on rdphayward@yahoo.com. Poor Schools are sponsored.

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All courses offered by the South African Quality Institute are presented in association with other course providers and are available to all organisations including SMMEs and corporates. SAQI can assist with the training of a company's workforce and all training packages can be run in-house at cheaper rates. A special 10% discount applies to SAQI members. **All prices include VAT.** For more information or to register contact Vanessa du Toit at (012) 349 5006 or vanessa@saqi.co.za

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