SAQI
The South African Quality Institute

e - Quality Edge

bringing quality information to South Africans since 1996

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CONTENTS

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National Quality Week

4 - 8 November 2013

Theme

"Building Quality into our Nation" © SAQI 2013

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We hope particularly that our service sector members are starting to prepare for our National Quality Week that was announced in last month's edition of our e Quality Edge. Over the past month SAQI has been involved with a number of our member organizations in the Service sector. During this period a number of questions have been asked as to how Quality Management Systems can be effectively applied in the service industry. Hopefully SAQI has been able to satisfy this request.

Following many requests for more focus on the service sector, in this month's issue we are expanding on the normal subject of quality and we are publishing an article by one of our newly recruited members, Jacques Snyders who is submitting an article on Lean for the Service industry.

We have decided to expand our normal training activities and will shortly be introducing a training activity to cover this demand for Lean in the Service sector.

SAQI is also proud to announce a fair growth in the number of members who are now part of the SAQI member group on "Linked in" If you are not currently a member sign up now and participate in our online discussions on pertinent quality issues.

Paul Harding

Quality:
helping South Africans live, learn and work better

Does lean thinking apply to Service Industries?

By Jacques Snyders Partner Business Improvement Practitioners and SAQI member

Does Lean thinking apply also to service industries? The simple answer to this often asked question is a resounding "YES!" The adoption of the Lean Manufacturing philosophy and supporting principles, over the last 20-30 years, has led to significant improvements in efficiency and quality in the various manufacturing industries so why not also the service sector?

Although we have seen a growing interest in Lean improvement methodology in the service industries over the last 10 year, the successful adoption is still much lower than that in the manufacturing sector. It is important to note, however, the increasing interest in the Lean Philosophy, specifically in the financial sector, in South Africa over in the last 5 year.

The question should then be asked why the adoption of Lean philosophies and principles in the service industries is significantly lower than in manufacturing industries.

The primary reason that I often hear, when speaking to service industry managers is that, their company is unique and their services are too complex. Service industry managers argue that Manufacturing processes are more standardized and that its customer demand is more stable than that in the service industries. To some degree this is true, but we need to look much deeper at the core purpose of the Lean Philosophy. Lean in its most basic form, focuses on the "Identification and Elimination of Waste" activities that result in non-value adding activities. It is said "if you can't see it, you can't improve it!"

So how does your service organization recognise waste? Taiichi Ohno is widely recognized as the father of the Toyota production system. He is also known for his implementation of the "Ohno Circle" principle. Ohno would draw a white chalk circle in the middle of the production floor, and instruct managers to stand in the circle and observe the process around them. Hours would pass, before Ohno would return to the circle, and ask the manager, what he had observed. If Ohno was not satisfied with his observation, he would walk away, only to return hours later to ask the same question. The purpose of this exercise was to teach managers to identify waste activities. Ohno's classification of lean waste, has a universal application. Despite what some practitioners may say or write, the 8 wastes of Lean are applicable not just in a Lean manufacturing system but also apply just as much in the services sector.

Lean waste is commonly categorised in the following seven types of waste:

- Transportation: Movement of items more than required resulting in wasted efforts and energy and adding to cost
- Inventory: Holding more inventory than what is required
- Motion: Movement of people that does not add value
- Waiting: Customer and Employees waiting for parts
- Over production: Processing more than what is required by the customer.
- Over processing: Processing more than required wherein a simple approach would have done
- Defects: Errors, mistakes and rework

There is also an additional waste, the waste of "Skills", commonly referred to as the eighth type of waste. Not leveraging from the knowledge and potential of your employees, is also seen as a waste.

However, we know that service industries are not the same as manufacturing industries. The most significant difference between manufacturing and service industries is that, waste is not that easily recognised and visualised as it is in the manufacturing industries. Walking through a production line, it is easy to spot people standing around apparently not being productive or observing defective or over produced parts that are building up. On the other hand standing in a call centre observing people working, flipping through screens and talking to customers, gives one the impression of an efficient process and people hard at work.

So waste in the service industry is harder to detect. The traditional "Ohno Circle" concept will not show all variations of waste in your departments, but you will observe quite a lot. For you to see more waste, you need to participate in more Gemba Walks. "Gemba" is the Japanese term for "the real place". The Gemba is where the process happens. It's where people serve customers. If you really want to understand the process, you need to walk the process as a "customer". Follow that customer's claim, procurement orders or invoice through the system. You may not immediately recognise all 7 types of waste, but you will see how the process delays the customer orders, or how many opportunities for rework and defects there are in the process.

Here are some service related examples of the seven types of waste found in service industry processes.

√ **Transportation:**

- Movement of files and documents from one location to another
- Excessive e-mail attachments
- Multiple hand-offs

Continue on Page 3

√ **Inventory:**

- Files and documents awaiting to be processed
- Excess promotional material sent to the market
- Overstocked medicines in a hospital

√ **Motion:**

- Searching for data and information between two to three different systems in a call centre
- Looking for surgical instruments
- Movement of people to and from filing, fax and copy machines

√ **Waiting:**

- Customers waiting to be served by a contact centre
- Queues in a grocery store
- Patients waiting for a doctor at a clinic
- System downtime

√ **Over production:**

- Technicians ready for the installation at customer premises, while the customer site is not ready
- Printing documents before they are required
- Processing items before they are required by the next person in the process

√ **Over processing:**

- Too much paperwork for a mortgage loan.
- The same data required in number of places in an application form
- Follow-ups and costs associated with coordination
- The requirement of too many approvals
- Multiple MIS reports

√ **Defects:**

- Rejections in sourcing applications
- Incorrect data entry
- Incorrect name printed on a credit card
- Surgical procedure errors

You might have read, or come across the various lean tools that are so widely publicised, and yes, these tools do form the foundation of a successful lean implementation. However, if service organizations have the ability to identify waste in their processes, then small continuous improvements (also known as the Kaizen principle) targeted at eliminating these various forms of waste, is what will establish a foundation for your Lean improvement journey.

It's not that Lean principles don't apply to service processes – they generally do, and quite well. Impressive Lean breakthrough examples have also been demonstrated many times in a wide variety of situations such as claims processing, call centres, software development, patients waiting times and various service installation processes.

When embarking on your lean improvement journey, seek advice from a seasoned lean practitioner, to guide you through the program and assist you in identifying your industry specific lean wastes.

About the Author

Jacques is Managing Partner and Operations Director of Business Improvement Practitioners in Pretoria. He holds various degrees in the operational fields of Project Management, Quality Assurance and Production Management, Certified Lean Master, Six Sigma Black Belt Trainer and Coach. He has 19 years' experience in Operations Management, 12 of those in the motor industry. He held management positions in Quality Engineering and Project Management.

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Back to Contents Page

My Toyota Dilemma

Part 2

By: Paul Naysmith

Field notes on car-purchasing, American style

In my last article "My Toyota Dilemma," what I considered a nice little story about how I, an avid fan of the Toyota quality principles, didn't actually own a Toyota, and how ironic that was. However, I can now declare that I am—well, really my wife is—a proud owner of a Toyota automobile.

In the fall of 2011, I relocated, through my employer, from the United Kingdom to Louisiana. Moving to the United States meant we had to sell our European cars, but this wasn't due to the fact that the steering wheel is on the right side of the car (and when I say "right," I mean that it's on the correct side). We sold them because moving our cars wasn't part of the relocation package.

Once we arrived in Louisiana, my wife and I applied for Social Security numbers, and then we experienced being processed at the Department of Motor Vehicles. Having passed our driving tests, we were granted driver's licenses. Public transport isn't a ready solution for us where we now live, so I thought we could pick up a couple of cheap cars to get us from A to B.

As I've observed before, America in general is obsessed with cars. I have colleagues who have at least two cars for themselves: their commuter cars and their weekend cars. The weekend car in Louisiana tends to be a pickup because weekends are for driving the boat to the fishing grounds or transporting whatever has been hunted. I thought there would be a plentiful supply of low-mileage, inexpensive cars to choose from, as I would expect in the UK. However, this is where I found my first pitfall.

Let me explain the difference between the UK and U.S. car markets. Within the UK, the government has a set of policies that address European climate change targets. These policies range from heavily taxing polluting cars to setting higher taxes on fuel purchased. In addition to the environmental taxes, there are safety laws to abide, which require having your vehicle assessed in annual inspections. You rarely see pickup trucks or cars older than 10 years in the UK. With gasoline at nearly $10 per gallon, filling a 36-gallon tank in a pickup is an expensive experience at the pump. Factoring an average of 20 mpg around town, you'll have to plan your journey via the gas station. All this encourages the motorist to think of buying high-economy engines or fuels, which forces the "used" price of gas guzzlers down.

The annual inspection performed on vehicles (three years and older in the UK) also affects the pocketbook and used prices. Every year a government-approved station conducts a series of checks on safety features and engine emissions. And this safety check is linked to a national database, which is linked to the police force. So if your vehicle hasn't been assessed on time and with a passing score, your insurance is void, and the UK police can remove the car from the road—even crush it into a cube if they're really in a bad mood. Your car's emissions are also linked to how much annual tax you must pay; so the less efficient the engine is, the more it costs you to drive.

Coming back to the pickup example, you might have to pay $800 per year for the environmental tax, and if you must also fix all the safety failures, then remedial annual repairs can get costly. Again, this all drives down the value of your used car.

So within the UK, you can readily find cars about 10 years old that cost less than $1,500; however, you may have to pay out more for inefficiency, work to correct any safety concerns, and pay higher tax duties. With America bursting at the seams with cars, I figured I'd be presented with the same "cheap" options. What a mistake that was.

In the UK, the annual inspection takes a least half a day: checking for tire wear, brake efficiency, corrosion, seat-belt integrity, engine emissions, light functions, leaks of any sort, wiper blade condition, windshield cracks, and many more too long to list—all for a $75 fee, even if you fail the inspections. If you do fail, you have a set period of time to correct and have your car re-inspected. If your car can't pass, and you choose to scrap it, you may have to pay the scrap merchant a disposal fee to take care of the environmentally dangerous parts lurking in your car. Where I live now, the annual inspection for vehicles consists of "if you can drive it to the inspection garage, you've passed," and it cost me $10 for the pleasure of a square sticker in my windshield.

With little to encourage the average car owner to keep the car to high standards, or government policies for driving (excuse the pun) environmental improvements in Louisiana, there's not much incentive to force down the cost for used vehicles. I do observe that brand new cars are much cheaper than their equivalents in the UK; however, the depreciation curve is much steeper in the UK on used cars.

Putting all this into a quality perspective, in the UK the senior leadership (i.e., the government) is trying to create a culture of efficiency by hitting the taxpayer where it hurts. As a result we have more cars on the road that are safer and also environmentally friendly. To illustrate the contrast between UK and Louisiana cars, I've included some examples of vehicles I'm fairly certain would never be allowed on UK roads.

***Example 1:** The non-opening side of the car. How would you be able to exit in an emergency? I personally appreciate the effort in the black panel stripe. Not so good is the red paint on the replacement window.*

Continue on Page 5

Example 2: The lightweight model. There is a piece of string holding the bumper on. This was taken when we were travelling on the interstate.

Example 3: The creative bumper solution using wooden two by fours

Returning to the Toyota experience, my wife had done some great research at the local dealerships and identified another Japanese manufactured car online. So she went to see it, only to find that the dealer had sold it. However, they had just received a Toyota as a trade-in; she test drove it and liked it. So after work I went and looked at it myself. Given my experience with the UK system, having bought and owned many used cars in the UK, and knowing what to look for in a used car, to my mind I already had an advantage over the dealership.

Before taking the Toyota out for a spin, I was under the hood, on the floor under the car, checking the electrical system, feeling the viscosity of the oil, opening caps, and taking notes in my little notepad. The salesman was very adamant that this was an excellent "example" and kept reminding me that it was a trade-in. He threw out a value he was willing to sell it to me for, but with my list in hand, I fired back about the safety concerns I had (knowing there is a litigious culture in the U.S. can work to your advantage). We played this game for awhile until I got him to agree to fix many of the issues, at his cost, and a whacking great discount besides.

Since owning the Toyota, we have travelled all across Texas and Louisiana in it, and I absolutely enjoy every minute driving it. My wife recently asked me to upgrade the stereo to accept her iPod. Pulling the dash apart, I was exposed to a new element of the Toyota quality model: the hidden insides of the car. I was able to see the level of simplicity and mistake-proofing designed into the car. The dash components are so well made that that there are few screws or bolts. The snap-fit latches when reassembled, and it's strong and fast. Thanks to the car's excellent design, even a bumbling idiot like me can ensure quality during the reassembly process.

So do I no longer have a Toyota dilemma now that I own one? Actually, I have a new Toyota dilemma. I live approximately 7 hours away from San Antonio. There is a mega Toyota factory there that builds pickup models. It is my intention to visit the factory and take a tour, and therein lies my dilemma: who to take with me. Do I take the managers who have never been exposed to a world-class production system? Do I take high-potential employees by way of a reward? Do I take the quality professionals to let them learn about the Toyota Production System? Do I do the tourist thing and take my wife for a nice day-trip? Or do I fill up a bus?

As with my previous Toyota dilemma, I will use the 5 Whys technique to help me out. It always gets me to where I should be.

About the Author

Paul Naysmith as well as being a Quality Punk and Improvement Ninja, is the HSEQ region manager in the United States for a leading oil and gas well services company. He is a Chartered Quality Professional with the UK's Chartered Quality Institute (CQI) and an honorary member of the SAQI. Naysmith has a bachelor of science in paper science and management, 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.

Paul is appointed as a regular contributor to the eQuality Edge. Reproduction of any of Paul's articles can only be authorised by contacting him directly at naysmith@yahoo.com

Back to Contents Page

Supplier Management

By Monde Mekute, Executive Manager: Quality Assurance - Carl Zeiss Optronics (Pty) Ltd

A supplier has let you down, has failed to deliver on time and / or has delivered a non-conforming raw material or component. This has made you fail to deliver on time to your customer, or worse this has made you deliver a non-conforming product to your customer.

What are the consequences?

(1) You become upset because this disrupts planning and can create a huge amount of stress on all concerned. This also can have a serious negative effect on productivity and employee morale.
(2) You have to call your customer and apologize for someone else's poor performance.
(3) This weakens the relationship with your supplier.
(4) This weakens the relationship with your customer.
(5) Depending on how important the customer is, this can cause irreparable dame to your organization. This damage could include complete loss of reputation, severe penalties & liabilities, and customer defection. In some instances, especially in small enterprises this could simply mean death of your organization.

Important Lesson

Suppliers are a critical link in the entire demand fulfillment value chain and their performance invariably affects your organization's capability to honor its commitments and obligations to customers.

So how do we prevent these life threatening experiences in organizations?

That's the essence of this article.

Organizations should focus on developing and sustaining mutually beneficial relationships with suppliers. This should be one of any organization's critical success factors. Those organizations which fail to realize this fact will soon become casualties of an increasingly competitive market. *This is principle 8 of the eight quality management principles.*

Competing in the global market environment requires that organizations adopt best practices to remain competitive in the market place and relevant to customers. Your customers now expect 100% quality reliability (zero defects), 100% on-time delivery, and excellent customer care at all times. These are the same expectations you should have of your suppliers. Your organization's ability to fulfil its customer requirements is dependent on your suppliers. The message must be clear to your suppliers; that poor performance shall not be tolerated.

Of course your organization might try to offset the impact of poor supplier quality and delivery performance by building up huge inventories of raw materials and finished products. This approach is however very wasteful and expensive; it is a bad practice which is in conflict with LEAN principles. The approach therefore should be to prevent supplier quality and delivery problems through proactive supplier management programs. The objective is not merely to reject defective raw materials or components; but to systematically develop suppliers so that quality reliability and on time delivery problems can be eliminated. The goal is zero defects, on time delivery, and excellent customer care from your suppliers.

To build and sustain mutually beneficial relationships with suppliers; the following mutual guiding principles are of utmost importance:

(1) Transparency & Communication
(2) Honesty & Trust
(3) Integrity & Fairness
(4) Development & Performance

Characteristics of good supplier relationship management

(1) First and foremost, a robust supplier evaluation & selection criteria should be in place to ensure that only competent and reliable suppliers make it to the list of the organization's vendors.
(2) Suppliers should be subjected to quantitative assessment for different aspects of competencies, such as:
- Delivery Performance (On Time Delivery)
- Product Quality (Quality Reliability)
- Innovation & Technical Know-How
- Price
- Responsiveness & Flexibility
- Attitude & Customer Care
- Facility
- Quality Management Systems (QMS)
- Financial stability
- Business Processes
- Legal and regulatory compliance
- Background Reference Check (Specific Delivery Capabilities, Country of Origin, Client Base, etc.)
- Sub-Contracting (Your organisation wants to know if the supplier uses a sub-contractor.)
- Country and City Risk (Location where the actual service / good is delivered from, political stability,

Continue on Page 7

social risks, economic risks, geographical & environmental risks, risks associated with talent supply, etc.)
- Guiding principles and values

(3) Your organisation should constantly evaluate and develop suppliers to ensure continued performance improvements. Gaining insight into supplier performance is rather futile without capabilities to establish action plans for improvement.

(4) A service level agreement (SLA) or contract should be developed and fully implemented with each supplier with clear expectations and with clear consequences for deviations from the agreed performance standards.

SLA's should cover the following inter alia:
- Service being provided
- Standard of service
- Delivery schedule
- Respective responsibilities of supplier and customer
- Provisions for legal and regulatory compliance
- Mechanisms for monitoring and reporting of service
- Payment terms
- Resolution of disputes (Problem Management)
- Compensation
- Warranties & Remedies
- Confidentiality and non-disclosure provisions
- Termination conditions

Periodic performance reviews should be built into SLA's and supplier performance should be reviewed at regular intervals. The purpose of the reviews is to establish compliance with SLA requirements and to determine preventive & corrective measures. The agreed penalties should be consistently imposed for deviations from the agreed standard performance. This review also includes the customer's own performance regarding SLA compliance. SLA's should too be subject to constant discussion and updating to respond to prevailing business conditions.

(5) Your organization and suppliers should collaborate to adopt best practices to eliminate waste and inefficiencies in the supply chain. This is continual improvement; *Principle 6 of the eight quality management principles.*

(6) Without leadership support and commitment very few improvement initiatives become successful. Top management of both customer and supplier organisations should therefore play a leading role in pursuing best practices. This is leadership importance; *Principle 2 of the eight quality management principles.*

(7) Your organization should co-ordinate its production schedule with suppliers and update them on strategic changes or new products early enough to allow them to adapt to the changes.

(8) In the spirit of integrity, fairness, and supplier development; your organization should be sensitive to suppliers (especially smaller ones) and pay undisputed bills on time. Prompt payment of invoices is essential for most suppliers as this can mean the difference between success and failure – CASH FLOW. Paying late also puts strain on the relationship with suppliers and could lead to less favorable credit terms in future.

(9) Suppliers should consult your organization on any planned changes on their side which might have an impact on your organization. These changes include inter alia:
- Facility changes
- Process & technology changes
- Material changes
- Supplier changes
- Personnel changes

(10) Your organization should avoid using many suppliers for a single material or component as this tends to increase variability and inconsistency in the quality of supplies. It also requires a lot of organizational effort and time to manage many suppliers. The best practice is having few well developed suppliers.

(11) The extent of supplier monitoring activities should depend on the level of confidence built with each supplier. This level of confidence should be scientifically determined. This is factual approach to decision making; *Principle 7 of the eight quality management principles.*

"In God we trust. All others must use data."
Edwards Deming.

(12) Last but not least, your organization should have regular supplier prize giving ceremonies with all suppliers in attendance to acknowledge and reward excellent supplier performance. The main purpose of these ceremonies is to celebrate success, strengthen relationships, and motivate those suppliers which are not doing well.

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About the Author

Monde Mekute is currently the Executive Manager: Quality Assurance at Carl Zeiss Optronics (Pty) Ltd based in Pretoria. Monde has a BSc degree in Chemistry & Applied Chemistry from the University of Cape Town (UCT), a degree in Quality Management, and other qualifications in Business Management. He possesses extensive quality assurance & quality control work experience in the manufacturing environment. He has worked for major organisations in the pharmaceutical, petrochemical, pulp & paper, technology, and aviation industries.

Quality management is his profession and business excellence is his passion. He is the Associate Member of the South African Quality Institute (SAQI).

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Back to Contents Page

Looking Back & Going Forward

By Terry Booysen, Chief Executive Officer, CGF Research Institute (Pty) Ltd

Good morning ladies and gentlemen (Abridged Version)

Indeed, it is a great pleasure hosting you at this special breakfast, and I and the CGF team extend our gratitude in your continued support through the 10 years of our existence.

May I also thank all our sponsors Aon SA, ContinuitySA, Grant Thornton and CQS, including all the people who rallied behind CGF to make this occasion special.

A special word of thanks to our host, Mr Mark Kelly who made it possible for CGF to make use of the Johannesburg Country Club, being such a fabulous venue.

Thank you also to all CGF's employees and consultants for your tireless efforts to making CGF what it is today. To our honorary and corporate patrons, clients, strategic alliance partners, and the ProudlySA Campaign, our most sincere gratitude is owed to you.

As I commence my presentation, perhaps a quick roadmap is needed to explain how Paul and my presentations have been prepared; essentially I will be providing a more macro-approach to the world of governance and risk, *'looking from the outside in'* and sketching a scenario which may beg some questions to your organisation's future, general strategic thinking and direction.

Interestingly, many a board member may think he's on top of matters only to discover that someone has changed the rules of the game. Most often, and more so in our rapidly evolving and highly technical business world, the rules are being changed daily. So, the question is; 'just how prepared are we really' as leaders to anticipate future change and are we practicing a more agile way of coping with the new thinking and its challenges?

Paul's presentation will give you a practitioner's broader understanding of *'looking from the inside out*', and you will get a fair measure of more practical matters to consider as he unpacks some of the issues that cause dysfunction in boardrooms and mis-aligned governance structures which have the ability to seriously damage, or even cause an organisation to collapse.

So I trust that between our two presentations, you will get a good perspective of the two approaches, each integral to the other and critical that they are aligned with the strategy and success of a business. The fundamental underpin of the organisation's sustainability remains grounded in sound governance policies and practices.

Our own journey within CGF has had its own tribulations and successes as we look back on these incredible years of learning more about what good and poor governance entails. As we have learned so much about our own business, and shared many a lesson with our clients through the years, we realize how much there is still to learn as we look forward to the future challenges that will define our own existence as a company and its sustainability. Indeed, these lessons can be shared with our clients so that we need not "re-invent the wheel" as the saying goes.

It is on this note that one realizes in life that to excel in business, it's not necessarily about how hard one works to achieve the goal, but rather about how smart one is about achieving the goals at hand. And so, at the outset may I suggest -- in real business terms -- that some business leaders are 'smarter' than others, and through their mental agility and stealth strategies, they perform better than others.

That said, let's also agree that most of us are all in business to make money -- and hopefully lots of it -- so that we can claim the end prize. Whilst this statement may appear somewhat direct, it remains true for many, even though we don't want to admit it.

Now that we have been bold enough to concede this truth, from a governance perspective it's not important how much money was made, but more importantly how the money was made and how it is being spent that matters. In other words, we need to know that the money was made legally and according to ethical standards and such where appropriate portions of this money is used to build and strengthen business and social communities so that the entire supply chain – at global and local levels – remain sustainable.

These are some of the principles contained in King III and no doubt contained within many business journals and MBA programmes worldwide.

So, its about money at the end of the day; it's about appropriate risk taking, it's about know how far to push or pull back, it's about judgement calls, ethics, morality and 'humanness' – these are the factors that we contend with in business each day. Some of us are more evolved (or business savvy) to deal with these parameters, others less so and averse to risk taking.

Notwithstanding the levels of our experience, we are all on a journey where realistically speaking there may be no real beginning and no real end and these 'truths of business'

Continue on Page 9

have become more vague in recent years with the advent of e-business, cloud computing and so forth.

Our many types of boundaries – be these at geographic levels, societal levels, cultural, business or legal levels have become so blurred, that it's becoming increasingly difficult as leaders to survive in business terms, let alone thrive!

Perhaps this is then the right juncture to ask whether or not South Africa has clearly understood the difficulty and challenges of these boundaries, and whether its strategy could withstand the test and scrutiny of its citizens, South Africa's stakeholders, regarding the soundness of its strategy and plan.

May I assure you this will not be a government bashing talk; whilst there are many critics out there who don't foresee the National Development Plan (NDP) achieving its objectives, you will no doubt have already formulated your own opinion regarding the road South Africa is currently travelling.

All over the news in SA, and in other parts of the world, SA is being lambasted by its investors - local and foreign - such where matters such as crime, corruption, unemployment get the main focus and brunt. Even the Auditor General has had his say regarding dysfunction where his 2013 report shows many poor governance practices within national and local government departments and cause for major concern.

Interestingly, last week I had the occasion to address a high level audience straight after Clem Sunter - a foxy man - and whilst this was not the first occasion I have done so, I have to admit that it was really good allowing Clem to set my scene for a change.

Normally, I am the person delivering gloomy messages attached to poor governance, such as when I predicted in October 2011 at a national podium that SA would still see social unrest of epic proportions if the gap between the rich and poor, educated and uneducated, employed and unemployed did not become less.

Expectedly, my critics scoffed the idea notwithstanding the fact that after I had said what I did, Moodys down rated SA's global ratings, followed by Fitch and S&P.

SA is now generally rated at BBB+ by all three agencies (Sept 12) and considered a much higher risk for foreign investors.

In Clem's latest talk, he suggests that South Africa is in a fairly rapid decline, and what was previously a 10% blip on the geo-political play card, has now become a 25% probability of SA becoming a failed state. Putting this into perspective; 10% predictability scoring at the time probably meant "let's keep an eye on this potential problem", whilst 25% now means "what will we do to fix the problem?"

We need to however be mindful of the fact that according to recent statistics cited on Moneyweb, SA Inc. has lost almost 45% of its FDI in the 2011/12 period, and almost 450,000 SME businesses have closed in SA over the last 4-5 years! Of course this does not bode well, particularly knowing that the NDP of Pres. Zuma hopes to build 5m new jobs by 2020. Of course many critics have said we should rather be talking about creating new businesses (as opposed to simply trying to get existing businesses to create more jobs in an already pressurized cooking pot). By creating new businesses through the appropriate government grants and tax incentives -- particularly in the SME sectors where currently almost 67% of our existing employment comes from -- new and entrepreneurial growth will flourish instead of;

– trying to bolster existing State-Owned Organsations with even more employees and ineptness (SOEs currently offer circa 22 % employment)
– placing yet more pressure and burden upon existing businesses to create 'decent' new jobs.

That said, in just the past few weeks it has become very evident of the tensions between business and government, through for example;

– the political tensions and uncertainties of South Africa's future
– the drop in SA's sovereign credit ratings
– the weakening of the Rand
– the lowering of SA's GDP forecasts by the IMF for global growth in 2012 to 3.3%, from its July forecast of 3.5%, with its 2013 forecast falling to 3.6% from 3.9%
– the social and labour unrest
– increasing unemployment & debt burdens at both country and consumer levels
– lack of clear strategy & growth of the country
– drop of local & foreign investor's confidence in SA
– political interferences with business in SA
– greater state involvement in mining, falling short of outright nationalisation
– high demands by labour and radical unions
– regulatory uncertainty evidenced through the massive resurgence of BBBEE, EE and LRA (SA has a very poor record in terms of LRA. According to the World Economic Forum's Global Competitiveness Report, SA is the worst of 142 countries assessed in terms of co-operation in labour-employer relations)
– constraining legislation is proposed for the media, civil society, and the Judiciary
– unbalanced and increasing tax burdens upon business and high net worth individuals.

Perhaps, and in additional to the above, South Africa Inc. doesn't have a clear plan for the road ahead; and many critics and businesses in SA believe the NDP will amount to nothing more than what GEAR tried to achieve and have referred to South Africa's journey ahead as a *Long Dark Night!*

Remember SA Inc. has put together a few paper-good strategies/plans (ASGISA, IPAP 1 & 2, NGP and now the NDP) and yet details to achieve any of these illustrious plans have fallen short of their marks. Arguably, many also feel that NEDLAC and BUSA have also failed to achieve the partnership levels that are so desperately required between government and business in order to get SA back on the road to success.

Regrettably, Pres.Zuma's SONA failed to create inspiration

Continue on Page 10

amongst the much needed support of business and mistrust may now have deepened.

So how are SA CEO's feeling right now?

Well, before we attempt to answer this loaded question, let's say that we need to stand together and either agree to fall apart, or walk together!

This feels somewhat remnant of Dr Mamphela's three road scenario pitched just a few years ago and probably some of her motivation to enter the political scene with the launch of her new party called AGANG (which can be interpreted in English as "Build South Africa"). And might the introduction of AGANG SA become the New Dawn ahead; I guess time will tell?

In the latest PwC 16th Annual Global CEO Survey (Jan 2013), aptly entitled *Making Strides to Survive & Thrive*, CEOs across many industries of 56 publically listed and privately owned businesses in South Africa had this to say;

• Firstly, there's a cautious optimism in SA (CEOs: 2012)

– 3%-16% of SA CEOs believe the global economy is showing positive developments across a range of macro economic areas, whilst between 15%-18% their international counterparts are more positive
– 90% of SA CEOs are bullish about their prospects for revenue growth in next 12 months (short-term), but most CEOs are not confident that they will make their revenue growth in the next 3 years
– 98% of SA CEOs have key operations in other parts of Africa, and 81% of SA CEOs expect to grow key operations in other parts of Africa in next 12 months
– Many SA CEOs rate China, Nigeria, India & Brazil ahead of the traditional economic power houses of Western Europe. 17% of CEOs expect their key operations in Western Europe to decline in the next 12 months
– The World in 2050 Report* concludes that emerging economies are set to grow much faster in ave. growth of GDP than their counterparts over next 4 decades, with Nigeria in front, followed by Vietnam, India, Indonesia, China, Saudi Arabia & South Africa
– 75% of SA CEOs expect to see headcount to either increase or stay the same

BUT then there's the worries;

Macro risks in SA (CEOs: 2012)
– Availability of key skills (88%)
– Bribery & corruption (75%)
– Uncertain or volatile economic growth (75%)
– Exchange rate volatility (70%)
– Social unrest (68%)
– Over-regulation (66%)
– Lack of stability in capital markets (64%)
– Government response to fiscal deficit & debt burden (63%)
– Energy & raw material costs (59%)
– Protectionist tendencies of national govts. (59%)
– Increasing tax burden (48%)
– Inflation (47%)
– New market entrants (43%)
– Changes to consumer spending & behaviour (41%)
– Inability to finance growth (39%)
– Inadequacy of basic infrastructure (39%)
– Supply chain disruption (32%)

Moving forward, CEO's in SA and worldwide foresee their strategies including;

– Growing customer base (SA 64%:Global: 51%)
– Improving operational effectiveness (SA 48%:Global 49%)
– Enhancing customer service (SA 43%:Global 38%)
– New M&As / JVs / strategic alliances (SA 34%:Global 33%)
– Filling talent gaps (SA 34%:Global 27%)
– Implementing new technology (SA 27%:Global 26%)
– Manufacturing capacity (SA 20%:Global 19%)
– R&D and innovation (SA 18%:Global 32%)
– Securing raw materials or components (SA 7%:Global 9%)

Before I hand over to Paul, let me emphasis that this is not the end of the road and SA Inc. is still a new democracy with many issues to address. Somehow, no matter how worrying the future may be, visitors to our country have generally concluded that "it is a lovely place – but that SA cannot possibly last another 5 years. Time and time again, experience has proved the pessimists wrong."

To conclude my presentation, for SA Inc. to resurge and lift its game to the higher league as Clem puts it, we will need to see, amongst other:

– a move towards the deregulation of labour markets
– reduced excessive legislation linked to employment equity and empowerment requirements
– abandon the idea of large-scale state led industrial and social policy such as a state owned miner or steel maker and the National Health Insurance scheme
– maintain conservative fiscal and monetary policies such as inflation targeting
– provide lucrative incentives for SMEs to develop to absorb large sector of the unemployed.

Thank you.

** The World in 2050 The BRICs and Beyond: Prospects, challenges and opportunities – a PwC Report*

To find out more about CGF, its Lead Independent Consultants and Patrons access **www.cgf.co.za** or **www.corporate-governance.co.za**

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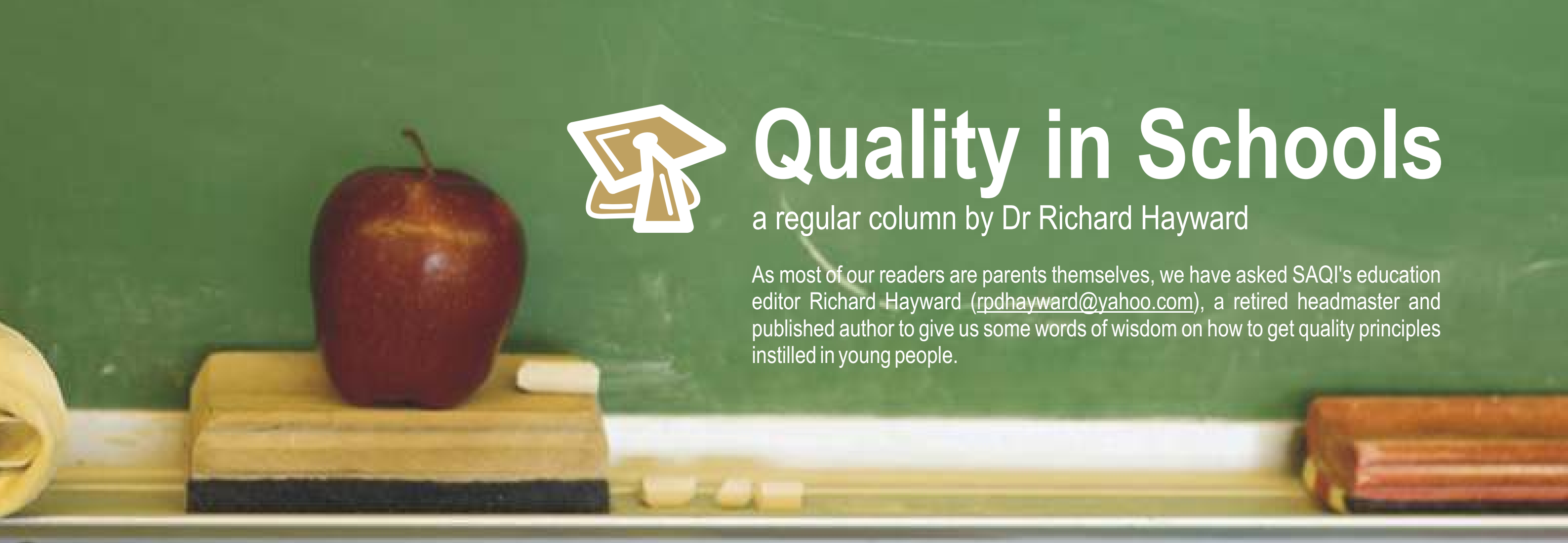
Back to Contents Page



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 (rpdhayward@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.

"But mom, I've got no homework ...!"

Homework can cause tension in homes. Very young children often still enjoy homework. Older children can view homework very differently. The intellectual demands and the sheer volume of homework are two main reasons for the change in attitude.

A child can be helped to view homework not as something to be endured but rather as something to be enjoyed. Homework helps one improve one's knowledge and skills; better exam and test results usually follow. The child will do class work better and yes, enjoy lessons more.

As the child becomes more independent, there's a sense of achievement with each completed task. Self-esteem grows. When a child understands that there won't be leisure activities until the homework has been done, the youngster learns many valuable life skills. Two of them are the need to be self-disciplined and use time effectively.

Parents can help children get into a good homework study routine. Five familiar tips are:

1 Create a pleasant study environment: Make sure that your child has a big enough desk, lamp and comfortable chair. If the weather demands it, provide a fan or heater. There should be all the necessary stationery. If a computer is being used, is it suitable for the homework being given by the school (example: need for internet access)?

It's hard to work well in a noisy environment. The radio and TV should be switched off. Cell phones should be on silent. Millions of South African children don't have their own bedroom or private homework space. If homework is being done around the dining room or kitchen table, try to create a room that is quiet and has minimal distractions during study time.

2 Have a set homework routine: "But mom, I've got no homework today!" isn't an excuse to go out and play. Time should be set aside every day for homework. When there's no set homework, time can be spent revising work already done, learning for tests on the horizon or reading a book. The daily homework routine becomes a good school-day habit over time.

3 Ensure a break between school and homework: At the end of about six hours a day in classrooms, everyone deserves a break. There's a need for a snack and a rest. Once the batteries have been recharged, it's time to be at the homework desk or table.

4 Offer to help: Younger children want your help with their homework. They might want you to help with collecting project material or doing revision 'mini-tests'. Older children might want to discuss school topics with you. Guide but don't do their homework! It's their work. The teacher's final mark awarded should be for the children's work, not yours!

5 Praise good efforts: It can be difficult to stay motivated while working on one's own. When good efforts are made, give praise. When the child's efforts (not necessarily achievements) have been good, it's time for a little celebration. It could be an ice-cream, soft drink or maybe even no homework study time tomorrow!

The child who learns to do homework well through focussed hard work and perseverance today, is learning how to be a happy, high achieving Quality citizen of tomorrow.

Richard Hayward does programmes on behalf of SAQI. For more details of the Total Quality Education (TQE): the five pillars of Quality schools workshops, please contact Richard (011-888-3262; rpdhayward@yahoo.com). Poor schools are sponsored for hosting workshops.

Back to Contents Page

SAQI Training Programme for 2013

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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SAQI reserves the right to change details of the programme without prior notice. Click on the course code for a synopsis or **click here** for all course synopsis in alphabetical order.

Code	Course	Days	Cost	Jan	Feb	Mar	Apr	May	Jun
B11	Setting and achieving measurable objectives	1	R2,340.00			1			7
B12	ISO 14000 overview	1	R2,340.00				25		
B14	Integrated Management Requirements	3	R4,650.00			12-14			
B16	Internal Quality Auditing	3	R4,800.00		6-8			28-30	
B20	Organisational QMS Lead Auditor	5	R10,800.00					6-10	
B24	How to write procedures	2	R4,100.00			26-27			
B34	Statistical Process Control	5	R10,800.00				15-19		
B38	Development of QMS	5	R10,800.00					13-17	
B41	Introduction to Quality Control	1	R2,340.00		22				13
B48	ISO 9001 Requirements Workshop	3	R4,650.00			5-7			
B58	Customer Satisfaction and Excellence	2	R4,100.00				23-24		
B64	Introduction to Quality Techniques	3	R4,650.00		12-14				4-6
B65	SAQI Certificate in Quality	10	R18,320.00					20-24	24-28
B66	Problem Solving and Decision Making	3	R5,700.00				10-12		

SAQI also offer the following courses on an inhouse basis for 10 or more delegates. Please contact vanessa@saqi.co.za for a quote.

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- Cost of Quality (B1)
- Customer Care (B39)
- Customer Satisfaction and Excellence (B58)
- Development of Quality Management System (B38)
- EMS Lead Auditor (B50)
- Executive Report Writing (B57)
- Exceptional Service (B32)
- Health And Safety Lead Auditor (B52)
- How To Write Procedures, Work Instructions and ISO 9000 Overview (B24)
- ISO 14000 Overview (B12)
- ISO 9001:2008 Requirements Workshop (B48)
- Integrated Management Requirements (B14)
- Internal Quality Auditing (B16)
- Introduction To Quality Control (B41)
- Introduction To Quality Techniques (B64)
- Organisational Lead Auditor (Preparation Course) (B20)
- Policy Deployment And Continual Improvement
- Project Management Demystified (TD1)
- SHEQ Internal Auditing (B49)
- SHEQ System Development Programme (B51)
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Back to Contents Page