

A2C Newsflash

Special Interest Articles:

- Are you sure you really know what non-quality is costing you?
- A2C in Fin 24 – Top 5 Time Management Tips
- A2C in Weskus Nuus
- B-BBEE Certification
- Our new logo

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Are you sure you really know what non-quality is costing you?

Understanding the cost of non-quality

Many businesses are feeling the pinch due to increased competitive forces and on-going pressures to reduce costs, while at the same time facing demands for improved flexibility, superior customer satisfaction and exceptional quality levels. These may seem like conflicting requirements, right? WRONG!

“Surely higher quality levels must result in increased costs and therefore a reduced bottom line profit...or is quality a silver bullet that will cure all issues and drive profits upwards?” While quality improvements have proven to be beneficial to business results, it can unfortunately not be over simplified. It will therefore make sense to explore the connection between quality and financial performance. Cost of quality or more aptly, cost of non-quality is that very link.

At this point two thoughts might cross your mind:

- Cost of non-quality applies only to production operations and is not applicable elsewhere in the business.
- Cost of non-quality is not an unfamiliar concept and any good manager will know how it is made up and that it is less than 1% of the total cost of sales – after all, very few managers will admit that quality is out of control in their business.

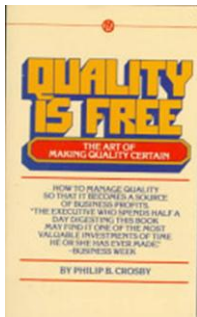
It is therefore important to set the

record straight before we continue to explore the supposedly well-known concept called cost of non-quality. While it is normally easier to measure cost of non-quality in a production environment where things are more easily quantifiable, it can be measured in any part of the business and for any business process. Furthermore, don't fool yourself – your cost of non-quality could be in excess of 10 to 15 times of what you think it is unless your company is pushing world class quality limits. Often we find that the cost of non-quality accounts for between 15% and 20% of cost of sales...“NO way!” will be a typical reaction at this point, but don't stop reading now. As much as it may sound like a disaster to have a cost of non-quality equal to 20% of your cost of sales, it is clearly a huge opportunity to improve your company's financial results. World class companies can achieve a cost of non-quality as low as 2.5% of cost of sales, so even if you reduce from 20% to 10%, there is still a lot of possibility for further improvement. More importantly, reducing your cost of non-quality from 20% to 10% of cost of sales will push you profit up significantly without you having to increase sales or selling prices.

Now, before you get all excited about all the money you are going to save, you first need to understand what your non-quality (Continue on page 2)



Reducing your cost of non-quality will push you profit up significantly



*“Quality is free, but it is not a gift”
– Philip Crosby*



Cost of non-quality includes all cost factors of not getting things done right the first time

Understanding the cost of non-quality (continued)

is costing you and to understand that, you need to know what the cost of non-quality comprises of. “Easy, cost of non-quality is the total of scrap, rework and warranty costs, but surely that cannot add up to 20% of the cost of sales?” That is exactly the point – those factors are only the tip of the cost of non-quality iceberg.

Below are a few of those costs of non-quality that we tend to overlook when reporting this indicator – that is, if you do report on it.

Cost of lost time due to duplication of work to correct errors

Whenever quality issues cause us to redo work to correct the errors, it impacts on available time to do other value adding profit generating work. The accountants call this opportunity cost. Unfortunately the time lost due to redoing work caused by poor quality is not restricted to only the people redoing the work – in many cases it can consume significant amounts of management time. For example, managers may have to approve the expenditure for the rework, be involved in the problem solving process or in managing external stakeholder relations. In some cases the time required to correct errors can cause significant factory downtime or lead to temporary suspension of services. Other examples include cases where incorrect or late documentation can cause incorrect customer order fulfillment or incorrect invoicing, causing customer frustration, delayed payment and ultimately lost business. Poor quality communication can result in misunderstandings, unnecessary conflict and incorrect execution of instructions.

Cost of damaged reputation

Quality failures result in dissatisfied customers which impacts on cost of non-quality in a direct and indirect manner. Direct costs can be attributed to the time and costs incurred to deal with consumer affairs, complaint handling and product repairs or replacement. Indirect costs include damaged reputation, reduced customer loyalty and even lost sales. Loss of reputation is however not only linked to external parties, as people in large corporates will well know – unpredictable profit and loss statements or even unpredictable forecasts can result in tremendous internal pressures from head office when actual results do not match the plan.

Other costs of doing things wrong

It is impossible to foresee all potential issues and resulting cost factors, but when considering measurement and reporting of the cost of non-quality, be sure to include all cost factors related to things going wrong or things not getting done right the first time.

The people side of cost of non-quality

In addition to those costs that we can quantify, admittedly some easier than others, there are those costs that are so difficult to measure due to its intangible nature that we are not even proposing that these be included in the analysis – unless you have reached world class levels. Excluding these factors from the analysis does not mean that one should ignore their impact. Continuous exposure to unresolved issues or having to redo work caused by mistakes others have made can be hugely frustrating and will cause poor employee morale.

(Continue on page 3)

Understanding the cost of non-quality (continued)

Closing thoughts and lessons learned

- Quality improvement and cost reduction are compatible, but it requires that we do not leave things to chance.
- Understanding your real cost of non-quality is key for identifying improvement opportunities that will impact directly on your bottom line profit.
- Measuring and reporting cost of non-quality will create awareness and provide justification for investing time and money in achieving the improvements.
- Real time measurement and monitoring through Visual Management techniques will make it easier to identify the issues and speed up solutions.
- Continuous improvement driven by a common sense low cost approach will aid the fight against non-quality. Do however be careful not to get trapped

into using increasingly complex tools to deal with this challenge.

- Successful organizations are constantly evolving. They change their products, services and processes and they change those things that contribute unfavourably to the cost of non-quality – this makes managing change a vital skill. When quality works, we take it for granted – it is only when it fails, that we truly realise its value.

Can you afford to miss the opportunity to boost bottom line profits without making a single additional sale?

If you need help to identify and reduce your cost of non-quality or with the implementation of Visual Management systems, contact Adapt To Change and start improving your bottom line profits today!



Measuring and reporting cost of non-quality will create awareness



Quality improvement and cost reduction are compatible, but it requires that we do not leave things to chance

Recycling providing wheelchairs

August 2012 – Adapt To Change and Avondale Primary School in Atlantis will be joining forces to support the Bread Tags for Wheelchairs Foundation.

Collection boxes will be placed at Avondale Primary School where learners can contribute to this initiative by collecting bread tags in their communities.

In addition, Adapt To Change will also have collection boxes, so if you are interested to support the initiative,

please collect your bread tags and send them to Avondale Primary School or Adapt To Change. For

more information, feel free to contact us on Info@AdaptToChange.co.za.



10 kg = 1 wheel chair

Supported by Avondale Primary & Adapt To Change




READ THIS WHEELS: Carol Adams, Mowbray Maternity Hospital's quality assurance manager, hands over a box of glitter-free gold – otherwise known as bread tags – to Mary Honeybun, coordinator of the Bread Tags for Wheelchairs Foundation. Honeybun hands the bread tags over to a recycling company in exchange for the funds required to buy a wheelchair for a person in need. Around 10kg of bread tags are required to buy a chair – and while Mowbray Maternity Hospital has only been collecting bread tags since August 2010, their latest donation will be enough for the foundation to buy its 150th wheelchair. For more information on the Bread Tags for Wheelchairs Foundation call (021) 789-1831.



Photo: Scofield






“Bread Tags for Wheelchairs Foundation – Mary Honeybun (021 789 1831).”

fin24

16 August 2012



Su-Mari's 5 Top Time Management Tips

- 1 - Diarise
- 2 - Experiment
- 3 - Discern
- 4 - Delegate
- 5 - Develop an allergy

<http://www.fin24.com/Opinion/Columnists/5-top-time-management-tips-20120816>



"If you don't have time to do it right, when will you have time to do it over?"
John Wooden

A2C in Fin24 – 5 Top Time Management Tips

As a business partner, entrepreneur and woman I deal with time management issues on a daily basis. I recently started a new company with two partners and, as all entrepreneurs know, the first year of a new business is crucial and often amounts to 16 hour working days.

In addition, our company Adapt To Change assists businesses and entrepreneurs to continuously improve and grow, which includes imparting some very important skills around managing time.

So I have fine tuned my learnings to share with you my 5 top time management tips!

Diarise

- Track your time: Start off with tracking what you currently spend your time on. The results of this exercise are generally very surprising. Once you know what you are spending your time on, it will be easier to compile a realistic plan for going forward and to identify opportunities for improvement.

Plan: When compiling your plan, do not just allocate specific activities to specific days, but also allocate specific time slots.

- Eliminate disruptions: Many people try to work all day with their email on. Schedule specific time slots for these disruptive activities and once the time slot has passed - close the program.
- Execute: Stick to your plan! Or why bother planning?

Experiment

- Make-over: Your initial plan should not be cast in stone. Re-plan every week

until you have found the one that works for you and then revisit it every month to make further improvements.

- Find your sweet spot: Try shuffling things around. As you try new things, be aware of what time you are performing at your best – we all have that uniquely special time of the day when we are most productive. Make sure that you schedule your most important tasks for that time.

Discern

- Identify the deserving: Always try to keep in mind what really deserves your time. This is about the ability to prioritize effectively and not “sweet the small stuff”.
- Make “me” time: Do things that switch you on and energize you! When we are busy with things that we enjoy we are energised and can use this momentum to woosh over the less fun stuff.

Delegate

- Share the load: What happens when your prime time is between 5 and 7 pm which coincides with family responsibilities? The answer is delegate and outsource! It is important to note there is no shame in asking for help elsewhere in our lives. Unfortunately we cannot all afford a live in nanny, house keeper and personal chef so we have to get creative. Maybe meals can be prepared in advance or you and a neighbour can take turns to cook for both families at once?
- When you delegate a task to someone else, make sure that you are clear in

your expectations – what is the end result you need and by when, how often should you be updated during the process and at what point should you be informed if the task starts to fall behind? Remember to leave space for the individual's own creativity.

Develop an allergy

- Become allergic to waste! Stop wasting time and stop spending time on non-value adding activities (and by non-value add I mean what YOU value).
- Be organised: Make sure that you have a place for everything and that you keep everything in its place so that you do not waste time searching for stuff.
- Use cheat sheets: Develop templates or a check list for ad hoc tasks, to make your life easier. This way you do not have to start from scratch every time.
- Fill up unused time: Do not just stand in the queue waiting to pay for your monthly groceries – use that time to read that book, send that email, make that phone call etc.
- Only employ technology that really works for you: If you are struggling with the latest coolest software that everybody else is talking about even though you started using it a year ago – you may need to consider stop using it.
- Consolidate repetitive activities: If you are walking to the fax machine 10 times a day...STOP! Schedule a single time slot in your day and only walk there once, sending all the faxes at that time.

Weskus Nuus – Reporting on A2C Mandela Day FTH Project

By die Mandeladag by Avondale skool was Beverly Claassen (koördineerder), Johan Koegenlenberg, Gairo Fortuin (kombuissupervisor), Su-Mari Koen, Denise van Schalkwyk (kombuis-assistent), Debbie Dampies (mede-koördineerder). Voor: Graad 3-leerders.

FOTO: PETRU SAAL



Weskus Nuus 24 July 2012

Kospakkies vir Mandeladag

Petru Saal

DIE Avondale Primêr Voedingskema het kospakkies ontvang vir Mandeladag van die konsultansiemaatskappy Adapt To Change.

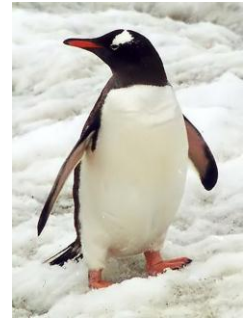
Die maatskappy het 200 kospakkies by die skool uitgedeel. Hulle het die skool gekies uit talle ander skole en besluit om Avondale Primêr gereeld te ondersteun.

Die koördineerder van die voedingskema, Beverly Claassen sê dat dit 'n belewenis was om die kinders se gesigte te sien. "Die

kinders was so dankbaar vir die kospakkies en nou het hulle darem kos om weg te neem aangesien baie van hulle na skool na huise gaan sonder kos."

Dit is die eerste keer dat dié maatskappy vir die skool 'n donasie gee. Claassen sê dat dit was reg 'n goeie inisiatief deur die maatskappy dat hulle hul 67 minute van liefdadigheid met die skool gedeel het.

Die skool bedank graag die volgende: Sue-Marie de Bruyn, Johan Koegelenberg en Faith Williams van Adapt To Change, Debbie Dampies, Gairo Fortuin en Denise van Schalkwyk van die voedingskema.



The penguin – inspiration for our company logo

Penguins display 3 characteristics that we associate with:

- *Loyalty – penguins partner for life and function in groups.*
- *Adaptability – penguins have adapted to life in many different environments, both on land and in the sea.*
- *Resilience – penguins are extremely resilient and able to withstand long winters, surviving months without food.*

A2C now a Level 4 B-BBEE contributor

Adapt To Change received their Level 4 B-BBEE certificate during August 2012.

The company is classified as an Exempt Micro Enterprise (EME) and therefore a Level 4 Contributor to B-BBEE. Clients can claim at least 100% of their procurement spend with Adapt To Change towards their own B-BBEE scorecard.

Our new logo – What is the penguin all about?

We are proud to announce the launch of our new company logo. We want to extend a special thank you to Samantha Hamilton, a student from the Cape Peninsula University of Technology, who did the design for us.

The circular design reflects the circle of continuous improvement, which really is a never ending cycle. In this design the penguin is shown as breaking free, not boxed in or limited...but rather adapting to change.



Previous logo



New logo



Samantha Hamilton

Adapt To Change

2012/100432/07
Level 4 B-BBEE



Transform
Optimize
Empower

Please note new e-mail address

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Parklands
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Cape Town
South Africa

PHONE:
072 236 4280
082 922 7514

FAX:
0866 451 950

E-MAIL:
Info@AdaptToChange.co.za

We are on the Web!

Come join us at:

www.AdaptToChange.yolasite.com



Improve your business performance

Attend the upcoming A2C workshops

Time To Talk

Aggravating Aggressive Angry Antagonistic Arguing Confusing Difficult Disappointing Dysfunctional Fighting Flustered Frustrated Futile Heated Hostile Ineffective Infuriating Mistake Misunderstanding Stressful Unclear Unproductive Unreceptive Unsuccessful Upset Volatile	Appropriate Clear Constructive Direct Effective Encouraging Factual Fruitful Helpful Peaceful Productive Successful Supportive Understanding Useful Value adding Worthwhile
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Topics to be covered include: The different ways we communicate, the benefits of effective communication, what is appropriate communication, how to effectively deal with difficult people and difficult situations, guidelines for communicating effectively with peers, subordinates, suppliers and customers

When: **28 August 2012** from 08:30 to 12:30 (coffee, tea and snacks included)
 Where: Life-Café – 12 Wingate Crescent, Sunningdale, Blouberg, Cape Town
 Cost: R150 per person
BOOK YOUR SEATS NOW! 072 236 4280 or Information.A2C@gmail.com
www.AdaptToChange.yolasite.com

Who we are:
Adapt To Change assists businesses to Continuously Improve and Adapt To Change in an ever changing business environment. The focus is on improving business performance and transforming organizations from the inside out.

We assist businesses to: improve business results; improve their work force; improve the flexibility of their business; and improve customer satisfaction.

We are able to cover a wide range of areas and we also provide training on a wide variety of topics – from job performance enhancing related topics as well as personal empowerment and soft skills.

Cost Optimization

- Is your company under pressure to reduce costs?
- Are you struggling to get everyone's support to reduce costs?
- Have you spent time searching for something at work?
- Have you had to wait for something not immediately available at work?
- Has your company implemented fewer than 2 cost improvements during the last week?
- Has your company incurred any additional costs due to quality or services issues during the last month?

If you answered **YES** to any of the questions above, you should attend!

When: **14 November 2012** from 08:30 to 12:30 (coffee, tea and snacks included)
 Where: Life-Café – 12 Wingate Crescent, Sunningdale, Blouberg, Cape Town
 Cost: R150 per person
BOOK YOUR SEATS NOW! 072 236 4280 or Information.A2C@gmail.com
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