

The Observer

April 1997

A publication by and for the employees of Kurt Salmon Associates, Inc.

The Mayo Clinic: *Building on a long-standing relationship*

by Lauren Scheu

The Mayo Clinic, an internationally known world class health care entity based in Rochester, Minnesota, has a threefold mission: patient care, research, and education. For decades, Rochester was Mayo's base. Its clinicians traveled worldwide to make presentations at leading medical conferences; its patients traveled from around the world to Rochester in search of the finest physicians and medical techniques. Outreach was limited to reference lab services and selected subspecialty clinics, primarily internationally.

When the healthcare industry started to change, Mayo leadership sponsored clinical care sites in Jacksonville, Florida and Scottsdale, Arizona—two areas where a significant number of people spend the winter. Years later, realizing it wasn't achieving integration, Mayo invested in significant education and research at these sites.

The next key step in development emerged from national health care reform as Mayo began to understand the need to build a primary care network. Realizing that directing patient referrals has some geographic limits, a two-hour travel time was determined to be the outer limit. In four short years, Mayo developed the Mayo Health System through friendly acquisitions of nearly 400 physicians and six hospitals in ten sites covering a 120-mile radius in Minnesota, Wisconsin, and Iowa. Nearly all the acquisitions were of existing physician groups ranging from 8 to 95 practitioners and their respective hospitals in the community.

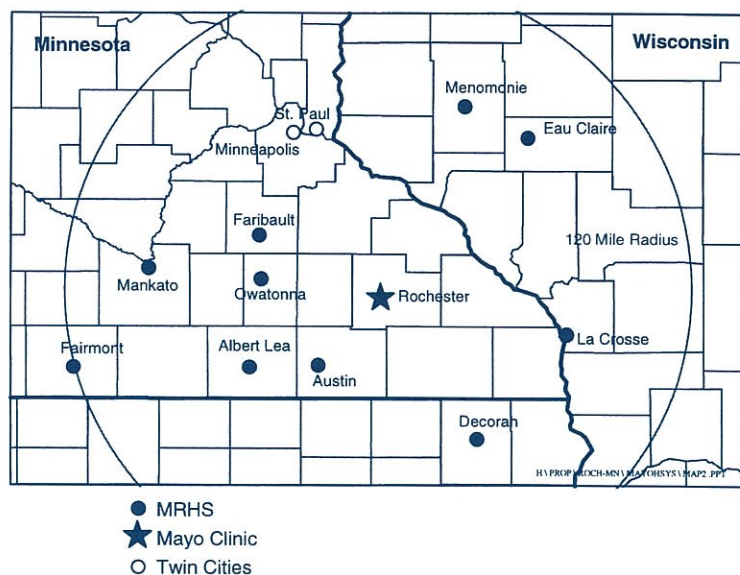
Hamilton-KSA has a long-standing relationship with Mayo and its Health System entities. Our involvement with Mayo began with a facility plan for a cardiac services building in the early 1980s. The next major phase of involvement came through the initial formation of Mayo Health System (120-mile regional practice sites).

Hamilton-KSA had been retained by Midelfort Clinic—a 70-member physician group practice in Eau Claire, Wisconsin, about 100 miles east of the Twin Cities and 100 miles from Rochester. In doing a strategic and facility plan for Midelfort Clinic, we concluded the group needed to invest \$20 million and build a new facility. Hamilton-KSA recommended that, given several strategic and capital requirements,

Midelfort Clinic should look for a partner, preferably a larger referral center with deep pockets. The relationship with Mayo developed, and, within four months, we were retained to develop and execute a strategic master facility plan for Midelfort Clinic, its local hospital partner (Luther), and Mayo.

It was here we were introduced to Dr. Bill Rupp, President of Luther Midelfort Mayo, and "Rupp Time." (Rupp Time means *do it now*, which fit in well with "Miller/Berarducci Time.") Also on the local Luther Midelfort Mayo board were several division/department clinicians from Mayo Rochester (a good source for marketing in hopes of expanding our role). A smooth, very driven Irishman, Dr. Michael O'Sullivan, was put in charge of Mayo

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LKA joins KSA

After much anticipation, the four members of the Levy-Kerson-Aronson management consulting team finally moved into KSA's New York offices on Friday, February 1. (As you are probably aware, KSA acquired LKA in late December of 1996.) The move went quite smoothly despite the fact that it coincided with KSA's group lunch. Fortunately, our new colleagues have attended previous KSA luncheons and were already well versed in the chaos that these gatherings sometimes bring. The LKA folks now embrace the spirit of Friday lunches and are a more than welcome addition.

Our new associates have already enhanced our capability in the very hot retail strategy and merchandising areas and we are fortunate to have them on board. The feedback we've received since the press release is very heartening. Clients, friends, and the press have all been very positive and feel as though we will all benefit from the union.

About our new colleagues from LKA:

Arnold Aronson has over 30 years of retail operating experience, during which he has cultivated extensive contacts in the retail community. Arnold will work with KSA somewhere between 60% and 80%. He will be working with *Phil Kowalczyk*, *Dave Cole*, *Mike Barnes*, and *John Champion* to make the retail industry more aware of our total capability. To recognize the value of his contribution in this effort, Arnold has joined us as Managing Director, Retail Strategy.

Stephen Berman has joined us as a Principal and will be working very closely with Phil to both grow the existing LKA practice and integrate it with our existing services. He has a sound blend of retail and consulting experience.

Marian Henneman is a specialist in consumer marketing issues/segmentation, market positioning, and strategic planning. She has more than a decade of wide-ranging

domestic and international experience. Her retail and supplier clients have included department stores, specialty retailers and direct marketers, and apparel, footwear, home furnishings companies, and fiber producers. Her retail-allied clients have consisted of newspaper and magazine publishers. Marian has joined KSA as a Manager in Consumer Marketing.

Andrea Ivey is a specialist in merchandising, marketing, and strategic planning. She began her consulting career after ten years in the retail industry with Charming Shoppes,

Montgomery Ward, and Caldor. In these positions, Andrea worked in such diverse areas as inventory control, assortment planning, in-store presentation, direct mail marketing, the implementation of a new market-sensitive buying program, as well as assisting in the development and execution of a unique apparel merchandising prototype. Andrea has joined KSA as a Manager in Retail Strategy Merchandising.

KSA announces joint venture

We are proud to announce a joint venture with the French consulting firm *Cleversys*. KSA is now represented in all Western European countries.

Headquartered in Paris, Cleversys is active in consumer products, with a focus on Information Technology and Business Performance Improvement. It also serves the banking and publishing sectors. *Jean-Louis Simoneau* and *Marc Fourrier* of Cleversys, and *Peter Brown* of KSA, describe the joint venture as symbiosis: "Cleversys will now be able to offer global capabilities to its strong client base in France as well as KSA's wider range of services including strategy, marketing and logistics. KSA appreciates the importance of combining pan-European/global presence with local cultural perspective."



Aronson



Berman



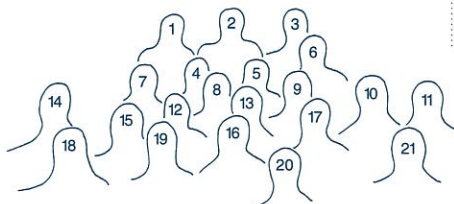
Henneman



Ivey



1. Bertrand Jauffret, 2. Markku Hiironeu, 3. David Cayla, 4. Sandra Ribon, 5. Jean-Louis Simoneau, 6. Christian Leau, 7. Guillaume Filou, 8. Brigitte Duranthon, 9. Odile Hauer, 10. Nicolas Rouet, 11. François Godeau, 12. Philippe Billard, 13. Cécile Girerd-Jorry, 14. Marc Fourrier, 15. Olivier Dabée, 16. Nathalie Guerin, 17. Tarik Abdas, 18. Jean-Michel Loubic-Duprat, 19. Olivier Dubouis, 20. Sylvie Montard, 21. Luc Celestin.



KSA helps VISA International gain acceptance in Europe

by Heidi Müller / KSA Düsseldorf

VISA International is a company with the ideal profile of our target clients: international, market leader, future-oriented products, established in the softgoods and non-softgoods market... what could be better than having VISA as our client! We have quite a low budget for this project; however, it is a chance to get further projects within the VISA network. *Michael Kunkel, Pbil Turnbull* and I are confident we will achieve our targets.

VISA International, with a regional office in London, has created a team called "Acceptance" which had the task of increasing the number of merchants who accept VISA as a means of payment. This can only be achieved indirectly, since VISA works exclusively through the merchants' banks and therefore has no direct contact with the merchants. The trading agreement is as follows: A bank, authorized by VISA, concludes a contract with a retailer, department store, etc. regarding the acceptance of the VISA card. The conditions of the contract are negotiated between the merchant and the bank, including the exact discount amount. The business procedure is illustrated in Chart 1.

Compared to the UK, the level of acceptance of credit cards in Germany in several retail areas is quite low. In the UK, 60% to 80% of all buying transactions are executed by credit cards, but in German supermarkets they are rarely accepted. In order to access the German market, VISA's strategy is to first collect more data and more precise information. This is exactly what our project aims for.

Objectives

Our task is to document different methods of payment in various trading forms with regard to the processes, costs, and time structures, in order to find the right approaches for increasing acceptance. Since our possibilities are limited concerning the budget, it has been decided to restrict the investigation to supermarkets and mail order business and to the following methods of payment: cash, Eurocheque Card with PIN code, and Eurocheque Card with Eurocheque. We were able to enlist Elegance and Globus Handelshof as partners for our investigation. The final presentation of the project is scheduled for late spring.

Although the geographic focus of the project is still on the German market, we look forward to other large opportunities for further pan-European cooperation.

Chart 1—Information about the VISA business

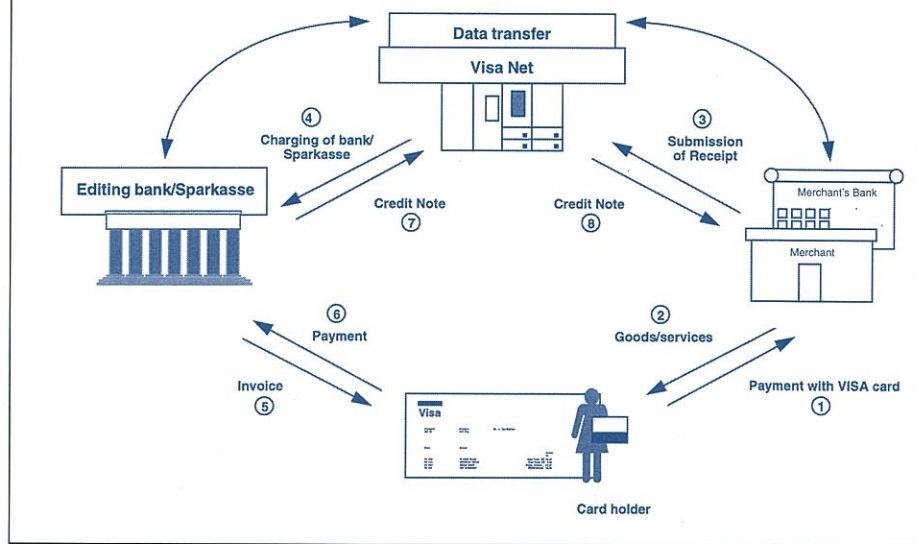
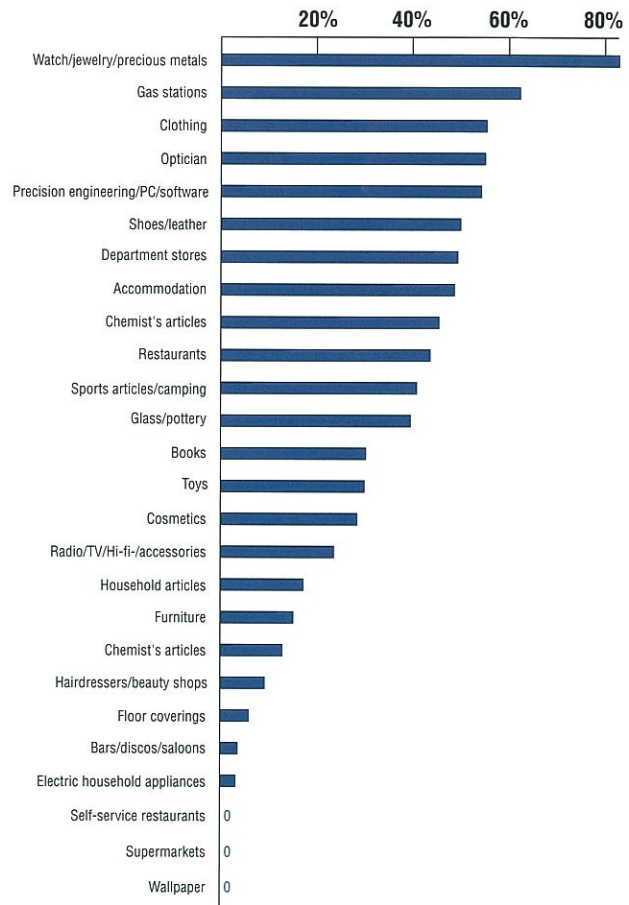


Chart 2—VISA level of acceptance



“Quick Response” celebrates milestone, with KSA’s help

by Jana Miles, Peter Harding,
Beth Souther and Dave Cole

Kurt Salmon Associates has taken a leadership role in the development and implementation of both Quick Response (QR) and Efficient Consumer Response (ECR) strategies since the inception of these ideas to the present. This leadership has revolutionized the way business is conducted in the United States in the softgoods, food and general merchandise industries.

For those of you new to KSA in the last 10 years, here is a summary of the history of QR, the beginnings of ECR, and KSA’s contributions to both.

- KSA’s *Bob Frazier* first identified and quantified \$25B in retrievable losses in the softgoods pipeline in the early 1980s (see chart). It marked the true birth of Quick Response.
- KSA is the leading QR disciple in the softgoods industry. The firm has encouraged its clients to work as partners, and has helped build partnerships with ground-breaking initiatives. For example, KSA created the conciliatory environment for manufacturers and retailers

to work together to form the Floor Ready Merchandise (FRM) concept.

- KSA has contributed thousands of consultant hours over the last 13 years to *pro bono* efforts on industry work that had limited or no funding. Examples include the 1984 QR study, the 1985 Pilot Programs, the 1989 vendor cost/benefit study, multiple surveys, several hundred speeches and articles, contributions to numerous committees, and special projects, such as coordinating the first QR CEO Briefing in Dallas in 1987, the first QR Conference in Dallas in 1989 and the 1996/97 ten-year QR update.

KSA began developing the concepts and implementation blueprints for QR as part of projects for DuPont in 1980–83 to understand the competitiveness of U.S. industry versus import sources.

The Crafted With Pride (CWP) in the USA Council was formed in 1983 by textile leaders to encourage consumers to buy U.S.-made textiles and apparel.

DuPont shared KSA’s research on competitiveness with the CWP Committee, and

KSA’s leadership encouraged the CWP Committee to support a series of pilot projects in QR using the U.S. advantage of proximity to market and information technology.

Early projects and the birth of VICS

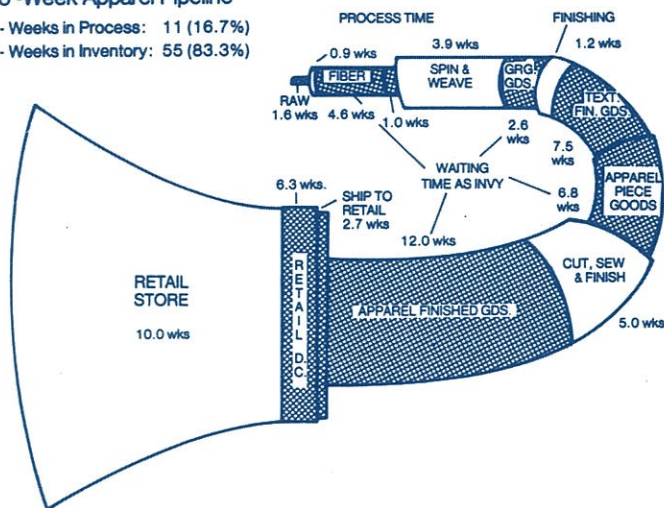
The projected benefits of Quick Response were validated through projects involving retailers, apparel manufacturers, and textile suppliers working together to make the supply chain more responsive to consumer demand. An important step was establishing a weekly replenishment cycle, which dramatically reduced out-of-stocks on the best selling SKUs and increased sales by 20 – 30%. Companies involved in the initial pilots were Wal-Mart/Seminole Manufacturing/Milliken in men’s slacks, Dillard’s/Lady Arrow/Milliken in ladies blouses, and JC Penney/Lanier (Oxford Industries)/Burlington Industries in men’s sportcoats.

These projects proved KSA’s theories on the great potential of Quick Response. They also determined that QR would be extremely difficult to implement without common standards for product identification and for Electronic Data Interchange (EDI). KSA recommended that such standards be developed and Roger Milliken, chairman of the CWP Committee and of Milliken & Company, arranged a meeting of CEOs of major retailers, apparel manufacturers and textile mills to get agreement on the need for industry standards. In Chicago in June 1986, KSA presented the facts and the meeting led to the formation of the Voluntary Inter-industry Communication Standards Committee (VICS), charged with developing standards for product identification, carton identification and EDI.

KSA led a project for VICS in 1986 to recommend a standard for product identification, and the Universal Product Code (UPC) was adopted. VICS also adopted a shipping container identification bar code symbology, and developed a set of EDI transaction sets shortly thereafter. KSA, on behalf of VICS, coordinated the inaugural 1987 CEO Briefing and presented the standards to a group of approximately 250 market leaders on a *pro bono* basis.

66 -Week Apparel Pipeline

- Weeks in Process: 11 (16.7%)
- Weeks in Inventory: 55 (83.3%)



In 1988, VICS decided to conduct a cost/benefit study on the benefits of implementing these VICS technologies. KSA was awarded the cost/benefit project for manufacturers. The project was conducted on a partially funded basis with substantial *pro bono* time required.

The results of the cost/benefit project were presented at a follow-up CEO Briefing, coordinated by KSA, and subsequently at QR '89, the first in the annual series of QR conferences which were renamed IQ in 1996.

A need for Efficient Consumer Response

In 1992, KSA was approached by David Jenkins, then chairman of Shaw's Supermarkets and also chairman of the Uniform Code Council, about why QR had been so successful in the general merchandise industry while the grocery industry, which had used barcoding and EDI standards

for years, was lagging behind.

Those discussions led to a KSA project in the fall of 1992, which created the Efficient Consumer Response (ECR) strategy for the grocery industry. Although there are many differences between the grocery and general merchandise industries, ECR drew upon key elements that made QR a success, including manufacturer/retailer partnerships, focus on the consumer, and a strong industry communication program to accelerate implementation.

A new milestone

In 1996/97, on a *pro bono* basis, KSA undertook a review of the impact of QR on the industry to mark the 10th anniversary of the formation of VICS. The results, presented as the keynote of the IQ 1997 conference, revealed \$102B in potential savings from QR in softgoods and general merchandise.

KSA took a leadership role in the mid-1980s to initiate the QR effort, and remains in a leadership role heading into the new millennium.

Uptons' Partnership with KSA continues

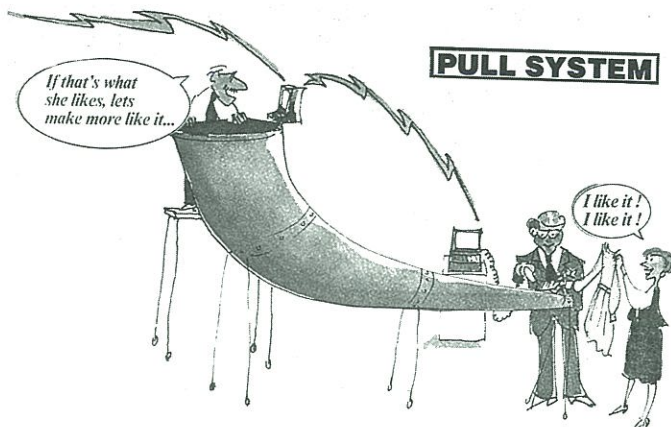
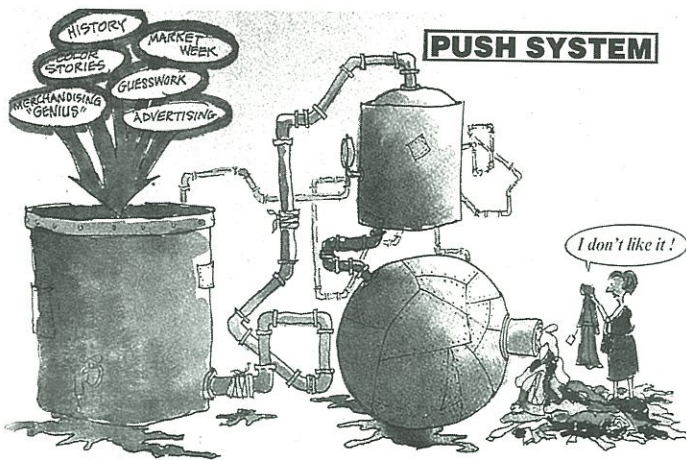
by Enrique Morales and Al Sambar

Most of KSA's Logistics consultants are familiar with Uptons, a Southeast region retailer. For several years, Uptons has generously partnered with KSA, allowing new consultants to tour its Atlanta distribution center and providing Logistics training classes an opportunity to work on projects that impact Uptons' DC operations. Almost every description of Uptons operations started with "KSA (designed, improved, added) this back in 19XX . . ."

The January, '97 Logistics training class, which included both Logistics and Logistics Systems consultants, continued the tradition of providing Uptons with consulting services while learning valuable skills. The group was split into two project teams that tackled two different issues; (1) providing a detailed trailer manifest to Uptons' store managers prior to trailer arrival, and (2) improving tote utilization to reduce tote consolidation in a busy packing operation.

The first team began the project by interviewing all 38 Uptons' store managers. The eye-opening information we collected led us to recommend a series of options to improve information to the stores, beginning with training the 50% of managers not using information currently available. The team then detailed the costs and benefits of either improving the quality of current information or implementing an RF-based scan-pack operation.

The second team developed a two-phase recommendation that will allow Uptons to increase tote utilization. Phase I will improve tote utilization by grouping product by family in a picking carousel, allowing an order picker to fill a tote to capacity. Phase II will not only improve tote utilization by similarly grouping totes by family before picking, but will also convert the area now used by the picking carousel into much needed cross-dock staging space.



Infrastructure Info

A new operating system that will revolutionize the way we all work is coming soon. The Infrastructure Development Team has been designing KSA's new and greatly improved PC capabilities, which include two features—Windows 95 32bit operating system, and a new messaging platform to replace MS Mail.

So what does it mean to you?

The new messaging platform will provide:

1) faster, more reliable mail delivery, 2) single dial-in access to both remote e-mail and Citrix Winframe, and 3) single-click access to applications such as PracMan.

Initial roll-out of the new and improved system begins soon and we expect to have it fully implemented by mid to late 1997.

The Infrastructure Development Team is also working on a network structure that will improve the "quality of life" for travel-

REMEMBER!!!!
Our modem pool reboots itself every 12 hours. If you get a ring-no-answer when you call, please wait 15 minutes and try again.

ers. The new network structure will allow universal logins to any KSA office, no matter where "home base is." Both e-mail and printers will be accessible on the network from any KSA office.

Who are these people?

We thought you might like to know more about the Infrastructure group. Here is a brief bio on each person in the group, and a few helpful hints about that person's area of expertise.

From the *Questions That Make You Wonder* department... "Can I print my voice mail?"

Mary Stoeffhaas

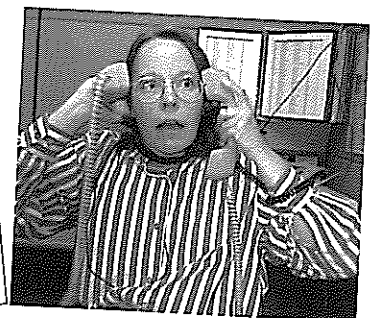
In addition to providing general technical support for KSA, Mary is responsible for Collabra Share. She is also our most knowledgeable person on supporting the PCs that communicate with the AS/400. Mary joined us in August, 1995. Her previous experience was with Emory University Hospital, where she worked in the PC support area.

Collabra Share Hints

If your desktop is getting cluttered with too many forums, you can combine them into a group by doing the following:

1. Select "New Group"
2. Give it a name.
3. Drag and drop any forums that should be in the group to the group icon.

If you would like to make a change to a thread that has already been posted, select the thread, and then select "Compose" and "Edit Current Document," and then "Post" the new thread. This will appear as a new thread to all members of the forum.



Arthur Tsiropoulos

Arthur established our corporate E-mail system. Its maintenance continues to be his primary job. In addition, his responsibilities include all Windows NT servers and workstations. Arthur joined us in March 1995. He was previously the Network Coordinator for the Emory Clinic (Orthopaedics).

E-Mail Hints

•When addressing a message, type the first few characters of the first or last name, then press the Alt and K keys at the same time. Mail will bring up a list of names that start with those characters. You may then select the correct name. If only one name matches, that name will be put directly into the address.

•Remember that MS Mail, by default, saves a copy of your sent mail. This mail accumulates over time. To conserve disk space, periodically clean the Sent Mail folder. In most cases, any mail over 30 days old should be deleted to conserve hard drive space.

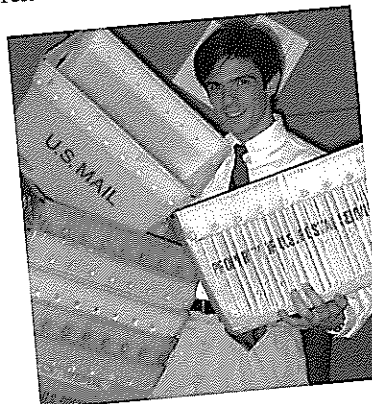
•Your modem settings are very important when connecting to Microsoft Mail Remote. Under the Mail Menu, choose Communications and make sure the script name matches the type of modem you are using. Additionally, please make sure your baud rate is set to 9600. This will ensure you get a reliable connection when checking your mail. The modems will negotiate the highest possible connect speed based on line conditions, etc. Setting the baud rate to 9600 is necessary because of an MS Mail 'quirk.'

•When dialing in, remember to update your address list at least weekly, but not more than once in a single mail login session. Mail can corrupt the address list if downloaded more than once while logged into mail at any one time. To update your address list, choose View, Connect Now, and click on the option to Update Address List. Press "OK" to dial.

Internet Mail

If you don't know your internet address, you can determine it by the following steps:

- 1) Choose the MAIL menu
- 2) Choose ADDRESS BOOK
- 3) Select your name
- 4) Press the DETAILS button
- 5) Your Internet address is your USER ID@kurtsalmon.com



David Head

In addition to providing general PC support for KSA, David is currently working on the pilot for the document management software, PC DOCS. David joined us in December 1996. His previous experience was with Merrill Lynch where he was responsible for PC support.



PC DOCS Hint

In preparation for the roll-out of Document Management, try to start organizing your documents by client and engagement. This will make it easier to import the documents into PC DOCS when the time comes.

Bud Porter

In addition to providing general support for KSA, Bud is responsible for Visual MailBox and troubleshooting hardware problems. Bud joined us in August, 1996. He previously had his own business where he provided all types of PC support to his customers.

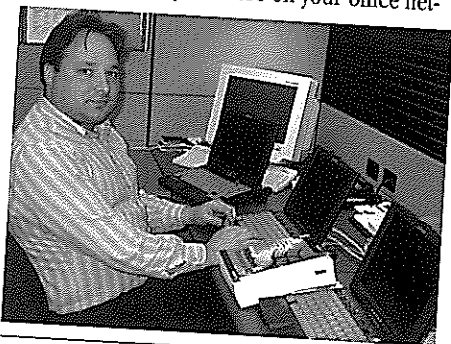
PracMan Hints

If you have not already done so, please review your own information and be sure that it is correct. You can update your business telephone, business fax, marital status, your home address and your home telephone number. Your address and telephone number can be located by selecting "Employee" and "Address." If it is incorrect, or missing, please enter, or correct. Also, please review your resume, or curriculum vitae, to be sure it is current.

The engagement information has been enhanced to show the incurred dollars by type. This can be seen by selecting the "Maximums" button on the profile tab of your engagement.

Winframe

When you are connected to remote access via WinFrame, you have access to the same network drives and directories that you have when you are in the office and connected to the network. This allows you to copy files to or from the network with File Manager the same as if you were on your office network. It will take longer since you are connected via a modem. File Manager on WinFrame is located in the Main group.



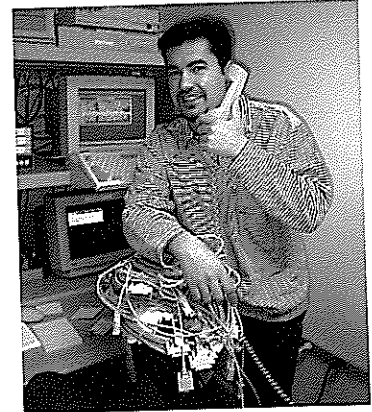
Luis Sierra

Luis is our Network and WAN administrator. In addition, his responsibilities include the remote access software and the anti-virus software. His previous experience was as LAN Administration Manager at Emory Universities. Luis joined us in September 1996.

Anti-virus tip

Viruses spread by passing infected files between computers. At first, they were limited to "executable" files, but in recent years, the emergence of macro viruses has been growing. Macros are programs that run to accomplish a task, such as mail-merging address lists.

However, macros can be written to be destructive. KSA has seen a surge in macro viruses within the past year. These macro viruses are being spread through e-mail attachments. Unfortunately, e-mail encrypts all mail and attachments for security, thus masking the virus when scanned by our servers. Please be sure to scan any incoming document with your KSA virus program.



Latest Computer Viruses

Government Economist Virus: Nothing works, but all your diagnostic software says everything is fine.

New World Order Virus: Probably harmless, but it makes a lot of people mad just thinking about it.

Federal Bureaucrat Virus: Divides your hard drive into hundreds of little units, each of which do practically nothing, but all of which claim to be the most important part of the computer.

Paul Revere Virus: This revolutionary virus does not horse around. It warns you of impending hard disk attack—once if by LAN, twice if by C:.

Politically Correct Virus: Never calls itself a "virus," but instead refers to itself as an "electronic microorganism."

AT&T Virus: Every three minutes it tells you what great service you are getting.

The MCI Virus: Every three minutes it reminds you that you are paying too much for the AT&T virus.

Ted Turner Virus: Colorizes your monochrome monitor.

Arnold Schwarzenegger Virus: Terminates and stays resident. It'll be back.

Gallup Virus: Sixty percent of the PCs infected will lose 38 percent of their data 14 percent of the time (plus or minus a 3.56 percent margin of error).

Oprah Winfrey Virus: Your 200MB hard drive suddenly shrinks to 80MB, then slowly expands back to 200MB.

San Francisco Office sucked down black hole

By Molly A. Acton

Imagine what it would be like to explore a black hole. As you enter, the black hole's powerful forces quickly draw you into its dynamic world. With its seemingly boundless space, the black hole at first appears uncomplicated. However, you soon realize that you're in the midst of a very complex system with multiple forces pulling in different directions. The experience offers an exhilarating ride as you are drawn farther and farther into this mysterious dark tunnel. At some point, however, you wonder if you can ever recapture enough control to resist the pull deeper into the unknown.

As the nation's largest HMO and a provider of hospital and physician services, Kaiser is a vast and uniquely complex organization. In June, 1995, the San Francisco office was thrilled to be selected to explore Kaiser's galaxy and to help the organization redefine how to deliver hospital services to its 2.2 million HMO members in Southern California. All of us working on the project realized that along with our fast and furious adventure came the feeling of spinning deeper and deeper into the intriguing world of Kaiser.

A dual galactic force existed that would forever shape the project's course. Kaiser came to rely on the Hamilton-KSA team's leadership and analytical skills. We, in turn, became increasingly motivated to help Kaiser accomplish its goals.

In August, 1996, we realized that working on the Kaiser project was like being in a black hole. By September, we wondered if we'd ever see our office again. In fact, several of us have become United Airlines 1K members from shuttle flights alone!

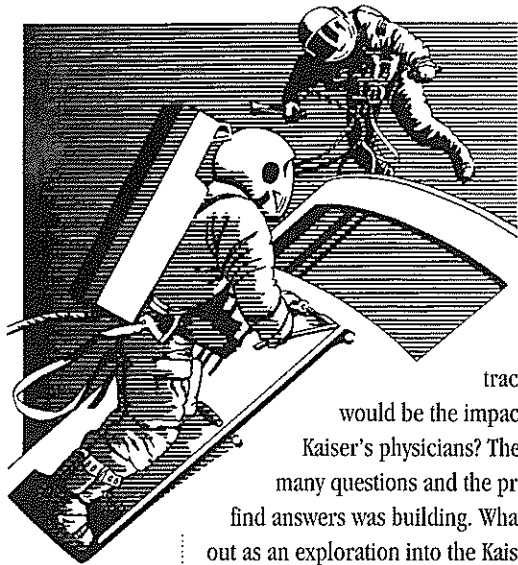
Were we sucked into the Kaiser black hole never to return? Let me explain what hap-

pened by telling the story of the Kaiser reconfiguration project.

Kaiser's experience in operating hospitals is a good example of the challenges facing the majority of hospitals across the country. The emergence of managed care and continued advances in medical technology have led to strict controls on admissions, shorter hospital stays, and an overall shift from inpatient to outpatient care. As a result, hospitals have experienced a significant decline in the need for inpatient beds. As a leader in the managed care world, Kaiser has actually become a victim of its own success. Kaiser's ability to control utilization has resulted in 50% of its beds being empty. Like most hospital systems, the significant fixed costs of half empty hospitals is putting a financial squeeze on Kaiser.

For the first six months of the project, the Hamilton-KSA exploration team helped Kaiser project the demand for inpatient care and then reassess its healthcare delivery strategy. Ultimately, Kaiser came to the conclusion that it needed to close the inpatient units at several of its 10 Southern California hospitals. Under this strategy, Kaiser would contract with community hospitals to provide services for its members, paying contract rates that were lower than its internal cost structure. This was quite a cultural shift for an organization that prided itself on providing all three components of a healthcare system—insurance, physicians and hospitals.

At this stage in the mission, momentum and tension were building as the Kaiser staff and the Hamilton-KSA team began to work on implementing the dramatic changes that loomed ahead. With whom would they partner? How much would Kaiser save by con-



tracting? What would be the impact on Kaiser's physicians? There were so many questions and the pressure to find answers was building. What started out as an exploration into the Kaiser galaxy began feeling like a trip deep into the Kaiser black hole. Complex financial models were required for each of the hospitals undergoing reconfiguration and they were needed in warp speed. But despite the fact that we were in deep space and we all knew it, the client experienced the ultimate in Hamilton-KSA responsiveness.

With our assistance, Kaiser has accomplished a great deal in the past 18 months. It has announced an initial move of hospital services from a Kaiser facility in Los Angeles to St. Vincent Medical Center, a community partner. It is well on its way to implementing a regional partnership with Catholic Healthcare West.

The adventure, though harrowing at times, was worth it. We all recognize the value of the work we've done, not only for the client and its new partners but for our firm as well. As we ushered in the new year, we also successfully emerged from the black hole and are looking forward to our next adventure with Kaiser. Members of the KSA project team at Kaiser included: *Craig Acosta, Molly Acton, Charlie Cosovich, Barry Moore, Jim Orchison, Dave Ping, Patrick Smith, Melissa VanArsdel, and Dave Whelan.*

Special note: The Kaiser project team has developed or refined many Hamilton-KSA methodologies that could be of great use in other projects. We will be making many of them available via CollabShare within the next month or two, so stay tuned.

“Your government is here to serve you”

by Vic Bhargava

How often have you called or written a government agency, only to be frustrated by the level of service you received? Most people just grin and bear it, saying, “What can you expect? It’s the government!”

At the United States Mint, KSA has been asked to do something about it. We were engaged by the Mint’s Numismatic (coin) Division to conduct a Continuous Performance Improvement (CPI) project to help the government agency provide service standards comparable to its competitors in the private sector. The project is challenging the government to meet the “best in the business” standards of customer service. The areas of focus for the team are the Customer Service Call Center, Correspondence, Fulfillment, Order Processing, Order Balancing, Accounting, Marketing, Automated Information Systems, Account Maintenance, and Telemarketing.

This all began in 1992, when the current administration issued Executive Order 12862 requiring all federal agencies to meet or exceed business standards of their counterparts in the private sector. That order resulted in a KSA study performed in 1995 to benchmark the United States Mint service standards against private sector counterparts in the direct marketing industry. The study revealed that the Mint needed to significantly upgrade its procedures, policies and systems. KSA was asked to assist in implementing the recommendations from the benchmarking study, beginning in September, 1996. The project team consists of *Todd Barr*, *Chris Merritt*, *Kirk Ziehm*, and me.

Mint management initially thought that extensive system upgrades were the solution to meeting the “best in business” service goals. Management has been pleasantly surprised, though, by the amount of progress made in the first part of the project primarily through procedure, policy, and priority changes. For example, last year it took an average of 40 – 50 days to answer a customer’s letter. Letters typically contain

orders, questions about the status of an order, and questions about previous coin issues. After streamlining procedures, management training, and establishing an emphasis on putting the customer first, the Mint has reduced response turnaround time to just 1.5 days, surpassing even the private sector average of 3 days!

Another example of procedural changes



making a large impact is found in the Customer Service Call Center. At the start of the project, service levels (percent of calls answered by a live representative within 20 seconds) hovered around 30 – 40%. The “best in the business” industry standard is 90%. After a review of procedures and policies, and improved utilization of available management tools, the call center now regularly achieves service levels approaching 100% (even through the busy holiday ordering period), surpassing the target of 90%! Phone statistics are now posted hourly for all employees and management to see and make staffing adjustments. Achieving early success in these high profile areas created a sense of enthusiasm that has fostered improvements in lower profile service areas. For example, last year a refund or credit request took close to 40 – 50 business days to process. These are now regularly processed in less than 5 days. Management

is working towards lowering that number to the target of 3 days.

A large part of the success of the project is due to establishing a Mint-wide performance tracking and reporting system. This reporting provides weekly performance measures for over 50 services across the Customer Service Center, Accounting, Marketing, and the Mint facilities in

Philadelphia, San Francisco, West Point, and Denver. Mint management now holds weekly manager meetings where the latest week’s performance figures are reviewed. Each manager is responsible for reporting why his or her department did or did not meet the week’s performance target. If an area missed its target for the week, the manager has to know why and provide an action plan on what to do next week to improve. Likewise, if an area has achieved or exceeded its goals, there is a celebration. In the past, there have been cash awards, recognition

certificates, etc. handed out to managers and employees. In one meeting, employees of the call center collected and gave their manager a cash award to recognize her efforts in making improvements in their work environment.

The project is also receiving high visibility within the government. The Director of the Mint, Phillip Diehl, plans to use this project as a case study at this year’s National Conference on Federal Quality. The Customer Service Center and its new focus on customer service have also been documented positively in a feature article in *Numismatic News* and in a General Accounting Office report. The new management philosophy of providing superior customer service and accountability is definitely changing perceptions of how the government operates.

Doing it right!!

by Alberto Pensado

Becoming a World Class Manufacturing company is not an easy task. There are many questions to be considered: How much production should be allocated abroad?; In which country should the facilities be established?; What are the laws of the country?; What is its culture?; How much are production costs?; etc.

Vanity Fair Intimates has done an impressive job of finding the best answers to each of these questions. Seven years ago, no Vanity Fair products were made in Mexico; currently 1.5 million Standard Allowed Minutes (SAMs) are expended every day in 10 facilities by more than 5,000 employees. This means that approximately 14,000 dozen garments (bras, panties, daywear) are exported to the U.S. every afternoon. These products represent 60% of Vanity Fair's production and savings of more than \$7 million every year.

In the past five years, KSA has had the opportunity to be part of this success by helping Vanity Fair's management team implement numerous systems, programs and procedures related to almost every department in a factory's organizational structure. Together, VF and KSA have implemented:

1. Engineering

- A system to calculate sewing operation standards (Kurt Salmon Associates Data Analysis).
- Optimal sewing methods.
- New plant layouts as well as production lines layouts.

2. Production

- A new production system called "Box MOD," which is a dedicated line with a group incentive and an inventory control system.
- Production control systems based on boards, procedures and daily activities performed by production managers and supervisors.
- Learning curves for production sections and guidelines to evaluate performance.

3. Planning

- Buildup projections and requirements needed to startup new plants.

4. Training

- Training programs for instructors, operators (AAMT) and middle management.
- Guidelines for training staff members, quality control employees and material handlers.

5. Payroll

- Incentive programs for traditional lines as well as the new Box MODS.

6. Quality

- Quality inspection procedures for production supervisors, trainers and operators.
- Quality control parameters, reports and tools to improve quality performance.

7. Human Resources

- Recruiting and selection tests as well as profiles for almost every position.
- Analytical and objective evaluation procedures for all employees.

8. Materials

- Systems to control overusage of materials.

9. Safety

- Training of middle management in

safety procedures and administrative safety requirements in the plants.

Overall, KSA has helped VF in four plant start-ups. We have worked together in training and developing almost all level of employees from Machine Operators to Production Managers, and KSA has proudly contributed to the current Vanity Fair Mexican culture and status.

The relationship between Vanity Fair and KSA is best described by the person who has believed and made Vanity Fair a World Class Manufacturing company, VF Vice President Bill Turberville, who once said: "Vanity Fair and KSA are married and cannot be separated. I would not have a plant start-up if KSA was not involved."

Currently, four staff consultants—Jose Del Angel, Jose Gomez, Jesus Baltazar and myself—plus Juan Echeverry and Don Burkhalter are assigned to Vanity Fair Intimates and more than 50% of KSA Americas employees have been involved with the project during the five years of the relationship.

Vanity Fair Intimates represents for KSA Americas not only a continuous work source, but more importantly, it has been a school to apply and learn "How to do it right!!!"

Olan Mills focuses on costs

by Oliver Baran

Although an accurate camera focus has been the key to success for *Olan Mills, The Nation's Studio*, over the past five decades, there has never been a focus on cost. This may or may not be surprising, with an average Cost of Goods Sold of less than 20%.

Increased competition and more value-conscious consumers compelled Olan Mills to determine the cost of an order, rather than basing strategic decisions on estimated average cost. KSA (*Steve Schlehuser, Damon Shuman, Butch Price* and I) was retained to solve this mystery by costing a range of typical orders. We quickly learned there weren't many typical orders but instead, millions of customized orders. In addition, it became clear that the production cost of orders varies widely depending on the order content.

As expected, KSA was not only able to meet but exceed the challenge through long hours on the factory floor, extensive process mapping, and 'sophisticated' Excel 5.0 cost computations. We left the client with an effective costing model, a cost budgeting tool, and the knowledge that it pays to work with KSA instead of some of the bigger name consultants that frequented the Olan Mills halls during our time there.

As a second project for *The Nation's Studio* is likely to kick off soon, I wanted to share with y'all (see how Southern I've become!?) a few lessons learned at the Shallowford Processing Plant in Chattanooga, Tennessee.

- Having received my MBA less than a year ago, I should have known that ABC stands for Activity-Based Costing

and is more involved than 'A Bit of Costing.' By the way, TLA stands for Three Letter Acronym.

- Cost drivers are typically not 'driving' employees; granted, there are certain exceptions, but rather processes or parts. Corporate jets on the other hand, although often 'falsely' perceived as excessively costly, are very convenient means of transportation, as Damon Shuman and I can confirm.
- As a non-native English speaker, I learned that 'Jula' is in the summer (usually before August), and not to offer help with repairs when Tennessee natives are 'fixin' to do something.
- Although "sautéing and steaming" are "process improvement opportunities" to the local cuisine, every other local encounter confirmed that "Southern manners" is not an oxymoron.

We learned a lot about an industry that has traditionally not been within KSA's focus.

Have you been a consultant too long?

from U.S. and European submissions

You'll know when . . .

You decide to re-org your family into a "team-based organization."

You refer to dating as "test marketing."

You feel naked without a laptop hanging from your shoulder.

You can spell "paradigm."

You actually know what a paradigm is.

You think "vacationing" is spending an entire weekend in your own home.

Writers for the OAG call you to verify flight numbers and times.

You have seen more movies at 35,000 feet than you have at General Cinemas.

You have had more phone numbers than Imelda Marcos has pairs of shoes.

You forget how to turn on the windshield wipers in your own car.

You know every single piece of clip art in PowerPoint.

You explain to your bank manager that you prefer to think of yourself as "highly

cont'd on page 20

We're in India— and so are lots of others!

By Devangshu Dutta and Tony Smith

The turn of the year sees our joint venture business in India move into its first full calendar year of operation. This is a year that will see further development of the country from low cost source to major consumer market—a prospect not entirely missed by a number of our existing North American and European clients.

Geography, cultural diversity, limited logistics and communications infrastructure have, to date, been limiting factors in the development of the retail sector in India. However, a growing concentration of consuming population in 20+ urban centres (the population of Mumbai [Bombay] has grown 30%+, and that of Delhi 40%+ in the past 10 years), and the ever increasing number of "legitimate" consumers (over 12 million households have an annual income greater than \$50,000) has provided a market base

from which the organized retail sector is now beginning to build.

Indigenous retail operations are now complemented by international entrants that include Arrow, Bata, Benetton, Coats Viyella, Lacoste, Lee, LS&Co., Littlewoods, Makro, Mexx, Nanz, and Nike. Many others are planning to enter the market in the near future.

With continued developments in brand marketing, the emergence of a more sophisticated consumer who demands ever-increasing levels of service (recognize this ?!), and a growing interest from the large corporate groups in retailing as a strategic business diversification, we expect an organized retail infrastructure to emerge in the next 3 – 5 years. This will complement the development of an organized production base.

We're in India; we're in good company; we're in a market rich with opportunity!



KSA-Technopak exhibits at Tex-Styles

KSA-Technopak recently exhibited at Tex-Styles, an annual fair in India that displays fabrics, trimmings and embellishments, services and publications related to the textile and apparel industries. About 260 companies participated, including about 40 international companies (in accessories and support areas). This fair is co-promoted by the India Trade Promotion Organisation and various other export promotion bodies.

Spiegel Project Update

by John Jantson

Brad Morrison, Phil Kowalczyk, and I recently completed a project at Spiegel Catalog that reduced the product development cycle time, improved employee teamwork, and will save the company over \$1 million annually. Led by Brad, the project team realigned Spiegel's manufacturing capacity to better meet the needs of its Merchandising divisions.

Short-sighted sales projections

In 1990, Spiegel Catalog began building a Manufacturing division to support projected sales of \$5 billion in 1995. Unfortunately, the company never realized these sales projections which resulted in excess manufacturing capacity, costing the catalog approximately \$2,500 per private label clothing style.

Relationships between Merchandising and Manufacturing became strained. The two divisions, which are housed in separate buildings, began to develop distinct cultures that were dysfunctional and served separate purposes. Finger pointing, excuses, and exasperation characterized the relationship between these two divisions. Spiegel commissioned multiple task forces to address its internal conflict but failed to make a change. At the height of the conflict, the Manufacturing division started a new company, Spiegel Manufacturing International or SMI, to service outside customers. "If they don't want to use the resources we provide, we will find someone who does," commented a Spiegel Manufacturing manager.

Spiegel Takes Action

With the problem well defined, the Spiegel/KSA team jumped into action in September, 1996. With an aggressive four-month project plan, the team set out to streamline the product development process, improve employee teamwork, and develop a Sourcing, Technical (Pattern Making), and Merchandising plan for the future. John Irvin, president of Spiegel Catalog, stressed to team members that this project was their top priority.

Streamlining the Product Development Process

Spiegel's first step was to analyze the current product development process and eliminate duplicate and unnecessary work. The team streamlined the product development cycle putting buyers and vendors in direct contact, reducing hand-offs and unnecessary middlemen. Merchants now had direct access to the manufacturer. Buyers began to travel overseas and negotiate with vendors face-to-face, ending hours of back and forth faxing and improving vendor relations. This new process reduced the total amount of systems input required by both the Manufacturing and Merchandising divisions. Multiple systems were turned off as information requirements were more clearly defined.

Improve Employee Teamwork

Spiegel had developed two unique cultures which had to be merged into one effective team. To break down barriers that had existed over the past five years, the project team divided the Manufacturing division into a Technical and Sourcing department. These new departments worked to improve teamwork among employees. Roles and responsibilities were clarified among the Technical, Sourcing, and Merchandising departments. The Sourcing department relocated from the Technical Center to Spiegel Headquarters adjacent to the Merchandising departments. Cross-functional teams were formed to address process and business problems. Spiegel developed plans to implement common performance measures and teamwork workshops.

Developing a Plan for the Future

Once the Sourcing, Technical, and Merchandising groups were formed, Spiegel, with KSA's help, began to plan for the future. Cross-departmental teams developed three-year plans for the Sourcing department and defined the needs of the Technical department. To prepare for future workloads, a three-year production plan was created from the five-year plan and historical production

data. The Sourcing department proposed a streamlined vendor matrix to support the production plans.

The Spiegel/KSA partnership enabled Spiegel to accomplish a tremendous amount of change in a short period of time. These changes enabled Spiegel to reduce the time it takes to bring its product to market. The annual savings provided for additional design talent, concurrent with the catalog's vision: "Spiegel Means Style."

Milestones

Congratulations to:

Brooks Kitchel and Denise Kramer, married September 28, 1996.

Gerson Coto and Carol Aguilar, married December 28, 1996.

Neil and Tracey Buck on the birth of a daughter, *Catelyn Nicole*, November 4, 1996.

Juan and Ana Maria Echeverry on the birth of a daughter, *Catalina Maria*, January 1.

Scott and Kelley Sangrey on the birth of a daughter, *Kayla Cooper*, January 20.

Lisandro and Larissa Sagastume on the birth of a son, *Wilfredo*, January 8.

Jacquelyn and Thomas Tatum on the birth of a daughter, *Sydney Victoria*, February 3.

Curt and Julie Clark on the birth of a daughter, *Brittany Antoinette*, February 4.

Brian Medley and Angela Entrekkin, married February 15.

Mallory and Billy Samson on the birth of a son, *Cal Archer*, February 21.

Erik LaValle, who was elected Vice President of the Georgia Chapter of the Healthcare Information and Management Systems Society. HIMSS is the premier national professional society for health care IS professionals, and the Georgia chapter is the largest local chapter, with 250+ members.

Donna Best, Linda Broadrick, Chuck Easley, Wil Gibson, Dave Rush, Lisandro Sagastume, and Brett Turner, who celebrated ten years with KSA in 1996.

Janice Ryer and Lynn Spubler, who recently celebrated 20 years with KSA.

KSA Sews up Material Handling for Ethicon

by Bob Smith

Tony DeMaria, Brad Humphries, and I are currently working with Ethicon, a division of Johnson & Johnson, one of the world's largest pharmaceutical firms. Ethicon manufactures and distributes surgical needles and sutures for sewing up those nasty wounds that are inflicted upon us in surgery or when injured in those games we still think we are capable of playing. The plant is located in San Angelo, Texas and is one of three plants that manufactures needles and sutures.

The project involves the development of a material handling vendor bid specification, and assistance in vendor selection for an integrated material handling system. The project will take two to three months to complete and will involve a seven- to ten-person team from Ethicon. This type of project would normally be completed over a three- to four-month time frame; however, due to Ethicon's urgency in implementing the system the overall time frame has been compressed.

The integrated material handling system (IMHS) will be comprised of automated guided vehicles (AGVs), automated micro-positioners (microloaders), and an automated pallet management system for controlling the interaction between the AGVs and microloaders. The IMHS will be used for the transfer of product in and between the manufacturing, sterilization, and packaging operations.

Overall, the system is very complex, with the optimal goal to have minimal human intervention for transferring product between operations. The microloaders are actually robots that transfer product from the manufacturing, sterilization, and packaging equipment to pallets. The pallets are then transferred from operation to operation via the AGVs, which are just like the fork trucks you see running around warehouses—only without the drivers. In order to ensure the pallets are transferred to and from the correct operations, the pallet management system coordinates the interaction of the microloaders and the AGVs. The pallet management system is a PC, client server, and graphical user interface-based system—GUI, (pronounced *GOOey*, as

in sticky buns) that is connected via the local area network. Now, I know you're asking, "How can a vehicle running around a manufacturing facility communicate via a hard-wired local area network?" Well, it can't. Communication between the AGVs and the pallet management system is wireless, conducted via radio frequency (RF). This is the same technology used for the cell phone we use every day as we drive into the office and nearly run the person traveling next to us off the road.

To understand the system, envision a football game. The product is the ball; the pallet management system is the coach who tells where the ball is going; the quarterback is the microloader that hands the ball off; and the running back is the AGV who carries the ball to where it is supposed to go. The key is not to fumble, which means the right system and the right vendor must be chosen. It is KSA's responsibility to minimize Ethicon's chances of fumbling.

All of the manufacturing and sterilization operations take place in a highly trafficked, twenty four hours per day, seven days per week, clean room environment. Employees must wear a gown, shoe covers, and a hair net (you have not lived until you have seen Brad in a hair net). In addition, they must be careful of people entering and exiting the various operations, and have to deal with these situations on an around-the-clock basis. This type of environment adds complexity in developing a safe, non-intrusive, non-disruptive system. Special manufacturing, quality, and testing guidelines (e.g., ANSI/ISO/ASQC Q901 and CIM standards) must be adhered to.

Over the course of two to three months, the project will include development of the vendor bid specification document, vendor plant and IMHS installation site visits, review of the vendor bid specification responses, and vendor selection. Due to our experience in designing and specifying complex integrated material handling systems, KSA was chosen over Thompkins and Associates to assist Ethicon in this endeavor.

Our long-term goal is to work with Johnson & Johnson and become their consultant of

choice. Randy Moore has participated in some of the Ethicon work and will be pursuing opportunities with Johnson & Johnson. With our experience and success in the healthcare industry, we believe there is strong potential for matching the customer needs of healthcare with the capabilities of this major global manufacturer.

Strategic Planning—It Works!

by Curt Clark

Continuing the manufacturing and sourcing strategy developed with KSA, Horace Small Apparel Company will start a new domestic facility in the Rio Grande Valley of Texas this spring. This is the second phase in shifting HSAC's production toward low inventory responsive manufacturing. The plan for the new facility is to use an Advanced Analytical Method of Training (AAMT) approach while starting new employees in a small team environment, somewhat similar to what KSA Americas did with VF in Leon, Mexico. However, as fate (and HSAC Senior Vice-President and KSA alumnus Frank Armistead's AAMA membership connections) intervened, it became known that Hagggar's highly productive Brownsville plant was going to be closed. HSAC took one look at the facility and the outstanding cadre there and the search for the new plant's location was over.

It is now our task to quickly accelerate the production build-up and retain Hagggar's existing employees while they are still available. We plan to begin with 160 employees in three quicklines producing stable, high volume and low variation products. We will then begin implementing the 10–12 member teams with AAMT that will manufacture low volume, high variation products, including made-to-measure items. With hundreds of employees to hire and machines to buy, the next several weeks will provide us a challenge.

Editor's note: In the midst of moving and starting up a new plant, Curt and his wife, Julie, also managed to have a baby (see Milestones)!

Sports & Recreation, Inc.

By Andrew Zgutowicz

Most of you already know, through previous *Observer* articles, about the work KSA has been doing with Tampa, Florida-based Sports & Recreation, Inc. (S&R). When we last wrote, the KSA project team consisting of *Barry Moore, Dave Rush, Cameron Geiger*, and I were about to embark on a five-month long, second phase with S&R. (Unfortunately, Cameron had to leave us before all of the fun began, but we thank him for all his insight and hard work. Best of luck at Nike, Inc., Cameron.)

The purpose of the second phase was to field test and refine an Excel-based Service Coverage Model that the KSA/Client Team developed to help S&R provide consistently high levels of customer service in all departments, at all stores, all the time. This model uses store specific historical point-of-sale information, weekly sales forecasts, and time studied service times, to recommend an hourly service coverage profile for each of the sales departments. Store management then uses the department profiles to create weekly work schedules.

Four pilot sites were selected to test and refine the model—two in Tampa and two in Atlanta. Since November of '96 we have used the Service Coverage Model in these locations to create weekly work schedules to support projected customer demand. The pilots allowed us the opportunity to validate the service times being used to calculate recommended staffing levels, to study and refine the administrative processes required by the model, and to test the usability of the model under real life retail conditions. The Christmas season really put the model to the test, but the results were very positive.

In January, we completed fine tuning in preparation for its national rollout to 85 retail locations. KSA's role during phase two was to test and refine the Service Coverage Model and to assist S&R with preparations for national rollout. Corporate training on the use of the Service Coverage Model begins in March. Our goal, of course, is to be involved with the training and the national rollout

process. If this happens, our work with S&R will continue through most of 1997.

Hopefully, by the time this article is published, our future involvement with S&R will be solidified. If that's the case, this won't be the last time we share with you the work that we are doing at the company known as Sports & Recreation, Inc. However, it will be the last time we refer to it as Sports & Recreation, Inc. The organization changed its name to Jumbo Sports, Inc. in February. If anyone is interested in the specifics of the Service Coverage Model and would like to see a quick demo, please let me know.

P.S. Since the last update, we have, at S&R's request, begun additional JDA testing work (way to go *John Sewell*); and started a new project addressing merchandise allocation (thanks to *Steve Nevill* and *Chris Port*).

L.L. Bean sails through first peak season

by David Edwards

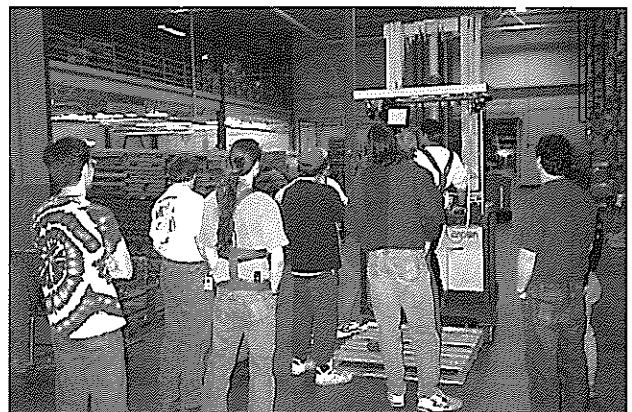
L.L. Bean made it through its first peak shipping season with flying colors, using its new order fulfillment center and DCMS®. For over two years, KSA and L.L. Bean have been working together to bring to life a new way of fulfilling orders that includes facility design, facility realignment, new procedures that help people work more effectively, and software from four vendors (including KSA's DCMS®).

All the hard work paid off when L.L. Bean, experiencing a better than expected sales season, was able to receive and ship merchandise successfully, exceeding the service goals established for 1996. Just to give you a feel for what peak season was like for L.L. Bean consider the following: A) From December 2 – 9, L.L. Bean received over 1 million calls

from customers placing orders. B) From December 2 – 9, 1 out of every 10 phone calls on the major trunk lines in the United States was to L.L. Bean. C) Typical shipping days included 100,000 to 140,000 orders. D) The Order Pool (orders received, but not yet dispatched) climbed to over 200,000 orders on occasion because operating capacity was topped out. E) Some files grew to over 23 million records. (It's safe to say that DCMS® has been volume tested.)

The comment heard most around L.L. Bean during and after peak was how calmly and smoothly things seemed to flow in the Order Fulfillment Center. Gone were the days when pick trucks crowded every aisle and pickers jockeyed for position to pick orders. Instead, pickers actually said they enjoyed picking. Gone was the 3 – 5 day backlog of receipts. Instead, there was no backlog and carriers could not deliver the merchandise fast enough. As great as all this sounds, there are some areas for improvement, and peak 1997 will be even better after the lessons L.L. Bean learned in 1996.

The L.L. Bean project has been a great success for both L.L. Bean and KSA and everyone who worked on the project should be congratulated. The KSA consultants were *Michael Barnes, Norman Beerbohm, Jeff Butler, Bill Cobb, Torre Crupie, Britt Dayton, Vish Ganapathy, Smita Gogia, Poornima Kaddi, Jana Miles, Melissa Olson, Sridhar Raman, Dave Rush, Scott Sangrey, Ralph Wear*, and me. Also contributing were *Barbara Byrnes, Lisa Hall, Mahesh Lad, and Ike Myers*.



L.L. Bean employees learn about DCMS® (note computer monitor mounted at top left of forklift).

Cutting out Guess? work

by Jeff Kyser

KSA has recently wrapped up a number of highly successful engagements at Guess? Inc, a major apparel manufacturer and retailer in Los Angeles, with annual sales of over \$500 million. Guess? manufactures and licenses casual apparel, accessories, and related consumer products, and sells these products through major retailers and over 100 company-owned stores. In August, 1996 Guess? went through an initial public offering, and is now publicly traded on the New York Stock Exchange under the symbol GES. We have been working on the following projects, with *Mohsen Moazami* serving as Account Executive.

Line Development System—Starting in November, 1996, *Wing Chiu* and I began work on the Line Development System (LDS). Guess? produces fashions on a seasonal basis, with four seasons per year, culminating in a market week where all of the products are sold. For each season, the fashion line is designed, materials are sourced, and costs are determined. Previously, each department kept its own record of the development schedule and work in process. The LDS system automates the product development process by storing all development information in one place and making it available to all users. Part of the appeal of the new system is that it uses a Microsoft Windows Interface, with Microsoft Visual Basic and SQL Server as development tools. The system was designed to help automate the product development process and replace a set of spreadsheets that had outgrown their usefulness. The first version went live in February, 1996. To date, Guess? has seen a major improvement in communication between departments as well as timeliness and quality of data.

Customer Service Diagnostic—*Dorothy Sadd* and *Janet Greer* helped define how to improve customer service levels at Guess?, including which measures should be used in the process. When a customer orders a product from Guess?, they expect that the order will be filled and delivered on time. If this does not happen, Guess's image suffers and

the customer is unhappy. KSA identified measures that can be used to detect and respond to problems before they happen. This served as a precursor to the Calendar project, which later provided some of these measures.

Line Development Calendar—based on the successful work at Jones of New York by *Jeff Stiely* and others, Guess? became aware of the need for a Line Development Calendar. We kicked off the project in June, 1996, with the addition of *Dorothy Sadd*, *Michael Saunders*, and *Kumar Alwar* as well as *Wing Chiu* and me from the LDS team. When Guess? starts developing a line for market, a number of inter-related tasks need to happen to get products to market on time. For example, the line needs to be designed, the fabric needs to be ordered, and the samples need to be made. By using a Calendar, Guess? staff can track their workload and see whether they will meet the due dates for their tasks. They can also look at other departments' tasks and see how they are doing. Executives can get a global view of all departments and all events to see how the whole company is doing. The Calendar tracks, at a detailed level, the activity during the product development lifecycle and integrates with the Line Development System previously developed by KSA. It allows Guess? management to track development progress against targets and to drill down into problem areas for further review. Each individual user gets a list of events to sign off on, which are then rolled up into summary charts. The Calendar system went live in December of 1996, and Guess? has already seen improved communications, better issue resolution, and identification of areas to improve.

We are currently working with Guess? to help reap the benefits of the calendar by looking at ways to improve processes and reduce cycle time. *Dorothy Sadd* has recently kicked off a process improvement project in Design, based on information obtained from the Calendar.

Say that again?

Having chosen English as the preferred language in the European Economic Community, the European Parliament has commissioned a feasibility study in ways of improving efficiency in communications between Government departments.

European officials have often pointed out that English spelling is unnecessarily difficult—for example: cough, plough, rough, through and thorough. What is clearly needed is a phased programme of changes to iron out these anomalies. The programme would, of course, be administered by a committee staff at top level by participating nations.

In the first year, for example, the committee would suggest using "s" instead of the soft "c". Certainly, civil servants in all sites would receive this news with joy. Then the hard "c" could be replaced by "k" since both letters are pronounced alike. Not only would this clear up confusion in the minds of clerical workers, but typewriters could be made with one less letter.

There would be growing enthusiasm when, in the second year, it was announced that the troublesome "ph" could henceforth be written "f." This would make words like "fotograf" twenty percent shorter in print.

In the third year, public acceptance of the new spelling can be expected to reach the stage where more complicated changes are possible. Governments would encourage the removal of double letters, which have always been a deterrent to accurate spelling. We would all agree that the horrible mess of silent "e's" in the language is disgraceful. Therefore we could drop them and continue to read and write as though nothing had happened.

By this time it would be four years since the scheme began and people would be receptive to steps such as replacing "th" by "z." Perhaps even the function of "w" could be taken on by "v," which is, after all, half a "w."

Shortly after this, the unnecessary "o" could be dropped from words containing "ou." Similar arguments would of course be applied to other combinations of letters.

Continuing this process year after year, we would eventually have a reliable sensible writing style. After twenty years there would be no more troubles, difficulties and evasions and you would find it easy to understand even the most obscure of Government documents.

KSA assists in sale of Dominion Yarn Group

by Brad Payne

KSA's corporate finance practice recently served as financial advisor in the divestiture of Dominion Textile's Yarn Group. The Yarn Group was comprised of a commodity yarn division with plants in North Carolina, Ontario and Quebec, Canada, and a specialty yarn division with three manufacturing plants in Quebec. The commodity yarns go into jersey and fleece products, while specialty yarns can be found in a multitude of applications ranging from bullet proof vests to upholstery fabrics.

The decision to divest the Yarn Group emanated from an overall strategic evaluation engagement directed by *Fernando Silva*, with assistance from *Jim Neal*, *Colin McGranaban* and me. Dominion, headquartered in Montreal, is a long-standing KSA client with annual revenue of approximately \$1 billion.

The sale of the Yarn Group actually involved three separate transactions, with combined sale proceeds of approximately \$100 million. The majority of the U.S. assets (three of the four plants) were sold to Parkdale Mills. Parkdale is the largest independent sales yarn company in North America. The fourth U.S. plant was acquired by the Dominion Yarn senior management team in conjunction with a financial partner, New York-based Jacobson Partners. The

Canadian specialty and commodity operations were sold to a Canadian financial buyer, Diogenes Capital Group, along with participation from the Canadian Yarn Division's senior management team.

While the North American sales yarn market has consolidated significantly over the last few years, the market has shown considerable growth. In addition to the popularity of natural fiber knitted products, growth has been due, in large part, to out-sourcing of yarn production on the part of several vertical mills. Parkdale Mills, in particular, has been successful in forming strategic alliances with several vertical mills to sell yarn under long-term supply agreements. The reduced number of potential strategic buyers, due to consolidation, coupled with on-going operating losses at the Yarn Group made this a particularly challenging mandate. The conclusion of these transactions was all the more rewarding given that the Dominion management teams were able to continue to lead their businesses and secure meaningful equity stakes in the new entities.

The project was truly a team effort. Fernando Silva's long-standing relationships at Dominion, along with his leadership on the project, were critical to our success. I managed the divestiture engagement and served on the point for negotiations with Diogenes

Capital and Parkdale Mills and was supported by *Evan Lippman* and *Jeff Madden*. *Gary Catherman* played a key role in the early stages of the engagement. NationsBanc Capital markets served as co-advisor in the engagement and led the negotiations on the sale of the Bell plant to Jacobson Partners and the management team.

As many of you know, serving Canadian clients has its own special challenges. I was going to consider it a personal victory to have avoided paying the temporary work visa fee by offering a series of creative reasons for being in Canada. Unfortunately, on my last visit to conclude our negotiations my luck ran out when I was forced to cough up the \$100 fee by a border guard who was clearly having a bad day. Other challenges included conducting buyer visits in Ontario and Quebec in the brutal winter of 1996, which tested the mettle of our "thin southern blood." One February morning we knew it was seriously cold even by Canadian standards when our client's car failed to start when returning from a plant visit in Long Sault, Ontario. By my rudimentary conversion calculation it was a mere minus 20 degrees Fahrenheit. Other highs and lows of the fourteen month engagement are too numerous to mention but suffice it to say we were able to top off the tank on "war stories."



Here's proof that marriages can and do last. Left to right Al and Margarita Bolet, Ken and Anna Wilkes, and Ed and Patricia Ross. Can you guess how many years combined these three couples have been married? Hint: it's more than 50! The person who guesses the correct number will receive a bottle of chardonnay, compliments of Al Bolet. Attendees at Craig Zupan's party, where the photo was taken, are not eligible. E-mail your guess to the Observer US editor by May 1.

The KSA Observer

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Mayo Clinic

cont'd from page 1

Health System practices and yet another marketing potential existed.

At the time, Mayo was receiving requests from many physician groups and hospitals in the region about affiliation/linkage opportunities. At the same time, other regional providers were playing "pac man"—acquiring everything in sight and Mayo needed to protect a portion of its referral base. A unique dual strategy was shaped—create a regional practice within 120 miles of Rochester and a national practice strategy beyond 120 miles but within the continental USA—another twist with marketing potential. The road to Rochester became well traveled. The Cannonball Truckstop—frequented by *Mark Wietecha*—was a place for "gourmet food" and fine tuning/confirming action steps for the visit.

Many staff have been involved and another significant project is currently being defined with *Barry Moore*, *Jim Berarducci*, and *Bruce Miller*. (Barry sampled the gourmet food at "The Cannonball," and gave two thumbs up.)

Following are some lessons learned in serving and expanding our role in Mayo:

1. Whenever presented with a chance to go to Rochester/Mecca and get in their face—do it!
2. Bring in the KSA "big guns" at key times, but focus their effort—wasted ammo will sink your ship.
3. No matter how disappointing, realize you won't be Mayo's sole consultant; they use multiple firms and really don't want to commit exclusively—but don't accept; keep driving.
4. Let them see the quality and depth the firm has—they practice medicine that way; show them we practice consulting that way—they are world class and KSA is world class. Exceed their expectations in terms of responsiveness, deliverables, and added value; as Kurt Salmon and Jim Hamilton believed—don't be average; our client is not.
5. Don't bait and switch consultants—This has the potential to upset leadership, and they watch every project like a hawk.
6. Don't be afraid to turn down a potential piece of work over a possible conflict; get mileage out of it for future work in coming years.
7. If an issue comes up during a project (never occurred because we are perfect), go directly to Mecca (Rochester) to listen—may result in another piece of work—it did, even though 30 to 40

minutes of the session was uncomfortable.

8. Stop at "La Cannonball"—great soups and pies and Barry Moore may buy.
9. If traveling with Jim Berarducci, leave 1/2 hour early—you will still be late.

As noted above, Mayo is a world-class client, well-recognized, and an excellent reference. It took a team effort to build this reference and will require the same to maintain and expand our activity. Great job KSAers!

Here's a rundown on the clients served and Hamilton-KSA staff involved:

Clients:

Rochester
(Mayo Clinic)

Eau Claire
(Luther Midelfort)

Hinsdale Health System
Rockford Health System
Austin Medical Center
LaCrosse

(Franciscan Skemp)

Albert Lea
Fairmont
Faribault
Rochester

(Mayo Clinic)
Menomonie

Cardiac Building

Master Plan
Psychiatry Services
Radiology Plan
Neurosciences Services

Strategic Plan (2)

Potential Uplink
Potential Uplink
Master Plan
Cardiology Services
Master Plan
Strategic Plan
Strategic Plan
De Novo Clinic
Market Study Midwest Mkt.

Strategic Plan

Hamilton-KSA Staff:

Jim Berarducci
Neil Chaffee
Megan Hanley
Susan Hann
Tom Janda
Bob Kaufman
Chuck Killian

B.J. Miller
Bruce Miller
Steve Sauer
Larry Sterle
Brett Turner
Jim Vogel
Mark Wietecha

Dilbert by Scott Adams



Here's a hint—change your KSA password every 28 days!

Less-than-notable quotes

When I saw a sign on the freeway that said, "Los Angeles 445 miles," "I said to myself, "I've got to get out of this lane."

Franklyn Ajaye

When down in the mouth, remember Jonah. He came out all right.

Thomas Edison (1837-1931)

KSA announces new joint venture

Kurt Salmon Associates proudly announces a joint venture agreement with Inman Middle School in Atlanta and Junior Achievement Inc., also in Atlanta. In a pioneer effort, which is expected to become a model for other such partnerships across the globe, KSA Atlanta has agreed to an arrangement which, in conjunction with Junior Achievement, will educate the youth of Virginia Highlands in principles of business, economics, and the American free enterprise system. Virginia Highlands is a residential area near KSA's Atlanta office and is home to numerous KSA consultants and alums.

This venture represents a strengthening of KSA's long-standing relationship with Junior Achievement. In the past, KSA'ers have worked as Junior Achievement volunteers in a variety of schools around Atlanta. However, KSA volunteers were not all assigned to the same school. This new effort represents the firm's first partnership with a local school. KSA will provide enough staff to teach Junior Achievement classes for

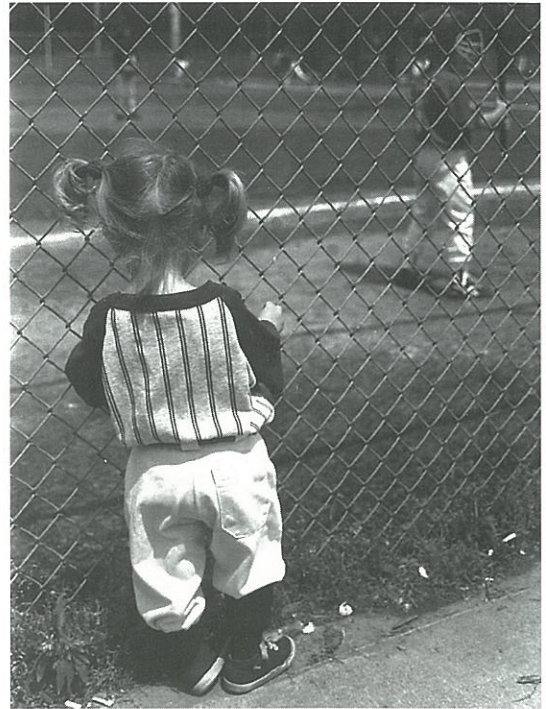
KSA's JA Staff
Jamie Brooks
Derrick Brown
Tom Clement
Charlotte Cudlip
Sarah Davis
Angie Dickman
Chuck Easley
Megan Hanley
Brad Humphries
Phil Kowalczyk
Erik LaValle
Jana Miles
Matt Prevost
Scott Sangrey
Ken Walker
Allen Glenn
Keith Richards

one of the teachers in the school. Also, the students at Inman Middle School will recognize Kurt Salmon Associates as *the* local enterprise that has made a significant commitment to their school.

A typical Junior Achievement class (or module) requires 8 to 10 hours of classroom work—usually one hour per week for about two months. JA has designed three different modules, which are incorporated into the 6th, 7th and 8th grade Social Studies curricula. For each module, JA

provides its teaching consultants a prepacked kit that includes everything needed to effectively teach the class. Historically, KSA has formed teaching partnerships (two consultants who work together, and fill in for each other when necessary) for each module.

As KSA and Junior Achievement are both global enterprises, the goal is to establish similar relationships with local schools in each of KSA's offices around the world. If you are interested in volunteering, contact the JA coordinator in your office or *Fran Preston* in Atlanta.



Gigi Tindle (Atlanta) took a photography class last January and fell in love with the art. Since then, she has found that the most unpredictable and yet fascinating photo subjects have been her children, especially her three-year-old daughter, *Ivy Scout*. Gigi snapped this photo of Scout watching her brother, *Graem's* baseball game. At the advice of *Irene Wright* (also in KSA's Atlanta office), she entered the photo in Parade Magazine's annual "Champions" photography contest. This photo was one of only 100 winners out of 100,000 entries. Congratulations, Gigi!

Gigi is now working on a collection of photos from this same "over the shoulder" perspective. Called "Innocence of Pigtails," she hopes to capture not just a story of youth, but the story of a mother's love for her daughter—something that can never be framed.

Running for the Cure

Last December, Cassandra Whitcomb ran (and finished!) the Honolulu Marathon, raising nearly \$2500 for the Leukemia Society. Cassandra said, "What an experience! Being the novice runner that I am, I was unaware of the popularity of the Honolulu Marathon. It is one of the largest in the world, with more than 24,000 runners."

The course started in the Honolulu downtown business district, past Waikiki, around

Diamond Head to Hawaii Kai, and back to Kapiolani Park.

Cassandra, along with other Leukemia Society "Team In Training" members, made a contribution to an organization that is really making a difference. The Leukemia Society's goal is to find a cure by the year 2000, and the progress they've made in just the past ten years shows they can do it. Congratulations and thanks, Cassandra!

More mis-quotes

The more he talked of his honor the faster we counted our spoons.

Ralph Waldo Emerson (1803-1882)

If I were two-faced, would I be wearing this one?

Abraham Lincoln (1809-1865)

If it weren't for the last minute, nothing would get done.

Unknown

I spent a night in an igloo

By Keiryln Kuehn (age 6) with help from Daddy (Keith Kuehn, Minneapolis)

Daddy and I were watching TV one night. The show was about two men skiing up in the mountains. They built an igloo in the snow to sleep in. I told Daddy I wanted to try that. He said, "OK, anytime you want to." (He thought I meant skiing and going to the mountains.) I told him, "No, I want to sleep in an igloo." He looked a little upset.

It snowed a lot, and soon it was taller than me. And Daddy built an igloo! The week after Christmas, we got lots of blankets and a little oil lamp, and went to bed in the igloo. It was only 10 degrees and getting colder.

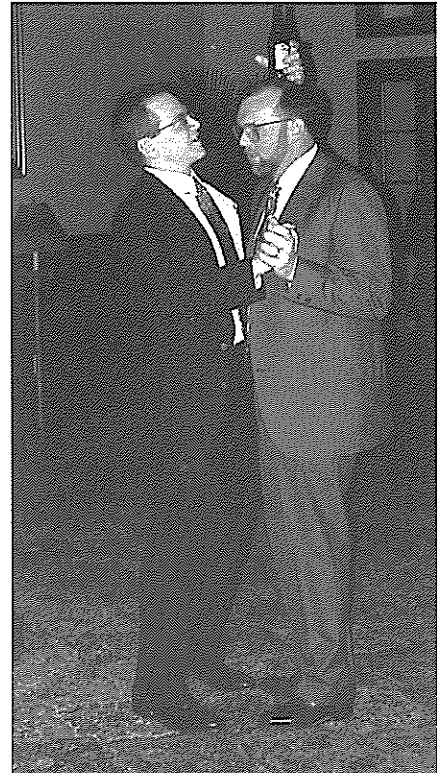
We settled down, with all our clothes on and even our snowsuits. The oil lamp gave off a little light, and no heat, but it was warmer inside the igloo than outside. Daddy closed the rug over the door. He told me to snuggle up, and cover even my head with the blanket. He did, but I kept poking my head out. Then I went to sleep. After about five hours, I woke up. My nose was cold. The blankets were lumpy and I wasn't comfy. I wanted to go in to my bed, so we did. I think he was happy then. I had fun, but I don't want to sleep in an igloo again.



Snug and warm (?). Kevin and Keiryln Kuehn bundle up inside their hand-built igloo. Outside, the temperature was 10 degrees. At press-time, Kevin reported that it was just as cold as when this picture was taken! See related story on next page.

Who's leading? Right, Randy Unger, Jack Horst and a Coor's Light make for some pretty interesting dance steps at the Princeton Office's Holiday Party.

Move over, Rockettes! Below, Suzanne Judd, Kathryn Cullen, Jane Markwardt, Gabrielle Pyle, Jack Horst, Steve Riepenhoff, Greg Pyle, and Kelly Unger do the Macarena.



New Principal

Heiner Spalink

Heiner joined KSA in June, 1996, coming from Kienbaum Management Consultants, the largest German independent consulting firm. There, Heiner was head of a consumer products group, which included manufacturer and retailing clients. He worked for Kienbaum in a wide range of the consulting business. He managed strategy projects as well as business process reengineering and cost cutting.

Before his consulting career, Heiner worked

in a major German retailing company in marketing and corporate planning/controlling.

His key tasks in KSA are the development of ECR and MOC. He is focusing his efforts on the food and DIY industry in the German region.

Heiner's key clients, Holtzbrinck and LEG, followed him from his former consulting firm. His new client is Jacobi, a daughter company of the Allied Domecq Group. This is a world leader in spirits and retailing. In the US, the group has more than 8,200 Dunkin' Donuts and Baskin-Robbins franchised stores.

On January 1, Heiner took over the responsibility for the German retail group from Michael Kunkel. (Photo not available.)

New Managers

Steve Sauer

Steve has demonstrated excellent consulting and client skills since joining Hamilton-KSA. He has contributed on both Design and Strategy work at such clients as Henry Ford Health Systems, Mayo Health System and Beth Israel Deaconess Medical Center. He has been the key client relations manager for the operations redesign work at St. Luke's Medical Center in Milwaukee. Despite his short time with our practice, Steve has already published two articles.

Andy Bachrodt

Prior to joining Hamilton-KSA this past spring, Andy had a great deal of experience in health care planning and management on the provider side. He has quickly assimilated into our practice, working on a number of Strategy engagements including projects at Promina and Munroe Regional. He also serves as Professional Development Manager for health care in the Atlanta Office, and has been a very positive addition to our practice.



Bachrodt



Sauer

*It's a great place to live,
until the snow flies*

A Minnesota Diary

Making the rounds of office bulletin boards and copy machines is this wry—and anonymous, as far as we know—commentary on why only the hardiest souls outlast a Minnesota winter.

Aug. 12: Moved to our new home in Minnesota. It's beautiful here. The northern woods are so majestic. Can hardly wait to see snow. I love it here.

Oct. 12: Minnesota is the most beautiful place on earth. The leaves have turned yellow, red, and orange. I love it here.

Nov. 11: Deer season will start soon. I can't imagine anyone wanting to kill such a gorgeous creature. Hope it will snow soon. What a beautiful place.

Dec. 12: Snowed last night. Woke up to find everything blanketed with white. It looks like a postcard. We went outside and cleaned the snow off the steps and shoveled the driveway. We had a snowball fight and I won, and when the snow plow came by we got to shovel the driveway again. What a beautiful place. I love Minnesota.

Dec. 14: More snow last night. I love it. The snow plow did his trick to the driveway again. It's a great place to live.

Dec. 19: More snow last night. Couldn't get out of the driveway to get to work. I am exhausted from shoveling. Stupid snow plow.

Dec. 22: More of that white stuff fell last

night. I have blisters on my hands from shoveling. I think the snow plow hides around the curve and waits until I'm done shoveling the driveway. Jerk!

Dec. 25: Merry Christmas!! More @#%* snow. If I ever get my hands on the jerk who drives that snow plow, I swear I'll wring his @#%* neck! Don't know why they don't use more salt on the road to melt the stupid ice.

Dec. 27: More white stuff last night. Been inside for 3 days, except for shoveling the driveway after the snow plows goes through. The weatherman says to expect another 10 inches of snow again tonight.

Dec. 28: The weatherman was wrong. We got 30 inches of the white stuff this time. At this rate, it won't melt before next summer.

Jan. 4: Finally got out of the house today. Went to the store to get food and on the way back a stupid deer ran in front of my car and I hit it. Did about \$3,000 damage to the car. Those beasts should be killed. Wish the hunters had killed them all last November.

May 3: Took the car to the garage in town. Would you believe the thing is rusting out from all that salt they put all over the road?

May 10: Moved to Georgia. I can't imagine why anyone in their right mind would ever live in that forsaken state of MINNESOTA!

Consultant

cont'd from page 11

leveraged" as opposed to "in debt."

You believe the best tables and graphs take an hour to comprehend.

You refer to divorce as "divestiture."

Your "deliverable" for Sunday evening is clean laundry and paid bills.

You write a workplan for your weekends.

Someone asks you what you do for a living, and you can't answer the question.

Before starting the car, you tell everyone where the emergency exits are.

You believe that e-mail is as good as conversation can get.

You get more calls from the hotel staff to see if you're OK than you do from your friends.

You realize the hotel staff *are* your friends.

You can list one hundred (and counting) reasons why you have been a consultant for too long.