

## **Business Essentials: Computer Systems**

### ***How do you know when it's time to scrap an old one?***

by Fred Heintz, CPIM CIRM

Many businesses are using computer systems they installed more than 15 or even 20 years ago. You might assume these systems are obsolete and need to be replaced, but that's not necessarily the case. Sixth Floor Consulting has seen many companies that still run their businesses on older systems, and these systems can do quite well. Of course, if you're still backing up to floppy disks, it might be time for some upgrades.

Besides obvious technological obsolescence (e.g., software that doesn't run on the latest — and only supported — operating system), does your computer system need to completely “crash and burn” in order for you to justify replacing it?

That shouldn't be necessary. Maybe your current system is meeting your needs just fine, but there are signs to look for that will tell you it might be time to start shopping for a new system. Depending on how these issues are specifically affecting your business, this list can also give you some guidance when comparing different systems.

1. Is the software vendor no longer a viable entity, or have they stopped supporting the software?

It might be possible for you to either internally support the software or contract support to a third party; however, this entails risk to your business. You could become dependant on one contractor or set of employees to keep the system running. Even if the software vendor is willing to do “break fixes,” if there is no plan to improve and modernize the software, there is only a limited time before you find yourself depending on someone either internally or externally to keep you going.

Once a vendor stops supporting a system, even if the vendor is still in

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### **Learn to Manage Change ... from Charles Atlas!**

by Tom Dzialo, CPIM CIRM

**Change means movement. Movement means friction. Only in the frictionless vacuum of a nonexistent abstract world can movement or change occur without that abrasive friction of conflict.**

**- Saul Alinsky**

Are you old enough to remember those ads in the comic books with Charles Atlas selling “Dynamic Tension” as a way to avoid getting sand kicked in your face? We'd probably laugh at that ad today. “Dynamic Tension” was a marketing phrase for resistance training. This is an exercise in which an individual pushes against an immovable object in order to build muscle.

Does that remind you of anything? Sometimes, trying to make change happen throughout an organization can feel like pushing on an immovable object.

Maybe it is the change *agents* who need to listen. Sixth Floor Consulting Group has always believed in Kaizen, the process of continuous improvement; however, if you're getting large amounts of resistance to a change, it is time to stop and listen.

While it is normal for people to resist change, most people will go along if they can see two things:

- 1) Management believes in and will support the change.
- 2) The change will bring a benefit to the organization.

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business, you're likely to encounter the second warning sign.

2. The system will not support, or even hinders, any attempt to change and improve business processes.

It does no good to create an improved process if the user then needs to spend additional non-value-added time trying to get the system up-to-date. Part of any process is the time spent in the system. With inefficient computer systems, it will often require additional processing steps to effectively "improve" a business process. This can lead to the users abandoning the new process because it's easier in the system to use the old process.

Even if the new process is retained, the users will often stop inputting data into the computer, resulting in

the third warning sign.

3. Spreadsheets and ad hoc systems proliferate. While Microsoft Office has many important uses in business (believe me, never try to take Excel away from your accounting department), it should never be used for any key business functions. We at Sixth Floor Consulting Group have seen wonderfully complex spreadsheets used to plan production, forecast cash, track QC problems, etc. These should be processes done in an integrated computer system.

If new functionality is being considered for the shop floor, does everyone assume it will be outside the current system? Sometimes this is legitimate (such as with CAD systems), but if Quality Control can't be incorporated into the current software, there is a problem.

Also, if ad hoc systems proliferate, is the problem a lack of training? We've seen spreadsheet planning systems used because no one had the knowledge of how the MRP configuration and data setup actually worked.

Sixth Floor Consulting Group prides itself on being independent of any software vendors. We've worked with many companies and have urged them NOT to invest in new systems, but rather to better utilize the software they already have. Eventually, the time comes when every business needs to make that change. Knowing *when* is the first step.

Please feel free to contact Sixth Floor Consulting Group for any help with systems needs. We offer a wide range of services to help your company with either new or existing software. ■

## Sixth Floor BOOK REVIEW

by Fred Heintz, CPIM CIRM

***Real Numbers: Management Accounting in a Lean Organization*** by Jean E. Cunningham and Orest J. Fiume (2003, Managing Times Press)

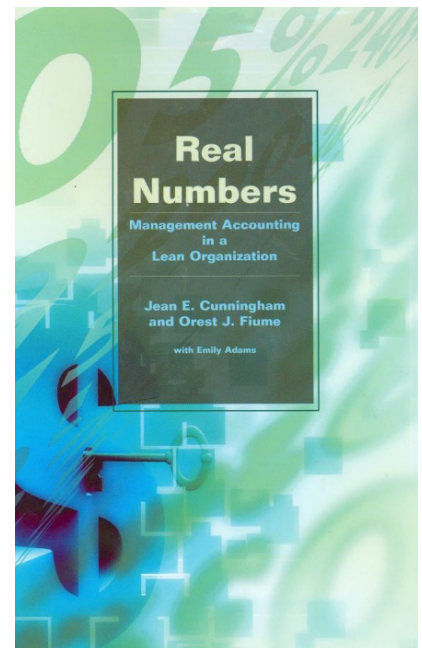
In our March 2009 newsletter, **Lori Modifica** referenced the book *Practical Lean Accounting* by Brian Maskell. This is a book that Sixth Floor Consulting highly recommends for anyone who wants more in-depth knowledge on the subject of Lean Accounting. Another outstanding book on that topic is the focus of our review this month.

*Real Numbers: Management Accounting in a Lean Organization* is an excellent resource for any business that is working to put Lean practices into place in Finance and Accounting. While Maskell's book includes many practical applications and reports for the lean organization, this book by Jean Cunningham and Orest Fiume concentrates on experiences they had in leading their companies to use lean accounting. Both their organizations (Lantech and Wiremold, respectively) were leaders in using the Toyota Production System in the United States. The authors were able to move their accounting departments off the traditional "Cost Accounting" models and into

doing true lean accounting.

This book (like Lean itself) gives the reader a simple map on how to guide an organization to proper accounting when TPS is part of the corporate culture. They stress simplicity, visual signals, and looking at real numbers. Variance analysis adds little real value in most organizations. The "variance" is to a guess (budget or forecast), so instead of concentrating on the real numbers, people spend time on the difference to a previous year's guess of this year's performance.

This book gives an excellent example of how to use "real numbers" to drive your company's performance. ■







## Enjoy some easy Summer Sipping

by Fred Heintz

With August here, and with the possibility of actually getting some summer weather in Connecticut, we started thinking about our favorite summer wines. Hot weather brings out our taste for easy drinking wines. This means it's time for some white wine.

Before automatically reaching for a Chardonnay, consider something a bit different. Sauvignon Blanc is always popular and goes well with all shellfish. The other "noble" white wine is Riesling. If you want to stay American, consider one of the excellent Rieslings coming out of the Finger Lakes region of New York.

It also helps to look at some of the lesser known white wines. There are great Chenin Blancs coming out of California and South Africa. Vinho Verde from Portugal (also

known as Alberino in Spain) is always refreshing. If you can pronounce it (just saying "gevurtz" works), Gewürztraminer is an excellent wine with Asian or spicy foods. We recommend the ones from Alsace in France.

Finally, if you just have to have a red, how about pink? Not some sickly sweet White Zinfandel, but a true dry rosé. These wines are refreshing and go well with simple barbeque preparations.

All these wines are best served cold, and they are low in alcohol. That makes them perfect for those hot August days.



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