



Viewpoints

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Purpose

To provide unique views, concepts and ideas that challenge you to think differently about business and life.

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Summertime Means Getting “Lean”

June is upon us and the kids will be getting out of school shortly. This means summer vacations to the beach and weekly trips to the pool. Many of us dread the swimsuit season since we may not be as “lean” as we’d like to be.

Getting lean physically means eating better, eating less and exercising more. That is my current objective since our July trip to Myrtle Beach is approaching fast!

This made me think about getting “lean” as it relates to business. You may have heard of the terms “lean manufacturing” or “lean thinking” in different articles, seminars or books.

Lean manufacturing or “lean” is a generic process management philosophy derived mostly from the Toyota Production System (TPS). I know Toyota has run into some major issues recently so I don’t want you to shut down mentally at this point. The main reason that Toyota has run into the problems is the lack of focus on lean principles and total quality efforts that made them so successful in the first place.

One of the keys to surviving in this economy is to do more with less and having a lean mentality in your business will help you get there.

Lean is NOT just for manufacturing! These concepts apply to all types of businesses as well as back office processes such as finance and human resources. Lean concepts can be applied to everything.

One lean concept relates to eliminating waste and is basically centered on the concept of “preserving value with less work.” Lean thinking points to effectively eliminating seven different types of waste in your business processes:

1. **Transportation**
2. **Inventory**
3. **Motion**
4. **Waiting**
5. **Overproduction**
6. **Overprocessing**
7. **Defects**

Let’s take a look at these and provide examples of each.

Transportation – This involves standard transportation from suppliers and to customers as well as the internal transport of information. UPS discovered the waste involved in transportation when it explored the simple concept of its trucks waiting at stop lights or stop signs to make a left turn. Significant amounts of time and gas were being wasted waiting to make left turns.

UPS rewrote their software programs to maximize the number of right turns when delivering packages. In 2006, this resulted in saving over three million gallons of gas, increased deliveries per truck and reduced CO2 emissions by 31,000 metric tons.

Takeaway – waste is everywhere if you look at things differently. Also, simple



concepts can deliver huge results. Don't outthink yourself. There is brilliance in simplicity.

Inventory – This involves storing and maintaining “just in case” inventory versus “just in time” inventory. Inventory that is made or purchased without orders or immediate use limits floor space, increases storage costs, reduces cash flow, etc. In its original model, Dell Computer had this mastered. Customer's computer orders were placed online or over the phone. The computers were then put together with on hand supplier parts that did not become Dell inventory until it was added to the computer on order.

The customer paid for the computer when it was shipped and then Dell paid the suppliers for the parts inventory on 60 day terms after the shipment. How's that for a cash flow model! Customer payment 60 days before I have to pay my supplier and I hold no inventory. Wouldn't we all love that model!

Takeaway – Think of inventory as a liability, not an asset and ask yourself the question, “How do I fulfill customer orders with little or no inventory?”

Motion – Think of wasted motion as extra steps taken by employees based on an inefficient layout. There is significant waste related to motion in back office processes. For example, the expenditure process involves purchasing, receiving, vouching, approval and payment. Wouldn't it make sense to have these functions as close to each other as possible as well as maximizing the automation of the workflow?

Many times these functions are on different floors, in different buildings and are not automated. People move up and down floors, send emails, drop off paperwork.....you get the idea. This results in delays in approval, delays in processing, the scheduling of unnecessary meetings (Talk about waste!) and increases in cycle times.

Takeaway – Better layouts, better process flow design and increased automation eliminates unnecessary motion which reduces waste and increases productivity. Take time to think about the unnecessary “motion” that occurs in your business.

Waiting – No real mystery here. Think of periods of inactivity while people or machines are waiting for the next input. A great example is in the mortgage application process. You fill out your application with all the supporting information and hand it over to the mortgage company. They tell you it will take four to six weeks to process.

In reality, there is only 15-20 hours of actual work done on your application to complete it. The rest of the time is wasted on waiting. Work waiting for people (backlog), people waiting for work or people waiting for people.

One smell test is Solitaire. If people are playing Solitaire, then you know time is being wasted waiting for work.

Takeaway – Look at processes that involve waiting and find ways to eliminate that time. If that is not possible, add new productive activities that can be done during the waiting period.

Overproduction – This ties in directly with inventory and waiting. Overproducing and waiting results in excessive inventory. A client of mine used to make product and then package it in finished goods based on customer forecast. Many times when the orders came in, the customer wanted different packaging than forecast so my client had to open up finished goods boxes, take the product out of packages and repackage them per the customer order. A waste of time, packaging materials and warehouse space as well as the opportunity cost of working on other orders.

In this case, the solution was to manufacture goods based on better customer forecasts (push) and then package and ship based on customer order (pull). This reduced inventory and rework as well as shipping orders more quickly.

Takeaway – look for ways to get better information to better forecast needs and figure out ways to maximize production efficiencies so finished goods can be shipped immediately upon completion.

Overprocessing – This is usually an issue when one sub-process is much more efficient than

other sub-processes. For example, you run the payment processing section for a credit card operation. You decided to buy a high speed envelope opener that opens 60 envelopes/minute. Sounds great except for the fact that your staff can only process 30 payments per minute. The increased speed in letter opening does not increase the throughput at the end of the process. The money spent on this machine is wasted if it does not result in increased throughput for the whole process.

Takeaway – you must look at an entire process and measure it from beginning to end. Increased speed in one sub-process does not necessarily result in better total results. A processes' throughput is only as good as its biggest bottleneck!

Defects – We've all heard the phrase, "do it right the first time" and that is the essence of this element. Defects in outputs (products, documents, deliverables, etc.) that causes the output to be disposed of or to need rework results in wasted materials, time and scheduling as well as missing customer delivery dates or client due dates.

I had a client that had a large department devoted entirely to back office error correction based on incomplete or inaccurate data that was input by customers via the web. By making some web form adjustments that required data to be input a certain way and rejecting customer submissions unless they were complete and accurate, we eliminated the "waste" of error correction by eliminating the problem at the source.

Takeaway – build quality into your processes so no rework is required. Determine the root cause of defects and eliminate the problem at the source and refuse to implement "band aid" solutions related to the symptoms.

I have found that by intentionally looking for waste based on these seven elements, I see waste everywhere. It's like putting on different glasses and seeing a different world in front of you.

For the next week, I challenge you take the seven elements (acronym is TIM WOOD for memory purposes) and look for them intentionally in all that you do.

I believe you will be amazed at how many wasteful things you will see through the course of the week and it will inspire you to get more "lean" in all that you do. Different lenses show you different things. Please let me know what you see!

If you'd like to discuss lean or other process improvement techniques in more detail, please send me an email or give me a call. My contact information is listed below.



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