

WE KNOW

BUSINESS

LEAN THINKING

QUICK GUIDE

INTRODUCTION

Many business owners and managers believe that Lean Thinking is purely for manufacturing businesses and in particular those that supply products in large volumes. Its origins can be traced back to early 20th century production-line manufacturing, however, Lean Thinking has developed, particularly over the past 30 years, to become a key performance enabler of companies across a broad spectrum of product and service industries.

Cost efficiency is a critical factor in today's business success. The better understanding of cost throughout all aspects of a business's operations will result in stronger returns and effective business operation. The way that Lean Thinking engages the total workforce results in not just more financial success but creates an environment that enables staff and management to work together to achieve improved business performance. Take the step towards making REAL changes in your business ...Engage Lean Thinking.

WHAT IS LEAN THINKING?

Lean Thinking is a total organisational approach to improving all aspects of business performance including quality, delivery, cost and safety.

Although Lean Thinking is synonymous with manufacturing, its application is just as effective in any business or industry type because the principles remain the same.

In essence, Lean Thinking seeks to create a culture of continuous improvement within an organisation, with the focus placed on enhancing Customer Value through the identification and elimination of Waste.

Lean Thinking considers waste to be anything that adds time or cost without adding value to the customer. With this in mind you begin to see that waste can come in many forms and can be identified within the following categories: Transport, Inventory, Movement, Waiting, Over Processing, Over Production, Defects, Skills.

All organisations have processes for everything they do and undoubtedly there will be some or all of these Wastes within those processes - regardless of the product or service that it provides to its customer. These add time and cost but not necessarily to the creation of true Customer Value.

Businesses rely upon the performance of their employees to deliver great products and services, therefore employee engagement and development is at the heart of Lean Thinking with staff encouraged to become multi-skilled, innovative-thinking problem solvers.

DEVELOPING IMPROVEMENT CAPABILITY

Many believe that Lean Thinking is a set of tools that you implement, often poorly, and there you have it – "We've done Lean!"

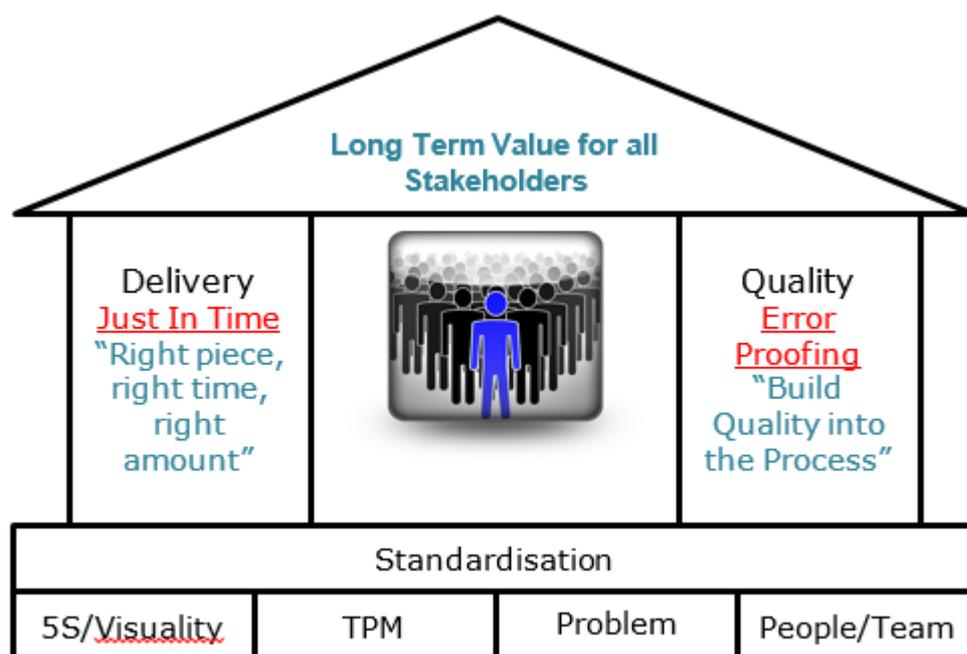
Whilst the tools are important, as these help change processes for the better, the development of improvement capability within the organisation is more important as it is this that develops and changes the culture of the organisation.

Developing Improvement capability is about giving everyone in the organisation new skills to be better problem solvers, better innovators, better team players and better leaders. The team help the organisation grow and develop and in turn grow and develop their own skills not just within the organisation but more widely in their personal lives and community.

This occurs through the coaching and mentoring of others within the organisation. Lean creates the environment for direct team engagement to flourish and through this the coaching and mentoring opportunities for the leaders to develop their subordinates.

THE LEAN BUILDING BLOCKS

Lean needs structure and the Lean House is a common way of viewing the building blocks of a Lean Journey.



- The Lean foundation stones are 5S, TPM, Problem Solving and People/Team
 - 5S (Sort, Set-in-order, Sweep and Shine, Standardise, Sustain) is a housekeeping and workplace organisation programme to help drive out wasteful practices and improve safety. Sitting in harmony with 5S is the creation of a visual workplace where “problems” are highly visible, prompting action to resolve the issues.
 - TPM (Total Productive Maintenance) ensures everyone takes responsibility for maintaining equipment and processes so they become more reliable and don’t fail.
 - As Lean begins to highlight problems, people need a structured methodology and the appropriate skills to find the root cause and effectively resolve these problems so they don’t recur.
 - Multi-skilling and teamwork are essential elements in developing and engaging people to develop organisational capability.
- Standardisation
 - Standardisation is the pathway to improvement and provides much more certainty and control over quality, delivery, cost and safety. If everyone is doing the same task a different way there is little or no control over these critical performance elements.

- **Delivery**
 - Overproduction is a significant Waste in any process as it impacts on lead-time, quality, productivity, safety, cost and ultimately customer value. Processing the right item in the right quantity at the right time to meet the customer's demand improves all these aspects. People often think that large "batch processing" is best, whether it be making widgets or processing invoices. The reasons for this view are the constraints that prevent making precisely what the customer wants when they want it. The most common constraint is "It takes so long to change over from one product to another".....and....."As I'm all set up why wouldn't I do a big batch". Quick Change-over programmes help avoid large "batch processing" and support Just-in-Time principles by eliminating waste.
 - Compounding this issue is that once you make more than your demand, you need to store it somewhere so you build a bigger warehouse, or contract offsite storage. This adds huge cost to the operation and very often these costs are hidden in overheads. Moving and storing items for long periods adds further costs as products deteriorate or are superseded. Sometimes these are written off but too often they are stored "in case we need them one day" so organisations continue to carry the ongoing costs and need even bigger storage facilities.
 - As you continue to make more than you need you continue to push out your lead-time and keep customers waiting.
 - Directly supporting the Just-in-Time philosophy of "pull" rather than "push" production is a signalling tool called Kanban. These Kanban signals, whether they are cards, lights or other mechanisms are visual signals that are the "instructions" for an upstream process or supplier to take action. These signals therefore manage what is done and when it is done, ensuring control of Inventory, WIP, Leadtime and avoids Over Production.
- **Quality**
 - End of process inspection is wasteful as it's too late to find out that the product does not meet the quality standard. Building quality into the process so that people can't get it wrong is a far better approach. Error proofing helps the team get it right every time, however, there are many simple examples as well as more complex techniques to highlight poor quality as it happens. In this way defects are not passed on to the next process, therefore providing the opportunity to fix the problem at source instead of fixing all the incorrect products at the end of the process.
- **Leadership**
 - Continuous Improvement to reach the company's goals through a Lean Programme must be strongly led, as ultimately this is a change in culture for the organisation over a long period of time.
 - Commitment, belief, and perseverance need to come from the organisation's leadership team as without this the Lean Journey will ultimately fail. Too often middle management try to lead the programme without the support of senior leadership with the result being limited or no progress.

Lean Leadership is visible and active leadership and is at the heart of developing Improvement Capability with coaching skills that are learned and practiced by the leaders as part of the Lean Journey.

WOULD LEAN THINKING APPLY TO MY ORGANISATION?

To assess if Lean Thinking might be of help to you, simply read the following list of 'symptoms' that are typically experienced in businesses that can most definitely benefit from adopting Lean Thinking.

- Struggling to satisfy increases in customer order quantities
- An increasing number of delivery dates slipping
- Reliance on inspection and/or rework to ensure customer specifications are met
- High warranty costs
- Unreliable machines and equipment
- Large batch production
- Long change-over times
- Too many stock-outs of materials
- Reduced profitability and pressure on price
- Cash-flow issues – high levels of working capital
- Too much reliance on 'the boss' to make things happen
- Working long hours and still rushing on Fridays to 'get things out'
- Limited factory space to do the work – no space to grow the business
- Lots of work in progress around the business - possibly cluttered and untidy
- Increasing number of H&S accidents in the workplace
- High staff turnover – and difficulties in finding good staff
- Staff walking about – searching for things, clarifying requirements, moving work
- People waiting on materials or information
- Many excuses for delivery failures

If the list struck a few chords and you have been wondering how best you should tackle your day-to-day issues, then take a closer look as Lean Thinking can offer you a remedy.

WHERE DO I START?

Do a little reading....."The Gold Mine" by Freddy and Michael Balle is a good start as it tackles both the technical and human dimensions of a Lean transformation. The human side is very important and you will begin to realise that strong commitment and leadership are pre-requisites for a successful Lean programme.

Your organisation's culture will develop over time so it is important that everyone knows what you are trying to achieve, what platform you are going to use (Lean Thinking) and how you intend to get there. So developing and communicating your vision for your organisation's future is very important, and must be communicated in a way that will inspire people to be part of it.

Your specific pathway on your Lean Journey will depend on your circumstances. Mapping your Value Streams will help you to understand where your issues lie and what pathway you should be taking to realise your Vision.

CAN I DO THIS ON MY OWN?

Yes you can...but it is likely to take longer if you try to 'work it out yourself' and you run the risk of not getting it right (first time) - good from a learning point of view, but not from realising benefits in a timely fashion and keeping your team engaged on the journey. Companies that have successfully adopted Lean Thinking have usually engaged outside assistance from experienced Lean Coaches to accelerate learning and implementation. Lean is often counter intuitive so whilst there are simple aspects and tools that you can introduce yourself, there are more complex attributes that do require a good deal of knowledge and experience.

So don't be afraid to ask for help – remember you are expecting a high level of belief and commitment from your team and you won't want them to flounder – call on some experience.

There are support programmes available to assist with the funding and engagement of Lean Thinking for your business. New Zealand Trade and Enterprise Capability Vouchers can be used to co-fund stages of Lean Thinking for business that qualify for the vouchers. The Callaghan Innovation "Better by Lean" program can provide up to \$20,000 funding assistance for the integration of Lean Thinking principles into your business.

To find out more about these useful programs contact the Regional Business Partner for Canterbury, NZTE Vouchers: Shirley Van Waveren phone 03 353 0316 or Callaghan Innovation: Rob Lawrence phone 03 353 0307.

Information provided by Simply Lean Business Solutions Limited



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