

WE KNOW

# BUSINESS

## STAYING FIT & LEAN

QUICK GUIDE

This Quick Guide will provide you with tips on how to keep your business fit and lean at all times by highlighting the areas of waste most commonly found in any organisation.

### LEAN THINKING

The world's best companies constantly reduce and eliminate wasteful activity from their processes. This reduces costs, improves their lead times, increases quality, gives them more through-put and most importantly challenges management and their staff to relentlessly look for improvements in an environment that rewards business efficiency.

Use the following acronym below to help remember the eight deadly wastes in any organisation (large or small). There will be at least several areas (if not all) that apply to your business no matter how large or small, and they apply to every sector.

#### **DOWNTIME** =

**Defects:** *rework, yield loss, poor service - get it right first time, every time*

Defects and inspection checking cost time and resource to correct. Defects are generally caused because quality is not built into the process. Is the work standardised correctly? Do you mistake-proof the process so that those involved find it hard to do it wrong and easy to do it right?

**Overproduction:** *why make more or service more than your customer requires?*

Sometimes called the worst waste of all. Do you produce more than is required to meet customer demand? Are you producing a product or service faster than is necessary? This can hide defects and other inefficiencies. Your customer can be internal or external. Only produce for them what is absolutely necessary. Do you have a takt time? Takt time is Available Daily Production Time divided by Total Quantity Required per Day. It is much like a heart beat or rhythm – this calculation tells you how much per hour or minute you need to be producing. Don't do more than this!

**Waiting:** *for equipment, information, people and material*

Waiting costs! Have you got buffers between processes and are they in the right quantities? Are you using a pull system or a push system? I.e. A push system does as much as possible at the first process step then pushes to the second and so on. This is wrong. You need to start at the customer (see takt time) and work backwards creating a pull system for work to come through only as required.

**Non-effective use of resources and talent:** *create new capacity by aligning things correctly*

Are you utilising the correct equipment and people for the tasks required? Ensure you are aware of your staff's skills and capabilities and use people and equipment to their full potential.

**Transportation:** *reduce the distance, time and multiple handling*

Moving things temporarily and relocating them later costs money. Is your workplace layout correct? Is material moving around unnecessarily? Are you using conveyors or people to move things when they could be relocated? Is the use of couriers excessive etc?

**Inventory:** *too little or too much creates additional expense*

Having excess stock costs you. How much obsolete and unnecessary inventory do you have? Are there queues in your processes? Are you producing more than is required? (see 'Overproduction'). The ultimate way to

produce something is the make one-move one method. This means make one (or service one), then move it to the next process, instead of doing fifty of a particular task then passing fifty along (batching). The closer you can get to this scenario as possible the more money you save, it's proven!

**Motion:** *excess motion creates time delays and safety hazards*

This is similar to transportation but focuses more on people. Are workstations laid out for optimum performance? Reduce body movements. Align tasks. Standardise work. Remember driving to see a client or to deliver a product is not always adding value – it could be waste your customer would rather not pay for.

**Excessive processing:** *why do more than your customer needs?*

Are you putting in more work or effort than is actually required by your customer (internal or external)? Many organisations believe their customers value the 'quality' that is present in their product or service when in reality the customer could do without much of it for a better price or quicker lead time. Ensure you know exactly what your customer wants.

**Now add value ...**

If you take your own business and use the following calculation you can start to address some serious operational costs.

**From the first step of a product or service (from when you very first receive a customer order) to when your customer receives it: what percentage of that entire time is spent adding value to the product or service?**

Adding value is defined as something that the customer would wish to pay for. All the wastes listed above are not included.

Most organisations are shocked to find out this figure is usually under 5% (remember it's not what you charge out at or the time you seem busy - it's what time is actually spent adding more value to the product or service). Imagine if you could get this figure to 40%, your business would be amongst the world's very best.

Spend as much time as possible reducing or eliminating the above eight deadly wastes and your percentage of **value added** time will improve – so will your bottom line.

*Information supplied by Chris Benn from Improve (NZ) Ltd - [www.improvegroup.co.nz](http://www.improvegroup.co.nz).*

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For further information on Staying Fit and Lean, please contact The Chamber, email Shirley van Waveren – [shirleyvw@cecc.org.nz](mailto:shirleyvw@cecc.org.nz) or phone 03 366 5096.