

BREAKTHROUGH

Lean Implementation & Training Resource Publication
Brought to you by Lean Manufacturing Solutions Partnership, Inc.

COST CUTTING "RIGHTS"

By Aaron Styles

Wasted Engagement

Last month, we reviewed costs in the light of value. Now let's think about what it looks like to earn the right to cut costs. First, we have to understand waste. Anyone who has read a book about Lean can name the 7 forms of waste:

- Overproduction
- Inventory
- Transportation
- Correction
- Excess Motion
- Excess Processing
- Waiting

And many (including myself) add an eighth...Human Disengagement (the attitude of asking our labor force to check their brains at the door and just do what they are told and no more). Now you might be thinking, "Who would purposely do that?" Of course no one would. However, if we aren't actively putting in place systems and structures to **encourage engagement**, then we are supporting disengagement. The universe tends to disorder (2nd law of thermodynamics); things don't organize themselves, generally speaking.

With this understanding of cost, we can do some really meaningful analysis. Once properly analyzed, we can start earning the right to reduce Cost by...

- Eliminating waste
- Designing value-aiding functions to support the value-added flow, then optimizing them
- Making the value-added activities as efficient as possible
- Maximizing and leveraging continuous improvement opportunities

Attacking Cost

How do we analyze our costs in light of these categories? First, let's consider who or what can't help us. Our accounting department can't help. They don't have an account set up for Waste. Our ERP system can't tell us, because there isn't a step in our Rate Routing for Continuous Improvement. In fact there is no one we can call and there is no computer database or spreadsheet that contains the information. We must use Genchi Gembutsu (thoroughly understanding the current condition through direct observation). We must go to the gemba (real place); the shop floor where the value-added work is being done (along with a lot of waste). [Note: The gemba can also be in another "real place" such as the engineering group where design occurs.]

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Attacking Cost, cont'd

In fact, it requires a lot of hard work and a relentless desire to deeply understand the current condition. Now, you might be thinking, "You have no idea how busy I am I can't afford to spend hours on the shop floor." My response is, "You can't afford not to." The problems we have today cannot be solved using the same level of thinking that created them.

Our problems also cannot be solved using traditional performance management, business culture and organizational systems. A fresh approach to attacking costs requires a fresh approach to management, Hoshin Kanri (Strategy Management). Hoshin Kanri is a system that creates focus, alignment and rapid response to problems.

How can you implement Hoshin Kanri in your business? You need someone who has a proven track record of successful implementation, who will work with you through the entire process, who is relentless at attacking waste, who will push you and your staff, who will teach you to think at a different level, and who will help you change your culture. This is where LMSPI can make a monumental impact. Clients who partner with us to implement Hoshin Kanri are enjoying an average ROI of 1800% of the cost of our services! We work at all levels of the organization to develop a culture of relentlessly attacking waste. We help you identify the high leverage activities that will have the greatest impact on your bottom line and we work with you to drive implementation to the desired results. We are not focused on winning awards or obtaining high audit scores, we are focused on achieving business results.

You are invited to read an excerpt below of next month's newsletter when our focus becomes, "Where do I start?" Excerpt: "This is a question that befuddles many an executive. The biggest reason is the misconception that Lean is nothing more than a set of tools. Part of the fault lies with the term 'Lean Manufacturing' itself; the term was coined..."

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"We are poised for growth of over 50% in 2007. Their "hands on" approach to the business and manufacturing processes is something which I have not experienced before with other consulting groups and therefore we have developed a "true" partnership with LMSPI. Through Hoshin Kanri we now have a well developed, defined, and executable plan to absorb the growth of 2007. Without LMSPI and Hoshin Kanri, we would not be able to properly absorb such tremendous growth. We are now confident in our ability to be successful in 2007 and the foundation will be set for success for years to come."

- Robert Beldyk, General Manager

Stay tuned!

This final issue of a 3 part series on cost has come to a close. Look next month for a new short series that will focus on beginning your Lean journey.

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