

LEAN - ITS AMAZING BENEFITS

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Lean tools and principles involve the elimination of waste in time, materials, efficiency, and processes. It also means tightening the belt in search of increased productivity gains that will increase a company's ability to survive and be competitive with leaders in the world.

See the Benefits of Lean in *Days/Weeks* not Months/Years

Many manufacturers have adopted Lean Principles with amazing results in cost savings, reduced inventories, better product quality and increased customer satisfaction. Experts believe that properly applied Lean Tools can dramatically improve a company's competitiveness and their financial position. The main focus of **Lean** principles is the elimination of waste which is not only costing a tremendous amount of time and money, but is having a serious affect on the ability to produce competitively in the world markets.

Waste is anything that the customer is not willing to pay for. The aim of **Lean Manufacturing** is the elimination of waste in every area of production including customer relations, product design, supplier networks, and factory management. Waste is not the same thing for all people, but waste is a definite cost factor in any process. An available inventory is a great thing for sales people to quickly fill orders, but it is a great waste or cost when sales are slow and time, money and floor space is tied up with inventory. Identifying and removing waste will allow a company to produce quality products efficiently and economically as well as becoming highly responsive to customer demands.

In manufacturing or business, there are two types of processes: **value-added** (adds value to the product/service) and **non-value added** (adds waste and costs to a product/service). Value-added activities are those changes that add value to the product and in turn to the customer. The value of a product is defined solely by the customer.

Lean is a Transformation

Lean is a totally different system from usual way of doing things. It is a change in the organization's system rather than simply the application of a few tools and techniques. Lean principles involve eliminating waste, whether it be in time, materials, efficiency, personnel, or

processes to a range of non-value-added activities such as rework, scrap, excess inventory, excess processing, delay and transporting.

Waste

For many people, the reducing or eliminating waste is the most important aspect of Lean operations. It also means tightening the belt in pursuit of increased productivity gains that will increase a company/organization's ability to compete more successfully and survive. It means to become as productive as possible by using the most up-to-date tools available in the world before others do. *It is not a question of working harder, but working smarter.*

Normal waste in most companies or businesses amount to 35% of a company's yearly revenue, for example for every \$1,000,000 worth of business in a year, \$350,000 of this is buried in waste which is passed on to the customer as the cost of doing business. Just think of what a company can do with this added revenue; invest in new technology, reduce the cost to the customer, spread some of it to the workers, or give the investors a bonus.

The need for Lean is obvious, and the potential rewards are so amazing that it is surprising that only about 25% of the businesses/companies in the world have implemented some form of the Lean philosophy.

Lean Success Story

The following is a summary of a number of various different types industries and businesses that have experienced successes in implementing Lean in their operations. Naturally since these are industries are of different sizes and the products manufactured vary, the results indicated in the summary giving a range of possible benefits of Lean Implementation:

Summary of Successes

The company's name listed in the example has been omitted to protect their competitive advantage.

Company # 120 - Lean Transformation Benefits

- Scrap rate was reduced to 1.5 %.
- Product return rate dropped to less than 2 %.
- Work in process (WIP) was reduced from 9,000 to 3,000 pieces.
- Work flow has been greatly improved, with material and human movement greatly reduced.

- Manufacturing time for small batch components was cut from 126 to 45 days while maintaining a small inventory of unfinished parts.

Suggestions from Those who Have been There

- Do something, even if it's wrong – it will be a learning experience, eventually mistakes will be eliminated.
- Make a no-layoff guarantee and stress-increased efficiency will result in lower product costs and increase sales and provide more employment. Get employee buy-in early.
- Train all employees early by an one-day Lean seminar on its principles and goals. Document, communicate, and post all milestones so everyone can see the progress made.
- Have all employees involved in **Continuous Improvement** programs by their involvement and their suggestions for improvement.
- Outside consultants should be involved as long as possible to avoid potential pitfalls because they see the business from outside the four walls.

When considering a company's success, the Lean coordinator must remember that Lean is a journey that must never end. Even though much may have been accomplished, much more remains to be done. The key to making Lean succeed is to concentrate on the waste that is being driven out and the gap that is being closed between the company and the customer.