

# Terminal uniqueness limits operations

By Rebecca A. Morgan



## Getting 'lean' can be the diet for business success

We're unique. That won't work here. We're different.

While every company wants to feel special, many organizations focus so intently on their uniqueness that they forget most of the challenges they face are the same as those faced by their neighbour down the street.

If time is money and errors expensive, then the philosophy and techniques of 'Lean' will likely improve your operations significantly and, ultimately, your bottom line.

In the world of manufacturing, Lean is used to describe fundamental attributes of the Toyota Production Systems (TPS). While TPS was developed in a manufacturing environment and by Toyota, other industries and organizations have seen its application and success, and even more companies could benefit from applying Lean principles.

In my experience, Pareto's 80/20 rule applies when looking across industries as well as within them: 80% of a company's business issues are basically the same as those faced by every other business, so it behooves us to learn from others. For example, I left Stouffer's frozen food division and accepted a position with TRW's Aircraft Components Group in the mid 1980s. The transition was easier than you would think, simply because the similarities were more widespread than the differences.

As companies become more willing to learn from others on enhancing competitiveness, the principles, philosophies and practices of Lean can be extremely valuable.

### Lean's fundamental drivers

#### 1) Focus on the customer and customer value

You have to know your market and what it values: your customer will pay for what he values. Costs you add for things not valued by the customer come out of your pocket. And not all markets value

the same things. Price is the deciding factor in some markets, but not in most.

For example, consider the Cross pen/Bic pen comparison: people who buy Bic pens just want something to write with that doesn't make a mess. The people who make Bic pens don't need to spend a lot of time polishing them and making sure every pen is perfect because their customer is more interested in function than looks. People who buy Cross pens also want something to write with, but they're taking into consideration how the pen looks in their pocket and feels in their hand.

The outside of a Cross pen has a different quality standard than that of a Bic. Over-finishing the Bic adds cost, but not value; under-finishing the Cross pen sacrifices sales and market share because it saves cost but at the expense of customer-perceived value. Two markets, two different value propositions. Regardless of your industry, know your market and focus on what it values.

#### 2) Eliminate waste

Waste is anything that adds cost without adding value the customer is willing to pay for.

While employees want to take pride in their work, it is important they understand what is worth doing and what is not. Polishing a Bic pen to perfection is not worth doing because, again, it adds no value, just cost.

Airlines should have asked the question years before their current financial woes: "Why are we offering food in coach class? Those customers look to us for safe, comfortable, affordable transportation—not food." Southwest Airlines realized they were in the transportation business and have been enjoying success though they do not offer in-flight meals.

Every business creates waste—things done that are not valued by

the customer. Some wasteful activities can be stopped immediately: useless reports and/or meetings, unnecessary controls, etc. are just a few common examples. Others activities may be necessary now, because you currently don't know how to execute your business without them, but are waste nonetheless. Those require process improvement or some other method of eliminating the root requirement of their being carried out.

Taking physical inventory or fixing incorrectly processed paperwork are just two examples of waste. The customer does not value them and will not pay for them, but you may not as yet know how to operate your business without them.

### *3) Deploy continuous improvement*

Everybody, everyday: that's the commitment of continuous improvement. Satisfaction with the status quo, or with sporadic improvement, allows your competition to gain ground and pass you, leaving your business gasping for survival.

Contrary to Philadelphia 76er basketball star Allen Iverson's belief, practice does make a difference. An organization has to get better every single day. (Iverson got into trouble because he was late for practice and said, "We're talking about practice," disdaining the need for practice as long as he played well during games.)

In every business, if you're not getting better every day, you're losing ground. Maintaining performance is losing ground. Your competition is getting better. You must be constantly working to improve. And your biggest threat may even be in another industry or another country right now.

## **Those who have gone Lean**

Besides just talking the talk, some companies have successfully applied the philosophy of Lean.

The Pella Corporation (window company) and other Iowa manufacturers are working to reduce the costs of employees tied up in the molasses-like pace of medical appointments and tests, as

well as the costs of medical mistakes. Sharing the Lean philosophy, they are working with selected Iowa healthcare providers to reduce wasted time and errors. Will insurance rates go down? Maybe someday, but if the time employees spend waiting for medical care and the number of medical mistakes made are reduced, how can it not help those manufacturers and the medical organizations themselves?

By applying Lean techniques, home builder KB Home has significantly reduced its lead time from identifying land for acquisition to having cash flow from that land, as well as errors during those processes, translating into millions of dollars for the bottom line.

Bank of America uses Lean approaches and Six Sigma, a methodology to control variation, to cut cycle times and increase reliability for decision making and information flow in their processes.

## **Start Leaning**

For a company to succeed, the marketplace must see its product or service as a better value than the competition's. To focus on company or industry uniqueness to the exclusion of the 80% of your business that is similar to others can keep a company struggling for survival instead of springboarding to success.

Businesses across industries have gained significantly from the adoption of Lean principles. Almost any company can use these same principles to enhance market share and profitability.

Lean has worked in numerous industries, in healthcare, in construction and in banking, so it is definitely worth considering for your business. ID

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