

Steps for Process Improvements

to costs and increase profits

The dynamic of the markets force the companies to react very fast on volatile changes.

Strategies have to be adapted, plans to be modified and so on. In tough times many companies tend to concentrate their activities to find new market and to cut costs.

Sometimes the cost cutting is done very fast just by cutting the budget for all by x%. This is not very sophisticated, it's more a more panic reaction . When there is a crisis, much pressure and critical threats to the company or to the employees (incl. managers) the typical stress related behaviour is to act very fast and decisive and not to consider different aspects thoroughly.

After the financial crisis of 2009 we should have learned to prepare ourself and to have plans in place to react in a better way. The next crisis is already looming. The actual problems in Greek (June 2011), the Financial deficits of the USA, the fears of a collapsing economy in the BRIC countries, the speculation concerning energy and natural resources and so on lead to an increased uncertainty documented by a rise of the gold price. So we should be prepared or at least we should prepare ourselves now.

As long as we have time to think, to plan and to work systematically we should find out in which areas we have weaknesses, where do we have to improve. But should not only adress the symptoms of our problems, we should adress the root course of cost beeing too highh, fault rate not acceptable, leadtime mauch too long ,.... The root course of the

visible problems quite often can be found in the processes which we need for our products or services we give our external and internal customer. So good processes (capable and reliable at low costs) are essential for a good performance. Therefore Start Your Process Improvements now!

The first steps shouldn't be too steep. We should start with some basics.

1.) Basics of Process Improvements: KAIZEN

The employees are qualified and trained to do their job. So everybody should know how to do his work. If your employees are not qualified to do their job, this is the first you have to change. But in the most cases this shouldn't be the problem. Therefore you can start to use the experience of your employees to improve their own processes. This idea was very intensively used in Japanese motor companies like TOYOTA. Masaaki Imai, Taiichi Ohno and Shigeo Shingo are the experts who were very important to develop and optimise the idea of an ongoing improvement process. This idea was very much linked to the idea of lean manufacturing and in line with that the Toyota Production System (TPS).

You have to understand those ideas were developed in the context of the Japanese culture. Therefore some prerequisites have to be accepted:

- Respect for people
- Teamwork
- Make decisions by consensus
- Avoid Waste
- reflect always the way the work is done

never stop the improvement process
Standardise the improved processes

Also the principles of the famous **5S**

Sorting (Seiri)
Setting in order (Seiton)
Systematic cleaning (Seiso)
Standardising (Seiketsu)
Sustaining the discipline / the Cleanliness

were very important. Because they are very fundamental for all steps of improvements this 5S should be implemented first.

2.) Step2 : Involvement of Managers and Experts: Management-Kaizen

Eventually the improvements of the employees will come to the point where management support is needed. It is a pity to see that the management is very busy with many very important topics and has no time and no money to support the ideas of their people to improve their processes. Only if those ideas will guaranty very high cost savings in short time the employees will see their bosses. Due to the lack of a genuine culture of improvements coming from the top the Kaizen activities will come to a standstill. Therefore it is very important to get the management to participate more in the activities to improve the processes.

One idea is to make the managers responsible for the improvements in specific areas. This can be done by getting the managers to observe the processes in their area of responsibility. In a Management-KAIZEN approach managers have to get down to the workshop and see with their own eyes how the process in the real world are working and have to find their own ideas how to improve the processes. The managers have to be supported by experts and by people of the shopfloor to get

a better understanding of the processes

a faster identification of areas to be improved

a speedy checking of the possibilities to realise the ideas (Cost, technical issues,...)

a common understand of the importance of the improvements

This process has to be prepared and to be managed professionally because the time constraints of the managers do not allow wasted time.

3.) Step3: Improving the root course of Process Problems:

Leadership-KAIZEN

In my professional career the understanding of the responsibilities of superiors was influenced very much by experience in Europe and Africa: At the end You are totally responsible for the results and what ever happens to the people reporting to You. If You don't meet the due date for delivery, the quality is bad or the volume is too low their may be many reasons for that. But the manager is responsible for not achieving the results. If somebody gets sick, is not motivated or not capable to do the job always the superior has to be questioned. Therefore it is understandable to relate the sick rate to the leadership quality.

P.Nieder (Fehlzeiten wirksam reduzieren) compiled a list what managers have to do to reduce the sick rate. Other companies discuss monthly to development concerning lost days due to illness. In the plant with a Toyota Production System the information regarding the qualification of the operators is shown for all on information boards. So there is no excuse for management not to have all the operators qualified.

In an internal study in a German company I could compare managers with very good results with the others. Especially when good results were achieved simultaneously with the introduction of new managers those examples were analysed very thoroughly.

The findings were used to compile a checklist to assess production areas and to find out why are they not achieving their targets. Some enablers were identified which help to achieve good results.

The enablers to ensure good performance and successful areas were split into three groups:

- 1.) Technical issues like machines, tools, standard operation process, materialflow...
- 2.) Organisational issues like defined responsibilities, communication process, problem solving, quality loops, transparency,....
- 3.) HR related issues like qualification, capabilities to solve conflicts, respect for colleagues, discipline, following the rules, target setting and supervision,....

Some of these elements can be checked quite easily:

cleanliness

information boards

communication process

handling of faults

.....

But to get a understanding of the hidden problems trained audit people had to check with the help of checklist all aspects of the elements contributing to success. Based on those findings needed countermeassurement could be identified and implemented.

It was also very interessting to see, that the enablers for success have to be implemented in a specific sequence: First you have to have a management who has a clear understanding of what has to be done by whom, what is good and what is bad. Furthermore management has to communicate daily with the people and moreover managment has to tackle deviations immedeatly. Especially the third element proofs to be more difficult than people would exspect. It is not so easy to find time to check what is going on, to praise the people for good work and to give them a helpful and encouraging feedback when the results are

not good enough. The idea of emotional intelligence has to be considered especially when the interaction of superiors and their subordinates - or should we say between the leader and his team - has to be improved. You need also the technical skills to solve problems and conflicts. Regarding the communication it is essential that the respect for the subordinates is not only lip services. In a Japanese company for which I worked it was clearly communicated the most important person (the king) is the operator on the line. All the other persons of the company have to support him in his endeavour to produce good products in time with no waste. They - staff, service people and managers - have to respect the blue collar operator and to be his servant.

4.) Step4: Introduction of Process Improvement Specialists:

Basic Methods, 5E for Problem- and conflictsolving, SixSigma and LeanSixSigma

So far all the steps need committed people to do the job of process improvement. Common sense and experience helped a lot. But there will be situations where more is needed. Also when you get to a high performance level the next improvements will be much more difficult. Now you need better methods and tools to improve the processes. Bad quality of products is an indication for bad processes. Management was responsible to develop and introduce those processes. Management is also responsible to improve quality of the processes by reducing the faults rate and by improving or stabilising the production processes. Additional methods are required. Over time those methods got more refined, so that you need a special training for those methods. For instance SixSigma combined basic methods with sophisticated methods based on statistics (i.e. Design of Experiment DOE or Analysis of Variance,....) using EDP-Programs which enable trained experts to do very fast important mathematical data evaluations. The SixSigma training will take several weeks

and Your first improvement project will run for months. Therefore process improvements need different levels of methods to be applied. Simple issue should be addressed with simple - basic methods. But complex problems need the high sophisticated methods of Six-Sigma. For complex problems You need the trained specialist to support management.

But many problems are more than the deviation of the actual results from the set targets. Quite often tension between people, different interests/ objectives or just very different options what to do need more than mathematics and computers. Combining the logic of mathematics with the emotion of people then lead to the 5E for Problem- and Conflict Solving (EBZ-Beratungszentrum) using methods of the world of mathematics and the world of mediation, creativity and communication.

Not only faults are an indication for bad processes, but also waste is a contradiction of good processes. Therefore the ideas of lean manufacturing and the concept of the Toyota Production System also got combined with the principles of SixSigma and we got the ideas of Lean SixSigma.

5.) Step5: Applying the methods in the Service areas

So far many of the methods described were developed in the world of the production.

One reason is the belief those attempt to optimize processes only apply to production because the work of staff cannot be compared with the repetitive work of blue collar operators. Staff has to be creative and quite often has to find a new way to address a problem.

But in reality staff work got also very standardised and routine work is dominant. Or do You want to invent very day a new form for an invoice?

Another reason is the focus on the most costly core business processes. This focus on the core processes had to be first due to the fact in those areas the most savings could be made or were expected. Those core processes needed the most of the resources of the company which determine the cost and the success of a company the most.

Those reasons must not stop us to look now into the service processes. Especially in times of outsourcing the outsourced processes become the core business processes of the new service companies.

Service processes have to be improved in regard of

Costs

Faults

Flexibility or Speed.

the methods mentioned above can be used for service processes. In the USA for instance many financial institutes apply SixSigma for their own processes to reduce costs and improve the customer satisfaction. In Germany a magazine for financial experts even made the statement that the world of finance cannot avoid to use SixSigma to reduce their own costs and to improve their services.

For the logistics managers You can find i.e. in our EBZ-Book „Handbuch Produktion: Innovatives Produktionsmanagement: Organisation Kap 7.7.7 SixSigma in der Logistik“ some thoughts and examples about SixSigma in logistics.

Therefore You should not waste any time or money

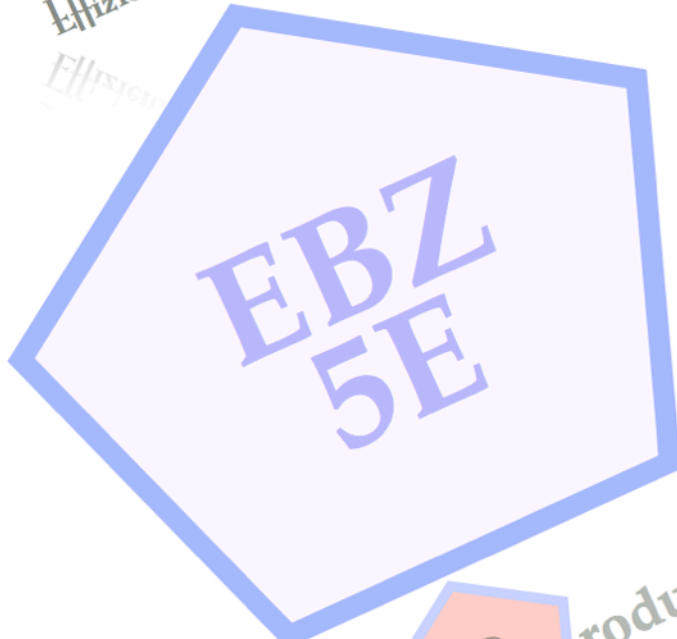
Start Your Process Improvements in the Service Areas now!

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