Creating Alignment with the Leadership Team Part 7

By DRIVE, Inc.

VALUE ADDED FLOW

Last month we discussed how standardization impacts our effectiveness by being Process Centered. Standardized tasks lay the foundation for continuous improvement and employee empowerment.

This month we are going to discuss how flowing value to the customer can be hampered if we don't use the principle of Process Centered to create processes that support the value added flow. The goal of any business (profit or non-profit) is to have the resources available to support the mission. One of these resources is always money. Money affords the enterprising businessmen and women the luxury of doing all of the other cool things business people like to do. The best way to get cash is to provide exceptional value to customers. Value is defined as:

Any activity that changes fit, form, or function (or progresses the order) in accordance with the customer's expectations.

This definition implies the customer is willing to pay us for those products and/or services that add value to them personally or to their business(es). In world-class companies the percentage of time spent adding value to the product (from the perspective of the materials) is 5%. In businesses where no concentrated efforts are made to improve flow, the percentage of value added activities is on average approximately 0.1%. It is important to note that this time is as it relates to the information and material. In this case, the bad news is there is only 0.1% value added. The good news is there is a 99.9% opportunity to improve the business's flow. With that understanding, our primary objective should become to improve flow which will allow us to flow value as fast as possible to the customer. This enables us to more quickly convert demand into cash. If our focus is to improve flow, then we must find what is inhibiting flow. In other words, we must be on the lookout for the three enemies of flow: Waste, Variation, and Overburden.

WASTE

Wastes are those activities that do not add value. Those activities can be classified using the following acrostic (DOWNTIME):

Defects	Making a defective product or having to redo a service.
Over Production	Producing more of an output than can be used by the next process or customer.
Waiting	Waiting for materials, information, and people or other assets (such as equipment) to be productive.
Not using people's creativity	Failing to tap into our people's creativity in order to improve their process.
Transportation (excess)	Moving of parts, information, and products without adding value.
Inventory	Failing to process materials; Consuming cash and floor space.
Motion	Stepping away from the value added work to obtain materials, tools, or information or to work the next process.
Excess processing	Giving the customer something for which they aren't willing to pay extra (e.g., non-painted will do, but we paint it anyway.)

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VARIATION

Variation drives many issues within the value stream. Variation in how the work is done by each member of the team can appear as internal quality and efficiency issues. This variation in doing the same job differently is driven by failing to have standardized work. Variation in work content between process operators will result in unbalanced lines. Variation in the schedule can cause days in which there is over demand on the system and other days when there isn't enough demand on the system. Variation in features and functions can drive internal and external customer complaints.

OVERBURDEN

Overburden occurs when we operate our processes and/or teams beyond a reasonable capacity and/or capability. When we overburden our processes, the processes develop reliability issues and often become bottlenecks to the overall flow of the product or service. When we do this to our people, we damage morale and experience high turnover rates.

As we see these enemies of flow within our businesses, we must be able to provide effective countermeasures to reduce and eventually eliminate them. The recommended countermeasures, or toolboxes, for each are listed below:

Enemy to Flow	Countermeasure
Waste	Lean Tools
Variation	Statistical Variation Reduction Tools (Six Sigma / Shainin®); Leveling
Overburden	Theory of Constraints Tools

The combination of these three "toolboxes" are part of a holistic improvement focus in any business. Sometimes this has a name like "Continuous Improvement," "Operational Excellence" or "Company name – Business System." Regardless of the name, the goal is the same, reduce the inhibitors to flow to increase the flow of value.

Have you identified the enemies to flow in your processes? Are you familiar with the countermeasures? Do your leaders know how to recognize and remove the enemies to flow? If you answered NO to any of these questions, Drive Inc. can help. We have experienced professionals who can coach your team through the process of gaining alignment around this principle. For a no-obligation introduction meeting, please contact Paul Eakle at paul.eakle@driveinc.com or 865-323-3491. Stay tuned for next month's newsletter when we will discuss the next principle in this series to ensure your leadership team is aligned.