

Efficiency Can Make the Difference

According to Wikipedia, lean manufacturing is a production practice that considers the expenditure of resources for any goal other than the creation of value for the end customer to be wasteful, and thus a target for elimination. That's quite a mouthful. Basically, it is saying any activity that does not add value to the final product is wasteful. Lean manufacturing came about as a way of creating more value in a product with less work involved. For anyone who has worked in a manufacturing environment, it is easy to relate to the concept of improving the flow of work and eliminating non-productive activities. In order to be competitive in today's markets, it is imperative that wasteful activities be eliminated, which many times means that a business can't be operated the same way Grandpa did it.

A lot of focus has been put into developing lean manufacturing since the 1990's and the value of the products that we, the customers, purchase has increased as a result. We have higher quality products at more competitive prices.

But should the concept of creating more value with less work only apply to manufacturing though? How can we take this concept and create lean retail, lean service, lean distributing and so on?

First, let's start with another definition. Value added is a big buzzword these days and the key to getting anyone to spend money with your business. A definition for value added is the process of changing or transforming a product from its original state to a more valuable state. In the manufacturing environment this involves taking raw materials and turning it into that final product be it a car, a dress or a bag of flour.

The second half of the "lean" equation is "with less work". This element of lean manufacturing has been addressed in many ways and there are a lot of terms you may be familiar with such as Kanban, 5S, JIT inventory and flow manufacturing. Making the product line flow smoother tends to reduce time involved and wear and tear on the employees. But it goes beyond just making the job flow smoother to

looking at all costs and whether those costs contribute to adding value to the product.

So how can you apply the "lean" concept to your business, even if you are not a manufacturer? The answer lies in identifying what it is that adds value to your product or service and then thoroughly analyzing the costs involved and the processes associated with those costs.

Surprisingly, identifying what adds value to your product or service is something that many business owners forget to address. What is the added value to the customer to eat at Olive Garden rather than Subway? What is the added value for a guest to stay at a Hampton Inn rather than a Motel 6? What is the added value to the customer in choosing an attorney, CPA, contractor or other professional over another? What qualities does your business have to offer to meet the customers need?

The next step is of course to do it with less work. There are many ways to analyze costs and see if efficiency can be improved upon. This may

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involve reviewing job assignments so that employees can be more specific in the duties they perform, or it may involve being less specific to eliminate non-value added jobs. It may involve looking at work flow. Can steps be eliminated either physically or virtually? Can technology be used to increase efficiency? Can the same value be added with less equipment, facility, or management? Does the cost relate to adding value or to conforming to processes that

have not been addressed in years?

Becoming lean as a retailer or service provider may not be as clear cut as it is in manufacturing. I know that in my own daily activities in this job, I frequently question whether the activity adds value to the customer or not. Some have hidden value that the customer may not recognize. Attending an annual convention has a high cost but alternatively a strong learning opportunity. That convention adds value to me as a resource to

business owners, but is not a deliverable that can be equated to any client. As you look at making your business lean, make sure to fairly evaluate those items that add value and those items that are unproductive costs. In these times, an efficient business is the only successful business.

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