

ResQ Lean for Professional Advisors.®



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Lean Manufacturing – applied across the organisation

Business advisors, Accountants, Solicitors, Insolvency Practitioners, HR Advisors - would you like to fully support your clients **AND** help them to reduce their exposure to the current market conditions and ensure they well placed to benefit from the upswing?

LEAN THINKING techniques will help your Clients to:

- ✓ **Improve cash flow**
- ✓ **Increase profitability**
- ✓ **Generate more sales capacity**
- ✓ **Reduce costs**
- ✓ **Maximise employee performance**
- ✓ **Minimise (expensive to finance) stock levels**
- ✓ **Produce more timely and salient management reports**

And, as a consequence, have them see you as a trusted ally, valuing and appreciating the services you offer them.

*Wouldn't you want to be in a position whereby both your **account management** and their **decision making processes** were made both easier and more substantive at the same time?*

Wouldn't this give you more time to develop and market additional products and services for both your current and potential customers, safe in the knowledge that your existing accounts are utilising proven techniques for success?

Why not help your clients use the right tools to succeed:

- Tools that have moved Toyota from the 4th largest car producer in Japan in the 1950s to the largest in the world today? (And one who makes profit and has positive cash flow, unlike GM and Ford!!)
- Tools and principles that took Tesco from number 2 in 1993, to number 1 by 1995 and now to a position where they are almost twice the size of their competitors.
- The same tools and principles that when applied by Zara in retailing enabled them to become world class and leaders in their field
- Or used by GE to improve many aspects of business including identifying \$50bn of uncontrolled costs

*"Lean Thinking has been an enormous influence on my business thinking. It shows you how you can **fundamentally transform** your business", Sir Terry Leahy, Chairman and Chief Executive, Tesco PLC.*

Read on to find out the benefits your clients could achieve, as well as which types and size of business are suitable for lean. We'll also answer which **unique and comprehensive** lean tools **only** ResQ offer, plus we'll share a case study with you.

To discuss how LEAN WILL improve your clients please contact us on: 07712 669396 or e-mail us on info@resqmr.co.uk

What benefits could YOUR clients get through applying Lean?

Area	Improvements	Questions to ask your client
Employee Engagement	Lean Thinking enables teamwork, encourages staff to increase skills, reduces supervision required and measurably improves staff motivation	Does your workforce deliver improvements on a daily basis? Do they know and share your vision for the business?
Processing	Processing times can be slashed by up to 60% . The same results can be gained regardless of the business type - Service (call centres, processing departments, professional services, public sector) or Manufacturing & Distribution (automotive through to FMCG) companies.	So whether you run an office, a warehouse or production facility could YOU benefit from reducing processing times & therefore costs by up to 60% with LEAN?
Stock & Job Control	Stocks and Work In Progress can be reduced by over 50% . This has a massive impact, making the business MORE responsive to customers and improving cash flow. If you don't think you have stocks or WIP, then what about unfulfilled orders, specifications & quotes awaiting sign-off, e-mails unread or un-actioned?	<p>How much time does your business spend "chasing" the progress of work?</p> <p>How much work is currently started (delivery has been promised) but not yet "billed for" in the organisation?</p> <p>If you could improve your cash flow, what would it mean for your business?</p>
Marketing	Do you know which features of your Product/Service are most important to your Customers? and what price they place on these features? Lean Marketing has led to higher numbers of new customers and both new and retained customers spending more and staying for longer.	<p>Does your marketing consist of adverts and price offers (price cutting)?</p> <p>Is cutting your price (margin) your only option?</p> <p>How many of your customers generate profit for you?</p>

Finance & Reporting	<p>Daily MI is available in minutes, Weekly MI in an hour, and end of month reports within a couple of days.</p> <p>Information quality improves and consequently the robustness of problem identification and solving, is improved without IT investment.</p>	<p>How many orders, queries, quotes, contracts etc have you completed today, this week, this month?</p> <p>Are you still struggling with monthly reports 10 days after end of the month?</p> <p>Could you improve with better, faster, actionable MI & reports?</p>
Quality	<p>Lean builds quality into the processes you use, rather than relying on inspection or sign offs. "First Pass" levels of work increase and re-work/rejects are reduced.</p>	<p>How much of your current workload is based on re-working or checking what others have already done?</p> <p>How many people do you "employ" to check?</p>
Energy	<p>Reduced processing times, reduced stock levels, reduced space, reduced handling and increased "First Pass" work - all go to reducing the energy costs.</p>	<p>Making only what your customers want, when they want it, in the shortest time, is surely the greenest way of working.</p>
Forecasting & Scheduling	<p>Lean companies are more responsive to customers, reducing lead times to days. Forecasting is over a much shorter horizon and scheduling becomes much easier.</p>	<p>How accurate are your forecasts? (both for raw materials and sales).</p> <p>How much stock do you have that is more than 1 week, 1 month old?</p>
Space	<p>As stocks are reduced (raw materials, WIP and finished goods) a reduction in space required for working in the order of 35% is delivered.</p>	<p>How much are you paying for your working space? (shop floor, office, warehouse etc)</p> <p>What would a 35% reduction mean to your profit?</p>
Customers	<p>Your customers see a more responsive company; delivery times, quality, speed, understanding requirements, all improve.</p> <p>An organisation in tune with their needs and ready to deliver true value to them.</p>	<p>Do you truly understand why your customers purchase from YOU and what they VALUE in your offer?</p> <p>Is it really your "cheap" price, or is it the after sales service, the responsiveness of sales, the design process, that they REALLY VALUE?</p>

5 Principles (Steps) of Lean

There is a single core of five Principles when it comes to lean thinking and within these principles is the idea of waste removal and often these are defined as the “7 Wastes”.

Five Principles of LEAN THINKING. (The 5 STEPS to Implementation)

- 1) The **VALUE** of the **OUTPUTS** of an organisation can only be defined by **THE CUSTOMER**.
- 2) Companies should understand every process they use and whether these add **VALUE** to **THE CUSTOMER**; aiming to remove those processes that don't add **VALUE**. **REMOVE 7 WASTES**
- 3) The business should organise itself around the **OUTPUTS** valued by **THE CUSTOMER**; breaking through the functional and departmental barriers.
- 4) Every process should only be operated when required (**PULLED**) by **THE CUSTOMER**, not (**PUSHED, made to stock**) when the company desires.
- 5) An Organisation should strive to continually refine their approach to improve the **VALUE** of its **OUTPUTS** to **THE CUSTOMER**.

The 7 Wastes.

- 1) **Over Production** – beating SLA's, building finished stocks.
- 2) **Producing Failures** – rejects & re-work.
- 3) **Building Inventory** – excessive Work In Progress – stock stored at workstations, on conveyor systems, papers piling high, files, to do lists, un-actioned e-mails.
- 4) **Motion** – walking to the post room, copier, stores, tool area, switching between computer systems, excessive keystrokes, poor screen design.
- 5) **Waiting** – for work & materials to arrive, engineers to come, meetings, authorisation, sign-off.
- 6) **(Over) Processing** – delivering beyond customer specification & expectation and beyond what they **VALUE** (will actually pay for).
- 7) **Transportation** – moving the work between offices, workstations, factories and into queues.

Most un-leaned processes when all the waste is accounted for operate at a **Process Cycle Efficiency of ~5%**. A world class company will drive this up, to between **25-50%**, improvement levels depend on the type of organisation (manufacturing, service, cognitive service).

Imagine your clients being AT LEAST 5X more efficient, what could it mean?

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Which business types could benefit through applying Lean?

Lean has been proven in many manufacturing environments from heavy manufacturing through to FMCG and Food & Drink, indeed operations and production environments are where many of the lean tools were first tried.

In recent times many office based operational areas; call centres, back office processing centres etc have started to use lean techniques. It is now beginning to find its way into many other office environments, such as sales, accounting and legal companies.

Other success stories from outside of even these areas have become public knowledge with many public service organisations, such as the NHS and Local Authorities exploring and implementing the techniques successfully.

Which functions could benefit through applying Lean?

Our experience of the Five Principles of Lean has shown us the 7 Wastes can occur in any function, often though it is operations or distribution that is deemed to be the problem as the waste can often be seen there.

The waste takes a physical form, in unfinished work, high finished goods levels, missed KPIs etc. However our unique Organisational Value Stream Mapping technique means that we can identify the cause of the waste to the correct function and begin to remove it.

We have applied Lean thinking in Marketing, Sales and Accounting functions specifically and have involved the Procurement and HR departments in other wider solutions.

What size of business could benefit through applying Lean?

The answer to this can be seen in the experience ResQ have;

Our smallest client was with a commercial laundry company employing 8 and a distribution fleet consisting of 1 van – we turned this around from loss to profit in under four days.

We've worked on a project with a large UK retail High Street bank with over 1,800 branches and 20,000 staff – we can't share exact figures here but certainly the performance of sales staff (mortgage sales, insurance sales, new accounts, bundled accounts, credit cards etc) improved significantly and was still improving by the end of the project, which was impacted by the start of the credit crunch.

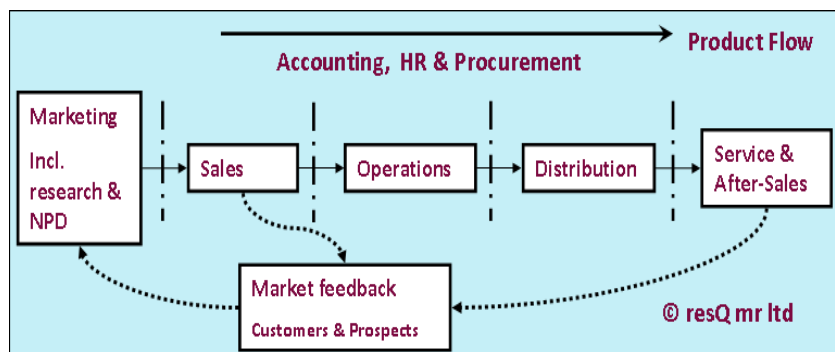
There may be limitations but we've yet to find them!

If you've decided that you'd like to explore Lean with one of your clients then call Mark on 07712 669396 or e-mail on info@resqmr.co.uk, otherwise keep reading for what makes us unique, who we are and a case study.

What is UNIQUE about applying LEAN with ResQ?

Type “Lean” or “Lean Thinking” into Google and you’ll get plenty of providers of lean tools that can be used in operational and manufacturing environments.

When it comes to applying lean techniques across the whole of an organisation we offer a set of techniques which are **UNIQUE** to ResQ MR when it comes to lean thinking.



You may have seen this picture on our cards; ResQ will investigate, quickly, using lean based tools, the entire Value Chain from Product Development through to After Sales & Service.

These unique tools have allowed ResQ to identify distribution waste and poor sales conversions that were caused by the normal marketing practices. As well as a “cost reduction problem” (the company wanted to be cheaper) that turned out to be caused by a bottleneck in sales.

LEAN MARKETING

Lean Marketing will improve marketing; what can be charged for products/services, how to attract and retain more profitable customers and how Marketing can positively benefit your entire business, your customers and your suppliers, if conducted in OUR lean way.

The Lean Marketing solution has been developed exclusively by ResQ and is backed by 10 years Marketing management experience in Manufacturing and Service environments.

LEAN ACCOUNTING

Your clients can be directed as to how to get **faster and more accurate MI, no IT investment needed!** It **WILL improve** their decision making on subjects such as capital investment and outsourcing decisions. Lean Accounting is not about replacing the accounting process required to achieve compliance but it is about getting to the information that can make a real difference to decision making quickly and it begins to place the accounting function at the heart of business improvement.

This Lean Accounting solution was developed in a number of businesses over the last 10 years and again is unique to ResQ.

PATHWAY ©

Employee Engagement is a cornerstone to delivering excellent business results and has been repeatedly explored by CIPD. Pathway **combines the best in HR practices with Lean Thinking** to deliver a programme which encourages employees to contribute improvements and gives managers the tools and techniques to fully utilise these contributions.

These three programmes are combined with ResQ's own Lean Thinking Tools;

"Silent Witness" Evidence – our years of experience lead to us to know what we should find but often find is missing, the "Silent Witness" Evidence.

Organisational Value Stream Mapping – our experience in functions from Marketing through Operations, Distribution and Finance means that we can map out the value creation across all functions within an organisation and begin a true business Transformation.

Problem Identification Tools – for fifteen years we have been exploring cutting edge problem identification tools used by corporations such as NASA and individuals such as Nicholas Nassim Taleb (Worlds' most critical thinker – The Times July 2008). Once you correctly identify a problem the solution is often easy to work through.

Who are ResQ?

Neil Harvey

An MBA and Chartered Management Accountant with over 20 years experience of using Lean Operations and Lean Accounting principles in running his own businesses, supplying all the major UK supermarkets. These businesses annually supplied over 100m units across 40 SKUs, units sourced from European and UK suppliers as well as from his own manufacturing site, so his supply chain experience is considerable.

Neil has also provided considerable business advice to start-ups in the East Midlands and provided presentations on business processes to Professional Service organisations. He is also the current chairman of Shell Step, the UK undergraduate placement scheme.

Mark Greenhouse

A Masters qualified engineer and Lean specialist who has worked for several high growth privately owned and blue chip organisations (Walkers, Baakavor, Boots) in operations and project management in both manufacturing (make daily, sell daily) and service environments. Mark made the move from engineering and operations into marketing to become a qualified Marketing manager over the last few years, in turn moving from FMCG and Food companies to Financial Services and Insurance.

During his time in Marketing he developed the lean principles and tools from the shop floor for Marketing and Sales ensuring that the new tools could mesh with the operational versions.

ResQ are a business improvement consultancy based in Yorkshire and the Midlands, specialising in implementing Lean across all functions of the organisation.

ResQ Case Study

Customer Y forecasts that they will require Company A to supply approximately 1,000 units of product X each month, for the next 8 months, with the first delivery required in 10 days time.

It's going to be a struggle to meet the Customer Y's target unit price, but the Management Accountant at Company A insists that by using traditional costing techniques a profit can be made. To ensure the maximum profit he reminds everyone that they must maximise labour & machine utilisation and efficiency rates, the Accountant therefore recommends that the whole of the anticipated order of 8,000 units is produced in one batch, reducing changeovers and downtime, equivalent to one week's production on a particular assembly line.

Company A then, to meet this internal deadline, gives their suppliers 3 days notice to produce the large volumes of raw materials, which they will purchase at discounted prices, given the quantities ordered.

Raw materials arrive and despite the time pressure, an 'all hands to the deck' mentality is adopted by the workforce and management, and so they ensure that 8,000 units of product X are made, within this week long production run. Alright, there is some waste, scrap, re-working and overtime is required, but the job is done, everyone's happy!

1,000 units are delivered to Customer Y, 7,000 units go into storage to be called off to match orders as and when the customer requires.

But is this the most profitable and responsible outcome?

Primary direct consequential costs of the Management Accountant's decision-making process (*used to maximise profit, let's not forget*) using traditional costing techniques are as follows:

- 1) Additional space is required to store these 7,000 units over the balancing time the order is required = **additional cost 1**
- 2) Additional staff and resource (fork lift) costs are incurred moving the stock into the new space and then back out again for loading = **additional cost 2**
- 3) Additional insurance cover is required whilst these finished goods are stored = **additional cost 3**
- 4) Additional banking facilities are required to fund the purchase of these larger volumes of raw materials, arrangement fee = **additional cost 4**
- 5) Additional bank interest accumulates these facilities/overdraft = **additional cost 5**
- 6) Additional write-off costs as the stock of finished goods either deteriorates over the 7 month storage period or because Customer Y's orders never reach the forecast level = **additional cost 6**

To name but 6 additional costs (there are more!!!)

So, all these **additional DIRECT costs** are either:

- i. Built into the price that Company A charges, elements that the Customer Y neither requires or values and so in effect are waste.
- ii. Not built into the price as they were not forecast or accounted for correctly using traditional costing methods and so the theoretical profit made is either eroded markedly or a loss arises.

Incidental questions include whether Customer Y will return to Client A the next time he requires product X or will he find a manufacturer that:

- a. *Costs only according to what Customer Y actually values? i.e. costs of 1,000 units per month.*
- b. *Makes to each specific order so that every product is to the current, at the date of the actual order, required quality standard and specification?*

Furthermore, Client A has increased his risk profile considerably with this manufacturing approach.

How?

Company A has adopted an approach not based upon what the customers (those that actually handover cash) require and value but one based upon the demands of the Management Accountant using traditional management accounting techniques, such as Standard Costing.

Accounting techniques which are designed for end of year reporting and the mass production environment prevalent in the first half of the twentieth century.

Nightmare Scenario

After three months into the supply the Customer Y calls Company A to tell them that his competitors have added a new feature and his design team want you to incorporate it in any new supplies. You have 5,000 stock items that will either require re-work or write-off and a customer who is only prepared to pay the original cost!

In a climate where banking facilities are being reduced, charges increasing and customer demand uncertain, how sensible is it to tie cash up in the form of stocks of finished goods?

When assessing a balance sheet, bankers will reduce Company A's valuation of stock by 40% at a minimum, whereas with cash held until the customer actually needs the stock there will be no reduction and a healthier business will result.

What were the alternatives?

By using ResQ's Lean approach (Lean Operations, Lean Accounting and Lean Marketing) instead, Client A only manufactured quantities of product X that the customer required each week, driving out wastes associated with changeovers and set-ups. Notable benefits of this strategy were:

- Suppliers were not under pressure to produce large quantities of raw materials in a small time framework. Informed by Client A that the orders for raw materials would more than likely be of the same total quantity but over a longer period meant that the suppliers had an easier to manage constant flow and so were able to offer the same discounted unit costs.
- A significant amount of cash would have been required to finance the old-school mass production run of 8,000 units in one go. Company A reduced their credit facilities to a level the bank felt more comfortable with and thus negated one of their largest pressure points.
- The make-up of the Current Assets section of Client A's Balance Sheet became more attractive to all stakeholders, as it was less composed of Stock ('what *value do we attribute to this?*') and more composed of Cash, which has no valuation write-down.
- Client A moved from a business that sells products and services to one that produces VALUE SOLUTIONS for its customers, and thus becomes a business more likely to achieve superior long-term customer led and profitable growth.

FROM	TO
MASS PRODUCTION	BATCH PRODUCTION
EXCESSIVE DEMANDS ON CASH	MINIMAL DEMANDS ON CASH
PEAKS AND TROUGHS OF OPERATION	EVEN FLOW OF OPERATIONS
MANUFACTURER OF PRODUCTS AND SERVICES	CUSTOMER-ALIGNED CREATOR OF VALUE
QUALITY INSPECTION	QUALITY BUILT INTO PROCESS
MAKE TO STOCK/FORECAST	MAKE TO ORDER
EMPLOYEES: ONE PER MACHINE LITTLE ENGAGEMENT	EMPLOYEES: ONE MANY MACHINES CONTINUOUS ENGAGEMENT
PRODUCT SALES BASED ON PRICE	PRODUCT SALES BASED LONG TERM RELATIONSHIPS
MI: HISTORICAL & ABSTRACT FROM THE PROCESS & PEOPLE	MI: INSTANT BY VISUAL SYSTEMS, UPDATED BY ALL



For more details on how “Lean Thinking” could transform your clients and to book a **FREE** consultation then please contact;

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