Short-term survival and long-term success for New Zealand businesses in the global economic crisis using lean management practices

By Danie Vermeulen

What does “lean” mean and where does it come from?

Want a systematic approach to eliminate specific types of waste from processes, to ensure that every step does in fact add value to the customer?

This is the lean approach, which bases everything on actual customer demand — on their demand “pull”, instead of a “push” system of creating demand. It also strives to achieve optimal process flow, synchronisation and workload levelling.

Lean is different from “value-added” and “non-value-added” as it uses problem solving tools that can eliminate the root causes of non-valued activities (waste) and their associated cost.

The same tools and techniques are also used to boost productivity, quality, increase capacity and to shorten overall lead times.

You might be familiar with the Japanese word Kaizen, which means continuous improvement.

It includes everything that lean refers to.

However, in addition the Kaizen approach relies on the tenet of respect for people as a prerequisite for sustainable, long-term continuous improvement.

Although lean originated in the automotive industry, from the manufacturing industry it has been successfully delivering similar and additional benefits to many different industries in New Zealand and internationally including banking, health care, education, retail and distribution.

What are the seven common types of waste/non-value added work businesses need to keep an eye on?

- Over-production — making more than your customer requires or making it too early
- Transportation — unnecessary movement of documents, products or items between processes, departments etc.
- Idle/waiting time — includes non-productive waiting for documentation or information delays, machines, parts, or setting up a machine
- Bad quality — poor communication, errors, rejects, defects, reworking, returned products, replacement product, dealing with customer complaints etc.
- Inventory — finished goods, work in process, raw material, service documentation, clients waiting etc.
- Over processing — unnecessary process steps, duplication, over-design, excess accuracy, excess reporting etc.
- People Motion — unnecessary movement of people to perform jobs like distributing reports, attending meetings and moving inventory to storage.

At what point does ‘lean’ develop into ‘mean’?

- When there is not enough respect for people
- When employees are treated as assets whose productivity or output needs to be maximised

Want a systematic approach to eliminate waste

Danie Vermeulen, Lean business advocate

This is often referred to as the eighth waste — “wasted employee creativity”.

When improvement objectives are too short-term focused and conflicting with long-term strategy and when improvements are made in isolation without a view of the entire framework for improvement.

How can ‘lean’ help you survive in the short term?

Newcomers to Lean should establish their long-term lean destination (or at least their lean direction) and then get everyone involved in identifying and implementing waste-eliminating improvements. In most cases this will enable the organisation to significantly reduce costs and to improve the efficiency of their processes within a couple of months.

Organisations that are already on the ‘lean’ path shouldn’t panic and stop, but keep doing what they’re doing. They can temporarily shift their focus to shorter-term objectives, but retain their longer term continuous improvement framework and measurements.

Reduced customer demand should lead to reduced production to minimising the “waste” of production and inventory.

Spare capacity should be used for maintenance and training.

Slow times are also an ideal opportunity for lean organisations to launch additional improvement initiatives.

For example, product, service or process improvement does not necessarily require expensive systems and equipment changes — it often only requires the time to get people together to focus on brainstorming and problem solving.

How can ‘lean’ help you thrive in the long term?

The economy is cyclical and the good times will return. Implementing and applying to a lean framework and path will ensure that companies will be ready to respond very quickly when increased customer demand returns.

Capacity will be available, machines and equipment will be maintained and people will be trained, ready and motivated to work as teams. There will be minimal “waste” around.

Danie Vermeulen is CEO of Kaizen Institute NZ

 Been there, done that

By Melinda Collins

There’s an old saying “if you want to catch a mad man, send in a mad man”, and that same principle might too be used in business during a downturn in the economy.

In a time of business hardship the world over, many people may wonder how the business greats of the 1980s coped.

Small to medium businesses nationwide have been increasingly leaning on expertise and advice from business mentors who have been through an economic recession and come out the other side, bloodied but still intact. Although business mentoring is far from a new concept, Business Mentors New Zealand chairman Jeremy Bendall stresses the overwhelming need for this service in New Zealand with the hard times upon us.

“We have an under-utilised national asset and want to unleash the potential of our mentoring service to make New Zealand businesses more resilient and competitive.

“In my view there is a screaming need for quality mentoring to help SMEs survive, improve, innovate and grow. Life for SMEs can be less uphill with our help.”

Since the service started in 1991, independent volunteer mentors have provided support to more than 50,000 small to medium businesses throughout New Zealand. Mr Bendall says that the not-for-profit organisation has 1550 mentors who contribute more than 24,000 hours per annum to helping SMEs across a range of situations and sectors.

Looking at where we are at, together with the government focus on productivity, jobs and globalisation, it’s more relevant today than ever. There is an obvious need and we are keen to position for managed growth on a national scale, which we trust will be quite significant.

Mr Bendall says the way forward for small to medium businesses is to rely on those who have been through the same economic pressures before as these people know what to do and what not to do.

“To survive you need pragmatic advice from objective people who have been through it before and have the right technical experience. Those who have been through the dot com crash or sharemarket crashes and the failures of the 80s and early 90s, know how to survive and prosper.”

So as it can be said if you want to catch a mad man, send in a mad man, so too could it be said that to survive a recession, ask a business person who has survived a recession.

Business Mentors New Zealand chairman Jeremy Bendall

Auckland Today | April/May 2009 | 9