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Process-Waste Erodes Value

In the context of business processes, 'lean' ultimately means achieving faster product and service processes by managing and eliminating forms of process-waste. Process-waste ('Muda' in Japanese) exists in all businesses, whether visible or not, and erodes a business' creation of value.

Forms of Waste

The 7 classic forms of waste are transportation, motion, inventory, waiting, over-production, over-processing, and defects. Other forms of waste to consider are the mismanagement of capital, people, information, and ideas.

Transportation is movement of resources, outputs, or, products.

Motion is movement of people during a process.

Inventory are the inputs used in process steps.

Waiting means idle machines or people.

Over-production is producing work too fast, at the wrong time, in too much quantity for demand.

Over-processing is inputting more resources than that for which the customer is willing to pay.

Defects are out-of-specification products or services, including scrap, rework, and re-routing.

Capital is wasted when improvements that create additional cash flow or profit are not leveraged.

People are underutilized if they are misplaced or their potential is untapped.

Information is wasted when not used to improve customer value or unused reports drain resources.

Ideas are wasted when overlooked or stifled.

2 Types of Waste

Waste is categorized as Type 1 for Business-Value-Added (BVA), which is necessary for business operations but not to customers. Type 2 waste is categorized as Non-Value-Added (NVA), which has no value at all.

Examples of the Type 1 waste are internal departments such as payroll, human resources, and legal. This is a bitter pill to swallow, having worked closely with these departments for years, since they certainly add value to operations. The waste-reducing strategy is to make these departments more efficient and cost effective. Examples of Type 2 waste are the forms of waste listed earlier. The appropriate strategy to tackle Type 2 waste is to work toward eliminating it altogether. Workflow analysis helps tackle both categories of waste.

Workflow Analysis

Workflow analysis and process maps help provide objective insights that flush out areas in your value stream that need improvement. Value stream improvement favorably impacts your customers, your financial statements, and your market position by delivering customer value more quickly at a lower cost, and earning customer loyalty.

Key Takeaway:

Adopting a 'lean' business process mindset to continuously and systematically identify and root out waste helps produce high-value products and services that customers prefer. Financial performance and competitive advantage are improved by reducing costs and serving customers faster, beating the competition.

HELPSCO creates synergy between Lean Six Sigma quality improvement and a business' financial statements by using proprietary methods that ensure a high level of success and value creation.

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