

Eliminating waste

How to tackle the most common causes of waste in production processes **Interviewed by Leslie Stevens-Huffman**

There's waste in every organization. Waste is defined as anything that adds cost to a production process that does not add value to your product. Ignoring waste in your organization puts your business at a competitive disadvantage.

"As an external auditor, I have the opportunity to see across the entire enterprise when I work with clients," says Pat Ross, principal with Haskell & White LLP. "That holistic, external view of the company's departments has helped me identify the best practices for recognizing and eliminating waste in a company's production process. Companies that engage in waste elimination on an ongoing basis reduce costs while increasing efficiencies. Ignore waste in your production process and a more astute competitor may just beat you in today's global marketplace."

Smart Business spoke with Ross about how CEOs can identify the sources of production process waste and develop an action plan to eliminate them.

What are the major categories of waste in a production processes?

While many of these waste categories apply to manufacturing processes, these elements exist to some degree in all processes, so even CEOs of service companies can benefit from reviewing the list. The list was categorized by Toyota after years of research.

1. Overproduction: The tendency to produce more than what's needed or to produce it before it is required. Companies often overproduce when they follow the 'just in case' manufacturing principle instead of the 'just in time' manufacturing practice.

2. Waiting: This occurs whenever time is not being used efficiently. Waiting happens because the material flow may be poor, the production run too long or the distances between work centers too great. It is not unusual for a product or service to spend 99 percent of its time waiting to be finished, and time is money.

3. Transporting: Any delay in the process of delivering the product or service to the customer is a nonvalued cost. More importantly, every transport event is an opportunity for damage or loss to occur and quality to deteriorate.



Pat Ross
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4. Inappropriate processing: Think of the analogy, 'using a sledge hammer to crack a nut.' Are you using the right tools and processes for the job and the right people?

5. Unnecessary inventory: This is often referred to as work in progress (WIP), and it is a direct result of overproduction and waiting. Reducing WIP allows other production process problems to surface.

6. Unnecessary motion: This is related to ergonomics, and it means adding additional worker motion to the manufacturing process, such as repetitious bending, stretching or reaching. Adding motion not only slows down manufacturing, it can increase workers' compensation claims.

7. Defects: These can be internal defects found before the sale that result in scrap, rework or delays, or they can be external defects after delivery, which result in warranty claims, repairs and lost customers. As a rule, the cost of a defect increases tenfold for each production or supply chain step.

How can CEOs determine if these waste categories exist in their companies?

Brainstorming with your team is one of the best ways to uncover sources of waste in your processes. Certainly CEOs can hire out-

side experts, such as consultants, but I find that many times starting with the internal team is best because the people who work on the front line frequently know the sources of waste. They usually have solutions, as well. Consider offering a financial incentive or other recognition as a way to encourage employees to identify categories of manufacturing process waste.

What is the next step?

Estimate the cost to your company for each waste category you've identified, and estimate a time frame for reengineering the process that's producing the waste. Prioritize which items you'll tackle first, by selecting the top three items that will provide the greatest financial impact and where change can be achieved within six months. Then, develop an action plan to initiate improvement through elimination or reduction of your targeted waste sources.

What constitutes a good action plan for manufacturing process waste elimination?

There are best practices for drafting and executing an action plan designed to eliminate waste:

- Develop realistic and achievable action plans.

- Assign specific accountabilities and timelines for each step in the change process and appoint a coordinator to work with those responsible for implementation of action plans.

- Conduct weekly meetings to review progress with formal presentations.

- Develop disciplinary outcomes for non-achievement of actions and benchmarks.

- Increase accountability by holding regular sessions where each team member reports on his or her individual contribution toward successful attainment of the action plan.

- Celebrate your results. Recognizing members of the team for eliminating waste will increase employee engagement and encourage them to identify other sources of waste within your organization. <<

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