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# Institute for Lean Systems Newsletter

Issue 10-1

January 2010

**Dear David,**

Happy New Year. Thanks to you, our business was able to help 30 clients improve their operations through direct intervention or training and development of key people. The 12 clients we worked with most closely saved over \$15.5 million, or just shy of \$1.3 million per client! Many of them are only in business now because of the aggressive efforts they made to reduce costs and align them with their demand.

Last year, we forged new partnerships with TexSkill in Australia, the Kentucky World Trade Center, the Kentucky Association of Manufacturers, and Mike Hoseus, co-author of "Toyota Culture: The heart and soul of the Toyota Way". We were honored with appointments to the Boards of Directors of the Kentucky World Trade Center and the Employee Involvement Association.

Below, we've included some plans and activities for 2010, a little article on waste, and an article on Bootcamps.

One last thing: you are receiving this because you had some contact with ILS this past year (or maybe even a little earlier), either through an email inquiry, a trade show, through Penn State, or with KAM. We don't send out a lot of these mass messages (the last newsletter was in April!) so I hope you'll want to keep receiving these periodic notes from us. But if you'd like to unsubscribe and never get anything else, I apologize in advance for the inconvenience, and offer the SafeUnsubscribe button at the bottom of this email. That will permanently remove you from all of our lists.

If you have any questions, feel free to call or write me directly. We look forward to serving you this year!

David



## Out of the WORMPIT

Waste in our processes is like us being in a deep, dark, smelly, worm-

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### Million Dollar Boot Camp

Last March, ILS facilitated a week-long Lean Systems Boot Camp hosted by a mid-sized plastics manufacturer in Kentucky. The company had recently been purchased and partially consolidated by new owners, who were intent on returning this struggling manufacturing operation to profitability.

infested pit. The longer we avoid addressing the concerns, the deeper the pit gets. The worms in the pit aren't simple harmless night crawlers, but huge, toothed creatures like the worms from the movies Tremors or Dune. These worms eat us out of profitability and quality of life.

The **WORM PIT** gives us a fun way to remember 7 key areas of waste in organizations, and helps us to teach people how to see waste in their work areas. Each letter represents one real aspect of waste in our processes.

**Waiting** - When we're waiting for parts, waiting for approval, waiting for a signature, waiting for data, or waiting for anything, we're not working. Noticing how frequently people wait for things is the first step toward gaining some control over it. Having people waiting means we have excess capacity...we can sell more and satisfy more customers.

**Overproduction** - Anytime we make a product that we don't have a sales order for, or any time we produce a report no one has asked for, or any time we consume resources that might be better used elsewhere, we are overproducing.

**Rework** - We all make mistakes, but fixing those mistakes still costs us resources. When we make errors in our products or services (including simple data entry errors) we have wasted resources. We can't admonish the workers, though, because as humans, we just tend to make mistakes now and then. Still, we have to be willing to find these mistakes and our team members need to be willing to tell us when they have made a mistake, without fearing that we'll lop their head off.

**Motion** - Any excess movement to do your job is preventing you from adding more value. When you have to leave your desk or workstation to find information, parts, tools, retrieve copies, or anything else, we're wasting valuable working time. This has a tremendous impact in the companies we're working with. We've been able to cut out miles and miles of walking daily. Translate that to time and then to hourly wages, and you can see there is a vast savings potential here.

**Processing** - Any process is a candidate for being wasteful. Don't just identify extra steps you may be taking, but look at the sequence of operations and where our products (whether manufactured parts or records of transactions) end up being stored or where they pile up. If we can prevent delays and accumulation, we may be able to eliminate other processes we may have required to get things ready for additional processing.

**Inventory** - Inventory is considered an asset in companies, but lean considers any inventory beyond what you need to satisfy immediate customers as waste. Inventory ties up cash, ties up space, requires us to safeguard and count it, and move it around from place to place. Those aren't the real issues though. Inventory makes it easy for us to avoid problems. Seeing and solving problems are a cornerstone feature of lean. Inventory keeps that from happening.

**Transportation** - Any time we're moving something, we're not working on it. Any transportation of materials or information in excess of the requirements for satisfying internal and external customers is wasted time. Minimize this, and you can save a bundle.

Fortunately, we have a way out of the WORM PIT, but many companies end up wasting this too. It's the **INTELLECT** of our workforce. Deming said our failure to capture the creative energy of our people is the greatest waste of



We Need Your Help!

Please take a look at our new [website](#) and provide us some feedback about contents, navigation, appearance, etc. We want to practice what we preach with respect to continuous improvement. Send your feedback in an email to David, or on our Facebook Page Wall.  
Thanks!!

all. For the past hundred years we've had organizational systems in place that literally require our workers to switch their brains off at the door. It's time to switch those brains back on before we lose all our jobs to low cost overseas companies.

## Million Dollar Boot Camp

ILS and a leading private equity firm work together to save nearly \$1,000,000 in one week from one factory.

Last March, ILS facilitated a week-long Lean Systems Boot Camp hosted by a mid-sized plastics manufacturer in Kentucky. The company had recently been purchased and partially consolidated by new owners who were intent on returning this struggling manufacturing operation to profitability.



A group of 22 people, mostly managers from other companies in the new owner's portfolio, met on March 2 not really knowing what to expect for the week. They had been told that they would be attending a training course with a heavy hands-on component. When they arrived, Parthi Damodaraswamy, ILS's Director of Operational Excellence, divided them into four teams, provided introductory training on lean thinking, focusing on 5S and visual controls, basic problem solving, waste, and flow, then sent them to the manufacturing floor to identify problems. [5S is a lean tool for understanding the work done in a particular workstation, then removing anything there that is not essential to the work, organizing everything that is essential for quick and easy access, cleaning the work area so everything is more visible, documenting the standard for the workstation, and sticking to that standard.]

The teams returned after a couple of hours with a long list of problems which they grouped into nine projects. All nine projects were completed over the next four days.

As projects required more specific training, Parthi presented new information and led discussions and activities to maximize learning. Through the week, the groups learned about motion economy and ergonomics, pull systems with a variety of signaling and control mechanisms (called kanbans), standardized work analysis and documentation, time study methods, and process mapping and analysis. After the discussion of each concept, they went to the floor and put it into practice through their projects.

Three projects optimized the process flow of several machine centers so they required fewer operators to fully satisfy customer demand. Another did the same for the warehouse. All told, 19 positions were identified as excess. After eliminating overtime, releasing some part-time and temporary workers, and reassigning some others, the company was able to reach this target without laying off a single full-time employee. Only one of the projects required a capital investment (\$4,000), but the savings from these three projects realized by the end of the week totaled \$665,000!

The optimization of flow also made it possible to control contaminants reaching the product resulting in significant quality improvements, saving scrap and rework valued at \$31,753 annually. New pull systems implemented during the week enabled them to operate with less inventory and still get the product to the customer more reliably, saving another

\$195,000. The final projects allowed the company to stop using certain handling equipment they were leasing for \$12,000 annually. They freed enough floor space to eliminate the need for outside storage, for which they were paying \$13,200 annually. The another project eliminated the need for stretch-wrapping at one warehouse operation that would save \$9,000 in consumable materials every year.

The teams engaged all employees during the planning and implementation of all of these projects and everyone realized that without a successful week, the plant was likely to close down for good, costing all the jobs there. Everyone pulled together when they identified barriers, and managed to overcome most of them. At the end of the week, the total savings amounted to \$925,953.

They are not out of the woods yet, as this segment of the economy is still hurting, but with their new learning, they can now face these challenges more confidently.

## 2010

### Plans and Activities

Plans are plans and usually change some, but here are some concrete dates for certain things, and some others in work. We'll have additional mailings on some of these, and where we have additional information, we'll have a link.



For now, if you'd like to register for any of these activities, send an email to [david.veech@theleanway.com](mailto:david.veech@theleanway.com). I can provide pricing and more details.

February 1 - 5: Week 2, [Community Action Partnership](#), Linak-US, Louisville, KY

February 11: David speaks at the Industrial College of the Armed Forces, Washington, DC

March 10 - 11: [ILS Transformation Conference](#), Executrain Louisville, Louisville, KY. Open to the Public. More to follow on this. Click [here](#) to email me for more!

April 12 - 16: Week 1, [Graduate Certificate Series](#), TexSkill, Melbourne, Australia. Week 2 is May 31 - June 4; Week 3 is July 19 - 23. Open to the Public

April 19 - 23 (T): Week 1, [Healthcare Systems Community Action Partnership](#), Louisville, KY. More to follow on this. Click [here](#) to email me for more! Week 2 is May 17 - 21; Week 3 is July 12 - 16. Open to the Public.

May 10 - 13: [Lean Systems Executive Certification Workshop](#), Executrain Lexington (T), Lexington, KY. Open to the Public

May 17 - 18: David presents at the Scanlon Leadership Network Annual Conference, Lansing, Michigan

June 7 - 11: [Applying Lean Principles Across the Supply Chain](#), ILS in Partnership with Penn State Executive Programs, State College, PA. Open

to the Public.

June 14 - 18: Week 1 of our advanced certification program, [Lean Leadership Certification Series](#), Lexington, KY. Week 2 is August 2 - 6; Week 3 is August 23 - 27. Open to the Public.

August 9 - 13: Week 1, [Graduate Certificate Series](#), TexSkill, Melbourne, Australia. Week 2 is September 20 - 24; Week 3 is November 8 - 12. Open to the Public

September 14 - 16: David presents at the [Employee Involvement Association](#) Annual Conference, St. Louis, Missouri

September 28 - 30: David presents at the [International Boat-builders Exhibition \(IBEX 2010\)](#), Louisville, Kentucky

September 27 - October 1: Week 1 [Lean Systems Certification Series](#), Louisville, KY. Week 2 is November 1 - 5; Week 3 is December 6 - 10. Open to the Public. This is the only public lean systems certification series we have scheduled this year. Click [here](#) to email me for more!

October 25 - 28: [Lean Systems Executive Certification Workshop](#), Executrain Louisville (T), Louisville, KY. Open to the Public

ILS helps build competitive organizations that drive continuous improvement through respect for people. We appreciate your on-going support and hope to hear from you soon. Feel free to contact us any time.

**Sincerely,**

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