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# Institute for Lean Systems

## July 2010

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### Upcoming Events

**Lean Executive Course  
August 2 - 5, 2010,  
Greensboro, NC.  
(SOLD OUT)**

**Introduction to Lean  
Accounting, with Jean  
Cunningham. August  
12, 2010, Chicago, IL.  
[more info](#)**

**Lean Executive Course  
October 25 - 28, 2010,  
Louisville, KY. [more  
info](#)**

**ILS Australia Graduate  
Certificate Series in  
Competitive Enterprise  
begins August 9 - 13,  
2010 in Melbourne,  
Victoria, Australia.  
[For details, click here.](#)**

**ILS Lean Systems  
Certification Series  
coming this fall.  
Dates: Course 1 - Sep  
27 - Oct 1; Course 2 -  
Nov 8 - 12; Course 3 -  
Dec 6 - 10. See details  
[here](#). If you are  
interested in  
attending, [send David  
an email. Just click  
here.](#)**

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about any of these  
programs, [visit our  
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Dear David,

A question I frequently hear lately is, "Don't the recent problems at Toyota prove that lean manufacturing - with deep roots in the Toyota Production System - isn't all it's cracked up to be?"

My answer: The Toyota Production System is still the most advanced learning system in industry; and this is a tremendous learning opportunity for Toyota. When they countermeasure this problem, they are going to be extremely difficult to compete with.

I'm less worried about Toyota than the hundreds of companies who experience problems, maybe not of this magnitude, but have no system to identify, contain, isolate, and solve those problems. These are the companies endangering workers and consumers alike, all unwittingly, because they lack a comprehensive system, such as the Toyota Production System, as well as an integral philosophy, such as the Toyota Way.

Toyota will come out of this with tighter rules, more consistent adherence to those rules, and with better processes and people as a result.

What about your company? Do you need help designing and implementing a system to ensure perfect safety, flawless quality, on-time delivery, and low cost in an environment that consistently builds the skills and morale of your workforce? Give us a call or sign up for a workshop. We can help you.

Sincerely,

David

## Myth No. 2: Lean works only for manufacturing operations

*(This is the second in a series of five articles on the biggest myths about lean.)*

Last month we started a series about the five biggest myths concerning lean. Myth No. 1 was that lean leads to layoffs. Not true. In fact, as we pointed out, a basic premise of lean is that people are an organization's most important asset. Developing people to their highest level of performance separates great companies from the merely good.

Myth No. 2 is that lean applies only to manufacturing settings. Again, nothing could be further from the truth.

Lean business principles have been applied with great success in a wide variety of organizations - offices, medical facilities, distribution operations, professional firms, service industries and more.

### Applying lean to service organizations

If you examine the "product" of a service organization, you'll see that, just as a manufactured product goes through a series of fabrication and assembly steps, a service product also goes through a series of steps as it is being prepared for a customer. In both cases, if you can make the "product" flow through those processes more quickly, it gives the company a better capability to satisfy customers.

We create flow with four key principles that we've labeled One Place; One Piece; One Pace; One Resource. Explaining these is pretty straightforward.

One place means bringing together all the processes a product has to go through. Take an insurance policy, for example. A customer will submit an application that must be input to a database, sent for risk assessment (underwriting), reviewed for decision-making, and then completed for policy issuance. In most cases, these steps are completed in different parts of the organization (or maybe even in a different organization altogether!). Instead of sending the policy around to the various departments, we would create a set of processing elements (sometimes called "cells") that include representatives from all of those departments sitting together in the same office space. This one change leads to an entire world of benefits, which we'll write about in a future column.

One piece means finishing one step before starting the next. This keeps unfinished work from piling up between those processing steps and has been proven to speed up the entire process. This also prevents people from having to work on the same product more than once.

One pace means that the work everyone does is balanced and synchronized so that it can be done at the same rate. Leveling things out greatly reduces stress for employees because there's not a surge of work then a lull, then another surge at unpredictable times.

One resource means that whenever possible, work cells will have all the assets they need to complete their work, without having to share resources with other cells. This isn't always practical, especially for very expensive assets, but we've found more often than not, it makes the overall performance of the organization much better.

For an interesting case study along these lines, see the October 2003 Harvard Business Review article about Jefferson Pilot Financial, which by using these principles reduced turnaround time from receipt of an application to issuance of an insurance policy by 70 percent or more; reduced total labor costs for all applications by 26 percent, and cut reissues due to errors by 40 percent.

Pretty impressive. To find out how lean business practices could help your organization, e-mail me at: david.veech@theleanway.com.

**Next month: Myth No. 3 - Lean is too expensive.**

## Lean Tip of the Month

Last time, we talked about the principle of One Place. This time, it's One Piece. One piece refers to the concept of finishing one work piece at a time. The benefits are numerous. First and foremost, one piece improves quality because defects are spotted immediately (usually at the next work station). By contrast, batch processing often allows defects to pile up before they're detected, which leads to more waste. One piece also reduces inventory and frees up floor space.

But does one piece work in a service environment? Well, of course it does. Think of the restaurant business. Each order is taken to the kitchen, processed individually and then moved to the next station - namely, the customer. Imagine the problems that would result if the

chef decided to wait until a certain number of orders were placed for a particular dish before he or she started cooking.

Send us an email with your examples of where One Piece has worked for you, or where you couldn't make it work. Next time, we'll talk about One Pace!

Thank you for being a subscribed member of this newsletter, and keeping up with the Insititute for Lean Systems. We hope to hear from you soon, and appreciate your support over the years.

**Sincerely,**

David Veech  
Executive Director  
Institute for Lean Systems

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