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Institute for Lean Systems

September 2010

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Presentation at the Annual Conference of the Employee Involvement Association, St. Louis, MO. Sep 15 - 17.
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Workshop at IBEX 2010, Louisville, Kentucky, Sep 28 - 30
[More.](#)

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.](#)

Applying Lean Principles Across the Supply Chain, Penn State University Executive Education, Nov 1 - 5. [More.](#)

For more information about any of these programs, [visit our website.](#)

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Dear David,

Summer's wrapping up, kids are back to school, football is back, and companies are still trying to keep their improvement efforts going. September is a busy month for us, with conferences and client engagements. See the side bar for some of the upcoming events where you match catch us.

This month's newsletter includes Part 3 of our series on lean myths. Myth No. 3 might be the biggest myth of all - that lean is expensive. This one is a point of contention for me personally because so many people tell me that they don't have management support for lean because they don't have money to buy new equipment, or bring in more people. Lean is about using limited resources more purposefully. You can do this and make great strides without spending a dime...but you have to actually decide to do it!

Also this month, I've included a brief review of a recent book, *Compression*, which I think might be one of the most important books to be published in many years. I'm heading to Texas next month to work with a group of thinkers to try to identify some practical actions for applying Compression thinking. Go to www.compression.org and get some more information. Let me know what you think.

Sincerely,

David

Myth No. 3: Lean is expensive to implement and maintain

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

Probably the No. 1 reason some organizations don't seriously consider implementing a lean transformation program is the misconception that lean requires an extensive - and expensive - investment in new technology, training or equipment.

Actually, the opposite is true.

Unlike many other process-improvement systems, lean does not require a large investment in training or equipment. In fact, some of most-effective lean solutions are simple and inexpensive to implement.

Small investment, big payoff

For example, by reducing inventory and rearranging product flow, Rev-a-Shelf, a Louisville-based manufacturer of residential cabinets and storage products, increased its warehouse capacity by 23 percent. The extra capacity plus other lean improvements enabled the company, an ILS client, to double its sales growth without adding headcount or

expanding its facilities.

Another example: Millnocket Health System in Maine reorganized and color-coded all medical supplies - using red labels and containers for all syringes and IV supplies, blue for respiratory supplies, green for bandages and dressings, etc. This simple, inexpensive step enabled medical workers to find what they needed faster and with fewer mistakes.

Although lean does require top-down, senior-management commitment, it can begin in a small group and expand to other departments or units as needed. This versatility is a big reason that lean has been so successful in small and medium-sized companies, and in operating units of large companies.

The perception that lean is expensive is simply erroneous. In virtually every setting, a lean transformation program returns the original investment several times over. In fact, the ILS experience shows that organizations typically achieve savings of 3.5 to more than 10.5 times their investment. One company we worked with, a foundry operation, realized annual savings of nearly \$2.9 million on an investment of less than \$150,000 - a return of nearly 1,800 percent.

Some lean transformation companies (including ILS) will guarantee that the savings achieved will exceed the cost of implementing lean, and will even postpone payment until the savings are realized. That approach makes lean transformation not only cost-neutral to the organization's budget, but also virtually risk-free.

For more information about how lean can help your organization, contact me at david.veech@theleanway.com.

Next month: Myth No. 4 - Lean is stressful for workers

Compression Thinking

The day Columbus landed, the global economy began to expand. The Industrial Revolution greatly accelerated this expansion. We're still expanding; China is Exhibit A. And global population growth is not projected to top out for decades.

As we expand to the rim of the global Petri dish, humanity is now feeling the squeeze of a finite world.

In his thought-provoking book, *Compression*, author Robert W. "Doc" Hall makes a compelling argument that we must not only stop physical expansion, but also reduce the present level of resource use - and abuse. Mankind's supreme challenge, Hall says, is to learn to do more and to enjoy life more while using far fewer virgin resources than we did in the year 2000, and with zero known toxic releases.

Shortages of food, water, and fuel are not the only ways to do ourselves in. The possibilities are endless: climate shifts, ozone holes, oceanic pollution, endocrine disruption, critical species loss, nuclear war New dangers pop up regularly, and one easily overlooked is pushback from people - billions of them - left out of the expansion party.

It's impossible to put sporadic media reports in context, and jaded readers suspect that another doomsday merchant is crying wolf. Maybe some are. But more wolves are circling than deniers can pick off. Conviction of the seriousness of this situation and of the depth of change it requires is necessary to take serious action.

Given this, Compression refers to what we must do: conserve, reuse, remanufacture, recycle and much more. Techniques have been devised, and much better ones are needed, but organizing to do it on the scale needed completely flips how we think about business and economics. Our system evolved to promote expansion. Even basics, like compound

interest formulas, are growth models. We need to be guided by the physics and bio-effects of what we do before evaluating how financial models map it. Today, it's usually the other way around. That is, Compression is more an operational framework than an environmental one.

Unconscious assumptions must be questioned. The technical challenges of Compression are huge, but not as big as the human ones. Developing "vigorous learning organizations" that can work out how to do this is the key to continued quality of life. We have technology our forefathers could not have dreamed of, but it's useless unless we can harness it to meet a set of challenges that our fathers could not foresee.

To check out Compression, see www.compression.org

Thank you for being a subscribed member of this newsletter, and keeping up with the Institute for Lean Systems. If you have a question or concern or an idea for a story in this newsletter, send us a note. We hope to hear from you soon, and appreciate your support over the years.

Sincerely,

David

David Veech
Executive Director
Institute for Lean Systems

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