

# Beyond the shop floor – Efficient organizations have lean offices

**The success of lean is growing. More and more manufacturers are implementing principles to minimize waste and increase efficiency, stripping out processes that do not create customer value. However, it's becoming clear that the shop floor is not the only part of the operation responsible for extended lead times.**

While the manufacturing processes are the core of the business, the path from idea to invoice is a much longer one. The entire business consists of administrative tasks, sales, marketing, IT, engineering, product development and other 'behind the scenes' activities. Companies need to be treated as a whole if lead times are to be truly minimized.

For this reason, a lean office is becoming an important focus area for manufacturers seeking greater profitability and optimum customer satisfaction. Even organizations that are extremely lean on the shop floor can still be burning money through non-value adding administrative inefficiencies and poor organization of both people and processes. With labor costs often exceeding 50 percent of an organization's total operating expenses, employees who are under or ineffectively utilized have a major impact on the bottom line.

## **Where can we go looking for lean improvements?**

### **Not just the shop floor**

It's the responsibility of every department in the business to explore and implement improvements that contribute to increased productivity, higher quality, enhanced responsiveness and reduction in costs. Although more and more manufacturers are successfully bringing lean principles to the shop floor, it's important to keep in mind that 60-80 percent of all costs related to completing a customer order are administrative based.

### **Remember the basics**

The lean approach focuses on two core principles - eliminating "waste" that does not add value to the customer and smoothing workflow. Given that many aspects of administration add no intrinsic customer value (order entry, drawing up quotes etc.) it follows that there's much potential for improvement in back office processes. Without simple, repetitive processes in place to turn a suspect into a prospect and then a customer, as well as turn estimates into quotations and then into cash, people can easily be investing their effort in the wrong places. In addition, the focus on smoothing workflow should support consistent continuous application of effort uninfluenced by surges or lulls in demand.

### **Keep your eye on the whole company**

Companies that do a lot of project-based or make-to-order work have the most to lose; their activities are often far from systematic or repetitive. A great deal of information has to be developed, adjusted and shared with customers before it even gets near the shop floor. And even when it does reach the engineers, administrative and design processes remain a key part of delivering the project. In these cases, the distinction between workshop and the office is not always a clear one, making it critical that you keep a global perspective when analyzing your operations.

## Where are the primary focus areas?

### Blocked workflows hurt your waste-line

Imagine a project that's budgeted for 100 days. In reality, more than fifty of those will probably cover work in the office. Without clearly defined operational procedures, it can easily end up taking a lot longer – people wasting time looking for information and making poor decisions when they can't find it. Leaving this situation unaddressed can easily wipe out the benefits of an expertly executed lean reorganization on the shop floor. And delays will take a toll on your customers' satisfaction.

### Take down the barriers

So where are the key pain points likely to be? Documentation sitting in queues waiting for approval or review is certainly likely to be one of the worst. Tracking the time it takes to turn around an engineering change order is just as relevant as tracking custom assemblies. Experience tells us that time needed to complete an activity will expand to meet the time available, so it's important not to give tasks the opportunity to stall. Taking out administrative barriers to getting tasks completed can quickly speed up processes and allow the reallocation of previously wasted effort.

### Stop doing too much

Lots of businesses are doing more than is necessary to get the job done, draining resources and time with activities that deliver no value. It seems strange, but examples abound. Think about the irritating 'reply all' e-mails that clog your inbox, or multiple copies of 'FYI' reports that await commentary and consolidation to little real effect. They eat up time by distracting people's attention, and by encouraging people to wait for responses. Addressing this kind of office culture and streamlining processes can have a major impact on the speed with which tasks can be processed.

### Shop floor issues also hide in the office

Think office logistics: time spent moving materials around without tangible added value to the end product is bad for business. This might not sound relevant for the office, but information is also a material. Unnecessarily complex approval processes where information goes back and forth – with waiting times in between – are a good example. Inventory concepts can also be applied to lists of tasks to be completed and clogged inboxes acting as stores of work waiting to be processed. Not managing them and their information can be a real anchor on progress.

Add to these the concepts of re-work (having to re-do invoices with the correct information etc.) and inefficient resource allocation (effort without result, as seen in meetings without firm conclusions), and you'll see that the administrative force of the business can probably lose some weight.

### The lean office improves customer service - helping you be even leaner!

Customer satisfaction is no longer the end objective – businesses want to build loyalty. After all, anything less than a delighted customer can lead to queries, complaints or returns. The lean office can play a big role here; efficient operations reduce the risk of customer irritation when details of an order are not realized as specified. The commitments made during the sales process need to be delivered on by everyone. This is much easier with a well-designed system of workflows in place ensuring that nothing goes missing.

### Third parties should not be forgotten

In the same way that shop floor lean processes can encompass externally managed inventory and vendor portals, lean offices can include third parties who contribute information in the early phases of projects. Ensuring that smooth processes and efficient workflows don't break down when externals are involved should be a major consideration when evaluating room for improvement. Effective cross-company collaboration and cooperation can make a big difference to the speed at which things happen.

## How do you begin the lean journey?

### Get everyone in the loop

To be successful, employees need to understand and be enthusiastic about the changes that you are making. It's important that the entire workforce studies and understands the core lean methodologies before you implement. All stakeholders need to be able to define the core concept and fully understand both internal and external customers' needs and expectations. Managers need to update leadership skills, organize training for the employees themselves, and adapt how the business recognizes and rewards success.

You also need to reinforce that lean is about giving workers the opportunity to be responsive and flexible, helping them to overcome any potential problems as quickly and with the minimum of disruption possible. They are the ones carrying out the processes and have some of the most valuable insight into possible



improvements. Dictating the new way forward in a top-down manner is unlikely to drive the success the business is looking for.

### **Know what's important**

Establishing your operational priorities is also key. It's very easy for staff to focus on the things they like doing, rather than the ones that are most important to your customers. Equally, your people may simply not be aware of the activities that add the most value to customers, particularly if they are spread thin across multiple departments. Lean is about having the insight to manage your activities effectively, armed with a clear chain of priorities to ensure time is always invested in the most important activity first. Think about sales orders. Do your employees know whether value or order date is more important?

### **What are the first steps to driving improvements on the ground?**

#### **Get a grip on your processes**

Going lean successfully demands careful research and planning, defining business processes from start to finish. Careful analysis is then required to identify where bottlenecks or mistakes are causing problems. As with the shop floor, a Kaizen event is a powerful tool for getting the answers to the new questions you'll have about your operation. How many steps are involved in completing a quotation? How do we actually hire a draftsman? Mapping out your organizational process flows is the foundation for your successful lean implementation.

#### **Dive into the details**

When you've reviewed and mapped out how the current operation works, get specific. Break down departments into activities. Be critical, asking how every task that every person carries out adds value to the business.

Be thorough in determining who is involved with documents and processes, when they are involved and if their contributions are genuinely valuable.

### **Don't ignore the physical environment**

It could well make sense to move objects and/or people around to facilitate better communication and simpler decision-making processes. Although email is certainly valuable, face-to-face explanation and instruction may get things done faster. If you can make this kind of communication easier, do so.

### **Get the right software on board**

Automating tedious, time-consuming manual processes with an enterprise application can free up a lot of capacity for more valuable activities. Based on threshold values, systems can alert individuals to take necessary action, enabling businesses to be proactive in dealing with potentially troublesome situations. Depending on the functionality available, it may also be able to give third parties direct access, allowing them to respond efficiently to ongoing processes that involve them. Workflow functionality can also streamline tasks by automating the movement of work along the chain and fostering effective cooperation between colleagues regardless of their physical location.

### **Keep track of the results**

The process can also be strengthened by the use of performance metrics, creating quantifiable measurements to monitor and improve the effectiveness of both the people and processes in the system. Fluctuations in those metrics can indicate that processes are not being followed, or that new processes need to be implemented to accommodate changes in your business. They also make it easier to compare performance to industry standards, giving management an idea of further room for improvement.

The measures you choose will depend on the insight you need into your administrative processes. How do you define your value stream? What is the product or service created by your back office activities? If you focus on the process of creating quotations, you can think of the final document as your product. It's then possible to define and measure the stages *en route* and identify where efficiencies can be realized. Concepts like 'pitch' and 'takt time' can also be useful diagnostics in the office. Be creative in their application.

### Where do the main challenges lie?

#### Information not materials

On the manufacturing floor, there are certain lean techniques that produce predictable results and specific steps that can be followed to deliver tangible outcomes. Quite often, processes involve physical changes – moving equipment or materials, changing inventory control mechanisms or using Kanban cards and other visual cues. The office can be very different, with much of the 'material' simply information in the minds of the employees carrying out the work, or within the IT system.

Creating focus on this information can be difficult. Whether it's via verbal or written communications, electronic or hard copy, internal or external facing, a lean office needs to streamline and protect these information objects and the decisions made based on them. The fact that employees involved in the same project can now easily be separated by thousands of miles and multiple time zones only adds to the challenge. As with the automation of manual processes, the right IT support is essential to enable dispersed teams to collaborate effectively.

#### People don't like change

It's also worth keeping in mind that not everyone will be immediately enthusiastic about the changes you propose. Employees can be resistant to being measured when they feel there's significant variation in their work flows and processes that they're expected to handle. Even companies that manage to implement lean initiatives can be undermined by staff that seem enthusiastic, but commit only for the sake of change and are ready to jump on next week's hot topic. Investing time to create genuine understanding is essential to making your new operation a success.

### How do you plan the right software support?

#### In the office, labor utilization is everything

While a lean shop floor requires interaction between labor and other resources, the office is really only about the people and how efficiently they complete their value-adding tasks. Choosing the right software solution is a major part of reorganizing and distributing processes effectively, automating time consuming manual activities and making the whole environment visible to all stakeholders.

#### Visibility is empowering

Effective organizations know what, how and where their people are completing their responsibilities. ERP can be a major benefit, providing real-time activity tracking according to employee, task, department, project or customer. It's then easy to monitor work in progress and identify where the weak links in the chain lie. Dashboards are a great example. Based on company-wide KPIs, they offer at a glance insight into your performance, allowing you to take proactive steps when core processes reach given thresholds. When you're able to act in time, bottlenecks can often be avoided.

#### Respond to trends, ignore blips

Keeping a close eye on what everyone is doing helps to distinguish operational one-offs from trends, ensuring you only implement changes that are necessary and will deliver an impact. You'll be able to make sure the right people are in the right places at the right times, taking appropriate action before performance has a tangible effect on customer satisfaction. Targeted activities also allow you to remedy issues with precision, gaining the result required with the appropriate FTE allocation and avoiding waste. Built-in scheduling and planning also helps you to manage leave and capacity more effectively, ensuring you're prepared for expected changes in demand and absences.

#### Allocate tasks effectively and efficiently

Workflow functionality improves productivity and accuracy. Lean work flows can route complex processes to the right personnel, even across company lines, allowing seamless collaboration between all stakeholders. Activities can be automatically assigned to the right people, with clear overviews making it easy to track progress through the various steps. Built-in document management also makes it easy for people to get the information they need and changes or updates to plans can be tracked by everyone without the need to engage in huge volumes of non-value-adding e-mail communication.



### Easy entry stops things going missing

The right process management software can also save a lot of time. Smart solutions that reduce the time between completing a process in the field and sending the invoice offer multiple benefits. In addition to making activity more visible across the workforce and speeding cash flow, revenue leakage due to missing or forgotten information can be minimized. And if it's integrated with a full ERP suite, invoicing can be created automatically, closing the information loop completely. Personal portals that are automatically updated with "to do's" and other relevant information can be a great boost to efficiency – particularly if they can be accessed from outside the system to support mobile off-site working.

### Conclusion

Lean is not only for the shop floor – the principles are also well suited to driving improvement in the office. Although some of the concepts can seem alien to office workers, the right technology and educational support can help your administrative teams realize significant savings in time and effort.

When labor is the major input for these business processes, it's essential to remember their people are your most important resource, making it important to include and inform them at all points. Once you take a deep dive into the details of your business' current processes and identify areas for improvement, careful monitoring will help you to focus your attention to continue driving improvements.

The right software can also play an important role in automating manual processes, improving productivity and reducing errors. Solutions that provide greater visibility into workforce activities can help smooth workflow - assigning the right people to the right task and speeding the flow of work through multi-step processes. With such a potentially large proportion of a product's lead time linked to activities off the shop floor, companies have a lot to gain by locating and trimming the fat from their offices.

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