

White Paper

Are the 8 Wastes destroying your profits?

Brian D. Krichbaum

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Understanding the 8 wastes is the foundation of lean thinking. Without this detailed comprehension, you will not be able to see the wastes being generated in your business, and without seeing the wastes, they can't be eliminated.

1. Overproduction – Producing materials that aren't needed now.

Managers always have excuses for over-producing. I'm sure you've heard (or used) some of the most common. *The setup times are long, and since we'll use it next month anyway...*

So what's the big deal? It's true that the setup times are long and we do *plan* to use the material soon. But what is missing in this thinking is that over-production costs money and time. You pay to produce parts not needed now, and then pay to move them to and from the storage area. Sometimes warehouse space is rented, and when the parts are actually required, they are hard or impossible to find. It isn't unusual to give up and expedite a new production run when we can't find the product. And while these excess parts are being made, stored, and searched for, the production line is running out of the parts we really need. When the parts are damaged or become obsolete, the investment is washed down the drain. There is a better way!

2. Waiting – Not having the materials or resources at the right place or time to continue the value added flow of a product or service

One would think that with all those extra parts made to reduce setup times there would never be shortages. Wrong! There are often so many extra parts laying about that shortages aren't even noticed until the line or cell stops producing.

When the equipment breaks down, we wait for maintenance departments to get it fixed. Perhaps the wrong paint was ordered or the only trained operator didn't show for work.

Equipment running near capacity waits for the parts that didn't show up at the right time. Maybe engineering hasn't completed the design or the paperwork. So everyone waits. We wait to produce, we wait to ship, sometimes we wait so long that our opportunity to make the sale evaporates.

But those who force us to wait aren't limited to production managers or engineers. We wait on the sales force to fix orders entered wrong. We wait on purchasing to finish purchase orders on time, or suppliers to expedite the latest late order. The list goes on.

3. Transportation – Using resources to move materials, equipment, or personnel from one workcell, department or facility to the next. It includes automated movement and manual movement, movement within the plants and movement between plants.

Even when managers understand how overproduction and waiting are wastes, it can be hard to believe that transportation can be categorized as waste. But it can. The physical act of picking something up and putting it down somewhere else adds no value to the product. It is exactly the same as it was before it was moved. Often more resources are used moving items around than are spent working on them.

A factory arranged by processes has built-in transportation waste. Parts are stamped in the press room, then *MOVED* to the machine shop, to the deburring machine, to the paint line, and finally *MOVED* to pack and ship. Transportation waste is hidden. We lose track of it, don't really measure it, finally