

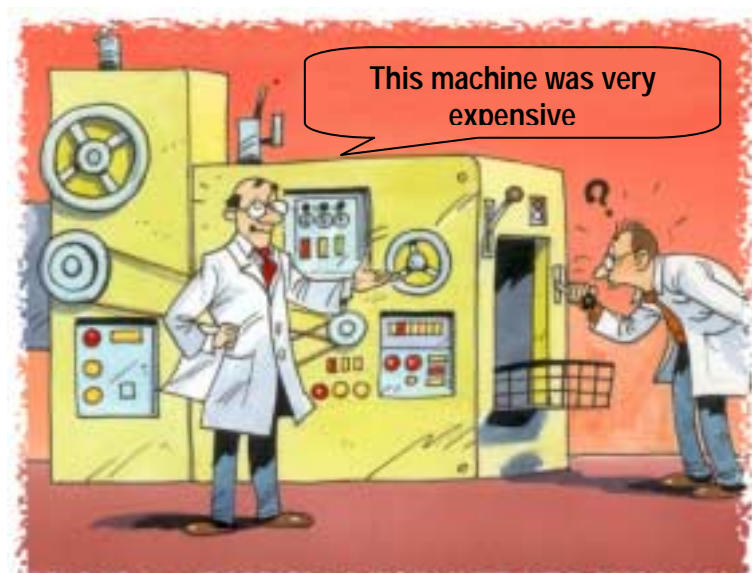
THE OBESITY OF COMPANIES

by Bill BELT

To stay in the race today, you can't be overweight. Statistics show that 61% of young people are heading into obesity, but that's nothing compared to companies. In my experience, **95% of companies are waddling because of obesity**...in inventory, like cholesterol on artery walls; in work-in-process, like saturated and trans fats blocking blood circulation; in costs, like the medicines required by the overloaded body but which could be avoided if the body were healthy.

Employees fight every day to make products and information flow through processes slowed down and diverted by these overloads, so that they can get them out to customers.

The Lean technology created by Toyota identifies three types of waste: **muda** (non-value-adding work because of bad processes not mapped and analyzed); **muri** (unreasonable work because of poor organization), and **mura** (variability due to poor Anticipation). These three types of waste create inventory, WIP and extra cost.



Lean reveals all this waste. One factory I worked with to map their value stream, took 27 days to do 6.5 hours of value-added work. Another takes 52 days to perform a 9.8 hours or work... more than 98% obesity in both cases. jours pour faire 9,8 heures de travail... plus de 98% de surcharge pondérale dans les deux cas. **These factories deserve praise because at least they've measured their obesity.** Most have not done so yet and don't realize the excess weight that they're dragging along in their factories and in their financial accounts.

To reduce obesity, Lean solicits the advice of experts: the people working in the process, supported by indirect employees from Industrial Engineering, Quality, etc. **People are not the waste; they struggle with it every day**, therefore they know it well and have plenty of ideas to eliminate it.

In the factory with a current processing time of 27 days, the employees graphed an improved flow of 17 jours, a 37% reduction in overweight. In the other, the employees mapped an improved flow of 23 days, a 56% reduction.

What magic did they use to do this? That which is inherent in the four intervals of Lean technology: Takt Time, Cycle Time, EPE I and pitch. (see our Technical Newsletters Nos. 30 (Takt Time, Cycle Time and pitch), and Nos. 22 et 38 (EPE I, the new lot-size calculation)).

An important question is: what to do with (permanent) employees whose jobs are eliminated through Lean? **The wrong answer is to let them go**, because the company will be losing those with the best detailed knowledge of the process at the everyday level (see Technical Newsletter No. 20). No. 20).

Lantech, manufacturer of plastic-wrapping machines, and Wiremold, which makes wall switches and other control for lighting, "...made the commitment not to lay off any employee made redundant during improvement work—an essential promise that a lean organization makes to its employees..." according to Jean Cunningham, Chief Financial Officer of Lantech, and Orest Fiume, Vice-President of Finance and Administration at Wiremold^o.

When Lantech took the waste out of one area, 9 people out of 28 (-32%) were removed from the process. **Nobody was fired**; the people were placed on improvement teams until a new job in the company opened up. The President of Lantech, Pat Lancaster, told me: « Inventory should drop, it's obvious. If your accounting system or software is telling you to do the wrong thing, it's no good!"



In practice, **the employees made redundant must be taken out of their cell and removed from its financial accounts**, and placed in a temporary job and in an account called « Excess Capacity » or « Available Resources ». Their cost should definitely not be 'spread over' the production or anything else to "absorb" it; that would falsify the performance measure for improvement. A plan for reassigning the people made available through Lean should be drawn up ahead of time, so as not to leave idle these valuable resources.

(Another solution to the problem of excessive headcount, which is practiced widely, is to reduce the number of temporary workers. We would hope that the growth obtained from reducing costs and prices thus increasing sales, would be enough to create jobs for the temporary workers too, but that's not always the case.)

In conclusion, what sinks performance is not the number of employees but the wasteful process, full of non-Quality, with which the employees must fight every day. **A company suffering from obesity will be saved by the myriad of improvement ideas generated by its employees**, complementing the strategic plans made by Top Management. As Pat Lancaster advises, « Don't make it in China. Produce to order, not to fill the buffer tank.» To do this, the obesity of companies needs to be reduced.

^o Cunningham, Jean E., and Fiume, Orest J, Real Numbers: Management Accounting in a Lean Organization, Managing Times Press, 4400 Ben Franklin Boulevard, Durham NC 27704, USA, pages 144-145.

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