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Value creation on service sectors through Kaizen

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The Kaizen Umbrella



What Is Kaizen?

Kaizen

- A Japanese term meaning gradual unending improvement by doing little things better and setting and achieving increasingly higher standards
- Small improvements generated by hands-on workers through the application of a variety of structured, low-technology methods

~ Lean Lexicon, ASQ

~ Office Kaizen, ASQ

Basic Kaizen Concepts

Kaizen typically deals with

- Quality assurance
- Cost reduction
- Meeting production quotas
- Meeting delivery schedules
- Safety on the job
- New product development
- Productivity improvement
- Supplier management

Source: Kaizen, Masaaki Imai

Two Kinds of Kaizen

Top Management

Flow Kaizen
(Value-Stream Improvement)

Middle Management

Supervisors

Process Kaizen
(Elimination of waste)

Workers

← focus →

Western Management Style

Top Management

Innovation

Middle Management

Supervisors

Maintenance

Workers

Japanese Management Style

Top Management

Innovation

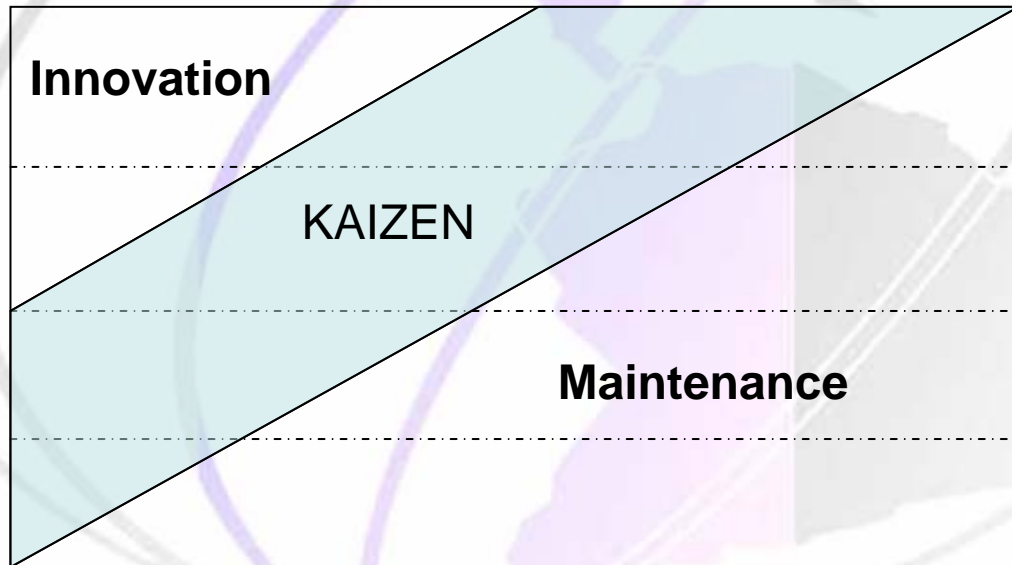
Middle Management

KAIZEN

Supervisors

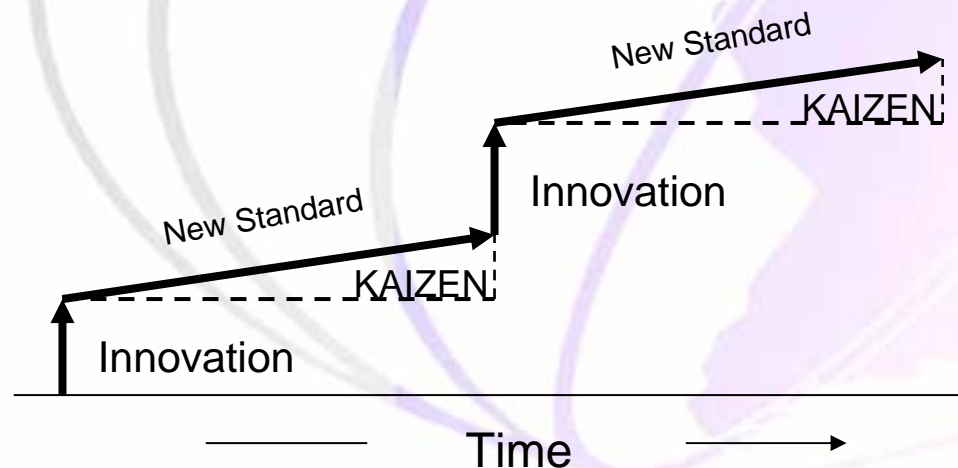
Maintenance

Workers



Japanese Management Style

Innovative is followed by a series of Kaizen to maintain and improve to a higher level of performance.



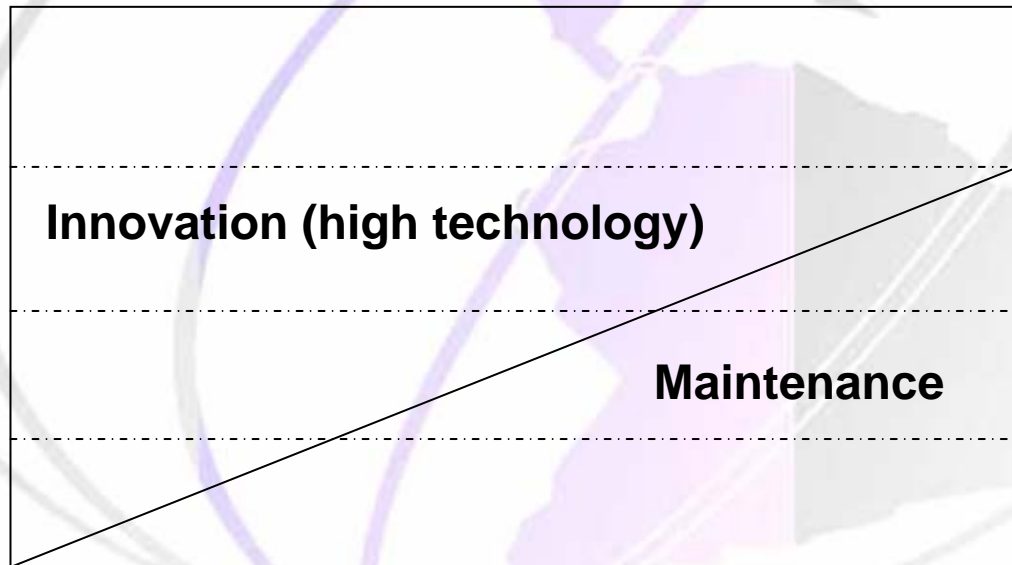
High Growth Economic

Top Management

Middle Management

Supervisors

Workers



What Is Value and Value Added?

Value: Expressed in term of how the specific product/service meets the customer's needs, at a specific price, at a specific time.

Value Added: Activities that transform input into a customer usable output. The customer can be internal or external to the organization. The objective is to eliminate all non-value added activities in producing and providing goods or service

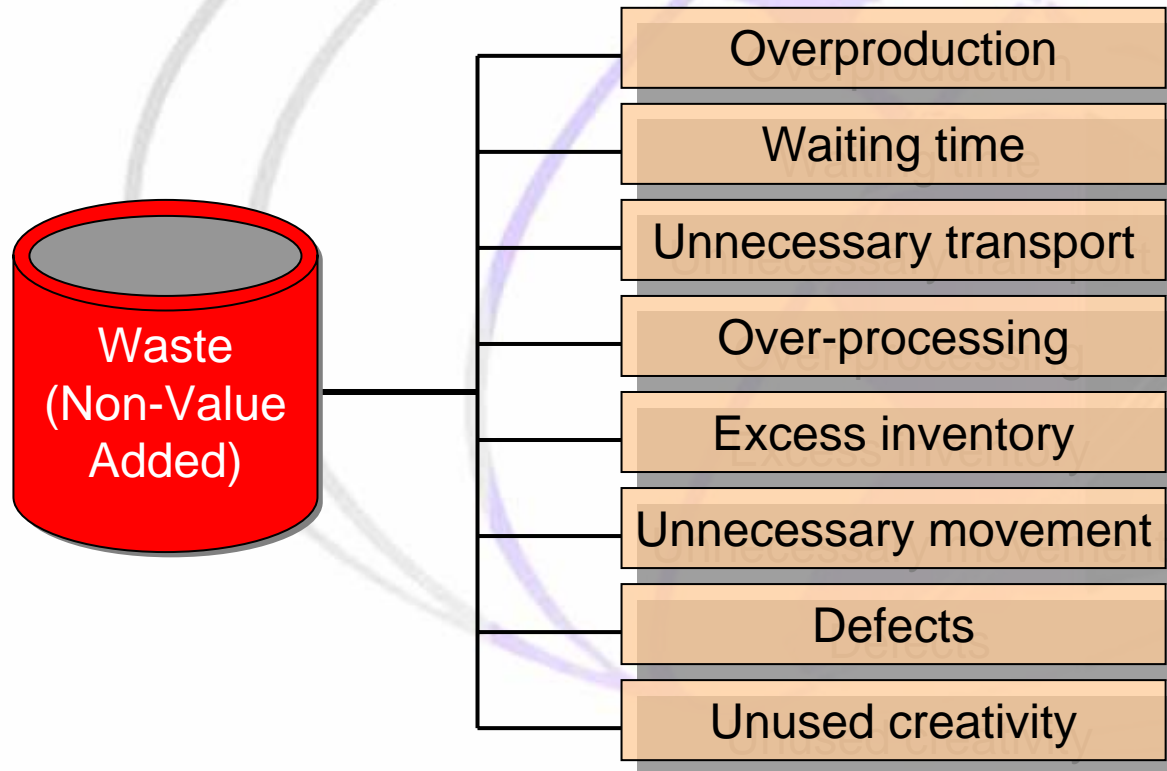
A Food of Thought

Application	Typical Cycle Efficiency	World-Class Cycle Efficiency
Continuous Manufacturing	5%	30%
Business Process (Service)	10%	50%
Business Process (Creative/Cognitive)	5%	25%

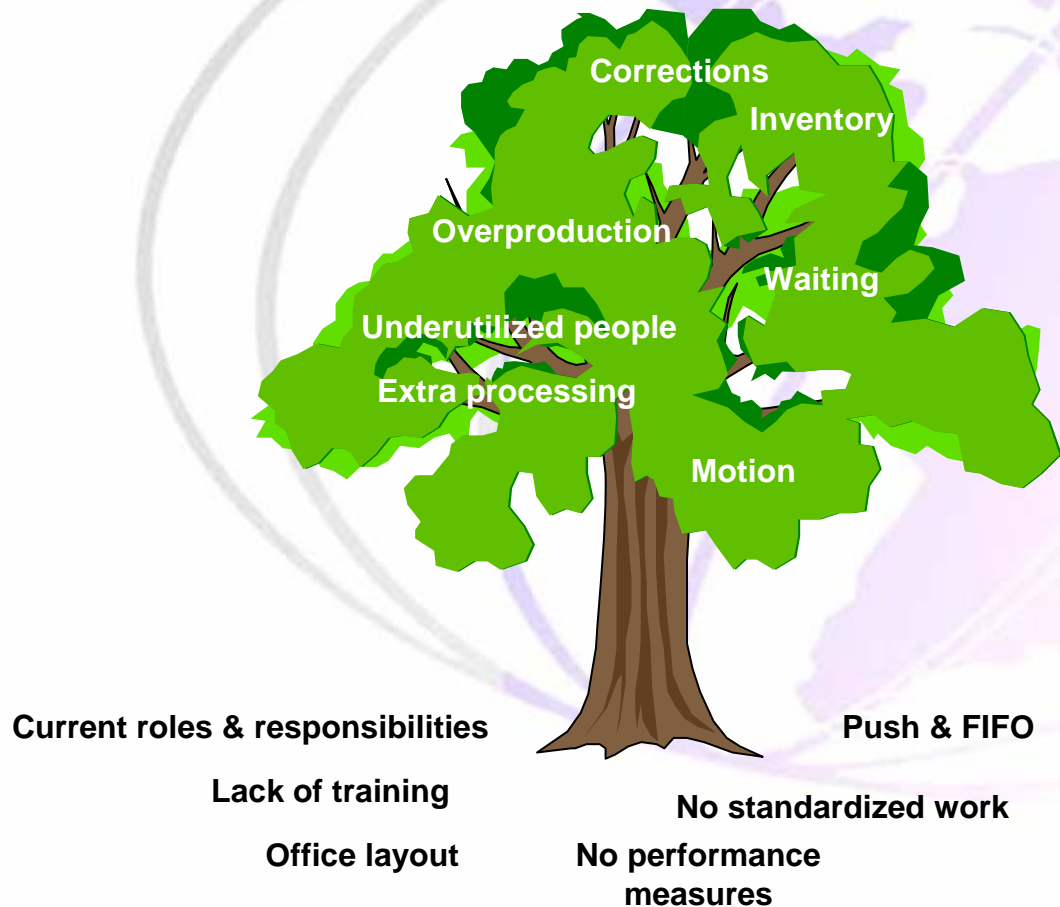
Source: M.L. George, Lean Six Sigma For Service



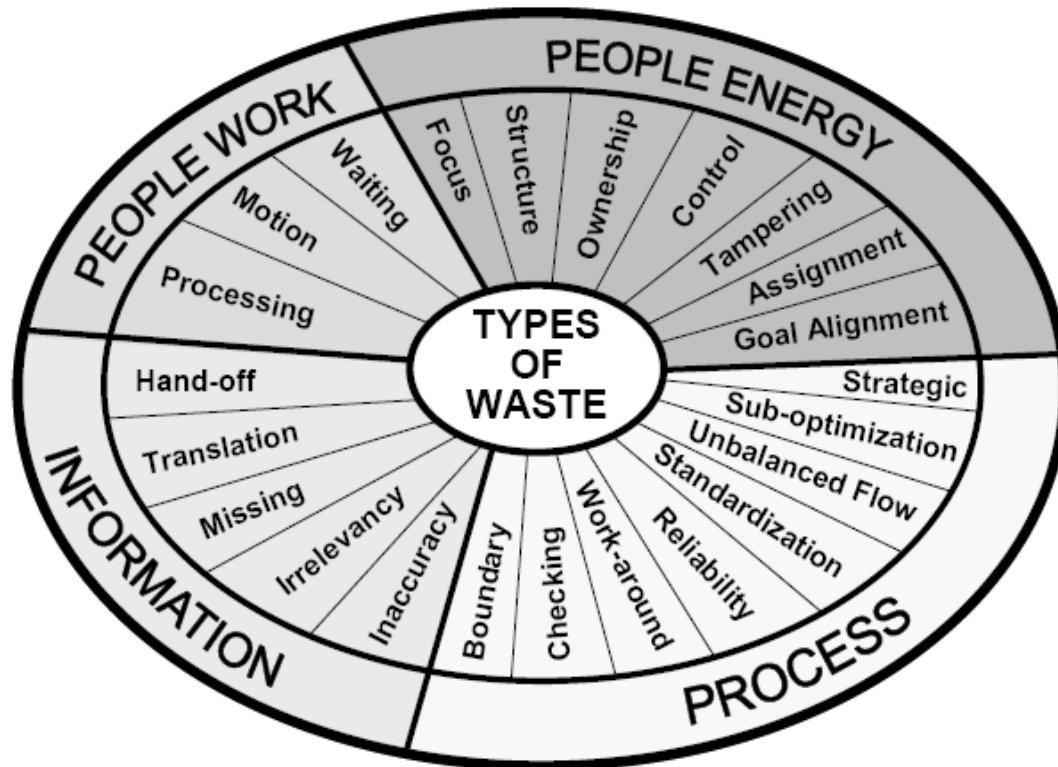
What Is Waste or Muda?



What Is Waste or Muda?



Wastes in Service/Non-Manufacturing



~ Office Kaizen, ASQ

Service % in GDP

Service operations comprise higher percentage in GDP for developed countries and rapidly growing around the world.

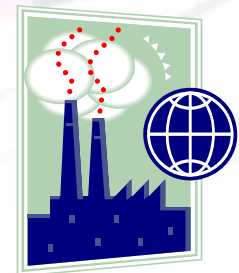
- USA 80%
- Malaysia 50%



Manufacturing is a service?

Manufacturing ✓

- 20% of product prices driven by direct manufacturing labor
- 80% comes from indirect cost associated with support and design functions (finance, human resources, product development, purchasing, engineering, marketing, etc.)



Why do service have more problems?

Three Main Causes

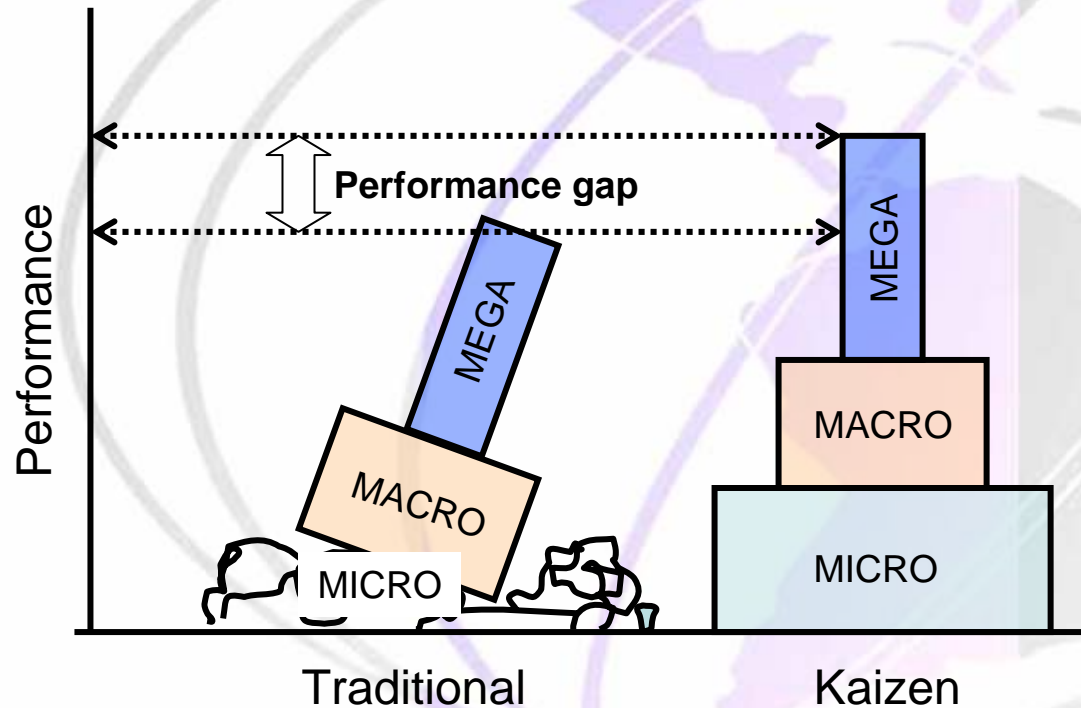
1. Basic human behavioral tendencies
 - Work practices do not align with the strategy
 - No work standards for office/administrative operations
2. Attacking problems with improper approaches
 - Believe new technology solves all problems mindset

Why do service have more problems?

3. Addressing issues at the incorrect process level

Level	Activities	Example	Optimum Leverage Point
Mega	Long-term strategy, Markets, M&A, etc.	Should we issue a credit card?	Rationalizing: Is this a business we should be in?
Macro	Mid-term tactical planning	How/where do we provide customer service?	Make-Buy
Micro	Daily work	How do we reduce customer service cycle time?	Process improvement

Why Toyota stands out than big three?



Those company can execute better than competitors at the micro level (process improvement) will be the winner.

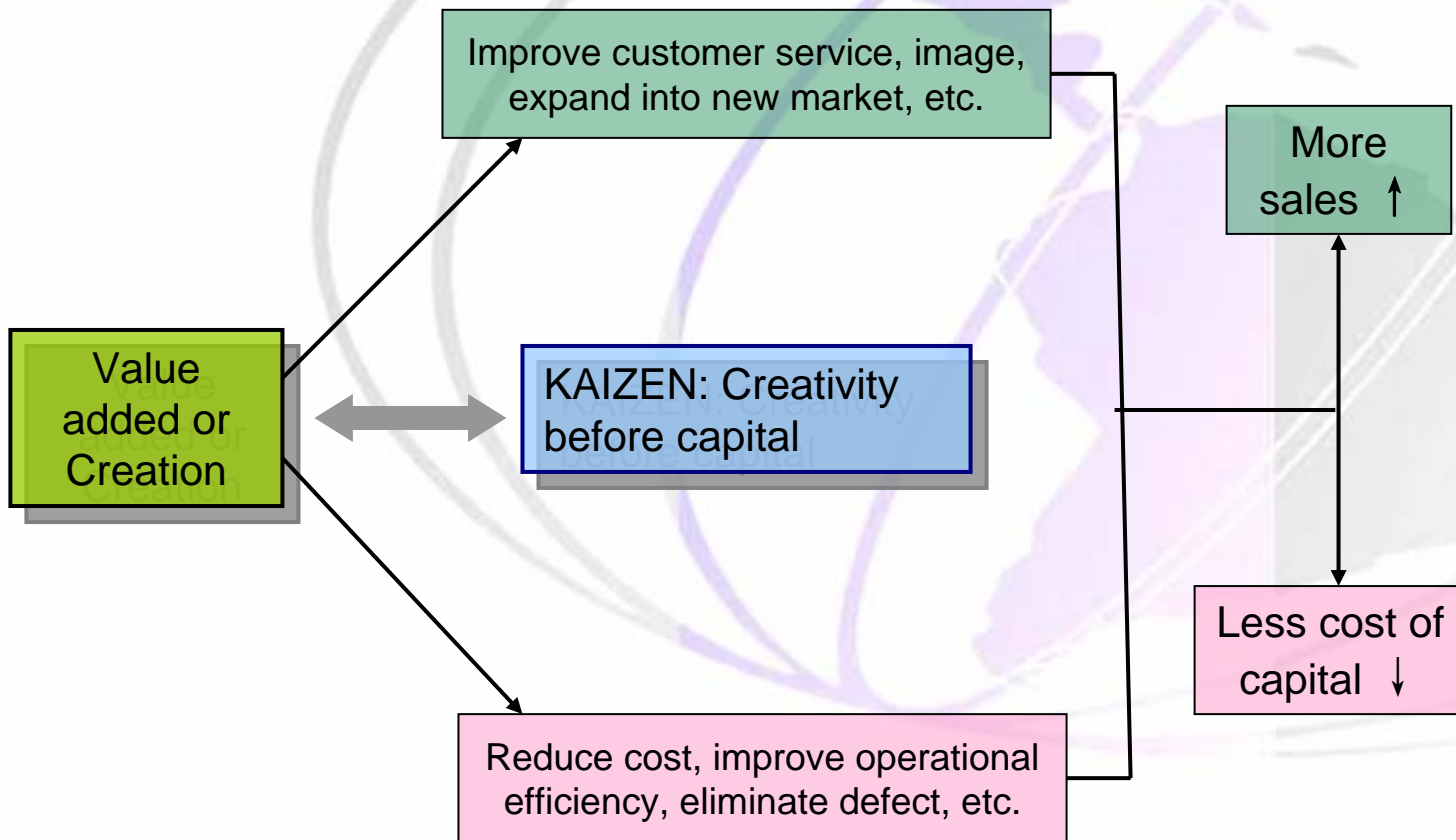
A Food of Thought

"The lack of initial Six Sigma emphasis in the non-manufacturing areas was a mistake that cost Motorola at least 5 billion over a four-year period. (1987-1991)"

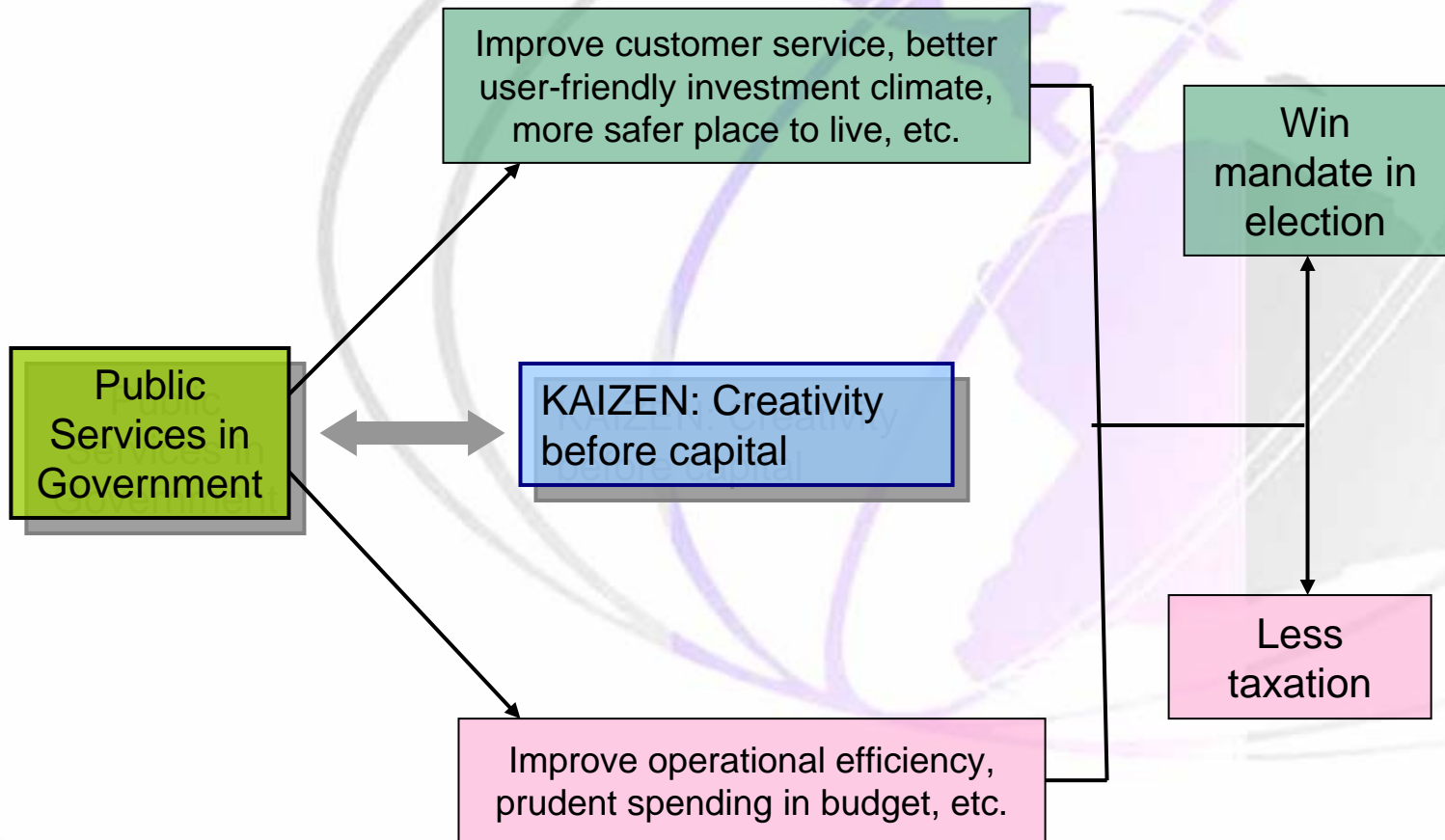
~ Former Motorola CEO, Bob Galvin



Value Creation through Kaizen



Example: Value Creation in the Government



Two Common Kaizen Tools

1. Kaizen Teian (Suggestion System)

- To solicit creative ideas from all employees at workplace
- To instill involvement and accountability

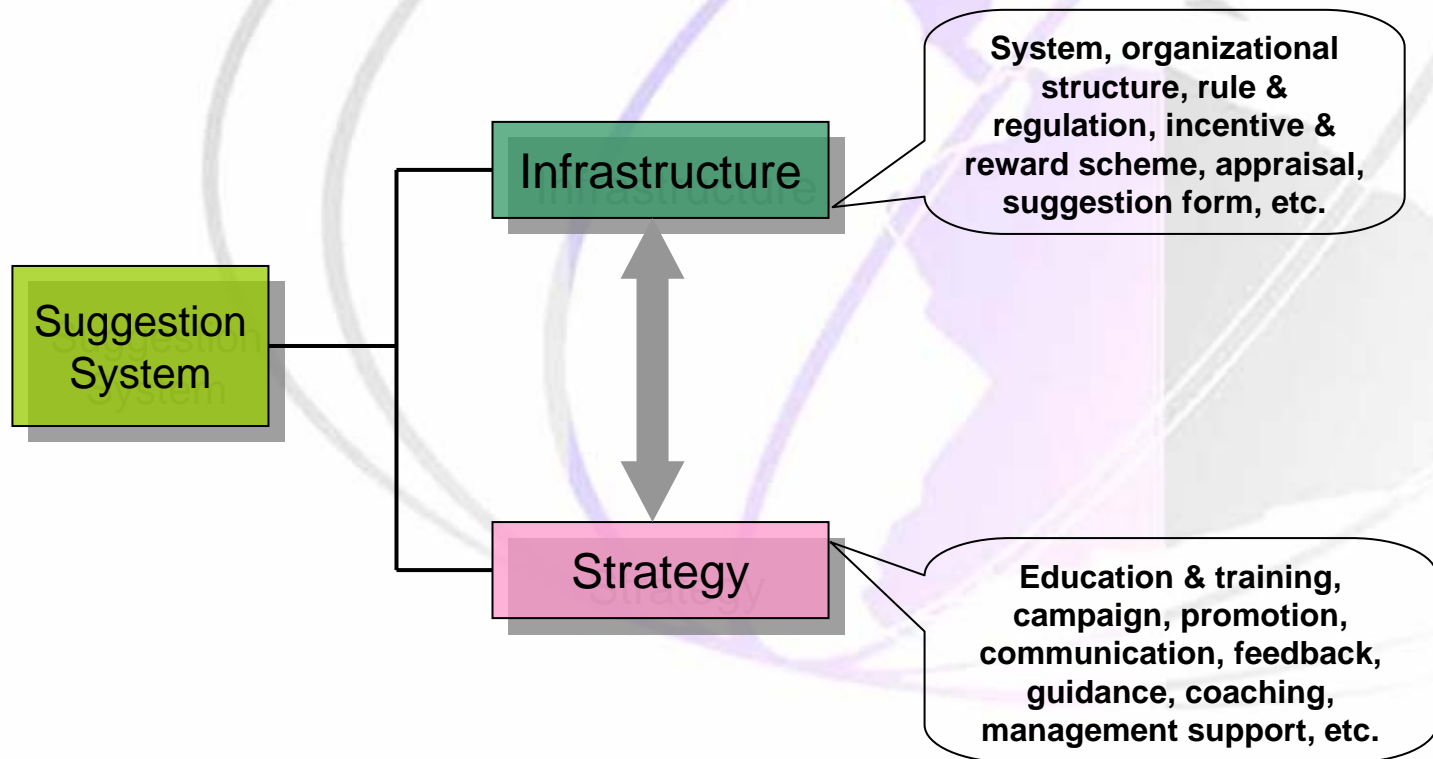
2. Kaizen Event

- To be a DNA or culture for process continual improvement
- To utilize knowledge and know-how of people at gemba.

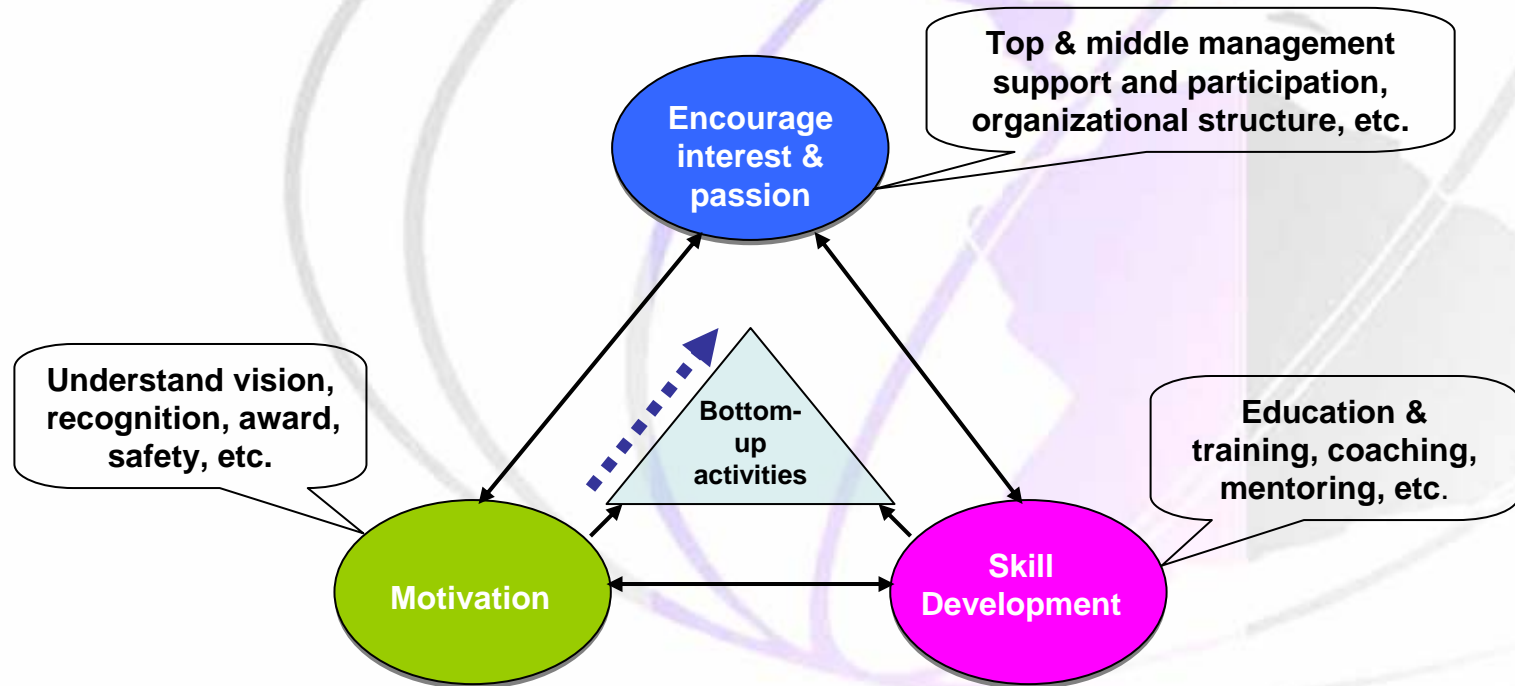
Kaizen Teian Objectives

1. Employees involvement & empowerment
 - Encourage employee to participate
2. Employee skill development for enhancing job performance (On-the-job-training)
 - Optimize employee capability and creative power
3. Achieve benefits
 - Emphasis the benefits from the suggestions

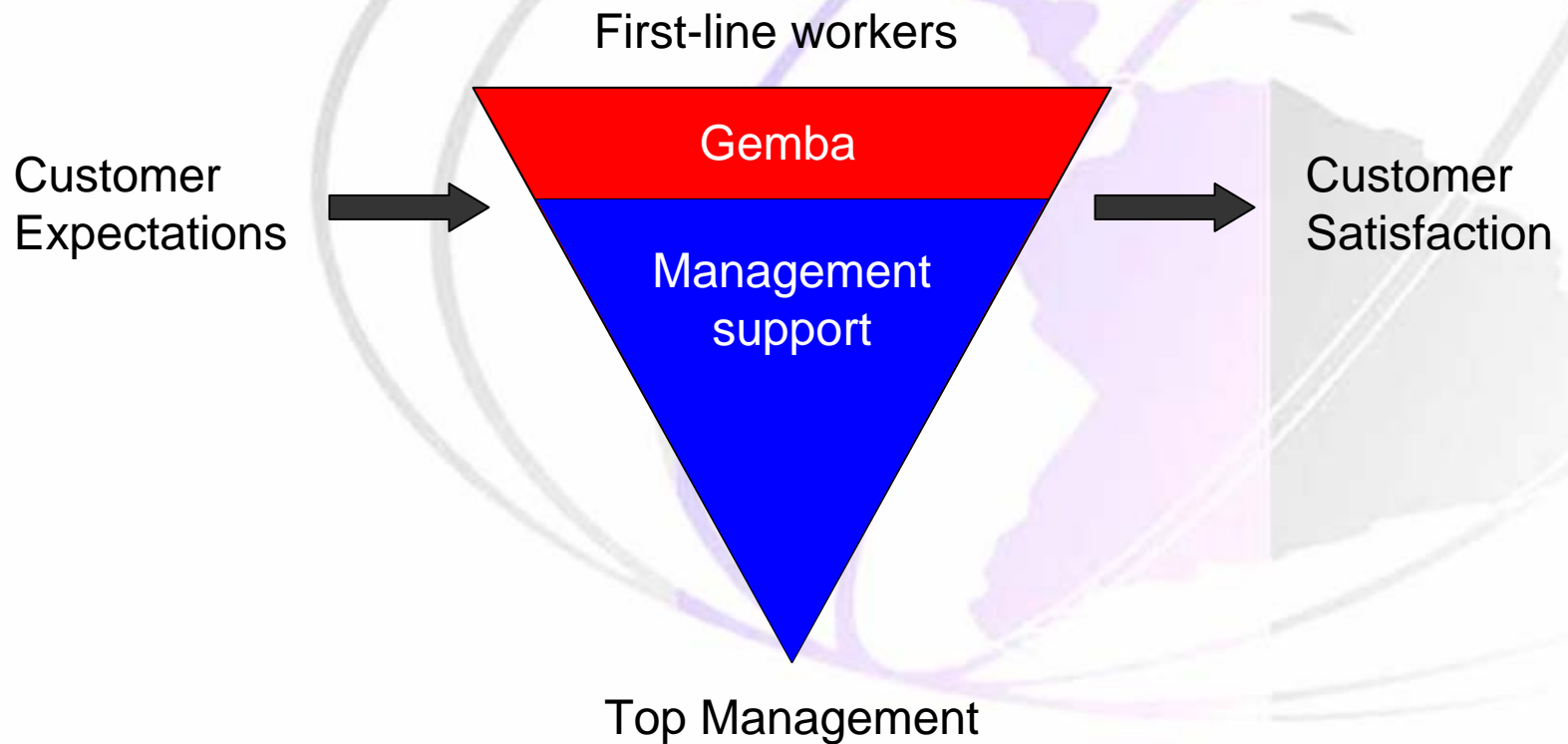
Kaizen Teian Implementation



Success Factors in Kaizen Teian & Kaizen Event Implementation



Upside Down Management Support



Kaizen Event @ Kaizen DMAIC

Kaizen Event

- A few days, highly structured and coached intense attack on waste in a process or work area by a small group

When to use Kaizen

- Waste sources have been identified (Low-hanging fruits)
- The scope of a problem is clearly defined
- Results are immediate and risk is minimal

Kaizen Event @ Kaizen DMAIC

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Please contact Lean Sigma Institute for a full article.