

# Lean Kaizen Business Consulting

## Lean Measures for a Lean Company

*Become a least cost producer with  
world class Quality & Delivery*



*Key to the future Survival*

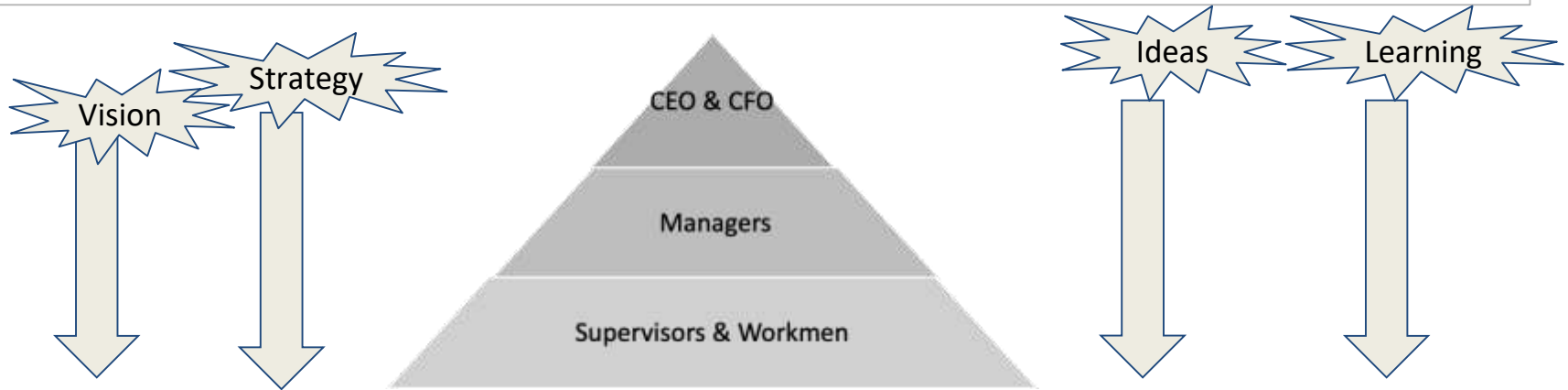
For the system to work, everyone must agree we all work for the front line instead of for the front office.

- Jim Lancaster

A Journey to World class organization.....



# How a Traditional Company and a Lean Company Differ in Organizational Setup



Vertical Org. The department heads are not expected to snoop into the other departments of the company. The outcome of this constricted organization depends on individuals without any motivation or loyalty down the line.



Horizontal organization in which workmen are trained to understand what they are doing as per their skill matrix so that they can perform their job based on standardized processes and achieve expected.

# Performance Measurement in a Lean Company

## Plant or Corporate Level Measurement

- Healthy profit margin
- Increase in cash flow
- Increase in market share
- Customer value
- Continuous improvement culture
- Happy people

## Value Stream Level Measurement

- ☐ Customer satisfaction measured by OTIFEF (on time in full and error free delivery to customers)
- ☐ Throughput time or lead time
- ☐ First time right
- ☐ Inventory days
- ☐ Sales per employee

## Cell (Workplace) Level Measurement

- ☐ Near miss incidents (safety)
- ☐ Production per hour
- ☐ Work in progress inventory with respect to standard work in progress inventory (WIP to SWIP)
- ☐ First time right
- ☐ OEE of critical and bottleneck machines
- ☐ Mean time between failure (MTBF)/Mean time to repair (MTTR).
- ☐ Machine change rate
- ☐ Loss per minute due to stoppages
- ☐ Cost per minute of downtime due to changeover
- ☐ Sales per person
- ☐ On time in full error free (OTIFEF)
- ☐ Throughput time or lead time
- ☐ Stock level in stores (slow moving and non-moving inventory)
- ☐ Average cost of per unit shipped
- ☐ Cost of quality
- ☐ Accounts receivable (in days and value)
- ☐ Accounts payable (in days and value)
- ☐ Value stream gross profit percentage (PBIT or EBIT)

There are two key lean measurements:

- ☐ Takt Time – This denotes customer demand of each product.
- ☐ Flow Rate – This denotes rate of production of each product.

The motive of a lean production system journey is to keep flow rate a little ahead of takt time.

# Profit and Loss Statement and Lean Measures

The value stream manager, functional managers, supervisors and workmen must use these measurements to monitor the progress on the shop floors and all other measures should be eliminated.

1

The measures must be easy for people to compute



2

Should be directly related to the company's business strategy.



3

If people at all levels have clearly understood what these measures are



4

What is the linkage with each other and how the effect of cell measures enhances the value streams and the company's strategic goals,



5

There is no reason why this lean company will not continuously improve its business growth and profits.



There is a saying 'You get what you measure.' Therefore, the measures should be simple, actionable and promote positive behavior among workmen.