

LEAN CAN DRIVE PRODUCTIVITY

Quality first, then focus on takt time, standardized work, and kaizen.

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Congratulations on your achievements. It isn't easy to grow sales and maintain high quality for customers, and you shouldn't be too surprised you're not seeing economies of scale. Economies of scale are about spreading more units over the same fixed costs, so if you're working with little investment in equipment, most of your costs are probably variable rather than fixed (materials and labor), and, hence, not prone to economies of scale.

But you can improve your margins, and this has to come from direct productivity: the aim is to increase the number of good parts per person per hour that your workshop produces. Quality is essential, of course. Keep in mind that every non-conform part creates waste through rework and scrap, but also takes the place of a good part that could have been produced in its stead. In this respect, the basic principles of lean apply. First, it sounds like you've got a good handle on value, since your customers appreciate your putters, and your employees both make and use them. The next step would be to "flow" product. Is each employee making an entire putter, or are you flowing a line so that each employee does one part of the product and passes it on to another employee and another part? Industry's first lesson in productivity remains Adam Smith's pin factory: if instead of each employee making one entire product, each does a part of the product and you flow the parts, you'll gain productivity.

The next step is to consider takt time. The idea is to stabilize your production volume each couple of weeks so that you make the same number of products every day, and you attach great importance to make exactly the targeted number of putters every day (with quick corrections during the day if you see slippage), working on stock replenishment for high runners and make-to-order of unusual models. Trying to rigorously achieve this will make Rightman Putters focus on creating a steady supply for parts and materials. In this respect, the variety of your products will need to be dealt with, so you can try to alternate high- and low-working contents in your flow lines, and deal with the exotics by having someone build them entirely off-line.

Then, in order to increase each line's station productivity, you can focus on standardized work: ask your employees to always follow the same sequence of actions to build the putters (you can do this even if you're not flowing product). If you create standardized work, you will find out that at least on local operations, some employees are simply faster than others — and here's your productivity gold mine. The trick is to get the faster employees to carefully train the others and understand their problems, so that all can achieve the same standard time for making a particular putter. This also is a key way to increase productivity in that it will reduce rework through a detailed understanding of quality issues.

As you do these exercises, you'll find that some putters are built faster than others because many mishaps happen in the normal flow of work (difficulties with machinery, parts that won't fit together, awkward movements for employees, etc.). By continuously solving these problems (kaizen), the aim is to get every employee to manufacture the putters as easily and painlessly as possible — the image is that they should throw the pieces together and the putter should assemble itself. In doing so, you might be able to capture direct labor productivity while maintaining your high quality, and regain some of your margins.

To summarize our lean perspective: first make sure that you maintain high quality and reduce rework, then focus on takt time, standardized work, and kaizen!