Converting non-value adding resources into pure value.
Most of us would likely agree that we want our workforce to spend most if not all of their time on "value added" work, which is often defined as the work our external customer would be willing to pay for, if they knew what we were doing.

But you might be surprised at the amount of "non-value-added" work that is part of the day-to-day reality in most organizations. This newsletter shares examples of often-hidden non-value added work, and also identifies four ways to increase the portion of resources that are directed at value adding activities. Converting non-value adding resources into pure value add for the customer represents huge opportunity for any organization.

Mary Jane Conway-King

Increasing Value Add
by: Sheila Julien, Senior Associate

Value Added Work. Even in the 'best performing' organizations, it is well under 50% of the work being done. In most organizations, over 80% of time and resources are <u>not</u> adding value:

- inspections to find errors,
- rework to fix errors,
- errors or defects that are never found and make their way into a defective final product,
- work that sits waiting in front of a bottleneck, or resources that are idled behind a bottleneck,
- unnecessary work,
- excess inventory, and perhaps the biggest waste of all,
- work product that does not match customer needs or customer needs that go unmet because they have not been surfaced.

In other words, it represents a huge opportunity if we could convert just some of the non-value adding resources into pure value add for the customer!

What Is Value Adding Work?
Let's begin by defining Value Added Work. The most elementary definition is "Work our external customer would be willing to pay for." Sometimes this is a product, sometimes a service, and sometimes a combination of product and value adding service. For example, a value adding distributor delivers the product to a worksite, but can also prepare or pre-stage the material so it is ready to be put into use, saving the construction company time and money. The value goes beyond the product they sell to the service of presenting it in the form that is ready for use.

But a large portion of every organization's resources goes not to true value creation but to all the additional activities we have in place because we have not yet found a way to make them unnecessary. For example, if given the choice, the customer would be willing to pay us to do the job right, but not to pay us to do it wrong first and then fix it. Would they be willing to pay extra for

error-prone processes that require us to inspect the output to try to find the mistakes? Would they be willing to pay us to warehouse inventory (as it slowly grows obsolete)? Would they be willing to pay us to build in features they would never use? Would they be willing to pay us to wait for the work that is held up by our bottlenecks?

The customer may be willing to pay the *price* we ask, **but all of the waste is on *our* dime**. Every bit of it we can eliminate can be taken right to our bottom line.

Many people and functions play a vital role in helping the *internal* customer provide value for the external customer. These are the folks 'on the banks' of the value stream, some of them providing key enablers such as technology, safety, or information to those creating the value for external customers, and some of them removing the 'debris' (through inspection and rework) or impediments (through process improvements) to the swift flow of value to the external customer.   If we can eliminate the root causes of the debris and impediments, the time we spend removing them can be redeployed to creating more value and making more money.

However, if an organization is not yet well aligned and 100% focused on creating value for the external customers, internal customers may actually create waste by requesting products or services from internal suppliers that do <u>not</u> create value. This may include attendance at non-value adding meetings, reports that do not increase ability to serve external customers, data or analysis that do not increase ability to provide more value to the customers. We can manage this risk and increase alignment by constantly challenging and rethinking work to ensure it creates value for external customers or helps internal customers create value for external customers.

> In many organizations managers spend far too little of their time and effort helping people to study and improve the system of work

The core value add of a manager is to study and improve the system of work. By using the insights and information of people doing the work and knowledge about improvement tools and methods, a manager improves the system of work so that everyone's performance improves, more value is created, and the organization becomes stronger and more profitable.

How Could We Devote More Resources To Value Adding Work?
Here are four ideas to increase the portion of resources that are directed at value adding activities:

1 — Work On The Bottlenecks
When we work on many things that have a small effect, we will have a small impact. **The way to increase value most substantially is to work on the bottleneck, or constraint.** All improvement effort that is off the critical path will have a lower impact on increasing the value add. If the bottleneck can be widened even just a little, it provides a pure increase in value.

2 — Increase Understanding of And Alignment With What Customers Truly Value
One of the biggest wastes is when the products or services we offer do not align perfectly with the customers' needs and values. Errors are possible in two directions.

- Bundling a feature into the product or service that the customers do not really need or want. Does the technology have features that are seldom used? Does the product have any bells and whistles no one really cares about? What features have been introduced with inadequate understanding about how the products or services will actually be used? A systematic and thorough understanding of the customers is the only effective way of ensuring we are not merely adding **cost** instead of *value* when we add features to our offering.

- We also can err by overlooking ways we could leverage our capabilities to solve a problem that the customers may not even have articulated to themselves. We all, to a certain extent, take the world somewhat as we find it, assuming boundaries of what is possible simply by understanding what has always been. So listening to what customers would like to see is unlikely to surface needs. Innovative value creators will try to understand what the customers need before they even know they need it. Steve Jobs did this with the IPod: surfacing an unarticulated need that the resources at his disposal could brilliantly address.

Other examples of anticipating and addressing unarticulated customer needs in order to add more value include:

- A distributor recognized that they could add more value to the customers by removing the packaging. This was not something the customers would think to ask, but by understanding the customer needs and understanding the company's capabilities, they were able to identify ways to significantly add more value.

- Amazon realized that it could create more value by offering information about what products other customers with similar purchasing habits were buying.

The value of training often depends entirely on its alignment with the participants' readiness to learn and apply.   The exact same training content and delivery can be either tremendously effective or a really quick way to waste a lot of people's time all at once. The biggest determination of value is whether the participants are in a position to learn what is presented (not distracted or interrupted or unprepared) and to use what they have learned (time and opportunity to put it to use). One organization asks every participant in his classes in advance to describe how they will use what they learn at the session. This serves two purposes. It:

- helps to screen out inappropriate training and

- puts the participant in a frame of mind to consider, as the class progresses, how best to use the information and skills received.

3 — Get At The Root Causes
Replace the constant working on problems and symptoms with lasting solutions by drilling down to root causes. For example, the sales force of one company needed to better understand the value of additional services they could provide to customers. Rather than addressing the issue/opportunity in each proposal, they developed a calculator to make it quick and easy to help the customers (and themselves!) see the value provided by the additional services.

Another example is data accuracy issues in software that helps a company develop routes for drivers. Any error in the data input will create errors in the routes — inefficient or even impossible

routes. The underlying cause is errors in the data input, but the root cause is somewhere in the process through which the correct data should be identified and entered. Studying the input process to identify where and how errors are made will help lead to and address the root causes and greatly reduce the amount of resources NOT creating value for the customers.

4 — Eliminate The Non Value Adding Administrative Work
A great deal of time in most organizations is spent on emails, meetings, and reports that do not produce additional value for the customers or the organization. Here are several approaches to reducing this waste:

- Reduce clutter in the inboxes
    - reduced use of Reply All
    - use sorting technology, like that available in Outlook, to separate out urgent emails that should 'interrupt' from those which can be read and addressed at regularly scheduled intervals,

- Introduce meeting effectiveness practices:
    - Clear objectives & agendas
    - Active facilitation
    - Documentation of decisions and of action items and due dates
    - Making sure each attendee has a clear role or purpose at the meeting, or is not requested to attend

- Streamline reports. A number of reports in most organizations will have redundancies. Sometimes a report will have some but not all the information required, so a new report is designed to provide the full picture. This happens again and again until there are numerous reports that seem to report similar information. Sometimes similar but different information is misinterpreted creating more waste. Sometimes reports are compared and present different numbers — then someone must run down the differences. Reports can drive a great deal of waste in an organization.

    - One organization used the 5S method with their management reports to great effect. They tackled the full inventory of management reports — about 900. First they sorted the reports in their management reporting system into two groups: reports that seemed to be actively used and reports that had grown obsolete. They moved over 700 reports into deep storage — to be eliminated after six months of no inquiry. They then created a system of organization and put each report in its place. One of the reasons the number had grown so large was that when a manager could not find the report he or she needed, a new one would be developed. This helped address one root cause of report proliferation. The team cleaned up the reports to get rid of extraneous data. They then standardized the report requesting and creating process, and are working on sustaining the new process.

By tackling these four things — the bottleneck, understanding and alignment with what the customer really values, the root causes and the non-value adding administrative work — any organization should be able to greatly increase the value content of the work.