

Lean Administration

The way to make administration
more efficient

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Exempting administration processes from Lean was a really shocking oversight. Historically, process improvement with Lean has only been associated with manufacturing, applied to processes for the creation and transportation of goods. Yet, profit margins can be increased dramatically if administrative processes are subjected to Lean: costs can be brought down, waste eliminated, and margins reduced.

by Milan Gazdík

Best areas for Lean administration

Productivity in manufacturing has almost doubled over the past 20 years. At the same time, the diversity and complexity of tasks and with that the number of employees in indirect areas such as administration, planning, marketing, HR and finance has increased. But Lean management is not restricted to certain industry sectors; the principles work for service industries such as banks, telecommunications, energy suppliers, IT companies, etc. as well as for administration departments in manufacturing.

There can be resistance to adopting Lean thinking within the administrative departments. Employees in administration often have a penchant for trying to create systems and procedures that may be overly complicated. In doing so, they safeguard their positions simply because no one else understands how the processes work. Actually, not a single department should be exempted from Lean, as every one of them receives input, performs an activity and creates output.

Unproductive administration

Statistics show that 27 percent of working time in administrative areas is perceived as unproductive, which is quite high. There are several reasons why office processes are seen that way:

- **Lack of customer orientation:** The further away a department is from the customer, the less attention is paid to this area's customer satisfaction level and efficiency. However, internal customer satisfaction has an important role to play in this respect, as well. While external customers receive a lot of attention, requests from colleagues are often treated with low priority.
- **Lack of transparency of processes:** Controlling systems are mainly finance and sales-oriented. Reports for administrative areas are an exception, particularly as these values are hard to measure and waste in these areas is hardly visible.
- **Unbalanced workload:** Key skills are often concentrated on only a few people. This may result in enormous peaks and bottlenecks.
- **Lack of quality understanding:** Further inquiries, i. e. rework, is a daily occurrence for most tasks in many offices. ▶

The ICG way of eliminating waste

Every organization faces different challenges, so there is no blanket remedy for eliminating waste. We divide our Lean management program into four typical customer needs:

1. Identify opportunities in our services

This request includes the evaluation of the current situation by a process and cultural audit. Here, we do not only focus on figures but also try to measure people’s engagement level and motivation towards any changes in the company. The Lean Administration program requires strong leadership and the commitment of the top management. Without that, the program will fail. As soon as we identify areas for improvement and opportunities, we compile a prioritized list of projects. At the same time, we specify which departments and people are involved in which processes. Together with the employees, we prepare a strategic picture of their qualifications.

2. Improve specific services/processes

If clients have already identified critical issues or a process audit has already been done, we analyze the problem and develop the best solution. Based on the problem’s complexity, we recommend fixing the process by conducting a Rapid Results workshop (Kaizen) or using the Lean or Six Sigma methodology. Working together closely with our customers and using participative Lean methods in workshops in combination with change management tools is critical for success and achieving an appropriate solution.

3. Teach people how to improve services

For successful and long-term integration of Lean principles into administration, it is necessary to find internal leaders and transfer Lean knowledge to them. Active and committed leaders ensure the sustainability of the results in the future. It is crucial to educate and commit three key groups to Lean activities: The management has to support the whole program and make key decisions about im-

Some examples what can be achieved using the Lean approach

Analysis

Sales people spend only approximately 30 percent of their time on customer visits; the rest of the time they are busy with documentation tasks, processing of requests, offers, etc.

The 15 people who work in procurement can hardly cope with handling operative orders. There is no time left for strategic supplier development.

Leaders receive more than 80 different reports but do not feel sufficiently informed. Through this, an expenditure of time of approximately four people/year arises.

The key know-how is spread among only a few people, so that these employees accumulate 700 hours of overtime per year.

Almost 20 percent of the working hours in indirect areas involve tasks for product development.

Solution

Restructuring of tasks in office work and field service so that sales people are free from administrative tasks.

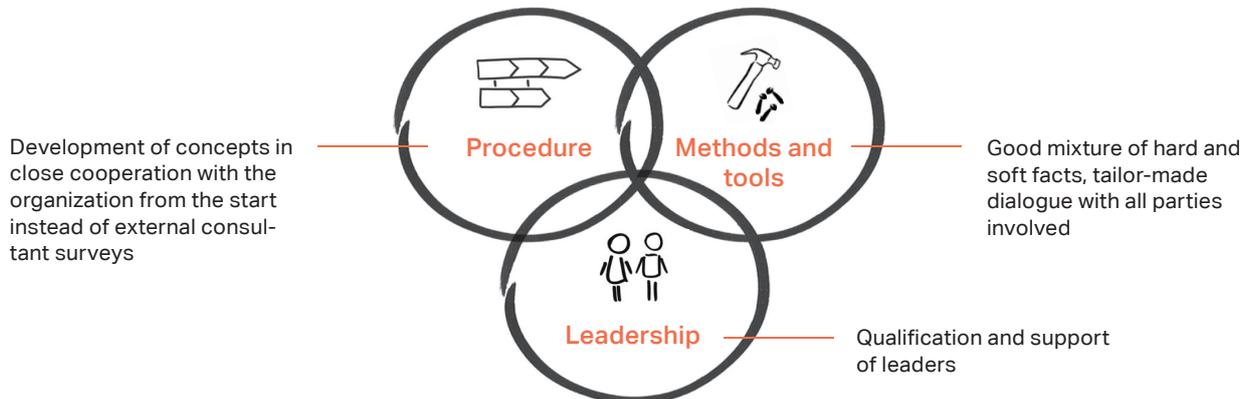
80 percent of order handling is automated or partly automated. The time saved in this case is used for strategic supplier development.

Extensive revision, simplification and reduction of reports. Thus, the report preparation time is reduced by almost 75 percent.

Restructuring of the distribution of tasks, structured know-how transfer, team development.

Development process is aligned to the strategy, including clear decision points. Reduction of efforts in product development by approximately 50 percent, less disruption through test-drives in production.

Elementary rules of a successful Lean project



plementation. Project leaders have to deliver sustainable solutions for processes by applying Lean methodology. The employees need to accept changes in their way of working. Each group receives a specific education program. Some of the trainings are combined with regular coaching sessions. However, the most important thing is to have commitment from the management. The training for managers is called »Lean Leadership.« As soon as the management have completed their training, they can start to identify right opportunities, evaluate them and support all related Lean management activities.

4. Manage and control process performance

In this situation, we use an approach which is closely related to business process management. We generate an overview of the key processes, establish performance metrics and nominate process owners. These process owners continuously review procedures using defined metrics. By this means, they ensure that they meet the set goals and objectives. Furthermore, they identify opportunities for improvement.

The ICG way of eliminating waste can be divided into these four streams. They can be applied individually or together, consecutively. ●

ICG Lean Administration

- integrates the Lean skillset with change management competence.
- involves the team and teamwork; the results are based on cooperation.
- respects the company culture.
- delivers sustainable results by dealing with resistance.

Efficiency analyses and measures prepared by external consultants are often simply not taken seriously. To make a plan work, some elementary rules need to be considered (see illustration). The most important one is »co-creation,« i. e. involvement of all key people. This is – besides a tailored project approach with qualified methods and tools – the most important success factor. People love what they create.