



# R&R Newsletter

## Reducing Risk/Removing Waste

ISO Support Group

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An ISO 9001:2000  
Registered Company

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### LEAN JOURNEY...

- Step 1: Specify Value
- Step 2: Identify the Value Stream
- Step 3: Making it Flow
- Step 4: Let Customers Pull Value
- Step 5: Seek Perfection

### CAN LEAN HELP?

Want to know if Lean  
applies to your business?  
Read about our Lean  
Assessment Service  
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### Removing Waste:

In this Issue under the heading *Removing Waste* I'll be covering the topic of **Lean Operations – Step 1: Specifying Value (continued)**

**In the June/2005 Newsletter, I discussed Step 1 of the 5 Step Lean Journey, and in upcoming issues I plan to cycle back through each of these Steps, drilling down a little deeper each time.**

**Lets Review... The starting point for implementing Lean is to specify value** which can only be defined by the ultimate customer. Value is only meaningful when it's expressed in terms of a specific product or service which meets the Customer's needs at a specific price, at a specific time. Think of Value as anything the Customer is willing to pay for... with everything else being waste.

**In fact there is one critical decision to make even before** you begin Step 1 and that is to select one Value Stream to focus on. This means you need to identify the different value streams currently flowing through your business. This is important because your Team will otherwise lose focus when attempting to move through each of the 5 Steps. Another big benefit from identifying all your value streams is that in many cases bottlenecking occurs as a result of trying to flow all streams through the same process. Simply separating the streams early in the process can produce big performance gains. You can do this by analyzing past sales by product/service type or by similar processing steps or by customer type & then decide which approach best describes the different streams.

**Once you've selected your Value Stream...** you can begin the activities involved in Step 1. Specifying Value starts with a dialogue with your Customer to validate what you think their definition of Value really is. You need to also look at the whole stream since value creation flows through many firms. Whether it's a product, a service or a combination of both, most value definitions typically cover 3 categories, i.e. Customer Requirements (features/specifications); Timing/Availability; and Pricing. This information will become the lens that you use to judge every step along the Value Stream in order to first identify waste and then remove it.

### Here are just a few examples of Value Definitions...

Postal Service: Value Definition... Shortest elapsed time from pick-up to delivery, competitively priced, minimal lost items and all items delivered intact.

Home Builder: Value Definition... Hassle free experience, short lead time (quick move in), no "to be done later lists", no surprise costs (extras, options), clearly see what they were buying, and able to buy only what they wanted (not forced into standard models).

Product Manufacturer: Value Definition... Durable, safe, meets specs, reasonable cost/unit, appearance, easy to install and delivered on time.

Service Provider: Value Definition... Easy to obtain, complete/accurate, what they wanted (no more/no less), minimal risk, competitively priced, no hidden fees, and available when they needed it.

NOTE: The above was uncovered through actual dialogue with Customers.

## **PUBLICATIONS**

Click [HERE](#) to learn more about the manuals & books that we've recently published:

- ISO 14001:2004 Environmental Manuals
- "The 3 Biggest Mistakes People Make with ISO 9001"
- "ISO 14001: Learn what's driving its double digit growth!"

## **TRAINING:**

- Process/Value Stream Mapping
- Lean Essentials/Kaizen
- Business Modeling and Performance Measure'ts
- Root Cause Analysis and Corrective Action
- Continual Process Improvement
- Strategic/Business Planning
- Malcolm Baldrige Training
- Privacy Program Training

\*\*View [agendas](#) at our website\*\*

Email Tim.. [HERE](#)

**For more information on training provided by ISG on Lean Operations (Lean Manufacturing/Lean Office)**, please visit our website at [www.isosupport.com](http://www.isosupport.com). Once there, you will also find information about the following:

### **"Lean Assessment: Can Lean tools help you?"**

If you want to find out if Lean applies to your business, visit our website and read about our Lean Assessment Service by going to:

[http://www.isosupport.com/services/lean/srvcs\\_lean.htm](http://www.isosupport.com/services/lean/srvcs_lean.htm)

### **"The 3 Biggest Mistakes People Make with ISO 9001"; ISO 9001:2000 Tips, Tools and Techniques**

Click here: <http://www.isosupport.com/books/books.htm>

If you enjoyed reading our previous ISO Newsletters you'll find that this book contains many of the practical approaches and advice that I've discussed in these Newsletters over the past 5 years.

## **Q: What is "Target Cost" and how is it used?**

**A:** Target Cost is the cost to supply a product or service through a "waste-free" value stream. Logic suggests that you can't calculate Target Cost until after you've completed your Future State Value Stream Map (Step 2). However, since the objective of Lean is to remove waste and since waste = costs, calculating or estimating Target Cost (which is sure to be much lower than current costs) during Step 1 will help you to challenge the belief that all existing value stream activities are adding value. If Target Cost is estimated to be 30% below current costs, this will force you to take a very hard look at which steps in your current value stream actually add value, and to quickly identify those that don't. One way to estimate Target Cost is to time how long it takes to move the Customer's Order from start to finish, without interruption and without errors, and divide that by TAKT time. This will tell you the number of people required to meet Customer demand in a waste-free value stream. This lower labor content is your first estimate of how much the current cost can be reduced.

**Until next time... enjoy your R&R!**

**Tim Renaud**

### **Helping Business Professionals Reduce Risk and Remove Waste!**

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Tim Renaud, P.Eng., B.A.Sc., is a senior trainer and consultant with the ISO Support Group. His business experience covers over twenty-two years with both small and large organizations within various industries. He began consulting in 1992 and achieved ISO 9001 Registration for ISO Support Group in Oct/1998. Specific areas of expertise include training and consulting on installing ISO Management Systems, as well as implementing Process Improvement Strategies, always with a focus on reducing risk and removing waste (becoming Lean). Association memberships include the American Society for Quality (ASQ) and the Professional Engineers Ontario (PEO).