



# LEAN ADMINISTRATION

## BACKGROUND

Administrative functions like government processes, finance, human resources, regional, international and global procurement, IT and other non-manufacturing support units (in accounting grouped under SG&A) make up a common set of processes necessary to meet the organisation's goals. Depending on the industry, they also represent more than 50% of all costs related to meeting customer demand.

However, from a customer perspective, as much as 75% - 90% of all activities performed by these functions do not add value. In addition, the outputs of administrative functions often overlap each other and are not clear or easily quantifiable. For this reason, this group of expenses is often referred to as a "black box" and neglected for improvement initiatives.

## CHALLENGES

The impact of administrative processes is significant in many ways, especially when directly related to the value a customer demands. For example, 50% - 80% of the total lead-time consumed, from receiving the request for the products to delivering the products to the customer, is tied up in order capture and processing alone.

Office processes are also often neglected for many reasons. Most companies focus on traditional shop floor processes, in part because of the success of scientific management methods. Manufacturing processes are more easily quantifiable and costing is based on machine utilisation and direct labour allocation. In most cases, administrative lead-time measurements do not exist or there is a lack of appreciation for the impact and benefits of office lead-time reduction.

Balancing a company's activities that are "necessary waste" with those that create value presents an ongoing struggle for companies of all sizes. The benefits of applying Lean Principles to administrative functions and activities can affect administrative processes at all levels of your organisation.

## FOCUS AREAS

Waste in administrative processes can be identified, classified and minimised in the same way as waste in manufacturing. They also have tremendous potential for savings. Lean principles, Kaizen methods, and re-engineering approaches can be applied in an office environment for improving documentation flow and reducing the total lead-time in processes, and in general, for achieving excellence in non-manufacturing areas.

### AREAS OF WASTE IN RETAIL BANKING, USING THE EXAMPLE OF A MORTGAGE PROCESS:

#### TRANSPORTATION & HANDLING

Movement of paperwork, multiple hand-offs of electronic data, approvals.

#### INVENTORY

Purchasing or making things before they are needed (e.g. office supplies, literature...). Things waiting in an in-box, documents to be signed, unread and unnecessary email and all forms of batch processing create inventory.

#### MOVEMENT

Walking to copier, printer, fax. Walking or driving between offices locations. Central filing. Keeping forms out of reach of employees, looking for items because they do not have a defined place, unfilled papers, saving files everywhere, employee working by experience instead of standard process, and making a draft before preparing formal document.

#### WAITING

Downtime (computer, fax, phone...). Waiting for approvals, waiting for customer information or waiting for clarification or correction of work received from upstream processes create much waste in office and business systems.

#### OVER-PRODUCTION

Printing paperwork or processing an order before it is needed. Any processing that is done on a routine schedule - regardless of current demand. Too much information gathered, stored and maintained.

#### OVER-PROCESSING

Relying on inspections, rather than designing the process to eliminate errors, re-entering data into multiple information systems, making extra copies, generating unused reports, printing and mailing, faxing, overnight mailing, and emailing the same memo, lack of proper instruction for filling out forms, repetition of same information in different forms, use of different software in different departments when processing an order, and re-keying a purchase order.

#### DEFECTS

Data entry errors or invoice errors. Engineering change orders, design flaws, employee turnover and miscommunication are all “defects” in office processes.

# LEAN SOLUTIONS

A management system built around Lean processes enables companies to achieve operational excellence, while providing flexibility in the way processes are managed.

We implement Lean Solutions in administrative functions in a similar way to other functions. The solutions must fit the challenges.

## PULL

- Enable FIFO at the batch level
- Reduce inventory levels throughout processes
- Avoid over-production
- Increase visibility of bottlenecks in the process

## ONE PIECE FLOW

- Enable FIFO to a single product / service level
- Create transparency of the real process lead time
- Reduce lead time
- Reduce inventory levels throughout process
- Increase quality
- Reorganise the processes in the right sequence

## TAKT

- Process transparency
- Balanced distribution of the workload across resources
- Process flexibility
- Ability to plan resource capacity and / or improve forecasting
- Optimal efficiency in resource utilisation

## ZERO DEFECTS

- Enables problem root cause analysis and solving
- Prevents problems snowballing through the process
- Increases quality
- Enables an open culture of problem solving vs. finger pointing



# TANGIBLE IMPROVEMENTS

## LEAD TIME

- Lean internal reporting optimisation reduced unneeded content by 65% and report generation lead time by 31%
- Establishment of Lean Enterprise planning processes reduced annual planning process lead time by 20%
- Reductions in data handling and the simplification of the system interface for sales report generation resulted in a lead time reduction of 20%
- Optimising an insurances claims process decreased average throughput time from nine business days to just under four business days (-56%)

## QUALITY

- Revision of data management processes reduced errors by 25%
- Optimising an insurances claims process decreased errors by 98% over the entire process

## COSTS

- Optimisation of the document flow for sales report generation reduced the capacity need by four FTE (40%) by eliminating redundant work
- Establishing Lean production planning processes reduced inventory costs in production by 15%
- A result of an improved planning process, forecast accuracy increased resulting in ~ USD 200,000 working capital reduction and ~ USD 50,000 additional monthly sales through “out of stock” case reduction

Should you be interested to know more about our Lean services regarding this topic, then please contact us:

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