Crack Down on Waste with
Lean Distribution Processes

Introduction

Efficient, lean, and smart operations are what set successful companies apart. Avoiding waste and sussing out those golden opportunities for growth propel the eager, agile business forward, but **adopting this mindset takes work and determination.**

Making that extra effort to run lean, though, pays off in a big way. When your operations are focused on efficiency, they're concentrated almost exclusively on providing value for the customer. Putting that emphasis on the customer is a wise use of precious resources, and it serves as a framework for shaping your company's identity. Your values are reflected by how and where you spend your money.

So how do you learn to run lean in your operational processes? What are the tools you need to find and eliminate waste in your various systems?

Using Six Sigma Principles to Grow Your Business

If you're familiar with **Six Sigma methodology,** you know that it's a tried-and-true approach to improving business operations through the power of statistical analysis, rather than by gut feeling. Six Sigma principles are process improvement strategies that focus on improvement through the elimination of non value-added waste. This elimination of inefficiencies is a great kick-starter for improving your bottom line.

There's a lot to Six Sigma principles (so much so that *you can enroll in entire courses* to earn your Six Sigma belt of choice), but they all boil down to the five DMAIC steps: define, measure, analyze, improve, and control. More on these later.

Cut the Fat and Go Lean with Your Operations

First things first. Before you can fully remove waste from your operations, you need to take your cue from the experts at Six Sigma and define what sort of waste you're dealing with.

The seven main types of waste in typical ERP operations are as follows:

Defect Waste: This form of waste consists of process activities or outputs that do not conform to the customer's requirements.

Waiting Waste: When you're dealing with a work in progress, waiting for something before taking the next action, it results in waste.

Not Utilizing Waste: Not utilizing the knowledge, skills, and abilities of individuals on your team is one of the most unfortunate examples of waste.

Motion Waste: If you're adding movement without value, you are adding waste.

Excess Processing Waste: This type of waste occurs when your business is performing more work than is required, or duplicating work.

Overproduction Waste: Not truly understanding the demand for your product and overstocking as a result is another form of operational waste.

Transportation Waste: Avoiding transportation waste is a logistics game. Consider where your various resources are located and whether their paths can be streamlined.

Once you've defined the type of waste you're dealing with, it's on to the next steps. And that's where it starts to get fun. Refining your processes to eliminate specific types of waste is a lot like solving an ever-changing puzzle. It's a little bit art, a little bit science, and 100% in our wheelhouse. So, let's dive in!

Cut the Fat and Go Lean with Your Operations (Continued)

Much like the Six Sigma principles, SalesPad also focuses on facilitating lean operations by locating and eliminating waste within your processes. Two of our main tools for helping businesses accomplish this are our flagship products: **SalesPad Desktop** and **SalesPad Cloud**. A flexible ERP solution **designed to scale** alongside your business is a crucial piece of the puzzle when fighting waste in any distribution business, whether you operate in an on-premises or cloud environment.

However, simply implementing a lean, mean ERP machine is not enough. You've got to dig into the product and learn the inside tips and tricks that will help you transform your operations. Taking that deep dive into your software solution will undoubtedly reveal some shortcuts you can utilize to introduce a bit more efficiency into your day-to-day operations. Or, maybe you'll hit the motherlode and uncover functionality you didn't even know was an option. Either way, spending some quality time with your software is a great first step toward leaner operations.

A quick side note about evaluating your business software/operations: Sometimes an outside perspective is the most helpful. This isn't a criticism of you...far from it! You're deep in the weeds at your company. You know every in, out, and roundabout, and sometimes, that makes it hard to see your processes as a whole. So if you suspect that some excess processing waste (or any other type of waste) is happening at your facilities, **consider bringing in an expert third party** to evaluate the state of your company's processes. You might be surprised at what the pros can uncover.

A Loading Dock-side Chat with SalesPad's Matt "Waste Not" G.

You can't walk over to the coffee maker at SalesPad HQ without a quick note from Matt G. on how you exhibited some motion waste by veering to the right of that cubicle, or how the number of scoops you loaded into the filter is a clear example of overproduction waste. We get it, Matt. You're an expert on lean processes, no matter the process.

All kidding aside (or most kidding aside), our Technical Sales Manager is the real deal. Before coming to SalesPad, he spent 14 years in the manufacturing world, where he gained first-hand knowledge of material management best practices, along with lean manufacturing principles. He has gone through a few levels of Six Sigma training, and he's our go-to resource on smarter business processes. A veteran of BPRs, technical demos, training videos, webinars, and more, he's a force to be reckoned with who leaves many an ill-optimized warehouse trembling in its proverbial boots.

We sat down with Matt to talk about some of the challenges distributors face when combating waste.

Wow, Matt. That's an interesting jacket you've got there.

I call it my Waste Coat.

Nice. So Matt, why is waste management so important for a distribution business?

Distributors often operate in commoditized markets with hyper competition and razor-thin margins. To achieve profitability, it is essential that distributors are able to extract as much value as possible from their processes.

To do that, it is crucial for distributors to take a serious look at their operations from the time they receive an order to the time they collect their cash, in order to ensure that they are operating as efficiently as possible. When evaluating the value stream, the various waste types outlined by Six Sigma can provide a starting point for things to look at that would prevent a distributor from achieving the most efficient outcome.

That makes sense. What are some key indicators to watch out for, then, that tell you that your business is suffering from undue waste?

To understand whether or not you have process waste in your organization, I think a quote from Jeffrey Liker, the author of *The Toyota Way*, can be very useful.

In *The Toyota Way*, Liker writes,

> **"The only thing that adds value in any type of process — be it in manufacturing, marketing, or a development process — is the physical or informational transformation of that product, service, or activity into something the customer wants."**

As you map out your value stream in a process flow diagram, ask yourself: Does this step actively transform products, activities, or information into something the customer wants? If the answer is no, this would be a good indicator of a potential area of process waste.

What types of waste are the most common for a distribution business?

A common type of waste distributors encounter would be excess processing waste. As an example, are your outside sales reps calling in orders which are then keyed into the ERP system by inside sales reps? This redundancy would be considered excess processing waste, as you are effectively entering the order twice. The outside sales rep writes the order down on a physical order form in the field (order entry number one), then calls it in for the inside sales rep to enter the order again in the ERP system (order entry number two).

Another common example of this is rekeying orders received from an ecommerce platform into your ERP system. How much more time and money would you save if these ecommerce orders were integrated directly with the ERP environment?

In both of these examples, there is an opportunity to also create secondary defect waste. If you are duplicating effort and manually rekeying orders into your ERP system, you create an opportunity to enter the wrong information. When that happens and a defect or error occurs, you run the risk of shipping the wrong item to a customer, which ultimately can result in a costly return scenario.

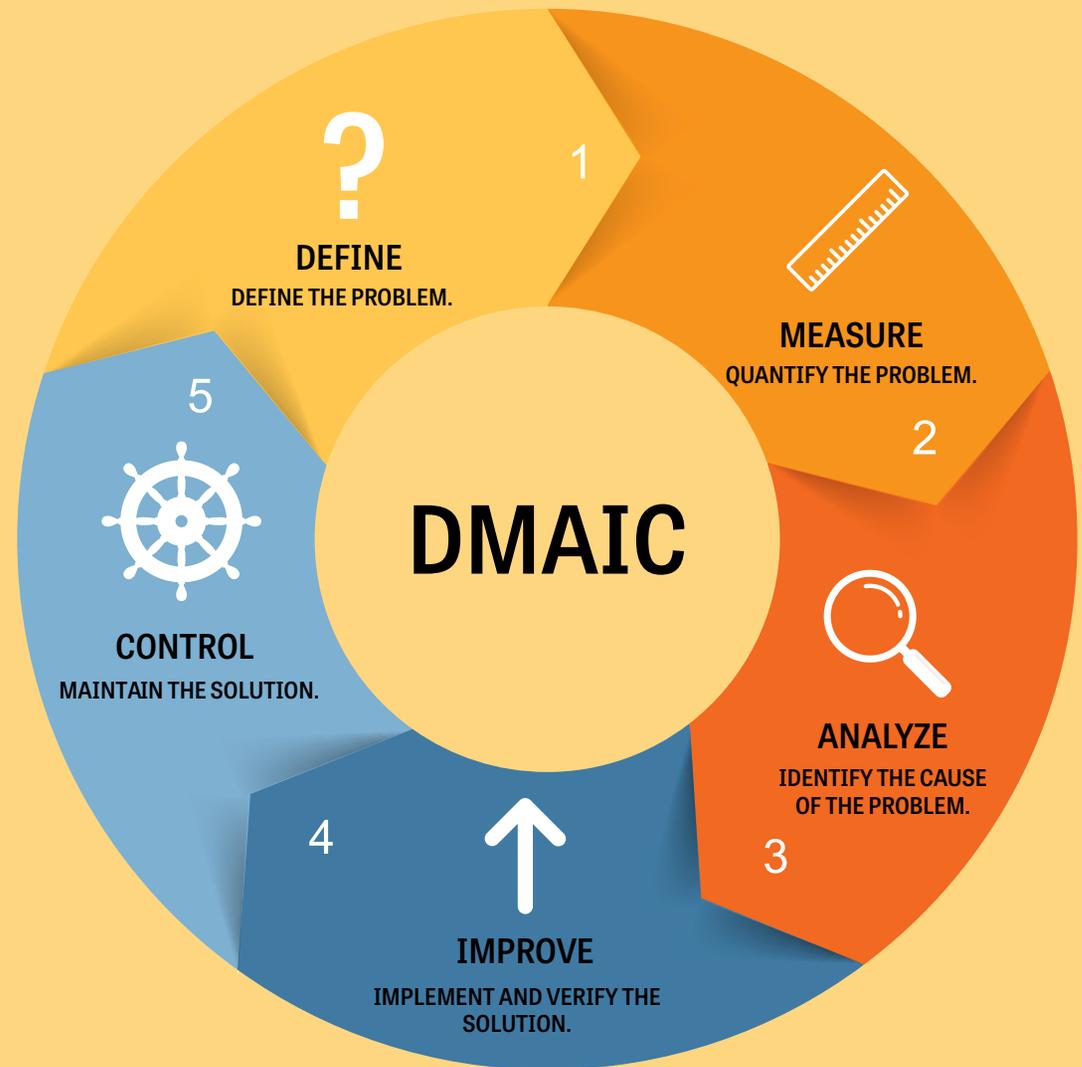Other common types of waste I see are motion waste and waiting waste.

Now that we know what to watch out for, how do the Six Sigma principles tie in with waste management?

Lean Six Sigma provides useful definitions of common waste types to be aware of that could negatively impact bottom lines. It also provides a linear process improvement methodology known as DMAIC to help you define, measure, analyze, improve, and control. This helps you eliminate wasteful practices and drive positive bottom line results.

There are also a number of statistical tools such as Pareto Charts, Fishbone Diagrams, and Process Flow Diagrams to help provide a data-driven approach as you walk through the DMAIC process, and I encourage everyone to look into learning how to use those.

DMAIC

?
1
DEFINE
DEFINE THE PROBLEM.

MEASURE
QUANTIFY THE PROBLEM.
2

ANALYZE
IDENTIFY THE CAUSE OF THE PROBLEM.
3

IMPROVE
IMPLEMENT AND VERIFY THE SOLUTION.
4

5
CONTROL
MAINTAIN THE SOLUTION.

One final question for you, Matt. What's the best way to ensure that waste doesn't recur once you've identified the problem?

This is where the C (control) in the DMAIC process is important. It is critical that once a process improvement is achieved, you don't resort back to wasteful practices. In the control phase, the new future state process flow is established and articulated to team members. Greater control plans are also implemented here to clearly establish +/- thresholds that need to be maintained, with actions to take if they aren't met.

It is easy to get lost in all the details and terminology of Six Sigma and lean processes, however, another quote can help keep things in perspective.

This quote comes from Tachi Ohno, the founder of the lean process. When asked to describe what 'lean' meant, Tachi Ohno simply said this:

"All we are doing is looking at the time line from the moment the customer gives us an order to the point when we collect the cash. And we are reducing that timeline by removing the non-value-added wastes."

Keep the simplicity of this statement in mind as you embark on your waste elimination journey.

We're here to help if you need us.

Matt and the rest of the team here at SalesPad are passionate about helping businesses reach their peak potential. Whether that's by creating leaner processes, cutting back on waste, learning how to better utilize your ERP solution, or any number of additional savvy business improvements, we're here to help.

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