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# PURSUING PERFECTION

TOOLS, IDEAS,  
AND SOLUTIONS  
FOR CONTINUOUS  
IMPROVEMENT

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## Business Essentials: How Lean is Your IT Department?

by Fred Heintz, CPIM CIRM

**Information Technology needs to be lean and agile in order to efficiently enhance business operations. How does your stack up?**

Lean IT is different than IT that supports Lean Manufacturing. That topic will be discussed in our next newsletter. What we're looking at here is how your company's IT department functions in delivering their services to their customers.

Information Technology, like manufacturing, has two product classes: ongoing services and new products. New products for IT usually involve large outlays and huge project teams. This is the "water-fall" approach that most people are familiar with if they have worked on an ERP implementation or similar software project. These projects require Project Management Offices

and Change Request Boards. While this process can be "Leaned" to some extent, much of the governance is required for risk, compliance, and budgetary reasons.

Unfortunately, the same process is often applied to routine support functions like report writing, training, and minor enhancements. This

turns what should be quick fixes into expensive, wasteful projects. Lean IT, like any lean system, looks to eliminate the wastes in the process and attempts to emphasize what adds value to the customer. What is even more amazing for IT professional is it can actually work!

Lean IT focuses on creating quick, simple, functional software using cross-functional teams. As opposed to too many ERP projects, it is expected that the programmer, business user, financial user, and compliance auditor will all sit in the same room and together decide how best the software should function. The code does not go through an ugly process of:

1. Functional Specifications written
2. Cost Estimate done
3. Cost Approved

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## OUR MISSION

The goal of Sixth Floor Consulting Group is to create best-in-class processes, allowing each of our clients to take their businesses to a higher level of quality, profitability, and Lean operation.

Put us to work on your team! Email [info@sixthfloorconsulting.com](mailto:info@sixthfloorconsulting.com) to get started.

## Now THAT'S Lean!

source: [www.motorcyclenews.com](http://www.motorcyclenews.com)



**NEWS**

PHOTO OF THE WEEK

### AND HE DIDN'T CRASH!

Supermoto racer achieves world record lean angle

BY CHRIS NEWBIGGING

Oh, he hasn't fallen off, he's just mad! This is Spanish supermoto competitor Albert Riera during a recent race at the Catalunya circuit, where he ran wide and was forced to achieve this handlebar-scraping angle of lean on his KTM 690SM. If you look carefully enough, you can see smoke coming from his heel! As well as decking out the foregrip, the front axle slider is millimetres from grinding out. According to photographer, Luis Zendeja, Riera, he was just able to pack the bike up and make the corner!

Get up to the minute news on [www.motorcyclenews.com/news](http://www.motorcyclenews.com/news)

©N reflection, Riera's head tilted glove was a bad idea

Lean IT, cont. from page 1

4. Technical Specifications written
5. Software Coded
6. Software Tested
7. Software Corrections Coded
8. Software Tested (and possibly this loop goes ad infinitum)
9. Software signed off
10. Training Manuals updated
11. Software moved to production system

All this for a small enhancement? Lean IT looks to deliver small software enhancements within one week (like a Kaizen event). This is only possible with everyone working together and focusing on getting the coding done correctly. So there are no surprises, like the software not being Sarbanes-Oxley compliant, testing is done at the same time the business functionality is tested. All this accomplished without a Project Manager.

Could you do a complete ERP installation project using Lean IT? Probably not as it is thought of right now; however, such a project would benefit by adding many elements of Lean IT. As a quick example, putting the project team into a single large open area can bring about enormous benefits. All functional areas are together, so the silos can't get too far off course.

Another example of using Lean/Agile IT techniques in large projects is using them to get a critical path back on track. We worked on a project where it appeared an

industry specific compliance portion of the software was not going to work correctly. This would have required delaying the whole ERP implementation. Instead, a select group of five people were sequestered over a weekend to make sure the code fit the needs of operations, finance, and compliance. By Monday morning the code was complete, and the following week it was tested by the full business community.

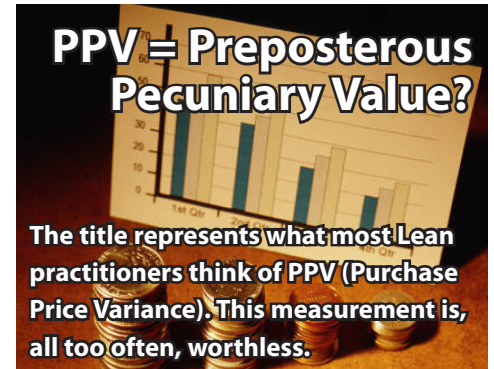
While some may think this approach anarchistic (and it can be if not done correctly), a key part of the process is documentation. The idea is not to just code on the fly then forget about it. While lean values small,

**“It may be time to look at Lean IT as a way to add more value to your business systems.”**

quick changes, all changes must be reversible. You can't reverse what has not been documented.

So think about what your Information Technology department does, and how much value it does or doesn't add to the business. Are any changes or upgrades made out to be major projects? Is the business running on Excel because they can't "justify" the cost of a change? IT's priority is to supply the information the business requires to run the company profitably and to keep the customer happy. It may be time to look at Lean IT as a way to add more value to your business systems.

To learn more how Sixth Floor Consulting Group can help you improve your IT systems, contact us via our [website](#). ■



Unfortunately, it can become the procurement group's driving focus. PPV can be a valid tool only if it is used properly, and that does not mean using it as a measurement of how well purchasing is performing.

First let's look at the drawbacks of PPV. This measurement is a comparison of actual purchase price vs. the "standard cost" for that item. Being a variance analysis, it suffers from the weakness of all these types of measurements. People are spending time and effort to explain why reality didn't meet their guess (standard), which was made six to eighteen months ago. Like labor variance or overhead variance (shudder) analysis, these accounting exercises tend to yield little really actionable results.

Even worse than just wasting people's time, is if PPV is used as a goal for Procurement, we have yet to see a purchasing group that couldn't manipulate the standards to make their PPV target. This not only leads to worthless KPIs, but encourages stating a cost that is too high. This, of course, could lead to lost sales because product prices are too high. But Purchasing makes their PPV target!

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PPV as a KPI also leads to looking only at pricing when buying goods. As any operations person will tell you, poor quality goods will lead to exorbitant shop floor costs as people try to work around quality issues. While no one likes to overpay, ignoring quality and on-time delivery will always cost more in the long run.

So should PPV be ignored? Not quite, but it needs to be used rationally. Rather than concentrating on why there is a variance, concentrate

Can PPV be used as a KPI? Only insofar as the measure is used to review the accuracy of the standard costing process, which is another topic altogether. It may be useful to track PPV that falls outside a set range, say +/- 10 percent. This allows management to see why the difference is occurring, whether the change is ongoing or temporary, and how best to meet the challenge. Used this way, supply can work with sales and marketing to try and maximize the company's revenue.

Traditional Purchase Price Variance analysis provides very little real

value to a company. In a Lean sense, it is muda (waste). While a company cannot ignore PPV (or they risk losing site of opportunities or incurring profit losses), elaborate PPV analysis does not provide a return worth the effort. Accounting and Procurement would better spend their time looking at PPV trends by item or commodity to see if fundamental cost changes are required.

While PPV has been tracked and analyzed for years, very few companies use the data in a positive way. Most PPV analysis looks for explanations of why actual amounts don't meet the guesses made months ago (hello, they're guess-

es), instead of looking at what the trends are and how the company can use these trends to their advantage.

Contact Sixth Floor Consulting Group today to see how we can help you get and use your system's purchasing information. ■



on the outliers. Is freight included as part of the P.O. price? Then look at any large discrepancies, and see if air freight was used. Then you can determine if the rush was your company's or the vendor's problem. Also, PPV can be used to see if it is necessary to adjust customer pricing. If there is a definite trend in PPV, either up or down, then it may be time to look at if the market will accept a price change.

Unless someone like you cares a whole awful lot, nothing is going to get better. It's not.

~ Dr. Seuss, from *The Lorax*

# Editorial Comment: Is Complaining Getting you Anywhere?

by Tom Dzialo, CPIM CIRM

**D**on't let complaining give you more satisfaction than taking action!

At times, we all suffer the slings and arrows of outrageous fortune. The real question is, what do we want to do about it?

Venting like Mount Vesuvius may make of us feel good (at least for a while), but if that's all we do, then we're destined to play the role of the victim.

The better option is not just to pass along your problems; rather, you should also share your ideas for solutions! The answer is up to us.

Of course, solutions typically require some effort. Thinking may be required. Building an unstoppable lava flow of support from others to implement needed change quickly will be more likely if it's clear you've followed these steps:

- 1) Considered the situation.
- 2) Identified multiple possible solutions (there is usually more than one).
- 3) Weighed the options carefully.
- 4) Selected the best option to

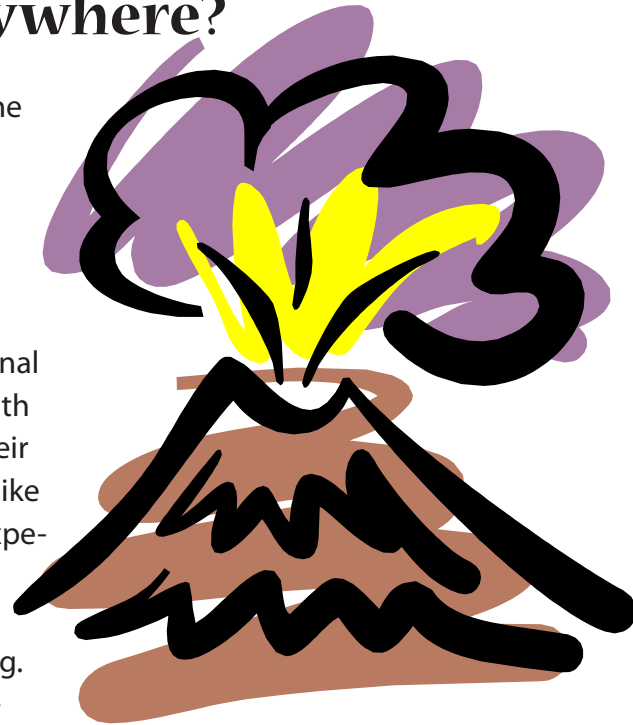
resolve or at least improve the situation.

***Share solutions, not problems!***

Federal and state congressional delegations are gathering with their typical hearings and their prolonged rants. If I may, I'd like to share a recent personal experience. I attended the 2010 Connecticut Business Day at our Legislative Office Building. For more than an hour, dedicated manufacturers and sympathetic politicians railed against the current economic difficulties and (perceived) past government sins. The saying "misery loves company" came to mind for me. Before the session closed, a local business leader took control of a microphone to put several solutions on the table for all to consider. Thank you, Jack!

Opportunities to improve abound in our personal, private, and public worlds. Rather than point out another example of a government failing, I'd like to share a continuous improvement success story.

The Connecticut Department of Environmental Protection begin its Lean/Continuous Improvement Journey more



than two years ago from the vision of the Commissioner Gina McCarthy. Then Assistant Commissioner (and current Commissioner) Amey Marrella took up the challenge, supplying ample leadership and constant gentle pressure to allow dedicated staff to begin to transform the way they serve their customers.

To learn more about the success of the DEP's LEAN initiative and how Connecticut's Governor Rell has now challenged other state agencies to make similar improvements, click [here](#).

Ask your local, state, or federal government agency if they've started on *their* continuous improvement journey. ■