

LEAN Compliance: Prioritizing Improvements

By Richard Puglielli: July 2011 All rights reserved

Introducing LEAN business practices can often add complications. Many LEAN consultants do not understand the complex processes required to support a robust Quality Management System. This tends to create a tension where Quality becomes the nemesis of LEAN or vice versa.

While numerous companies today are attempting to meet stringent compliance requirements and at the same time trying to be LEAN to reduce costs, many of us sit back and wonder if both principles can exist in the same organization. Many compliance requirements, although well intentioned, create an environment where people are afraid to think creatively or even dare to go outside the box. As a result, when a company is pressured into meeting tough compliance standards and AT THE SAME TIME reduce waste and create a LEAN work environment; it creates a lot of unhealthy conflict within the organization. Some people do no more than they are told for fear of failure, while others in their zeal to get things done do not always seek to understand the rules and regulations, or even worse just ignore them.

Incorporating LEAN while trying to meet compliance standards can create internal confusion and tension inside an organization. Usually the same people responsible for LEAN Implementation are not the same people responsible for the Quality Management System. This tends to create a power struggle between parties—each striving for their own success and viewing the other as a hindrance. Defining which is more important—being LEAN or being compliant— becomes a moving target for everyone else. When there is effective leadership, this is where something known as LEAN compliance can be a handy tool. It can help top management mediate effectively and keep everyone focused on the same goal.

The point of diminishing returns

Most of us understand that when something matures to a certain point, the amount of improvement or growth diminishes. If you continue putting the same amount of energy into improving a system as you did at the early development stages, you will quickly learn that the payback is not worth the investment in time and energy. This may also be known as the point of diminishing returns. Any wise investor knows when it is time to pull back and focus on other new ventures before they run dry.



It seems now more than ever that the intent of an ISO audit is not only to verify compliance but also to drive improvement. Driving too much improvement can actually have an adverse affect on a smaller organization. Although the ISO standard should be

scalable to an organization of any size, the audit process does not always seem to be effective or beneficial when dealing with smaller organizations.

When a company is growing, it is important for an auditor to challenge the company to make sure the systems and controls they have in place are adequate to support their growing needs. When a company is not growing, and its systems and controls have matured to a point where there is little room to make improvements without creating an extra burden, then challenging that company to continue improving their systems would drain resources and produce little in return. In other words, the systems have reached their point of diminishing returns. The company may want to start focusing on LEAN Initiatives without affecting their Quality Management System, but this goal would require additional resources, since maintaining a robust compliant Quality Management System is still resource intensive. Rather than getting LEAN, some companies will hit a point where their energy is used in sugar coating any vulnerable areas in order to deter an auditor and maintain compliance. Sometimes this inadvertently annoys people and leads them to believe that the ISO systems do nothing more than create an extra burden of useless paperwork.

To help people focus on improvements with the greatest return, I developed a system called LEAN Compliance. This system allows an organization to focus their LEAN initiatives in a way that also improves their Quality Management System. LEAN compliance looks at all your QMS procedures and assesses each one, then determines a value for prioritizing which procedures need the most attention. The assessment is based upon the following properties:

Compliance: How robust is the procedure? Can it withstand an audit without a problem?

Efficiency: How efficient is this procedure? Does it rely on many people and take an extended amount of time to execute it properly? Is it too dependent on one person to make sure it is executed properly, thereby creating a bottleneck?

Effectiveness: How critical is this procedure to your operation? Is it creating as much value as it should to your organization? How important is it to your company's success? Is it necessary to satisfy any of your customers' requirements?

Here is an example of how you can evaluate each part of your Quality Management System to determine where to focus your LEAN initiatives as a collective group.

PROCEDURE	COMPLIANCE		EFFICIENCY		EFFECTIVENESS		RISK OF IMPACTING BUSINESS	
	Rating	Score A	Rating	Score B	Rating	Score C	multiply scores A x B x C	Risk
Document Control	Good	1	Poor	3	Fair	2	6	Low
Training	Fair	2	Fair	2	Fair	2	8	Low
Purchasing & Supplier Management	Poor	3	Poor	3	Fair	2	18	Moderate
Management Review	Fair	2	Poor	3	Fair	2	12	Moderate
Contract and Design Review	Poor	3	Poor	3	Poor	3	27	High
Shipping	Good	1	Fair	2	Poor	3	6	Low
Order Processing	Good	1	Fair	2	Fair	3	6	Low
Production and Lot Control	Good	1	Good	1	Fair	2	2	Low
Material Handling	Fair	2	Good	1	Fair	2	4	Low
Scoring System:	Poor (score = 3) Fair (score = 2) Good (score = 1)						19 – 27 = High 10 – 18 = Moderate 1 – 9 = Low	