

Muda Assessment Process



Setting process improvement priorities for immediate and longer term action

Issue

Even in profitable organisations annual waste in processes and procedures can be between 35 and 50% of total operating cost. In most instances time spent reworking and rectifying errors is greater than all first time working. Many organisations don't know how to identify, quantify and eliminate this significant waste.

Solution

Setanta's *Muda Assessment Process (MAP)* is a rapid, rigorous and cost effective approach to finding, quantifying and agreeing priorities for process improvement. It is based on the concept of *muda* - *every moment in a process where nothing of value is occurring*. MAP can be completed within one working week and usually involves key participants in only a few hours work. Working within each department it identifies and lists the key elements of *muda* and estimates their financial cost. It harnesses the understanding of internal process owners and the measurement expertise of the accounting function.

Outputs of the assessment in each department are tabulated into a matrix database and presented to senior management. The matrix is used to define and organise the business's true priorities and develop a plan to address them.

How it works

MAP identifies *muda* in every department and process, building an overall database that identifies the waste, using three common currencies:

- **time** that is spent doing things that add no value, i.e. *muda*
- **cost** of non value-adding time and activities
- **quality** - time or money spent in ways that provide no satisfaction to stakeholders (customers, staff, suppliers & shareholders)

MAP creates a prioritised plan for improvement in five stages:

- 1) **Agree the approach.** Initial work with senior management divides the business into a series of cross-functional areas in order to agree the allocation of resource and a timetable for MAP.
- 2) **Facilitate MAP workshops.** In each area one or more brainstorming sessions is conducted - each usually lasting about two hours. Sessions involve several experienced process owners representing each department or work section in the area. Sessions are led by senior managers and facilitated by the organisation's senior accountant and a Setanta consultant.

Each element identified is assessed for its muda content. The organisation's accountant quantifies muda both in time and cost. Where neither time nor cost can be easily calculated, the adverse quality impact on stakeholders is described. Five simple measurement techniques are used.

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In each case the senior accountant does the calculation and, if in doubt, the lowest credible estimate is taken. It is important not to overestimate any single element of muda.

- 3) **Consolidate outcomes.** Setanta facilitators and the senior accountant finalise the spread sheet database, prepare exhibits and a PowerPoint definition of outcomes for review with the CEO.
- 4) **Agree priorities with senior management.** The CEO chairs the MAP review. All findings are probed and questioned. Once agreed, priorities and accountabilities for action are agreed.
- 5) **Plan next steps.** Setanta consultants work with internal process improvement teams, using the innovative ServiceChain BlitzSM methodology to initiate cascaded implementation actions.



How it is different

"45% of a bank's branch time was spent in non sales or service activities. MAP thinking and the ServiceChain BlitzSM quickly reduced this to less than 25%."

Setanta's *MAP* approach is different from traditional methods in a number of ways because it:

- is accomplished quickly - usually within a single working week. It does not tie up significant amounts of senior management time in seemingly endless meetings.
- identifies the total opportunity up front and gets early senior management commitment
- sets management priorities for quick wins and longer term strategy and then tracks the reality
- works in every department and process, using process owners and the accounting function to measure the *muda* in the organisation
- gives management understanding and ownership of the technology - Setanta consultants teach the organisation's people to use the underlying techniques.



Results

MAP has proved its worth in many different industries:

- staff in the custodial services department of a global bank were spending too much time on month-end closing with several dealer banks. It had been that way for many years. The *MAP* approach, allied to ServiceChain BlitzSM improvement techniques, identified and resolved the causes of the problem within a matter of weeks.
- analysis showed that 45% of a bank's branch time was spent in non sales or service activities, e.g. packaging applications, answering e-mail or servicing the ATMs. Using MAP thinking and the ServiceChain BlitzSM to address this *muda*, it was quickly reduced to less than 25%, representing savings of two FTE per branch.
- at a global oil-rig fabrication business MAP identified £49m of waste. Within 15 months the top 45 improvement projects alone reduced this by £16m, of which 53% of total savings were in contract definition and purchasing services - not manufacturing.



Joe Liddane has over 20 years of consulting experience within the financial services sector. His reputation within the market and his knowledge of industry issues have allowed him to build long-term relationships with key industry figures.



John Hutchinson is a Director at Setanta Performance with 30 years of line management and consultancy experience, helping many organisations create winning people and processes.

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