

# Structuring Your Work to Deliver Customer Value

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Willie L. Carter

Lean companies approach work differently than do traditional companies. People in Lean companies think of themselves as part of an integrated system, a linked chain of operations and decision-making points that continually deliver value to customers. Individuals in a Lean organization understand how their own activities connect to the rest of the company and to the customer. They know how work is supposed to flow to deliver the product or service in the least amount of time.

In traditional companies the system like nature of the value-adding process often gets hidden, and so does the customer. Distance from the customer increases as functions—such as engineering, customer credit authorization, and shipping—focus on optimizing their functions at the risk of sub-optimizing the organization. Support activities swell, specialists are hired, and reports replace face-to-face conversations. Before long the clear visibility of the product and the basic activities of the value delivery process are lost. Instead of operating smoothly as a linked system, the company becomes a tangled mess of conflicting functions whose demands and disagreements victimizes the customer.

Lean companies recognize this danger and work hard to continually avoid it by increasing everyone's awareness of how, why, and where time is spent. They make the main flow of work from start to finish visible and clear to all employees. They invest in this understanding with thorough training. By mapping the interfaces between functions, they reveal how these affect the work flow. Employees become aware of the way policies and procedures in one part of the value stream influence work in other parts.

There are two fundamental concepts in structuring work to create customer value. One is organization around the critical sequence of value-added activities, and the other is establishing continuous work flow. Regardless of the size or nature of the organization, these concepts are what create greater customer value.

## **THE CRITICAL SEQUENCE**

The critical sequence is made up of those activities that directly add customer value in real time. Everything else a company does is support, which either prepares employees to add direct value or is off-line activity that can be done anytime. Lean companies identify direct value-added activities, isolate them from the non-value-added support work, and organize them in a clear and consistent sequence. This accomplishes two valuable things. First, it moves preparation and off-line work out of the value stream so that all value-added work can be done without wasting real time. Secondly, it highlights the critical connections between different parts of the organization that add value, making possible the design and development of policies and procedures that will make the work flow faster and better.

Most traditional companies don't think in terms of a critical sequence of value-added activities. Instead they organize and control around departments, functions, and skill sets. Within these structures they don't differentiate between essential value-added and support work. This

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approach makes sense for better control of the inputs, but it drastically penalizes the quality and timeliness of outputs.

Unlike traditional organizations Lean organizations live by one key rule—don't delay delivering value to the customer. In product development, for example, don't delay the new product that marketing needs promptly in order to refine a fickle new technology. Technology refinement is an off-line activity. Solve the problems before introducing the refinement in the final product development process. In retailing don't wait for weeks of accumulated sales before ordering the items that are selling. Reordering should be triggered by what is moving off the shelf this week. In bank lending, don't hold up an individual's loan application to make decisions on overall lending targets and limits. These issues should be addressed off-line. Banks should take hours, not weeks to approve loans.

All this makes sense from a customer's perspective, but traditional companies are often ill equipped to do it. Separating value-added activities from non-value-added activities breaks up long held turf, scrambles established skill bases, confuses existing control systems, and forces the organization to rethink a system that they mistakenly believe is working.

### **CONTINUOUS FLOW**

Once management identifies and isolate the critical sequence of activities they can concentrate on arranging the work flow. By creating a smoother, more regular flow through the critical sequence, they can reduce the cycle time of the entire value delivery process, thus raising throughput capacity. Most traditional companies manage the cycle time of the bottlenecks of their operations, but neglect the other parts that are less obvious or hidden, like batching information or engineering databases that take too long to access. These companies also allow decisions to pile up between process steps and allow feedback loops that should be closed routinely to remain open. All of this interrupts the flow of value-added work and extends the cycle time. As a result, time is wasted and costs increase and the customer is left waiting.

Most operating problems in an organization appear as work moves downstream from its upstream sources. New product development, for example, usually goes off track in the later stages as waves of engineering change notices and manufacturing problems expose an earlier failure to resolve the fit between product, process, and materials. Shipping is another example. Many of us have worked in organizations that go through a mad scramble at the end of the month to assemble and ship product that should have been flowing out of the door continuously. The reason is usually that upstream suppliers were late in shipping or that managers changed the scheduling for parts fabrication too often earlier in the month, so that assembly did not have what it needed to finish the product.

Many manufacturers have problems getting continuous work flow through their plants. They start to assemble a product but can't finish it because the hastily custom engineered pieces don't fit or because purchasing took longer than usual to get a new supplier approved, as a result, parts or components are missing. Once the work flow is broken, time not only stops, it is postponed. The unit in question now becomes work-in-process and is placed in inventory while other units are moved forward ahead of schedule further disrupting continuous work flow. This

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lack of continuity shows up as overhead in the form of problem solvers, rework, expeditors, and “dead-in-the-water” inventory. The only way to avoid this problem in the plant is by investing effort upstream and, in designing the off-line activities more carefully.

The same upstream and downstream effects take place in all organizations. Management needs to carefully consider the impact of a new system on the downstream effort before they implement the system. Up-front effort in developing reliable and orderly working systems as a whole differentiates Lean companies from companies that simply go after the bottlenecks. The key to achieving more efficient synergy between functions in the company lies first in the overall organizational and system design. Lean companies think about where to place responsibility for results and how to shift people to close the distances between customers that big companies can create. They think about balancing the flow of work upstream and downstream, making allowances for a changing product mix demanded by customers that will affect this balance. A Lean organization will justify investments that traditional companies cannot because they do not understand the linkages throughout their value delivery process. The reward for the continuing effort is reduction in overhead, inventory, and improved customer satisfaction; and the product or service is delivered faster.

### **CONCLUSION**

Both service and manufacturing organizations are facing a large number of challenges in the marketplace. Mounting competitive pressures, economic upheaval, and the diverse needs of customers are forcing organizations to look at ways of delivering customer value quickly, cheaper and more efficiently. Structuring the organization around the critical sequence of activities that add value and creating a smoother, more regular flow through the critical sequence will enable them meet these new challenges.

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