

## 13.7: The Three Threads

### Learning Objectives

1. Understand that in addition to quality management and lean thinking, creativity, time management, and well-executed meetings can improve value to customers.
2. Understand that quality management and lean programs can produce significant increases in operational efficiency that increases positive cash flow.
3. Learn about computer tools that can improve time management, creativity, quality management, and lean operations.

When all think alike, then no one is thinking. Walter Lippman, “When All Think Alike, Then No One Is Thinking,” *Uneven Chopsticks*, accessed February 6, 2012, [unevenchopsticks.com/when-all-think-alike-then-no-one-is-thinking](http://unevenchopsticks.com/when-all-think-alike-then-no-one-is-thinking).

Walter Lippman

### Customer Value Implications

It should be clear that quality management and lean thinking have the notion of customer value at their cores. Both approaches actively incorporate needs and wants into the design of products and services and, even more importantly, into the design of the processes used to create these products and services. Regardless of what quality program one adopts for an organization, the issue of customer value is the single most important question. Lean thinking also recognizes the vital importance of first identifying the customer's notion of value so that any activity that does not add value is ruthlessly eliminated. As one article put it, “Lean enterprise never misses an opportunity to capture information about customers.” Christer Karlsson and Pär Ahlstrom, “A Lean and Smaller Global Firm?,” *International Journal of Operations and Production Management* 17, no. 10 (1997): 940.

The linkages between quality management, lean thinking, and customer value, therefore, should be obvious. What is less obvious is the connection between customer value and topics such as creativity, time management, and running meetings effectively. Nonetheless, indirect connections do exist. Without creativity, there will not be any new product development, and there will be no innovations in design, packaging, promotion, or distribution that can be so vital to the enhancement of value.

Owners, managers, supervisors, and employees who cannot manage their time effectively or efficiently will be unable to provide appropriate attention to improving customer value. Poorly run meetings are inefficient and degrade morale; neither is a recipe for enhancing customer value.

### Cash-Flow Implications

The old saying “time is money” may be shopworn, but it is an absolute truism. Wasting time inexorably turns into a waste of money. Poor time management means that time is wasted, which costs the individual and the organization.

In a depressed economy, both large and small firms attempt to preserve cash flow by adopting a program of cost cutting. This often begins with laying off employees. However, this presents a rather significant problem. As Nancy Koehn, a business historian at Harvard business School, points out, “If demand picks up, you can’t exploit it because you don’t have the resources.” Sarah E. Needleman, “Three Best Ways to Get Lean,” *Wall Street Journal*, March 25, 2000, accessed February 6, 2012, [online.wsj.com/article/SB10001424052748704094104575143680597058528.html](http://online.wsj.com/article/SB10001424052748704094104575143680597058528.html). Lean thinking offers an alternative to cost cutting by reducing staff. Lean thinking, a focus on more intelligent cost-cutting, and the efficient use of all business resources have produced significant results, such as an 80 percent to a 90 percent reduction in inventory investment, an 80 percent to a 90 percent reduction in manufacturing lead times, a 50 percent reduction in space requirements, and a 50 percent reduction in material handling equipment. Such results translate into tremendous cost savings. Lawrence P. Etkin, Farhad M. E. Raiszadeh, and Harold R. Hunt Jr., “Just-in-Time: A Timely Opportunity for Small Manufacturers,” *Industrial Management* 32, no. 1 (1990): 16.

Firms that have used the principles of the Toyota Production System have also found that they can achieve a 50 percent reduction in human effort and a 200 percent to a 500 percent improvement in quality. One small manufacturer, Gelman Sciences, adopted a lean approach to operations, and during a nine-month period, one section of the company saw inventory turns go from twenty to fifty-seven, inventory value dropped from \$86,000 to \$33,000, and lead time dropped from three to four weeks to one to three days. Matthew Zayko, Douglas Broughman, and Walter Hancock, “Lean Manufacturing Yields World-Class Improvements for Small Manufacturing,” *IIE Solutions* 29, no. 4 (1997): 36. Estee Bedding Company applied lean concepts to its operations and reduced its labor cost as a percentage of sales by one-half; Ameripay, a payroll service firm, saw sales increase from \$1.8 million to \$6 million

in three years. John T. Slania, “Lean Firms Look to Ride Recovery,” *Crain’s Chicago Business* 27, no. 2 (2004): SB6. Some small businesses that are part of a larger supply chain may find their movement toward lean thinking supported by firms that are further up the supply chain. In the 1990s, Pratt & Whitney initiated a program to assist smaller firms in its supply chain by requiring them to move to more of a lean focus. Mario Emiliani, “Supporting Small Businesses in Their Transition to Lean Production,” *Supply Chain Management* 5, no. 2 (2000): 66–71. Even small foreign firms are beginning to recognize the economic benefits from adopting lean methodologies. A polyvinyl chloride manufacturer in Thailand adopted a lean management program and saw its average production time per unit decline from forty-four minutes to twenty-three minutes while decreasing the number of operators from fifty to forty-one. Nanchanok Wongsamuth, “Nawaplastic Pushes Lean Management,” *McClatchy Tribune Business News*, July 31, 2010. The concepts behind lean thinking, with its focus on efficiencies, should dictate that a small business should automate as many processes—such as bookkeeping—as possible and rely on outsourcing when feasible. Matt Dotson and Brandon Kennington, “Eliminating Waste Using Lean Concepts for Small Business,” *Automate My Small Business*, November 9, 2009, accessed February 4, 2012, [automatemysmallbusiness.com/eliminating-waste-using-lean-concepts-for-small-business](http://automatemysmallbusiness.com/eliminating-waste-using-lean-concepts-for-small-business).

One does not have to commit to major organizational programs, such as a quality management system or lean thinking, to find ways to save on cash flow. Earlier in this chapter we cited two studies. One said that better than one-third of executives believed that all meetings were a waste, while the second study said that two-thirds of all meetings were a waste. We split the difference between these two studies and arrive at a figure that one-half of all meetings are perceived as useless. This can have significant cash-flow implications, even for small firms.

Let us illustrate this through a simple example. The owner of a small hardware store believes it is important to have weekly meetings with the store’s supervisor and five employees. Let us assume that the owner values his or her time at \$70 per hour. The supervisor’s value is given at \$35 an hour, while each employee’s time is valued at \$10 per hour. Employees are expected to produce 2.5 times their pay. This means that a 1-hour meeting should be valued at \$282.50 [ $\$70/\text{hour} + 2.5 \times (5 \text{ employees} \times \$10/\text{hour}) + 2.5 \times (1 \text{ supervisor} \times \$35/\text{hour})$ ]. Assuming 52 meetings per year, the total opportunity cost for these meetings is \$14,690. If one-half of those meetings are a waste, then the business is losing nearly \$7,350 a year. There are many areas throughout a firm’s operations that can be evaluated to reduce wasteful activities and improve its cash-flow position.

## Implications of Technology and the E-Environment

Time-management systems are available in a variety of paper-and-pencil and software formats. They generally allow for listing to-do tasks, setting due dates, identifying required resources, and prioritizing their importance. Some allow for a project format, where one can break down the project into smaller interrelated tasks. Many of them provide the capability to synchronize this information across several computers and smartphones. This would allow a person to have the time-management system available on an office computer, a home computer, and in the pocket (smartphone). One system is based on Covey’s fourth-generation approach to time management.

Multiple software packages are geared to assist individuals and groups who wish to improve their creativity. There are packages to help with brainstorming in its various forms. Numerous companies provide mind-mapping software in a variety of formats: computers, iPads, and even smartphones.

Quality management encompasses many tools and techniques, far more than could ever be covered in this chapter. There are packages geared just for statistical process control (SPC) models. Some can receive data from a process and then automatically inform the operator of a “drift” from conformance to standards. In addition to SPC models, other packages include tools that are used to improve quality. These packages range from less than \$100 to many thousands of dollars.

## Web Resources

Achieve

A time-management system.

[www.effexis.com/achieve/planner.htm](http://www.effexis.com/achieve/planner.htm)

My Life Organized

A time-management system.

[www.mylifeorganized.net](http://www.mylifeorganized.net)

PlanPlus for Outlook v7

A time-management system (based on Covey's fourth-generation time-management system).

[franklincoveysoftware.com/individual/individual-products/planplus-for-outlook-v7](http://franklincoveysoftware.com/individual/individual-products/planplus-for-outlook-v7)

SciPlore

Mind-mapping software.

[en.Wikipedia.org/wiki/SciPlore\\_MindMapping](http://en.Wikipedia.org/wiki/SciPlore_MindMapping)

MindManager

Mind-mapping software.

[en.Wikipedia.org/wiki/MindManager](http://en.Wikipedia.org/wiki/MindManager)

MindMaple

Mind-mapping software.

[en.Wikipedia.org/wiki/MindMaple](http://en.Wikipedia.org/wiki/MindMaple)

MindMapper

Mind-mapping software.

[en.Wikipedia.org/wiki/MindMapper](http://en.Wikipedia.org/wiki/MindMapper)

Creative Whack Pack

Brainstorming software app for the iPad.

[itunes.apple.com/us/app/creative-whack-pack/id307306326?mt=8](http://itunes.apple.com/us/app/creative-whack-pack/id307306326?mt=8)

Mind View 4

Brainstorming software.

[www.matchware.com/mv3be\\_landing.php?gclid=CKyWyorEiasCFWUZQgodAQjG1Q](http://www.matchware.com/mv3be_landing.php?gclid=CKyWyorEiasCFWUZQgodAQjG1Q)

Sigma Magic

Quality management software plus lean components.

[www.sigmamagic.com](http://www.sigmamagic.com)

Sigma XL

Quality management software

[www.sigmaml.com](http://www.sigmaml.com)

SPC XL

Quality management software add-in for Excel.

[www.sigmazone.com/spcxl.htm](http://www.sigmazone.com/spcxl.htm)

Lean Tuppas Software

Quality management software.

[www.tuppas.com/lean-manufacturing-software/lean-manufacturing-software.htm](http://www.tuppas.com/lean-manufacturing-software/lean-manufacturing-software.htm)

## KEY TAKEAWAYS

- Customer value can be enhanced not only through organizational programs such as quality management and lean thinking but also by increasing creativity, time-management skills, and meeting effectiveness.
- Quality management and lean programs can generate efficiencies that produce significant cost savings.
- Software exists that can assist with improving one's own time management.
- Similar programs are available to improve the creativity of teams and support both quality and lean improvement programs.

## EXERCISES

1. Evaluate several computerized time-management systems and write a report covering your selection process.
2. Evaluate several creativity packages and select one that you might buy. Write a one-page paper that talks about why you selected this package.
3. Assume you are a small manufacturer of hypodermic needles. You have sixty employees, and sales are \$23 million. You are nervous about overseas competitors, whose products are getting better. You want to further improve your quality and may be interested in applying lean thinking to your operations. Evaluate several software packages and write a report specifying why you support the acquisition of this package.

## Disaster Watch

Successful small business owner often rapidly acquire a sixth sense—one that warns them of impending dangers. They begin to sense when there are changes in consumer preferences, when there is a need for an infusion of additional financial resources, or when closer attention needs to be paid to cash flow. These are fundamental issues, and the failure to recognize them will lead to disaster. Subtler issues associated with operations are sometimes missed, and just because they are less obvious does not mean that they cannot be as dangerous. Small businesses can die when they fail to focus on the necessity of being efficient. As said by one commentator, “As the economy grows leaner, this focus on efficiency is paramount to SMEs [small and midsize enterprises], and may indicate chances of business sustainability.” Renee O’Farrell, “Problems of Small Scale Industries,” *eHow*, accessed March 7, 2012, [www.ehow.com/about\\_5368391\\_problems-small-scale-industries.html](http://www.ehow.com/about_5368391_problems-small-scale-industries.html).

In [Section 13.1](#), time was identified as perhaps the most vital resource, since once lost it can never be recovered. This perspective may be particularly true for small businesses. Most small businesses are under tremendous financial pressures. They normally don’t have the luxury of having large staffs, and this means that much of the work falls on the shoulders of the owner. Those owners who cannot effectively manage their time are asking for problems in their business and personal lives. Richard Sandusky, “The Problems That Small Business Owners Face,” *eHow*, accessed March 7, 2012, [www.ehow.com/list\\_6521178\\_problems-small-business-owners-face.html](http://www.ehow.com/list_6521178_problems-small-business-owners-face.html). Their businesses can suffer because the owners don’t have sufficient time to generate new business. Rod Kurtz, “Solving Time Management Problems,” *BusinessWeek.com*, accessed March 7, 2012, [www.BusinessWeek.com/smallbiz/tips/archives/2007/01/solving\\_time\\_management\\_problems.html](http://www.BusinessWeek.com/smallbiz/tips/archives/2007/01/solving_time_management_problems.html). Family life suffers because the owner’s inability to successfully manage his or her time translates into time inefficiently spent at work.

Small business is often touted, correctly, as the driving mechanism for innovation in this country. The implication is that innovation and creativity in small business is limited to the development of new products and services. This belief can be disastrous for any small business because it may preclude creative innovations in other areas, such as operations and marketing. Recognizing this as a possibility, IBM has begun to operate “boot camps” to instruct smaller business how to fully exploit social media to drive sales. Market Watch: Wall Street Journal, “IBM Launches Global Boot Camps to Help Small and Midsize Businesses Build Social Media Skills,” *Wall Street Journal*, accessed March 7, 2012.

A failure to maintain a clear focus on quality can have disastrous consequences. While quality in and of itself may not guarantee success, its absence, in the long run, will guarantee failure. Given the complexity of many quality programs and tools, small businesses should overcome a reticence to bring outside quality experts in-house. Diane Kulisek, “Top Three Small Business Quality Problems,” *CAPAttrak* (blog), accessed March 7, 2012, [capatrak.wordpress.com/2009/12/21/top-three-small-business-quality-problems/](http://capatrak.wordpress.com/2009/12/21/top-three-small-business-quality-problems/).

Lastly, businesses—large and small—can be slowly poisoned by an unending stream of poorly managed meetings. Those types of meetings waste managers’ and employees’ precious time and can wreck morale.

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