

Hospira Morgan Hill's First Business Process Kaizen Event

During the week of March 21, the Business Process Lean Kaizen Level One Team staged its first Kaizen event. Great changes are happening on the production floor due to work cells and other Lean principles, and now those same principles are being applied to our business processes.

Background

Kaizen is a Japanese term meaning "change for the better". Applied to business organizations, it implies continuous improvement that does not cost much (creativity before capital!). Business Kaizen events are typically one week long, with team members dedicated exclusively to the event during that week. Creative thinking is required, as is the participation and support of upper management and of the affected department.

Training

In February, the Level One team traveled to Augusta, Georgia, for a week of Kaizen training. The team had a day of classroom training, then jumped right in and participated in an actual Kaizen event at power line equipment manufacturer Hubbell Power Systems. The team tackled the Aiken, South Carolina, plant's shipping process, working 12 hour days, camping out in a conference room, sorting through piles of information, and struggling to understand all of the intricacies of the process. True to the Kaizen model, they used only pens, paper, sticky notes, laptop PCs, and lots of cooperation (oh, and food!). They came up with a solution that reduced Hubbell's shipping costs by \$100,000 a year! The team returned from the trip excited about what they could do for Morgan Hill's business processes.

The First Event: The MDO Process

The goal of the first event this year was to improve the Material Destruction Order (MDO) process. For those of you who are not familiar with the process, Morgan Hill occasionally has obsolete, damaged, defective, or surplus material. In those cases, that material must be destroyed using the MDO process. Most of the people who have used the process say that it is time consuming and cumbersome.

The six-member Kaizen team took over the Tuolomne conference room near HR on the first floor for the week. First they mapped out the MDO process to understand how it worked. After studying the process and sorting through all of the MDO forms from last year, the team concluded that the approval process was what most needed improvement.

Low-value material (between \$0 and \$50) slated for destruction was being signed off by five or six people, some of them in upper management. Some of the signatures being obtained weren't even required. For example, the Purchasing department was signing for Raw Materials (RM), Work in Process (WIP), Finished Goods (FG), and Returned Goods (RG), when they were only required to sign for RM and WIP. The culprit was the poor design of the MDO form. The team interviewed each of the approvers to find out which MDOs, based on type and dollar amount, they really needed to sign. For example, did the Site Controller need to sign \$50 MDOs, or only those above \$5,000? Did each approver really need to sign the MDO form, or did they just need to be notified that the material was going to be destroyed?

On the second day, the team met with the Strategic Steering Committee and got feedback on the proposed changes. The team found management very flexible and open to changing the process, so the team charged forward, working on the signature matrix and updating the BOP and MDO form.

Results

By the end of the event, the team was able to reduce the average number of signatures per MDO by 40% (630 estimated for 2005, compared to 1042 in 2004) and expects to cut the median signature cycle time by 50%. This was achieved by making the following improvements:

- Reducing the number of signatures from 5 to 2 for low-value material (\$0-\$50)
- E-mail routing and approval of MDO forms
- Upper level management signing only for higher value material
- Updating the BOP to High Performance Documentation style, making it easier to read and understand

On the last day of the event, the team invited employees who frequently initiate MDOs to perform a dry run of the new process. They had lots of suggestions, and found some problems that had been overlooked. They also had some praise. Bert Casaje said, “the signature process is the most painful part of doing an MDO.” He said the new process would save him a great deal of time. Part of the problem with the previous process was the limited time allowed to process MDOs. Once material is set aside to be destroyed, the destruction must take place within 30 days. Sometimes getting signatures would take more than 30 days, making it impossible for the initiator to complete the task on time.

Overall, the team is very happy with its first Kaizen event and hopes to see big improvements as the procedure is put in place and employees start using it. The team is very interested in feedback (pro and con) from MDO process users and approvers.

The team has two more Kaizen events planned during the year and expects to continue its success with improving and streamlining Morgan Hill’s business processes. Stay tuned!