

“Show Me the Money!”

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Points Covered in Presentation

- Why “Show Me the Money?”
- What money?
- Discoveries along the way
- Focus on project value
- DOWNTIME Six Step Method
- Exercise to determine value
(Questions along the way)
- Summary
- Questions

What is “Show Me the Money” about?

- Came about because we needed a standard way to show value
- In these times, money talks!

What money?

- Types of money:
 - **Hard dollars:** Money that would have left the company
 - Example: Buying new equipment when there is a possibility of reuse
 - **Soft Dollars:** Money that is saved within the company
 - Taking less time to complete a task
 - Using less space in the warehouse



Interesting Discovery

- When you can quantify a project in hard and soft dollars, sponsors and management can acknowledge the soft / soft benefits.
- Soft / soft benefits are observations of an improvement in morale, more ownership of the work, and on-going continuous improvement.

Focus on Savings from Project

- This method is to demonstrate a standard way to identify project value in the life cycle of the project.



- *Investment costs, that is the costs associated with the project, are not covered in this presentation.*

Focus on Value of Project

Propose
Project

What value is estimated
Reasons to consider the project
(Steps 1 – 6)

After
Planning
for Project

A refined estimate of value
(Repeat Steps 5 & 6)

After
Completion
of Project

Actual value after three to six months
(Repeat Steps 5 & 6)



Information

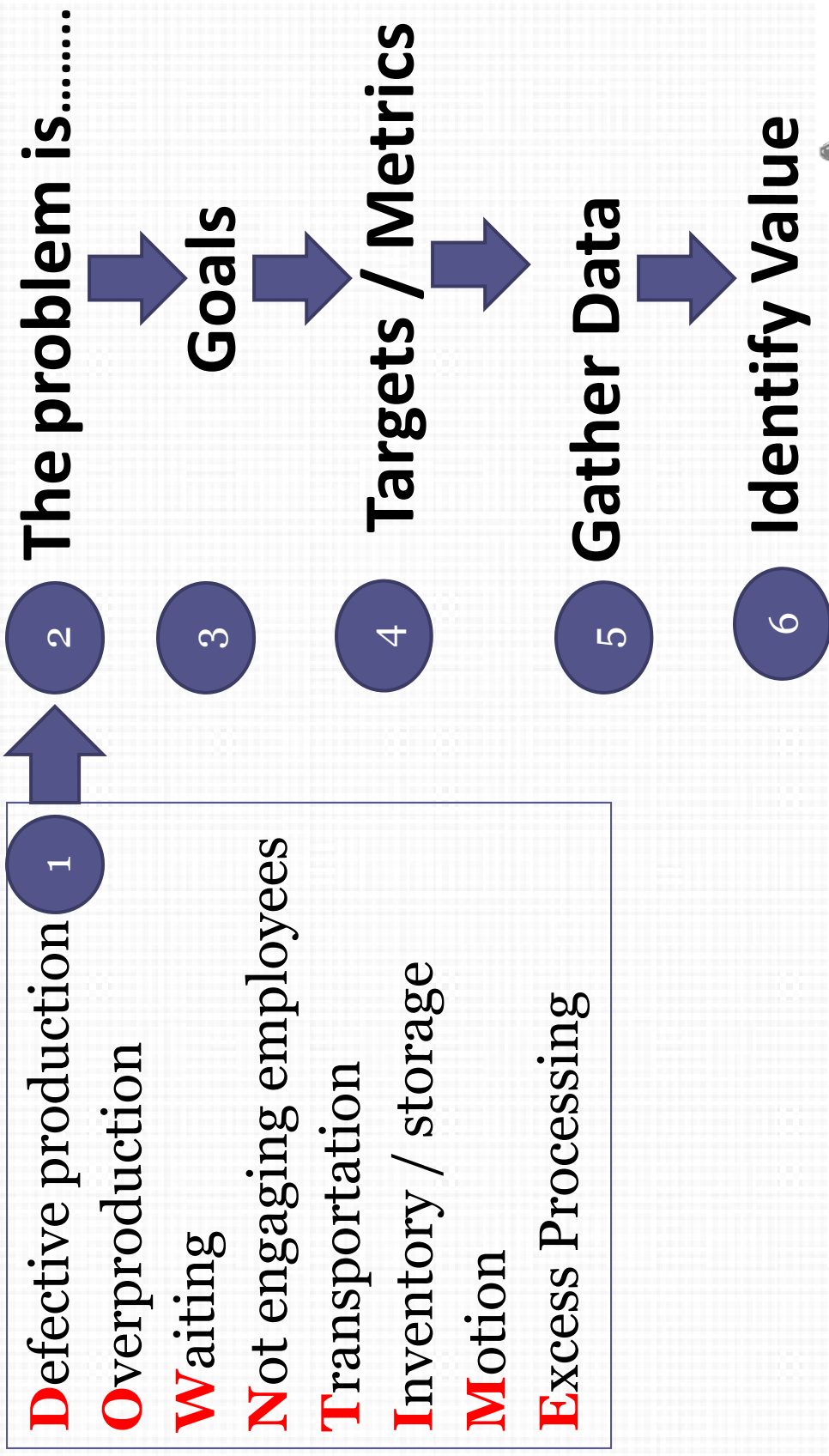
- Use **Lean Wastes** as a framework to identify problems.
- This won't pinpoint root cause BUT it will give opportunities to assess project value.
- *The example we are using is for Inventory Restocking and addresses **proposing** a project.*
- **NOTE:** *The restock opportunity was caused by the construction downturn in AZ.*
- *Data does not represent APS. (Changed for confidentiality)*



Your participation will be requested.



DOWNTIME Six Step Method Overview



1 Step One (Restocking Example)

Use DOWNTIME to identify predominant wastes in process.

Defective production — Restock items are ruined waiting for restocking.

Overproduction - We order more not knowing what is waiting for restock.

Waiting - People have to wait for items to be credited to their budget from restock items.

Not Engaging Employees - Employees hate to do restock: Items not packaged nicely or identified properly so done as overtime.

Transportation - There are multiple moves of items.

Inventory / Storage - Backlog of items waiting for restock (6 months)

Motion - Excess motion to identify items, repackaging items, bending, and crouching.

Excess Processing - Items are handled multiple times.



Step Two

Use wastes that will make the biggest difference to answer, “What is the problem?”

Defective production —

Restock items are ruined waiting for restocking

Overproduction —

We order more not knowing what is waiting for restock

Not Engaging Employees —

Employees hate to do restock: Items not packaged nicely or identified properly so done as overtime

Inventory / Storage —

Backlog of items waiting for restock (6 months)



The problem is that there is a six month backlog of restock items. Restocking is such a horrible job that management uses overtime as an incentive. Since the items are not in inventory, new orders may be issued for the items in restock. Also, some of the items are ruined due to exposure.

Goal Identification...

Given this is the problem...what do you think you could set as goals?

The problem is that there is a six month backlog of restock items. Restocking is such a horrible job that management uses overtime as an incentive. Since the items are not in inventory, new orders may be issued for the items in restock. Also, some of the items are ruined due to exposure.



3 Step Three

Use the problem and the main wastes to create goals.

Defective production

Overproduction



Not Engaging Employees

Inventory / Storage

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Restocking is such a horrible job

that management uses overtime as an incentive. Since the items are

not in inventory, new orders may be

issued for the items in restock. Also,

some of the items are ruined due to exposure.



The goals are:

- to get restock back into inventory so additional items are not ordered
- to reduce overtime to process restock items
- to reduce damages to restock items



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Step Four

Use the goals to establish targets / metrics.

Defective production

Overproduction

Not Engaging Employees

Inventory / Storage

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The goals are:

- to get restock back into inventory so additional items are not ordered
- to reduce overtime to process restock items
- to reduce the amount of items being ruined

The Targets / Metrics are:

1. Reduce the backlog to two weeks
2. Reduce overtime by 50%
3. Reduce damages to restock items by \$15,000 per six months



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Step Five

Gather data for calculations.

Defective production

Overproduction

Not Engaging Employees

Inventory / Storage

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GET DATA



Center For Process
Excellence

Step 6: Identify Value

1. Remember that the Sponsor or Process Owner needs to feel comfortable with the numbers.
2. Recommend being **conservative** with value and as **exact** as possible with investment costs.
3. The project team presents the information.

Finally getting to the money!

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2. Reduce damages to restock items by \$15,000 per six months
3. Reduce the backlog to two weeks

Results:

- Restock reduced to two weeks backlog
- Overtime eliminated
- After project completed, hard savings justified an additional resource dedicated to restock

Questions?

