What Manufacturers Can Learn from Transactional Companies about Successfully Applying Lean Six Sigma

by Vic Klein

There are the obvious costs of producing a product—like raw materials and labor. But, there are also the invisible costs—such as invoicing, ordering and scheduling. For most manufacturers, the focus tends to be on the former when it comes to improving efficiency. However, by ignoring invisible—or transactional costs—opportunities to significantly improve your bottom line can be missed. And with business transactions comprising 15% of the cost of producing a product, this is an area certainly worthy of attention.

Physical Processes vs. Invisible Processes

When a manufacturing company requests guidance regarding Lean Six Sigma, it's typically to work on one of any number of physical processes. This, after all, is where they make their product—which is where the value lies. These processes are very visual and can be seen by anyone who walks out on the plant floor. However, this is not the case for transactional businesses.

Transactional businesses—such as advertising agencies and other service-oriented companies—deal day in and day out with invisible processes—such as generating new business, ensuring that departments are working together cohesively toward a common goal or implementing a new service offering. So, when they're involved in a Kaizen event, it becomes necessary to map the process being addressed in order to visualize it. For them, finding inefficiencies in the transactional process is key to increasing value both for themselves and for their clients. And its within this approach that manufacturers can find ways to improve their businesses if they are open to expanding their view of process improvement so that it includes both the production *and* transactional sides of their organization.

Finding Value in the Transactional Side of Manufacturing

If you were to cut the manufacturing sector in half and move the physical process aside, what you would be left with is something that closely resembles a transactional business. And—while the manufacturing side *makes* what is valuable—it's within the transactional side where the value is actually *created*. It's where a determination of customer demand is made and where product design is executed. Yet, what we see time after time is that the manufacturing side of the business only sees the problems caused by the transactional portion of the business—completely missing out on the value it brings to the table.

You can look at the physical processes of manufacturing all day long. But, if the transactional side of the business isn't effectively evaluating consumer demand or if there are flaws in the design process, it doesn't matter how effective the physical process is. Reconciling this split requires a shift in focus for manufacturing companies. It requires them to approach the Lean Six Sigma process is much the same way as a transactional company does—which means taking the invisible processes of product design, market research, etc. and mapping them so that they become tangible. But, by making this shift, the rewards can be great.

The Benefits of a Transactional Approach

By applying Lean Six Sigma to the transactional side of the business, manufacturing companies can uncover and address hidden inefficiencies that could be costing them untold profits. But, to do so successfully, it will require the transactional side to view the manufacturing side as a customer—asking for its input regarding unmet needs, possible improvements, etc. And the manufacturing side needs to embrace that role of customer and realize how much there is to gain by taking an active role in determining ways the transactional side can improve. When both of these changes occur simultaneously, waste in the transactional side can be addressed—which, in turn, enhances the productivity of the manufacturing side. The end result? A more valuable product and a more successful company.