What Does "Waste" Look Like in a Non-Transactional Service Context?

Waste Reduction: Key to Lean

Elimination of waste, defined as anything that consumes resources without adding value a customer would be willing to pay for, is a central element of the Lean Six Sigma improvement paradigm. In the manufacturing context for which the Lean approach was originally developed, "waste" (muda) is a fairly straightforward concept. Excess inventory, spoilage and rework, and time lost to ineffective mobilization of materials and resources are all typical forms of waste that can be identified, measured and eliminated using the tools and methods developed for such efforts. Case studies of successful Lean implementations in a variety of industries abound.

Extension of Lean precepts to a service context, however, has not been so simple. The canonical seven categories of waste (transport, inventory, motion, waiting, overproduction, overprocessing, and defects) become murkier and harder to spot and remedy when we are no longer dealing with the physical creation of things and the physical environment in which things are created. In fact, alternative definitions of "waste" have been proposed that are more relevant for services, e.g. Delay, Duplication, Unnecessary movement, Unclear communication, Incorrect inventory, Lost opportunity to win/retain customers, and Errors in the service transaction.

The most effective applications in the service universe tend to be around activities that are transactional by nature – for example, call centers, payroll processing, and healthcare admissions. Transactional services share with manufacturing certain characteristics that lend themselves to Lean Six Sigma analysis: they are meant to be standardized, they are repetitious (or at least, performed repeatedly), and they generate lots of metrics.

But there are many non-transactional service functions and organizations that might also benefit from identifying and driving out the non-value-added process elements. Even where activities are highly customer-driven, and may be only sporadically recurring or performed by individual specialists, waste can be found if you go looking for it.

Areas of Non-Transactional Waste

Some areas of waste we commonly find in non-transactional business organizations include:

Hand-offs and loop-backs

How many hands touch a process? How many are really essential? Anytime work moves from one person or workgroup to another, there are risks of delay, of human error, of data being lost or corrupted. Is it really necessary to shift the work around like that? Loopbacks, where the work gets passed along and then returned to continue, are even more questionable. Sometimes handoffs and loopbacks are necessary (e.g. because of required segregation of responsibilities, security restrictions on system access or approvals, or a need for specialized expertise) but often they indicate an opportunity to streamline, straighten-out, or otherwise simplify the process – to make it Leaner.

Ambiguous roles and responsibilities

The more people are involved in a process, the more important it is that their roles and responsibilities for the process are absolutely clear, otherwise there are bound to be gaps and conflicts. If information is needed from a client, for instance, who is responsible for obtaining it, for following up, and for making sure it's received by the party that needs it? If multiple people or groups can do the same task or touch the same data, how do they know who should do it this time? What happens if they both do, or neither? Ambiguity breeds confusion and complexity. Clear it out!

Duplication of effort

Data having to be entered or copied repeatedly into multiple systems is an obvious waste of time and a risk for error – but dependence on legacy systems that don't communicate well with each other makes it all too common. The same work being done repeatedly, or by separate groups in different parts of the organization is equally wasteful – for instance, when an individual dies, do all the lines of business they had policies and accounts with have to discover and verify the death on their own? When a marketing program is successful with one client, can they leverage the plans and materials for a similar client, or do they have to create a whole new set from scratch?

Excessive quality review

A certain amount of review is necessary to ensure consistent high quality work, not to mention full regulatory compliance. But excessive, redundant and unnecessary reviews are a wasteful burden. They have often accumulated over time in response to a variety of real issues – system defects, manual errors, weak automated controls, actual fraud or compliance gaffes – but persist long after the original need has passed, through organizational caution and inertia. The result is bottlenecks and delays, to the point that people may resist engaging in work that is likely to get sucked into drawn-out cycle of review, rework and resubmission. Even worse, a proliferation of redundant and superfluous checks is far less effective at ensuring real quality than a few well-placed controls that actually work.

That's Not All...

That's just a small selection of the kinds of waste that abound in non-transactional service organizations. Many activities may seem to be necessary, but on closer examination turn out to be anything but. Turn a fresh eye on what people are doing, and keep asking Why. The answers may surprise you.