Whenever we talk about Lean manufacturing or JIT, we think manufacturing companies, automobile companies. Toyota (TPS) gave these terms to the world of Operations. Are these terms and fundamentals just applicable to manufacturing companies like Toyota?

What about firms who don’t produce tangible products like banks, IT firms? Don’t they need operational efficiency?

The answer is Yes, they do need it.

In terms of operations and improvements, the service industries in general are a long way behind manufacturing. Not all lean manufacturing ideas translate from factory floor to office cubicle. An IT company can’t have similar concepts as manufacturing floor. e.g. Pull system or Andon of Toyota might not work for a software engineer debugging his code. So how does Lean Concept fit into Service?

Let’s have a look at Lean again from a different perspective

The five principles of Lean Thinking:
* Specify what does and does not create value from the customer's viewpoint

* Identify the whole value stream

* Make information and products flow

* Only make or supply what is pulled by the customer

* In pursuit of perfection.

Lean Thinking is by definition not product or industry specific in its principles and in its application, even though its early roots were in the auto industry. So Lean is a philosophy and not a method of production or manufacturing. It is as applicable in the service industry as it is in the auto industry.

So how does Lean Thinking apply to service and professional businesses? how can it produce the same results as demonstrated in the manufacturing, food, medical and retail industries?

A service and professional business has the same features and characteristics as the auto industry, manufacturing, medical etc. The end product may be drawings, code, project, plans, advice, management support, finance and insurance.

The process of combining people (knowledge, skill, expertise), infrastructure and processes in an effective manner that produces a value outcome for the customer is just the same as for any business. Whether an Auto Company or an IT company, the basic process remains the same.
In each instance it is the effectiveness of management in bringing together their resources to convert the inputs in their value creation process to outputs that customers value in the most efficient and timely manner that makes companies winners.

Let us take an example of a bank. It serves its customers with various services like bank accounts, cash deposit, withdrawal, loans etc. The people working in the bank apply their knowledge expertise and process the user applications and provide them the service. So if we compare it to a basic manufacturing company, raw materials are the people, their knowledge and expertise. The output is a service provided to a customer. Inventory can be pending work or the queue of the people waiting. Here also bottleneck can come at any point in the service chain. e.g. Cashier might be slow in processing or might be the cash process defined by the bank might be taking too long to process. So if we remove this process (waste) and replace it with a better and less time consuming process, the process improves. This is exactly what Lean principle says.

Lean Thinking provides management with the framework and tools to achieve value fulfillment excellence.

It is fundamental to a lean value stream that waste is removed from both inside and between companies.

So in reality, it's a myth to say that Lean Management doesn't apply to service or has to be modified to be applicable to a Service. Lean is a basic methodology which is applicable to any process under the sun, the basic concept remains the same, Remove Waste.

Reference: