

# SER® REPORT

## WASTE #7 - REWORK

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## WASTE #7 - REWORK

Welcome to the Steel Efficiency Review® Report for Waste #7 – REWORK. This report has been compiled from our unique and proprietary industry insight resource – The Steel Efficiency Review®.

# 1053 >>>

## REVIEWS



### 7 YEARS ON OUR SOLUTIONS CONTINUE TO CREATE CUSTOMER VALUE

To date we've completed 1053 Steel Efficiency Review® visits nationally, with steel businesses both large and small.

This has amounted to over 2863 hours developing real solutions to save them time, money and reduce risks.

From these SER® appointments we have isolated findings relevant to specific industry sectors and niche businesses within that sector to identify business improvement insights – those that can help you run your business more profitably.

### IN THIS SER® REPORT, WE FOCUS ON WASTE #7–REWORK.

This report provides you with a summary of the common challenges faced by steel businesses serving diverse industries in Australia, relevant to **REWORK**. We also offer solutions to help you to build a more efficient and profitable business.

We hope this SER® Report provides an opportunity for you to look closer at your business and review your operation.

You're also welcome to participate in our complimentary Steel Efficiency Review® as a 'fresh set of eyes' helping you to identify ways to turn steel into gold.

If you have just participated we look forward to working with you to uncover the 'gold' in your business.

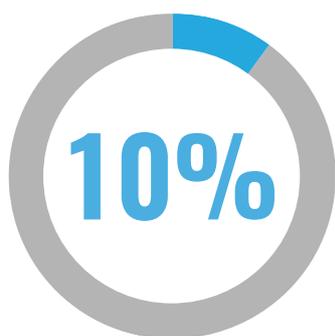
Regards

**The SER® Team**



# KEY FINDINGS FROM CONDUCTING OUR STEEL EFFICIENCY REVIEW® ON 1053 AUSTRALIAN STEEL BUSINESSES - RELEVANT TO REWORK

**REWORK** was considered to be a challenge for steel businesses serving diverse industries in Australia.



**105 clients from the 1053 completed Steel Efficiency Review® consultations, a total of 10% found opportunities to make improvements and savings in REWORK.**

These clients worked with our SER® consultants to jointly identify hidden REWORK wastes in their operations. Key SER® findings revealed the issues at hand with proposed solutions to provide step change improvements resulting in operational savings, greater efficiencies in production and overall profit improvement.

**REWORK** tends to pose major challenges with steel businesses involved in manufacturing, fabrication and building. Having a direct impact to the bottom line, quality defects resulting in rework or scrap are a tremendous cost to steel businesses. Associated costs include quarantining inventory, re-inspecting, rescheduling, and capacity loss. In many steel businesses the total cost of defects is often a significant percentage of total manufacturing cost. Through employee involvement and Continuous Improvement we have found there is a huge opportunity to reduce defects for our customers.

The Steel Efficiency Review® process recommends operations and productions teams to make what the customer wants driven by standard procedures and controlled by quality standards. This will help eliminate rework and all costs associated with having to correct repeating issues and faults.

With 1053 Steel Efficiency Review® consultations completed, we have found if you could eliminate or possibly reduce REWORK the savings would be straight back on your bottom line improving the profit in your business.

## COMMON CAUSES OF WASTE #7 - REWORK:

### » **Unclear Standards And Design Specifications**

Many operators will try to do the best job possible and will not always be aware of specific customer tolerances and requirements. They will often produce the end product and not identify the faults the customers will identify and not pay for. This causes rework and associated costs back to the business – needing to pick up the product, fix any issues or faults and then re-deliver.

### » **Non-Standardised Work Practices**

Unless steel businesses have standardised work practices then they will have differences in quality between shifts and people. This will allow for differing levels of quality and performance. Customers very quickly identify these differences - mostly "bad" and in most cases are not willing to pay for them either way. This causes rework and escalating costs to fix product faults and inconsistencies.

### » **Training And Culture**

If a steel business does not have a culture that empowers and makes operators confident enough to highlight problems and allow them to be solved, they often continue and make the best of a bad product rather than stopping to have it corrected. Training is critical to ensure we don't throw workers straight in at the deep end. Rewarding the wrong behaviours by paying for quantity rather than quality encourages workers to work as fast as possible with little thought to the consequences on the quality of the end product.

## 3 KEY RECOMMENDED SOLUTIONS – REWORK

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Utilising the Steel Efficiency Review® to better understand businesses serving diverse industries, our SER® consultants have recommended the following 3 key solutions to help with REWORK:



### 1. ENABLING 5S IN YOUR OPERATIONS

5S implementation with the use of Standard Operating Procedures to provide written instructions for all of your employees. These procedures will ensure the standardisation of methods across shifts and workers, combined with on the job training they are an highly effective way to improve the quality of your product as well as ensuring the reduction in REWORK.



### 2. MEASURING QUALITY AS DETERMINED BY THE CUSTOMER

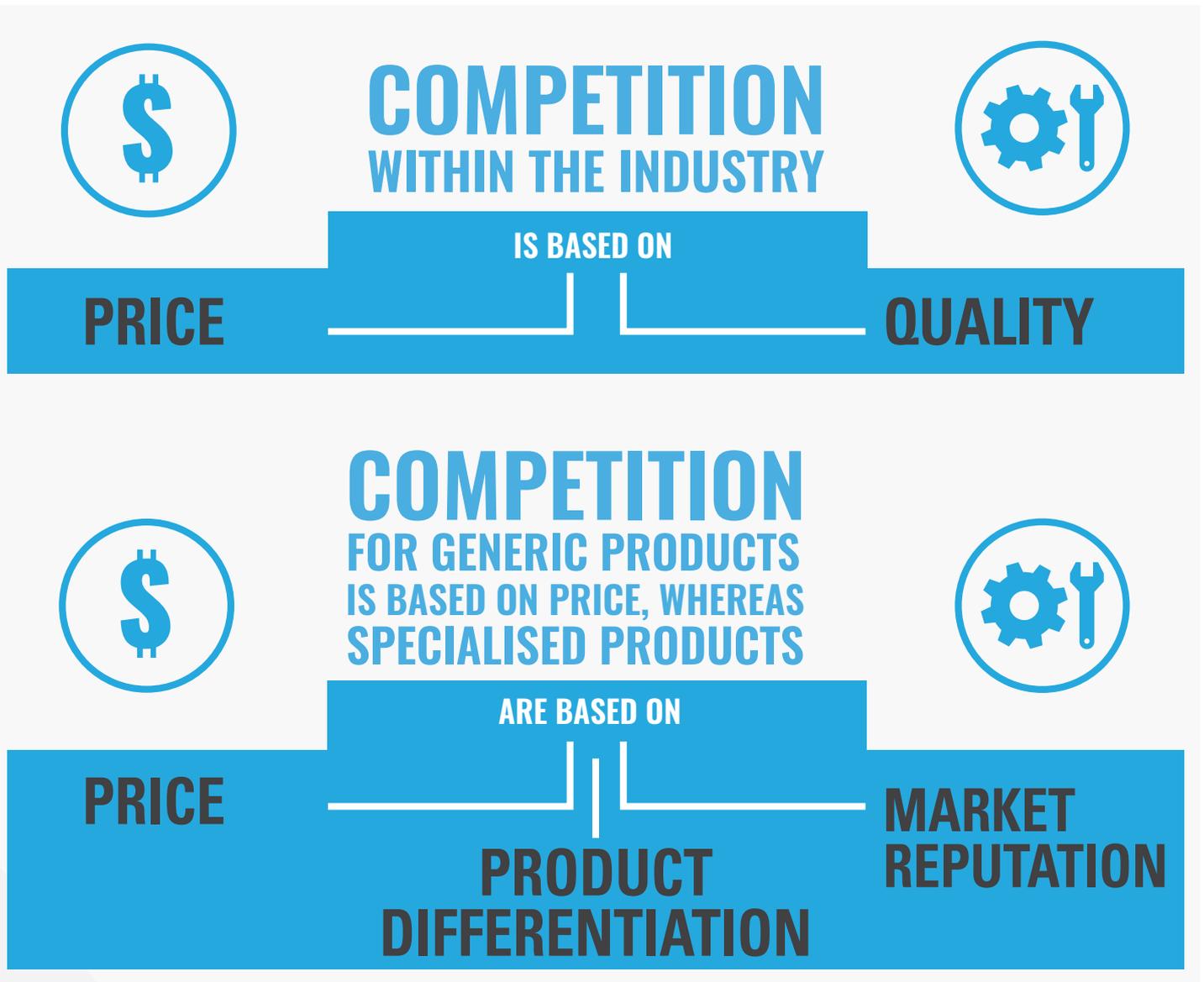
Implementing quality standards measured and determined by customer satisfaction and requirement. This will help with clarify specifications and acceptance standards by customers and projects – determining how to produce what's needed without adding the cost of REWORK.



### 3. MOVING TO A LEARNING CULTURE

Rewarding the right behaviours by paying for quality rather than quantity will encourage to work smarter and learn to improve processes and product quality. This will reduce REWORK and improve the likelihood of better products customers are willing to pay for and appreciate their value.

## WHAT ABOUT COMPETITIVE ADVANTAGE?



The first step is to identify the common causes of **REWORK** and realise that your business is actually doing it. We have uncovered when discussing our key findings from our Steel Efficiency Review® consultations with our customers, a common understanding is required to ensure we admit to the waste and want to find possible solutions to eliminate or reduce it.

Once we all understand the issues and challenges associated we can work together as supplier and buyer to recommend improvements. Keeping it simple is something we aspire to with our key findings and possible recommendations to ensure buy-in and implementation. Using simpler and easy to implement processes ensure our customers will first want to invest the time to change and reap the rewards in the long term.

Once some change is made and a recommendation has been implemented, business results start to follow. The recommended solution can be as simple as "Implementing quality standards

measured and determined by customer satisfaction and requirement. This will help with clarify specifications and acceptance standards by customers and projects – determining how to produce what's needed without adding the cost of Rework." (Recommended Solution #2)

In making this change, our customers not only eliminate or reduce **REWORK** but they start to put their own customers first and even highlight the causes of many other problems within processes that are hidden by this waste.

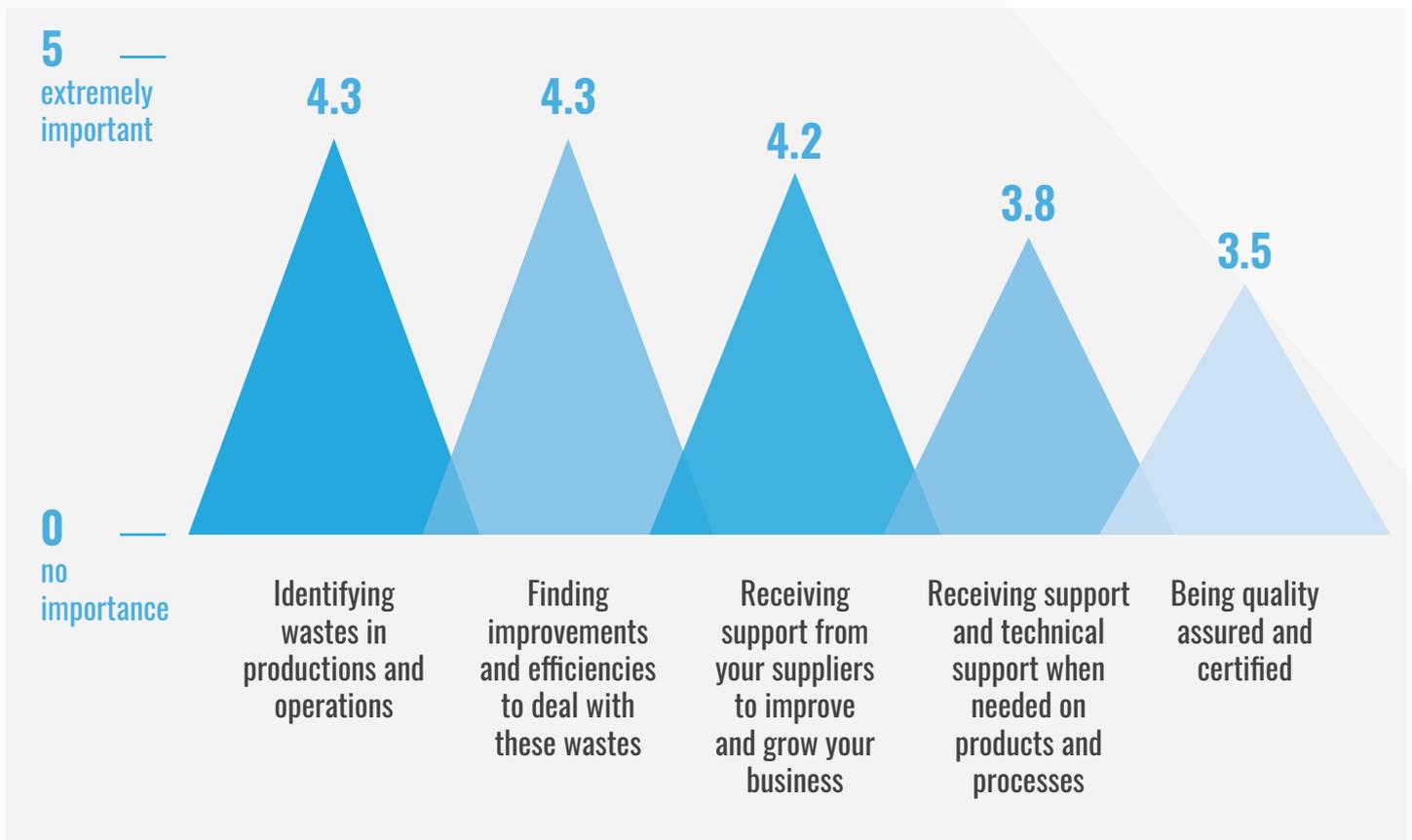
A competitive advantage starts to get built and can be very strong when customers start to experience a different and better offer, superior to others in the market. This then allows the right products to be produced based on customer demand. Add in a bit of customisation and expertise to develop specialised products – premiums can then be charged and more profit made.

# THE SER® CUSTOMER'S PERSPECTIVE SHINES THROUGH

It's clear when our customers are involved in the Steel Efficiency Review® they undertake a challenging role of looking at their business in a very different way.

They start to identify and examine wastes such as **REWORK** and try to understand the possible causes and drivers. They dig deeper and ask questions to determine possible solutions for improvement

With the help of their SER® consultant the findings are then tested further and possible recommendations are considered. And when we look at the importance of relationships with our customers as we work closely together to create win-win opportunities, it's quite clear that supporting each other along the way creates a long lasting partnership. When we asked our SER® customers how they would rate the importance of the following factors to their business – we found:



## THE SER® CUSTOMER EXPERIENCE DRIVES A STRONGER RELATIONSHIP

So when it comes down to it, what actually drives our SER® customers to want to make a change in their business? And what is the role of the SER® consultant at this point in the journey?

When we asked our customers what drove them to undertake the Steel Efficiency Review® they answered both these questions. They commented on “needing some support to work on their business - rather than in it”. They also mentioned they were after a “different point of view or perspective on their business”.

This was the role of the SER® consultant to first build comfort into the process and ultimately look for win-win opportunities for both customer and supplier. 7 years on our customers will remember these initial wins and continually look for more improvements in wastes such as REWORK to implement some change to produce great results.

# CONCLUSION

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The key findings from conducting 1053 Steel Efficiency Review® on Australian steel businesses relevant to Waste #7 – REWORK, show the need for:

## HIGH QUALITY STEEL PRODUCTS MADE WHEN NEEDED, DRIVEN BY CUSTOMER TOLERANCES AND SPECIFICATIONS.

When speaking to 1053 steel businesses involved in diverse industries nationwide, we concluded that it comes down 3 key solutions to help with REWORK:

- **ENABLING 5S IN YOUR OPERATIONS**
- **MEASURING QUALITY AS DETERMINED BY THE CUSTOMER**
- **MOVING TO A LEARNING CULTURE – REWARDING THE RIGHT BEHAVIOURS**

In implementing these recommendations, our customers not only eliminate or reduce REWORK but they start to put their own customers first and even highlight the causes of many other problems within processes that are hidden by this waste.

A competitive advantage starts to get built and can be very strong when customers start to experience a different and better offer, superior to others in the market. This then allows the right products to be produced based on customer demand. Add in a bit of customisation and expertise to develop specialised products – premiums can then be charged and more profit made.

We have found, our customers pursue the SER® as a vehicle to look at their business in a different way to make some small changes to reap big rewards. When we asked our customers what drove them to undertake the Steel Efficiency Review® they used words such as “fresh set of eyes” and “cost efficiencies” and “value” to determine their thinking behind their decision.

It's worth noting that product pricing was a considerable factor, mentioned by our customers more as the outcome rather than the deciding factor. This shows just how hard it is to build trust first, then get customer experience right - utilising the Steel Efficiency Review® process.

**STEEL EFFICIENCY**  
**REVIEW®**



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