ATN Business Sense
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Large and small businesses are now more actively than usual looking for ways to increase revenue and reduce costs. The managing directors of big businesses sometimes just virtually “decree” that specific costs be reduced by eliminating or cutting expenses, freezing salaries or terminating staff. That blunt approach can sometimes do more harm than good. For smaller businesses waste (cost) reduction can be harder to implement.

The best way to reduce waste (costs) is to conduct a waste audit as developed some years ago by Toyota. While they manufacture cars, the process they developed can be used by any business including service businesses such as transport operators. Toyota identified seven headings of waste.

The first is overproduction. Obviously producing more than can be sold is overproduction and wasteful. In transport businesses, using larger trucks or having a larger network than required is overproduction as is generating more paperwork such as more consignment notes than necessary.

The second is waiting such as excess waiting on pickups and deliveries; waiting longer than agreed terms for customers to pay and waiting on pallets to be transferred off a transport operator’s account.

The third waste is, ironically, transport. That includes unnecessary movement of goods. For a transport operator that could be unnecessary transporting of pallets or multiple trips to the same site in one day. A business once had to either send back a pickup truck which had passed a customer or send out another truck. It solved the problem by introducing a 50% higher rate for all same day pickups requested after 1pm. It told customers of the change and when a pickup was requested after 1pm they were reminded of the late same day pickup rate and the customer quickly changed the timing of their requests for pickups. It resulted in a win/win for both businesses.

The fourth waste is inappropriate processing. In transport, and any business that includes a more senior person than required undertaking a task. For example, a managing director doing jobs which should be done by a senior executive and so on down to menial tasks which should be done by less expensive people.

The fifth waste is excess inventory. That includes more trucks, pallets or other assets than necessary and even a larger overdraft facility than required. It never ceases to surprise the number of businesses which have surplus assets in the form of old or obsolete equipment. Unless an asset is required as backup, if it is surplus, it should be disposed of. Otherwise it is still costing through depreciation, repairs and maintenance, cost of funds, insurance and sometimes registration costs. Businesses can also have an excess inventory of people.

The sixth waste is motions. That is unnecessary or multiple handling of freight or paperwork. It can be office or depot layout involving unnecessary motions, walking, lifting, forklifting or other double-handling.

The seventh waste is defects. Small, medium and big mistakes occur with varying consequences. Many are relatively inexpensive but in a worse case, can destroy a business. Seemingly small mistakes such as omitting a street directory reference or correct pickup access details can snowball from smaller to larger waste and excess costs. Not keeping complete time sheet or similar records could lead to prosecution in circumstances where an employee or contractor is injured or killed.

With an awareness of the 7 Wastes identified by Toyota, what action are you going to take today to start to reduce or eliminate them?

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