

ATN Business Column
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Compassionate Cost Cutting

With the business cycle showing signs of improvement, care needs to be taken to prepare a sound base for the upturn. It is tempting and relatively easy but risky to indiscriminately slash expenses. Naturally expenses should be reviewed but they should be cut carefully and thoughtfully.

If you conclude you have excess staff, consider alternatives to retrenchments. One long established Australian business has been fair to itself and its employees by putting the whole firm on a nine day fortnight. Everyone from the chairman down is working nine days a fortnight and being paid accordingly. All people are on a rolling roster so Fridays and Mondays off are shared equally and swapping of rostered days off is not permitted. That way the business has a solid foundation to enable it to capitalise on the upturn when it blossoms.

If there is no alternative to retrenching people do it compassionately. Your people should be treated with dignity and respect and the way you would want to be treated. Carefully think through the messages you want to send. Make them consistent, positive and realistic. Keep your continuing people fully informed about how your business is performing. If you do not they will spend time wondering if they will be next! Consider getting some expert outside help on how to do it considerately and professionally.

When reviewing costs, operators should think about waste “excess costs” in the way Toyota have for many years. The 7 Wastes identified by Toyota are relevant to transport operators notwithstanding operators do not make anything.

The 1st waste is Overproduction. For example, transport operators over-produce when they use a vehicle with a larger capacity than required for the task. If more people are copied in on emails than necessary there is over production of emails. What other overproduction occurs in your business?

The 2nd waste is Waiting. We all know of waiting for pickups and deliveries and you should have in place processes to deal with them if they become excessive. Waiting for debtors outside your trading terms is another example of that waste.

The 3rd waste is Transporting. That is a trick one for a transport operator and there may be little waste in that area. However, it can still apply, for example unnecessary movements of freight or empty pallets around a depot or yard.

The 4th waste is Inappropriate Processing. That is very common and includes a senior person doing tasks which could be done by a more junior person. The managing director doing tasks which should be done by managers; managers doing tasks which should be done by staff and so on. It is more steps than necessary in a process. One

operator found recently there was multiple, non value adding handling of paperwork in their invoicing process. What instances of inappropriate processing are there in your business?

The 5th waste is Excess Inventory. For example, more equipment than needed, more pallets than necessary, cash on deposit which could be used to reduce debt, a \$1m overdraft facility when only \$800,000 is needed.

The 6th waste is Motions. That is ergonomics. Actions, like frequently walking across a room to reach a filing cabinet which, upon reflection, should be placed closer. Hand unloading freight which should be handled mechanically with a forklift or tailgate.

The 7th waste is Defects, otherwise known as mistakes. Every business has them and they include system failures, invoicing errors requiring the issue of credit notes, damaged freight, and misdirected freight and computer problems.

Why not list down your wastes under each category and put an estimated \$ value on each? The next step is to develop action plans to eliminate or drive them down.

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