***Managing costs: Waste***

I read a number of business books as part of my continuing development. The trouble is that some books on finance are turgid, but some stand out. One that stands out for me is J Liker’s book, [The Toyota Way](https://www.amazon.co.uk/Toyota-Way-Management-Principles-Manufacturer/dp/0071392319/ref=sr_1_2?ie=UTF8&qid=1520934851&sr=8-2&keywords=Liker%3A+The+Toyota+Way). Very readable and thought provoking, it looks at Toyota’s lean manufacturing principles.

**What is waste?**

Underlying Toyota’s principles is the concept of minimising waste, which Liker defines as all non value-adding activity. He lists Toyota’s 7 types of waste, and adds an eighth of his own:

* overproduction (producing things that customers don’t want or need)
* waiting
* unnecessary transport
* overprocessing
* excess inventory levels
* unnecessary movement (eg looking for things, moving things around to get what we want)
* defects
* unused employee creativity

Now I’m no expert in lean production, but these make immense sense to me in terms of cost management. They come out of a car manufacturing business, but are applicable to most organisations. They represent resources (either our peoples’ time, or “stuff” that we’ve paid for) that aren’t being used effectively. And from a cost management viewpoint, waste (in all its various forms) is a key area. If we can identify and reduce waste, we’re saving money, but not losing anything that we’ll miss.

**Where is the waste in our system?**

Although the 8 types of waste resonate in their simplicity, identifying where our own waste is, and then eliminating it, is difficult. It’s also sometimes hard to evaluate what is waste, and what is justified business common sense.

For example, when I run a workshop, I always print and take a spare copy of the workbook in case there’s an unexpected additional participant. Normally there’s a cancellation instead! But I want to be able to accommodate my clients’ last minute changes. However, 2 spare copies would be wasteful overproduction.

I often find myself looking for files on my computer, or documents or items in my office. That waste comes out of imperfect filing habits, although my computer filing is generally better than my physical filing! So our waste is driven by what we do, which is driven by our habits.

Unnecessary transport is an interesting one. When I run a workshop I always travel to the client’s venue. But I’ll often drive a long way for a meeting. Could I have those meetings by Skype or phone? Often, yes – but the client relationship is important, and face to face meetings are a vital part of relationship. But that’s my view: a 25 year old would have a different view about online meetings. So our background and our resulting judgments will affect our view of waste.

So when you try and identify waste in your system, be prepared for discussions about whether it’s waste, or whether it’s value-adding!

**Reducing waste**

We’ll never eliminate waste entirely. Some areas of waste will be so small that the cost of eradicating it outweighs the cost of the problem!

And other aspects of waste come from employing people rather than robots. People will chat to their colleagues – it’s human! And if we try and eliminate “wasteful” human contact (and toilet breaks and trips to the coffee machine), our reputation as an employer will suffer so much we’ll struggle to recruit and retain decent people.

But once we understand where our waste is, we can start to deal with it. My priority for addressing the waste would be:

* which areas are easiest to deal with?
* which areas cost us most money?
* what might the side effects of dealing with each issue be?

**How does this apply to you?**

There will definitely be waste in your organisation and your team. Much of it is things you’ve lived with all your time in the company. So it’s invisible, because you’re used to it. “That’s just how we do things round here.”

So our first problem is often just seeing the waste. The newest people in your team are often the most useful here, because they’re still new to the things you’ve become used to. And once your team understand that this isn’t about eliminating coffee breaks, but is about finding real practical ways of “working smarter, not harder”, they’ll be behind you too. And they’ll see some really wasteful things that they’ve always had to put up with!

There will be some interesting discussions about what’s “waste”, and what’s “good practice”. Remember, this is about reducing waste, not trying to eliminate it entirely!

And some of our waste will come out of individuals’ habits, and the habits of the organisation and other teams within it. Challenging and changing our habits is always difficult and painful.