

Hidden Wa\$te and the \$Million Dollar Report

by Gary King

"We must not, in trying to think about how we can make a big difference, ignore the small daily differences we can make which, over time, add up to big differences that we often cannot foresee."

—Marian Wright Edelman

In an effort to increase productivity and eliminate waste, I was asked by a Third Party Logistics (3PL) organization to facilitate a Task Analysis for one of their major CPG ("Consumer Packaged Goods") accounts. Although the CPG account had a reputation for requiring the creation of too many reports and having too many meetings, what our task analysis discovered as part of the brainstorming process between my team, 3PL Management, and CPG Executives, most would find unbelievable.

I assure you what I'm about to share with you is true—it really did happen.

Once we approached the portion of the Task Analysis which requires the listing of all work functions, my associates and I coached the 3PL and CPG participants in discovering the hidden waste that exists in most organizations.

It is referred to as "hidden waste" for the simple fact that it is rarely discovered unless you know what it is you are looking for. In other words, it doesn't fall under the same category of the kind of waste

you stumble over—like wasted materials, etc. Hidden waste falls under the category of non-value added work. This is work that in most cases can and should be reduced and/or eliminated—as it adds no direct value to the customer.

During our process of listing all current reports under the function heading, "Reports," with the goal of reducing their content, frequency, distribution, or eliminating them altogether, we came across one in particular that seemed to impact all the task analysis participants in one way or another.

This hidden waste required at least two hours of daily input and one hour review

from each of the twenty managers and their admin staff that represented four separate operating locations.

The report was initiated by one of our CPG executives a year and a half ago. This was distributed to five additional CPG executives ever since. It looked like it had potential so we decided to investigate.

We tried to locate and contact the originator of the year-and-a-half old report only to learn that he had retired a year earlier.

We then reached out to the five original CPG executives on the reports distribution list. One by one they confirmed that they received copies of the report, but since it really didn't pertain to their business group, they just electronically filed it away.

Further investigation into the purpose and intent of the report revealed that it was initiated as a corrective action to a major quality incident that had occurred back when the report was first generated over a year and a half ago. The report was to run for at least 90-days to monitor a change in a key process to ensure that the quality incident would not reoccur.

No one could recall a single reoccurrence but the report never went away. The initiator retired and, like clockwork, the report continued to live on as just something they were told they had to generate everyday and email off to the five CPG executives.

That report, the one we're talking about: Guess how much it cost the 3PL to produce? Or, I should say—cost the CPG client, being a cost-plus operation? Let's do some quick [conservative] calculations—

20 Managers at an hourly rate of \$50 = \$1,000/hr x 3 hours per day x 5 days x 52 weeks = \$780,000

8 Admins at an hourly rate of \$25 x 1 hour per day x 5 days x 52 weeks = \$52,000

Per 18 months = \$1.248 Million

It quickly became known as the "Million Dollar Report" and was eliminated. And this was just one example...we found many more...some originating from the CPG, others originating from the 3PL. Shame on the CPG, but more shame on the 3PL, they were supposed to be the Logistics experts.

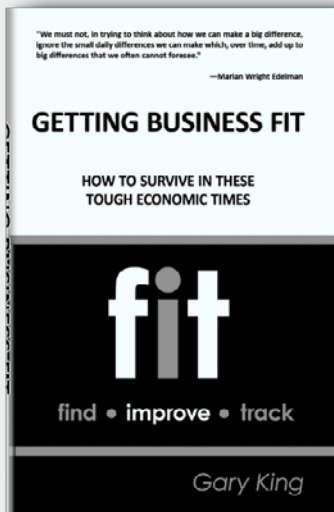
Following the discovery of the million dollar report, my team and I continued working with the 3PL and CPG executives to identify and quantify additional hidden waste. We reduced and eliminated several meeting requirements (both face-to-face and conference calls) which in turn reduced travel and entertainment costs. We looked at existing service contracts for custodial service, rug and uniform cleaning, corrugated recycling, telecommunications, and many more...and were able to renegotiate contract rates substantially reducing annual costs. We even found ways to conserve energy that led to substantial savings in Utilities.

So, borrowing from Marian Wright Edelman, don't underestimate the hidden opportunities in your organization...they can be a major contributor of waste and non-value work. Don't ignore the small daily differences you can make...they can amount to substantial cost savings and best practices.

For more information, please visit our website at: www.FitCert.com.

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Gary King's book is now under review with major universities for consideration as MBA required curriculum reading.



GETTING BUSINESS FIT, How to Survive in These Tough Economic Times by Gary King. iUniverse May 2009. \$13.95 Hardbound. ISBN: 9781440136689. \$6.00 eBook www.iUniverse.com



**ARE YOU
READY**

to roll up your sleeves & find the hidden waste that exists in your organization? Then take a few moments to view our website at: <http://www.fitcert.com> & complete our simple online Contact Us form & I will personally follow up with you.

Best Regards,
Gary King



GARY KING

Gary King is the founding partner of business fit associates and has over 25 years of experience working with businesses and organizations in both advisory and interim management roles. Industries served include commercial banking; manufacturing; transportation, warehousing, and distribution; retail; not-for-profits; health services; international trade; local municipalities; public administration; and public debt

financing.

In the consumer product industry, Mr. King has served companies with annual revenues of \$1 million to \$12 billion including Avon Products, Procter & Gamble, Kimberly Clark and Xerox to name

a few. In the third-party logistics and administration (3PL/3PA) arena he has served YRC Logistics, Meridian IQ Logistics and USF Logistics (and their clients) with global operating locations in 140+ countries.

In the public sector, Mr. King has served at the Federal, State, County, City and Village Government level.

In all capacities served, he has developed a strong reputation for his unique and direct "roll up his sleeves" approach to create value and engage individuals at all levels in efforts to identify and deliver reduced costs, increased efficiency and enhanced customer satisfaction and loyalty.

Mr. King is actively involved in several business groups and associations and has served as an educational ambassador for the American Cancer Society. He is a Veteran of the United States Air Force where he served as a Crew Member Load Master on the C-141 Starlifter and Crew Chief on F-105G and F-4 Jet Fighters.

Mr. King has been recognized internationally for his successes in pursuit of and delivering continuous process improvement. He has written featured articles appearing in various trade magazines and news publications, and has created a library of education, awareness and training curriculum. He is the noted Author of "Getting Business Fit - How to Survive in These Tough Economic Times" and his soon to be published sequel "Keeping Business Fit - Beyond the Recession."