

Waste not, want not

By [Therese Meyer](#)

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LUXEMBOURG / JOHANNESBURG, SA: Companies often blindly continue with existing practices just because they are the norm, rather than carefully deliberating how little they may actually contribute and how much money may be wasted in the process.



The hugely successful Toyota Production System (TPS) emerged as an antidote to unthinking waste, embodying the management philosophy and practices developed by the Japanese car manufacturer in the post-war era. Because of its pivotal role in the success of Toyota and other Japanese companies, TPS became highly influential throughout the organisational world, also spawning the closely related and well-known concept of lean manufacturing, which, when combined with the Six Sigma approach, saves large corporations billions of dollars each year.

One of the central objectives of the TPS was to eliminate what the Japanese called *muda*, a wasteful or futile activity that adds no value, but still consumes resources. The focus on *muda* heightened awareness of all the activities that companies routinely or blindly undertake without stopping to consider whether they could be performed more efficiently.

Intelligent attention to waste can potentially transform a company's fortunes. One study found that American firms that introduced "just-in-time" gained (on average) a 70% reduction in inventory, a 50% reduction in labour costs and an 80% reduction in space requirements over the following five years*.

Sixty years after TPS emerged, however, there is still much that can be done in the seemingly permanent war against organisational waste. In particular, it appears that one of the seven types of *muda* that were originally identified - the unnecessary movement of people - has still to be robustly confronted, with huge financial and human repercussions.

***Muda* and the modern economy**

While *muda* was developed with industrial production in mind, we can easily transfer its principles into the office environment, populated by white-collar knowledge workers, that increasingly dominates the modern world of work.

For example, we have the *muda* of overproduction. In Europe, each worker prints an average of 31 pages a day, seven of which were not even wanted, according to research by Lexmark, a printer manufacturer. Citigroup has estimated that it could save US\$700 000 a year and eliminate 76 tons of solid waste if every employee just saved only one sheet of paper per week by using duplex printing and copying.

On the other hand, there is the *muda* of over-processing. Take, for example, the issue of expense management. Many enterprises still use a manual, paper-based, method for administering expenses - filling out, printing and submitting a spreadsheet template. Others use a partially automated system or use disparate systems across the company.

According to the research company, Aberdeen Group, the cost of processing one report in a fully automated system (US\$15.1) is less than half of that in a manual system (US\$31.4). A large company, which administers around 5000 expense reports per month, therefore has the opportunity to save approximately US\$1 million each year by eliminating this over-processing. In addition to this direct cost saving, employees do not have to spend so much time filling in forms, and are freed for more productive activity.



Therese Meyer: Intelligent attention to waste can potentially transform a company's fortunes.

Waste of human potential

In past eras, the productivity of factory workers was likely to be closely related to the amount of time they spent by their machine. However, maximising the output of the knowledge worker is altogether more complex. The propensity for creative, original or logical thought depends not just on ability, but on a range of other factors, most notably the individual's engagement or motivation.

Statistics tell us that oceans of human potential remain unexploited, with dire financial consequences. The impact of this phenomenon on the efficiency and dynamism of the modern knowledge economy has resulted in many commentators adding a new category of *muda*, the "waste of unused talent".

The 2008 Towers Perrin Global Workforce Study looked at 50 global companies over a one-year period, correlating their employee engagement levels with financial results. The study found that companies with high employee engagement had a 19% increase in operating income, whereas companies with low levels of engagement saw a drop of more than 32%.

Factory mentality

The *muda* of the unnecessary movement can be easily seen in how companies work.

Mobile technology and secure virtual networks now allow most work to be performed remotely. Consequently, workers should be able to avoid commuting, achieve a more satisfactory work-life balance, travel only to essential meetings, and use flexible workspaces near to home or at mutually convenient locations for individual or group activities. Thanks to mobile this type of workplace is now thoroughly achievable.

Regus research in early 2011 surveyed over 17 000 businesses around the world and found that over 80% of companies allow workers to some form of flexibility over when and where they work. However, a significant proportion of 48% restrict this to senior managers.

"Companies currently have an administrative relationship with their workers," says Jean Gomes, chairman of The Energy Project Europe. "But they don't give people what they want - autonomy and accountability. Senior managers pay for engagement surveys and make superficial adjustments, but they don't really believe in people. If they did, they would fundamentally change the way they operate."

Space *muda*

The reliance on traditional workplace structures also leads to more obvious and measurable waste. Around the world, corporate real estate portfolios are filled with office space that is under-occupied.

A Regus-commissioned study from 2010 reached conservative estimates on the underutilisation of office space in various markets. It found that 38% of this space is at any single moment not utilised. The cost of this under-occupancy ranges from US\$8 billion in the UK and France, up to more than US\$70 billion in China. In between these two extremes lie Germany (US\$13 billion), Japan (US\$30 billion), India (US\$44 billion) and the USA (US\$51 billion).

Several factors contribute to this massive waste of office space. Although downsizing after the recent economic downturn has exacerbated the problem, fundamental structural changes to working arrangements are the predominant cause.

These include an increased use of part-time and freelance staff, outsourcing and offshoring of non-core functions and technology-enabled virtual work. The steady growth of all of these developments makes flexible office arrangements an increasingly necessary antidote to waste, as some, more forward-looking, companies have understood.

Long-term property lease commitments and a fixed approach to work, on the other hand, prevent an agile response to changing circumstance, and lead to *muda* that not only saps resources but is also largely avoidable. In a corporate world

that prides itself on the ability to tackle obvious examples of unnecessary cost, a particularly essential process after the global financial crisis, underutilised and continually emptying offices appear an atavistic anomaly.

A great opportunity exists for companies to kill two birds with one stone - to cut large-scale costs, while at the same time signalling to its workforce that it has finally adapted to a changing economy, and a different breed of worker. Moving the *muda* of unnecessary waste to the dustbin of history is now surely long overdue.

*Russell, R.S. and Taylor, B.W., *Operations Management*, 4th ed, Prentice Hall, 2003

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