

## Waste

### Visible – Invisible and the cost of Energy

When the economy is booming organizations quickly begin to overlook the waste that they are generating. The organization stays laser focused on producing sufficient goods to satisfy the customer demands on time.

We have spoke about the typical wastes that exist in every organization, how to identify them, categorize them and eventually eliminate them ...

- D**efects [Corrections] | *incomplete files, rework data entry errors*
- O**verproduction | *printing paperwork too soon or too often*
- W**aiting | *system downtime or response, seeking supervisor, approvals*
- N**ot fully utilizing people | *limited decision making, tasks*
- T**ransport | *excessive attachments, multiple hand-offs, approvals*
- I**nventory | *filled "in" boxes, batch processing*
- M**otion | *walking for paperwork or materials other office areas*
- E**xcessive processing | *multiple re-entering data, extra copies*
- U**n-actionable information systems | *redundant tracking*

But also we have both Visible and Invisible wastes ...



Where Lean Thoughts can become Reality

*"Unless you try to do something beyond what you have already mastered, you will never grow."*

Ronald. E. Osborn

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Let us explore those Invisible wastes a little deeper ...

In many cases Wastes are glossed over simply as a cost of doing business.

In many cases the cost of the waste is calculated through re-work or scrap costs. In the majority of cases these costs are calculated as an impact to the business by calculating the cost incurred of invested labor and materials.

However the impact is far greater ... especially in these time of capacity constraints. You need to calculate the impact of lost capacity and a very hidden waste ... energy !!

Energy has never been on my radar screen as a hidden cost since it is typically masked within my overhead rates of running equipment but now with the advent of Carbon Tax energy costs are now becoming a significant driver of costing models. In past issues we have discussed the cost that air leaks can have on your energy budget and that time spent with a simple wrench inside a quiet plant can save you some serious dollars by using our Air Leak Calculator ...

### [Air-Leak-Calculator](#)

We are in discussion with David Arkeell of 360 Energy about the linkage between Energy Costs and the power of embracing Lean Methodologies to help companies lower overall costs to produce by making Energy Costs more visible to every person within the organization.

However, I also ask that you start to calculate your wastes in a different manner ... namely as lost sales. Organizations invest heavily in order to gain a new customer or a new order and these need to be cherished since this becomes the life blood of your organization.

In most cases, organizations hope that after the investment of labor, material and overhead costs that they will manage to have a profit of 10% or 10 cents of every dollar sold.

If we express our waste and rework cost as 10 cents ... it does not have a real visual impact or create a sense of urgency to correct. But if we then express the situation of dollars of sales lost it will become a much larger number which should attract significant interest to improve the situation.

I applaud companies that are in pursuit of zero land-fill contributions but they still may have significant internal rework expense ... so the pursuit of the Perfect Process should remain a prime focus.

I would also challenge every organization to calculate your carbon foot-print and how you can reduce or become a negative contributor ... future generations are counting on our action !!!

**Richard Kunst**

President and CEO

Tel: 519 651 2341 E-mail: [rkunst@kunstofsolutions.com](mailto:rkunst@kunstofsolutions.com)

Web: [www.kunstofsolutions.com](http://www.kunstofsolutions.com)