



Maximum PIE - Winning in Business



***Happily Maximizing Profit in a Small or
Medium-Sized Company***



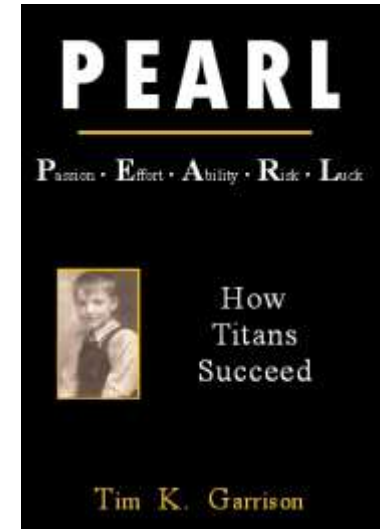
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Sources

The source material for this presentation comes from:

- * My 5th book, P.E.A.R.L., which includes a bibliography of 60+ books on success.
- * Success consulting with 30+ companies, including national and international work with True North Development, a Detroit-based global lean consultant.
- * Battle grime from starting up and running successful construction, consulting, and software companies.
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Part 6



Minimize Expense

Copy

How Do We Minimize Expenses?

The second part of optimizing $P=I-E$ is minimizing expenses.

There is bigtime opportunity for **ANY** company here.

How can I be so confident in saying “ANY” company? Surely we are already doing everything possible to minimize expenses – right?



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Competition is the keen cutting
edge of business, always shaving
away at costs.

Henry Ford

What is “Lean”?

Minimize Expenses - Lean

Lean means eliminating waste. Waste is defined as anything a customer won't willingly pay for.

In engineering, concealed wood, concrete, and steel that will never see load is waste. *Every single house and commercial building in existence has a lot of this.*

In house construction there are a million ways to be wasteful: odd-sized rooms that don't accommodate full sheets of drywall, carpet, etc.; electrical or mechanical systems located that require long runs; too steep roof pitch; corners and wall offsets; siting the house too low or too high; unwanted trim, windows, doors. etc.

*Is Lean a "gaping fissure" or
"thousand little cracks" issue?*



Lean

Lean is almost always a “thousand little cracks” sort of thing.

No single item will break the bank but add them up and they’re darned significant.



- *Your examples of waste?*
- *How does this happen?*

Lean

Waste happens:

- When people are lazy.
- When people are uninformed.
- When people are arrogant.
- Sometimes by accident.



What are the remedies for each of the above?

Lean

Lazy people either: 1) Do not adhere to our TQI culture; or 2) Are actually not so much lazy as mismanaged.

Misinformed people have not been properly taught, taught, taught.

Arrogant people just don't care. If they're on our team they're probably a low 2 or a 3.

Accidents happen, true enough. However, **many** are avoidable with proper people, planning and preparation, which are *management issues*.

Let's be resourceful, not wasteful.

Resourcefulness

- Resourcefulness vs. Wastefulness

Finding practical uses for that which others would overlook or discard

What do you think is the No. 1 waste issue for construction companies?

Minimize Expense – No Wasted Trips

Wasted trips are the no. 1 inefficiency with builders, trades, and suppliers.

- *Is this a problem with us?*
- *What's our no. 1 inefficiency?*
- *How much does a wasted trip **really** cost?*



Wasted Trips

Research has shown that one wasted trip costs around \$150 - \$350 depending on how many workers are affected, how far the trip, traffic, what else didn't get done, etc.

How many wasted trips do we have per day? Per week? Per year? If we average 2 wasted trips per week, at \$200 each, that's over \$20,000 per year in **profit** that we might as well set a match to.

What is the remedy?



Wasted Trips

The remedy is simple: Plan. Time spent planning is time well-spent. Remember, mistakes cost *at least 5x*.

Failing to plan is planning to fail.

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What's the No. 2 waste with builders?



Minimize Expense – Minimize Dumpsters

The No. 2 inefficiency with builders, trades, and suppliers is what winds up in dumpsters.

List four costs associated with material waste.



Minimize Dumpsters

Material waste is costly on several fronts:

- Material that was paid for did not get used.
- Paying someone to load it up (direct and opportunity costs.)
- Paying someone to haul it away.
- Dump fees.
- Environmental cost.

- *What about human inefficiency? IE wasted time?*
- *How does that happen?*

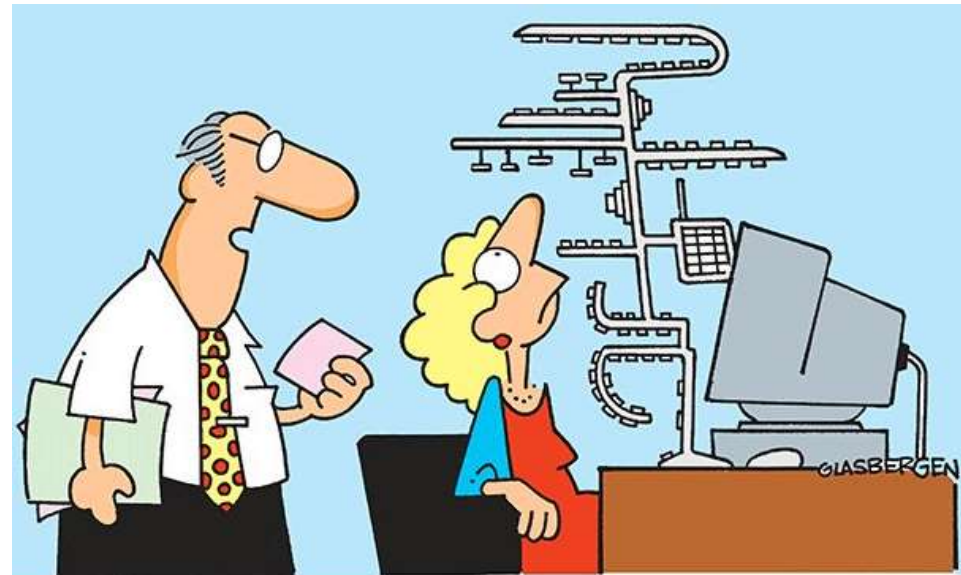


Minimize Expense – Maximize Human Efficiency

Humans become inefficient when:

- They don't have enough to do.
- They don't have a good plan.
- They don't have the right tools, software, equipment.
- They don't have the right knowledge / experience. This can cut both directions (underqualified and overqualified.)
- They don't have the right physical attributes.

- *Specific examples in our company?*
- *Remedy?*



“It’s an ergonomic keyboard. Once you learn how to use it, it will increase your speed by six percent!”

Maximize Efficiency

At least 95% of human inefficiency is a *management problem*.

We need to resist the temptation to “blow and go!”
Slow down. Make sure first.

Efficiency demands everything we’ve talked about up to this point.

