

Saved Time, Saved Value: Impacting Employee Contributions Across the Organization

Celerant Consulting's 2010 Workforce Impactability Study

A changing of the guard

The global business community is in the midst of a seismic shift that could significantly reshape the way companies operate across all industries. Economic and demographic realities are ushering in a changing of the guard from a financial and geographic perspective, with countries like China taking the lead and traditional Western powerhouses adapting to keep pace. This shift began in earnest several years ago with the re-alignment of financial markets worldwide. As businesses struggled to adapt to economic pressures, movements in global manufacturing locations, and changes in inventory and supply chain demands, making the most out of existing infrastructure became and remains, the highest priority.

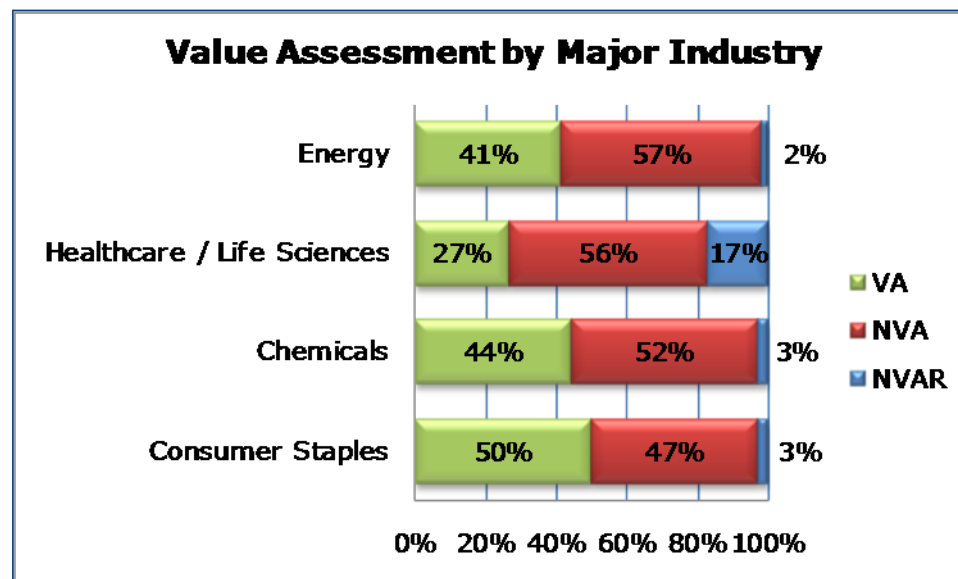
Employing more efficient levers

While reducing headcount is a common path, leaders sometimes underestimate the debilitating consequences of mass and sudden downsizing. Management can put the company in a better position by instead focusing on impactability: employing more efficient levers that increase the value of workforce productivity with no capital investment.

Value-add vs. Non value-add

The Celerant Consulting Workforce Impactability Study takes a deeper look into where workforce efforts can be most effectively influenced. Covering the period from 2007 to 2009, one of the most critical business cycles in recent history, the study analyzed direct activities of operators and supervisors on a day to day basis. After assessing 11,000 work hours of 208 subjects, common themes quickly emerged through the comparison of time spent on activities that add no value to the sale price of a company's products or services (non-value add, or "NVA") with those that do in fact add value to the process and final price (value-add, or "VA"). A third category was also considered, as some time must be attributed to activities that are "non-value adding but required" (NVAR), such as employee breaks.

Figure 1:



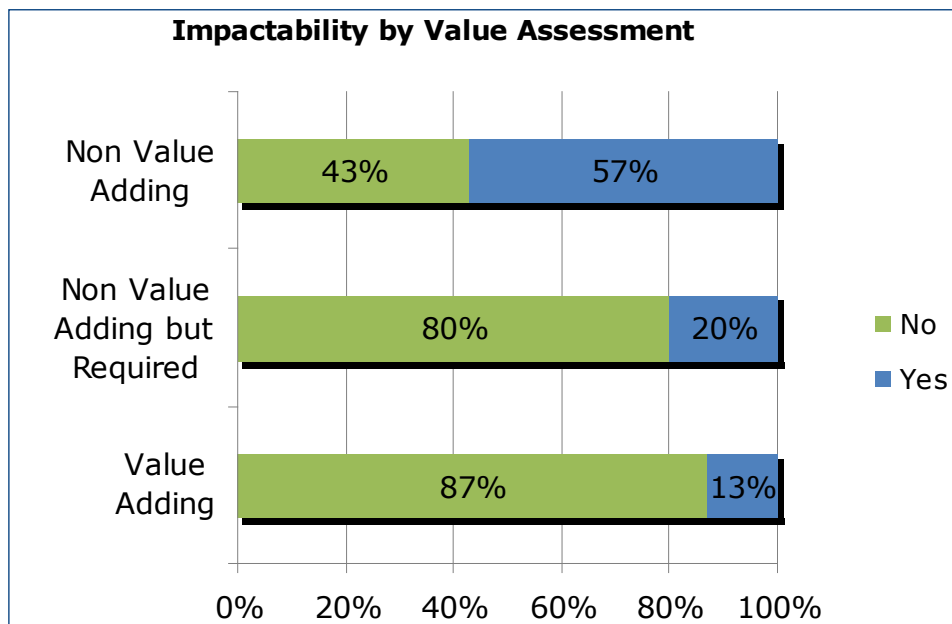
Across all four industries surveyed – Energy, Chemicals, Healthcare, and Consumer Staples – the Impactability Study revealed a similar pattern of inefficiency (Fig. 1). Value-add activity accounted for 50 percent or less of time spent on the job, leaving significant room for improvement. Although areas such as Healthcare and Chemicals are to some extent exposed to greater bureaucratic hurdles that direct more hours to approval processes, there is no question that each industry can reduce costs by refocusing the organization’s workforce.

Indeed, the results underscored the concept that having high quality talent does not automatically ensure the success of any business. Equal emphasis must be placed on training personnel and improving organizational processes to create a sustainably profitable business climate. Amidst an urgent call for streamlined liquidity, effective deployment of resources can ensure that capable and motivated talent are productive and are putting their full potential to work for the company.

Improved process, improved operations

In broad strokes, the study findings demonstrate a clear need for companies to increase the utilization of their existing workforces to improve operations, decrease monetary waste, and win the war against diminishing returns. The breakdown in time spent by operators and supervisors (Figure 2) shows that employee time at work is quite simply not being fully optimized. Surprisingly, the majority of all participants’ time is comprised of non-value adding activities, a fact that could prove devastating in an era of thin margins.

Figure 2:



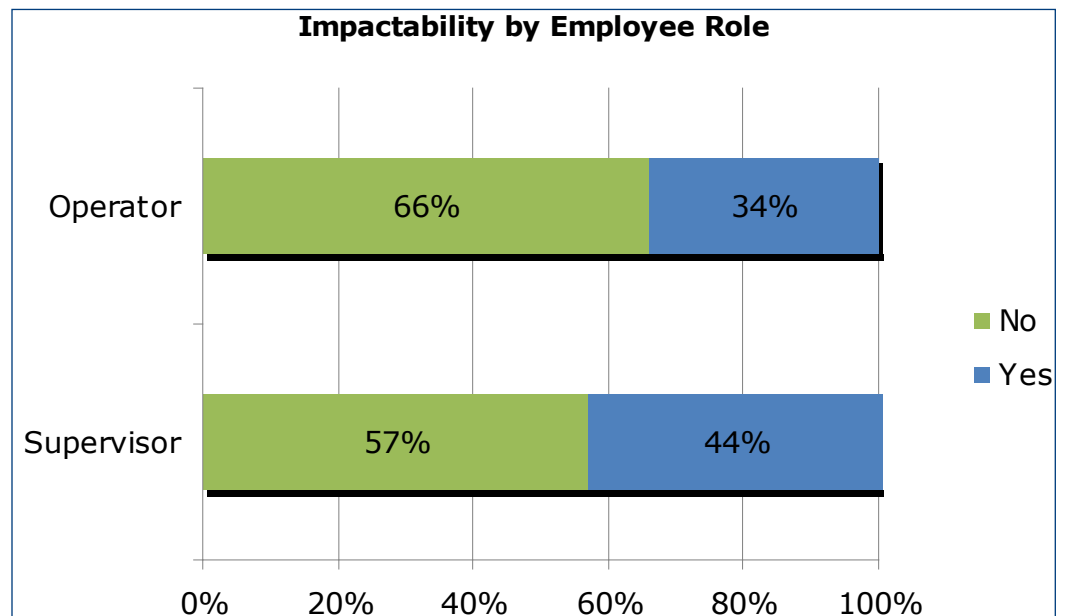
The level of NVA activity is high, but it is encouraging to note that much of that waste is impactable. Time spent correcting human error, attending unnecessary or poorly organized meetings, traveling, and awaiting developments or approvals before taking next steps can be condensed or eliminated with the right processes in place. Consider three key areas that lend themselves to improvement:

1. Extracting more value out of supervisors

Results showed that operators generate a stunning 50 percent more value than supervisors. Much of this is attributable to the fact that operators are in the trenches, and very little of their time is spent away from product development and delivery. Even so, that separation in NVA means that operators are 5.43 times more likely than supervisors to be participating in focused, value-adding tasks.

It is encouraging, however, that 43.5 percent of a supervisor's daily work load can be effectively impacted, according to the study (Figure 3). Companies should take a closer look at supervisory activities to determine which portions of the day can be altered to make more effective use of their time. This means examining specific roles and ensuring that the right employees are performing the right tasks; loosely defined roles, undefined expectations, and ineffective practices create a chaotic and frustrating daily work experience with a great deal of lost time. Implementing a simple architecture with clear accountabilities is the first step in breaking this cycle, and each new role must be aligned with measurable expectations and supported with the tools necessary to achieve them.

Figure 3:



2. Getting it right the first time

The root cause of rework is generally human error, the single most wasteful activity [See Figure 4] and also the most impactable. Correctly performing assigned tasks saves a tremendous amount of time and resources: no product is lost, no post-mortem is necessary to determine where the process broke down, and perhaps most importantly, related elements of the organization can move forward uninterrupted.

Putting management control processes in place that open up communication is one step towards limiting rework. By getting the right information to the right people in a timely fashion, leaders are better equipped to make decisions that drive towards continuous improvement.

3. Promoting a greater end-to-end understanding of the organization

Throughout the study, NVA issues became more prevalent the further the employees were from the point of contact with the customer, an indication that a greater focus on the organization from end-to-end is necessary. This is especially common among companies that operate in silos, which calls for a focus on departmental performance instead of effectiveness across the organization.

Such a lack of unilateral cohesion brings greater risk not only for errors, but for errors that often go unchecked until they have set back every part of the operation. A holistic perspective and processes will allow management to make the right decisions, will help to improve communication, and will reduce the negative effects of errors from one department to the next.

In addition, a team that understands its contributions and feels connected to the entire business is more motivated to deliver results. By infusing employees with more information about how their activities result in a better company, leaders arm their workforce with valuable operational knowledge and leave them with greater satisfaction surrounding day to day activities.

Immediate benefits are within reach

Enacting change to impact NVA activities will substantially improve processes while reducing short term costs. Consider that the typical operator observed during the study had an average day comprised of 49 percent NVA activities. Assuming an annual salary of \$50,000 USD (\$24.04 USD per hour), the survey indicates that 3.92 hours of a standard 8 hour day or 2.45 days per week are being spent on NVA activity, resulting in an average employer cost of \$24,501 USD per employee on an annual basis. However, 56.6 percent of the NVA activity of operators is impactable, which translates into savings of \$13,867 USD annually per operator.

The amount of potential savings per operator is essential for a variety of reasons. If NVAs are impacted, employees will have valuable time added to their work days that will increase output and decrease the burden on the reduced remaining workforce. And of course that directly affects the bottom line. Extrapolate that annual savings of \$13,987 USD per operator across an organization of 10,000 operators, and companies stand to save over \$100 million USD per year.

Given this information, it is striking that in a separate 2009 report from the Economist Intelligence Unit and Celerant (The Burning Platform: How companies are managing change in a recession), only 22 percent of the 500 executives surveyed indicated that they implemented a change in business processes to offset the effects of the down economy. The report also found that 54 percent reduced headcount before trying to create efficiencies in their processes.

Findings from both studies highlight the importance of having a sustainable business strategy in place that will create short-term financial results while propelling the organization to long-term success. Altering processes to support this strategy often calls for a concerted change management effort, an initiative whose success rests with communication, measurement and accountability. Winning the hearts and minds of the entire organization is crucial, and companies can take three key steps to promote buy-in, foster positive change, and create a sense of unity.

1. Articulate a vision

Drafting and disseminating a clearly articulated vision are the first steps to harnessing the enthusiasm of the workforce. Executives should draft a statement that communicates the urgency of the situation, the financial ramifications, the need for change, and how it will impact the company. That statement should be filtered into all communications via corporate emails, town hall meetings, and everyday interaction from the ground floor to the boardroom.

2. Share ownership, establish financial Key Performance Indicators

Fostering a sense of ownership is crucial to the adoption of change throughout a company. Teams perform best when they have a personal stake in the outcome, a situation that is created when they have a full understanding of their goals and are given the opportunity to craft the strategy themselves.

Executives and managers should assign a tangible goal or Key Performance Indicator (KPI) that puts the financial impact of their duties into perspective. For example, when demand is expected to slow in the near-term, controlled ramp-up goals can be framed in the context of the financial effect on the company. Performance can be gauged on overage and translated into dollar values that drive home the idea that work at the front lines is directly tied to the success of the business.

With KPIs outlined, front line teams should also enjoy autonomy to investigate the best path to reach them. This approach spreads risk, intellectual investment, and ultimately confidence in the process, and by design it encourages teams to test their theories and discover what works and what needs redirection.

3. Monitor and communicate progress to encourage ongoing buy-in

Results and ownership are extremely effective motivators, especially across concentric circles of team players. However, the rest of the organization must also be kept up to speed on how the vision is being achieved.

Keeping a close eye on results is key to this effort. An executive steering team should be established to review progress and break down barriers for teams on a monthly basis. In addition, a project management team should meet weekly to measure results of the change program and report to the steering committee. Their findings and the company’s progress should be regularly reported from the beginning of initiatives via internal newsletters, emails, Town Halls, conference calls, and bulletin board material that displays quantifiable goals and illustrative charts and graphs. In addition to being information conduits, these vehicles provide a platform to personalize the process by identifying teams, names and faces.

Change is a difficult undertaking, but the results of Celerant’s 2010 Workforce Impactability Study demonstrate an urgent need for many companies. In that sense, the current environment brings with it the opportunity to make valuable, sustainable changes, and it begins with a clearer understanding of workforce efficiency, how operations are conducted from the ground floor to the boardroom, and where the most impact can be made for the benefit of the business.

Figure 4:

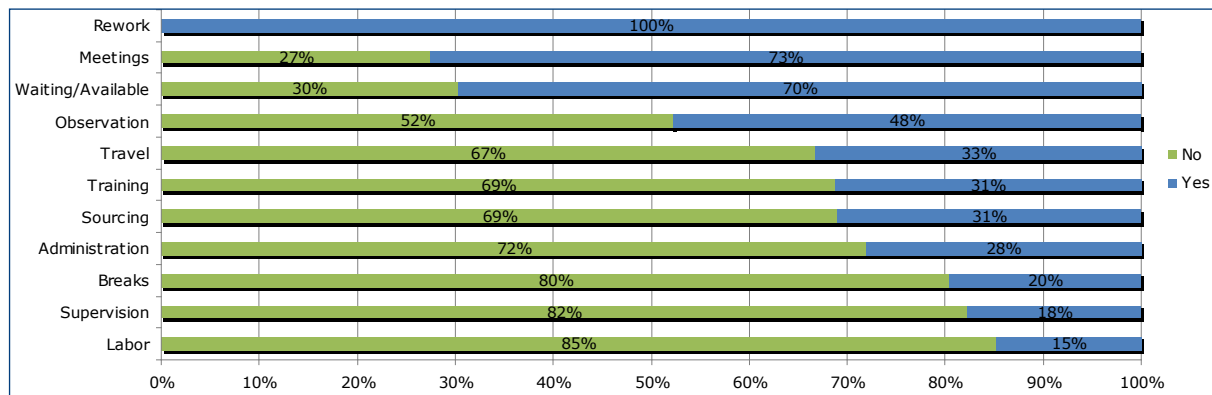


Figure 4 Guide:

- Rework refers to time spent correcting errors
- Waiting/ Available is often impactable as value-add activities could be performed during that time
- Travel refers primarily to onsite travel
- Sourcing refers to locating resources (people, materials, information)
- Meetings have a high level of impactability due to a common lack of organization and process



About the Author

Matthew Marciniak, Director of Strategy and Business Development

Matthew Marciniak has nine years of experience in the manufacturing and packaging industries. He has held multiple roles in operations, sales and marketing. Matthew has also worked in many areas that include developing customized business intelligence systems, creating proprietary pricing models, and being the commercial lead for ERP implementations. Matthew served in the US Army holding various leadership roles.

Prior to joining Celerant Consulting, Matthew held the position of Director of Marketing at Reynolds Flexible Packaging, creating and managing the lead-to-quote and quote-to-cash commercial processes. Matthew also worked in multiple roles for Alcoa as technical sales representative, customer service manager, engineering department manager, and product manager.

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