

The Value-Adding Workforce: Creating Savings Without The Pain Of Restructuring

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The global business environment has been reshaped over the past several years, with companies across all industries either falling to the financial crisis or adapting to new conditions. Especially during the early stages of the credit crunch, leading players often responded by identifying cost-cutting opportunities and too often dove directly into restructuring staff to provide quick relief to the bottom line.

But according to a recent study on how the workforce can be impacted to improve efficiency, a startling amount of positive momentum can be gained by keeping existing resources mainly intact and instead focusing on their routines. Celerant Consulting's Workforce Impactability Study found that in industries such as chemicals, energy, health care, and consumer goods, nearly 50 percent of employee time is spent on non-value adding activities. For typical large companies, reducing that waste can save millions of dollars on the bottom line while avoiding the negative cultural effects that accompany mass layoffs.

From 2007 to 2009, one of the most critical business cycles in history, Celerant analyzed the day-to-day activities of more than 200 managers and operators. Astonishingly, less than half of the 11,000+ man-hours observed were spent on activities that add value to the sale price of the end product or service.

Value Over Rework

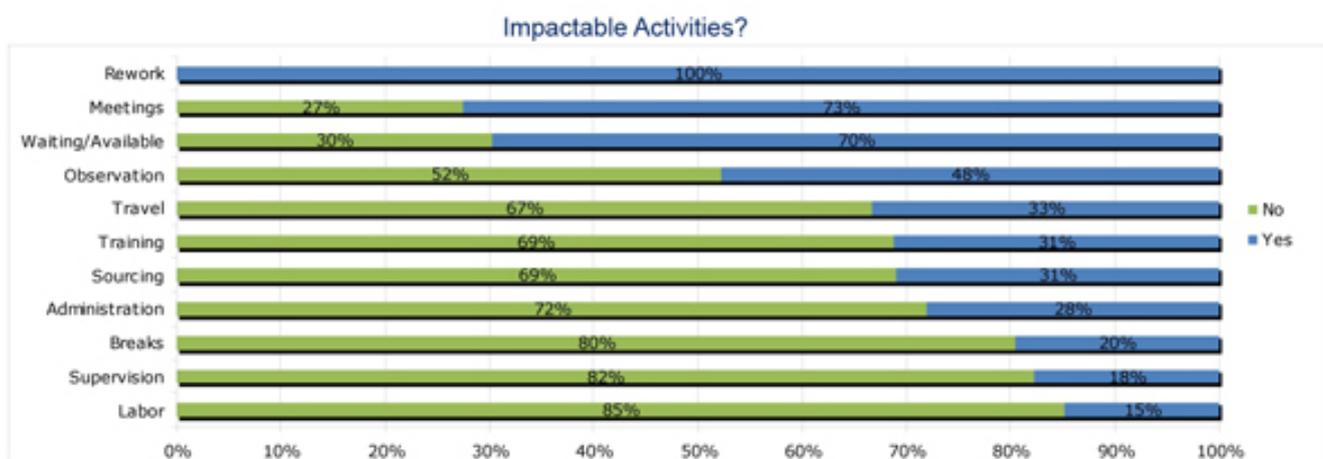
Several areas in particular lend themselves to improvement. Firstly, supervisors can contribute significantly more value. These managers are five times less likely than operators to be focused on value-adding activities; on a positive note, their non-value-adding time is significantly more impactable than that of operators. In fact, the further away an employee is from contact with the customer, the more likely it is that their activities are non-value-adding. Daily supervisory activities, roles, expectations, and practices should all be examined with an eye towards finding more effective uses of time. Something as simple as making sure the right employee is performing the right task can save a great deal of time and make for a more orderly and rewarding workday.

Secondly, the issue of rework is a major factor in non-value-adding time, but it is also 100 percent impactable. By correctly performing tasks the first time around, companies can save an enormous amount through a reduction of lost product and time.

Impacting workforce activities can generate enormous leaps in performance and savings, but change must be approached methodically and with a long term vision in mind. Companies taking steps towards sustainable improvements should begin by considering just how deeply change will affect the organization—especially the day to day tasks and motivation for workers at every level of infrastructure.

Particularly for companies that operate in silos, a greater end-to-end understanding of how the entire organization functions will help reduce errors and thus rework. It will also result in errors being caught earlier in the process, where they are less likely to halt the entire operation.

Infusing the workforce with information about how their contributions affect the entire enterprise will also increase job satisfaction. A team that feels informed and connected will be more inspired to deliver results. Not only will this help increase production per employee, it will also help to win the hearts and minds of the employees charged with spearheading the change program.



Future Changes

A crucial early step is the design and dissemination of the company's vision for the

future. Change will rarely be accepted without a well articulated reason and an assertion that improvement on a personal and a corporate level is within reach. E-mails, newsletters, and everyday interactions should all emphasize that this is the direction the company is moving, and also explain why it is important.

Including all stakeholders in the creation of the vision will reinforce that they all have a voice, and will help ensure that those on the front lines are invested in fulfilling the change mandate. Giving them a say in the early stages will also highlight the urgency of the situation, the financial ramifications, the need for change, and how their actions will have an impact on the bottom line.

On a tactical level, keeping tabs on progress is key to staying on track. An executive steering committee should closely monitor progress towards these goals and take the lead on breaking down barriers that stand in the way. At the same time, smaller project management teams should meet weekly to measure results and report to the steering committee. Regular feedback and reports from both groups to workers will help maintain continued buy-in and forward momentum.

These types of coordinated activities can produce an energized and cost-effective enterprise. Consider that the typical operator in the Impactability Study spent a cumulative total of 2.45 days each week on activities that did not add value. Assuming an average salary of \$50,000, this equates to \$24,501 per annum in waste. Not all of this time is impactable, but large companies that make the right adjustments to focus more of this time on value adding activities can realize savings well over \$100 million per year without a single layoff and with no capital investment.

The level of non-value-adding activity uncovered in the study may be alarming to many corporate leaders, but it is encouraging to recognize that improvement can be achieved. From the shop floor to the boardroom, opportunities abound to make better and more efficient use of existing infrastructure and human resources. Though it will require a concerted, company-wide effort, businesses that refocus workforce energies and attention on value-added activities will benefit from savings and be put on a path to long-term success.

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