

How To 'Bank' Those Elusive Efficiency Improvement Benefits

If you've ever gone through an efficiency improvement effort of any significance that included staff reduction and lower operating expenses as major deliverables, you know how difficult it is to actually capture those savings and see it in the bottom line. No doubt, the changes did speed processing and improved work quality. It's likely that they improved service to your customers as well. Yet, when the accounting was done and growth was eliminated as the cause, no expense improvement could be identified. Sound familiar? Don't you just hate it when that happens?

Because so many companies share this pain, you'd think that, long ago, someone would have developed an effective preventative. One that doesn't allow mysterious, new and unaccounted for work to consume the resources that should have been freed, or one that doesn't allow them to be diverted to other duties that for some reason now require more. Yet, we allow these things to happen all the time. And there is a preventative.

Just imagine knowing how much time it takes currently to perform each and every duty in the unit or department you want to improve – be it setting up and issuing a policy, processing an amendment...or paying a claim. If you knew that and the annual volume of work that has to be done, you could account for the current number of people in the unit with a high degree of precision. Then, imagine knowing the time impact of the improvements you want to make and the resulting effect they have on staffing needs. WOW, if you knew these two things, you could effectively close the door to any slippage that might otherwise occur. There wouldn't be any mysterious new work. It would all be accounted for. And there wouldn't be any justifiable need to reallocate staff to other duties. That need would be accounted for too!

Well, you can have this kind of information by developing "current" and "future-state" staffing models. (You may recall we've talked about staffing models in earlier articles) A current-state model creates a staffing benchmark. It does this by accounting for everything that has to be done (the current way) and the number of people needed to do it. Its future-state counterpart models the way work will be done after the improvements have been implemented and the staff needed to do it. The difference between the two is the value of the changes and the resulting impact on staffing. Pretty neat, huh?

Now before you rush out to buy some staffing models (incidentally, we sell them at our place), there's one more ingredient in this preventative. It's the way you use the information the models give you. More specifically, staff the area at the lower of the two modeling results at the same time you implement the processing improvements. You may have to endure a little overtime while the staff's proficiency with the changes grows, but that's a short-term investment that is easily stopped. Don't staff at the higher level and hope attrition gets you to the lower. It won't. It simply reopens the door I talked about earlier. Staffing at the lower "right" level makes the improvements work with the reduced staff – the reason you made them. It'll make your CFO happy too.

If you'd like to know more about staffing models and how to develop and use them in this manner, give us a call. We've helped a lot of companies develop them. It's one of the many things we do. Also, feel free to check our website (McDonaldConsultingGroup.com) for other topics of interest.