

You Can't Get There From Here. You Have to Go Somewhere Else First. *Old Vermont Saying*

Identifying or explaining problems is usually easy. Most of the time you can describe the problem in a single sentence. "Our expenses are too high." "We have too much overhead." "The competition is eating our lunch." Solutions, on the other hand, are almost always more complex. My father explained this to me one day when he said – "For every problem there will always be someone with a simple solution, and he will always be wrong."

Let's take a look at two situations or problems; one that you probably already understand and agree with and another that may be newer and hopefully more interesting.

First Problem: "Our expenses are too high." Solution: "We need to reduce expenses." At first glance, this seems like the obviously right solution. The problem with this simplistic solution is that the actions usually taken are quick changes that are easy to make, have minimal and short-term financial impact and never get at the fundamental or root causes of your problem.

Our consultants have watched this solution implemented numerous times. Here is what usually happens. At the beginning, everyone focuses on the easy stuff. Budgeted items or activities that were not going to be done anyway are eliminated. Travel is curtailed. New positions are not filled or at least delayed. Expenses that do not hurt or that no one really cares about are sacrificed. If this is not enough, managers dig a little deeper. Departing employees are not replaced, non-critical projects are postponed and travel is all but eliminated. Again, the emphasis is on making changes that cause the least amount of pain within the organization. If this is not enough, managers shift into defensive mode. They circle their wagons and start identifying expense saving opportunities in *other* departments because they know the next round of cuts will be more meaningful. It is survival time.

The basic problem with this obvious solution is that the focus is minimal and entirely negative. People want to make the least amount of change necessary to make the problem go away. After each action they ask – "OK, Is that enough?" Everyone also focuses on not doing things instead of making improvements and doing things better.

The secret to always getting lower expenses is to focus on improving quality, reducing service times, increasing accountability and increasing customer satisfaction. When you do this, expenses are always reduced more than when you just focus on costs. This is because expense management becomes a part of a much bigger goal. Your expense level is the result of management decisions and the way you do your work, not something by itself.

Let us look at another situation or problem; one that deals with a common management or organizational issue. Second Problem: "We have too many managers." "Our management overhead is more than we can afford." "We have too much structure or too many layers of management." Solution: "Reduce the number of supervisors and managers by some percentage."

Just like in the previous situation, the simple, slash and burn solution of eliminating a specific number of management positions is not the right solution. Some of your most valuable employees are in this group. You need to offer them the respect and consideration they deserve. You do not want to lose their expertise and knowledge. In most companies the better solution is usually two-fold.

First, you need to look at what caused you to have too many managers. Most of the time, it is because the company has adopted the belief that having “working managers” is more efficient and better than having full-time managers. “Working managers” are managers who spend most of their time each day doing the technical or professional work of their unit. This means they only have a small amount of time left to do managerial tasks. This usually limits the number of people they can manage to between four and six. (The number of people in a unit is called a manager’s span of control.) Full-time managers, on the other hand, can effectively supervise three times this many people, sometimes more.

This is not the only disadvantage to having working managers. Managers who have their own case load are also usually too heavily involved in looking at and approving the output of their employees. This creates an environment with workflow bottlenecks and slower service times. It also becomes more difficult for employees to be accountable for what they do and increases the time it takes employees to become independent professionals. It also tends to generate extra layers of management. These managers also usually have narrow spans of control. As you can see this problem tends to grow and expand, multiplying and compounding itself to the point where it must be dealt with.

The best solution is to introduce the concept of “dual career paths” into your organization. This separates the technical work from managerial work and creates technical positions roughly equivalent to managerial positions for people who will spend all of their time doing the highest level technical or professional work in the unit. These positions are also responsible for the technical training of the employees. The manager then spends his or her time managing.

When you introduce this concept we have found you usually need about as many technical experts as you need managers. This gives you more focused technical and professional coverage, more focused managerial attention and still results in a savings of about one third of the number of managers you currently have. How you implement this is critical to ensure you are fair and also get the best result for the company. Perhaps how to do this should be the subject of another management letter?

The second thing you need to do is to determine the best way to reconfigure your current organization to accommodate larger units and fewer managers. This means putting the right people together to most efficiently get your work done and to provide the most effective result. This means you need to do an organizational study. We strongly recommend you have a professional assist you with this. An outside expert brings obvious advantages and can also help to make sure that internal politics and turf protection do not divert potential advantages from your new design. Feel free to call us. This is one of the core strengths of our firm.

As Don Quixote might have said, “Tilting windmills, especially when there is a real dragon that needs slaying, is a dangerous waste of time.” Avoid jumping to the simple, obvious and usually incorrect solution.

Those of you who are already our clients know our consultants are always happy to help with current situations and problems. Many times, we can help with just a phone call; it’s part of what we do to build long-term and valuable relationships. Please give us a call before you start committing resources. It might be the best investment you will make. Those who are not clients yet, should try us out. We think you will find it valuable and comfortable to be able to talk to an industry expert who always has your and your company’s best interests as his goal.

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