Driving a Strategy for Making Organisations More Efficient

Boards can constantly deliver on its responsibility to improve the performance of the corporation by ensuring the attention and application to system and process. Damien Pound explains how.

It is almost accepted in business today that as organisations evolve and grow in size they invariably become more inefficient. Why is this so when microeconomic theory has taught us that cost advantages can be realised as organisations expand and economies of scale realised?

The answer seems to lie in a lack of board and management attention and application to ensuring that the organisation continually focuses on all aspects of the organisation's strategy, from an efficiency perspective, that will result in complete maximisation of shareholder value, including:

- Building barriers to entry and long term comparative and competitive advantage
- Increasing market share and revenue, improving market awareness, image and perception
- Retaining key personnel, knowledge and expertise
- Building a professional culture
- Managing costs
- Safeguarding assets and reducing the possibility of fraud
- Reducing opportunities for misunderstandings, disagreement or conflict, and setting expectations, with stakeholders (customers, staff, suppliers)
- Increasing the efficiency and effectiveness of the management decision making process, recurring business processes and the management of stakeholders.

It is sometimes true that boards tend to focus on head-line strategic business efficiency enhancement initiatives, such as increasing sales or the customer base, or reducing headcount, while avoiding some of the less obvious, or more complex issues such as business process redesign and/or real stakeholder engagement.

Further, as organisations evolve, the demands that are placed on its human capital change, and often increase. Unless these changes are completely managed, inefficiencies creep into the organisation because staff, in many situations, are left to redesign their own jobs!

The shortcomings of such practices are not immediately evident but invariably lead to poor board and management decision making, relatively high labour costs, reduced profits and hence lower shareholder returns.

"Failure to adequately address and build the infrastructure required to meet the organisation's objective will guarantee … shareholder value is not maximised"
Damien Pound

There is no quick fix or silver bullet for making organisations more efficient. The adoption of a culture that supports and promotes continuous improvement can greatly assist organisations improve their efficiency in the long term. However, to bring about business efficiency in the short to medium term requires a disciplined system and process approach to every aspect of the organisation.

Outlined below is a system and process for making organisations more efficient that has been developed by E34 Consulting over the past twenty years and successfully applied to a range of efficiency related projects including the establishment of significant back office shared service centres, large scale corporate downsizing, substantial revenue collection initiatives, and holistic business strategy and improvement implementation.

Phase 1: Planning

The *Planning* phase requires the organisation to review the business, end to end. The review enables the identification of relative strengths and weaknesses and facilitates the establishment of shareholder value efficiency objectives.

Once the objectives have been agreed, milestones and timeframes are developed, budgets are assigned, and a small, motivated team assembled to implement the plan.

During the planning phase it is important to clearly articulate and communicate, in qualitative and quantitative terms, what success will look like and the benefits that will attribute to each stakeholder.

Phase 2: Build a Foundation

The *Build a Foundation* phase is often glossed over when organisations decide to execute a head-line efficiency initiative. Real project success requires those that are responsible for the initiative's outcome to understand and analyse the detail underlying the initiative and to build, and then thoroughly test, the infrastructure that will guarantee effective initiative execution. This is a time consuming and tedious process.

To illustrate, take a common head-line initiative objective – "we aim to increase revenue by 30% per annum over the next five years". Effective implementation or achievement of the objective cannot occur without first ensuring the organisation has in place:

- A thorough understanding of the actual market size and existing competitor strengths and weaknesses;
- Prioritised new business targets;
- Consistent and established marketing programs and customer presentations;
- Appropriate staff sales training;
- Standard form contracts; and
- An organisation that can and is willing to actually cope with an increased demand for its service or product.

Any failure to adequately address and build the infrastructure required to meet the organisation's objective will guarantee that the organisation will not maximise its efficiency and shareholder value is not maximised.

Phase 3: Pre Execution

Once the foundation for success has been built, and before moving to the execution phase, it is important that those who are responsible for the initiative's outcome consider all the things that could go wrong during the execution phase and to resolve these issues prior to execution.

Finally, the resources required to successfully execute are scheduled and the decision and plans to go live are agreed and communicated to all relevant stakeholders.

Phase 4: Execution

The *Execution* phase is where the organisation goes live with its business efficiency enhancement initiative – this is the "moment of truth" and occurs when everything is in place to ensure success:

- The objectives have been established and agreed;
- Responsibility for the initiative's outcome is assigned and the team has been formed;
- The business process has been analysed;
- The infrastructure has been built, tested and is ready;
- All the issues have been resolved or anticipated;
- The resources are scheduled; and

- Communication and interaction has occurred with all relevant stakeholders.

Using the objective to “increase revenue by 30% per annum over the next five years”, execution involves the actual commencement of the established marketing strategy; customers will experience the initiative for perhaps the first time and they may not be willing to give the organisation a second chance.

Accordingly, this phase requires those that are responsible for the initiative outcome to be completely responsive and to get directly involved in the execution and review the outcome, real time, from all stakeholder perspectives. This involvement will ensure that any unforeseen issues are addressed before they manifest themselves and also ensure that the risk of problems remaining undetected and/or unresolved are minimised.

Phase 5: Post Implementation

Finally, post initiative execution is not the time for complacency. Instead, this is when the initiative outcome is reviewed and consideration is given to improving every aspect of the infrastructure with a view to improving the outcome. This is where those that are responsible for the initiative’s outcome strive for perfection thereby ensuring that shareholder value is continually maximised.

As the business efficiency system and process is implemented, it is important to keep in mind the following values:

- Continually confirm acceptance with relevant stakeholders and consistency with project objectives;
- Prepare and work hard for every moment of truth; and
- Maintain confidence and application, and persevere in pursuit of the project objectives.

Board responsibility for improving organisational performance is a never ending challenge. Ensuring its management apply attention and application to the system and process outlined above will result in the board delivering on its responsibility.

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