



There is an alternative to the Razor Gang

Or improving efficiency in modern organisations

By Russell Cummings

Most organisations – both private and public sector – approach efficiency improvement from a “cost-cutting” perspective. This is all about “doing the SAME with LESS resources”. In the public sector, organisations are tasked with providing an “Efficiency Dividend” and in the private sector it’s about profit and shareholder dividends.

Typically internal and/or external “consultants” focus on cutting costs and this inevitably results in reduced headcounts. Organisations make these decisions based on cost analysis and Balance Sheet ratios usually without consideration of important issues like: customer service, product quality and corporate image.

The major Australian Banks have made this into an “art form” over recent years with one of the larger banks recently announcing that it was going to focus on improving customer service while at the same time reducing staff numbers by a significant amount. As an existing customer, and to most observers, these objectives would appear to be mutually exclusive!

Why do most organisations charge down the “razor gang” cost-cutting route? It’s largely because these decisions are based on financial metrics and are made in isolation from a focus on process improvement. Many efficiency programs are based around technological change but rarely do IT and technology solutions achieve the proposed savings and efficiency improvements.

There is an Alternative!

There is an alternative to massive cost cuts and taking the razor to staff numbers.

It is called “Lean Thinking” and was pioneered by Toyota following WWII. Lean Thinking is all about focusing on the value stream (the elements of your process that add value to the Customer) and then eliminating waste and inefficiency in these and essential supporting processes. It was explored in detail in the landmark book “*The Machine that Changed the World*” by Womack, Jones & Roos and again in a follow-up book “*Lean Thinking*” by Womack & Jones.

Lean Thinking helps you focus not just on the “hard costs” in your business, but also the “opportunity costs”, by helping you to identify the waste and inefficiency that is present in all processes. Our experience is that waste and inefficiency is equivalent to 20% to 30% of your operating costs and that most of it is hidden within your business or organisation.

The Lean Thinking process is based on the concept that most organisations spend an enormous amount of energy and resources on the structural elements (people,

products, processes, prices, costs, etc) without a focus on reducing hidden waste and inefficiency.

These inefficiencies are present in all organisations as they are a direct function of growth. As our organisations grow, our systems and processes are modified and expanded to take on increased volumes and additional functions. This modification process means that we take the “existing” and adapt it for our future requirements rather than starting with “the end in mind” and scaling it down to meet current requirements. This creates in-built inefficiencies as a natural part of the growth. It is nobody’s fault! It is a natural extension of organisational growth.

How do we find and eliminate the Waste?

We have developed a simple, effective process based on Lean Thinking that helps you and your Team to identify inefficiencies by looking at a framework of 7 key areas of Waste across your business. This framework provides a completely different perspective from which to analyse your processes and organisation.

One of the most effective elements of our process is that this is not a consulting desk study but a process that involves you and your Team in identifying and eliminating the waste. Your Team have ownership of the process and the outcomes.

We have applied this simple process across a number of private and public sector organisations with similar effects regardless of the industry, sector or structure of the organisation. The process is flexible enough to be applied at all levels of your organisation from across a single process to a function to a Directorate to a Division or on an entire organisational basis.

Eliminating the hidden waste and inefficiency in your organisation is a simple process that starts with understanding the core processes in your organisation and then getting your Team to apply the Waste framework to your organisation or department in a one-day workshop. The outcomes of the Workshop are a prioritised list of the key areas requiring attention coupled with Action Plans for eliminating the waste. Project Teams are then established and guided through the process of eliminating the waste by our *changedrivers’* Coaches.

If you are looking for an alternative methodology for increasing productivity and improving efficiencies, then our 7 Wastes Process is a simple, effective process that can be applied across all public and private sector organisations and businesses.