

Ideas for Organizations

Volume 1, Number 5

This is the fifth in a series of newsletters taken from **Clearing Out the Dust and Cobwebs: Observations on Management, Organizations, and People**. The series contains a number of anecdotes and observations based on the experience of management consultant Bill G. Evans, as recorded by Michael H. Walker.

The anecdotes in this series are grounded in actual experience, and the principles they embody can be applied to management in any sector, public, private, or nonprofit. Each story communicates a simple truth about management. Taken as a whole, they convey an overall management philosophy.

How to Sweep Away Dust and Cobwebs

Over time, almost any organization develops “dust and cobwebs” that must be swept away if the organization is to maintain its performance. Sweeping out the dust and cobwebs is a two-step process. To paraphrase the late Robert Kennedy, the first step is to look at things that are and ask why. The second step is to dream of things that never were and ask why not.

Look At Things That Are And Ask Why

Dust and cobwebs are easy to see if you know where to shine the flashlight. Our experience conducting management studies suggests that the types of issues most likely to yield major opportunities for cost reduction tend to be the same in all organizations, regardless of size or scope of responsibility. (The particular way these issues manifest themselves, of course, can vary a great deal from one organization to the next.) If managers want to sweep away dust and cobwebs, they should focus on the issues spelled out below.

Doing the right things

Several years ago, Berkshire Advisors consultants were doing a study for a local government in a large northeastern county. While returning from lunch one day our consulting team happened to see a work crew

cutting grass in a park. One man was operating a 14-foot riding gang mower and two men were walking behind him with Toro lawn movers to cut around trees where the gang mower couldn't reach. One man was sitting on a bench; he was the supervisor, of course. When evaluating the operation, anyone could see that the man on the bench wasn't needed. If an industrial engineer were asked to look at his situation, he or she might focus on figuring out how to get the people who were using the Toro mowers to work faster. Increasing their productivity would eliminate the need for one mower. Doing this would mean that a four-person crew operating three pieces of equipment could be reduced to a two-person crew with two pieces of equipment.

What we recommended, however, was that the city use the wood chips from their tree trimming operations to mulch around the trees so that grass wouldn't grow there. (We had previously learned that these wood chips caused a big problem because the city had to pay to dispose of them.) Thus, no one was needed to operate the two Toro lawn mowers because there was nothing to cut. A four-person crew with three pieces of equipment could be reduced to a one-person crew with one piece of equipment.

What this example illustrates is that doing the right things is much more important than doing things right. When trying to find ways to reduce costs without reducing services, the first question to ask is whether the unit is doing the right things. Only after considering this issue should any attention be paid to doing things right. Our experience suggests that managers typically focus on ensuring that their employees “do things right.” In other words, managers are so concerned about improving operational efficiency that they spend little or no time thinking about whether the activity itself should be performed at all. In many organizations, therefore, the biggest cost-reduction opportunities often come from finding activities that are either unnecessary, unrelated to the organization’s objectives, or that duplicate what other units are doing. It almost goes without saying that the savings will be much greater if an unnecessary activity is no longer performed than they will be if the efficiency of the activity is improved.

Capacity in search of need.

In many organizations the amount of work done and the level of service provided depends not on the need for the service, but on the number of people employed. In some communities, for example, the number of street sweepers employed, rather than how dirty the streets are, determines how often the streets are swept. When the level of service offered is based on the capacity of the department to provide it and not on the need for it, employees can spend a lot of time on such obviously unnecessary activities as sweeping clean streets. This kind of department is usually a prime candidate for significant cost reductions.

Scheduling

You’ve probably heard the old saw that the three most important things in real estate are “location, location, and location.” We tell people that the three most important things about efficiently managing labor-intensive, service-oriented operations are “scheduling, scheduling, and scheduling.” If you operate a restaurant, you will lose money if more employees than are needed are working between 2:00 p.m. and 5:00

p.m. when there are almost no customers. On the other hand, your customers will never come back if you don’t have enough people to serve them between 11:00 a.m. and 2:00 p.m. when they crowd in for lunch.

Matching skills with needs

Just as managers must schedule the right number of people to make sure operations are run cost-effectively, so also do people’s skills have to match the work they do. It is not cost-effective to hire highly trained, highly paid police officers and put them in an office doing clerical work. Sworn police officers should be on the street chasing crooks. Hospitals waste money if they hire registered nurses and then have them make beds and empty bed pans. This kind of work can be done by less skilled and less expensive nurses’ aides. Generally, assigning people responsibilities for which they are overqualified means increased costs, but it doesn’t ensure better or higher quality service.

Crew size

In some cities we’ve studied, the public works department uses five-person crews to repair potholes. One person squares the hole with a jackhammer, the second person clears away the debris, a third person fills in the hole with asphalt concrete, the fourth crew member tamps the asphalt down, and the fifth simply sits in the cab of the truck because he’s the driver. If an industrial engineer looked at this situation, he or she would say the activities are sequential and therefore you need only one person. In fact, however, you need two. A person working alone in the middle of a road filling a pothole tends to get nervous with all the cars whizzing by. You need that second worker to keep an eye out for traffic.

If managers want their operations to be cost-effective, they have to assign the right number of people to the job. Putting a two-person crew on a job that needs only one person doubles the cost with no guarantee that quality will improve. In general, as the pothole case illustrates,

crew size can be smaller when the work that has to be done consist of sequential activities instead of ones that must be done simultaneously.

Mix of people, facilities, equipment, and technology

Especially in service organizations, it is essential that the people have whatever facilities and equipment (including appropriate technology) they need to be effective. In service organizations, the primary cost of operations is salaries and employee benefits. It makes sense to spend a little extra money to make sure that the people on whom you are spending most of your money have whatever it takes to improve their productivity and to produce quality work.

In many labor-intensive operations costs are unnecessarily high because the organization has failed to invest adequately in the resources needed to sustain and improve employee productivity. For example, in one major eastern city we studied, the trash collectors drove nine-cubic-yard garbage trucks. Because these trucks were so small the workers spent more time driving to and from the dump than they did picking up trash. Organizations that fail to invest in appropriate facilities, equipment, and technology usually have to hire more workers than would otherwise be necessary.

Incentives

A couple of years ago one of our consultants became ill while traveling, and had to stay in the hotel that day. As he was waiting while one of the hotel's housekeepers cleaned his room, he struck up a conversation with her.

"How many rooms do you have to clean each day?" he asked her.

"Sixteen" she answered.

"Do you get to go home if you finish early?"

"No. They just give me more work. I have to work eight hours."

"Do you ever finish the sixteen rooms in less than eight hours?"

"Are you kidding? Of course not."

"Could you finish eighteen rooms in six hours if they let you go home when you finished?"

"That would be no problem," she replied. "I could probably clean twenty rooms in six hours if they let me go home when I was done. Of course, that will never happen."

For some types of activities, productivity can be greatly improved simply by giving people an incentive to work harder. In jobs that are task-oriented, productivity can rise if workers are allowed to go home when they finish a specific number of tasks. Many local governments, for example, have learned that the routes of trash collectors can be increased – sometimes by as much as 20 percent – if the collectors are allowed to go home when they have completed their assigned route. Usually, such routes are designed so that they take six hours to finish.

Giving people an incentive to work harder can result in a classic "win-win" situation. Employers win because more work gets done. Employees also win, because they get to spend less time at work.

Specialization

Unnecessary specialization can also mean high costs. Setting up a separate unit to do something that doesn't call for special expertise is a waste of money if other units can do the work just as well.

Dream of Things That Never Were and Ask Why Not

If an organization is well managed, most of the easy-to-find dust and cobwebs have already been located and swept away. For this reason, there are few opportunities left to enhance efficiency and effectiveness. We have discovered, however, that even in the best-run or-

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ganizations, major cost reductions can often be made if managers look into the possibility of doing things an entirely different way. In these organizations, managers need to change their strategy, not give workers more to do, in order to improve productivity.

To develop new approaches to how work is done, managers must dream of things that never were and ask why not. They must look at the organization as if it were a blank sheet of paper and conceptually create an ideal organization, taking an anything-is-possible approach.

The first task in the process is rethinking the organization's mission. Goals and objectives must be assessed. What service or product was the organization created to provide? After stripping the organization down to the foundation, or mission, one builds on this foundation to develop a conceptual ideal organization. The questions to be answered are:

How should this entity be organized?

What work should be done?

How should this work be performed?

How many employees are needed and what skills should they have?

What systems should there be for monitoring performance?

How should employees be encouraged to do good work?

The plan that is developed should be the optimal approach, unburdened by reality, to organize, manage, and operate the organization in a way that will ensure the mission is achieved.

The next step is to bring reality back into the picture. The ideal plan must then be revised to take into consideration the limitations the organization faces in personnel, equipment, facilities, and funding. Another consideration, of course, is how much time will be needed to make changes.

This way of analyzing an organization is the reverse of the usual approach. The usual approach is to take a look at current operations and try to find ways to improve them. With the method we've outlined, you first create a plan of how the organization should work ideally, and then concentrate on what has to be done to make it more practical. You dream of things that never were and ask why not. The advantage of this approach is that it doesn't limit you to thinking about the way things are done right now. Starting out with an ideal allows your mind to expand to conceptualize a host of possibilities for changing things.