

HOW EFFICIENT IS YOUR ORGANISATION?

Do you measure your departmental efficiencies or staff utilisation?
 How about improving customer service and satisfaction?
 Do you believe that more efficient departments could help you through the tough times?
 Do you want to improve your cash flow?

Here we share with you a simple example of how to look at your business in a different way!

A customer requests info on a Monday at 9.00am and the order passes through the relevant processes on the following days and the customer set-up their product on the Friday at 9.00am and the whole process finishes at 9.10am on Friday.

Day	Activity	Department	Time Allowed	Time Taken
Monday	Customer asks for info	Sales	5 mins	5 mins
Tuesday	Info pack is dispatched	Marketing	5 mins	5 mins
Thursday	Customer replies with options	Operations	5 mins	5 mins
Thursday	Customer set-up with service	Operations	15 mins	15 mins
Friday	Customer invoiced & advised of set-up	Distribution	10 mins	10 mins
Total			40 mins	40 mins

How efficient are the departments above? (each department has an allotted time to complete their task – TIME ALLOWED, and takes exactly this time – TIME TAKEN!)

In this case, most would calculate department efficiency as being **(Time Taken/Time Allowed) *100%**.
 For many organisations Time Allowed accounts only for the time when work is being done on the order and ignores “waiting time”.
 i.e. so in Marketing, department efficiency is $(5/5) *100\% = ???$ (though the “work” maybe sat in marketing for 10 hours in total)

So if each department has high levels of efficiency (100%) just **how efficient is the organisation? 100%, 80%, 50% any ideas?**



There are **2050** minutes (**Order Time Elapsed**) from the start of the job, Monday 9.00am to the finish with invoice, Friday 09.10 but adding each department Time Allowed figure shows they only needed **40** minutes to complete the work.

Therefore the business is only (40/2050) or **1.95% efficient!**
Not quite the 100% that each department claims or the picture painted.

*Assume the company works from 9.00am to 5.30pm = 8.5 hours per day, 4 days =34 hours, 34 hours =2040 minutes + 10 minutes on the Friday

Some Common Thoughts

We only make to order we can't have "services" (quotes/contracts) stored ready for customers, like other companies can.

You have an advantage, if others make from stock then they need to start the Organisation Time Elapsed at the forecast process i.e. the process which told them to make, or buy, the item for stock. Our experience tells us this may be many weeks before the item is actually ordered and delivered to a customer and this makes the Time Elapsed much greater and therefore organisational efficiency much lower.

Stock holding the double whammy!

In the above we mention how items pulled from stock immediately reduces organisational efficiency. However there is a potentially much more damaging consequence of holding stock, stock ties up cash, cash that could be sat in accounts earning you money, cash that is tied up in items that customers might or might not decide to purchase. So not holding stock helps you to keep clear of this mistake.

How efficient could this Professional Service process be?

100%, 50%, 80%? Reality is that 100% is not normally practical, however experience and studies tells us that organisations should aim for at **least 15% organisational efficiency**

How much more efficient could YOU be?

ResQ Management Resources Limited

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What can you do?

Measure! Measure! Measure!

Measure how long it takes from the start of receiving an enquiry from a customer, remember you want to ensure that all the processes are complete and the quote delivered (invoiced if it's an order) before you stop timing. If you do use any "stock" items then you need to start at the point they were ordered. In our example this was a total of just over 4 working days - **this is the Order Time Elapsed**

Add up the Time Allowed for each stage i.e. to process the call for info via sales takes 5 mins - **this is Order Time Allowed**

NB: the job may be in a department for much longer than it is worked on!

Then complete the calculation as we have shown i.e. **(Order Time Allowed) divided by (Order Time Elapsed), then multiplied by 100 to give you the Organisational Efficiency %.**

i.e. from our original example $(40/2050)*100\% = 1.95\%$. *Don't be worried if the figure comes out at less than 1%, this is not uncommon.*

What would 15% organisational efficiency mean to your company?

Simply take the 15% target and divide by the current organisational efficiency, in our case it was 2.3%, this tell you how much more efficient the business could be.

Hence, $15/1.95 = 7.7$, so the business could be **over 7 X more efficient**

What would 7 X increased efficiency mean?

Take our example again! It currently takes 2050 minutes from start of an order to delivery (the Order Time Elapsed)

**Divide that by the X improvement you have calculated,
in our case it was 7 X, so divide by 7, it's that straight forward!**

So the 2050 minutes now becomes $2050/7 = 293$ minutes if you can achieve 15% organisational efficiency target,

So the Order to Invoice & Delivery target should be 293 minutes or just under 5 hours, a "same day service".



This reduction in time from order to delivery has many positive effects including;

Cash Flow

If you can turn an order around within a day, then you may well be in a position to receive payments for services/good delivered before you have to pay your own costs – meaning your cash flow is positively affected.

Premium Pricing & Customer Satisfaction

Knowing that you can turn orders around in such a short time means that you can often deliver the urgent customer requests; differentiating your offer from your competitors, increasing your customer loyalty and allowing you to charge a premium to your customers.

So how do you achieve being 7 X more efficient?

This is where **resQ** can help you to use “lean thinking” principles to identify possible improvements. These principles are based on reducing all the hidden wastes that lurk in many departments and across organisations. Wastes that includes wasted time, wasted outputs, wasted processes, wasted movement & transportation, defects, wasted stocks & inventory and wasted capital resources.

Wastes that cause dissatisfaction to customers and drives them to other suppliers!

Wastes are removed to ensure that the business can “flow” and provide the customer with exactly what they value in the shortest time.

About ResQ

ResQ are a “Lean Thinking” performance improvement consultancy based in York and Nottingham, a company who can help you to understand your current organisational efficiency and how you can achieve your potential. ResQ have developed lean solutions across offices, marketing, sales, finance and HR as well as manufacturing & distribution.

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