



an
Analytical Approach
to
Achieving Higher Performance Organization

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Executive Summary

The purpose of a business is to provide higher and higher value to the customer at lower and lower prices. What is one-day high technology special products becomes commodity next day. In such a fast pace marketplace, businesses have to continuously innovate and improve products and operations.

The operational improvement is, albeit a continuous process, it takes higher priority in the difficult financial situations. In such as rush for cost cutting, many businesses re-engineer, which does reduce the cost at least in short term, but its impact on the overall performance of business in long term and short term has proven to be questionable. The word re-engineering in fact became something from which companies in the late 90s wanted to disassociate with.

Thus it becomes necessary to find better ways to restructure a business, a way that could deliver more reliable and credible result. The current economic pressure makes this article more timely and the need for the method more urgent.

This manuscript discusses such as an approach. The approach has been used for the organizational analysis of a \$10 billion organization. Results when implemented showed dramatic improvement in individual productivity, teamwork, collaboration, speed of decision making, and in the utilization of human capital.

Information about the core activities in various segments in the organization at department levels and above was collected. For each department or the activity, the sources of interfaces, those giving the information as well as those receiving the information, were identified; so was the level of the traffic during these information exchanges.

The information thus collected was put in a matrix form and analyzed to achieve better group structures, and communication platforms.

Subsequent outcomes were validated and implemented.

Introduction

Most of the businesses have one way or other gone through reengineering or restructuring at various levels. The term “Reengineering became very popular in 80s and 90s. However, it became equally disliked towards the end of 90s. Many of the companies and professionals disassociated themselves from the reengineering term. The reengineering became more of a head count reduction mechanism than a real business restructuring. Even today, more often than not, under the difficult economic conditions, a quota is set for each group for cost cutting, which typically leads to lay-off.

The current economic situation has driven the need for reengineering or restructuring at a higher level. The lay offs are a part of the solution to the economic sustainability, as many would argue. These are emotionally difficult but easiest solution to cost cutting. The trouble with the quota based head count reduction is that it leads to loss of people who are critical to business needs, and even more problematically, it does not address the core need of the business; the need of the improvement of operational effectiveness, better resource utilization, shorter lead and cycle times, and quicker response to the customers.

The reengineering or restructuring, though, is not something that is only for difficult economic times. It is something that should be continuously used to align the organization with changing customer and competitive base. In today’s world of fast pace of the development and innovation, the businesses need to continuously reinvent themselves to

- 1) Align with the new needs of customers, i.e. create a customer centric organization
- 2) Continuously increase the organizational effectiveness by improving communication, team work, etc
- 3) Eliminate duplication of activities
- 4) Cut cost

This manuscript describes an analytical and robust way to restructure the business operations for improved effectiveness, speed, and cost. The restructuring process discussed here is a small but crucial subset of all that needs to be done during restructuring. The method described here consists of benchmarking or understand the current activities and competencies of various departments and the degree of the interactions among various groups.

Collecting the Information

The key to using the analytical techniques is to ensure that the data used for the purpose is well understood. It is important to note that sometime it may be very

difficult and time consuming to get the accurate information. In order for the project to progress at deliberate haste, it is more important to have understanding of the quality of information than wait to get perfect information. The information that should be collected is more of a high-level value stream map. Each of the major departments or groups has certain core activities and they interact with certain other groups as part of the performance of their daily functions. For the analysis purposes, one must find out information such as:

- 1) What are the few core activities of various department and groups?
- 2) Who are key stakeholders of these departments and groups? Who provides critical information and who receives the product and service of the group?
- 3) What is degree of interaction/communication among these groups?
- 4) For logistic reasons, it is also good to be able to understand the number of people involved in these groups/department/core activities?

A typical way to rate the interactions is on the scale of weak, medium, strong with respective numerical score of 1, 4, and 9. A template for collecting data could be as shown below. It is a modification of the tool used in Change Management Initiatives; have been used a lot at companies like GE.

Group/depts. Supplying the information	Input provided	Degree of interaction	Core Processes Performed	Output	Groups/Depts. Receiving the Processed work	Degree of Interaction	

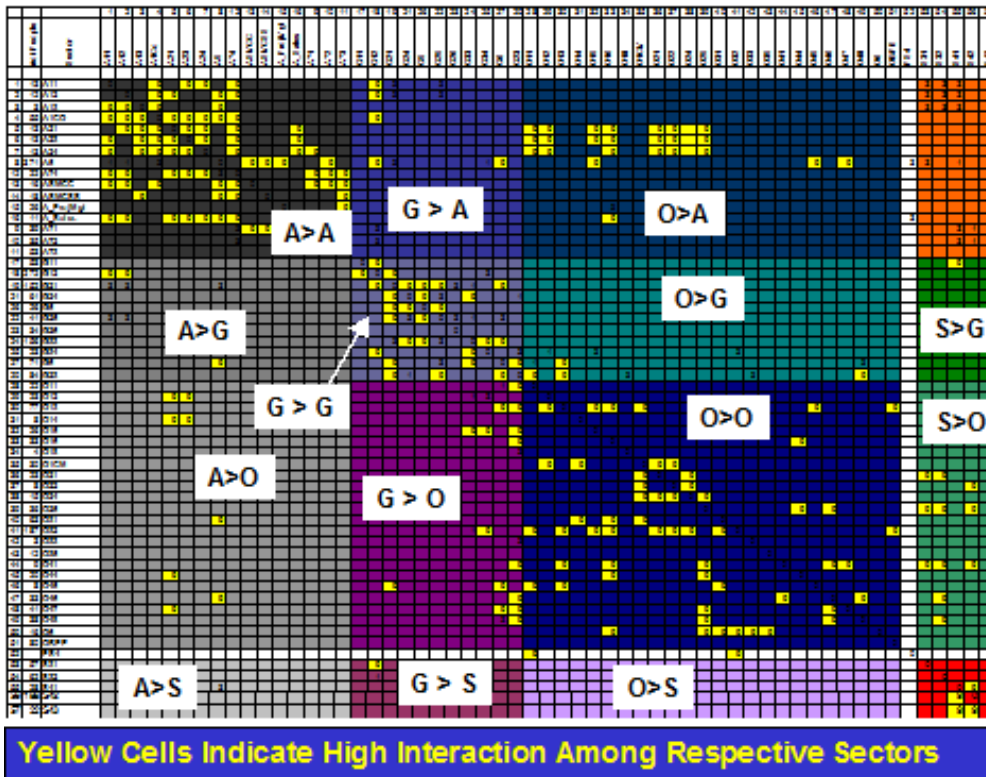
Arranging the Information

The business restructuring is all about improving the performance of the business as a whole. Thus by its very nature it requires that the analysis be done at a system level and the performance be optimized at the system level. For large businesses, presenting and analyzing the information becomes a significant challenge.

A form of the information presentation is shown in the figure below. The labels have been changed to maintain the confidentiality of the organization for which this work was performed. It is important to note that the scope of the work was for a business with over \$10 Billion of annual revenue.

The data was collected at unit level of departments. A group of size less than a pre-determined number was not included in the discussion. The analysis also did not

include support functions such as Human resources, Facilities, Accounting and Information Technology Departments.

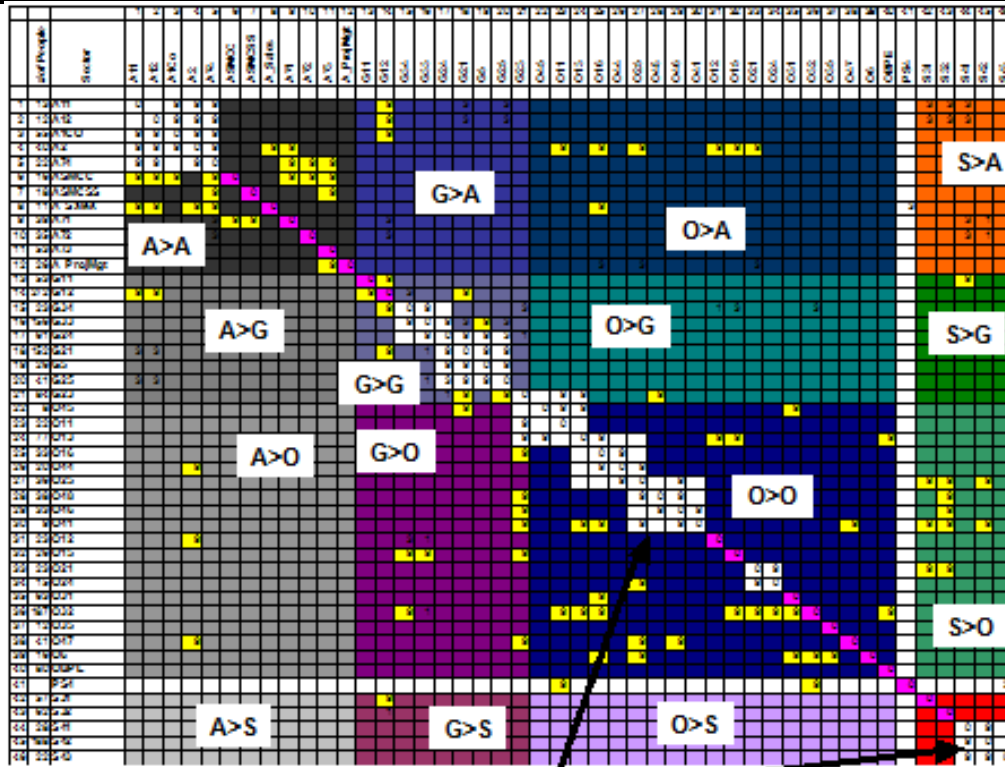


Results

Analysis of the information though very straight forward is quite cumbersome. There are tools in development that can be used; but they still provide an option based on the logic coded in them.

The solution presented here was arrived by manual analysis process. These results were reviewed by the executive team were found to be valid and hence subsequently were implemented.

Each of the white boxes along the diagonal show that those groups are critical to each other's success and must for an entity. As expected, for such a large organization, some groups were difficult to fit in any constellation were aligned based on the practicality of the facilities, resource distribution, size, etc.



Example of Core groups that must be together

This type of analysis is data driven and hence takes out the significant amount of discussions about the subjectivities of other method. In addition to the restructuring, it also has been used to create inter- and intra-divisional balance scorecards for the business management.

Where Else Can It Be Used:

This method or a variation of it has also been used successfully to deliver higher level of performance in the areas such as:

- Project Management: Task Sequencing
- Team Formation
- Statistical Assessment on Cost
- Statistical Assessment on Schedule
- Architecture Development for Hardware and Software Products
- Process Design
- Information and Material Flow Development
- Roll Out of Oracle
- Transportation