

SOLUTIONS



Building Blocks of Operational Efficiency

Article published in the Solutions Newsletter by Argent Global Services

Being successful in today’s economy means much more than just providing quality products and services to customers at a price they are willing to pay. While this is important, it is even more crucial to develop, produce, and deliver those products and services in such a fashion that produces the desired outcome with the smallest amount of “waste” (i.e., money) possible. This is what operational efficiency is all about. And it is critical to the long-term success of any organization, large or small.

The problem for many businesses and organizations is that they become complacent over time and are essentially trapped in their own “operational ruts” that are inherently inefficient. Over time, this will likely erode the financial well-being of the organization and may ultimately result in its demise.

So, where should organizations start the process? What model should be followed? While there are infinite options, resources, and self-proclaimed guru’s peddling the latest efficiency buzz words of the day, there are six fundamental, common sense, and proven building blocks for creating and maintaining an efficient and profitable operation, regardless of size or industry. Argent has identified the six building blocks for operational efficiency: best practices, performance measurement, layout, technology, management tools, and continuous improvement.



To better understand why these six components are so critical to an organization, we must address them one-by-one to illustrate their importance. In addition, it is important to note, that greater efficiency gains will be realized if they are addressed in proper sequence.



Argent Global Services



Best Practices are formally defined as standardized methods for performing specific work, which results in maximum output, with minimal down-time, at the lowest possible cost. Best Practices are one of the most over-looked opportunities within an organization. What you typically find in many organizations are non-standardized methods that vary greatly from department to department, shift to shift, and person to person. By reviewing these methods, eliminating non-value-added steps, sequencing the steps properly, documenting the revised method, and then formally training all personnel on the Best Practice; organizations will see immediate efficiency gains without expending capital resources.

Performance Measurement is the monitoring of individual work output within an operation. It is essential because it allows management to direct, control and monitor work in progress in order to meet deadlines and deliver quality products or services to customers in a timely fashion. Without performance measurement, management is essentially running the operation blind folded.

Layout is the final foundational component of the building blocks. The design and functional layout of a facility, department, or workstation sets the operating tone for any organization. A well planned and thoughtful design facilitates cooperation between different departments and eliminates the physical and mental barriers that create non-value-added processes.

Technology is a second-tier building block. However, technology and automation are often the place where organizations *start* the process of reworking their operation for efficiency. This is a big mistake because integrating new technology before adequately developing the foundational building blocks will greatly reduce the potential impact of the technology. Once Best Practices, Performance Measurement, and the Layout have been optimized, Technology and Automation should be explored to further enhance operational efficiency.

Management Tools are devices or information that enables a manager to more effectively utilize their resources to meet operational objectives. Unfortunately, many organizations provide their management with inadequate or outdated tools that simply don't address their needs. In other instances, the organization has adequate tools, but no coherent training strategy for utilizing those tools. The key is to understand what tools are needed and then implement them properly for maximum benefit.

Continuous Improvement is the final component and is more of a mind-set than anything else. There are several continuous improvement programs including six sigma, lean enterprise, total quality management, etc. that could be considered. Use continuous improvement to drive change and sustainable results, more important, an organization is *never* finished improving operational performance. It is a never-ending process, and mind-set, that must be incorporated into the corporate culture.

