

REDUCING COSTS WHILE IMPROVING PERFORMANCE

AN EKS CASE STUDY

Situation Analysis

A multi-state public sector organization was given a government directive to reduce annual costs by \$20 million to address budgetary constraints. The cost reduction was to occur without a corresponding reduction in the organizational charter of responsibilities or headcount.

This organization supported mission-critical activities for other government stakeholders in areas where lives would be endangered by poor performance. Therefore, managers were interested in alternative methods that could reduce or eliminate low value add activities in lieu of an arbitrary across-the-board budgetary cut.

Desired Outcome

Management needed to identify and quantify ways to meet the cost reduction mandate without jeopardizing mission-critical activities. This posed two significant challenges:

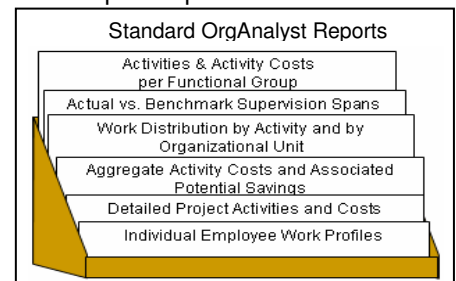
- Maintaining customer delivery and responsiveness at current or greater levels; and
- Retaining all personnel to support its operations in accordance with its charter.

Intervention

Over a twelve week period, a small consulting team augmented by client subject matter specialists, utilized the OrgAnalyst® module of the EnCompass Enterprise (E²™) software suite. OrgAnalyst developed sophisticated organizational activity costing models and reports using data gathered through its intuitive survey-style method.

Over 2000 individuals in over 200 organizational units were involved in this study. Using OrgAnalyst's web-based data collection interface, the average individual spent less than 30 minutes submitting information.

With its "bottom-up" approach, OrgAnalyst used this actual data to pinpoint low or no-value activities that have high associated costs. It also highlights activities or areas of the organization that produce value and identifies disconnects in execution to prevent future problems. OrgAnalyst enabled the team to quickly generate maps of relevant organizational activities that clearly identified ineffective and misaligned processes and systems.



OrgAnalyst enabled the team to:

- Assess in just 12 weeks over 88,000 hours of activities that represented \$215 million in operational costs
- Provide a blueprint for an enterprise-wide reorganization that would eliminate inefficiencies
- Produce objective reports that
 - Alerted leadership to managers that had the capacity to expand their span of control by an average of 3x without losing effectiveness
 - Highlighted actual scope and number of activities performed by individuals, which enabled substantial cost savings through job role and organizational restructuring

Activity Name	Activity Costs	Percentage of Costs	No. of Hours	Actual Reports	FTE	Concentration	Equivalent Salary
Sample Activity #1	\$441,984.85	9.30 %	13630	70	7.67	10.96 %	\$57,590.98
Sample Activity #2	\$277,712.66	5.84 %	9698	13	5.46	42.00 %	\$50,857.67
Sample Activity #3	\$256,227.76	5.39 %	8340	31	4.70	15.15 %	\$54,563.61

Results

The OrgAnalyst reports and subsequent follow-on analysis were used by the executive team to completely restructure the organization and its processes. The function-focused organization was changed to cross-functional departments directly aligned to customer verticals. The elimination of previously hidden low value processes and the reduction of fragmented activities resulted in a plan that pinpointed potential savings of \$59 million -- \$39 million above the target.