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Bottom Line

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People productivity

Manage your human resources for maximum cost control and efficiency.

By Katherine Wagner

BOB PROSEN, CEO OF THE PROSEN CENTER FOR BUSINESS

Advancement, is adamant about productivity and containing costs in today's competitive marketplace. "Run leaner than you would prefer—even in good times," he states. "It's always a better alternative to budget cuts and layoffs."

But how do you achieve this lofty goal? "Tap into people power," says Scott Cawood, PhD, president of research and consulting firm ModernThink. "Employees can be effective allies in keeping costs in check. The reality is, regardless of your industry, product or service, people are your business."

Cawood cites the story of Dallas-based Southwest Airlines, which is known for its low fares and friendly service. Employees are a key part of Southwest's success, and it enjoys high morale in part because it offers workers job security and a share of company profits.

When Southwest found itself in financial trouble following 9/11, it turned to its employees for help, asking everyone to find ways to save five dollars a day. Employees responded with small measures, such as turning off unneeded lights and only running one engine on the runway. These steps were so effective that the company posted a profit for the fourth quarter of 2001, the only major airline to do so during that tumultuous time.

Southwest's example shows that motivated employees can help boost the bottom line—during good times and bad. But, "If you want to increase the odds that you'll have a motivated and loyal staff, you need to hire the right people to begin with," says Cawood.

It pays for a company to identify the best possible job candidates.

Employee turnover costs can range between 25 and 400 percent of an employee's annual compensation, according to the Council on Education in Management. In addition to direct costs such as recruitment, turnover involves indirect costs such as high workloads, overtime and reduced productivity.

This isn't a problem for The Container Store, a privately held company with a home office in Coppell, Texas. Known for attracting and retaining the best people for its stores, Cawood says the company has profited from a stringent hiring process that has placed the organization on *Fortune* magazine's list of "100 Best Companies to Work For" for seven years in a row.

According to Cawood, the owners of The Container Store estimate that for every four employees hired the traditional way, there will be three mediocre workers and one outstanding performer. Consequently, the store has adopted a hiring method that attempts to weed out the three average potential employees, thus leaving the standout job applicant. Just landing a part-time job at one of the company's retail stores can take as many as 20 interviews, Cawood explains.

After it has identified and hired the best workers, the company invests in keeping them. It offers wages above the industry average and extensive training. As part of their orientation, workers receive 241 hours of training, far above the industry norm of seven hours.

Once a company has the right employees on board, providing a well-organized, efficient work environment is crucial to high productivity. In this case, small measures do add up, especially when companies downsize.

Organizations often maintain the same workspace density they had before the downsizing occurred, in order to save on facility costs. However, providing remaining staff members with more room to work may have more of a positive impact on the bottom line than any savings that could be realized from streamlining facilities.

For example, in many companies, printers are a shared resource, meaning long wait times and strain on equipment and supplies. Yet, if a company increases the number of printers per employee, there is less time spent—or, rather, wasted—waiting to use the printer, as well as fewer paper jams and broken machines, which hold up workflow.

Another way companies can increase productivity is to expand employee storage areas. For those employees who need to maintain a lot of hardcopy files, workstations or offices can quickly become cramped and cluttered. In a bid to solve the storage problem, employees may share common storage areas, which are often located some distance from their desks. Employees become less productive when they have to leave their immediate work areas to locate records elsewhere. They may stop on the way to chat with co-workers, pick up a cup of coffee, or any other number of things.

It's far more effective, experts suggest, to allocate an extra cubicle or to remove the wall to an adjoining cubicle, in order to provide the necessary storage space for files to be organized neatly and information gathered accurately and quickly.

While providing employees with sufficient workspaces and tools is vital if you're looking to optimize productivity, how can you be sure that employee activity is contributing to the organization's top objectives?

Prosen, author of *Kiss Theory Good Bye*, recommends using a time-reporting system that allows you to analyze how employees spend their day. Companies can then ensure employee time is being used to generate revenue, rather than expended on administrative tasks such as meetings, email correspondence and completing internal reports.

"If used correctly, time reporting is a powerful management tool," he says.

Prosen also recommends tracking activities by using categories that are specific to the company and department. For example, a time-reporting system might include categories such as administrative tasks, training, meetings, vacation, project management and customer support. He advises using a minimum number of categories and avoiding catchall categories such as "other," which are too vague for decision-making purposes.

The information gathered from time-reporting systems can be used in a number of ways, including to help identify unnecessary, duplicate, or less important work that can be eliminated to free up resources for key initiatives, or to help management understand how much work the existing staff and system can handle before making an investment in new equipment or personnel.

Increasing productivity is a key element of running lean. "Take swift action when profitability is being challenged," says Prosen. "Experience shows that waiting often exacerbates the problem." □

Outsourcing on the rise

When it comes to improving corporate performance without additional costs, US businesses are still bullish on outsourcing, according to a recent survey of 288 executives by CFO Research Inc. for Capgemini, a consulting and outsourcing firm.

Executives reported a number of areas where outsourcing met or exceeded their expectations. Roughly 60 percent said it allows them to focus on matters that are core to their business, and a slightly lower number, 56 percent, said outsourcing helps improve process speed and lowers costs.

The survey respondents were so pleased with their outsourcing experiences that 73 percent plan to outsource more functions in the near future, and 23 percent want to outsource "everything that's not core to the business."

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