

# Identifying and crystallising improvement opportunities

Knowing where to start when it comes to stripping out costs and making improvements in your business can be tricky. By Skipp Williamson, managing director, Partners in Performance (PIP)

**T**HE RESOURCES BOOM has created huge opportunities to boost revenues but it has also meant that companies need to manage escalating costs. Organisations need to find ways to work smarter and faster in order to prevent cost pressures from eating away at margins.

While it's tempting to rush in and make wholesale changes in an attempt to increase operational performance, a thorough assessment of the potential range of improvement opportunities is essential. It may take a little longer, but it will ensure that the right 'levers' in the organisation are pulled, and in the right order.

Many improvement programs come unstuck because not enough time is spent analysing the business as a whole, the markets in which it operates and the business' capability to adopt any proposed changes.

A diagnostic is a useful tool because it can provide a better understanding of the size of potential improvements, the best plan of attack and importantly, buy-in from managers so that the plan can be implemented quickly. When management has some ownership over the proposed targets, resistance to potential change interventions is normally lower. It also means that operational improvements are more likely to stick over the longer term.

## STEP 1: Identify performance drivers

The first step in the diagnostic process is to find out what is driving current performance. Value driver trees can be used to identify the 'gears' that drive a business. This is a decision making methodology which identifies which operational levers drive financial performance in a business. They answer important questions such as:

- what are the levers of this business?
- what is the potential improvement on each?
- how much is each improvement worth?

- where should improvement efforts be focused?
- what impact should I expect on my business?

Once the opportunities for improvement have been identified, they need to be ranked according to expected value and ease of implementation. When ranking the opportunities, consider factors such as resource use, risks and likely capital requirements. This makes it easier for management to focus on the highest priority actions which will deliver the most return.

## STEP 2: Assess your organisation's 'wiring'

Evaluating how an organisation is wired is a key part of the diagnostic process. Wiring is essentially the mechanics of management. It's the combination of an organisation's management systems, processes, staff, competencies, disciplines, and acceptable behaviours. Together these influence how an organisation will behave and, therefore, how it will ultimately perform.

The state of an organisation's wiring will affect its ability to capture the opportunities identified in the diagnostic and the speed at which any changes are adopted. The operating strategy needs to be evaluated to see if it will deliver against the targets. Procedures need review, including checking whether they are followed. Staff accountabilities need to be examined to ensure there are no overlaps or gaps. Operational reviews need to be checked to confirm that they are driving the business forward and covering the right material.

## STEP 3: Get some training for your team

While the key methodologies and tools are good in theory, some hands-on training in putting them into practice is beneficial.



SKIPP WILLIAMSON

This will ensure that management and staff have a solid understanding of how to undertake and maximise their involvement in the diagnostic process.

## STEP 4: Develop a plan to deliver the desired results

A diagnostic is designed to produce a clear plan to move forward, including an indication of timing and the likely resources needed. It can also identify sources of internal funding and areas of potential risk in implementing the improvements.

Rigorous diagnosis at the start of any improvement program is the most effective way to identify the high priority opportunities, build alignment and train your people, giving you the greatest chance of rapidly increasing operational performance. □

FOR MORE INFORMATION VISIT [www.pipint.com](http://www.pipint.com)