

Meridian Perspectives

ValueMetrics™

Driving Improvements in Organizational Productivity

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Key words Value,

Introduction

Strategy defines how a business will break its “business as usual” mode to achieve higher objectives. A differentiation strategy may entail the launch of customer and product initiatives designed to increase market penetration and garner increased share, for example. A low-cost delivery strategy may entail the reworking of existing processes and the automation of manual tasks.

In short, strategy means changing the normal course of business. It follows that the work of the organization—the way things really get done—need to be consistent with the ‘grand design’ articulated in your strategy. Yet too often there is a gap between the organization’s strategy and its workings. This gap between high ideal and day-to-day reality is the fundamental reason most strategies fail.

ValueMetrics™

Meridian Consulting’s **ValueMetrics™** program bridges this gap, creating a direct linkage between an organization’s deployment of people, processes, and technologies and the value the organization delivers to its customers.

- ValueMetrics give companies the ability to rapidly assess what work is really being done in an organization.
- ValueMetrics provide a proven, powerful means for measuring and increasing the value delivered for each dollar spent.
- ValueMetrics grow leaders’ abilities to transform their organizations, improving their integration of people, process, and technology.

The foundations and applications of our ValueMetrics program are described in this whitepaper.

Problem

Too often unwritten rules spring up within organizations that make effective execution problematic. While individuals in the organization may believe that they are executing to the accepted strategy, often the work that is done in an organization contributes very little to the achievement of management's objectives. Some of the missteps that we've observed recently include:

- A retailer placing excessive amounts of control over financial processes that were not material to bottom line performance due to deep mistrust of its business partners.
- Confusion in departments within a financial company about which customers should be served and how customer needs were defined, leading to excessive time spent blaming others instead of meeting customer needs.
- Continuation of day-to-day functions within a pharmaceutical firm that management thought it had discontinued.

While not exhaustive, this list demonstrates the ways in which organizations often spend tremendous amounts of time and money pursuing goals that contribute nothing to the overall value delivered by the organization.

Solution

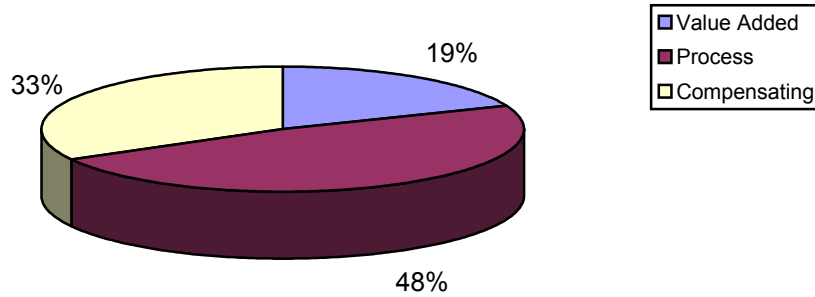
ValueMetrics provides a rigorous, repeatable set of tools that are used to measure and improve how time and energy are deployed across the organization.

ValueMetrics is based on a proprietary work model that helps people at all levels of the organization consistently describe what they actually do. We use this model and sophisticated sampling techniques to quickly build a comprehensive task-level view of the organization's real work. We then use our 'Syntax Search Engine' to evaluate each task completed by the organization, producing an objective baseline measure of value delivered for dollars spent.

For example, we worked with a Finance organization that supports the global operations of a \$5-billion retailer. Our client had grown from grown from one store to over 1,100 stores in nine years. More than 50% of this growth was driven by acquisitions. Year-to-year growth in Finance support costs consistently exceeded the firm's top-line sales growth.

We began this case by gauging the value-added by this Finance organization to its internal customers. Essentially, we broke this organization's work down to a task level and used our proprietary 'Syntax Search Engine' to create value profiles for all parts of the organization.

Summary Finance Value Profile

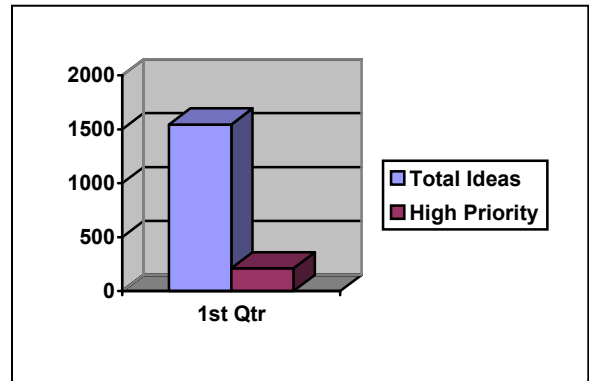


In this case, only **19%** of this organization’s work was value-added. The remaining work was either non-value added “Process” or “Compensating” work.

- **Process Work** (48% of all Finance work) included all things done to manage work products such as documents and correspondence. While some Process tasks are necessary, they do not add value.
- **Compensating Work** (33% of all Finance work) included all things done to fix errors and omissions. Compensating work is never value-added. Compensating work was out-of-control in this organization, representing one-third of this organization’s work.

A team comprising client personnel and Meridian personnel used the value profiles to re-tool this organization’s service offerings and to substantially change the departments’ expense structure.

- We first conducted small group sessions with managers and supervisors. These leaders identified immediate opportunities for eliminating non-value added work.
- We next conducted Open Idea workshops with front-line personnel. These workshops elicited a torrent of ideas for process, practices, policy, and job improvements. In total, we generated over 1,500 ideas for improvement.
- We then screened ideas and quantified their potential cost and productivity impacts. Improvement opportunities were prioritized to reflect implementation efforts and rewards. Over 200 ideas were deemed high priority improvements.



Once prioritized, we deliberately created consensus around the high priority changes that could be accomplished by this Finance organization.

- We built the foundation for consensus by constructing a unique incentive system that delivered some part of the gains from this Productivity initiative directly to client personnel.
- We broadened our base of support by engaging a wide sample of client personnel in the development and validation of process and job changes.
- Most important, the team translated all process, job, and policy changes into a consistent ‘Stop-Start-Change’ format. This format, unique to Meridian, summarized all needed changes in terms of activities that must be stopped, activities that must be started, and current activities that must be changed. These clear directions prove invaluable when implementing work changes.

Our team decreased Finance expenses by 4% million within six weeks by making Quick Hit changes in current processes and procedures. These Quick Hit changes stopped the non value-added work that obviously made no sense.

Our team also developed two comprehensive productivity improvement plans.

- The changes in work, policies, and procedures that were defined and implemented by the joint client-Meridian team provided the **Productivity Base Case**. This Base Case forecasted an 18% reduction in total Finance expenses and the substantial elimination of non-value added work.
- The Meridian team identified additional, more strategic changes in processes and procedures that could deliver incremental benefits over time. These additional changes in Finance work, policies, and procedure provided the **Productivity Stretch Case**, a case that ultimately promises expense reductions greater than 24%.

Case	Percent Reduction in Direct Expense ¹	Percent Reduction in Total Expense ²
Base Case	- 26%	- 18%
Stretch Case	- 35%	- 24%

¹ Direct expense equals fully-loaded labor costs.

² Total expenses represent all Finance costs.

Total realized savings fell between the Base and Stretch improvement cases. Equally important, this Finance organization realized significant improvements in the quality and timeliness of the services delivered to customers.

In Closing

Meridian's ValueMetrics is a proven program for fostering the operational improvements that matter. Any organization wondering how it can gain more from your investments in people, processes, and technologies can benefit from a ValueMetrics program. Any organization contemplating additional investments in people, processes, and technologies can equally benefit from this unique program.

Author's Note

This paper was authored by Michael Connor, Meridian's founder and Managing Partner. Mike has twenty-one years of experience in the consulting industry, developing and leading programs in the areas of business strategy, marketing strategy, process improvement, and organizational change for clients that span nearly all sectors of the economy. He can be contacted at mconnor@meridian-us.com.

A Note About Meridian Consulting

Meridian Consulting helps clients build the infrastructure required to adapt to changing market and economic conditions. We lead the field in Implementation Management, a proprietary program that Meridian uses to plan, accelerate, and ensure Return on Investment from large-scale corporate transformation programs. We also deliver a proven Process Improvement program that uniquely and measurably increases the Economic Value of a company's core business processes. We are committed to providing lasting value to our clients, enjoying a five-year customer retention rate exceeding 80%. For more information, visit Meridian at www.meridian-us.com.