

Operational Efficiency



BUSINESS CHECKLIST

Businesses that commit to operational efficiency are typically leaner, more agile, and more resilient than those that do not. They often have lower costs, increased output, lessened space requirements, and decreased time to market.

Identify problems	Track KPIs
Discuss operational challenges	Train employees on KPIs
Define goals	Monitor performance
Analyze current workflows	Establish clear protocols
Consult employees	Encourage employee involvement
Implement temporary countermeasures	Delegate appropriately
Find the root cause	Optimize office processes
Propose solutions	Improve inventory management
Establish an action plan	Master production planning
Evaluate resources	Document all changes
Prioritize changes	Create an accountability framework
Identify financial need	Celebrate wins
Asses and benchmark performance	Review goals
Implement technology	Adjust as needed

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These activities can identify redundancies, bottlenecks, or activities that don't add value for your business or customers.

Identify problems

If your business could use help with efficiency an important place to start is with identifying issues. To find issues, you could monitor your key performance indicators that reflect how your business is performing in various functions, gather feedback from stakeholders about operations, conduct reviews and audits of your processes, finances and operations, or create a visual representation of all steps in your business processes.

Discuss operational challenges

Your key staff members can provide perspective on operational issues and how they affect your production, productivity, staff, customers, and revenue. They can identify specific problems that recur and highlight opportunities you're missing out on because of a lack of efficiency.

Define goals

Clearly outline what you hope to achieve by improving your efficiency. By defining your goals, you can better lay out your plan of action and monitor your progress. You may have any number of objectives including saving costs, increasing production, and improving customer satisfaction.

Your goals should be quantifiable, such as reducing customer service response times by 10% in the next six months. You can set your goals based on industry standards, competitors' benchmarks, and even input from stakeholders.

Analyze current workflows

You may have already identified issues in your systems, but you want to analyze your current workflows to see where gaps exist that need to be improved so you can achieve your goals. Identify areas of inefficiency, such as bottlenecks, redundancies, or regular tasks that could be automated.

Consult employees

Including employees in the planning also fosters a sense of ownership and belonging.

Employees are important stakeholders who often have insights into inefficiencies and potential solutions. They can guide you on where improvements would offer the greatest impact and what activities are feasible or require greater refinement. Often, their interactions with products, services and customers can provide a perspective that managers may not have.

Consultation can motivate them to take accountability for changes. Make sure they understand their role in making a positive change at your company.

Implement temporary countermeasures where possible

It's tempting to wait for a perfect solution but often taking some action will enable you to take further action and possibly free up the resources to find better solutions. A quick reaction can provide a stopgap to prevent further complications, maintain your operations, and ensure customer satisfaction while you work on a long-term solution.

For example, if you have a sudden need for more staff members, hiring temporary workers can get you through until you can hire new employees. If your equipment breaks down, you can rent equipment until you're able to buy something new.

Find the root cause

Often an inefficiency is a symptom of a bigger issue. Unless you address the bigger issue, you'll find yourself facing the same problems repeatedly. Stopgap measures are useful in the short-term, but you need a permanent solution for the long-term.

When you identify an issue, follow it to its root cause. You can do this using the five whys (asking "why" repeatedly to every answer you receive until you get to the root cause). For example, say a newsletter is repeatedly being sent out late. The initial reason is that the content is always provided at the last minute, but by repeatedly asking why you uncover that the root cause is a lack of clear protocol for creating content for the newsletter and no person taking accountability for making sure it gets sent out on time.

Now you can address that deeper issue to prevent future problems.

Consider having a plan A and a plan B in case the first solution doesn't work.

Propose solutions

Often there will be multiple possible options you can take to address the inefficiency. Rather than going with the first option, gather information about numerous options. Talk to your teams to find out how they will be affected by each of the proposed solutions.

Establish an action plan

An action plan is your roadmap for ensuring your solution is implemented. It sets out timelines for completion, milestones that should be achieved, resources necessary to carry out the plan, and parameters for success. It also sets out which staff members are accountable to the plan and what steps will be taken if goals are not reached.

Evaluate resources

Any action plan requires resources. It's important you have the resources you need to achieve your goals. Such resources include financial backing, labour, and technology. You may need to find or free up capital to increase your efficiency, in which case it's ideal if your improved efficiency will ultimately increase your revenue.

If you don't have the resources readily available, explore your options. You may be able to lease or rent the equipment you need or hire contractors to help with the labour.

Prioritize changes

Many businesses will find numerous areas that could be made more efficient. In most cases you won't be able to undertake them all at the same time. This means you'll need to identify those areas that are the highest priority, based on those that will have the highest impact. By starting there, you can often free up resources for subsequent improvements.

One way to prioritize changes is to start with those that are high impact and low effort, followed by high impact and high effort. Last is low impact and high effort.

Financial cost, timeline and any interdependencies may also play a role in how you prioritize changes.

You may have enough in your business to cover your costs, or you may need to find additional sources of funding by finding investors or borrowing.

Identify financial need

Your plan to increase efficiency may require financing to cover the costs of equipment upgrades, redesigned production processes and additional employees. Make sure you understand how much your operational changes will cost and identify sources of funding.

Asses and benchmark performance

Before you start you need to know where you're starting from so you can monitor progress. Assess your company's current progress on its key performance indicators and compare those with other companies in your industry.

Implement technology

Technology can play a significant role in eliminating redundancies and saving your team valuable time. Explore which of your activities can be automated or taken over by implementing technology. This frees you and your team up to take care of other pressing responsibilities that need human input.

Track KPIs

Your key performance indicators (KPIs) determine how successful you are at achieving certain targets. Industry KPIs vary, so it's important to set and track KPIs based on your industry and your specific goals. KPIs related to efficiency may focus on process performance, productivity, and resource utilization, such as cycle time, overall equipment effectiveness, and waste percentage.

Train employees on KPIs

It's important your team knows and understands what the KPIs are and what they mean. When they understand the KPIs, they can take ownership in achieving them, making your business better positioned for success in the long run.

Monitor performance

Continuously monitor your performance as you work towards achieving your goals. Review to identify what is and isn't working and adjust as necessary.

Establish clear protocols

Businesses are more efficient when everyone knows the processes and protocols for typical tasks. Establish and documents clear steps and requirements for tasks to be carried out and make sure any employees involved in such activities are aware of the protocols.

Encourage employee involvement

The journey to efficiency doesn't end when new processes are in place. There are almost always ways businesses can become more efficient, leaner, and more agile. Encourage employee involvement by having them give feedback and insights into your efficiency initiatives. Let them share their input based on their unique perspectives.

Delegate appropriately

As a business owner you'll need to protect your time by having people around you take over some of your responsibilities. Make sure tasks, activities, and responsibilities are given to people who have the experience, knowledge, and background to carry out what you're asking of them. If this will be a new task for them, be sure they receive the training or mentorship they need to be successful.

Optimize office processes

Your client-facing and back-office activities can be optimized to reduce activities that don't add value, are redundant, lead to errors, or make tasks more complex. Find ways to automate or eliminate where possible. Ask how something can be done more effectively, without creating waste, and with less room for error.

Improve inventory management

Many businesses tie up their cashflow in inventory, which creates a need for storage or warehousing and can result in excess waste. Implement a just-in-time inventory system, where inventory is purchased only as needed. You'll need a responsive supply chain but will likely save money in the long run.

Master production planning

Production planning directly affects your operational efficiency, customer satisfaction, and profitability. Gather data to predict future demand, determine the production capacity of your facilities, prioritize tasks based on order of importance and develop a production schedule.

Document all changes

Documenting all changes, processes, and rationales for decisions enables you to monitor and adjust in the future. If you know why you've made certain decisions, you're in a better place to analyze those decisions and determine whether you need to make different ones in the future. Perhaps you chose one option because it was less expensive but, in the future, would go with a different option when you have more money available.

Create an accountability framework

To be successful, everyone involved needs to know and understand their roles and responsibilities. They must be aware of the expectations, timelines, and deliverables they're responsible for achieving, as well as how to monitor progress and when to alert the team that targets aren't being met.

Celebrate wins

The road to efficiency might be long and complicated. Celebrating as you pass milestones will keep your team motivated and remind you of the benefits of taking these important actions. It will also increase morale.

Review goals

Set aside time to periodically review your goals, assess whether you're still progressing towards them and determine whether they're still relevant to you and your business. As your business evolves and changes, some goals may no longer be as important to you, or other priorities may arise.

Adjust as needed

If you're not progressing towards your goals analyze the decisions made so far and where issues have arisen. You may need to adjust your strategies or revise your timelines.

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