



Creating  
Innovative  
Efficiencies  
in Your Business

# BEYOND



By Tom Kosnik

# METRICS

**C**reating innovative efficiencies to improve employee and corporate performance is a management practice that can put your firm miles ahead of the competition through the eyes of your customers. This is a very hot topic for many companies. The business magazines and journals are currently abuzz with information about “innovation.” What does this tell us? The businesses that are getting ahead of the competition, the businesses that are securing a superior gross margin and net income percentages, are the businesses that are innovators.

Being the massive low-cost provider is out. Being the touchy-feely firm with the customers is out. Being a “business innovator” for customers is in! And it is followed with big rewards. Think about it. Your

customers are not interested in a temp for the day or the week or the month. Your customers are interested in “innovative solutions” that your firm can bring to the table to assist them in acquiring top talent and in

a manner that is more cost effective than it was a year ago.

The bad news is that most staffing firms are so mismanaged that they are incapable of bringing an innovative solution to a customer. Additionally, the leadership in the industry is just not there. Many small staffing firms make the mistake of overlooking creating innovative efficiencies and try to get ahead by hiring the next rainmaker. Many larger staffing firms make the mistake of trying to get ahead by acquiring other staffing firms. Both strategies do nothing for the end users.

Being a “business innovator” is first and foremost about being a well-run and well-oiled machine that offers

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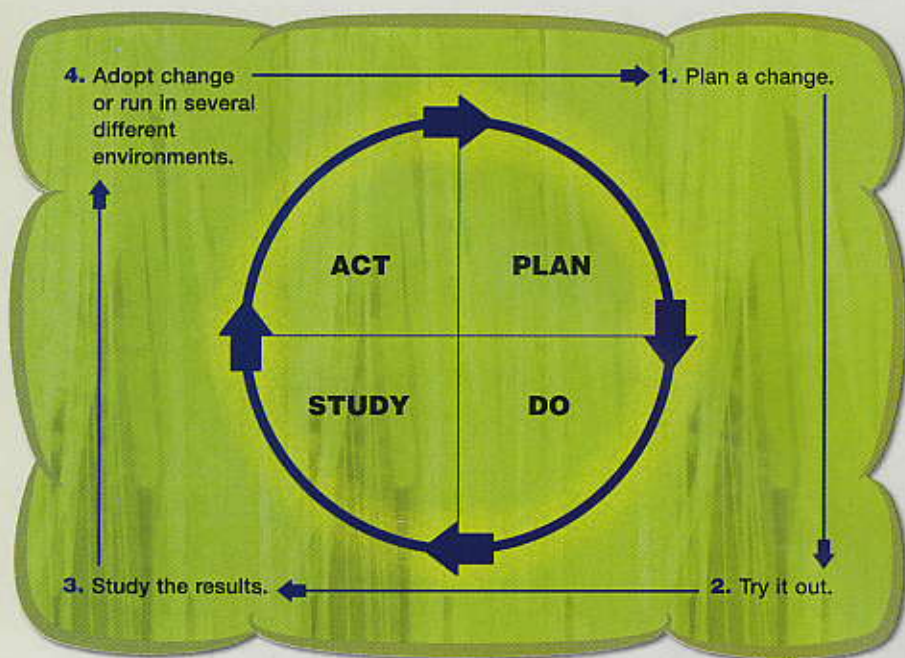


Figure 1 - Shewhart Cycle

customers zero defects on its services. Typically, when I get a group of staffing executives talking about this topic I get lame excuses on why they cannot offer such zero defect results. Responses such as "we have a product that talks and thinks on its own." "We cannot control what people do outside submitting them to a client." These comments are totally missing the point.

There are a very few staffing organizations that have made it a strategic initiative to create innovative efficiencies to improve employee and corporate performance. Don Stallard, president of The Reserves Network, leads a \$70 million in annual revenues staffing firm in the Midwest. Stallard says, "Increasing productivity per employee is The Reserves Network's number one initiative this year." Stallard says, "As our company matured, it became redundant in its procedures and practices. Every now and then we have to clear it out." For The Reserves Network, this means "actively researching and implementing innovative

technologies to increase employee productivity." This includes, to name only a few, "automated calling systems, online testing tools, online resuming, fully utilizing the front office software, pay cards, personnel digital assistant tools, Internet blogs, real time data to clients, etc." Ultimately, The Reserves Network will be able to increase accountability throughout the entire company.

Small staffing firms can also receive tremendous results from focusing on creating innovative efficiencies. Will Hunt is president of Harvard Resource Group, a staffing provider doing under \$10 million in annual revenues. Harvard Resource Group has attained 100% growth over the past few years. One might assess that's easy for a small firm to achieve. However, Harvard Resource Group has hit these growth numbers in the Detroit market where unemployment has been vacillating from 7% to 9%. What is the success? Hunt says, "We are committed to enhancing our infrastructure including our systems, processes and procedures. We are also heavily committed to utilizing the latest technology which has allowed us to improve efficiencies and give us the ability to compete with the larger firms." Not bad for a little guy.

Allied Staffing Services is \$22 million in annual revenues. President of Allied Staffing Ron Trachsel says, "We need to make our business more efficient." How is Allied Staffing Services creating innovative efficiencies? Trachsel says, "You name it. We are using technology tools from Web crawlers to automated calling systems." Trachsel also says, "It is a real challenge penetrating the market. One has to take business away from other staffing firms. In order to do that, we have to have maximum efficiencies with all our

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resources – human as well as our capital investments – into technologies.”

So this begs the question, how does a staffing firm create innovative efficiencies to improve employee and corporate performance?

## **The Shewhart Cycle for Learning and Improvement**

Dr. Walter A. Shewhart pioneered a method for innovation that is widely utilized in many organizations throughout the world. It is a process that consists of two cycles. One cycle focuses us on understanding “what” to do for the buyers of our services. One cycle focuses us on “achieving” improvement for the buyers of our services. (See Figure 1.)

Historically, in the staffing industry, it has been the end users driving the innovation and change in the services we provide. This dynamic is backward and puts the staffing industry at a disadvantage in its relationship with the buyer of our services. When innovation comes from customers, we are allowing customers to determine our workflow, work process and thus, our pricing. For some strange reason, leadership in the staffing industry is afraid to go to the customer with innovative techniques or changes that lead to improvement in services. Utilizing the Shewhart Cycle can reverse this disposition with customers.

In cycle one, it is all about gathering data from the end users’ perspec-

tive about where we are currently failing in our services. In other words: “Where are our defects hurting the customer the greatest?” “What is it that customers dislike about our services the greatest?” The most valid way to collect this data is by using outside marketing firms or outside data collection firms. Such firms can collect this data and generate written reports that are both valid and reliable. Data collection firms can also collect a significant amount of qualitative information about our services from an end users’ perspective. Generally, it is very good information. Online surveys and focus groups are the means by which data is collected. In short, this data

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gives us the answer to "what" to do for our customers in terms of innovations.

In cycle two, it is all about creating and implementing innovations. (See Figure 1.) Once we know what our customer desires, we move to achieve these desires. First, we start out with a plan for change. In planning for change, managers, service coordinators, sales executives and users of our service are asked to meet and assist with creating a plan. Secondly, we try our plan out in a controlled environment – maybe with a willing customer. This is generally called a pilot program. Third, we study the results. In this pilot program, have we succeeded at achieving what the customer wants? In studying the results, we will either accept the change, reject the change or we will determine that there is not enough information from the pilot for us to make a decision. Fourth, if we accept the change, then we adopt the change company-wide. However, if we reject the change, then we go back to the planning stage.

### **Six Sigma for Everyone**

George Eckes recently published a resource titled "Six Sigma for Everyone." Typically, I get the "deer in the headlights" look when I start to talk to staffing executives about Six Sigma methodologies in order to improve their gross margins and net income. Eckes in "Six Sigma for Everyone" has put together a guide that almost any branch office or small work group within the business could perform with success.

The process for executing Six Sigma in your organization is mapped out in Figure 2.

The first step is to "define." In this phase, a work team is formed, guidelines regarding how the team will operate are articulated and agreed upon, customer needs and requirements are determined and validated, and lastly, a road map and timeline are developed.

Step two consists of establishing "measures." In this phase, it is determined what data is going to be collected as well as the actual implementation of the data collection plan. In determining what data is collected, it is important

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Figure 2 – DMAIC Improvement Methodologies

**Six Sigma:** Five Steps That Lead to the Sixth Reality – Nirvana, Perfection, Zero Defects

to make sure that the data being collected will be able to be used to alter processes that increase employee performance and customer satisfaction.

Step three consists of “analyzing” the data that has been collected. One does not need a mathematician on staff in order to analyze data. Rather, analyzing the data is more about understanding the story the data is telling us about gaps and insufficiencies in our performance to customers. This phase is also about understanding the root causes of an area of weakness or poor performance.

Step four consists of moving to “improvement.” In this phase, the team generates ideas, solutions and recommendations that can improve results in specific work tasks and procedures. Some of the work of generating solutions will be getting other employees and possibly customers involved in creating solutions processes. The improvement phase is also

about executing – putting an improvement in place in the organization.

Step five is “control.” In this phase, certain tools and techniques are put in place in order to cement a change in place. It is not unusual for old habits or past behaviors to return after a performance improvement procedure has been implemented. Controls insure that certain alterations stay in place and become the new standard.

We typically think about using Six Sigma only in a manufacturing environment. I have yet to be introduced to a staffing firm that utilizes Six Sigma methodologies in their business in order to improve results. This is a significant opportunity lost. Studies show that by using processes like Six Sigma, both employees and customers, through the process itself, become more committed to the organization. Who can argue with increasing employee and customer commitment?

## The Goal

Eliyahu M. Goldratt published a book titled, *The Goal*. All presidents, owners, and managers of staffing services would benefit from reading this book. Goldratt writes that the goal is “to make money by increasing net profit, while simultaneously increasing return on investment, and simultaneously increasing cash flow.” Attaining such a goal will force you and your firm to create innovative efficiencies in the business.

The goal sounds ambitious. Actually, it is much easier than you think. Goldratt tells us that one way to achieve the goal is to “increase throughput while simultaneously reducing both inventory and operating expenses.” For us in the staffing industry, increasing throughput is increasing the number of temporaries a fulfillment team puts

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to work in a given day and in total numbers per that fulfillment team. Additionally, we have to do it by not increasing our operating expenses.

Where are the innovative, increasing, throughput ideas going to come from? Your existing staff is the best place to start. First, get them educated on viewing the business from a 30,000-foot level. Teach them some of the basic concepts that Goldratt outlines in his book. Doing so will get them out of the tactical reacting mode and into the proactive, innovative, thinking mode. Secondly, get the members of your team to start generating innovative ideas by creating an environment that encourages these ideas. This may include

## Useful Site

The International Society of Performance Improvement is a great place to go to discover a whole host of performance improvement tools, techniques, methodologies, literature and resources. This information can be found at [www.ispi.org](http://www.ispi.org) **SI**

bringing in an outside facilitator who is not familiar with the staffing industry to run several idea-generation sessions. Remember what Stallard said from The Reserves Network, "As a company matures, it became redundant in its

procedures and practices. Every now and then you have to clear it out."

Eliminating "down time" is another step of achieving the goal. Such a task includes having workflow processes in place where no employees are sitting idle. This means having sales and recruiting working in lock step with one another. What staffing firm could not improve their workflow between the sales department and the fulfillment team?

Eliminating "bottlenecks" is yet another step in achieving the goal. Bottlenecks are areas in your company that stop throughput. Such an area could be a person such as a recruiting manager who has to qualify all job

orders prior to job orders heading to the fulfillment queue. Such an area could be a technology, such as a system that will not allow a candidate to proceed to a client because a certain box has not been checked off on the candidate's record.

A staffing firm can foster an environment to create innovative efficiencies to improve employee and corporate performance by working through the concepts in Goldratt's book, *The Goal*.

### Beyond Metrics

In a recent survey I conducted of 70 privately held temporary staffing firms, I discovered that only 28% of these firms had established performance metrics. The common statement I heard about these issues was, "We are not a metrics-driven company. We care about people."

Even more amazing, of the 28% of the temporary staffing firms that had established performance metrics, only 7% used their performance metrics to hold employees accountable. Accountability, I discovered, was viewed as a bad word from the management perspective. In reality, employees want to know what is expected of them, they want to be fully trained in their jobs, they want to know where they stand and if they are succeeding, failing or just making it.

So, for most of the temporary staffing firms, the first step is to establish performance metrics. The second step is to start professionally managing employees with the performance metrics. These two initiatives will have an immediate positive impact on the business. They also are a precursor to everything that I have been writing about in this article.

Once your business has a practice of gathering performance metrics and

utilizing such metrics to best manage employees, then your firm can take advantage of creating innovative efficiencies to improve employee and corporate performance. The benefits of moving in this direction are enormous. By creating innovative efficiencies, your firm can increase customer satisfaction, employee performance and net income. Your firm can also decrease sales, general and administrative expenses, and internal employee turnover rates.

All these wonderful benefits cannot be realized if senior leadership in the organization is not on board and fully supporting such activity. Sometimes, it is the person at the top, the person with the most tenure in the organization who has become the "bottleneck" for creating innovative efficiencies to improve employee and corporate performance. If this is the case, then the business has another high priority issue to resolve prior to moving forward. **SI**

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