



Recognizing the Importance of Time

Today's managers typically recognize the importance of cycle time when evaluating white and blue collar activities. Few, however, know how to measure the impact of cycle time on their day-to-day operations — or how to use this analysis in their strategic planning.

Why is an accurate understanding of cost-time important? Competitive position can be easily upset with dramatic shifts in the product cycle time (order through delivery through payment). Customer value and loyalty improve when cycle times are shortened and consistent. Costs can be squeezed out of the process by doing things right the first time, thus eliminating the use of overtime to meet the end-of-month crunch and minimizing rush orders.

Cost-Time Profile

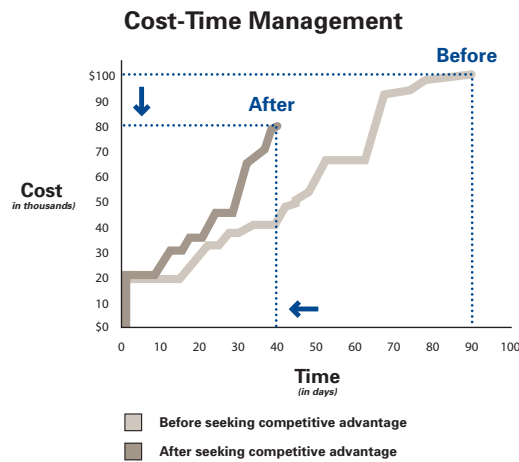
One of the major innovations of the Westinghouse Productivity and Quality Center (WPQC) was the invention of cost-time methodology. The cost and cycle time for every business process is directly related to its activity. Unlike traditional methods of measuring process improvement – which can be cumbersome and subjective — the WPQC method accurately and simultaneously evaluates three key production areas: direct costs, labor and cycle time. In the pictured chart (profile), vertical lines represent purchased materials or outside services, the diagonal lines are labor or work performed, and the horizontal lines are wait times.

The same process is used to profile the redesigned process' cost and cycle time. Recommendations for investments can then be judged from a “what if” return-on-investment vantage point during the redesign process, and only those that make good business sense survive and are recommended for management approval.

The Cost-Time Profile diagrams the accumulation of cash during each unit of time across the entire business cycle. Cycle time reduction is the principal driver for shrinking investment and increasing operating profit margins. Typically, a 50% reduction in cycle time produces a dramatic reduction in the cost of labor and material, while increasing process speed and the capacity to grow.

Cost-Time-Activity Management

Performance Associates has taken this Cost-Time analysis to a new level by integrating activity cost management into the analysis. While functional departments are hierarchical in their activity, processes are horizontal as they zigzag across the entire organization. Measuring both the process and the total employee activity time can target dramatic opportunities for improvement.



PAI's performance methodology expands the original methodology's improvement focus to now encompass all activity. Processes consume portions of employee time; activity profiles define their total time allocation. Whenever capacity is freed up, it must be managed or the return is diminished. See "Improving Productivity" white paper.

Performance improvement is enhanced by managing the new-found capacity through changes in activity, roles and responsibilities — i.e., doing more with less. Value-added or revenue-producing activity is expanded, while essential activity is reduced through simplification or automation, and non-essential activity is eliminated. Thus the effectiveness of all activity — not just processes — improves, while revenues increase and costs are reduced. See "Strategic Management" white paper.

Conclusion

Embedding systematic investment decision-making practices within the organization is paramount to optimizing limited investment monies and organizational capacity. Accountability can only occur through measurement, learning through reflection and improved performance through success.



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The principals of Performance Associates International helped to formulate and apply many of industry's most effective productivity and quality tools in their roles as senior consultants with the renowned Westinghouse Productivity and Quality Center (WPQC), one of the first such think tanks in the world. Today, PAI's portfolio spans a wide range of industries and businesses worldwide — from Fortune 500 companies to small non-profit organizations.

PAI has direct departmental knowledge and project experience in working across an entire organization, including: Accounting, Advertising, Engineering, Facilities, Human Resources, Information Technology, Legal, Manufacturing, Marketing, Public Relations, Purchasing, Quality Assurance, Research & Development, Sales, Shipping & Receiving.