

White Paper

The True Cost of Operations Problems



COMPROSE
everyone knows what to do.®



Do you know how much ..

Failing to develop good SOPs could be costing your company?

In today's tough economy, when you need to maximize every dollar, too many companies are overlooking the heavy toll operations problems take on the organization's bottom line. Many think developing and implementing a good system of standard operating procedures (SOPs) is a luxury or a "nice to have" and keep it on the back burner for later—not realizing the financial toll that decision can have.

Are fixable operations problems taking a hidden financial toll on your company? Read on to find out.

This short white paper uncovers some common myths about SOPs and the bottom line.



Inefficiency, errors, rework

Day-to-day process inefficiencies sometimes seem like "no big deal," but when you calculate the combined costs it can be staggering (especially for larger organizations).

Here's an example from Healthcare Executive magazine:

After an operations audit one hospital discovered that their staff incorrectly entered "check in" information 70% of the time! It took 20 minutes in rework on every bill to correct those errors. At 1.5 million bills per year, that one inefficient process created 500,000 hours of unnecessary work. Before the audit, no one realized they had a significant problem because no one had measured the cost.

Even small operations improvements can net tremendous payback.

- What if you could gain 35-40 more productive minutes a day from each one of your employees? Just a 10% improvement in productivity from process "streamlining" can give you that.
- One of our customers, a marketing services firm reduced overall errors and waste by 75% in one of their direct mail groups simply by "standardizing" the best practices of one star performer across the entire team. In the process they saved \$360,000 a year in expenses.

Just a 10% Improvement in productivity from a better SOP could give you 35-40 more productive minutes a day from each one of your employees?

What could that mean to your bottom line?



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High costs of staff turnover

Employee turnover is an operations headache that takes a big bite out of profits. Many organizations don't realize how heavily they invest in getting employees hired, trained, and independently productive.

According to the American Society for Training & Development, U.S. companies spent \$79.85 billion in 2006 just on internal staff training. The national average cost for replacing an employee is 1.5 times their annual salary, and it takes an average 13.5 months for a new employee to be fully proficient.

Obviously, high turnover inflates training costs and supervisory burden, but it can hit even harder by dragging down productivity and increasing the risk of serious errors.

How bad is the problem?

The national average annual employee turnover rate is 10-15%. For a 200-employee company that translates into costs as high as \$1.8 million annually.

The problem is even worse in some industries. Turnover in banking averages between 20-35%. In healthcare it is reaching a crisis with 20% turnover considered "good" and reports of turnover in home health care as high as 86%. Experts expect the acceleration of "Baby Boomer" retirements in coming years will make an already bad situation worse.



It takes an average of 13.5 months for new hires to become fully proficient at their jobs.

What does that mean to the bottom line?



Minimize “Ramp Up” Time to Cut Costs

Clear SOP systems decrease ramp-up time, reduce supervisory burden, and increase staffing flexibility to dramatically lower the impact of staff turnover.

Here's an example:


One Zavanta customer, a large retail firm, was experiencing extremely high turnover costs. Getting new hires up-to-speed was a painful, costly process.

Because each branch location had its own way of doing things, they couldn't easily shift experienced employees from one location to another.

Using Comprose's Operations Mapping approach and Zavanta software, they were able to create a flexible, easy-to-use training system from their SOPs. This not only reduced the company's turnover costs and stress, it also produced an unexpected benefit—happier customers!

Do the math and you can easily see how a decrease in ramp-up time—even by just a small amount—can make a big difference.

Take a 500 employee company with a modest 10% turnover rate. Reducing new-hire ramp-up time from 12 weeks to 6 weeks brings \$341,640 in savings to the bottom line.



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Skyrocketing Regulatory Compliance & Liability Costs

Regulatory compliance and liability risk top the list of operations headaches for many executives, and it's easy to see why.

Companies must ensure their operating processes are compliant with regulations and must quickly communicate process changes to employees across the organization or face penalties. Protecting your company from exposure to compliance breaches is not easy. It requires having controls and accountability in all areas of your operations to demonstrate compliance to auditors and examiners and to avoid costly fines and penalties.

While no one knows exactly how much U.S. businesses spend each year total on regulatory compliance, fines, sanctions and lawsuits, the World Bank listed 2005 total costs at somewhere between \$420-\$670 billion.

Experts estimate one-third of bank IT costs are spent on complying with regulatory requirements.

Banking and financial services managers often spend up to 30% of their time dealing with both internal and external audits and communicating compliance changes to their staff.



One Zavanta user saved themselves from two separate multimillion dollar lawsuits!

Because they could demonstrate that they had —and followed— strict safety SOPs that everyone understood, they were twice exonerated from liability.





Good SOPs Can Fix Big Operations Headaches and Cut Your Costs

If you are sitting in meetings searching for practical ways to help your business move forward in this tough economy, stop searching! Backburnering implementing good SOPs for another day is a costly business decision.

Good SOPs deliver high ROI across the board.

For more information visit www.comprose.com to read our blogs, read customer success stories, and learn more about our Zavanta system and Operations Mapping method.





About Comprose

We are dedicated to helping people thrive by gaining access to accurate, updated “how to” knowledge anytime, anyplace, in any language.

Everything we do – our method, our software, our advice – is focused on one thing: helping our clients achieve their strategic goals by getting procedural knowledge out of peoples’ heads and shareable.

We’re passionate about the power of good systems and clear standard operating procedures because of the tangible results we’ve seen our customers achieve: agility, reduced operating costs, faster training, predictability, greater transparency.