



KH's Strategic Cost Management: Right-Sizing Organizations During Hard Economic Times

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KH Know-How

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A STRATEGIC APPROACH

All enterprises are facing critical economic times. Revenues are down. Demands for services are up. Everyone talks about doing more with less. And there's no prospect for immediate change in the economic situation. Many of our clients are asking:

- What can be done to improve productivity during these recessionary times?
- What are the results of improved productivity and how can productivity be measured?
- How can an organization maintain its strategic focus while dealing with budget cuts?

There are no quick answers. Maximizing productivity – doing the right things in the best way possible – requires a shared vision, solid strategic and tactical planning, masterful management of customers' and organizational expectations, and effective and efficient use of resources. KH Consulting Group (KH) can help.

KH has successfully used our strategic cost management model to improve the operations of private companies, government agencies, universities and colleges, transportation entities, and utilities. ***Our clients typically recover 3 to 10 times the cost of the study within the first two years of implementing our recommendations.***

KH first performed Activity Analysis studies during the 1980s, using our strategic and diagnostic cost management approach for assessing the cost and value of activities carried out in an organization. Since then, KH has performed many such studies in the

United States and abroad in Europe and Australia.

The specific objectives of these Activity Analysis projects are to strategically:

- Contain costs
- Understand how employees spend their time
- Document the relative importance of activities performed
- Decide if high-priority activities receive sufficient attention
- Calculate labor costs to perform specific activities
- Find out if resources are allocated properly
- Identify anomalies, issues, and opportunities for improvement

As a result of this analysis, consultants can work with client teams to design a plan of action for containing costs, real-locating work functions to high-priority initiatives, reengineering operations, or restructuring the organization.

While working with a large Australian utility in 2007, KH trained a group of 20 internal managers in our strategic cost management approach, who identified \$25 million to \$40 million in savings to be generated over a two-year period.

ANALYTICAL REVIEW

KH's Strategic Cost Management approach applies activity analysis as a quantitative basis for right-sizing and process reengineering. Management and consulting teams consider the following kinds of questions when reviewing the reports which result from a KH Activity Analysis study:

- Is this activity essential to the department in which it is performed?
- Could we eliminate or replace the activity, partially or completely?
- Could we reduce the frequency, scope, or "precision" of an activity?
- Could we simplify or reduce the cost of doing an activity or service?
- Could we improve controls through organizational changes or other means?
- Are functions and activities grouped in the most logical and effective way?
- Are jobs designed for efficient performance of assigned duties?

PRODUCTIVITY IMPROVEMENTS

The outcome of Activity Analysis provides insights into areas for improved productivity, including the identification of:

- Activities with relatively high effort or cost that may not be necessary
- Very important activities receiving insufficient attention
- Activities that are not essential to the achievement of business objectives
- Services provided by support or staff groups, or other positions, that exceed the levels required by users
- Activities that are widely dispersed throughout the organization and should be consolidated
- Activities duplicated in multiple departments that could be done by only one department
- Activities with many respondents but low staff-years (FTEs) of effort, which may suggest fragmentation of effort
- Costly activities that could be done by lower paid staff

L1 Level	Description	Parti- parts	Activities	FTE	FTE%	Labor Cost	%	Frag. Index	Ave. Act.
0	ALL	1,308	27,541	1308.00	100%	\$ 138,935,937	100%		21.1
			21			\$ 106,220			
3	COMMUNITY AND CUSTOMER RELATIONSHIPS	488	1,698	68.40	5%	\$ 7,258,472	5%	0.14	3.5
3.1	COMMUNITY AND MEDIA RELATIONS	222	481	21.00	31%	\$ 2,258,327	31%	0.09	2.2
	Respond to general community requests or complaints	142	142	5.80	28%	\$ 611,601	27%		0.04
	Develop and implement community outreach programs	47	47	4.10	19%	\$ 402,947	18%		0.06
	Respond to community complaints on operations	98	98	3.50	17%	\$ 404,030	18%		0.04
	Respond to requests from news media	66	66	2.50	12%	\$ 276,919	12%		0.04
	Respond to community complaints regarding pollution and the environment	49	49	1.90	9%	\$ 226,916	10%		0.04
	Prepare materials, plan, attend, or coordinate community advisory meetings on capital plan(s)	30	30	1.30	6%	\$ 121,145	5%		0.04
	Develop and implement proactive programs for media relations	21	21	1.10	5%	\$ 134,094	6%		0.05
	Facilitate public involvement in the planning process	28	28	0.80	4%	\$ 80,675	4%		0.03
3.2	CUSTOMER SERVICE/MARKETING/ECONOMIC DEVELOPMENT	371	1,056	40.20	69%	\$ 4,116,899	67%	0.11	2.8
	Provide responses to internal customer inquiries	230	230	8.60	21%	\$ 822,588	20%		0.04
	Provide responses to external customer inquiries	217	217	7.80	19%	\$ 706,068	17%		0.04
	Interface with customers to maintain good will and ensure Client X is being responsive to their needs, e.g., walk the premises, visit job sites, etc.	118	118	4.70	12%	\$ 530,256	13%		0.04
	Coordinate or share information with transit operators	123	123	4.70	12%	\$ 533,663	13%		0.04
	Compile or analyze materials or information for presentation or response to customers	102	102	4.60	11%	\$ 417,886	10%		0.05
	Conduct site tours and visits for government officials, VIPs, etc.	92	92	2.40	6%	\$ 273,921	7%		0.03
	Coordinate filming permits, supervise filming	31	31	2.20	5%	\$ 207,981	5%		0.07
	Coordinate or share information with contractors	50	50	2.00	5%	\$ 227,622	6%		0.04
	Design or conduct orientation programs about operations, programs, security, or services for contractors, vendors, government officials, etc.	38	38	1.10	3%	\$ 116,857	3%		0.03
	Develop and implement XYZ marketing programs for passengers, e.g., parking, routes	12	12	0.70	2%	\$ 86,841	2%		0.06
	Develop and implement STU marketing programs	7	7	0.40	1%	\$ 49,289	1%		0.06
	Develop and implement ABC marketing programs	6	6	0.30	1%	\$ 24,902	1%		0.05
	Develop and implement JKL marketing programs	5	5	0.20	1%	\$ 38,816	1%		0.04
	Develop and implement EFG marketing programs	3	3	0.10	0%	\$ 18,654	0%		0.03
	Develop and implement LMN marketing programs	5	5	0.10	0%	\$ 16,546	0%		0.02
	Conduct focus groups or surveys to assess customer satisfaction with operations and performance	17	17	0.40	1%	\$ 45,008	1%		0.02
3.3	ETHICS/BUSINESS CONDUCT	99	161	7.10	10%	\$ 883,246	12%	0.07	1.6
	Conduct reviews of reported unethical conduct, including making recommendations for discipline or corrective action	85	85	4.70	65%	\$ 552,421	63%		0.06
	Provide ombudsman services or work with ombudsman	40	40	1.70	23%	\$ 219,846	25%		0.04
	Develop guidelines and programs to improve ethical performance	36	36	0.80	12%	\$ 110,979	13%		0.02

Sample KH Activity Report of Community, Media, and Customer Relations Activities Performed Across an Organization

ACTIVITY ANALYSIS PROJECT STEPS

Step 1 – Develop a Physical Dictionary

To start, the team defines how employees physically engage during their workday, such as:

- Type, file, and copy
- Analyze data or information
- Supervise, organize, or work with others
- Communicate with people outside the organization

Step 2 – Develop a Functional Dictionary

The consultant-client team then defines what activities employees perform in the organization. To expand and develop the Functional Dictionary into its final form, various sources are used, including policy and procedural manuals, work flow charts, job descriptions, plans and budgets, financial and operating reports, interviews, observations of operations, systems applications and support, etc.

Functional activities are categorized into four levels:

Level 1 Activities – Functional Categories, such as Finance, Planning, MIS, Human Resources, Operations

Level 2 Activities – Sub-Functions, such as General Accounting, Tax, Audit, Legal

Level 3 Activities – Activity Groups, such as General Ledger, Accounts Payable, Accounts Receivable

Level 4 Activities – Detailed Activities performed:

- Perform accounting and variance analysis
- Process incoming invoices against purchase data
- Analyze key position requirements

Step 3 – Administer Online Survey

Using sample survey forms, the team compiles an online survey form to fit the needs of the client and administers it to the participating employees. Participants select the specific detailed activities that they perform from the lists of possible activities (the final Physical and Functional Dictionaries), then allocate the percentage of their time spent on each, and finally rank them in terms of relative importance.

Step 4 – Develop Employee Database

The employee data files include the following information for each employee:

- Compensation and benefits
- Organizational unit assignment

- Level in the organizational hierarchy
- Physical location
- Title/job type/job code

Step 5 – Generate Activity Analysis Reports

KH produces up to 35 different reports that provide different views of the information. These include:

- **Organizational Reports** – Present each given organizational unit (for example, Human Resources, Finance, or Public Relations), listing the functional activities (Levels 1 through 4) performed in that unit
- **Physical Activity Reports** – Present physical activities, describing how the work is done
- **Functional Activity Reports** – Present functional activities (Levels 1 through 4), describing what work is performed and showing the organizational units that perform each activity
- **Major Employee Groupings** – Present each job title, listing the specific activities performed

To start, KH prepares 9 standard reports for the client's use. The Standard Report Package provides a variety of different reports in each of the formats, presenting different views and different portions of the information. Reports view the organization at different levels, the activities at different levels, and different cross-cuts. Not all reports are of use in every situation, but the current variety includes what is generally needed in any situation. Additional customized reports can be generated upon request.

Standard Activity Analysis reports array the following information:

- **Activities** – The total number of times a detailed activity is identified by survey participants as performed
- **Participants** – The number of survey participants in the organizational unit
- **Time/Full-Time Equivalent** – The amount of time devoted to each activity by survey respondents (Time is equated into full-time equivalents (FTEs) for comparisons.)
- **Percent** – The percent of total FTE involved in the activity
- **Cost** – The cost associated with doing each activity or activity category, including salary, bonus, and benefits
- **Percent** – The cost of an activity or activity category as a percent of the next higher level subtotal
- **Priority Rating (High, Medium, Low)** – The quartile to which the activity is assigned on the basis of the priority ranking (The upper 25 percent, the middle 50 percent, and the lower 25 percent are identified as high, middle, and low priorities respectively.)

Other Activity Analysis reports are possible on an as-needed basis:

- Listing of Employees Covered by Survey: Alphabetical, by Position, or by Position within Department
- Summary of Activity Categories
- Organizational Structure Summary
- Employee Distribution by Position Category
- Work Distribution by Organization
- Importance Ranking of Activities by Organization
- Listing of High-Priority or Low-Priority Activities
- Listing of Employees Performing Each Activity: By Department or by Activity
- Listing of Organizations Performing Each Activity
- Staffing Ratio by Activity or by Organization
- Activity Categorization: By Supervisor or by Department
- Duplicate Tasks by Department
- Report of Activities by Position

Step 6 – Analyze Activity Analysis Results

The consultant-client team can then analyze the Activity Analysis reports using different Strategic Cost Management analytic techniques that KH has refined during the last two decades.

Representative KH Activity Analysis Projects

KH has guided clients in conducting Activity Analysis studies since 1986. Using our Strategic Cost Management Activity Analysis approach, KH helps answer:

- Are the right number of people in the right places, doing the right things?
- How can resources be redeployed or restructured to improve the bottom line?
- How can we sustain needed change to make the organization economically viable while maintaining morale?

The following projects show the size and scope of Activity Analysis projects we manage.

ACTIVITY ANALYSIS IN HIGHER EDUCATION

University of California at Los Angeles (UCLA)

Over the years, KH has performed a number of special studies at UCLA.

▶ Student Affairs

KH applied Activity Analysis to the Student Affairs Division. UCLA employs more than 450 full- and part-time personnel who provide student services through Student Affairs. When UCLA began implementing a new series of distributed processing information systems, significant opportunities to restructure staff functions and processes became feasible throughout the organization.

KH reviewed the present distribution of workload and staff functions involved in fiscal and personnel management, using Activity Analysis to quantify workloads and staffing patterns. In addition, KH worked closely with a task force senior management from key areas of the organization to identify service objectives, organizational alternatives, and opportunities for reengineering critical processes. KH also conducted an assessment of the new distributed systems to confirm impact, identify organizational implications, and revisit operational and managerial philosophies and alternatives.

As a result of this study, Student Affairs strategically identified priority areas and organizational options to be addressed in implementing new systems; the aim was to:

- Improve quality of processing

- Reduce errors
- Improve efficiency of staff functions
- Improve managerial control

KH then assisted UCLA in implementation of key opportunities, reengineering of lower-level processes, and planning for implementation of the new systems.

▶ Campus Human Resources

KH developed a pilot program to mechanize online job description development to:

- Improve the uniformity and consistency of user department job requisitions
- Reduce the cycle time between vacancy date and replacement hire date
- Maintain position classification equity across user departments of the University

This project used proprietary software developed by KH. UCLA then applied the methodology and model to additional job families. The methodology used an intra-net model, allowing hiring departments to adopt generic job descriptions and eliminate paper-based processes for routine hires.

University of Southern California (USC)

▶ Multiple Projects

Over the years, KH has performed three management studies for the University of Southern California (USC) in the areas of facilities management, facilities maintenance and operations, and parking. Using Activity Analysis, KH analyzed productivity and developed service standards for Facilities Maintenance and Operations (M&O) at the Health Sciences Campus. KH worked closely with M&O staff members to analyze current staffing requirements. To develop such data, KH applied its Activity Analysis software for assessing the relative costs of activities performed by 107 M&O staff members in both English and Spanish. The outcomes were realigned job functions, streamlined operations, and established service standards for painting, HVAC, facilities remodeling, facilities maintenance, custodial services, emergency responses, etc.

ACTIVITY ANALYSIS IN GOVERNMENT

City of Los Angeles (California), Personnel Department

▶ Training Needs Assessment

Using Activity Analysis, KH worked with City employees to evaluate the training needs of managers. Skill areas studied were computer technology, human relations, and administration. Working with panels of

employee work groups, KH developed dictionaries of skills and adapted the Activity Analysis approach to assess the current skill repertory, the criticality of the skills, and the frequency of use of the skills among a sample of managers from a variety of City departments. Skill repertories of the same managers were also evaluated by their supervisors. Areas of deficiency were identified and training recommendations across the 38 departments were developed.

ACTIVITY ANALYSIS IN THE AIRPORT AND PORT INDUSTRY

City of Los Angeles, Department of Airports (Los Angeles World Airports (LAWA))

The Department of Airports is also known as Los Angeles World Airports (LAWA), which includes Los Angeles International Airport (LAX), Ontario International Airport (ONT), Van Nuys Regional Airport (VNY), and Palmdale Regional Airport (PMD).

▶ 2008 Industrial, Economic, and Administrative (IEA) Survey

The Los Angeles City Charter mandates the performance of an Industrial, Economic, and Administrative (IEA) Survey at least once every five years for the Department of Airports (also called Los Angeles World Airports or LAWA). As specified by the City Charter, the IEA Survey is a third-party management audit, conducted under the joint supervision of the Offices of the Mayor, the City Controller, and the Chief Legislative Analyst (CLA) representing the City Council and in consultation with LAWA Executives and managers and other City officials. KH conducted the last IEA Survey of LAWA in 1999.

The scope of the IEA Survey covers LAWA's strategic issues, management, administration, and operations carried out by nearly 3,800 employees at the four Airports: Los Angeles International Airport (LAX) and Ontario International Airport (ONT), both full-service airports; Van Nuys Airport (VNY), a general aviation airport; and Palmdale Regional Airport (PMD).

KH conducted a variety of fact-finding tasks, including:

- Completed 195 interviews with City officials, LAWA Executives and managers, other governmental leaders, and LAWA airline and non-aviation customers
- Conducted an online IEA External Stakeholder Survey, completed by 3,258 individuals

- Conducted 5 focus groups with 152 external stakeholders and opinion leaders (e.g., citizen, community, business, and political opinion leaders) regarding their perceptions and concerns
- Surveyed 2,639 LAWA employees (of 3,800 total employees), representing the management, professional, technical, and support staff with computer access
- Benchmarked LAWA’s Airports against 25 domestic and international airports around the world that have similar characteristics

The 500-page final report documents the strengths and challenges and presents recommendations pertaining to:

- Strategic focus – worldwide trends and economic downturn, regional challenges, lack of rail access, planning for the future airport infrastructure requirements, environmental initiatives, external relations, facility planning, and financial and risk management
- LAWA airport operations – property and concessions, law enforcement, airport maintenance, LAX, ONT, PMD, and VNY
- LAWA corporate – purchasing and contract administration, information technology, building an effective work culture, human resources, organizational development, and governance and City relations

Port Authority of New York and New Jersey (PANY&NJ)

▶ **Activity Analysis of Engineering Functions**

(SUBCONTRACT TO URS GREINER, INC. AND BOOZ ALLEN HAMILTON)

KH prepared functional and physical activity dictionaries, describing what work tasks the Engineering Department performs and how work is physically performed (e.g., meetings, analysis, written communications, etc.). In total, KH administered the Activity Analysis survey to approximately 1,000 employees in various locations around greater New York City and New Jersey. KH then compiled the Activity Analysis survey data and produced a series of Activity Analysis reports that displayed how Engineering employees spent their time – by organizational level, by project stages, and in terms of full-time equivalents, actual labor costs, et al. URS Greiner and Booz Allen Hamilton then used this information as part of their analysis of needed improvements and recommendations.

Port of Los Angeles, Harbor Department

CITY OF LOS ANGELES

▶ **Port of Los Angeles: Organizational and Operational Effectiveness Study**

(SUBCONTRACT TO BOOZ ALLEN HAMILTON)

The Board of Commissioners at the Port of Los Angeles retained Booz Allen Hamilton to perform an organizational and operational effectiveness study of the Port. Booz Allen Hamilton subcontracted with KH to apply Activity Analysis to the Port. KH designed the questionnaire and collected surveys from 708 incumbents. In addition, we analyzed the Activity Analysis reports, considering:

- How work was physically performed
- Functions performed
- Primary customers within the Port, within the City, and outside of both the Port and City
- Primary providers of information or services, and the quality of information or services provided

KH developed a computer model of staffing levels in terms of FTEs, labors costs, and relative importance of work performed, by organizational structure, and management hierarchies.

Port of Long Beach

LONG BEACH, CALIFORNIA

▶ **Benchmark Comparisons with the Port of Los Angeles**

(SUBCONTRACT TO BOOZ ALLEN HAMILTON)

Booz Allen Hamilton retained KH to collect benchmark Activity Analysis data from the Port of Long Beach. KH worked with 22 senior and division managers to collect data on work performed by approximately 290 employees. The benchmark data was then used to compare the two Ports: Port of Long Beach and Port of Los Angeles.

South Australia Department for Transport, Energy and Infrastructure

ADELAIDE, SOUTH AUSTRALIA, AUSTRALIA

▶ **Activity Analysis to Assess Overhead Functions**

(SUBCONTRACT TO PAK-POY & KNEEBONE CONSULTING ENGINEERS, LTD.)

The South Australian Department of Marine and Harbours was interested in applying U.S. productivity tools to its operations. KH established a two-year strategic alliance with Pak-Poy & Kneebone Consulting Engineers, Ltd., in Adelaide, Australia, to become partners in delivering such tools to Australia.

Working with Pak-Poy & Kneebone, KH applied its Activity Analysis approach to administrative positions in this state governmental agency. The study team was intimately involved with three of the strongest unions in Australia. Because KH instilled a participatory approach to Activity Analysis, the result was widespread acceptance of our recommendations. During the course of the study, KH trained the South Australian team in the Activity Analysis approach, including dictionary development, employee surveys, and interpretation. Cost savings for the Department exceeded \$1.2 million in the first year.

Port of Oakland (California)

- ▶ Activity Analysis of Port, Airport, and Real Estate Operations

(SUBCONTRACT TO BOOZ ALLEN HAMILTON)

KH conducted a multi-faceted Activity Analysis to benchmark the work activities of employees at the Port of Oakland Divisions, including the Airport, Harbor, and Property Management. The Activity Analysis forms, dictionaries, and survey process were customized by a KH-led work group of key managers from the revenue and administrative organizations. Booz Allen Hamilton used the results to test hypotheses that focused on ways to change the organization's effectiveness so that long-term financing of development projects for the next five years could be justified. The project was completed on time and within budget.

ACTIVITY ANALYSIS IN UTILITIES

Telstra International, Telstra Enterprise & Government (Australia)

- ▶ Activity Analysis Linked to Strategic and Marketing Initiatives

Telstra International is Australia's leading telecommunications and information-services company, offering a full range of services and

providing more than 9.94 million Australians with fixed-line services and more than 8.5



million Australians with mobile services. Telstra provides local and long distance telephone, broadband, mobile, Internet, cable television, and a variety of other IT and telecommunications services to most homes and businesses in Australia.

Telstra Enterprise & Government (TE&G) serves Telstra's 1,500 largest customers, including major corporations, government agencies, and educational institutions. KH was retained to help "down size" TE&G without adversely affecting revenues. KH's approach involved the conduct of an Activity Analysis survey of 3,000 employees. KH worked with an internal committee of 22 TE&G managers to design and customize the Activity Analysis survey, conduct the survey to solicit high participation rates (97%), and interpret the results. The KH team trained the managers in strategic cost management approaches and the use of "right-sizing" tools.

At the end of the seven-month project, the KH-client team identified cost savings of between \$25 million and \$40 million over a two-year period. The majority of the cost savings involved: a) elimination of redundancies, b) streamlining of processes, c) a restructuring of the sales teams with greater emphasis on solving client problems versus selling products, and d) partnering with other companies to strengthen TE&G's value proposition to its customers.

Illinois Power Company (IP)

PEORIA AND SPRINGFIELD, ILLINOIS

- ▶ Activity Analysis of Engineering Functions

(SUBCONTRACT WITH STONE AND WEBSTER MANAGEMENT CONSULTANTS)

As part of a larger study being performed by Stone & Webster, KH conducted an Activity Analysis study of the engineering functions (nuclear, fossil, gas, and electric) at Illinois Power Company (IP).

In performing this study, KH developed a detailed directory of activities, surveyed 800 individuals involved in engineering functions, collected relevant employee background data, generated 20 standard Activity Analysis reports, designed a training manual for interpreting the Activity Analysis reports, and conducted a series of workshops with IP managers and Stone & Webster consultants to develop staffing alternatives and reallocations.

Texas Utilities Electric (TU)

DALLAS, TEXAS

▶ Activity Analysis

(SUBCONTRACT TO RONALD DOADES & COMPANY)

As part of a larger project, KH applied its Activity Analysis approach for assessing approximately 250 incumbents in multiple locations. The Activity Analysis reports were used to streamline the current organizational structure and to define staffing requirements for the longer term.

ACTIVITY ANALYSIS IN HEALTH CARE

Sepulveda Veterans Administration (VA) Medical Center, U.S. Veterans Administration

SEPULVEDA, CALIFORNIA

▶ Efficiency Review and Productivity Assessment, (Contract No. SB9-87-1-1610/ V665P-1297-87)

(SUBCONTRACT TO SLAUGHTER & ASSOCIATES, A MBE)

As part of a series of mandated efficiency reviews by Congress, KH conducted four efficiency reviews at the Sepulveda VA Medical Center; these efficiency reviews focused on Medical Information Service, Maintenance and Repair Services in Engineering Service, Dietetic Service, and Office Operations. We analyzed each organization's current situation, including organizational structure, staffing levels, budgetary constraints, and work processes. We also defined required work inputs and outputs, linked to performance standards and acceptable quality levels of performance. By applying our Strategic Cost Management Activity Analysis approach, we could determine labor costs and baseline performance for 350 employees. In collaboration with VA management, we defined opportunities to contain costs and reallocate available resources, amounting to a savings of at least \$500,000 per year.

St. Joseph's Medical Center

PHOENIX, ARIZONA

▶ Activity Analysis

(SUBCONTRACT TO ACCENTURE)

KH prepared an activity dictionary, inputted Activity Analysis surveys, and assisted with the interpretation of the Activity Analysis survey results.

ACTIVITY ANALYSIS IN MANUFACTURING

Chrysler Corporation

BRAMALEA AND BRAMPTON PLANTS – ONTARIO, CANADA

▶ Productivity Analysis and Incentive Pay for Salaried Personnel Positions

During 1987, Chrysler was attracted to acquiring AMC for three reasons: 1) its Jeep design, 2) its European sales offices, and 3) its state-of-the-art Brampton Plant in Ontario, Canada. In preparation for the acquisition, AMC retained KH to install innovative approaches to productivity strategies and incentive pay in its Canadian Bramalea and Brampton Plants. Specifically, AMC had forecasted a potential need to hire an additional 100 to 200 white collar employees. Using our computer-aided Strategic Cost Management Activity Analysis approach, KH determined the labor costs for 250 salaried personnel to perform all functional and physical activities in the organization. Overall, we defined approximately 1,700 activities, including engineering, quality assurance, technical planning, finance, administration, management information systems, human resources, and manufacturing, for analysis. We then worked with an internal Task Force of 15 members and trained them in analyzing activities performed and in developing cost containment strategies. Through this analysis, AMC was able to develop a strategy to hire only 100 additional employees, for a total of 350 white collar employees. In addition, KH analyzed alternative innovative compensation practices for merit pay, including gain-sharing, incentive pay, bonus pay, pay-for-knowledge, etc. We also collected information on innovative pay practices at 8 nationally recognized companies and conducted a compensation survey of 27 benchmark positions at 14 Canadian manufacturing operations. After synthesizing this information, we designed a new compensation plan and incentive system to reward Canadian salaried personnel for improved productivity and performance.

ACTIVITY ANALYSIS PROJECT COSTS

The cost of an Activity Analysis project depends on the number of participants and activities surveyed and the level of involvement of the client team members.

Expenses (travel, secretarial, photocopying, telephone, etc.) are charged at cost and vary depending on the locality of the project.

Spending money on consultants during hard economic times is often hard to justify. But given KH's track record of savings realized in the first two years that exceed project costs by 3 to 10 times, the decision is easy.

THE NEXT STEP - CALL KH

We will gladly discuss the nature of right-sizing management issues confronting your organization to find out if Activity Analysis is appropriate and how we can contribute to a solution. These initial consultations are confidential and without obligation.

Inquiries about our services may be directed to Gayla Kraetsch Hartsough, Ph.D., KH President.

Additional descriptions of KH firm capabilities, including a general KH firm brochure, are available upon request.

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