

Do you know how good  
SOPs affect the bottom line?

Operations Under Control!



# 5 reasons every company needs good standard operating procedures

In today's 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.

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



## Good SOPS help you ...

1. Cut Costs
2. Work Faster / Cut Waste
3. Better Utilize Staff and Supervisors
4. Navigate Change and Uncertainty
5. Prepare for Growth

## Good SOPs are Smart Strategy

Organizations who prosper regardless of changing conditions are leaner, more agile, and more cost-efficient than everyone else. "World class" companies focus like a laser on **efficiency** and **people productivity**. Think McDonalds, Starbucks, Amazon, Google. How do the best-of-the-best succeed no matter what? They *proactively* systemize their operations down to a science with clear standard operating procedures (SOPs).

By standardizing operations around clear best practices, high-performing organizations drive down costs and eliminate the errors, waste, and "dropped balls" that hamstring less effective organizations. This strategy works in every industry, every size operation. Let's look, one at a time, at 5 reasons standardizing operations and clear SOPs are such a smart strategy

### #1. Good SOPs Help You Cut Costs

When you need to maximize every dollar, you can't overlook even the small stuff. Day-to-day process inefficiencies in operations sometimes seem like "no big deal," but when you calculate the combined costs it can be staggering!



Here's how standardizing best practices in just one small area netted a payback of \$360,000 a year for one of our customers, a large, marketing services firm. Managers noticed a high number of costly, recurring errors in their mailing group but weren't sure why. When they investigated closely, they discovered that the

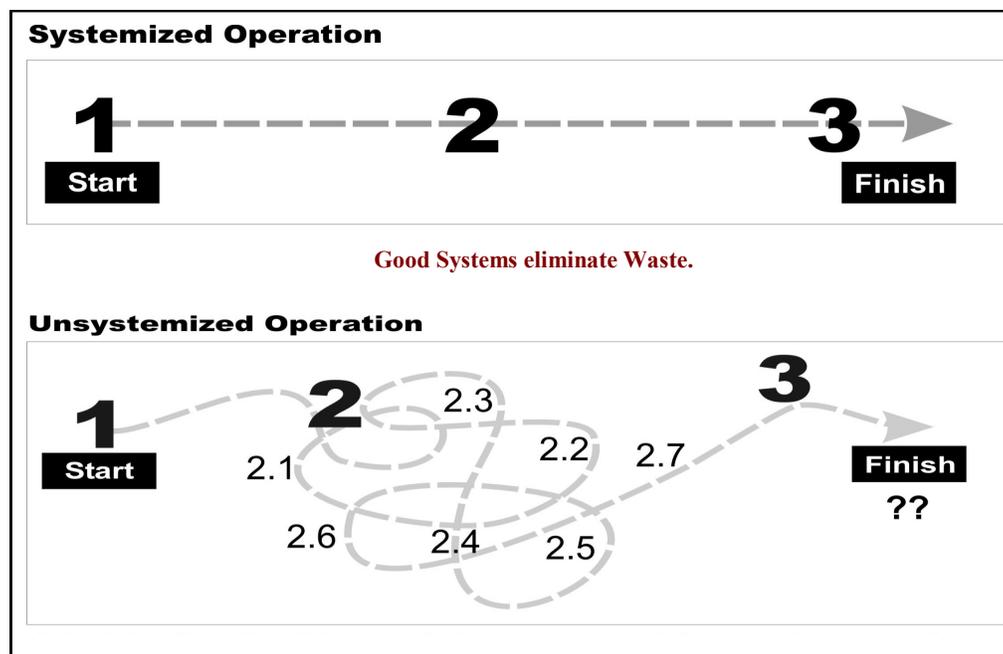
*As a result of just one improved SOP, one company reduced overall errors by 75%, saved \$360,000 a year and dramatically improved overall performance .*

group's "star" performer (who had very few errors) followed an entirely different procedure for completing his work than the others did. By applying Operations Mapping™ techniques and ZAVANTA software, managers were able to standardize the entire department on the "best practice." As a result they reduced overall errors by 75%, saved \$360,000 a year and overall performance improved dramatically. This was just one department.

Think of ALL the tasks your organization performs. By standardizing just half of them—or even a few—you could significantly boost your bottom line. Saving \$360,000 here, \$50,000 there, another \$10,000 there, adds up fast. Sadly, too many organizations overlook these important cost savings. They are simply unaware of the potential gold hidden in their daily operations.

## #2. Good SOPs Help You Work Faster / Cut Waste

Thriving when times are tough, means making the best use of available resources and that means eliminating waste. "Systemized" organizations accomplish more, in less time, with fewer resources—and that is the very definition of productivity. Clear work processes make organizations faster and less wasteful. Just look at the illustrations below.



Which looks more like your internal processes? Be honest. Ask yourself: **"How much valuable time gets wasted in my company because of unnecessary steps, confusion, and "everyone doing their own thing."**

*When work processes follow inconsistent or—even random—paths **employees waste precious time “guessing” what to do and re-inventing the wheel instead of accomplishing their goals.***

When work processes follow inconsistent or—even random—paths employees waste precious time “guessing” what to do and re-inventing the wheel instead of accomplishing their goals. “Unsystemized” organizations repeatedly waste staff time and resources and create delays, costly errors, and rework.

The larger and more complex your organization, the worse this problem gets when there are no standards or systems in place. Layoffs, hiring freezes and budget cuts only worsen the drag on performance. With optimized work processes applied consistently across the board, your organization is faster, more efficient and more productive. To truly “do more with less,” eliminate waste by systemizing best practices.

### **#3. Good SOPs Help You Better Utilize Staff**

As an Operations Manager your continuous challenge is figuring out how to get people to do the right things at the right time. It is especially tough in an economic downturn when you may be operating with minimal staff and fewer supervisors.



Recently, in a private interview, a retired Fortune 100 executive shared “war stories” with us about his experiences taking over and managing a workforce that had just been slashed 50%. His biggest struggles were getting people to buy in to a back to basics approach, adopting a “profit and loss” mindset, and making people productivity a higher priority. **What was his lifeline in turning things around?** Standardized operating policies and systems that he and his supervisors could use to train from and keep everyone in sync.

*Standardizing operations is critical to better utilizing staff resources:*

**What was the lifeline in turning things**

**around?** Standardized operating policies and systems that managers and supervisors could use to train from and keep everyone in sync.

He remarked, "Having standards and procedures in place all the time is the best way of operating. Too many organizations treat standardizing as a one-off event and don't make it part of how they run their businesses. They get sloppy." He went on to say, "In good times, people don't understand productivity and the reason so many of the larger companies are in the mess they are in today is because of poor management of resources.

Today's economic tough times are going to force people to do things differently. But even when times are good, you ought to manage as if you were in crisis".

In his prescient article "Contingency Plan Key to Surviving Economic Downturns,"<sup>1</sup> Jayme Broudy validates the need to focus sharply on efficiency and people productivity and clearly explains how standardizing operations is critical to better utilizing staff resources:

The key to productivity is producing consistent, high quality results through the use of formalized systems and processes (rather than depending on people to get it right) . . . When the intelligence of your business is captured in systems and processes (instead of in somebody's head), your results are more consistent and predictable and you can achieve them with lower levels of employees. . . . Employees become more interchangeable, training becomes simpler, and mistakes fewer. It also means . . . [the business can effectively] operate without continual supervision. [Management] can instead focus on strategic issues that keep you ahead of your competitors. . . .

Companies with clearly defined "systems" are easier to understand and easier to manage. Good systems ensure that tasks get done as efficiently and effectively as possible; workers make better decisions and solve problems on their own because they understand the system. You need fewer supervisors because employees don't constantly need to ask for help. By simply standardizing operations in your organization you can rapidly improve people performance and minimize the burden on supervisors at the same time.

## #4. Good SOPs Help You Navigate Uncertainty

Change is inevitable in tough times. Whether it is a change in staff levels, a merger, new regulations, or a change in markets, few organizations will continue "business as usual." You can dramatically increase your organization's ability to navigate even sweeping changes by creating clear systems.

<sup>1</sup> Broudy, Jayme. "Contingency Plan Key to Surviving Economic Downturns," Construction Equipment Guide.com Dec 2007. <http://www.contractorsbusinessschool.com/press/pdfs/construction-equipment-1207.pdf>

*By simply standardizing operations in your organization you can rapidly **improve people performance** and minimize the burden on supervisors at the same time.*



Here's an example from one of our banking and financial services customers who standardized best practices across 190 branches to successfully navigate a series of mergers. Early on, they recognized a non-standardized, each branch "does its own thing" approach to daily operations would never work in an increasingly complex and regulated environment. Their Branch Operations Vice President reported that

"The biggest benefits of standardization have been increased accountability and knowledge retention. With the various mergers and expansion people were leaving branches who had critical knowledge in their heads. Also, until we had accurate, standardized P&Ps for all branches, there was no way to really hold people accountable for correct performance. Now everyone has the same policies in place."

Organizations who have standardized their operations are also much better positioned to ramp up quickly and implement major changes. One of our customers found their ability to manage change was truly tested when the "Perfect Storm" of multiple deadlines hit at once—a major regulatory audit plus an enterprise-wide ISO90001 initiative and a multi-million dollar fixed price contract they just landed that was loaded with performance conditions that left no room for failure.

With a few thousand people needing to get ramped up on the changes, coordinating cross-functional operations and meeting deadlines posed a daunting challenge. By applying our Operations Mapping™ techniques and Zavanta® software to standardize new work processes, the company was able to improve productivity and team communication when it mattered most. They not only met their critical deadlines, but they also continue to use this solid framework to perfect operations and implement new changes on an ongoing basis.

In both these situations the secret weapon for navigating major change was the same: communicating standardized best practices in a clear and consistent manner through a clear, detailed business "system" all their employees could reference.

## **#5. Good SOPs Help You Prepare to Rebound**

Fortunately, no matter how bad the economy might be, it won't stay that way forever. Conditions are improving since the worst of the recession hit in 2008. There's a lot we can learn from that experience. The ripple effect of yesterday's decisions can last long into the future. Widespread layoffs and staff cuts have a big long term cost every organization needs to prepare for. With staff cuts, mission critical operations knowledge often walks out the door right along with the exiting staff creating a "brain drain" and the long-term consequences can be devastating.

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To put this situation in perspective, here's a letter written to InfoWeek's Advice Line columnist Bob Lewis:

"Dear Bob ...

I'm sure I'm not the only one going through this. I'm the IT director for a mid-size company. We have 35 people in our IT group, and it's about to become 28 people -- we're undergoing layoffs and I have to let 20% of the department go.

Here's my challenge: Before the recession the philosophy here was "lean and mean," which means we were stretched pretty thin already, with little staff and less time available for cross training.

Which means that when 7 people leave, a lot of necessary systems knowledge will leave with them.

I have two weeks to figure everything out and make it happen. Any thoughts?

— Staring into the face of disaster, and flinching"

The letter writer is "staring in the face of disaster" because his organization failed to capture critical employee knowledge into a clearly documented, easy-to-train system. Lewis points out in his answer that "once the dust settles from the layoffs, it's a great opportunity to point out that nothing is free—that the cost of "lean and mean" is increased risk, as everyone just found out."

Brain drain not only causes suffering immediately when the "left behind" employees must fill in the gaps, but also there will be a hefty price to pay later on when the company wants to bring in replacement staff. According to the ASTD, it takes an

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*Procrastinating on implementing good SOPs is a costly business decision.*

*Good SOPs deliver high ROI across the board.*

average 13.5 months for a new employee to become fully proficient. Organizations who hold onto their mission critical knowledge regardless of staff cutbacks will have a tremendous edge over those who don't. Retaining critical operational knowledge in permanent, well-documented "systems" that are easy to communicate and train from is the best way to protect your knowledge assets and prepare for the rebound.

Even if you are "facing disaster and flinching" like the letter writer, **it's not too late to protect the future.** By standardizing operations you can help your business thrive today and weather any other economic storms that may be over the horizon.

## Grab the Operations Life Line!

These are just 5 reasons why good SOPs are a smart strategy in all times and a "Life line" in tough times. Now is the time for us all to get back to the fundamentals, and build leaner, more accountable, results-oriented operations. Backburnering implementing good SOPs for another day is a costly business decision. Good SOPs deliver high ROI across the board. At COMPROSE we're passionate about helping you get there—and stay there! To learn more: visit at [www.comprose.com](http://www.comprose.com)



For more information visit [www.comprose.com](http://www.comprose.com) to read our Blogs, read customer success stories, and learn more about our Zavanta tool and Operations Mapping method.

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