

TATA STRATEGIC MANAGEMENT GROUP

Rationalising human resources

Surplus deployment of white-collar jobs can be a result of problems in business processes and structure, say **Arindam Chakrabarti**, practice head (auto and engineering) and **Sandeepan Banerjee** of Tata Strategic Management Group

The economic slowdown resulted in companies across sectors innovating to rationalise their white-collar workforce. As the economy recovers, companies will once again engage in the war to attract and retain employees.

But in the current slowdown, irrespective of the business cycle they are in, companies can optimise white-collar employee deployment by re-engineering their business processes and structure. Besides optimising the head count, there are associated benefits that can be significant.

Striving to sustain cost advantage

In business circles, there is widespread acceptance that a sustainable cost advantage is essential to maintain profitability, especially in a slowdown.

In a period of soft commodity / energy prices, the financial benefits from reduction in direct cost have shrunk substantially. This has renewed the focus on opportunities for indirect cost compression.

While companies were quick to grab and curb low-hanging fruits such as discretionary travel, telecom facilities, fresh hiring, annual increments, etc, their competitors were quicker — thus nullifying any competitive advantage.

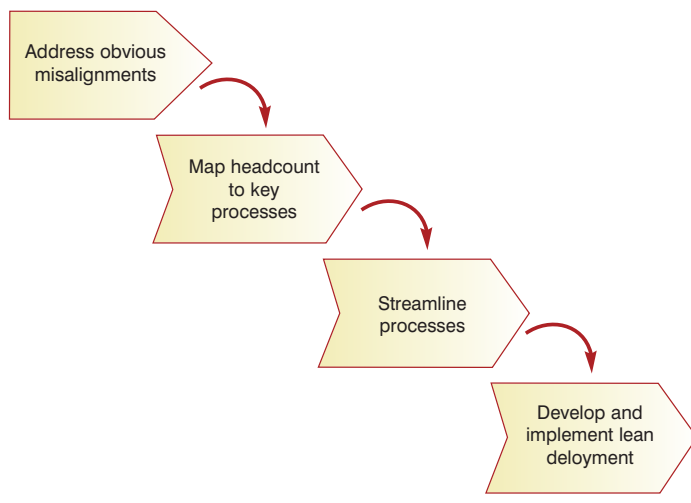
In today's scenario, it is evident that companies will need to address complex issues such as surplus white-collar workforce deployment to sustain advantage.

Challenges in addressing white-collar workforce deployment

Addressing white-collar workforce deployment poses significant challenges. Often the areas of surplus deployment are not obvious. Even where there is clarity, there is management inaction because the benefits that arise from mere elimination of white-collar workforce surpluses are inadequate.

Our studies have often found that surplus deployment is an external manifestation of problems in underlying business processes and structure. Addressing these problems can deliver significant benefits in addition to elimination of surpluses.

Fig 1: WAPI approach



So is there a structured approach to addressing surplus white-collar employee deployment?

The process-oriented approach

Work analysis and productivity improvement (WAPI) approach helps companies improve their employee productivity. Optimal staffing levels, reducing managerial effort, improving customer facing services through effective outsourcing and structural redesign, and identifying initiatives for process improvement, are some of its objectives.

A four-step WAPI approach has been found to be effective (See Fig 1).

STEP 1: Study business plans to address obvious misalignments

A study of the organisation's plans and strategic objectives is necessary at the beginning to understand its priorities, challenges and focus areas. It is critical to check for strategic misfits in terms of business lines, overlapping functions or non-core activities. Such misfits provide opportunities for surgical strikes upfront to overhaul the organisation.

Caselet: A durables major had a legacy division engaged in a line of business whose structure, roles and skill sets were clearly misaligned to the core business. The entire division was earmarked to be spun-off.

Caselet: The corporate centre of a textiles major lacked vision as to how it could add value to the business units. Questioning the basis of its existence and by segregating strategic, tactical and operational roles resulted in rationalisation and redeployment opportunities.

STEP 2: Identify key business processes and map headcount

It is necessary to identify key business processes that employ a large number of white-collar employees. The time spent on tasks within such business processes should be mapped accurately. These deployment maps help assess white-collar employee utilisation levels; this is critical information that is currently not monitored in most companies.

Caselet: The increase in frequency of new product launches led to a steadily growing demand for increasing the headcount in the new product development team of a durables company. But deployment maps identified that 60 per cent of the utilisation time was being spent on supplier follow-ups — a task which was meant to be managed by the regular purchase function.

STEP 3: Streamline processes to eliminate waste

The detailed analysis of deployment maps leads to ideas for waste elimination. Experience shows that significant deployment across organisations happens in tasks that are either:

- ▶ Non-value adding (for instance, duplication, re-work, etc).
- ▶ Regulatory / compliance related (for instance, filling excise *challans*, physical verification, etc).

Adopting automation and IT enablement aimed at improving rule-based transactions can change the quantum of white-collar staffing required. New skills create redundancy as well as opportunities.

Caselet: A productivity enhancement study for the finance function of a large steel producer suggested the adoption of e-payments to streamline payables. This significantly reduced the working capital float and saved interest costs that far exceeded the benefits from the surplus headcount identified.

Often value-added tasks are not executed in a cost-efficient manner. Annual salary increments coupled with stagnant productivity levels render the cost of performing them prohibitive over a period of time. Identifying such cases often creates a business case for outsourcing.

Caselet: White-collar employee deployment analyses for a forging company helped the identification of significant build-up of costs in its manufacturing support functions. Quantifying the cost of tasks performed by these functions and benchmarking them with market prices helped create a business case for outsourcing along with guaranteed service levels. The surpluses were redeployed.

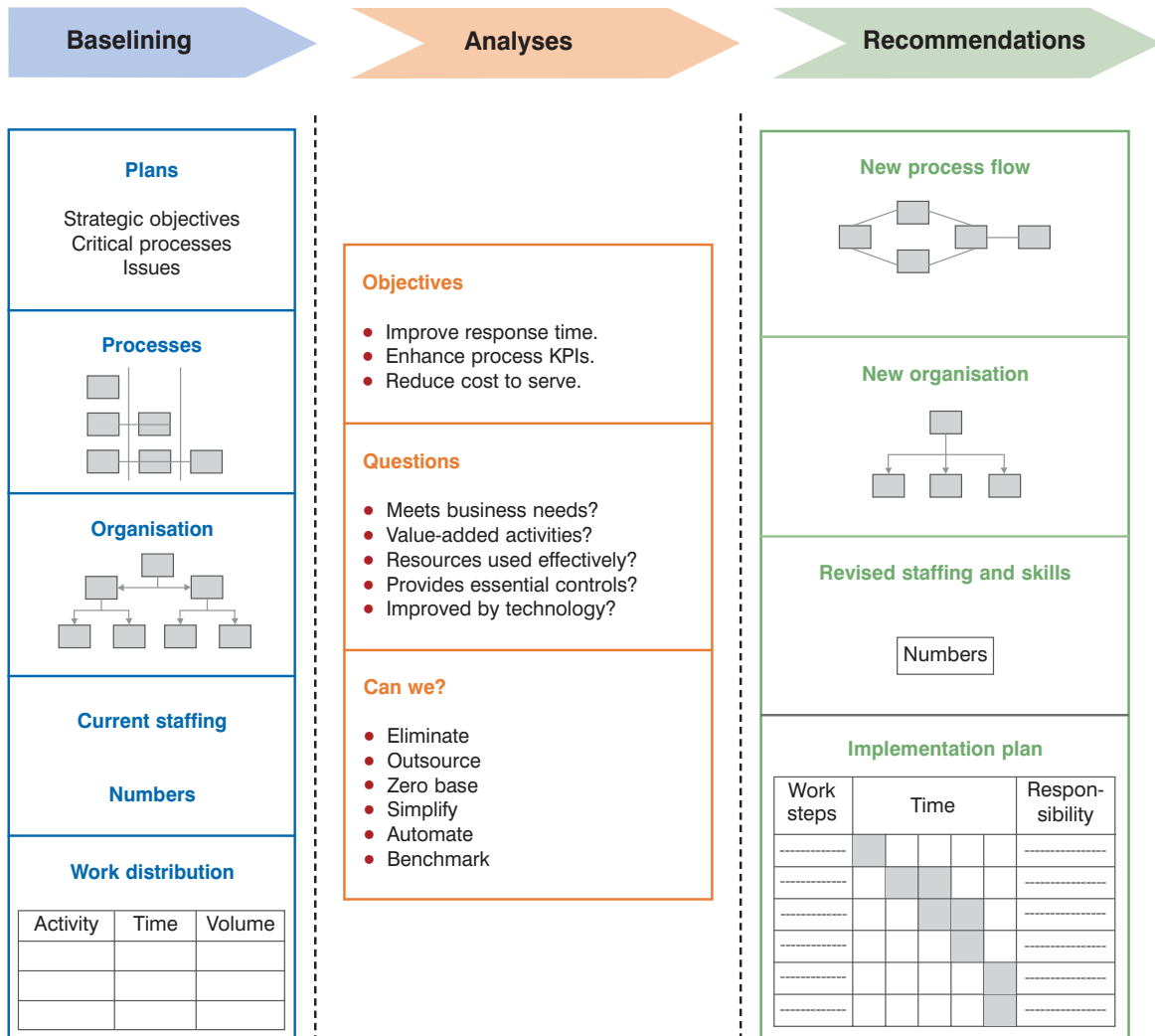
STEP 4: Develop an optimal deployment and implementation plan

An optimum headcount needs to be supported with role clarity to avoid functional overlaps or duplication. This ensures greater accountability. The refined structure should consider appropriate norms for “span of control” and skill levels at various levels, thereby ensuring superior utilisation.

A detailed implementation plan for rollout has to be created with specific steps and defined responsibilities. The rollout needs to be monitored periodically at the highest level.

Caselet: A manufacturing company operating from multiple units had an independent purchase department for each unit. Benchmarking the ‘indent to procure’ process across units helped to rationalise

Fig 2: WAPI framework



inventory levels and negotiate better terms overall. It also eliminated role duplication by designating a common buyer across units.

A typical WAPI framework for a structured rationalisation of white-collar workforce deployment is shown in Fig 2.

Address the surpluses... now!

The timing of such an exercise is critical. The current slowdown provides a perfect opportunity to launch such an exercise, because it:

- ▶ Ensures high probability of obtaining top management time for idea syndication and periodic monitoring — a critical success factor for such exercises.
- ▶ Encourages functional / process heads to seriously introspect and admit “hidden” surpluses.
- ▶ Secures the release of surplus headcount

for possible redeployment during the next upturn, thereby avoiding fresh hiring and on-boarding costs. This suggested approach results in multiple benefits. Besides improving white-collar deployment, it improves processes and ensures refinement of key roles and responsibilities.

Cost savings from reduced white-collar workforce headcount notwithstanding, greater benefits can accrue from process improvements, thereby significantly enhancing the competitiveness of an organisation.

Firms that use the current period of uncertainty to streamline white-collar workforce deployment will be well placed to leapfrog competition as and when market conditions improve. ●