

Excellence

THE MAGAZINE OF TEAM LEADERSHIP

MANAGEMENT/COSTS

Tough Action

Don't try to motivate people.



by John Tschohl

YOU ARE BOMBARDED WITH reports on the dismal economy. High oil prices are driving up the price of everything. Home foreclosures are at an all-time high. Unemployment rates are rising. The stock market is up and down.

In the face of uncertainty, you need to seek ways to cut costs and eliminate waste. You can't simply raise prices to remain financially stable. Look for ways to save money in order to control costs.

Begin by asking employees for their suggestions. Daily they see the waste in time, procedures and materials that can be eliminated. The problem is that top management is only interested in ideas that can save \$1 million or more. But even ideas that save \$50 can add up to impressive money. It's far less expensive to eliminate waste than it is to increase revenues. If your organization has 1,000 employees, and they generate \$250,000 in cost savings and your net profit was 5 percent and your sales \$20 million, to realize that \$250,000 in savings, you'd have to increase sales by \$5 million! But, by cutting costs, you achieve the same goal without incurring additional expenses.

Southwest Airlines and Amazon.com have realized the benefits of controlling costs. Southwest Airlines, the only profitable U.S. airline, and Amazon.com, the e-commerce phenomenon, focus on eliminating waste and reducing costs. By being frugal and passing savings on to their customers, both companies have achieved market dominance.

You can implement an employee suggestion program similar to one we have at the Service Quality Institute. BAD—Buck-A-Day—urges every employee to reduce costs by at least \$1 a day. In 30 years, BAD has been implemented in 3,000 organizations—from manufacturing plants to banks. Employee involvement leads to commitment, and front-line employees have ideas that are vital to the success.

BAD involves five categories: reducing costs, identifying recurring problems, improving quality, eliminating delays, and generating revenue. Although the idea-collection phase of BAD lasts only 30 days, the cost savings have a lasting impact. Look for

simple savings—small steps you can take to cut down on materials or the time it takes to complete a task. The idea is to get employees to consider each job and then ask, "Is there a better, less-expensive way to do this?"

To mine your employees for their ideas on how to cut costs, implement an employee suggestion program. And, if you want that program to be successful, take these five steps:

- **Make the program fun.** To be effective, the program must be fun so it captures employees' attention and heightens their enthusiasm. The more excited they are about the program, the better the results will be.

- **Involve all employees.** When you get employees to buy in to what you are trying to achieve, they will work hard to help you reach your goals.

- **Ask for small ideas.** When you ask

people to identify small ways to save money, you give them a non-threatening goal. If they think their suggestions must save the company \$25,000 or more a year, many won't participate.

- **Recognize people whose suggestions are accepted.** Celebrate them and their suggestions. Make them look like heroes. Praise them. Publish their pictures and ideas in a company newsletter.

- **Give timely feedback.** If employees think you aren't listening to them, they will give up. You need to acknowledge every suggestion in a timely manner.

Identify ways to dramatically eliminate waste and reduce costs. **SSE**

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ACTION: Get your employee's suggestions.