



Smart decisions. Lasting value.

Improving Efficiency & Productivity

December 2020

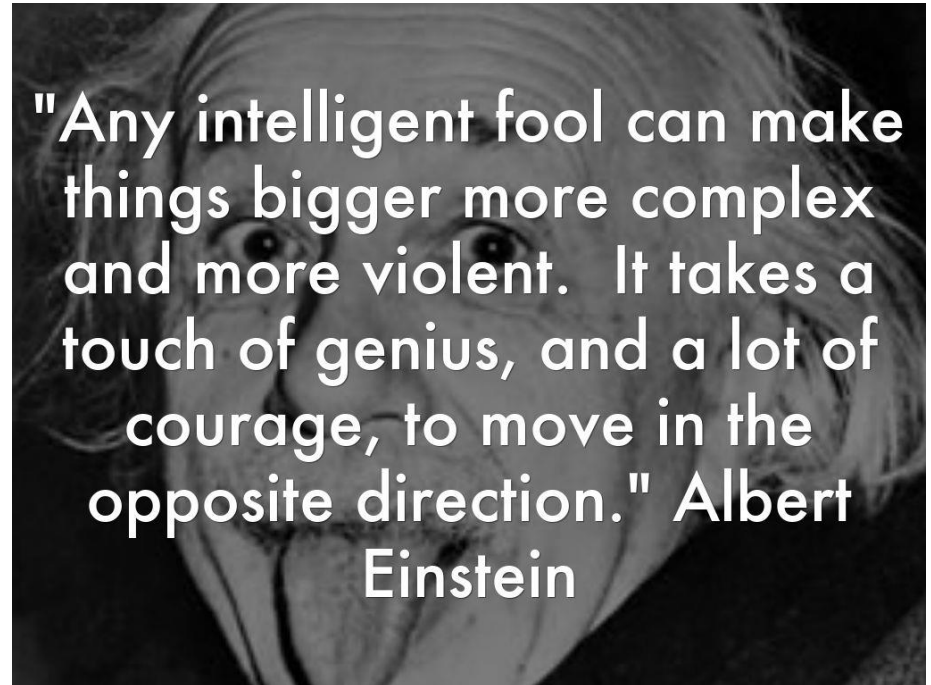
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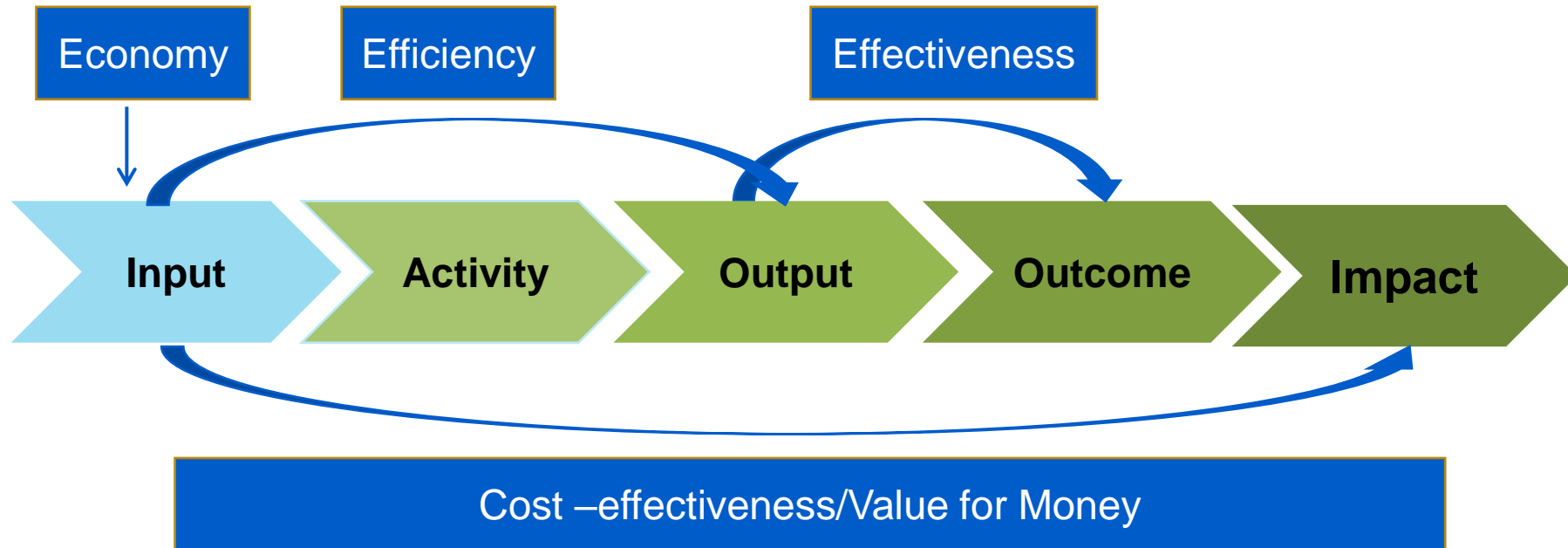
Why is it important to focus on productivity?

- A more challenging world and operating environment
- Achieve better financial results
- Improve effectiveness
- Remove wasted effort
- Deliver better outcomes and impact



In a nutshell, it helps improve performance, leading to better outcomes and impact and increasing trust with external stakeholders

What is productivity?



$$\text{Productivity} = \text{output} \div \text{input}$$

How do you improve productivity

1. Increase output without increasing input



2. Decrease input without decreasing output



3. Increase output and decrease input



Productivity = orders fulfilled ÷ input

Productivity = outcome/impact ÷ input

Designing a cost efficient organisation

1. Enable the organisation to meet needs in a way that minimises the effort applied and thereby improve productivity
2. Engage employees to collaborate to recognise and eliminate all forms of 'waste' by focusing on the causes and stop these from occurring again
3. It's not about making your people work harder but finding ways of eliminating effort which is unproductive and replacing it with activities that add value

Linking organisational capabilities to strategy

Ask the following critical questions:

- What is our 'business model'?
- Is this the right business model going forward?
- What will it cost and can we afford it?
- What competencies are required for success?
- What organisational structure and accountabilities are required to deliver our goals?
- What core processes do we need to deliver our objectives?
- What operational and financial measures and controls do we need?
- Do our people, culture and value support this or do they need to change?

Managing costs

- Focus on direct (core) and indirect costs
- Many indirect activities are now core costs
- Measures to reduce direct costs have been successful
- Non core has continued to grow
- Technology has created complexity and not necessarily more value



KEEP IT SIMPLE AND LEAN

Cost effectiveness

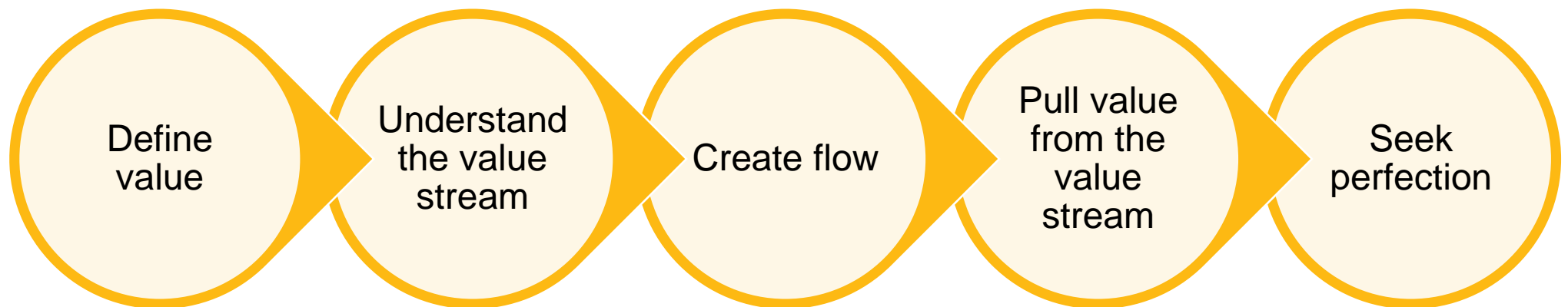
- Introduce a new perspective
- Gain a thorough understanding of what drives the ‘business’ and creates costs
- What are the inputs and outputs that add value? What is their associated costs?
- Which costs can be reduced without damaging outcomes?
- All costs are variable in the long term

Some techniques for analysing and removing costs

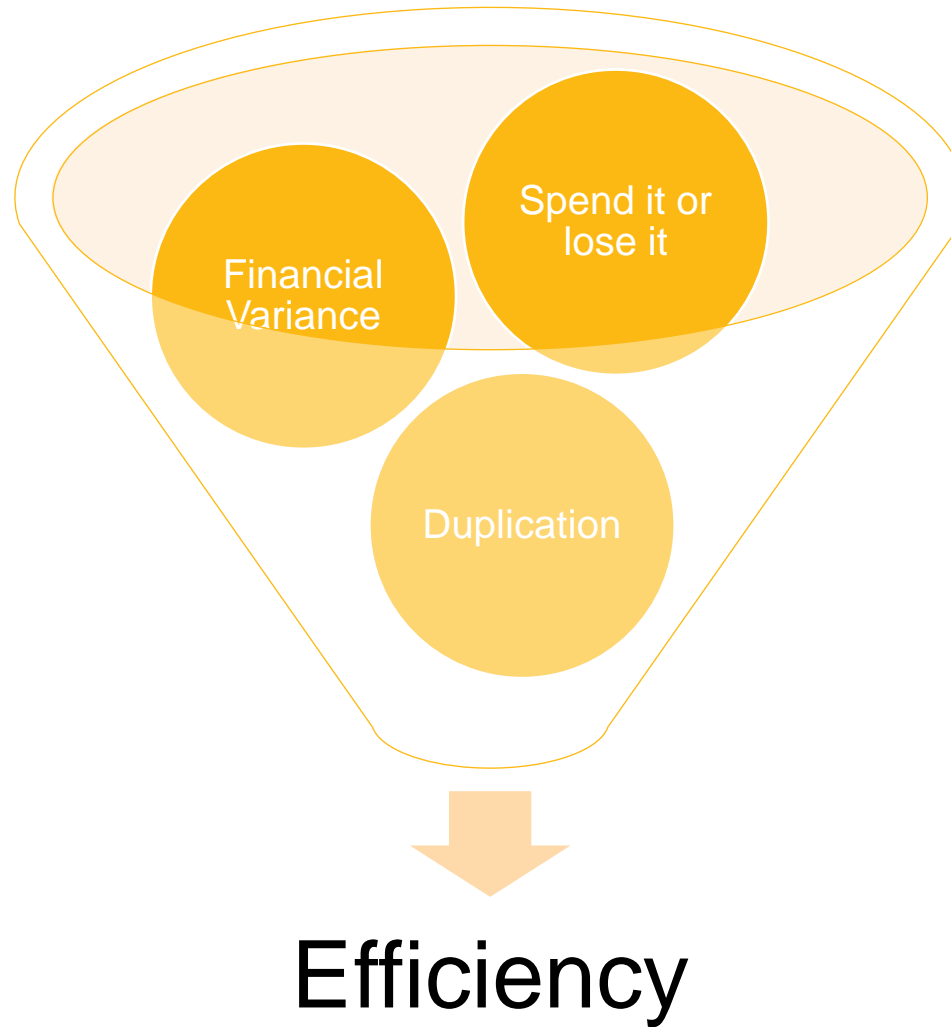
1. Activity based costing
2. Process activity analysis
3. Lean
4. Overhead value analysis
5. Zero based budgeting

Principles of LEAN

- Creating greater 'value'/impact whilst using less resources
- Its about eliminating 'waste' in all functions, departments and activities
- Its about finding ways of improving processes to make the organisation more efficient
- Its about continuous improvements to boost performance



Common efficiency killers



The rich questions

Why do we do it?

Who do we do it for?

How often do we do it?

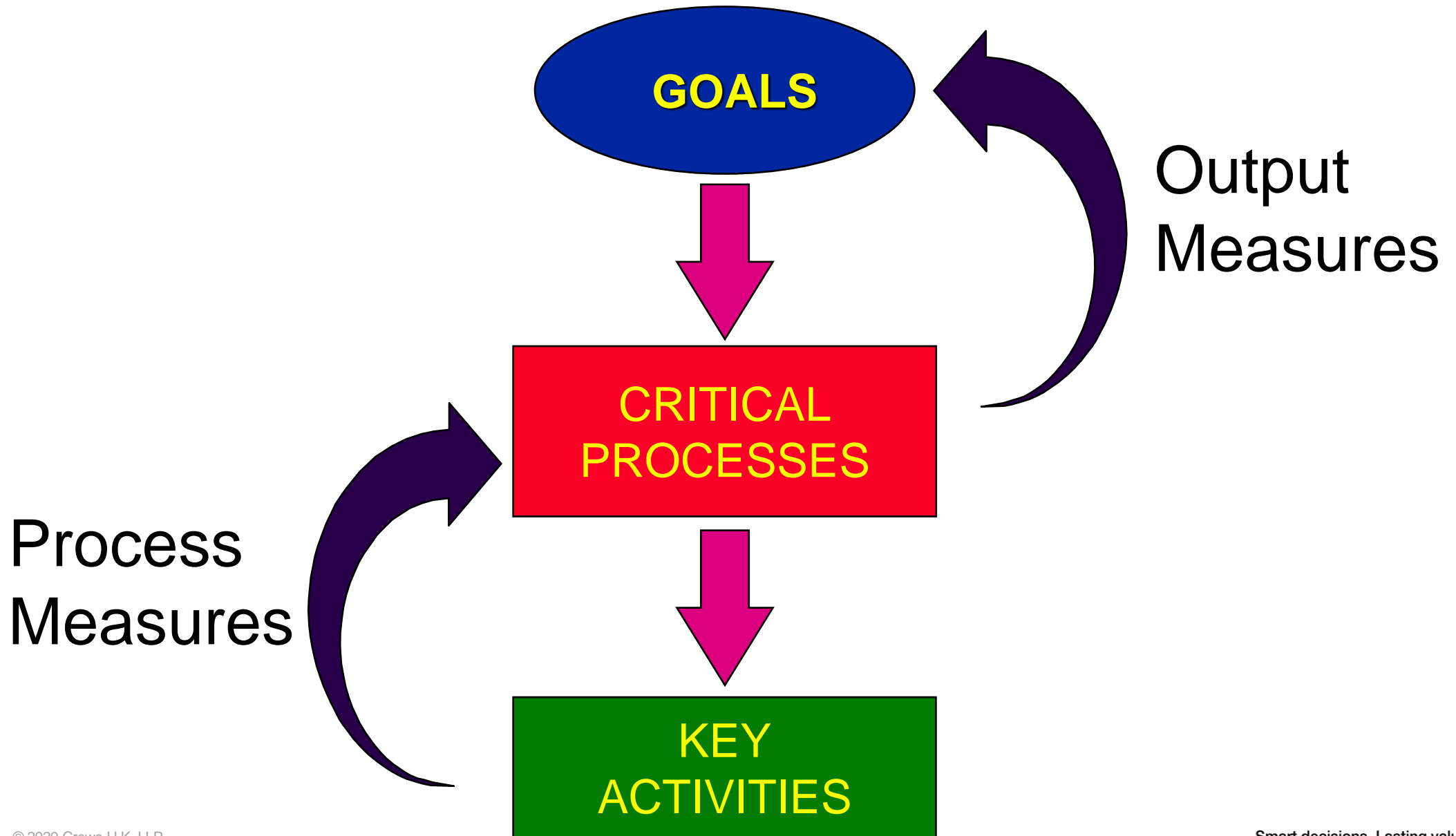
Should we be doing it at all?

Is there a better way of doing it?

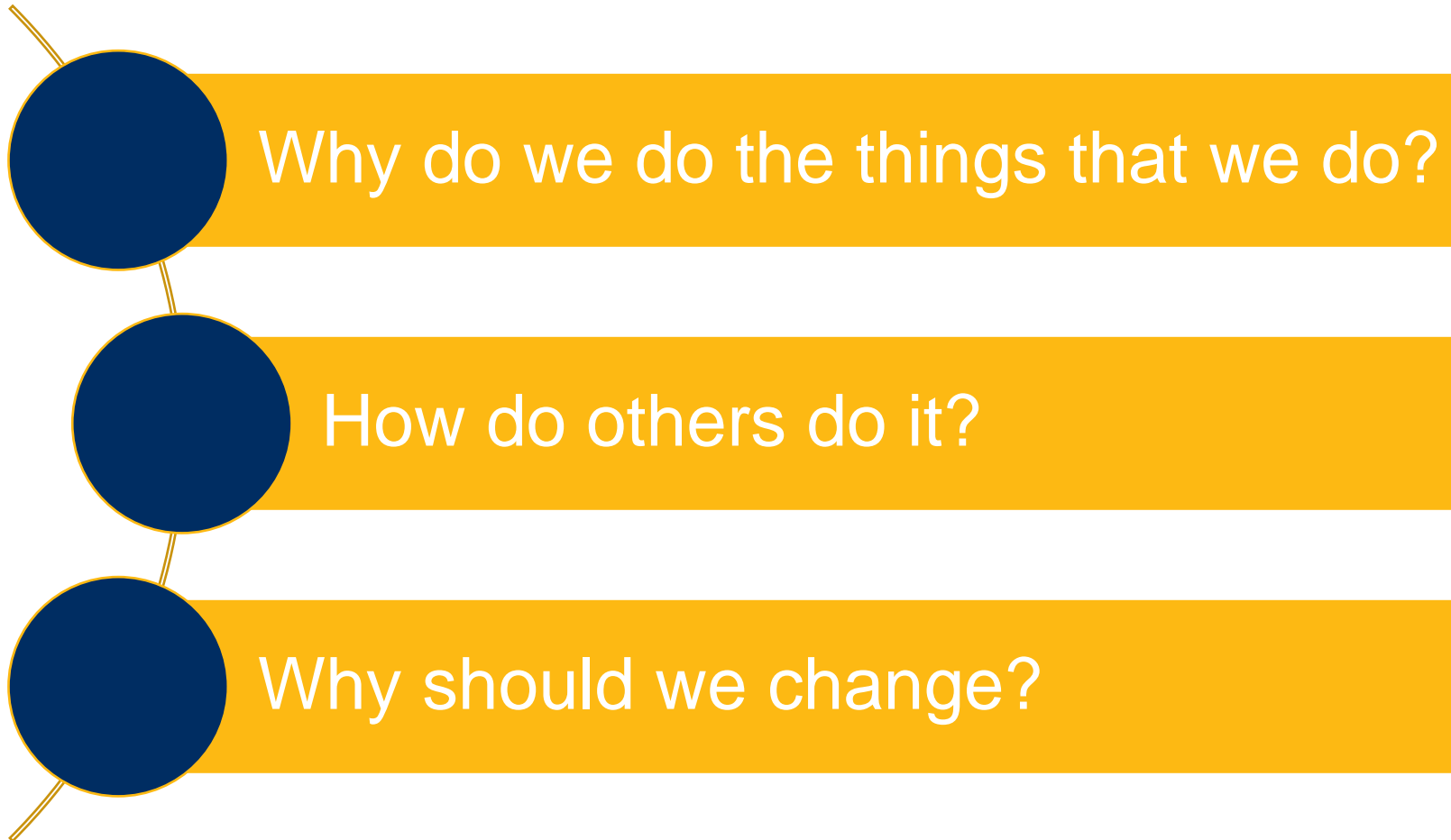
Running a LEAN programme

- Distinguish between the ‘process’ and the ‘operation’
- Focus on managing payroll costs and improving the productivity of assets
- Break down organisational silos
- Collect the right data and benchmark
- Invest time in communicating the change process

Making goals drive behaviour



Benchmarking – a critical thinking tool



What does the finance team need to do

- improve core business processes so you can allocate additional resources to more strategic undertakings
- undertake value-added interpretative analysis that will help operating managers understand the consequences of their strategies and decisions.
- take the reins on organisation-wide management of financial and non-financial risks and balance them with non-traditional development opportunities.
- develop organisation-wide performance measurement systems that help operating managers ensure that their day-to-day decisions reflect long-term strategic goals.



Thank you

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