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Making Money from the Inside Out

It is a well-understood axiom of the business world that there are two ways to improve the bottom line of the business. Stated simply, those two ways are to make money or to cut costs. Now no business can cost cut their way to profitability. But by the same token, waste and excessive internal costs for any business can eat away any profits that business is enjoying. So to get ahead in a competitive business environment, both methods must be employed.

When a business turns its eye to cost cutting, there is a stated or unstated business objective that the business owners will discover significant bleeding of revenues that are going on within the systems of doing business. So if those systems can be improved to eliminate that waste, the business would literally make money from the inside out because the overhead of the business would drop so dramatically.

The usual progress of such a cost saving campaign by a business is to find "the low hanging fruit" first. By that we mean that in order to satisfy the demands of management, middle management will identify superficial savings in hopes of satisfying the requirement. Hence switching from disposable cups to mugs or cutting back on break room amenities often go on the chopping block first.

Sadly, while there may be some superficial savings to be found in such places, the significant introduction of efficiencies for any business lie at a deeper level and take a more in-depth process of locating problems with how things get done internally. The methodology of finding these "money pits" within a business is often called "Process Improvement." The concept of process improvement is to diagram a particular business process from inception to completion and document the stages it goes through, the handing over of authority for the process and to pin point places where inefficient methods are causing excessive cost in executing that process en route to the final stage of process completion.

Routinely, the areas of business structure that most often identified as being candidates for a process improvement examination are…

*   Excessive overhead between departments. Departments within a business are notorious for taking on the atmosphere of a fiefdom and becoming resistant if not suspicious of other departments in the same company. When that happens, department managers will introduce paperwork and unnecessary processing to cause "work" to move to his or her department from another or for completed jobs to continue along their path. This excessive overhead can be costly at the department level and bog down the business as a unit enough to actually reduce

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the profitability of the organization.

*   Communication problems. A business process moves through the organization as each department or entity adds value to the process through to the completion of the job. However if communications between departments or people along the process chain are flawed, a process can grind to a halt and wait for hours if not days before the missed communication is discovered and the work is put into the cycle to be completed. This slow down or break down in communications can be a tremendous drain on the company. To correct the problem, modern tools of communication should be reviewed so each significant person along the chain is quickly made aware of work that needs to be done and can signal to the next agent that their step is complete and that the process is moving to the next stage.

*   An inefficient IT infrastructure. Out of date computer programs that are not integrated with each other cause needless work to be done to take data from one system and moving it into the next computer program only to be entered again at the next stop along the chain. Standardization and integration of data and systems will introduce huge efficiencies to the process.

By streamlining the process of moving a business requirement from inception to conclusion, we can remove much of the inefficiency and waste that has become inherent to that process. We can introduce up to date integration designs both at the IT and process level to quickly move the process from one department to the next upon completion.   The outcome is a streamlined organization that is no longer "bleeding money" due to inefficiencies and as such is making money "from the inside out".

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