Down-sized, right-sized, right now

Article by Dr Miller –

Down-sized, right-sized, right now – article written and published after a telephone interview.

Employing the right number of staff to fit the organisational structure is a science; not an art. And yet, all too often, companies apply hunches, prejudices and previous practice to an area of strategic management that deserves a very specific train of thought. Getting a handling organisation right-sized during recession and its aftermath is particularly difficult, and yet how often do we hear this calmly debated by management, the unions and the staff themselves? - rarely. Jo Murray speaks to Dr Tony Miller, International Business Improvement Specialist

It is hard to believe that so many companies still execute the management theories of Adam Smith's *laissez-faire* capitalism of the 1760s – the period at the very beginning of the UK's industrial revolution when the country was exporting influence as well as goods. Smith expounded the view that social harmony would emerge naturally as people found ways to live and work with each other. He said that freedom and self-interest need not produce chaos, but – as if guided by an invisible hand – order and concord.

Of course Smith was talking about a pre-industrialised factory and we are dealing with modern day handling companies but, essentially, Smith's management theories led to the creation of the supervisor, who typically had under him seven men. Above the supervisor was the manager who supervised the supervisors, and so the management pyramid was formed, with all its fat and flab that modern companies cannot afford to carry.

Also worth bearing in mind is that old models of management structure do not take into account that, over the last 250 years, we have moved from an illiterate muscle-oriented workforce living on subsistence wages to a healthy, educated, trained and upwardly mobile workforce that does not need much in the way of a task-master (or invisible hand) to guide it.

Most companies have been through a period of downsizing since the 1970s, thereby reducing the number of reporting layers and improving communication. Management gurus have also urged companies to address right sizing, which is a lot less risky and simply involves a small percentage of the workforce being reduced in order to keep the business trim. Usually right sizing is just a case of freezing recruitment, releasing the long-term sick, allowing early retirement and releasing poor performers.

Miller points out that one of the first companies to dispense with out-dated staffing theories was Google where the two founders reached the conclusion that hiring the best meant hiring people like them. We are talking genius computer wizards who do not communicate well with each other, for whom the Adam Smith model would have been a disaster.

We digress, and getting back to ground handing, Miller says: “We can’t afford to grow the Adam Smith way in ground handling.” Today, a ratio of up to one supervisor to 50 men has become far more acceptable. “There are no stupid people in the workforce anymore, many of them do not need supervising and the supervisors do not need a lot of management.”

If we turn the clock back three years when airlines were growing their route networks, upping their frequencies and encouraging their service-providers to grow with them, what should handlers have been thinking as they grew their stations and, indeed, the number of stations around the world?

Miller says, at that stage, handling companies should have performed a review of how handling was undertaken and they should have sought new ways of doing things in order to gain a competitive advantage. This, he says, should be done in consultation with line managers (not academics or Personnel Departments) using the FACE model (Fast, Accurate, Cheap and Easy). He says that incentivising the workforce to come up with solutions using financial reward has proved to be effective time and again. “Money is the ultimate motivator so that if a company makes the prize large enough, someone will come up with a great way of doing things,” points out Miller.

Of course old habits die-hard and there is a danger that management will replicate old models and keep in place old inefficiencies and high staff numbers. That is not to say that we have not seen an influx of management from the IT, partly as a consequence of private equity participation in the service industries – because we have. With them have come clean sheets of paper, fresh thinking and experience of how other sectors build their workforces and empower them.

Established handling companies, with established business models and long-term workforces are in a difficult position – it may come down to taking a risk, says Miller. “If they were to look at their processes and reengineer those processes then they would be able to identify the bottle-necks that they have. Then they can redesign their processes and ask how many people they need to make them work,” he comments.

“What we have seen this year is that most organisations can shed between 15% and 20% of their workforces and it will have no impact whatsoever on the business,” he says.

So what should a ground handler that is seeing the end of recession do now in order to make sure that it stands a better chance of being less impacted by the next downturn in seven to 10 years’ time? “The first thing they should do is to examine their processes. They really must have business process maps,” states Miller categorically. These are not that difficult to produce and they do not necessarily take a long time to produce – you certainly do not need a consultant to do them.”

He continues: “Once you have process-mapped things out, you need to look at those processes and ask whether you can do things any better. The answer is almost certainly ‘yes’. This will deliver a leanness and speed that perhaps they do not have at the moment. It will almost certainly give them a competitive advantage, reduce their process costs and it will give them a good indication of how many people they really need."

Miller says handling companies should also look at things that they do that take energy away from people they employ. "That might sound a bit fancy," he says, "but what I mean is that if they have performance appraisals, are they of value or are they eating up time? Most performance appraisals are expensive and there may be no benefit to them. You can turn that around quite significantly for almost no cost."

He continues: "The obsession with holiday charts beggars belief. When you think how much time and effort organisations put into recording people's holiday, and so many people get involved in the process. If we all stopped doing it, what would really be the result? A lot more man hours of productivity, probably."

So to what extent is the answer assisting with the achievement of a right-sized staff? "I do not think is always worth the amount of money we spend on it. It is not the answer to everything. You have to work out getting the speed of process sorted out and sometimes IT is excellent at doing that and sometimes humans are much better," he responds.

Miller concludes that it is worthwhile for all handling companies take a fresh view of productivity. He comments that there has recently been research, which considers how many hours a week employee's work. He says that high performers actually work 32 hours of the 40 hours they are paid to work. The average is only 20 hours per week and the poor performers simply put in one hour a day. He comments that rather than train the poor performers it would be cheaper for companies to pay them to stay at home where they cannot deflate the rest of the workforce. That is certainly a sobering thought.

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