

Are Reducing Operations Expenses and Maintenance Budgets the Right Direction To Go?

Every economic crisis brings forth an opportunity for change. The impact of the current recession crisis can be felt around the globe and in almost every walk of life. C-level executives have seemed to place their responses into 5 areas of concern. Reducing operating expenses would appear to have the highest priority. Other high priorities include, increasing profitability, improving customer satisfaction, product/service improvements and sustainability. But are C-Level executives focused on the right areas or is it a knee jerk reaction as a result of stockholder pressure and a lack of vision.

The Opportunity

Identifying the area of focus should come as a result of understanding how work flows through the organization. Work starts with the sales process, continues through the operational infrastructure and finishes with fulfillment of the customer's purchase. The objective for decision makers is knowing the detail of the processes. It is the detail that will uncover bottlenecks, hindrances and the true opportunity. For C-level executives it is vital to note that these three basic processes are not independent but are in fact completely interdependent on each other.

The Analysis

A proper review of the workflow will provide insight on how to increase sales, which portions of the company are running inefficiently and if you have exceeded your customer's expectations. Profitability and sustainability are two of the by-products of this analysis. It is extremely rare that the only solution to declining revenues is a reduction in operating expenses. The difficulty C-level executives have is not being able to see monies spent on improvement as the reallocation of funds. This is almost always a result of short-sightedness without sustainable long term benefit.

Operating Efficiencies

Operating efficiencies cover a lot of territory. They include sales, production, fulfillment (delivery of goods or services) and administration. The object of improving operating efficiencies is to do more with less and with higher quality. Understandably, reducing headcount without a change in procedures does not accomplish much. Headcount reductions may actually result in additional expenses from turnover, a negative moral effect on productivity and potential show-stopping events if the maintenance on critical assets are neglected. The key to business sustainability is asking what can you do better and how will we get there? The secret is involving employees with their input.

Integrating Technological Advances

Technology exists for a reason. In the business arena, technology exists to enhance an organization's capabilities and product/service offerings. For asset intensive organizations this means that you should be using the tools necessary to optimize the useful life of an asset. In turn, optimizing the useful life of an asset is to keep it operating at the highest efficiency for the longest period of time that it is fiscally sensible. Technology advances can be anything, for pest control the advance may be a better mousetrap, for asset dependent operations these may include CMMS/EAM software, mobile handheld devices, predictive technologies and energy efficiency.

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