

StrategyDriven

Business Execution Series...

Resource Projection



*80 Percent
Efficiency
Estimate*

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Resource Management

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Resource Projection

Business planning is the art and science of identifying what a company should and should not do balanced by its available resources. While much of business planning focuses on setting strategic direction and defining tactical activities, achieving balance requires that significant attention be given to the critical area of resource projection.

Annualized resource projection involves a number of processes that together paint a picture of the organization's resource availability and needs. Creation of this picture begins with development of two key elements: resource availability and standardized activity assumptions. These assumptions are then applied to the proposed activities identified during the alternative development process. The resulting all encompassing list of resource loaded activities is further honed through an iterative process involving resource projection and alternative selection into the final portfolio of activities to be pursued. Derived from this portfolio is the organization's time bound resource availability and needs.

80 Percent Efficiency Estimate

Human beings are social creatures with both emotional and physical needs. Businesses able to satisfy these needs will be better positioned to attract and retain talented personnel; giving them a much needed advantage in the increasingly knowledge driven marketplace where human resources are increasingly limited. Such organizations will further benefit from increased worker engagement because employees feel more connected and valued.

Meeting these very personalized needs requires an ongoing time investment, social time to build and maintain co-worker relationships, to connect with customers and clients, to contact family and friends, as well as time to physically relax, refresh, reflect, and rejuvenate. This time investment varies day-to-day and person-to-person making it extremely difficult to measure. Time studies, project management research, and our collective managerial experience suggest that knowledge workers, on average, require a twenty percent time investment in these personal activities. Stated another way, professionals spend about one and a half hours of an eight hour workday on non-productive but personally necessary activities. Hence, professionals, those whose breaks are ill-defined, can be assumed to work at eighty percent efficiency when fully engaged.

To most executives and managers, the forfeiture of a whole eight hour workday per employee per forty hour workweek seems a huge and unnecessary waste of precious time that should be recovered. Consider for a moment, the activities that comprise this one and a half hour per day expenditure:

Social

Organization Related

- reviewing personal mail and email for items coming from company sponsored professional organizations

- reading general intra-organizational handouts or emails and listening to broadcast voice-mail announcements*
- engaging in friendly, social interactions with co-workers, peers, managers, and subordinates

External to the Organization

- reviewing personal mail and email from family, friends, and organizations of personal interest
- responding to phone inquiries from family, friends, and organizations of personal interest
- engaging in friendly, social interactions with clients, suppliers, and regulators

Physical

Environmental

- waiting for one's computer to turn on and boot up at the beginning of the workday*
- waiting for one's computer to shutdown at the end of the workday*
- waiting for computer updates pushed out by the organization's IT Department to complete*
- deleting spam email
- transiting to and from meetings*
- waiting for meetings to start*
- losing time because of meetings that don't end on time*

Personal

- getting one's morning coffee and snack
- getting one's afternoon soft drink and snack
- taking one to two restroom breaks per day
- reflecting on work completed or tasks to be started

** Items driven by an organization's business operations outside the control of the individual employee. These items are simply a cost of doing business.*

To some, this list raises the question as to whether or not the estimate of an hour and a half per day spent on non-productive activities should be raised. Most will realize that a great many of these activities are simply a cost of doing business driven by processes or that we are all, in fact, human. While some time wasters, such as meetings that start or end late, can be eliminated, the majority of these activities are needed and should be managed for the benefit of employees and the business.

It is important to remember that employees who feel connected are more engaged and are therefore more productive and less likely to leave the organization. Not planning for time to enable this connection to be forged positions the organization for realization of the increased costs associated with lower productivity and higher attrition.

applying the 80 percent efficiency estimate...

Applying the 80 Percent Efficiency Estimate relies on sound time requirement estimates. One of three rules of thumb listed below should be used depending on the circumstance described.

Rule 1: Task Time Estimation Using Procedure Analysis

Task time estimation using procedure analysis tends to account for only that time required to physically perform the steps associated with the task. When estimating the required time to perform a task using procedure analysis, multiply the original estimate by 1.25 in order to account for the eighty percent efficiency of those performing the work.

Rule 2: Task Time Estimation Using Time Reporting Data or Managerial Experience

Time reported and managerial observation of time spent on an activity tends to include non-productive time factors. Therefore, when estimating task time using time reported data or managerial observation, simply use the raw time information provided.

Rule 3: Bulk Process Time Estimation Using Time Reporting Data or Managerial Experience

As stated for the previous rule, time reported and managerial observation of time spent on an activity tends to include non-productive time factors.

Therefore, when estimating the bulk time to perform a recurring process, use the raw time reported data or managerial time observation.

Note that it is critically important to ensure a task is performed efficiently when using time reports and observation data for task time estimates. If not performed efficiently, a much larger than 20 percent efficiency deficit could be included; unnecessarily allowing for low productivity and resulting in a higher than needed resource estimate.

when not to use the 80 percent efficiency estimate...

There are some circumstances where applying the 80 Percent Efficiency Estimate is inappropriate because of the fixed-time nature of the activities involved. Work on these activities starts and stops on a fixed interval and breaks are of a predefined duration and frequency. Examples of these situations include:

- assembly line operations
- ongoing production/generation operations requiring a defined minimum number of watchstanders
- security force operations requiring a defined minimum number of guards
- performance of time-limited assessments

balance and the 80 percent efficiency estimate...

The 80 Percent Efficiency Estimate helps planners strike a balance between an environment in which people are able to connect while working efficiently without an undue amount of time-pressure stress and those that are either so time constrained that relationships cannot be formed and work driven stress runs high or so time lax that efficiency and profits lag, diminishing the organization's value. Because the 80 Percent Efficiency Estimate, like all rules of thumb, is a generalization, managers and planners should continually observe work performance for signs of adverse outcomes and make adjustments to task time estimates and work plans as appropriate.

Additional information on recognizing the warning signs associated with errors in task time estimation can be found in StrategyDriven's [Resource Management Warning Flag 1 - Frequent, Inaccurate Resource Needs Estimation](#).

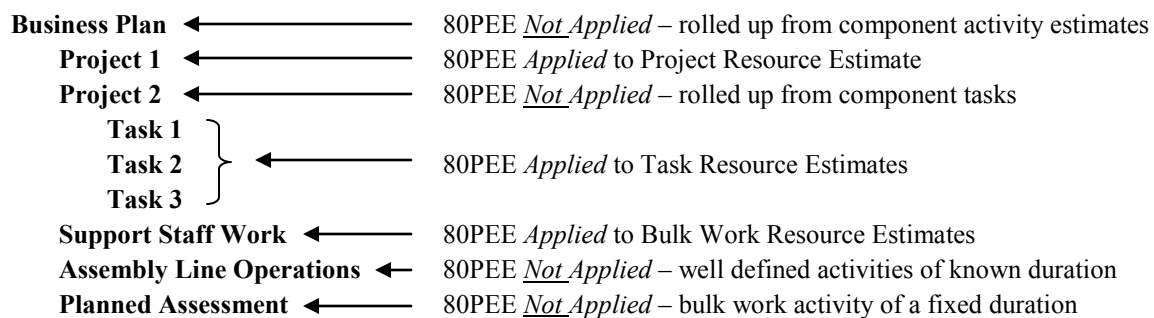


Figure 1: *Applying the 80 Percent Efficiency Estimate*

pulling it all together - business plan development or project planning...

Double counting the efficiency deficit becomes a significant risk when combining task time estimates into a project and projects and bulk process time estimates into a business plan. If double counting occurs, the time estimated to complete the project or business plan is overestimated, unnecessarily drawing additional resources or discounting activities.

Ideally, the 80 Percent Efficiency Estimate is applied when initial activity time estimates are made so planners must simply combine task or project and process time estimates when creating project or business plans. (See Figure 1: Applying the 80 Percent Efficiency Estimate) However, since this is not always the case, planners must understand how component time estimates were made so any additional adjustments are applied or not applied, as appropriate, to prevent doubling the efficiency deficit.

Summary

Accurate resource estimates are critical to an organization's business planning efforts. Underestimating personnel resource requirements often results in cost overruns, frustrated and overworked employees, and delayed and/or diminished project value realization. Overestimating resource needs positions an organization to unnecessarily forego the pursuit of other value-adding initiatives; diminishing value creation. Following the 80 Percent Efficiency Estimate guidelines offered here will help ensure planners better estimate resource needs.

About *StrategyDriven*

StrategyDriven provides the benefits of an experienced MBA staff without the expense.

Developed by management and training professionals, StrategyDriven offers small-to-medium sized businesses (SMB) a wide array of best practice business planning and execution tools for executives and managers; how-to advice; example-rich podcasts; and customizable ready-to-use templates.

StrategyDriven.com began posting free articles in July 2007 and added podcasts in November 2007. In July 2008, StrategyDriven began offering interviews of industry-leading experts on a variety of business-centric topics via podcast. Individuals registering with StrategyDriven also receive an exclusive four-part whitepaper series on how to develop a performance measurement system that will help drive execution of their organization's strategy.

At StrategyDriven.com, our goal is to provide real-world applications of strategic business planning and tactical execution best practices – a blending of information and experience practically applied in the workplace combined with a degree of research and academia – to small-to-medium size businesses that wouldn't normally have access to these resources.

Questions

For questions regarding this topic, please contact us at:

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Got Feedback?

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