

The Size Zero Enterprise

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- SIZEZERO



More than a decade into the world of digital business and following a deep global economic recession, organisations are discovering new ways of operating that challenge many long-held assumptions. We are witnessing the rise of slimmer, smarter businesses that operate in new ways, taking advantage of new collaborative technologies and a globally available resource base. These organisations are ‘just big enough’, highly focused on delivering value, and use data to drive insights and innovation. Some of these businesses were start-ups not that long ago and some are long-established, but all share a new mindset and belief that growth does not mean the number of people you have in your organisation, but the value you create. We call these organisations, Size Zero Enterprises.

Size Zero means operating at maximum efficiency by focusing on where value is created, and being ruthless in removing waste. Doing more, with less if you like.

An example of a Size Zero big enterprise is Amazon who realised from inception that the value of a retail business was not in its stores, but in its ability to manage inventory, not all of it within its own facilities, and built a global retail giant with no

physical stores. As a result, Amazon's revenue per employee hit \$855,000 last year compared to a store-based operation like Gap which managed a mere \$108,403.

It is important to state that a Size Zero business is not about slashing headcount- it is much more about deploying people, both your own and partner's appropriately, using technology to automate and manage, reducing real estate and encouraging organisational creativity.

You may need 100 people in your marketing department, but do they all have to be employees? Outsourcing projects to service providers or agencies can typically save you up to 30% in overheads from office space right through to social security costs and health care payments. Using something like blur's Services Exchange, you can probably add a further 25% saving to these savings and get a better result. Challenge yourself – for every 10 people working on your business only one is in your business as a full time employee (The 10 Principles of Open Business, David Cushman).

There is another compelling reason why outside resources should be embraced. Statistically, the bigger your company gets, the more average it will become. To counterbalance this unfortunate side effect of growth, new thinking from outside service providers can be invaluable.

While many organisations have for years used some combination of in-house work and outsourcing (no computer company makes its own furniture, grows the wheat for bread in the employee cafeteria, or makes waste paper baskets), where should the line be drawn? How does the company decide what to buy, and what to produce? The answer is: value. The Size Zero company decides which approach, at every stage, costs less, improves quality, or in some other way increases value for itself, its customers, its brand, or the environment.

Size Zero is not about downsizing, it's about re-shaping to create more value. Slimmer, smarter, faster- not smaller.

Technology clearly has a huge impact on efficiency and productivity, but few companies invest enough in R&D. The US is pretty smart when it comes to R&D, investing some 2.79% of GDP. But with just 1.7% of GDP spent on research, the UK lags well behind the rest of Europe.

One big ticket item not allowed in a Size Zero business is overtly expensive office space which can account for around 10% of the cost line. In most cases, this property is a burden not an asset. It's no surprise that the short term rental and shared

workspace business is booming when companies are faced with crippling rents and taxes that add no value to anyone.

In the digital age with cloud computing and ubiquitous communication, location is largely irrelevant and there are bargains to be had by moving out of your comfort zone. Or better still, how about sending your workforce home?

Twelve months ago, blur Group relocated from its London premises and moved 150 miles west to Exeter. The company saved around \$240,000 on property costs and the staff found their salaries went a lot further in the local economy. blur itself is now on the journey to become truly Size Zero with every job, task or project being posted on to the exchange. It has itself grown 5 fold in revenues with zero increase in headcount

The rules of business, fashioned centuries ago during the industrial revolution, are there to be broken. The “we’ve always done it like that” culture is being eroded by technology, globalisation and the super-slim businesses it has helped create.

Making radical changes to the way your business operates isn’t going to happen overnight, but it does start with a commitment to change.

Over the course of the next 12 months, blur will be helping businesses get into shape with ideas and provocation on how to become a Size Zero business.

We’ll be teaming up with leading universities for a more in-depth study of the Size Zero Enterprise and blur’s CEO Philip Letts is putting pen to paper to write a book on the subject.

Today, we start with some warm-up exercises to get you in the mood for change.

1. ZERO INEFFICIENCY

In the analogue world, size mattered and business success was reflected in your headcount. Things must be good because we are hiring more people, was the boardroom logic. However, in business, success is not about how many people you employ – it’s about how much money you make. Using a revenue per employee measurement offers the most accurate way of assessing business performance provided you can benchmark yours against your competitors. Make revenue per employee one of your most critical KPI’s.

2. ZERO “PASSENGERS”

Work out who in your company creates value, who supports them and who is just part of the machinery. This is not just about revenue generation but goodwill generation and customer success – all of which add value to your business. Take a long hard look at those who achieve none of these things. Aim for Zero overhead

staffing. In other words, everyone should create value not simply be a passenger. A series of “what-if” exercises will soon tell whether you have the balance right.

3. ZERO “BAGGAGE”

Redraw your organisation chart, but this time look at the way your suppliers and other non-payroll resources fit in. What shape is your chart? Fat in the middle or the top? Could your suppliers take on more or do you have too many? Outsource everything except your soul,’ the management guru Tom Peters once exhorted. As well as the savings on statutory payments associated with employment like social security and health care benefits, an outsourced workforce can be tuned up or down to reflect the peaks and troughs of demand. Do some calculations based on removing a whole department and sourcing skills from outside. Do you need your current list of retained agencies and supplier rosters? Aim for Zero additions to payroll over next 12 months.

4. ZERO PROPERTY COSTS

Seriously consider moving. Look at comparative costs in less popular neighbourhoods. Office costs in London’s West End are the most expensive in the world at \$272 psf, so why not consider a move to Midtown Manhattan where it’s just \$135 or Dallas which is as low as \$17.27 (Loopnet, TX market trends). Look at properties half the size. Who could work remotely? Who could desk share? Aim to lose a Zero on your rent bill.

5. ZERO UNPROFITABLE CUSTOMERS

Dont be distracted by customers who take up you time and resources but contribute little in revenue. The customer is king but so is cash. How well do you truly know your key customers and how distracted are you from focussing on your most valuable customers by the least valuable yet ‘noisy’ minority? How good are you at analysing your per customer profitability?

6. ZERO TECHNOPHOBIA

Make those technology changes you’ve always been meaning to. Move your business into the cloud, get fully mobile and automate some of the functions currently handled by people. Get yourself a more radical technology strategy, accelerate innovation cycles and add a Zero to your R&D budget.

7. ZERO BUDGETS

Consider Zero-based budgeting where budgets are not based on previous years, but start afresh from zero. Typically, a business will produce a budget based on the previous year’s spending and add and subtract a percentage. This is the lazy way to reproduce a budget and can lead to throwing good money after bad. Start from scratch every year and you will soon find savings.

8. ZERO STOCK

Borrow from Toyota’s just-in-time manufacturing process so that you only buy stock (and for that read talent) when you need it. Translate stock to people and

make sure you're not carrying passengers. Imagine how this could work for your business. Aim for Zero stock.

9. ZERO WASTE

Learning about Lean business- the reduction of waste. Put sustainability at the heart of everything you do and hire a Chief Sustainability Officer. And don't forget that this is not about working harder- just smarter. Aim for ZERO carbon footprint. Manage all suppliers and costs across your business without slowing your business down. Aim for Zero unmanaged tailspend? It is a fact of business life that 20% of noncore transactions go unmanaged, usually due to a high volume of suppliers and limited in-house resources dedicated to managing them.

10. ZERO DEAD TIME

Ban all but the most important meetings. They are the biggest drain on productivity and create a culture of delegation. A Bain and Co study reckons on average an organisation's workforce spends about 15% of all collective time sitting in meetings. Make sure the meeting you are about to have will earn the company more money than it spends in time lost by all the participants, including travel. Good utilisation of staff time is key to a Size Zero business. Use advanced data and analytics on employee productivity not just customer behaviour.

Source: <http://www.blurgroup.com/sizezero/size-zero-enterprise/>