



## Survey Confirms Most Businesses Have Cash For Growth At Their Fingertips

“A bad system will beat a good person every time”

W. Edwards Deming

Research says lack of cash is one of the biggest barriers to growth yet we believe most businesses have an amount equal to 12% or more of annual sales locked up in inefficient systems. We were keen to know whether this figure is an accurate representation.

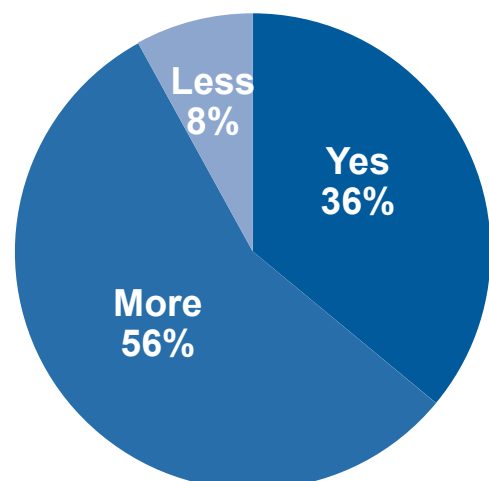
We asked the following questions of over 2,500 business owners, CEOs, directors and consultants from a cross-section of industries across Australia and New Zealand and found most of those who responded believed the figure was more than 12%. (As a result we developed a simple free App to help unlock this cash, but more about that later in this article.)

1. Do you think that this figure is accurate?
2. In order of importance, where do you believe the main lock up points are, and do you have any examples where you have unlocked some of that trapped cash?

## Summary of Results

Those who responded answered with the following:

### Is 12% an Accurate Figure?



## Main Lock Up Points

Systems/Processes	32%
Human Capital Utilisation	18%
Accountancy/Inventory Management	15%
Innovation & Technology	8%
Leadership	8%
Project Management Skills	6%
Other	13%

## Key Survey Insights

### We Are Probably Underestimating the Amount Locked Up

92% of those who responded felt that 12% or more is an accurate figure, but over half of them estimated that it's more.

“ This seems reasonable, however with my business maybe more like 20%. ”

Operations Director, Sydney

In many cases the estimated figure was three or four times larger:

“ Our organisation tracks ROI on every project and also productivity gains directly related to production. 12% I would say is very conservative...most companies achieve around a 40 to 50% Lean Health Check score on the first audit. ”

Founder and CEO, Melbourne

“ From my experience (in industry and as a consulting director of a Global BPM organisation) I would suggest that the figure is significantly higher than 12%. I have experience where process efficiency has increased by >40%. ”

Director, Sydney

Some of the efficiency estimates reported were quite shockingly bad:

“ Having spent over 30 years in reviewing,

developing, auditing and certifying companies' systems I have never seen one that has processes at 88% efficient. I have been at many that would struggle to be 22% efficient. ”

Technical Director, Sydney

On the positive side it is encouraging that this is recognised, but organisations need to ask how much more than 12% is the accurate figure – and what are they going to do about it?

### Inefficient Systems and Processes is THE Key Lock Up Point

Clearly lock up points vary from business to business, but we see the same culprits mentioned regardless of the sector being considered: systems and processes.

Some consultants who work with a wide range of businesses found the following:

“ Lock up points vary...an overall lack of focus on improvement and incentives, poor process flow, poor information flow, poor metrics systems, poor leadership engagement, poor material management, poor equipment maintenance. ”

Founder and CEO, Melbourne

“ Today almost all are locked up in highly documented processes which are routinely not applied and/or hopelessly bureaucratic. Where can companies save money? Stop producing useless documentation. ”

Technical Director, Sydney

This lack of automated systems, or poorly chosen systems, was seen as major handicap to business efficiency:

“ Lack of systems to capture meaningful data - there are no lean processes in the business. ”

Director, Brisbane

“Many other examples exist of just not having work flow process, the wrong software programs, or no software at all.”

Director, Melbourne

But that wasn't the only handicap identified...

### **Accounting and Inventory Inefficiencies Are Singled Out**

Inefficiencies in the areas of accounting and inventory also came in for special mention, in businesses of all types:

“I am confident that at least half of the inefficiency relates to internal processes in accounting, estimating and shop floor control.”

General Manager, Brisbane

“I'd say that figure is light on. Most have up to 20% more working capital invested in inventory than they should have.”

Associate Director, Sydney

### **Inefficient Use of Human Capital Is Another Major Problem Area**

Moving away from purely business systems and processes for a moment, another key problem identified was the inefficient use of human capital in all types of organisations:

“Most SME owners do not operate an open book management style and limit their exposure to staff, and therefore ignore internal stakeholder engagement.”

Director, Sydney

“The main issue is inexperienced managers owning and driving business processes and their lack of commercial acumen to leverage and drive efficiency.”

Managing Director, Brisbane

## **Summary: Key Efficiency Concerns for Businesses**

From the findings of our survey there are clearly key challenges for businesses to overcome to enhance their competitive edge in the future.

The key concerns are:

- A high proportion of locked up revenue, likely to be well above the 12% that most business analysts estimate
- Key reasons for this trapped cash to a large extent revolve around systems and processes
- Inefficient systems and processes affect the bottom line and also the response of human capital to future challenges

One respondent described the challenge facing business like this:

“Effective processes need to be designed to deliver specific levels of performance, whether that's driven by Customer requirements, Business or Regulatory Compliance, Operational Risk, Finance and Quality (actually it's a blend of all those). In my experience too little effort is spent in this activity... which manifests in poorly-performing processes, or worse, a situation where the organisation doesn't know how their processes perform against requirements.”

Director GCS ANZ, Sydney

It is clear that many organisations already understand the consequences of trapped cash and its impact on future growth. The question is why is it so often overlooked, and what can be done about it?

Many approaches involve high investment in staff training when in actual fact it is the systems and processes that need attention initially. As one respondent eloquently put it:

“One universally common problem we see - and this is a very important distinction - is



that all businesses strive for highly trained staff rather than a “highly trained business”. The rock solid factual statistics produced by W. Edwards Deming himself state that failures and problems within a business relate 94% of the time to system and only 6% of the time to people. Why is it we spend almost all of our training budget on the people instead of the business (the system)? ”

Director, Melbourne

Now may be the time to start investing in your business systems so that your people are more able to be efficient and productive in their jobs.



## Attaché Scorecard a Great Place to Start

Mike Rich, co-founder of Attaché and the not-for-profit M Institute ANZ, has helped develop a multi-award winning tool called the Attaché Scorecard that is a great place to start.

Mike's passion is helping aspiring businesses caught in the gap between small and large. Typically their annual sales have broken the \$1 million milestone and they have long term growth aspirations. They face challenges similar to larger businesses but without the same resources to address them.

The Attaché Scorecard quantifies the potential cash you can unlock to help fund growth and helps identify the business improvement tactics to achieve this, boosting job creation and GNP in the process.

**Download the Attaché Business Improvement Scorecard App from the App Store or Google Play today. Simply search “Attaché Scorecard”.**



The full Attaché Scorecard has over 350 proven business improvement tactics, many of which can be immediately implemented. It targets the areas that demand the most attention today, namely:

- Sales growth
- Debtors reduction
- Stock reduction
- Expense reduction
- Payroll efficiency

An introductory version of the Attaché Scorecard is also available from the Apple App Store or Google Play – simply search on “Attaché Scorecard”. Mike recommends that for most businesses this is the ideal place to start your quest to unlock your cash and grow.

# Attaché

18 Berry St North Sydney NSW 2060  
PO Box 1070 North Sydney NSW 2059  
AUS: 1300 288 224 NZ: 0800 288 224  
info@attachesoftware.com  
Int'l phone: +61 2 9929 8700