

# What Lies Beneath:

*By Dr. C. Jackson Grayson, Jr.*



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The critical difference between cost-cutting and waste reduction

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How leading schools are saving time, money and resources

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Quick tips to get started reducing waste in your district

## What Lies Beneath: Waste

### Uncovering Hidden Opportunities to Find Funds

In these times of financial scarcity in education, there's a source of funds that I'll bet you have overlooked: cutting waste out of your school, district, or state.

I'm not talking about the typical blunt hammer of cost reduction — cut 10% across the board, reduce staff, cut all travel, drop memberships, use furloughs, and so on. That's not cutting waste. That's cutting muscle.

In this white paper, I'm going to point out a way to cut waste, not muscle. It's called process and performance management (PPM). It's a powerful methodology that business and other sectors use to slash waste without cutting muscle. The same can be done in education.

By understanding waste and how to reduce it, you don't have to wait for stimulus funds — you can generate additional resources on your own. I'll explain later how you can start your own waste reduction efforts and get involved in an innovative program that leading districts across the country are using to cut waste.

### What is Waste?

But first, waste. What is it? The word waste is intuitively clear — its stuff you don't want. The simplest definition I can give is *"waste is anything that adds cost without adding value."* But the hard part is finding it, measuring it, analyzing it, and creating an action plan to reduce or obliterate it.

Unless you're a great exception, most districts I know of have not done that.

Instead, they have followed the traditional "cost reduction" path for their 2009–2010 budgets. First they cut travel, memberships, professional development, technology, bus routes, etc. and then they often go deeper and make people and pay cuts — 10% across the board, furloughs, and layoffs.

Yes, those actions do reduce costs. But they are not by any stretch of the imagination the best way to improve either efficiency or effectiveness. The best way to improve is to reduce waste first before cutting functions, processes, or people.

In the 70s and 80s, American business made the same traditional cost reduction mistakes and failed. Then, with participation and support from the American Productivity & Quality Center (APQC), businesses started using process and performance management as a methodology to identify and reduce current waste, but also to establish a solid base for sustained improvement over the years. It worked.

### APQC's North Star Plan

In January 2009, APQC launched a demonstration pilot called North Star, adapting this PPM methodology to help school districts begin a year long journey of improvement and transformation: Montgomery County, MD; Clark County, NV; Fulton County, GA; Brevard, FL; Jenks, OK; Iredell-Statesville, NC; Hampton City, VA; Poudre, CO; Aldine, TX; Fort Bend, TX; and Alief, TX.

Leadership teams from each district were trained in PPM by APQC staff. Then, with APQC's help the district teams selected two to five projects, created waste-reducing improvement plans, and were coached

by APQC as they implemented them. The districts selected a total of 20 improvement projects, addressing areas in operations and instruction. Sample projects included:

- Launching an Online Academy
- Employing Common Math Selection
- Hiring Highly Qualified Teachers
- Improving Teacher Evaluation
- Reducing Bus Accidents
- Position Control
- Improving Response Time for Work Orders
- Employee Retention
- Reducing Dropout Rates
- Improving Attendance Tracking Problems

The districts achieved amazing results in a short period of time, such as energy savings of over \$4 million, reduction of database management costs by \$366,000 a year, savings of over \$4 million from cooperative bidding for employee health services, savings of \$100,000 a year using electronic pay stubs and direct deposit, cost avoidance of \$1.8 million in computer repairs, and many more.

Other longer term PPM projects indicate potential gains in common math assessment, highly qualified teacher documentation, empowerment school block funding, improving school services, and blending equity and excellence across the entire district.

Superintendents of districts participating in the North Star pilot program stated that in their years of experience, they had never seen such reduction of waste and transformative gains in years of experience with traditional reform. The North Star pilot program ended in 2009, but is continuing in 2010 and for four years beyond (details on how to get involved with North Star are provided at the end of this paper).

### Do It Yourself

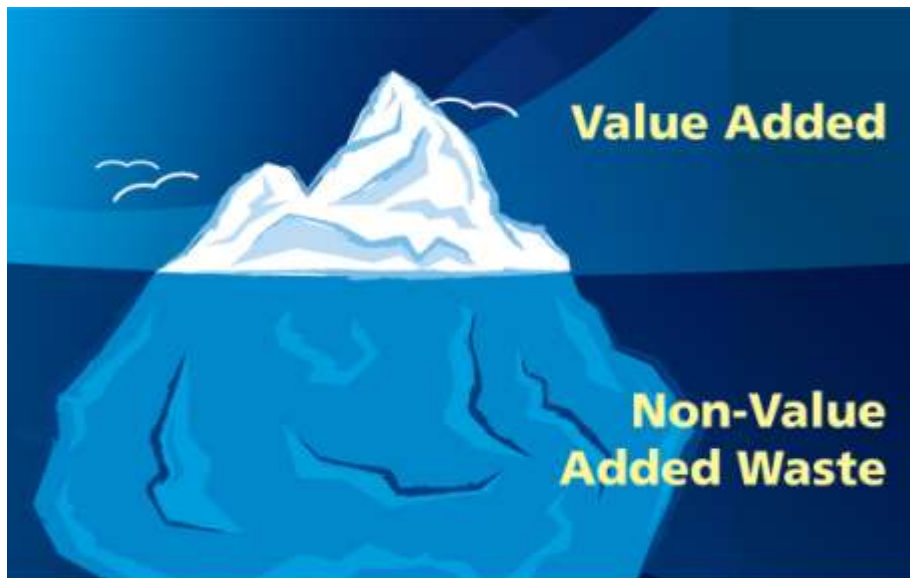
Regardless of whether you become part of the North Star program, you can begin realizing some of the remarkable results generated by our pilot schools. I urge you to immediately start your own systemic scouring of your system to find out where your true waste is. Now is the time to gather the low hanging fruit to improve, and for the longer run, make waste reduction a part of your budget. Unfortunately for most districts, 2010 - 2011 looms to be an even rougher financial year, but you can uncover funds that are within your own district.

Can it be done? Yes it can. Here are eight critical tips to keep in mind as you move down the path of waste reduction and process improvement.

1. **On the very front end, define value added and non-value added for your system — whether classroom, school, district or state.** Ask whether any process or practice — instructional or administrative — adds value to help you reach your goals. If it does, it's value added. If it doesn't, it's waste. Get rid of it.

2. **Realize that it's not going to be easy because most waste is hidden.** Don't expect to find it in your accounting system. It isn't there. Nothing you do is labeled as "waste." People don't ever come to work saying "*I'm going to produce some waste today.*"

Think of waste as plaque in your arteries, or a slow growing tumor. It's a silent and slow killer of improvement that soaks up your energy, your time, and your funds. And like a disease, unless you look closely with a systematic methodology, you won't even know it's there until it's too late. To make this point more graphic, look at the iceberg in the illustration.



The tip of the iceberg is the "value added" work that produces the desired results — reduction of dropouts, increased student achievement, closure of the achievement gap, and more efficient and effective operations. But what most educators don't see is the rest of the iceberg below the surface. These are the funds that are hidden in your school, district, or state, and subject to discovery and reduction. Once identified, you can release them to be used for improvement of your highest priorities.

3. **Understand that waste is pervasive and system-wide.** Some educators think waste occurs only in operations and administration like central office, transportation, facilities, food service, finance, procurement, etc. No. Waste occurs throughout the entire system including teaching a class, finding a teacher, enrolling a student, recruiting a teacher or a principal, evaluating a teacher, counting attendance, etc. You can start with just a few processes in the beginning, but know that waste is system-wide, and interconnected to everything else. Use a system-wide, cross-functional approach.
4. **Be prepared: it's hard to remove waste.** The low hanging fruit is easy — just get together a small group of people and say "*Make a list of the dumbest things we're doing right now and stop!*" You'd be amazed how much is in plain sight to everyone.

But going after deeper seated waste is more difficult. As Michael Hammer, the late process guru, pointed out, accreted waste has crept in over the years through unexamined habits, outdated and restrictive policies, cemented functional silos, outdated skills and knowledge, sacred cow acquiescence, and

redundant work. Worse, these wasteful practices have come to be accepted by most educators as natural, and therefore seem impossible to change. But they are not.

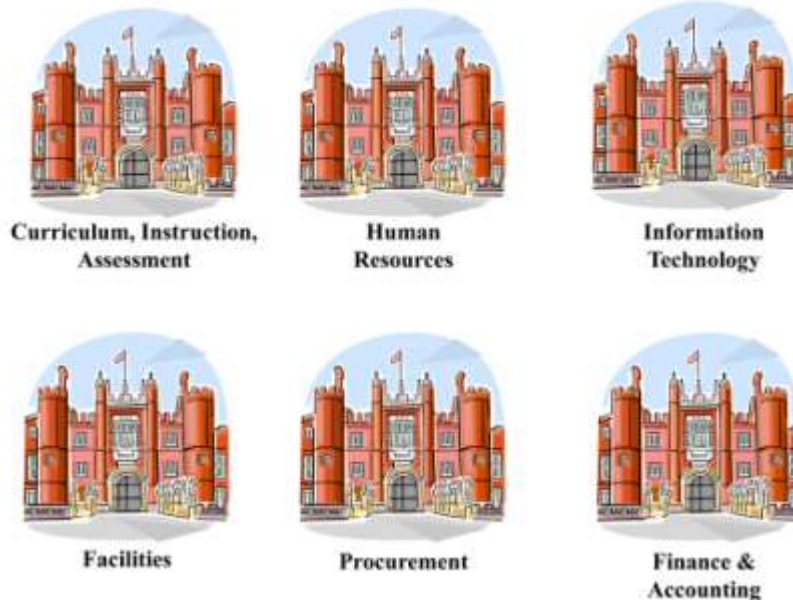
5. **Know that waste reduction can have both immediate and long-term benefits.** The waste that has slowly accumulated in every part of a system is bigger than you ever would think. Make a guess and write down how much waste you have as a percent of your expenditures: \_\_\_\_%?

Businesses have found that on average, as much as 20% to 30% of all activities in any organization waste time and money. I don't believe education is an exception. Think of what you could do today and in the future if you could cut or even reduce waste and reallocate that time and money to your most pressing needs. It could exceed the stimulus funds. And those are resources you can continue to save over the years, not just a 10% cost reduction or some other quick fix device that probably doesn't touch the true waste in your system.

6. **Abolish functional walls that become silos.** *"Mr. Gorbachev, tear down this wall!"* exclaimed President Reagan in 1987. That was the beginning of the end of the Cold War. In 2010, I say, *"Mr. Educator, tear down your functional silos."* That will be the beginning of the end of much of your waste.

Look at the diagram showing six 'castles' or 'silos' in education, with the typical functional walls.

### The Common Silos of Education



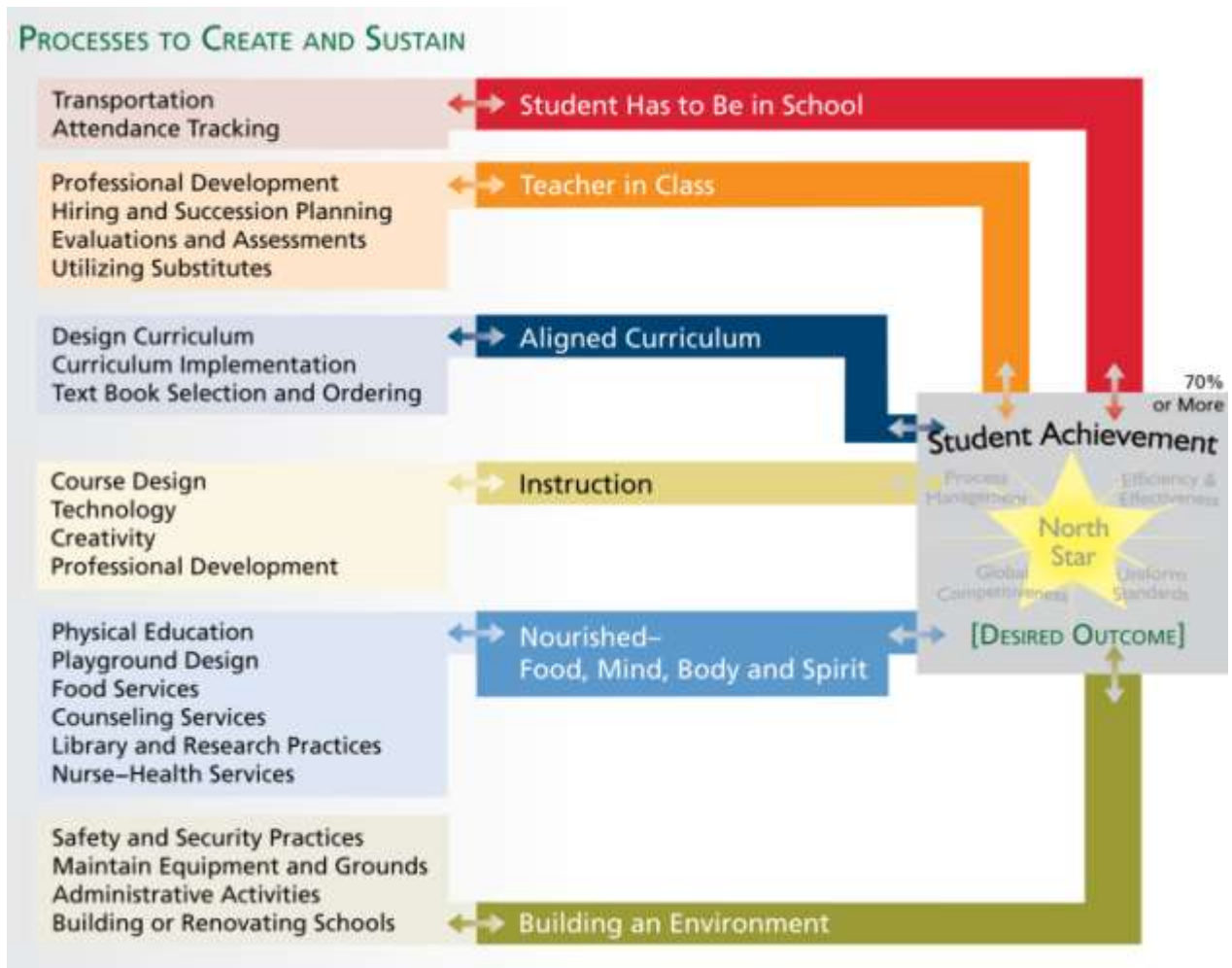
Walls hold people in, but they also hold people out. In this balkanized structure, silo-like walls keep people in for the benefit of specialization, keeping others out. As a result, the walls disrupt natural cross-functional processes and generate waste through time consuming handoffs. These extra handoffs increase the chances of errors and delays, create unnecessary bureaucracy, cause internal friction, and slow down service to customers of the process. When that happens, *"tear down those walls."*

But not immediately or totally.

First identify the very important cross-functional processes that aren't working well because of the silos, form cross-functional process teams, designate process owners to manage those processes, and gradually move to a matrix organization blending functions and processes across the entire organization. That's where business is today, a dramatic leap from the mistakes of the 70s and 80s.

7. **Empower and train everyone in PPM.** Do this not just to improve morale and capacity, but because it will reduce waste. Those closest to the process understand more easily and quickly what's producing the waste, and if they are empowered to act, they can prevent many of the errors, save time and cost, improve quality, and reduce waste before it's generated. To empower people, give them the time, resources, and authority to make changes at the source, and you will be astounded at how much waste will be avoided.

Through a top-down and bottom-up philosophy, always keep an integrated line of sight between these empowered people and processes and the overall goals of the organization. As the graphic indicates, every process in a school system can be improved and in turn can contribute to student achievement.



8. **Expect both resistance and enthusiasm to these changes.** No surprise. Would you expect less? You're upsetting *"the way we've always done things around here."* People are likely to respond to change with, *"there's no waste here"* or *"we don't have the time, we don't have the money, we're already too busy — our plate is too full."* But ask them what their plate is full of.

Don't forget. You're challenging long-standing career paths, habits, and culture built on specialization. You're creating anxiety about how this will affect people. I know of no organization initiating disruptive change that hasn't encountered fence sitters, backstabbers, Januses, termites, chameleons, gripers, wannabes, and over-my-dead-body resistors along the way. Successful organizations plow on.

My advice: Don't let resistance stop you — listen to, involve and empower people, and benchmark where your efforts are working. As one of our pilot participants, Terry Holliday, former Superintendent of award-winning Iredell-Statesville and present Commissioner of Education for the state of Kentucky, said, *"Don't wait for all the lights to turn green."* Samuel Johnson said, *"Nothing will ever be attempted if all possible objections must be first overcome."* They won't.

Remind yourself every day that you're working with people who have been fed up for years seeing waste and have come to believe the bureaucratic, frustrating, and idiotic wasteful restraints will never change. But now they have an exciting opportunity to make a difference. *"If we don't do this, then we're stuck in the same old rut of mediocrity,"* said Karlene McCormick-Lee, Associate Superintendent (now retired) of Clark County School District, another participant in the year long 2009 North Star Project. This sentiment was echoed by every other district in North Star.

### Quick Start Tips

With that background, now is the time to get started with implementing process and performance management to work for you. You can and should start small — don't take on the entire system the first time. Here's a Quick Start Guide to begin:

1. Start with three to five key processes.
2. Appoint process improvement teams and process owners.
3. Map the current processes "as is" to reveal where waste may exist.
4. Train teams in process improvement and change management.
5. Benchmark in your own district or with best practices districts.
6. Collect and measure data, see gaps and waste in your performance.
7. Do a root cause and process analysis.
8. Draw a process map the way you think a process "should be" done.
9. Create action plans and implement.

Then, add more processes, create a system-wide process management structure. And when you finish, here's a checklist to see if you are moving toward a total organization-wide process managed system:

1. Do you have maps of all your key processes?
2. Do you have a district-wide map?
3. Does your process map include other functions?

4. Do you measure process performance? If so, what measures? Cycle time? Cost effectiveness? Staff productivity? Efficiency?
5. Do you compare your processes to other schools or districts?
6. Do you benchmark yourself against them?
7. Do you have process owner(s)?
8. If you have process owners, do they have resources, authority, responsibility, and performance measures?
9. Do you use process improvement methodologies, such as Six Sigma, Lean, Root Cause, and Benchmarking?

### **In Conclusion: Is It All Worth It?**

Yes, indeed. Most leading businesses like Macy's, IBM, GE, Starwood Hotels, Boeing, Northrup Grumman, Air Products, American Express, PG&E, Clorox, 3M, Charles Schwab, Cartus, Oracle, BP, and many, many more believe strongly that waste reduction through process and performance management is essential to their success.

Boeing CEO Jim McNerney, was profiled in Jim Cohan's recent book, *You Can't Order Change*, an examination of the company's remarkable turnaround. The author makes specific reference to McNerney's efforts to eliminate waste from Boeing's work and use the resources freed up to invest in activities that create value for customers.

There is no reason that education cannot adapt and adopt the PPM methodology, and get similar results. Funding for education will probably not increase and may even decrease in the years ahead, and those with waste in their system will suffer the most in both efficiency and effectiveness.

Waste reduction may be your main source of increased resources in the years to come. Always keep in mind that its purpose is not the elimination of jobs; it is the elimination of non-value added and wasteful work.

Peter Drucker, a leading management consultant and writer, said this as far back as 1992, "*The largest and easiest gains in knowledge work come from redefining the task and eliminating what need not be done.*"\*

Reducing waste is common sense, but not yet common practice.

\* Peter Drucker, **Managing for the Future; The 1990s and Beyond**

## Appendix

### Common examples of waste:

Excessive time planning  
 Disaster coverage  
 Slow response time  
 Make-up tests  
 Excess work in process  
 Unqualified teachers  
 Uninformed teachers  
 Transition time between classes  
 Parents not informed  
 Delayed test returns  
 Lack of time accountability  
 Reruns  
 Software interoperability  
 No in-process measures  
 Overstaffed  
 Missed discounts  
 Meetings not facilitated  
 Positions not controlled  
 Moving furniture  
 Misfiling  
 Double billing  
 Poor housekeeping  
 Poor quality substitutes  
 Overdue bills  
 Accidents - frequency and cost  
 Pages omitted  
 Antiquated processes  
 Excessive maintenance  
 Process changes  
 Managers micro managing  
 Defective printing  
 Vandalism  
 Conflicting data  
 Defects  
 Retyping  
 Firefighting  
 Lack of accountability  
 Slow communications  
 Unused data  
 Rework  
 Dissatisfied employees  
 E-mails too long  
 Policies unclear  
 Salaries not based on performance

Absences  
 Slow work orders  
 Invoice errors  
 Addresses – incorrect or missing  
 Unclear goals  
 Key processes not defined  
 Repeated work orders  
 Commuting  
 Wasted talents  
 Excessive software errors  
 Phone calls too long or too frequent  
 Data not understood  
 Unavailable employees  
 Parents not involved  
 Duplicate tasks  
 Data entry errors  
 Overworked teachers  
 Handoffs  
 Refunds  
 Response times too slow  
 Delayed purchasing/payroll paperwork  
 Delayed filing  
 Unaligned goals  
 Teachers lack incentives  
 Redundancy  
 Knowledge hoarded  
 Cycle time too long  
 Expertise search  
 Retraining needed  
 Excessive reviewing  
 Management unqualified  
 Attendance errors  
 Typing errors  
 Low-skilled employees  
 Isolated management  
 Food spoilage  
 Incorrect scoring  
 Student mismatches  
 Inadequate professional development  
 Moving people  
 Sabotage  
 Mismanagement of grant dollars  
 Late reports  
 Complaint handling

Late accounts receivable  
 Scope changes  
 Bolt-on fixes  
 No measures of staff performance  
 Outdated equipment  
 Late substitutes  
 Lost records  
 Frequent re-teaching  
 Lost documents  
 No key process accountability  
 Misunderstandings  
 Poor worker compensation data  
 Functional silos  
 Equipment failure  
 Inefficient meetings  
 Union-management disputes  
 High backlog  
 Site based budgeting  
 Outdated policies  
 Poor quality products or services  
 High products returns  
 Leaving early  
 Untrained employees  
 Work arounds  
 High turnover  
 Breakage  
 Vacant facilities  
 Lengthy memos  
 Computer downtime  
 Unjustified travel  
 Illegible writing  
 Inadequate communication  
 Tracking shipments frequency  
 Inaccurate counting  
 Lawsuits  
 Payroll errors  
 Misleading instructions  
 Inventory shortage  
 Software maintenance  
 Unreadable data  
 Inspection errors  
 Bureaucratic rules  
 Bank errors

Frequent expediting  
 Incompetent employees  
 Command chain too long  
 Excessive or past due credit  
 Setup time too long  
 Misrouted mail  
 Late shipment  
 Inadequate substitutes  
 Materials handling  
 "Goldplated" quality  
 Overtime  
 Security lapses  
 Delayed maintenance  
 Managers' time wasted  
 Inadequate data  
 Poor induction of teachers  
 Theft  
 Bus accidents  
 Spam e-mails  
 Inadequate capacity  
 Parents dissatisfied  
 Leaves & substitutes abuse  
 Inadequate management  
 Planning ignored  
 Lengthy presentations  
 Idle time  
 Wrong instructions  
 Injuries  
 E-mails missing addresses  
 Lack of student RFID  
 Mail delays  
 Delayed decisions  
 Extra inventory  
 One size fits all resource allotment  
 Sorting incorrect  
 Coding errors  
 Biased data  
 Buses late  
 Billing errors  
 Unfilled purchase orders  
 Insurance claims – disputed  
 Unanswered voice mail

## Testimonials from North Star Participants

*"We have gone through **the reform after reform cycle** for so long I had almost given up that we would ever have some way to radically change the education system... I believe this is our time and 'defining' moment to make the **North Star Project the true systemic reform effort** that is needed to change the landscape and future of educational school systems throughout the United States."*

—Patrick J. Russo Ed.D.  
former Superintendent  
Hampton City Schools  
Hampton, Virginia  
(present Superintendent,  
Henrico County Public Schools, VA)

*"I have seen reforms come and go, programs start and stop, consultants and vendors fly in and fly out. After only a few training sessions, process management and improvement can be a long term program of continuous improvement across the district... **North Star has the potential to be transformational**; bringing concerned leadership teams together to use and share critical action-oriented data to improve the manner in which schools and districts deliver the highest standards of teaching and learning to children. APQC tackles efficiency and effectiveness. **We need both.**"*

—Karlene McCormick-Lee  
Associate Superintendent, (Retired)  
Superintendent's Schools  
Clark County School District  
Las Vegas, Nevada

*"I have been in education for 42 years but have never seen a project like APQC's North Star that has the potential to completely transform the educational system in this country."*

—Dr. Michael Perich  
Director of Continuous Improvement  
Montgomery County Public Schools  
Rockville, Maryland

*"As an educator for over 37 years, I have seen reforms come and go. Until now, there has been no reform that has been able to significantly improve educational outcomes. It is my hope that the North Star project will grow and become the educational reform that is so desperately needed in our nation. It can deliver where many other initiatives have failed."*

—Terry K. Holliday, Ph.D.  
former Superintendent  
Iredell-Statesville Schools  
Statesville, North Carolina  
(present Commissioner of Education  
for the state of Kentucky)

## About the Author

Dr. C. Jackson Grayson, Jr. is Founder, Chairman and CEO, APQC.

Dr. Grayson has a BBA from Tulane University, an MBA from the Wharton School of Business at the University of Pennsylvania and a doctorate in business from the Harvard Business School. His academic career has included professorships at Harvard, Stanford, Tulane and SMU, and he has taught in business schools in France and Switzerland. He has also been a Dean of two business schools — at Tulane University and at SMU where he became known for instituting innovations in business and education.

Dr. Grayson was selected in 1971 to be Chairman of the Price Commission under President Nixon, and it was there that he discovered how little American corporations knew about productivity and quality. So, when he left government, he founded the nonprofit APQC (American Productivity & Quality Center) in 1975, and has used process and performance management to help organizations improve their efficiency and effectiveness. In 1990, *Business Week* said of Grayson, "Few, if any, individual Americans have done more during the last 20 years to shape the country's economic future for the better."

For more than 33 years, APQC has worked primarily with business, health care, government, and the military. In 2008, APQC started a pilot demonstration project with several leading districts as part of its North Star Plan to help transform the U.S. public education system.

Grayson is a CPA and has been on the board of directors of large corporations. Grayson's career however, is not confined to business. He believes in variety, constant learning, experimentation, and fun. His career has included being a newspaper reporter in New Orleans, a special agent of the FBI, a manager of a cotton farm in Louisiana, a member of an export-import firm, and an owner of race horses. Grayson recently went sky-diving.

## About APQC

The American Productivity and Quality Center (APQC) is the leading resource for performance analytics, best practices and process improvement worldwide. Our research studies, benchmarking databases and renowned Knowledge Base provide managers with intelligence that they can use to transform their organizations for better results. A member-based nonprofit founded in 1977, APQC currently serves over 750 of the Fortune Global 1000 companies as well as hundreds of health care, government and nonprofit organizations.

For more than 10 years, APQC has worked with over 250 school districts to help them improve efficiency and effectiveness. APQC's North Star plan is aimed to transform the U.S. education system using the proven methodology of process and performance management.

Learn more at [www.apqceducation.org/northstar](http://www.apqceducation.org/northstar) or call our Education Team at 800-776-9676 to find out how you can get involved in the North Star plan.