BAIN & COMPANY

Managing Your Scarcest Resource

Bain & Company Time Management Study and Impact on Organizations

May 2014

Summary (1 of 2)

Communications have skyrocketed: from one thousand per executive in the 1970’s to 30,000 today

Most companies have elaborate procedures for managing capital; by contrast, an organization’s time goes largely unmanaged

- 15% of an organization’s collective time is spent in meetings (a number that has increased every year since 2008)
- In representative organizations, up to 80% of the interactions we reviewed took place within departments, not between businesses, across functions, or between headquarters and other parts of the company

An analysis of the inner workings of large organizations revealed that

- Most have no idea how management/executive time is spent
  - Senior executives today devote more than 2 days every week to meetings involving 3 or more co-workers
  - On average, adding a manager to an organization creates ~1.5 full-time-equivalent employees’ worth of new work—that is, his own plus 50% of another employee’s—every additional SVP creates more than 2.6 FTEs worth of work
  - At a representative company Bain analyzed, in 22% of meetings participants sent three or more e-mails, on average, for every 30 minutes of meeting time
- Large amounts of time are squandered on low value activity
- Some of the largest uses of management time are unregulated and unjustified – arbitrary meetings arranged by people without the context to know if they are necessary

Summary (2 of 2)

Without effective time management practices in place, we are seeing a marked increase in dysfunctional time management behaviors (double booking, over-attendance, non-engaged attendance, etc.)

- Beginning every one hour-long meeting only 5 minutes late costs a company 8% of its meeting

However, some companies are now bringing as much discipline to their time budgets as to their capital budgets. As a result, they have liberated countless hours of previously unproductive time for employees, fuelling innovation and accelerating profitable growth

- Data suggest that most companies have an opportunity to liberate at least 20% of their collective hours by bringing greater discipline to time management

Bain recommends eight proven practices for managing organizational time productively:

1. Make the time agenda clear and selective
2. Create a zero-based time budget
3. Require business cases for all new projects
4. Simplify the organization
5. Clearly delegate authority for time investments
6. Standardize the decision process
7. Establish organization-wide time discipline
8. Provide feedback to manage organizational load

Financial capital and organizational time:
Two resources, one well managed, and the other, squandered

Financial capital	Organizational time
Sophisticated, accurate, frequently updated systems in place to record and manage the deployment of capital	Most organizations have little or no sense of where time is being spent (especially at management levels)
Significant capital allocation decisions require data-driven justification (business cases, etc.)	No justification for meeting time is required - expectations are that good people will 'make time'
Authorization for capital deployment decisions is tightly controlled	Often decisions regarding management time are relegated to assistants or low-level employees
Executives are held to account for bad capital decisions, and waste is not tolerated	There are no (formal) penalties for low quality meetings or wasting time

Volume of communication (and time spent on it) has exploded in recent years…

THE DARK SIDE OF METCALFE'S LAW

Metcalfe's Law

The value of a communications network increases exponentially with its size

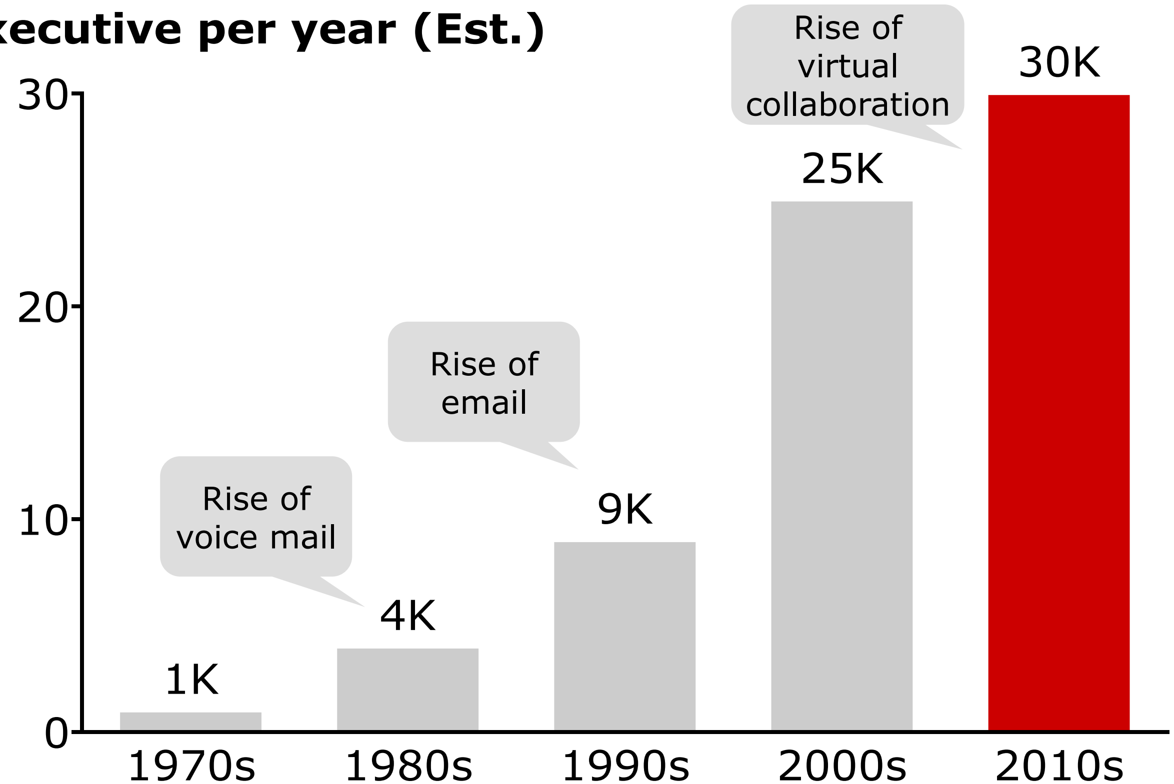
However…

Every communication linkage creates a 'time tax' on the individuals at either end. Left unmanaged, these taxes proliferate

Number of communications per executive per year (Est.)

In the 1970s:

Communications were limited; on average, executives had **<1,000** communications/ year from people other than co-workers



Today:

Executives receive **~30,000 external communications** per year. The more senior an executive, the more time subordinates must spend filtering, organizing, and coping with all those messages and conversations

Source: Bain analysis

Meeting time adds up

Sample 10,000 employee business

Level	# Employees	Avg. meetings hours per person per week	Avg. fully loaded annual labor cost	Annual cost of meetings
EVP/SVPs	10	21.2	$600K	$2.8M
VPs	80	19.5	$400K	$13.9M
Directors	480	17.4	$250K	$46.4M
Managers	1920	13.4	$150K	$85.9M
Individual contributors	7510	9.0	$100K	$150.2M
			Total Annual cost of meetings:	**$299M**
			*Avg. low engagement hours:	20%
			Cost of low engagement meeting time:	**$60M**

* Low engagement hours defined on following slide

Source: Bain & Co analysis; VoloMetrix analysis, N=9 companies, 75k employees, 50M+ meetings

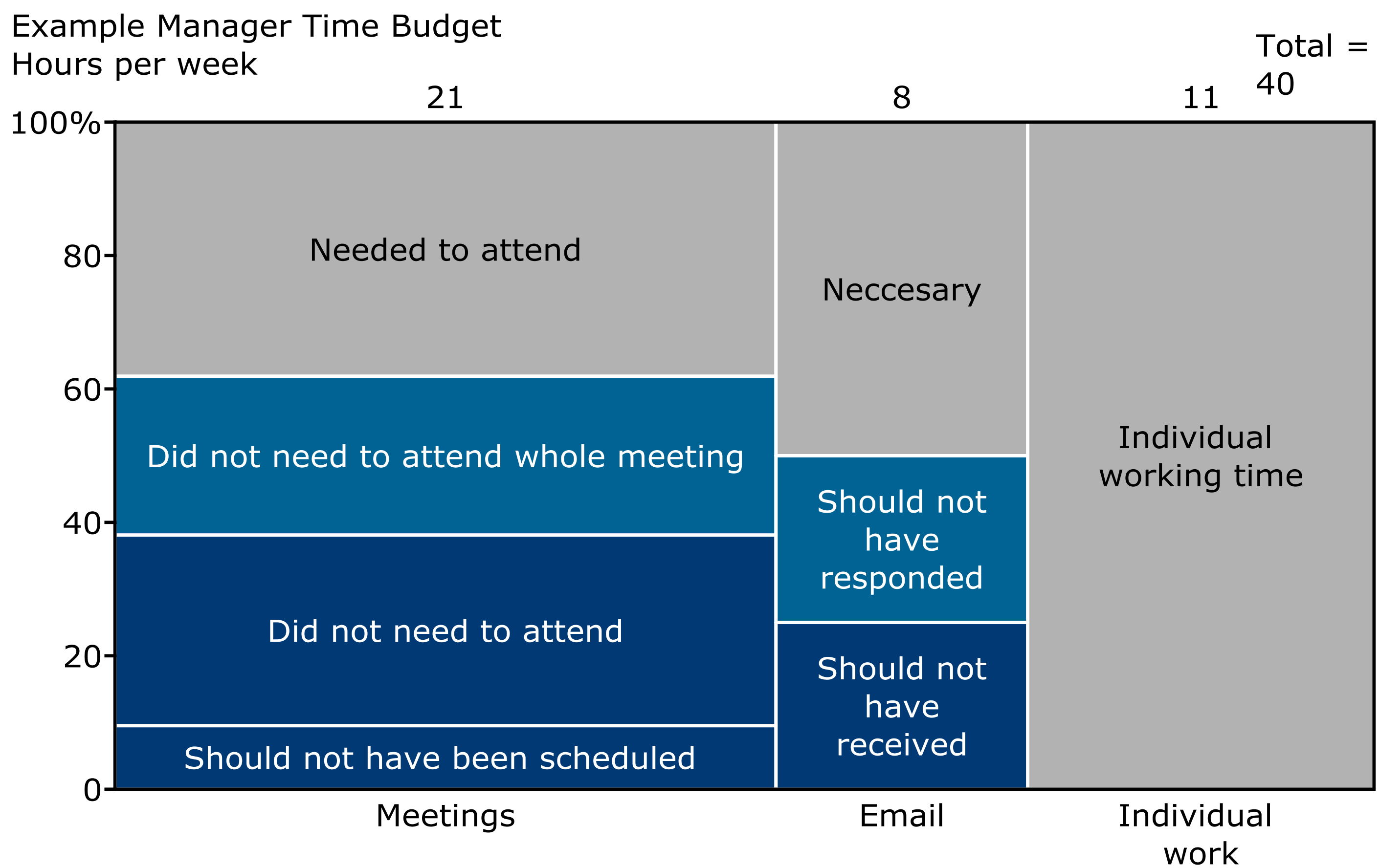
Meeting over-load: meeting load reduction guideline of 20% at Engineering Co released significant org time

ENGINEERING X-LEVEL

AVERAGE LOAD

Average Load by Level (hours/ week)		20% Reduction Goal (hours/ week)
X1	109	22
X2	157	31
X3	79	16
X4	65	13
X5	44	9
X6	35	7
X7	20	4

EXAMPLE AREAS TO REDUCE LOAD



Example: An X3 could reduce 16 hours of load by reducing meeting frequency (not scheduling), reducing invitees (full or partial) and/or reducing email

Eight practices for managing organizational time

1. Make agenda clear and selective
2. Create a zero-based time budget
3. Require business cases for all new projects
4. Simplify the organization
5. Clearly delegate authority for time investments
6. Standardize decision process
7. Establish organization-wide time discipline
8. Provide feedback to manage organizational load

1 Make the time agenda clear and selective

- Propagate a clear and aligned understanding of **where to spend time**
  - Reflect company's shared priorities (usually well known) in how time is allocated
- Empower individuals to defer or decline time commitments that don't reflect company priorities

Case Study: Apple, and the late Steve Jobs

- Focus was always recognized as a key to Apple's success
- Each year, Apple's top 100 executives held a planning retreat to identify the company's leading priorities for the coming year
- Members of the group competed intensely to get their ideas on the short list of 10 top priorities
- Jobs then crossed out the bottom seven- "We can only do three"

This cut through the noise and enabled Apple to invest the time of its top talent strategically, without dilution or waste, dramatically accelerating pace of innovation

2 Create a zero-based time budget

- Manage organizational time asset with **equal rigour** as capital assets
- Zero-base time budgets, as is often done for operating and capital budgets

Case Study: Ford Motor Company - Alan Mulally (CEO)

- In 2006 when Mulally became CEO, the top 35 executives met monthly for "meetings week"— 5 days devoted to discussing auto programs and reviewing performance. The direct and indirect costs of these sessions were significant
- The top team was asked to assess the efficiency and effectiveness of these regular meetings, eliminate unnecessary ones, and shorten unduly long ones
- Now the centrepiece of Ford's approach is a weekly session called the Business Plan Review- a 4-to-5-hour weekly session of senior executives to set strategy and review performance
- Content is standardized, reducing the extensive prep time previously required

This has liberated thousands of hours, enabling the company to lower overhead costs
Quality & pace of decision making has also improved, accelerating Ford's turnaround

3 Require business cases for all new projects

- Avoid "**initiative creep**" where seemingly sensible projects are added incrementally but few if any, are ever formally terminated
- Add stage gate processes to prevent investment without justification

Case Study: Newmont Mining - Gary Goldberg (CEO)

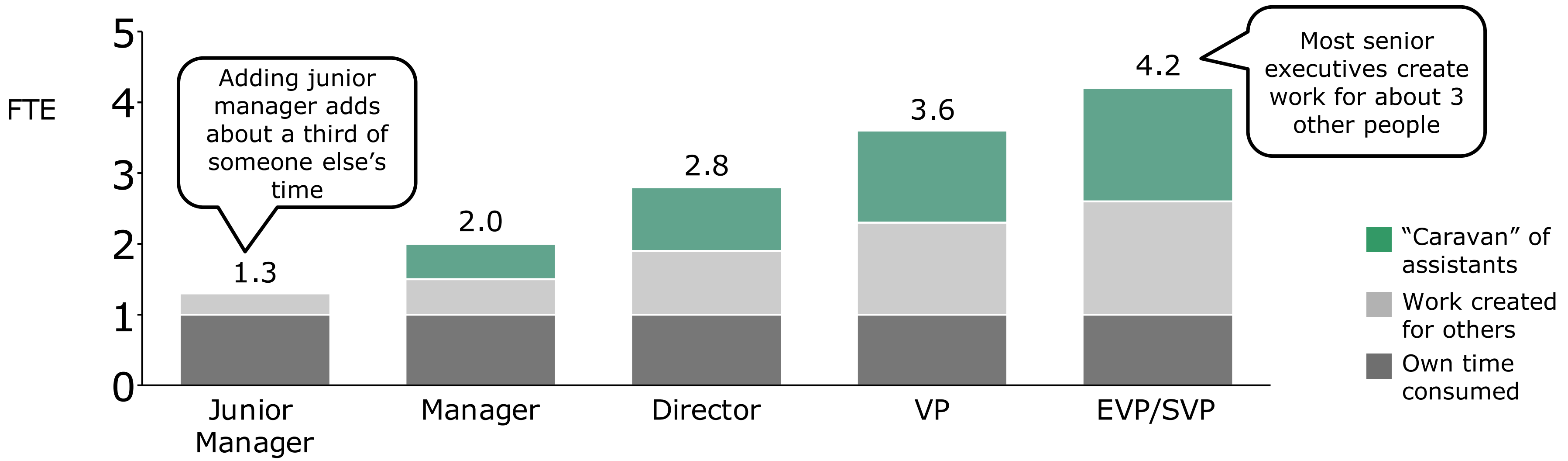
- March 2013, 87 initiatives were under way, each demanding the time of Newmont's executive leadership team
  - Not all the initiatives were valuable in terms of return on investment
- To minimize initiative creep, Goldberg insisted leaders develop formal business cases for all ongoing and proposed projects, specifying the economic cost-benefit
- Every initiative required having an executive sponsor accountable for progress and budget

After less than three months, Newmont had scaled back the number of initiatives by a third and refocused its collective time on its most important initiatives - improving safety and operational efficiency

4 Simplify the organization (1 of 2)

- **Right-size and right-shape** the organization
  - Reduce the layers between CEO and frontline to facilitate information flows and decision making
- Optimize **headcount**
  - Every additional supervisor adds costs beyond his or her salary - supervisors schedule meetings that requires content that some people must generate and others must review; and each meeting typically spawns even more meetings

- On average, adding a manager to an organization creates ~**1.5 full-time-equivalent** employees' worth of new work—that is, his own plus 50% of another employee's—every additional SVP creates more than **2.6 FTEs** worth of work



Source: Bain & Co analysis; Volometrix

④ Simplify the organization (2 of 2)

Case study: University of California at Berkeley - Robert Birgeneau, the university's chancellor in 2010

- In 2010 Berkeley was facing financial pressure - the state legislature had cut $150 million from Berkeley's budget
- The administration had to streamline cost structure to safeguard funds to preserve the university's reputation for excellence in teaching, research and access
- Robert Birgeneau, launched "Operational Excellence" to dramatically improve the efficiency and effectiveness of the HR, finance, IT, and general administrative support

By standardizing and simplifying work by function and sharing management across those units, Operational Excellence removed 100s of unnecessary supervisors and freed up an enormous amount of organizational time

The restructuring and simplification has saved the university ~$120 million annually while enabling Berkeley to deliver more with less

5 Clearly delegate authority for time investments

- Create **guidelines** on who can **organize** meetings, including the **length** and **attendance**
  - Most companies have few restrictions, resulting in an over-abundance of costly meetings scheduled without scrutiny

Case Study : Manufacturing Company A

- Manufacturing Co. A discovered that a regularly scheduled 90-minute meeting of midlevel managers cost more than $15 million annually
- No one had been responsible for approving the meetings – A junior VP's assistant had scheduled them and the team attended
- In effect, a junior VP's administrative assistant was permitted to invest $15 million without supervisor approval

Case Study : **Manufacturing Company B**

- At Manufacturing Co B, the leadership team took a few simple steps to rein in unproductive meeting time
  - Reduced the default meeting length from 60 minutes to 30 minutes
  - Established a guideline limiting meetings to seven or fewer participants
  - Required approval by supervisor of the convener's supervisor (two levels up), for any meeting exceeding 90 minutes or including more than seven people

**This cut the organizational time budget dramatically—
by the equivalent of 200 full-time employees over a six-month period**

6 Standardize the decision process

- Establish an **organization-wide approach** to decision making and execution to improve efficiency and rescue time for other purposes
- Clarify individuals' roles and decision rights

woodside

Case study: Woodside

- Australia's largest independent oil and gas company had been operating with a matrix structure designed to foster greater collaboration, however decision authority and accountability were murky
  - The time spent coordinating across functions and business units was rising steeply
- In 2012 Woodside's leadership defined operating principles that established clear responsibilities, authority, and accountability for the business units, the functions, and the corporate center

The impact of these changes has been profound - Woodside has streamlined how decisions are made

A significant portion of the resulting saved time is now spent on efforts to improve execution and identify new growth opportunities

7 Establish organization-wide time discipline

• Improve the **quality** of the meetings by establishing a few simple norms:

- **Agendas with clear objectives**
  - At Intel all meetings start with a clear purpose: to inform about topic A, discuss topic B, and decide topic C - the procedure focuses attendees on accomplishing the specified objectives
- **Advance preparation**
  - At Ford, all materials for weekly Business Plan Reviews must be distributed in advance so that participants can review them before the meetings - this reduces the time devoted to information sharing during the review
- **On-time start**
  - Beginning each hour-long meeting only five minutes late costs a company **8%** of its meeting time; Most management teams wouldn't tolerate 8% waste in any other area of responsibility.
- **Early ending**, particularly if the meeting is going nowhere
  - Prevent the waste of time and money when meetings are unlikely to produce the desired outcome
  - Steve Jobs used to "call an audible" when productivity of a meeting declined or participants were unprepared

8 Provide feedback to manage organizational load

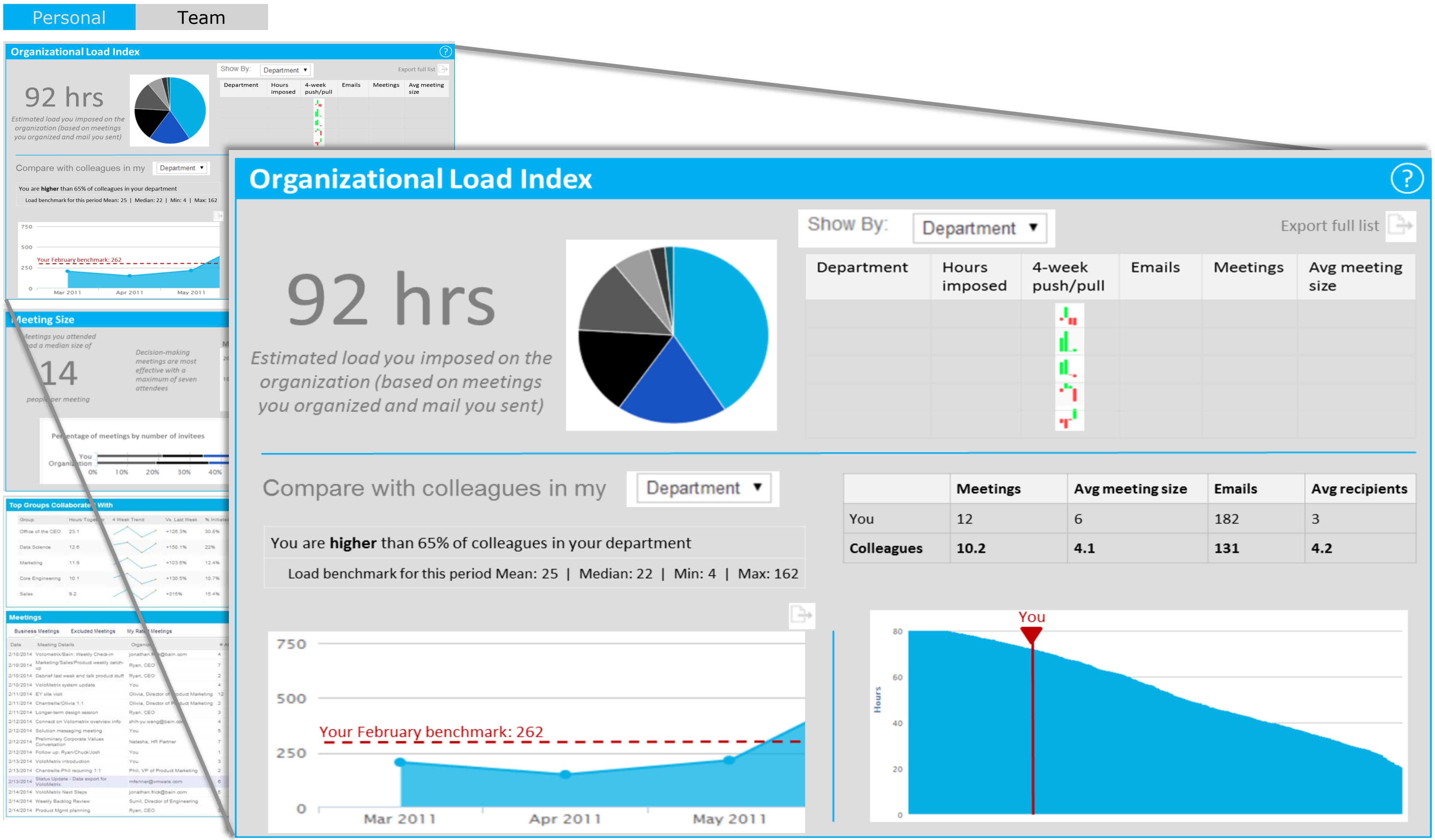
- Monitor and measure the **critical variables** affecting human productivity, such as meeting time, meeting attendance, and e-mail volume
- Set **targets** for improvement

Case Studies: Seagate and Boeing

- Seagate and Boeing are experimenting with giving their executives feedback on the "load" they are putting on the organization in terms of meetings, e-mails, IMs, and so forth
- At Seagate some senior managers participated in a program in which they received reports quantifying their individual loads along with the average load generated by other executives at their level and in their function

This information, combined with guidelines from the top, encouraged them to modify their behavior

Example: Organizational Load Index personal feedback report



Source: Volometrix