

Knowledge Work

Solution Paths – Another Example

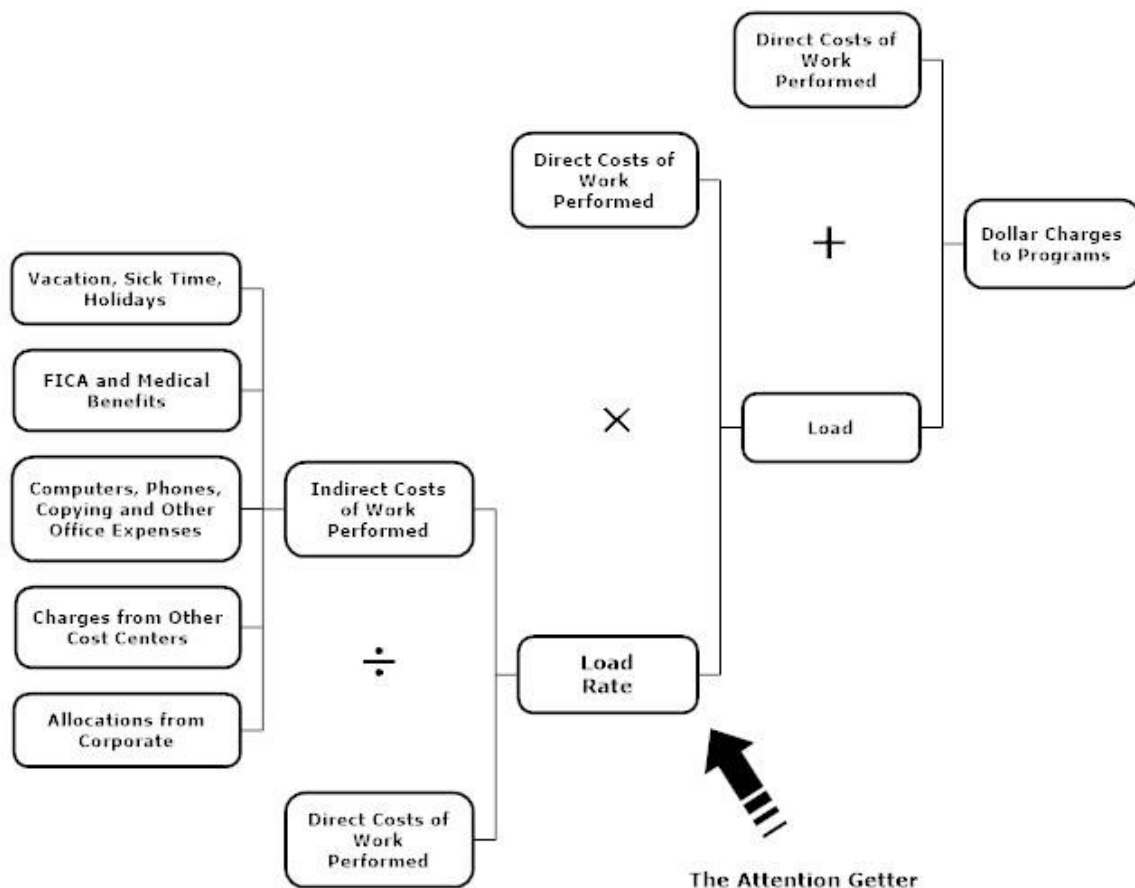
(February 2016)

Looking Back

In last month's column I presented an example of a solution path that tied on one end to human behavior (filling out a registration form) and on the other end to an operational measure (reject rate). In this month's column we'll look at another solution path, one that ties to a financial measure on one end and to some changes in physical arrangements of the workplace on the other end.

Solution Path: The Load Rate Example

Shortly after I took over an operating division in a large testing company we, along with several other parts of the company, moved from very inexpensive space to much larger and more expensive space. Naturally, space charges went up. My division's clients (the managers of various testing programs), began wanting to know what I was going to do about "the load rate." I wasn't quite sure what that was all about so I had a young fellow in my division – a veritable financial wizard – develop a map or diagram of the load rate measure. See Figure 1 below.



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Figure 1 - The Structure of Load Rate

Armed with this map of Load Rate, I began digging deeper. Obviously, our space charges had gone up. This was reflected in our indirect costs of work. However, we had also been allocated significantly more space, further increasing the indirect costs of work. In addition, the allocations from corporate had been increased because there was considerable unused space in the new facility and its costs were distributed across all cost centers. The long and the short of it was that the indirect costs of work performed had gone up quite a bit while direct costs (essentially the wages paid to people for the work they performed) had remained about the same.

As the diagram above reveals, the increase in indirect costs drove up the load rate and that drove up load and charges to the programs. And so I set off on a search for a solution, a path whereby actions I might take would drive load rate back down. It was obvious from the outset that increased space, increased space charges and increased allocations from corporate were the culprits. Naturally, I focused on our division's space utilization.

In the new facility we occupied 21,000 square feet; 16,000 in one building and another 5,000 in the building next to it. We had some extra space in our main facility. If I could find a way to fold the additional 5,000 square feet into the main facility I could get rid of roughly 25% of the indirect charges and lower load rate by an appreciable amount. That led to an examination of the utilization of the 5,000 square feet in the adjoining building.

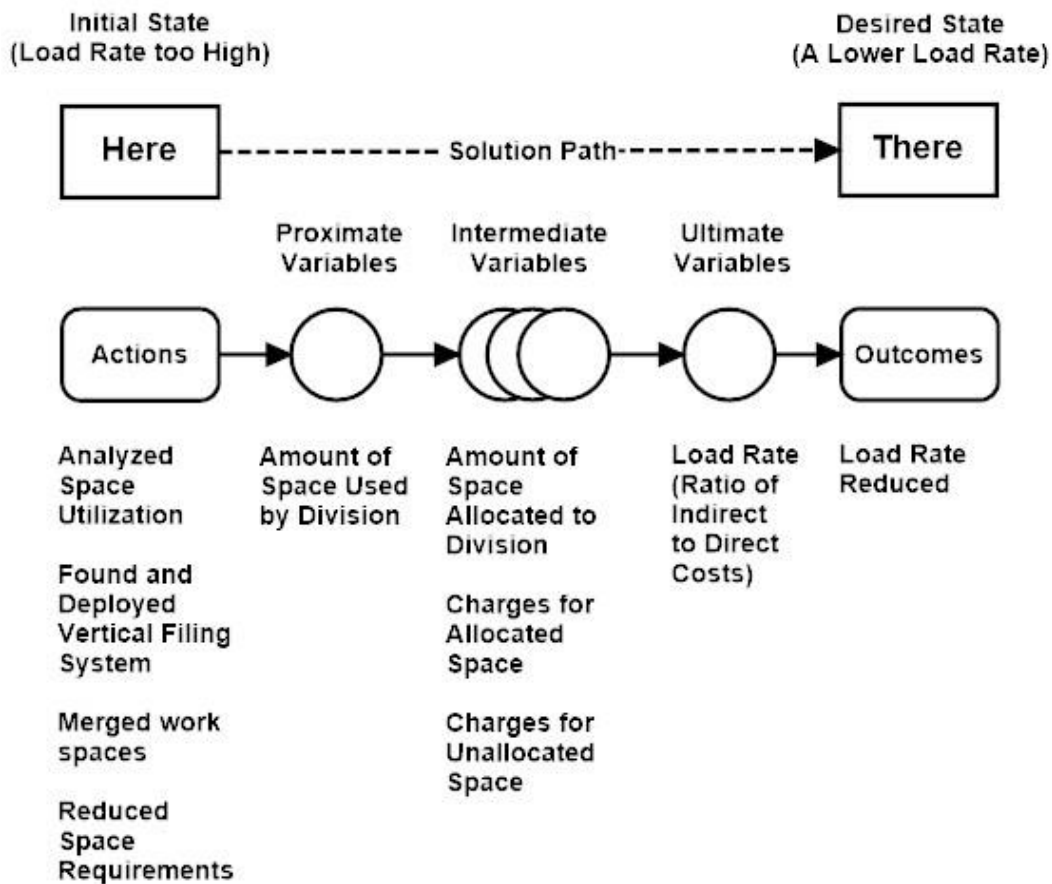
The 5,000 square-foot space wasn't entirely used either and what was used was taken up in large measure by boxes of files on table tops which were spread out all over the space. It was clear they wouldn't fit in the main space but if I could find a suitable vertical filing system, I could make room for this operation in the main space. We found such a filing system and after working through the details with the work group and with the VP of Operations, the new filing system was acquired, the operation was folded into the main space and load rate was taken down by an amount that seems to satisfy the division's clients. (After all, they, too had moved into the new facility and were facing similar challenges.)

The Solution Path for the Load Rate problem is shown in Figure 2.

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Figure 2 – The Load Rate Solution Path

As you can see, the solution path in this case ran from my actions to a reduction in the space used and reduced charges for it to a reduction in indirect costs, ending in a reduced load rate.

The structure in which all this occurred consisted of certain aspects of the organization's financial accounting and measurement system whereas the structure involved in the solution path for the reject rate problem started with an operational measure but quickly moved to one that involved factors affecting human behavior. Yet, both solution paths are marked by an initial state, a desired state, an intended outcome, direct immediate actions and proximate, intermediate and ultimate variables linking actions to outcomes. And, in both cases, models or diagrams of the relevant structures and their component variables enabled finding a viable solution path.

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Looking Forward

This ends my foray through the topic of solution paths. I hope you found it informative and helpful and I also hope you give the ideas presented here a try the next time you find yourself searching for a solution path that will link your actions to the outcomes you seek.

About the Author

Fred Nickols, CPT, is a knowledge worker, a writer, consultant and former executive who spent 20 years in the United States Navy, retiring as a decorated chief petty officer. In the private sector, he worked as a consultant and then held executive positions with two former clients. Currently, Fred is the managing partner of [Distance Consulting LLC](#). His website is home to the award-winning [Knowledge Workers' Tool Room](#) and more than 200 free articles, book chapters, and papers. Fred is a longtime member of ISPI and writes this monthly column for *PerformanceXpress*.