Toolkit 38: How to use the Runner to significantly reduce costs, improve cash flow and boost profitability.

David Hall

The Runner is a key role that was created to help businesses improve their financial performance. It has produced results beyond expectations.

The opportunities that the process has generated are based on the following principles:

1. The easiest way to make money is to stop losing it.

2. Ignoring the "industry financial norms fallacy" can really help to boost performance." This is "we are making the same profits as our competitors we are doing ok".
    At Keepmoat when the profit norm in the construction sector was 2% we decided we could make 5% and got to 10% for 9 years running. The nearest competitor got to 4%.

3. *"Good is the enemy of great"*
    > Jim Collins.

    "we are a good business everybody says so…" This can be very comforting but also it can be self-defeating.

    "The first sign of a business getting into trouble is not a decline in sales or profits its complacency"
    > Jim Collins

    Tip: It can be dangerous to start to totally believe your own PR this process demands brutal honesty.

4. Most people in a business are focussed on working IN it. To make significant improvements you need to free up a resource to work ON it.

    "if you always do what you have always done you will always get what you always got"
    > Henry Ford

5. The Runner is an entrepreneurial, not a procedural process. It requires innovation based on trial and error with small scale, low risk, low cost pilots to create opportunities to make financial gains. It is a disruptive business process but one that has produced very positive results.

The Runner Role

The Runner is a very carefully selected internal person with the brief to identify and facilitate significant opportunities to improve the financial performance. The brief is to work ON the business with a fresh pair of eyes with no fear or favour. It is a full-time role delivered with the full backing of the CEO and board. It sometimes starts as a part time role but quickly becomes full time when the scale of the opportunities become apparent.

Runner Profile

The absolute key to success of the Runner process is SELECTING THE RIGHT PERSON
One more time the key is to SELECT THE RIGHT PERSON

Experiences suggest that the most effective Runners have the following characteristics. I suggest you use them to select your runner:

- Young keen and not "over experienced"
- Track record of delivering
- Confident and assertive
- Respected in the business
- Analytical
- Maybe on the succession plan
- Good interpersonal skills
- Driven
- Most importantly they WANT to do the role.

You should avoid:

- Old Joe who just happens to be available
- A family member who is not very effective
- The person who always gets the good jobs.

Put your best resource on it not your weakest the results will be worth it.

Keepmoat's Runner was a smart commercial surveyor, Hugh Rice's is a commercial accountant, DB Shenkers was a Lean practitioner.

The Runner Process

1. Agree with the Runner a big hairy goal e.g. finds £2m savings
2. Communicate the Runner process and purpose to all in the business to avoid misunderstandings
3. Ensure you back fill the Runners role so they are not trying to do two jobs.
4. Finding Opportunities
5. Encourage the Runner to investigate opportunities to deliver the big goal i.e.

   - Buying
   - Discounting
   - Staffing Levels
   - Waste
   - Pricing
   - Efficiency
   - Etc etc

Tip: Most big opportunities are not glaringly obvious by just scanning the P&L in fact big opportunities do not appear as a line on the P&L otherwise you would have probably sorted it already. I have been in a business yet where there are not major opportunities to make real financial gains. Look at each opportunity in great detail, at this stage make no assumptions, get the facts, the history, trends etc watch out for vested interests.

Identify any big value opportunities by estimating cost benefits of taking the opportunity. MKM found reducing discounting levels offered a multimillion pound opportunity. Hugh Rice found that by reorganising staff rotas could save 600k without getting rid of one person, DB Schenker discovered getting freight trains to the entry point on the main line on time improved arrival on time by 40%.

The big gains come when you search for" best in world practice" (a metaphor) in the opportunity area identified. For example, when Keepmoat, a construction group, were looking to improve their buying, benchmarking their performance with industry norms yielded little insight. When they compared themselves to "best in world ", Walmart, they created an additional £90 million pounds in buying savings over a 10-year period.

Tip: most of the big opportunities the Runner role has created have come from looking outside your industry. Why? Your industry has got you to where you are today to improve on that you need to lift your sights and do something different.

Piot test your new solution to the opportunity. Conduct low cost low risk pilots to test your solution in practice. For example, Hugh Rice tested the new rota system in 3 stores proving it worked before leveraging it across the business.

Keep a running score of the successes

Tip: if the results do not significantly exceed expectations then frankly you may not have followed the Runner process as outlined.

Runner Benefits

- Yorkshire Post saved £1.2 million on fixing credit management
- Bramall Construction saved £2.2 million on installing a system that managed daywork claims from sub-contractors more effectively
- Hugh Rice Jewellers saved £ 9ook last year and will save £1.6 million this year on several cost improvement projects

Common mistakes in applying the Runner to a business

- Compromising the selection of the runner picking the wrong person
- Not backfilling the runners job expecting them to fit it in as and when
- Avoiding the brutal facts in the analysis of "sensitive" business issues
- Being complacent "we are doing ok"
- Not briefing the business on the Runner role and what to expect