

# IMPROVING OPERATIONAL EFFICIENCIES

Perspective

## IMPROVE YOUR ORGANIZATION AND ITS BOTTOM LINE WITH OER REVIEW

As a performance improvement strategy, managing your Operating Efficiency Ratio (OER) may prove to be the best path through these challenging times. OER percentages are featured in many large corporate annual reports as a key indicator of the financial health of an organization. OER is also a critical window into the business strategy of an organization –whether for profit or nonprofit.

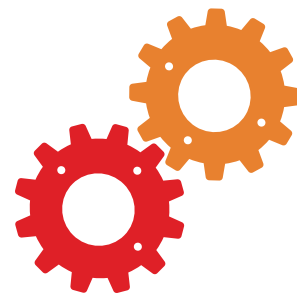
As a metric, OER gauges how much it costs an organization to earn a dollar. The lower the ratio, the better, and even small shifts in OER can have a tremendous impact on the health of your bottom line or your organizational effectiveness. But the true value of managing OER comes in identifying the critical levers of your organization’s performance, and then devising and implementing a focused, actionable plan to dial up real improvement.

### WHY OER AND WHY NOW?

One of the most important reasons to target OER improvements now is because of the number and complexity of pressures facing most organizations today. Many organizations remain challenged by the changing economy, a more stringent regulatory environment, and uncertain product demand. On the plus side, organizations recognize that driving performance improvements can boost the effectiveness of business plans and assist in balancing current and future capacity demands. In addition, OER is an excellent way to understand how your organization compares to peers; but perhaps the most compelling aspect of a focused initiative for OER improvements is its ability to provide valid insights into how to change the business for the better.

### WHY NORTH HIGHLAND?

When facing business pressures, managers often look to improve organizational efficiency by focusing exclusively on the expense side of the equation. The problem with this approach is that expense reductions all too often prove difficult to maintain while the potential to improve revenue performance is ignored. A short-term benefit is often realized, but longer-term organizational improvement can suffer.



## OER REVIEW IN ACTION

WORKING WITH ONE FINANCIAL INSTITUTION, NORTH HIGHLAND IDENTIFIED 44 DISTINCT IMPROVEMENTS WITH A VALUE OF MORE THAN 10 PERCENTAGE POINTS OF IMPROVED OER. THE IDENTIFIED REVENUE AND EXPENSE IMPROVEMENTS WERE VALUED AT MILLIONS.

Leaders understand that the key to success is to balance initiatives across both the denominator and the numerator of the OER equation. North Highland's OER Review process is designed to do just that.

- We use a comprehensive top-down and bottom-up analysis that not only identifies and quantifies revenue and expense improvements, but also ensures that recommended changes will actually move the dial.
- We bring multiple functional and industry specialists to the project.
- We apply best practices from other industries for an action plan that is customized to your organization, customers, and products.
- Our expert team works alongside yours to accelerate the OER Review process, implement the recommended improvements, and achieve results more quickly.
- Our external perspective brings objective thinking to the process and enables internal teams to remain focused on their day-to-day responsibilities.

## WHAT CAN OER REVIEW DO FOR YOU?

North Highland's OER Review uses financial analyses to focus on the improvements that really move the needle. Our independent view brings the ability to move past organizational barriers to operational efficiency and foster an engaged management team ready to own and implement OER improvements. North Highland's OER Review delivers an actionable roadmap of initiatives, and North Highland can provide execution support to deliver real and very sustainable performance improvements. Plus, you will have confidence that experts both within and external to your organization have vetted and believe in these opportunities and the value they can deliver.

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## ABOUT NORTH HIGHLAND

North Highland is a global management consulting firm that delivers unique value, big ideas and strategic business capabilities to clients around the world. The firm solves complex business problems for clients in multiple industries through an integrated approach and offers specialty services via its Data and Analytics, Managed Services, and Sparks Grove divisions, as well as TrueBridge Resources. North Highland is an employee-owned firm that has been named as a "Best Firm to Work For" every year since 2007 by Consulting Magazine. The firm is a member of Cordence Worldwide ([cordenceworldwide.com](http://cordenceworldwide.com)), a global management consulting alliance. For more information, visit [northhighland.com](http://northhighland.com) and connect with us on [Linked In](#), [Twitter](#), or [Facebook](#).

## OER REVIEW IN ACTION

### SITUATION:

A LARGE DIVERSE BUSINESS WITH AGGRESSIVE GROWTH PLANS HAD SEEN A 10-YEAR DECLINE IN OER FROM .52 TO .64. TWO EXPENSE REDUCTIONS HAD ALREADY BEEN COMPLETED AND ANOTHER WAS EXPECTED.

### SOLUTION:

NORTH HIGHLAND'S OER REVIEW IDENTIFIED 26 KEY PROCESS IMPROVEMENTS WITH A FORECASTED VALUE OF 6 OER PERCENTAGE POINTS.

### VALUE:

THE CLIENT HAS IMPLEMENTED THESE CHANGES OVER 14 MONTHS AND, TO DATE, HAS SEEN IMPROVEMENT OF MORE THAN 7 OER PERCENTAGE POINTS.

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