

ACHIEVING *SUSTAINABLE* BUSINESS TRANSFORMATION

Trying to achieve *Operational Excellence* with old business processes?

- Mergers and acquisitions have helped grow the organization, but the variation in legacy systems and processes makes it hard for the parts to work together smoothly, and adds to the costs of maintaining them all.
- Achieving cost advantages has become more than a corporate initiative. Striving to truly reduce costs and increase efficiency at the same time?
- Investing in new Lines of Business or adjacent markets to help solve customer cost and productivity problems.
- Trying to *catch-up* with costs associated with aggressive new product launches. Market share and experience has been gained but with business processes that could use serious improvement.
- SOX compliance has added more internal control points but has revealed numerous inefficient business processes too.

There are many different reasons why an organization may need to review and change its business processes. **Business process transformation is not just about cutting costs. It's a way to:**

- improve or replace processes that don't work well,
- streamline complicated workflows,
- improve risk management in a changing business environment,
- utilize staff more efficiently,
- create a smooth and responsive supply chain,
- consolidate operations on optimized standards,
- harness the power of incremental change, and
- enhance the organization's ability to make the most of current and future opportunities.

In today's business climate, if you're not moving forward, you're falling behind. Business transformation is a way to increase operating profits and a map to long-term growth.

BUSINESS PROCESSES — AT THE HEART OF *SUSTAINABLE* BUSINESS TRANSFORMATION

Management fads come and go. Superficial change that's based on trendy jargon and bestsellers has the staying power of a yo-yo diet: a very expensive one, that produces few if any lasting benefits.

For *sustainable improvement*, you have to go deeper, and deal with what really makes an organization work—its business processes.

A business processes can be defined broadly as a set of tasks done in a certain way that turns specified inputs into specified outputs for a customer. Depending on how they're defined, processes can be restricted to what is done by a few individuals within a single department, or they can extend beyond the boundaries of the organization to include suppliers, vendors, and external customers.

The start of business transformation is to identify the processes that really matter, and to understand how they actually work—a business process analysis (“BPA”). This can take a variety of forms depending on the business needs driving it. A number of important issues, however, are considered in all business process analysis. These include:

- **Value-added steps:** Does the process maximize the ratio of value-added tasks (i.e. those that are customer-centric) to non-value-added tasks (internal processing steps that do not benefit the customer)?
- **Task sequencing:** Are the right tasks being performed in the right order by the right people? Does the existing order of tasks reflect the internal logic of the process, or does it present obstacles to efficiency?
- **Cycle times:** Is the actual processing time the same as the desired time? Is there unnecessary slack or lag-time built into the process? Is it possible to improve cycle time without sacrificing quality?
- **Matching activities to skillsets:** Do people

have the skills and training to perform the tasks expected of them? Are tasks assigned to the people who have the skillsets to perform them best?

- **Leveraging technology:** Is available technology being used wherever it can improve the efficiency of a process? Are tasks automated as much as possible to minimize manual processing and the associated risk of delays, errors, and inconsistency?
- **Standardization vs. variability:** Are similar processes performed in similar ways across different departments, locations, regions, etc., so as to enable leveraging techniques, tools, and training?

MEETING PROCESS CHALLENGES

BPA typically reveals both strengths and weak spots. On this basis it is possible to determine how to build on what's done well and improve what's not—to design a *desired state* that is achievable, sustainable, and advances the organization's overall business goals.

Moving from the “wish to transform” to actually implementing a significant transformation and reaping the benefits requires that you grapple with practical obstacles that may impede the desired change.

- **Organizational silos are a common constraint.** Most people in an organization are familiar with their own particular piece of it, but have limited understanding of the issues, processes, and people outside their area. The most effective process change champion in one department may be seen as a meddling intruder in another. Politics can be a major barrier to transformation, if people with influence are moved to defend the status quo rather than endorse change that's sponsored or imposed from outside. *Mechanisms that facilitate communication and interaction across silo boundaries can help mitigate this problem.*
- **People tend to focus on their immediate tasks,** not the big picture. Making fundamental changes to business processing is a big job, and requires a substantial commitment of time and effort. But people still have their “day jobs” to perform, with all the ordinary demands and fire drills that

go along with them. Reorganizing how the staff perform a process takes a low priority when they're already feeling pressured—the bigger the change being planned, the more daunting it appears. *If you want someone to focus on implementing change, you are likely to get the best results if you make it their job, not an extra burden on top of their job.*

- **Expertise is specific.** The functional experts in the organization may not be the right people to design sustainable transformation. Do your people really have the expertise to effectively shorten cycle times, identify and eliminate non-value-added activities, minimize process inefficiencies, and reduce defects? If not, you can avoid a lot of costly mistakes by bringing in those who do have the knowledge and experience the job demands.
- **Start with the small stuff.** Before embarking on a large-scale process transformation, try out smaller improvements that can be easily accomplished and return results quickly. An easy success is good for morale and can help build momentum for the bigger changes ahead, and give you a basis for lining up additional support and resources. In addition, you can use small projects to set up and test the change process infrastructure itself, so it's ready to go when you need it later.

INCREASING PRODUCTIVITY THROUGH BUSINESS TRANSFORMATION

Business process transformation is an excellent way to leverage the skills and resources an organization already possesses, and to improve business results through enhanced productivity and efficiency in using those skills and resources.

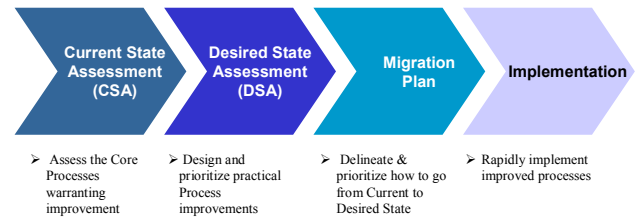
A number of factors can make a difference between disappointment and outstanding results.

- **Eliminate non-value-added process steps whenever possible.** Steps that involve storage, work-arounds, waiting, unnecessary movement, and rework are good candidates for removal. Steps that are performed solely to control or manage the business can also

be made unnecessary by a good process redesign. The most efficient processes are those that focus most of their effort on the activities that actually add value to the final product or service.

- **Develop a migration strategy.** Moving from current state processes to the planned desired state requires careful planning. Even after a good prototype process is designed and tested, the organization may not be ready to risk a full-scale abrupt transition to the new process. Alternatives to full cutover include phased introduction, creating a pilot, or creating an entirely new business unit.
- **Avoid sub-optimizing.** In cases where the initial BPA has identified numerous sub-processes within a single process as candidates for improvement, the danger exists that separate improvement projects targeted at the individual sub-processes may not be the best way to achieve good overall results. In such a case, it may be better to redesign the overall core process rather than address the sub-processes in isolation. This means a bigger transformation project, but significantly better results in the end.
- **Update governance and metrics together with the process.** All the elements of the business need to stay in sync. A transformed process probably requires new policies and new management procedures. New metrics are almost certainly needed to see how well people are performing their new tasks, and to assess how well the transformation is achieving its business goals.

A Proven Approach to Implementing Sustainable Process Improvement



RESULTS YOU SHOULD EXPECT

Business process transformation is a major undertaking, but when carried through to completion it can yield significant benefits for the organization. Results you can expect include:

- Increased productivity and profits.
- Improved understanding by personnel at all levels of how a department functions and of its interrelationships and dependencies with other units in the organization.
- Documentation that identifies how the organization *really* works, and provides a benchmark for improvements.
- Improved ability of upper management to assess the ability of department managers in running their departments.
- Enhanced end-user ability to leverage technology applications
- Better decision-making by management that can further improve the business.

For help call...

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CASE STUDY: PROCESS TRANSFORMATION AT A CALL CENTER

Situation: A call center handling a new membership product in which there is heavy customer interest is unable to keep up with the demand, leading to a growing backlog of information requests unfulfilled and would-be members not enrolled.

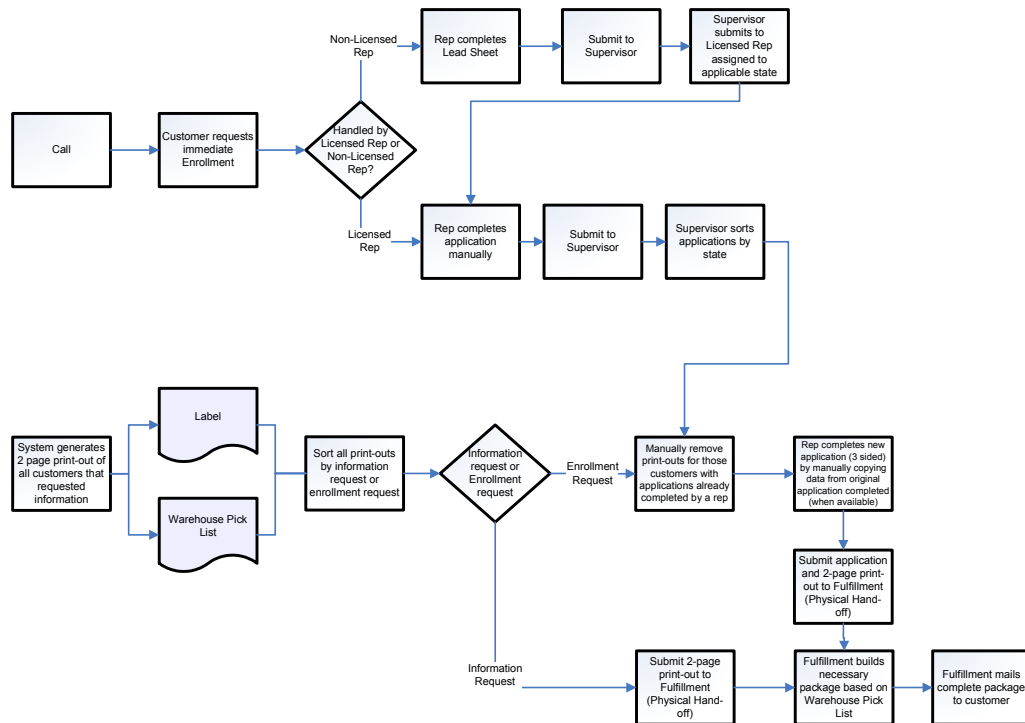
**Current State:
Selected
Findings**

- Call center reps qualify callers for the product and collect name and address information, which is used to send them the appropriate documentation kit (assembled by the fulfillment dept.)
- The system generates for each person requesting information or enrollment a 2-page print-out (label and warehouse pick-list) that has to be manually sorted by state and kind by the call center reps, matched with the enrollment applications, and then physically provided to the fulfillment dept.
- Call center reps take application information over the phone on incorrect forms and copy it later when correct forms are available
- Fulfillment dept must wait to physically receive printouts and applications after call center reps have sorted them before kits can be assembled and mailed.

**Current State
Process Map**

Documentation of current state processes includes process maps, process narratives, and identification of process inputs and outputs. Below is an extract illustrating one of the call center's core processes.

Call Center – Fulfillment of Package Request – Current State



Moving into the Future: Designing the Desired State

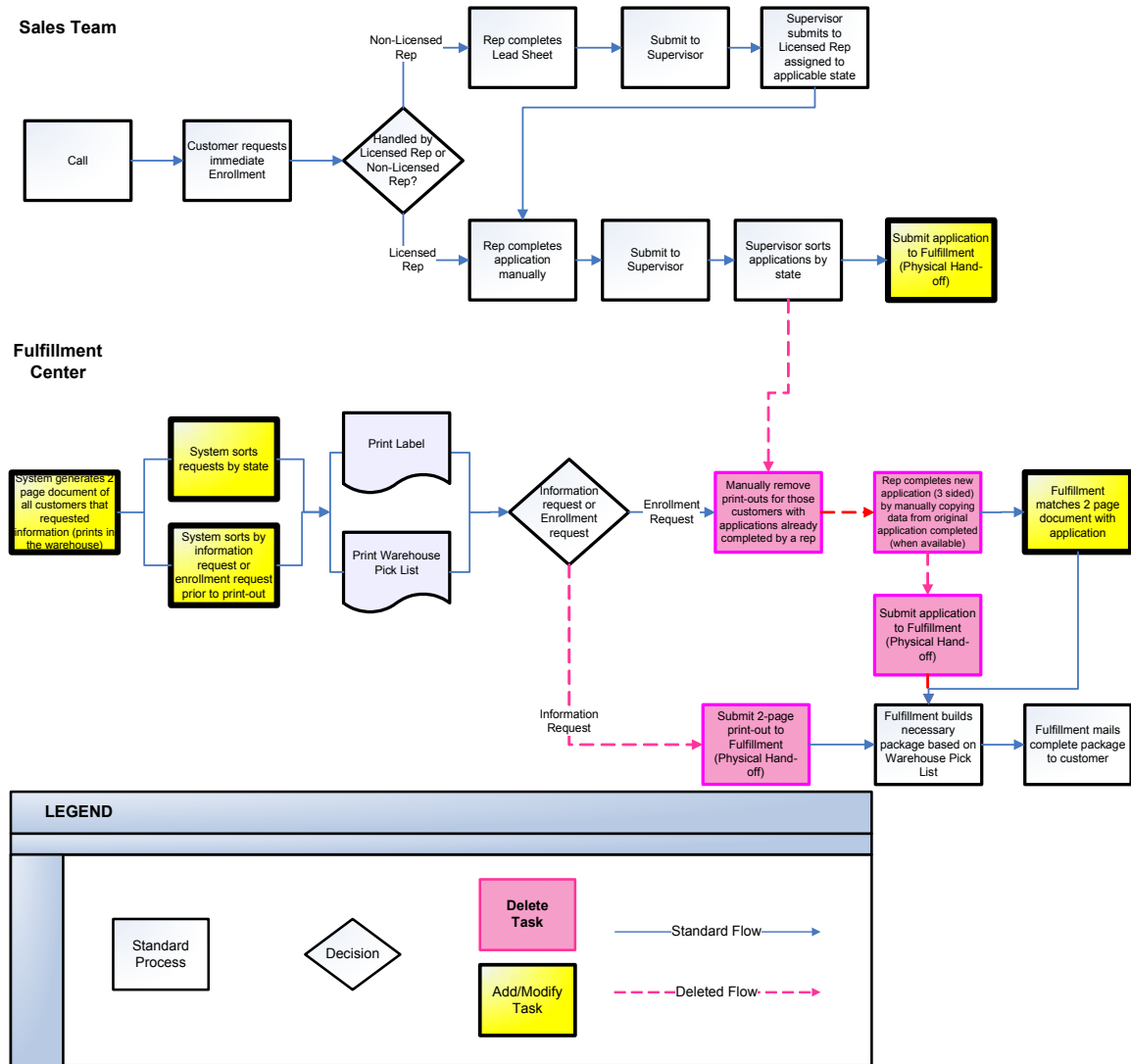
Desired State: Selected Process Improvements

After discussing the shortcomings in the call center’s existing processes uncovered in the CSA, client management chose certain pressing process weaknesses to improve. On this basis PPI designed a series of reconfigured processes to meet client management goals and improve business results.

Improvements for the process illustrated in the CSA example include:

- Ensure that the only application available for reps to complete is the correct one, so it does not have to be re-copied later in the process
 - This eliminates the need to manually remove printouts and to recopy applications information already completed. After supervisor sorts applications by state, give them directly to Fulfillment (so Fulfillment has the burden of manual sorting, not the rep, who is now free to take more calls)
- Instead of system printing 2-pages which then need to be manually sorted, have the system sort them first and print them directly in the warehouse
 - This eliminates both manual sorting and the manual hand-off of the sorted print-outs.
 - Fulfillment will match application with 2-page printout (pre-sorted)

Call Center – Fulfillment of Package Request – Proposed Future State



Migration Approach

The client and PPI then developed an Implementation Plan to go from the Current to Desired State. The Implementation Plan included the following components:

- Specific changes to the business processes selected
- Milestones and due dates for the work to be performed
- Estimated FTEs required and responsibilities
- Evaluation of the best cut-over approach
- New performance metrics identification
- Implementation Risks to be managed
- Specific deliverables expected