

HOW TO SUCCEED AT PROCESS IMPROVEMENT

This tool distills the concepts behind process improvement and provides a useful framework for leaders who want to understand the factors behind successful process improvement. This tool is very useful for managers at all levels.

Overview

Process improvement is appropriate when these factors are in place:

- a) An existing process is failing to meet expectations;
- b) People at the top of the organization are championing the change;
- c) Business analysis shows that the benefits of change will significantly outweigh the costs (even though in the short term, the costs may outweigh the benefits);
- d) There is clear communication about the reasons why change is important.

Success typically occurs when the leaders of an organization clearly communicate a case for change. The case for change should have at least these eight elements:

- 1) It summarizes what is changing in the business environment.
- 2) It states the business problem that is the source of concern – for example, customer needs or tastes have changed, leading to new requirements that our company can't meet.
- 3) Diagnostics makes clear why the organization is unable to meet the new performance requirements.
- 4) It clearly articulates the desired results – the vision of what will be different and better – and why those results are important.
- 5) The costs of inaction are spelled out – the consequences of not changing the process.
- 6) Key factors of success are defined: what must be in place and stay in place in order for the organization to overhaul the process successfully.
- 7) The champions of change are identified.
- 8) Either an internal or external consultant is assigned to manage the **process** of change.

Definition

Process improvement is the fundamental re-thinking and redesign of business processes to achieve improvements in key measures of performance, such as cost, quality, service and speed.

In some instances, process improvement can result in radical redesign. For example:

- IBM Credit: Dozens of people used to be involved in a very fragmented process of authorizing a new credit account. Today, one person now handles the entire application for credit.
- Ford: A half dozen departments, ranging from the loading dock to accounts payable, used to be involved in the process of authorizing payment for deliveries. Today, loading dock personnel can authorize payments themselves, at a significant savings in time and money.

Four themes underscore successful process improvement:

- 1) It is process focused: not restrained by definitions of tasks or organizational boundaries.
- 2) It is ambitious: minor improvements are not enough; it aims for breakthroughs.
- 3) It breaks the rules: assumptions of job specialization, task sequence and timing are deliberately ignored.
- 4) It is creative: especially in the elimination of choke points and the use of information technology.

Process improvement often requires rejecting certain organizational assumptions, like the division of labor, economies of scale, and hierarchical control. It recognizes that dividing complex jobs into simple tasks requires complex processes to weave them together, creating inefficiencies, inconveniences and costs. Instead of dividing complex jobs into simple tasks, it assumes that people can handle complex tasks on their own when supported by sufficient information.

Improved processes share these characteristics:

- Several jobs are rolled into one.
- Workers make decisions, eliminating the controllers, the checkers.
- Steps in the process are performed in a natural order.
- Processes have multiple versions with triage systems to determine which one best fits the circumstances, resulting in greater flexibility.
- Work is performed where it makes the most sense, e.g., sometimes a customer of a process performs some or all of the process in order to eliminate hand-offs and cut costs.
- Checks and controls are reduced.
- Reconciliation is minimized.

- Case managers provide a single contact point.
- Hybrid centralized/decentralized operations are prevalent.
- Jobs change from simple tasks to multi-dimensional work.
- People's roles change from controlled to empowered.
- Job preparation changes from training to education.
- Advancement criteria change from performance to ability. A bonus is the appropriate reward for a job well done; a promotion is not. Organizations pay for performance and promote for ability.
- Values change, from protective to productive. For example, Xerox rewards managers based on customer satisfaction.
- Managers change from supervisors to coaches. Managers have to possess strong interpersonal skills and take pride in the accomplishments of others.
- Structures change from hierarchical to flat.
- Executives change from scorekeepers to leaders.

Where do you look for opportunities for process improvement? Look for these symptoms (S) and the underlying diseases (D):

Examples

S: inventory, buffers and other assets
D: system has too much slack to cope with uncertainty

S: high ratio of checking and control to value adding
D: there is too much fragmentation and distrust

S: rework and iteration
D: there is inadequate feedback and communication along chains of authority

S: complexity, exceptions, and special cases
D: too many different types of projects or processes are handled by a single, overly-simple and inflexible base process.