

TRANSFORMATION NEWS

Issue 3

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How do we help our clients quickly
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1. Our results-driven approach to major business challenges
2. Our client-led approach, which allows self-direction and ownership of change initiatives
3. Our team of consultants, who are the most senior seasoned and experience professionals
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▶ STRATEGIES THAT WORK

Still Awaiting Results From Your Process Improvement Effort?

Advice From The Trenches

By Lesley Steer, Principal Consultant, Bywater

Over the last two decades, much has been written and learned about business processes. The business and consulting community has variously reengineered, re-designed, innovated, and measured business processes, and in some cases eliminated them all in the name of improvement.

The approach that we can improve organizations by managing processes has remained longer than many other business improvement approaches. Recently, it has been taken up by the Management Systems Standards movement and has become incorporated into the ISO 9000 series, ISO 14000 series and other standards.

Yet there is evidence that organizations are ambivalent, not so much about the idea of process management, but more about the challenge of making it work. And there in lies the dilemma of process management:

- ◆ Can it succeed? Absolutely!
- ◆ Does it take time and commitment? Absolutely!

So what are the keys to success? Experience suggests that there are several critical factors that will be addressed by a successful process management approach. If any one of them is missing or poorly executed, it is likely that the approach will stumble and the desired results will not be achieved.

SUCCESS FACTORS

Make Process Ownership an Executive Responsibility

As with any program of change, senior management sponsorship and commitment is crucial. This is so obvious and so often quoted as a

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In the long run, process management cannot succeed without executive ownership and involvement.

requirement that it seems unnecessary to even mention it. However, in the context of process management we are talking about a very specific sponsorship role that can be readily defined. Take counsel from those organizations that have sought, for reasons of expediency or otherwise, to water down executive ownership of processes. In the long run, process management cannot succeed without process ownership at the executive level.

Define a Process Framework for the Business

It has proved essential to have a high-level definition of the overall set of processes in the business. The emphasis here is on a "high-level" definition that distinguishes between two categories of processes:

- ♦ Core Processes -those that generate revenue and satisfy customers
- ♦ Support Processes -those that exist to support the Core Processes

This high-level process framework drives all subsequent process definition work and becomes the point of reference for discussion about process scope, purpose, sequence and much more. There are important ground rules associated with the process framework, such as:

- ♦ The executive team must own it overall
- ♦ Each process must have an owner at executive team level
- ♦ The framework should be comprehensive enough to encompass all the activities of the business - a good test is that each employee can find their job somewhere in one or more processes.

Make Processes Visible

"You cannot improve what you cannot see" probably encapsulates this success factor.

Process definition work can be time consuming and sometimes arduous, and is often met with resistance. Paying attention to some critical aspects can increase the likelihood of a good outcome:

- ♦ Start by defining what happens now, not what people wish was happening
- ♦ Involve the people who actually conduct the processes
- ♦ Recognize that a process, by its nature, crosses functional boundaries - so expect to establish cross-functional teams
- ♦ Recognize that teams will always require:
 - ♦ A clear mandate and time targets
 - ♦ A statement of results expectations
 - ♦ Training on process analysis tools and techniques
 - ♦ Coaching for team leader and the team itself
 - ♦ Process Owner oversight and involvement

The essence of effective process definition work is speed coupled with quality of output. Death by flowchart is a common potential pitfall that can be avoided by a combination of senior management interest and technical oversight.

Use the Vocabulary Of Value

There is an inherent tension between the desire for thorough process analysis work and results delivery. For most executive groups, results

translate into dollars saved - yet the sheer complexity of analysis, definition and solution development can easily sidetrack process teams.

Few organizations can sustain long-drawn-out process improvement initiatives without the reward of something achieved other than a series of flowcharts and diagrams.

So how do organizations manage to ensure that real measurable results are being delivered? Here are some of the ways in which teams have created real value in a relatively short time period.

Organizations have found that they can be more successful at maintaining a results-driven focus for the process improvement effort if they practice the "vocabulary of results".

What this means in practice is that wherever feasible, analysis work - reporting formats, presentations, solution evaluation and so on - all contain an element that translates into benefits, either expressed as dollars or some other qualified value.

This can be employed in two ways:

1. To challenge activities that are wasteful - that do not add value, and to quantify or qualify the impact on the business in terms of results. *This extra inspection step results in loss of value to the business of \$10,000 per month.*
2. To quantify the impact of suggested improvements. *This change will result in a savings of \$5,000 per month.*

When discussing or asking for information about process improvement work, deliberate efforts are made to reinforce the use of results vocabulary. In time, an expectation of results is created for all improvement effort.

Create a "Business Case" Orientation

Teams are trained in how to evaluate potential improvements using a "value analysis" approach. This approach frames ideas as a business case, in which both required investment and pay-off are considered. Priority is given to those ideas with the biggest potential.

(See Issue 2 of Transformation News for an article about Process Mining).

This approach reduces impact of the "they will never go for it" belief that teams often associate with innovative, but costly-to-implement, ideas. This means that any idea, however wide reaching or out-of-box, has as good a chance as any other of being accepted providing there is a good enough business case for it's adoption.

The essence of effective process definition work is speed coupled with quality of output.

This one simple solution revolutionized the thinking for teams at one food producer. Previously teams had sidelined potentially excellent solutions in the belief that funding and support would never be forthcoming. When shown how to make a business case, they were able to evaluate and promote those ideas that would really make significant pay back.

Create a Way to Handle Complexity

Some organizations report that teams can be overwhelmed by the sheer complexity and perceived barriers to making certain changes. This tends to occur when solutions involve the cooperation of several different departments, or external resources.

One organization solved this dilemma by providing the teams with a clear way to handle different types of solutions. Potential solutions were assigned to categories making it easier for teams to be able to see their way to managing within their comfort zone, while having a route to get help with more complex or contentious ideas. This avoids the potential for teams to discard ideas that they perceive as too difficult or too politically troublesome.

Most organizations that have attempted to improve processes report that at some point in the initiative questions have been asked about what value is being added. There are examples where process improvement initiatives have foundered and failed because the all-important aspect of being able to demonstrate results has been neglected.

So experience suggests that results will be delivered if the expectation of them is created at the outset, and reinforced every step of the way. The tools and techniques for evaluating and delivering value exist and have been proven - it is just a question of using them. □

How One Organization Encouraged The Vocabulary Of Value

Case Study - Developing Business Savvy Process Teams



The Scenario

This consumer goods producer had established and trained several cross-functional process improvement teams as part of an initiative to examine all Core Processes in the business.

Each team was allocated a process to improve. Each team mandate was similar: define the process, identify non-value added steps and activities, develop solutions that will improve customer satisfaction and reduce costs in the process. Solutions would be either implemented by the teams or handed over to line management for implementation depending on the level of complexity.

Using Value Analysis Worksheets to Evaluate Ideas

The teams used simple evaluation tools in the form of worksheets to assist them in estimating the potential value of their solutions.

The teams were encouraged when first identifying a solution to record each idea and then to do an initial rough-and-ready qualitative evaluation of its potential value. The "Process Improvement Solution Worksheet" (see example at diagram 1) was used for this purpose.

In conducting their own initial appraisal based on qualitative information, teams were able to determine the relative worthiness of their ideas, and also to qualify them so that they could be allocated a measure of prioritization based on value.

As the work of the teams progressed, potential solutions were evaluated again, and those that survived the initial appraisal, were then subjected to a more rigorous value analysis. The "Solution Value Analysis Worksheet" (see example at diagram 2) was introduced for this purpose.

Assuming that an organization has some basic cost allocation methods in place, neither of these evaluation methods is particularly time consuming or onerous for teams to conduct. Yet the evaluations have often been able to provide teams with a new way to view the outcome of their work and add a business savvy dimension that will get attention from the senior management team. This is one more way to assure that your process improvement effort delivers the desired results. □

Diagram 1 - Process Improvement Solution Worksheet Example

Solution Type (A, B, C or D item)	Improvement Idea/Solution (Brief description)	Anticipated Benefits Qualitative estimates of benefits <i>Indicate level of potential savings (Low/Moderate/High)</i>	Anticipated Implementation Resources Required (Qualitative estimates related to required investment/ cost to implement the solution.) <i>Indicate level of Potential Investment (Low/Moderate/High)</i>	Assessment of Implementation Ease or Difficulty	Status of Solution (Pending, Started/Due, Complete, Handed-off)
A	1. Reduce the amount of unnecessary heating of batches	- Increases Production speed - Utilities use is reduced <i>Potential saving is Moderate.</i>	- Resources required to provide training to operators <i>Potential investment is Low</i>	- Easy	- Started
D	3. Reduce need for Quality Control resources in production testing by introducing in line testing or in-process testing by operators	- Production speed increases - Lost capacity is regained - Number of batch changes is reduced. <i>Potential saving is High</i>	- Capital spend for inline test equipment. - Retraining for operators <i>Potential investment is Moderate</i>	- Difficult	- Pending
B	4. Improve method to measure tank fill levels	- Improves yield data - Reduces adjustment and potential rework - Reduces risk to product safety <i>Potential saving is Low</i>	- Capital to equip and program software for automatic volume measurement <i>Potential investment is High</i>	- Moderate	- Pending
A	5. Reduce time spent finding and retrieving ingredients.	- Reduces down time of line due to unavailability of blend operator to send product - Increase throughput <i>Potential saving is Moderate</i>	- Investment required to equip storage space/staging area <i>Potential investment is Low</i>	- Easy	- Started
D	6. Reduce incidents of problems with processing dry ingredients by changing to liquid ingredients.	- Improves yield - Improves first pass quality - Reduces equipment down time, - Increases throughput <i>Potential saving is High</i>	- Investment to provide lines with new ingredient handling equipment - Retraining for operators - Resources to source bulk ingredients <i>Potential investment is Moderate</i>	- Difficult	- Handoff

A solution - Immediate implementation: Can be implemented in 1 to 4 months.

B solution - Short/medium term implementation: Can be implemented in 5 to 7 months

C solution - Long term implementation: Implementation takes 7 months or longer

D solution - Items to be handed off to the steering group or another process team

Diagram 2 - Solution Value Analysis Worksheet Example

	Process Change	Activities Reduced/ Eliminated (Description)	NVA Resource Type	Resource Consumed	Resources (Qty /Occur.)	U of M	Frequency (No./ Annum)	Resource Unit Cost (\$/U of M)	Assumptions/Notes	Annual Saving (\$/Annum)	Investment Required	First Years Benefit
5	Create staging area for ingredients in production area and implement a staging of ingredients	Reduce the excess time spent finding and retrieving ingredients in the warehouse	PR	Operator time to retrieve ingredients	15	mins	1200.00	4	Assumes approx. 50% of production batches involve excess time spent retrieving ingredients from the warehouse.	72,000	20,000	52,000
6	Change from use of dry ingredients to liquid form at point of use in production	Reduce problems with blending that lead to downtime, rework and waste	RM	Raw materials (Dry ingredients)	25	lbs	480.00	9	Assumes approx. 20% of production batches involve use of dry ingredients that cause blending problems	108,000	100,000	8,000
			PR	Operator time to fix blending problems	20	mins	480.00	4	Assumes one operator is able to fix each problem without need for assistance from supervisor or technician	38,400	0	38,400
			CA	Equipment downtime while problem is fixed (lost capacity)	20	mins	480.00	10		96,000	0	96,000
										\$314,400	\$120,000	\$194,400

NVA Resource Type: RM-Material/Supplies, PR-Personnel (direct and indirect), PS-Plant Space, WH-Warehouse Space, EQ-Equipment, IT-Information Technology CA-Capital, OS-Outside Service
U of M: Unit of Measure

The Information You Need at a Click

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Each briefing and summary looks at a specific challenge, defines the problems encountered when trying to meet the challenge and provides discussion and practical applications to succeed.

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FEATURED BRIEFING

The Executive Role In Sponsoring Change

Making It Happen

If organizations are going to succeed in the challenging business environment of today, they must build the capability to continually manage change. If they do this, they must have change leaders who are knowledgeable and capable of driving those change initiatives to successful completion. They are the executive sponsors of change. For change to be sponsored, the company must have a formal change process, like any other core business process, which defines the path for all improvement initiatives.

A recent US survey found that large companies are currently running an average of four major transformation "change" projects. The need for leadership during such radical change is widely recognized, yet what does

'sponsorship' of change initiatives really mean?

In this Briefing we reflect on the high failure rate of change projects, and propose a framework for the creation and sponsorship of such initiatives.

Be informed. Be Briefed.

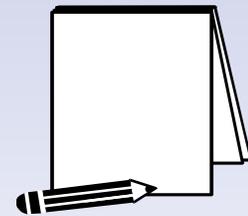
Call us at (203) 973-0344 to receive a complimentary copy of "**The Executive Role In Sponsoring Change - Making It Happen**", or visit our website at www.bywater-consulting.com to download a copy today.

► ON THE HORIZON

Bywater Conducts Business Improvement Survey

In today's hyper-competitive marketplace, all businesses feel pressure to improve. This survey set out to discover from the food and beverage industry:

- ◆ What extent formal improvement effort continues to be important?
- ◆ What type of improvement initiatives are being focused on?
- ◆ What level of results are being delivered?
- ◆ What factors are important for success?



Since food safety is a primary improvement goal in the food industry, the survey additionally looked to discover what approaches were being used to secure it, and whether approaches such as HACCP are useful in contributing to improvement.

If you would like to find out more about the survey or obtain a copy of the results, please email info@bywater-consulting.com or call (203) 973-0344.