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Why process improvement is NOT a dirty word!

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## Why Process Improvement is NOT a dirty word!

*“If you cannot **measure** it, you cannot **control** it. If you cannot control it, you cannot **manage** it. If you cannot manage it, you cannot **improve** it.” H.J. Harrington*

### **Introduction**

Rarely does a genuine opportunity come along that transforms the way you conduct business—making it more efficient, effective, productive and profitable—but such a time and opportunity is here and now.

Seizing opportunity is something we all want to do but few of us ever actually get around to doing it.

- Measure
- Control
- Manage
- Improve

We know it is important, but it never seems important enough. And, if it seems important enough, there never seems to be enough time. And, if there is enough time, there are always other, seemingly more important things to do; fires to put out, etc. Sound familiar?

The time is now because things (check one)

- may
- can
- will

get worse before they get better. Therefore, you need to act now so that you can come out the other side of this economic challenge with positive momentum.

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So what is this opportunity? Simply put: **Investing in Process Improvement. (and we do mean Investing).** Now, I know that you're thinking, "Oh, that same old story." Well before you jump to any conclusions or stop reading this, entertain these possibilities:

*"What if Process Improvement is not so difficult after all?" "What if there's really something to this?" "What if Process Improvement can be that useful?"* Why not take a few minutes to find out?

Part of the reason Process Improvement is concept is poorly understood. Some people think it's a synonym for making people work because change can create fear. However, designed, people are more satisfied with more profitable.

...making it more efficient, effective, productive and profitable.

not more widely practiced is that the equate it with downsizing. Others harder. Many people think this way when work processes are well their jobs and the business is often

This is what we mean by Process Improvement—a set of easy-to-follow, proven tools that *do* improve your business. They allow you to *Measure, Control, Manage* and *Improve* business processes so that your business becomes more productive *and* these improvements are sustainable. Sustainability is what you need to thrive!

Process Improvement involves following a sequence of logical steps that includes recognizing the *seven deadly wastes* common in almost everything we do every day (see Definitions at the end for a list of these pitfalls). Once identified, we can first reduce, and then eliminate these wastes. As you change the way work is accomplished in your business, we show you how to carefully help people plan and adapt to these changes.

Our tools both simplify and enhance what can be achieved in significant and measurable ways. Our tools are actionable and hold people accountable. Build It Backwards<sup>(SM)</sup> has developed and refined these tools through decades of practical application so that *real* Process Improvement leads to lower costs, higher profits, and more time to grow your business.

## **Problems / Causes**

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You have a choice to make. Do you want to operate in the **Stone Age** or the **Space Age**?



Or



Question: **Do you want to operate in the Stone Age or the Space Age?**

In the **Stone Age** you came to work, put out fires and hoped for the best.

In the **Space Age** you have the knowledge, skills and capabilities to understand and fix your daily problems. Upon real scrutiny, your varied challenges boil down to essentially four problem areas:

Problem #1 is that you do not measure your processes.

Problem #2 is that you do not control your processes.

Problem #3 is that you do not manage your processes.

Problem #4 is that you do not improve your processes.

If you implement process changes without consideration of the whole, they function in a vacuum. A firm is made up of dozens, even thousands, of processes. Unless you take a strategic view of your processes as an integrated whole, you may attack a singular consequence of a process, but you will not resolve the REAL problem.

**Examples of REAL problems:**

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1. An electronic component manufacturer was suffering from poor on-time delivery of parts and lousy customer service causing sales to drop.
2. A steel-forging firm was maintaining \$50m in inventory, turning it over once per year. Their Work-In-Process was sucking up all their cash and killing them on financing costs.
3. A CPA firm could not afford to increase staff fast enough to meet the seasonal demand for tax return processing, costing them clients and increasing their errors while eroding profit margins.
4. A call center had horrible response time and couldn't handle the volume they needed to stay in business.

...what you do every day, you do wrong!

Any of these sound familiar? We all spend so much time doing our work and putting out fires that we can't ever seem to get ahead and stay there. A key reason for this is that what you do every day, you do wrong! How could that be?

We all work really hard at working really hard, rather than really smart. What is smart working? Producing the greatest output with the least input. Put another way, being highly efficient while being highly effective. What is the difference? *Efficiency is doing things right while effectiveness is doing the right thing.*

Like the frog in the slowly heating pot of water, the transition happens so slowly that he doesn't see it coming and doesn't do anything about it. Unexamined habits lead to conditions that need improving—BADLY. Businesses need to periodically see what is really going on. But how to see what is really going on? Try a Process Assessment. Seems this is a technical term that the next sentence should explain or we should tie this text into the following “the solution” section. “

### **The Solution**

Process Improvement. So what are we talking about? Well, let's start by defining the elements of a business process and providing some examples of goals:

### **A business process:**

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1. Has a goal or result (e.g., customer request answered)
2. Has specific inputs (e.g., call or e mail)
3. Has specific outputs (e.g., information provided)
4. Uses resources (e.g., time, information, labor)
5. Has activities performed in sequence (e.g., read, investigate, respond)
6. May affect several parts of the organization (e.g., up-dates to supply chain partners)
7. Creates value for either internal or external customers (e.g., customer need satisfied)

#### Examples of goals:

1. Cost reduction through waste elimination
2. On-time delivery
3. Consistent and excellent quality
4. Shorter lead times
5. A corporate culture that embraces continuous improvement in processes and encourages all employees to work toward:
  - Common and quantifiable organizational goals
  - Increased levels of customer satisfaction
  - Continuous improvement of individual and team skills

So *how* is Process Improvement actually accomplished, you ask?



1. First the firm must set specific quantifiable goals for its business (e.g., yearly growth).
2. These goals are then broken down into short, medium and long-term goals with defined metrics. (e.g., growth by product line with margin improvements defined).
3. Short-term goals are then further refined into individual action plans (e.g., specific cost savings and growth plans are defined).
4. From these action plans, we identify the most critical processes to manage (e.g., production, quality, customer service, procurement).
5. Specific goals are defined to measure the managed processes progress (e.g., quality improvement targets, cost savings in procurement).
6. Process Champions (PCs) are selected (see Definitions at the end).
7. Process Owners (POs) are identified (see Definitions at the end).
8. PCs and POs are trained in Process Improvement techniques.
9. POs work to identify and implement the specific changes involved in making sustainable improvements required to meet the established targets.
10. Periodic audits of the processes are performed to assure progress is being made and sustained.
11. Savings are reinvested in the firm.
12. The bottom line increases.

As one client put it, *"If I had known how much improvement I could get with such a modest effort, I would have made these changes years ago."*

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As businesses of all sizes grow more connected to their customers and supply chain partners, even small improvements to their business processes take on major significance. Conversely, process redundancies, wasted efforts and mistakes can quickly erode precious margins and squander limited resources.

## **Conclusion**

Our commitment to making these tools and methods available to businesses is anchored in our firm belief in the importance of strengthening all sectors of our economy. We know that our tools and methods provide benefit and value to the businesses that implement them as we've seen many times in both large and small enterprises.

Build It Backwards<sup>(SM)</sup> makes these tools available to you just in time to help your company adapt to the changing realities of the global economy. Yes, believe it or not, we are all a part of the global economy, and as key players in it, we have to be ready to move quicker than we did in the past. Our tools provide easy, economical ways to identify problem areas before they get out of control and cost you dearly. They help businesses and individuals communicate effectively and efficiently with suppliers, customers, partners and collaborators.

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## Examples of improvements:

1. We helped the electronic component manufacturer increase on-time delivery of parts by 15% and improve customer retention by 35% within six months, which delivered an additional \$2.5m in revenue the first year.
2. We helped the steel-forging firm with the \$50m in inventory increase revenues to \$150m/yr while increasing inventory turns to five times/year, reducing inventory by \$20M+ and saving them \$3m in annual financing costs.
3. We helped the CPA firm that could not afford to increase staff fast enough at tax time to streamline their process, allowing them to increase capacity by 40% with the same staff, resulting in a revenue increase of \$850k.
4. We helped the call center improve response time by 25% in 3 months resulting in additional telephone sales of \$1m in the first year.

The case for moving to Process Improvement is undeniable. The challenge for businesses today lies in rethinking our processes and strategies to maximize these improvements so that businesses survive and thrive.

## Next Steps / Call to Action

Build It Backwards<sup>(SM)</sup> has over 60 years of hands-on experience working with companies to facilitate their continuous improvement using the tools and methods discussed above. If you would like to speak with us to schedule a no-obligation assessment or have any questions, please call **Daniel Feiman @310.540.6717** or **Tom Drucker @310.306.2066**.

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## Definitions

**Customer** – An internal person or department or an outside company that receives benefit from the output of a process or who uses the output of a process.

**Managed Process** – A process selected by senior management for improvement. This is typically performed during strategic planning. All Managed Processes have a Process Champion, Process Owner, Master Trainer, and Subject Matter Expert assigned to assist in the improvement of the process.

**Master Trainer** - A person trained and certified to train others. The master trainer documents work instructions, trains those who will work in a managed process, and certifies that they can perform the work.

**Process** – A series of steps to produce an intended output. A process may be a direct part of the Value Stream for a product/service or an indirect business process necessary to run the business.

**Process Assessment** – A tool used to determine the status of a firm's processes. It is further used to plan process improvement initiatives, priorities and gain PO buy in.

**Process Champion (PC)** – A senior manager who manages a group of managed or business processes and/or value streams with common or related purposes. The Process Champion supports Process Owners in prioritizing improvement initiatives, removing obstacles and charters developing improvement teams.

**Process Owner (PO)** – A designated person responsible for continuously improving their selected process. The target is to increase the efficiency and effectiveness of the process over time. The PO is the focal point for process improvement issues related to their chosen process and works closely with the Process Champion and their team.

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**Seven Deadly Wastes** – Overproducing, Waiting, Transport, Extra processing, Motion, Inventory, and Defects.

**Standard Work** – The organization and specification of uniform work steps to be performed in a process in sequence. The steps are documented in the form of Work Instructions. Standard Work and Work Instructions should be used anywhere there is a definable and repeatable process.

**Subject Matter Expert (SME)** – A person who has significant experience and/or expertise that is valuable in improving the process. The SME serves as a resource to the Master Trainer.

**Supplier** – An internal person or department or an outside company that supplies anything needed to properly carry out work processes.

**Value Stream** – All the processes required to produce a product, product family or service of value to a customer. The customers of a value stream can be internal or external.

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