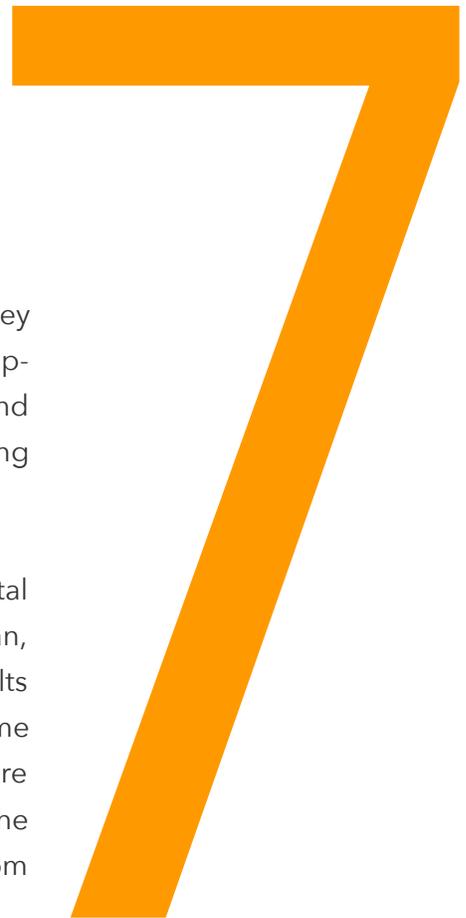


OVERCOMING THE SEVEN DEADLY SINS OF PROCESS IMPROVEMENT



Companies of all sizes and industries have become aware that they need to improve business processes such as product development, order fulfillment, planning, distribution, billing, hiring, and customer service. Many are doing—or at least talking about doing —“Process Improvement,” or “Process Redesign.”

As with other performance improvement efforts (for example, Total Quality Management, Lean, self-directed teams, Six Sigma, Lean, Just-In-Time inventory), most organizations can point to the results of their efforts: cost savings, quality improvements, and cycle time reductions. However, there has been more sizzle than steak, more activity than results. In our experience, most failures to realize the potential return on process improvement investments arise from committing one or more of what we call the seven deadly sins.

Process Improvement is not tied to the strategic issues the business faces.

One company in the food business is proud of its seventy cross-functional Process Improvement Teams. When asked about results, executives mumble vague homilies about “culture change” and “empowerment.” Noble pursuits, no doubt, but what’s the increase in shareholder value?

Almost every one of an engineering conglomerate’s dozens of business units has documented its processes. When asked how they’ve used these “maps,” they admit that they haven’t.

Too many Process Improvement Teams either are not centered around critical issues or are convened to address self-selected “backyard” (often intra-functional) issues that are not high on an organization’s overall priority list. We learned during the “quality circle” era that the location of the microwave oven and the color of the walls have little impact on business results.

Process Improvement Projects should be driven by an issue critical to the organization, such as profitability, market share, regulatory compliance, safety, or customer satisfaction. They also should be tied to measurable goals (such as moving from 35 percent to 38 percent share, reducing warranty claims to less than 3 percent of sales, cutting \$40 million from the cost of purchased goods, and decreasing product development/introduction time to six months). As these examples illustrate, most Critical Business Issues require us to address cross-functional processes.

In our experience, Process Improvement efforts that are not driven by a measurable strategic issue lose the support of top management and of the worker-level teams. “Become a world-class competitor,” “improve efficiency,” and “change our culture” are commendable visions that provide no focus for improvement. The number of teams and the number of flowcharts should not be the measures of success.

Our greatest return on investments in Process Improvement comes from its use as a tool for implementing strategy. The CEO must ensure that there’s a focused, intelligent strategy to be implemented. Likewise, he or she must ensure that the Process Improvement plan matches the core processes to the Critical Success Factors and to the issues standing between the organization and achievement of its strategic vision. Like any good plan, it should contain action items, names, and dates.

If you’re not prepared to tie your Process Improvement effort to your strategy and the critical issues facing your business, don’t expect significant results.

The Process Improvement effort does not involve the right people, especially top management, in the right way.

We believe that Process Improvement should not be done by outsiders. CEOs are frequently tempted to hire experts to “do it for us.” These consultants present recommendations for improvement. The primary deficiency in this approach is not in the thoroughness of the consultants’ analysis or the wisdom of their recommendations. Rather, because the changes come from the outside, they do not garner sufficient commitment from those who have to implement them.

We know of a manufacturing company that recently dismissed a reengineering consulting firm on which it had spent \$70 million. While there were pockets of impressive, quick-hit cost reductions, the firm generated so much ill-will among the work force that the company no longer predicts long-term performance improvement.

Process Improvement should be done by the people involved in the process, including customers and suppliers. A value-added role can be played by external consultants or internal consultants from departments such as quality, human resources, and project management offices. But that role does not entail doing the analysis and redesign. It means providing tools and guidance to the people who work in the process and who will have to live with the changes.

The most frequent cause of shortcomings in a Process Improvement effort is top management’s failure to play an active role. “Top management” includes a “sponsor” or “owner” who can make things happen and a Steering Team composed of the department or region chiefs touched by the process. Their role is to provide a strategy that guides the overall Process Improvement effort, to set the direction for each project, to guide the team at key junctures, to remove obstacles, to approve reasonable recommendations, and to manage the implementation of the changes.

We can talk about “empowerment” all we like. However, in most organizations, no meaningful change will occur without the active participation of functional, regional, and line management. If you’re not prepared to play an active role, don’t invest in process redesign. (If we clearly define roles and fulfill those roles during planning and execution, we are unlikely to be tripped up by this sin.)

Process Improvement Teams are not given a clear, appropriate charter and are not held accountable for fulfilling that charter.

Let's say you have a Process Improvement Team staffed with highly motivated people at the right levels from the right departments and geographical areas. That's a good start. However, if they do not have a clear sense of their assignment's direction and boundaries, they will flounder, lose their energy, and fail to meet expectations.

A key part of top management's role is to ensure that each Design Team member understands the answers to the following questions:

- What is the driving issue and why has it been selected? (Why are we here?)
- What are the specific project/process goals? (What constitutes success?)
- What is our role and that of others involved in the effort? (Why has each of us been selected? Are we analysts? Recommenders? Implementors?)
- What are the deliverables? (New work flows? Benchmarking information? Action plans? Cost-benefit analysis?)
- What are the boundaries of the process we are to improve? (Where does it begin and end?)
- What, if any, are the constraints? (What is "off-limits"?)
- What is the deadline? What is the schedule? How much time are we expected to spend on this effort?
- What happens to our "regular jobs" while we're involved in this project?
- How will we be rewarded for our contribution? (What's in it for us?)

If you have sponsored a team that is listless, is achieving only modest results, or has spent more than six months and hasn't yet delivered a set of recommended Process Improvements, it may be because it doesn't have a charter that appropriately answers these questions. And that's your fault. Having established the charter, top management must maintain the pressure for results. We emphasize rational problem-solving and "managing by fact." In general, the approach has served us well. However, excessive analysis can paralyze a Process Improvement effort, because there's always an additional piece of information that can be gathered or an additional level of root cause that can be unearthed. At some point, the sponsors of an improvement effort have to make it clear that it's time to move on.

If you're not prepared to provide clear direction to Process Improvement Teams and to "hold their feet to the fire," don't be disappointed in their results. (If the Steering Team does a thorough job during early phases of the project, this sin will not be committed.)

The top management team thinks that if it's not "nuking" the existing organization ("reengineering"), it's not making significant improvements.

Twenty-five years ago, the concept of process reengineering swept America. Reengineering proponents suggest a fundamental, clean-sheet look at how we do work. So far, so good. However, reengineering often has been equated with reorganizing, downsizing, or installing new computer systems.

Our experience suggests that:

- In itself, reorganization rarely improves performance. Restructuring who reports to whom should follow restructuring how we work. However, improved work processes don't necessarily require structural changes. Indeed, the more you focus on the process, the less important organization structure becomes. We can't estimate the financial and psychological cost of America's obsession with the annual reorganization, but we are confident that the number would be sobering.
- The downsizing mania sweeping business is close to the flash point. Clearly, globally competitive markets demand that we eliminate the waste that in the past we could hide. However, too many companies used reengineering the same way they used quality—as a back-office waste-reduction tool rather than as a weapon to gain competitive advantage. Downsizing should not be a badge of honor. The most successful Process Improvement efforts enable companies to maintain or grow staff to keep pace with the increased demand they have created.
- Technology often forms part of the solution, but it is rarely the solution.

Redesign processes first; then talk about technology.

In addition, we don't think that radical change is necessarily healthier than incremental change. Some processes require radical redesign or even re-creation; others do not. The critical business issues ought to determine how revolutionary the change should be. An analysis of current processes can offer significant insights into the design of future processes.

Dow-Europe's top managers sat through a pitch by some process reengineering advocates. Their response was, "Who are these people to tell us how messed-up we are and that we ought to throw out everything we've built over the years? We know we have to make significant improvements in quality and cost. However, we're a successful company, and even though we have a long way to go, we think we're doing a lot right. Rather than tearing it down, we'd like to build on it."

Don't measure the success of Process Improvement efforts in terms of how many boxes were changed on the organization chart, how many heads were cut, how much was spent on automation, or how different things are. Measure success in terms of the degree to which you use Process Improvement as a tool to resolve issues and achieve strategy.

If you're not prepared for some in-the-trenches changes, don't be discouraged with the small number of "wins" and the time between them.

Process designers don't sufficiently consider how the changes will affect the people who have to work in the new process.

Too often, process re designers follow the "field of dreams" approach—"build an intelligent process . . . and they will come." Our experience indicates that that rarely happens. People don't automatically fall in line with even a brilliantly designed process.

A new process needs to be "sanity-checked" against the abilities of the people who will be affected. An industrial gasses company designed a new financial reporting process that was a work of truth and beauty. The non-value-added steps were eliminated. Work that had been done in series would be done in parallel. Automation would speed the flow. However, the designers uncovered one problem: there were no people in this company or elsewhere who could carry out the steps. The company had to adjust its process to accommodate the real world of human capabilities.

Once the process has been determined to be doable, people in the new process, and those who manage them, need to understand:

- How their jobs are going to change. Will they be expected to use a new program? To complete a different form? To be a member of a team? To make decisions?
- How their measures/goals are going to change. Will they now be measured on customer satisfaction? On how well they function on a team? On performance against budget?

The designers and implementers of the new process must identify how factors in the Human Performance System—resources, tools, training, feedback, and rewards—need to change to support the new process. If a new behavior is expected, it must be supported.

For example, to perform effectively in a redesigned distribution process, distribution managers need daily information on orders, inventories, and letters of credit status; training in new procedures; access to computer expertise; and rewards for how well they interacted with the sales, manufacturing, and finance departments, not just on how well they performed tasks in their "silos."

If you're not prepared to make changes in jobs and job environments, don't waste people's time improving work flows. We can avoid this sin by thoroughly addressing the components of the Human Performance System.

The organization focuses more on redesign than on implementation.

Process redesign is all academic until implementation. The investment in creating the changes pales in comparison with the calendar time, the management time, and the resources required for successful implementation of those changes.

Top management has been defined as a group of people who suffer from attention span deficit disorder. When overseeing the implementation of Process Improvements, this disease needs to be in remission. You and the other members of your top management team must remain focused during the time it takes to install the redesign. For a complex process, implementation often lasts three to six months.

If you visit the executive suite of a telecommunications company we know, you will see a 3-by-6-foot cardboard poster. It's a bank check in the amount of \$1.3 billion made out to the company. In the memo section, it states, "Process improvement restructuring charges." It's signed, "The Shareholders." That check helps to keep those executives focused and committed to the changes.

Implementation requires equipping the organization to absorb the change; appointing an implementation leader, establishing detailed action plans, defining roles and rewards for a group that often has six to ten times more people than were involved in the design process, and managing an effort that can be as large as launching a new product or entering a new market.

The bottom line is, if you're not prepared to scramble some eggs, don't ask people to design an omelet. The implementation (Phase 3) process is designed to ensure that this sin doesn't plague us.

Teams fail to leave behind a measurement system and other parts of the infrastructure necessary for continuous Process Improvement.

If an organization doesn't move from Process Improvement (projects) to Process Management (continuous improvement), it has engaged in some needed problem solving but has not realized the potential return on its investment.

We cannot lay the blame for this sin at the feet of the worker-level Design Teams. If they have not created vehicles for the continuous improvement of the redesigned process, it's probably because the effort's sponsors didn't communicate that expectation.

Process Management must rest on a foundation of measures. These ensure that department goals serve the greater good of cross-functional process effectiveness; that they reflect both customer and financial needs, both at the end of the process and upstream; and that they represent the "critical few" meters of process health that should be on the management instrument panel. If your Design Teams create a new process but do not develop a set of measures to go with it, they haven't done the full job.

Once measures have been established, management must monitor performance against them and use this information as the basis for decision making, problem identification, feedback, and rewards. Installing a process-based measurement system isn't easy. However, there's no more potent tool for continuous improvement. And an effective set of process measures provides the link between your overall organization measures (such as return on earnings and market share) and the measures of individuals and teams.

In addition to measures, Process Management usually requires each key process to have a senior-level "owner." Process Management can also be buttressed by forming permanent Process Improvement Teams, conducting formal process reviews, planning/budgeting by process, and, in some cases, organizing by process.

The question is, how are we going to ensure that we don't lose our focus on this process that we've just (re)designed? A local telephone company answered this question in a powerful way. It was proud of the gains it had made in six or seven years of Process Improvement Projects, but was concerned that it wasn't yet "managing by process" on a daily basis. The top management team concluded that the strongest signal it sent was the way it measured and paid people.

That company now pays bonuses to all employees—from top management to unionized front-line workers—based on the performance of the processes in which they work. They've installed a rock-solid basis for continuous Process Improvement.

If you're not prepared to continuously manage processes, don't be surprised if you're asked to continuously fund large-scale ad hoc Process Improvement Projects.

In most companies, the chief executive no longer asks, "What is Process Improvement?" or "Why should I improve my processes?" Today, he or she asks, "How can I increase the return on my Process Improvement investment?" We believe a large part of the answer is, "By avoiding these deadly sins."