

### Does your organisation suffer from too much process ...or too little?

We all get frustrated when things go wrong, especially when a simple task takes ages to achieve. As consumers we can all think of examples, getting a new driving licence, opening a bank account or getting a company to simply answer the telephone without first giving you eighteen options you don't want.

Now consider how your internal customers view the service you provide to them. How does your business or department measure up? Are you really doing everything possible to delight your internal customer? Are your business processes a help or a hindrance? Do you really know what it is they value in what you do for them? What it is they really need from you to be able to satisfy their customers? As a consulting company that is frequently tasked with "improving business processes", Bourton Group finds that processes are often seen as the barrier to achieving customer delight.

At the root of the complaint that "we are ruled by processes" is a lack of distinction between process, procedure and, the archenemy of effective process, bureaucracy or red tape. In many organisations, especially large ones, process, procedure and bureaucracy have become so intertwined that it is almost impossible to distinguish one from the other. None of this would really matter if the service delivered to your customer was improved and the cost of serving your customer was lowered, but in nearly every case exactly the opposite is achieved.

We appreciate that your ability to delight your customer, whether they be internal or external customers, is impacted by many factors. Legal, health and safety requirements are often viewed as barriers to process and procedural efficiency. In our experience, these are not the major barriers to good process; a tendency to take a "quick fix" additive approach to mitigate against process failure or changes in process requirement is usually the culprit.

A topical example of where this additive approach has been adopted is airline security. Anyone who has been through a typical airport security process can see that it is inefficient and laborious with a "one size fits all" approach. The reason for this is that "quick fix" steps have been added to the process over time to mitigate against potential failure. A difference in the level of perceived threat, available technology and staffing levels means that most airports have differing process steps and requirements. Some require you to take your shoes off and some don't, others can do a full electronic body scan, some require a manual search. The outcome is that passengers are unprepared for the security process and this creates delay and error. If the process and security procedures by which passengers and their luggage are safely embarked onto aircraft and delivered safely, comfortably and efficiently to their destination were re-examined from scratch, few would argue that the new embarkation process and security procedures would look much like the one that we currently endure at most airports.

We are not suggesting that process is good and procedures are bad. They are both essential. What we do find is that organisations confuse procedure with process and the relationship between the two. This may not sound important but in fact it is vital (and is at the root of why

we often hear people in organisations commenting: “what we need round here is less process not more!”). Many disasters can be put down to a failure in understanding the difference between procedure and process, leading to a loss of reputation, financial ruin, loss of customer loyalty and in extreme cases even loss of life.

### So what is the difference between process, procedure and bureaucracy?

In a business context, processes tend to be more about achieving a mission, intent or objective. They should be focused on, and aligned to, the strategic intent of the business. Typically these processes will look to deliver “best in class” outcomes in whatever area the processes serve. Customers for a process can be either internal or external but what the processes share is that they provide something specific for some specific purpose that is of value to the customer and they help towards meeting the aims and objectives of the organisation. The core processes, linked together in an overall process framework, should focus on ensuring that the organisation delivers what it promises.

For example: “we want to deliver the best technical support, on time every time” or “we need to make the most reliable cars in the world”. In the best instances, a company or organisation will consciously develop a series of business and/or manufacturing processes to achieve this. More usually however companies try and adapt existing business processes to meet new objectives e.g. “we used to deliver the best support but now we need to reduce that support to fit in with available budgets” or “we used to make the fastest cars now we need to make the most reliable”. Often this approach leads to everyone involved ending up frustrated and dissatisfied - customers and staff alike. In fact, previously successful organisations can end up with processes that now both fail to deliver the customer outputs effectively and cost even more to run. A double whammy that can be so typical of the curse of ‘creeping’ bureaucracy.

Bureaucracy typically comes about when the fundamental understanding of the processes in the organisation (and what they are trying to achieve) is vague or even has been ‘lost’ - often having been ‘replaced’ by a raft of procedures added over the years to “fix” issues that have arisen, or to take account of changes in internal structure or in the market. What’s left is often a “patchwork quilt” of procedures masquerading as a process. A plethora of, typically disjointed, procedures which add little or no value and are not aiding processes that enable the business to deliver what it promises. Usually, in these circumstances, the staff doing the work,

#### Processes, Procedures, Activities & Tasks

A Process is classically defined as being a systematic series of interdependent steps that convert a given set of inputs into one or more outputs for specified internal or external ‘customers’. Typically a hierarchy of processes/sub-processes can be defined within an organisation. It is sometimes helpful when drilling down into processes to describe the discrete steps that make up each process as activities – with tasks being the next level within activities.

A Procedure is a set of instructions to describe the official, or accepted, way of completing a discrete task or activity and who does it. Procedures are typically focused on ensuring quality and/or compliance. Procedures sit within processes.

In the simplest terms, the process can be thought of as defining the overall ‘what’ and the procedures detail, for the lower level tasks and activities, ‘how’ it should be done.

and those managing it, have a poor and inconsistent understanding of how it all “fits” together - making working effectively, tackling issues and making improvements difficult.

Procedures are a necessary and vital part of the smooth running of any organisation and well thought-out, relevant and useable procedures have a key role in ensuring compliance with regulatory issues, policy and in improving quality and consistency. In most cases they are written down and learnt by those executing them. The better ones are not too “wordy”, include relevant pictures, graphics and simple checklists and focus on critical points in our experience. They do not, however, replace the need for clear definition and understanding of the process(es) in which they sit. Without this context, they can become the end rather than the means to the end. Another characteristic of ‘red tape’ or bureaucracy.

### The symptoms of excessive bureaucracy are easy to identify

It is easy to point the finger at organisations that have too much bureaucracy and procedure and too little process and clarity of required output. We all know companies, financial institutions, charities and Government departments that seem crippled by bureaucracy. The reality is that every organisation can make huge improvement, not just in eliminating bureaucracy, but also in transforming their business processes. Obvious symptoms of poorly aligned business processes and bureaucracy are: extended leadtimes and long delays, an inability to react quickly to change, a lack of transparency and accountability, a preoccupation with activity but not outcome and a lack of focus and closeness to the process customer and their needs.

### The cure is more difficult to identify and administer successfully

The factors that created excessive bureaucracy in the first place can be many and are often complementary. More bureaucracy in one area leads to a more bureaucratic approach in another. A policy change at the top of an organisation can lead to totally unimagined and undesired procedural changes at the bottom. Organisations can get into a damaging downward spiral of isolated changes to the process or addition of new procedures - particularly when faced with a major challenge such as a major quality incident, increased regulation or a need to reduce costs.

The reasons for excessive bureaucracy are often human ones: an inability to delegate, lack of trust, fear of failure, ignorance of the overall process, a lack of time to prepare, a need to be seen to be “doing something”. Sometimes ego, laziness, inexperience and lack of care can be likely contributors as can history, scale, poor organisational structure and a lack of autonomy.

Organisations that have grown rapidly, or have had to contend with frequent changes in requirement, can end up with key business processes that are opaque, disjointed and costly to run - at best. At worst the processes can be unconnected, dysfunctional and vulnerable to significant failure - with those involved, perhaps understandably, seeking to protect themselves from responsibility for process failure or compensate for a poor business process. Why understandably? Sometimes the scale of the challenge is perceived as being too big to tackle.

“I don’t have the power to change it so why bother” or “nobody listens when I say things anyway” or “we have always done it like that” (but everyone has forgotten why). Typically markets/requirements change faster than products/services and products/services change faster than the processes that are supposed to be delivering them. The risk to business efficiency, effectiveness and reputation of a “sticking plaster” approach is clear.

### Start by examining processes then move on to look at procedures

The strategic intent and mission of the business should drive processes. In an ideal world, the Director/Senior Management Team of the organisation, those who are responsible for setting and achieving the strategic intent, should be involved at the outset to determine the direction and provide the vision for the processes that will ultimately decide whether the strategy and results are delivered. Their input in developing and agreeing a clear and consistent picture of the core processes of the organisation, typically in a high level Process Framework, can provide the organisation with an invaluable “touchstone” from which to develop the end-to-end and more detailed processes that will go a long way to dictating ultimate organisational performance.

At this level, Bourton frequently find that business processes have become slaves to short comings in areas such as IT, organisational structure, geographical location and, in some cases, simple personal prejudice. A lack of clear process ownership, particularly where processes cross functional or departmental boundaries and limited focus on continuous process improvement exacerbates the issue.

If you’re reading this thinking, “I’ll never get that to happen!” there’s still plenty you can do. Having identified the core process that you are part of (you may even “own” some or all of it), map out the whole process from beginning to end, adding in the procedural steps e.g. approvals, quality checks, inputs from other departments, legal clearance. Include facts such as the actual hands-on processing time, the total time from entering to leaving that step of the process, how often there is rework, average delays (and why), levels of backlog or work in progress. It is best to do this with a small team that represents all parts of the end-to-end process - including key customers and suppliers of the key process outputs/inputs.

Next look at how each step contributes to the process customer need, as well as health and safety and regulatory requirement. In other words, assess your process in terms of value adding and non value adding activity (*see definitions box below*).

When you find steps that do not contribute to any of these then you are starting to identify the potential “bureaucracy” in your processes. These are the steps and causes of delay and cost that you should seriously question. Once the obvious waste and bureaucracy is removed, not only does the process perform better, usually at lower cost, but it also enables you to refine and further

#### **Value adding and Non-Value adding /Waste**

The aim of a process should be to deliver exactly the outputs required with the minimum variations in terms of time, cost and quality. The principle of **Value** is key within the **Lean** approach and has specific associated definitions in the context of process improvement.

improve your core process - creating a virtuous circle. Less bureaucracy and waste leads to a faster core process which means less time spent firefighting problems and more time on value adding activity which leads to improved service for the customer of the process, generating improved customer satisfaction which leads to less complaints..... and so on.

Once the process is well understood, you can work with your teams to develop the necessary procedures to ensure standards, compliance and quality. You'll most likely find you need a lot less than in the past....and they'll often be adhered to far more willingly.

### Processes and procedure underpin every business so getting them right is vital

Frequently clients look at us rather oddly when we suggest that they physically map out and examine in detail their business processes. It sounds simplistic and "over engineered" but the output is always very revealing. The reality is that very few business processes were specifically designed for the purpose they serve. Typically markets/requirements change faster than products/services and products/services change faster than the processes that are supposed to be delivering them. We mentioned earlier that they can often appear more of a patchwork quilt where individuals have changed, "improved" or inherited a process, adding procedures along the way as new requirements emerge or as "fixes" to stop particular problems occurring. The cost to the business can be vast.

Outlined below are some examples where poor process and lack of procedure had serious consequences. A life insurance company was finding that 30% of its customers were lapsing after their first payment. The reason? Customers were paying the first installment when they signed up but then didn't set up the direct debit for further payments. What the company found was that, even though this was happening, everyone was "doing their job". There were many procedures to get the forms filled in and the account and policy set up, including lots of checking, as well as a clear procedure for cancelling the cover and closing the account when the payments were overdue. However, the overall understanding of the process (to attract and retain the customer) was lacking. When the purpose and outputs of the process were defined and the various activities looked at end-to-end a key gap in the process was identified.

**Value** is defined from the perspective of the customer of the process and is anything that changes the fit, form or function of the product/service as it passes through the process. If the customer sees a part of the process as truly 'necessary' to meet their requirements, or, in other words, would be prepared to pay for it if given the choice – then this would be defined as **Value Adding**.

A part of the process that is **Non-Value Adding**, as the name suggests, is one where what is being done is either total waste (neither valued by the customer nor necessary for the organisation to make the process operate) or given the current technology or capability of the process, is necessary to make the process function-but has no value to the customer.

Clear value adding steps would be the actual fixing of a component on an assembly line, the capture of data to create an account, the laying of asphalt on a new road.

Rework loops, complaints handling and duplicated activities are examples of waste and no-one would be sorry to see them go – and the product/service will improve not suffer. Sometimes **Necessary non value-adding activities** are needed..... at the moment...but should be recognised for what they are, these should never be allowed to "get comfortable" in the process and should be minimised and eliminated when technology or capability allows.

No one followed up with the customer to remind them to set up a direct debit. Adding a reminder call to the customer 3 weeks before the due date of the second payment cut the lapse rate to 10%.

### Selecting the right tools

Lean Sigma, a combination of Lean and Six Sigma techniques, is an ideal approach to utilise in improving processes. Good examples of processes where Lean Sigma would be utilised are where there are multiple handoffs and a high proportion of lost (idle) time between activities through to multi variable, data rich, processes. As an example, take an IT company managing warranty claims. The benchmark was that on average claims should be answered within 5 days. The processes were meeting this standard, but once you examined the process in more detail things were not so rosy. Variation was huge; some claims took only two days whilst others took up to ninety days. The process rewarded speed and took no account of importance. Consequently employees focused on easy to resolve claims of low value, leaving larger more complex claims unanswered. The process measures focused on activity and speed of resolution not quality of outcome, customer satisfaction and cost of resolution.

By applying Lean Sigma techniques it was possible to identify bottlenecks in the processes, for example claims of a certain amount had to be approved by more senior managers who were often not available or did not fully appreciate the cost to the business of delaying or stockpiling claims until it was convenient for them to review them. Workflow was affected by a sudden influx of approved claims, customer satisfaction was affected by unnecessary delay and cashflow was affected by a sudden influx of larger claims arriving in accounts for payment. As was the case here, the impact of a poor process can be felt in areas of the business that are far from the origin of the process failure. That is why it is important not to define the scope too narrowly.

Another example was where some high volume printers were always short of capacity. Much measurement effort went into uptime, reasons for downtime, OEE measures etc. The real question that hadn't been asked was "why are we printing so many pieces of paper?" It turned out that lots of the output was from the internet and other software programmes that should have been paperless transfers. This is a classic example of "good solution, what's the problem?"

At Bourton Group we would recommend that you start with your core business processes, as these will bring the greatest reward, and that you begin at a high level, understanding and questioning the purpose of the process and the true requirement of the process customer(s) before getting too lost in the detail. We would also recommend that you use one of the more "inclusive" approaches and engage people who can take a balanced and dispassionate view, from both "inside" and "outside" the targeted process. Suppliers and, especially, customers of the process, both internal and external should always be included. People who can bring experience and insight from other industries and sectors should also be considered as this usually proves to be invaluable.

## Article

Examples of what Bourton has been able to achieve with its clients in sectors such as Aerospace and Defence, Financial Services, Construction and Manufacturing include, process times shortened by 45%, compliance improved by 70%, late payments reduced from 55% to 5%, cycle time shortened by 68%, lead time reduced by 92%, process labour costs reduced by 35%, material returns reduced from £5 million to £250k, material lead times from 5 days to 4 hours.

So why haven't more companies focused on taking a methodical and proven approach to process improvement?

It would probably be fair to say that these proven approaches to improving business processes have not been widely adopted. Possibly because they look intimidating. Possibly because improving business processes sounds dull and low profile. Possibly because of a lack of recognition of the dramatic consequence of ineffective (or, conversely, excellent) processes on overall business performance.

Twenty years ago, the Chairman of Toyota Motors, Fujio Cho, made this quite stark claim:

*"We get brilliant results from average people managing brilliant processes. Our competitors get average results from brilliant people working around broken processes."*

Rather than a possible criticism of the staff at Toyota, this is more a reflection of the importance attached to developing excellent processes.

As we think we have shown, poor business processes are likely to be the single biggest risk to a business's performance, financial health, efficiency, reputation, employee morale and safety. Perhaps this recession will be the trigger that leads businesses to take process improvement more seriously. It has the ability to make a substantial and positive impact on almost every aspect of your business and not many things can do that.

So, in your organisation, do you think you have too much process or too little.....?

### About Bourton Group

Bourton Group are specialists in achieving sustainable performance improvement. We have a successful track record of improving complex processes in major public and private sector organisations stretching back over 40 years.

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