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How Much are Broken Processes Costing Your Organization?

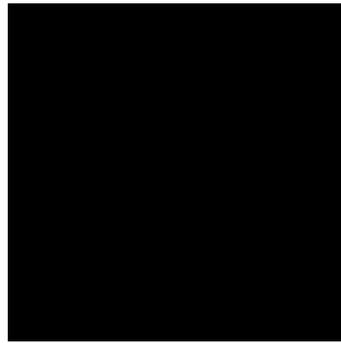
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Business processes are fundamental to every company's ability to effectively execute their strategic imperatives. Broken processes can cost an organization money in terms of time, lost revenue, higher production costs, unhappy customers, and frustrated employees; all things that will have a direct negative impact to the bottom line.

Each year, organizations are forced to address improvements in process through the budget cycle. For most managers, budgeting can be stressful, because managers know they will be asked once again to look for ways to reduce operating cost... "To do more with less"!

The typical approach in these situations comes in the form of a directive from

the CEO or CFO, that operating expenses must be reduced by some percentage in the upcoming year. Such a directive usually translates into eliminating head-count, delaying the implementation of needed technology enhancements, delaying new projects, eliminating non-revenue generating programs such as employee training and development, reducing or eliminating community event sponsorships, etc. The list can be endless. In the mind of the average manager, panic sets in because he or she knows that until they take the time to look at the many processes within their organization, it will be difficult, if not impossible, to achieve the objective.

Don't "Pave the Cow Paths"

A key to the success of any organization is its ability to establish high

performing processes, and ensure that each process is delivering the highest value to the customers and to organizational profits. Yet most managers will tell you that many existing programs and processes are not efficient. In addition, change efforts are not delivering the promised efficiency that garnered their approval. Once many projects or new systems have been implemented, it is often the case that no time is spent to go back and look at operational processes to ensure that they are operating efficiently, and that the new system's functionality is being leveraged to automate and optimize, eliminate redundancy and streamline operations where needed.

An examination of most operations after the deployment of the latest utopian project will uncover key tasks that are still being done manually by multiple staff members. Undoubtedly within your own organization you can find multiple processes with an abundance of workarounds, multiple levels of controls, checks and balances with the sole purpose of avoiding errors... that will directly impact customers. The inefficiencies of these processes back up production and delay deliveries, deliver poor customer service, increase resource costs, and contribute to a loss of potential revenue.

How do you know when a process is broken?

It is not hard to determine where broken processes lie within your

organization. Performance metrics such as processing time, production volumes, timely problem resolution, late deliveries and poor service, are metrics that provide a beacon to inefficiency. Process performance and process quality goes hand in hand. The level of quality being delivered can be directly measured by the number of customer complaints about poor service and inaccurate information. Sometimes the easiest way to be led to a process problem is to ask those that work in the operating areas their opinions on how their job would be made easier or customers could be served better. It is most often amazing what you find.

Once a manager or team identifies, or sees a shift in any performance measurements – quick action is necessary. The speed at which a manager is able to take action once a broken process is identified will signal the commitment of the organization to attack inefficiency and poor quality and will determine the degree to which it will spread throughout the organization's culture. Be certain that a culture that allows inefficiency will always be inefficient. An organization that seeks and rewards those who ferret out inefficiency will birth a culture of efficiency with likely unexpected gains in productivity and revenue. Fixing broken processes will invariably result in improved customer confidence, higher level of data integrity and accuracy, and customer retention.

Process flow analysis and process benchmarking are both key tools in understanding what is and is not happening, and allows the creation of a visual map of the stages involved in performing a business process. We favor the most simplistic approach using just seven symbols:

Sym	Name	Action		Examples
	Operation	Adds Value		Saw, Cut, Paint, Solder, Package
	Transport	Moves Some Distance		Convey, Fork Truck, OTR Truck
	Inspect	Check For Defects		Visual Inspect, Dimension Inspect
	Delay	Temporary Delay/Hold		WIP Hold, Queue
	Storage	Formal Warehousing		Warehouse or Tracked Storage Location
	Handle	Transfer Or Sort		Re-Package, Transfer To Conveyor
	Decide	Make A Decision		Approve/Deny Purchase

Five questions need to be answered in analyzing the steps of a process:

- **WHAT:** What is being done?
What else can be done to achieve the same objective?
What should be done?
- **WHERE:** Where is it done?
Why is it done there?
Where else can it be done?
Where should it be done?
- **WHEN:** When is it done?
When else can it be done?
When should it be done?
- **WHO:** Who is doing it?
Why is he or she doing it?
Who else can do it?
Who should do it?
- **HOW:** How is it done?
Why is it done that way?
How else can it be done?
How should it be done?

It is hard to hide dysfunction with a process chart that captures excessive transportation

