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# How Much are Broken Processes Costing Your Organization?

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**For the Intelligent Banker**

## 2015 Intelligent Bank Management Series

The 2015 Intelligent Bank Management Series focuses on insights, strategies and development priorities for improved profitability, operating efficiency, compliance and risk management at U.S. financial institutions.

# How Much are Broken Processes Costing Your Organization?

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to discuss the needs of your financial institution.

**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**.

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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:

**Process Chart 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 requirements, delays to the process by design, multiple inspections and decisions points. This is where a consulting team like CMPG can help you understand your performance improvement opportunities.

Process benchmarking is another key tool. Understanding how your peers can perform identical functions with less employees or improved automation will not come from the generic annual industry operations survey. It requires *detailed* understanding of your core solutions, operating environment, “special sauce” components that make your organization different and then an objective search and comparison to peers that are outperforming your organization on an efficiency/profitability basis. This is again the type of specialized analysis that CMPG helps our clients develop and understand, as a pathway to improvement.

**Why bother?**

Some might say what's the big deal? These are all issues that face any organization and the impact to the bottom line is just “the cost of doing business.” Is it really? Have you ever stopped to consider how much effort is being focused upon manipulating systems output for internal or customer delivery? Manual data entry due to a “systems limitations”? Work done on Excel spreadsheets or in Access databases that should be handled by the core solutions that you employ? Those all bear a cost.

Maybe one of the best ways to quantify the cost of poor process is to measure its impact with direct customer interaction. Call Centers or Customer Service Departments have become a necessity for any company that delivers a product or service to the marketplace. The cost to a company to set up and run a Call Center can run into the millions of dollars.... for Call Center systems, hardware and people. Although if you were to ask any CEO why they see the need for a Call Center, their first response is to serve their customers. That's such a great response, but the reality is that one third of the calls that come into a Call Center are a result of issues resulting from broken processes within the company that have directly impacted the customer, and the company’s bottom line.

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