

## **The Keys to successfully implementing Best Practices anywhere: Document and measure your business processes**

**By Andrew Miller**

This seems like such a simple piece of advice that you must think that I am silly for even mentioning it, let alone writing a whole article about it. But before you pass judgment on the title of this article, let me ask you one question (albeit a long one):

If I were to walk into your organization tomorrow and ask you to show me how you operate in areas of your supply chain like Strategic Sourcing, Procurement, Trade Management, Materials Management, Logistics Planning and Execution, Distribution, etc. **could you provide me with documentation outlining your company operations or would you need to call a meeting with different managers, supervisors and employees to help explain the intricacies of each process?**

Those in the latter group, please raise your hands (you can if you like, but you might look silly to people around you).

My guess is that the majority of you would be somewhere in between with some processes documented and well understood while others lay in the minds of employees who have been with the company for a very long time. You are not alone!

Most companies underestimate the importance of knowing what they are doing on a daily basis and how they do it. To show how important this is to your business, ask yourself these simple questions:

- Are there any key processes in my business where I rely on the inherent knowledge of one person? Would I consider that to be a best practice? How does the business run if that person is off sick, on vacation, or leaves the company?
- Can I effectively improve my business operations if I am not able to refer to the details of my processes and understand who is doing what, or how and when they are doing it?
- When there are business issues that need to be resolved (late deliveries, lost product, increasing costs), how do I know where in the process the issue is occurring so that I can fix it?

I am hoping that by answering the questions above, I was able to shed some light on the importance of business processes in the daily operations of a business. Understanding your processes allows you to communicate better with your employees, share information better with your suppliers, resolve problem

areas and bottlenecks more quickly and continuously improve your bottom line. I imagine that these would all things you would want.

In this article, I will lay out a simple framework for understanding your current processes and identifying areas to target for improvement. This is by no means a solution to your problems, but by following these steps, you will better understand where the strengths and weaknesses of your business are and how to better interact with suppliers and customers. You can then use this information to impact your company's results. Let us call them the five steps to continuous improvement success.

### ***#1 Hold process workshops to understand current processes;***

These meetings should be informal but comprehensive and usually last 2-3 hours. The purpose of these meetings is to get an understanding of current business operations, so it is important to select processes that support your core business. As a start, choose a simple process so that the organization can get comfortable with the concept of drilling down into process detail. This will also give you a baseline against which you can measure best practices and help you to identify a roadmap to success. Here are a few key points that will help ensure that a true reflection of the process is captured:

#### **a) Include employees from different departments.**

This will give you a better understanding of the different steps and methods that people are using to achieve the same goal. You will find that not everyone is following the same steps or using the same methods. I was working with a client on standardizing their procurement processes and I facilitated a workshop with about 20 users from various departments. At the end of the workshop, we had discovered that the client had four different ways of contacting the same supplier to order products. We also found that because of the inconsistent method of ordering and the lack of coordination, the supplier was delivering to the same location multiple times in one day, charging the client a delivery fee each time.

#### **b) Include your suppliers and your customers where appropriate.**

This will give you insight into what happens before and after you perform your business process. Understanding the inputs and outputs of a process is one of the key elements in ensuring the success of a process workshop. I was working with a client where we brought in suppliers as a part of the process workshop where we were discussing the payment cycle. The client was trying to determine why they were receiving invoices from some suppliers slower than others, and thought it was their internal processes causing the delay. What the client discovered was that they were sending electronic purchase orders to all of their suppliers, assuming that the supplier's system could handle them. In fact, many of the suppliers were taking the electronic purchase order and printing it out, only to manually enter it into their invoicing

system to generate the invoice. This was causing delays for both the suppliers and the client.

**c) Ensure that you have a strong facilitator to lead the workshop.**

It always helps to have a neutral party facilitate these workshops (say someone like me.....a shameless plug, I know!) who can keep the attendees focused on bringing forth the facts as well as new and creative ideas. A neutral facilitator has nothing invested in the process, so will stop the team from getting bogged down in unnecessary detail. A good facilitator does not need to know anything about your business or industry in order to facilitate a process workshop, because they know the right questions to ask and are willing to push your employees further to get the answers.

***#2 Identify areas where simple process improvements can be made;***

Once you have a better understanding of your operations, you want to identify areas where improvements can be made with minimal impact on the organization. This is sometimes called “low hanging fruit.” I actually had a client where the first improvement that we made was to move the physical location of the printer in their offices and to enable them with the ability to fax documents directly from their computers. Through our workshops, we determined that members of the department were spending almost an hour per day each waiting for printouts and waiting for the fax machine to fax documents to customers. Identifying easy changes that represent pain points for employees will help the organization to gain some momentum and show employees that changes are actually being made. Once employees see that changes are being made, even though they are little, they are more likely to support and participate in further initiatives for improvement because they realize that their voices are being heard. However, it is very important that you remain focused on making improvements that impact the results of the business. What I mean by this is do not make change for the sake of change. Process improvements should be made because they will increase revenue, decrease costs, improve customer satisfaction, etc...things that will directly impact the performance of the organization.

***#3 Review processes against best practices and target areas for improvement or reengineering;***

Once you have implemented some small changes and have seen positive results, it is time to focus on some bigger changes. My advice is to focus on the areas that have the most impact on the business. The symptoms may be higher costs, delays, rework or inefficiencies. You are better off implementing one or two material changes than a bunch of immaterial ones. You can research what best practices are for your type of business and industry (or enlist consultants to

do that for you.....I know, another shameless plug) and try to get a handle on what your competitors are doing. This will help you determine what strategy will work best for your organization.

Once you have targeted the areas for improvement and identified what those improvements are, the organization must be committed to making the change. Executive buy in is very important, but so is convincing the person that is going to be performing these duties every day. Look for champions at all levels of the organization to implement the process, but also look for dissenters and find out why they are against the proposed changes. More often than not, if you can convert someone who was originally against the change, they will become your biggest champion.

I was once implementing a new floor management system at a client where the change involved the shift supervisor walking around to each of his teams every hour to gather measurements at each of the machines. The purpose of this was not only to identify production issues earlier than after an eight hour shift, but also to encourage interaction and friendly competition amongst the crews and the different shifts. The first time I proposed this to the afternoon supervisor, I was so persistent (or annoying) that he threw a thick binder across the room at me and told me to get out of his office and to never come back. He was about 270 pounds, so I got out of there pretty quickly. The next morning I came in early and asked to sit with him to talk about the issues he was having. He refused, and continued to refuse for a few days. Every day I came in at the same time and asked to talk with him. Finally, after a week, he agreed to talk. It turned out that he was concerned for his job, because he thought the numbers we were asking him to collect might make him look bad compared to the other shifts. I explained how the process of walking around every hour would actually help him, because he could be more proactive in problem resolution and it would improve his relationship with his crews, as well as their production because issues could be resolved quicker. After more discussion over the next few days, he agreed to try it for a week to see what happened. Of course, the production on his shift went up 12% and machine downtime was significantly decreased. His shift became the standard by which other shifts were measured. After that, I could hear him talking to other supervisors at shift change about how he had improved so much and how proud he was of his crew.

#### ***#4 Implement the changes***

This one is fairly self-explanatory, but warrants some discussion. The keys to implementing are to ensure that you have the proper sponsorship for the changes, ensure that someone at a senior management level is accountable for the changes to be implemented and that the organization is prepared to make tough personnel decisions if required. When operational changes are made to the way that you do business, not everyone is going to be capable of supporting those changes. New processes sometimes require different skill sets and knowledge, and not all employees have the ability or desire to make the

transition. My experience shows that there are always organizational changes when process re-engineering takes place. Sometimes it affects a few employees, and other times entire departments are impacted. My only point is to be prepared to make tough decisions. That is why senior management accountability needs to drive the changes.

### ***#5 Measure your results;***

The story above about the shift supervisor leads us directly into the most important of the five steps: measuring your results. We have now made process changes that are going to make great strides in our daily operations. But how do we know how big or small those strides are? How do we ensure that these process changes are sustained? Now comes the time where management needs to determine which performance measures should be put in place in order to best determine the impact that the changes have had. I am not going to give you suggested measures to implement because each business is different. I am going to suggest that it is worth spending time on which measures will work best for you and to select a few key measures. The measures should be able to answer the question: What impact is this having on the business? It starts with determining who is accountable for the results and what results are we looking for? Measurements must be related to each other so that they are complimentary, meaning that you do not want to improve one metric at the expense of another. A holistic view of the business must be taken in order to avoid this pitfall.

A classic example of this was at a client of mine where we were looking at the number of stock-outs at their warehouse (a stock-out is when there is no product to fill an order). The client had very poor inventory turnover for most products and very high turnover for a small number of products. All of their products were being delivered every two weeks. To try and reduce stock-outs, they decided to have their suppliers deliver products every week. This did result in less stock-outs for some products, but a significant increase in inventory for most other products. Their inventory and delivery costs had gone up significantly, but since they were only measuring the number of stock-outs and how that affected their customers, it took a while for them to realize this. We reviewed the business and decided on a few complimentary measurements that allowed them to reduce stock-outs and still manage their inventory and delivery costs.

### **Conclusion**

I hope that this has given you some insight into the importance of understanding and measuring your business processes. These are the activities that are performed every day by your business, so it is important that you understand them. By performing the five steps mentioned above, you will better position yourself as an organization that focuses on continuous improvement as well as having the ability to integrate your suppliers' and customers' needs into your

business operations. You will also better prepare your business to use technology to support those operations and improve the speed and flexibility with which they can be performed. The keys to success are ensuring that the right people are involved, select easy changes at the beginning to gain momentum, target those areas that have the biggest material impact, implement the changes and measure your results. By having the right level of accountability, you will be on your way to more efficient business processes and more impressive results. Good luck!