Effective Process Management:
Accelerate Processes, Increase Profitability and Ensure Quality

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Schuh & Company has been involved in the area of process management for many years. The topic is neither new nor trendy. Yet, it is still highly relevant and the mastery of common issues encountered is still limited.

The explanation for the exceptional and constant relevance of the topic is essentially quite easy. A customer is content when a company delivers the ordered products or services at the promised time, in the promised quantity, and at the agreed upon price. If possible, this does not just happen once but as often as requested and always with the same or better quality.

Generally, to reach this point of high performance a good interaction between different functions, units, departments, teams, and employees within the company is necessary. This is where we arrive at the core of the problem. Processes have the unpleasant characteristic of reaching across established corporate structures. Unfortunately, this is of no interest to the client. Or have you heard any statements such as, "The products are good, but the product management, the electronics development, and after-sales service should really be improved."?

The customer does not usually dissect his displeasure in such a detailed manner. That is not his responsibility, but one of the company. Therefore, it is only consistent if he collectively punishes the whole company. For companies it then makes sense to take a close look and explicitly address their processes to be able to answer some of the following questions:

- Which differing needs and requirements do my customers have for my processes?
- Which different processes do I actually have and how are they performed in detail?
- Which truly continuous processes do I need?
- Does my organization support or inhibit the smooth execution of our processes?
- For which areas should and can I make organizational adjustments to improve the process-related performance of my organization?

If your company does not struggle with any of the above-mentioned questions, look at your quality manual to see if you can find answers to the questions with regard to process continuity and above-average collaborations. With high probability you will notice that the described processes are consistently oriented along the structures of the company. The description of critical interfaces leaves a lot to be desired. Alternatively, the processes are all described, but they do not work optimally for day-to-day business. The interfaces along the processes create enormous frictional loss.

An older, but still accurate analysis by the University of St. Gallen, Switzerland, identified the causes and identified two topics as main drivers for weaknesses in processes and frictional loss. On the one hand, they are barriers that are created by hierarchies and structures of organizations. Between management levels not only is information lost, but the interfaces

are also often places of political and tactical power plays that are not always beneficial to the efficent coordination and control of processes. On the other hand, they are barriers that are created by the functional and subject-related organization of companies. In addition, the interfaces between company leadership offer opportunities for frictional loss. The cause not only lies with technical incompatibilities but also with human challenges that can be explained by the different personalities that are represented in the different departments. A sales person and developer can be used as typical examples.

Often exaggerated from the process view there is still enormous room for conflict at this point. The result of these two phenomena can be described as "operative islands". They are coined by being separated through hierarchical and functional interfaces. Often the two islands are aligned in a suboptimal manner to conduct daily business. They also tend to develop independently and optimize in different directions which does not always lead to an overall optimal state. This phenomenon is all too commonplace in today's companies.

To translate the topic to processes, it is important to consider which customer requirements are to be served by which processes and to do so in a continuous manner independent from hierarchies and functions. A good example is always the order management process. It exists to varying degrees in all companies.

This journal will discuss the case study of SCHOTT forma vitrum ag in Switzerland. It shows how an order management process can be holistically and distinctively analyzed and optimized with smaller and customized development parts. In other words, the process has to satisfy the customers' individual and specific demands.

Such a process can look fundamentally different to one that serves standard products from a catalog or one that has to satisfy true product innovations. All three process types were found in more or less explicit form at the company. This fact was determined during a project with Schuh & Company and then incorporated and implemented into the process and organization. This is just an example for how process improvement can take on different facets and characteristics in practice.

Your Methodical Approach Should Be As Focused and Continuous as Your Processes

We only speak about a continuous process when it is possible to effectively and profitably link the company's strategy to its operative level.

This idea sounds logical if not trivial, but is a very demanding challenge in practice. Only few companies are able to break down their strategy system-atically across their processes, while at the same time not only allowing ideas and impulses of their employees, but using them effectively in discussions and implementing them. Often a conceptual approach in terms of processes platforms, and committees is already missing at this early stage.

It is possible to drive far-reaching, strategic change from the top-down in a company. The active and content-related involvement of the employees in such process projects lead to ideas and changes that

are evolutionary enhancements for processes of the existing business. The top-down guidelines and direction are important in form of clear goals, while it is necessary for the activity level to enhance the daily business with a continuous improvement system. This is only possible with the active involvement from the employees.

To successfully implement initiatives and projects that give rise to this continuity, it is helpful to follow a clear frame of reference. This frame will provide orientation and guidelines. We suggest and use the project management navigator. It combines all necessary project building blocks into an overall concept, establishes the reference for content, and thereby creates the basis for a systematic and coordinated approach (Fig. 1).

A special characteristic of the process management navigator is that it does not separate the analysis phase from the design and implementation phase as is commonplace. As much as possible, the necessary activities in each phase are performed simultaneously in order to sustain quick successes, motivation, and energy for the project. Additionally, the navigator consists of single procedure modules that are coherent and based upon each other to lead to an effective overall concept. We will discuss the single modules in detail.

The harmonized and interlocking modules of the process management navigator ensure the effectiveness of the whole project and help to remain focused.

Strategy review: This module ensures that the company leadership identifies a clear need and goal for the initiative. The successful communication of this position is the starting point for the new design of the company processes. Within this communication it is necessary to convey a certain amount of urgency to the employees because this urgency is the main driver for the willingness to change. This is especially true when the company appears strong. In such cases, the missing urgency and willingness to change by employees can create large problems for change projects. If possible, the company should not wait until the need to communicate this urgency is apparent. In such a situation it might already be to late.

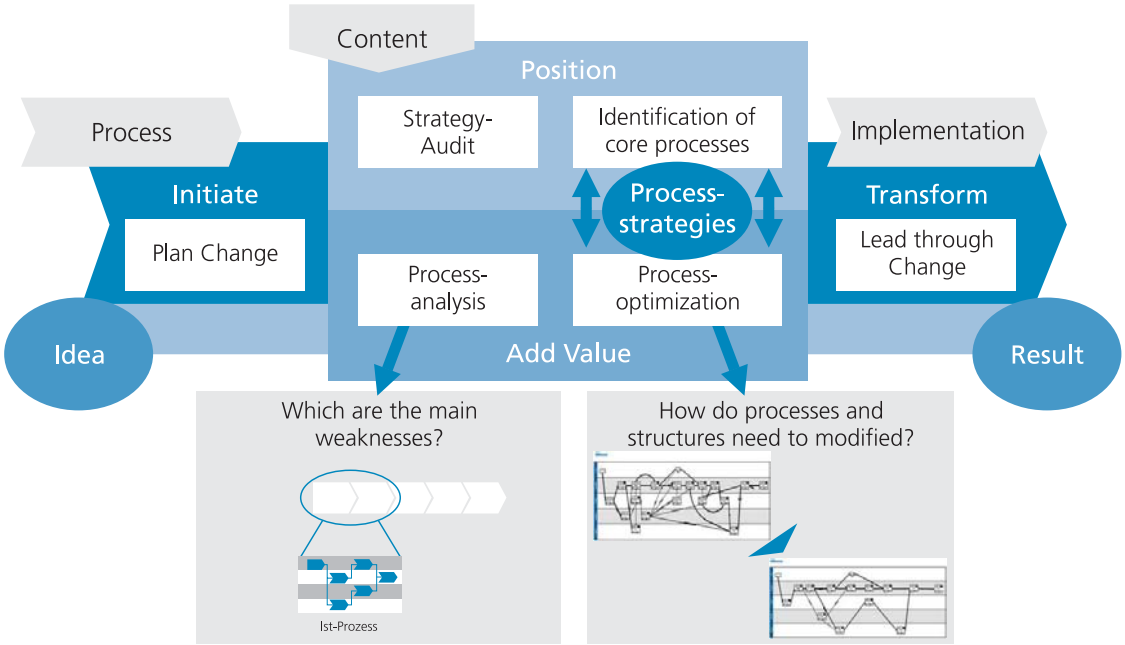

Figure 1: Effective Process Management with the Process Management Navigator

The main task of top management in this module is to define a strategy or reassess the existing one. On the basis of an environmental analysis as well as the company's strengths and weaknesses the strategy is tested for its suitability and feasibility. The discussion on the performance level leads to making previously implied assumptions explicit and to creating the common understanding for the company orientation. The documentation of the discussion and ideas creates an additional basis for the communication across the company.

The precise results of this module are clear priorities in terms of strategic success positions (SSP) in which the company can achieve above-average profits due to special abilities and development. SSPs therefore represent the external customer view onto the process environment of a company. They build the basis to break down the strategy in the consecutive steps into the processes and activities, while all the time not losing the customer as the focus. In such a manner the strategy can be successfully broken down for the operational levels. This approach corresponds with the principles of lean management to always focus all activities towards the view of the customer.

Process architecture, portfolio, and strategy: The process architecture displays a visualization of the processes in the business model from a high and compiled level. The process environment is often not really known to everyone involved. Only the clear and defined description and visualization leads to the discussion and communication without creating misunderstandings. When this task is achieved, all processes can be reflected and evaluated with regard to the importance and achievement of the SSP. Combined with an assessment of the performance of the processes compared to the most successful competitor, it becomes clear which processes have to be restricted in which respects.

The aids to support and visualize this discussion are given by the process portfolio. The portfolio is defined by effectiveness and efficiency. In this case effectiveness represents the relative contribution of the process to reach the SSP. In particular this can be the contribution of the process to reach certain customer requirements, such as cost efficiency. Efficiency, on the other hand, relates to the relative measure of the usage of resources which is necessary to reach the SSP. The center of the portfolio is defined along both axis by the performance of the best competitor. All processes are discussed with regard to these three aspects and entered into the portfolio. In addition, process strategies which lead to an increased effectiveness and efficiency, should be noted immediately and supporting and precise measures should be written down. The measures have to be aligned with the two subsequent aspects:

1. Within the context of the as-is analysis that needs to be performed in the next steps, the employees will provide additional suggestions for measures that are good and appropriate. At the end of the day, all measures have to be coherent. None of the measures should contradict themselves, neither should any measures be implemented that do not deliver a clear contribution to the end goal. This calibration should be performed explicitly.

2. The measures have to conform with the principles of operational excellence. Management should check to ensure that all necessary drivers to reach operational excellence are addressed and are supported by measures. A framework for operational excellence (or in short OPEX) can assist with the sequence of the proposed measures.

The result is a package of measures which successfully combines a strategic focus with the development of operational excellence. The portfolio displays the vital, yet often missing traction between strategic and operative levels (Fig. 2).

Process analysis and optimization: The company's employees have to be involved early on during the design phase of the change project. The process analysis is the primary medium to involve them. In a first step within the scope of the process anal-

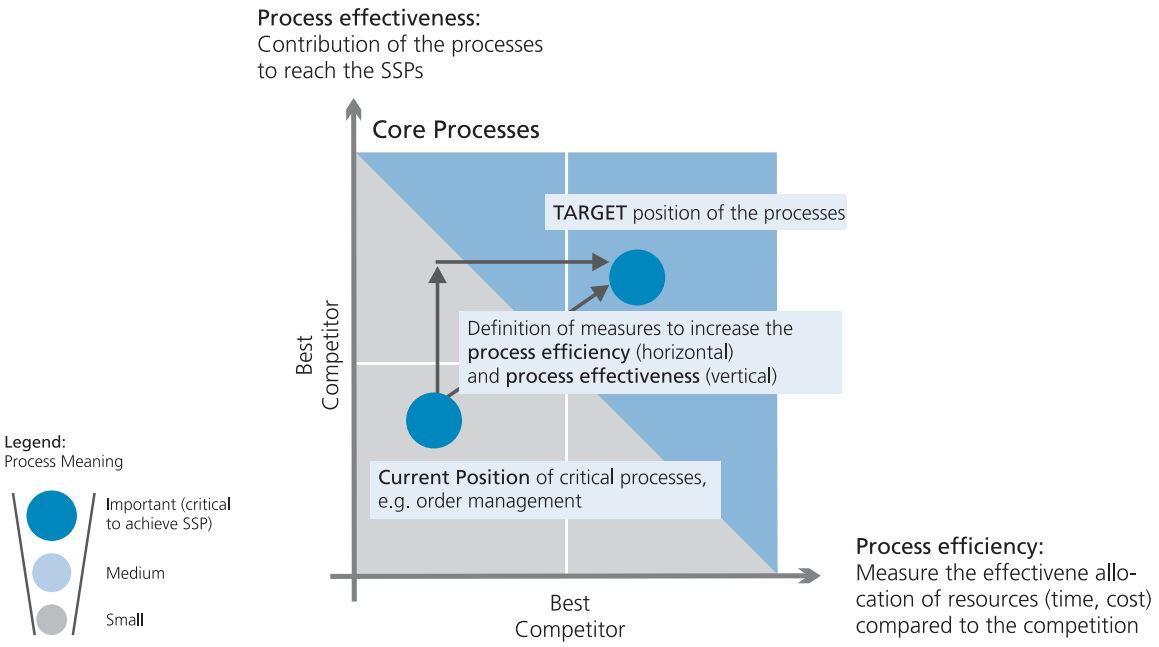

Figure 2: The Process Portfolio Visualizes Strategic Priorities

ysis, the most important processes are captured and modeled in the current state including all their weaknesses. Five central questions should be given priority:

1. What should the process achieve? Which SSPs or customer requirements should be realized with the overall process and specifically by the individual process steps?

2. Do the specific process steps make sense? Are their inputs and outputs clearly defined? (Ensure the optimal process framework)

3. Are the process capacities synchronized to avoid chronic bottlenecks? (Ensure the flow principle)

4. How is the process designed and controlled to achieve the best possible process performance? (Secure the design and control it through pull principles)

5. How is the process performance measured? How is the feedback, specifically between current and future process performance, incorporated to protect and improve the performance level? (Ensure a continuous performance improvement)

How this could look in a specific project is described in the case study in this issue for SCHOTT forma vitrum ag. There we applied the method of the value stream analysis for the administration. Several alternatives to this approach exist that have to be evaluated with regard to their strengths and weaknesses as well as the specific company situation. Therefore, a general recommendation for the best method can not be made at this point.

Without a clear understanding of the current situation of the processes in the company an identification of the correct causes of mistakes and waste are not possible. No effective measures can be identified that exactly target the cause. The true current situation is necessary in order to clearly describe the difference that should be achieved between the current state and future state. Precisely this gap should be described with the exact measures. It should be noted, that the processes should not be evaluated on the basis of their quality manual and SOP descrip-

tions. They always deviate substantially from the way processes are performed in daily business. Therefore, it is useless to rely upon these descriptions for root cause analysis and measure development.

The result of this model are two building blocks. On the one hand, the measure lists that were created as part of the process analysis build the framework for the alignment with top down measures. On the other hand, the approach has to be transformed into a formal process management process. This is to ensure that the company enacts process management as its own process across the company and to avoid a one-time effort with external support. In addition, it is important to establish explicit process owners and to introduce process-oriented performance dialogs.

The assistance of experienced external consultants is initially advisable. They have the methodical and conceptual experience, have already experienced and mastered similar situations in other companies, and can therefore provide stability, neutrality, and most of all security to address the upcoming change. The goal has to be to enable the employees in the scope of trainings to perform the continuous process analysis and optimization independently in the mid and long term. In larger companies, a train-the-trainer concept is most appropriate, which carries the knowledge across the whole organization and helps to implement it.

Implementation and success controlling: An important contribution for the success of process improvements is provided through precise implementation and success controlling. This has to make the following three aspects transparent:

1. Implementation success of the measures in connection with their contribution to the overall goal

2. Performance of the processes by means of the generated process output

3. Performance of the single process phases in reliance of their contribution to the process output

The first point serves to ensure the implementation on the level of the single measures. Because the sum of all measures is to achieve change, it is important to have the contribution of each measure in mind with regard to the overall goals. The overall goal is often on the level of process output defined such as throughput time of the order management process. In this respect, point 2 has to ensure that transparency is achieved with regard to reaching the goal on that respective level of process output. The decisive step is point 3. It creates transparency about the performance of the whole process and is broken down into the single process steps and which contribution each single phase has in the process. Point 3 therefore enables the understanding of how the whole process engages and how each single process step relates to the end process result.

Even though such a transparency is of utmost importance, few companies possess this end-to-end process transparency. Generally, a vast amount of KPIs and performance figures which all provide a certain amount of insight, can be found, yet in sum they do not provide a clear picture and are not referenced to each other. For the success of the implementation it is important that all employees understand the structure of the processes and know their specific value contribution. Only the transparency provides the process results that are recognized as true teamwork by the employees.

To support point 2 and 3, Schuh & Company utilizes the "Value Tree" concept which was adapted to address the specific challenges of process management. It ensures that the newly designed process is concentrated on 1 to 2 main goals. Each process phase derives specific result contributions. The outcome is not lots of unused data, but an extremely focused, process-related instrument which tells a story and is accepted as a controlling instrument.

The continuity of the approach, the active involvement of the employees as well as the organizational roots of the topic are the most important drivers for sustainable success

The strategy has to be consistently linked with the most important processes and all critical activities. The principal instrument to achieve this is the process portfolio. It translates the strategies into processes and provides the formulation of precise process strategies and matching measures.

These top-down targets are confronted and aligned with the employees' ideas and impulses and the operational excellence principles. This leads to a holistically orchestrated roadmap including specific measures. The active reliance on the knowledge and input of the employees creates the acceptance for change and the necessary steps to ensure a successful implementation.

For the sustainable effectiveness of such initiatives it is indispensible to create the necessary structural and organizational preconditions in order to transform the experiences into a continuous improvement process. This can be achieved with the above described and institutionalized performance dialogs. The goal is to make process improvements part of the everyday responsibility of each employee and not to just rely on it on a project by project basis. When it is possible to anchor the ideas of such an initiative sustainably into the company processes, an important step towards the survival in the mid and long term has been taken.

An overview of success factors:

1. Methodical and conceptual continuity of the approach
2. Explicit strategy and strategic communication
3. Process-related goals (traceable to the strategy)
4. Systematic check of the process performance (including single process phases)
5. Continuous description of the most important processes down to the activities
6. Active and early involvement of employees
7. Conversion of the project results into continuous improvement

Our experience from more than 20 years of project work shows that dramatic process improvements through stabilization, control, and continuous improvement are not uncommon. In our projects we often see drastically reduced throughput times, reduced inventory, as well as improved adherence to delivery dates. The following table shows the results that were achieved in a project to improve the order management process.

Performance Figure	Beginning of Project	End of Project
Order Confirmation within 24 hrs.	45 %	97 %
Adherence to delivery deadlines by suppliers	51 %	85 %
Standard delivery time	32.9 days	14.3 days
Adherence to delivery deadlines to customers	36 %	78 %
Inventory turnover	2.7 months	2.4 months

If you would like to know where you stand with regard to your process management approach, we can assist you. Within the scope of a one day process management audit, we can provide you a precise overview of your current performance, where your opportunities lie, and how you can take advantage them.

Contact

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