

# The Seven Deadly Sins Of Process Improvement

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Many redesigners follow a "field of dreams" approach: Build an intelligent process, and employees will come. Don't count on it. If process redesign isn't driven and supported by top management, it won't attract the commitment required for implementation. Just as "productivity" was the buzzword in the 70's, and "quality" was the hot topic in the '80s, "process" is the word on everybody's lips in the '90s. In the last five years, companies of all sizes and industries have become aware that they need to improve business process such as product development, order fulfillment, planning, distribution, billing, hiring, and customer service. Everybody is doing or at least talking about doing "process improvement," "process redesign," or "process re-engineering." As with other performance improvement efforts (for example, Total Quality Management, self directed teams, just in time inventory), most organizations can point to the results of their efforts: cost savings, quality improvements, and cycle-time reductions. However, there has been more sizzle than steak, more activity than results.

## ***Sin No. 1: Process improvement is not tied to the strategic issues the business faces.***

One company in the food business is proud of its 70 cross-functional process teams. When asked about results, executives mumble vague homilies about "culture change" and "empowerment." Noble pursuits, no doubt, but what's the increase in shareholder value? Almost every one of an engineering conglomerate's dozens of business units has documented its processes. When asked how they've used these "maps," they admit they haven't.

Too many process improvement teams either are not centered around critical issues or are convened to address self selected, "backyard" (often intra-functional) issues that are not high on an organization's overall priority list. We learned during the "quality circle" era that the location of the microwave oven and the color of the walls have little impact on business results.

Process improvement projects should be driven by an issue critical to the organization, such as profitability, market share, regulatory compliance, safety, or customer satisfaction. They also should be tied to measurable goals (e.g., moving from 35 percent to 38 percent share, reducing warranty claims to less than 3 percent of sales, cutting \$40 million from the cost of purchased goods, and decreasing product development/introduction time to six months). As these examples illustrate, most critical business issues require us to address cross-functional processes.

In our experience, process improvement efforts that are not driven by a measurable strategic issue lose the support of top management and of the worker-level teams. "Become a world-class competitor," "improve efficiency," and "change our culture" are commendable

visions that provide no focus for improvement. The number of teams and the number of flowcharts should not be the measures of success.

Our greatest return on investments in process improvement comes from its use as a tool implementing strategy. The CEO must ensure that there's a focused, intelligent strategy to be implemented. Likewise, he or she must ensure that the process improvement plan matches the core processes to the "critical success factors" and to the issues standing between the organization and achievement of its strategic vision. Like any good plan, it should contain action items, names, and dates.

If you're not prepared to tie your process improvement effort to your strategy and the critical issues facing your business, don't expect significant results.

### ***Sin No. 2: The process improvement effort does not involve the right people, especially top management, in the right way.***

We believe process improvement should not be done by outsiders. CEOs frequently are tempted to hire experts to "do it for us." These consultants present recommendations for improvement. The primary deficiency is not in the thoroughness of their analysis or the wisdom of their recommendations. Rather, because the changes come from the outside, they do not garner sufficient commitment from those who have to implement them.

We know of a manufacturing company that recently dismissed a re-engineering consulting firm on which it had spent \$70 million. While there were pockets of impressive, quick-hit cost reductions, the firm generated so much ill-will among the work force that the company no longer predicts long-term performance improvement.

Process improvement should be done by the people in the process, including customers and suppliers. A value added role should be played by external or internal consultants from departments such as quality, human resources, and process re-engineering. But that role does not entail doing the analysis and redesign. It means providing tools and guidance to the people who work in the process and who will have to live with the changes.

The largest cause of short comings in a process improve effort is top management's failure to play an active role. "Top management" includes a "sponsor" or "owner" who can make things happen, and a "steering team" comprised of the department or region chiefs touched by the process. Their role is: to provide a strategy that guides the overall process improvement effort; to set the direction for each project; to guide the team at key junctures; to remove obstacles; to approve reasonable recommendations; and to manage the changes' implementation.

We can talk about "empowerment" all we like. However, in an organization such as Dow, no meaningful change will occur without the active participation of functional, regional, and product-line management. If you're not prepared to play an active role, don't invest in process redesign.

### ***Sin No. 3: Process improvement teams are not given a clear, appropriate charter and are not held accountable for fulfilling that charter.***

Let's say you have a process improvement team staffed with highly motivated people at the right levels from the right departments and geographical areas. That's a good start. However, if they do not have a clear sense of their assignment's direction and boundaries, they will flounder, lose their energy, and fail to meet expectations.

A key part of top management's role is to ensure that each "design-team" member understands the answers to these questions:

- What is the driving issue and why has it been selected? (Why are we here?)
- What are the specific project/process goals? (What constitutes success?)
- What is our role and that of others involved in the effort? (Why has each of us been selected? Are we analysts? Recommenders? Implementers?)
- What are the deliverables? (New work flows? Benchmarking information? Action plans? Cost-benefit analysis?)
- What are the boundaries of the process we are to improve? (Where does it begin and end?)
- What, if any, are the constraints? (What is "off-limits"?)
- What is the deadline? What is the schedule? How much time are we expected to spend on this effort?
- What happens to our "regular jobs" while we're doing this project?
- How will we be rewarded for our contribution? (What's in it for us?)

If you have sponsored a team that is listless, is achieving only modest results, or has spent more than six months and hasn't yet delivered a set of recommended process improvements, it may be because it doesn't have a charter that approximately answers these questions. And that's your fault.

Having established the charter, top management must maintain the pressure for results. At Dow, we emphasize rational problem solving and "managing by fact." In general, the approach has served us well. However, excessive analysis can paralyze a process improvement effort, because there's always an additional piece of information that can be gathered or an additional level of root cause that can be unearthed. At some point, the sponsors of an improvement effort have to make it clear that it's time to move on.

If you're not prepared to provide clear direction to process improvement teams and "hold their feet to the fire," don't be disappointed in their results.

## ***Sin No. 4: The top management team thinks if it's not "nuking" the existing organization ("re - engineering"), it's not making significant improvements.***

During the last two years, the concept of process re-engineering proponents suggest a fundamental, clean-sheet look at how we work. So far, so good. However, re-engineering often has been equated with reorganizing downsizing, or installing new computer systems. Our experience suggests:

- In itself, reorganization rarely improves performance.  
Restructuring who reports to whom should follow restructuring how we work. However, improved work processes don't necessarily require structural changes. Indeed, the more you focus on the process, the less important organizational structure becomes. We can't estimate the financial and psychological cost of America's obsession with annual reorganization, but we are confident that the number would be sobering.
- The down-sizing mania sweeping business is close to the flash point. Clearly, globally competitive markets demand that we eliminate the waste we could hide in the past. However, too many companies are using re-engineering the same way they used quality as a back office waste reduction tool rather than as a weapon to gain competitive advantage. Down-sizing should not be a badge of honor. The most successful process improvement efforts enable companies to maintain or grow staff to keep pace with the increased demand they created.
- Automation often forms part of the solution, but it is rarely *the* solution. Fix processes first; then talk about computers.

In addition, we don't think radical change is necessarily healthier than incremental change. Some processes require radical redesign or even re-creation; others do not. The critical business issues ought to determine how revolutionary the change should be. An analysis of our current processes can offer significant insights into the design of our future processes.

Dow-Europe's top managers sat through a pitch by some process re-engineering advocates. Their response was, "Who are these people to tell us how messed up we are and how we ought to throw out everything we've built over the years? We know we have to make significant improvements in quality and cost. However, we're a successful company, and even though we have a long way to go, we think we're doing a lot right. Rather than tearing it down, we'd like to build on it."

Don't measure the success of process-improvement efforts in terms of how many boxes were changed on the organization chart, how many heads were cut, how much was spent on automation, or how different things are. Measure success in terms of the degree to which you use process improvement as a tool to resolve issues and achieve strategy.

If you're not prepared for some in the trenches changes, as well as for the breakthroughs that hit the newspapers, don't be discouraged with the small number of "wins" and the time between them.

## ***Sin No 5: Process designers don't sufficiently consider how the changes will affect the people who have to work in the new process.***

Too often, process redesigners follow the "field of dreams" approach—" build an intelligent process...and they will come." Our experience indicates that rarely happens. People don't automatically fall in line with even a brilliantly designed process.

A new process must be "sanity-checked" against the abilities of the people who will be affected. An industrial gases company, designed a new financial reporting process that was a work of truth and beauty. The non-value added steps were eliminated. Work that had been done in series would be done in parallel. Automation would speed the flow. However, the designers uncovered one problem: There were no people in this company or elsewhere who could carry out the steps. The company had to adjust its process to accommodate the real world of human capabilities.

Once the process has been determined to be "do-able," people in the new process, and those who manage them, need to understand:

- How their jobs are going to change. Will they be expected to use a computer? To complete a different form? To be a member of a team? To make decisions?
- How their measures/goals are going to change. Will they now be measured on customer satisfaction? On how well they function on a team? One performance against budget?

The designers and implementers of the new process must identify how factors in the "Human Performance System" resources, tools, training, feedback, and rewards need to change to support the new process. If a new behavior is expected, it must be supported. For example, to perform effectively in a redesigned distribution process, distribution managers need: daily information on orders, inventories, and letters of credit status; training in new procedures; access to computer expertise; and rewards for how well they interacted with the sales, manufacturing, and finance departments, not just on how well they performed tasks in their "silos."

If you're not prepared to make changes in jobs and job environments, don't waste people's time improving work flows.

## ***Sin No. 6: The organization focuses more on redesign than implementation.***

Process redesign is all academic until implementation. The investment in creating the changes pales in comparison with the calendar time, the management time, and the resources required for successful implementation of those changes.

Top management has been defined as a group of people who suffer from "Attention Span Deficit Disorder." When overseeing the implementation of process improvements, this disease needs to be in remission. You and the other members of your top management

team must remain focused during the time it takes to install the redesign. For a complex process, implementation often lasts nine to 18 months.

If you visit the executive suite of a telecommunications company we know, you will see a 3-by-6 cardboard poster. It's a bank check in the amount of \$1.3 billion made out to the company. In the "Memo" section, it states "Process re-engineering restructuring charges." It's signed by "The Stockholders." That check helps to keep those executives focused and committed to the changes.

Implementation requires equipping the organization to absorb the change; appointing an implementation leader; establishing detailed action plans; defining roles and rewards for a set of people that is often six to 10 times greater than the number involved in the design; and project managing an effort that can be as large as launching a new product or entering a new market.

Implementation usually includes changes to policies, forms, computer systems, job descriptions, and rewards.

The bottom line: If you're not prepared to scramble some eggs, don't ask people to design an omelet

## ***Sin No 7: Teams fail to leave behind a measurement system and other parts of the infrastructure necessary for continuous process improvement.***

If an organization doesn't move from process improvement (projects) to process management (continuous improvement), it has engaged in some needed problem solving but has not realized the potential return on its investment.

We cannot lay the blame for this sin at the feet of the worker-level design teams. If they have not created vehicles for continuous improvement of the redesigned process, it's probably because the effort's sponsors didn't communicate that expectation.

Process management must rest on a foundation of measures. These ensure that department goals serve the greater good of cross-functional process effectiveness; that they reflect both customer and financial needs at the end of the process and upstream; and that they represent the "critical few" meters of process health that should be on the management instrument panel. If your design teams create a new process but do not develop a set of measures to go with it, they haven't done the full job.

Once measures have been established, management must monitor performance against them and use this information as the basis for decision making, problem identification, feedback, and rewards. Installing a process-based measurement system isn't easy. However, there's no more potent tool for continuous improvement. And an effective set of process measures provides the link between your overall organization measures (e.g., return on earnings and market share) and the measures of individuals and teams.

In addition to measures, process management usually requires each key process to have a senior level "owner." At Dow, we have identified our eight most critical company-wide processes and designated a "global champion" for each. These executives are expected to monitor, report on, and troubleshoot process performance; to coordinate process improvement efforts; and to share "best practices across product lines and geographic areas.

Process management also can be buttressed by forming permanent process teams, conducting formal process reviews, planning/budgeting by process, and, in some instances, organizing by process.

The question is: How are we going to ensure that we don't lose focus on this process we've just (re) designed? A local telephone company answered this question in a powerful way. It was proud of the gains it had made in six or seven years of process improvement projects, but was concerned that it wasn't yet "managing by process" on a daily basis. The top management team concluded that the strongest signal it sent was the way it measured and paid people. That company now pays bonuses to all employees from top management to unionized firing-line workers based on the performance of the processes in which they work. They've installed a rock solid basis for continuous process improvement.

If you're not prepared to continuously manage processes, don't be surprised if you're asked to continuously fund large scale ad hoc process improvement projects.

In most companies, the chief executive no longer asks, "What is process improvement?" or "Why should I improve my processes?" Today, he or she asks, "How can I increase the return on my process improvement investment?" We believe a large part of the answer is, "By avoiding these deadly sins."