

Three Levels of Process Improvement

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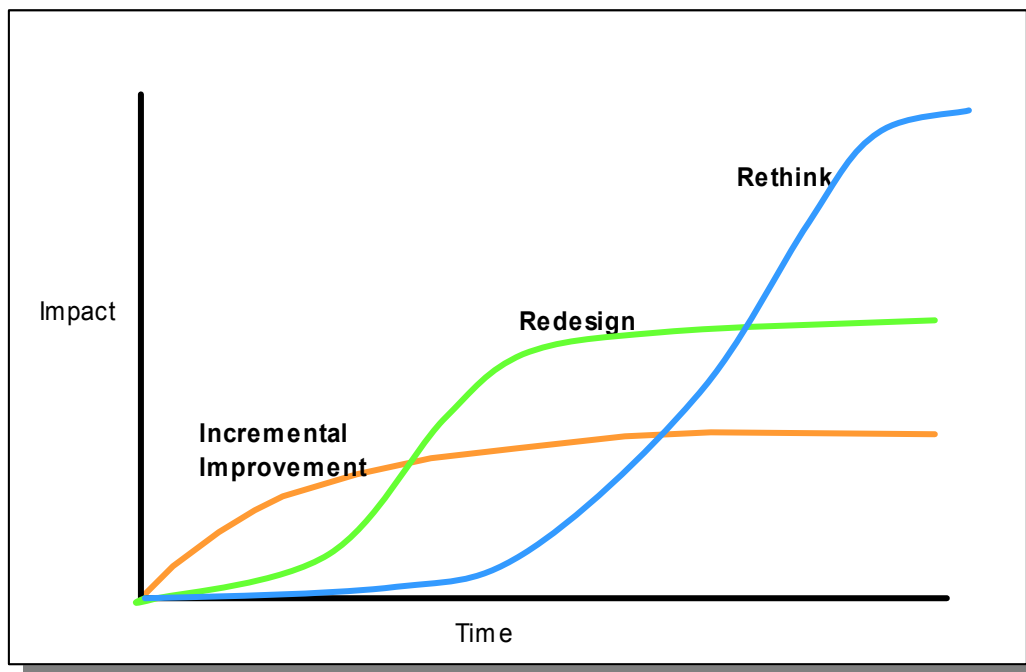
Overview

“Be careful, you might get what you wish for,” or so the saying goes. The same applies to a business process improvement effort. Looked at simplistically, if you organize and approach the project with a minimal set of resources, constrain the time, and apply modest tools, you will achieve a modest impact on the business process. Alternatively, if you apply your best resources, allow sufficient time, and employ more powerful tools, a greater level of improvement in the process is possible. The lesson is this: Understand the level of improvement needed, be sure that everyone has the same set of expectations, and utilize the appropriate approach that can get you there.

The Three Levels

There are probably as many different approaches to business process improvement as there are improvement projects. That is understandable, given the need to match the uniqueness of each organization and improvement situation with the project plan. Factors that will vary with each project include the numbers and types of resources on the project team and each team member’s level of dedication (i.e., full time, part time), the overall organization and oversight of the effort, the size of the project scope, the tools and techniques employed, the elapsed time allocated to the effort, and so on. One size does not fill all.

Nevertheless, experience suggests that business process improvement efforts can be grouped into three levels:



Incremental Improvement calls for small, local teams to come together and explore how a process can be enhanced – typically addressing issues of cost, quality, or cycle time. The whole Total Quality Management (TQM) movement and its various offshoots fall into this category. Project scope is

relatively modest, perhaps addressing one or two steps in a larger process that typically takes place in one department, or perhaps involves the interface between two departments. Speeding up the time to print and mail invoices might be an incremental improvement project.

Redesign involves a more formal approach to improvement. At least some project personnel are assigned to the effort on a full time basis; the scope typically covers a large, perhaps cross-functional business process; and project oversight is embodied in a steering group of some sort, with regular progress reporting. Redesigning the Order-to-Pay process might be an example.

Rethink is the third level of process improvement. It entails a more fundamental and wide-ranging examination of processes in a major segment of the business that might, for example, conclude that a process should be outsourced. A more complex project organization is needed that includes specialized sub teams (technology, training), and oversight is at a more senior management level. Sometimes a process rethink is part of an overall organizational transformation effort. Rethinking the entire customer management, sales, and marketing activities might be an example.

As depicted in the diagram, each of these levels has a different profile with respect to elapsed time and impact on the process. An incremental improvement approach will typically produce an improvement fairly quickly, but the magnitude of the impact will be... well, "incremental." Some managers question this and point out that it is possible to find a big payoff from a modest effort – Yes, it is indeed possible, but very unlikely; if such a "low hanging fruit" were present, it would have already been picked.

A redesign approach will require more time and effort than an incremental one, but the outcome will be greater – in terms of cost reduction, cycle time reduction, customer satisfaction improvement – whatever benefits are being sought. Similarly, a rethink will yield the greatest levels of improvement, but will require more time (for the analysis, the improvement design, and, particularly, the implementation) as well as more resources, investments in technology, and so on.

Each of these levels of improvement has its place, and the idea is to match the approach with the circumstances. If a process is working reasonably well and needs some tweaking, then incremental improvement is the way to go. More significant improvements, to a broken process, will require a redesign. If you need to transform the organization to a completely new level of performance, then a rethink is in order. Also note that while you can have many incremental improvements going on continuously, you might only do 2-3 redesigns a year, with a rethink every 3-5 years.

At this point you might think that these three levels are just points on a continuum of project size and scope – increasing resources, increasing elapsed time, and so on. Moreover, many of the tools and techniques used in the incremental improvement level – based on the fundamentals of TQM, such as process mapping, root cause analysis, pareto analysis, and so forth – are also employed in the other two levels. While there is truth to this view, there are also very important differences *in principle* among the three levels, and appreciating these differences can have a huge impact on the success of a process improvement undertaking.

Managing Expectations

The most significant difference among the three levels has to do with the expectations that management has regarding the outcome of the project. Promising major benefits from an incremental improvement effort is almost sure to disappoint – that much is clear – and delivering only incremental improvements from a redesign is not a career-enhancing move either. So you need to fully understand management's expectations and be sure the project scope, resources, and elapsed time are sufficient to produce those results. Presenting and discussing the above diagram with the management sponsors of the effort is an excellent way to help manage expectations.

The real challenge in setting expectations is at the rethink level. Yes, scope, resources, and time needed will be that much greater. But what must be understood is the degree of organizational

change that will be needed in order to achieve the results. If management is not expecting this level of change, a crisis is sure to develop at some point in the project. Here is a scenario that I have seen all too often:

Management expects major improvements, puts a project team in place with the appropriate resources, and challenges them to “think outside the box” (a clue for a rethink). The team gets excited, works long hours, and comes up with some great rethink concepts that will produce the needed benefits. The new concepts will require reorganizing some divisions of the company, changing the way sales people are compensated, and shutting down certain geographical locations. When presented to management, their reaction is “We didn’t expect you would come up with that; we can’t do that.” What a way to turn off the team! Crisis time.

In a rethink, and in some redesigns as well, it is critical to set management expectations right up front for both the improvements desired and for the range of acceptable solutions (also known as finding the sacred cows). If management wants substantial improvements, but is unwilling to accept substantial change, watch out.

Managing Change

Incremental improvements are not likely to require much in the way of formalized change management. The scope of change is localized; job content might be altered, workflow may be improved, but the people impact is minimal. In a redesign, job content is likely to be changed more substantially. Training has to be considered during implementation. Performance measurement and reward systems will be impacted. This means that as part of the implementation plan, a formal change management program will be required. This might entail communicating the scope of change to those affected, conducting presentations with Q&A sessions, and so on.

In a rethink, change management needs to be part of the project from day 1. More people will be involved in the project, and even more will be affected. Since the elapsed time for a rethink may be 6 months and longer, uncertainty, confusion, and concern will have an impact on all employees. A communication strategy needs to be put in place to ensure employees are aware of why change is needed and what they can expect; the communications need to be two-way. While at least one person with a great deal of training and experience in change management should be part of the core team, all members of the project team need training so they can make it part of their everyday work. And, of course, senior management has a role to play in communicating their vision of the future.

Managing the Team

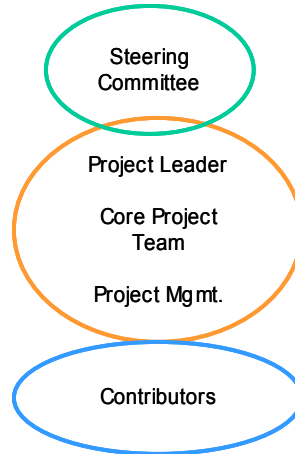
Even beyond the numbers of people who are on the project team, and for how long, there are important differences in the structure and makeup of an incremental improvement, redesign, or rethink project. An incremental improvement project can be run quite informally; redesigns and rethinks will require a more formal project structure with specific roles and responsibilities and a project plan.

Typically, an incremental improvement project will be self-directed, with any management approval and guidance provided by a single mid-level manager. Part time employees who meet periodically to work on the project provide most of the effort; no formal budget is needed. The project structure might look like this:

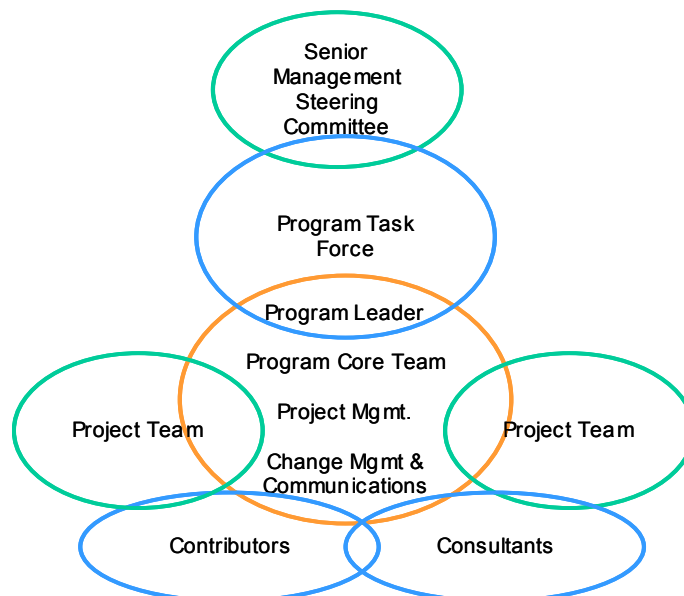


In a redesign project, a more formal structure is called for. A steering committee is put in place to guide the effort and receive the recommendations (especially if the scope crosses organizational or functional boundaries). At least some members of the core team are full time, and there is a designated project leader. Again, depending on scope and complexity, a formal project management role might be established to maintain the project schedule, control project documents, maintain meeting minutes, and the like. Redesign projects will typically need to reach out to other “contributors” who provide inputs to the project for a limited time period.

The project structure for a redesign might look like this:



Finally, a rethink effort might best be thought of as a “program,” from a structural viewpoint. The Steering Committee will need to be drawn from senior management (frequently the entire senior management team performs this role). In addition, it is often useful to put a Program Task Force in place to review findings and provide guidance on a regular basis, prior to presentation to senior management. “Program Management” and integration is done by a core team, with the detailed rethink work carried out by project teams with specific scopes; members of the core team overlap as leaders of these projects. A full time project management role is a must, as is someone devoted to change management and communications. And while an independent consultant may also be useful in a redesign, having someone that has been through a large rethink previously, and can bring a fresh perspective, adds immeasurably to the success of the effort.



Conclusion

Be sure to match the approach to process improvement with expectations for the outcome. Rarely do significant improvements result from tweaking. Thinking about the different approaches in three distinct levels – incremental improvement, redesign, and rethink – can help formulate the right approach. Discussing the three levels and their implications with management can help set expectations to minimize surprises down the road.

The chart below summarizes some typical differences among the three levels.

	Incremental Improvement	Redesign	Rethink
Project duration	2-8 weeks	2-6 months	6-12 months
Impact/ Outcome	Modest improvement to part of an existing process	Significant but evolutionary improvement to an entire business process	Major re-conceptualization/ transformation of a large segment of the business.
Project team	2-4 part time self directed	2-5 full time, plus project mgmt. role; other part time contributors	4-10 full time, plus project mgmt. and change mgmt. roles, other contributors; plus independent consultant
Context	Local department	Cross functional improvement	Strategic business imperative
Project management	Informal	Formal project management	Program management
Change management	Not usually needed	Must be part of implementation	Needed from day 1
Tools and techniques	TQM	TQM plus benchmarking, best practice	TQM, benchmarking, best practice, and creative tools
Change expectations	Minor change	Significant change to part of the organization	Major change and upheaval to most of the organization
Risk of failure	Low	Modest	High

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