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**Process and Productivity**

One key to improving any process is to improve its productivity – to do more for less.

There are many different ways to improve productivity. In this Advisor, I want to approach productivity from a process perspective and see if I can provide process teams with some ideas about how to think about productivity

Let's start with a diagram of a process.



Processes take inputs and transform them into outputs. In the case of manufacturing processes, materials are transformed into products. In the case of service processes, the processes deliver services, such as online airline or hotel reservations.

**Change the product or service**

Let's start by looking at the inputs and outputs of the process. Start with inputs and consider a manufacturing process. The cost of the end product depends on the cost of materials, labor and support services required to produce the product. Can we redesign the product so that it will require less costly materials and less costly labor while still providing the same or better value to the customer? Automobile companies have substituted plastics for metal in cars, making them less expensive to manufacture, and making them lighter in weight, requiring less fuel to operate. Any productivity effort that focuses on a product or service begins by asking how the product or service could be made for less - in terms of materials, labor, or time to market.

**Reduce the labor component**

Now let's look inside the process box. The biggest cost in most processes is the cost of labor. Anything that reduces the cost of labor per unit will improve the productivity of the process. For example, many US companies have been moving jobs offshore to countries where labor is cheaper.

Let's start with the direct cost of labor – how much labor is required for each unit produced. If the steps involved in production can be altered so that a person can do the same work in less time, productivity is increased. One way to accomplish this is by looking at what is done and rearranging the sequence.

Anything that will help an employee perform his or her tasks faster will increase productivity. Anything that can replace an employee will usually mean that the work can be done for less. A robot that can completely automate a task may require a significant capital investment up front, but once that investment is recouped, the cost reduction per unit can be dramatic.

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Another way to reduce costs is getting customers to do things that employees would otherwise do. For example, self service gas stations reduce or eliminate the cost of gas station attendants, just as ATM's reduce the need for bank tellers.

Automating decisions can often reduce production time and improve the quality of the outputs. Just as Taylor studied the way employees performed tasks to determine the best way to dig for coal or assemble a machine, today's business rule analysts can study how decisions are made and can frequently automate them entirely or provide automated support systems for the employee making the decision. Anything that helps employees arrive at good decisions faster improves productivity.

So far we have talked about ways to either eliminate employees or to reduce the labor costs required to perform a given task. This approach can be taken too far. I don't believe that people anywhere in the world, given appropriate training, are any more or less physically skilled or intellectually capable. Thus, as globalization continues, all employees are ultimately competing with every other group of employees, regardless of where they are located. That said, if the task requires a personal interaction with customers, local employees, familiar with the local dialect and local customs, may provide an edge that shouldn't be ignored. Outsourcing support may work in some situations, but can be detrimental in others. Robotic voices may work in subway trains or elevators, but aren't very effective in helping customers identify the right investment or resolve complex problems.

Outsourced jobs are also becoming a problem. Today, programmers in India may work for less than their American counterparts, but as time passes and the Indian software companies compete for talent, the costs of an Indian programmer will continue to rise. And, eventually, major differences in the cost of educated labor will probably be reduced significantly. At that point, whether companies continue to outsource or repatriate jobs, the key will, once again, be how long it takes and how one can support the employee to reduce the labor required per unit of output.

Nothing, however, is going to reduce the value of the human interface for certain types of jobs. For many organizations, sales and service will require cheerful, helpful, friendly people for the foreseeable future. In this case, as we suggest, the challenge will be to determine the best ways to motivate employees. In some cases, bonuses work, but in many situations, enablement, praise and recognition are just as important. And, training managers to provide motivational support for employees can be a very productive strategy.

Moving back outside the process box, many processes are constrained by management policies or regulations. Within the constraints of safety, anything that can be done to simplify enforcement of regulations and policies can improve productivity.

I remember working for a large corporation on a procurement process. At the start of the process we uncovered a variety of rules that required double checks and triplicate applications. A study revealed that many of these rules derived from cases of petty theft. Financial managers had put the rules in place to assure that the thefts stopped. A quick financial analysis showed that the cost of implementing the regulation was far greater than the losses generated from the petty thefts. In this case, however, financial logic was opposed by a moral conviction that employees ought never to be allowed to get away with theft. These types of policy decision are not always easy to make but it is important to understand the impact of the policies and regulations in order to make an informed decision

Subtler issues involve training considerations. It's well known that if you train an employee in a task they are not likely to use for a long period of time, or that they perform infrequently, they are unlikely to remember how to perform the task correctly. It's best to train employees just before the skill or knowledge is to be used. And, whenever possible, it's better to use checklists or job aids rather than relying on the employee's memory. Most organizations could eliminate

much of their training and/or make it more efficient if they followed better training practices. And, of course, training and especially training that doesn't produce the desired result, increases the cost of labor and reduces productivity.

Productivity is a key to organizational success. Constantly working to improve the productivity of processes ought to be one of the major concerns of managers throughout any organization. Productivity is a direct result of how the processes of the organization are structured. That structure includes not only the steps in the tasks, but the design of the products and services, the quality of the support the employees are given, the quality of resources and automation, and the skills of the process managers. The heart of any productivity improvement effort is ultimately process analysis followed by process improvement.

Till next time,

Paul Harmon

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