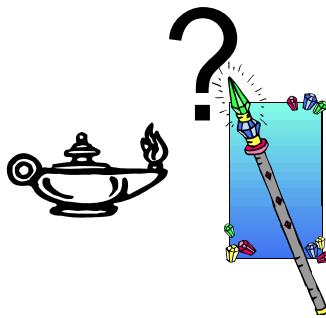# Business Process Improvement

The Challenge

Oleh :
Ir. I Gede Made Karma, MT

Do you believe in Miracles

RESULTS

(For Instance)

MagneTek - Blytheville, Arkansas

- Double Digit Operating Profit
- Reduced Scrap - 50%
- Reduced Rework - 30%
- Reduced Inventory - 70%
- Doubled Inventory Turns
- Safety Improved - 30%
- Employee Morale - All Time High

But --- It Doesn't Always Happen That Way!!!!

- 40% of Top Executives say they are not satisfied with ROI
- Many Organizations revert back to the old ways
- "We tried that – it did not work"
- Resistance to change
- "We got the big part – why continue?"

The Challenge

To Be The Very Best That We Can Be!

Organizational Needs
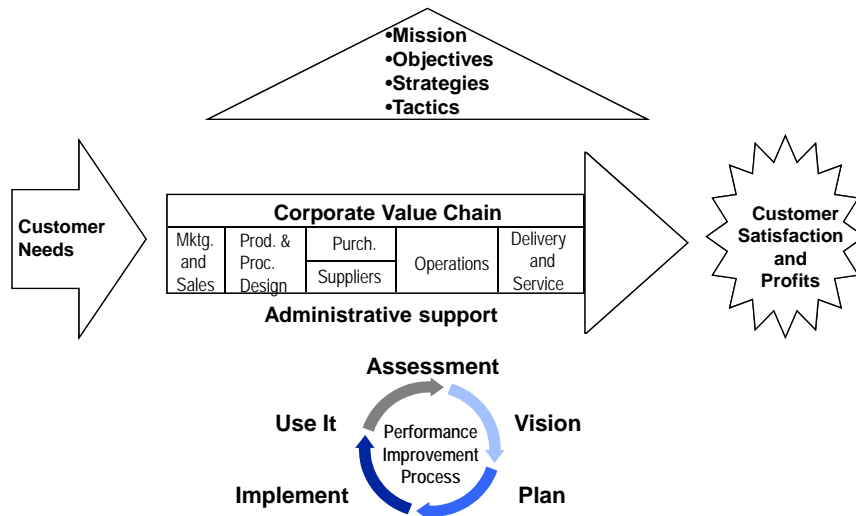
- Fast
- Flexible
- Productive
- Profitable

And ....

Exceed Customer Expectations

So What Does It Take?

- Big Picture
- Vision
- Commitment
- Structured Approach
- Persistence
- RESULTS!!!
- Recognition & Reward

The BIG Picture

•Mission
•Objectives
•Strategies
•Tactics

Customer Needs →

Corporate Value Chain

Mktg. and Sales	Prod. & Proc. Design	Purch.		Delivery and Service
		Suppliers	Operations	

Administrative support

→ **Customer Satisfaction and Profits**

Assessment

Use It — Performance Improvement Process — **Vision**

Implement — **Plan**

The Performance Improvement Process

- Where are we now? (Assessment)
- Where do we want to be? (Visions)
- How do we get there? (Plans)
- Start the journey. (Implement Changes)
  - Process Development/Education/Implementation
- Go! (Use it)
  - Set Goals/Use Technology/Refine Process
- Measure. (RESULTS)

Performance Improvement System

Leadership

Assess, Vision & Plan

Performance Improvement Systems & Technology

Results
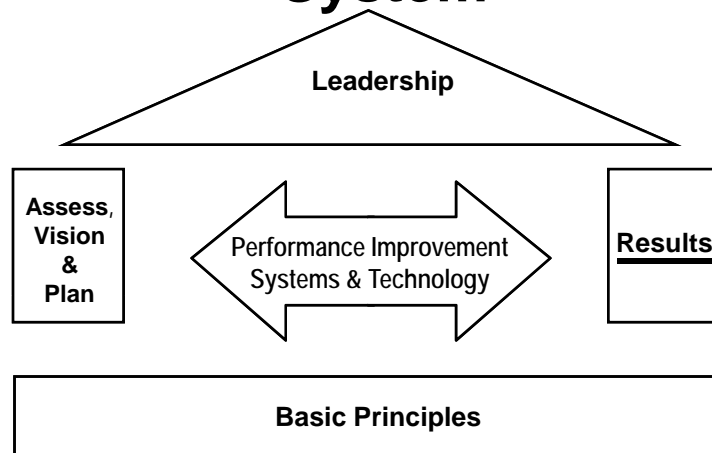
Basic Principles

Performance Improvement System - Basic Principles
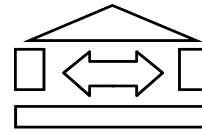
1. **Quantify Quality**	**vs.**	"I Know It When I See It"
2. **Work Process Focus**	**vs.**	Product Focus
3. **Customer Satisfaction Driven**	**vs.**	"We Know More Than They Do"
4. **Supplier Partnerships**	**vs.**	Adversarial Relationships
5. **Prevention Mentality**	**vs.**	Reaction
6. **Error Free Attitude**	**vs.**	"That's Good Enough"
7. **Manage By Facts**	**vs.**	Management By Intuition
8. **Teamwork**	**vs.**	Theory X
9. **Total Involvement**	**vs.**	"Quality Is Someone Else's Problem"
10. **Company-wide Results**	**vs.**	Fad Surfing

Assessment
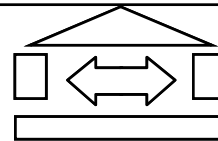
- Surveys
  - People
  - Customers
  - Suppliers
- Focus Teams
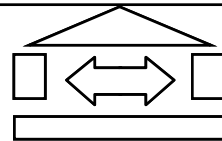- Executive Interviews
- Financial Performance

VISION
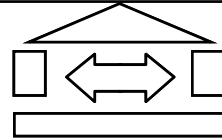
Vision without action is just a dream.
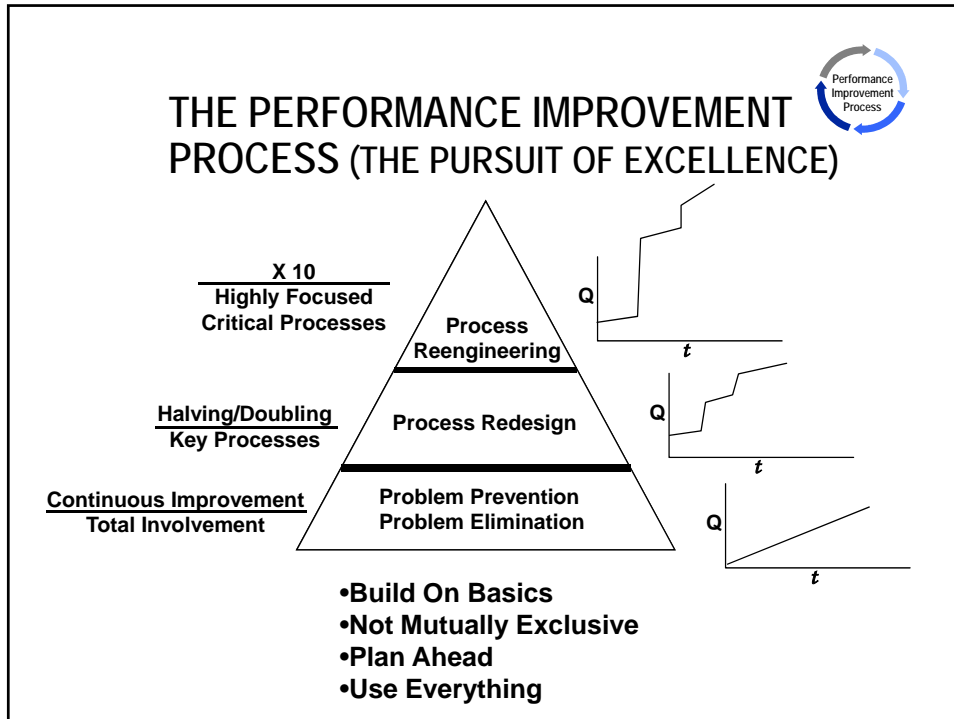
Action without vision is a waste of time.

Vision with Action -- The impossible becomes reality.

Vision
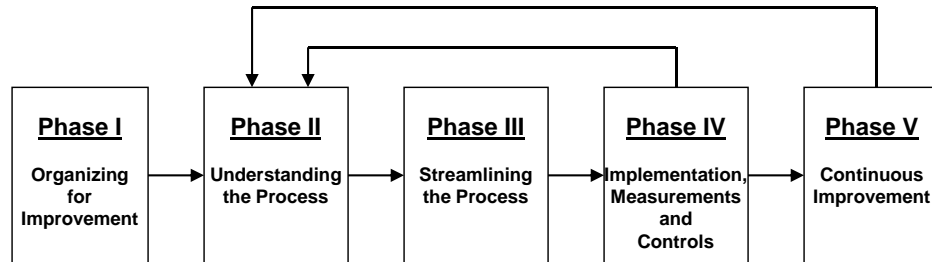
- Futurist Mentality
- Beyond Five Years
- Key Performance Indicators
- Support the Mission
- Challenging But Believable (barely)

THE PERFORMANCE IMPROVEMENT PROCESS (THE PURSUIT OF EXCELLENCE)

X 10
**Highly Focused
Critical Processes**

**Process
Reengineering**

**Halving/Doubling
Key Processes**

Process Redesign

**Continuous Improvement
Total Involvement**

**Problem Prevention
Problem Elimination**

•**Build On Basics**
•**Not Mutually Exclusive**
•**Plan Ahead**
•**Use Everything**

Set Objectives

- Long Term and Short Term
- Organization Objects – Five or Six
- Clearly Defined
- Measurable
- Understood By All

The Five Phases of the BPI Methodology

Phase I	Phase II	Phase III	Phase IV	Phase V
Organizing for Improvement	Understanding the Process	Streamlining the Process	Implementation, Measurements and Controls	Continuous Improvement

G_x33

Critical To Success

- Teamwork
- Process Model Approach
- Voice of the Customer
- Cost
- Cycle Time
- Alignment
- *RESULTS*

TEAMWORK

"Companies that empower employees as part of their overall total Quality Management effort are twice as likely to report significant product and service improvement"
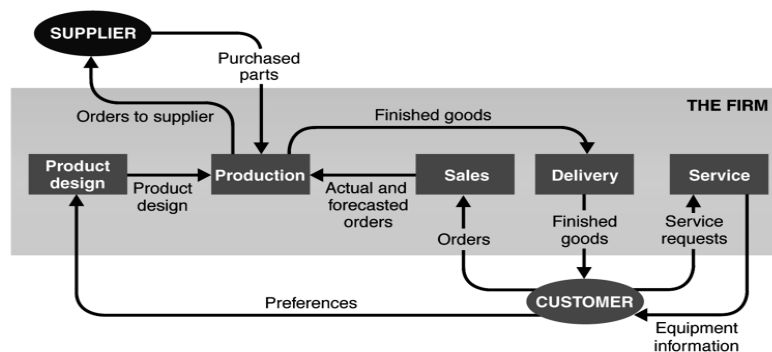
MAPI and The Wyatt Co., 1994
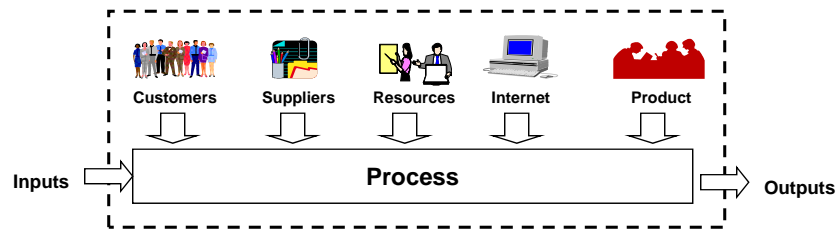
(Same for Profits)

The BIG Picture

Reviewing the organization as one system from suppliers through customers
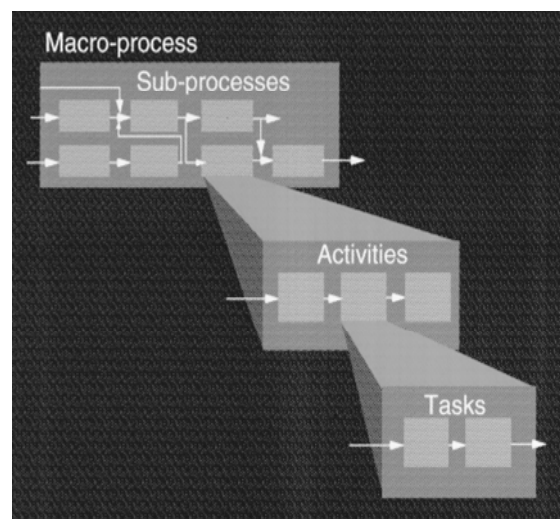
✸Process definition
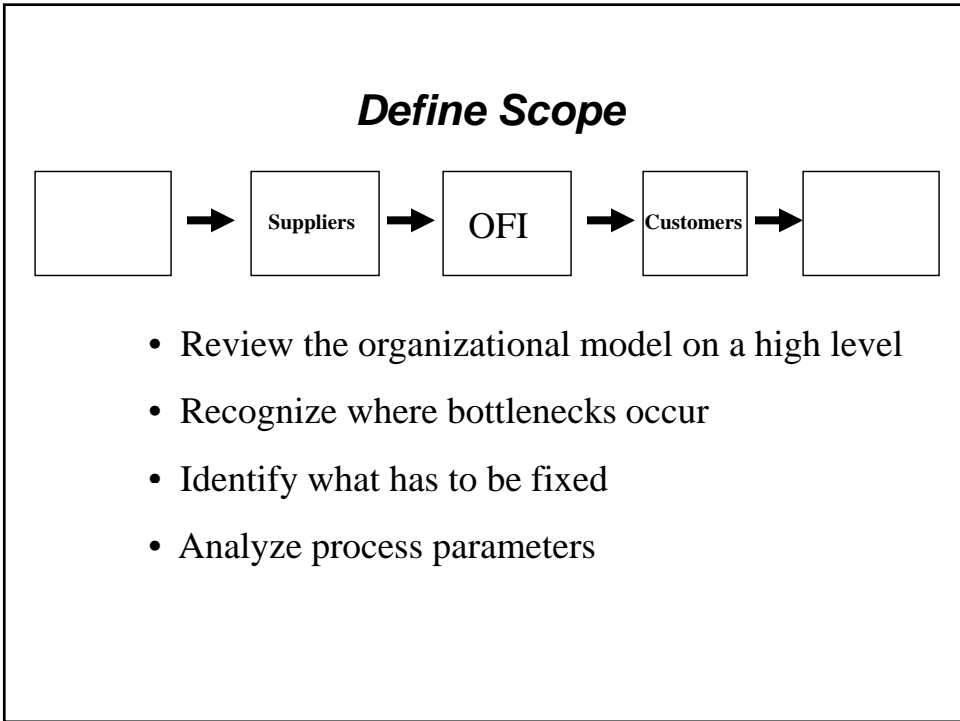
A process is a set of actions that take inputs,

and then add value to provide desirable outputs.

Customers	Suppliers	Resources	Internet	Product

Inputs ⟹ | **Process** | ⟹ **Outputs**

Process Hierarchy

Macro-process
Sub-processes
Activities
Tasks

G_x16

Process Model

Supplier(s)	Reqmts	Process	Reqmts	Customer(s)

Requirements   Requirements

_____   _____

_____   _____

_____   _____

Define Scope

	→	Suppliers	→	OFI	→	Customers	→	

- Review the organizational model on a high level
- Recognize where bottlenecks occur
- Identify what has to be fixed
- Analyze process parameters

SIPOC

$$\boxed{S} - \boxed{I} - \boxed{P} - \boxed{O} - \boxed{C}$$

Suppliers *Input* *Process* *Output* *Customers*

- *Process model*
- *Applicable to both product & service organizations*
- *Takes inputs from suppliers*
- *Adds value to input through processes*
- *Provides output to customers*
- *If output does not meet customer requirements output should change*

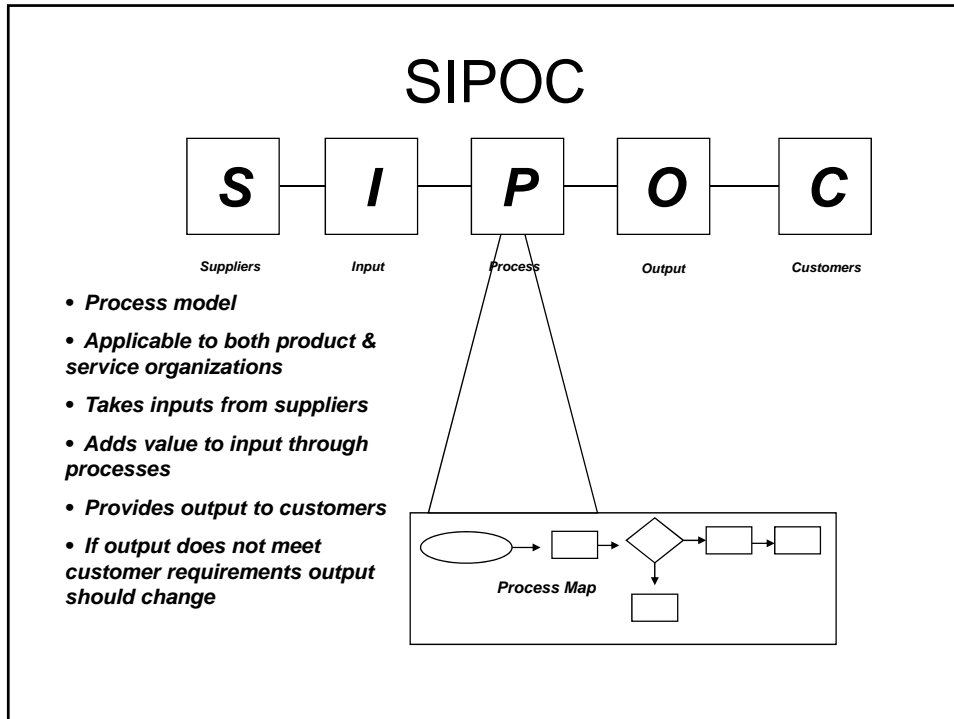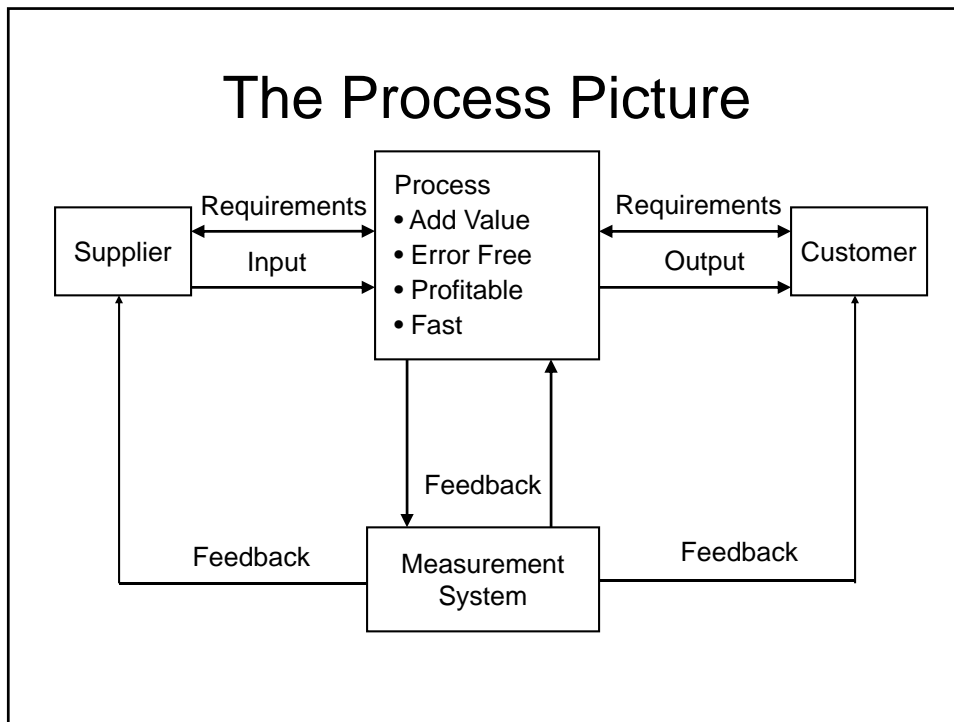*Process Map*

However
The Real Key To Success

- Who are the customers?
- What are their requirements?
- What will we Jointly agree to provide?

The Process Picture

```
                    Process
  Requirements      • Add Value      Requirements
┌──────────┐       • Error Free     ┌──────────┐
│ Supplier │       • Profitable     │ Customer │
└──────────┘ Input • Fast    Output └──────────┘
                                 
              Feedback
                    ┌──────────────┐
   Feedback         │ Measurement  │    Feedback
                    │   System     │
                    └──────────────┘
```

Different types of customer requirements

Kano Model

if the requirement is absent it does not cause dissatisfaction, but it will delight clients if present - "camera options"

Satisfaction

+

One-Dimensional

The more requirements are met the more one is satisfied

Delighters

Service Dysfunctions -

+ **Service Fully Functions**

Must Be

less satisfied when the product or service is less functional, but cannot increase satisfaction substantially if operational - "up-time"
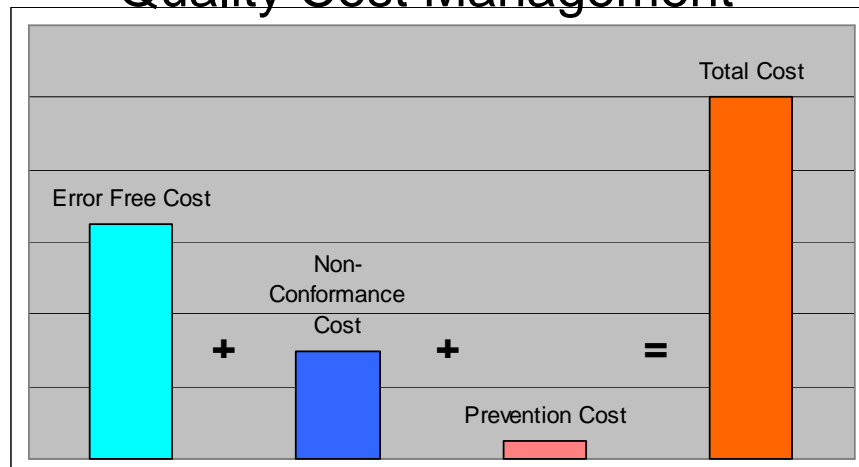
-

Dissatisfaction

Error Free Mentality

Quality is:

Conformance to Customer Requirements

- Eliminate
- Prevent
- "Zero Defects"
- Journey

Quality Cost Management

Error Free Cost **+** Non-Conformance Cost **+** Prevention Cost **=** Total Cost
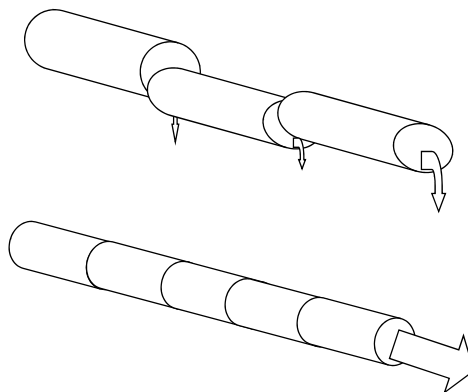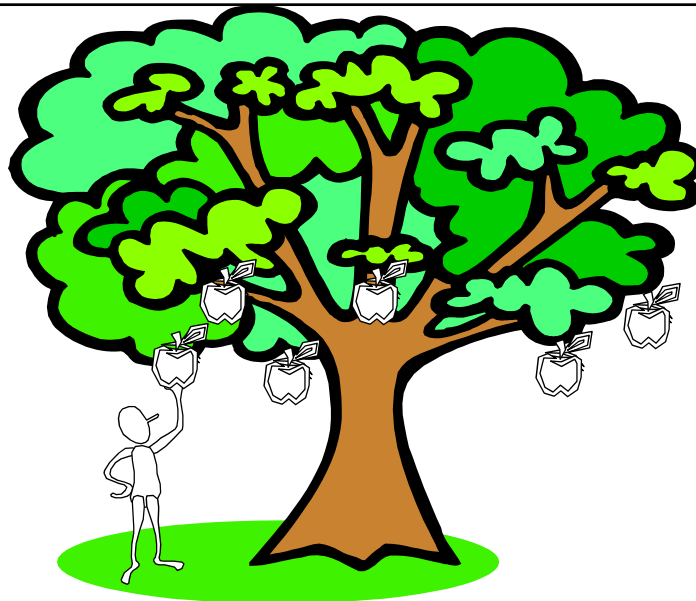
Focus On Cycle Time
(Speed)

- Benefits
  - Reduced WIP
  - Reduced Overhead Per Unit Production
  - Improved On-time Delivery
  - Increased Throughput (Capacity)
- "The Goal" (Theory of Constraints)
  - Remove the bottleneck
  - Remove the next one

Alignment

Rapid Breakthrough Methods

Pick Low Hanging Fruit

FAST

Fast Action Solution Teams

FAST

- Designed to pick low hanging fruit

- Solutions in 1 to 2 days

- Solutions that the team can implement in the next 90 days

- Applies to process, sub processes, sub/sub processes

- Must have a management sponsor

QUICK HITTERS

- Systems Assessment, Feedback & Recommendations
- COQ Assessment, Feedback & Recommendations
- "As Is" Process Mapping
- "Should Be" Process Mapping
- Process Redesign
- Process Reengineering

HIT
High Impact Team

High Impact Team (HIT)

- 8-15 people full time for 2 weeks

- Daily reviews with Management

HIT - Tools

- Just-in-time

- Work Flow Analysis

- Real Life Simulation (Modeling)

- Process Mapping

- Time and Motion Studies

- Error-Proofing

- Visual Control Systems

IBM's Communication Network - 33 Countries

12 Month result

- 3X improvement in response time

- Availability up from 86% to 95%

R_9

Federal Mogul

Enterprise

Reduced development process
from 20 weeks to approximately
20 business days, resulting in a
75% reduction in throughput time

Prudential Insurance Company
(8 months)

- Clerical errors down 90%

- Productivity up 32%

- Processing time down 20%

## PERFORMANCE IMPROVEMENT PROCESS - RESULTS

(GAO Analysis)

- **Problems Solved Per Employee** up 16% per year
- **Product/Service Reliability** up 11% per year
- **Cycle Times** down 6% to 12% per year
- **Errors** down 10% per year
- **Inventory Turns** up 7% per year
- **COQ** down 9% per year
- **Customer Complaints** down 11% per year
- **Market Share** up 13% per year

WHY?

We owe it to ourselves

To Be The Very Best That We Can Be!

Do you believe in Miracles
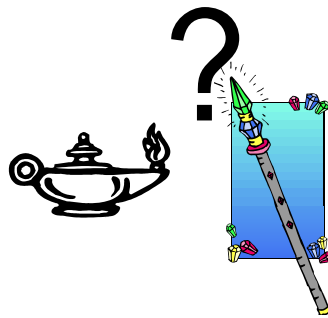
Everyday in Africa a gazelle wakes up knowing that he must be the fastest gazelle or he will be eaten by a lion.

Everyday in Africa a lion wakes up knowing that he must be the fastest lion or he will starve.

It doesn't matter if you are a lion or gazelle. When you wake up you better be running!!!

GO FOR IT!