

# Business Process Improvement

2013 Consulting Conference – Course 71110



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## Your Instructor

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  - Partner
  - Northeast Region
  - Boston, MA



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# Agenda

Topic
Today's Objective – Process Improvement
The 'Basics'
Modes of Performance Improvement
Roles & Responsibilities for Process Improvement Team
Overview of McGladrey's Process Improvement Methodology
Phases & Stages of McGladrey's Process Improvement Methodology
Integrated Case Studies 1, 2 & 3 (Yes we have a Test)



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## Process Innovation (PI) – Today's Objective

### Today's Objective

- Train participants on how to recognize and facilitate a process improvement initiative.
- Help participants learn to identify opportunities for process improvement and to develop and implement measurable improvement actions that will reduce cycle time, costs, and errors, thereby increasing quality/customer satisfaction.

### Who will Benefit?

- Someone who will be leading a process improvement initiative.
- Someone who needs to understand process improvement to identify process improvement opportunities.
- Someone who will be selling and/or performing process improvement.
- Teams that need to improve their internal McGladrey work process.



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## Process Measurements – The Basics

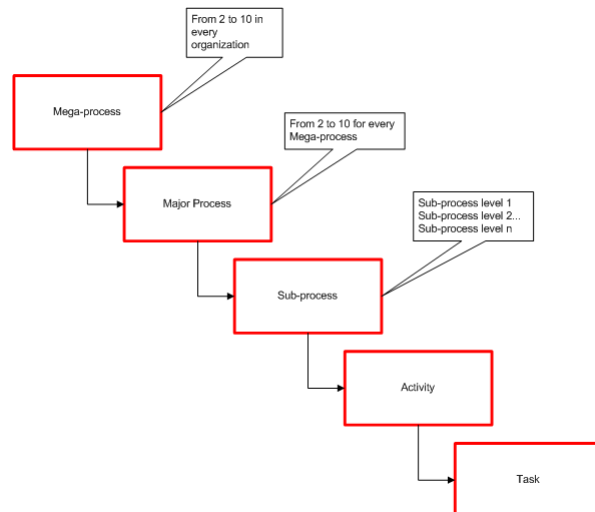
### ■ What Gets Measured Gets Done!

- Measurements are critical to assess improvements over time
  - **Input Measures** - Assess how well your supplier is meeting your requirements
  - **In-Process Measures** – Indicate how well the process is performing
  - **Result Measures** – Indicates how your process did in meeting customer needs



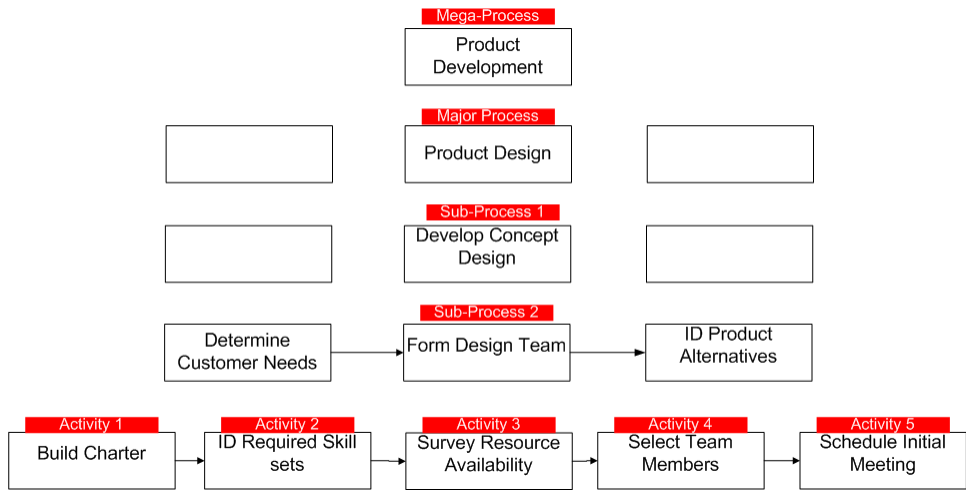
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## Process Decomposition – The Basics



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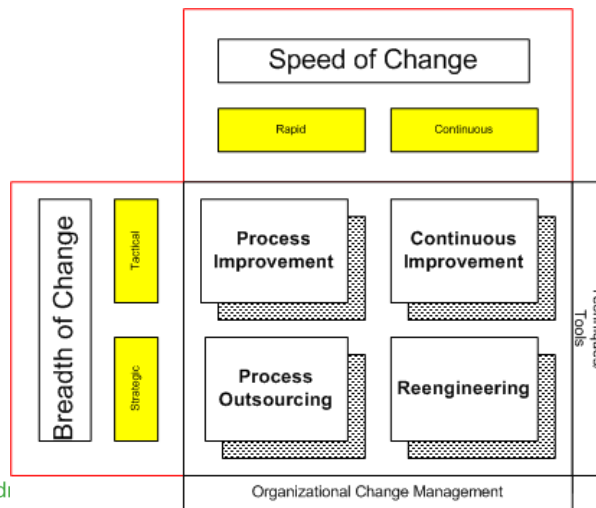
# Process Decomposition Example – The Basics



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# Modes of Performance Improvement (PI)

Is Process Improvement the right Technique?



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# Modes of PI

<i>Process Improvement</i>	<i>Continuous Improvement</i>	<i>Process Outsourcing</i>	<i>Process Reengineering</i>
<b>Incrementally improve the current state</b>	Continued, incremental improvement to the current state	Move process and all associated work to a 3 <sup>rd</sup> party that has a <b>strong solution</b>	'Blank Sheet' thinking leading to order of magnitude improvement
<b>Existing process driven</b>	Existing process driven	Driven by one move to a 3 <sup>rd</sup> party	Vision driven
<b>1-2 month assessment</b>	Series of quick improvements over time	<2 month assessment with immediate results	3-6 month visioning and 3-36 month implementation
<b>1-12 month results</b>			
<b>20% improvements</b>	<1% - 10% improvements over time	20-50% cost reduction	50+% improvements
<b>Tactical</b>	Tactical	Strategic	Strategic
<b>Low resistance to change</b>	Low resistance to change	High resistance to change but usually driven by 'burning platform'	High resistance to change
<b>Low cost &amp; returns</b>	Low cost & returns	Low cost & potentially large returns	High cost & returns
<b>Low dependence on technology – systems may be modified</b>	Low dependence on technology – systems may be modified	High dependence on technology – current systems will be replaced by the 3 <sup>rd</sup> party	High dependence on technology – systems will generally be created
<b>Requires basic communications</b>	Requires basic communications	Requires extensive communications until changes are implemented	Requires an orchestrated program of communication
<b>Sub-process/Major Process oriented involving multiple functional areas</b>	Sub-process oriented usually involving 1-2 primary functional areas	Broad, cross functional major/mega processes	Broad, cross functional major/mega processes
<b>Future state communicated through detailed process maps</b>	Changes communicated on an ongoing basis through traditional business documentation	Future state communicated through organization charts and SLA's	Vision communicated through icons, pictures, imagery, analogies and narrative



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## Process Improvement (My Wife's Car Before and After Crash) - Modes of PI



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## Continuous Improvement (Mario Over the last 30+ Years) - Modes of PI



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## Reengineering - Modes of PI



Vs.



Vs.



## Outsourcing (Oil Change) - Modes of PI



(Pat Vance Changing his Oil)



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## Roles and Responsibilities for PI

### Facilitator (and Scribe):

- Conducts workshop (S)
- Coaches the process team on methodology.
- Resolves Conflict & Keeps the Team on Track – Addresses Dysfunctional Behavior
- Capture notes

### Process Owner:

- Approve the process improvement plan
- Approve the team's recommendations
- Hold supervisors, facilitators and teams accountable for fulfilling new goals



# Roles and Responsibilities for PI

## Client Manager:

- Identify processes to be improved
- Identify the process owner
- Determine the scope of the process improvement
- Assign responsibility & timeline
- Ensure that costs, cycle times and error rates are tracked & reduced
- Hold process supervisors and facilitators accountable for following guidelines and delivering effective results
- Conduct meetings with owner and team to check on status of process improvement



## Process Team Members:

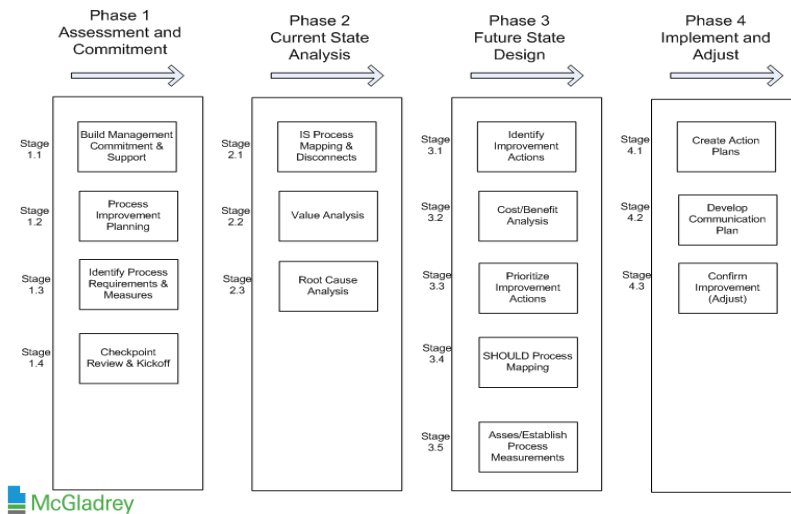
- Contributes subject matter expertise regarding the sub-process being analyzed during the workshop
- Responsible for implementing the improvement actions identified for the sub-process



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# McGladrey Process Improvement Methodology

McGladrey - Process Improvement Methodology

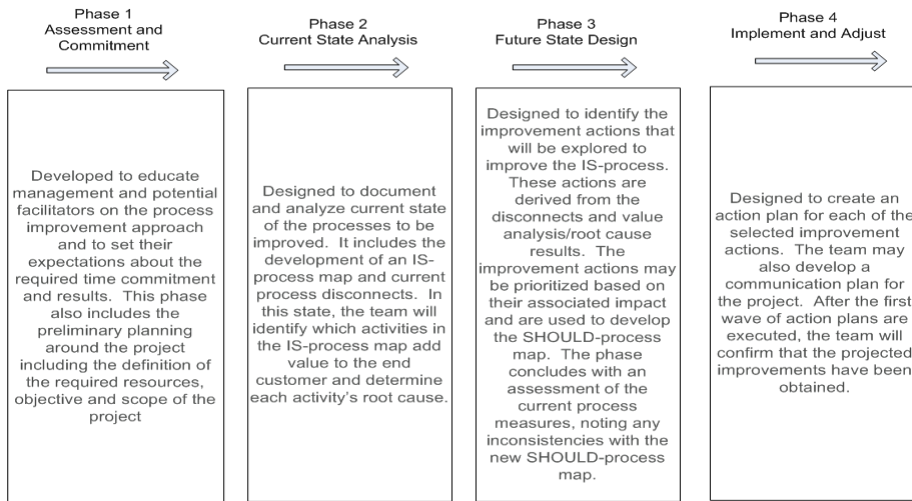


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# McGladrey Process Improvement Methodology

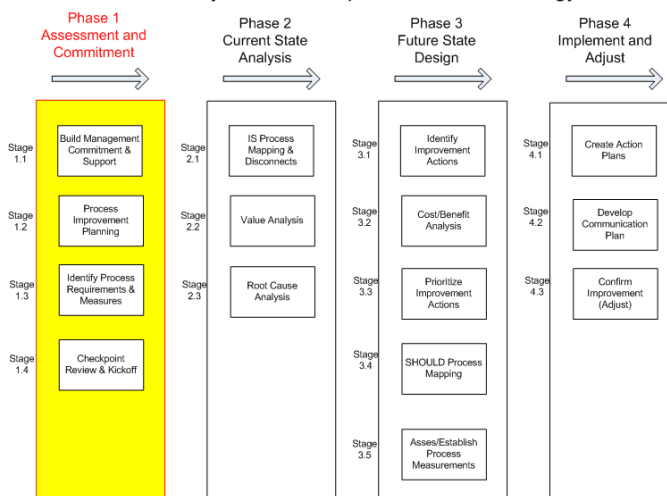
## Phase Overview



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# McGladrey Process Improvement Methodology

## McGladrey - Process Improvement Methodology



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## Stage 1.1 – Build Management Commitment

### Objectives:

- Ensure that management understands the Approach and is committed to its success
- Establish expectations about time commitments (pre and post workshop) and expected results
- Initiate MSA and get it signed!

### Overview:

- The Build Management Commitment stage is designed to provide management with a general understanding of the Continuous Process Improvement workshop and the methodology used.
- Expectations regarding the time commitment and results associated with the workshop will be established.
- The goal of this stage is to build commitment and support for the process team and workshop.



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## Stage 1.2 – Process Improvement Planning

### Objectives:

- Identify and select the specific sub-process to improve in the workshop
- Meet with management to develop a process improvement plan which will include the following: team resources, project objective, project scope and any other required information
- Ensure management understands and supports the project plan and its associated implications
- Build and Deliver a Statement of Work

### Overview:

- The Process Improvement Planning stage is a joint effort between the process owner/process management, consultant and client managers to develop a process improvement plan.
- This stage must be revisited by the facilitator after each sub-process is addressed (if the project includes more than one sub-process).
- The project scope, objectives and team resources are identified.
- Once completed the process improvement plan can be used as a mechanism to ensure proper direction and focus for the team.



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## Stage 1.3 – Identifying Process Requirements & Measurements

### Objectives:

- Identify internal and external customers requirements
- Identify measures currently used to gauge effectiveness of meeting customers' requirements
- Establish baseline of current process measures

### Overview:

- Clearly understand who your customers are & what their requirements or expectations are.
- Once you understand what both internal and external customers want, identify how you're currently measuring the processes that are in place.
- Three areas need to be considered as you look at current measures. These three areas are really defined as types of measurement; they are supplier, in-process and result measures.
- Supplier measures help you assess how well your suppliers are meeting our requirements. In process measures tell how your process is performing at certain times within the process. Result measures help describe the outcome of your process.



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## Stage 1.4 Checkpoint Review and Project Kickoff

### Objectives:

- Review and educate all stakeholders in the approach
- Review and gain consensus on the specifics of the opportunity at hand including the Process Improvement Plan focusing on the process beginning and end, objectives, scope and the project plan
- Officially kickoff the project

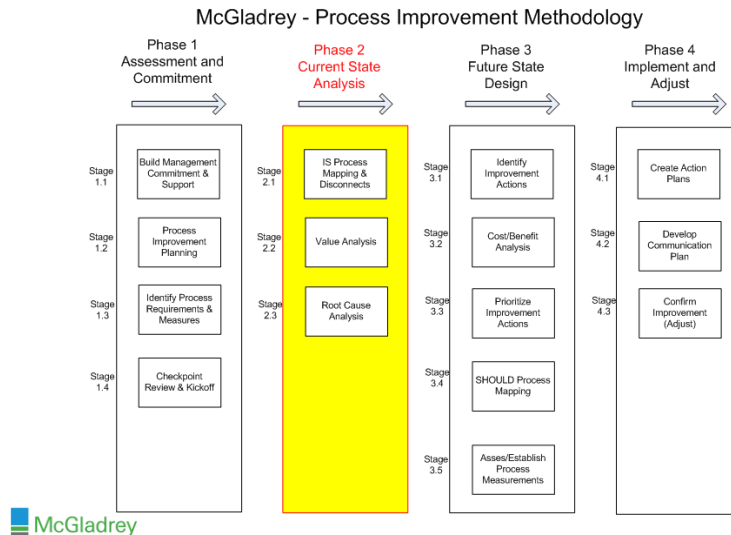
### Overview:

- The Planning and Checkpoint Review Stage is designed to ensure that all project stakeholders are comfortable with the approach and the way the project has been planned.
- By accomplishing these objectives, the process team should feel comfortable and empowered to actively participate in the project, and that the project will have the support and buy-in from all key stakeholders that may be required for successful implementation.



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## Phase 2 – Current State Analysis



## Stage 2.1 – IS-Process Mapping & Disconnects

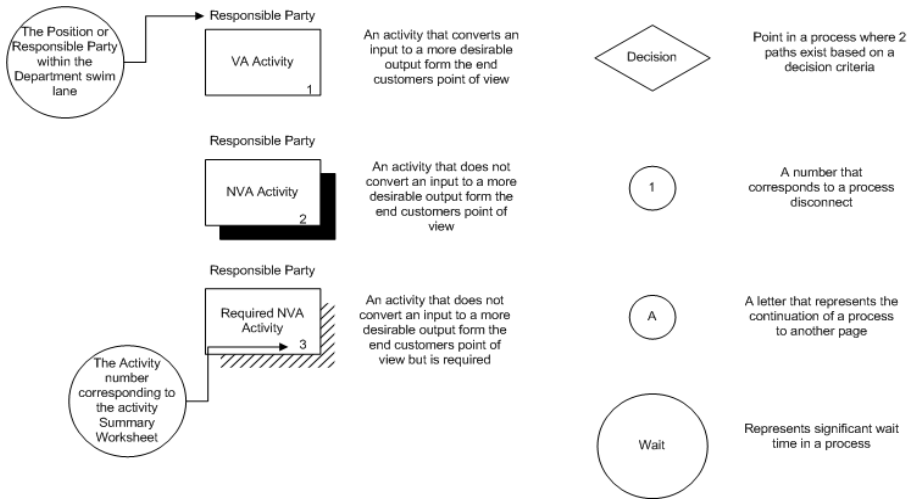
### Objectives:

- Document the process to the activity level as it works today
- Identify and record process disconnects on process map
- Identify the cycle time of the process being analyzed

### Overview:

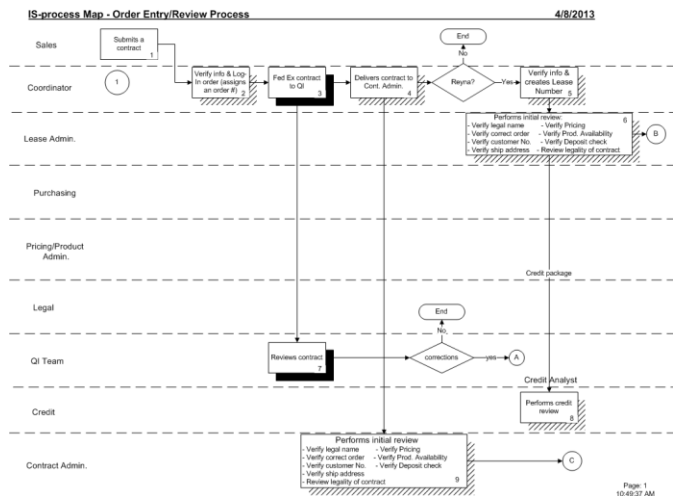
- The IS-process mapping stage is designed to document the way the process actually works.
- The IS-process map is created so that the team can see all process data on a single document.
- There is no judgment as to whether the process is good or bad, simply that it is.
- The individual and performance of those that execute the process activities are not part of the analysis - The singular focus is on the process.
- After drawing the IS-process map, Process Disconnects physically drawn on the map where they occur (process disconnects are points in the process that are 'broken')

# Stage 2.1 – IS-Process Mapping & Disconnects (Process Mapping Symbols)



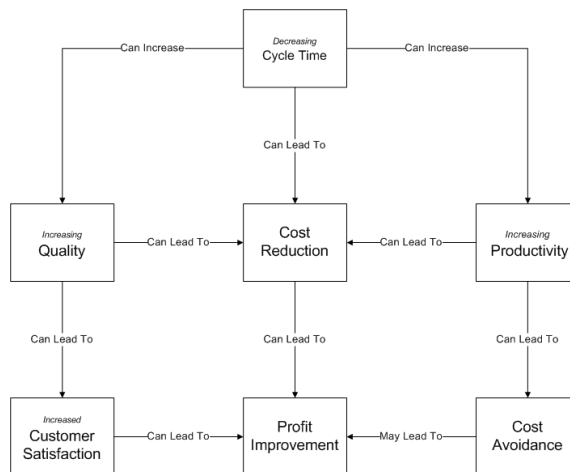
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# Stage 2.1 – IS-Process Mapping & Disconnects (Sample IS-Process Map)



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## Stage 2.1 – IS-Process Mapping & Disconnects (Why the Focus on Cycle Time?)



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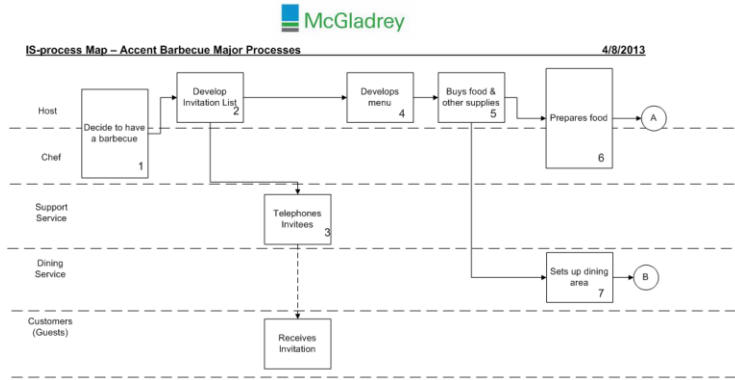
## Exercise 1– Lets Try It OUT!

- Because of Time Constraints You are Given:
  - IS-Map of a Major Process
  - Narrative describing the process
- Your First Mission:
  1. Using the Barbeque Sub-Process Selection Matrix on the next page, choose the 'best' sub-process to look at for improvement. Be prepared to explain why you chose this sub-process.



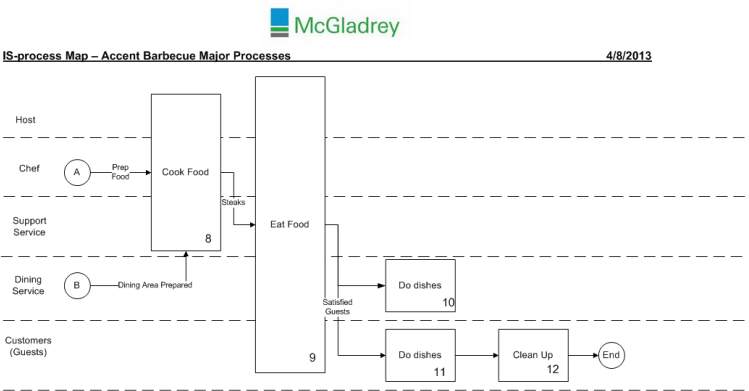
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# Exercise 1– Lets Try It OUT!



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# Exercise 1– Lets Try It OUT!



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## Barbeque Sub-Process Selection Matrix

Sub Process No.	Process Description	Customer Requirement	FTE	# of Functional Areas	Cycle Time
1	Decide to have barbecue	Plan developed for barbecue	0.2	2	10 min
2	Develop invitation list	Guest list developed with the correct names	0.5	1	15 min
3	Telephone guests	Guests notified two weeks before event	1	1	20 min
4	Develop Menu	Menu developed with agreed food items	0.5	1	10 min
5	Buy food and supplies	Food and supplies quantity adequate for all guests	0.5	1	20 min
6	Prepare food	Food prepared as requested	0.3	2	5 min
7	Set up eating area	Eating area organized and appealing to guests (includes all items needed to perform normal barbecue activities)	0.4	1	15 min
8	Cook food	Food cooked as requested (tender)	3.0	3	30 min
9	Eat food	Taste of food appealing to guests; all food eaten	N/A	N/A	15 min
10 & 11	Do dishes	Performed after guests leave the party	0.4	2	20 min
11	Clean up outdoors	Area appearance restored as before the event	0.6	2	20 min



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## Barbeque Sub-Process Selection Matrix - Answer

Sub Process No.	Process Description	Customer Requirement	FTE	# of Functional Areas	Cycle Time
1	Decide to have barbecue	Plan developed for barbecue	0.2	2	10 min
2	Develop invitation list	Guest list developed with the correct names	0.5	1	15 min
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5	Buy food and supplies	Food and supplies quantity adequate for all guests	0.5	1	20 min
6	Prepare food	Food prepared as requested	0.3	2	5 min
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9	Eat food	Taste of food appealing to guests; all food eaten	N/A	N/A	15 min
10	Do dishes	Performed after guests leave the party	0.4	2	20 min
11	Clean up outdoors	Area appearance restored as before the event	0.6	2	20 min



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## Stage 2.2 – Value Analysis

### Objectives:

- Identify and quantify value-added and non-value added activities in the process.

### Overview:

- Value analysis is one of the most important stages of any process improvement project.
- Each activity in the process is thoroughly examined in light of process requirements.
- A value-added (VA) activity converts inputs (data & materials) from an undesirable state to a desirable state from the end customer's point of view.
- If no modification or conversion takes place, then activity is considered non-value added (NVA).



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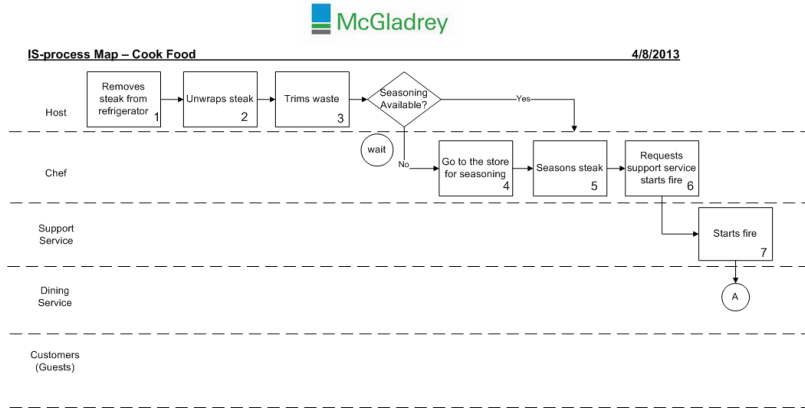
## Exercise 2 – Lets Try It OUT!

- Because of Time Constraints You are Given:
  - IS-Map of a the 'Cook Food' sub-process
  - Narrative describing the process
  - Note: the couples documented what their role will be in the Cook Food process. Jim volunteers for support service (provides misc assistance as needed) and Kim will provide dining service (dining setup, cleanup, etc.) Muffy will be the host and Bob will be the Chef.
- Your Second Mission:
  - Use the narrative to identify Disconnects and draw them on the process map
  - Perform 'Value Analysis' Stage 2.2. Shade the process activities to indicate their status.
  - We will review your work



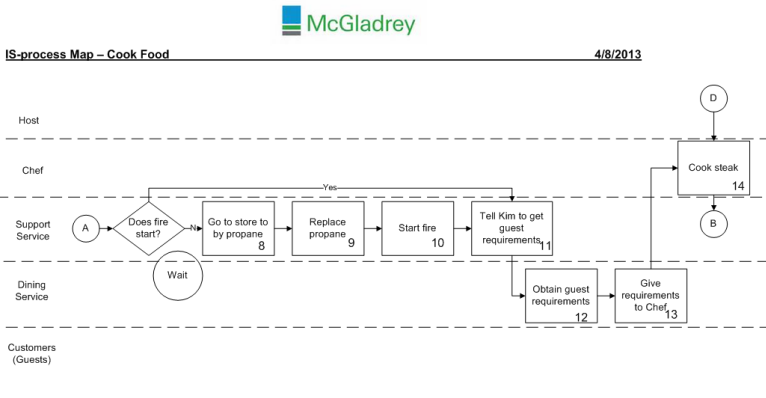
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# Exercise 2 – Lets Try It OUT!



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# Exercise 2 – Lets Try It OUT!

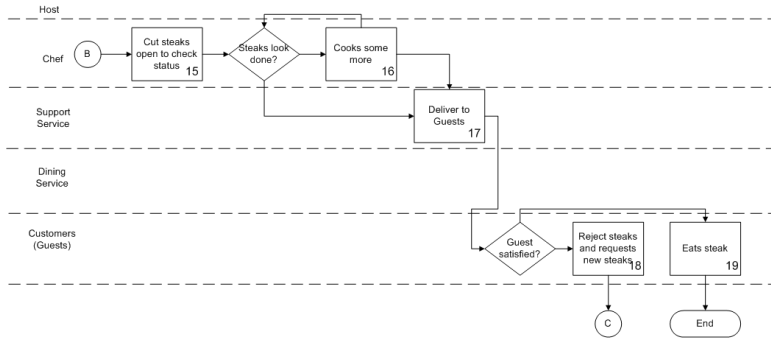


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# Exercise 2 – Lets Try It OUT!



IS-process Map – Cook Food 4/8/2013

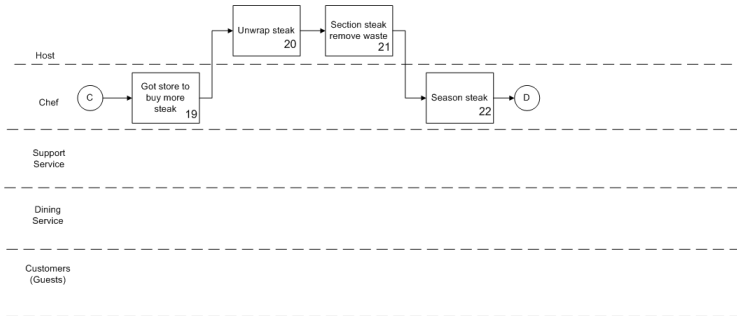


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# Exercise 2 – Lets Try It OUT!

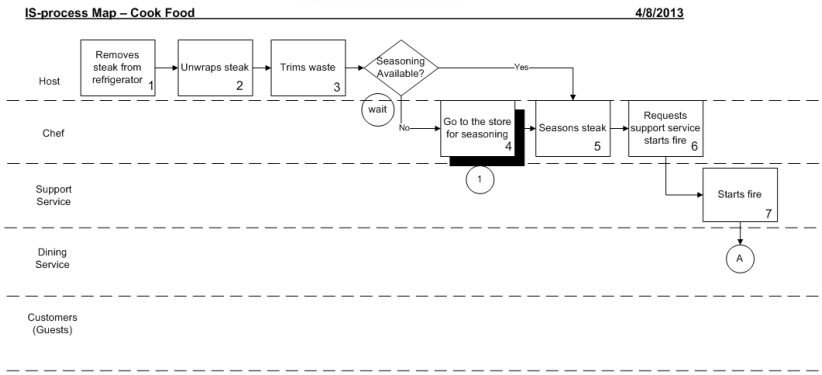


IS-process Map – Cook Food 4/8/2013



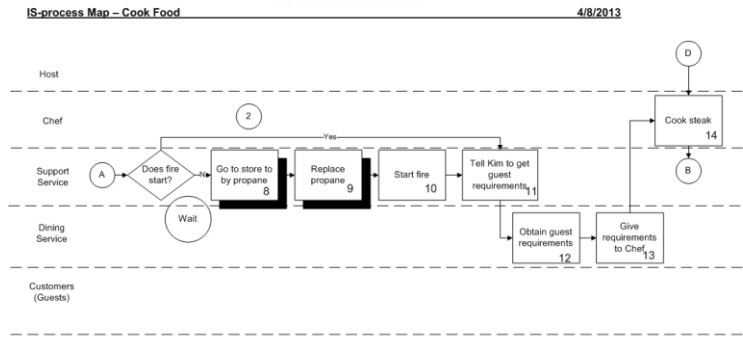
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# Exercise 2 – Lets Try It OUT!



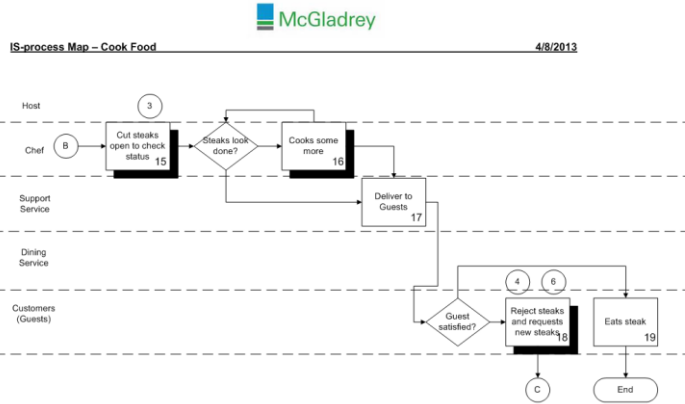
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# Exercise 2 – Lets Try It OUT!



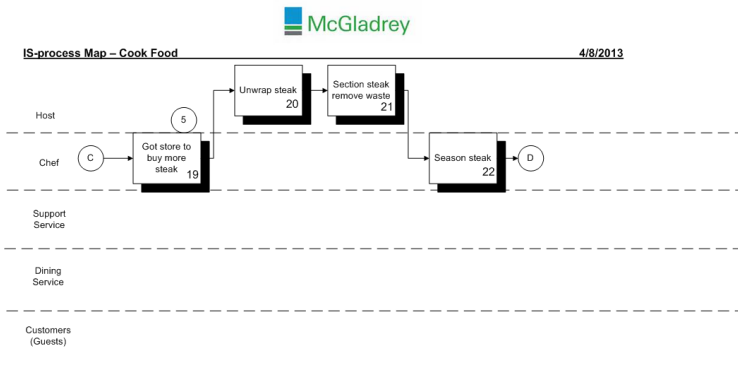
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# Exercise 2 – Lets Try It OUT!



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# Exercise 2 – Lets Try It OUT!



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## Stage 2.3 – Root Cause Analysis

### Objectives:

- Identify the fundamental reason why each non-value added activity in the process is being performed and why the disconnects exist.
- Categorize the fundamental reasons into major groupings or drivers.
- Describe the major groupings or drivers.

### Overview:

- In root cause analysis, the event or condition that creates the need to perform each non-value activity is explored. Activities (and their quality, time and cost) can be improved through the examination and modification/elimination of their root cause.
- The outputs of this stage will help identify the improvement actions necessary to eliminate non-value added activities and to optimize value-added activities in the process.



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## Exercise 3 – Lets Try It OUT!

- Your Third Mission (Time Permitting):
  1. Perform 'Root Cause' Analysis Stage 2.3 on the NVA activities
  2. Identify the category of each root cause



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## Exercise 2 – Lets Try It OUT!

Act	Description of Activity	Type	Actual Root Cause(s)	Root Cause Category	Weight
4	Go back to the store to buy additional seasoning	NVA			
8	Go to store to buy LP Gas	NVA			
9	Replace LP Gas	NVA			
15	Cut steaks open to check status	NVA			
16	Cook steaks for some additional time after initial check	NVA			
19	Go to store to buy more steaks	NVA			
12	Re-obtain guest requirements	NVA			



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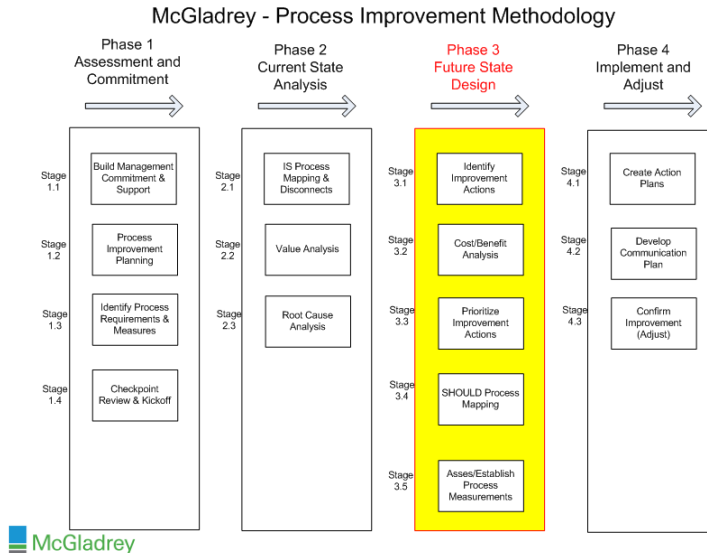
## Exercise 2 – Lets Try It OUT!

Act	Description of Activity	Type	Actual Root Cause(s)	Root Cause Category	Weight
4	Go back to the store to buy additional seasoning	NVA	<ol style="list-style-type: none"> <li>Lack of experience with barbecues and seasonings needed.</li> <li>The person (Betty) buying food and supplies for entire event is a different person who normally buys for the household barbecues (Bob). As a result, a lack of communication is taking place between the two.</li> </ol>	Internal	
8	Go to store to buy LP Gas	NVA	<ol style="list-style-type: none"> <li>A check list was not developed which should have included "Check LP Gas" prior to the party.</li> </ol>	Rework	
9	Replace LP Gas	NVA	<ol style="list-style-type: none"> <li>Required step because the gas was not checked prior to party due to the fact a check list was not developed.</li> </ol>	Rework	
15	Cut steaks open to check status	NVA	<ol style="list-style-type: none"> <li>A cooking chart has never been developed for various types of meats. Hit and miss technique.</li> </ol>	Inspection	
16	Cook steaks for some additional time after initial check	NVA	<ol style="list-style-type: none"> <li>Required to meet customer requirements</li> </ol>	Internal	
19	Go to store to buy more steaks	NVA	<ol style="list-style-type: none"> <li>Lack of barbecue experience.</li> </ol>	Internal Internal	
12	Re-obtain guest requirements	NVA	<ol style="list-style-type: none"> <li>No check list developed</li> </ol>	Rework	



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## Phase 3 – Future State Design



## Stage 3.1 – Improvement Action Identification

### Objectives:

- Identify the improvement actions that would be required to move the process from its current state (IS-map) to the desired state (SHOULD-map).
- Cross-check all process disconnects and root causes to identified improvement actions.
- Identify the activities that are impacted by the improvement actions and the quantitative impacts on these activities that we can expect if the action is selected.

### Overview:

- The improvement action identification stage is executed to identify and record the list of improvement actions that may be necessary to get the process to its desired state.
- The process disconnects/future opportunities and value analysis/root cause results are used to determine what improvement actions should be pursued.



## Stage 3.2 - Cost/Benefit Analysis by Improvement Action

### Objectives:

- Perform a cost/benefit analysis for major improvement actions that will translate the implementation of the improvement action into quantifiable, economic terms
- Identify and document the qualitative impacts on our organization, our employees and our customers.

### Overview:

- The Cost/Benefit Analysis by Improvement Action stage is designed to identify the quantitative and qualitative impacts of any major improvement actions that are identified during the workshop.
- An action is considered major when it requires incremental cost or fundamentally changes the way we process our work or are organized to process our work.
- Generally, improvement actions are related to one another.
- For this reason, the workshop facilitator must decide if the team should perform the cost/benefit analysis for each improvement action or a group of related improvement actions.



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## Stage 3.3 – Improvement Action Prioritization

### Objectives:

- Select from the recommended actions those which will have the greatest impact on improving the process in question.
- Prioritize the selected actions based on overall value to the organization.

### Overview:

- The Improvement Action Prioritization stage is designed to evaluate the qualitative impacts of improvement actions that are identified during the workshop.
- This is done by weighing each action by its impact on the business goals and priorities.
- While the workshop activities might suggest several actions, it may not be realistically possible to implement all of them immediately.
- By prioritizing the actions based on a set of business criteria, it is possible initially to focus on those actions which will have the most positive impact on the business objectives.
- When prioritizing improvement actions, remember that they are not mutually exclusive; in other words, they may impact the same root causes.



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## Stage 3.4 – SHOULD-Process Mapping

### Objectives:

- Document the process the way it will be executed in the future.

### Overview:

- The SHOULD-process mapping stage is designed to document the way the process should be executed.
- The SHOULD-process map is created so that the team can see how the SHOULD-process will operate in the future in a single document.
- It includes the SHOULD activities that are executed in sequential order, with appropriate decision points and each activity's inputs and outputs.
- NVA activities and their root causes, wait circles and disconnects that were identified in the IS-process map by the process team may be eliminated.
- The map should also reflect optimized VA activities.



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## Stage 3.5 – Assessing/Establishing Process Measurements

### Objectives:

- Review internal and external customers requirements from Stage 1.3.
- Identify any new measures (supplier, in-process, and/or result measures) that need to be established in order to gauge process effectiveness.
- Eliminate any current ineffective process measures that are tied to the non-value-added tasks identified earlier.

### Overview:

- Now that you've identified how a process should flow, the next step is to create the measurement system to support the new process
- If you'll recall from Stage 1.3, Identifying Process Requirements and Measurements, three areas need to be considered as you define new measurements or determine that certain existing measurements need to be eliminated. These three areas are: supplier, in process and result measures.



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## Stage 3.5 – Assessing/Establishing Process Measurements (Continued)

### Overview (Continued):

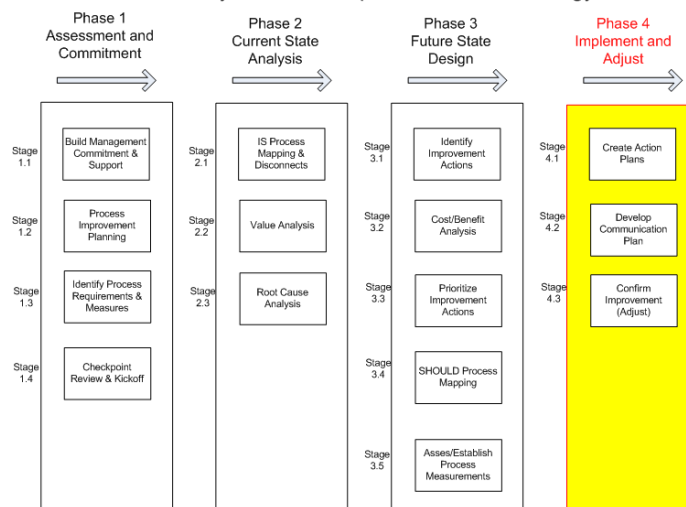
- Supplier measures, also referred to as input measures, help you assess how well your suppliers are meeting your requirements.
  - If they are not meeting your expectations, then it may not be possible for you to meet your customer's expectations.
- In-process measures tell how your process is performing at certain times within the process.
- Finally, result measures help describe the outcome of your process.
- You may recall from the earlier discussion about measurements, before you can truly improve a process, you must understand who your customers are and what are their expectations.
  - This knowledge is what helps you to identify the in-process measures you need to have in place.



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## Phase 4 – Implement & Adjust

### McGladrey - Process Improvement Methodology



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## Stage 4.1 – Create Action Plans

### Objectives:

- Develop action plans for each improvement action
- Identify dependencies between action plans
- Sequence action plan implementation with respect to the above dependencies

### Overview:

- The create action plan stage is designed to answer the following questions regarding the implementation of the selected improvement actions.
  - What steps/tasks will the responsible parties need to complete in order to implement the improvement action?
  - Who will be responsible for implementing each action and what resources will they need?
  - In what sequence will the improvement actions be implemented?
  - When will each improvement action begin and end?



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## Stage 4.2 – Develop Communication Plan

### Objectives:

- Develop a communication plan for the process improvement project
- Create preliminary process improvement announcement

### Overview:

- The Develop Communication Plan stage is designed to create a means by which the organization is informed about the process improvement initiative.
- This plan identifies what needs to be communicated, to whom, by when, and with what frequency.
- This stage also includes the development of a preliminary process improvement announcement which includes an endorsement/support statement from Client Sr. Management.



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## Stage 4.3 – Improvement Confirmation & Adjustment

### Objectives:

- Confirm the projected impact of the implemented process improvements
- Determine if further improvements/adjustments are necessary.

### Overview:

- The improvement confirmation stage is designed to confirm that the projected benefits of implementing the selected improvement actions have been realized.
- In this phase, the improvement actions and their associated measurements will be reviewed.
- An actual baseline of data will be gathered for each of the measurements to illustrate the impact the process improvements have created.

