# PM TRENDS

Master Your Projects With Project Masters Inc.



5550 Sterrett Place #210
Columbia, MD 21044

Phone: 410-772-6316, 888-250-4447
Fax: 410-772-6319
Email: admin@projmasters.com



Volume II Issue 1


## Process Reengineering

**By David O'Koren**

We have all heard the buzzwords "Process Reengineering", "Continuous Improvement", "Lean Thinking" and on and on. You may have even used some of these terms to describe some improvements that you and your team have made. But how can you tell whether you or someone else is truly creating the best possible process, or if they are just making a minor improvement and declaring success?

Usually businesses measure success or failure by whether the customer is satisfied or a goal is met. Obviously, your customer and your boss are two important stakeholders that you want to keep happy. But what if your boss doesn't understand the process and makes requests that are either too easily attainable or that can never be achieved? You could be set up for either a quick success or a complete failure when you take the assignment to meet that goal. However, the use of the Value-Added Process Analysis can answer the question, "How good could this process be?"

Value-Added Process Analysis looks at a process from the customers' prospective to decide what steps are worth doing and what steps will just add cost. It begins by identifying the process to be analyzed and making sure that it has a definite beginning and end. A restaurant may define its food service process from the time the customer enters the restaurant until the time the customer leaves. An accounting department may define its payroll process from when timecards are submitted until payroll checks are handed out. Also, don't be afraid to cross departmental lines with processes. Simplifying the hand-offs from department to department or function to function can often make big improvements.

It is also important to define what "product" the process makes. Notice, in the payroll example, the product changes form during the process. It starts as a timecard, changes to information in a payroll system, and ends as a paycheck. Sometimes the customer is the product. For example a patient in a hospital is both the customer and the product. Who the customers are for this process need to be identified, because to understand what the customer values, one must first understand who they are. Additionally, it is important to identify suppliers to the process. These are the people or companies who provide the raw materials to the process.

Now that the scope of the process, the product, the customer, and the suppliers are known, then the steps the product goes through in the process can be listed. You must account for the entire time the product is in the process. In an order entry process the process might start with the sales person writing a sales order. Then, the sales order goes to an inbox in accounting where it waits for an Account Receivable person to check if the customer has good credit. Next, the sales order passes to Production Scheduling where it sits in their inbox Up to this point the sales order has been in three distinct places. It is important to capture ALL the places the product goes, not just when it is being processed by someone.

It is also important to measure the average time the product spends in each of these steps. Notice that we want to know the time from the product's point of view. The sales order in our previous example may have spent 10 minutes with the sales person as the order was written and then delivered to accounting. However, the sales order may spend a day in the in-box in accounting waiting for the AR clerk to do another 5 minutes of work. Therefore the cumulative time across these three steps is 24 hours and 15 minutes.

To determine what steps add value, look at each step and ask three questions:

1. Does the step change the product?
2. Does the customer want to pay for that step?
3. Is the step being done correctly the first time?


*(Continued on page 2)*


**In This Issue**



## PROJECT MASTERS ANNOUNCES NEW VICE PRESIDENT OF SALES

(Ellicott City, MD) – PROJECT MASTERS, INC., a recognized leader in project management solutions, recently announced the appointment of David Parris as the company's Vice President of Sales. In this role, Mr. Parris will be responsible for developing new and existing business within the government arena as it relates to project management consulting and training.

Mr. Parris brings 20+ years experience in sales, marketing management and strategic planning to the firm. Prior to joining Project Masters Inc, Mr. Parris was President of Alignment Dynamics, a business consulting firm specializing in helping organizations create and implement successful outcomes in profitability, growth, efficiency, retention of skilled personnel, and the identification and development of leadership within the organization. He is the 2005 president of the Rotary Club of Columbia, Maryland and is a member of the class of 2005 at Leadership Howard County, MD. He holds a BA in Political Science from Wake Forest University, Winston Salem, NC and served in the United States Army out of college as a first lieutenant at the Field Artillery School at Fort Sill Oklahoma.

Project Masters Inc., based in Ellicott City, Maryland, is an (8a) woman owned small business, dedicated to helping commercial and government clients achieve targeted results. We believe in going the extra mile for our clients; giving them the personalized service they deserve. Project Masters Inc. specializes in creating innovative solutions and services including Project management, Portfolio Program Management, planning, Business Process Improvement, Change management/Configuration management, Quality management, Communication management, creating leaders, analyzing Risk, Setting up Project/Program Management Offices (PMO), Improving Project/Program Management Offices (PMO), Organizational Evaluation, Creating and Improving Processes and Procedures, Facilitation, Six Sigma, Lean Manufacturing, Lean HealthCare, and mentoring. Project Masters Inc. is a MOBIS contractor with extremely competitive rates.

PM TRENDS
Master Your Projects With Project Masters Inc.

*(Continued from page 1)*

If the answer to all three questions is YES, then a step is considered value-added. Otherwise, the step is non-value added. It may be difficult to admit that having a manager sign off on a requisition really doesn't add any value, or that inspecting a product is non-value-added. However, remember that just because a step has been identified as non-value-added, it doesn't mean you can simply stop doing that step. A step can be non-value -added, but very necessary in your current process. It is important to apply these three questions very literally, because they drive an organization to improve their process in the right ways. For example, why would an organization fix a quality issue in a non-value-added step? Perhaps it would be better (and simpler) to just eliminate the step. This would eliminate both the defects and the time the product spends in that step.

Another important step in the process is to collect other information on each step. Additional data should include:

- The number of people who work on the product in each step,
- The hours of the day that the step is performed,
- How often is an error or defect made (as a percentage),
- What is the Average Daily Demand for this step,
- If the step requires a setup or changeover, how long does that take?

All of this information is vital when designing a new process.

Now that the process has been defined and measured in its current state, it is time to move on to identifying what the new process could be. This is done in two steps: an Ideal State, and a Future State. With your team, brainstorm what the process could look like in 3-5 years if there were no barriers to the changes that could be made. This will be your Ideal State. Be open to breaking difficult barriers, while at the same time realistic about what can really be done. You can probably convince the boss to buy a new printer so that a person doesn't have to walk across the building for a printout, but assuming that in five years Star Trek-like transporter technology is going to solve your shipping defects might be a stretch.

Once you have the Ideal State, make a list of all the tasks that would need to be accomplished to implement the Ideal State. Keep these tasks fairly high level. Prioritize the list using a decision matrix. On a scale of 1 (low) to 5 (high) rate each task on cost savings, time savings, quality improvement, customer satisfaction, employee morale, delivery time, ease of implementation or feature enhancements that the customer wants. You can add, change or delete rating categories as you see fit, but this is a good list with which to start. Next, add up the ratings for each task and sort the summary rating from high to low. Are the highest rated tasks the correct ones to work on? Are some of the lowest rated tasks so simple and easy to implement that they should be included? The team must make a decision on what will be implemented and what will be left on the list. The list of tasks to be implemented becomes your Future State. Don't be afraid to pilot a few of the more risky or controversial ideas to make sure they work. Piloting a proposed solution and then analyzing the data from your pilot will give you a tremendous amount of information about what can be done and what still needs a bit of polishing before implementing a full-scale change to your process.

## Process Reengineering

Use your Future State to define the Deliverable Breakdown Structure for your implementation project. Beneath each deliverable, add the activities, effort and resources (people, materials, etc.) that you will need to implement the new process. Dump this data into your project scheduler tool and it should be able to give you a good schedule and budget for the implementation.

**increased customers' satisfaction and reduced labor costs by as much as 40%**

At this point you may need to start working on change management. At the very least your boss will need to understand the results of your team's efforts. If your process crosses functional boundaries, then there are probably other stakeholders who also need to buy into the changes. In short, this is where you need to present a cost-benefit analysis to the stakeholders and get them on-board. Without their buy-in, you may find it difficult to implement or sustain your gains.

The toughest part of changing a process is to sustain the gains once you have implemented a new process. The key to success is to make sure everyone even remotely involved understands how the new process will benefit them personally. They have to know "what's in it for me?" Some people will also want to include some of their ideas into the new process. This should be encouraged as it will instill a sense of ownership. Everyone had been successful with the old process and knew what to do when the old process had a problem. It may take 3-6 weeks to get some new processes to "stick". People will feel awkward and intimidated by the new process. Their first reaction will be, "let's go back to the old way". Your job during this time is to coach them through the new process and help them make minor tweaks to them so that they can overcome any minor issues.

Wow! Look at how far you have come! You defined the process, measured it, brainstormed improvements, piloted the improvements, sold the changes to the stakeholders, and implemented a new process. You are done, right? Wrong! There are still three important steps. First, you need to document the new process. If you don't standardize the process and capture it in writing, then the process will tend toward entropy and you will be back to square one again. Second, you need to measure the process. You don't know if a change has really been made unless you measure the new process and compare those measurements to the old process. Finally, you need to celebrate the success you have had with the team and the stakeholders. If your teammates don't feel like their work was appreciated, then they won't want to help you with your next team. And when they feel that winning feeling they may just want to go lead an improvement team of their own.

Performing a Value-Added Analysis from your customers' perspective is an eye-opening experience. You may find so many opportunities that it will turn the questions from "what can we do?" into "what should we do first"? You have taken your first step into the world of continuous improvement.

The professionals at Project Masters and our strategic partners have decades of experience in Process Reengineering. We can steer you clear of the pitfalls, help ease the pain of change management, and teach you some of the advance techniques of making a process Lean. We have routinely reduced cycle times up to 50%, increased customers' satisfaction and reduced labor costs by as much as 40%. Call Project Masters today to schedule a time when you can meet with the masters of Process Reengineering.