



TenStep Supplemental Paper

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The Art of Business Simplification!

Organizations leverage a cost advantage, differentiate themselves from competitors, or focus on market trends or a particular segment to derive competitive advantage. They cannot attempt to do all these simultaneously, lest they should get caught in a conflicting trap.

Industry experience reveals that organizations deploy a CI (Continuous Improvement) strategy like Lean or Six Sigma to combat such conflicting priorities. Continuous Improvement (CI) has long been regarded as a panacea for most efficiency problems. It is pursued relentlessly and implemented in phases to achieve dramatic performance improvements. Deploying CI at the core of all organizational efforts to gain competitive advantage presumably helps better understand inefficiencies and significantly improves 'mission critical' processes.

CI is a paradigm that allows for continuous refinement, elimination of bugs, smoothing of processes and the like. Now, is there an end to continuous improvements? In other words, how long can one improve to achieve dramatic performance improvements? Let's take a simple instance. You have a car and would like to boost its performance. You tune and retune the engine several times. After a while, the improvements tend to diminish and become marginal. Further if the car has a small engine, say 1300cc, then attaining higher performance is most unlikely your efforts notwithstanding.

It is probably more feasible to alter and enhance the contours of the body, change the engine or better still buy a brand new bigger vehicle to ensure high performance.

So is the case with CI. How much and for how long can we continuously 'tweak' to improve performance? True, CI delivers many benefits, but not endlessly. In fact, improving current processes is exactly like continuously retuning the 1300cc engine and achieving marginal benefits. Many organizations have found that performance levels and returns from CI initiatives are ever-diminishing considering the efforts and resources they put in. According to experts CI efforts will terminate at a point after which real gains can be achieved only through an entirely new approach.

The competitive challenge is not just to strive continuously and take 2-3% out of an existing process here and an existing cost there. Instead the aim should be to radically transform the way an organization does business, competes and makes money.

Organizations that expect outstanding performance through CI efforts tend to miss the bus because they are only trying to improve the efficiency of what they are doing today rather than really questioning that and moving to the next level of performance. Questions like 'what can and what must we be doing in this area?' help in defining new approaches to a business.

Often improvements through CI are done in isolation. Undoubtedly, the efficiency of the individual process increases, but the overall end-to-end process tends to suffer. Remember, when you examine a current process in order to increase its efficiency, you

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are just focusing on only one side of the problem. The focus should be on questioning what the process should be actually doing. Then, you can even add processes whose absence had been causing real problems downstream to the system.

Say you are in the finance department doing CI and you realize that you have conflicts with customers due to delayed payments. The problem could be due to delivery shortcoming, product feature deficiencies or something beyond your reach. So, despite implementing CI, your department is unable to fix the problems. The problems, driven by external forces, over which you have no control..

According to the head of Capability Management, (CM) a leading Australian value and benefits-specialist company, organizations need to move beyond the realms of CI and attempt business simplification. This involves being fully aware of the organization's goal and vision (where you want to go and where you want to be) and the improvement targets to be achieved. In short, the aim is to raise the focus by asking questions. What is it that we are aiming for? Are we aiming at improving manufacturing or to improve how customers are supplied and serviced? The former will bring to the fore better products and internal improvements that may, at times, even reduce customer service and responsiveness. The latter, on the other hand, will challenge every aspect of the company that hinders customer service – in terms of product features, policies, structures, processes, systems, attitudes and performance measures. Remember, real change comes from focusing on the business objective and tackling every aspect of the organization that is involved.

The head of CM suggests that the top management of any organization should answer a simple question. "What would the organization like to achieve within a three or five year time frame? Would it be manufacturing a brand new product? If in the banking sector, would they aim to process a new customer account set-up with the press of a button? This wish list, however far-fetched it may seem, is important. Every organization that wishes to make radical breakthroughs, should first dare to make such a wish list. The time frame can be expanded, but it has set the direction for the organization. Once this is done, the people can be inducted into the process, be they upstream, downstream and even third parties. They should be motivated to work hard and fast, so that they can identify problems and constraints early.

After understanding what the process is and what it is aiming to achieve, it is important to question if it is the best way of undertaking the process. This is where business simplification helps. An organization can identify missing processes, as well as ones it can eliminate or automate. In the process of business simplification, the aim is not just to cut costs and improve efficiencies, but to also add processes that eventually increase overall value delivered. The focus is thus on the value a process delivers rather than on improving the steps involved in the process. This value assessment wherein the information requirements of processes are linked to systems helps in analyzing the value delivered by the process to the overall business. This is what CI often fails to achieve with focus being on improving efficiencies of existing processes.



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So before you look at which process to improve, view the big picture, and determine your goals and what you need to improve. This is the sure shot way to achieve radical improvements!