



Business Process Improvement

Which Approach is Best for Your Organization?

The term sounds promising, but what exactly is it? Everybody seems to have their own definition of it, don't they?

Well yes, it seems that way. Packaging of a marketable approach sometimes takes precedence over effective methods that are learned in a more practical way.

Six Sigma, The Theory of Constraints, Lean, The Toyota Production System, Process Based Management, Business Process Management, Customer Focused Improvement, Value Added, Kaizen, Taylor, Deming, Welch,...which one do you follow?

Well let's peel back the mystery a bit. First of all, many of these methodologies or philosophies are a bit like sports. If you wrestle, you have certain rules, you have certain skills you use, and you have certain traits you develop. This is considered a "pure" sport. Only wrestling moves are allowed. Kicking and punching are not allowed. Boxing is another pure sport. Only punching is allowed...no grappling, no kicking.

Some of the business process improvement approaches are like wrestling or boxing. They only make use of techniques that are considered "pure". There are advantages to this in some ways because the approaches used to improve the business are precisely known, trained, and executed. An example of this is Six Sigma.

by:
Kirk J. Gould, CBPP



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There are two main hallmarks of **Six Sigma**. One is the goal of 3.4 defects per million occurrences and the other is DMAIC (Define, Measure, Analyze, Improve, and Control). There are specific rules about when to initiate a Six Sigma project, the tools to use, the results expected, the training required to achieve a yellow belt, a green belt, and a black belt, and the attitude taken when performing Six Sigma improvements. Not everyone in a company gets to be a Six Sigma disciple, only a select few. Six Sigma works well with high transaction machinery production systems. It is heavily focused on statistics. It is a quality improvement methodology.

The Theory of Constraints is a bit simpler than Six Sigma and requires less corporate commitment, but it can be very effective. Let's look at an example to help explain how it is used. Imagine that you have a pizza restaurant with 5 pizza cooks, 4 waiters and waitresses, 2 cashiers, 1 dishwasher, and a \$500,000 pizza oven that can make 172 pizzas an hour. Because you have invested \$500,000 in a state of the art pizza oven, you will probably want to load that baby up and crank out the pizzas right? In fact, there would be nothing better than making sure that big piece of machinery is full of cooking pizzas from opening time to closing time. To make the most of it, you'd better advertise heavily to make sure people come streaming to your restaurant.

But if we look at the numbers of staff at the restaurant, what do we see? We will notice that with only one dishwasher, we will run out of dishes within a few hours of opening up the restaurant. Ownership will get phone calls about long lines outside the restaurant, so naturally, they will tell the people cooking the pizzas to speed things up, turn the oven hotter, and make sure it is loaded up even more. "We have got to keep our machine utilization numbers up!" is a common cry at organizations that have made large capital investments. But you and I know that the pizza is not the problem, it is the lack of dishes. So...using the Theory of Constraints, we get people to help wash dishes, and then dishes won't be the problem anymore. After we resolve the dish shortage problem, there will always be another constraint, but we will be able to see it then. There you go. Dr. Eliyahu Goldratt wrote a popular book about this topic called "The Goal" which has been made into a fairly entertaining video.

The Toyota Production System (referred to with the adjective **Lean** in the United States) is first of all

a cultural phenomenon. It has a strong basis in humility and intensity. The two main pillars of The Toyota Production System are first, *Respect for People* and second, *Continuous Improvement*. The word kaizen, which means "improvement" in Japanese is often tossed about when discussing this system. The Toyota Production System is a collective of attitudes, philosophies, and techniques that have been gathered over the years and used with amazing results. It is full of profound statements, such as: "Smooth, not fast", "Machines wait for people, people don't wait for machines.", "Drive out fear.", "Pull, not push", "Go to the Gemba.", and "Visual management."

Henry Ford's car factory was observed early on by the founders of Toyota, and some of his techniques were adopted by the Toyota Company. The lack of materials in Japan around World War II forced the company and other companies such as Honda to appreciate using the bare minimum raw materials to produce only the product that was requested and when it was requested. Rework was a luxury that they could not afford. Everybody had to know what the orders were so they would not waste anything in the production of the order. The outcome of the collection of attitudes, philosophies, and techniques can be seen today in automotive companies like Toyota and Honda as well as other companies such as Danaher, Lantech, Honeywell, Porsche, and Pratt & Whitney. The Toyota Production System principles are working their way into healthcare and other service industries as well.

The main outcome of this system is the increase in capability without an increase in effort. The danger is that companies that use the techniques decide to lay off people because they think that they can now do the same work with fewer people. When this happens, continuous improvement slows down, because the company has increased employee fear, rather than driving it out, and it has used its gains for lowering costs, not increasing capability. (Deming was famous for stating that a strong company needs to drive out fear.) It has become the story of "The Goose That Laid the Golden Eggs." Lean experts at Honeywell for instance, state that the quickest way to kill a Lean initiative is to lay off the people that were improved out of their tasks. Toyota

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has continued to increase production because it continues to increase capability. At the same time, quality is increasing. It has surpassed General Motors as the largest automaker in the world. It did not achieve that by laying people off whenever it had the opportunity. *(Note: You may hear Lean described as a methodology that essentially eliminates waste. Let's ask ourselves this question: Is the waste of Michelangelo what we are concerned with or his capability of creating things? Removing waste helps our capability, but it is not an end in itself any more then eliminating cost is an end in itself. We can easily eliminate all costs by shutting down the company. That will completely eliminate waste as well.)*

"Lean Six Sigma" has become a popular term. Just as in the term "Kick Boxing," which is neither pure kicking nor boxing, "Lean Six Sigma" is neither Lean nor Six Sigma...it is something new. It is a collection of techniques for the statistical expert and the everyday worker. It takes *5S, Value Stream Mapping, DOWNTIME, A3, Kaizen, Kanban, Go to the Gemba, One Piece Flow, SMED, and 5 Whys* from Lean and mixes them with *DMAIC, Control Charts, Rolled Throughput Yield, and Financial Returns* from Six Sigma. It is strong on tools and a bit weaker on philosophy. It is strong on changing how you *act*, but not as strong on changing how you *think*. It is a very good system for learning about both Lean and Six Sigma and choosing the strengths of both.

Business Process Management has two paths. The first path requires a *leadership* paradigm switch and the second path creates a *software* paradigm switch.

Let's discuss the leadership switch first. Who does your boss manage? Well...you. And who does their boss manage? Well...them. And how do budgets get allocated? Well...by department. Right? Well yes, of course.

But how does work get done in a business? Tasks get done by departments, but work gets done by processes. So the paradigm switch looks at managing and budgeting and rewarding by department, it adds looking at managing and budgeting and rewarding by process. The result is Business Process Management.

So how about the Business Process Management paradigm shift of software? Do you remember when ERP software became all the rage? It promised one

interface, one database, one vendor, and one heckuva bill. (Millions in licensing and many more millions in customization, maintenance, upgrades, and integration.) The idea was to have similar technology, similar interface, and similar reporting for all modules, no matter who needed them. It was designed to help connect the silos of a business.

Business Process Management software takes that idea several steps further. It uses a web browser interface which is universal, allows the modeling of processes that can be simulated with real data, and allows execution of the process (or changes in the process) through executable process definition language. Underneath, the tech pros at your company build "services" that are executed when necessary to accomplish specific tasks. Underneath the "services", a stream of information called a service bus allows other services or apps to share data without having to rekey it in. This "stack" of parts is called the BPM Stack (or Suite).

The main paradigm shift from modifying software is that changes are made at the process level and the BPM software cascades it down with minimal programmers involved. (No six month development cycle, no \$500,000 budget to change and test all the hardcoded stuff.) Changes are made in real time, because that is how fast business changes! The secondary paradigm shift is that the BPM software tracks every step of the process and keeps it running along smoothly if anything gets hung up on it. (If the process gets hung up, somebody is automatically notified.) The amazing news is that these BPM Suites have been around for over 10 years. Pegasoft, Savvion, Lombardi, Appian, Oracle, OpenText, Tibco and many others have been providing ever improving BPM Suites since around 2000. The interesting part is that business adoption has not caught up with technology. This is game-changing technology, but businesses appear to be followers, not leaders when adopting "order of magnitude" improvement methodologies or technologies. The answer: Try BPM on a pilot process through both management and technology, then measure the results and the comments.

So how do you choose the right approach to attack the business problems you face today?

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Here is a quick summary:

1. Select a Business Process Improvement methodology that best matches your corporate culture or pick the methodology that will change your corporate culture. Implement it with consultants.
 2. Manage your business by process instead of just by department. Create process owners whose paycheck is affected by the process they manage.
 3. Examine your software investments and find out how (not if) BPM Suites can enable your business to track processes effectively and respond to changes in business with lightning speed.
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Author

Kirk J. Gould is the Practice Director of BCP/DR at IntraEdge in the Phoenix, Arizona area. Kirk has been performing transformation, automation, and information systems improvements for over 25 years. He holds a Bachelor of Science degree in Mechanical Engineering from Purdue University, is a Certified Lean Six Sigma Black Belt from Arizona State University, and a Certified Business Process Professional® through ABPMP®. Kirk is a business owner, a published author, and has spoken on Process Improvement, Metrics, and Corporate Strategy at Business Process Management, Management, and Lean conferences worldwide. He is also a senior contributor to Watermark Learning's Business Process Management training curriculum.

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7301 Ohms Lane, Suite 360
Minneapolis, MN 55439
(+1) 952-921-0900
800-646-9362 (USA only)
www.WatermarkLearning.com