



It's all in the way we listen.

## Advisory Services Case Study:

# Business Process Optimization

*It starts with good communications and the right mindset.*

### The Problem...

Too often, when faced with a problem, we jump on it without taking a step back and looking at what is really going on. We want to get it over with and move on. However, what we want and what really happens are not always the same thing, particularly in this day and age of less time and greater complexity. Haste does make waste. The lesson not always learned is if you don't find the root cause, the result of your efforts will only lead to more frustration.

This was the experience of a thriving manufacturer that was enjoying significant annual growth. Their success, however, was being adversely affected by their poor on-time delivery. They wanted their business to continue providing extraordinary value *and* great customer service based upon on-time delivery of their quality products. Their solution was to seek expert help in optimizing their business process. Instead, what they got was a much different approach. Here is their story.

### The Situation...

The client is an ISO 9000 global supplier of custom manufacturing and fabrication to the mining industry. They produce thousands of manufacture-to-order parts in various quantities, many with short lead times. Some of their products are award winning and recognized by their customers as being best in class. They wanted the same level of recognition for their customer service.

For the last three years, the client experienced 30% year-to-year growth along with an increasing difficulty meeting demand. They were using their well run ERP system to make delivery estimates based on lead-times, but were continually falling short with on-time delivery. They had no forecast on which to base demand, but instead worked from current net orders alone. Items that were late by more than one week were often lost in the system. The client was clearly concerned about on-time delivery, orders lost or delayed, and inaccurate lead times.

***“The most effective measure of leadership is the performance of the team in the leader’s absence.” (Gazelles)***

### The Solution...

PSC was engaged to analyze the business process and create a plan to eliminate the problems and optimize the workflow. It was not long before we found, as part of our discovery, a number surprises:

- The corporate leadership was not satisfied with department accountability.
- There was a lack of understanding on how to drive towards a lean manufacturing facility.
- A bottleneck was suspected, but it was hidden by lack of a plan, schedule and forecast.
- The overall business process did not have a consistent or improvable format.
- Paperwork was in triplicate and workflow methods did not exist.
- Customer information did not flow easily throughout the organization.
- Key Performance Indicators (KPI's) were being monitored but were not used to take corrective action.

The problems were internal and as much cultural and managerial as they were the result of poor processes. What procedures there were, were not being followed. Key metrics on performance were not subject to regular review or risk/root cause analysis, so no one was being held accountable for their results. In addition, as an ISO registered company, there was a surprising lack of understanding about the need for Statistical Process Control (SPC). It became clear that not everyone was marching to the same drummer.

### The Approach...

Before there could be a Business Process Optimization (BPO), there had to be a change

in the company mindset. Consequently, what was supposed to be a BPO quickly became a project in organizational development. There was a lot of misinformation and misunderstanding that was getting in the way of meaningful productivity. For example, Sales was blamed for the poor on-time delivery because they were making unrealistic commitments, when, in reality, the cause was poor planning.

Once the facts were on the table, the solution was to change the cultural mindset -- to transition the client's perspective from "things were out of their control" to "things were *under* their control."

Cross-department communications and leadership were the prime targets. The lack of standard practices and procedures meant that departments could not, or would not talk to one another. The fact that their managers were "disappointed with the lack of sustained leadership" was also a major concern. All agreed that their charismatic CEO empowered his organization, but they failed to recognize that their performance declined when he was absent. As a result, expectations went unfulfilled and there was little accountability for the results. The team dynamics and the process that supported it had to change.

The first step was to establish a sense of urgency and accountability by agreeing to a set of underlying goals and capturing a clear understanding of the supporting business processes. Because the client was profitable, there was no crisis and therefore time to step back and do a thorough analysis of the current state in order to create a base line. Once this was done, the focus could be shifted to using PSC's suite of frameworks to optimize the business processes and raise the level of customer service.

PSC created a 6-week program to help the organization understand what was lacking and how to create change from within. The



leadership had embraced “Good to Great” by Jim Collins and wanted to leverage those concepts as part of their belief system. They wanted to be “great,” but first, they had to understand the dynamics of their own organization.

The program started the change process with an informal set of interviews to set personal expectations. This was followed by a second set of interviews aimed at setting team and department expectations. The process concluded with a workshop to help the core leadership acknowledge that their problems were not external, but the result of internal dynamics.

To help with the self-discovery process, PSC leveraged the findings of the Sloan School of Business (MIT), the University of Albany, and the Kelly School of Business (IU) to create a framework and simulation that would bring to surface the dynamics at play. Those that did not have access to the formal training performed a simulation, similar to the workshop, at their own desk. The intent was to gain an understanding of the individual dynamics before tackling the system dynamics.

At the systems dynamics workshop, the members of the leadership team did a simulated 52-week exercise on how orders, material, and product flow from raw material thru delivered product. Each person became aware of system dynamics, the obstacles that were internal (within their control) and the obstacles that were external (outside of their control). With that information in hand, the team identified the five top areas of concern.

With the acknowledgement that the solution was within their control, the next step was to designate team leaders and team members to establish targeted goals, create measurable milestones, and prepare a timeframe for results.

PSC provided the frameworks, discipline, structure, experience and analytical approach to organizational change. We also gave them templates to use for capturing their business processes suitable for use with their next ISO review. (At a recent ISO surveillance audit, they were challenged to take their business to the next level.)

### **The Bottom Line...**

PSC guided a discovery process, uncovered facts that had overlooked or otherwise hidden, and “inspired” the client to take their business processes and leadership to the next level. With the frameworks in hand, as well as a newfound sense of accountability, the client felt that they had the necessary tools to assume more self-control and conduct their own business process optimization.

One of the lessons learned was that a BPO has to be more than the execution of a process. It must also sense the intangibles and be sensitive to the personality and cultural aspects of the organization. Knowing early on that they could work within the bounds of their current structure and culture was a critical factor for success...there was enough change taking place with their own self-examination.

According to the client, “PSC was quick to recognize that the uniqueness of our organization required a different approach. They modified their process and frameworks

so we could make the most progress in the shortest amount of time. We are especially grateful of their respect for our culture and way of doing business. They delivered what they said, and even “wow’d” us by over delivering with some templates and frameworks that we can use on our own.”

Bottom line...without taking this first critical step, the BPO would have never been possible.

***Back from a recent two-week business trip, the CEO said, “I am excited to see how many things have occurred in my absence.”***

### ***For information contact:***

PSC Group, LLC at 1-800-592-8003 or send an e-mail to [BPO@psclistsens.com](mailto:BPO@psclistsens.com)

**It's all in the way we listen!**