

The Next Era of Process Improvement: Strategic Process Management

SPM™ DRIVES MEANINGFUL RESULTS FAST BY LEVERAGING NEW MODELS OF PROCESS MANAGEMENT TO MEET THE DEMANDS OF TODAY'S BUSINESS ENVIRONMENT.

Process management is under assault. From the cover of *Business Week* to the pages of *Chief Executive*, one can read complaints about how the old-fashioned process management methodologies once embraced and celebrated at Motorola and General Electric are stifling innovation and creating internal bureaucracies.

Some of these criticisms are well deserved – and yet they also miss the point. At SSA & Company, we are all too familiar with the pitfalls of having an army of outside consultants enter a company's offices, set up shop, and turn the best performers into professors of process. Today, amid a turbulent economy and unprecedented competitive pressures, few companies have the luxury to approach process improvement as a multi-year project demanding thousands of hours and the dedication of large numbers of their best people.

These well-known flaws of "old school" process management have not, however, erased a central business truth: Process efficiency, as a management issue, continues to preoccupy every company and every leader. The simple reason is that no company can afford to ignore process. If anything, the transformation of business over the past decade – to more complex operations, operating over more territories and time zones, managed by leaner staffs – has made the need for smarter process even more urgent. Many of the same companies that abandoned the large-scale process management systems of the 1980s and '90s – sometimes for very sound reasons – today find themselves bereft of any method for continuously improving critical parts of the business. This is a weakness for companies that don't address it and an opportunity for those that do.

A Revolution in Process Management

Our view is that process management is undergoing a revolutionary change, reflecting the changes that business itself is scrambling to make. The hundreds of companies we have served over the past few years are hungry for an approach to process management in which results can be seen in weeks, not months, and where disparate business units, operating across the globe, can be rapidly aligned around a central strategy. This is a far cry from the often-bureaucratic, rigidly enforced, all-encompassing efficiency programs of the past, which more often than not grew their own labyrinth of rules and fiefdoms.

Today, the companies that are most focused on better process are those that are the most nimble and lean when it comes to innovation and competition. They have figured out how to identify the key value streams of their business, measure them constantly, and improve them rapidly. Learning from these companies, and working alongside them, has allowed SSA & Company to develop a next-stage model for process improvement. We call it Strategic Process Management, or SPM (see inset box on page 3 for a more detailed description).



Smart Process Is at the Heart of Great Execution

SPM represents a real transformation in corporate process management – one that has yet to be catalogued or analyzed. It has been consciously designed around what we believe have become the three most important drivers of successful business execution:

1. **Alignment:** Process-focused CEOs work constantly to ensure that everyone in the company, at every level, understands the company strategy and the methods to achieve it. What sounds obvious can never be taken for granted. We now see CEOs explicitly mapping out their core processes and defining what relationship those processes have to creating real business value. They are also keenly focused on how their own people interrelate – making sure that every employee has a good sense of how the firm creates customer value and how each individual’s behavior relates to that end goal.
2. **Rapid Improvement:** Today’s competitive environment no longer permits five-year plans or two-year efficiency improvement schedules. Shareholders and directors want CEOs to identify problems and fix them – ASAP. We have seen many companies that have learned to drive results in as little as 30 to 90 days just by focusing on their core processes. These rapid turnaround exercises, delivered in the context of a longer strategic effort, have become the new tool of process management.
3. **Employee Engagement:** Training is always important. But what employees and managers want most of all is deep engagement in the business. Studies and anecdotal evidence demonstrate that engaged employees create engaged customers and higher financial performance. Rigid and misapplied company-wide training programs intended to build morale often did just the opposite, smothering the engines of innovation in the process. In addition, they treated different cultures and work styles with a “one size fits all” approach. The new trend for corporations is to use focused, flexible processes that fuel employee engagement. This is the best formula for building a strong culture.

Emerging Lessons from SPM and the New Process Management

Our new approach to process management is not just a theory; we have tested and refined it through years of working hand-in-hand with our clients. Here are a few of the lessons we have learned.

PROCESS CAN TRANSFORM PERFORMANCE

SSA & Company’s work in evolving process management dates back to our early work with one of the world’s most prominent generic pharmaceutical companies. Like many traditional pharma manufacturers, this company ran a complex business with numerous silos spread across business functions. It was preparing for a product launch in an industry where speed and cost are the ultimate drivers of success and traditional long-term process improvement techniques wouldn’t suffice. With our help, the company began to map and understand the value of key processes, looking particularly at places where activity was not closely linked with customer demand and where functional alignment clogged information flow between teams. It found at least 32 different areas that deserved process improvement, many of which were siloed within separate functions and thus “invisible” to top-down improvement techniques. We then jointly developed improvement strategies for each of the 32 areas. The results were stunning:

- ❑ **Faster speed to market.** We delivered a reduction in manufacturing cycle time from 86 days to 25 days – achieved in less than 3 months – allowing our client to capture millions in incremental revenue.
- ❑ **Reduced costs.** Our faster process led to the elimination of 45 supply chain positions.
- ❑ **Freed-up working capital.** We achieved decreases in work-in-process inventory and gross inventory of 66 percent and 41 percent respectively, freeing up capital necessary for growth.
- ❑ **Happier customers, faster order fulfillment.** 95 percent of customer orders were now fulfilled within 48 hours, up from 69 percent; product was available 99 percent of the time, up from 84 percent.

These changes turned around the company’s fortunes. The dramatic improvement in its process and cycle time repositioned the company to become a cutting-edge innovator.

PROCESS CAN EXTEND THE LEAD OF AN INDUSTRY WINNER

While SPM has been used to help companies facing challenging circumstances, it can also make profound improvements to companies that already are winners. For the last few years, SSA & Company has worked closely with one of the world’s leading auto companies,

renowned for its strong attachment to traditional continuous improvement techniques. But the organization’s leaders realized that to achieve aggressive growth goals without increasing their operating footprint and costs, a new approach was needed. Applying SPM, we were able to identify opportunities across multiple functions that heretofore remained invisible to more traditional techniques. By engaging employees in the discovery process we also ended up with innovative solutions to lingering problems. The process allowed us to engage initial skeptics with quick results, with limited investment. The successes we witnessed included:

- ❑ **Freed-up operating capacity.** The company identified 10 percent operating cost savings and realized a significant amount in 18 months.
- ❑ **Fewer staff needed to achieve goals.** The SPM model leverages staff contribution much more effectively, delivering the same benefits of traditional process improvement approaches with far less investment of internal staff time.
- ❑ **Innovative solutions to persistent problems.** By aligning our efforts against the whole value chain, from supply to customer interaction and satisfaction, our client was able to identify many “leap-frog” innovative solutions that were previously unidentified.
- ❑ **Significant return on investment.** With a 10x ROI on SSA fees in 12 months (our average with SPM), we were able to enlist broad support for our work, further increasing our impact.

SPM Engagement Model



SPM: MAPPING A STRATEGY TO IMPROVE PROCESS AND DRIVE VALUE

In thinking about how to help companies focus on the right process questions quickly, SSA & Company carefully observed where companies were losing ground on fundamental execution problems. What we realized was that many of the core Lean Six Sigma tools that we had helped pioneer were still relevant in uncovering and eliminating inefficiencies. But what was needed was a way of blending those tools with a program that could deliver rapid and dramatic results and be flexible enough to meet the specific – and shifting – training demands of a fluid organization.

The chart above shows how the SPM Engagement Model moves rapidly to generate tangible results within 60-90 days, and create a sustainable set of practices in a matter of months.

