# Process Improvement: Identifying Efficiencies To Help Improve Your Bottom Line

By c. myers corporation

How often have you heard or stated, "We need to be more efficient" in order to control expenses and improve service? However, when asked why existing processes are used, the answer is usually, "We've always done it that way." When asked if the existing processes are documented, the answer is usually, "Not really."

## Overview

Process clarity is a key component in Process Improvement and effective organizational structure. Yet many organizations, including credit unions, do not have their processes adequately documented. Process clarity is often murky at best. As a result, many are in a poor position to even begin thinking critically about how to create efficiency.

**The overall objective of Process Improvement is to eliminate waste by identifying and removing non-value-add activities and/or improving the product and/or the processing time of value-add activities.**

Non-value-add activities usually meet one or more of the following criteria:

- The activity has no internal or external customers/members
- Customers/members are not willing to pay for it
- The activity is not required for financial, regulatory or other business reasons

All other activities in the process are value-add.

As with any undertaking, and especially with Process Improvement, you want to be sure to:

- Set your objectives, which should answer what you want to accomplish with Process Improvement
- Develop a Game Plan
- Develop a Communication Plan
- Create a Business Process Improvement Team to oversee the rollout
- Develop and make the necessary tools available
- Secure and administer training for the team
- Identify a process owner for each process to be mapped and improved

## A Proven Process

Many of the well-known Process Improvement methods use what is known as **DMAIC** (Define, Measure, Analyze, Improve and Control). This is a proven method and can be applied to any process at a credit union, CUSO or any other business. Following is a breakdown of the components of each step.

**Define:**
To have the team and stakeholders reach agreement on the scope and goals.

The team will work to define:

- The boundaries of a specific process; in other words, the beginning and the end
- The internal/external customers
- The customer requirements and expectations

To solve a problem or to leverage a potential opportunity, it is absolutely critical that you have a clear understanding of the existing situation. For example, not clearly defining a problem can result in a wrong solution.

In this stage, the team will map the flow of the existing process. The best way to most accurately map an existing process is to involve the employees that perform the process functions. They are in the best position to know what steps are being performed and may be able to more easily identify roadblocks and bottlenecks. Additionally, involving them can be a great morale booster, as they recognize their input on how things are done and what should be improved is valued.

***Tips for Process Mapping:***

- Identify an experienced facilitator that is not close to the process to lead the group through this exercise. Many make the mistake of having the department manager or other person in the chain of command lead the group; the resulting work often reflects what the manager or senior-level person ***thinks*** the process is or should be—rather than what the current process ***actually is***
- Brainstorm all the activities in the process and write them down on large Post-its® (5 x 7 Post-its® are best)
- After brainstorming and documenting all activities, arrange as best as possible the Post-its® in chronological order, ideally on a large piece of paper taped to the wall. (Rolls of paper purchased from an office supply store that are 4-feet high and can be cut into 8-foot-long sections work best.) Alternatively, using several pieces of flipchart paper taped to the wall is sufficient
- Ask participants to step back, review the beginnings of the map and then encourage them to spend time discussing and even debating the order and content of the activities; then, make the appropriate adjustments to the Post-its®
- After reaching consensus among participants, memorialize the existing process by transferring what was written on the Post-its® to the paper and use flow-chart arrows to help illustrate the process

**Measure:**

To thoroughly understand the current state of the existing process and collect reliable data on the process speed, quality and cost that you will use to expose the underlying causes of problems.

The team will work to:

- Develop a data collection plan. An examples of data includes the time it takes to go from one step to another
- Collect relevant data to establish a baseline (e.g., How long does the existing process take?)
- Update the map with applicable data; be sure to include templates, documents and, if necessary, pictures to help the team members "see" the process

***Tip:*** Review the data prior to applying to the process map as, sometimes, people get off track and collect data that is not relevant to the process.

**Analyze:**

To pinpoint and verify causes affecting the key input and output variables. (Using member business lending as an example, input could be the loan application and output could be a funded loan.)

The team will work to:

- Conduct value analysis. Identify value-add and non-value-add activities (See above for a definition of non value-add activities)
- Identify bottleneck points
- Identify rework points
- Generate theories to explain potential causes for bottlenecks and reworks

***Tip:*** Most people will have a tendency to "justify" **all** activities as value-add. To counter this tendency, consider using a facilitator with experience in Process Improvement that is not directly tied to the process selected for improvement.

**Improve:**

To learn from test pilots of the selected solutions and execute full-scale implementation.

The team will work to:

- Develop potential solutions. This is one step where pushing for creativity is desired
- Evaluate, select and refine the best solutions
- Develop the desired process map
- Develop and test pilot solutions

- Confirm attainment of project goals
- Develop and execute full-scale implementation plan

***Tip:*** Keep your team focused on the scope and objectives as there may be a tendency to go beyond the boundaries.

**Control:**
To complete the Process Improvement work and hand off an improved process to process owners with procedures for maintaining the gains.

The team will work to:

- Develop supporting methods and documentation to sustain full-scale implementation
- Launch implementation
- Lock in performance gains. Use mistake proofing or other measures to prevent people from performing work the old way
- Monitor the implementation
- Develop process control plan and hand off control to process owner, including process audits and other ongoing measurements
- Document ideas about where your company could apply the methods and lessons learned

***Tip:*** Control the map; develop a method to control/restrict changes and ensure version control, which is critical when making changes to the process.

## Summary

The DMAIC methodology, as described above, can lead to appropriate, sustainable solutions for a wide range of processes at your credit union, leading to greater efficiencies and, quite likely, improved customer loyalty and bottom-line performance.

If you would like to discuss specific issues that relate to your credit union's Process Improvement process, feel free to contact us at: **800-238-7475**.

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## About c. myers

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For the last 18 years, hundreds of credit unions, including 25% of those over $100 million in assets and 50% over $1 billion, have found value in our proven and practical approach to addressing emerging and complex business issues.