

Process and Profitability

Is continuous process improvement the key to better performance?

IS it really possible that one of the keys to increased profitability for community institutions may simply be to take a look at the basic, everyday things they're doing and try to make them better?

It sounds almost ludicrously simple, but **Rob Johnson**, a principal and executive vice president at c. myers corporation, says many institutions aren't aware of the power of process improvement only because they haven't taken the time to understand the ramifications that small changes could have on their operations.

In this edited email exchange with the *Update*, Johnson offers a brief preview of the session on continuous process improvement that he'll be presenting at The FMS Forum in Las Vegas in June and explains how he thinks it can help improve profitability for community institutions.

FMS Update: How do you define "continuous process improvement?"

Rob Johnson: I think of it as both an organizational habit and a mindset. It means that process improvement isn't a 'one and done.' It also means that there are many people in the organization who are consistently

thinking about how their processes could be better.

Organizations that practice continuous process improvement focus on both consumer-facing and internal processes in order to reach a higher level of efficiency, relevancy and profitability. To maintain that level, processes are revisited periodically as things change – customer expectations, technology, business rules and the competitive environment are always changing.

In terms of mindset, we observe that as some organizations begin to improve one or two processes, the light bulbs come on and those who are involved begin to think about other processes differently, even processes in their personal lives! That's how it begins. As the organization exposes more of its people to process improvement, it gains momentum and changes the organizational mindset, meaning that there are a significant number of people who, on their own, no longer accept processes as cast in stone and ask questions like, 'Is there a better way to accomplish this?' and 'Does this step still add value for the customer?'

FMS Update: In what specific ways can continuous process improvement help boost profitability?

Johnson: There are a number of

different possible avenues, including:

Efficiency – By cutting time spent on tasks that don't add value, organizations can do more with the same resources. This usually translates to adding capacity without adding people, or as many people, which helps control expenses.

Speed – Speed done well can lead directly to more revenue. A speedier process can mean getting more out of the opportunities you already have. For example, if a customer leaves a voicemail and someone gets back to them within the next hour, the likelihood of converting that opportunity into a sale is pretty good. On the other hand, after two days, a customer who called to talk about opening a new account has probably lost interest. Likewise, the faster a customer hears about their loan decision, the more likely they are to say yes to the offer rather than going to the competition.

Relevancy – If processes are truly fast and easy for customers, they will tell their friends, which can lead to more opportunities. Process improvements that prioritize the customer experience can strengthen and support relevancy. An institution that is truly relevant to its customers will

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garner more of their business.

Fewer Errors – Good processes are designed to minimize errors. By reducing hand-offs, minimizing duplicate data entry and eliminating other error-inducing activities, customers and employees alike have a better experience.

Employee Experience – A well-designed process is also a boon for the employees who will have clarity on the process and aren't bogged down in pointless tasks. This could make it easier to attract and retain the best talent; at the minimum, it makes for happier, more productive employees.

FMS Update: What are some of the most significant requirements for implementing continuous process improvement in a community institution?

Johnson: It's really pretty simple. If an organization is committed to spending some time with the right people in the room, the stage is set for success. The first step is to map the existing process. We literally call this the \$2 exercise, because it takes no more sophisticated tools than some sticky notes and markers. If you have the people who actually do the process along with decision-makers in the room, and they can think beyond the current process (which most can do), you can do process improvement. Of course, executing on the decisions that are made is also critical.

One requirement worth mentioning is that process improvements must be done with the customer in mind and viewed from the customer's perspective. This is harder than it sounds. For example, in a 24/7 world, how good is the experience

when a customer applies for a loan on Friday night and gets a decision on Monday?

FMS Update: Where are many community institutions falling short with regard to process improvement?

Johnson: Some are doing a great job with process improvement, but we do see many institutions that are focused on the wrong things, ranging from simply not taking the time to thinking that some type of certification is required. Some organizations are under the impression that new technology is always the primary focus, but without fail, we see organizations identify significant improvements that don't rely on new technology. In fact, doing process improvement prior to making new technology decisions can greatly improve the technology decisions and adoption.

Another common misstep is not involving the doers along with the decision-makers in process improvement, which not only yields far more creative solutions, but also creates precious buy-in at all levels.

FMS Update: What advice would you give to a community institution that is currently not engaged in any kind of process improvement? What are the important steps for getting started?

Johnson: Realize that you're in a street fight for relevance and that consumers are looking for faster, fresher experiences. The rate of change is increasing exponentially, with non-financial companies defining 'easy' for the consumer, and thus quickly changing the consumer mindset.

If you need help getting your efforts off the ground, consider using an experienced process

improvement facilitator. If you want to give it a try on your own, pick one process. Start with the \$2 exercise – get the right people in the room and map the current process. As you consider changes, follow rules of engagement that keep thoughts open such as 'no one is allowed to use the phrase we can't.' Don't assume that old views of what is required for compliance are true. Then, open your eyes to the possibilities and see where it leads. Once you've mapped the ideal process, execute on any decisions made in order to make the process a reality.

For continuing education on continuous process improvement, be sure to attend Rob Johnson's presentation at the upcoming FMS Forum in Las Vegas. Visit www.FMSinc.org/TheForum for more information.

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