Business Process Reengineering Overview
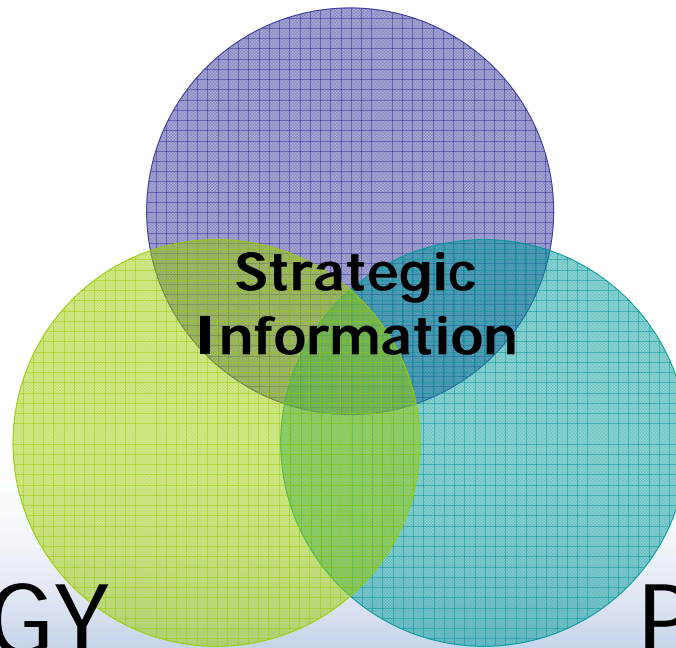
Why Business Process Management?

Information as a Strategic Asset - Balancing Point

PEOPLE

Strategic
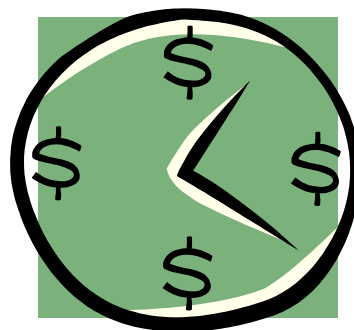Information

TECHNOLOGY   PROCESSES

Changing Focus to Maximize Returns

How do we get information quickly and reliably so that we have more time for decision making?

- Implement standards

- Establish specific measurements

- Focus our efforts

Business Process Management helps organizations achieve these goals

BPM – Some real benefits

- **Example 1: Indian MFI**
  - Mapped 5 of their major business processes (1 month)
  - Results:
    - Reduced loan sanctioning process time by >75%
    - Lowered client drop out rates >40%
    - Increased client satisfaction
    - Eliminated excessive and repetitive controls

- **Example 2: Kenyan MFI**
  - Total process re-engineering (3 months)
  - Results:
    - Account Opening error rate reduced by >50%
    - Account Opening cycle time reduced ~20%
    - Cash Transaction cycle time reduced >30%

BPM – A Definition

- **The process by which an organization**
  - Identifies its business critical processes,
  - Maps its current business processes,
  - Measures key metrics associated with a process,
  - Analyzes the process to find a more efficient way to do the work, (and ultimately)
  - Redesigns the processes to do work in a more efficient, less risky way
  - And ask questions the entire way

IDENTIFY	MAP	MEASURE	ANALYZE	REDESIGN

ASK QUESTIONS

BPM – What are the benefits?

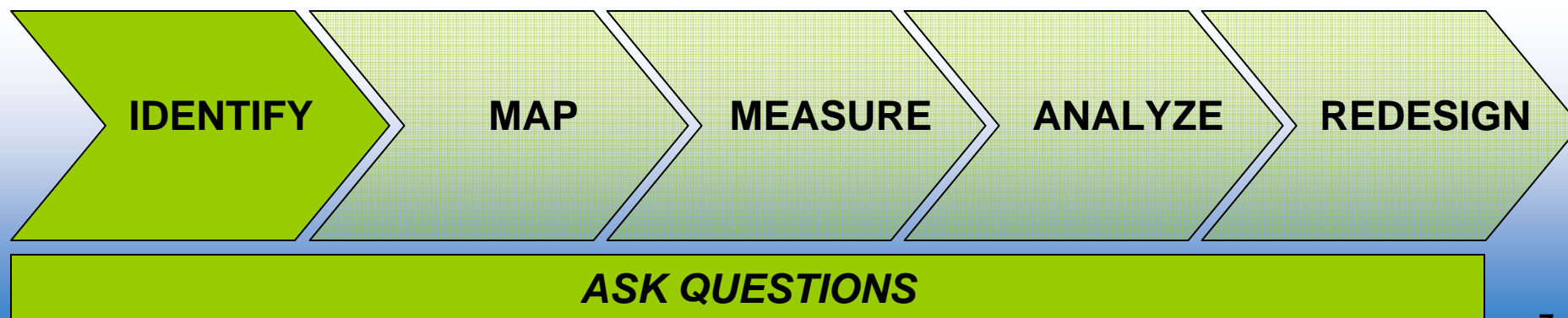| IDENTIFY	MAP	MEASURE	ANALYZE	REDESIGN
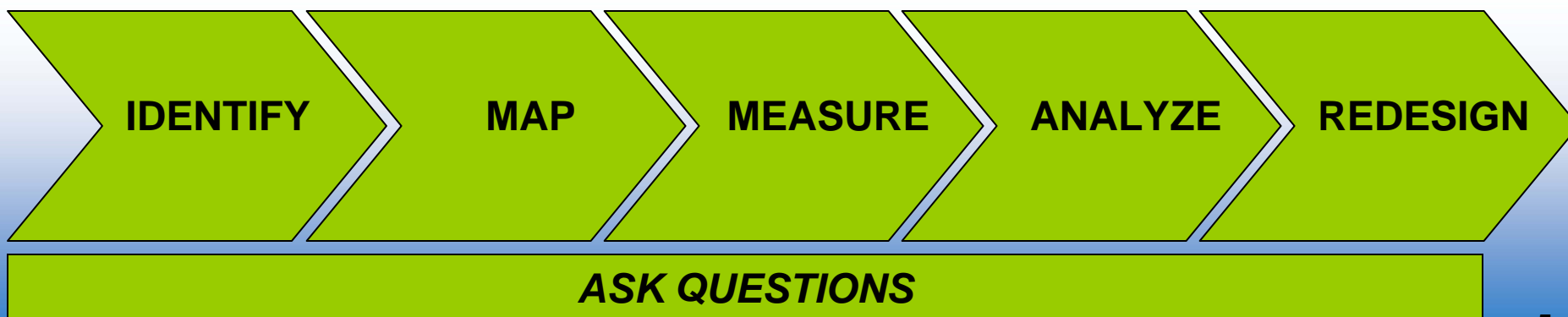
IDENTIFY
- Prioritize the operational gaps to be addressed
- Declare focus of the BPM
- Identify key benefits expected

MAP
- Create transparency
- Orient and train new employees
- Create training and reference manuals
- Prepare easy to follow policies and procedures manuals with process maps

MEASURE
- Develop baseline performance metrics
- Evaluate, and/or strengthen performance measures
- Simplify reporting
- Understand the potential cost and benefit of an action

ANALYZE
- Develop and document risks and mitigation mechanisms - especially with regard to internal controls
- Identify improvement opportunities
- Locate bottlenecks and delays

REDESIGN
- Reduce reputation risk, fraud, operating errors, and systems failure
- Greater quality and service
- Increase speed and productivity
- Decrease costs

Step 1: Identify the Process

- **Compare vision to actual performance**
  - How are you doing?
- **Choose the most important operational gaps**
- **Identify the process(es) linked to the gaps**

IDENTIFY	MAP	MEASURE	ANALYZE	REDESIGN

ASK QUESTIONS

Step 2: Map

- **Why a map?**
- **What can the map be used for?**
- **How do we do it?**

IDENTIFY	MAP	MEASURE	ANALYZE	REDESIGN

ASK QUESTIONS

(Map) How do we do it? Tool set

⬭ = Beginning point

⬭ = Ending point

▭ = A task step

◇ = Decision point or checkpoint

▭ = Input

▭ = Output
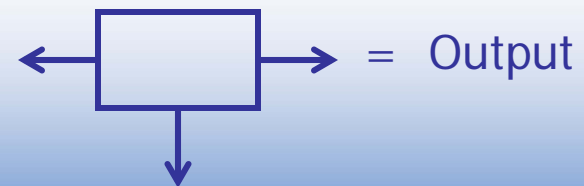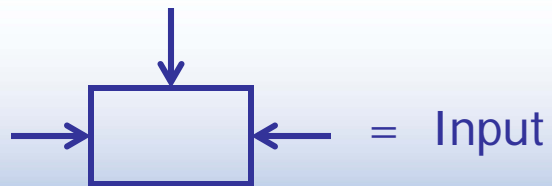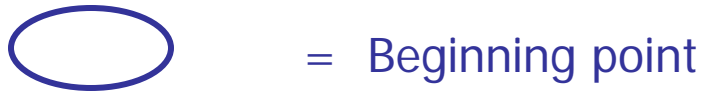
(Map) How do we do it? A Framework

<Process Name>				
	<phase>	<phase>	<phase>	<phase>
<Function>				
<Function>				
<Function>				
<Function>				

Sample Process Map 1
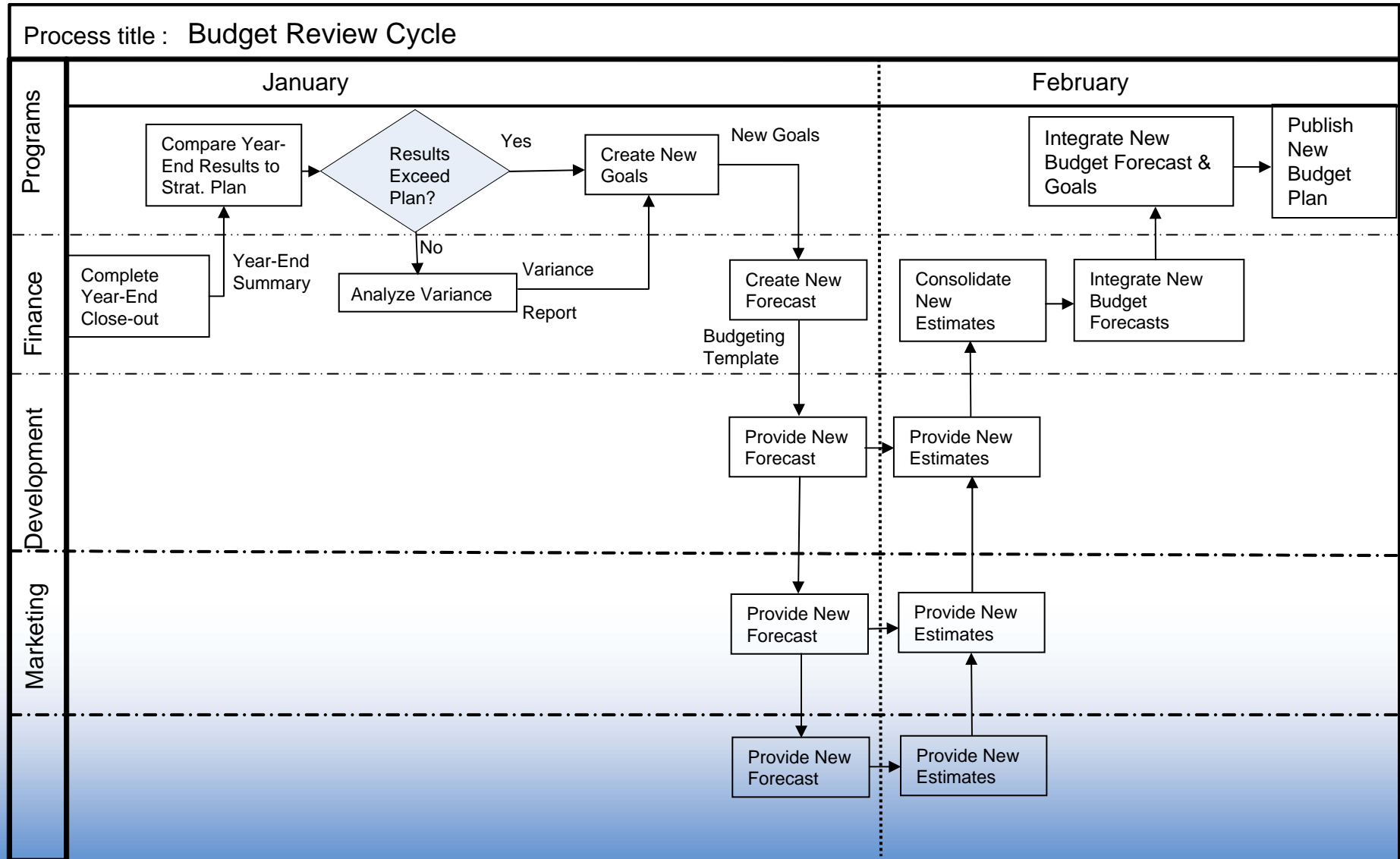
Step 3 - Measure

- **Why measure?**
- **How do we do it?**

IDENTIFY	MAP	MEASURE	ANALYZE	REDESIGN

ASK QUESTIONS
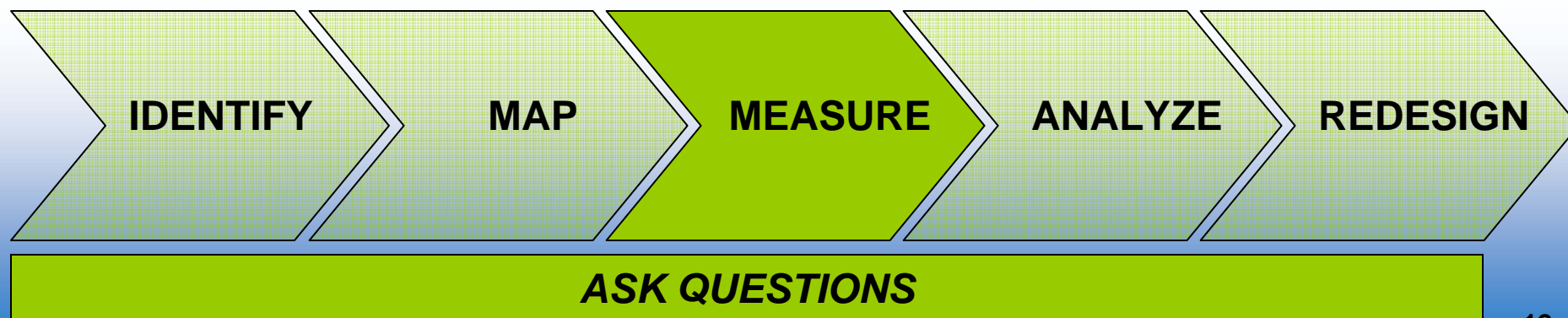
(Measure) Why do we measure a process?

- **Understand WHAT we are doing by developing baseline performance metrics**

- **Understand HOW we are doing by evaluating performance measures**

- **Strengthen performance**

- **Simplify reporting**

(Measure) How do we do it? - Tools

	Output	Dimensions	Measure	Objective
Definition	The tangible accomplishment of the process task or decision	The characteristic of the Output that permits objective measures	The measure to be applied to the specific Dimension	The desired accomplishment of a process task or decision
Example	Complete Loan Application	• Accuracy • Completeness • Legibility • Timeliness	• % Correct • % Complete • Readable by staff • Time to Register	• 100% • 100% • Yes • 24 Hours

(Measure) How do we do it? - Tools

Process Performance Measures

Process Name

Responsible department

Process Manager

Department Manager

Phone:

Period Measured:

Email:

Approved: Date:

Output	Dimensions	Measures	Objective	Actual	Variance

(Measure) How do we do it? - Tools

Process Performance Measures

Process Name

| Loan Application |

Responsible department

| Field Agent |

Process Manager

| Sarah Smith |

Department Manager

| Michael Jones |

Phone: 555-1234

Period Measured: 07/10/01 – 07/11/01

Email: ssmith@mfi.org

Approved: M.J.   Date: 07/11/08

Output	Dimensions	Measures	Objective	Actual	Variance
Complete Loan Application	Accuracy	% Correct	100%	87%	Under Target: -13%
	Completeness	% Complete	100%	100%	On Target
	Legibility	Readable by staff	Yes	Yes	On Target
	Timeliness	Time to Register	24 Hours	12 hours	Over Target

Step 4 - Analyze

- **Why do we analyze?**
- **How do we do it?**

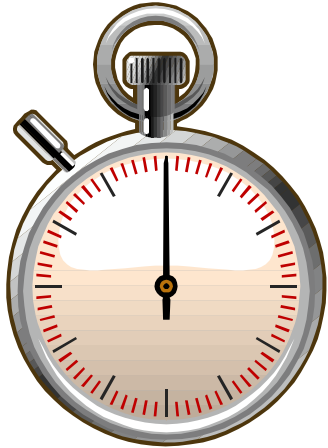| IDENTIFY | MAP | MEASURE | ANALYZE | REDESIGN |

ASK QUESTIONS

(Analyze) Why do we analyze?

- **Develop and document risks and mitigation mechanisms - especially with regard to internal controls**

- **Identify improvement opportunities to**
  - Decrease costs
  - Increase efficiency
  - Enhance the customer's experience

(Analyze) How do we do it?
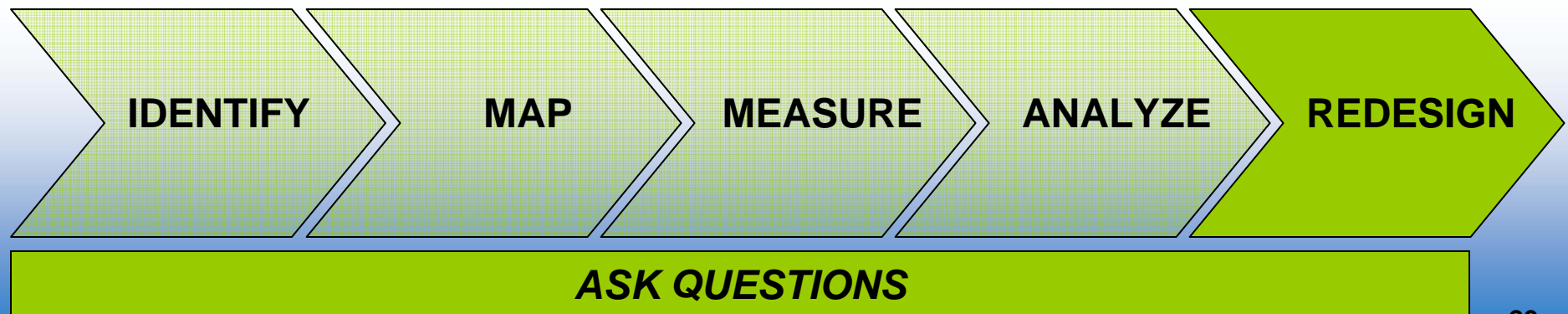
Timing Analysis

Common Sense Analysis

Risk Mitigation

Step 5 - Redesign

- **Why do we redesign?**
- **How do we redesign?**

IDENTIFY	MAP	MEASURE	ANALYZE	REDESIGN

ASK QUESTIONS

(Redesign) Why do we redesign?

- **Decrease risk**
  - Reduce reputation risk, fraud, operating errors, and systems failure

- **Increase efficiency**
  - Increase speed and productivity
  - Decrease costs
  - Fewer personnel required to operate the infrastructure

- **Greater quality and service**
  - Standardize transactions to meet customer expectations
  - Make transactions shorter and easier for the customer

(Redesign) How do we redesign for Efficiency?

- **The BPM team CARES about efficiency:**
  - **C**ombine activities

  - **A**dapt activities

  - **R**un activities in parallel rather than serial

  - **E**liminate activities that are not required

  - **S**peed up activities through the right technology or other innovations

- **Decrease Risk**
  - Design a solution to mitigate the risk
    - adding or modifying a step
    - adding a control
    - reordering the workflow
    - institute new training or skills development
    - redesign incentives
    - all of these together
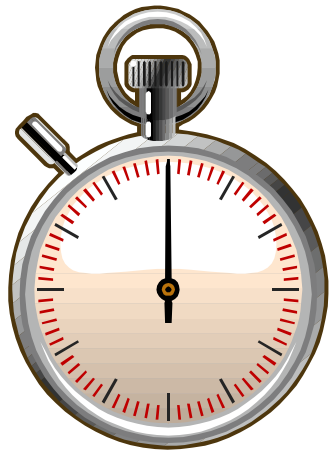
BPM – What are the benefits?

IDENTIFY	MAP	MEASURE	ANALYZE	REDESIGN
• Prioritize the operational gaps to be addressed	• Create transparency	• Develop baseline performance metrics	• Develop and document risks and mitigation mechanisms - especially with regard to internal controls	• Reduce reputation risk, fraud, operating errors, and systems failure
• Declare focus of the BPM	• Orient and train new employees	• Evaluate, and/or strengthen performance measures		• Greater quality and service
• Identify key benefits expected	• Create training and reference manuals	• Simplify reporting	• Identify improvement opportunities	• Increase speed and productivity
	• Prepare easy to follow policies and procedures manuals with process maps	• Understand the potential cost and benefit of an action	• Locate bottlenecks and delays	• Decrease costs

Thank You!

Appendix

Timing Analysis

- **For each step of the process write down how long (hours or days) each step takes**

- **Identify bottlenecks**

Dependency Analysis:

- **What steps are being done sequentially now that could be done in parallel?**

Necessity Analysis:

- **Is this step necessary?**

- **Can we combine or eliminate it?**

- **What if we change something upstream? Then can we eliminate it?**

Efficiency Analysis:

- Are there frequently repeated steps?

- Is there shared responsibilities for controls or multiple approvals?

(Analyze) How do we do it? – Common Sense

Purpose Analysis:

- **What is the core purpose of this step and how else can it be accomplished?**

Risk Mitigation

- **What could go wrong?**

- **What HAS gone wrong?**

- **How can we fix it?**