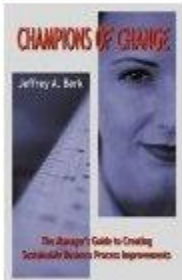


How to Become a Change Agent

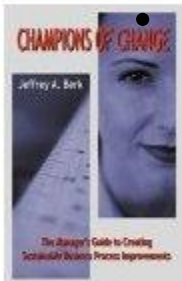
Jeffrey Berk, CPA, MBA



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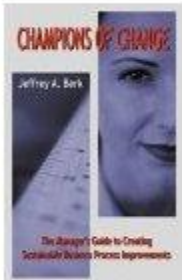
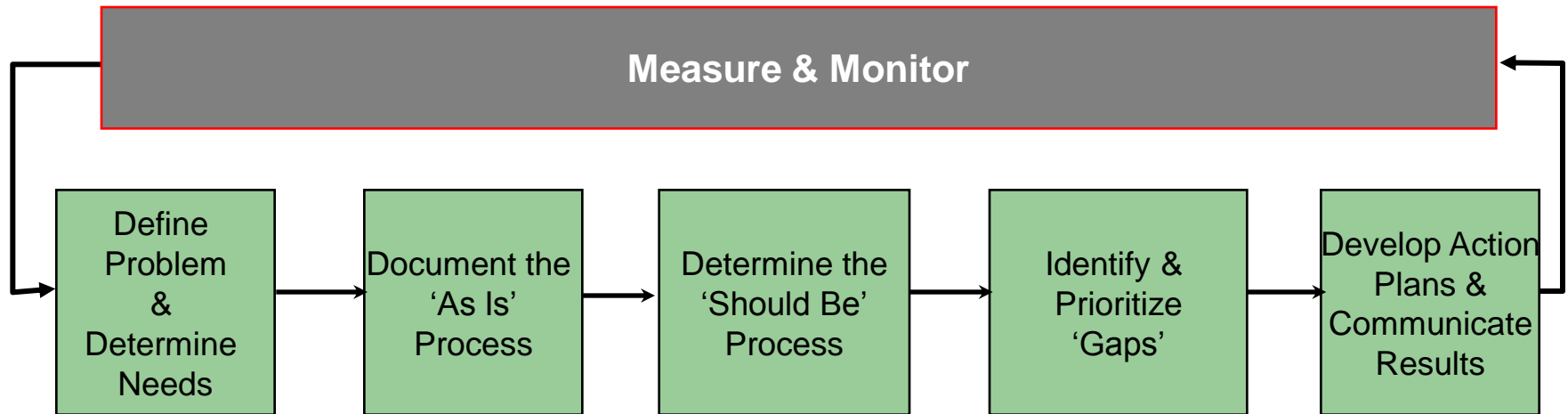
Objectives

- Process Improvement Methodology
- Continuous Improvement Movements
- Process Improvement Tools
- Process Mapping
- Best Practices vs. Internal Controls
- Performance Measurement
- Project Management
- Change Management
- Action Plans
- Training
- Measure the ROI on Process Improvements
- 'Excellence' in Business Processes
- CASE STUDY WRAP UP – Nursing Home A Finance Function



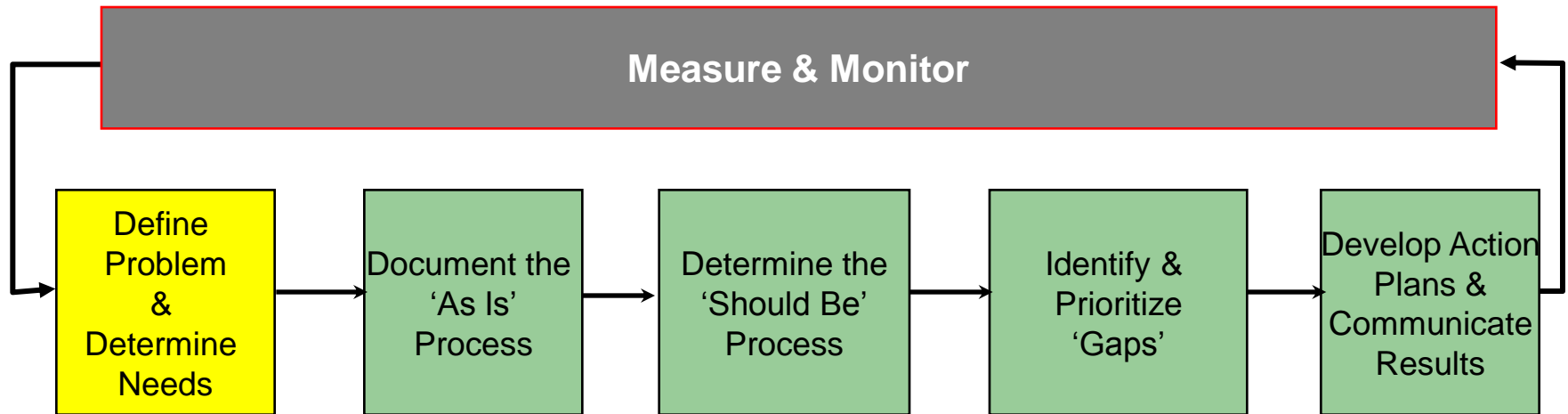
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Process Improvement Methodology

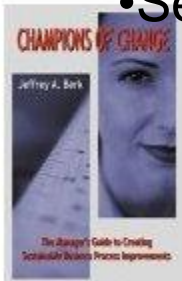


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Process Improvement Methodology

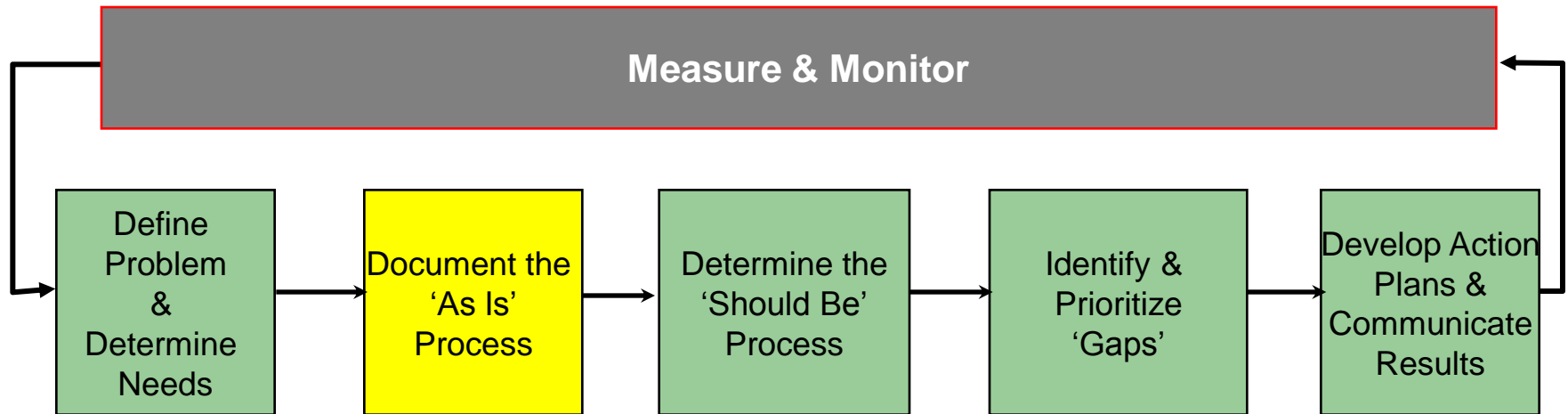


- Review past performance
- Conduct high level diagnostics
- Set appropriate scope

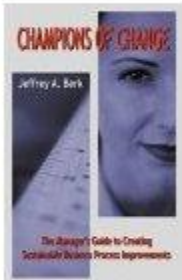


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Process Improvement Methodology

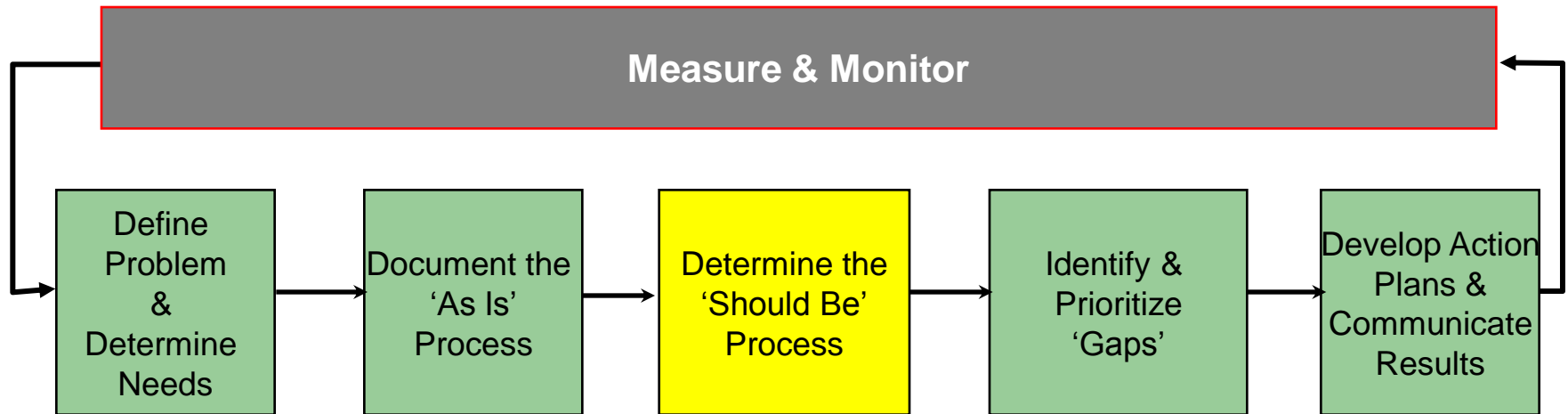


- Map the Process inputs, activities and outputs
- Use process tools to help understand the process
- Conduct historic data analysis for benchmarks and goals
- Identify bottlenecks, redundancies, task inefficiencies, business risks

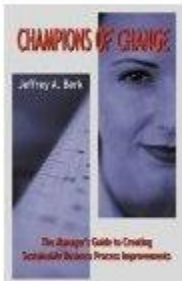


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Process Improvement Methodology

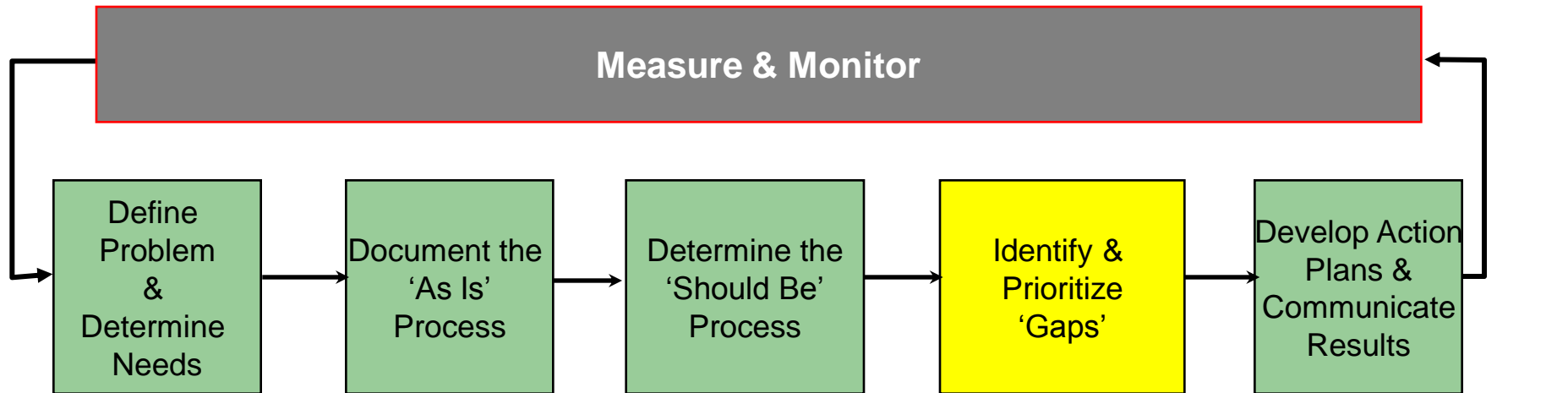


- Primary research through benchmarking
- Secondary research (studies, articles. etc)
- Think out of the process or industry box

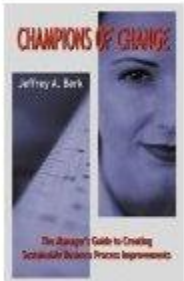


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Process Improvement Methodology

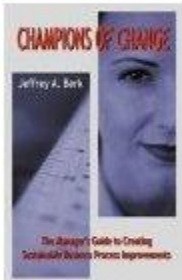
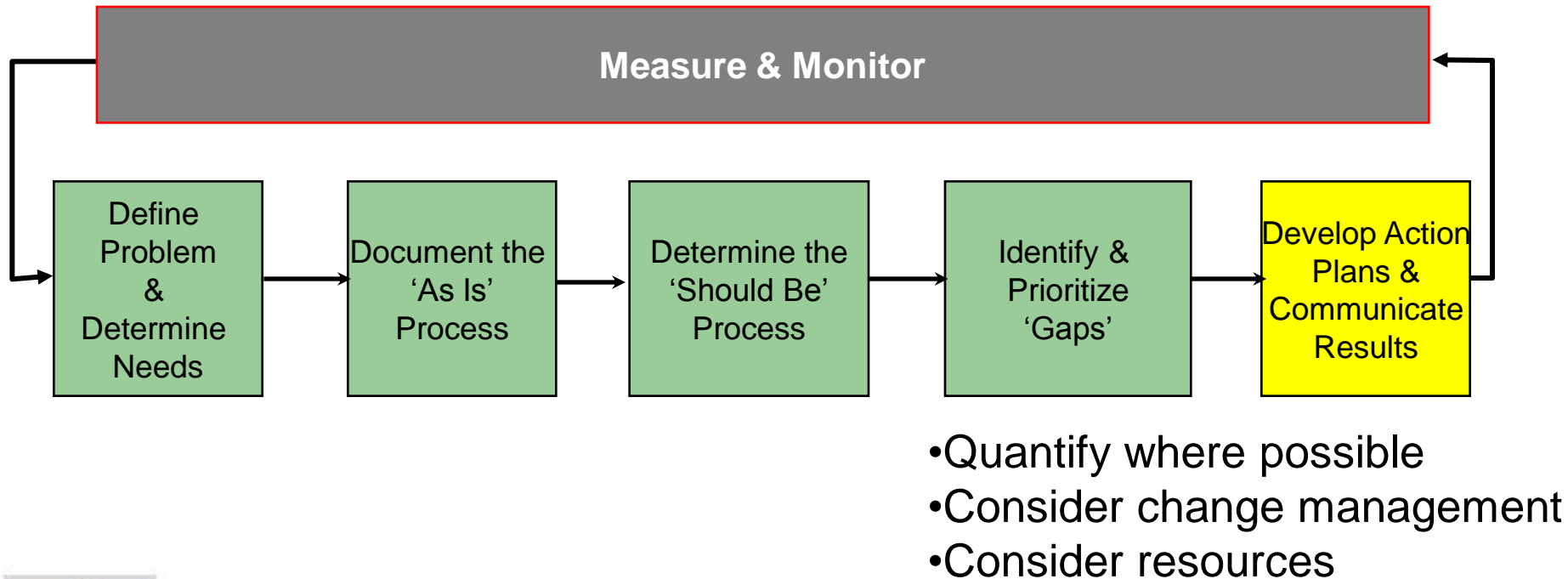


- Should Be – As Is
- Prioritize based on cost, impact, strate



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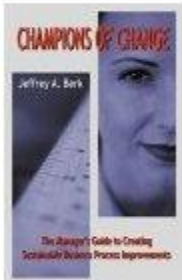
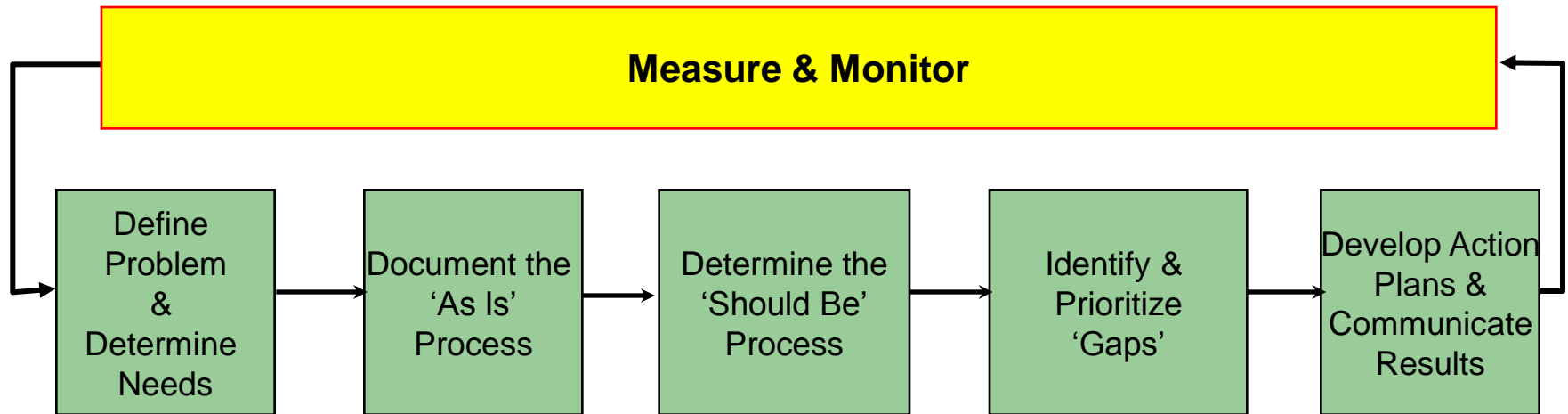
Process Improvement Methodology



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Process Improvement Methodology

- Small family of metrics
- Well balanced (cost, quality, time, productivity)
- Monitor against goals, benchmarks, historic results

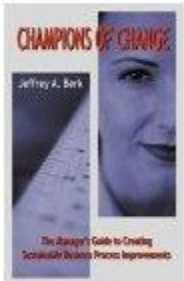


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Exercise

Get into small groups and review the exercise for XYZ Insurance Company. Document a brief reply to Question Set 1. – 15 minutes

Review the detail after Question Set 1. Document a brief reply to Question Set 2 – 15 minutes.



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Continuous Improvement Movements

- ISO

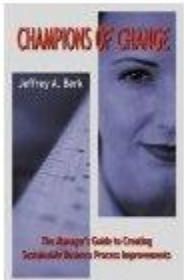
<http://www.iso.ch/>

- Baldrige Award Criteria

<http://www.quality.nist.gov/>

- Six Sigma

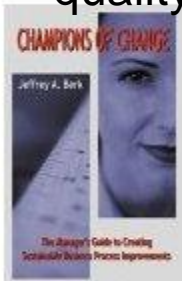
<http://www.isixsigma.com/>



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What is Quality?

- Quality is not a program; it is an approach to business.
- Quality is a collection of powerful tools and concepts that is proven to work.
- Quality includes continuous improvement and breakthrough events.
- Quality tools and techniques are applicable in every aspect of the business.
- Quality is aimed at performance excellence; anything less is an improvement opportunity.
- Quality increases customer satisfaction, reduces cycle time and costs, and eliminates errors and rework.
- Quality isn't just for businesses. It works in non-profit organizations like schools, healthcare and social services, and government agencies.
- Results (performance and financial) are the natural consequence of effective quality management.

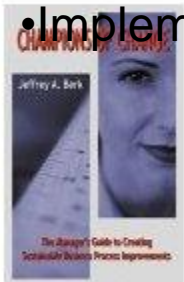


Source: American Society for Quality; <http://www.asq.org/index.html>

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ISO Facts

- ISO - International Organization for Standardization
- Standards - rules, guidelines, definitions to ensure quality developed by consensus industry, and voluntary submissions (policy and procedure manuals)
- ISO 9000 - provides a framework for quality management and assurance
- QS 9000 - common supplier quality standard for Ford, GM and Chrysler
- ISO 14000 - provides a framework for environmental management
- Go to seminars or use consultants to learn how to implement the standards
- Periodic surveillance is done after certification to ensure quality is maintained
- Implementation is voluntary unless an industry makes it a requirement



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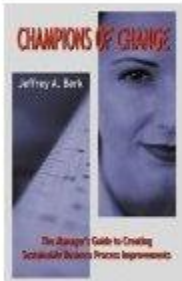
ISO Advantages and Disadvantages

Advantages

- promotes unity through generic management principles
- promotes continual improvement
- ability to bid for more contracts around the world
- documented system that is a useful training tool and reference guide
- fewer errors and rejects (maybe)
- continuous quality assessment by experienced professionals
- greater marketing and PR tool

Disadvantages

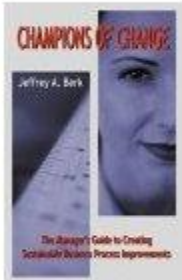
- costly to obtain and maintain
- time consuming to obtain
- difficult to implement
- too much documentation
- creativity is stifled to respect procedures
- resistance to the changes
- uses a pass/fail (conformance/nonconformance system)



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Baldrige Facts

- Named for Malcolm Baldrige, Secretary of Commerce under Reagan, known for his award winning managerial excellence
- Award given by the President to recognize performance excellence, focuses on the organization's overall performance management system
- Managed by the National Institute of Standards and Technology, a govt. agency



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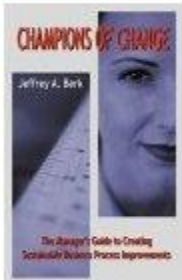
Baldrige Advantages/Disadvantages

Advantages:

- a widely accepted standard of performance excellence
- great for marketing and PR
- promotes continuous improvement
- provides a framework for designing, implementing and assessing a process

Disadvantages:

- Only US headquartered companies can receive the award
- sometimes the “award” overshadows its underlying purpose
- costly and time consuming to implement and apply for



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Six Sigma Facts

- A greek letter that is a statistical unit of measurement used to define the standard deviation of a population
- Six Sigma is the equivalent of 3.4 defects per million opportunities
- Six Sigma is a 99.99966% quality rate
- Ex. 3 Sigma - 40,500 babies per year dropped at delivery
6 Sigma - 3 newborn babies dropped in 100 years
- Began at Motorola by Bill Smith, a reliability engineer who sold the idea to CEO Robert Galvin. Concluded that higher quality was necessary to prevent field failure. Motorola won a Baldrige Award for Six Sigma efforts.
- Six Sigma has been successfully implemented in other large organizations (IBM, GE, Kodak)



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DMAIC Model

Define

- Define project goals and deliverables
- Define in terms of internal and external customers

Measure

- Select CTQ (critical to quality) characteristic
- Define performance standards
- Validate measurement system

Analyze

- Establish product capability
- Define performance objectives
- Identify variation sources

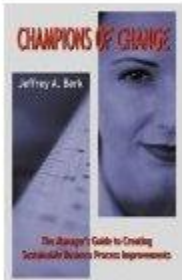
Improve

- Screen potential causes
- Discover variable relationships
- Establish operating tolerances

Control

- Validate measurement system
- Determine process capability
- Implement process controls

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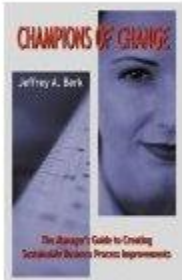
6 Sigma Advantages/Disadvantages

Advantages

- integrates a deep sense of quality (centered around defects) into the organization
- addresses the importance of failure and quality
- addresses leadership tools and infrastructure issues
- promotes companywide excellence
- it is disciplined and statistical (data driven approach)

Disadvantages

- little to offer that can't be found elsewhere (a marketing ploy)
- it is more of an appraisal system or corrective system, rather than preventative
- it may be unreasonable to attain such low defect rates for all processes
- it is difficult to implement as it requires the support and training of many
- it may take years to reach 6 sigma

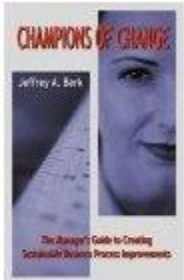


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Exercise

Read the Article *Six Sigma At Citibank*. Be prepared to discuss the following:

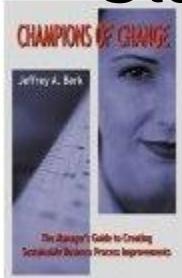
1. Why did Citibank adopt a Six Sigma initiative?
2. How does the Functional Process Mapping exercise compare to the benchmarking methodology we discussed in class?
3. Do you think Citibank can achieve 3.4 defects per million opportunities (i.e. 6 sigma)? Is that their goal? If not, what is their goal?
4. What do you think were the keys to success for Citibank's Six Sigma Program?
5. Does this case really illustrate 6 Sigma or is it business process improvement named Six Sigma?



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Process Improvement Tools

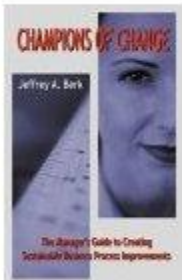
- Affinity Diagrams
- Cause & Effect Diagrams
- Control Charts
- Gantt Charts
- Process Flow Charts
- 2x2 Matrix
- Pareto
- Scatter Diagram
- Staff Analysis/Activity Profile



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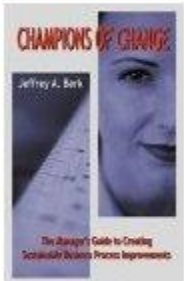
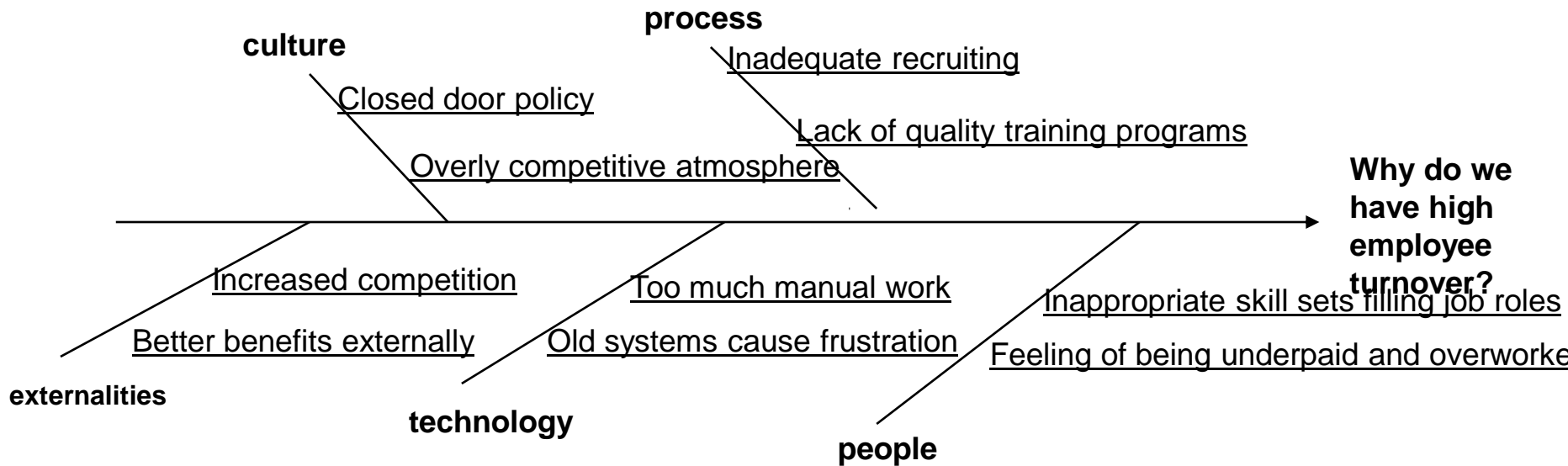
Tools – Examples – Affinity Diagram

Keys to Effective Teamwork



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Tools – Examples – Cause & Effect



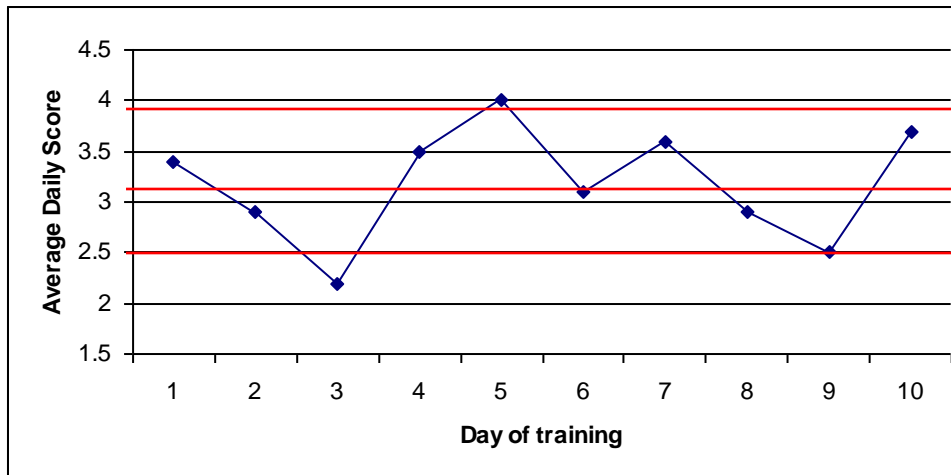
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Tools – Examples – Control Chart

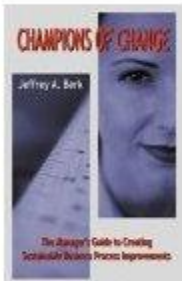
sample/day	1	2	3	4	5	6	7	8	9	10 Overall	
Student 1	3	2	1	4	5	3	4	2	3	4	
Student 2	4	2	2	4	4	3	4	3	1	4	
Student 3	3	3	1	4	4	3	4	3	3	4	
Student 4	4	3	2	3	4	3	3	3	3	4	
Student 5	4	3	2	4	5	3	3	3	3	4	
Student 6	5	3	2	3	4	3	4	3	2	3	
Student 7	2	4	3	3	3	3	3	2	2	4	
Student 8	3	4	3	3	2	4	4	4	3	4	
Student 9	3	3	3	3	5	3	3	3	2	3	
Student 10	3	2	3	4	4	3	4	3	3	3	
Average (mean)	3.4	2.9	2.2	3.5	4	3.1	3.6	2.9	2.5	3.7	3.18 center line (X bar)
Standard Deviation	0.843274	0.737865	0.788811	0.527046	0.942809	0.316228	0.516398	0.567646	0.707107	0.483046	0.643023 average standard devi:

constant 0.975
(from lookup table of constants)

UCL mean+(constant x std dev) 3.806947
LCL mean - (constant x std dev) 2.553053



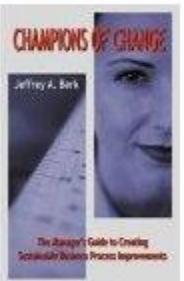
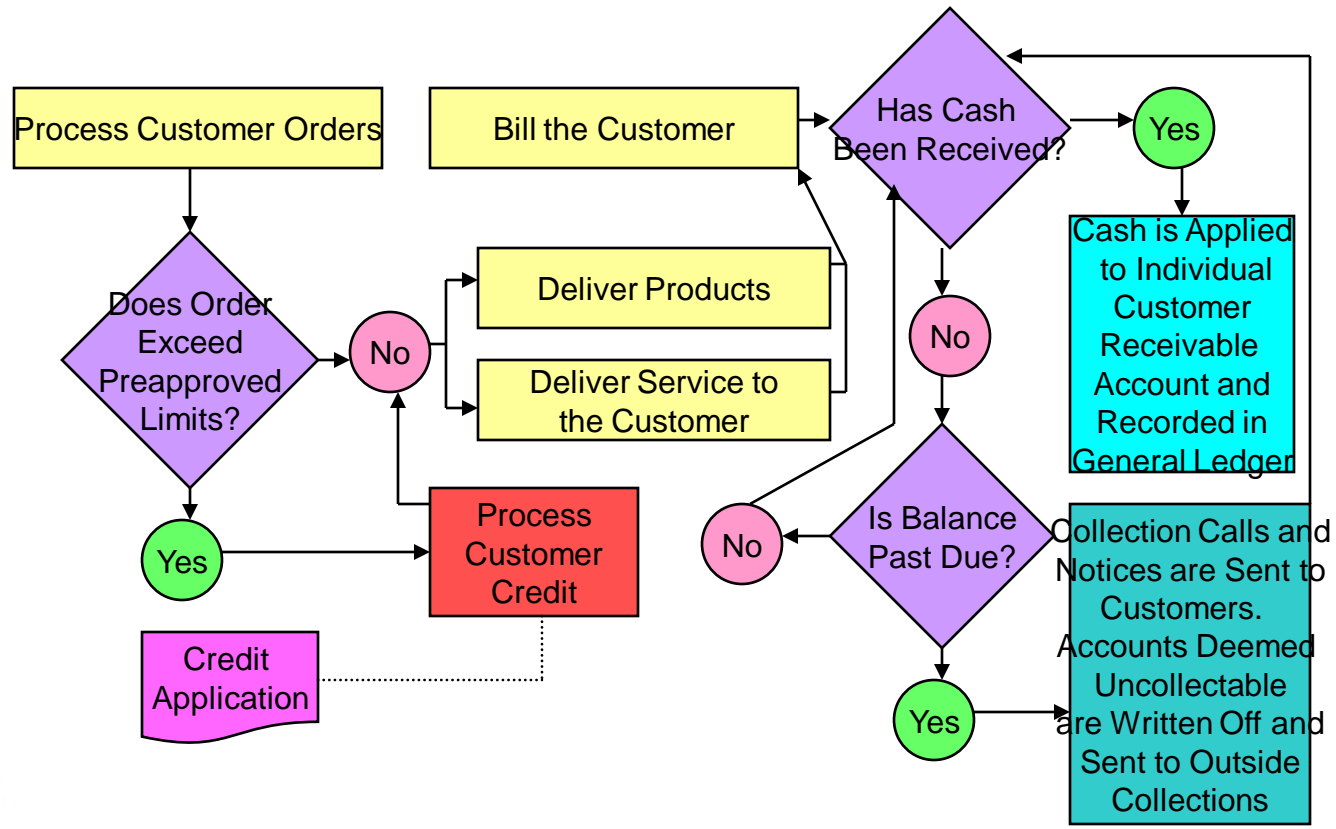
← Upper Control Limit (UCL)
← Center line (x bar)
← Lower Control Limit (LCL)



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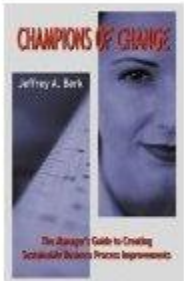
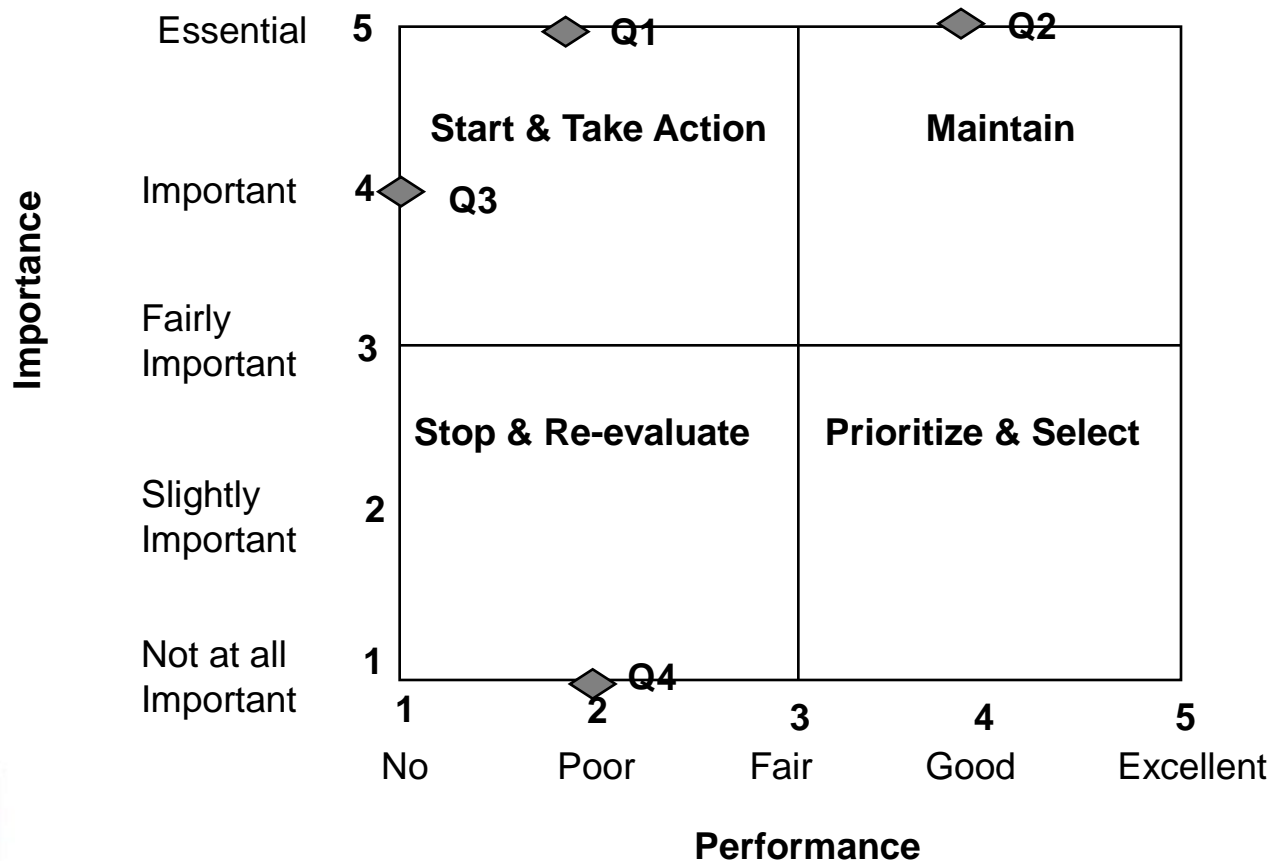
Tools – Examples – Process Flow Chart

Accounts Receivable Process



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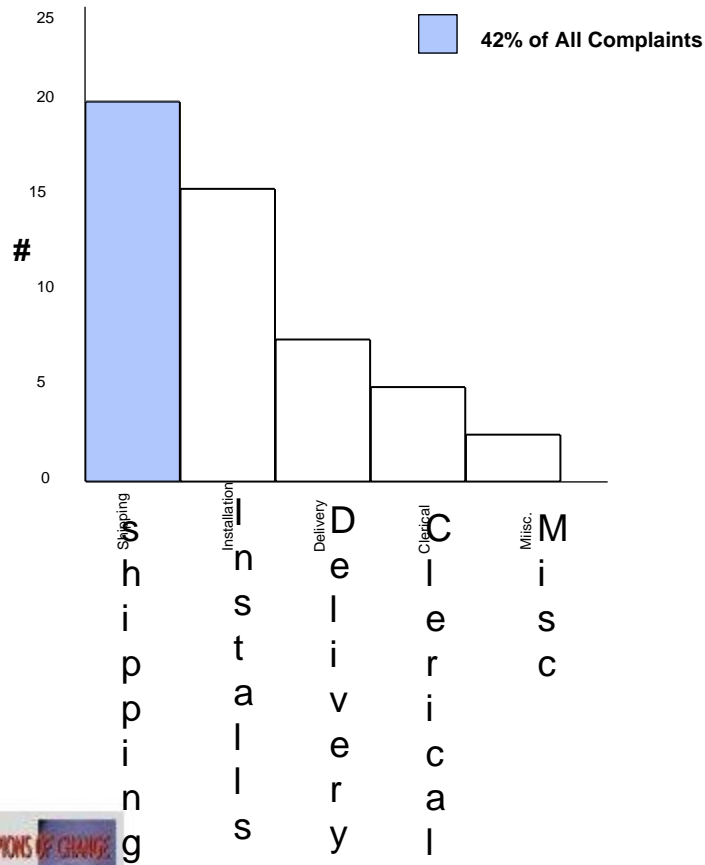
Tools – Examples – Matrix



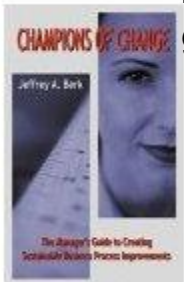
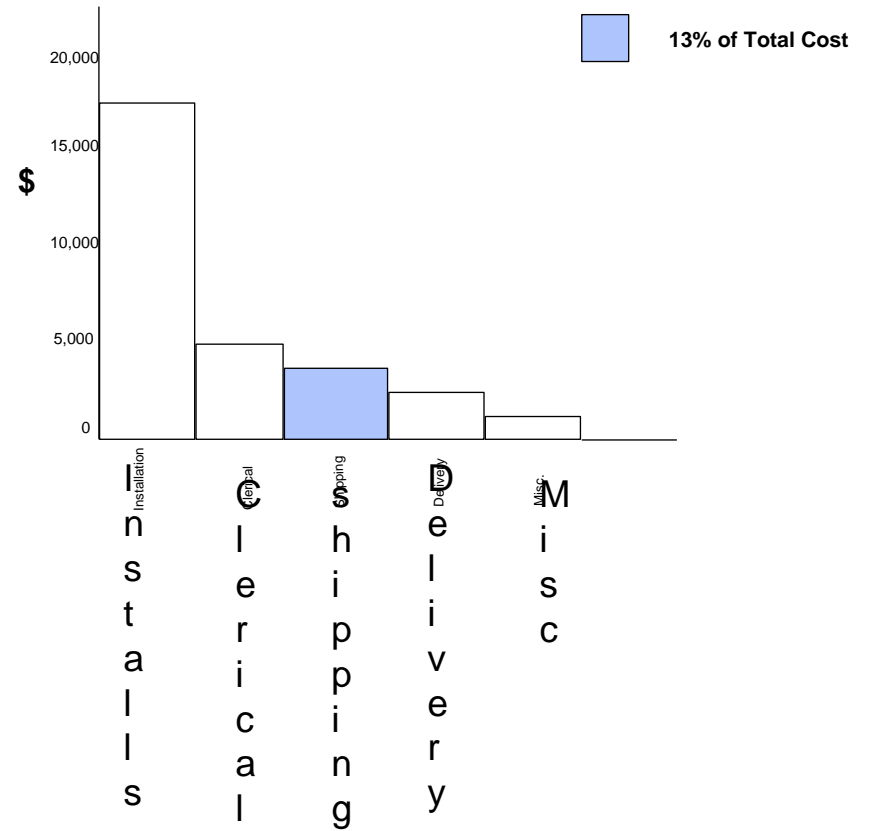
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Tools – Examples – Pareto

Field Service Customer Complaints:

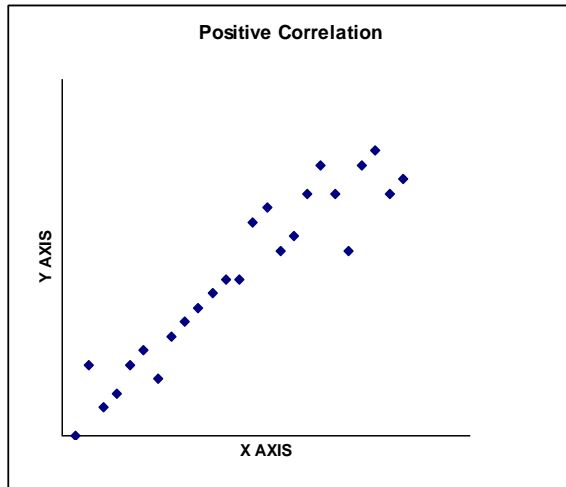


Cost to Rectify Field Service Complaints:

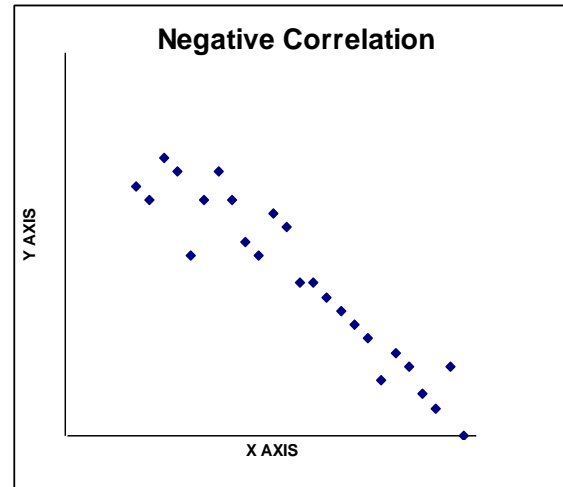


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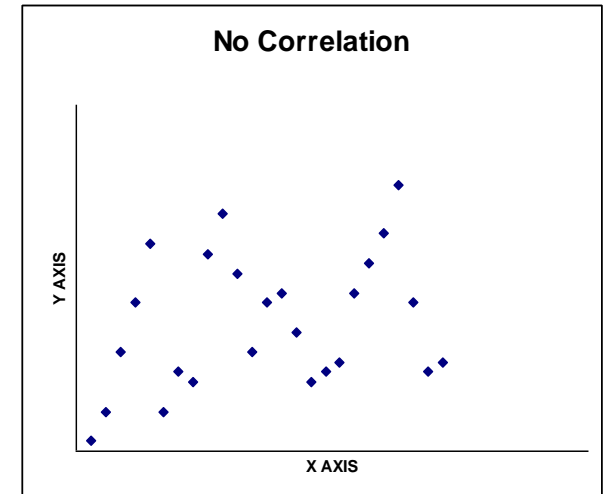
Tools – Examples – Scatter Diagram



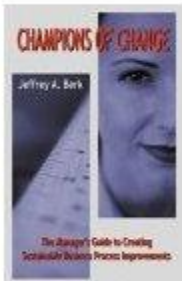
Ex. Training vs performance
an increase in one depends on
an increase in the other



Ex. Internal Controls prevent fraud
an decrease in one depends on an increase
in the other



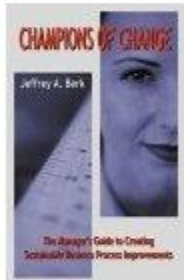
Ex. Eating an apple and being a musician
the two variables have no relation



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Tools – Examples – Process Overview

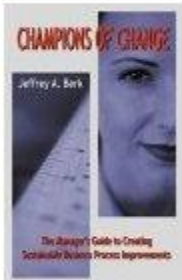
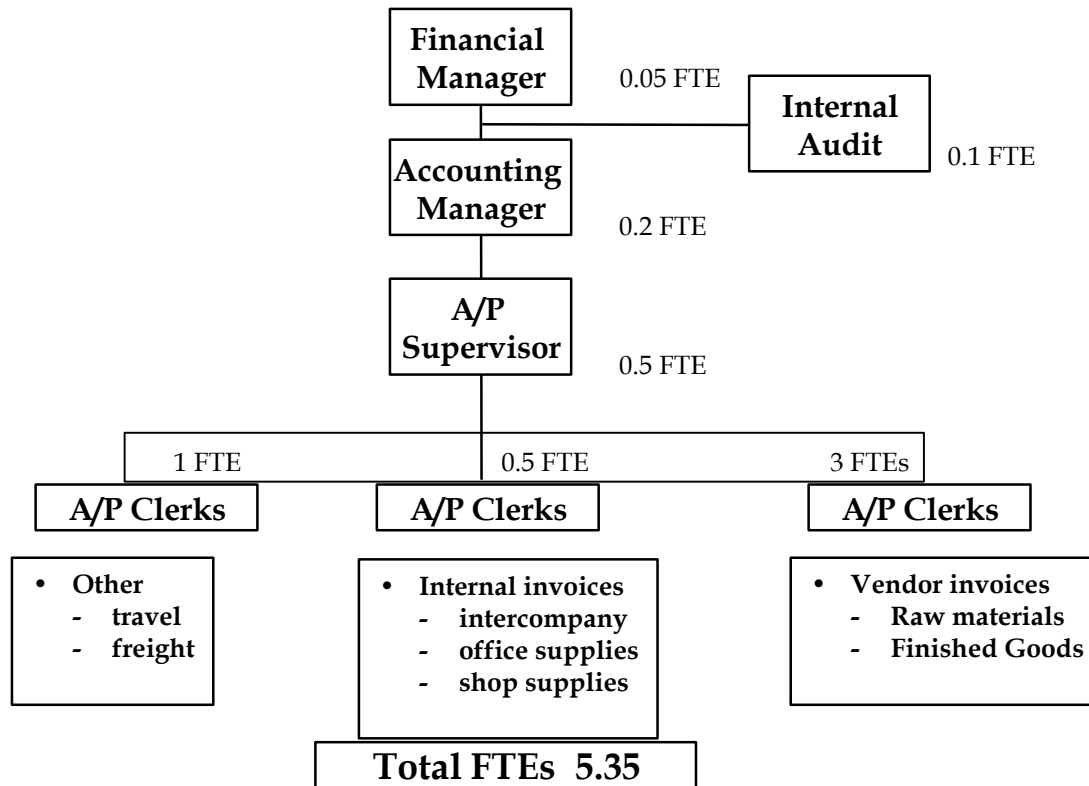
Process	Sales (Sales Force Effectiveness)
Process Mission	To have a well-trained, effective sales force to optimize product sales.
Inputs	Advertising and promotion, customer prospects, sales forecasts by region, sales training and technology tools
Outputs	New customers, sales by region, sales by volume and value
Departments Involved	Marketing, customer service, order fulfillment
Performance Measures	
Measure	Sales Growth over Prior Year, Performance to Plan Ratio, % of New, Lost and Repeat Customers, Time to Close a Sale
Units	Could be percent, or a unit of time, or a value
Goal	Enhanced sales growth (25%), accurate sales forecasts (100% accurate), minimized lost customers (0%) shorten cycle time to close a sale (from 30 days to 15 days)
Current Status	5% growth over prior year, 75% forecast accuracy, 20% lost customers, 28 day close time
Perceived Problems	Slow growth due to slowdown in economy, loss of a few major customer unexpectedly caused forecasts to be off , Close time continues to be high due to similar sales methodologies (not applying training and technology)



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Tools – Examples – Staffing Profile

Staffing Profile Example



Exercise

Classroom Exercise (to be done in small groups of 3 to 5 – 10 minutes)

Exercise One: Team 1

Draw a cause and effect diagram to understand the following issue:
Why are the employees at Company A not using eLearning?

Exercise Two: Team 2

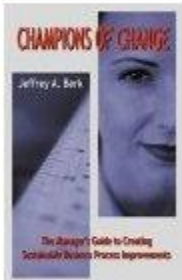
Think of examples where positive, negative and no correlation in data exists different groups will be assigned one of the following:
Finance function, HR, Supply Chain, IT, Customer Relationship Mgmt

Exercise : Team 3

Using the data on the following page, draw two Pareto charts.
One chart is a representation of the observations.

Second chart is a representation of cost.

Based on this, what would you suggest the company do first?

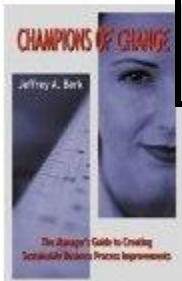


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Exercise

Reasons for rework in the purchasing process:

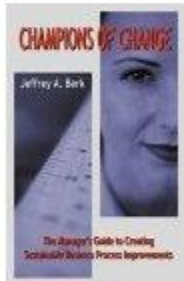
	No mgr Approval	Supplier Not authorized	Items Not Authorized	Systems downtime	Incorrect Quantity ordered	Incorrect Quality ordered
# of observations	25	5	10	1	20	15
Cost to Modify Process	\$2,000	\$10,000	\$5,000	\$50,000	\$3,000	\$3,000



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Process Mapping

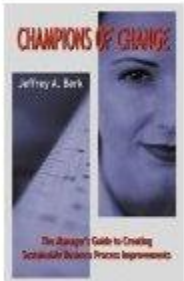
- Understand the key inputs, activities and outputs of the process
- Identify the key players and their roles in the process
- Identify manual and automated tasks
- Identify bottlenecks, redundancies, inefficiencies
- Identify what is slowing the process down or hampering quality
- Question activities, ask if that task is value adding?
- Identify practices that are being optimally performed
- Focus on drawing boundaries for your project quickly.
(Avoid taking 'analysis to paralysis.')



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Why Map a Process?

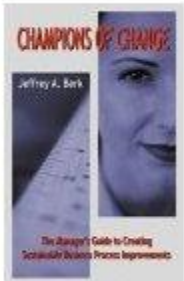
- Cultural changes (new organizational structure, merger/acquisition, turnover)
- People changes (turnover in employees and management)
- Technology changes (new or modified systems)
- Process changes (policies and procedures, inputs, activities, outputs)
- Measurement changes (new or modified performance measures, goals)



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Process Mapping Tools

- Observation and Discussion
- Questionnaires
- Interviews
- Focus groups
- Flow charts (i.e. Transaction Flow Review)
- Affinity, Cause & Effect diagrams
- Process overview forms
- Staffing profile/activity analysis
- Self assessment tools



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Appropriateness of Tools

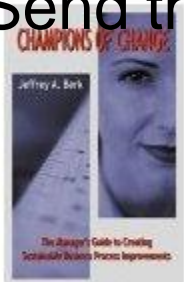
Method	When to Use It	When Not to Use It
<ul style="list-style-type: none"> Personal Interview 	<ul style="list-style-type: none"> Sensitive issues. Build relationships. Convey importance. Questionnaire follow-up. 	<ul style="list-style-type: none"> Issues requiring exhaustive research. The number of people to interview is numerous. The person being interviewed may not be the right person.
<ul style="list-style-type: none"> Telephone Interview 	<ul style="list-style-type: none"> Large number of people to interview. Lack time and budget for personal interview. People with whom you have had little contact. 	<ul style="list-style-type: none"> Important issues. Complex issues. When an impersonal approach is inappropriate. With highly committed people. One-on-one benchmarking.
<ul style="list-style-type: none"> Questionnaire 	<ul style="list-style-type: none"> More quantitative questions. Essay-type questions. Obtain structured responses. Needed preparation and research time. Information is needed from many sources. A structured building block for follow-up. 	<ul style="list-style-type: none"> Lack significant time or resources. Risk of misinterpreted data without proper follow-up. Overly complex issues may be misunderstood.
<ul style="list-style-type: none"> Focus Group 	<ul style="list-style-type: none"> To brainstorm ideas. To gain consensus. To foster innovation. To document multiple opinions. To do process mapping. 	<ul style="list-style-type: none"> Lack flexibility in time (it can be logistically difficult). Lack required funds. There is a lack of focus or structure.



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Keys to Effective Interviews

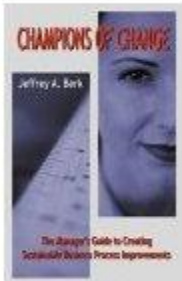
- Be courteous and respectful. Make an appointment.
- Do your homework. Understand who they are and what they do.
- Provide the context. Provide a background.
- Be prepared. Have specific questions and open-ended questions.
- Be a good listener. Let your interviewee elaborate on the issues.
- Be ready with follow-up questions.
- Be involved. The more you give the more you get.
- Be careful on wording of questions.
- Try and ask for examples.
- Be grateful. Thank the interviewee for their time and insights.
- Leave the door open. Ensure you can follow-up.
- Send the interviewee a copy of how you used their material.



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Best Practices vs. Internal Controls

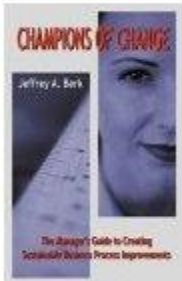
- Best practices = best way to perform a process
 - Focus is on improving operational efficiency and effectiveness
 - Ex. Use Procurement cards to make routine, small purchases.
- Best control practices = best way to protect a process
 - Focus on mitigating business risk
 - Ex. All purchasing transactions must be authorized
- These practices may sometime be working against one another



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Warning Signs of Business Risk

- No linkage of risk to value
- No effort to anticipate risk
- Ineffective strategic control
- No business risk policy
- No risk management ownership
- Risk management is not a priority
- No common risk language
- No integrated risk management framework
- Organizational distrust that goes unmanaged
- Fragmented business and management style
- Poor segmentation of incompatible duties
- Poor risk communications



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Practices to Mitigate Risk

- **PEOPLE**

- ensure qualified, trusted individuals maintain the business risk management structure and the supporting external monitors and internal controls within business processes

- **PROCESS**

- ensure the core policies and procedures put in place are kept in place, updated and monitored

- **TECHNOLOGY**

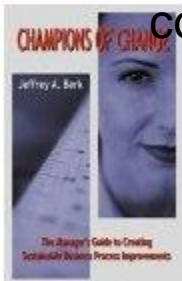
- ensure automation and technology is leveraged to reduce the amount of time and human resources dedicated to business risk management

- **CULTURE**

- ensure everyone from senior management to staff acknowledge the importance of managing business risk appropriately

- **EXTERNALITIES**

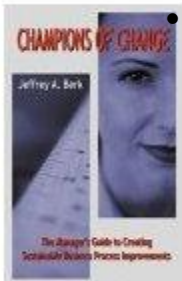
- ensure the external environment (legal, regulatory, economic, political, competitive etc) is monitored for risk sensitive emerging issues



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Processes Requiring Risk Mgmt

- Customer satisfaction
- Identifying market segments
- Managing customer orders
- Purchase capital goods
- Purchase materials and supplies
- Scheduling production
- Transporting products
- Warehouse and store products
- Manage inventories
- Bill the customer
- Post sales service
- Handling warranties and claims
- Respond to information requests
- Develop human resources
- Recruit, select, hire employees
- Develop and train employees
- Manage performance rewards
- Employee benefits
- Information resource mgmt
- Information storage and retrieval
- Information systems development
- Information systems processing
- Information systems support
- Information security
- Continuity of systems
- Accounts payable
- Accounts receivable
- Period end financial reporting
- Benefits administration
- Payroll
- Budgeting
- Cash flow management
- Financial risk management
- Facilities management
- Ethics
- Government, legal, lender relations



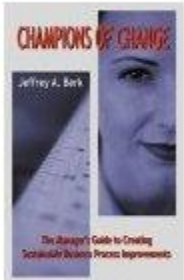
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Exercise

Break into small groups of 3 to 5:

For the procurement process consider the following:

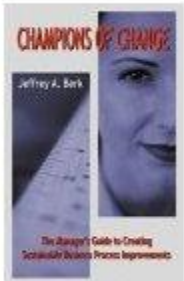
1. What are the internal controls for this process?
2. What are the best practices for this process?
3. Can you identify any conflicts between controls and best practices?



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Performance Measurement

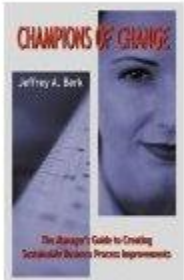
- the vital signs to monitors the health of the business
- good for feedback on current performance
- good for goal setting related to future performance
- “we monitor what we measure”
- help identify problems as they occur



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Outcome Performance Measures

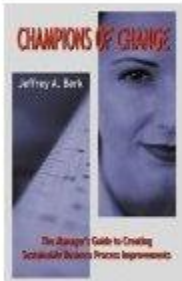
- strategic and goal oriented measures
- organization-wide focus
- summarize the results of an entire process
- measures used primarily by senior management
- provide a “mile wide - inch deep” perspective of key processes
- examples - -
 - Finance function cost as a % of revenue
 - Employee turnover
 - Return on investment
 - Customer retention rate
 - Revenue growth rate
 - Days to consolidate financial results



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Activity Performance Measures

- details the journey within the process toward results
- process-focus concerned with individuals carrying out process activities
- measures used primarily by process owners and middle managers
- examples - -
 - Number of days to edit an invoice
 - Average training hours per purchasing employee
 - Average speed of answer for call center representatives
 - Average time to close a sale
 - Payroll department cost per paycheck



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Performance Metric Examples

COST - covers the financial side of performance

- Cost as a percent of revenue
- Cost per key action (paycheck, purchase order, lab test)
- Cost per FTE (full-time equivalent)

QUALITY - assess how well the process meets customer needs

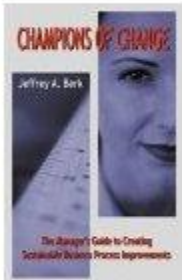
- Customer satisfaction rates
- Percent of purchase orders with errors
- Warranty claims per 100 products sold

TIME - focus on the efficiency of the process activities

- Time to resolve a customer complaint
- Average days sales outstanding
- Time between open job position and filled position

PRODUCTIVITY - focus on the efficiency of the people (workload factor)

- Number of invoices processed per FTE
- Number of patients handled per FTE

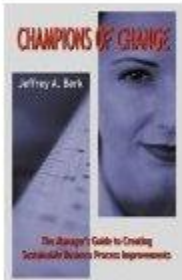


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Project Management

- Temporary and unique endeavor
- Organized to achieve a particular aim or objective
- Has a definite beginning and definite end
- Constrained by limited resources (financial, physical, human)

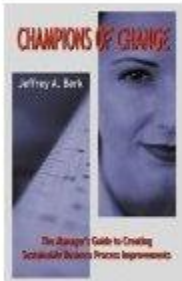
Source: Project Management Institute



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Why Deploy Project Mgmt?

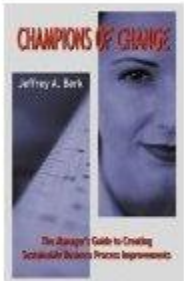
- Keep things on track
- Communication tool
- Documentation trail
- Prevent scope creep
- Properly define roles and responsibilities
- Achieve commitment and buy-in



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Project Management Practices

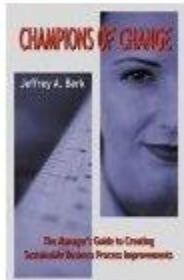
- Diagnose the problem and assess needs
- Outline the approach to tackle the problem
- Set the project scope
- Prepare a project plan
- Prepare a project budget
- Prepare a project timeline
- Construct the project team
- Communications
 - Internal review points, external communications, debrief sessions



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Attributes of a Project Manager

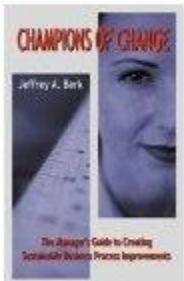
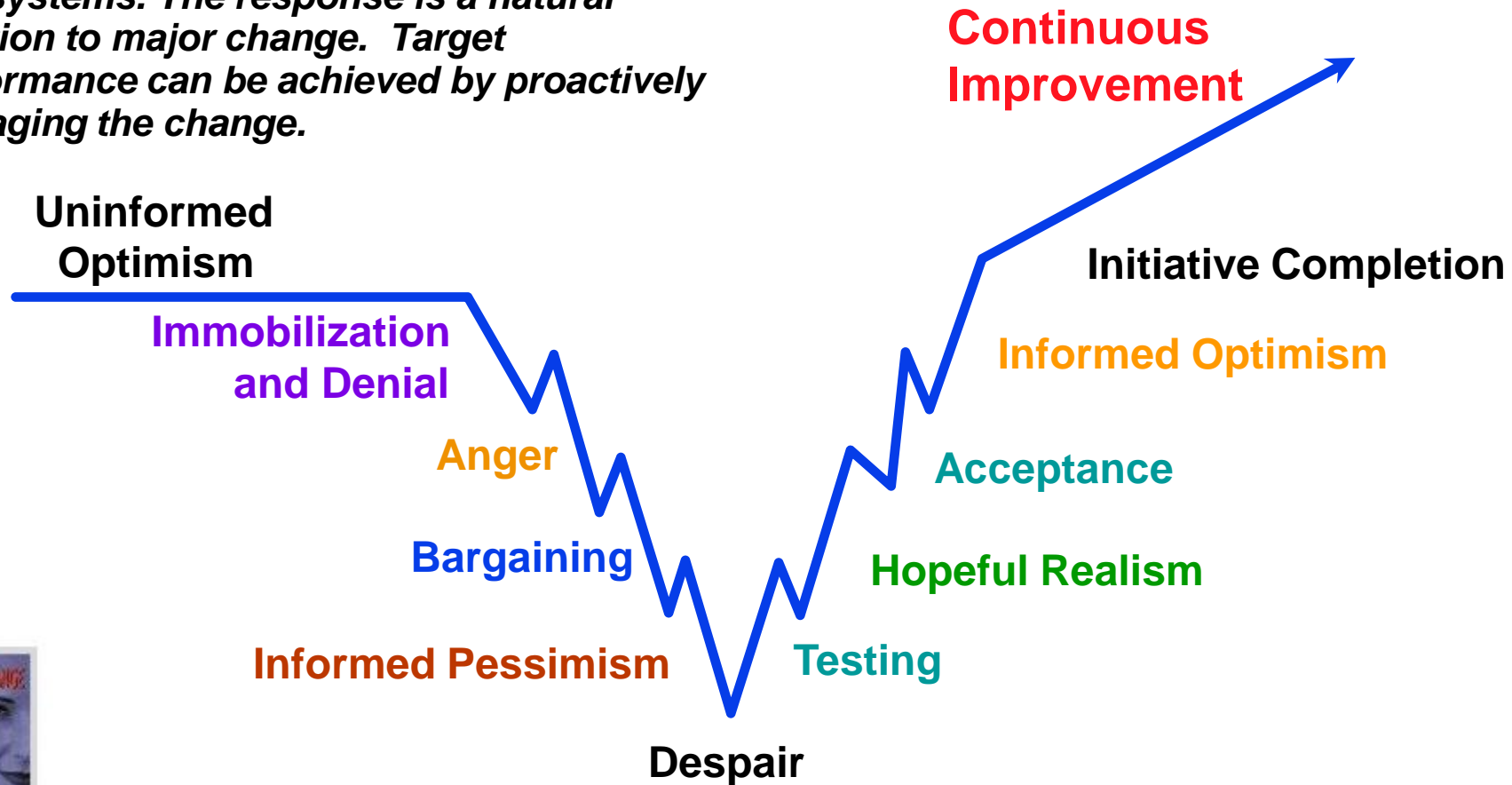
- Coordinate schedules of multiple stakeholders
- Manage multiple items at once
- Requires discipline in following steps
- Respected leader, coach, mentor
- Follows appropriate protocol ; respects culture
- Anticipate problems; react to change
- Understands functional and technical issues
- Discern a practical solution from a theoretical one
- Excellent communication skills, negotiation skills, and conflict resolution skills
- Motivates and inspires the team and others
- Manages time and cost appropriately
- Cares about quality of work
- Makes decisions but solicits feedback in the process



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Change Management – Human Side

There is a predictable drop-off in performance due to the implementation of new processes and systems. The response is a natural reaction to major change. Target performance can be achieved by proactively managing the change.



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Change Management – Human Side

Ask the following questions when assessing change at the **organizational** level:

- What are we doing and why?
- How does change relate to our objectives and strategies?
- Is management really committed?
- What is the change plan? Is it doable?

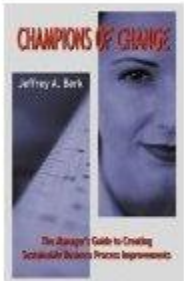
Ask the following questions when assessing change at the **employee** level:

- What are we doing and why?
- How will the change work and how will it affect me?
- Can I influence the change?
- Will I have a job when this is over?
- Can we have a dry run first so I can learn to do it without failure?
- Can we make modifications to make it work better?



Change Management

- Create the case for change
- Define a vision of the future
- Conduct a change readiness assessment
- Design the change management plan



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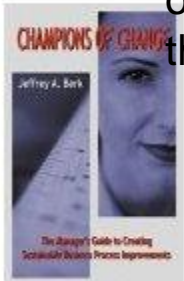
Exercise

A benchmarking study on change management was conducted with 254 companies who underwent change. What do you think the major findings of the study were based on the below choices: (More than one can be correct)

- A. The #1 contributor of top management is the ability to define and communicate the vision
- B. Most companies find dealing with resistance the most difficult part of the project
- C. Many change agents find their biggest obstacles are the same people who initiated the change in the first place
- D. A major reason companies use consultants from outside their organization is to avoid political agendas and biases from within their own company.

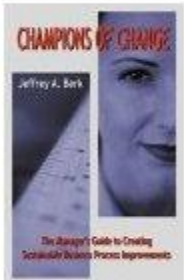
go to <http://www.human-resources.org/chg9.htm> for Best Practices Report

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Action Plans

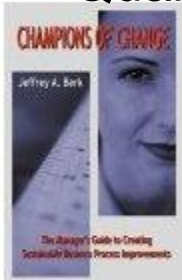
- The ideas that result from a continuous improvement exercise
- An organized framework to manage the tasks of implementing the ideas
- A game plan for the incremental steps, timing, accountability, and incentives associated with implementation



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Transform Ideas into Action

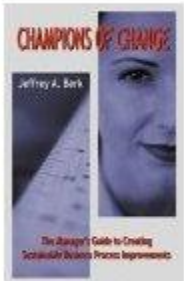
- Confirm the proposed action can resolve a significant business problem
- Identify all the people that need to be involved to implement the action step
- Define requirements and specifications in sequential steps
- Pinpoint the business results that will be affected
- Use a team to implement actions, prioritize work by time, team member, and step
- Offer incentives to encourage effective implementation
- Quantify the impact of the action on the business result



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Elements of Action Plans

- A document to use for each idea to help in the implementation of the idea
- Use a template for each idea you are implementing
- Include the following fields on an action plan template:
 - Statement of the problem
 - Statement of the recommendation
 - Business results impacted by the action
 - Key parties responsible for implementation
 - Key action steps needed to implement the change
 - Timing for each step to be concluded
 - Rewards if successfully implemented, on time
 - Quantified results or ROI on the action
 - Performance measures in place to monitor progress

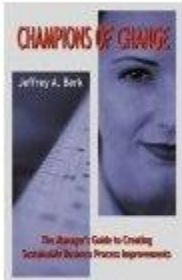


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Exercise

Break into groups, read the case and prepare the questions for discussion (20 minutes)

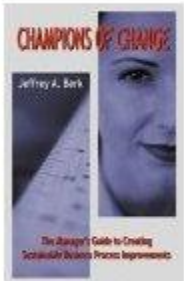
Hospital A: Laboratory Testing Process



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Training

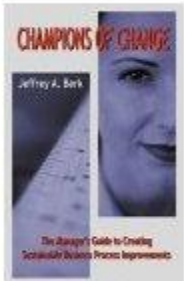
- To aid in change management
- As a tool to ensure appropriate succession planning
- To mitigate risk associated with new policies, procedures, skills and tasks
- To motivate and retain employees
- To increase the value of the investment in human capital
- To increase speed to job impact
- To ultimately effect and improve bottom line results



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When is Training Needed?

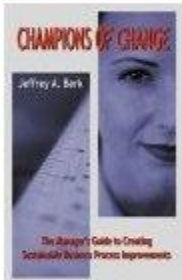
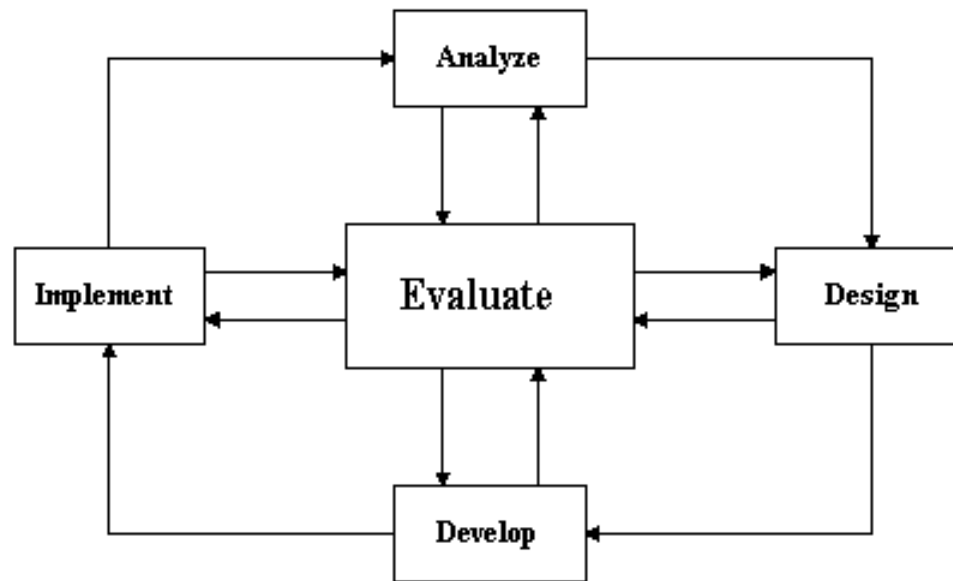
- People changes (high turnover requires significant training investment)
- Process changes (new policies, procedures, activities)
- Culture changes (merger/acquisition/divestiture – training is communication tool)
- Measurement changes (when the way in which the organization determines success has changed)
- Technology changes (new ERP system)



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ADDIE Model

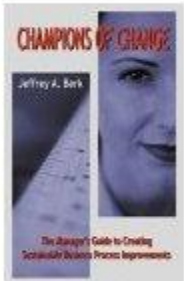
ISD MODEL FLOWCHART



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Measuring Training's Value

- Level 1 – Did they like it? Satisfaction
- Level 2 – Did they learn? Learning effectiveness
- Level 3 – Did it change behavior? Job Impact
- Level 4 – Did it achieve results? Business results
- Level 5 – Did benefit exceed costs? ROI
- Pioneers of the learning levels model: Donald J. Kirkpatrick, Jack J. Phillips



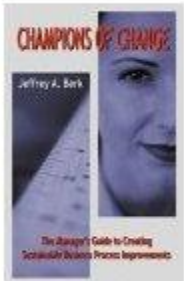
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Exercise

Think of your current projects.

Where might you need to use training tools as a component of the project?

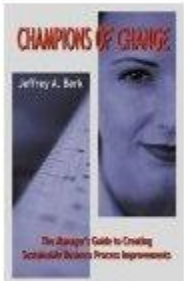
How would you design, develop, and deliver it?



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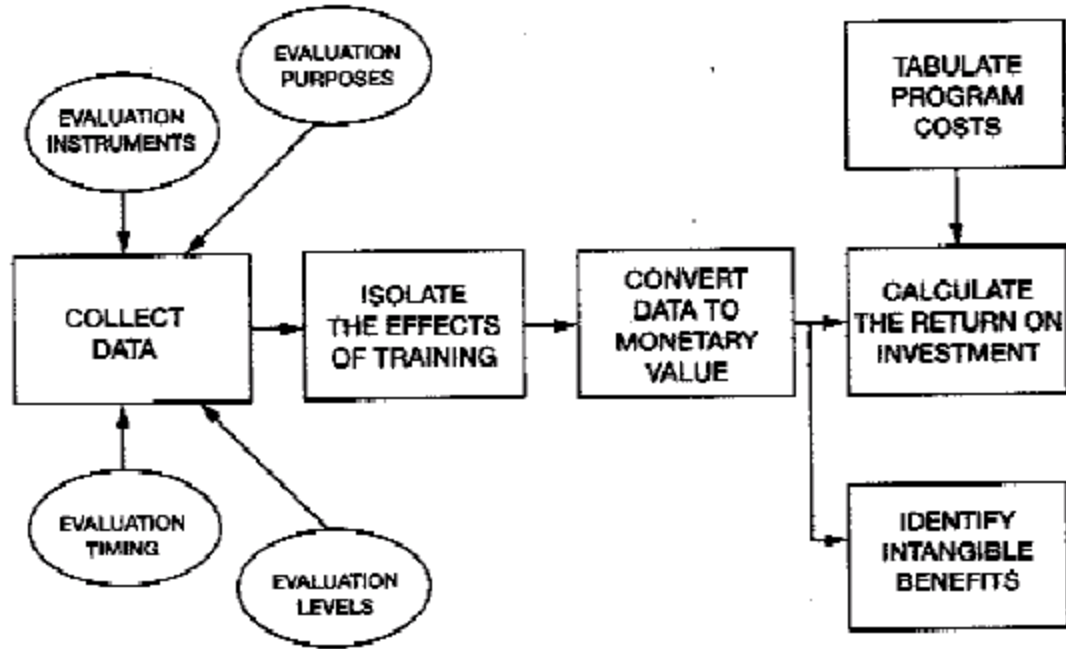
Prove the 'Value'

- Can be qualitative or quantitative
- Can be a true 'monetized' ROI or something else
- Key is to understand what is valued by your clients
- ROI is whatever the customer uses as a way to determine value derived from their investments

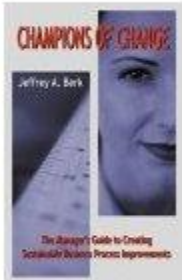


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The ROI Process



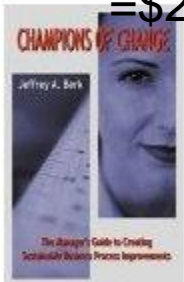
Source: Return on Investment in Training and Performance Improvement Programs, Jack J. Phillips, Gulf Publishing Company, Houston Texas, 1997, p. 25



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'Estimate'/'Isolate'/'Adjust'

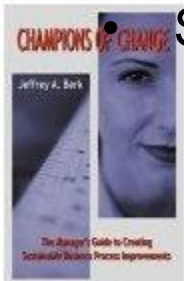
- **Estimate the change in performance**
(ex. How much did sales increase since the sales improvement initiative?)
20%
- **Isolate the effect that the project had on the change**
(ex. What % of sales increase was driven by the initiative vs. other factors?)=10%
- **Adjust for confidence (or lack thereof) in estimates**
(ex. How confident are you in your estimates?)=50%
- **Monetize the performance change related to the project**
(ex. \$100,000 is a 20% increase in sales) = $\$100,000 \times .10 \times .50 = \$5,000$
benefit from initiative
- **Fully loaded costs to compare against the benefit**
(ex. Cost to rollout initiative is \$1,000, travel is \$500, lost work time is \$800)
=\$2,300



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Deriving Value Best Practices

- It does not always have to be quantitative or financial
- Ensure the metrics are well balanced for diverse stakeholder needs
- Link your project to a core set of business results
 - Increased revenues
 - Decreased costs
 - Increased productivity
 - Increased customer satisfaction
 - Increased employee retention
 - Increasing quality

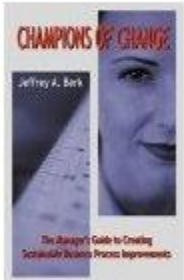


• Sometimes 'roughly right' is better than the high cost of accuracy

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Exercise

Think of an existing or past project. Perform a brief ROI analysis on a key finding you suggested to quantify and validate the cost of implementing the suggestion.

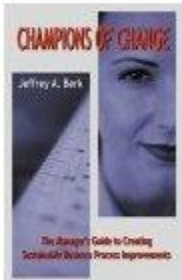


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Excellence in Business Processes

- Customer Orientation
- Business Requirements
- Process Improvement
- Focus on Simplicity
- Process Documentation
- Cross-functional Management
- Focus on Process Measurements
- Measurements
- Internal Controls
- Minimized “Rework Loops”
- Quality Designed into the Process
- Cohesive Supplier Relationships
- Cost Management
- Learn from the Best
- Leverage Technology
- Create the Learning Organization
- Focus on Employee Morale
- Team Orientation

Source: Manny Rosenfeld, Internal Auditor



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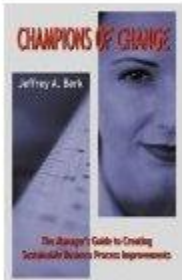
Excellence in Business Processes

•Customer Orientation

Anticipate customer needs & wants

- Business Requirements
- Process Improvement
- Focus on Simplicity
- Process Documentation
- Cross-functional Management
- Focus on Process Measurements
- Internal Controls

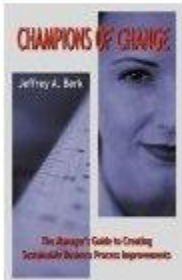
- Minimized “Rework Loops”
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Excellence in Business Processes

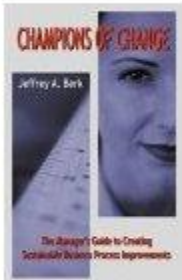
- Customer Orientation
- **Business Requirements**
Objectives to satisfy stakeholder needs
- Process Improvement
- Focus on Simplicity
- Process Documentation
- Cross-functional Management
- Focus on Process Measurements
- Internal Controls
- Minimized “Rework Loops”
- Quality Designed into the Process
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- Cost Management
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Excellence in Business Processes

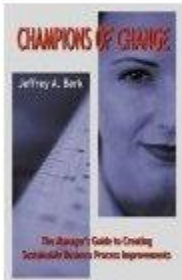
- Customer Orientation
- Business Requirements
- Process Improvement**
Optimize inputs, activities, & outputs
- Focus on Simplicity
- Process Documentation
- Cross-functional Management
- Focus on Process Measurements
- Internal Controls
- Minimized “Rework Loops”
- Quality Designed into the Process
- Cohesive Supplier Relationships
- Cost Management
- Learn from the Best
- Leverage Technology
- Create the Learning Organization
- Focus on Employee Morale
- Team Orientation



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Excellence in Business Processes

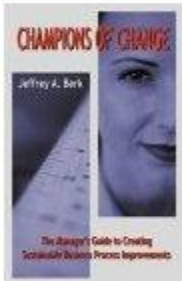
- Customer Orientation
- Business Requirements
- Process Improvement
- Focus on Simplicity**
Reduce process steps 'simplify'
- Process Documentation
- Cross-functional Management
- Focus on Process Measurements
- Internal Controls
- Minimized “Rework Loops”
- Quality Designed into the Process
- Cohesive Supplier Relationships
- Cost Management
- Learn from the Best
- Leverage Technology
- Create the Learning Organization
- Focus on Employee Morale
- Team Orientation



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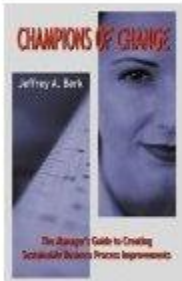
- Customer Orientation
- Business Requirements
- Process Improvement
- Focus on Simplicity
- Process Documentation**
Process Maps, Staffing Profiles etc.
- Cross-functional Management
- Focus on Process Measurements
- Internal Controls
- Minimized “Rework Loops”
- Quality Designed into the Process
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- Cost Management
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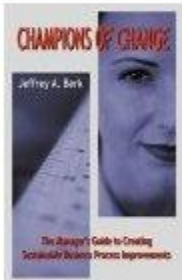
- Customer Orientation
- Business Requirements
- Process Improvement
- Focus on Simplicity
- Process Documentation
- **Cross-functional Management**
Tear down walls, think cohesively
- Focus on Process Measurements
- Internal Controls
- Minimized “Rework Loops”
- Quality Designed into the Process
- Cohesive Supplier Relationships
- Cost Management
- Learn from the Best
- Leverage Technology
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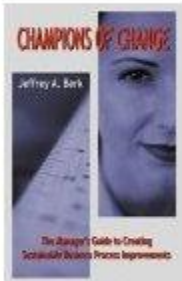
- Customer Orientation
- Business Requirements
- Process Improvement
- Focus on Simplicity
- Process Documentation
- Cross-functional Management
- Focus on Process Measurements**
Well balanced family of metrics
- Internal Controls
- Minimized “Rework Loops”
- Quality Designed into the Process
- Cohesive Supplier Relationships
- Cost Management
- Learn from the Best
- Leverage Technology
- Create the Learning Organization
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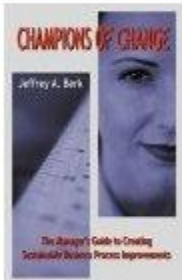
- Customer Orientation
- Business Requirements
- Process Improvement
- Focus on Simplicity
- Process Documentation
- Cross-functional Management
- Focus on Process Measurements
- Internal Controls**
Welcome the auditors!
- Minimized “Rework Loops”
- Quality Designed into the Process
- Cohesive Supplier Relationships
- Cost Management
- Learn from the Best
- Leverage Technology
- Create the Learning Organization
- Focus on Employee Morale
- Team Orientation



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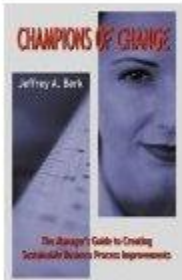
- Customer Orientation
- Business Requirements
- Process Improvement
- Focus on Simplicity
- Process Documentation
- Cross-functional Management
- Focus on Process Measurements
- Internal Controls
- **Minimized “Rework Loops”**
Strive for little rework and scrap
- Quality Designed into the Process
- Cohesive Supplier Relationships
- Cost Management
- Learn from the Best
- Leverage Technology
- Create the Learning Organization
- Focus on Employee Morale
- Team Orientation



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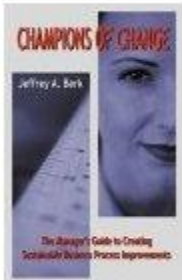
- Customer Orientation
- Business Requirements
- Process Improvement
- Focus on Simplicity
- Process Documentation
- Cross-functional Management
- Focus on Process Measurements
- Internal Controls
- Minimized “Rework Loops”
- Quality Designed into the Process
Not inspection, built in quality**
- Cohesive Supplier Relationships
- Cost Management
- Learn from the Best
- Leverage Technology
- Create the Learning Organization
- Focus on Employee Morale
- Team Orientation



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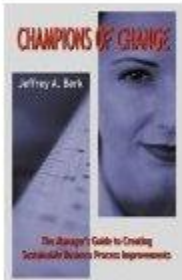
- Customer Orientation
- Business Requirements
- Process Improvement
- Focus on Simplicity
- Process Documentation
- Cross-functional Management
- Focus on Process Measurements
- Internal Controls
- Minimized “Rework Loops”
- Quality Designed into the Process
- Cohesive Supplier Relationships**
Fewer, trusted business partners
- Cost Management
- Learn from the Best
- Leverage Technology
- Create the Learning Organization
- Focus on Employee Morale
- Team Orientation



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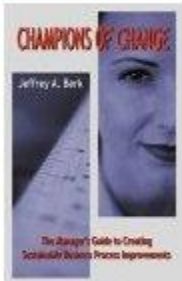
- Customer Orientation
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- Process Improvement
- Focus on Simplicity
- Process Documentation
- Cross-functional Management
- Focus on Process Measurements
- Internal Controls
- Minimized “Rework Loops”
- Quality Designed into the Process
- Cohesive Supplier Relationships
- Cost Management**
Know all process costs to manage them
- Learn from the Best
- Leverage Technology
- Create the Learning Organization
- Focus on Employee Morale
- Team Orientation



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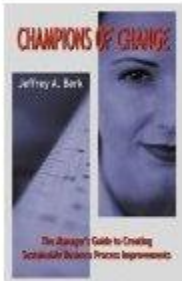
- Customer Orientation
- Business Requirements
- Process Improvement
- Focus on Simplicity
- Process Documentation
- Cross-functional Management
- Focus on Process Measurements
- Internal Controls
- Minimized “Rework Loops”
- Quality Designed into the Process
- Cohesive Supplier Relationships
- Cost Management
- Learn from the Best**
- Benchmark against ‘world-class’**
- Leverage Technology
- Create the Learning Organization
- Focus on Employee Morale
- Team Orientation



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Excellence in Business Processes

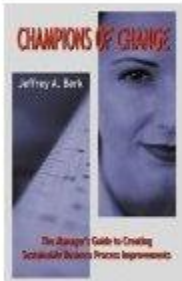
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- Business Requirements
- Process Improvement
- Focus on Simplicity
- Process Documentation
- Cross-functional Management
- Focus on Process Measurements
- Internal Controls
- Minimized “Rework Loops”
- Quality Designed into the Process
- Cohesive Supplier Relationships
- Cost Management
- Learn from the Best
- Leverage Technology**
Look for manual areas to automate
- Create the Learning Organization
- Focus on Employee Morale
- Team Orientation



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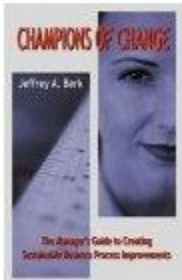
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- Business Requirements
- Process Improvement
- Focus on Simplicity
- Process Documentation
- Cross-functional Management
- Focus on Process Measurements
- Internal Controls
- Minimized “Rework Loops”
- Quality Designed into the Process
- Cohesive Supplier Relationships
- Cost Management
- Learn from the Best
- Leverage Technology
- Create the Learning Organization**
Never underestimate the power of training
- Focus on Employee Morale
- Team Orientation



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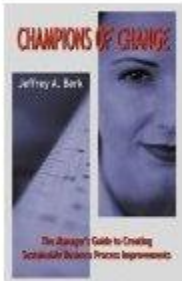
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- Process Documentation
- Cross-functional Management
- Focus on Process Measurements
- Internal Controls
- Minimized “Rework Loops”
- Quality Designed into the Process
- Cohesive Supplier Relationships
- Cost Management
- Learn from the Best
- Leverage Technology
- Create the Learning Organization
- Focus on Employee Morale
Coach, not Manage**
- Team Orientation



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Excellence in Business Processes

- Customer Orientation
- Business Requirements
- Process Improvement
- Focus on Simplicity
- Process Documentation
- Cross-functional Management
- Focus on Process Measurements
- Internal Controls
- Minimized “Rework Loops”
- Quality Designed into the Process
- Cohesive Supplier Relationships
- Cost Management
- Learn from the Best
- Leverage Technology
- Create the Learning Organization
- Focus on Employee Morale
- Team Orientation**
Team goals, not individual goals

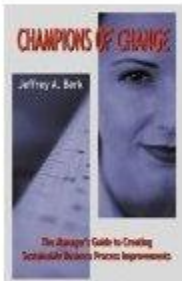


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Wrap Up: Case Study Exercise

Read the Case “Nursing Home A and Its Medicare Billing Process”

1. What would you do if you were Adam, new to the company and tasked with improving the Medicare billing process? How would you have attacked this project?
2. Do you think Adam wasted time with simple process changes? Because much of the process is still very manual, should he have gone to technology suggestions to automate the manual processes?
3. If Adam did not know about Nursing Home B what else could he have done to prove his business case?
4. Is this effort scalable to other initiatives? Could Adam apply what he did here to other projects?



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Jeffrey Berk, CPA, MBA, Vice President KnowledgeAdvisors, Inc., adjunct professor

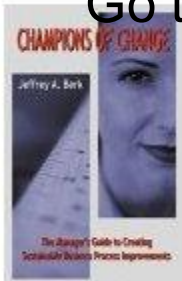
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