

Process Improvement

Is Your Organization Ready?



Fifth Star Consulting, LLC reviews the criteria for assessing whether or not your organization is ready for an effective process improvement program.

Many banks have been fighting for their lives since the financial crisis began in 2008 — focusing on improving credit quality, finding capital and persuading the regulators to release enforcement actions. As the economy slowly improves and bank balance sheets stabilize, boards and CEOs will start to focus on growth opportunities and improving their banks' operating efficiency, all with the goal of driving shareholder returns. With challenging revenue prospects going forward and increasing compliance costs, banks need to reduce the cost of their operating models while improving customer service and sales. This requires a laser focus on process improvement.

Reviewing your organization's processes increases the likelihood that you can eliminate redundancy, reduce risk and expense, address regulatory requirements and take advantage of technology to better serve your banking customers.



Real Life Examples of Process Improvement Opportunities:



Authored by:
Kristin S. Kroeger

Kristin Kroeger is a Senior Consultant with Fifth Star Consulting, LLC with nearly 20 years experience in the financial services industry.



Example 1:

A community bank with a focus on C&I (commercial and industrial) lending survived the financial crisis and remains well capitalized. As its focus returned to organic growth in a very crowded and competitive market, the bank undertook a review of its end-to-end commercial lending processes with a goal of reducing its delivery cost and increasing its market responsiveness. By increasing the use of technology through adoption of a workflow tool and electronic document storage, as well as a realignment of its client-facing support staff, the bank was able to remove costly rework and improve its credit risk management process while reducing response time to client requests.

Example 2:

A community bank that experienced a significant contraction in business during the financial crisis found itself with excess real estate and decentralized operations across multiple functions. By undertaking a process review of its deposit and retail operations, the bank determined it could consolidate certain functions, reduce headcount, eliminate a (non-target) leased location, and reduce operating risk within a better controlled environment.

Example 3:

A community bank with new executive leadership decided to centralize its operations functions that historically had been managed within each line of business. This transition required the bank to examine each process it owned, challenge the status quo, and address existing technology and control deficiencies. As a result of the process review, redundant positions and processes were eliminated and a new operating culture emerged, which was better focused on the customer with a lower overall cost to the bank.

Process Improvement Prerequisites for Success:

Before embarking on the process improvement journey, there are several things your organization can do to prepare for a successful project launch. How would you answer these questions?

- Does your Executive Management Team fully support this effort?
- Does your organization have a culture that rewards achievement?
- Does your organization understand how to and have the capacity to manage change?
- Do your processes impact other departments? Do you have their support?
- Do you have the right people aligned with this project?
- What outcomes do you expect from this project?

Executive Management Engagement:

Process improvement, by definition, opens up an organization to question why it does things a certain way. The support of management is critical to the success of these initiatives. Leadership must champion the value of becoming process-focused and provide the necessary resources, both time and money, to enable the success of the program.

In addition to providing the appropriate resources, Executive Management needs to focus on process improvement as a core initiative and tie it to the strategic vision and shared goals of the company. In doing so, you ensure that process improvement is part of the core communications of the leadership, has the continuous focus of the management team and becomes part of the culture and fiber of the organization.

Culture of Success

From the lowest paid employee to the top levels of management, a passion for doing the right thing breeds success in a company. Organizations that would benefit the most from process improvement, often struggle with this prerequisite. Organizations

benefit from a Reward & Recognition program to accompany process improvement to recognize those employees that embrace the program early. After process improvement builds momentum with early wins, companies benefit from Quality Programs to increase adoption. Improvement rests with the employees who perform the processes. Companies that recognize and reward employees for their contributions have more successful process improvement with longer lasting results.

Commitment to Managing Change

Process improvement is only successful if the people who do the work are fully engaged and embrace the change. One of the biggest obstacles to success is resistance from those who may benefit the most. Organizations that are successful at process improvement have change management as a core discipline. In order to prepare your organization, embed a readiness approach into your project plan that addresses training and communication to impacted employees. Second, ensure that affected employees have the time and training they need to learn the new methods. They need to know that management supports time away from daily activities if it is dedicated to learning new skill sets. Additionally, be aware that organizations can only absorb so much change at one time. Time your initiative so that impacted employees have time to adjust prior to adding more change to their environment.

Cross-Functional Engagement

One of the cornerstones of successful process improvement projects is to select what processes to study and then define where they start and where they end. When one particular department is sponsoring the improvement initiative, it is easy to become internally focused. However, it is important to understand why we are selecting the process to improve. Errors, complaints, timing of

results, etc. are all common pain points that process improvement initiatives aim to resolve. Rarely, however, does the same department own the start point, handoffs and end point. Truly transformational change comes from evaluating an organization's processes across functions. This requires interdepartmental involvement and a commitment to the same vision and goals through proper resourcing and support.

The Right People

While all of the prerequisites for a successful process improvement initiative are important, having the right people resourcing your project is absolutely critical to its success. So how do you select the right people? Think about your organization and the people within it and ask yourself the following questions:

- Who within our organization is already improving processes on an informal basis?
- Who amongst our employees has the credibility and courage to question status quo?
- Are there natural leaders within the rank and file that can establish rapport easily with other departments?
- Which employees understand our business and have the ability to capture processes and document them?

While your employees may be great at what they do, experience has shown that most are not good at documenting what they do and explaining why it is done that way. Flourishing process improvement programs select employees that have the respect of their own team, can establish rapport with other departments, have the trust and credibility with management to question and interrogate current processes and can document them with the level of specificity required by the project team. Lack of properly qualified resources will quickly grind your program to a halt.

Patience and Avoiding Perfection

Process improvement is a journey and depending on the state of your organization it may take several iterations to achieve the smooth running, well-oiled machine you are envisioning. Triumphant project managers will plan for a series of early wins that will help sustain the commitment within your organization and lay a foundation of success. However, if you are thinking of embarking on this journey, understand that it is a multi-year voyage that requires patience and commitment to achieve the long-term vision that enables a series of early wins to grow into an engine of continuous improvement.

Evaluate, Review, Audit

Regardless of your approach, any process improvement effort gets dated without a culture of continuous review. The organizations that truly embrace process improvement are evaluating their processes on a regular schedule, reviewing the processes with their business partners, and auditing how the employees perform their jobs against the documented processes.

Working Through the Prerequisites

Many organizations know intuitively that they could benefit from process improvement, but they don't know how to get started. Fifth Star Consulting LLC can help. We have years of experience preparing organizations for transformational change. Fifth Star will work with you and your team to develop an engagement model for Executive Management, a plan to impart a culture within your organization that embraces improvement and success, and a process for implementing change across the organization. From there, Fifth Star will work with your management team to identify a successful project management approach including cross-functional involvement, identifying the right people for the right jobs, and the appropriate timeline for the work envisioned.

If it is time for your organization to embark on a process improvement journey, the professionals at Fifth Star Consulting will help you lay the foundation for a successful voyage!

For more information contact:

Lori Igleski
Founder
Fifth Star Consulting LLC
1 S. Dearborn, Suite 2100
Chicago, IL 60603
Lori@fifthstarconsulting.com
312-550-3119



www.fifthstarconsulting.com