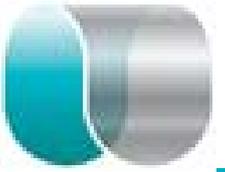


*Reviewing organizational processes to enhance value addition helps organizations remain competitive and encourage innovation. This paper shows how it is done by taking actual example of a process. Keeping focus on client requirements—stated or perceived i.e. “Client Demandments” while reviewing processes ensures satisfied clients and lower costs for the organization—enabling improved bottom-line!*



## Review Processes to Enhance Value-Add

Organizations serve clients by understanding their requirements and how to satisfy them. Organizations assess their capabilities to meet customer requirements and gather right resources to meet client requirements. The activities performed to transform the resources to an end product or service are usually met through established processes of the organization.

### What are processes?

Processes are essentially a series of tasks or actions taken by the organization to transform inputs into desired outputs by use of appropriate tools, know-how and human skills. Many organizations document their know-how. The documentation consists of Guidelines, Standard Procedures and Operating Instructions, Drawings, Specifications, Process maps etc.

### Why Process mapping?

Due to globalization and increasing competition, organizations are continuously improving their operations to meet client requirements. Clients are always demanding more and more—at cheaper rates, better quality and quickly! These are some times required but sometimes just demanded—we therefore call them **“Client Demandments” - (CD’s)** - after all client is always right!

Such demandments are in a way “blessing in disguise” for the organization. They **challenge** the status-quo and force organizations to **innovate and improve**.

Completion is always trying to outbid others by offering some thing extra—it is important that the CD’s are checked again and again with clients and processes modified to meet the current CD’s.

Process maps are good starting point to improve the effectiveness and efficiency of the organization. Once the proc-



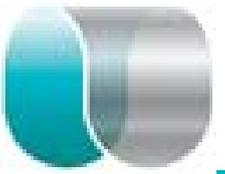
VK— Vinod K Mehandru

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**Client Demandments**

(Continued on page 3)



## Review Processes to Enhance Value-Add

esses have been mapped, reviewing them often for effectiveness and value additions can generate marked improvements in the organization’s performance.

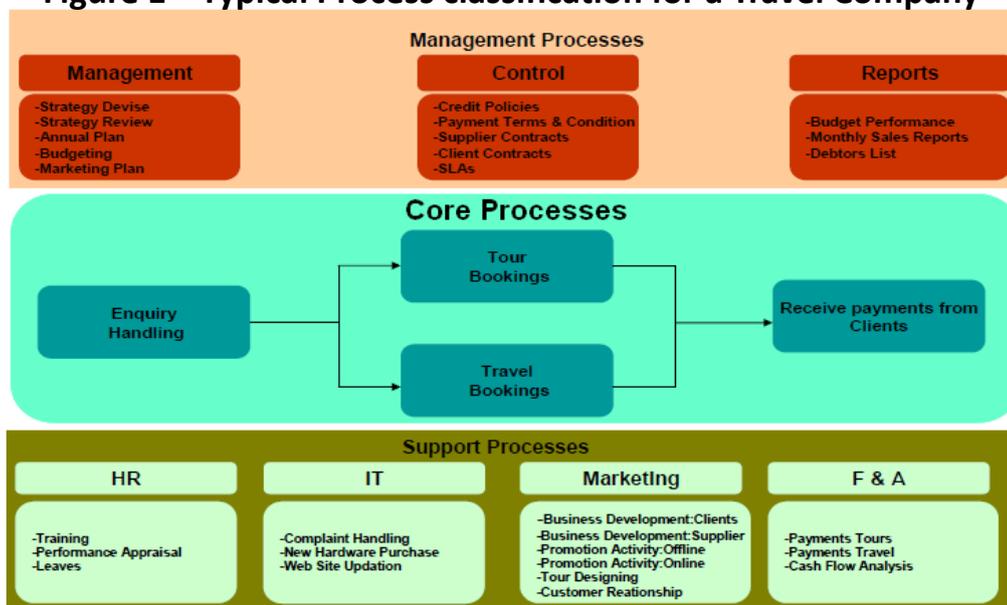
### Basics of Processes

Process maps show the various tasks / actions taken to complete a task. Organizations have many processes of different kinds and have been broadly classified by the American Productivity and Quality Center (APQC). It provides the most common processes under thirteen categories- See Appendix—A. This classification is a good check-list of various processes in the organization. Not all of them are equally important or applicable to all organizations.

NiMble classifies processes into three categories:

1. **CORE** processes—These are the main processes which directly lead to an outcome desired by client. Since these meet client requirements—they are of great importance for the business.
2. **SUPPORT** Processes—These processes support core processes to work efficiently and deliver outcomes required by the CORE process. These include HR processes, Finance and accounts and many other of similar kind.
3. **MANAGEMENT** Processes—These processes are essential to business processes and include processes such as making annual plans, budgeting, control processes etc.

**Figure 1—Typical Process classification for a Travel Company**





## Review Processes to Enhance Value-Add

Which process belongs to which category is not very relevant and changes based on the nature of the organization. For example, the Financial Processes would be support processes for an Engineering Design Organization—but would be core in a Banking / Financial Institution. Figure 1 shows the processes used in a Travel Company and how they are classified into the above mentioned three categories.

### Which Processes should be reviewed?

Choosing processes for review is a continuous improvement exercise. Obviously—the “CORE” processes—since they effect clients are in top priority. Similarly processes which are costly to operate should also be tackled as a priority process for review. Many organizations set a fixed time-table for process review through-out the year by assigning Process Improvement Teams—which take up this work along with the usual duties.

### Reviewing Processes

Each activity referred in a process map requires some efforts or resources. Clients, as we mentioned before, have three basic demandments:

1. Cost
2. Quality
3. Time

Each activity on the process map needs to be reviewed to

ensure that it helps in meeting the client demandments (CD's). Further each activity can be classified into the following three categories:

1. AVA—Actual or real Value Add activity. These are activities which transform inputs into tangibles or intangibles which meet or are perceived to meet CD's. Design, Manufacturing, Assembling, Finishing, Packaging, Delivering etc. are examples of such activities .
2. BVA—Business Value Add activity. These are the activities essential to business since they help in proper management or control of the process. Activities like Marketing, Selling, Auditing, Accounting, Record Keeping etc. are examples of such activities. Clients do not like to pay for these and therefore these effect the bottom-line of the organization.
3. NVA—Non-Value Add activities. These are activities which add no value to the process or client. Activities like re-work, un-necessary approvals, waiting, storage, unnecessary movement within the factory, filling of forms etc. are examples of NVA's.

When reviewing a process it is vital that all activities of the process are classified and enough thought is given to each activity for it's contribution to CD's.

### Review Example

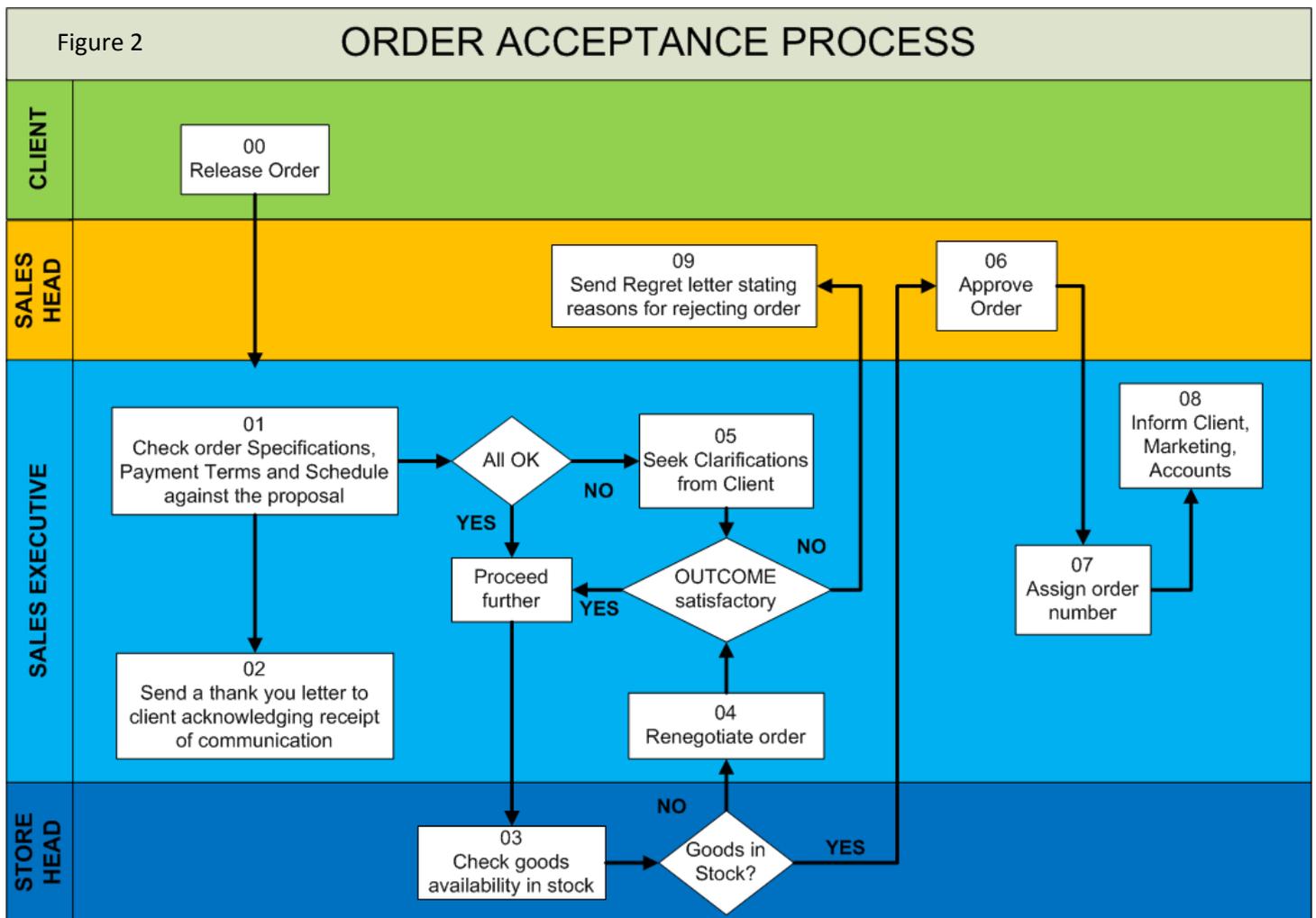
We would explain the review process through an example of a process used by an Industrial Equipment Selling organization called Organization XYZ - “OX “in this paper. The process pertains to “Order Acceptance” and it's map is

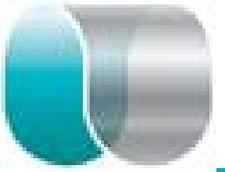


## Review Processes to Enhance Value-Add

shown in Figure 2. The organization quotes to clients for supply of equipment which is either in stock or is procured specifically for the client—based on internal stocking policy.

The process gets triggered after a client has sent a formal purchase order to the OX. The process consists of 9 distinctive activities as shown on the map.





## Review Processes to Enhance Value-Add

Table—1

Activity Number	Activity Description	Value -Add Category			Remarks
		AVA	BVA	NVA	
01	Check against Proposal		Y		
02	Thank you letter	Y			
03	Check Goods Availability		Y		
04	Renegotiate Order			Y	
05	Seek Clarifications		Y		
06	Approve Order			Y	
07	Assign Order Number		Y		
08	Inform Client and others	Y			Internal communications fall under BVA category.
09	Regret Letter to client	Y			

### Review Step 1— Categorize Activities.

Table 1 lists against each activity of the process, the Value Add Category of the specific activity. We explain the various activities and logic behind Categorization below:

#### Activity 01—Checking against Proposal

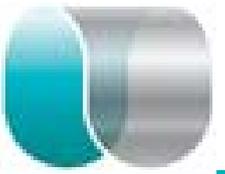
It is essential to check client’s order against the proposal made by OX. This obviously has no value as far as client is concerned and therefore classified as BVA.

#### Activity 02

Thank you letter is sent to client acknowledging receipt of his communication. This has a perceived value add to the client and is considered AVA category.

#### Activity 03

Checking of availability of goods—either in stock or with the supplier is essential before an order can be accepted. However, client can not see any perceived value add and therefore this activity has been categorized under BVA.



## Review Processes to Enhance Value-Add

### Activity 04

Renegotiate order—this is obviously a non-value add activity and has absolutely no value add for the client. Since the proposal has been made to the client, it is assumed that adequate checks would have been made about availability of goods at that time. After receiving the order, if the goods can not be supplied due to non-availability or schedule constraint—it can result into a permanent loss of client.

### Activity 05

Seek clarifications—is necessary of the client’s order is not as per the proposal made. This is essential to business but has no value in the eyes of the client.

### Activity 06

Approve order is an activity which is being done at higher level. It is essential to business and is not some thing which client is bothered about.

### Activity 07

Assign Order Number. This activity is again a BVA—since client is usually happy to interact based on his own reference number. However—functioning of the business and allocating expenses and job-hours burnt on an order is usually done on the order number assigned internally.

### Activity 08

Informing the acceptance of order and it’s assigned job number has a perceived value-add to the client. However, efforts made to communicate internally are a BVA category—so if the internal communication is different from

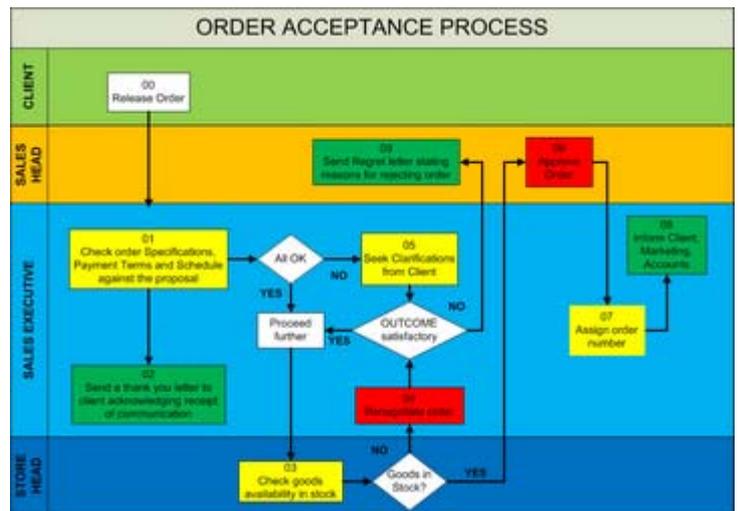
the communication sent to client, the efforts made for internal communication would fall under BVA.

### Activity 09

Send regret letter. This activity has perceived value add (though negative in nature!) for the client and has been classified under AVA.

## Step 2—Analyze Classification

Out of a total of 9 activities, only 3 (33%) are AVA’s. The NVA’s constitute 22% of all activities. All activities including AVA’s consume resources (manpower) and therefore add



cost, consume time and therefore add to the cycle time. They are therefore not helping organization to meet CD’s.

It is usual to color code the Process Map by marking AVA’s green, BVA’s Yellow and NVA’s red. This helps the process



## Review Processes to Enhance Value-Add

team to focus on “RED” activities !

If the organization does analysis of all the processes and ranks them against %NVA score, the priority in which processes should be reviewed would be clear!

### **Step 3—Remove / Reduce NVA’s and BVA’s**

Process owner, process participants and improvement team should do a brain-storming exercise and review the process for possible improvements. Such brain storming, facilitated by NiMble resulted in following suggestions from the improvement team for this process:

#### **Non-Value-Add—Activity 04 (Renegotiation)**

Process Improvement Team decided to collect data about the percentage of cases where a renegotiation or order had to be refused due to non-availability of the items ordered by client. The suppliers who had promised availability and later backed-out were to be dealt with by either being asked to maintain stock at the OX’s warehouse at their cost or by the OX at his own cost. Procedure was enacted to ensure that at the time of proposal the supplier is asked to reconfirm the schedule. Targets to reduce the incidence of renegotiation or order rejection were set in place as KPI for the Sales Head.

#### **Non-Value-Add—Activity 06 (Approval)**

Process Improvement Team decided to issue guidelines for approving an order for acceptance. This enabled the Sales Executive to accept the order and lead to empowerment of the Sales Executive. The costly job-hour spent by The Sales

Head were saved and replaced by relatively cheaper alternative. This also led to cycle time reduction for the process.

#### **Business Value-Add—Activity 01 (Compare)**

Process improvement team proposed increase in catalogue sale and use of portal to describe and specify the products and offer the same in the proposal made to the client. All alternatives / variations to the supply were to be added to the specifications maintained and shown in the portal. Clients were to be encouraged to refer the Product Number shown on the portal. This was expected to reduce the time taken by this activity and the cost of comparison.

#### **Business Value-Add—Activity 03 (Stock check)**

Process team suggested that stock information be shared through the organization’s internal net and supplier’s stock position should be made accessible to the sales team. This reduced the time taken by this activity.

#### **Business Value-Add—Activity 05 (Clarifications)**

Process Team collected data for the cases where clarifications were sought in the past to establish the reasons. The root cause triggering the activity was found and communication with the client was improved to minimize seeking clarifications.

#### **Business Value-Add—Activity 07 (Order Number)**

Process Improvement Team suggested that activities of assigning order number and issuing communication to client and other internal departments be automated to re-



## Review Processes to Enhance Value-Add

duce cycle time and cost. Appropriate computer application was developed in-house and resulted in cycle time reduction and job-hours for these two activities.

### Conclusion

This paper clearly demonstrates that documenting Processes followed in an organization and reviewing them often improves the organization performance and effectiveness to meet Client Demandments.

### Appendix –A

#### 13 categories of Processes as per AQPC

<b>1</b>	Understand Markets and Customers
<b>2</b>	Develop Vision and Strategy
<b>3</b>	Design Products and Services
<b>4</b>	Market and Sell
<b>5</b>	Produce and Deliver—Manufacturing
<b>6</b>	Produce and Deliver—Services
<b>7</b>	Invoice and Service Customers
<b>8</b>	Develop and Manage Human Resources
<b>9</b>	Manage Information Resources
<b>10</b>	Manage Financial and Physical Resources
<b>11</b>	Execute Environmental Management Programs
<b>12</b>	Manage External relationships
<b>13</b>	Manage Improvement and Change