A ROADMAP FOR BUSINESS PERFORMANCE IMPROVEMENT

Paper Summary
Companies seeking continuous business process improvement, while embarking upon ERP selection and implementation, are wise to adhere to a proven roadmap.

As manufacturing activity enters into an uptick, how can organizations work more effectively and efficiently to handle new opportunities?

This paper shares five guidelines for business process improvement planning that will help your company achieve true business performance improvement and ROI.
Productivity and Innovation

According to researchers at Forrester, approximately half of companies using ERP systems are currently on releases that are two versions behind the current release, which may be four years old or more.

Worker productivity in the US manufacturing sector is considered to be the highest in the world. The nation’s streamlined factories are among the most efficient.

Studies show that productivity gains in manufacturing have come about as a result of automation, process improvement, productivity, and quality management.

Yet today’s top manufacturers continue to innovate. They seek to continuously improve their processes to meet customer needs, reduce cycle time and constantly optimize operations, while improving their competitive position.

The Role of ERP

ERP systems play a role in performance improvement goals, from facilitating automation to streamlining business processes.

Ultra consultants and the manufacturers we work with share this goal of implementing process improvement programs to drive business performance improvement.

We know that strategic use of new technology, faster communications, instant access to real-time operational data and improved visibility into operations are all proven to drive business performance improvement.

In fact, a key driver for companies to invest in modern ERP systems is to improve business performance, so companies can do more with less and work smarter in all functional areas – from the plant floor to the front office.

A Roadmap

Much like the core principals of lean manufacturing, business process improvement (BPI) is about eliminating waste and improving productivity.

The following roadmap offers key guideposts for companies seeking continuous business process improvement, while embarking upon ERP selection and implementation.
GUIDELINE 1: WHO IS IN THE DRIVER’S SEAT?
MAKE THE CASE FOR A CHIEF PROCESS IMPROVEMENT OFFICER

Once the organization has formed a team that will lead the BPI planning process, who will serve as owner? While the make-up of core team members is important, the team must be led by a manager who serves as the Chief Process Officer (CPO). Reporting to the CPO are Process Owners.

When a process owner directs the initiative, ERP selection and implementation will go better, but process improvement doesn’t end with implementation. It’s not just about how processes affect business technology systems; it’s also how effective the processes are in a manufacturing facility or in a business function, within logistics, shipping, quality and other functional areas.

The business process owner leads the team in identifying all of the business processes in the enterprise impacted by a new solution. The leader should solicit input from business process owners by function within the company. As an example input comes from:

- Controller for costing and general ledger processes
- Credit Manager for credit and accounts receivable processes
- Customer Service manager for quoting and order processing processes
- Supply chain manager for S&OP, material planning, and scheduling
- Production/Operation Manager for scheduling, production, shop floor, etc.

Should the CIO serve as the Chief Business Process Officer? This depends on the organization. We find that the most effective owner has knowledge of the complete operation, by department, business process flow and the like. They need to both gather functional data, plus synthesize and analyze reports coming from sales, shop floor data collection, inventory, accounting, quality and other areas.

GUIDELINE 2: WHERE ARE WE NOW?
DOCUMENT THE CURRENT STATE

Most business processes have evolved over time and passed from one person to another with minimal documentation, rather than from a conscious effort to constantly reexamine and improve processes based on their strategic value.

We find that an ERP implementation is the perfect opportunity to dig deep into how the organization currently performs business processes. That “current state” documentation helps teams determine ways to use best practices built into the ERP system to streamline and improve these processes.

At Ultra, we believe the development and maintenance of the “as is” documentation is a priority and should be the responsibility of the “Process Owner” users with assistance from the Chief Business Process Officer.
How does this phase work? Each business process is analyzed. A process flow is developed, and the inputs, processes, and outputs are documented. The process flow becomes an excellent tool to identify waste in a process.

A shared view of the current state lets the entire team recognize any problems that exist. This is often a watershed “ah ha” moment. Many senior executives might not realize the extend of waste or problem areas, but once a “current state” map defines the processes with visual documentation, those issues see the light of day.

We find “as is” documentation goes much better if an ERP expert is in the room during the mapping phase. An independent eye often makes the process much more effective.

### GUIDELINE 3: WHAT’S POSSIBLE?

#### MAKE THE CASE FOR EDUCATION

Once the current state is reviewed and documented, the business process owners need to be educated on what is possible.

Most users in a manufacturing company are not well-versed in current business process best practices. They know their current system only. Or at best, they may recall some capabilities from a past position.

That’s why it is important to educate business process owners on “what is possible.”

An education curriculum needs to be developed for the business process owners. Valuable information can be gained from ERP vendors and industry analysts. The BPO and an ERP expert can craft and facilitate the education process.

Don’t be tempted to jump right from the current state to a future state. Instead, take the time to see where the documented current state uncovers waste, redundant data, wasted processes, too many manual steps and the like.

Through shared understanding of the problem areas, the entire organization begins to have an appreciation of potential process improvements.

Again, a third party is powerful during education, or what we call “ERP University” phase. Independent experts understand what’s possible today and offer tremendous value to help uncover waste and broaden the team’s perspective on what’s possible in terms of proven best practices.

We can’t over-emphasize the importance of education to unlock thinking and explore possibilities. A manufacturing company can’t design or execute a future state without comprehensive and strategic approach to education.
GUIDELINE 4: WHAT’S THE FUTURE STATE?

BUILDING THE “TO BE PROCESS”

Here’s where the rubber meets the road.

This is the phase where the CPO leads the charge to develop improved business processes.

In visioning workshops, the business process owner reviews waste in current processes, discusses best practices, future system requirements, and develops a “to be” map that represents the desired improved state.

This phase takes the form of hands-on workshops, which are most effective when led by independent parties. While developing the process improvements the team should be evaluating the impact of the new processes on business performance in three areas.

1. What can we do today with existing systems? Even before implementation of a new ERP system, what waste and “muda” can be removed now for improved business outcomes?

2. What are the strategic mid-term improvements that require IT investments?

3. What represents a longer-term improvement to get us to the future state? What functional areas will improve with a new workflow enabled by modern ERP? What do we need to do that we can’t do now?

We’ve found that it pays to reduce any potential negativity the organization might experience in a transformation. It’s not uncommon for organizations to experience resistance to change after being cemented in outdated processes and outdated technology.

Motivating the team to embrace change helps gain buy-in to the value of a new ERP system.

GUIDELINE 5: CAN WE LINK TO IMPROVED BUSINESS OUTCOMES?

BUILD THE BUSINESS CASE

Once a “future state” business process is designed, the process owner asks the question “how does this new business process improve our company?”

The answer to this question becomes the basis for the business case.

Key Performance Indicators (KPIs) are the metric improvement as well as qualitative improvements that will drive performance outcomes.

This is the time to discuss, analyze and document the benefits to the business that will be attained with the implementation of the new business process.

Implementation costs should be documented so that a complete ROI can be documented for each business process improvement.
Typically, organizations define the processes they wish to improve when they develop their business case. However, during the implementation process, they should confirm that the processes defined in the business case are the ones that need to be improved and make sure they don’t miss any processes that should be improved.

Note that an independent advisor can provide recommendations on improving business processes based on best practices from other customers. This analysis lays the foundations for how the ERP software will be configured and ultimately used.

The most critical consideration is to link improved processes to business performance improvement with a singular focus on current state metrics. For example, if today’s inventory has a certain carrying cost, what’s the impact on these metrics if a new process is put into place? In this way, management sees how the investment in new ERP reduces inventory costs, reduce stock outs, improves cycle time, etc.

It’s critical to define the business value of the future state in key performance areas such as:

- Improved customer satisfaction
- Improved productivity
- Faster access to information
- Improved shipping
- Improved quality
- Reduced cycle times
- Better on-time delivery

At the end of this phase, the CPO develops a complete list of all BPI projects for the enterprise.

With each project the list indicates the associated benefits, cost and expected ROI.

Finally, The CPO and the process owners present their recommendations to management. Management then prioritizes the projects for implementation based ROI, importance to the business plan, and availability of resources and capital.

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**About Ultra Consultants, Inc.**

Ultra Consultants is an independent consulting firm serving the manufacturing and distribution industries. Organizations turn to the Ultra team for ROI-driven ERP technology expertise and business process management that improves revenue and customer satisfaction, enhances financial management and real-time decision making, improves productivity and reduces time to market. The world’s middle market companies make up the Ultra Consulting client roster including aerospace and defense; automotive; chemical; consumer goods; electronics; food and beverage; industrial equipment; medical device; metal fabrication and plastics manufacturers. Ultra Consultants offer deep experience in manufacturing process optimization. The team averages over 20 years manufacturing and process experience with professional certifications in APICS, Lean manufacturing, Six Sigma Green and Black Belt, and Project Management.

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