

EXCELLENT

GOOD

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**A NEW WAY  
TO CREATE  
CAPACITY  
AND IMPROVE  
EMPLOYEE  
SATISFACTION**

## MANAGEMENT ISSUES

MANAGEMENT ISSUES IS A NEW SECTION IN THE *JOURNAL* FOCUSING ON ORGANISATIONAL EFFECTIVENESS IN THE INSURANCE INDUSTRY. IN THIS ARTICLE, DANNY SAMSON AND TOM BEVINGTON LOOK AT A NEW WAY TO CREATE CAPACITY AND IMPROVE EMPLOYEE SATISFACTION – AND AT THE SAME TIME, IMPROVE CUSTOMER SERVICE AND COMPETITIVENESS.



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Our research in the last five years demonstrates that there is a high level of untapped capacity, absorbing on average 33.6 per cent of management and staff time in all organisations. This amounts to 1.66 potentially wasted days out of everyone's five-day week and costs about \$25,000<sup>1</sup> per person employed per annum. This untapped capacity therefore presents a huge opportunity to virtually every organisation. It arises, as we explain here, because management are largely unaware of the plethora of undocumented activities which need to be done to make business process steps interface with each other.



**Tom Bevington,**  
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This untapped capacity is found in all sectors of the economy, both the private and public sectors as well as in the not for profit sector. Philip Crosby (1979)<sup>2</sup> claimed that waste levels in organisations absorbed between 2.5 per cent and 20 per cent of business costs depending on the state of maturity of the business. If one accepts his figures, then why do we appear to have gone backwards over the past three decades? After all, there has been huge pressure on performance and productivity across the world during this time, some of it driven by globalisation.

Further, hundreds of thousands of organisations have invested heavily in management approaches such as BPR, Lean, Six Sigma, Total Quality and outsourcing in what, we can only conclude, must have been largely vain attempts to eliminate noise.

It's all about the interface activities! Our research shows that this untapped capacity occurs in the interfacing activities (IFAs) needed in every organisation to connect, or glue together, the functional activities which are usually so carefully and rigorously documented in process maps, procedures and job descriptions. These interfacing activities, which should be insignificant in terms of impact, are there to ensure that each transaction passes smoothly from one step to the next or from one person to the next in order to ensure that business processes are efficient and effective. They therefore provide the mechanism to glue, or bring the defined functional activities together to provide desired outputs and, hopefully, a competitive edge. Unfortunately, if there are errors, omissions or other issues with the transactions, someone has to fix it, that is perform interfacing activity, which is mainly noise.

### Interfacing Activity Noise – right under our noses

What is this interfacing activity “noise” in organisations and why has it not been attacked before in our highly efficient information markets in private and public sector organisations?

There appear to be two key reasons for the fact that noise has largely been ignored. The first is that until comparatively recently it has been below the radar and received little attention from top management, researchers, business schools or top tier consultants. Indeed, to quote researchers Ireland and Hitt (1999)<sup>3</sup> “in the 1960s and 1970s the [external] situations facing the firm were thought to be the primary determinant of organisational outcomes ... managers were believed to have little ability to make decisions [on how to use resources] that would affect the firm's performance”. In other words, it was believed that it didn't matter how the work got done as long as it was done. It is only comparatively recently that the importance of the way staff do their work has been recognised by senior management by the use of BPR, Lean and Six Sigma. The second reason is that the opportunity lies hidden in plain sight in the largely undocumented interface activities required to bridge between the functional work steps.

It is embedded in interfacing activity noise, that is, the activities which staff routinely need to undertake to correct, chase and complete transactions before they can be

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processed, plus the time spent dealing with the downstream consequences such as the work needed to deal with enquiries about delayed transactions, reprocess, deal with complaints, etc. We call these causes the 4 Cs of IFA noise (correct, chase, complete, consequences). Middle managers and teams have traditionally been left to struggle with this IFA noise, something they don't have the authority to tackle, or the tools to analyse or measure, because the corrective action is often needed in teams in other parts of the business. Nor do they have the ability to harvest the untapped capacity at the interface activity level in the many teams scattered throughout the end-to-end business processes where the impact is felt.

Nearly every one of the thousands of employees we have ever helped document what they really do complains that the company procedures and their job descriptions omit many of the activities their job demands. So there is simply no record, and therefore no management awareness, of these interfacing activities when change is planned. Interfacing activities go largely unrecorded.

Rice and Cooper (2010)<sup>4</sup> have researched in depth some of these toxic interface activities which we are referring to as IFA noise. Our only point of departure with their work is that they describe interfacing activity noise as *unusual routines*. Our research demonstrates that interfacing activity noise is *endemic* in every endeavour and the *unusual routines* are not rare as the description implies, rather they are everywhere one looks.

The devil really is in the detail. Thousands of different irregularities or "discontinuities" can occur in any transactional system, and nearly always do. These cause service systems to slow down, waste large amounts of money and frustrate both staff and customers. But chasing thousands of miniscule discontinuities is a mammoth task and a pretty soul destroying one too. This must deter organisations from embarking upon such an approach. It is only when it is realised that there will be a few key drivers of IFA noise which cause

most of the damage that it becomes a worthwhile and feasible exercise to address them. Identifying the main drivers therefore means accumulating IFA noise by causal factor across the whole business/supply chain to establish the priorities.

Further, IFA noise drivers will often differ from location to location because of situational differences. This means that a carefully thought out interface mapping process is required in every location to pinpoint, quantify and accumulate the opportunities. Then management can prioritise and manage the change in the many teams affected so that the resource is released from the IFA noise and effort is realigned. Organisations can thus harvest huge benefits in the form of efficiencies, customer service, elimination of frustration and even performance gains.

Solutions to the problems of inefficiency are both possible and feasible. Most of the interfacing activity noise can be eliminated by addressing the major causes, leading to significant cost-reductions, faster completion rates, and improved client satisfaction, in many instances, higher than previously thought possible. Once business processes are interface mapped, the spotlight can be shone on the many work-arounds and time-consuming unnecessary adjustments that staff make every day just to achieve the basic desired outcome of the activity.

Our experience of some four hundred research and consulting studies demonstrates that employees have the knowledge and are always forthcoming; they just can't wait to document the IFA noise which disrupts their work every day.

W-based interface mapping tools<sup>5</sup> provide each of the staff teams with the facilities to record, check and quantify everything which is done, codify the noise and then provide the mechanisms to analyse the team data by each major business process. These tools then allow the application of the Pareto (80-20) principle by accumulating the impact by cause to enable the high value noise drivers to be identified easily and then addressed swiftly.

Interface mapping works counter to largely discontinued time and motion studies: these usually involved engineers or consultants measuring the work processes and the workers' performance and then going back to their offices and redesigning those processes. Other approaches to mapping come in many formats, from service blueprinting to process mapping, however, whatever one calls them, the reason that such exercises usually do not lead to sustainable success is because they are only capable of mapping *in the detail required* small segments of a key business process and they rarely quantify the resource absorbed by each activity. As a result, the consequential IFA noise in other parts of the business goes unrecorded and therefore unaddressed.

To conduct the analysis on which this article is based we compiled a database of 117 organisations in which the employees have been trained in the last five years to map their interface activities.

The organisations include: banks, hospitals, insurance companies, manufacturers, regulatory bodies, public policy units, call centres, not-for-profits, professional societies, airports, transport companies and utilities. It includes two of the world's best known businesses, two businesses in Australia's listed top ten and includes representatives from four continents.

This database contains all the activities, in full and complete detail, undertaken by all of the 13,657 staff and management in these different organisations. These 13,657 people used interface mapping to document the 395,832 activities which they routinely undertook. It took just three weeks, in most cases, including quantifying the time each activity absorbed. The total time was 1,775,377 hours per month equivalent to \$1.45 billion per annum in salary cost.

Analysis of the data base revealed that the largely unreported interfacing activities account for three out of every four activities routinely undertaken when compared to the pre-existing information within the organisations. It confirmed that

most of the interfacing activities never appear in job descriptions, procedures or even complex process maps. It showed that 33.6 per cent of everyone's time is spent on interface activity noise (correcting, chasing and completing and dealing with the downstream consequences). The database verified that significant noise levels are found in all sizes of organisations from the smallest (two people) to the largest, across all sectors. Our data also showed that there are areas in organisations which usually suffer from high interfacing activity noise levels such as claims, salary and benefits, commission payments, call centres, distribution operations and policy units "given" to them by their upstream colleagues.

Our analysis of IFA noise drivers showed that about one-third of the noise occurs within the immediate vicinity of each team, the remaining two-thirds is located elsewhere in the business or supply chain. This finding underscored the need for the whole business to be interface mapped to capture the consequences and quantify the impact because IFA noise is cumulative. That is, once it enters an organisation, like a virus, it continues disrupting business processes and absorbing resources. The really good news follows. Investing a small amount of core activity in the right place to prevent IFA noise from entering pays back on the investment ten-fold.

This understanding that two-thirds of the benefit will be lost if the whole is not mapped and that addressing the top twenty per cent of causal factors is needed, is a breakthrough but it is hardly rocket science.

We argue that there is a need to know what actually goes on in an organisation's processes, down to the details of actual activities. Absence of this knowledge explains why most business strategies and change initiatives do not deliver to expectations. Planning change without a knowledge of IFAs is like a tourist trying to drive from a particular address in Melbourne to another in Sydney with only a picture of the whole of Australia and a compass, or at best some vague and imprecise notion of how to get to or use the highway. The chance of success –

getting to Sydney – becomes severely limited. If we apply another factor like reaching Sydney within a certain time frame it's easy to see how the lack of detailed tools available becomes a severe impediment.

What works in identifying and then driving out the major IFA noise elements from the interfaces of process steps is the detailed cartography of the actual terrain, turn by turn provided by interface mapping! Just as a GPS provides this for a motorist, employees can use interface mapping to show a manager the process details and their across-the-business consequences, the actual activities that take place in real life and even what goes wrong, and how to fix problems.

Processes can be sped up, free effective capacity is added, and unit cost is reduced. Staff can identify quickly the twenty per cent of noise drivers that create eighty per cent of the processing problems and management is enabled to *manage* for the first time the *strategically critical* interfaces in the business. Instead of constantly chasing their tails and committing time doing their best to wrestle with the 4Cs (correcting, chasing and completing and dealing with the consequences), employees will be able to focus on well managed business processes to deliver the key strategic imperatives. They can reconnect with the big picture of organisational success and align their efforts to the organisation's statement of purpose.

It might be said that Henry Ford's focus should be applied in management and administrative situations. The generalisation of the application of Henry Ford's car factory magic is not precision manufacturing, it was his absolute

focus on ridding his business of the IFA noise. In his case, the largest IFA noise driver was that the parts supplied did not fit together so they had to be reworked. Hundreds of hours were required per vehicle to make each part fit together, i.e. interface. This is no different to receiving an incomplete insurance application, deposit slip or claim document. These have to be reworked so they can "fit" into the routine business process. Furthermore, if the right adjustments are not made on receipt, the consequence is further downstream rework.

So when an organisation needs to change its strategy or market positioning, improve customer service or employee satisfaction or introduce new products and services, mapping its interface activities means that any changes needed to address the key noise drivers can be made quickly and effectively. The process capability will be in place to make the organisational strategic or operational changes quickly, efficiently, and with precision. Instead of leaking cost, losing customers and dropping corporate or public value, business processes can become tightly controlled, shorter and more valuable. Competitive advantage can be driven forward, and the real efficiency dividend that can come from "operational excellence" can be unlocked.

For most organisations, an easy 15 per cent productivity gain in the people-related elements of transaction costs is waiting to be realised through interface activity noise elimination, quickly and without serious calls on capital. This can be achieved at the same time as raising customer service and employee satisfaction and freeing time to focus on developing the business. **II**

#### Reference

Samson D., and T. Bevington, *Implementing Strategic Change: Managing Processes and Interfaces to Develop a Highly Productive Organisation*, forthcoming 2011, Kogan Page, London.

1 Assuming average salary costs with on costs is \$75,000 per annum.

2 Analysis by Kristine Daynes, Marriott School, Brigham Young University of Philip B Crosby (1979) "Quality is free", McGraw-Hill Book Company.

3 Ireland and Hitt (1999) "Achieving and maintaining strategic competitiveness in the 21st century: The role of strategic leadership" *The Academy of Management Executive*, Vol.13 No.1 pp. 43-58.

4 Rice R.E. and Cooper, S.D. (2010) *Organizations and Unusual Routines*. Cambridge University Press.

5 such as XeP3 Interface Mapping ([www.bevingtongroup.com](http://www.bevingtongroup.com)).