

**BEVINGTON**GROUP

# Reducing Unit Cost Through Process Management

Covering a Range of Industries

Understand • Engage • Evolve

[www.bevingtongroup.com](http://www.bevingtongroup.com)

# Contents

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- ❑ What is the Bevington Group?
- ❑ Traditional Cost Cutting methods
- ❑ How to find process failure
- ❑ Typical findings across a range of Industries
- ❑ How to realise the opportunities
- ❑ Case Studies
- ❑ Working Group sessions – time for practice

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# What is the Bevington Group? Why is it relevant?

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# The Bevington Group is a process and productivity service provider

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- ❑ Since the early 1990s, the Bevington Group has conducted over 300 process re-engineering / Lean Six Sigma assignments
- ❑ The three principles underlying the Bevington methodologies are that
  - Even well run businesses have opportunities for process and structural improvements
  - Engaging with people who do the work is the best way to understand the work
  - Providing client teams with the right tools and training can deliver immediate improvements
- ❑ The Bevington Group both conducts knowledge transfer (enabling clients to operate process reengineering assignments) and operates consulting assignments.

# XeP3 has been employed to meet a broad range of client objectives

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- Productivity enhancements
- Cost savings
- Cycle time improvement
- Customer satisfaction improvements
- Meeting SLA targets
- Reductions in staff turnover
- Restructuring
- Merging enterprises

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# Traditional Cost Cutting Methods

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# Traditional Cost Cutting Approaches (1)

Option	Pros	Cons
<b>Issue Targets from CEO</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> <b>Fast</b> (targets can be issued immediately)</li> <li><input type="checkbox"/> Aligned to financial needs</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Open to debate</li> <li><input type="checkbox"/> Concerns could be felt over equity</li> <li><input type="checkbox"/> Absence of team ownership</li> <li><input type="checkbox"/> Difficult to communicate the basis of the decision to team members</li> <li><input type="checkbox"/> <b>Does not help with “how” the savings are to be achieved</b></li> </ul>
<b>Process Reengineering</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Can be used to provide <b>both the target and a means of achieving the savings</b></li> <li><input type="checkbox"/> Ability for the management team as a whole to use data to make the decisions (higher level of objectivity).</li> <li><input type="checkbox"/> Less open to debate</li> <li><input type="checkbox"/> Ability to use the information to frame staff communications</li> <li><input type="checkbox"/> Provide staff with some “peace of mind” that the tasks can be performed with a reduced number of staff.</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> <b>Not immediate</b> (2-3 weeks data collection, 2-3 weeks to analyse)</li> <li><input type="checkbox"/> Cost to gather data and analyse</li> <li><input type="checkbox"/> Employees seeing themselves as targets</li> <li><input type="checkbox"/> Potential employee sabotage</li> <li><input type="checkbox"/> Disaster without top-management engagement</li> </ul>

# Traditional Cost Cutting Approaches (2)

Option	Pros	Cons
<b>Value for Cost</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> <b>Fast</b></li> <li><input type="checkbox"/> Easy to understand</li> <li><input type="checkbox"/> Well handled – some team ownership is possible</li> <li><input type="checkbox"/> Possible to provide basis for decision to team (although challenging)</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Further analysis is always required</li> <li><input type="checkbox"/> Very <b>subjective</b></li> <li><input type="checkbox"/> Open to debate</li> <li><input type="checkbox"/> Usually requires other methods in tandem</li> </ul>
<b>Activity Based Costing</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Very detailed</li> <li><input type="checkbox"/> <b>Based in fact</b></li> <li><input type="checkbox"/> If number of transactions can be reduced: it provides a very clear number on savings; it allows for very easy staff communication</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> <b>Slow</b></li> <li><input type="checkbox"/> It does not tell us how to reduce transactions – this must be a separate debate and decision</li> <li><input type="checkbox"/> Straight transaction reduction may be risky</li> <li><input type="checkbox"/> It is relatively expensive to implement</li> </ul>

# Traditional Cost Cutting Approaches (3)

Option	Pros	Cons
<b>Reorganisation / Restructure</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Moderately Fast</li> <li><input type="checkbox"/> Excellent for alignment with strategy</li> <li><input type="checkbox"/> Sometimes used to “keep people on their toes”</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Often difficult to understand</li> <li><input type="checkbox"/> <b>Critical tasks can be dropped</b></li> <li><input type="checkbox"/> Rehiring under contract is common</li> <li><input type="checkbox"/> Loss of talented personnel is common</li> <li><input type="checkbox"/> Open to debate</li> </ul>
<b>Exiting whole businesses</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Potential to be realistic</li> <li><input type="checkbox"/> Potential loss of value</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Relatively slow</li> <li><input type="checkbox"/> Enormous potential for value loss</li> <li><input type="checkbox"/> History is replete with examples of poor decision making along these lines</li> </ul>

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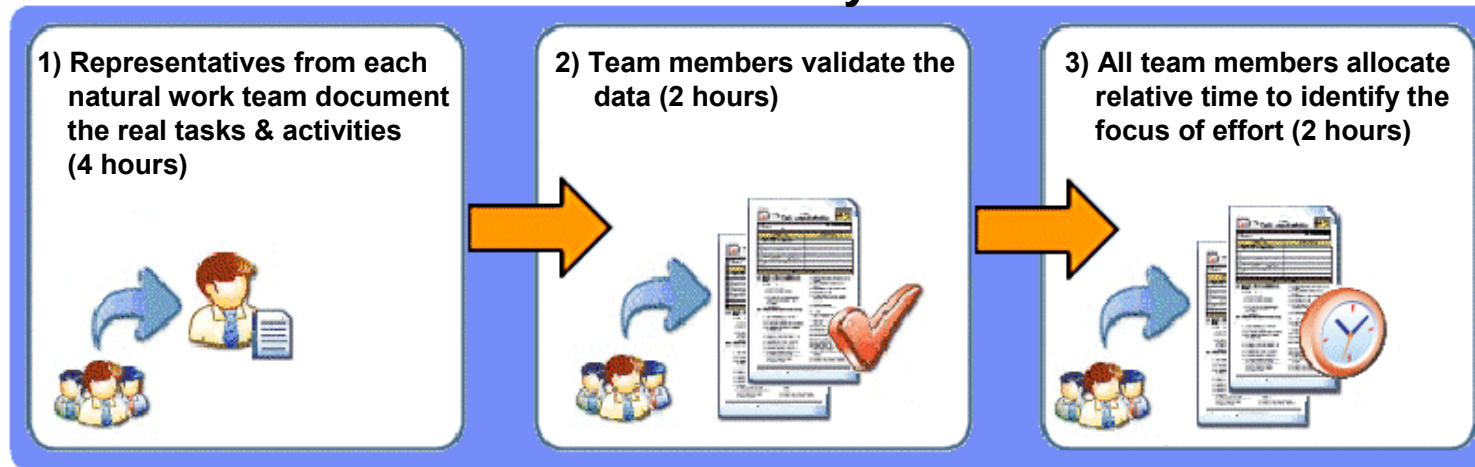
# How to find process failure

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Using examples from a range of industries

# The ability to pin-point and quantify process failure is very important to finding the “non-obvious”

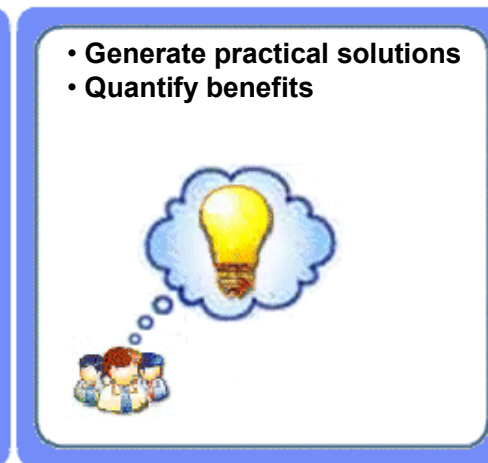
## Data Collection by work team



### Strategic Analysis



### Solution Generation



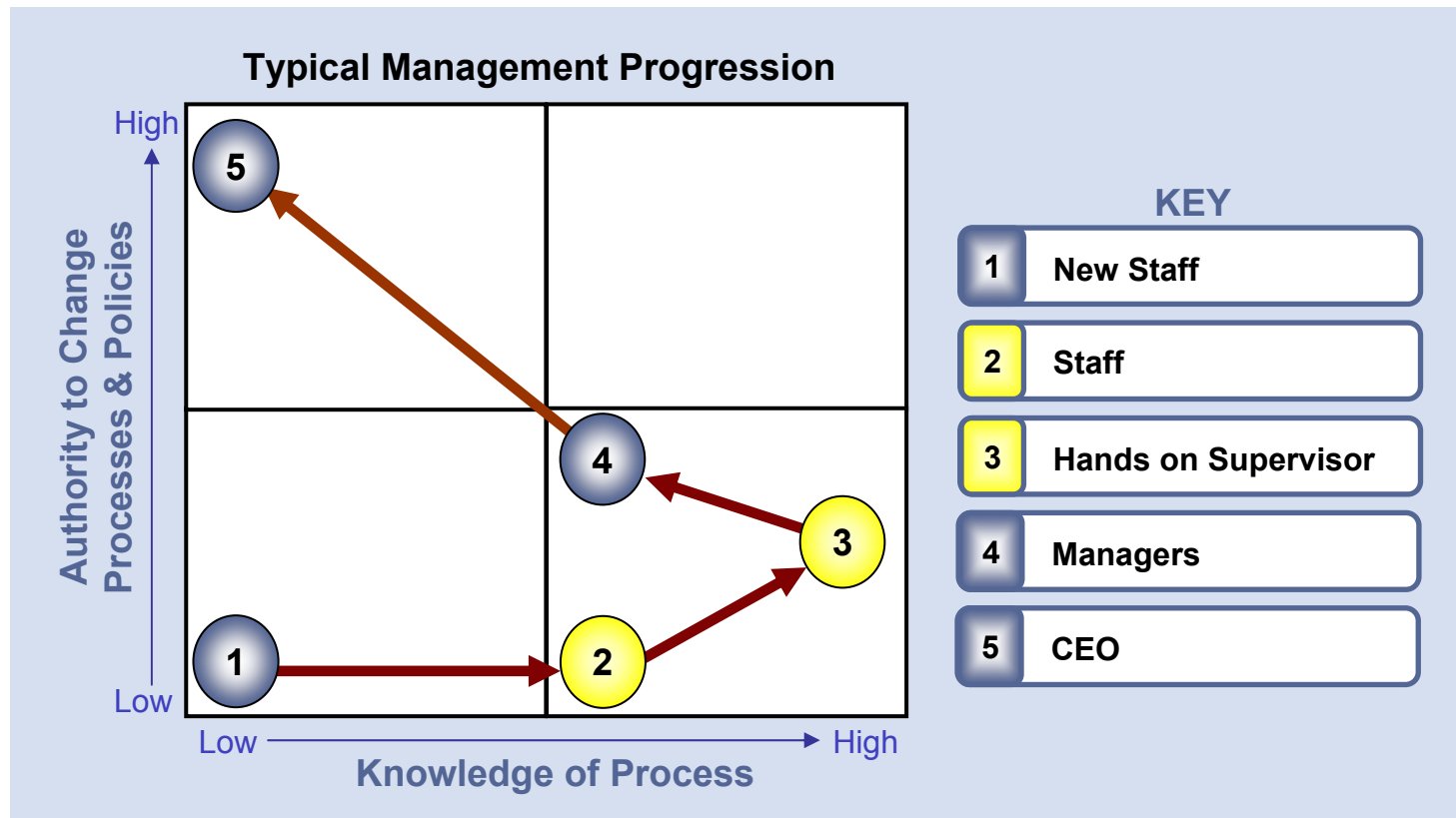
### Implementation



# Firstly it is critical to engage the people who do the work...

*Typically organisations find that with increased authority to change comes less knowledge of the detailed process ...*

*The people who do the job are best placed to tell us about it...*



# So it is important to capture information from the people who do the job...in the most time efficient manner

**XeP3** *Sales Force Effectiveness* **Tasks and Activities** **MF2**

<b>Status:</b>	<b>AU1 - General Sales</b>
Completed by:	
Team Member Check: <input type="checkbox"/>	Date: Thursday, 2 December 2004

Quantified Tasks	Quantified Services
Visit intermediaries - 70/month	
Respond to intermediary queries - 40/month	
Present to potential intermediaries - 3/month	
Process new intermediary applications - 2-3/month	
Respond to internal queries - 10-15/month	
Prepare monthly report - 2/month	
Attend luncheons/functions - 1-2/month	

**Main and Sub-Activities**

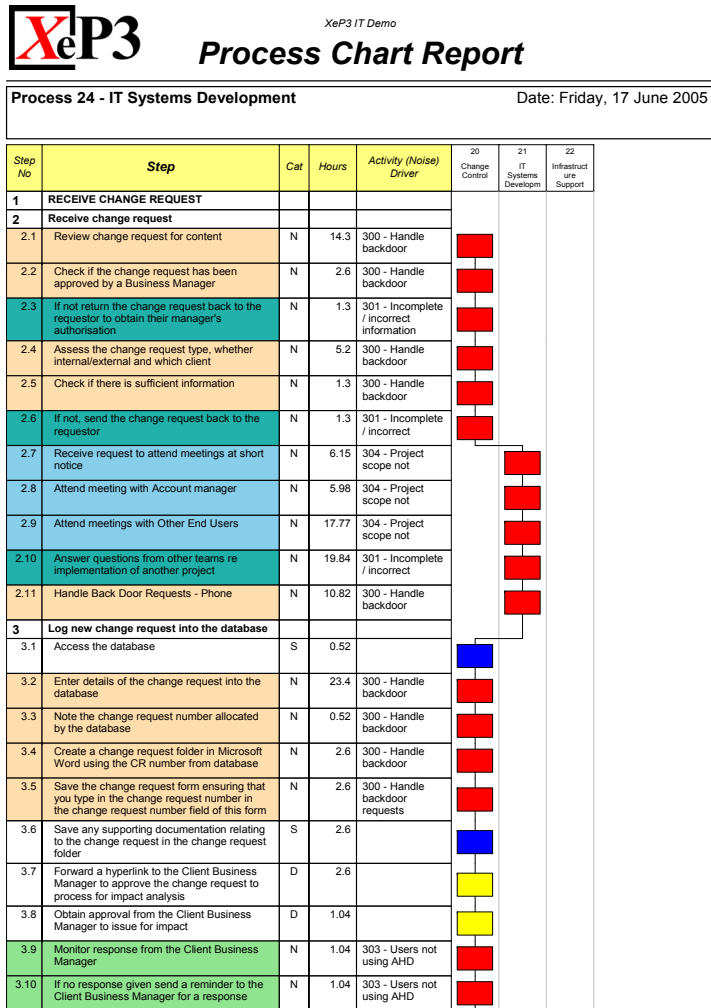
- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>1 Visit Intermediaries</b></p> <ul style="list-style-type: none"> <li>1.1 Identify intermediaries to be visited</li> <li>1.2 Determine what type of visit (eg lunch/general)</li> <li>1.3 Contact to make appointment</li> <li>1.4 Follow up if uncontactable</li> <li>1.5 Note in diary/act</li> <li>1.6 Review if other nearby require visit</li> <li>1.7 Prepare material for visit</li> <li>1.8 Collate stationary</li> <li>1.9 Request/follow up IT reports (timely)</li> <li>1.10 Chase up reports if necessary</li> </ul> | <p><b>2 Respond to Queries</b></p> <ul style="list-style-type: none"> <li>2.1 Receive query (fax/phone/email) relating to prolems</li> <li>2.2 Receive query (fax/phone/email) not relating to problems</li> <li>2.3 Answer problem if known</li> <li>2.4 Contact to clarify</li> <li>2.5 Seek general information re problem from relevant area</li> <li>2.6 Seek specific info re problem from relevant area</li> <li>2.7 Follow up if not available immediately</li> <li>2.8 Obtain response to problem</li> </ul> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

- ❑ The data collection must be fast or
  - processes will have changed by the time you finish
  - the change programme will loose credibility for “long time trying” but not change

# The tasks and activities need to be analysed in a way which quickly highlights the opportunities

Code	Definition	Example	
<b>Noise</b> <small>25%+</small>	Non-value adding activities which cost the organisation money, reduce service levels and waste staff time. Usually symptomatic of process failure	<ul style="list-style-type: none"> <li>• Rework/recovery from error</li> <li>• Duplicated activity</li> <li>• Request sent to wrong location</li> <li>• Wrong Information</li> <li>• Activity performed at wrong point</li> </ul>	} <b>Non Value Adding</b>
<b>Discretionary</b> <small>10%</small>	Activities that manage risk to the organisation and/or introduce management approval/checking steps. Usually their frequency or level is adjustable and is at management's discretion	<ul style="list-style-type: none"> <li>• Checks</li> <li>• Approvals/ delegation signoff</li> <li>• Audits</li> <li>• Reports</li> </ul>	
<b>Support</b> <small>60%</small>	These activities enable efficient delivery of a current service – they represent the normal, actual work being done right	<ul style="list-style-type: none"> <li>• Processing</li> <li>• Data entry (the first time!)</li> <li>• Make payment</li> <li>• Answer query</li> </ul>	} <b>Automation Opportunity</b>
<b>Core / Value Driving</b> <small>5%</small>	These few activities directly increase service, reduce cost or enhance capability. They positively change the status quo to <i>drive</i> performance improvement in the organisation	<ul style="list-style-type: none"> <li>• Core delivers organisation objectives</li> <li>• Often that which enhances efficiency, effectiveness or revenue</li> </ul>	

# The team can then map and understand the process



	C	S	D	N	CSDN
% Hours:	2.8%	38.9%	14.5%	43.8%	100.0%
Total Hours:	33.6	471.7	176.2	530.8	1,212.3
pa Cost:	14.8	189.1	65.6	205.1	474.6

Top 6 Activity (Noise) Drivers for this Process			
300	Handle backdoor requests		13.3%
304	Project scope not correctly defined		12.9%
301	Incomplete / incorrect information		11.1%
303	Users not using AHD intranet / Change request system		3.3%
302	Troubleshoot IT user problems		2.5%
305	Escalation of IT issues		0.7%

# This allows the team to assess the time that staff spend in the process

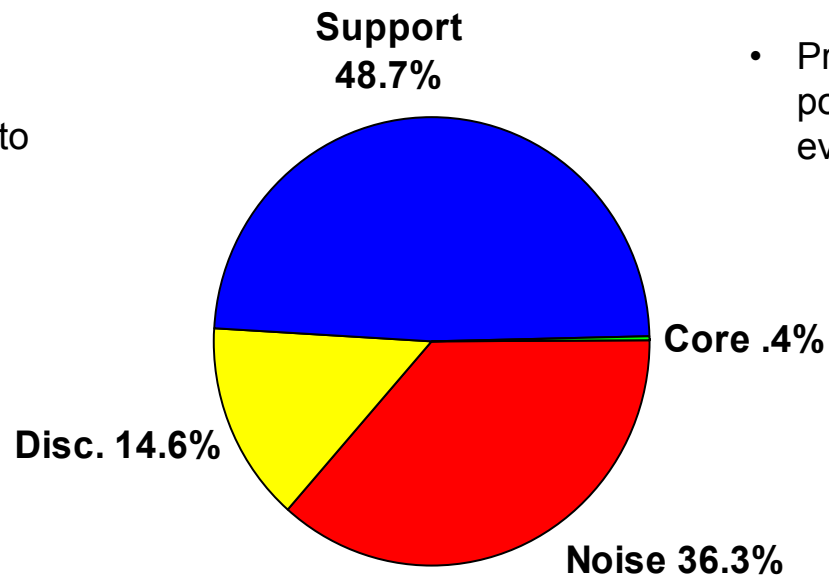
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## Examples of Support

- Receive request
- Collect data/information
- Report information back to requestor

## Examples of Core

- Pro-actively identify potential virus attacks and evaluate options



## Examples of Discretionary

- Analyse skill-set of team members
- Confirm that pattern applied successfully

## Examples of Noise

- Chase up delays in paperwork
- Re-contact client to obtain further details
- Re-route to the correct contact (when problem sent to the wrong person)

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# Typical findings across a range of functional areas

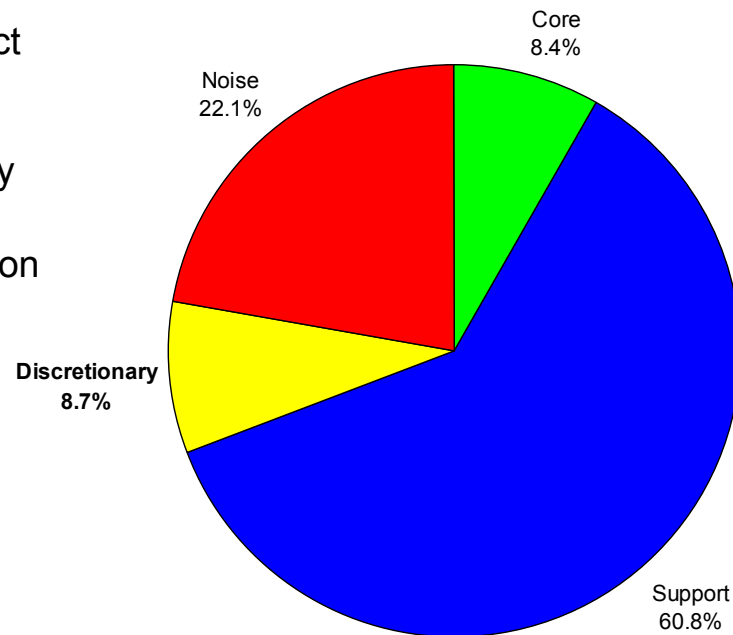
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# Example 1 – Sales Team

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## Noise Examples

- If necessary refer to appropriate internal contact to resolve problem
- Handle Customer Complaints (service quality issue)
- Wait 15 minutes in reception to see customer



## Discretionary Examples

- Network (at professional development days)
- Liaise with interstate offices
- Update Customer Contact Database

## Core Examples

- ID key prospects in database
- Conduct meeting with customer
- Follow up with any leads made on the day

## Support Examples

- Schedule customer appointments
- Conduct necessary research
- Travel to and from venue - car

# Example 2 – Financial Branch Network

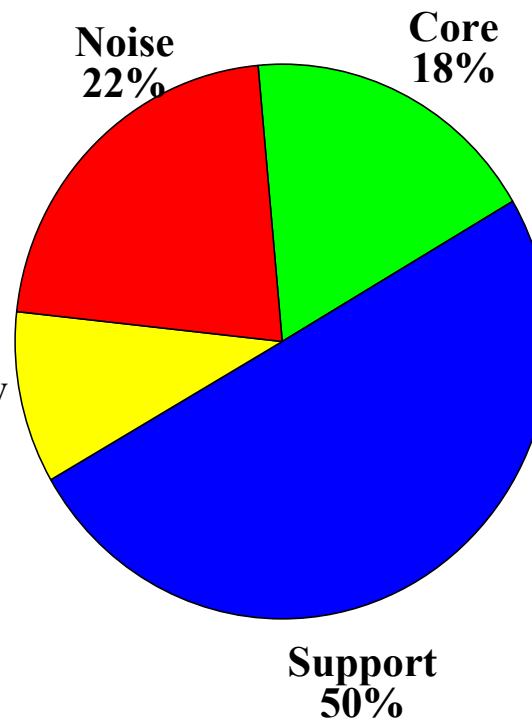
## Noise Examples

- If cannot find account number then conduct search with computer.
- If can not contact customer then chase up references
- Get more information if required by manager
- Chase up head office for approval
- Follow up on any missing documentations

**Discretionary  
10%**

## Discretionary Examples

- Attend meetings
- Complete Loan Compliance Checklist
- Present loan approval to manager with recommendation and BLO for manager to sign off on approval
- Prepare daily reports for district manager



## Core Examples

- Arrange payment if able to speak with customer
- Telephone customer to renew insurance
- Explain to customer what we offer in insurance
- Prepare best loan offer
- Inform dealers of new promotions

## Support Examples

- Process payment
- Update System with payment arrangement
- Print and mail cheques
- Process and print loan documents

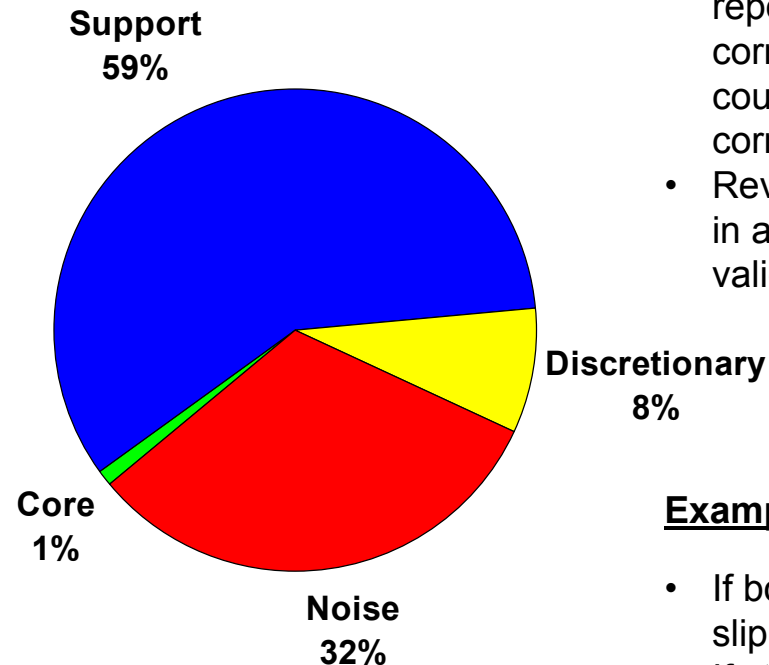
# Example 3 – Distribution Warehouse

## Examples of Support

- Sort cartons to relevant brand/store pallet
- Print work sheets and labels from system
- Sort bags by state and separate country stores

## Examples of Core

- Run preventative maintenance on the sorter out of hours to ensure no breakdowns during change over
- Ensure correct labeling of all inbound goods



## Examples of Discretionary

- Check content against system reports. eg. Care labels on items, correct APN, correct retail prices, country of origin, correct stock, correct quantities packed
- Review in priority order, orders faxed in and check that Shipping Notice is valid

## Examples of Noise

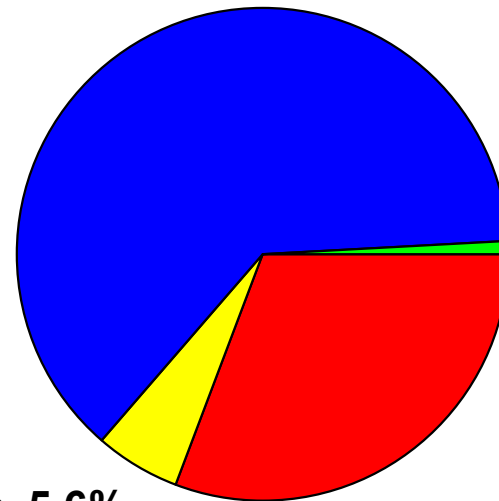
- If book-in code is incorrect, a reject slip is written and given to the driver
- If stretch wrap breaks whilst wrapping the pallet, re-apply
- If APN does not scan or is incorrect, print contents report

# Example 4 – Processing Plant

## Examples of Support

- Load product onto line
- Cut product as specified
- Prepare box and liner
- Pack product

**Support  
62.7%**



## Examples of Noise

- If poor product then place in downgrade bin
- If staff absent, organise replacement
- If conveyor breaks down, call maintenance

**Core 1.0%**

**Noise 30.7%**

**Disc. 5.6%**

## Examples of Discretionary

- Inspect quality of product
- Perform random weight checks
- Attend weekly supervisor meeting
- Check product scanned against production order

## Examples of Core

- Monitor and adjust equipment to improve cut
- Advise staff on how to improve their performance
- Prioritise order of manufacture to suit raw material availability

# Example 5 - Healthcare

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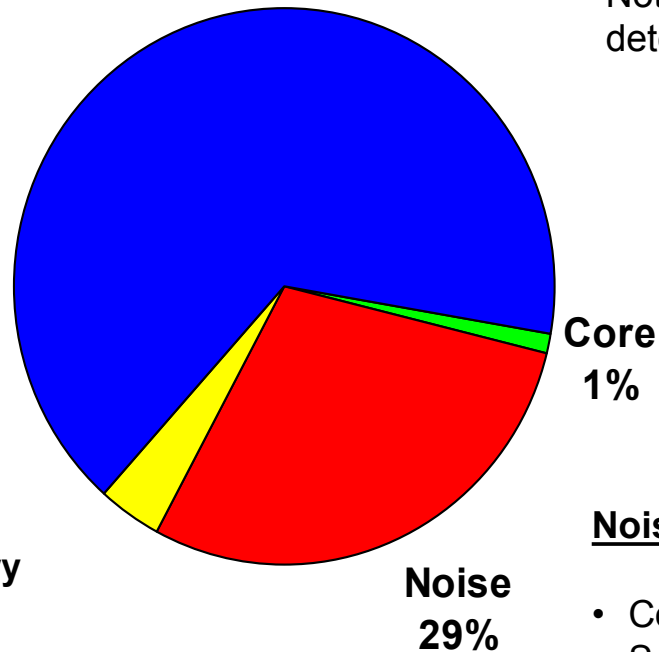
## Support Examples

- Enter admission data into System
- Prepare operation equipment
- Cook meals
- Shower a patient

**Support**  
**66%**

## Core Examples

- Book additional theatre sessions
- Notify Doctor if patient condition deteriorates



**Discretionary**  
**4%**

**Noise**  
**29%**

**Core**  
**1%**

## Discretionary Examples

- Check stationary supply levels
- Counter sign valuables card

## Noise Examples

- Correct data entry errors
- Search for thermometers
- Chase Pharmacy for drugs
- Cook extra unplanned meals
- Clean dirty theatre equipment

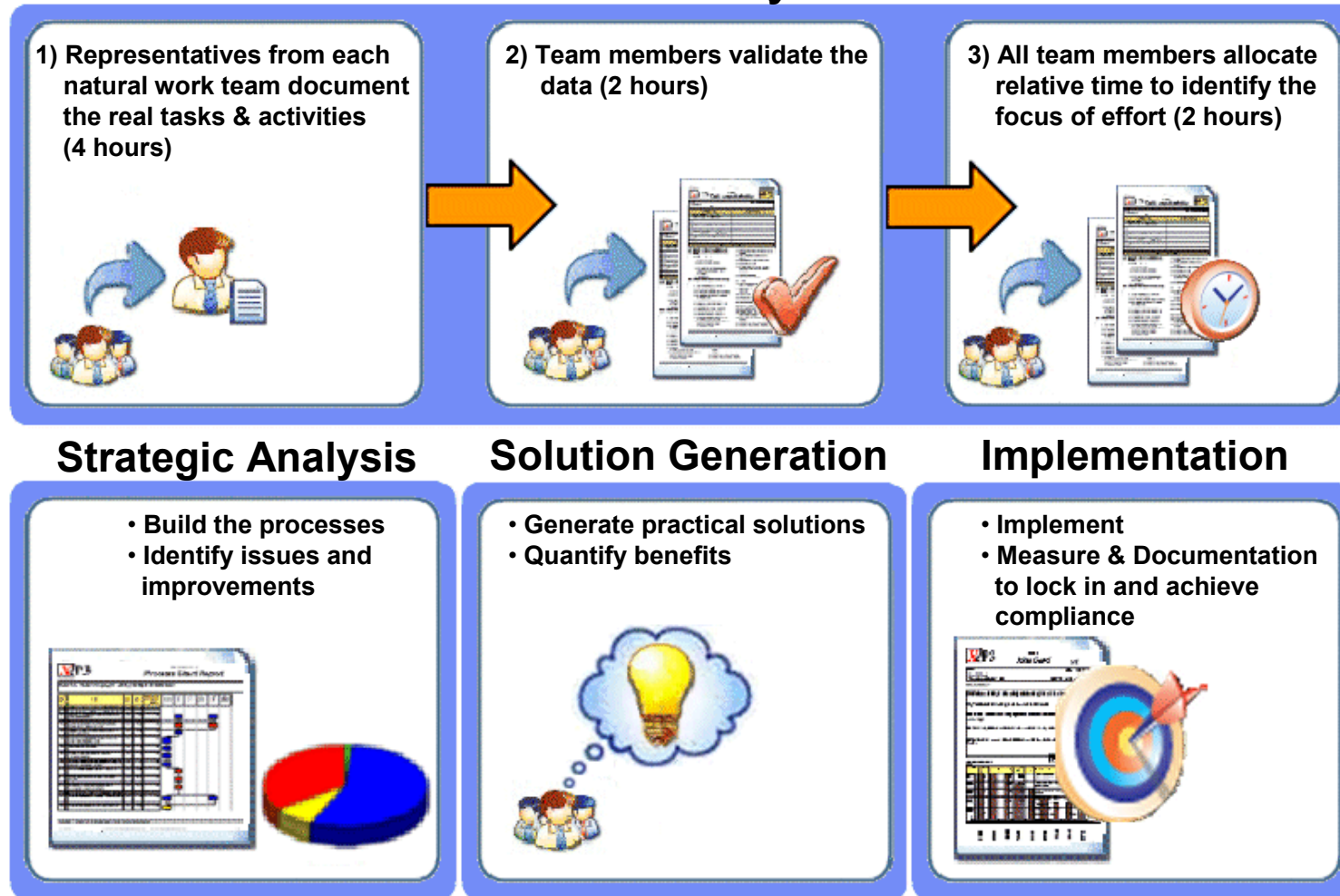
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# How to realise the opportunities

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# Engaging staff is critical to making changes stick

## Data Collection by work team



# They can use Noise Drivers as a key way to communicate the issues

All totals represent hours spent per month

Customer Service Related	
Manual selection of promo codes	51.7
Telesales need to manually override delivery codes	45.3
Can't find card	45.2
Manual Checks of key errors	39.6
Can't get through to right person on Phone	30.3
Inefficient provision of general inquiry response	22.0
Inability to cut and paste common responses into claims database	18.0
Unable to complete box/EDI list in time	16.4
Customer complaint	14.1
Keying Error	8.9
Printouts collected by wrong person from printer	7.6
Forward order incorrectly processed	6.0
Manual delivery override	5.0
Other	17.4
<b>Total</b>	<b>327.5</b>

Distribution Related	
Late advice of shortage	84.1
Delivery issue	69.7
2 docs from same driver need to be sorted and re matched	57.0
Missing delivery documentation	20.3
Non compliance with complaints process from production/distribution	18.0
Production Shortage (logistics)	14.1
Frozen stock delivery problem	10.2
Inefficient provision of Delivery enquiry response	8.2
Other	8.1
<b>Total</b>	<b>289.5</b>

IT Related	
Have to print EDI order (not electronic)	17.6
Reports only in hardcopy	14.2
Orders lost in/between systems	13.9
Imagereal slow response	12.8
System cannot be queried for required information	6.5
IT failure	0.3
<b>Total</b>	<b>65.2</b>

# Then it is possible to start to work on detailed solutions

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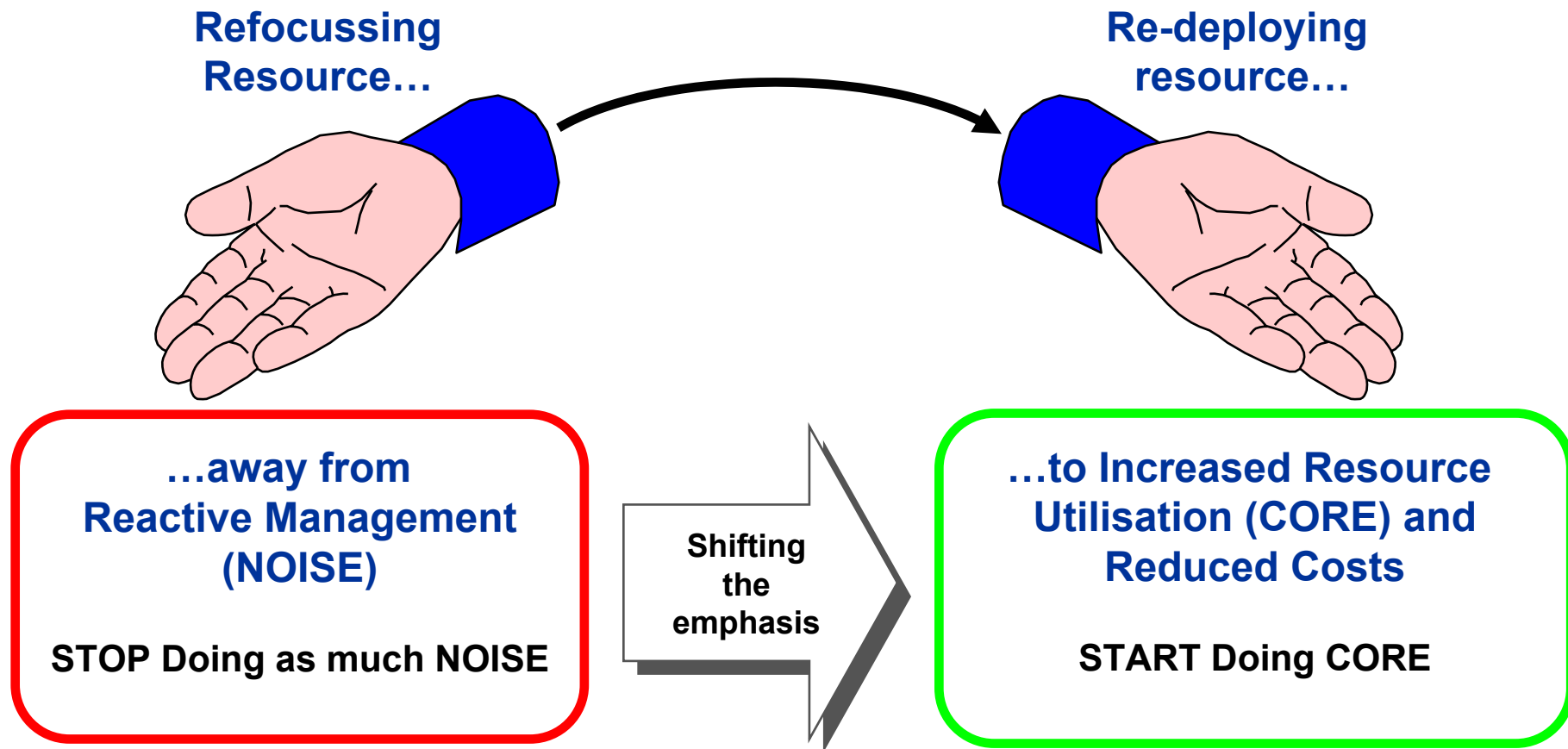
## All totals represent hours saved per month

<b>IX - Customer Service/IT</b>	
Update PABX	90.0
Build Scripts to automate keying checks	77.2
Build scripts to automate pricing checks	21.0
Investigate electronic provision of key reports to assist filing/searching	12.4
Review need /frequency of system generated printouts	8.3
IT investigate ImageReal load (slowing down?)	5.1
Adjust complaints system to accept cut and paste	2.4
Improve information in consumer enquiries forwarded from Head Office	1.6
Produce summary report from complaints system	0.9
IT: Review causes of orders lost in system	0.0
<b>Total</b>	<b>219.0</b>

<b>D - Distribution/Production</b>	
Review nature and timeframe of shortage notification	75.0
Automate Route Overrides	45.3
Improve Distribution performance	39.0
GIR/POD's to be delivered together	35.3
Redesign warehouse orders to streamline info flow	19.5
Redesign frozen stock/distributor delivery process	15.6
Improve GIR/POD quality with drivers	11.4
Presort GIR/POD at receipt so problems can be flagged by driver	5.3
<b>Total</b>	<b>246.4</b>

# Implementation involves reducing Noise, increasing Core, ensuring Support is efficient, and adjusting Discretionary

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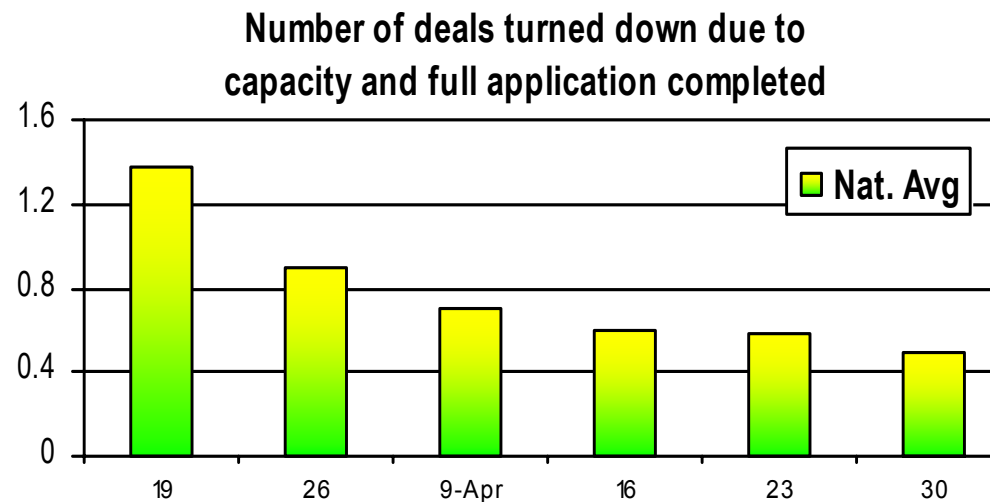
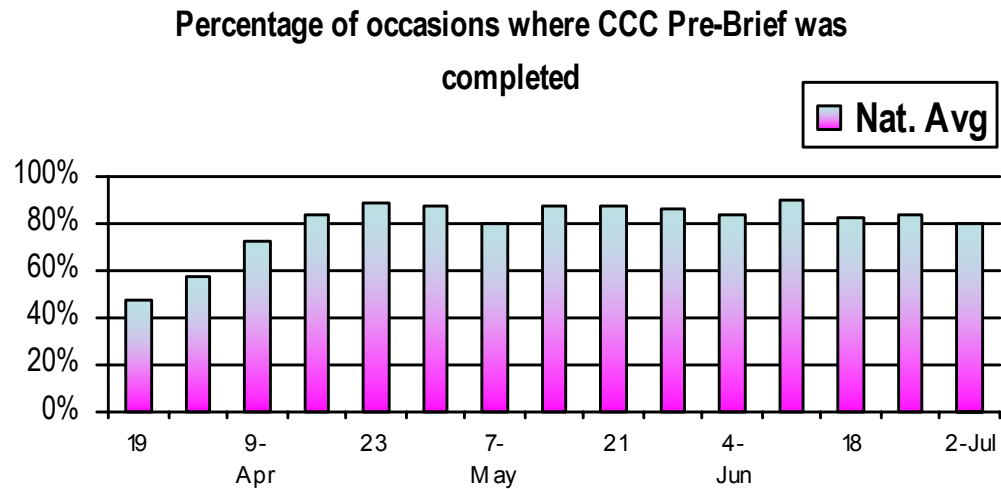


# Generating Quick Wins is a standard part of implementation

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- ❑ Client 1 has used XeP3 to generate 1553 change ideas across a single **manufacturing** facility. 247 of those ideas are being implementing as part of the first change Wave – Quick Wins within 60 days
- ❑ Client 2 has used XeP3 to generate over 2000 change ideas (thus far – and still going) across its **Supply Chain**. 159 of those ideas are being implemented as part of the first change Wave – Quick Wins within 90 days
- ❑ Client 3 has used XeP3 to generate over 90 Ideas for their **Sales and Marketing** team. They plan to implement 42 of the Ideas within 6 weeks

# Implementation involves measures which support operational and profit outcomes – known as Behavioural Change Indicators



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# Case Studies

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# Group Activities

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# Let's have some practice

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- Split into teams
- Examine the process material provided
- Note the process failure
- Quantify the process failure
- Workshop opportunities for change
- Quantify the opportunities
- Present to the main group
  
- Bevington personnel will wander from Group to Group to provide support
- 45 Minutes preparation – 5 mins presentation

## Next let's discuss implementation

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- Re-congregate in your groups
- Identify the implementation Risks
- Identify mitigants
- Present to the main group
  
- Bevington personnel will wander from Group to Group to provide support
- 45 Minutes preparation – 5 mins presentation