

# Business Improvement Project Management Training and Consultant

## Business Improvement Project Management

### Introduction

This article describes the approach to project management as it relates to **business improvement** projects. Obviously there are many forms of project such as building bridges or oil pipelines which share techniques (such as network approaches to planning) with these exercises but there are specific issues relating to the implementation of new ways of working that deserve specific consideration.

There are a number of key aspects to successful project management of a business change project including project planning, project launch and communication as well as the on-going management of the project. However, this article is focused on the first and foundational step of getting the project correctly defined and scoped. Without this there is no chance of success.

### Project Definition and Scope

The fundamental first step is to define any major project. It is very easy to talk about improvement without saying what we mean – “we want to give better service” is a classic such statement. What do we mean by “better”? Perhaps we are simply looking at on-time delivery, meeting the commitments we have made. However we may be looking also to reduce our lead times – quoting and meeting a six-week delivery is all very well but if the market wants four-week turnrounds then we have to think again.

Further, the improvement may be required across our product range, but may be limited to finished products, or perhaps to aftermarket supply. Perhaps the problem lies in the ongoing maintenance we offer to our installed customer base. If we supply a range of finished products, some of which are standard ‘off the shelf’ models and some heavily designed and configured to order then we need to be sure where to direct our efforts.

We then need to be more specific about this word ‘better’, which can be interpreted in different ways by different people. We may recognise that the service we offer our customers is adversely affected by the way we handle orders in the front end of the business and that we need to find a better way of doing things. This is where subjective interpretations of the concept of improvement come into play – credit control departments may feel that batching orders from new customers for weekly submission to an external agency offers ‘efficiency’ while others may see this as a factor in increasing the time to market.

So the first step in any improvement project is established – we have to sit down and specify exactly what we mean by improvement. We have to look at the end objective and be clear what we mean by it so that we set the project off in the right direction. To do this we have to ask ourselves some searching questions – such as:

- By ‘on-time delivery’ do we simply mean the number of orders shipped late, or do are there other factors? For example, a company building bridges around the world might settle for zero per cent on time if no project were ever more than two days late in reaching completion.
- Can we balance potentially conflicting objectives? For example, customer service versus maximised monthly sales? If our maximum manufacturing output gives billings of £2M per month and corporate targets require us to achieve this figure on a regular basis then loading customer orders to no more than this value will probably mean failure to meet this figure – one minor delay on one order will mean missing the target. On the other hand, taking orders in excess of capacity guarantees customer service of less than 100% before we’ve even started.

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## How Do We Make Things Better?

The bottom line to all improvement projects is that we make things better by changing the way we operate. This leads to an immediate area of conflict in projects related to the implementation of IT solutions – for example integrated Enterprise Resource Planning (ERP) packages or eCommerce solutions which speed communications with customers and suppliers. There will be people in the company who see the implementation as a goal in itself, and these people must be taught that the system is a tool for doing things differently. (ERP is a field in which one of the classic mistakes is to introduce the system around current ways of working and then seek to make change later.)

There are some radical ways of doing things differently that have brought substantial benefits to organisations in many industries and markets. Some examples:

- Management of shop floor stock in manufacturing industry by vendors who visit on a regular basis, identify the items needed on the next visit and then deliver. This saves considerable internal administrative effort and double-handling of components that, quite simply, do not justify the effort that they consume.
- Service engineers ordering and collecting purchased items without the delay caused by central procurement.
- Sales staff having immediate access to details of customers and potential customers so that when discussing future business they know which tactics will bring the best possibility of orders.

This may seem strange – an article on project management concentrating on examples of new ways of doing business, but this highlights something that will be a recurring theme of this article. The fundamental lesson to be learned before managing change within a business is that all the technical project skills in the world are of no benefit without the understanding of how the organisation might go about its work more efficiently and profitably.

## Project Definition

The key point about any project definition is that it clearly states the objectives to be achieved and the methodology to be employed. Again, some examples:

- Better utilisation of plant through changes to working practices in maintenance.
- Improved cash flow through quicker payment of customer invoices resulting from automation and the resultant reduction in errors.
- Lower costs through component sourcing from emerging economies.

Although this all sounds very simple, it can in fact be very difficult, for a number of reasons. In large organisations the issue may be that of conflict between departmental, divisional and corporate goals. Very often the performance measurements in place can distort people's perception of what they should be seeking and we must always remember the adage "what we measure is what we get."

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Another factor complicating the definition phase is that of establishing goals that are, firstly, of sufficient value to justify resources and generate commitment, but equally, sufficiently limited in scope to be attainable. There exists a temptation in all organisations to try to go just that little bit too far and this can be dangerous, leading to considerable effort expended for little benefit. Perhaps a struggling business that has identified specific forms of waste that can be addressed by elements of the 'Lean' toolbox should be thinking of a project with very specific aims and objectives but instead launches an initiative to become a shining example of Lean excellence, Shigeo Shingo's Toyota reborn. Such an exercise is, sadly, doomed. A transformation of this nature is simply too much to undertake in one pass.

The reverse, however, can also be true. We may perhaps think of government departments who launch radical transformations with alarming frequency. Why is it that so little progress appears to be made? One cause may be that the 'before' and 'after' ways of working are so fundamentally different that all short term effort must be dedicated to developing the future vision. After this a series of incremental steps will move slowly towards the ultimate goal, whilst delivering little benefit until the whole package of change is delivered.

(As a side issue we have to recognise that somewhere in all this there are political goals – driven by the need to show significant savings or improved service. All too often the short-term fixes driven by these factors take the operation in completely the wrong direction. This may apply particularly in government initiatives but people in large commercial organisations may also recognise the symptoms.)

So, who defines objectives? This, of course, varies from one organisation to another, and from one project to another. One common factor must be that the functional / process managers in the areas affected must at least share the vision. Ideally they will set some targets, though often the first stage of the improvement programme must be to identify the potential. How would UK automobile manufacturers have approached quality improvement in the nineteen-seventies when Japanese achievements were as yet hidden from Western companies? Well, yes, they would have addressed this issue in the way that they did – additional inspection resources and exhortations rather than radically different approaches to product design, to plant, to supplier relationships, and so on.

This leads onto how objectives should be expressed. In some cases a very simple statement can be made – for example that through a broadened product range the company is seeking growth to 25% of the domestic market share, or by improved plant utilisation overtime costs will be reduced by 20%. In others, however, we may be simply looking to reduce the average age of debts through procedures to improve the accuracy of certification provided with goods. In this case we may know that 58 days is too long to fund customers, but can we really say how much of this is the result of queries relating to certification? Setting a definitive quantified target may not always be a good move.

Even in such cases, however, we should always be able to express the ways in which progress is to be measured. Debtor days is in fact a very relevant measure for many businesses and its reduction is a suitable long term deliverable for any improvement activity. Of course, we need to recognise that other factors, such as our customers running into cash flow problems, can play a major part in this measurement. If we choose this as our goal we should have a more detailed measurement of the project – perhaps the number of invoices that require subsequent re-issuing of any paperwork.

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These more detailed measurements are Key Performance Indicators, or KPIs. They are now firmly entrenched in the day to day running of most organisations. Their use in projects is subject to nothing more than the usual caution. We must always be sure that the measurements we use do not send the wrong signal. The most glaring example from UK manufacturing down the years has been 'hours recovered' where factory supervision have been driven to 'cherry picking' from next week's planned work to ensure that this week's hours target was met, when doing so guaranteed failure to meet customer demand.

The lessons? Well, one is that we should avoid too many broad, or nebulous, aims. We should always specify measurable indicators and should set targets where this is realistic, but not seek to do so where doing so will send a clear signal to all that the exercise is being launched by people who don't really understand the issues.

The second lesson, and the one that may be difficult to accept, is that we cannot lay down a rule as to who should define the objectives of a project.

- Hammer & Champy, in their definitive 'Reengineering the Corporation', the book which established the term Business Process Reengineering, speak of a 'czar' who oversees reengineering activities, but can this person always set the objectives? The answer is surely no.
- The Chief Executive may set strategic goals in terms of profit and return on capital, and may define objectives for customer service, but some projects may be more local in focus and functional or process heads may lay down the rules.
- Very often the establishment of a desirable – and feasible! – objective has to be a committee decision.

Another Hammer & Champy contribution is the term 'process owner' and although in their book this term seems to wander between the person with line responsibility for a process and the person responsible for its reengineering, it introduces an important precept. The person with responsibility for a part of the operation must own the objectives of any improvement programme. A common term for a key executive in the area of the business under scrutiny, who takes this ownership, is 'sponsor' and this is a key role. Any project seeking significant change must have the total commitment of the owner or owners of the associated process or processes.

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## Project Scope

Sometimes a project is by its nature, broad in scope. Many of the examples quoted in the standard texts on Business Process Reengineering talk of fundamental, radical change in the way a company goes about its business. Such a complete all-over change requires any number of subordinate projects to address the products and services provided, the ways in which these products and services are marketed and all the operational matters providing their delivery. These then break down further into consideration of the physical organisation of the business, the human resources implications of the change and the information systems issues.

Such programmes bring one immediate problem: major change takes a long time. In such a case it is difficult to maintain momentum, with considerable danger of the project 'drifting' – especially when people throughout the organisation may have experience of similar exercises in the past when management attention was known to be elsewhere after a certain amount of time.

It is also difficult to monitor progress in such circumstances. One area may be significantly improved with no visible impact on overall performance. As an example consider a business seeking significant change in on-time delivery. This key aspect of performance can be impacted by a number of separate issues within the business – for example supplier selection and performance, product design and ease of manufacture, planning and control systems, factory layout, plant reliability and maintenance planning, stock accuracy, . . . It is quite feasible for the exercise to improve supplier performance to considerably change for the better the service provided by some suppliers, and to establish a move to some other, better, suppliers for those who cannot be improved – with no visible impact on our own service to the market. Supply Chain Management as a term can be quite appropriate; we are as strong as the weakest link in that chain.

Broad-based improvement programmes thus need each aspect clearly defined, and with objectives expressed in appropriate measurements for each aspect.

And a final thought on scope definition. As well as clearly stating what's in such a project, we have to be equally clear about what isn't in. We may decide to launch a project to improve on-time supply of products made in our own facility but unless we agree to extend the project action plan to address the factored products that we source from Eastern Europe or Asia then these products will not be affected. It would be as well to make this clear from the outset; if we fail to do so then our sales team might begin to distract the project team to address these products. The consequences of such distractions can all too easily be disastrous. The issues causing problems in this area may be very different and thus the project will not address them, yet by distracting the team, we may end up failing to deliver improvement in the area that we actually set out to address. (Broadcasting that a certain area is not in the project brief can be contentious, but it is less so than abject failure!)

~ Ian Henderson ~

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