

Less is More...

Realising the Benefits of Demand-driven Process Design



The Problem...

- ♦ NZ's productivity does not appear to be improving
- ♦ We have some of the longest working hours in the OECD
- ♦ 70% of New Zealand's GDP comes from Services
- ♦ Most New Zealand Service organisations use a Manufacturing Model (value chain) for process analysis

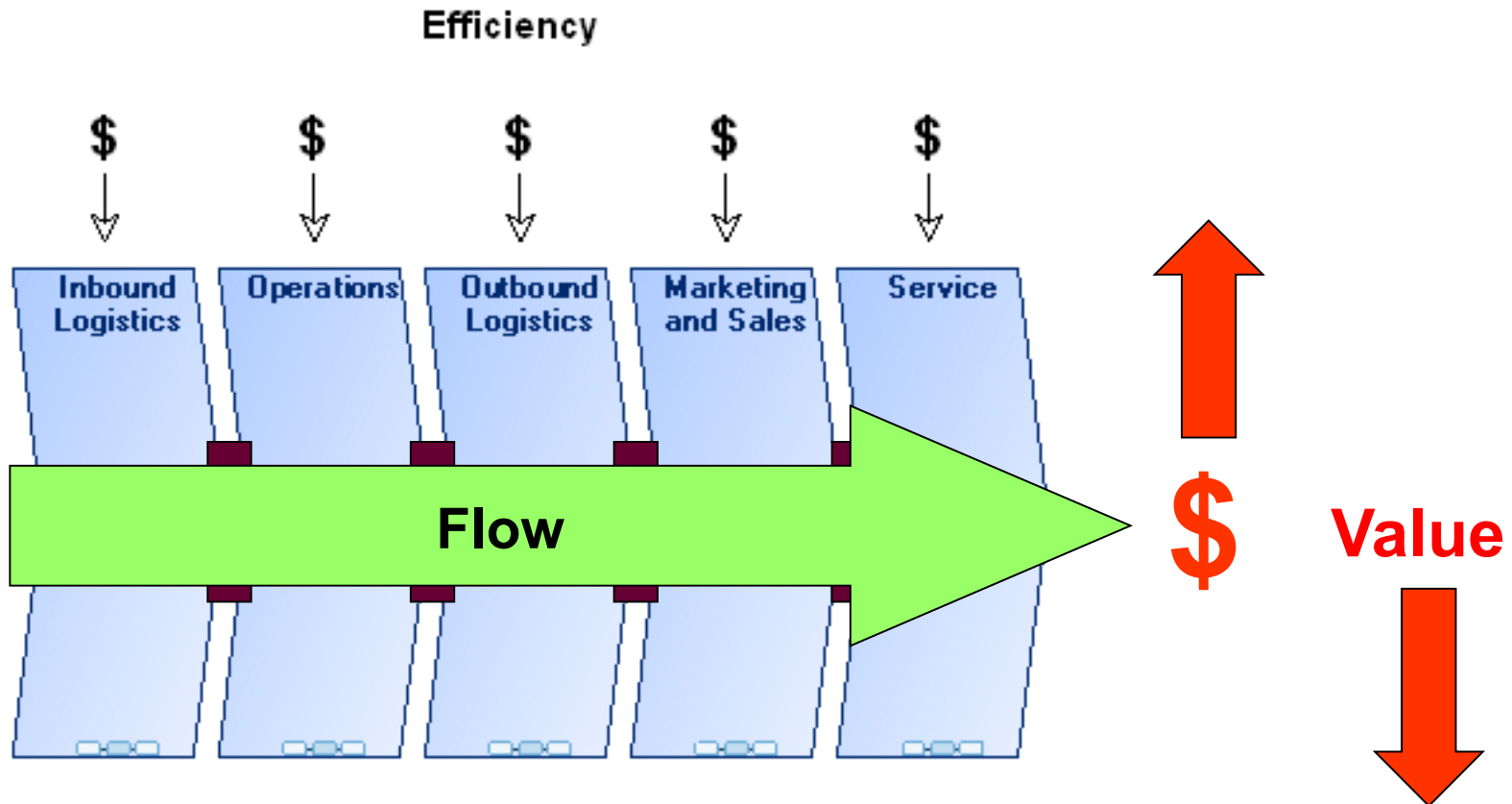
Eliminating Manufacturing Waste

- “Produce what you need, only as much as you need, when you need”

Taiichi Ohno – Toyota Production System

- “What”, “how much” and “when” are the essential elements of demand.
- ♦ If something is not needed in a particular quantity at a particular time, why produce it?
 - Usual answer: to meet production targets!

Increasing Departmental Efficiency... ..Increases Costs in Process Flow



- Toyota Production System addresses this problem in manufacturing (a.k.a. “lean”)



The Intention for Services

- ♦ **Minimise Waste and Increase Productivity...**
 - Understand Demand
 - Manage Variation
 - Transform Management from “Command & Control” to “Systems Thinking”



Understanding Demand

- A Process describes how a System adds value
- The process that responds to real demand, type and frequency, is the only one that will...
 - generate revenue
 - increase customer satisfaction
 - enhance productivity
- ♦ Demand-driven Process Design tells you the Customer Story...

Managing Variation

- We never do the same thing the same way, ever, so we must learn how to understand variation
- ♦ Understanding Variation means
 - looking at the range of responses to demand over time
 - analysing these in a Control Chart, also known as a Process Behaviour Chart
- ♦ Variation tells you the Process Story...

- ♦ **Combining the Stories**
 - Customer story tells if you are meeting requirements
 - Process story tells whether you can...

Unpredictable Process	Find and remove causes of variation	Find and remove causes of variation
Predictable Process	Don't change anything	Start again / re-engineer the process
	Within Customer Specification (Conforming product)	Out of Customer Specification (Non-conforming product)

How the Manufacturing Model Destroys Service Value...



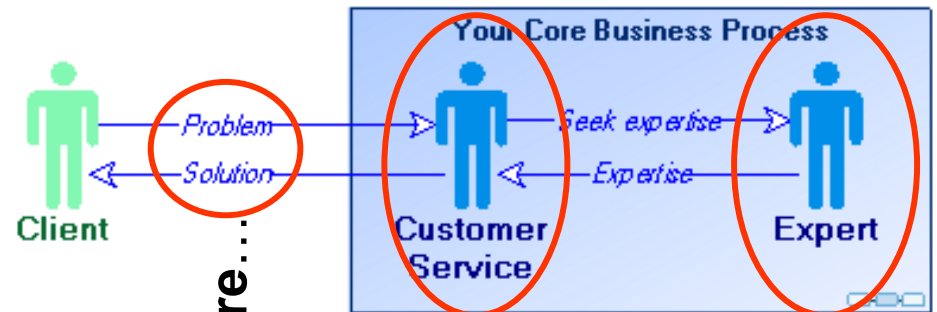
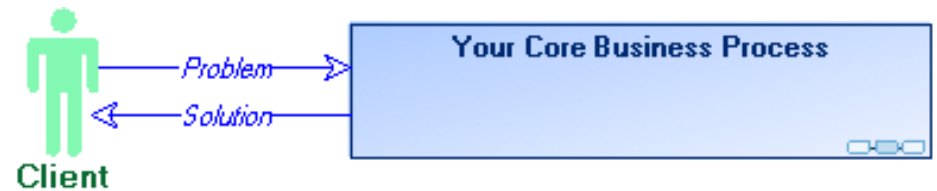
- ◆ Focus on Efficiency
- ◆ *Minimise Variation* (6 sigma / VSM)
 - Increased Operating Costs
 - Decreased Customer Value

Service Waste is any activity that *adds no value* for the Customer

- ♦ The effort put into minimising variation in services results in...
 - Press 1 for Sales
 - Press 2 for Technical Support
 - Press 0 for an Operator
- ♦ There is *No Added Value* for the customer in this scenario. The result is *designed-in* waste.

Changing the Service Model

- ◆ Understand Demand (relationship / effectiveness)
- ◆ *Accept Variation*
- ◆ Put the Expertise at the Front Desk
- ◆ Analyse the Flow, not the Activities



Do the analysis here...



Not Here!



	Command & Control	Systems Thinking
Perspective	Top-down hierarchy	Outside-in system
Design of Work	Functional specialisation and procedures	Demand, value and flow
Attitude to Customers	Contractual	What matters?
Decision-making	Separated from work	Integrated with work
Measurement	Output, targets, standards Related to <u>budget</u>	Capability, variation Related to <u>Purpose</u>
Attitude to Suppliers	Contractual	Co-operative
Management Ethos	Control budgets, manage people	Learn through action on the system
Assumptions about Motivation	Extrinsic	Intrinsic



Less is More...

You can realise the Benefits of Demand-driven Process Design...

- ♦ Understand Demand: tells the Customer Story
- ♦ Understand Variation: tells the Process Story
- ♦ Understanding both helps you to

...Increase Productivity



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