Seven Steps to Improve Your Business Processes

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High-performing financial institutions continuously challenge themselves to improve performance and customer experience. They seek out feedback from employees, partners and customers – listen carefully to what they have to say, evaluate their input, formulate improvements if needed, and most importantly, act. This open mindset extends toward every process and every task within the organization. Process improvement yields results, and continuous process improvement yields sustainable results.

The following seven steps describe a methodology for banks to follow to improve their business processes. The steps are:

- Know your processes and priorities for analysis
- Identify improvement opportunities
- Analyze and redesign the process using an evolutionary or a revolutionary approach
- Design performance measures
- Plan and implement process improvements
- Establish a control system
- Monitor ongoing performance

## Step 1 — Know your processes and priority for analysis

In this initial step, the bankers embarking on the process improvement journey identify which processes need to be revamped or re-engineered. The assembled team should first inventory all processes. Once the inventory is complete, the 80-20 rule is applied to prioritize the order of review for improvement.

The processes to improve should be identified from an initial inventory of processes with the understanding that 80 percent of the impact of the improvement (the benefit) will come from 20 percent of the causes (the processes). This is known as the Pareto Principle (also the 80-20 rule) depicted in the following graphic.

THE 80-20 RULE

"For many events, roughly 80% of the effects
come from 20% of the causes." - Pareto

EFFORTS: 20, 80

RESULTS: 80, 20
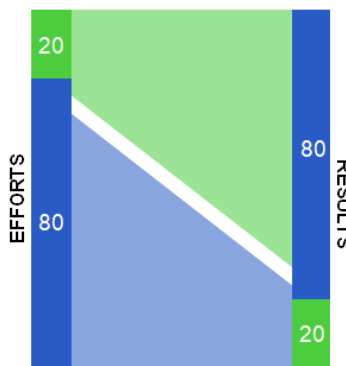
Therefore 20% of the effort produces 80% of the results,
but the last 20% of the results consumes 80% of the effort.

Volume and effort serve to array the inventoried processes from greatest to least potential impact/benefit:

- High Volume – High Effort
- Low Volume – High Effort
- High Volume – Low Effort
- Low Volume – Low Effort

While "High Effort" processes represent the opportunities for the greatest improvement impact, all processes greatly benefit from digitization and automation. The complex nature of the "High Effort" processes often require human interactions augmentable with automation or vice-versa. Conversely, "Low Effort" processes may well represent opportunities to fully automate and eliminate manual interventions.

Step 2 – Identify improvement opportunities

In priority order, the cross-functional team then maps out each of the inventoried processes, detailing the inputs, specific tasks, required decisions and expected outputs. They should also note suppliers, bank staff and customers. This activity occurs for all the business processes targeted for improvement. While mapping the activities within a business process, the team should identify immediate improvement opportunities. These are typically "quick hits" which are easily communicated to process improvement participants and able to be fully implemented in less than 30 days. Quick hits can be immediately acted on or incorporated into Step 5 below.

The actions in this phase of process improvement are to:

- Map the steps of current process, capturing all tasks, noting supporting system and tools, work time and lag time.
- Question the value-add creation and the necessity (regulatory, risk, etc.) of each task and decision point/escalation within the process.
- Identify the elimination or modification of a task (better leverage current tools, standardization) and whether this action is immediate or in the future.

Step 3 – Analyze and redesign the process

Two approaches are available when redesigning a business process. The first is an evolutionary approach leveraging the current-state mapping activity (performed in the previous step) to examine workflows and apply the optimal use of existing technology within the bank.

An alternative approach offers a more revolutionary option. This effort requires starting with a white board, or clean slate to remove any preconceived notions. New tools, apps and digital solutions are sought out and applied. It is the preferred approach to deployments of new systems, technologies, bots, artificial intelligence (AI) and future, yet-to-be identified tools and enablers.

In the case of both approaches, for the redesign to achieve maximum results, the following guidelines apply:

- Fully leverage tools, technology and empowerment whether currently available or newly deployed
- Account for all regulatory requirements
- Identify risk(s) and accept or build in mitigation as needed
- Assess the value and time of process tasks and the waste/rework to be eliminated
- Develop the business case with forecasted benefits of any additional required investments

Step 4 – Design performance measures

This step encompasses designing the metrics needed to evaluate the degree and amount of effort needed for a new process to attain and maintain optimum performance. Roles and accountability supporting the process are made clear, as well as how to obtain feedback on the performance of the process itself.

This activity will answer the questions:

- How do we know we have arrived and are where we want to be?

- What are the expected tasks and associated times (work and lag) throughout process?

- What service level agreements (SLAs) are needed?

- What specific key performance indicators (KPIs) or dashboards best govern this process?

The key to any effective analysis is to understand current performance and the potential to improve results given the existing realities supporting a given process combined with the expected performance and financial benefits.

Step 5 – Plan and implement

Typically, banks cannot implement all the newly redesigned processes and changes they entail at once. The constraints of people, time and other resources must be factored into a timetable that accounts for the readiness of change for your staff and customers.

Process changes need prioritization based on any impact to your customer's experience, the degree of the change itself and the time to implement them. Weighting of each of these considerations is used to reflect the perceived value of each in driving to the bank's strategic plan.

Development of the plan to implement new processes should cover the basic questions:

- What needs to be done?

- When does it need to be done?

- What is needed to help process participants – customers, bank staff, suppliers, etc. – adopt the change?

- Who is responsible to enact the change?

Step 6 – Establish a control system
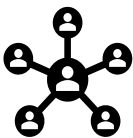
Steps 6 and 7 are taken to ensure the new process continually improves and delivers further value over time. Performance measures designed in Step 4 are reviewed for sustainability and applicability over time. Feedback loops from customers, both external and internal, are identified and used to gain further insight on the value of change. To address any negative variance in expected performance, a corrective action plan gets established to identify:

- How to implement ongoing changes to the process?
- Who should participate?
- What escalations may be required to push a new change through the organization?

Step 7 – Monitor performance

This last step covers establishing ongoing monitoring of new or changed processes through a control system that identifies and addresses any bottlenecks and performance shortfalls before they become issues. The control system uncovers whether a process is performing up to expectations and if not, what course correction may be needed. The monitoring can initially occur daily and then transition to weekly or monthly as a process matures. Monthly is the maximum length of time for performance monitoring of a process, as error detection and correction need to occur with at least that frequency.

This final step feeds Step 3 (analyze and redesign the process), creating a continuous process improvement loop within a bank.

Following these seven steps will help advance your bank on the road to continuous process improvement.

To find out more about the benefits banks can realize from process improvement efforts, consider this additional thought leadership from FIS, Why Improve Business Processes at Your Bank.