Sales Process Improvement Success Story
A Case Study

How To Free Up 63,000 Sales and Support Hours Per Year

*$2.5 Million Savings Per Year from Improving One Process, $10 Million Savings Over 5 Years**

Removing 250,000 Chances to Make a Mistake

$30 Million In Additional Sales Because "Easier to Do Business With"

by Tom Ingram, PMP

40x payback for money spent with TIA. ($10 mm hard cost savings over 5 years. $30 mm incremental sales over 5 years at 20% margin = $6 mm profit gain. Total $16 mm profit gain. TIA cost of $400,000. ROI = 40x payback for client.) **Note:** This is a short version of the case. Contact us for the full details.

Other Key Results:

- **Customer service department dramatically improves working relationship with field business units**
- *Understanding your costs: "Did we make money on that customer last year?"*
- **How to differentiate from competitors through solid processes and execution**
- **Getting buy-in: Field people actually want to use new system!**
- *Implications for being a national company (instead of regional)*
- *Sales-driven organization adds strength in execution and operations*
- **80% reduction in email in one business unit**

* See page 10 for details on how these savings were estimated.

Introduction:

Imagine that you are the newly appointed president of a sales company. Over the last five years your organization has grown through acquisition and mergers to become a significant national competitor. You are facing several problems:

Problems:

- **Pressure on margins and profits**
- **Molding several acquired companies into an effective national organization**
- **Good people, good values, all working hard, not making the progress you want to see**
- **Significant industry consolidation and change in the last ten years**
- **Field organization needs to be changed**
- **Sales time lost** because of too many systems, too much time spent entering information.
- **Sales time lost** because of too much paperwork, too many forms, too many reports.
- **Sales time lost** because mistakes and issues have to be resolved before new sales can be made.
- **Not clear who is performing well and where improvement is needed.**

- **The complexity of the business is increasing**
- **You want consistent processes all over the country**
- **You need to make some consolidations and reductions,** but not compromise customer service or undermine employee loyalty.
- **Customers are demanding perfection**
- **Buyers not seeing much difference between your company and its competitors**, resulting in competition strictly on price.
- **Buyers not always seeing the value in your "value added services"**

If You Were the Sales Company President, What would You Do? How would you approach the above problem set? What steps would you take to address problems of this magnitude? What follows is the story of how we worked with one client to make significant improvements in these very large and complex problems. Names are concealed and most of the numbers have been changed in order to maintain client confidentiality, but the essential lessons of this case study are illustrated below.

Some circumstances that helped. A great solution already in place: We were fortunate that one business unit manager had gotten some software and had already solved some of these problems for his business unit. It turned out that he was both an excellent manager of his business unit and had the skills needed to use this software. This software helps people communicate across large geographies and transfer information from one system to another.

We were most fortunate that this business unit manager built a pilot system in his business that was producing excellent results.
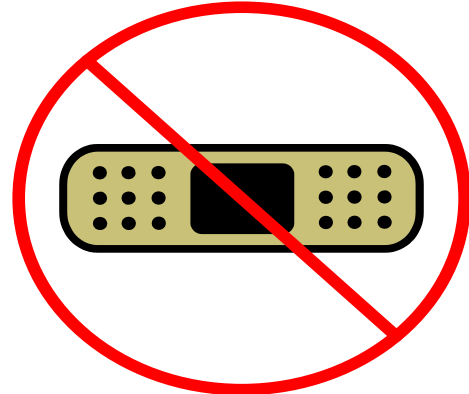

You are Tired of "Band-Aids"

"Everyone is Working too Hard on too Many Things." One of the most common comments during our Field Survey was that people simply did not have time to do their job. The solution is understanding the cost of sales and operations for every dollar of revenue. This means the **total cost of servicing the account.**

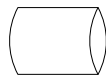**Does This Mean Turning Down Business?** Most business people have encountered situations where they must decide whether or not to accept a certain piece of business. Often, we have to make those decisions without all the information that we would like to have. The entire point of the costing effort is to create a systematic method for providing cost and profit information to assist with these decisions.
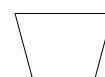
Sales Company Process Flow "Before" Improvement
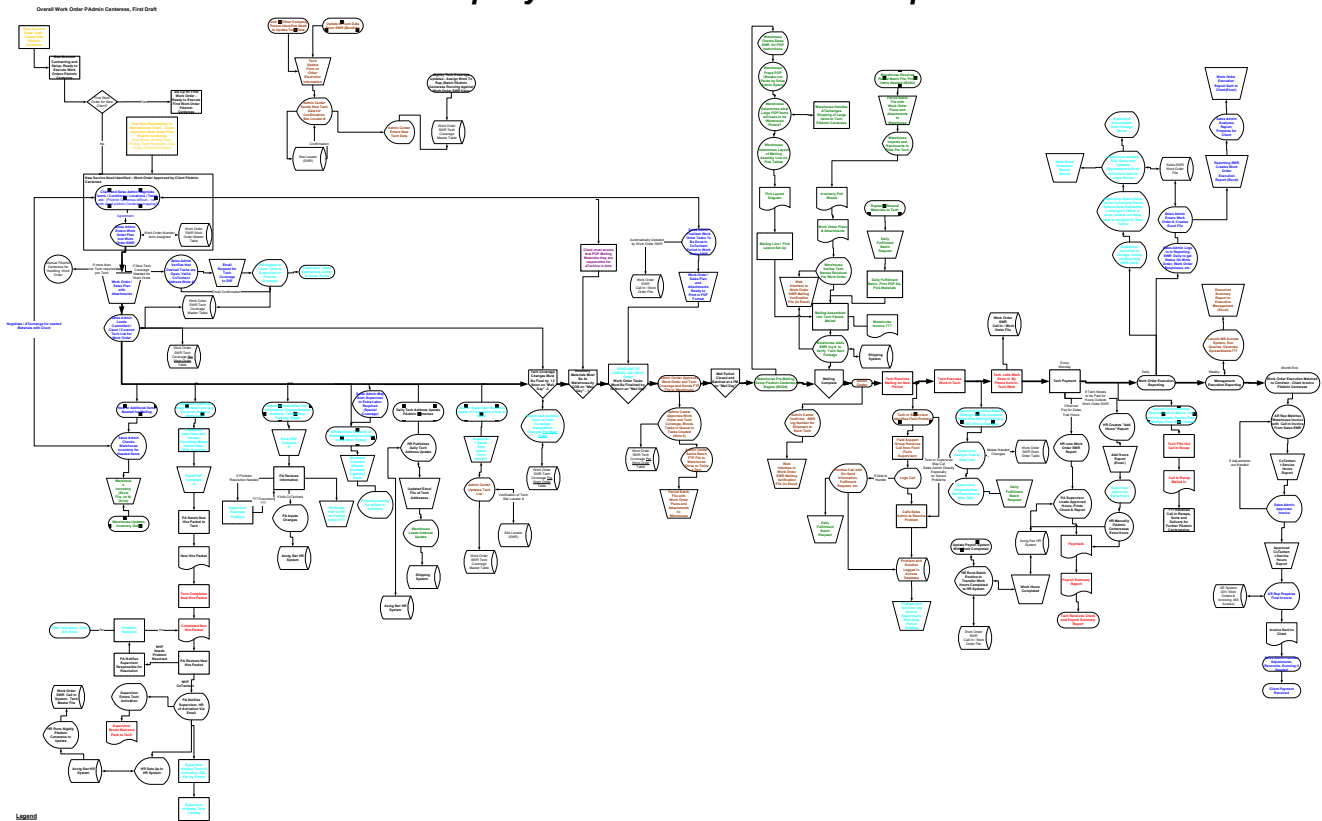
Things to Note In Above Drawing:

Color changes show hand-offs between departments.

 symbol indicates different systems.

 symbol is an electronic document necessary to work around the existing systems.

Solutions:

Following are some of the key items that helped us produce good results in this situation.

Preparation and Studying the Situation for Problems and Best Practices. The President assigned me to visit a number of offices around the country. My charter was to map out the processes that business units were using (the "before" flow chart) and also look for Best Practices. We were interested in what the various business units had discovered that was working well.

"Staple Yourself to An Order." This concept comes from a landmark Harvard Business Review article in the 1990s.

We taught the task forces to trace the path of an order from sale to delivery and on through payment. The teams studied dozens of orders from major customers and came up with hundreds of ways that the process could be improved. This concept was the driving force behind the improvements that can be seen in the *before* and *after* process flow charts.

Sales Company Process Flow "After" Improvement (1 of 2):
An Overview Chart of the 12 Major Processes that Drive Field Operations Plus…
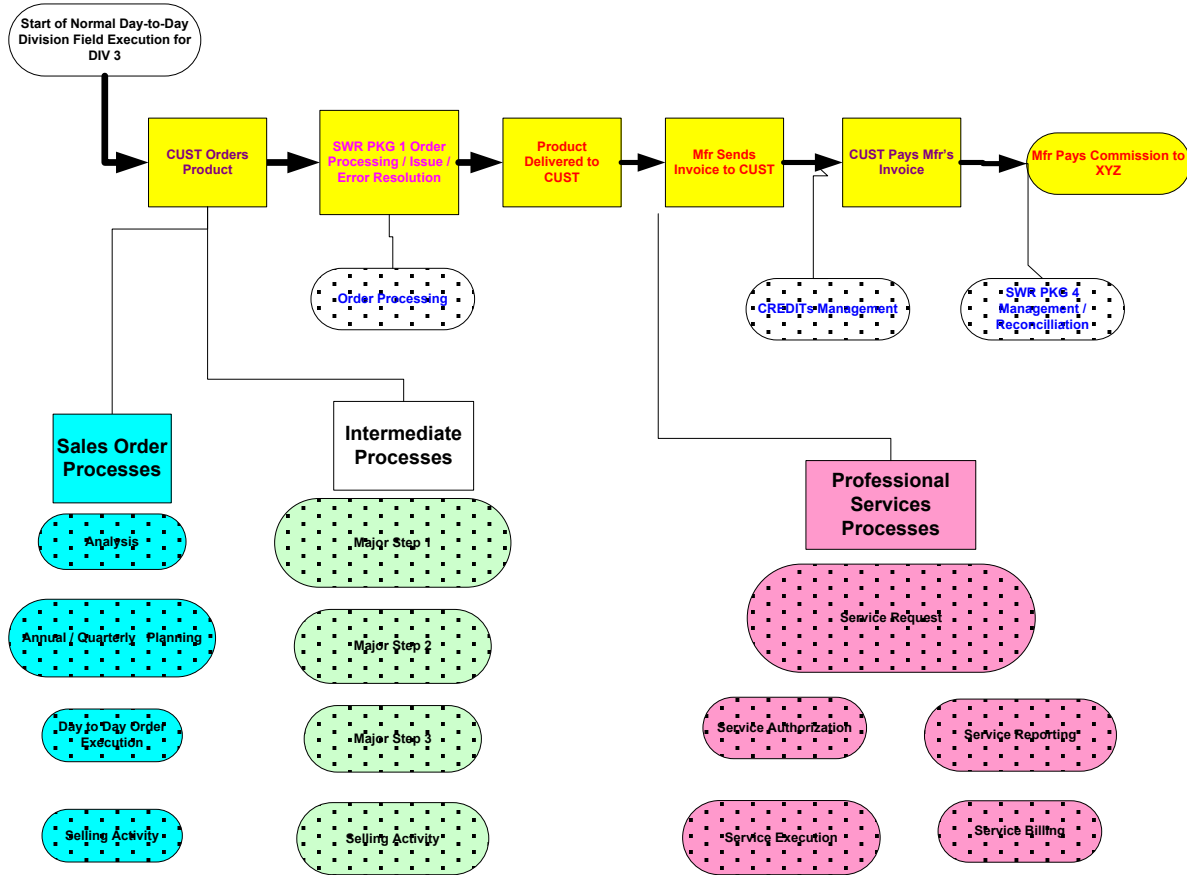
Changing the Culture – One Project at a Time. The Sales Company President and I agreed to approach the needed changes by assembling a "Task Force" that would operate for each region of the country. We picked a representative cross section of the people doing the work and assigned them to the Task Force. Our mandate was to deliver results within approximately 90 days of the formation of the task force.

"Press Forward, Get Something Tangible in the Hands of the People." The President set an aggressive first roll-out date for our task force. At the time I was quite concerned – I could not see how we could possibly get all the work done to accomplish the roll out. In 20/20 hindsight I must say that

this was exactly the right thing to do for this environment.

The President was concerned that taking months to study and investigate might cause the project to fall into lethargy, "paralysis of analysis" and other negative outcomes associated with long projects. He made it clear to us that we were to do the best we could to get the new processes, procedures and software tool into the hands of the people within 90 days. It worked out very well.

Involving the End Users in Designing the New Process and Systems. We chose to have the actual users design the process and system needs (with my help.). We ran the risk of "designing software by committee," but the end users on our task force did a great job of

Sales Company Process Flow "After" Improvement (2 of 2):
Individual "To-Be" Process Charts for the Key Processes
(Sample of the Most Important Process Below)

Analysis

Did promo get run the way we presented it?

Data: did it generate expected sales lift? (Need case counts, shipments (in SWR PKG 1 if we get info from mfr), consumption (Nielson)

Reconcile SWR PKG 4 system on what actual spend was

Who enters data / where do we get it? (SALES is responsible for pulling post promotion reports and updating the AMs)

SWR PKG 2

Sales Activity

Working Sales Sheets (XYZ generates, same info as Promo Contract, but More info, graphics, etc.

RevNOP if Necessary, Put in Approved Promo Detail Folder

SWR PKG 2

SALES/ AM / Professional Org access Working Sales Sheets as needed for reference

Collect and return orders to wholesaler (unique per CUST)

If e.g. CUST Bought Displays

Process End

A

Write Credit Memo and Submit Paperwork to Request Check

Deliver Check

Final Approval, Request Order

Day to Day Promotion Execution

SALES or AM gets Final Approval from CUST

Final Approval from MFR to Execute Promo (via Email or Signature)

Key Info needed by ProfessionalServices Posted to SWR PKG 2 (e.g. info that doesn't go into SWR PKG 3 TPRs, Ads, Displays, Major Promo Information, Discontinued Items)

SWR PKG 2

Manufacturer's SWR PKG 4 Management System

SALES or Mfr's SERVICE or Admin Enters Promo Info into Mfr's SWR PKG 4 Management System

Manufacturer's Promotion Planning form Created by AE, Including Contract Request Template

No

SALES provides essential minimum items for Contract Request Template and 5 Day notice to Admin?

Yes

Admin Creates SWR PKG 1 Promotion Request Form

Admin Creates Order, Enters into SWR PKG 1

SWR PKG 1 Promo Department Enters Into SWR PKG 1

SWR PKG 1

Notifies Admin that Promo is Entered, Provides Promo Name

Verifies Promo Correct in SWR PKG 1

Admin Requests Correct CUST Form (Paper or EDI) from Forms Package (or type up yourself) and Create Promo Contract

SWR PKG 2

Admin posts contract to "proposed" folder in SWR PKG 2

Create folder under month Promo starts, under Client name

SALES Does Final Order Review, Delivers to Customer

SALES Conducts Final Review for Accuracy, Copies to Customer's Promo folder in SWR PKG 2, deletes from Proposed folder

Update Calendar With Any Changes, Post Approved Promo Contract

Hard Copy of Promo Filed With Mfr's Approval (email or signature)

If CUST Requests Changes, Must Get Written Mfr Approval

If selling to Sub Groups, Start at This Point, Unless Funds Paid Directly to Sub Groups

Account Manager Delivers Contract to CUST or Wholesaler

If Transmitted via EDI

Create Request for EDI Transmission and Transmit

SWR PKG 2

If No, Fix Problem And Retransmit

Check for EDI Acknowledgement

File Acknowledgement

CUST or Wholesaler Is Able to Begin Ordering and Taking Advantage of Promo

If Retransmitted, Check With CUST after 3 Days to Prevent Double Transmission

Process End

Summary of Post Promo Analysis

Planning

Annual/ Quarterly Promotion Calendar – Pre-Planning Process (Mfr is involved in entire process to varying degrees, based on AE's judgment)

Review Promo Analysis from Previous Time Period

Analysis to Prepare for New Promotion Complete

Bump Chart?

SALES gets input from AMs in other cities to develop best promotion.

Best Week / Worst Week

SALES and client make initial calendar, includes AM input

SWR PKG 2

Promotion Calendar (May not produce for all CUSTs)

Presentation Development

If Spoke Account, Distribute Approved Plans to AMs (Posted to SWR PKG 2)

AM OR SALES Presentation to CUST on Calendar, Qtrly, et. al. Plans

Any Changes Requested Must be Posted to SWR PKG 2 By AM

Confirm Any Requested Changes with Mfr

Make necessary changes to Calendar

Optional: Mfr Sign Off Final Calendar (Repost to SWR PKG 2 for Spoke Accounts)

Process End

engaging and designing a nation-wide process that worked well.

While this approach has great merit, and was necessary under the circumstances, there are still risks. The task force, and in particular the executive committee of the task force, has to have the courage to make decisions and move forward in situations where further analysis is going to provide little benefit.

Line Management Runs the Workshops: As the consultant, my job was to spearhead all of the detail work, keep us organized, set plans, agendas, define requirements and a host of detail activities that allowed the task forces to be effective. Each task force met three or four times prior to the implementation of the new systems and processes for their business units.

The line managers, in this case the business unit leaders, did a great job of taking ownership for leading the task force workshops. They also led the subsequent training sessions to implement the new systems and processes. As the consultant I stayed in the background, worked to support their efforts and make their leadership as effective as it could possibly be. Other consultants may not like this approach, but I consider it to be, by far, the most effective.

Numerous studies have shown that computer projects fail for three primary reasons: (1) Absence of executive support, (2) Absence of user involvement and (3) Absence of scope control. This approach, with line managers leading the task force meetings, solved problems number 1 and 2. I took ownership of making sure the scope was contained and doable, and we had outstanding results.

"The Task Force Solves the Problem – Not the Consultant." I believe that the people actually doing the work know the problems far better than any external consultant can ever know them. As the external consultant, I brought a set of tools and disciplines surrounding how to approach the problem and accomplish the changes. Fortunately, the Sales Company President agreed with this approach and was comfortable with his people doing the majority of the work. I assisted only in the areas where I brought something to the table.

Many consulting companies, particularly the larger ones that have fallen into some disrepute in recent years, will often try to provide large numbers of consultants to actually do the work. It is my view that this approach has been discredited. At best, it is expensive. At worst, it results in a complete absence of ownership by those doing the work. The "task force led" approach was exactly right for this particular situation.

Focusing the Sales Force: Good costing information can help provide some direction for a hard-charging sales team. Our effort produced some by-product cost and sales activity information that may prove very helpful. As of this writing, we have begun working in this area, but have yet to see tangible results.

The Value of Picking One Core Process to Focus On. As you will note in the accompanying Before and After Process Flow Diagrams, the Sales Company had a dozen or so major processes that controlled the work that was done for customers. We discovered early on that a single process was head and shoulders more important than any other process – and we made a good decision to focus most of our energy on this process first.

This key process was "accurate processing of customer sales orders." We discovered that this process was absolutely vital to the field people using the new processes and systems.

We put 60-70% of the task force's attention on getting this one process right – and the benefits were enormous. We discovered that it was a bit difficult to get people to understand and "buy-in" to the new process for approving sales orders. However, once they

Monthly Profit Snapshot By Manufacturer   **Business Unit:** ▬▬▬

Margin Hurdle Rates: ▬ ▬▬ ▬

	"Sales" Services Revenue Last 12 Months	Order Errors Last 12 Months	Cost Per Order Error	Cost of Errors Last 12 Months	Sales Labor Hours Last 12 Months	Burdened Sales Labor Cost / Hour	Admin Labor Hours Last 12 Months	Burdened Admin Labor Cost / Hour	Total Cost for "Sales" Services Last 12 Months	Total Revenue for "Field" Services Last 12 Months	Total Cost for "Field" Services Last 12 Months	All Revenues Last 12 Months	All Costs Last 12 Months	Margin % Last 12 Months
Manufacturer #1														
Customer A	$25,780	356	$30	$10,680	72	$75	234	$22	$21,228	$87,000	$56,375	$112,780	$77,603	
Customer B	$137,000	2457	$30	$73,710	239	$75	499	$22	$124,613	$0	$0	$137,000	$124,613	%
Customer C	$0	0	$30	$0	0	$75	0	$22	$0	$76,000	$83,989	$76,000	$83,989	%
Customer D	$55,600	126	$30	$3,780	345	$75	245	$22	$35,045	$0	$0	$55,600	$35,045	%
Customer E	$22,500	44	$30	$1,320	167	$75	112	$22	$16,309	$28,000	$25,676	$50,500	$41,985	%
Customer F	$0	0	$30	$0	0	$75	0	$22	$0	$18,797	$17,897	$18,797	$17,897	%
Total														
Manufacturer #2														
Customer A	$11,566	36	$30	$1,080	56	$75	111	$22	$7,722	$0	$0	$11,566	$7,722	%
Customer B	$225,666	5679	$30	$170,370	899	$75	3556	$22	$316,027	$86,000	$45,000	$311,666	$361,027	%
Customer E	$0	0	$30	$0	0	$75	0	$22	$0	$18,595	$12,366	$18,595	$12,366	%
Customer F	$0	0	$30	$0	0	$75	0	$22	$0	$276,999	$234,000	$276,999	$234,000	%
Customer G	$34,667	99	$30	$2,910	118	$75	355	$22	$19,630	$5,600	$4,500	$40,267	$24,130	%
Customer H	$22,799	215	$30	$6,450	126	$75	188	$22	$20,036	$67,000	$61,000	$89,799	$81,036	%
Customer J	$0	0	$30	$0	0	$75	0	$22	$0	$44,000	$48,796	$44,000	$48,796	%
Customer K	$101,222	1566	$30	$46,980	434	$75	225	$22	$84,480	$0	$0	$101,222	$84,480	%
Customer L	$4,400	23	$30	$690	33	$75	56	$22	$4,397	$0	$0	$4,400	$4,397	%
Total														
Manufacturer #3														
Customer G	$0	0	$30	$0	0	$75	0	$22	$0	$78,000	$80,000	$78,000	$80,000	%
Customer H	$0	0	$30	$0	0	$75	0	$22	$0	$35,000	$22,567	$35,000	$22,567	%
Customer I	$0	0	$30	$0	0	$75	0	$22	$0	$49,000	$38,779	$49,000	$38,779	%
Customer J	$196,000	4556	$30	$136,680	722	$75	1888	$22	$232,366	$98,000	$56,989	$294,000	$289,355	%
Customer K	$89,000	1556	$30	$46,680	288	$75	341	$22	$75,782	$0	$0	$89,000	$75,782	%
Customer L	$15,233	343	$30	$10,290	56	$75	66	$22	$15,942	$0	$0	$15,233	$15,942	%
Total														
											Grand Total	$▬	$▬	

understood this key process everything else was easy.

> **Note that these costs could only be assessed because the Sales Company tracked time for all employees.**

As you will note in the section on Results below, our improvements to this one process produced some $2.5 million in labor savings per year. Because these cost savings were so compelling, no one could really resist the logic of using the new process.

Transition to an Execution-Driven Culture: I will quote one of the sales people I met at a field office. **"I used to be just a sales guy.** I used to just slap 'em on the back and take an order. I used to let somebody else worry about the details of getting it right. **My boss has taught me that it is far better to do**

it right the first time. **I am happier with my job, and my customers are happier with me."** This is a great example of the type of field leadership that made this a success story.

Not Clear Who Is Performing Well And Where Improvement Is Needed. The territories of the business units varied widely by geography, by nature of customer, by wholesale versus retail, by concentrations around single customers, etc. This does not even account for the emergence of a single, dominate account and the impact on measuring performance of the business units.

The Sales Company President asked us to form an additional working group to help him tackle this problem. We came up with the following areas to measure the performance of a business unit:

- Revenues
- Profit
- Market Opportunity (to know what percent of the total available business is being closed by the business unit)
- Competitor Performance (to have a benchmark on what is possible in a given territory)
- Customer Efficiency Rating (some customers are easy to work with, have streamlined processes and systems and buy large quantities.)
- Sales Labor as a Percent of Total Revenue
- Administrative Labor as a Percent of Total Revenue
- Sales Activity Measures (sales orders presented, call reports, etc.)

Even with this data, the differences between the business units were still vast. We have not totally resolved this goal, but the best approach appears to be using what I call **the real estate "comparables" concept.** When an appraiser values a particular house, he or she will usually look for three or four similar properties in the neighborhood that have recently sold. The appraiser will then make adjustments for such things as new roofs, new carpet, pool, etc. and produce an appraisal value that is fairly accurate and objective.

We discovered that, while we could not compare all the business units directly on all measures, we could break them into three or more groups of similar "comparables." This allowed a fair comparison among business units that were operating under similar constraints.

It takes time to get the performance measurement system right. I received input from multiple experts in the area of performance measurement and compensation. All were adamant that the single most important thing to do is ***begin the measurement process against some written standard, and expect to modify it over time until you get it right. It will take multiple years. There is no magic bullet that will instantly produce effective executive performance measurement. You must discover the right measures for your organization over time.***

The One Right Metric and the One Key Process. In 20/20 hindsight, I believe that this project was successful, in part, because we were able to focus on a single, clear priority – that of **reducing the cost of sales as a percent of revenue**.

This also resulted in our focus on a single, most important process – as discussed above – the process of approving sales orders. For future projects, it would be extremely helpful if the whole effort could be driven by a single primary mandate. (Reducing the cost of sales as a percent of total revenue is certainly a worthwhile mandate!)

The Process Imperative: Another thing that I credit the Sales Company President with is understanding what I call "The Process Imperative." He understands that we live in a world of increasing complexity. Things move faster, service opportunities emerge and evaporate overnight, competitors rise and fall in

a heartbeat, etc. To his great credit, he realized early on that the traditional sales solution of "just make more sales" would not get the job done.

He made a special video to present to the task force meetings to help communicate why this was so important. In urging his people to go along with the changes, he made an interesting statement. "In my experience, processes fail for one of two reasons. If it is a bad process, that is relatively easy to fix. **The harder problem is when people fail the process – when they do not give it a fair chance – when they do not help us make it better**. I need you to give these new processes a fair chance and help us make them better."

The Need for a Task Force "Executive Committee." Creating the task forces from the people who are actually doing the work in the field produced numerous benefits, but situations arose where we had to make rapid decisions. We were fortunate in this case that an informal executive committee emerged among the task force.

This consisted of the Regional Vice Presidents, the Business Unit Manager that originally piloted the system, myself, and an IT person. We had numerous situations where decisions had to be made on how to solve a local problem and remain consistent with the national standards. There was no opportunity to assemble an entire task force to address the problem, so the executive committee made the decisions and kept the project moving forward.

"How Much Did We Make on That Account Last Year?"
The chart below shows the type of analysis that the Sales Company had available.

Manufacturer A Annual Profit and Loss

Account	10-30-99 YTD sales	1999 Base	1999 Bonus	1999 Total Revenue	Service Costs	Reno-vation Costs	Blitz Costs	New Item Costs	Special Item Costs	Total Cost
Customer 1	$2,738.7 MM	$48,330	$27,000	$75,330	$16,560	$4,784	$28,697	$14,490	$6,210	$70,741
Customer 2	$7,441.7 MM	$58,712	$32,800	$91,512	$19,680			$17,220	$7,380	$44,280
Customer 3	$2,788.7 MM Proj.	$54,210	$16,680	$70,890	$37,680	$52,959		$21,980	$14,130	$126,749
Customer 4	$8,430.6 MM	$69,810	$39,000	$108,810	$23,400	$52,846	$3,821	$20,475	$8,775	$109,317
Customer 5	$774 M	$16,250	$5,000	$21,250	$25,440	$24,545		$7,000	$3,780	$60,765
Customer 6				$0	$7,775				$2,385	$10,160
Customer 7		$59,786	$33,400	$93,186	$20,040	$15,323		$10,229	$7,515	$53,107
TOTAL		$307,098	$153,880	**$544,788**	$150,575	$150,457	$32,518	$91,394	$50,175	$475,119

Service Rep & Management Costs		61,353
Administrative Services-Materials Only		$8,316
Total Cost		$460,978
Total Revenue		$544,788
Profit / Loss		$83,810

Note that these costs could only be calculated because the Sales Company is capturing how time is spent by sales, service and admin people.

Using Processes and Simple Software to Help IT People Build Complex Software: There are some situations where simple software will not get the job done. We have all experienced projects where we are disappointed in the results produced by traditional programming and IT departments. A great advantage to the approach used in this project was that we had very clear process drawings and the business people were able to clearly explain to the IT people the outcomes that they needed.

Further, the business people were able to use the simple software to model for the IT people exactly what they wanted (prototypes.) This greatly reduces the number of things that can go wrong.

User-Driven Projects and Programming Efforts. In this project we used a technique called the "User-Driven Project." I first encountered this technique working for Sperry Univac right out of college in the early 1980s. This is not new – but the concepts are important. The good news about User-led projects and programming efforts is that the people who are closest to the work and the processes are intimately involved in defining what their new systems should look like.

This solves the user buy-in and executive support problems that we've discussed above. It has the side benefit of showing the IT department that, with the proper tools, the user departments can do a great deal of this work themselves.

There is some bad news about this type of project. The big objection is that it takes too much time on the part of the business end user. This is a good trade-off, however, because in traditional IT projects much of the business end user's time is wasted. **The business users spend way too much time working through bugs, explaining corrections, working through revisions and living with poor software (in traditional IT projects)**.

IT people may have some difficulty with this approach. They may point out that things could be done more efficiently, or more elegantly if we go to the time and expense of the more traditional approach to IT projects.

While IT's view has some merit, most business executives are not happy with the results from traditional IT projects. It is important to understand that "user-driven projects" is an intentional philosophy – not an accident. **User-led projects, when the users have the right support and direction is, in my experience, the single best answer to the continuing problems with IT projects**.

Results:

Following are some of the top benefits from this project:

$2.5 Million in Labor Savings per Year from just One Process! [Note: These numbers have been changed, but the overall result is roughly the same as what the Sales Company experienced.] We determined that the new systems and processes would save approximately 15 minutes of labor per sales order. Since this saved both sales and administrative labor, we agreed on a $40 per hour weighted labor cost. If each of the 70 business units write 300 sales orders per month (3600 per year per business unit), then that $10 per order savings comes to $2,520,000 a year.

Be aware that this savings does not necessarily immediately emerge as direct, bottom-line personnel reductions or cost savings. More accurately, we have reduced the time required to accurately execute a sales order by some 60-80%. This frees up the sales people to do more selling and the administrative people to do better customer service.

While this savings may seem extraordinary, it is consistent with my previous

experience. The benefits from getting a core process streamlined can be spectacular.

Trust and Cooperation Between Field and Headquarters. One of the intangible but critically important goals of our project was to help the Centralized Customer Service Department and the Field Divisions work together.

The Centralized Customer Service manager and I decided to hold weekly conference calls to begin addressing the problems. **I call this a "Quick Hit" benefit. We did not have to wait 90 days to implement new systems.** This was something we could do something about immediately.

We insisted that the personnel from the Field attend these weekly conference calls and the complaints went down dramatically. The level of trust and cooperation went up significantly. We gave Centralized Customer Service an opportunity to do what they had been wanting to do all along – understand and solve the Field's problems! When we rolled out the new systems and processes the Centralized Customer Service Department manager and his people made an exceptional contribution. Field office managers were now singing their praises.

The change in the Field's view of Centralized Customer Service was amazing.

I recently totaled up the cost involved in the conference calls and the planning to assist with this Quick Hit improvement. My price tag for was just $2500 spread over 9 months.

Removing 250,000 Chances to Make Mistakes – Cost Savings due to Reduction in Errors. As described above, the Sales Company processes about 250,000 sales orders per year. Our new process reduced the sales order process from 2 major steps to 1 major step – removing more than 250,000 opportunities per year to make a mistake.

It is hard to quantify the data, but we've seen clear signs of improvement. We know that the average order error for the Sales Company costs about $20 to resolve.

In one Business Unit a single customer accounted for 24% of all errors, so we know that making focused improvements can result in big savings.

We have not yet had the opportunity to quantify the exact savings resulting from the new processes, but it is safe to estimate that the savings will range from several hundred thousand dollars to millions of dollars over five years.

Best Practices Imperative. By searching both within the company and outside of the company for the best ways of doing things, we were able to consolidate many excellent lessons into the new processes and systems. One example was the use of the software discussed above. The Business Unit Manager that piloted this software discovered that it reduced email traffic by 80% for his people, dramatically reduced errors, reduced wasted selling time and significantly improved the efficiency of his business. This was an easy Best Practice to copy because it was working so well.

Giving People Time to Work on High Priority Items. As mentioned above, the primary feedback from Field Personnel was that, "I don't have enough time to do my job well." Peter Drucker advocates the concept of "organized abandonment" to help discard lower priority work and focus on high priority work. Following are some examples of some of the high-return areas where people spend their time when they are freed up to work on the right things.

One Business Unit Manager believes that the current national pricing approach could be adjusted to help with local conditions. He once discovered that he was losing money on a relatively small order - $15,000. He renegotiated with the customer, resulting in $50,000 in revenue. He believes that having the time and tools he needs to do his job better

would generate an additional $2.5 million of profitable revenue for his Business Unit.

Some situations arise where significant economies of scale exist when serving multiple customers. This same Business Unit Manager believes he could add an additional $1 million of profitable revenue to his top line if he had the tools to fully exploit the opportunities.

In another case a director saved some $70,000 over two years during negotiations.

How Do You Know that People are Using the New Systems and Processes? This issue came up repeatedly as we discussed possible failure points. The task force was adamant that unless compliance was monitored, compliance would not happen.

Fortunately we were able to design two essential measures into the usage of the new software. They told us how often people were using the new systems and the number of sales orders generated under the new process. These two measures, even though they were imperfect, cost almost nothing. The reports provided the Regional Vice Presidents and the Company President everything they needed to know to "encourage" people to come up to speed on the new systems and processes. These reports were available on a daily, weekly and monthly basis.

Why Did People Become Excited About Using the New Processes and Systems? Why Did We Get Such Great Buy-in? We noticed that we struggled a bit with the first roll out to a business unit. We had chosen the pilot Business Unit well and they did a great job of working through the problems and helping us make things better. In my view, they are due "Medals of Valor" for enduring the necessary evil of changes and refinements during the early phases of this project.

By the time we went to the second roll out, people were chomping at the bit to use the new system. By the time we got to the third roll out I had trouble keeping up with all the demands to move forward. Why did we see this level of buy-in, when so often new computer systems are viewed with such dread?

- **This system was designed by the people using the system**.
- **It was drawn from a proven system** working at one of the highly respected Business Units in the company.
- **The people doing the work had ample participation**. When they raised an objection it was addressed and dealt with. To my recollection, we had no instances of, "just do it this way."
- **The new systems and processes actually made their work more streamlined.** (Even though there was an adjustment period, as with all such changes.) It was not hype or rhetoric. The new systems and processes really did improve the lives of the people out in the field and they could see that it made the company more competitive.

The Amazing Value of Process Due Diligence. This is the best situation I have ever encountered to demonstrate the value of an ongoing emphasis on getting the processes right. The industry demands efficient processes because of the high volume of orders, the high complexity of orders, numerous promotions and discounts, etc.

If you will review the enclosed process charts you will see that by simply mapping out the work in the "As-Is state" we began to see where the inefficiencies occur. With relatively modest amounts of effort (3-4 months of task force meetings, 12 people, several hours per month) we managed to make substantial improvements and streamline the processes. Because this company was a conglomerate of several mergers and acquisitions, most people had never seen a process flow chart that accurately described the nationwide business processes.

The results that are described in this case study really come from the change from the "before" processes to the "after" processes.

The process model also provides a platform for ongoing efficiencies. In the initial efforts we focused on the "low hanging fruit" and reaped the big pay-backs. We are now able to concentrate on other areas of the company – for example Field Services. Anytime we have an issue or a debate or a proposed idea we go back to the process flow diagrams and we ask, "How does this help? How does this hurt?" We have a rational basis for deciding what to do.

As described above, having the process flows defined allows us to easily communicate our needs to the IT department. Additionally, the process charts resulted in a procedure manual that provided the basis for effective job descriptions.

As discussed above, the processes were the first step in establishing effective costing. Having the process flow drawings and the process and procedure manual helps prospective new hires understand that the company has its act together. It also greatly reduces the training time necessary for someone to become productive.

The right organization becomes evident after the process is understood. Much is made of different organization models. I am of the view that most organization changes happen based on symptoms and not solid thinking. Every experience I have had in 25 years of consulting and systems work tells me that, once we define the processes and understand the work, WHO is to do the work and HOW they are to be organized becomes self evident. The problem with most reorganizations is that they want to reorganize without doing this due diligence first.

The Process, Procedure and Compliance Binders. Procedure and Compliance Binders were given to every single person that went through the training on the new processes and systems. The binders included both the process flow charts and a summary of critical procedures.

Each major process area was broken down into a dozen or so major process / procedure steps. We clearly identified who was responsible for doing what and provided notes as to any exceptional circumstances. Also included was a column for the compliance check-off initials.

Six weeks to two months after the roll outs in each Business Unit, we sent an auditor (myself as of this writing) to the Business Units to check up on compliance. It became a simple matter to go through the binder with people and verify that they were either complying with the new processes or not. This way Senior Management had solid records on who was complying and participating and who was not.

An important side benefit of the process and procedure binders is that **all of the key job performance attributes for all of the key jobs in this field organization were defined within the pages of one small binder**. This binder is an important tool in helping the managers communicate clearly to their subordinates what they are responsible for, and provides the tool to help hold people accountable.

The bad news is that all such binders become out of date as the business changes. We set up an update service to keep the binders up to date, but I am hopeful that eventually a software solution will present itself to make it both easier to update and easier to find information for the people using the systems and processes.

How Do We Make Sure People Use the New Processes?

Below is a sample from the Process, Procedure and Compliance Manual. After the new processes were defined and streamlined, we created a set of key procedures for each process. The example below shows how we monitored compliance with the new processes.

Sales Order Approval Process

#	Item	Owner	Manda-tory or Optional (M or O)	Auditor Initials	Auditor Date	Comment
70100	**Analysis Done In Advance So it is On-hand for Sales Efforts:** Key customers identified for producing on-hand analysis. Reports to be provided for each are defined. Analysis is effective and on hand when sales people need it.	Bus Unint Mgr, Rep, Analyst	O	*TI*	*3/15/06*	
70150	**Quarterly Sales Order Calendar is to be Stored on Customer site in folder by manufacturer name.**	REP	O	*TI*	*4/1/06*	
70200	**Quarterly Sales Order Calendar is to be Distributed** to secondary reps in remote markets (after it is approved)d	REP	M	*TI*	*4/1/06*	
70250	**Quarterly Sales Order Calendar is to be approved by signature or email confirmation from manufacturer** on final calendar. Approval must be filed with the calendar.	REP	M	*TI*	*3/15/06*	*Some APPROVALS NOT ON File*
70300	**Small Customers may Skip Quarterly Sales Order Calendar** process and go right to second step of day to day sales order presentation. SMALL CUSTOMERS MUST BE IDENTIFIED AND APPROVED IN ADVANCE to allow audit process to validate compliance.	Bus Unit Mgr	O	*TI*	*4/1/06*	*ORdeR CALeNdAR IS NOT GeTTing DOne for 2 MAJOR customers*

Excellence Showing Up In Many Areas. Perhaps the most compelling result from this project has been movement toward excellence in other areas of the company. We have accomplished our charter of reorganizing the Field Organization and providing it with new software and processes to streamline its business. We've also accomplished a large part of our charter to improve cooperation and trust between the Field and the Centralized Customer Service Department.

We have made tremendous strides in providing effective measurement of Business Unit performance. We have laid the groundwork for costing.

We have also laid the groundwork for significant ongoing process improvement (I've noticed process flow charts popping up all over the organization!)

It is hard to quantify the value of a group of people believing that excellence is possible.

Cost Changes / Price Updates Get Done Correctly by Becoming One of the Monitored Processes. The number one cause of errors for the Sales Company surrounds the accuracy of cost and price information. This

information changes frequently, and is often not updated in time for new orders.

As of this writing, the Sales Company is using the new process and tools to make cost changes a monitored part of the process flow. We expect significant additional reductions in errors and the resulting cost of errors.

Special Lessons Learned

How We Could Have Moved Faster. This project took approximately 18 months from the initial Best Practices research through implementation and roll out to 28 Business Units. It is hard to criticize the results, but it is possible that we might have moved forward a little more quickly.

A time tracking system for all employees, implemented as early as possible, would have shortened our implementation time. It turns out that in this service-oriented industry it is simply impossible to accurately understand your costs unless you can track time spent by individual employees on individual accounts and specific activities. Normally it takes months (or years) to effectively implement time tracking, so it is best to get started as soon as possible. In this case, time tracking efforts had been underway for several months prior to the start of our project and this was useful. We could have moved along more quickly, however if the time tracking had been integrated into our task force.

Having "costing" already in place would have helped dramatically. It takes several months, plus the data from the time tracking system in order to begin to truly understand the cost associated with each dollar of revenue.

The culture shift takes time. The earlier these efforts can be started the better the entire project will be.

A more thorough review of the financial reports (and how those reports measured the performance of the organization) would have helped. This is something I should have done more thoroughly at the start. Initially, I did a cursory review of the profit and loss statements produced by the field organization.

It would have helped to track financial reporting backwards from customer payment to the point where the work was done. I would have then had a much better understanding of the priorities for the field organization. I could have ramped up my knowledge of the organization much faster and seen that we needed to strengthen performance measurement in several key areas.

In 20/20 hindsight, we might have defined the outcomes for the project more specifically. We achieved the primary goals of the initiative, but we could have done a better job of helping reduce these goals to specific outcomes. To aid future efforts, we have included a checklist in the long version of this case titled "Problem, Solution, Results Checklist". Hopefully, you will find this useful in thinking through and defining the specific outcomes you are looking for on your project.

Is Your IT Department Up to the Challenge? An in-depth examination of this issue is beyond the scope of this case study, but let me refer you to my website, www.tomingraminc.com. You will find two courses. One is titled, *How to Help Your IT Department Get It Right the First Time* and the other is called *Process Mapping and Business Analysis Training*. These resources will help you understand why things tend to go wrong when it comes to computers and what it takes to do things right.

Staying the Course. Peter Drucker has long advocated that executives evaluate not only the immediate implications of a decision, but ask themselves, **"if this effort is successful, what else does this commit the organization to over the long term?"**

In this case, staying the course means continuing to monitor compliance with the new processes and adjust the processes when

business conditions change. It also means continuing emphasis on effective performance measurement and effective use of costing information.

Conclusion: This case is an extraordinary example of what can be accomplished when good people have to get things done. I was only the coach – the real credit is due to the hundreds of people who did the work. My hope is that you find this case useful if you ever face a similar situation.

If you find yourself undertaking a similar effort, I suggest you contact us for a copy of the long version of this case. You may find it helpful.

Need further information?

Call us if you have questions or would like more information. This case is written as a teaching tool and is not intended to fully describe exact details or dialog.

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