# Nolan Insights

*People, Process, and Technology*

# Practical Strategies for Community Banks

Robert E. Nolan Company
Management Consultants

# Nolan Insights

## *People, Process, and Technology*

### *Table of Contents*

Process Innovation is the Lower-Cost Growth Engine........................1

Imprimatur: The Imperative for Improvement.......................................3

Getting the Most From Business Analytics........................................4

Putting Management Back in Workforce Management....................8

The Culture-Driven Company..........................................................10

The Cost of Quality..........................................................................12

Elegant Design Speaks for Itself.......................................................14

What is Unified Communications?....................................................15

10 Keys to Implementing New Strategy.............................................17

Don’t Ignore the Small Projects........................................................19

# Process Innovation is the Lower-Cost Growth Engine

Robert E. Grasing
President
bob_grasing@renolan.com

The current economic conditions have made many banks and credit unions pause to make sure they do not misstep, but the truly innovative organizations are finding an environment to focus more clearly on their goals.

Take, for example, USAA Bank in San Antonio. They were the first bank to offer retail remote capture, and they currently have more than 150,000 active home users on the product. As reported by Susan Stellin in *The New York Times*, USAA Bank announced on August 9 that they have added an application to their mobile banking product that allows customers to deposit checks by taking a picture of both sides of the check and sending it to USAA for processing. Initially this will be a service for iPhone customers, or about 60% of their one million mobile banking customers; by the end of this year, however, the rest of their qualified customers will have the tool. They have about 14% of their more than seven million customers using mobile banking within two years of launch.

While USAA has only one branch, it is enabling their customers to bank without the physical plant. To put this in perspective for bankers with an extensive branch network, more than 50% of branch transactions are commercial or consumer deposits, and an additional 20% are split deposits (with cash back). Think of the cost and service improvements to the innovative banks that closely follow.

*Process innovation—focusing on People, Process, and Technology—is helping banks advance customer interactions at a lower cost of delivery.*

BBVA Compass is redesigning its delivery of services using BBVA Compass Virtual Banker, a fully interactive, high-end video-conferencing platform. The product will allow BBVA Compass to offer specialized one-on-one services (such as mortgages and investment advice) directly to any branch, regardless of the banker's location. Integrated document sharing functionality allows the banker to simultaneously exchange documents and brochures on screen with the customer, send documents

to the printer at the customer's station in the branch, and retrieve signed documents using an integrated scanner. The program was scheduled to be launched by end of summer 2009 for the wealth management group and the mortgage banking functions. Again, the ability to deliver consistency in documents, message, and delivery can be accomplished through innovative integration. This will drive down the cost of branch errors and will eventually deliver a full array of interactive products at a lower cost of delivery to BBVA Compass' nearly 600 branches in the Sun Belt.

Other banks are incorporating process innovations. Zions Bank made technological improvements to its online account application process to improve the quality of the account opening process and to reduce cost. In addition to achieving service and cost goals, the bank increased its online loan application completion rate by 74%, while online deposits increased by 25% year over year.

It is not just the big banks—like Wells Fargo with foreign exchange online or JPMorgan Chase with their event workstation or US Bank with Visa payWave—that have taken innovative approaches. We have seen many community banks, including Umpqua and its Innovation Lab, point to what the rest of the creative banking community can accomplish.

Process innovation—focusing on *People, Process, and Technology*—is helping banks advance customer interactions at a lower cost of delivery. The pioneers create a path for future innovations by contemplating what is ideal for their customers and designing it, even if current technology does not allow for execution. It positions them for advancement when technology catches up. ▪

# IMPRIMATUR: THE IMPERATIVE FOR IMPROVEMENT

Greg Madsen
Senior Consultant
greg_madsen@renolan.com

One business lesson I learned long ago is that meaningful progress occurs only when an imprimatur—an official sanctioning or approval statement—for improvement exists. In the business world, a high-level person or committee *must* give their formal permission for personnel in the organization to proceed to make improvement. Fundamental to every improvement initiative is the need to provide personnel with written or verbal permission to make improvements. Many managers are surprised to learn this. They believe that every employee has the responsibility to improve his or her job, and that no special permission is needed. The reality is most employees, supervisors, and managers are consumed by the routine activities of their daily jobs—they get their work done, on time, and with a good effect on the customers. Most employees simply do not have the time to make improvements.

Additionally, employees who are inclined to make improvements are faced with many barriers. First, in today's complex world (where processes and technology are tightly intertwined), a single change to one area generally affects several other areas. While employees may be able to influence their own department to make a change, they rarely can influence an outside area. Consequently, when an unsolicited change is put forth by one unit, other affected units will either ignore the proposed change or try to stop it because the change has undesirable consequences.

A second barrier serves to dissuade those who want to make improvements—social custom. People need specific and formal permission to make improvements. Try this experiment at home (if you dare). Rearrange the things in your spouse's favorite room under the pretext of making an improvement. Make the change without asking permission. The reaction you will likely receive is the same as many employees get when they approach a manager with an unsolicited improvement idea: "Who asked you to do this?" Frequently, this is the last time the employee will offer up an unsolicited idea for consideration.

In short, people wait for permission before volunteering their ideas for improvement. While a whole lot more is needed to bring improvement changes into the workplace, the beginning step is an imprimatur. ▪

# Getting the Most From Business Analytics

Mike Meyer
Senior Consultant
mike_meyer@renolan.com

Do you remember Buzz Lightyear, the character from the movie "Toy Story"? He was the space action figure who believed he was not a toy, but the defender of the galaxies sent to save the universe from the evil Emperor Zurg. His favorite line was "to infinity . . . and beyond." While I may be stretching things by relating Buzz to the topic of business analytics, read on.

Banks are aggressively increasing the use of and emphasis on business analytics tools. Specific scopes and definitions vary by source, but in simple terms, business analytics is about using software tools to access, extract, and manipulate enterprise-level data to provide new insights into what is driving the performance of the organization. Other terms that overlap with or are synonymous with "business analytics" include "business intelligence," "business performance management," and "data mining." The focus of business analytics can vary depending on the needs of the business. Strategic areas of focus may include improving profitability, customer service, customer retention, and operational effectiveness. Additionally, organizations are using business analytics tools to: develop new business metrics and ratios; segment markets; conduct financial planning, forecasting, and budgeting; detect fraud; and improve risk management. Many organizations are also striving for multidimensional views of costs and profitability, whether by customer, product, distribution channel, process, function, or line of business.

A range of software systems exists in the marketplace today with varying levels of sophistication and capability. Some vendors tout their systems in a "Buzz Lightyear" manner as being able to "save the universe" and take the organization "to infinity . . . and beyond" in terms of new levels of organizational performance. As with many technology investments, however, the tool alone does not automatically create results. We are seeing more and more companies make the right decision to invest in business analytics software, yet many are not effectively using those systems to improve the financial performance of the organization. While each situation is unique, we typically see companies struggle in three primary areas:

- Not summarizing data in ways that provide clear, actionable insights.
- Missing the deeper value of financial reporting data by not correlating it with other relevant information such as activity-based costing (ABC) data.
- Assigning skilled and experienced people to work with business areas to take action based on insights gained from the data.

Our work in the business analytics arena targets these trouble spots and implements management practices that drive action. Too often the goal of an analytics program can become "implement analytics." Instead, the goal must always be to *positively impact operational performance and profitability* using analytics as a key tool. Here's an example of the successful approach taken by one of our large regional banking clients.

**A Successful Approach**

The executive management team of a super regional bank was looking to significantly improve the quality of their expense and profitability data and to gain new insights from multiple perspectives, such as customer line of business, product, process, and distribution channel. The existing cost accounting system was extremely complex, contained obsolete and incomplete ABC data, and was generally ignored or questioned by business-line leaders. As a result, a comprehensive costing system redesign effort was initiated. A redesign team was established, and a new business analytics software tool was selected. The business analytics tool was to be implemented in parallel with redesign of the costing system so that information could be shared along the way. Key goals of the redesign included:

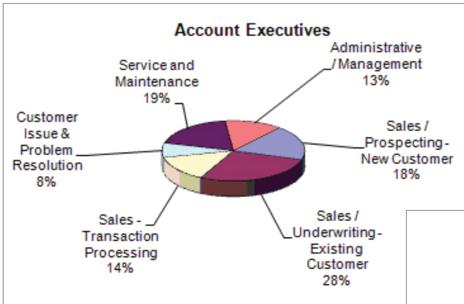
- Implement a simplified approach to cost allocations and ABC.
- Allow ABC data to be gathered quickly across the organization.
- Develop the capability to create multi-dimensional views of cost and profitability.
- Evolve the activity-based costing function into a high-impact, activity-based management program that would support re-engineering and other performance improvement initiatives by "doing things right" and "doing the right things."

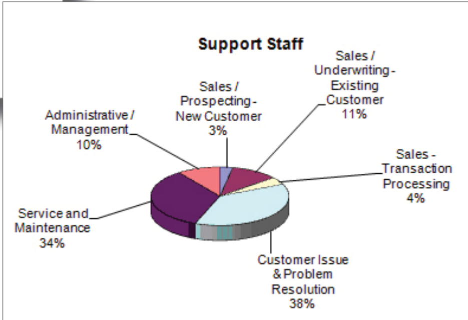
The redesign team developed functional cost categories including renaming, consolidating, and simplifying cost drivers. The team also simplified and redefined cost layers (i.e., fixed, variable, overhead, etc.). Completion of this initial redesign work provided a base for gathering

ABC data that would align with cost drivers. Once this base work was completed, discussions were held to select a pilot area for implementing the new approach. Corporate banking—viewed as a high priority because it was struggling with price competitiveness, suspected overlap between roles, non-value-added work, and stalled revenue growth—was selected. It was also suspected that corporate banking account executives were performing too much administrative work. The approach included the following steps:

- Work activities were identified, defined, and validated in terms of elements included for account executives and support staff.
- Volume sources were identified and volume data gathered from business systems.
- Electronic ABC time allocation surveys were developed and designed to gather data so that unit, process, product, and function costs could be determined. Thoughtful front-end survey design was essential to achieving the desired richness of information on the back end.
- Account executives and support staff in all regions completed surveys, allowing region-specific data to be gathered and summarized in addition to overall data.
- Results were shared with line-of-business and regional business leaders.

The survey results provided some excellent insights. Overall time allocation within the roles was as follows:



At a high level, account executives were spending less than 20% of their time prospecting for new customers. As suspected, the majority of their time—about 55%—was spent on administrative activities, such as handling customer or service issues and transaction processing, resulting in a significant expense at account executive compensation levels. The remaining 25% was spent on underwriting and retaining existing business.

Support staff were spending 75% of their time on account servicing and transaction processing, but with additional investigation, it was determined that a significant portion of this time overlapped with time spent by account executives because of back-and-forth communication and handoffs. This base data prompted a comprehensive redesign of both roles. A "goal state" role design was developed; it had a significantly different time distribution, with account executives spending 50% of their time prospecting rather than 20%. Training was conducted and support roles became a single point of contact for existing customers, eliminating unnecessary handoffs and discussions between the roles. The implementation resulted in additional capacity with no additional staff. The extra capacity in the account executive role was devoted to new-business prospecting. This resulted in significant revenue growth over the next several months.

**Summary**

Business analytics tools are providing new insights into the performance of financial services organizations. As the software systems continue to evolve, there is an opportunity for companies to reach higher levels of profitability and operational effectiveness if they have the corresponding management practices in place. Great data does not automatically translate into great results. As your organization builds its business analytics capability, plan carefully to fill the gaps that often hinder the full potential that analytics can enable.

Part II of this series, "From Analytics to Action: A Roadmap to Success," offers more examples of how you can effectively use business analytics to improve profitability and operational performance. To read Part II of this series, visit www.renolan.com/insurance/articles. ▪

# Putting Management Back in Workforce Management

Steve Murphy
Senior Consultant
steve_murphy@renolan.com

Some years ago, Ronco pitchman Ron Popeil had an infomercial to sell rotisserie cookers. During the demo, he kept repeating the mantra, "just set it, and forget it." While this is an appealing tag line for a kitchen gadget, the approach does not work very well in the area of workforce management. Unfortunately, in many companies that is often the fate of workforce management software and, as a result, the workforce management function breaks down.

Over the past several years, I have encountered many organizations that have invested heavily in workforce management (WFM) software. You know the high-powered packages that collect, analyze, and generate integrated forecasts, staff schedules, schedule adherence tracking, and intra-day data. These expensive systems typically require significant up-front configuration that ultimately make monitoring and management of the contact center much easier and efficient. The potential for major customer service and operational improvement is tremendous. Unfortunately, after all the up-front work is completed, many organizations adopt the Ronco approach and "set it, and forget it." Thus, they never realize any sustainable improvements. Gradually, the management team realizes they are still fighting the same fires they were fighting before the WFM software was installed, and the tool becomes yet another management obstacle and/or slips into oblivion and is not used.

From my observations, many WFM projects fail early in their lifecycle due to one or more of the following:

- IT installs and configures the software without contact center management input.
- The management team does not understand what the software is designed to do.
- The management team does not know how to use the software output.

- The management team abdicates resource management responsibilities to the WFM team.

The bottom line is that without enlightened contact center management engagement before, during, and after installation, a successful outcome is doubtful.

It is also important to remember that WFM software is not a resource management solution; it is a resource management tool that needs regular disciplined management interaction and execution in order to maximize its value. In many cases, this disciplined approach is shortchanged or omitted, and the management team finds itself working harder just to get the same results they had prior to installing WFM. (Note: a good rule of thumb for any technology installation—if you are working as hard as or harder than before the solution was launched, you have a problem.)

*...without enlightened contact center management engagement before, during, and after installation, a successful outcome is doubtful.*

Therefore, contact center management engagement is the lynchpin to successful workforce management execution. I don't want to minimize the importance of the installation and configuration of the software, but the most critical success factor is regular management interaction with the WFM data. Managers need to meet daily (often throughout the day) to discuss the previous day's results and focus on allocating available resources to meet the day's goals (phones and production in a cross-functional environment). These goals must be communicated to the staff in timely intervals—a continuous process that repeats itself throughout the day as situations change. The goal is to minimize reactive management. I like to say, we are proactively reacting to changes throughout the day in a way that minimizes associate disruption and maximizes customer service. That is a wordy way to say "having the right people, in the right place, at the right time."

When this is done routinely, service levels are consistently achieved, associates are happier, and management has more time to coach and develop their staff.

I welcome your questions and comments about improving workforce management. Please contact me at steve_murphy@renolan.com. ▪

Eugene Reagan
Senior Consultant
eugene_reagan@renolan.com

Every organization has a distinct and unique culture. This culture is the product of the organization's history, its leadership, its industry, and its environment. For example, two banks in the same market place often view similar situations quite differently. These differing visions are often the result of companies viewing the situation through the lens of their specific corporate culture.

Leo Tolstoy famously said in the opening sentence of *Anna Karenina*, "Every happy family is alike, but every unhappy family is *unhappy* in their own way." It could be said that every company (whether happy or unhappy) is different in its own way. This difference is not bad or good, but it can affect the organization's approach to some of its major decisions and its day-to-day operations.

Frequently, we read in the business press about a merger that has run into difficulties due to "differences in corporate cultures." What does that mean? Surely, both merger partners had a common purpose: to make a substantial profit, if nothing else. One could assume that there was an understanding, going in, of each other's strategies and goals. But something about the way those separate companies are run has made them so different that communication and agreement are difficult.

In our experience, "culture" refers primarily to management style. Most companies at least give lip service to being "customer-focused" or "numbers-oriented." But, when decisions are made, those labels can be interpreted in widely differing ways to support specific management perspectives. A company with a more collegial management style might start from the same place but end up with a different result than a company with a more autocratic or dictatorial style. These differences in style are both the cause and effect of the organization's history, experience, strategies, and goals.

*..."culture" refers primarily to management style. These differences in style are both the cause and effect of the organization's history, experience, strategies, and goals.*

It is important to be aware of the impact of corporate culture. Management decisions that run against the grain of the corporate culture are doomed to failure. However, it is vital that organizations be self-aware so their decisions, plans, and actions are made in alignment with the culture, not because of it. We have seen decisions made or actions avoided because "we're not the kind of company that does that" or "it's just not our thing." The final decision might be exactly the same, but it should be based on solid financial or strategic reasons rather than a knee-jerk reaction to internal cultural issues.

Every organization has its sacred cows. One way to challenge the cultural norm is to question the validity of the sacred cows. They may have originated for solid financial, operational, or strategic reasons. However, they may have been so thoroughly absorbed into the culture that they no longer have meaningful value.

Every organization should enjoy and build on its unique culture. *Vive la difference*! But be open to improvement and not a slave to the culture. ▪

*"Yes, Ted, on this team we take off our jackets, but we don't loosen our ties."*

# The Cost of Quality

Clay Ricord
Senior Consultant
clay_ricord@renolan.com

As I write this, near-term predictions are multiplying for improvement in leading indicators; however, the pressure on cost containment remains strong. How should quality play into this cost reduction discussion? That question is likely to evoke strong opinions.

A discussion of cost of quality is best divided into two domains. One is the cost of *good* quality (prevention and detection), and the other is the cost of *poor* quality (recovery from failure detected internally and externally). We will focus on diagnosis and prevention, whether detected internally or externally.

In the last 18 months, have you adjusted or changed how you manage quality? For many, the answer is yes, and often the change is unintended or not fully directed. Taking a broad view—be it in consumer lending, branch services, or call center services—we can easily predict that there is more stress and uncertainty in your processes today than 18 months ago. This can come from staffing change, reduction in overtime, process change, or your employees' stress levels. These factors can drive variance or poor quality, making the answer: "Yes, there is greater risk today." There is also risk from sabotage, which typically increases in times of higher stress and dissonance from leadership.

> *While there is no easy rule to follow, today quality is clearly a bigger factor... maintaining control over quality should be your strategic objective.*

Very often, as cuts in the workforce are made, support supervisors rely heavily on the QC or QA areas to maintain quality. This is a difficult situation; one with no easy solution. Do you get the carryover down (or down faster) by reducing or stopping quality checks, or should quality checks continue as planned?

Here are some things to consider if you find that cost cuts force you to choose between production and quality:

1. How stable has your quality been over the long term?
2. Are there parts of your bank that are stable, confirmed by consistent quality checks?
3. How is your bank's morale?
4. Do you have clear procedures and understood workflows?
5. How sensitive is your bank to having errors found by others within the organization?
6. How sensitive are you to losing customers due to lower quality or mishandling?
7. Is quality a primary business requirement?

As you consider these questions, think about the options:

1. Go to a lower confidence level; reduce sample size.
2. Temporarily move to targeted selection from random.
3. Reduce the depth of the quality reviews.
4. Maintain the program with only slight focus changes.

While there is no easy rule to follow, today quality is clearly a bigger factor than it was only a few years ago. So maintaining control over quality should be your strategic objective. That means that any adjustments your company makes should not undermine your ability to consistently deliver service at your bank's goal quality level. ▪

# Elegant Design Speaks for Itself

Rod Travers
Executive Vice President
rod_travers@renolan.com

Anyone who has studied computer science is likely to be familiar with the unique connotation of "elegant" in the vernacular of technologists. It does not connote luxury or glamour or lavishness. It means, roughly, "the simplest, most intuitive, most technically economical design." Programmers and designers have contests to see who can write a program using the fewest and most ideal lines of code. The winners are admired and envied, sometimes a little grudgingly.

The business world is filled with examples of elegant design, most of which are rousing commercial successes. Examples include:

- The iPhone and iPod. These devices are highly sophisticated, yet their user manuals are just a few pages long.
- Southwest Airlines' complex business model continues to evolve, yet customers consistently rave about the simplicity of traveling on Southwest.
- Amazon's One-Click online buying process is the simplest way to make an online purchase. Not enough time to change your mind!
- While we may not like paying highway tolls, toll tags and their underlying commerce model are delightfully simple.
- Twitter is just a text-message rebroadcaster. It doesn't get much simpler than that. Millions use it.

One common thread among these examples is widespread popularity. Make something that solves a common problem which just about anyone can use, and you have a hit on your hands. You also have a market differentiator.

In financial services, particularly in banking and P&C insurance, we have a tremendous opportunity to incorporate elegant designs into service processes, including self-service and agent-service processes. Several high-profile players have done just that, and the impact on their market presence has been predictably phenomenal.

Take a fresh look at your most frequently used service processes. Reduce steps, eliminate complexity, increase responsiveness. Customers will notice, they'll tell others, and your bottom line will portend success. ▪

# What is Unified Communications?

Terri Butler
Guest Consultant

A Google search will return more than three million hits for the term "unified communications." At first glance, you'll see firms such as Avaya, Aspect, Nortel, and Cisco and probably conclude that the term has something to do with telephony. But on closer inspection, you also see IBM, Microsoft, and a host of other players. So what exactly is unified communications?

Unified communications (UC) is the integration of various communication media with business process management (BPM) and workflow. It provides users with a continuous "connected experience" to move voice, data, and other knowledge content across a variety of communication verticals. Services such as instant messaging, video conferencing, e-mail, Web chat, voicemail, fax, and text messaging can be seamlessly integrated into workflow and made available in real time when the user needs them. Workflow efficiencies traditionally isolated to contact centers, such as call distribution and intelligent routing, can now be deployed across the enterprise.

*Workflow efficiencies traditionally isolated to contact centers, such as call distribution and intelligent routing, can now be deployed across the enterprise.*

With the advent of the IP telephone, voice has converged with data to become one more packet of information moving along your network. When voice became digital content, opportunities to deliver voice at different points within a work stream to different applications and in conjunction with other information were now available in ways not possible with traditional PBX phone systems.

UC solutions don't just focus on delivering voice; they also focus on providing "presence" information to identify a person's status as *away*, *available*, *in a meeting*, etc. This feature is similar to the operator status in a traditional contact center where software indicators define the call state of the service associate. Presence can significantly reduce time spent on inefficient communication activities, such as leaving voicemails and sending messages. If a presence indicator shows the

intended person is *away*, you don't waste time dialing the number. Reducing the latency between communications and getting a real-time response is made possible when both parties are connected through instant messaging with presence.

*Collaboration opportunities are boundless when team members have access to collaborative workspaces, desktop sharing, and conferencing tools.*

Collaboration opportunities are boundless when team members have access to collaborative workspaces, desktop sharing, and conferencing tools. Virtual work teams and mobile employees can easily locate other team members and participate in meetings via audio and Web conferencing. Customer service teams can reach out to experts through IM text sessions, escalate the contact to a phone call or video session, and gather the necessary information to respond to customer inquiries quickly, without the need to call the customer back.

But the power of UC to improve product and reduce communication latency is not limited to person-to-person interactions. The next step for UC is integration of these services into the business process workflows in a way that the rules engines, workflow applications, and systems can initiate and respond to various types of communications across the process continuum. Businesses have only begun to exploit the UC possibilities. ▪

# 10 Keys to Implementing New Strategy

Ron Zimmer
Senior Consultant
ron_zimmer@renolan.com

You have spent months researching the market, defining customer needs, analyzing competitors, and developing new strategies. As you admire the hard work of the strategy team, someone (usually the CEO) asks, "When can we expect results?"

Although strategy is formulated at the top, it is executed below. Implementing new strategy usually requires both change management and project management. It may involve not only the lines of business but also administrative areas, operations, and customer/competitor input. You could be changing: products, marketing materials, advertising, systems, compensation, distribution channels, and work processes. The more innovation, the more change. In some cases, it requires new skill sets not currently in the organization.

*Implementing new strategy usually requires both change management and project management.*

After the realization of how much time, effort and money it will take, many efforts begin to stall. To help you plan ahead, here are the ten requirements to implementing new strategy:

1. **Executive leadership.** It must be visible and, the hardest part, repetitive. People need to know the vision and goals. To motivate the staff to change, they must understand the rationale and purpose.
2. **An executable strategy.** The strategy needs to be expressed in operational terms. It must mobilize resources and provide clear direction to successful completion.
3. **An implementation plan.** Develop a plan with measurable milestones and periodic decision gates. Let people know that time is of the essence and slippage is not acceptable. If the project is struggling, determine why and remedy the situation quickly.
4. **RBCs.** Determine your required business capabilities (RBCs) involved in implementing the project and executing the new

process and/or system. It may be necessary to do a capability assessment where you compare current skills/performance with the required skills/performance based on the strategic objectives. You may also want to identify the best practice gap—the gap between current performance and that of best practice in the industry.

5. **Ongoing executive involvement.** For large complex projects, just doing a kick-off is not enough. First, it requires ongoing involvement and support with change management to help people understand, accept, let go, and move forward. Second, it requires removing roadblocks and cutting through politics.
6. **Alignment.** Everyone needs to be working together toward a common objective and rewards.
7. **Team leadership.** To successfully implement a large project requires a multi-functional team. Good team leadership generates passion, innovation, and collaboration.
8. **Technology.** Almost all large current projects require technology—hardware, software, analysis, innovation, development, testing, and support. Plan ahead and allocate enough resources to avoid this common project bottleneck.
9. **On-the-fly adjustment.** Know that things will change. The longer the project, the more likely there will be changes, including changes to the industry with new regulations, technology, competitors, customers, and the economic situation.
10. **Discipline and rewards.** Set deadlines, require commitment, and provide ample support. If people are not truly on board, they need to find a new home. Don’t accept poor performance. Set the performance bar high and reward achievement. Make rewards meaningful by going well beyond trinkets and T-shirts.

By sticking to these ten keys, you have a better-than-average chance of success. ▪

# Don't Ignore the Small Projects

Jim Strebler
Senior Consultant
jim_strebler@renolan.com

I'm amazed by how many requests for small system fixes I find in companies. I'm talking about things like requests for repairs to make something work the way it is supposed to, and installations of processing capabilities that were meant to be included in Phase I of a major project but were postponed to Phase II… and Phase II was never completed. The reality is that these small-project requests seldom get appropriate attention.

The reason they don't get much attention or priority is simple; they are "nit" problems. Things like a system that incorrectly translates data or codes it and spews unusable documents or a system that doesn't produce data in a format that's needed within the organization, necessitating a manual build of an Excel or Access table. In one client organization where the PCs had not been networked, workers printed out the faxes they wanted to send and then gave the paper versions to another department to fax. These types of problems are varied but have two things in common: they are small in scope, and workers have found ways to handle them ("workarounds").

Why should you care about these projects when there are so many big IT projects linked to corporate strategic initiatives? The answer is that when the small projects are added up, the cumulative costs of not doing them can be significant. What are the costs? To name a few, they are unnecessary work hours related to extra processing or accommodating workarounds; preventable processing errors that translate into rework and potentially dissatisfied or lost customers; the extra time it takes to deliver timely outputs; and, last but not least, workers' frustration at having to perform extra processing steps or to redo transactions.

Every company has these small projects. What's amazing is that they don't get fixed quickly. If the problems were with our own home, they would not wait long for repair—even if a major remodel of another part of the home was underway. We would not, for example, try to get by with a TV remote that didn't work, wouldn't go long without changing a broken light switch, and wouldn't wait months to have a water heater repaired. But at the office, the workarounds are somehow acceptable.

Considering all this, what does a company do about it? There are easy steps to take to see if this issue plagues your operations:

1. Find out if you have a problem. Assign someone to compile a list of the small projects that have been requested. Review the log, then ask the workers to add any requests for projects that are not on the list.
2. Evaluate the costs for each workaround by getting two pieces of information: the time that each transaction or occurrence of the problem adds (you might ask, “How long would it take if you didn’t have to do that?”) and the total number of transactions or occurrences of the problem. Next, calculate the cost by multiplying the transactions (per year) by the time per occurrence. Multiply that by the cost of a worker, and you have your cost for that workaround processing. Be sure to include the cost of benefits in the worker costs (typically 22–35 percent of the worker’s salary per year).

After these two steps, you will see how much those workarounds are costing you. If the cost seems significant, it’s time to look for fixes. Pick the workarounds that carry the highest cost and have IT do a quick estimate of what it will take to fix each. Compare the cost of your workers to the IT hours and decide if it’s worth it. The higher the payback, the more priority should be given to eliminating that workaround. Continue until all significant problem areas have been evaluated.

*...when the small projects are added up, the cumulative costs of not doing them can be significant.*

By paying attention to these smaller projects and problem fixes, you can get multiple benefits in worker productivity, service levels, and customer satisfaction. It is well worth the time to decide which problems should be fixed and to get them done. You’ll thank yourself for taking the time. ▪

ROBERT E. NOLAN COMPANY
MANAGEMENT CONSULTANTS

92 Hopmeadow Street
Simsbury, Connecticut 06089
(860) 658-1941
(860) 651-3465 fax

17746 Preston Road
Dallas, Texas 75252
(972) 248-3727
(972) 733-1427 fax

Toll-free (877) 736-6526

www.renolan.com

Nolan is an operations and technology consulting firm specializing in banking and the financial services industry. We help companies redesign processes and apply technology to improve revenue, service, quality, productivity, and costs. Our consultants are senior industry experts, each with over 15 years of specialized experience. Visit our website at **www.renolan.com** to download articles, client success stories, and industry studies.

© 2010 ROBERT E. NOLAN COMPANY