

Process improvement

How enhancing processes can help during recession **Interviewed by Meredyth McKenzie**

The current economic recession is leading many companies to cut costs by eliminating products or services, reducing the work force and/or scaling back on spending and expenses.

Another option that companies should consider is process improvement, which consists of looking at your existing processes and evaluating whether they're running efficiently and effectively. A process improvement initiative can identify cost saving opportunities that can be achieved from more efficient processes. As businesses cut costs and scale back on employees, process improvement also can make sure that responsibilities are not falling through the cracks.

"If someone was let go, you need to make sure their responsibilities are being performed," says Ted Flom, CPA, CISA, CIA, risk services practice group leader at Brown Smith Wallace LLC. "Process improvement provides a unique opportunity for companies to make sure things are working properly, while finding opportunities to make improvements."

Smart Business spoke with Flom about process improvement, why it's so important in today's business world, and how to manage risks and measure successes.

How does process improvement benefit a company?

Each process improvement initiative needs to clearly identify the benefits that can be realized. In general, these initiatives are designed to help reduce costs by more efficiently deploying resources. They can also help a company reduce errors, improve quality, and enhance the way it serves customers, resulting in better products and services and higher customer satisfaction.

How does a company go about implementing process improvement?

Process improvement is generally focused on two things. One is efficiency — being better and faster at a lower cost. The second is effectiveness or quality — putting out top-notch products and services that accomplish the company's objectives. Today, companies are concerned with reducing costs, which can be accomplished by creating more efficient processes. Companies also want to make sure they are not impacting the effectiveness or quality of their processes.

If you sense there's an opportunity to improve processes at your company, start by



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gaining an understanding of your existing processes — prepare a flowchart or walk through how the process works. Evaluate the process from inputs to the ultimate outputs, looking at all points in between.

Examine key elements of the process — the objectives or purpose, the people involved, the design and operation and how technology is being used — and consider whether there are opportunities to be more efficient or effective.

How long does process improvement take?

It varies significantly depending on the size and complexity of the change. Some organizations have groups focused on process improvement, while others ask key stakeholders to be responsible for identifying and making improvements. Some companies hire outside experts to assist because of their independence and objectivity, as well as their expertise and exposure to how other companies are handling similar issues — best practices.

You have to determine how quickly you want to make the change. Some companies are strong believers in making changes quickly — if changes take too long, you might lose momentum and changes may not get fully implemented. Other companies

make changes more gradually, because a slower approach better fits their culture and capacity to make the required changes. Each company has to determine which approach will work best for its environment.

How are risks managed?

Any time you look at a process, you need to understand its objectives, as well as the inherent risks that exist. Consider how policies, procedures, and other practices help to mitigate or address those risks. The most important thing is being able to understand and articulate what those risks are, so you can make an informed decision about how to address them.

A big risk that companies often underestimate when making a change to a process is the impact on their people. It's important to ensure there is a clear plan that is well communicated, along with appropriate education, training and ongoing support.

What happens if a company has a problem but doesn't improve its processes?

Companies have to ask themselves whether or not there is a burning platform to improve the existing environment. If there are problems, those will most likely continue to exist. If processes are inefficient, the related costs are going to continue to exist. If competitors are taking action to be more efficient and effective, it's going to become harder to compete.

Companies need to also consider the impact on employee morale by maintaining the status quo. When employees are aware that something's not working well and the company doesn't do anything about it, they may become disenfranchised or discouraged.

How do you measure the success of the change?

When companies undertake a process improvement initiative, it is important for the stakeholders to clearly delineate the ultimate goals and objectives — cost savings, timeliness, reduced number of errors, effective internal controls, etc. Once the initiative has been completed, come back after a period of time and evaluate whether those goals are being met or if further changes or training and education are required. <<

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