

THE EXECUTIVE'S GUIDE TO BUSINESS PROCESS IMPROVEMENT

Save Time, Money, and Risk by Upgrading
Your Business Performance



OVERVIEW

In today's fast-changing, competitive environment, organizations must continually strive to operate better, faster, and leaner.

Executives, controllers, directors of finance, and other leaders recognize this reality—and the corresponding importance of efficient, clearly defined operations and processes.

In fact, nearly 80 percent of executives believe that improving business processes is essential to company success.*

Unfortunately, only 35 percent of executives rate this capability as “excellent” within their organization. All too often business process improvement (BPI) efforts are delayed or minimized, pushed aside for the daily tasks and demands of running an organization. Or, when BPI efforts do move forward, employees may be resistant to change or too immersed in operations to effectively identify and address process issues.

Sound familiar?

To overcome these challenges and confront the larger issues of tightening budgets and mounting demands while also working to achieve goals, organizations must embrace BPI. Only then can they fully leverage their assets and opportunities, optimizing business performance while saving time, money, and risk.

This eBook explores the function and components of BPI. It highlights frequently asked questions, common signs that your organization has process deficiencies, and process areas that most often have opportunities for improvement.

*According to a recent survey of over 1,200 CIOs in 48 countries

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A PRIMER ON THE VALUE AND FUNCTION OF BUSINESS PROCESS IMPROVEMENT

BPI is critical for the continued growth and success of organizations across every industry. But, what exactly is BPI, and why is it so important for *your* organization?

The Purpose, Value, and Components of Business Process Improvement

At its core, BPI consists of an in-depth assessment of challenges, processes, risks, and controls, followed by the development of a plan to optimize and align practices with your organization's goals and strategy.

During the assessment step, BPI specialists examine whether processes are not only current and relevant, but also effectively documented, communicated, and consistently understood and followed by all stakeholders. Further, they determine if the process is efficient and effective, as well as if a system is in place to manage it.

It is important to note that while IT-related processes are key BPI components, the people and organization around these processes are equally essential. Therefore, any BPI effort should consider issues related to staffing structures and inter- and intra-departmental communication, in addition to IT-related procedures.

When performed effectively, BPI services may yield a wide spectrum of benefits, such as:



Improved documentation of existing practices



Less employee frustration, paperwork, and conflicts across departments



Responsiveness and flexibility to address changing business needs



Greater risk area insight and enhanced compliance management



Cross-trained staff and minimal knowledge loss due to future turnover



More efficient, less redundant business processes



Improved inter- and intra-departmental transparency and communication



Reduced time and costs

The Differences Between and Complementary Nature of BPI and Audits

Some organizations may assume that the goals and function of BPI are fulfilled by audits. This is not always the case.

For instance, financial statement audits, which entail an evaluation of risk, financial information/disclosures, and internal controls, can be successful in detecting ineffective and outdated processes. However, these audits don't focus on process and operational challenges.

In addition, while BPI services have similarities to audit procedures, they are different in that BPI looks more at the big picture and strategy. BPI professionals evaluate your processes and controls with a focus on providing value, offering opportunities, and saving time; not auditing you. As a result, BPI services can help to validate the observations of other organizations, as well as serve as an outstanding complement to audit services.

BPI can also build upon and cross-reference audit findings to not only identify the most valuable improvement opportunities, but also provide a clear and unified vision of your organization—from financial reporting and operations to compliance and resource management.

COMMON STEPS WITHIN BPI INCLUDE:

1. Clearly defining your goals, strategy, and success factors
2. Assessing the current state of business processes and performance issues
3. Developing solutions to improve process efficiency, eliminate redundancy, and reduce costs
4. Implementing new processes and practices, providing guidance and support to ensure a smooth transition
5. Evaluating compliance and resource management

SIGNS YOUR ORGANIZATION NEEDS BUSINESS PROCESS IMPROVEMENT

1. Processes Are Inefficient, Redundant, or Unformalized (Lack Proper Documentation)

The most overt signs of process deficiencies can be seen in employee feedback, communication, and the organization's ability to meet key deadlines.

Some employees may remark that processes are redundant or take too long, while others may not fully understand certain processes or the reasons for them. This can reflect insufficient communication within or between departments, a lack of proper documentation, and/or inadequate employee training and awareness of policies and procedures.

Aside from employee feedback, a clear sign of process inefficiencies are ongoing challenges in meeting internal or external deadlines for financial, regulatory, and operational requirements. For example, within the Finance and Accounting function, process weaknesses often result in:



Increases in days payable outstanding within accounts payable (AP)



Decreases in accounts receivable (AR) turnover



Difficulties in accounts receivable (AR) turnover



Financial reporting delays



Budget management challenges

These instances may be due to a lack of process formalization and automation, poor communication, segregation of duties, or other issues inherent in the designed processes.

2. Resources Are Not Effectively Allocated

The need for BPI is also regularly present when there are issues in your organization's staffing structure and reporting relationships.

For instance, you may observe an apparent misalignment of job duties, resulting in unbalanced workloads across teams or individuals, or certain positions performing tasks best suited for others. Also, there may be unclear lines of reporting or inconsistent management styles among supervisors.

3. A Significant Change or Event Has Occurred

In addition to the day-to-day operational signs that BPI is needed, significant events or organizational changes typically serve as a trigger.

Sometimes these changes are the result of notable company advancements, such as when new management is unveiled and leaders want a fresh look at how to improve the organization. Other times, these changes are in response to adverse situations, such as when:

| | |
|---|---|
|  Compliance is not maintained with applicable regulations |  Fraud is discovered |
|  Errors are identified in budgets, transactions, submissions, or funding applications |  Substantial findings are included in audit reports, such as in financial statement management comments or compliance reviews |

Other common changes are the result of external factors, such as the introduction of new regulatory requirements, or organization-wide initiatives, such as the implementation of a new IT system and associated policies and procedures.

4. Operations Aren't Scalable or Sustainable

As your organization matures, difficulties in scaling or sustaining operations are sure signs that BPI would be beneficial.

These difficulties are often reflected in challenges with outside organizations, customers, or internal employees. For instance, you may notice communication and reporting issues with peer organizations and third parties. Customer complaints may rise, followed by declines in KPIs and customer satisfaction scores.

Internally, you may observe an overall resistance to change, as well as a higher rate of attrition. This is particularly notable when turnover is high within significant or senior roles. Conversely, process stagnation may arise when management roles haven't evolved over many years.

5. Conflicts Persist Between and Within Departments

Finally, internal conflict is among the clearest signs that BPI can help.

Intra- or inter-departmental issues are often highlighted by the lack of a unifying goal or purpose among related groups. As a result, some departments or processes may be identified as bottlenecks by multiple other departments. Employees may work excessive overtime or resist delegation. And above all, some employees or departments may possess too much control over key process areas.



COMMON PROCESS AREAS WITH SUBSTANTIAL OPPORTUNITIES FOR IMPROVEMENT

Nearly every department and operational area can have opportunities for improved efficiency and effectiveness. Following are just five of the process areas that regularly have substantial opportunities—regardless of industry or organization type.

1. Finance and Accounting

A common area for considerable process improvements—and the resulting benefits of increased accuracy, efficiency, and savings—is within an organization’s Finance and Accounting function. Budgeting, billing, cash management, and financial close are just a few of the areas within Finance and Accounting where BPI can provide valuable results.

For example, the financial close process is often a shared pain point among many Finance and Accounting teams. The close cycle can be cumbersome and timely because it involves coordination with and dependency on other groups and information. Instead of focusing on value-add activities throughout the cycle, team members find themselves spending excessive time and resources on redundant activities.

FIVE COMMON AREAS THAT BENEFIT FROM BPI

1. Finance and Accounting
2. Accounts Payable
3. Procurement
4. Asset Management
5. Succession Planning

2. Accounts Payable

Process documentation and efficiency are also essential in relation to AP activities, which often rely mainly on verbal confirmations and trusted interpersonal relationships.

With the abundance of complex paperwork and communication involved in the AP function, non-evidence-based processes may increase the risk of incorrect information, payment delays, and reduced transparency. For instance, processes that include manual data entry are both inefficient and prone to noncompliance and errors—especially in relation to accounting systems, purchase orders, and cost centers.

3. Procurement

The Procurement function has long been a source of conflict at many organizations, with other departments voicing frustration with processes related to documentation requests and supplier selections.

For instance, communication between Procurement and other departments often has significant challenges, particularly regarding timelines, documentation requirements, and supplier evaluations. Departments may not understand or be aware of procurement expectations and requirements, and formal guidelines over procurement governance may not exist or be known throughout the organization.

4. Asset Management

For many organizations, processes within the Asset Management function have developed organically over time, with a focus on completing individual tasks and objectives. As a result, processes are not intentionally designed for efficiency and control, and change occurs only in reaction to a negative event.

Improvement opportunities regularly exist in processes related to asset maintenance, configuration management, and operations.

For example, BPI specialists may partner with an organization to design processes that formalize the movement of goods in and out of a warehouse, allowing the company to better control its assets, prevent misappropriation, and decrease inventory costs. Further, the specialists may help to draft or revise policy documents that formalize the organization's intent and direction, as well as identify and address unallowable practices or behaviors.

5. Succession Planning

Institutional knowledge is essential for the long-term performance of any organization. However, with management often wrapped up in day-to-day responsibilities and urgent requests, preparing for a future without key personnel is rarely a top priority.

Whether due to retirement, resignation, or other circumstances, no employee will stay within the organization forever. Therefore, opportunities regularly exist to create or optimize succession planning documentation that identifies key personnel and their critical roles, designates a backup for each role, and details the training needed for a new employee to assume the responsibilities of each position.



FREQUENTLY ASKED QUESTIONS

***My organization has limited financial resources.
Are BPI services worth the investment?***

Absolutely. An experienced BPI specialist can deliver short- and long-term benefits that far exceed your initial investment. These benefits may come in various areas, from time and cost savings to improved accuracy, transparency, and employee performance.

For example, greater efficiency—whether due to enhanced documentation, training, or employee understanding of roles and responsibilities—may be gained in a host of departments and process areas. In Finance and Accounting alone, it may cut days or even weeks from the financial close process, as well as reduce days payable in AP and increase the rate of AR turnover.

Meanwhile, cost savings may be gained in numerous departments due to automation and better detection and prevention of errors. In Finance and Accounting, this may result in more accurate financial reporting and distribution of funds.

Further, each of these improvements may in turn yield additional time and cost savings. For instance, an analysis of staffing practices may show that with structural changes and greater employee engagement, certain departments could more quickly staff positions while saving money on employee training and attrition-related expenses.

***My organization is already audited on an annual basis.
Are BPI services valuable?***

Yes. While audits assess a variety of areas, they often do not identify the full range of opportunities for significant financial and operational enhancements.

Also, audits and BPI have a distinctly different purpose and focus. Namely, BPI specialists serve to help your organization cut costs and improve efficiency, compliance, and performance. They look at the big picture, providing a cost-effective, third-party analysis that can build upon and cross-reference audit findings to identify valuable improvement opportunities.

***My organization would like to implement BPI.
Where do we begin?***

The first step in optimizing your organization's business performance is engaging qualified BPI specialists, who conduct a comprehensive assessment of your practices. The specialists will develop an action plan to achieve your performance goals by aligning your business practices with your strategy, objectives, and budgetary constraints.

What types of analyses and assessments may be included in a BPI action plan?

Your organization's action plan, developed jointly with BPI specialists, may contain various tasks depending on your organization's needs and goals. Typically, a highly qualified BPI partner should be able to provide a wide spectrum of services, such as:

- **Standard operating procedure design or documentation**
- **Operational performance review**
- **Benchmarking**
- **Alignment of organizational roles and duties**
- **Root cause analysis**
- **Current state assessments**
- **Integrated compliance management**
- **Business continuity management**
- **Technology risk management**





IDENTIFYING THE RIGHT BPI PARTNER FOR YOUR ORGANIZATION

An effective BPI initiative can be invaluable to the long-term growth and sustainability of your organization. It can mean the difference between reacting to change and proactively achieving sustainable efficiency, communication, accuracy, and cost reduction. So, while you can use internal resources to assess and improve processes, many executives are maximizing their success by partnering with third-party BPI specialists.

However, with the array of available BPI consultants, what qualifications should your organization look for in a BPI partner? While the best-suited specialists will vary based upon your needs, any BPI partner should possess three key credentials:

1. A Track Record of Delivering Process- and Risk-Focused BPI Services

In addition to possessing relevant industry certifications—such as Certified Internal Auditor, Certified Public Accountant, and Certified Fraud Examiner—the BPI specialists you partner with should have a record of evaluating processes and risks that deliver results for clients.

When considering partners, determine whether they specialize in BPI and related services. Do they regularly assess client systems and practices, create documentation detailing how processes work, identify areas with obstacles or risks, and determine where there is a control point or absence thereof?

Partners with this level of experience understand the importance of achieving optimum performance, efficiency, and accountability. With this insight, they can ensure that processes are documented and aligned with your goals and strategies.

2. Practical, Scalable Solutions Tailored to Your Needs

Your chosen BPI partner should also have familiarity with the range of process areas in your organization and the best practices of your peers. This expertise will allow the firm to better improve business processes, enhance the internal control environment, and identify opportunities for improved effectiveness and compliance.

Further, when this insight is combined with a proven BPI methodology—inclusive of detailed process flowcharts, narrative documentation, and evaluation tools—it will enable them to know where the obstacles are, how to streamline the process, and how to easily tailor their techniques based on your organizational needs. In the end, it will ensure that the firm supplies workable, prioritized solutions to reduce day-to-day challenges and mitigate operational and regulatory risks.

3. Deep IT Resources and Process Insight

IT is a core component of virtually every BPI action plan, often presenting substantial opportunities to improve efficiency, accuracy, and cost reduction. Further, since technology is integrated into the operations of nearly every department, high-quality processes are increasingly important in areas such as IT change management, asset inventory, disaster recovery, and the software development life cycle.

Therefore, when choosing a BPI partner, ensure that the firm has deep IT resources, including professionals with the insight to develop and implement a comprehensive BPI plan.

For instance, do the specialists you partner with have experience designing and implementing baseline IT processes and controls? Do they maintain relevant professional certifications, such as Certified Information Systems Auditor? Do they have technical proficiency in enterprise resource planning solutions, database management systems, and other common IT solutions?

Ultimately, by engaging experienced BPI specialists with deep IT and best practice insight, you can gain a valuable strategic partner. Together, you can create and implement a BPI action plan that not only formalizes roles, responsibilities, and processes, but also reduces errors, risks, waste, and costs—helping you to thrive in today's environment.

CONTACT US

To learn more about how to optimize your business performance and achieve your organization's strategic objectives, [click here](#) to contact SC&H Group's Operations and Business Process Improvement Services team.

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