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PERFORMANCE IMPROVEMENT—NEED FOR CONTINUOUS IMPROVEMENT

Abstract

Only constant thing in any business is change. As a business goes through different phases of change, it thrives for better performance. Improving business performance is not a onetime exercise, it is a continuous process. This article, through a case study, highlights how a nascent organization forms through performance improvement initiative of a Trans Global aviation industry and leads to growth a fairly successful independent organization; its mitigation of growth challenges and subsequent global economic crisis leading to its retrospection of its performance norms. Through continued focus on improving its performance and identifying better processes to perform and deliver its business objectives, this organization grows to become stronger entity; reinvents itself through challenging its own performance level and moving to higher level of performance.

The article also highlights through live example how performance challenges are identified and appropriate/applicable solutions are aligned to address specific challenges; leading to multi-dimensional performance improvements. We observe that improvements were achieved through initial restructuring initiative to hiving it off as an independent entity to multiple phases of process improvements. Of course there were many other operational strategic initiative that we have not covered in the article, since the focus was more on process performance initiative.

Introduction

Globalisation of business has driven industries to continuously innovate and redefine their businesses to remain profitable and demonstrate strong performances to their stakeholders. This not only happens through developing right strategies, but also through adopting continuous performance improvement measures. While manufacturing industry has opportunities to improve

cost through better utilization of assets, alternate improved production process, better supply chain, services industries options are more limited. In this article, we will look at one service industry in particular and how it evolved through strategic initiatives as well as adopting a continuous performance improvement framework.

Organisation

A leading global airline company, with a fleet strength of more than 200 and in business for more than 75 years, was battling the continued cost escalation and pressure on margin. It not only took few strong strategic steps, but also explored opportunities to improve its operation cost. It focussed on improving support services cost and set up Shared Service Centres (SSC) to manage back office operations. In the initial years, this initiative led to sizeable savings in operating cost and improved & better fiscal discipline. However, it realised that consolidating multiple SSCs into a single SSC would provide it with better cost performance through scale of operation. It took a strategic decision to structure this organisation differently and the SSC was made a subsidiary. This allowed it to define new organisation's objective and mission focussed on providing back office operation (BPO) services to the airline, with an option to extend the services to other airlines. This strategic initiative allowed it to convert one cost centre to a profit centre.

In late 1990s, the BPO organisation realised that with strength of more than 1500 staff, its operation centre should explore alternate locations to cut down operating cost. It decided to set up off-shore facility. Its success was not limited to the area of back office operation for support processes only, but extended to offer many value added information analysis to the airlines that led to increased revenue and profitability. Subsequently the airline decided to "sell" the subsidiary, with committed tie up on being a service receiver for a given period.

Margin Challenges

Over years the BPO organisation grew its portfolio of services from Travel and Leisure to Banking and Financial Services, Insurance, Transportation, Manufacturing, Utilities, Healthcare, Consumer Goods, Retail and Professional Services. It set up delivery centres (with more than 20 physical locations) across the globe, with presence in five continents, went through IPO. With staff strength of more than 20,000, a global client base of more than 200 and with annual revenue of more than \$300 Million, the global financial industry turmoil hit the company hard. With depleting revenue and largely committed cost structure, its priority moved to relook on strategic initiatives, including improving operational cost.

A major cost element for BPO organisations are people related cost—direct salary cost, office space, transportation cost, employee welfare cost, infrastructure cost etc. Although BPO runs in multiple shifts, effective utilisation of infrastructure does not get utilised three times due to business constraints. We can safely take utilisation at 1.6 for the organisation, although we have seen the same to go up to 1.7 or 1.8 in some BPO organisations. As the organisation prices its services, it has to consider not only the cost elements, but also competitive market forces. Secondly, service contracts are multiyear contracts and market volatility plays a major role in profitability. All these factors lead to pressure on sustainable margin.

Sample Case

As a service provider in the BPO space, this organisation has multiple clients. The nature of BPO services also vary. For some clients, they carry out only back office processes that do not require any regular interactions with either the client or client's end client. Whereas for some clients, they receive or make calls to the end client and on the basis of the interactions, they complete a process. In both cases, a process completion demands carrying out many sub-processes and each sub-process may have multiple steps or actions.

We are going to look at one such process to elaborate how process performances can be improved to achieve a better business performance. Before we get into the specific process details, it will be useful to share the process of identifying candidate processes. Choice of right candidate process is very important—a wrong choice can derail any initiative. Selection process also has to be focussed and short. If one spends long duration of time and energy (and associated cost) in identification process itself, it does not help the cause. Project sponsor and other stakeholders would typically lose interest and initial momentum gets lost. Hence, experienced resources need to be involved in process selection.

We went through a half day briefing on key business units and its performance parameters. This process of “getting to know the business” gave us key inputs on narrowing down our choice to couple of business units only. Once, we narrowed our choices, we went through an hour of presentation / discussion with respective business units to get an overview of their key challenges and its associated service areas / clients. By the end of the day (after having spent 3 hours with three business units and a couple of hours on internal discussions), we were ready with our choice of candidate processes. Candidate processes were chosen on following key parameters—

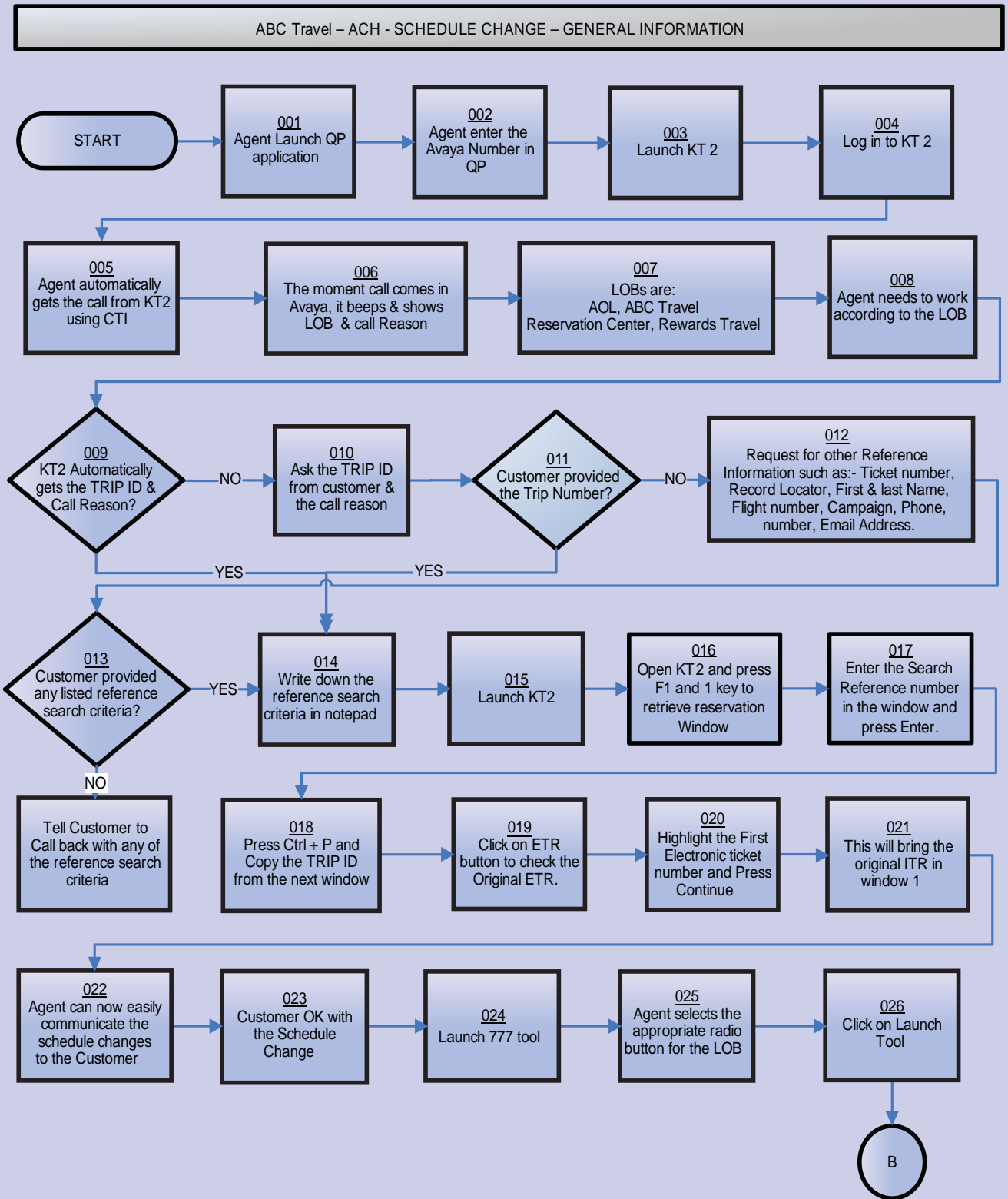
1. Nature of the process—is it significantly voice or has a good mix of non-voice steps?
2. How many applications are being used?
3. What is the level of automation?
4. How many agents are working on the process?
5. How deep is the client relationship, in terms of revenue, number of years of relationship etc.?
6. What is the level of application level integration?
7. What platforms are being used for the applications?

Our next step was to present our choices to respective business units and also provide them with our rationale. Final choice of process is not always based on objective criteria. It is definitely supported by initial objective evaluations, but finally business has to take a decision on choosing the candidate process based on how it is likely to impact their specific client and their future potential stronger relationship.

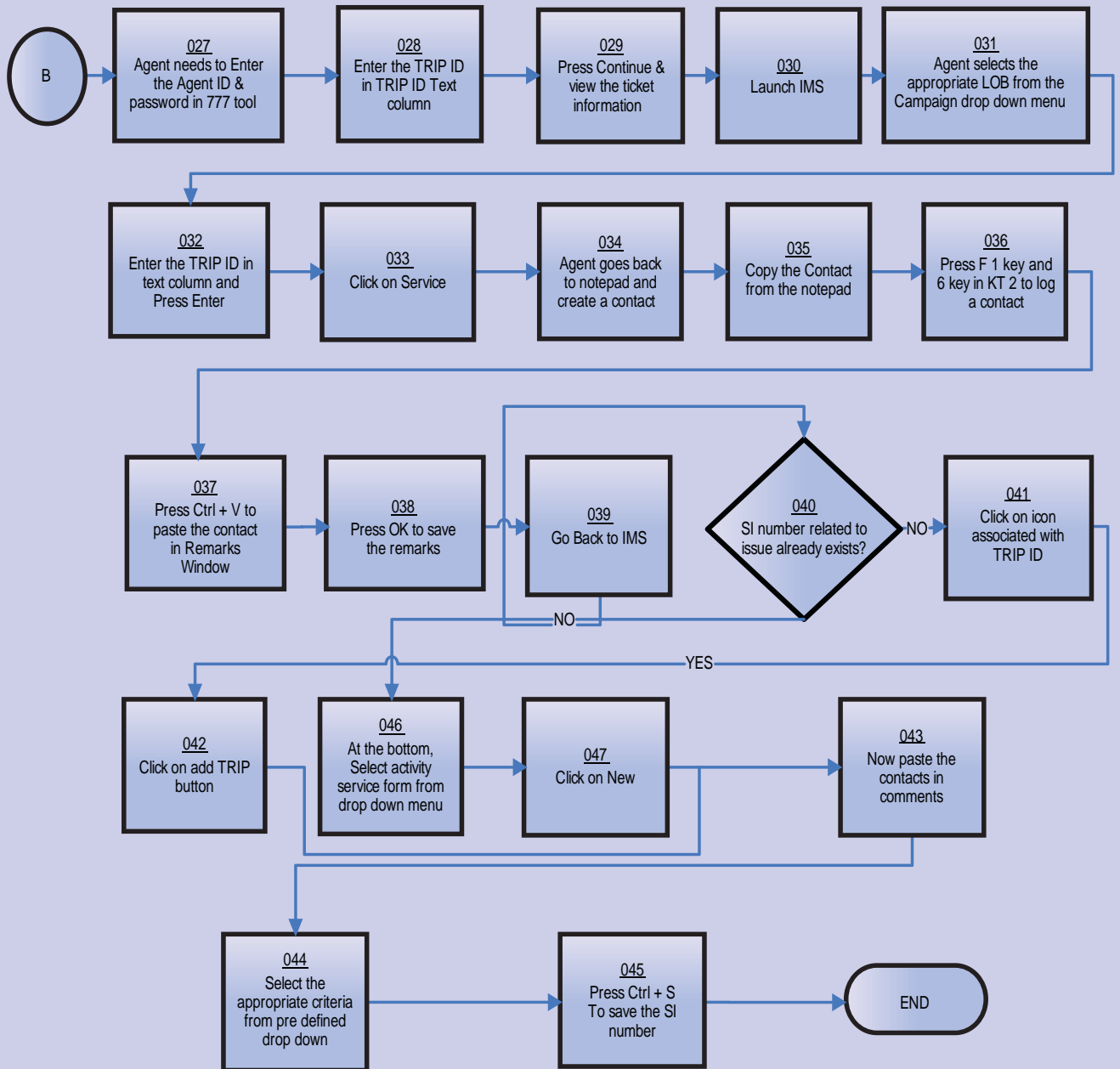
The process, we finally identified as the candidate process, (the process flow is depicted in diagram 1.1 and 1.2) is for Air Car Hotel Booking (Schedule Change) for a large multinational travel company. Although the flow diagram captures all steps that are carried out by an agent (the person we receives a call from the passenger or a person who wants to make changes to an existing booking for Air, Car and Hotel. When a caller calls the listed number, the caller gets directed to an IVR (Interactive Voice Response) that guides the call to the appropriate agent.

An agent starts her day through signing into her system and launching appropriate applications that links her to a workstation (steps 1 through 4). When a call comes to her and she picks it up (steps 5 & 6), she already has basic information about the call like reason for the call as well as Line of Business (LOB—the business has multiple LOBs and they are AOL, ABC Travel, Reservation Centre, Rewards Travel). Based on the LOB, she would have to choose appropriate actions. Based on the information provided by the caller and request, she would need to carry out appropriate changes, confirm the changes with the caller, record information on the system and complete the process through appropriate closure process (steps 7 through 45).

1.1: Flow Diagram of Sample Process—Part 1



1.2: Flow Diagram of Sample Process—Part 2



A look at this process flow gives us key information—

1. Every call leads to starting few applications.
2. She has to use multiple applications (KT2, 777, IMS, Notepad, MS Excel etc.) while on the call.
3. Some of the applications are even launched multiple times.
4. Same data is to be entered multiple times.
5. She has to switch from one application window to another many times.

What do we learn from these? We learn that there are non-value added activities that, if can be avoided, can lead to savings in time and effort. Let us look at some numbers, with few assumptions. If an agent takes 6 calls an hour and 70% of her time is actually spent with the caller and the balance time is spent on the system to move or process information, we have 18 minutes per hour being spent on systems. A reduction of 40% of 18 minutes would mean a saving of overall 12%. Thus average duration of a call will

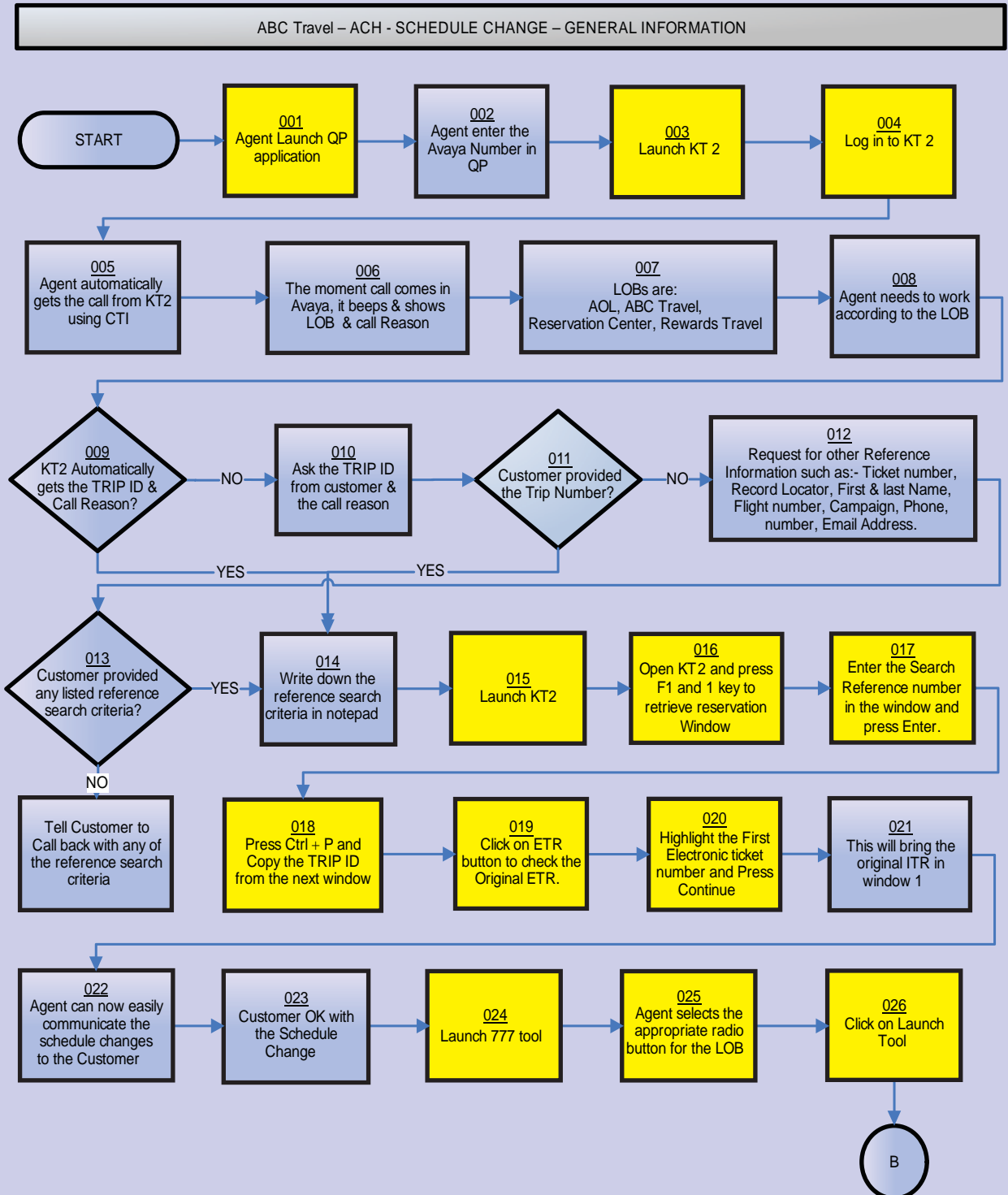
come down from 10 minutes to 8.8 minutes, leading to additional 0.8 calls per hour. This is direct benefit. Indirect benefits would include more satisfied callers, leading to better business and higher revenue.

In this case, we actually achieved a reduction in average call handling time by 22%. When we look at average revenue per hour in dollar terms, with the revenue pegged at \$18 /

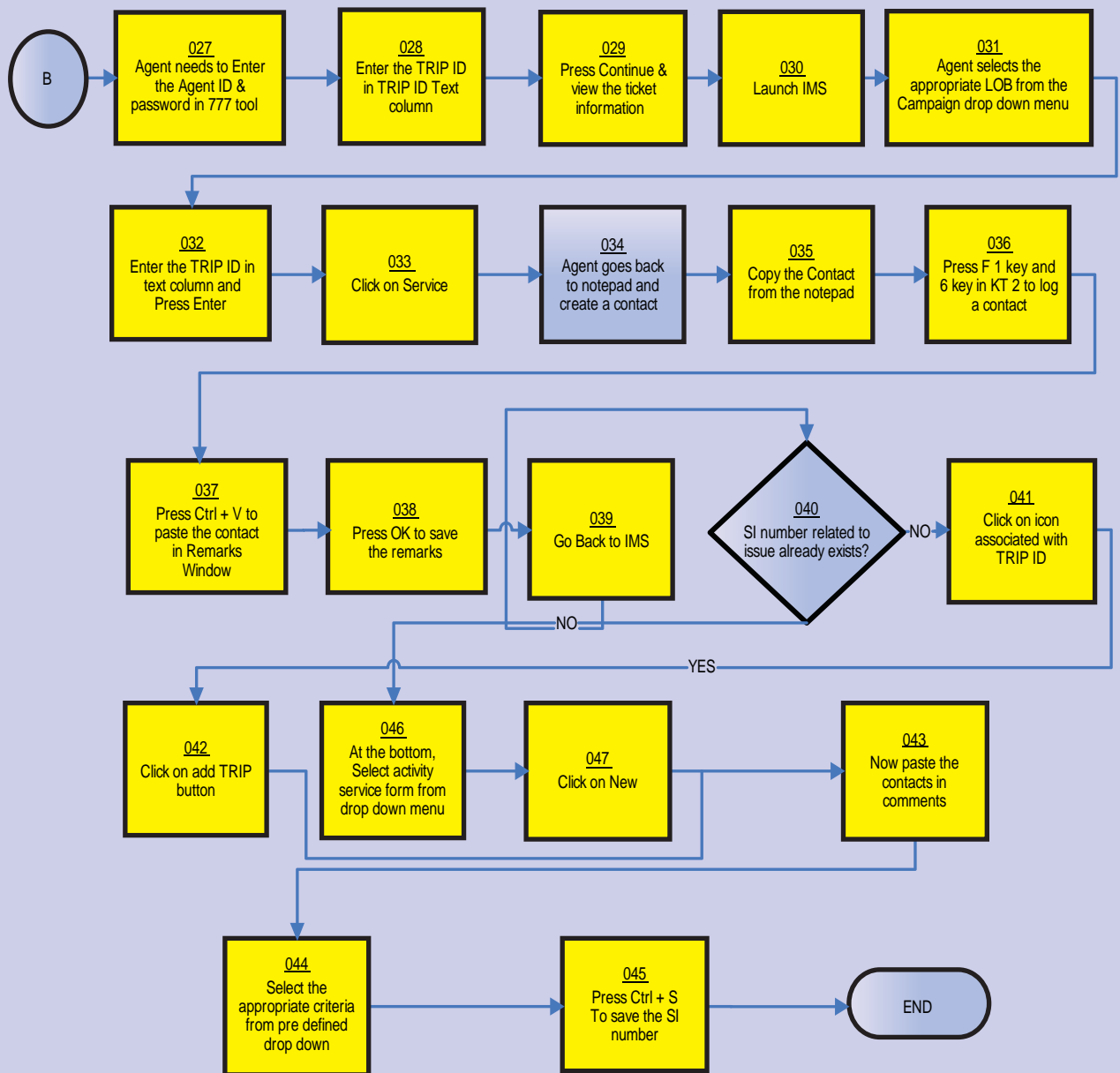
hour per agent, this translates into additional revenue of \$3.96 / hour per agent. The case in point had 800 agents for the process. The numbers come to—

No. of Agents	800
No. of hours in a month	176
Additional Revenue	\$557,568 / month

2.1: Flow Diagram of Sample Process with automated activities marked—Part 1



2.2: Flow Diagram of Sample Process with automated activities marked—Part 2



Of course, in order to achieve this we need to look at the cost of implementing such changes. The suggested changes can be carried out through appropriate change in the user processes, so that information once captured is automatically pushed into all the relevant applications. Secondly, if we can automate possible user processes, we can not only speed up the process, but also avoid avoidable errors. From information technology point, a part of this can be achieved through proper application level integration. Balance would normally demand application level changes. Both would require significant time and evolve large spends to achieve the objective. As requirements evolve with changing business scenario,

application level integration turns out to be achievable only up to a point. Ownership of the applications was also a challenge. As a BPO service provider, most of the applications are not owned by the service provider and cannot be modified. So, even though the route was expensive, it was not an option.

The diagram 2.1 and 2.2 depict what all sub-processes or activities were automated. All of them have been coloured yellow. It shows that in terms of number, most of them are getting automated. There are, of course, few other additional advantages.

To understand the additional advantages, we would also need to know a typical day for an agent. As the shift

starts, she has to “log in” to her computer through her “user id” and “password”. She will also have to start the process, as depicted in diagram 1.1 and whenever she leaves her station, she has to “log off” from her system. In a typical day, this log-in log-off process and initial applications launching happens at least four times (as you start the shift, 1st tea-break, meal break, 2nd tea-break), if not more. Secondly, if the system remains idle for more than a given time period, it automatically logs off. That also demands additional log-in. The automation process can also avoid such lengthy processes and provide automatic launching of applications, as she logs in to the computer. Thus she does not have to launch initial applications, every time she logs in. Here, although there will be time savings, but it also facilitates better work satisfaction for the agent, as she is avoiding non-value added processes.

Conclusion

Any performance improvement initiative ought to have an impact on cost of goods / services in relation to revenue. While we observe in the above case, we focussed on improving delivery cycle time, leading to opportunity to earn more revenue, it also improved cost of service delivery. In a service industry, cost of attrition is very high. It not only leads to increase in cost of recruitment, it also contributes to higher cost of training, loss of productivity and a domino effect on employee morale. It has been observed that “boredom” on the job is a contributor to attrition and removal or automation of “non value added” processes can help in optimizing “boredom” factor, along with contributing to better margins. The process of performance improvement is a continuous process and has to be revisited again and again. Fresh pairs of eyes and ears are important factors to identify opportunities for improvement, along with ROI for such investments on performance improvements.