



Systems Evolution, Inc.

Business & Technology Consultants



Process Holes – The Risks and Rewards

Presenter – Rudy Gottschalk

August 17, 2011

Presentation Topics

- ① What are Process Holes?
- ① Incremental Process Improvement vs. Big Picture Changes
- ① Characteristics of Process Holes
- ① Identifying and Repairing Process Holes



“Safe” environments can become unexpectedly disastrous...

Process Holes can Cause Collapse



Sinkholes Swallow Homes, Businesses and Cars

What are Process Holes? –

The “invisible”, real, unidentified dangers which can create...

- ⦿ Sudden Unexpected Collapses or Major Failures
- ⦿ Poor Performance Caused by “Little Picture” Thinking

They are not...

- ⦿ Incremental Process Improvement Issues

We are becoming far too familiar with the word...

“COLLAPSE”

- ⊙ Housing – “what’s in it for me?”
- ⊙ Banking – 25 people destroyed AIG
- ⊙ Economic – wealth creation through debt

In our work world Project Holes can result in...

- ◎ Projects overdue and over budget
- ◎ Projects that don't deliver
- ◎ Organizations that don't perform well



A media company was experiencing cash flow and revenue issues. Everyone was working long hours and acquiring more clients was not an option. Incremental cost savings would not make a significant impact on cash flow.

Process Holes are Typically “Big Picture”

- ① “Big Picture” thinking revealed that time and billing were not being handled properly
- ① Media buyers completed their billable hours at the end of the month – it was impossible to accurately bill hours
- ① Daily client billing record keeping was implemented
- ① Media buyers resisted the change, but when revenues increased dramatically they became supportive



A custom manufacturing company was too focused on sales and production to review its health care costs. Net profitability was suffering.

Process Holes have a Major Impact on Profitably

- ① A focus on profitability instead of production was initiated
- ① Net profits amounted to 5% of total revenue
- ① Identical health care insurance was acquired with a significant reduction in cost
- ① The cost savings amounted to the equivalent of an immediate 20% increase in total revenue – at no cost!



An insurance verification firm wanted to expand, but couldn't afford the associated costs to increase forms processing capability.

Fixing Process Holes Requires a Willingness to Make Major Changes

- ① Analysis showed what clients wanted was information, not processing capability
- ① Forms processing was outsourced to a company with high-speed, low-cost processing capabilities
- ① The insurance company was able to expand its delivery capabilities ten-fold



- ⦿ Identify Your Core Business Issues, Not the Delivery Details
 - ⦿ What does the customer want?
 - ⦿ What is the result we are looking for?
 - ⦿ Why are we doing this?



⦿ Think New

- ⦿ If we were starting from scratch, what would we do?
- ⦿ If you were an entrepreneur starting your own business, how would you do it?
- ⦿ Would it be different than what you are doing now? Why?



⦿ Look Between the Cracks

- ⦿ Explore the handoffs between groups and departments.
- ⦿ What type of communication exists between groups in your business?
- ⦿ Organizational boundaries are replete with opportunities to miss the mark and frustrate business objectives.



☉ Think Collapse!

- ☉ If what is supporting you now (i.e. making you comfortable) went away, what changes would you have to make?
- ☉ Thinking creatively about worst case scenarios can help you understand ways to improve your current processes and help protect against future dangers.



☉ Explore with Freedom

- ☉ Encourage the idea that every idea is good. Be willing to explore them and see which are realistic and bring reward or reduce risk.
- ☉ Explore opportunities to learn from “fast failure”
- ☉ Does your organization encourage creative thinking? Does it explore new ways of doing business? Does it encourage its team members to share their ideas?



☉ **Soar Above It All**

- ☉ Move out of the weeds into the big picture and see how everything fits together.
- ☉ With the speed and demands of business today it is easy to stay heads down and not invest the time to look at the big picture.