



UNLEASH THE TIME & MONEY

Held Hostage in Your
Transactional Processes

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Every organization and process has waste. Waste from waiting, waste from hand-offs, waste from excess processing, waste from defects and redoing work... the list is endless. All of it costs a business time, money and opportunity.

Some of this waste is clearly visible and easily found, while some has become part of "the way we do things." However, the most insidious, and by far the most common, is the waste we cannot see.

Within payroll processing environments there are often common failure points that occur regardless of business size or industry. These failure points can have a huge impact on the bottom line, as processes become more complicated to accommodate them. Worse, people often walk by these failure points every day because they've become part of the landscape.

“We should work on our process,
not the outcome of our processes.”

Does your payroll process have expensive failure points? To find out, ask a few simple questions.

- When your payroll team receives vacation, termination, leave or new hire information, how much of that information is correct? How much arrives on time? At Ceridian Canada, we deliver payroll services to more than 40,000 Canadian businesses, counting more than three million employees, and our experience shows that only 70 per cent of information we receive is correct and less than 55 per cent is received correctly and on time.
- How much time do your people spend “chasing down” information that is missing or wrong? We’ve found that our payroll administrators spend between 1.5 and 3 hours every day trying to obtain correct information from clients and that each query involves up to three people. Delays can extend to as much as a week as people wait for replies and corrections.
- Does each discrete process step take only minutes, yet the entire process takes days or weeks to complete? Typical biweekly payroll processes consume 8.5 business days to process end to end in elapsed time. Yet, the actual time spent working on each step in the process is only about 2.3 days. The rest of the time is spent waiting for approvals, information, inspections, sign-offs, updates and corrections, or it is lost in inefficiencies.

To Find the Answers, Go to the Source

The trouble with most transactional and service processes is that the actual flow is invisible. There are no physical outputs to monitor or visible signs of where the flow may become delayed—or worse, create work that has to be redone. Nonetheless, a process is a process. The same techniques long proven in manufacturing and supply chain settings are equally applicable within the office environment.

The place to start is always the same—with the people who do the actual day-to-day work. As the process users, they understand all the internal interactions that affect that process and are aware of all the constraints and wasted activities that

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surround them. Furthermore, by involving the process users at the start and actively listening to their input, the ownership and acceptance of change is embedded at the outset.

Step 1: Draw a Simple Map of the Process

The benefit of a simple map is that it makes your otherwise invisible process suddenly visible to all and it becomes much easier to spot problems. This is a paper-and-pen exercise and should not require special skill.

1. Record where the process begins and ends.
2. Fill in the process steps between your start and end points. At each step pause and ask your team “what happens next?” until you have the outline of the process.
3. For each process step, estimate how long work may sit before someone can actually work on it. This is the wait time.
4. For each process step, identify how much work is waiting to be worked on. This is the inventory.
5. Estimate how long team members spend completing each step. This is the process time.
6. Have the team identify where in the process they end up doing things twice, how often this occurs, and where there are hand-offs for approval or inspection.

Step 2: Attack the Wait Time, Inventory & Hand-Offs

People can only do one thing at a time—other tasks have to wait. If there are delays in getting to those other tasks, there’s even more wait time. These increments add up. Imagine how much delay is happening overall, and what that delay is costing in dollars, time, lost capacity and opportunity.

- Are the delays simply caused by too much information arriving at one time? Determine where the data is originating and see if a change in timing of delivery or quantity is possible.

- Are the delays caused by hand-offs for approval? Quantify what the approval achieves. If it's only an inspection point, it is happening at the most expensive stage. Determine what errors the inspection is looking for, see where in the process those errors originate and correct them. If the approval is for resourcing or some other need, determine whether that approval could have been given before the process started.

Step 3: Address Rework

Rework is incredibly expensive and takes its toll not just in dollars but also in time, lost opportunity, employee morale and customer satisfaction. Compounding this are where those defects are found. If the process is heavily reliant on inspection and defects are discovered several steps away from where they originated, the cost of that defect has just gone up dramatically. The focus needs to be on prevention, not inspection.

- Do we capture the defects we find? If the answer is yes, sort that data by the most frequently occurring defects to establish quantity and top causes. This will help point to where defects are coming from so action can be taken. If the answer is no, generate a simple tracking system that allows any defects to be captured quickly and easily by the front-line staff without affecting their current workload.
- Are we checking for the right things? Work backwards. For each step ask, "What does the output of the previous step need to be for this step to be successful?" Document where you have gaps between what is required for success and what is being measured or managed. This data forms the basis of creating a new quality management system and process flow that is built around those output success criteria.

PROCESS AUDIT CHECKLIST
✓ INCORRECT INFORMATION
✓ BATCH PROCESSING
✓ WAITING
✓ NOT ENGAGING FRONT-LINE EMPLOYEES
✓ APPROVAL LOOPS
✓ INVENTORY (EXCESS DATA THAT CAN'T GET PROCESSED IMMEDIATELY)
✓ EXCESS PROCESSING, ENTRY TASKS, OR INSPECTION

Conclusion

No business has unlimited resources, so the ability to narrow down what's truly having the greatest negative effect is vitally important to pointing those resources in the right direction. By using the steps outlined here, you can engage the power of your people to make effective and rapid improvements. ■

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To learn more about increasing efficiency, attend the education session, "Payroll Lite: 5 Steps to Creating a Leaner Payroll Process," at the CPA's 2011 Conference & Trade Show, from June 7 to 10, in Edmonton, AB. Visit www.payroll.ca, under *Conferences*, for more information.