RATIONALIZATION OF PROCESS OLA

A Guided Framework to Achieve Operational Excellence

INTRODUCTION

Enhancement of process performance has become an important strategic objective for every organization. **As the response time is coming down with an ever-increasing need of customer centricity, developing agility is not "a good to have" option anymore, but has quite become a mandate now a days**. Over subsequent rounds of implementations of various process improvement initiatives such as modifying workflows, introducing RPA, optimizing manpower, conducting trainings etc., organizations often face several challenges in achieving further enhancements. Apart from these traditional options, organizations should also consider periodic review of existing Operational Level Agreement (OLA) of processes to identify scope for further optimization, making the process faster or providing necessary breather to a process.

In this paper, Avalon Consulting presents a guided framework to achieve operational excellence with rationalization of OLA.

QUEST TO ACHIEVE OPERATIONAL EXCELLENCE

Organizations across industries are in a quest of achieving operational excellence through improving its processes, making them more agile. Not only it helps an organization to *upscale the yield, but also smoother operation attracts significant customer goodwill*. In 21st century, organizations are leveraging the quantitative aspects of process performance from pile of big data, captured event logs etc., and the qualitative aspects such as surveys, feedback, interviews to assess end-to-end organizational process performance and identify operational bottlenecks to implement necessary remedials.

Performance analysis has become an integral part of Business Process Management (BPM) service. It is worthwhile to mention that standardization and documentation of business processes with defined Operational Level Agreements (OLA), process matrices, Standard Operating Procedures (SOP) and Process workflow helps an organization to benchmark periodic process performances and thus results in effective decision making to enhance overall organizational performance.

PROCESS OLA RATIONALIZATION

An Operational Level Agreement (OLA) is the internal agreement that organization defines for internal stakeholders to meet the Service Level Agreement (SLA, is an external agreement with customers).

With continuous performance monitoring and implementation of corrective actions over a period, processes become faster as compared its pervious state, leaving scopes for minimizing internal OLAs. *From an organization's perspective, the faster it can execute its internal processes, the faster it can address customers.*

But is it only about minimizing the OLAs, if the process performance improves over a period?

No. Amending changes in defined OLA structure is a complex activity, comprising of various factors that directly impacts the process outcome. Depending upon various process and people-oriented factors, OLAs can also be increased to enhance process efficiency by providing breather to the process.

BENEFIT OF OLA RATIONALIZATION

Achieve positive impact in Working Capital

Reduction of OLAs for the processes related to invoicing, helps an organization to improve its working capital. The faster the invoices can be ready, the faster it can be submitted to customers for processing payment – thereby ensuring a faster cash inflow.

Enhance customer satisfaction

Reduction of process OLAs makes the process execution faster with the assured quality. The faster an organization can execute its internal processes, the faster it can address its customers' needs, creating an enhanced satisfaction level among the customers. On the other hand, if certain processes are unable to deliver to the OLAs, and improvement initiatives cannot be implemented in the short term, relaxing OLAs can help in customer expectation management and reduce friction in customer relationships.

Improve organization dynamics and employee satisfaction

Increasing OLAs to provide some breather to the process helps in streamlining workflow by minimizing the process chokes. It helps to improve the organization dynamics by enhancing employee satisfaction.

To achieve a success in making business processes more agile through rationalizing process OLAs, organizations need to have a structured approach. It helps in defining milestones of completion as well as it enables an organization to focus their effort on reviving the processes having maximum impact on business. There are 4 broad milestones in a rationalization activity, creating a roadmap, as illustrated below :

METHODOLOGY

4. Action plan
Devise action plan as per defined priority and rationalization categories

2. Categorization
Processes are categorized on basis of a 2x2 matrix with help of the two comparison parameters as mentioned in step 1

3. Prioritization
Prioritize the processes under a specific category on basis of management's decision and its impact on business

1. Process analysis
Primarily two important insights are drawn from process analysis – comparison of OLA and CT and comparison of periodic CT trends

Figure 1: High level roadmap of OLA rationalization

As per Avalon's previous experience with multiple large-scale organizations, it has been observed that often *the organizations face challenges in process categorization and development of action plans respective to individual category.* As a result of this they incur significant delays in achieving faster and efficient workways, or at times the initiatives are put on hold. Either way, it impacts the business.

PROCESS ANALYSIS

Analysis of process performance provides deeper insights of average cycle time and process compliance, along with other performance indicators. Under the scope of OLA rationalization activity, primarily the periodic process cycle times are considered as an input. It is a best practice to consider the cycle times of latest 3 to 4 periods (eg. quarter, month etc., as suited for business). There are 2 key parameters that are required to be quantified:

Cycle time trend over 3 to 4 periods : Average percentage of change in cycle times between pair of subsequent periods quantifies the cycle time trends. A positive percentage change indicates an increase in the periodic cycle time as compared to its previous period and vice versa.
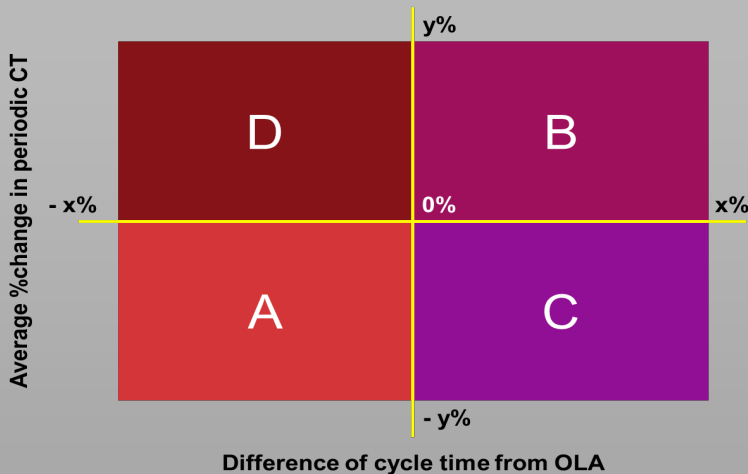
$$\frac{(CT\ Period\ B - CT\ Period\ A) * 100}{CT\ Period\ A}$$

%Difference of Cycle time from OLA : Comparison of the cycle time of current period with the defined process OLA quantifies the extent of difference between cycle time and process OLA. A positive

$$\frac{(OLA - CT) * 100}{OLA}$$

PROCESS CATEGORIZATION

Figure 1: Process Categorization and Prioritization Matrix (illustrative)

All the processes thus analysed, are subjected to further categorization to decide the different rationalization techniques (e.g., increase, decrease or maintain OLA) applicable for different categories. To categorize the processes, **Avalon Consulting has developed a 2x2 matrix using the two parameters as mentioned in the 'Process analysis' section.**

Four categories depending upon the combinations of two parameters, indicate the set of processes with similar KPI trends and thus helps in further prioritizing and devising action plans accordingly.

KPIs being selected to develop the Categorization Matrix and the threshold considered (in % terms) can be customized as per client requirement, nature of business and nature of process. Priority order as described as A, B, C and D can also be subjected to further modifications as per agreement with client.

PROCESS PRIORITIZATION

Logically, the categories A and B in fig.2, such as "CT>OLA with periodic CT degradation" and "OLA>CT with periodic CT improvement" respectively, are the favourable ones or the important focus areas. Because these are ones which show symptoms of process chokes (category A) and excess buffer in cycle time (category B). Under these two circumstances, the process OLAs could be subjected to further optimization or reduction respectively, and appropriate action plan can be formulated for each of the category.

For the other two categories such as C and D in fig. 2, normally it requires an additional observation period before making any decisive action regarding rationalization of process OLAs.

Designing an action plan of OLA rationalization for a certain category, is driven by multiple decision stages with pre-defined parameters at respective stages, as mentioned in fig.3. Criticality levels increases with each movement from left to right, as described in the figure.

ACTION PLAN

Priority: A

Designing an effective action plan for OLA Rationalization involves multiple decision stages with respective parameters to ensure comprehensiveness

Attribute

Processes CT > OLA, and periodic CT degradation

If not, then Decision parameter 1

If not, then Decision parameter 2

If not, then Decision Parameter 3

If not, then Decision parameter 4

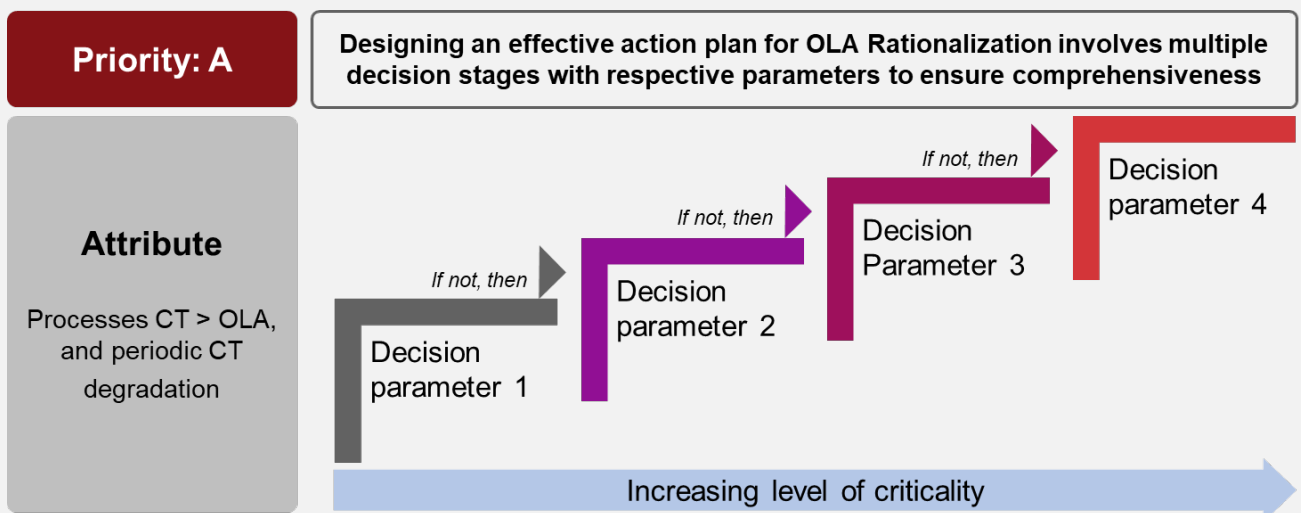Increasing level of criticality

Figure 1: Framework of designing an Action plan (illustrative)

As a pre-requisite of devising an action plan, the count of decision stages and their respective parameters are flexible in nature and defined primarily on basis of the nature of the process and management's objectives. It is important to note that the decision parameters thus selected should be mutually exclusive and collectively exhaustive in nature, to ensure comprehensiveness of the action plan. The decision-making process starts with existing scope of improvements or the quick wins. Once all the immediate improvement options or the quick wins are exhausted, the action plan should consider rationalization of process OLA.

For example, if process CT is can be improved by enhancing the capacity, it can be done by increasing the resource count or by implementing process automations with existing resource. There is no need to rationalize or change its OLA. But, once no such options are available for a quick fix, yet process needs agility, rationalization of existing OLA will be a good fit.
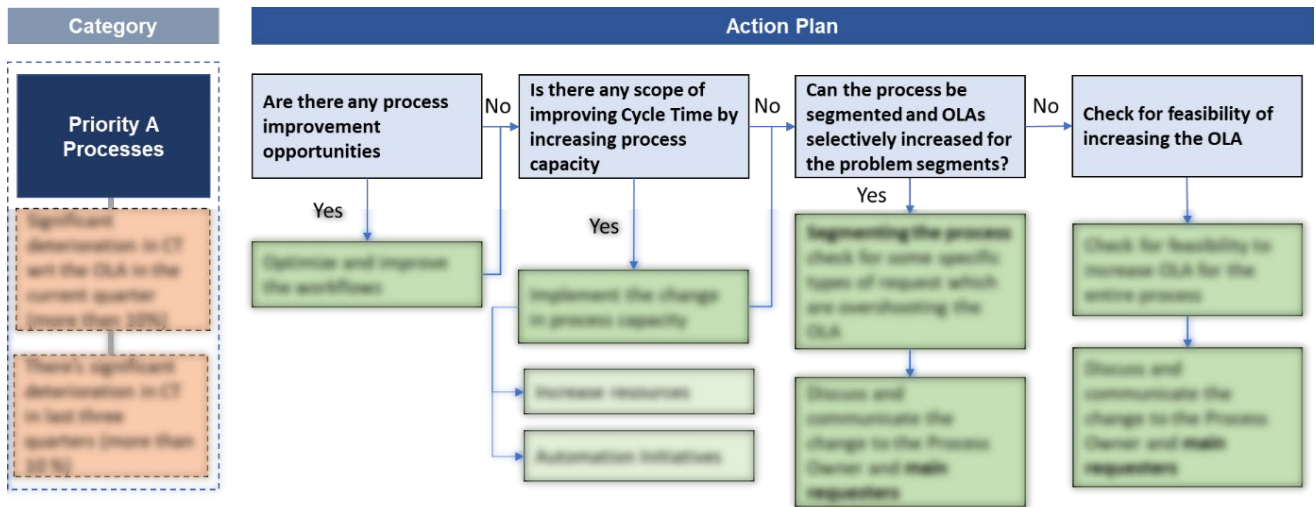

Figure 1: Action Plan of OLA rationalization (illustrative)

CONCLUSION

Process enhancements through traditional ways of improvements such as RPA, modification of workflows, building up additional capacity etc., have a significant potential of upliftment due to comparatively lesser turn-around-time. Apart from the immediate fixes, organizations should also focus to minimize the cycle time for their internal processes as they move along with process enhancements. It makes the organizational ecosystem more agile. Hence, a periodic intervention (half yearly or annually) to rationalize the process OLA structure is crucial. Ideally, such critical initiatives should be taken by the top-level management and cascaded down to individual departments, playing pivotal roles in processes. This ensures a greater extent of collaboration among stakeholders instead of working in silos and the initiative emerges with a prominent success.

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