

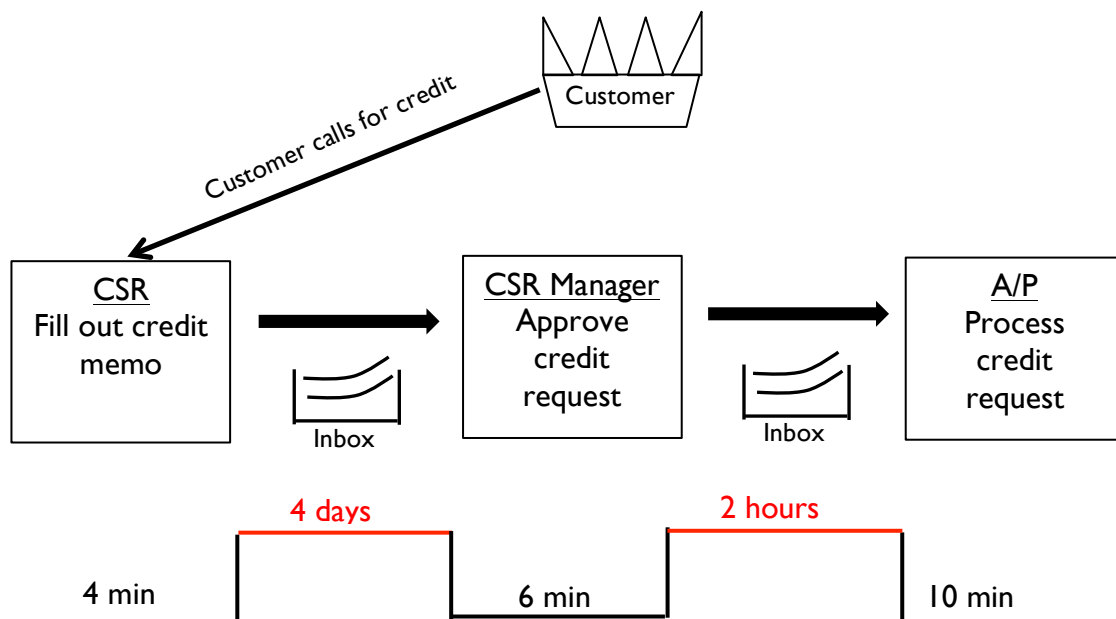
Technology (Usually) Isn't The Answer

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One of my clients has been struggling with the length of time it takes to process customer credits and claims. The lead time averages about four days, but it can take as long as seven work days. On top of that, they don't consistently close the loop with their customers by notifying them when the credit has been processed—only occasionally will the customer service rep call them. Usually, customers only find out that the credit has been processed when they call to check up or to place another order.

Originally, my client had been pushing for a technological solution. They wanted to replace the paper forms used for credit request with an electronic or web form. Unfortunately, this “solution” wouldn't have solved the problem of long lead time. Even worse, it would have taken a few weeks or a month to implement.

A value stream map revealed the real problem:

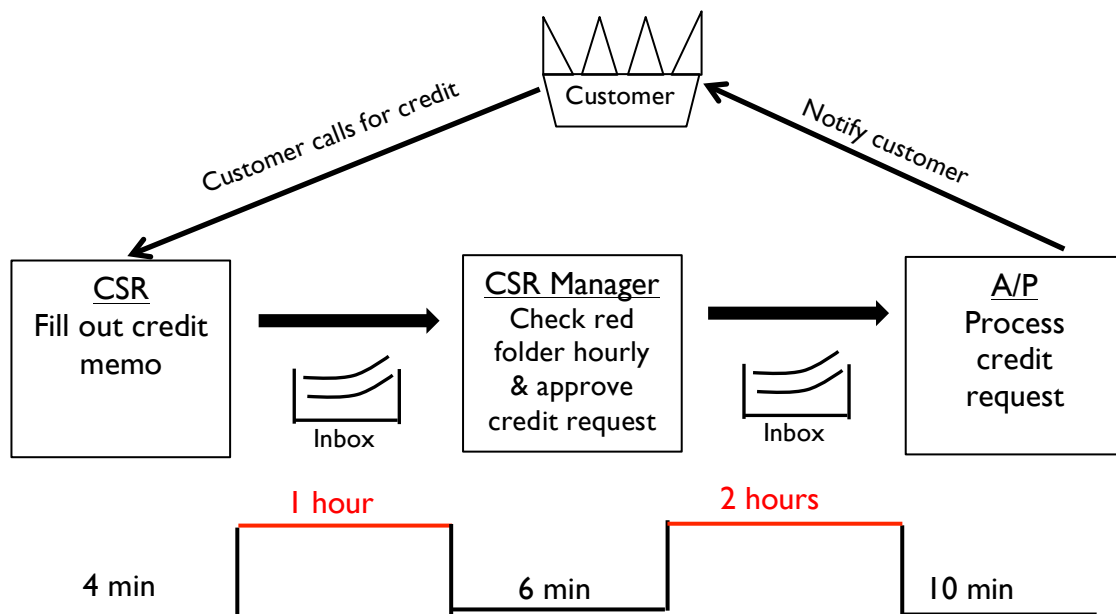


- Total process time: 20 minutes
- Total lead time: 4.25 days

Notice that the primary delay in processing the credits was due to the wait time for the customer service manager to approve the credit memo. The rest of the process was very fast. Moreover, the lack of follow up with the customer was due to a lack of communication

between A/R and customer service. Switching from a paper form to an electronic form wouldn't have addressed either issue.

The effective countermeasures were decidedly low-tech: first, to alleviate the burden of approvals on the customer service manager, they raised the dollar threshold that triggered the need for his approval. (In fact, those levels had been set years earlier when the company was much smaller.) Second, rather than dumping credit requests that needed his approval in his inbox, they were put in a special red folder on his desk, which he processed hourly. Last, the credit form was redesigned to include the customer's email address, so that the A/P department could email the customer directly upon approval, without having to go back to the customer service rep.



- Total process time: 20 minutes
- Total lead time: 3 hours

When confronted by an operational problem, we often jump to the conclusion that technology must be the solution. But more often than not, we don't really understand the problem, and technology serves only to make a broken process a little bit faster.

Take the time to [grasp the situation](#) first. Look for unnecessary handoffs and long wait times. Those are two common places where you can improve processes without using new technology. Once you really understand the problem, you'll be able to find a cheaper and more effective solution that's faster to implement.

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