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Find Rewards in Improving Your Processes

Avoid common mistakes as you adjust to market trends and seek business agility

Being in the mortgage-servicing industry isn't easy these days. Mortgage brokerages face a dismal economy, an endless sea of delinquent loans, and a steady stream of government regulations that seem to change daily. For mortgage companies big and small, the impacts of these realities include dramatically increased operating expenses and a frenetic work environment.

In all of this, what may be most disconcerting for many managers is ongoing uncertainty. Three years into this malaise, mortgage companies face a tsunami of delinquencies. This doesn't give many managers time to step back and address one of the most-important strategic decisions — managing growth and maintaining or regaining agility.

Regardless of the size of your company, to compete in this business climate you must continually improve the way you and your company work.

If your company is small, you might be able to make decisions quickly. You can change directions to outsmart and outmaneuver the competition, especially larger companies. If and when you outsmart the bigger companies successfully, your company likely will grow. As it does, you'll need to introduce and implement more rules.

In time, those processes become more complicated and add more layers to company operations. Some of those layers may no longer serve you. It's common for business rules that once served a company well to become burdensome and eventually cut down on efficiency and profitability. Companies that want to continue to succeed must regain their previous agility. Otherwise, they risk imploding from excessive layers of bureaucracy, bloated operations

and outdated systems.

The warning signs of a serious need to examine business processes vary, but the most-common signs include the following:

- **Constantly changing business strategies** without key stakeholders' feedback, sometimes accompanied by miscommunication between different levels in the organization
- **Wide variation or inconsistent adherence to company processes.** It's not a good sign when the same business processes are followed to varying degrees between departments or when companywide policies are followed loosely — with some managers opting out altogether.
- **Excessive bureaucracy**
- **Regular budget misses** in either direction, usually because of incorrect or unreliable forecasting
- **Inconsistent service or performance levels,** another byproduct of inaccurate forecasts or metrics

If your company — or even just your department — displays these kinds of warning behaviors, it may be time to step back and look at your business processes.

The risks

Improving your company's operations can be complex. Business-process improvement (BPI) — aka business-process management — is the act of finding and fixing business processes or operations that represent an impediment to a company.

When done successfully, BPI can lead to tremendous business improvements and greatly enhance your company's fiscal future. It can be one of the best ways to reduce costs, increase profits and ultimately regain your agility.

Then again, BPI can fail. This occurs

when BPI projects don't return the expected savings or profits, exceed their budgets, and take longer than expected. Many variables can derail a BPI project and cost you time and money. The cost of failing at any enterprise-level project is significant and includes the following:

- **Lost opportunity costs:** The time and effort spent on this project could have been spent elsewhere. This cost is incalculable and can't be recouped.
- **Money spent on additional resources:** This includes overtime, temporary workers, additional equipment, consulting fees, etc.
- **The impact on future efforts to improve operations:** Your next BPI project could suffer because employees will remember the last fiasco and be reluctant to get involved in another project.

To avoid failure, managers who undertake a BPI project should know what the most-common mistakes are — and how to prevent them.

10 common mistakes

The lack of success of many BPI projects can be attributed to one or more of the

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following mistakes:

- 1. Lack of executive sponsorship:** The most important thing when implementing a BPI project may be to ensure that there is a clear executive sponsor who will champion the effort and remove impediments.
- 2. Lack of buy-in:** Change can be painful, so expect resistance. For that reason, it's crucial that everyone from senior management to low-level staff fully buy into the project.
- 3. Selecting the wrong process or business function:** Choosing the right process isn't always easy. You may want to address the process with the greatest return, or you may choose the easiest one to create project momentum. Many important business functions can't be measured, and a process that can be measured may not be important. All potential BPI projects should be judged according to business importance and ease of implementation.
- 4. Failing to understand the role of information technology (IT):** Your IT department is neither the silver bullet to improving operations, nor should it be excluded from the process. The mortgage business depends on information, so your IT department will likely be involved in most or all of your key operations.
- 5. Setting unrealistic goals:** Don't try to do too much too soon. Projects tend to be more successful when you break them into smaller, more-manageable parts.
- 6. Outsourcing the entire project:** You may want to use a consultant, but chances are you don't want to hand your entire BPI project over to a third party. If you're a senior manager, you must be actively and consistently involved in this project. Use consultants for their expertise and to fill in gaps.
- 7. Lack of methodology expertise:** Like any important business project, BPI requires certain skills and tools. There are many BPI tools and process methodologies. Research which may be best for your project and your company.
- 8. Assembling the wrong team:** The operative words for any BPI project are *clarity* and *balance*. To get an accurate picture of the process being improved, you need the feedback of people at all relevant levels. You don't want a BPI team with just managers or with just lower-level staff.
- 9. Failing to add necessary resources:** Expecting your employees to be actively engaged in a BPI project and to perform

their normal responsibilities without disruption isn't practical. In your project budget, include the cost of temporary workers, overtime, possible consultants and related expenses. If you don't, expect to see a decrease in company performance, the reason some BPI projects are discontinued.

- 10. Treating BPI as a single event:** Generally, managers who see BPI as a one-time endeavor either don't understand the BPI process or have been disappointed by previous projects. Successful companies understand the importance and benefits of constantly improving their operations.

BPI projects can be complex, even daunting. That, combined with the dismal track record of many BPI projects, can result in managers ignoring the opportunity to improve operational inefficiencies.

The current economic, business and regulatory climates only add to the complexity of BPI projects. They also make the potential rewards more significant. Mortgage executives who improve operations effectively can help their companies grow and keep them agile during these difficult times. ●