

GORILLAS THAT WE MISSED and other process improvement pitfalls – PART II

Avoiding the hidden costs of successful transformation projects

Last week we released the first part in a series on common pitfalls of automation projects. This time we explore the importance of strong human resource skills in process improvement and operational excellence projects.

HR Mismanagement: Putting the ‘sour’ into Human Resources

Human Resource management plays a crucial role in achieving operational excellence: learning, quality, teamwork and reengineering are all fundamental HR issues. Involving the HR department in transformation projects from an early stage, and encouraging them to attract and manage resources thoughtfully, may help avoid problems later on.

Sub-optimal matching of skills to jobs

We have seen this problem manifest in two ways: either companies employ a large number of unskilled workers to deal with high volumes of transactions, or – and this is something insurance companies are particularly guilty of – highly skilled staff are employed to perform ‘low value’ tasks.

The first case is a classic example of what happens in transformation projects where waste is eliminated from processes or more automation is introduced. High volume tasks that previously required the labour of multiple unskilled workers are streamlined, reducing the need for unskilled workers, but increasing the focus on more analytical, complicated tasks further on in the process. This may require a transformation of the staff profile – from unskilled to knowledge workers. Often, companies are unprepared for this, as they failed to align human resources with the work required.

In insurance companies, often the opposite happens. Highly qualified employees (e.g. actuaries or actuarial students) frequently spend a disproportionate amount of time occupied by relatively menial tasks such as data and table manipulation instead of more complex analysis. Similarly, managers are focused on cleaning and validating data instead of encouraging new business and instilling a culture of continuous improvement. Process efficiencies can be realised by aligning skills more closely with demand and ensuring skilled resources focus on value adding tasks. Unfortunately, these workers are not always prepared or willing to leave their comfort zones and take on these new roles, despite having the expertise to do so.

Involve HR from the start

This problem may be mitigated by involving the Human Resources department from the beginning of a project. MBE recently completed a far-reaching transformation project, which included a significant restructuring of teams. Senior management did not bring HR into discussions until later in the discussions and were reluctant to let us communicate with the affected teams without having a detailed plan in place leading to future state development being done in isolation, with no input from those teams. It was a chicken and egg situation – we couldn’t talk to the teams before we had a plan, but we needed their input in order to construct a detailed plan. In retrospect, a better approach might have been to agree with HR upfront on how to deal with process development. We found that once the channels of communications had been opened,

we were able to gather more information in a very short period of time than we had done in the four months of preparation preceding the announcement. Allowing open and honest input from the teams might also have allowed them to gradually prepare for their new roles, as the benefits of the improvements would be more obvious to them.

Be clear on job specifications

Resistance to change is part of human nature, and we have found this to be true time and time again. When processes change to become simpler, or allocate tasks in a more efficient way, workers often refuse to let go of tasks they are used to doing, even if they could be done better by someone else. For example, valuation actuaries may not want to relinquish their role of checking model points, even though this could be automated, or easily done by a less senior or less valuable resource. Again, this is where involving HR could help; not only by ensuring that the right people are employed, but also by continually reminding existing employees what they are being paid for. By having very clear job specifications from HR, and knowing what they will and will not be rewarded for, workers will be forced to let go of old structures. “But we’ve always done it this way” should never be the sole argument for preventing change. According to the Harvard Business Review^[1], “Constant change means organisations must create a healthy discomfort with the status quo... To thrive, in other words, companies will need to be in a never-ending state of transformation, perpetually creating fundamental, enduring change.”

Watch out for the next instalment of our series, which will examine how automation can unintentionally lock waste into processes...If you missed the first part about inflexibility stifling progress, catch up [here](#).

[1] <https://hbr.org/1998/01/a-new-mandate-for-human-resources/ar/1>