

## Chapter 11 CASE STUDY

## Section 6.0: Process Management

The Process Management section of the MBNQA criteria addresses how an organization designs, manages, measures, and improves key product and service processes. This section also focuses on how an organization designs, manages, measures, and improves key business and support processes.

The key goals of this section are to:

1. Examine the key processes of Remodeling Designs, Inc. and Case Handyman Services, specifically:
  - a. Product and service processes
    - i. Design processes, production processes, and delivery processes
  - b. Business processes
    - i. Nonproduct/nonservice processes
  - c. Support processes
2. Examine how Remodeling Designs and Case Handyman improve their product and service processes, business processes, and support processes.

This section was created by Luke Parks, Chris Dolan, Erich Eggers, Mike Cordonnier, and Donna Summers.



## Process Management Questions

1. How would you define *process management*?
2. What are your key processes?
3. Can you name the key processes involved in Remodeling Designs/Case Handyman, from the initial contact with the customer to the finished project and the customer's final billing?
4. How do you and/or your associates establish and retain an effective communication channel between yourself and the customer?
5. How do you measure your key processes to ensure that they are on schedule? During these processes are there any particular "milestones" established in order to ensure that everything is headed in the proper direction?
6. If an error occurs in one of your key processes mentioned earlier, what is your process to handle the error?
7. Does your organization use any particular strategies to facilitate continuous improvement? Any particular methods?
8. What is your process to set your job schedule? Do you use standard time data from past jobs?

9. What is your process to receive feedback from your employees, such as on-the-job problems? Do you use surveys?
10. Does your organization have a well-developed strategic plan for process improvement set for the future? If so, how do you fit in the picture as a leader, and how do you keep all members of the company aligned with this plan?

## 6.0 Process Management

### 6.1 VALUE CREATION PROCESS

Remodeling Designs and Case Handyman concentrate on the areas of customer satisfaction, communication with customers, communication with employees, hiring exceptional employees, and technological advances. However, current business practices do not allow for continuous improvement because in most cases the company's key processes are not clearly defined. When a process is not well defined, it cannot be repeated and the cycle times cannot be tracked, preventing Remodeling Designs and Case Handyman from reaching their fullest potential.

Remodeling Designs and Case Handyman put customer satisfaction above maximizing profits. This approach is both a strength and a weakness. With a better understanding of their processes and how to manage them, they will be able to enhance customer satisfaction while increasing profits.

#### 6.1a Design Process

The design process begins with the sales call and continues through preliminary plan development, preliminary budget preparation, project cost estimation, design finalization, material selection, scheduling, final budget preparation, and construction (Figure 1). Leaders of Remodeling Designs and Case Handyman realize that although a basic process can be carried over from job to job, every opportunity is unique. Due to the very nature of their business, customer requirements are different for each new job. The single most important purpose of the design process is to please the customer. The companies believe in taking a customer's dreams and turning it into reality. Remodeling Designs and Case Handyman concentrate on this goal and take advantage of opportunities to improve the design process. Recent software acquisitions have changed business practices for everything from labor cost estimation (Case Handyman) to interior decoration (Remodeling Designs). The new software also facilitates customer communication.

Remodeling Designs and Case Handyman can improve their design process by mapping the process, determining where non-value-added activities exist, and removing those activities. By comparing cycle time information from project to project, they can learn which methods are effective and which are not. Currently, because of their lack of a clearly defined process, cycle time information is not used to enhance process performance.



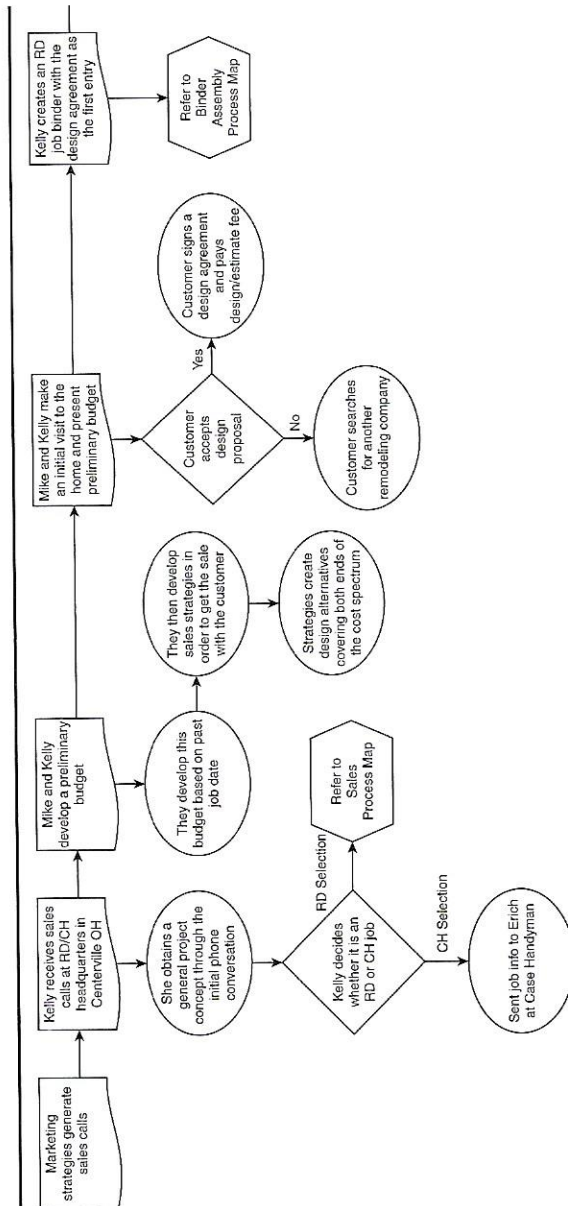


Figure 1 Design Phase Process Map

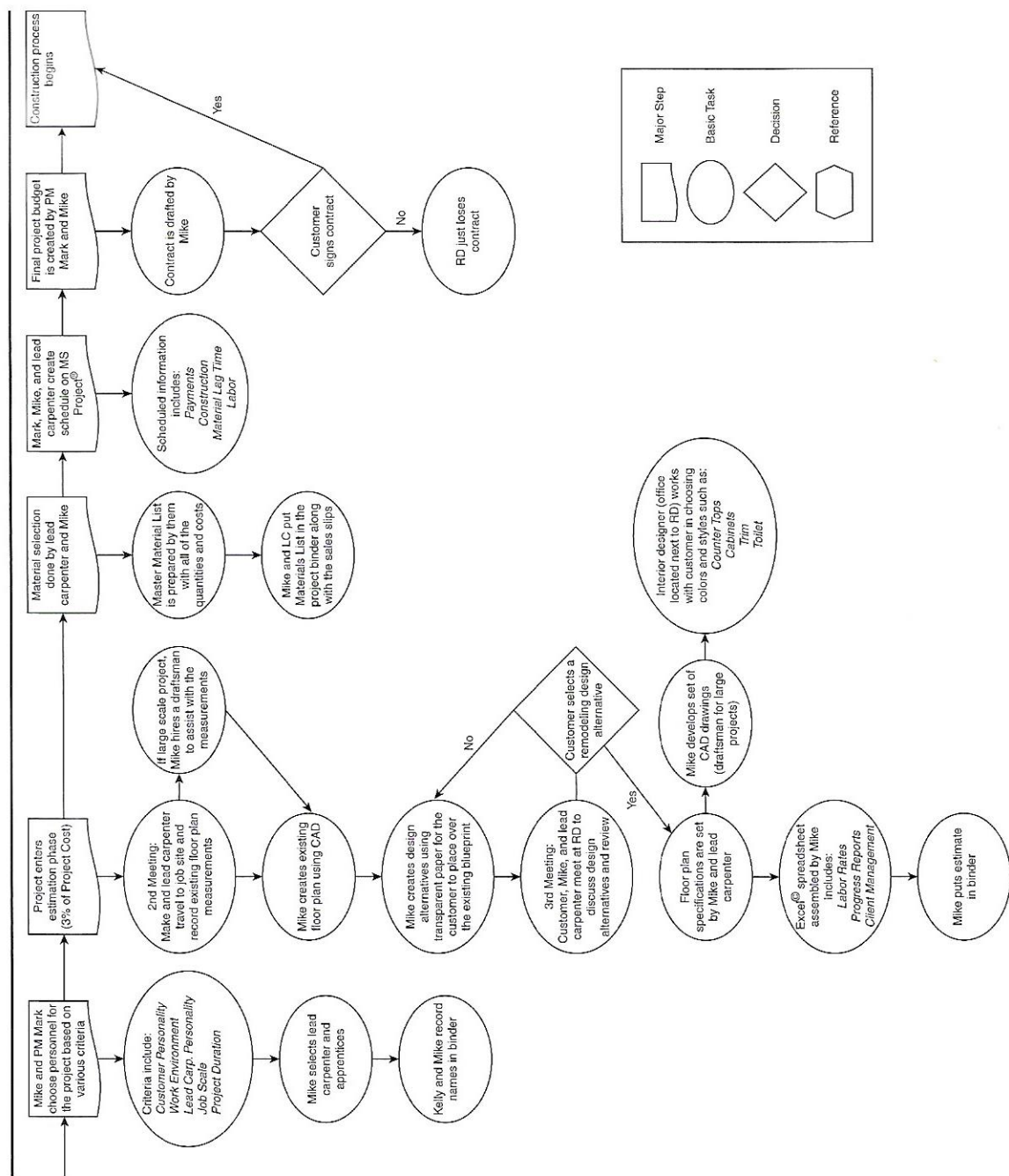


Figure 1 (continued)

### 6.1b Production/Delivery Processes

Key production and delivery processes include the assembly of the production binder, communication with the customer, budgeting and cost estimating, and scheduling. The key performance requirement is customer satisfaction. Several methods are in place to ensure the performance of these processes. Two-way communication with the customer takes place through the use of daily logs kept at the job site. These log books have space for the lead carpenter and the customer to leave notes to each other about questions and concerns (Figure 2). All employees are issued a cell phone and thus can be easily contacted during business hours. Effort is taken to contact the customer daily to keep lines of communication open.

Lead carpenters inspect the job site daily. Each Tuesday, members of the production team meet to discuss their project to ensure that it is on track. One area where Remodeling Designs can make improvements is in communication between lead carpenters. Since these individuals can learn a lot from one another about methods improvement, current business practices should be changed to allow for greater communication between lead carpenters working on different jobs.

## 6.2 SUPPORT PROCESSES

### 6.2a Business Processes

Business processes are one of the many strengths of Remodeling Designs and Case Handyman. Key processes include sales and marketing, billing, and warranty. Their sales and marketing techniques have enabled them to expand their influence in the market. The marketing of Case Handyman is done through two main avenues: the Yellow Pages<sup>TM</sup> and customer referral. Marketing of Remodeling Designs is primarily through referral. The key to the sales of both companies is communication with the customer. The customer is treated with courtesy, respect, and attentiveness. Marketing effectiveness is measured with surveys asking how the customers heard of Remodeling Designs or Case Handyman. The survey provides feedback as to which marketing techniques are effective and which are not. The marketing and sales processes have been modified based on this information.

The billing and warranty processes are not mapped and have experienced some difficulties. Customers pay one third of the estimated cost of the project before the project begins (when the contract is signed), one third when the project begins, and one third when the project has been completed. Completion of the project refers to satisfying the customer and intertwining the billing and warranty processes (Figure 3). Remodeling Designs goes to great lengths to make the customer happy, sometimes at the expense of their profit.

### 6.3a Support Processes

The main support processes are the communication between employees and the hiring of new employees. Remodeling Designs and Case Handyman are proficient in these two support processes. The communication process has one basic requirement: It must be a short process, with as few steps as possible. This requirement was voiced by both employees and



## Remodeling Designs, Inc. Daily Log

|                                                                                                                                                                                           |                                                                                                                                                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| Name: _____<br>Job Name: _____<br>Date: _____<br>Inspections: (P=Pass F=Fail)<br>Plumbing _____ Electric _____ Framing _____ Insulation _____ Foundation _____ Final _____<br>Other _____ | Conditions: Fair ___ Overcast ___ Rain ___ Snow ___<br>Temp.: 0-30 ___ 30-40 ___ 40-50 ___ 50-60 ___ 60-70 ___ 70+ ___<br>Other Observations: _____ |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|

| Labor on Site:  | Company | Name  | Time           | Total Hours | Work Completed |
|-----------------|---------|-------|----------------|-------------|----------------|
| Subcontractors: | _____   | _____ | _____ to _____ | _____       | _____          |
|                 | _____   | _____ | _____ to _____ | _____       | _____          |
|                 | _____   | _____ | _____ to _____ | _____       | _____          |
| RD/CH           | _____   | _____ | _____ to _____ | _____       | _____          |
| Employees       | _____   | _____ | _____ to _____ | _____       | _____          |

| Daily Safety Inspections: | Corrective Action Taken: |
|---------------------------|--------------------------|
| Hazards Identified: _____ | _____                    |
| _____                     | _____                    |
| _____                     | _____                    |
| _____                     | _____                    |
| _____                     | _____                    |

| Calls Made | Discussion/Results |
|------------|--------------------|
|            |                    |
|            |                    |
|            |                    |
|            |                    |
|            |                    |
|            |                    |
|            |                    |

|                                                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Homeowner Communications:</b> (selections, additional work authorizations, changes, etc.)<br>_____<br>_____<br>_____<br>_____<br>_____<br>_____ |
|----------------------------------------------------------------------------------------------------------------------------------------------------|

**Figure 2 Daily Log**

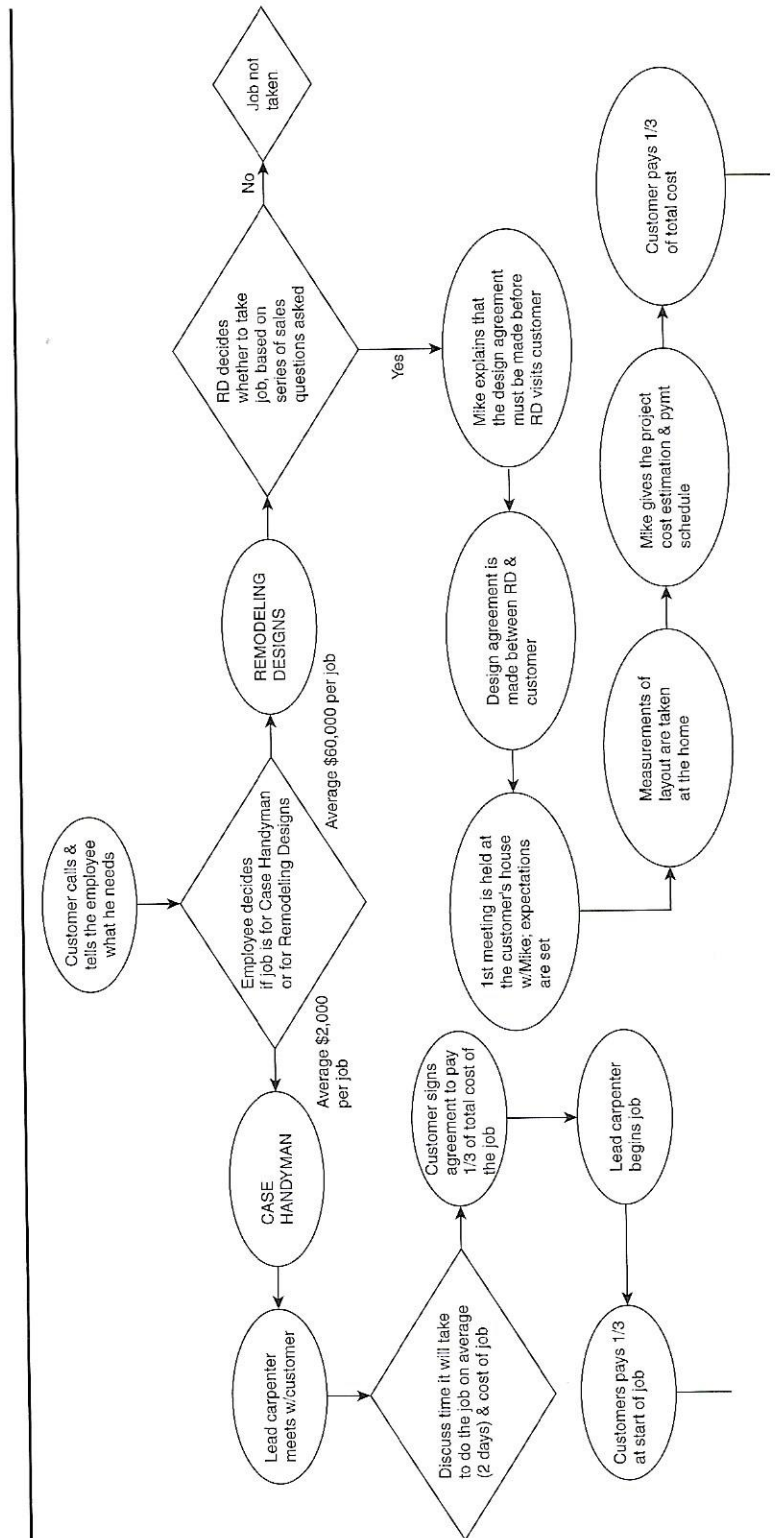


Figure 3 Customer Billing Process Map

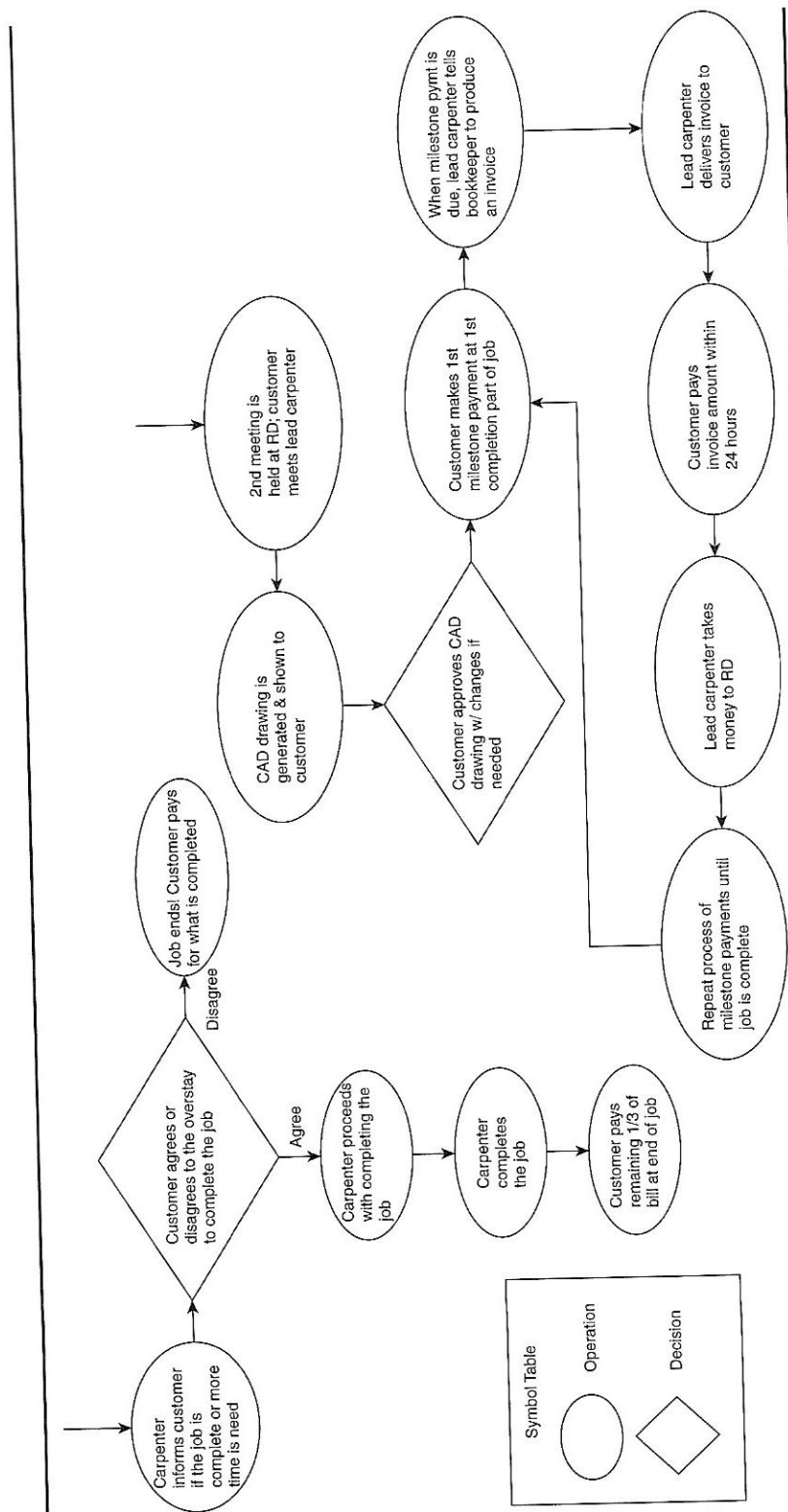


Figure 3 (continued)



customers. Employees utilize cell phones so that they can be easily contacted by fellow employees, the lead carpenter, or customers. The use of on-site log books also enhances the communication process.

Human resources is in charge of the hiring process, a critical process because employees at Remodeling Designs and Case Handyman have great autonomy in their jobs. The quality of the skills and the knowledge of these individuals is key to a great remodeling or repair job, and thus customer satisfaction. The hiring process is fairly standardized, but it has not been mapped or studied for improvement opportunities. A new employee "pitch" book is used during the hiring process. This pitch book explains the direction in which the company wants to head and the performance measures they use to evaluate their progress. It also provides succinct information about what Remodeling Designs and Case Handyman expect from their employees. Current employees participate in the hiring process. During interviews they are asked to evaluate the potential employee for both technical and social skills. Since the company is not large, everyone must get along. Each new employee has a two-month probationary period during which their skills and their ability to fit into the organization are judged. The hiring process is shown in Figure 1 of the Case Study in Chapter 7.

## Chapter 15 CASE STUDY

### Section 7.0: Results

The Results section of the MBNQA criteria addresses an organization's performance and improvement based on the results of customer-focused results, operational performance results, human resource results, and overall organizational effectiveness.

The key goals of this section are to:

1. Examine how Remodeling Designs, Inc. and Case Handyman Services measure their performance with the aim of achieving a high-performance organization in the following areas:
  - a. Customer-focused results
    - i. Customer satisfaction
    - ii. Product and service performance results
  - b. Financial and market results
  - c. Human resource results
    - i. Employee well-being, satisfaction, and development
    - ii. Work system performance
  - d. Organizational effectiveness results
    - i. Citizenship, production, and other measures of effectiveness
2. Examine how Remodeling Designs and Case Handyman improve their business performance.

This section was created by Erich Eggers, Mike Cordonnier, and Donna Summers.



#### Results Questions

1. What measures are critical to your ability to run a company? What absolutely must succeed on the bottom line in order for your company to be successful?

#### CUSTOMER-FOCUSED RESULTS

2. What levels and trends do you use to measure your critical success factors when dealing with customer satisfaction/dissatisfaction?
3. How do you compare your customer satisfaction with competitors' levels of customer satisfaction?
4. What are your current levels of and trends in key measures/indicators of customer-perceived value, customer retention, positive referral, or other aspects of building rapport with customers?
5. How do you measure your service performance that is important to your customer?

6. How does meeting your customer needs integrate into your business results as shown on your bottom line?
7. Has your improved ability to determine the needs and wants of your customers translated into improvements of the bottom line?

### **HUMAN RESOURCE RESULTS**

8. How do you give your employees empowerment—that is, the authority and responsibility to make decisions and take actions?
9. What are your current levels of and trends in key measures/indicators of employee well-being, satisfaction/dissatisfaction, and development?
10. How do you keep track of your employee-to-customer relationships?
11. Does your company have a reward system that reinforces customer-focused behavior? How does this show up on your business results?
12. Have your personnel policies and reward systems enhanced your performance as exhibited by the bottom line?

### **ORGANIZATIONAL EFFECTIVENESS RESULTS**

13. What type of process does your company have to ensure that it is focused on a continuous improvement cycle, prevention, and business excellence?
14. How does your company practice good citizenship? Is it reflected in your business results?
15. How do you measure the accomplishments of organizational strategy? In other words, if you completed a job a certain way and it was good, do you keep track of how you did it?
16. How do you measure the operational performance of key design, production, and support processes?
17. Overall, have your business results been used to measure the gap between what you said you would do and what you actually accomplished?

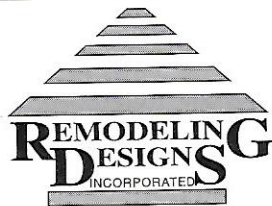
## **7.0 Results**

### **7.1 CUSTOMER-FOCUSED RESULTS**

#### **7.1a Customer Results**

Remodeling Designs and Case Handyman believe that there are four keys to excellent customer relationships: communicating with the customer, doing what they said they would do, doing whatever it takes to get the job done, and keeping the job site as clean as possible. They perform extensive customer surveys to measure customer results. Figure 1 shows the Valued Client Feedback form they use. Repeat business and referrals are essential measures of business results. Over 70% of their business is repeat or referral business. They often find themselves in a “noncompetitive bid” situation because customers are so pleased with their approach to remodeling and repair. They also use warranty claims as a measure of customer satisfaction.





Remodeling Designs, Inc.  
482 Windsor Park Dr.  
Dayton, Ohio 45459  
937-438-0031  
Fax: 937-438-0501

## VALUED CLIENT FEEDBACK

<<FirstName>> <<LastName>>  
<<Address>>  
<<City>>, <<State>> <<PostalCode>>

November 20, 2001

Dear <<FirstName>>,

Thank you for giving us the opportunity to work with you on your remodeling project. We take pride in our work and are constantly striving to maintain our high quality. Our company is guided by our Mission Statement:

*It is the mission of Remodeling Designs, Inc. to provide the highest quality, personalized and comprehensive design, planning and remodeling services to discerning clients in the Miami Valley. Building upon our already established reputation for service above and beyond the client's expectations, we will continue to demand the best of ourselves to ensure our continued growth and success.*

Would you help us by taking a minute to answer the following questions?

(5=Strongly Agree...1=Strongly Disagree)

|                                                                                            |   |   |   |   |   |
|--------------------------------------------------------------------------------------------|---|---|---|---|---|
| The Salesperson I worked with was knowledgeable and competent.                             | 5 | 4 | 3 | 2 | 1 |
| The Designer I worked with was knowledgeable and competent.                                | 5 | 4 | 3 | 2 | 1 |
| The Craftsman I worked with was knowledgeable and competent.                               | 5 | 4 | 3 | 2 | 1 |
| I felt I received a "good value" for my remodeling dollars spent.                          | 5 | 4 | 3 | 2 | 1 |
| Remodeling Designs, Inc. set realistic expectations of how my project would be handled.    | 5 | 4 | 3 | 2 | 1 |
| I felt I was treated according to the Golden Rule: Treat others as you want to be treated. | 5 | 4 | 3 | 2 | 1 |
| Remodeling Designs, Inc. "did what they had to do, to get the job done".                   | 5 | 4 | 3 | 2 | 1 |
| The overall remodeling experience, from beginning to end, was a good one.                  | 5 | 4 | 3 | 2 | 1 |
| I would recommend Remodeling Designs, Inc. to a friend.                                    | 5 | 4 | 3 | 2 | 1 |

We invite you to write additional comments.

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THE BIG  
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May we use your name as a reference on future jobs?

YES

NO

www.removedesigns.com • E-Mail: remdes@removedesigns.com

**We Design, Plan & Build Your Dreams**

Figure 1 Client Feedback Form

## 7.2 PRODUCT AND SERVICE RESULTS

Remodeling Designs and Case Handyman believe that their four keys to excellent customer relations contribute significantly to their business results. They are well placed in the market. Their product and service differentiator is that their clients want and their companies provide excellent service, unique design skills, and high quality. Remodeling Designs and Case Handyman have experienced very few complaints concerning the products or services they provide. They believe this is due to their judicious use of daily logs to maintain contact with their customers during construction on the job. The most frequent negative comment is that the job took longer than expected. They are engaged in continuous improvement efforts to complete the jobs more quickly at the same level of quality.

## 7.3 FINANCIAL AND MARKET RESULTS

To track their financial and market results, Remodeling Designs and Case Handyman utilize two measures: fiscal performance and project performance. Fiscal performance is indicated by gross profit and net profit. The cost of each job includes a gross profit of about 15% on each job and an additional 45% for overhead. Project performance is measured long term by tracking their repeat and referral rate. Over 70% of their jobs fall into this category; over one third of all new leads are generated from repeat and referral business. The average job size for Remodeling Designs is \$60,000; for Case Handyman it is \$2,000. They were recently ranked in the top 10% remodeling businesses by the National Association of Remodeling Industries (NARI).

In 1999, they won the Miami Valley NARI Contractor of the Year Award for Residential Bathroom \$30,000–\$60,000. At the same time, they won the NARI Contractor of the Year Award for Residential Kitchens \$30,000–\$60,000. In 1998, they won the National Remodeling Quality Gold Award for Companies under \$1 Million Volume, as well as the Miami Valley NARI Contractor of the Year Award for Residential Kitchens over \$30,000. In 1997, they won three awards: the Miami Valley NARI Contractor of the Year for Residential Interior Remodeling, the Miami Valley NARI Contractor of the Year for Residential Kitchens under \$30,000, and the Better Business Bureau Eclipse Award for Customer Service–Small Company. In 1996, they won three awards: the Miami Valley NARI Contractor of the Year for Residential Kitchens under \$25,000, the Miami Valley NARI Contractor of the Year for Residential Kitchens over \$25,000, and the Miami Valley NARI Contractor of the Year for Residential Interior Remodeling. They also won the Remodeling Excellence Award for Kitchen and Bath Remodeling in 1995 and the Miami Valley NARI Contractor of the Year for Residential Interior Remodeling in 1994.

## 7.4 HUMAN RESOURCE RESULTS

Remodeling Designs and Case Handyman measure their employees' satisfaction by using an Employee Review (see Figure 2 in the Chapter 7 case study). This review asks how the employees feel about their work, what they would like to see changed, how they would like to progress in their career and so on. Since they are a small organization, leaders are able to take the time to regularly communicate with individual employees to ask them how they



are getting on with their work and what improvements could be made. Employee satisfaction ratings are high and their turnover is essentially zero.

Remodeling Designs and Case Handyman are interested in employee development. They pay for their employees to take courses leading to Certified Lead Carpenter designation. After an employee has passed the course, Remodeling Designs pays him a \$100 bonus, as well as increasing his hourly wage. They are willing to pay for any appropriate courses at a college, adult school, or vocational school. Currently five out of seven of their carpenters are Certified Lead Carpenters. These efforts maintain a high level of skill within their workforce.

Employee performance is measured through the use of the Customer Quality Audit feedback form (which differs from the Valued Client Feedback form). These forms are considered to be the report cards for the lead carpenters, and they provide a "snapshot" of the carpenter's performance on a particular job. The carpenter's time spent on the job is also tracked as a measure of productivity.

## 7.5 ORGANIZATIONAL EFFECTIVENESS RESULTS

Remodeling Designs and Case Handyman have a greater focus on the customer than on their own business results. Their current effort to improve organizational effectiveness is focused on studying their processes to determine whether they can complete their jobs in less time. They hope to identify non-value-added activities and remove them from the processes. They have set a goal of 40% gross profit on a job; they are now at 37%. They are also studying their support processes to determine their effectiveness. Another process under study is the advertising process. Currently they spend 4% of their total income on advertisements in home shows, on television, on their website, through mailers, and so on. They are also investigating their suppliers to determine whether they offer the best price and timely delivery.

The companies' strategic planning process and deployment need to be reviewed. Although the companies have created an organizational strategy, they have not acted upon the strategy. Organizational strategy is critical to the life of the companies because they are still considered young companies in a business where companies fail easily.

## 7.6 GOVERNANCE AND SOCIAL RESPONSIBILITY RESULTS

Remodeling Designs and Case Handyman practice good citizenship by participating in a variety of community events. They sponsor local softball and baseball teams. They participate regularly in Christmas in April, a work project for people who are in need of home repair but cannot afford it. They took part in Rehabarama, a project in which eight homes were completely remodeled in an inner-city neighborhood in order to help start revitalization in the community. They are part of the National Ramp-A-Thon program, a group that builds wheelchair ramps throughout the community. Remodeling Designs believes in giving back to the community they live in.