

Retirement Benefits

How One State Agency Became a Process-Focused Organization, with Outstanding Results.

Orion has worked with government agencies in Michigan for many years. Because Michigan is one of the more progressive states in the country, we have consistently found our state agency engagements to be vibrant and productive. Whether setting up a strategic plan for the Department of Management & Budget, or developing a balanced scorecard for the Treasury Department, our work has been exciting and successful. One of our finest success stories involved our engagement with the Office of Retirement Services (ORS).



ORS administers pension — and in some cases health care — benefits for retirees of the state's multiple retirement systems. One of the country's largest public pension funds, ORS serves more than 550,000 customers — with a 150-person staff. This article describes the stages the organization went through to evolve into a process-focused organization.

Stage One: "Wow, Are We in Trouble!"

In early 1997, ORS leadership faced a daunting challenge. Quality of day-to-day service was low and complaints were frequent. Retirees struggled to get answers to their questions, and it often took months for pension payments and health insurance to start. The office's computer systems were antiquated. To make matters worse, the legislature had just passed an early retirement program — one that would end up having the greatest participation of any such program in any state's history. Further, a quick glance at the demographics indicated that the workload would be increasing 10 to 20 percent every year as baby boomers began to reach retirement age. The ORS leadership team realized that these developments would stress their organization's processes beyond their breaking point.

What to do? Heroic efforts, self-directed teams, and frantic staff-borrowing from other offices allowed ORS to overcome its short-term problems, but it was clear that a much more comprehensive long-term solution was needed. Some advocated spending \$30 million on new technology, but ORS leadership felt differently. They had learned two valuable lessons while they scrambled to meet their short-term challenges:

- 1) They could improve customer service dramatically if they put their minds to it; and
- 2) A focus on improving processes/systems would be necessary to meet the significant challenges they faced.

These lessons marked the beginning of a systematic process to unleash the potential of ORS processes and staff.

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Navigating Your Organization's Future

Stage Two: Establishing Customer-Focused Processes

The first significant step on their journey was to establish the three “R” initiatives: **Reorganize, Reengineer** and **Retool**. First, based on the success of cross-training staff in creating its Customer Information Center, ORS **reorganized**. Rather

than continuing to operate as four separate retirement systems with four separate staffs, it became one organization supporting all of its customers. The previous organizational structure had led

to competition for resources and uneven workloads; the new structure was based on

customer-focused functions (Customer Service, Operations, Finance & Administration, and Information Technology) that encouraged everyone to work together in pursuit of good customer service. No longer was it acceptable to provide good service for *one* retirement system; good service to *all* customers became the order of the day.

Next, ORS committed itself to **reengineering** the major processes across the new organizational structure. Reengineering had been successful in portions of the previous organization, but it was abundantly clear that reengineering was needed for the main processes that cut across the entire organization. The agency dedicated the next seven months to major reengineering efforts, including such key aspects as disability retirement applications, administrative hearings and employer reporting. Reengineering

was then made part of the corporate culture by training facilitators to work within their groups to improve processes on an ongoing basis. This resulted in the staff unleashing a wave of enhancements that could never have been achieved if driven by a top-down approach.

Once process management was integrated as a part of its culture, ORS began the process of **retooling**; providing the new technology necessary to support the organization. The agency studied other successful large information technology implementations and determined it would be best to think of retooling as an ongoing part of improving the organization's operations not as a one-time “project.”

To fulfill the organization's ongoing technology needs, ORS established the *New Foundation*, an organizational framework that established clear roles and responsibilities for all individuals involved in implementing technology. The *New Foundation* identified the process owners who are solely accountable for their process and the technology that supports it. The process owner works with a technology owner and a technology provider to form a triad that has one purpose — to successfully implement information technology. Metrics were established to measure the quality

and timeliness of technology implementation. The “Three Rs” were now complete, resulting in significant service improvements.

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BPM Systems: Evolving in the Right Direction

One of the most important lessons of the ORS success story is that process is paramount, not technology.

The hard reality is that most IT-driven solutions (EPR, SCM, CRM, etc.) fail to achieve necessary business results and sufficient ROI. That is because most implementations try to make business processes conform to the new application rather than leveraging technology to innovate superior business processes.

Now we see the latest technology three-letter word taking hold: BPM (Business Process Management) System. Is this just another fad or have the technology folks finally created a management system that can help deliver business success for the long haul? There is reason for hope.

IT research giant Gartner Group has proclaimed, “a process-managed organization is more about business transformation than about technology.” This perspective is reflected in the latest version of various BPM software tools such as those offered by Fuego, Proforma, Lombardi, Intalio and IDS Sheer. Gartner predicts this evolution will continue. Orion hopes so. If BPM systems can deliver the flexibility, information flow, agility and knowledge management needs for true cross-functional process management, the Third Wave of Process Management is about to become a productive and profitable reality for many organizations.

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Stage Three: Process-Based Organization

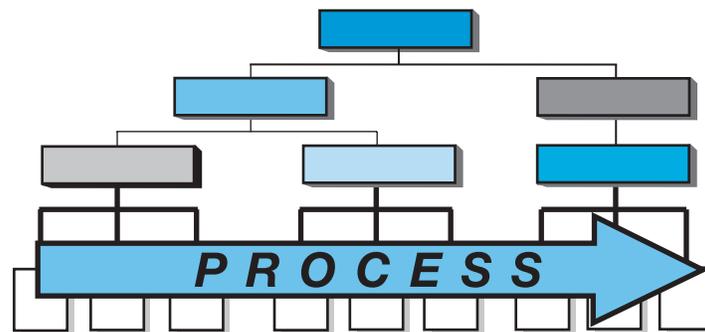
The establishment of customer-focused processes and a continuous improvement culture provided outstanding results for the agency. It was readily apparent, however, that dealing with the expected demographically driven increase of retirements would require even more change. To succeed the organization would need to become **process-based**.

“To those of us who had spent most of our careers in the public sector,” said ORS Director Chris DeRose, “a process-based organization was a new concept.” The premise of the process-based organization is that the entity’s most important aspect is its processes. Businesses that operate by process ensure accountability is in the right place, and that changes can be made quickly and at the right level. ORS realized that adopting a process-based approach would greatly facilitate its ability to reach its organizational goals.

The first step ORS took was to dedicate a full-time, four-person team to identify the 24 processes that made up the organization. The second step involved the appointment and training of Business Process Owners (BPOs); individuals accountable for all aspects of their process, including measuring their effectiveness. This key step placed accountability at the correct level. With the support of subject-matter experts, BPOs continually look to make their processes efficient and customer-focused.

The third step clearly mapped each of the key processes in an “As Is” format. This was followed by data collection through customer needs assessment and benchmarking other service providers. This approach enabled the agency to design future processes that could meet changing customer needs, accomplish the organizational objectives, and handle the increased workload — all without increasing the staff.

The final step taken by ORS to become a process-based organization was to restructure itself to support the processes and BPOs. Each cross-functional key process had a designated BPO looking out for process achievement while each function within the process provided subject matter expertise and ensured functional success. This approach led to several exciting benefits, not the least of which was being able to meet organizational service goals *without the expense of new technology*.



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Rutgers Changes from Process Management Certificate to Certification

Does a rose by any other name smell just as sweet on your resume? Rutgers University has replaced its Process Management Certificate Program with a Certification Program. The old program required completion of five process management seminars to qualify for a Certificate. The new Certification Program offers multiple tracks and requires fewer seminars. However, in order to achieve certification, a candidate must prove he or she has mastered critical skills by successfully solving a comprehensive case study. Self-assessment tests will also be provided for each seminar module.

This makes the new Certification Program more valuable to both individual participants and the companies that make the training investment. For more information, call Marge Ramsey in the Rutgers University Center for Continuing Professional Development at (732) 932-1458 x2239.

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Results

The benefits derived from the process-based focus have been spectacular. ORS has created alignment around shared goals with clear measures of process performance. They have also achieved an organizational flexibility that enables them to meet the needs of the customers as major legislative or program changes occur.

Documented results also include:

	1997	Today
First pension check	As long as six months after retirement	90% of retirees get first payment within 60 days
Health insurance	Up to three months before coverage was effective	Initiated on the retirement date 80% of the time
Customer service	Calls routinely misrouted and/or lost	85% of issues resolved on the first call
Written responses	Up to a year to respond to difficult issues	86% of written responses are issued within 10 days

Today, the retiree satisfaction rate for ORS is 90%; in 1997, satisfaction rates were not even measured.

This outstanding progress has not gone unnoticed in the industry. ORS has been benchmarked by more than a dozen plans from around the U.S. and the world, including state plans from Ohio, Maryland, New Mexico, Idaho, New Jersey, North Carolina, and Oregon. It is exceptionally gratifying for Orion to see such great examples of success, and we are proud and honored to have played our role.

Keep up the great work Michigan Office of Retirement Services.

Emerging Role of the Process Manager

Charlotte, NC	October 20-21
Dallas, TX	October 4-5
Orlando, FL	November 2-3
Austin, TX	November 8-9
Troy, MI	December 8-9
New Brunswick, NJ	December 13-14

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