

Enduring Benefits



How process-focused management continues to payoff for Michigan ORS

Since 2000, Orion has been pleased to recount how the Michigan Office of Retirement Services (ORS), one of the country's largest public pension funds, used business process redesign and cross-functional process management to overcome significant challenges, including poor service levels, outdated technology and insufficient staff capacity.

A decade later we are even prouder to report that ORS has continued to improve quality and efficiency in the face of new external challenges. This ongoing success is a function of the organization's process management self-sufficiency.

Before we get to the challenges faced and actions taken, here's the updated service "scorecard":

First Pension Check	As long as six months after retirement	90% of retirees get first payment within 60 days	91.7% in 30 days 100% in 60 days
Health Insurance	Up to 3 months before coverage was effective	Initiated on retirement date 80% of the time	97% initiated on retirement date
Customer Service	Calls were routinely misrouted and lost	85% of issues resolved on the first call	90% of issues resolved on the first call
Written Responses	Up to a year to respond to difficult issues	86% of written responses issued within 10 days	95% of written responses issued within 10 days

- ORS's administration cost is \$59 per active member and annuitant, below the peer median of \$79.
- ORS administers 4,125 active members and annuitants per full-time equivalent staff member. (This is well above the peer median = 1,724.)
- ORS's cost for paying pensions is \$7 per annuitant, 40% lower than the peer median of \$12.

Navigating Your Organization's Future

Enduring Benefits

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And these numbers will continue to improve because process management at ORS isn't the function of a one-time event (e.g. technology upgrade). It is part of the life blood of the organization. Indeed, ORS's website clearly states:

ORS is a process-based organization. Its leaders manage the processes that, working together, administer pension benefits. Each process has an owner who determines the goals and strategies, and a process leader who manages the day-to-day work of the process staff.

This process mindset has enabled ORS to continually improve performance and rise up to overcome operational hurdles. These hurdles included two retirement incentive programs in 2010:

Michigan Public School Employees Retirement Incentive

ORS received 17,063 retirement applications, more than three times the average summer volume. The highest previous summer was in 2005 when there were 6,275 applications. Customer contact increased dramatically during the incentive period. The flexibility of ORS's processes allowed it to shift resources, sometimes on a daily basis, to meet customer demands.

State Employees Retirement Incentive

ORS received 4,755 applications during the three-month incentive period, more than double the amount of retirements processed in a typical year. During the incentive period, ORS again shifted internal resources to accommodate increased customer contact.

How did process management get started and evolve at ORS? To explain the journey, we must take you back to difficult times in the 1990's.

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%-20% 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 its 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
- 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.

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.

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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 but 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.

Stage Three: Process-Based Organization

The establishment of customer-focused processes and a continuous improvement culture had 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. They are the crown jewels. 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 full-time a 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, executed with Orion Development Group facilitators, 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.

This outstanding progress did not go unnoticed in the industry. ORS was benchmarked by more than a dozen plans from around the US 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 that ORS' success in the early 2000's has continued into a new decade. Process excellence endures in Michigan!

Reorganize
Reengineer
Retool

Inside. . .

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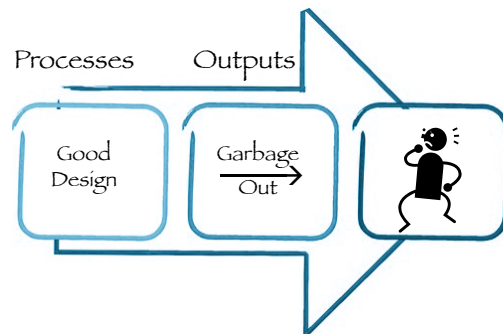
The System Map

*Your Shield Against
Garbage-On Garbage-Out*

This is your newsletter. . .

The System Map

Your Shield Against Garbage-In, Garbage-Out



One of the worst possible outcomes of a performance improvement project is a solution that delivers bad business results more efficiently. This can happen when an organization automates a bad process; it could also be the result of “fixing” a process that is undermined by bad inputs.

When a crime lab is slow to deliver DNA results because of incomplete crime scene data, the lab’s process isn’t broken. When a retirement system provides inaccurate benefits estimates because an employer misses its contribution deadline, the PERS’ process isn’t broken. When assembly team misses a deadline because its department is understaffed, the process isn’t broken. In these cases, streamlining or automating the process may do more harm than good.

The System Map is a great tool to help you determine the source of a performance problem before you open up the “black box” and reengineer the business process. It will help you find the fuel that is feeding the fire. To learn more about the System Map, read Orion’s article about Discovery Sessions (<http://odgroup.com/articles/which-process/>) or sign up for our [Process Mapping](#) seminar.