

## **Bureaucracy vs. Value-Add Process**

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What comes to mind when you hear the word bureaucracy? If like most people, your mind conjures up the image of a lumbering leviathan. A behemoth growing ever larger, absorbing everything and everyone in its path. A vast labyrinth of mindless human robots turning out mountains of paperwork (most for each other), performing almost no useful purpose, and all under the control of taskmaster-like managers. So ingrained is this concept that one would be forgiven to not know that creation of the modern bureaucracy was championed as a noble and worthy benefit to both business and the workers.

During my graduate business studies, I was in a class on business organizations (one of many such classes). Here I was introduced to the person now dubbed the Father of Bureaucracy - Max Weber. Mr. Weber, a German sociologist, created the concept of bureaucracy during the early days of the industrial revolution. His system was one that allowed for the organization of large numbers of people in a hierarchical system, with labor specialization and professional management oversight, to efficiently and equitably allow for large scale production.

Certainly, the ability to coordinate the resources of hundreds if not thousands of people towards a common objective is nothing new in history. As far back as the building of the pyramids approximately 4,500 years ago, the utilization of between 20,000 to 30,000 skilled and semi-skilled workers to complete such a colossal edifice could never have been completed in a 20 year period without Egypt having developed a well-structured division of labor and production control. It would be hard to imagine any modern multi-national company being able to function without the bureaucratic structures laid out by Max Weber so many years ago.

Well, something happened on the way to nirvana. The very benefits brought by the bureaucratic structure came with unintended side effects. Hierarchical control and ever more labor specialization tended to build worlds unto themselves. Corporate fiefdoms turn more towards fighting each other for power and resources than providing value for the customer (if anyone can even remember who the customer is any longer). The inherent complex structures formed demand ever more complex processes to administer. The connection between the processes being performed and the beneficial outcome they were once meant to produce becomes blurred. Over time these processes take on a life of their own, many no longer serving any useful function except to make work for other people in the bureaucracy. Attempts for a company to adapt to a rapidly changing marketplace becomes a Herculean task, as the very culture of the company fights against it. Change is met by employees chanting the motto: "this is the way we've always done things".

Bureaucracy, the force created for good, has certainly earned a dark reputation of waste, inflexibility and inefficiency. What has all this to do with value-add processes? Much indeed, the common tendency for an early stage growing company is to recoil at any thought of establishing processes. The very thought of establishing a process is immediately associated with bureaucracy, an evil that will stifle innovation and drive the business into a death spiral. In a classic case of throwing the baby out with the bathwater, entrepreneurs have misunderstood that

rather than processes being inherently evil, processes are your company. The definition I prefer is a value-add process is how the company can efficiently and repeatedly turn inputs into outputs that are delivered to your customer. Imagine for a moment that each time you needed to deliver a product or service to your customer you had to “wing it” in order to figure out how to make all that happen. You can likely see my point. Now for the \$64,000 question, what is a value-add process and how do you prevent the creep of stifling bureaucracy into your organization?

### **Processes The Right Way – Value Based**

In the early stages of your business your processes will be in an almost constant state of flux. After a period of time your team will begin to identify procedures that work. The best indicator of that is when people start doing the same basic process for each type of activity.

You should approach your building of processes with a Lean approach. This is more than just eliminating waste but insuring value. The only thing worse than doing something inefficiently is to do something useless very efficiently.

Take a holistic approach: Start with the big picture of your business. What do you need to deliver value to your customers (your outputs) and what raw materials are needed to create the value (your inputs)? Keep in mind that your customers may be internal to the company. That by itself does not mean the process has no value, providing the intermediate stage of producing output for an internal customer is an integral part of a larger process that delivers value to your end customer.

Keep your eye on the prize: Determine the end goal of the process, in other words why does it exist and what result is it expected to deliver? If you find yourself struggling to identify the value of a process that may be a clear sign that it may not need to exist.

Identify waste: Finding waste in a process is clearer cut when you have a physical product that you are manufacturing. Here waste is typically easy to see in the form of scrap, rework, and unused machine time. But the concept of waste is not limited to just manufacturing, service providers can easily have waste in their processes, and these are typically much harder to see. Such areas of waste to look for in a service process are:

- Transportation: unnecessary movement of data, files and even people.
- Waiting Time: are people waiting on inputs (produced elsewhere in the company from other processes) before they can begin work on their activity?
- Over-Production: producing more output than is needed to provide value for your customer. Think of reports created at set times that were once valuable, but now no longer are, yet continue to be produced as it's now become part of someone's job. If you have doubts that a process is providing any value, a good test here is to simply not do it and see if anyone notices. I've done this a number of times and typically found that no one seemed to care, and business went humming right along. That was one process that I then killed and spent my time on more valuable activities.
- Over-Processing: Here is where the dreaded bureaucracy comes into play. How many email chains, meetings, discussions, reviews are required to complete the task? Which should be eliminated to streamline the process without impacting quality, control or value?

- Defect: These are not just for manufacture products. Is the process so poorly designed that the outputs are fraught with errors that require rework? Typical examples are data issues across multiple systems. Sales may be using one tool that has data that isn't synched with tools used by production nor by finance. The results are multiple versions of the truth and many hours of non-productive work to sort out the right answers.

### **Lesson Learned**

I must admit, I don't like creating and documenting processes any more than you do. It seems taking the time to do all this can always wait, we're all real busy and everything is working just fine. Delaying getting your arms around your processes and documenting your key activities may not be intentional, but it sure seems to happen. Unfortunately, this procrastination becomes self-reinforcing, the longer you delay in process documentation while the business continues to hum along the less urgent the need feels to do so.

That's the trap I fell into. Several years ago, I had a real sharp employee who ran his part of the operations flawlessly. What a great situation, everything got done, done on time, done well, and I only had to do minor oversight. I didn't have a care in the world, until one day my flawless employee departed for another opportunity. In short order I realized that he was doing several mission critical activities that no one else in the organization had enough knowledge of to step in. Needless to say, I spent many weeks heads down working to rebuild and learn the processes to keep everything flowing. While I eventually resolved the issue, I learned a hard lesson in process documentation, and I never let this situation occur again.

There is good news behind this mundane topic of processes. No, you do not need to create documentation on every process in the company. Only your key processes require documentation. The guide for what constitutes a key process is as follows:

1. Single source: This process is performed by only one person and would be non-obvious to another person of similar skill to jump in and pick up the work.
2. Complex: a process that while may have multiple people involved, is so complex with so many inputs and outputs that a master flow chart and process overview with owners is required.
3. Mission critical: A process that if it was not performed, or performed poorly, the business would be materially impacted.

Once you have identified your key processes here are a few tools and examples to help in your documentation.

### **Process Tools – Daily Tasks**

The first tool is to have each person on your team create a simple outline of their routine tasks. Some of these will be activities the do on a daily or nearly daily basis. Others will be performed on a weekly or monthly basis. Each task item is identified with a priority code based on the impact to the business if completion is not performed on schedule. I have used these tools in multiple ways:

1. A gauge for me to assess the committed workload for each employee, and how much un-booked capacity exists for me to assign project work.
2. A checklist for the employee to ensure that all required activities are performed. I would typically review their activity checklist with them during our weekly 1:1 meeting.
3. Occasional review of the routine tasks to identify if any of them are no longer required or in need of update due to changing business needs.
4. When an employee is out of the office, I have a handy checklist to see which critical “keep the business running” activities need to be covered. Yes, at times I have had to jump in and cover for an employee unexpectedly out of the office. I was sure glad I had these checklists to see what I absolutely had to get done.

I have found the above to be valuable resources to both keep the business running efficiently as well as to not lose track of what each person is spending their time on. More than once I’ve worked with my staff to revamp existing process tasks, some were removed completely, and others modified. This is a sample of a daily task checklist:

## Daily Tasks

Name:	Date:
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Priority Ref.	Tasks	Completed	Status
A	Payroll Journal Entries and reporting	Bi-Weekly	In Process
A	Consolidated Financial Reporting (P&L/BS)	Monthly	Not started yet
A	Petty Cash Reconciliation	Weekly	Not started yet
A	Balance Sheet Reconciliations	Monthly	Completed
B	Back up for AP	As Needed	Notes provided to AP clerk
B	Transaction Detail by Account - all entities	Weekly/Monthly	Done
B	Exp by Dept Report	Monthly/Quarterly	Not started yet
B	Inventory Report and Reconciliation	Monthly	Completed
C	Special Project XYZ	End of Qtr	25% completed

**Priorities**

- A     Must do item on schedule. Business impact if delayed
- B     Should do items. Minimal business impact if delayed
- C     Would do items after completion of all due A and B priorities

### **Process Tools - Key Process Documentation**

While the Daily Checklist is a valuable tool to tell you what must/should be done, it doesn’t tell you how to do it. Of course, each employee becomes a specialist in their job and has honed their

processes, finally getting down to doing them from memory. The best practice is to have each identified required tasks to be documented by the process owner. While no one enjoys doing documentation, there are ways to make this less painful. A technique that was used by one of my employees was to build the documentation is real time as she was doing the process. That way she could do screen shots and paste them into her process documentation and not inadvertently miss any critical steps.

When completed each employee should have an online folder with each of their key process documentation files. Believe me, you'll be glad you have these for when the inevitable time comes that someone will need to cover for an absent employee.

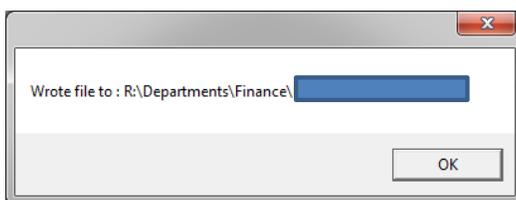
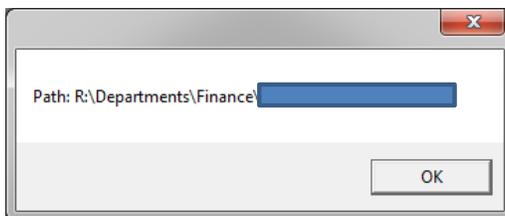
**Sample Key Process Documentation**

**I. Export Bills out of YYY**

- A. Log into XXX and in Report Window select xxx Export as Criteria.
- B. Select previous business day by clicking on the date on calendar.  
(On Mondays make sure to check Saturday, & Sunday for any bills)

OrderID	price	shipping	Freight	Total	orderdate	orderenddate	invoice number
7214061	11.3700	2.9500	2.3000	14.3200	01/22/2014	02/21/2014	MS0741200
7214149	7.8000	0.0000	0.0000	8.4000	01/22/2014	02/21/2014	K14617070
7215121	53.9000	0.0000	0.0000	54.0000	01/22/2014	02/21/2014	C37604100
7216902	98.9500	6.9400	6.2000	105.8900	01/22/2014	02/21/2014	MS0741500
7217011	17.9700	3.4000	2.7500	21.3700	01/22/2014	02/21/2014	C87604110
7217026	24.3000	3.7000	2.4300	28.0000	01/22/2014	02/21/2014	MS0741500
7218145	28.4500	0.0000	0.0000	29.1000	01/22/2014	02/21/2014	K14617000
7227632	47.4500	0.0000	0.0000	48.1000	01/22/2014	02/21/2014	MS0741540
7227633	31.0000	3.5000	2.9000	36.4000	01/22/2014	02/21/2014	MS0741500
7227789	41.0000	3.6700	3.0000	45.4700	01/22/2014	02/21/2014	K14617040
7227777	27.0000	3.0000	2.9500	30.0000	01/22/2014	02/21/2014	MS0741570
7229666	27.2000	3.0000	2.9500	30.2000	01/22/2014	02/21/2014	MS0747000
7231708	71.0000	3.9000	3.2000	78.0000	01/22/2014	02/21/2014	MS0700000
7231970	36.2100	3.0000	2.9500	39.2100	01/22/2014	02/21/2014	T01816100
7233002	33.8100	0.0000	0.0000	34.4000	01/22/2014	02/21/2014	MS0700000
7235976	9.9700	3.6700	3.0000	13.2400	01/22/2014	02/21/2014	MS0711200
7236154	110.2000	3.5500	2.9000	113.8100	01/22/2014	02/21/2014	MS0712100
7238780	53.8000	0.0000	0.0000	54.5100	01/22/2014	02/21/2014	MS0770000

- C. Once Date is selected Click on Export List on Right hand side of Report window.
- D. Click OK on the 2 windows that appear:



- E. The file is now ready for import into QuickBooks  
(This can only be done in single-user mode so it will be imported with the daily check imports)
- F. The next step can be completed anytime after the bills have been imported into QuickBooks.