Risk and Claims Management:

Mapping Your Key Business Issues

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One of the most productive tools that Lockton experts use when businesses face challenges in risk management or claims is process mapping.

While some consider process mapping to be cumbersome and require specialized software and expensive outside experts, it doesn't have to be that way.

When a risk management or claims team works with a trained facilitator to create process maps, the company's work processes and areas for improvement become clearer. Process mapping may be used to evaluate both insurable and uninsurable risk exposures, claims management, purchasing, and a myriad other processes. Mapping helps teams to understand their work and the work of others and to reach consensus about solutions.

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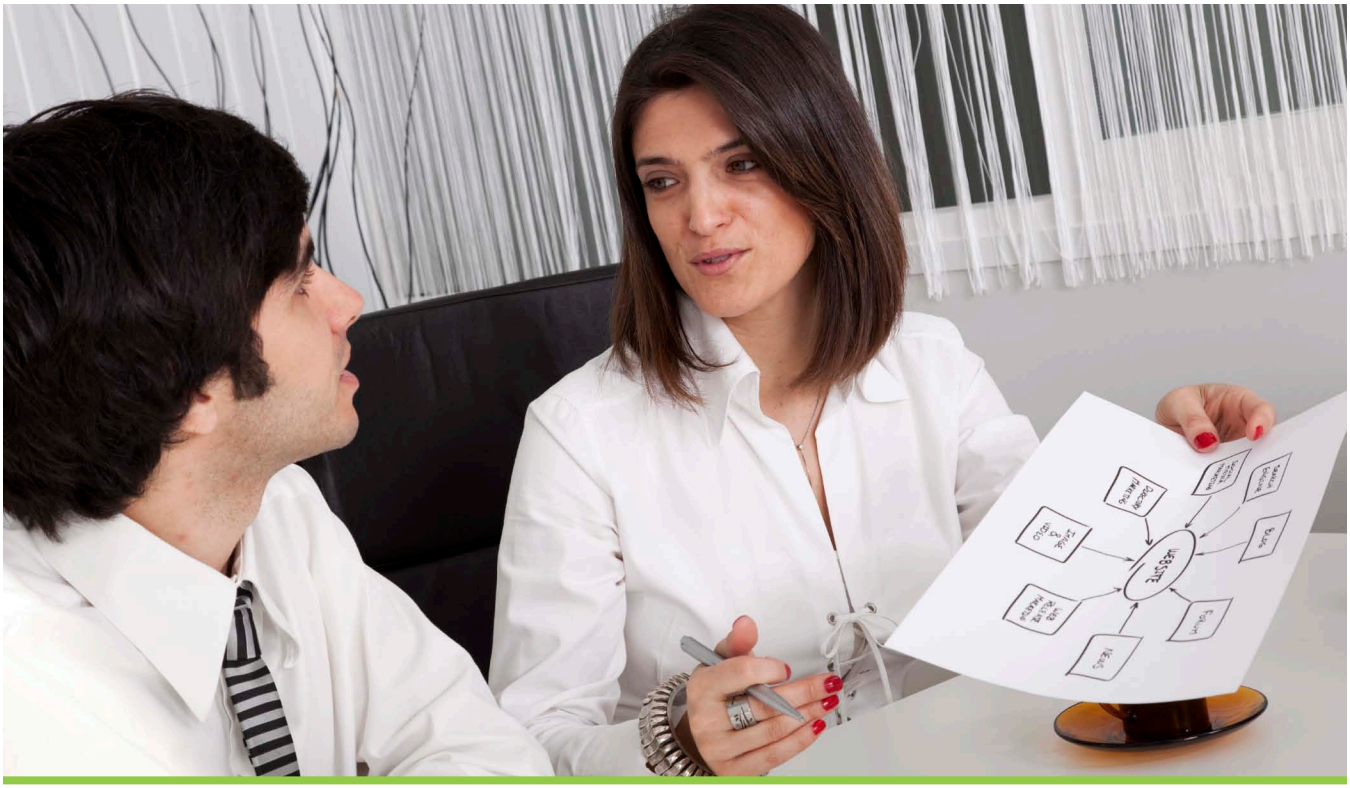


Example: Process Mapping and the Identification of Business Income Loss Exposures

As every risk manager is keenly aware, preloss analysis of business income and extra expense exposures is difficult at best. Since not all business interruption causes of loss are insurable, a crisis management or disaster recovery plan must take into consideration uninsurable loss exposures.

The number of potential business income loss scenarios is endless, from dependent property exposures, weather to operational bottlenecks. The potential for identifying bottlenecks, especially in production facilities, can become more obvious and invite a closer evaluation of alternative operational processes when the organization visually maps the entire production system.

Optionally, as part of a master disaster plan, the organization may wish to prepare contingent business interruption maps with numerous scenarios involving personnel disruption, physical loss from insured perils, loss of off-site utility services or facility closure due to civil authorities. The cause of the loss is irrelevant. The focus should be on the disruption caused by the loss.

Keep in mind that issues such as power failure are easily identifiable, but small events can bring an operation to a screeching halt as well. For example, expiration of operational permits, injunctions brought by communities for

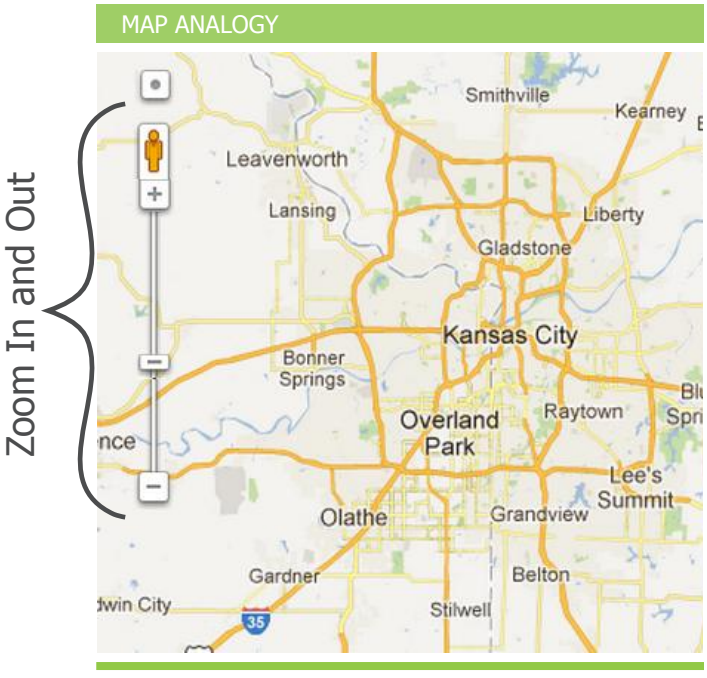
alleged pollution or the failure of a small fluid filtration system could all affect an entire production line. The process management team should attempt to identify all of the operational contingencies that affect an organization's processes. The results can support both the estimation of the minimum number of days of business interruption to be considered in the disaster recovery plan and business income and extra expense costs for calculating coverage limits. Again, all businesses face potential business interruption; not just production facilities.

Process as a System

A work process should be viewed from a systems perspective. It is a combination of parts (for mapping purposes, specific steps) that combine to produce a desired result. Any system can be viewed at multiple levels of detail. One can view it at a high level where it simply depicts an input and output. A coal-fired power plant for example takes coal in and produces electricity. You can view the process in a little more detail at an intermediate level, or for close evaluation, at the detailed level. Each perspective has inherent value. Think of a process map as you would a road/street map. If you want to know the quickest way to get from Chicago to Kansas City by car, you would want to look at a map of the entire US. Once in Kansas City, you would need to refer to a map of the city for greater detail to get to the downtown business district. Once downtown, you would need a street map for instructions on how to get to a specific address. With this analogy, you start at a high level and then zoom in and out based on your objectives. Process maps work the same way. It is helpful to build the higher level maps first and then zoom in (get more specific) where added clarity is needed. When you can incorporate the systems approach when mapping work processes, the benefits include:

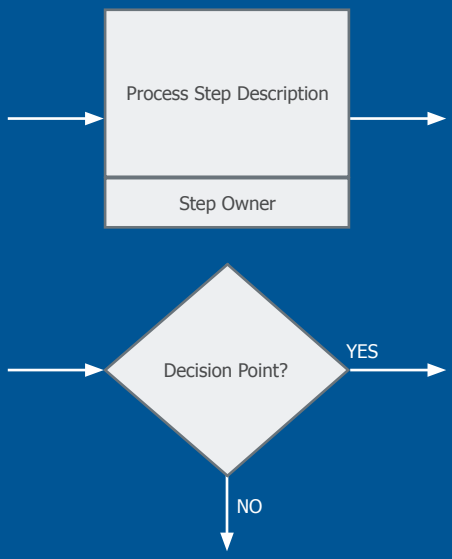
- The ability to show how everyone in the organization is tied to the process
- Using the process map as a tool to dive into the details even when people speak in generic terms
- Accommodating everyone's perspective or point of view
- Keeping the focus on the process, not the individual

MAP ANALOGY



Process Mapping Conventions

Keep it simple: boxes and diamonds only. One of the reasons process mapping has been shunned by many was the large variety of different shapes and symbols to build the process map for data, stored data, delays, documents, etc. Keep it simple by using boxes to represent steps and a diamond to represent decisions in the process. The focus on the process mapping needs to be on the process, not the tools you are using to capture it.



"Is" Versus "Should"

There are two ways that you can capture a work process. You can capture what "is" taking place and you can capture what "should" be taking place. If you were to build a process map from a procedure, you would be capturing what should be taking place in the process. If you capture the details of the process from the individual executing the steps, then you will be capturing what is actually occurring in the process. This is where you will find the value of mapping. While you may have an ideal end state for the process in mind, you must understand what actually is occurring now in order to get there. What you capture with the mapping process is that "is" and "should" become congruent.

Focus on the Three Levels of Detail:

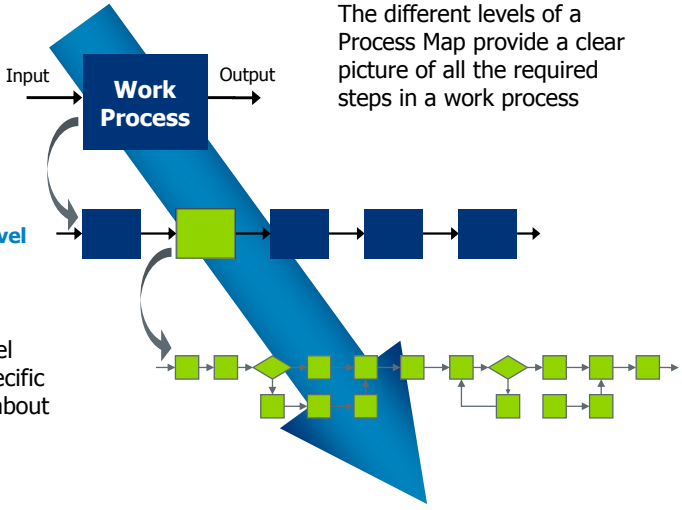
1. High Level: The most basic level of understanding—anywhere up to a dozen boxes that list the major process components
2. Executive Summary Level: Identifies major handoffs between groups or departments and the significant decision points within the process. Enough detail to understand the workings of the process, but not specific details.
3. Detailed Level: Captures the specific steps that an employee executes within the process. Capturing:
   - Step ownership—who is responsible for execution of each process step
   - Individual handoffs between steps—handoffs between the individuals executing
   - How handoffs are executed—e-mail, phone, verbal, etc.
   - Supporting tools, documents, forms used to execute the step
   - Decisions made within the process

Process Mapping

Capturing Knowledge

High Level

A Process Map always starts at a very high level



The different levels of a Process Map provide a clear picture of all the required steps in a work process

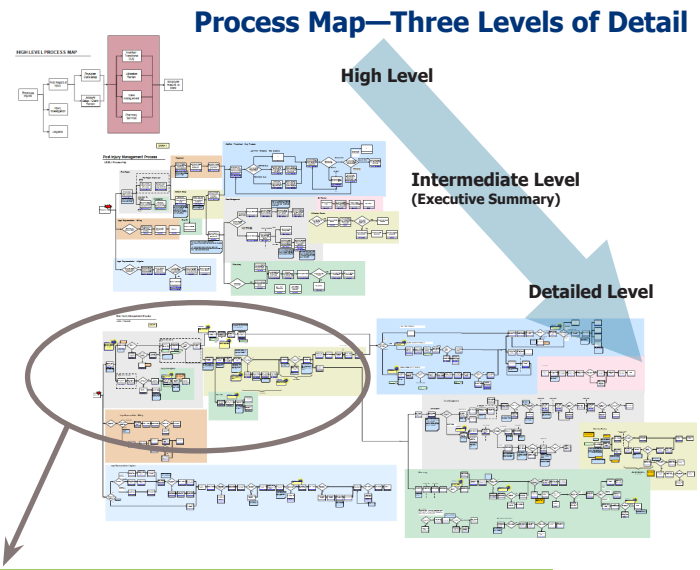
Detail Level

This detailed level requires very specific communication about steps and tasks.

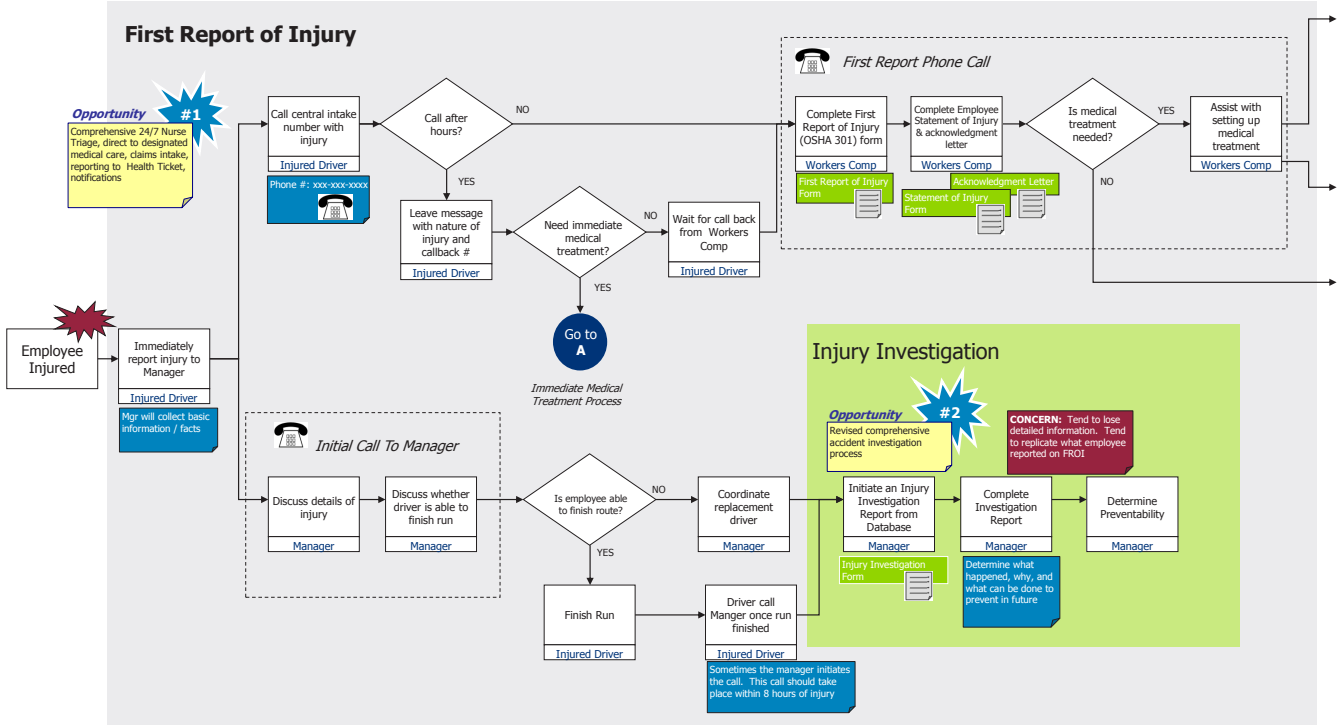
How Process Mapping Is Effectively Used by Employers

In its most simplified terms, process mapping is creating a visual representation of a process or work flow—whether it is existing or prospective. While the finished process map can and should be referred to on a regular basis for updating, management orientation and new employee training, or to validate a questionable procedure, its greatest value may be found simply from the development process—in the communication required to build it.

John Hansen, in a white paper written for *Procurement Insight* (2008-2009) titled "Using Business Process Mapping as a Communication Facilitator in the Global Enterprise," while speaking about the use of process mapping's internal versus external value for supply chain management, stated that process mapping is "not seen as a tool solely for analysts . . . but as an everyday technique for employees right across an organization." This is experienced insight from one with operational expertise. His point is well taken. Process mapping is a helpful tool to be used liberally by employees across the entire organization, regardless of specialization or training.



TRANSPORTATION CO. CURRENT POSTINJURY MANAGEMENT PROCESS WITH OPPORTUNITIES—DETAILED LEVEL PROCESS MAP



Regardless of the nature of the corporate department engaged in the creation of a process map, the creative steps are the same. Management and subject matter experts for the specific processes in which that department is engaged participate as a team in building the process. The team then invites subject matter experts from other departments where processes flow back and forth between organizational elements, teams or units, to validate their process interactions. Existing assumptions are dismissed and replaced with constructive fact-based procedures. Granted, some discussions may not always be calm and immediately helpful, but they typically end in consensus.

As mentioned above, where processes engage other components of an organization, it is both critical and of great value to engage the other component subject matter experts. What we have found with multiple clients by separating a process map into "subprocesses" and having all of the stakeholders, whether internal or external, focus on how they interact with the process, is that it typically yields terrific results. By visualizing the maps in their development stage, gaps are quickly identified and addressed.

How the Process Works Most Effectively

There are three basic stages to a process mapping project:

1. Identify the current processes.

2. Following thorough internal and external discussions with stakeholders, tag points along the process where improvements are needed.

3. Create a post-improvement process map after implementing procedural changes identified in step 2.

So, here is what results from this creative process:

- The visualization of the process enables structure.
- Each step in a process creates a platform or framework for a subsequent step. This enables those engaged in the actual process to visualize the importance of many aspects of previous steps to ensure timeliness and quality of outputs. One may visualize how a process step in advance of subsequent steps may affect activities down the line. This is most useful if the organization wish to modify a procedure. The stakeholders may quickly identify both positive and negative effects downline in the process.
- Inefficiencies become clearly visible.
- Process gaps may be more easily identified for possible technology integration.
- Obstructions to a process may be more easily communicated outside the department to those who may be inadvertently affecting both timeliness and quality of output (bottlenecks), enabling agreement toward change.
- The mapping provides both qualitative and quantitative support for actual personnel or material resources needed for the process.

The list goes on. Overall, however, the drill of creating a process map enables stakeholders to discuss and even debate the value of existing steps or planned changes in operations. It is all about creating a structured decision-making process through visualization.

> "If you can't describe what you are doing as a process, you don't know what you're doing."
>
> W. Edwards Deming

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