

Business Bottlenecks: How To Identify and Fix Them



Whether it's on the production line, part of a special project, or simply one of your everyday business processes, business bottlenecks can damage your company's productivity, profits, and competitive performance.

Every bottleneck is a blockage cutting off the flow of your business' lifeblood. And to deal with it effectively, it's important to review your methodologies and workflows to identify and resolve the root causes so you can get back to business.

What Are Business Bottlenecks?

Any blockage or setback that delays your business processes can be considered a bottleneck. The term refers to the restrictive effect the neck of a bottle has on the flow of its contents.

Like their literal counterparts, business bottlenecks constrict flows. Except instead of wine or water they choke the flow of materials, data, assembly line production, and employee labor, keeping them from being used to optimal effect.

The term is generally applied to manufacturing, logistics, and information technology, but it can be used to describe *any* business process or workflow where capacity is exceeded by demand.

Like their literal counterparts, business bottlenecks constrict flows. Except instead of wine or water they choke the flow of materials, data, assembly line production, and employee labor, keeping them from being used to optimal effect.

Examples of Bottlenecks in Business

Understanding the root causes of bottlenecks and the places they're most likely to occur can help you identify and address them in a timely fashion.

The two primary types of potential bottlenecks are:

- **Short-term bottlenecks**, created by temporary circumstances. For example, if the usual supplier for a given material used in production can't fulfill an order for some reason, having to obtain the material from an alternate vendor whose logistics aren't quite as efficient can create a temporary delay in the production process, increasing wait times and labor costs.
- **Long-term bottlenecks**, which are encountered more frequently. They're generally caused by inefficiencies baked into recurring business processes. For example, a company might have trouble harvesting and using actionable insights from their month-end reporting because it's delayed by a set of complex and time-consuming tasks that must be completed by a specific member of staff.

Each of the two types of bottlenecks can be further categorized based on its likely source: performers or systems.

- **Performers** is a term referring to all people (including management, staff, vendors, consultants, etc.) involved in a given business process or workflow. These bottlenecks can generally be contextualized in regard to how long it takes to complete a specific task. For example, if you know entering transaction data into the system should take around seven minutes, but the average time required is closer to fifteen, you may have a performer bottleneck. Another potential example is performer-related, but not necessarily caused directly by performer inefficiency. A common problem for many procurement organizations is approval workflows, where tasks that take very little time actually hold up the whole process for extended periods of time. Let's say, for example, a purchase order requires approval and is routed to the appropriate manager. However, the manager has a massive backlog of email and the form gets lost in the shuffle. Or maybe they're on vacation, and there's no system in place to automatically route the approval to another manager. Whatever the reason, the net effect is the same: delays in obtaining goods and services your team needs to get the job done.
- **Systems** is a term referring to software and other technology used in completing tasks related to a given business process or workflow. While

performer bottlenecks are directly related to a specific person, system bottlenecks can be traced directly to application errors, inefficient system processes, or malfunction of some kind that keep processes from reaching their full capacity.

Stressed team members, a large backlog of incomplete work, and long wait times are all strong signs of a system bottleneck.

A fairly obvious example would be a stack of unsorted goods on an assembly line, or raw materials heaped to the side, waiting to be fed into an underperforming production machine.

A more subtle example would be something like outdated or misconfigured servers slowing document processing or failing to execute contingencies for business processes.

Bottlenecks can have a powerful impact on the bottom line as well as production throughput, operations, and general business tasks, since delays significantly increase the time and expense involved.

Short-term or long, performer or system, these blockages can compromise the quality of your company's goods and services, damage morale by increasing employee stress and frustration, and ultimately cost you precious revenue, cost savings, or long-term value through damage to your reputation, credit rating, or customer dissatisfaction.

How to Identify Business Bottlenecks

Resolving common bottlenecks is easier with the help of two methodologies of bottleneck analysis used to spot and mitigate them.

Process mapping is used to evaluate entire workflows to determine what's working, what isn't, and whether delays and inefficiencies are related to the entire process, or just one or two performers or systems.

Flowcharts are very effective in mapping business processes, as they can help you quickly break down even very complex processes to pinpoint the issue.

If you have a centralized software solution like PLANERGY, you can also use its business process management tools to fully explore and optimize your processes. Running a simulation, with the workload specified for each step of the process,

can make it much easier to spot both apparent and not-so-obvious bottlenecks that need your attention.

Another potential tool to consider is the 5 Whys Method. This questioning process is designed to help team members dive deep into a problem to reveal the root causes.

Let's say you recently had a major production delay because essential raw materials were delayed. Asking "why?" five times can quickly reveal the source of the bottleneck.

Problem: Essential raw materials arrived late.

1. **Why?** The purchase order wasn't approved on time.
2. **Why?** The approval was delayed.
3. **Why?** The approving manager didn't sign off until two days after the deadline.
4. **Why?** The manager was on vacation. The order hit their inbox and stopped cold.
5. **Why?** We don't have contingencies in place to automatically reroute approvals when the primary approver is absent or otherwise unavailable.

In considering the final "Why?" you can begin to address the root cause of the bottleneck.

If you suspect the whole process is simply outdated or no longer compatible with your overall approach to business process management, a workflow analysis lets you break down the workflow, review and revise the key performance indicators (KPIs) and other metrics you want to use to measure the outcome of the workflow, and then use those metrics to monitor the workflow, making changes (or eliminating/replacing the workflow altogether) as necessary.

Again, having a best-in-class software solution in place will make this much easier and yield more accurate and timely results.

Removing Business Bottlenecks

The key to resolving bottlenecks in business is the effective use of a concept known as the *theory of constraints*.

Simply identify the most important constraint blocking the successful completion of a goal (e.g., a process or workflow), and then either remove or use continuous improvement to optimize that constraint.

Directly addressing the biggest limiting factor will have the biggest impact on the flow of resources, data, information, labor, etc., helping you get closer to your goal as quickly, efficiently, and accurately as possible.

To revisit our delayed shipment example, the process of evaluating the current bottleneck can actually help you prevent future ones.

Automating the approvals process with alerts and contingencies will address the biggest current constraint on the process. But let's say your bottleneck analysis also revealed that most of the purchase order data was still being entered into the system manually.

Automating approvals for forms that might have typos or incomplete information doesn't make much business sense, so automating the data collection, entry, and verification process in addition to the approval workflows is a smart way to kill two bottlenecked birds with one stone.

Whatever type of bottleneck you're dealing with, you can "unclog" it in one of two ways:

1. **Improve efficiency at the bottleneck.** For example, business process digitization using a comprehensive, cloud-based procurement solution like PLANERGY can give you access to not only automation, but data management and analysis tools you can use to eliminate human error and boost process speed, accuracy, and efficiency to levels far beyond human capabilities.

A few of the ways you can further improve the efficiency at bottlenecks include:

- Ensuring your input for the process is as high-quality as possible. Clean and accurate data for data analysis, best available materials for the

manufacturing process, etc. This minimizes the risk of waste and needless repetition.

- Automation is no longer merely “nice to have.” It’s become an essential strategic tool in optimizing business processes to lower costs, increase value, and boost competitive performance.

High-volume, repetitive processes that require minimal human thought, creativity, or decision making are ripe for automation. Data entry, invoice matching, and approvals are just some of the ways to clear the blockages and improve efficiency and performance.

Automate, monitor, and revise processes through continuous improvement whenever and wherever you can.

- Leverage the skills of your team members to resolve process bottlenecks. Put your “A team” on the job for optimal productivity and results.
- Increase capacity to increase throughput. Adding staff, updating hardware, or radically increasing process efficiency using digital tools can widen the neck of the bottle considerably.

2. **Reduce input at the bottleneck.** Reducing the complexity of the tasks leading up to the bottleneck is one way to accomplish this. Another is to find a way to eliminate the bottleneck step altogether. For example, using business process automation, you could eliminate the need for manual purchase order approvals below certain dollar amounts, speeding the purchasing process while still adhering to internal controls.

Alternatively, if a given workflow or process is producing more output than you actually need, you can redirect resources to their underperforming kin.

For example, if your production team has reached a high level of efficiency and is stockpiling a given component at levels higher than you need for assembly (generating excess inventory while they’re at it), you can adjust the process by reducing the amount of time dedicated to production of that component, or reassign staff to another assembly line where they’re struggling to keep up with demand.

Keep Your Workflows Clear of Costly

Bottlenecks

They can be minor clogs or major blockages, but either way, bottlenecks are robbing your company of productivity, profits, and competitive performance.

Analyze your workflows, map your processes, and invest in the tools that will help you make and keep them free from business bottlenecks. With a proactive approach, you'll keep your workflows running clear so you can focus on building value for your business.

What's your goal today?

1. Use PLANERGY to manage purchasing and accounts payable

We've helped save billions of dollars for our clients through better spend management, process automation in purchasing and finance, and reducing financial risks. To discover how we can help grow your business:

- Read our case studies, client success stories, and testimonials.
- Visit our "Solutions" page to see the areas of your business we can help improve to see if we're a good fit for each other.
- Learn about us, and our long history of helping companies just like yours.

[Book a Live Demo](#)

2. Download our guide "Preparing Your AP Department For The Future"

Download a free copy of our guide to future proofing your accounts payable department. You'll also be subscribed to our email newsletter and notified about new articles or if have something interesting to share.

[download a free copy of our guide](#)

3. Learn best practices for purchasing, finance, and more

Browse hundreds of articles, containing an amazing number of useful tools, techniques, and best practices. Many readers tell us they would have paid consultants for the advice in these articles.

Related Posts