

# Business Process Management Conference Europe 2009

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## Introduction

One would think that tough times would be a catalyst for change and improvement. Sadly, however, this is not always the case, with many organizations delaying or cancelling important business improvement projects as they batten down the hatches and prepare to ride out the economic storm.

Others claim that process improvement projects are more critical in a downturn; organizations just need to be more specific and focused in their performance improvement efforts.

The participants of this networking session decided to use their own experiences to identify the areas where they or other organizations known to them have delivered clear benefits in a short time span – speed being one of the critical success factors for improvement projects during a downturn.

Furthermore, the group who attended agreed that any proposed project at this time needs to result in

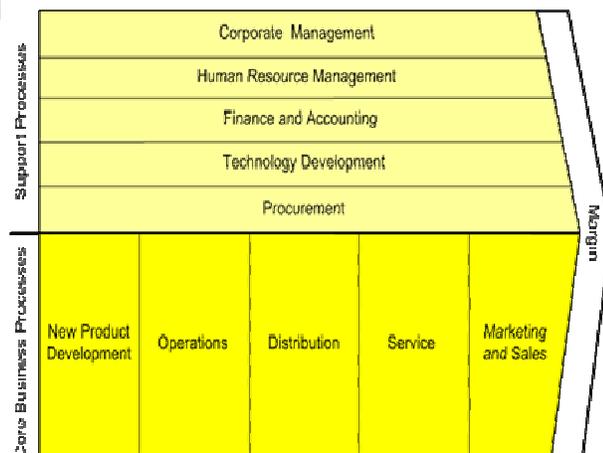
- bottom line savings;
- improved customer satisfaction;  
and/or
- accelerated delivery of new products and services.

## Approach

The network group used BPTrends' adoption of Porter's model (see figure 1 below) as a guide to ensure that all major business areas were considered. Then, following a brief discussion on each business area and based on the experience of the network, the most promising process improvements were identified.

This brief session produced a wealth of improvement ideas, all of which have been proven by the participants or their associates, demonstrating that, despite the downturn, many organizations are continuing to make big strides in process and performance improvement. In addition, all of the improvements noted are highly practical and achievable, even by small and medium sized companies.

I would like to thank the participants in the networking event at the conference and also wish to acknowledge the organizations in my wider network who took the time to tell me about their initiatives prior to the conference



From Michael Porter, *Competitive Advantage*, Harvard, 1985

Figure 1.

## Findings / Output: Core Business Processes

At first, we examined core business processes for improvement opportunities:

### Process: Product Development

#### Design for Six Sigma

DFSS seeks to avoid manufacturing/service process problems by using advanced “Voice of the Customer” techniques and “proper systems engineering” techniques to avoid process problems at the outset. When combined, these methods obtain the proper needs of the customer and derive engineering system parameter requirements that increase product and service effectiveness in the eyes of the customer. This yields product and service performances that provide greater customer satisfaction and increased market share. The organizations that identified this process state that they are achieving big benefits and improving customer satisfaction and therefore loyalty.

**Facilitator Comment:** The group believes that DFSS is cost neutral as many organizations implementing new product and service processes incur a lot of expense and time in tweaking new product / service processes before getting it right.

#### Benefits:

Cost Down	√	Satisfied Customer	√	Faster time to market	√
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### Software Development

Some clever process thinkers are extending the use of process maps in software development and system implementation lifecycles. In these cases, the “to-be” maps are being re-used again, and again, and again, thereby reducing test cycles, eliminating the need for training manuals and expensive course development:

- To validate system / software prototypes
- As a basis for System and User Acceptance Testing
- As a basis for Training at system introduction
- As a basis for analysis helpdesk/ support queries and identification of process bottlenecks during the critical go-live time period
- Ongoing system training

One organization reported that the use of process maps in conjunction with storyboards had removed the requirement for training manuals and classroom training.

**Facilitator Comment:** One organization reported a four-month reduction in system delivery on a 15-month project that was equivalent to a saving of £3.2 million as the team “burn rate” was £800K per month.

#### Benefits:

Cost Down	√	Satisfied Customer	√	Faster time to market	√
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## Process: Operations Management

### Project Portfolio Management (PPM) Process

Many organizations have a PPM in place, and today it is being used to re-focus scarce resources on the few critical projects during the recession. Participants reported that the quickest and most effective means of leveraging the PPM is through a re-examination of the business rules for project and programme approval.

The three decision filters that have demonstrated the biggest gains are

- Tighter Criteria for project approval
- Link to Strategy – no projects allowed that cannot demonstrate a direct link to the business strategy
- Link to Cost savings / production - prioritize these projects, particularly quick wins

One participant offered the tip that the creation of a portfolio sub-category of “quick-wins” to increase management attention on these projects and mini-projects can be valuable. He pointed out that many of these projects, particularly mini-projects, didn’t make it to the PPM dashboard previously and, because of this, the smaller initiatives fizzled away. Now smaller improvement projects receive the same senior management attention as the bigger projects and more of them are delivering benefits.

**Facilitator Comment:** PPM is only as effective as the project management processes and practices that underpin it. If these processes are weak, then the focus should be on the project processes and project outcomes.

#### Benefits:

Cost Down	√	Faster time to Market	√
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### Shared Service Strategy

*This is not for the faint-hearted or the inexperienced process and project managers, and, for all of the above reasons, shared services projects are high risk.*

The group had a good discussion about adopting a shared services business model whereby similar activities are grouped together to drive out efficiencies, e.g., call centers. It was agreed that, while this is a medium term initiative that provides substantial benefits, it is difficult to achieve and requires senior management commitment.

As soon as the organization embarks on this strategy, there is no going back.

**Facilitator comment:** This is a complex process re-engineering project that requires a combination of all three levels of process activity:

- The strategic (enterprise)level,
  - The process level
- and
- The implementation level (HR and IT implementations) <sup>1</sup>

#### Benefits:

Cost Down	√	Satisfied Customer	√
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## Process: Service / Customer Management

### Customer service process

This is an area where process improvement can deliver substantial results. For example, one organization in the travel industry shared with us the result of switching customer after sales service (for holiday bookings) to an on-line self-service channel. This switch reduced after sales service calls from an average of 3.5 calls to 1.52 per holiday booking, providing a saving of 57% per booking.

**Facilitator comment:** Many organizations mistakenly believe that customers always want to speak to a real person. For general queries and simple changes, most of the population's needs are met by on-line self service.

#### Benefits:

Cost Down	√	Satisfied Customer	√
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### Customer Relationship Management Process: Targeted VOC Campaigns

Some organizations report good results from targeted voice of the customer campaigns that explore ways in which products and services can be trimmed back or new products and services developed. Using this process, optional and costly features can be identified, allowing them to be priced separately or removed.

This action has shown to increase customer loyalty and provide valuable early indicators of buying sentiment.

Two organizations have taken this a stage further with great success by offering to share savings on altered services / products with their customers.

#### Benefits:

Cost Down	√	Satisfied Customer	√	Faster time to market	√
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### Internal Support Initiatives for Improved Operational Excellence

A number of process-based activities were identified in this category – all aimed at generating “quick wins”:

- Non-IT based improvements – any improvement that doesn't require technology resources.
- “why” handoffs – examination and reduction of process handoffs and associated business rules.
- 7 wastes. Simple departmental exercises can be undertaken to identify, reduce, and eliminate waste.

Do this with as a stand-alone activity or in conjunction with a value stream map.

Type of Waste	Description
Defect	Incomplete, Inaccurate information
Overproduction	Too much, too many, too soon
Waiting	For needed materials or information
Non-Utilized Skills	Talents and knowledge
Transfer	Materials, information, etc.
Inventory	Quotes, orders, invoices, other work in progress
Motion	Of people – workaround!
Excess Processing	Unnecessary processing

**Facilitator Comment:** These mini-improvement initiatives are more effective if they are recognized – e.g., company magazine or intranet publication – and even more effective if they are undertaken in a well publicized company-wide competition.

### Process Maps for Knowledge Sharing / Work Transfer / Location Merges

If the situation dictates work transfer or sharing, process maps will accelerate and support the activity.

**Facilitator Comment:** Ideally, these will be available on an enterprise-wide platform.

Process charts + ABC to identify cost of activity

This is an invaluable aid to quantify the benefit(s) of process changes:

elimination; merge; outsource.

**Benchmarks** More than one participant identified benchmarks as a very useful tool to support process improvement project decisions during the downturn, and also in narrowing the process improvement focus.

**Facilitator Comment:** Be careful with benchmarks. Fast changing market conditions can result in decisions based (inadvertently) on historic, not current, data.

#### Benefits:

Cost Down	√
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### Findings / Output: Support Processes

Secondly, we considered success stories in relevant process improvement opportunities in support processes:

#### Process: Strategic Planning Processes

##### Market Review Process

Current market conditions are providing unique opportunities for acquisition (anyone want to buy a bank?).

Those with an acquisitive strategy should increase the frequency of their market intelligence and market surveillance activities to observe trends and identify niche opportunities and acquisition targets.

#### Benefits:

Faster time to market	√
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#### Process: Procurement

##### Procure to Pay and Categorization

As one would expect, most organizations have forensically examined spending and associated procurement processes. The areas where large and quick benefits have been found are in the "request to pay" process. Within this process, the creation of procurement categories and the establishment of ownership of each category by accountable individuals is reported to deliver significant benefits.

**Facilitator Comment:** Companies wishing to implement procurement categories need to be aware that category owners will require education on their new role.

#### Benefits:

Cost Down	√
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## Process: Technology Development

In this tough economic environment, with declining budgets, IT is expected to do more with less. With cost, resource, and time pressures, IT Managers are struggling to meet demands while continuing to meet service level agreements (SLAs). Typically, IT has a large capital and operational budget as its activities span so many different areas. Because of this, it can be tough to figure out the areas that will deliver the biggest wins. Here are the process areas our network members have found to deliver fast and tangible savings.

### Hardware Management Process: Operational Equipment Efficiency or Effectiveness (OEE)

Most people associate OEE (a lean tool) with manufacturing production equipment. However, all of the principles and the lean OEE tools can be applied to IT Hardware management. OEE provides a mechanism to identify untapped capacity, thereby enabling organizations to secure often-significant additional capacity without having to procure additional equipment. In addition, more effective hardware performance can also increase productivity and eliminate costs.

The virtualization of IT infrastructure provides the perfect OEE solution as it increases availability and reduces cost of equipment funding by 25%, together with a whopping 4 to 1 hardware management productivity gain.

Facilitator Comment: Can anyone afford not to do this?

#### Benefits:

Cost Down	√
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### Environmental Control / Data Center

This is an area that is frequently overlooked. Most Data Centers have environmental control systems that are running on the same settings – day and night – since their original installation date.

In many cases, these environmental systems are set at unnecessarily high levels, thereby burning unnecessary fuel at a rising cost. Historically, IT has not been very knowledgeable about this (except to know that the temperature is low), with external specialists providing maintenance.

A number of network members indicated that an audit of their Data Center environmental systems had reduced data center fuel bills by 15%, and, in once instance, 27%. They had “tripped” over this saving because of a company-wide “green” audit.

**Facilitator Comment:** Act on this tip and you will also become a green champion.

#### Benefits:

Cost Down	√
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### Sweat the Assets

A number of participants have deferred non-essential capital IT spend, non-essential upgrades, and desktop / infrastructure refresh initiatives.

**Facilitator Comment:** Depending on the age and type of asset, the cost of change may actually be less than the cost of ownership for aging IT assets. This may seem counter-intuitive but there are a complex set of contributing cost factors involved and IT needs to be very careful to create a

full business case that clearly supports the "buy or delay" decision. The business case should compare the cost of managing ageing infrastructure and applications versus the cost of depreciation on capital spend which will be spread over a number of years. Partner with one of the Finance team to develop the business case...It's tricky.

**Benefits:**

<b>Cost Down</b>	√
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**ITIL/ ITSM Processes**

ITIL has become the de facto process improvement framework for IT. Most participants have implemented some of ITIL to streamline IT activities and remove non-value add activities.

Discussions among the group revealed that those who are starting the ITIL implementation journey should select their most exposed, or their most delinquent process, and focus the entire team's attention on it, ensuring quick benefits realization.

**Facilitator Comment:** Try to choose a process that is customer-facing and include a customer in the improvement initiative. This will keep everyone motivated and honest!

**Benefits:**

<b>Cost Down</b>	√	<b>Satisfied Customer</b>	√	<b>Faster time to Market</b>	√
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**Process: Human Resource Management**

The HR function may be busy with downsizing initiatives at the moment, but the smarter HR organizations are taking advantage of the flexible labor market and making preparations for the upturn.

**Labor Management / Market Monitoring Process**

With the altered market conditions, savvy HR professionals have realized that it is possible to hire more highly qualified employees for the same cost as trainees, and they have adjusted their role / skills specifications accordingly.

**Benefits:**

<b>Cost Down</b>	√
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**Training Processes**

Some organizations are examining their training delivery mechanisms to ensure more cost effective training programmes e.g., "bundling requirements" to avail of in-house training pricing; outsourcing and in-sourcing of training topics; wider use of on-line training.

**Facilitator comment:** Organizations need to be very careful to ensure that the most important Critical Success Factor is not lost in this cost cutting exercise. Trainees must

achieve satisfactory learning outcomes; otherwise, the training is just another form of waste.

**Benefits:**

<b>Cost Down</b>	√	<b>Satisfied Customer</b>	√	<b>Faster time to market</b>	√
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### Staff Demand Modeling

A few organizations reported that they have substantially reduced headcount. Some far-thinking HR folk are using process maps in conjunction with modeling tools to simulate an increase in demand. This allows them to identify the points at which they will need to deploy additional resources (when demand reaches X, then Y number of employees with Z skills will be required).

One organization also maintains a bank of potential candidates for key roles and proactively monitors their availability, ensuring a ready supply of the correct skills when demand picks up.

**Facilitator Comment:** This type of modeling requires a high level of process maturity and historical productivity measures in order to produce credible and reliable simulation models.

**Benefits:**

<b>Cost Down</b>	√	<b>Faster time to market</b>	√
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### Recruitment Processes

This is a good time to lean out recruitment processes, ensuring that HR will be in a position to recruit effectively and efficiently when the labor market becomes more competitive.

One example of a very lean recruitment process was provided whereby the hiring organization, with a highly managed process, could achieve two interviews, a medical and a lunch time chat with a peer group in one day, enabling an offer to be made on the interview day, before the candidate left the facility. There were obvious benefits from this, apart from productivity: the acceptance rate for job offers increased to 85% from 55%. In addition, prospective employees were very appreciative of the respect shown for their time and their anxiety, and, of course, the company image was enhanced.

**Benefits:**

<b>Cost Down</b>	√	<b>Satisfied Customer</b>	√	<b>Faster time to market</b>	√
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## Summary

It is truly amazing how much knowledge and experience exists if you seek it out! In a very short time, this participating group and other contributors produced this high quality, high value output – sharing process improvement knowledge that has, and is, delivering in live environments, despite the tough market conditions and constrained resources.

Reappraising the output, it is clear that these improvements are applicable to most organizations – large and small – and they can be implemented quickly in most organizations, regardless of size.

Good luck with your improvement initiatives, and keep sharing your process knowledge and experiences.

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## Author

Dee established Torque Management ([www.torquemanagement.com](http://www.torquemanagement.com)) in April 2002 to pursue her passion and interest in quality and performance.

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