Whitepaper

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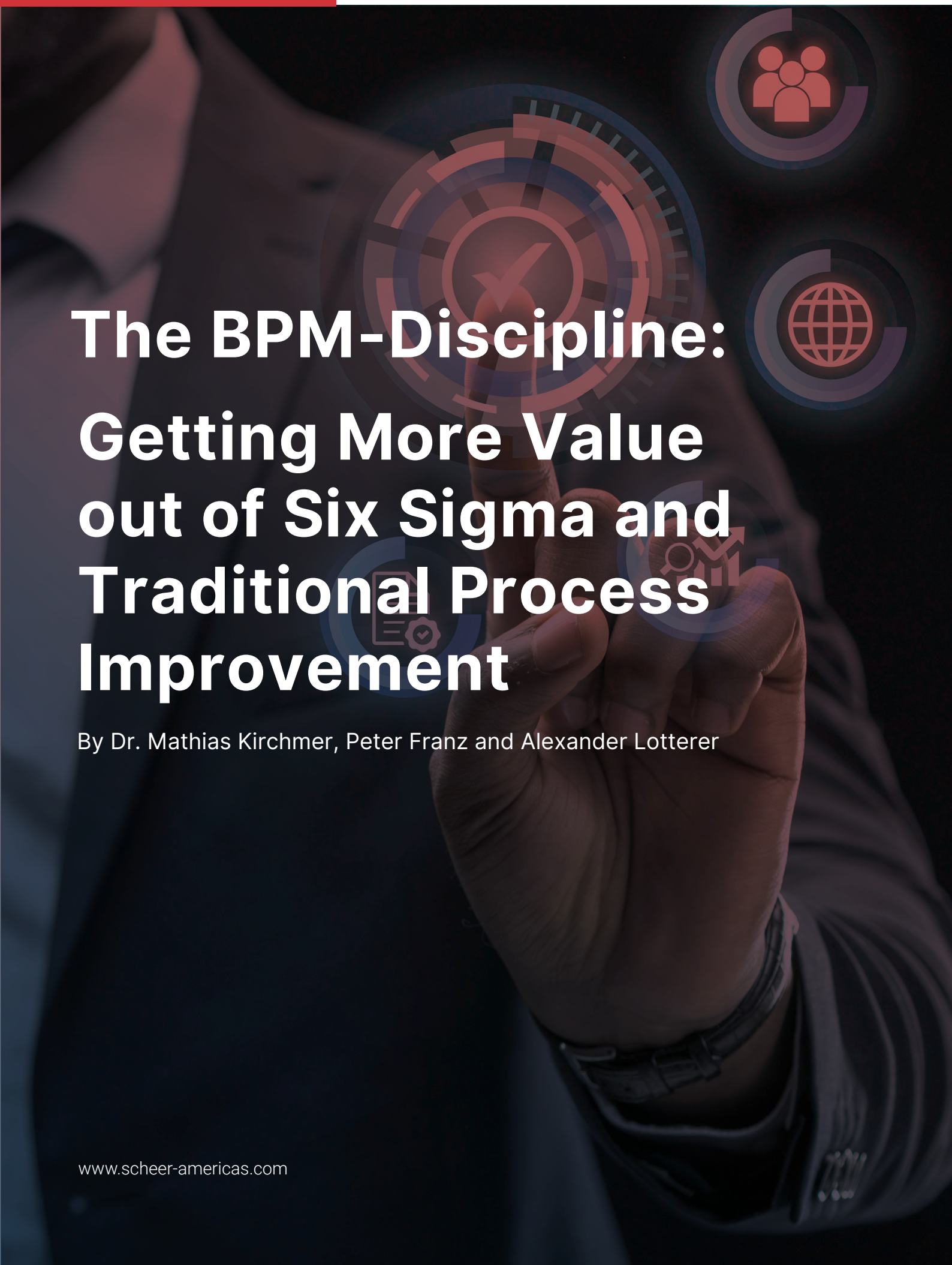

The BPM-Discipline:

Getting More Value out of Six Sigma and Traditional Process Improvement

By Dr. Mathias Kirchmer, Peter Franz and Alexander Lotterer

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1. The process excellence discussion

Traditional process improvement techniques such as Lean, Six Sigma, Total Quality Management (TQM), etc. have delivered tangible improvements for many organizations by improving quality, eliminating process waste and reducing non-value-adding activities. While these initiatives typically start off well, gene ating excitement and great progress, they all too often fail to have a lasting impact as participants gradually lose motivation and fall back into old habits (Satya S. Chakravorty, 2010).

There are also many examples where these traditional improvement approaches did not lead to any tangible business outcomes while consuming significant resources. In other cases they created benefits in one area and issues in others – neutralizing the overall effect. A big utility company, e.g. had over 1000 Lean and Six Sigma initiatives up and running – with basically no or even negative top and bottom-line effect (Franz, Kirchmer 2012).

In order to succeed in today's fast - paced environment with ever - changing business conditions, new technology trends and constant internal adjustments to cope with these changes, it has become increasingly clear that traditional improvement approaches alone cannot deliver the desired business outcomes in a repeatable and sustainable fashion. A broader and overarching management discipline is required to direct, align and govern process improvement initiatives across an organization to ensure the long-term success of such initiatives.

More and more organizations establish outcome-driven Business Process Management (BPM) capabilities to develop this new management discipline, which allows them to address today's challenges more quickly and alleviate the shortcomings of traditional process improvement approaches. This new management discipline, which we call the "Discipline of Value-driven Business Process Management", is built around outcome -orientation, customer-focus and a structured value-driven design of business processes realizing the business strategy of an organization (Burlton, 2013).

2. Limitations of traditional process improvement approaches

There is growing concern about the success and sustainability of process improvement initiatives using only traditional approaches like Lean or Six Sigma. For example, a study conducted in Europe showed that 70% of companies that launched Lean initiatives have failed (Pedersen and Huniche (2011). Let's take a look at some of the main reasons why traditional process improvement approaches often don't deliver the expected results in today's business environment:

Project-oriented
Most process improvement initiatives are temporary by definition. This means that projects that have project managers, project sponsors and other resources assigned often struggle to realize the desired outcomes in the long run. With the end of an improvement project, resources get reassigned to other initiatives without having the necessary permanent process governance established. This leads to difficulties during the implementation of process improvements and to issues with sustaining the desired outcomes.

Reactive
Process improvement initiatives are launched to address specific issues (as shown diagrammatically in Figure 1 below) such as long lead-times, highcost or poor quality. While these are often legitimate and valuable initiates to improve the performance of business processes once issues occur, there is much less emphasis on managing and innovating critical processes proactively. Research has shown that organizations only compete with approximately 5% of their processes with a further 15% being important core processes, supporting the competitive advantage (Franz, Kirchmer, 2012)(Kirchmer, Franz, 2014). For these highly critical business processes, a much more proactive approach to continuous improvement and process innovation is required.

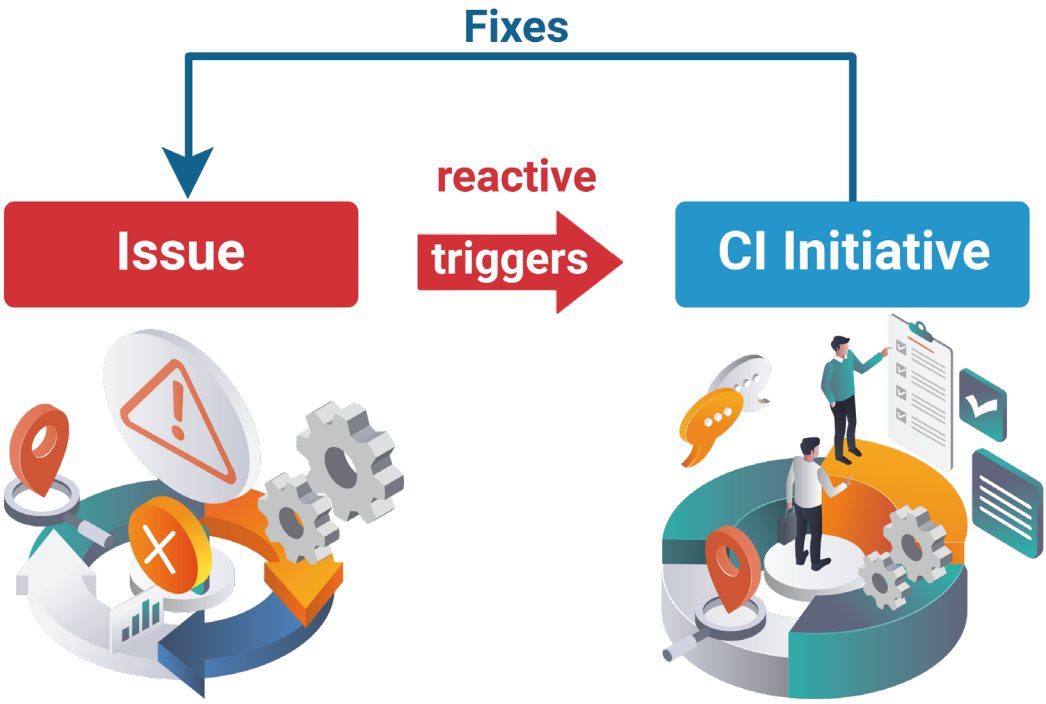

Figure 1: Definition of Robotic Process Automation (RPA)

Bottom-up

A key characteristic of traditional process improvement approaches is the fact that projects are identified because of specific issues that are supported by data and evidence (metrics, customer complaints, issue logs, etc.). Unfortunately, this bottom-up approach can lead to issues like scoping projects too narrowly, not addressing the entire end-to-end process. Because of this, traditional processimprovement initiatives risk to sub-optimize parts of a business processes to correct an identified issue while sacrificing the overall process performance or causing issues in other areas. This is especially common when a business process spans multiple departments with different leadership, competing priorities or objectives.

A secondary issue related with this bottom-up approach is timing and resource challenges. Because traditional improvement approaches are built on fact-based, data-driven evidence, lengthy data gathering and analysis activities tying up valuable resources often slow down initiatives. This is especially troubl some, if the improvement effort is focused on processes that are not considered high-impact processes that directly contribute to achieving a company's strategic= objectives. Resources "wasted" on those commodity processes are then lacking when it comes to innovation and optimization of high-impact business processes. Traditional improvement approaches don't syste atically "target value" (Franz, Kirchmer 2014).

Business and IT divide

Many companies keep process improvement initiatives separate from IT initiatives or don't involve IT staff in process improvement projects. In today's environment where technology is a critical enabler and sometimes the core foundation of a business processes, we view this separation between business and IT as an important threat. The first issue with this separation occurs when project portfolios between business and IT are not aligned or coordinated. This often leads to prioritization issues in identifying and selecting the right initiatives regardless of funding or budgetary constraints. Or process improvements implemented through a change initiative are reversed or made obsolete when IT completes a system upgrade and implements a new solution.

The business and IT divideleads to another significant issue that is related to analyzing and improving business processes. With the increased digitalization of business processes, the understanding technology capabilities, features and functions during the analysis and design of processes are absolutely critical. Business processes are no longer either manual or IT-enabled– they often consist of complex interactions between people and IT systems and even different on-premise and "cloud" applications. They need to be understood and designed as a whole. Unfortunately, many tradition process improvement initiatives don't involve IT staff early enough to analyze and design business processes that require knowledge about the enabling technology.

3. BPM as overarching management discipline

For a long time, practitioners, especially business executives have questioned the value of Business Process Management. However, this situation changed over the past 5-7 years. Most organizations and their leadership start to understand the value and significant business impact of Business Process Management. Research involving over 90 organizations around the world of different sizes and industries has shown that companies that use Business Process Management on an ongoing basis get significant value in return (Kirchmer, Lehmann, Rosemann, zur Muehlen, Laengle, 2013).

We define Business Process Management (shown diagrammatically in Figure 2 below) as the management discipline that transfers strategy into execution – at pace with certainty (Franz, Kirchmer, 2012). This definition shows that Business Process Management uses the "business process" concept as vehicle for a cross organizational strategy execution, which can be people or technology based – or a combination of both.

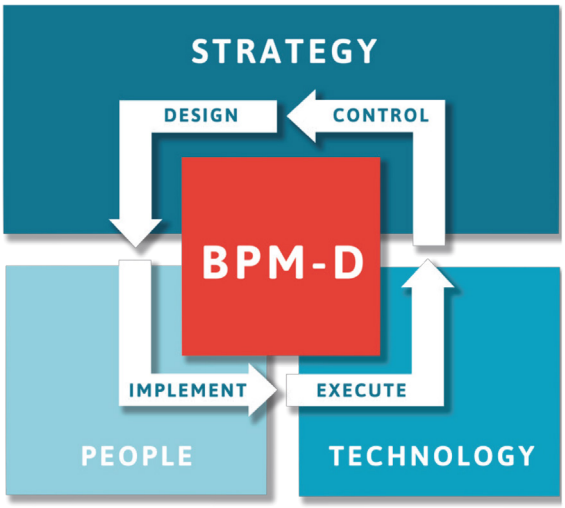

Figure 2: BPM-D™ Framework: Value-driven Business Process Management

The Business Process Management discipline addresses the entire business process lifecycle, from design, implementation through the execution and control of a process. This thinking is well aligned and consistent with the basics of traditional process improvement methods such as the DMAIC (Design, Measure, Analyze, Improve, Control) improvement methodology of Six Sigma (Snee, Hoerl, 2003).

In order to develop and deploy the management discipline of Business Process Management, it should be approached just as with any other management discipline. In the same way you develop, for example, a human resources (HR) management discipline by implementing HR processes and systems, you develop the BPM-Discipline by implementing the "process of process management" (PoPM) with the relevant BPM information and systems (Kirchmer, Franz, 2015) (Franz, Kirchmer, 2012).

Figure 3 shows the BPM-D™ Process Framework, a reference model for the PoPM. It illustrates important capabilities and sub-processes that an organization needs to address in order to establish a BPM-Discipline including process improvement and innovation approaches.

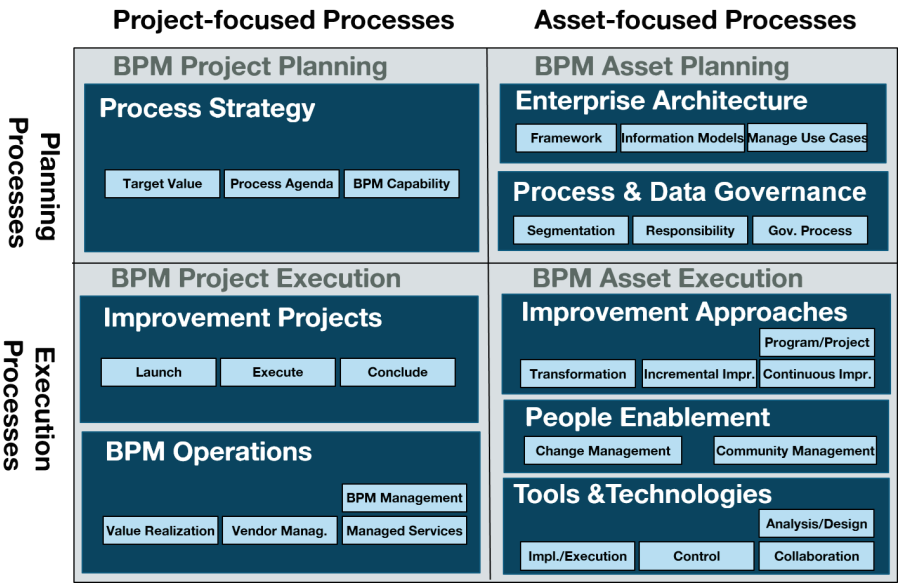

Figure 3: BPM-D™ Process Framework

While the patentpending BPM-D™ Process Framework consists of many capabilities and sub processes, not every organization will need to implement all capabilities fully or close all existing capability gaps. Companies that leverage traditional process improvement approaches normally already have strong capabilities in certain areas of the BPM-D™ Process Framework. For example, they most likely have existing improvement approaches for incremental improvement and continuous improvement projects. Or they use traditional tools (e.g. Mini-Tab, Jump, etc.) to support process analysis. (e.g. Mini-Tab, Jump, etc.)
For companies that already leverage traditional process improvement approaches it is important to develop additional capabilities in order to build a value-driven Business Process Management discipline that delivers business business-outcomes in a fast and reliable manner. This is shown in the model in Figure 4 below. These new capabilities combined and integrated with their existing capabilities build a powerful foundation of their new management discipline–ready for systematic strategy execution.

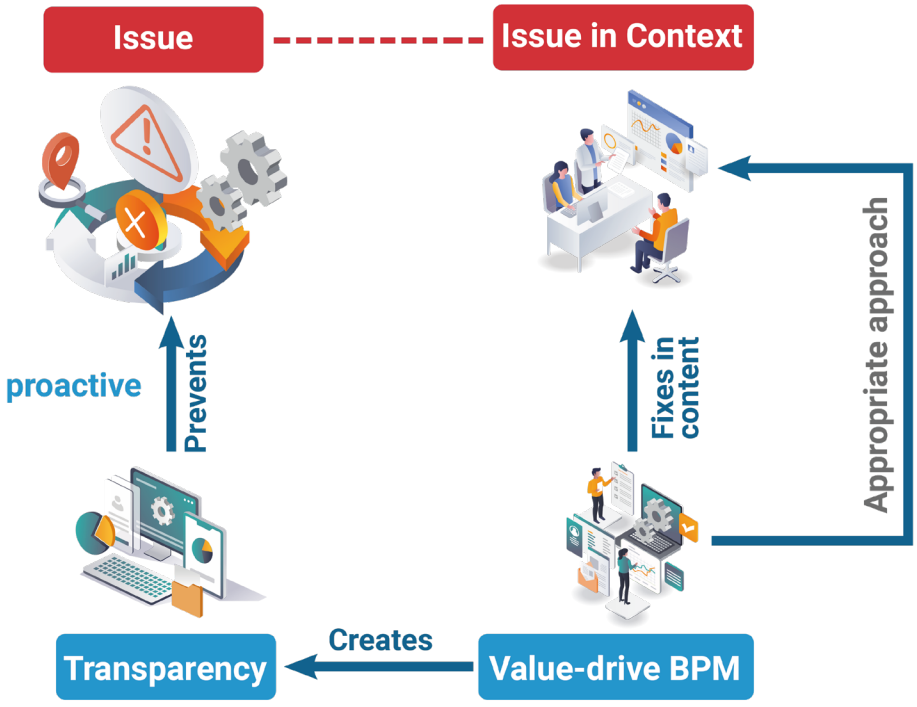

Figure 4: BPM prevents issues as far as possible and fixes remaining issues using APROPRIATE approaches

Process & Data Governance
Companies that utilize traditional process improvement approaches often struggle to implement and sustain improvement results. In order to improve this situation, a proper process governance model needs to be established that goes beyond the boundaries of project work. A permanent process governance model and processes with dedicated roles, responsibilities and accountabilities are an excellent way to transition from a project-oriented approach to address process issues to a sustainable, long-term model of governingand managing business processes continuously.

This capability needs to define the necessary leadership roles (e.g. Chief Process Officer, Process Owners, etc.) that are ultimately accountable for developing a value-driven Business Process Management discipline or owning core business processes of an organization. It also needs to address how decisions are made, what governing bodies are required, how they fit with existing decision-making entities, or what escalation processes are necessary in case of issues or disagreements. These are critical capabilities that shift a company's process improvement philosophy from a short-term, process-oriented view to a long-term, sustainable model.

Process Strategy
Another important capability that needs to be addressed early, is the development of an approach for operationalizing a company's business strategy in order to differentiate between high-impact processes and so-called commodity processes. This starts by deriving strategic value-drivers from the organization's strategy and linking them to the core processes in the organization. These business processes are then evaluated based on their total assessed impact on the specific value-drivers. As a result of this top-down approach, a company has a clear understanding what processes have a high impact on its business strategy and what processes are less critical for achieving its strategic objectives.

With this process prioritization and systematic segmentation of processes, a company can then decide what improvement approaches are best suited for delivering the desired outcomes. For example, for high-impact processes it might be appropriate to utilize sophisticated process innovation or optimization techniques, whereas traditional improvement techniques or process automation are sufficient for certain commodity processes.

Process management capability gaps can be identified in the context of the needs of high-impact processes. As a result organizations can prioritize those capabilities that
are most important for them.

With the proper process strategy capability in place, a company can now ensure that all improvement initiatives are aligned with their business strategies and that the appropriate process improvement approaches are used to deliver the desired outcomes.

Enterprise Architecture
In our increasingly digita world, organizations have to master the ability to continuously adapt to an ever changing business environment in order to strive and to survive in the medium to long-term. Because of this, business processes and enabling systems change constantly.

Unfortunately, many companies don't leverage Enterprise Architecture or Process Architecture capabilities enough to address this issue. Processes are typically documented to support individual improvement or implementation initiatives, but this valuable information is often not maintained after the end of a project or even reused during future initiatives that address the same process.

In order to deliver real business value through enterprise and process architectures the appropriate usage scenarios need to be designed. Another key task of the appropriate components of the process of process management.

Tools & Technology
New trends such as digitalization, cloud, social collaboration are forcing companies to rethink their strategies, change the way they operate and significantly alter business processes. Business process management tools and technologies play an increasingly important role to address some of these emerging trends.

For example, more and more companies utilize business process modeling, enterprise architecture and process repository tools to document, maintain and distribute process knowedge and enterprise architecture artifacts. These tools make it easy for people involved in process improvement initiatives or individuals managing business processes to capture, retain and communicate process information. The increased transparency is the basis for efficient knowledge transfer, increased end-to-end process thinking and improved decision-making during an improvement project or after a new process gets implemented.

With these capabilities, companies are able to bridge the gap between business and IT more easily by using a common tool and framework to document business processes, communicate business and IT requirements while leveraging social collaboration features that support knowledge sharing and new governance processes.

4. Conclusion

Value-driven Business Process Management is not contradictory or oppositional to traditional process improvement approaches. The BPM-Discipline points traditional improvement approaches like Lean or Six Sigma to the right targets where they deliver best value and addresses other issues through other approaches, for example an appropriate automation. Wherever required the BPM-Discipline complements and adjusts traditional approaches. By combining the proven, traditional process improvement methods, tools and approaches with a broader, value-driven Business Process Management discipline, companies can realize focused, relevant and sustai able business results aligned with their strategic objectives in a digital world.

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Dr. Mathias Kirchmer

Dr. Kirchmer is an experienced practitioner and thought leader in the field of Business Process Management (BPM) and Digital Transformation. He is Managing Director of Scheer Americas, previously BPM-D. He co-founded BPM-D, a consulting company focusing on performance improvements and appropriate digitalization by establishing and applying the discipline of BPM. Before he was Managing Director and Global Lead of BPM at Accenture, and CEO of the Americas and Japan of IDS Scheer, known for its process modelling software and process consulting.

Dr. Kirchmer has led numerous transformation and process improvement initiatives in various industries at clients around the world. He has published 11 books and over 150 articles. At the University of Pennsylvania and at Widener University he has served as affiliated faculty for over 20 years. He received a research and teaching fellowship from the Japan Society for the Promotion of Science.

Peter Franz

Peter Franz has been working at the forefront of Business Process Management (BPM) for many years as part of a 30-year career with Accenture. He has a deep understanding of the application of BPM discipline to drive real business results. His career includes education and experience in the use of Information Technology and thus understands the Business / IT interaction from both sides and can help bridge this divide. He is passionate about BPM and its application to real business challenges.

Alexander Lotterer

Alexander has 15+ years of consulting experience in managing, overseeing and executing business and IT transformation projects for small, medium and Fortune 500 organ zations. He has worked on defining and establishing business process management capabilities including BPM Strategy, Process Governance, Center of Excellence Design & Implementation, Process Repository Deployments and other process-driven change initiatives.

ABOUT SCHEER AMERICAS

Scheer America excels as a leading authority in Value-driven Business Process Management. Leveraging our profound knowledge of process management, we empower organizations to attain swift and dependable outcomes. Our expertise lies in connecting business strategies with processes and improvement initiatives to precisely target and realize value, all while establishing a sustainable process management discipline. Through our comprehensive solutions, we enable effective process and data governance, implement process modeling, repositories, and process mining utilizing cutting-edge tools.

Scheer America provides invaluable assistance to organizations operating in diverse industries including Financial, Health, Manufacturing/Technology, Consumer Goods, and more, facilitating their journey towards optimal Process Performance and Digitalization. By establishing and implementing business process management capabilities, we facilitate rapid process improvement and transformation, effectively prepare for intelligent automation, develop stakeholder journey plans, and establish a robust process management discipline. Our consulting and education solutions offer the necessary guidance, ensuring the right organization, governance, and process management tools are in place, including modeling and mining software.

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