

Consulting approaches to process improvement

Bain & Co.

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Author's Note: This is a part of an early draft of my doctoral dissertation that was shortened considerably for the final version. Nevertheless, it might be a useful collection of insight for organizations that face a need for redesigning their business processes and wish to learn more about the basic concept and how some major consulting firms approach it methodologically. The series consists of 7 parts – Introduction, descriptions of the methodologies of Andersen Consulting, Bain, BCG and McKinsey, a high level comparison, and some guidelines or selecting consultants.

Bain & Co.

Bain uses five key success imperatives for BPR projects. The approach used by Bain & Co. also differs from the definition outlined by the early advocates Hammer & Champy.

Hammer & Champy's definition	Bain's definition
The radical redesign of business processes to achieve dramatic improvements in critical measures of performance, such as cost, quality, capital, service, and speed.	The holistic redesign and optimization of a business to achieve full potential and build strategic competitive advantage. This includes the radical redesign of core processes as well as the application of the entire Bain tool kit of performance enhancing techniques.

The definition of Hammer & Champy is focusing the aspect of business process performance improvement in quantitative terms. Conducting a BPR-project with this definition as starting-point, the targeted improvements would primarily be defined in terms of quality, cycle-time and cost efficiency. The Bain definition, on the other hand, takes a wider perspective and includes the aspect of strategic competitive advantage in an explicit way.

Reengineering principles

- **Top management sponsorship.** Senior management is obliged to provide an inspirational vision of the ultimate goal to be achieved. This includes the slaughter of "sacred cows", allowing the reengineering team to explore all opportunities, even those that might imply a re-consideration of the company's business scope and strategy. Also, there must be a clear and early commitment to the results that are developed during the initiative in order to give the necessary creditability to the effort.
- **Strategic foundation.** The business of the company must be clearly defined. Consequently, any business improvement effort must depart from a re-consideration of the organization's business scope, vision statement and overall strategy. The result of this initial phase must inform the identification of business processes and customer requirements.
- **Comprehensive change management.** The goals of the change initiative must be communicated extensively throughout the entire organization. The change effort, lead by the project team, has to show early achievements, that provide momentum to the overall effort.
- **Right and left-brained thinking.** Breakthrough ideas, and radical and creative design must be combined with a systematic, deliberate and conservative implementation of the designed processes, organizational structures and technological components.
- **Aligning organizational components through investments.** Information technology that supports the new processes is a necessary investment. The compensation and reward structure must be aligned with the new organizational form, while training and education must be provided to enhance individual and organizational skills.

The role of IT

Even though Bain is not directly involved in systems development for clients, recent developments in e-business have not passed unnoticed. As a consequence, Bain has developed a model for evaluating start-up companies in the e-business sector and taken on the role of business incubator.

In its client projects, Bain considers technology as a medium that offers significant opportunities to enhance service, reduce costs, and achieve a differentiated breakthrough in the way a company develops and delivers its products, or services. The change team for BPR projects in which Bain is involved is typically staffed with experienced IT people from the client company and facilitated by a senior member of Bain's technology practice. This person is responsible for coordinating the IT-related activities within the project. Generally,

Bain is not involved in developing IT solutions, leaving this part to partners specializing in this field. Appropriate partners are selected and recommended. The technological guidance is covered by a four stage approach, where each stage consists of a number of activities with varying Bain involvement. Bain runs the IT aspects of a process improvement project through a cycle similar to the one being used for the organizational and process elements.

Identification of potential breakthrough technology

In this initial phase of the IT improvement cycle, the involvement of Bain is relatively high. Either the activities are directly carried out by Bain personnel, or strong support is given to client personnel doing the work with regard to research, analysis and methodology.

- **In depth understanding of customers.** In order to identify technology opportunities, it is necessary to gain a sound understanding of the role and expectations of customers and their interfaces with the company. It also includes the consideration of the "electronic value chain" as a whole, instead of investigating and improving its elements individually.
- **Knowledge of leading edge technology and applications.** A high pace of development in the IT area constantly offers new technologies and application areas. The selection of cutting-edge, yet sustainable, technology solutions requires a deep knowledge of leading applications and emerging technologies.
- **BPR survey of comparable firms.** In order to explore the potential for gaining strategic advantage through IT, a survey or investigation of comparable firms is conducted and the results are benchmarked against the company. Comparable companies, in this context, does not only mean firms in the same industry, but can include organizations with similar processes or customers.

Detailed description of technological requirements

Also in this phase, the involvement of Bain personnel is high. The specifications are developed in the reengineering team, consisting of client personnel and consultants, where the consultants take responsibility for the methodological approach and the structuring of results.

- **Define detailed user requirements to satisfy customer needs.** Internal requirements for functionality and usability need to be considered together with the needs for customer oriented performance and the achievement of customer satisfaction.
- **Work closely with leading edge vendors.** In order to assure that recent and relevant technology is considered for inclusion in the project, contacts with leading vendors are

taken at an early stage of the improvement initiative. However, that does not mean that a selection of a specific solution takes place.

- **Evaluate cost/benefit with respect to reengineering vision.** Investments in information technology must be in line with the defined vision of the reengineering effort and justified with improvements in customer service, process performance, or quality. In other words, the value added by technology must exceed the required investments and deployment costs.

Develop prototype

In the prototype development, the role of Bain is less prominent than in the previous phases. Since Bain does not take on the development of technological solutions, the involvement is limited to be guiding and ensuring that the IT development is in line with the objectives of the overall initiative.

For this stage, three options are available, depending on the clients IT-sourcing strategy. The technical solution can be developed internally by the company, if the required resources and competencies are available. Alternatively, development can be sourced to the company's existing IT partner, or a partner recommended by Bain.

- **Prototype hardware and basic infrastructure.** The hardware specification defines the overall architecture of the technical system to be implemented with regard to network infrastructure, choice of hardware platform and required hardware performance. This also includes the determination of network protocols and operating systems.
- **Software/application design and development.** The necessary software in terms of applications and integration modules must be designed and developed in compliance with the objectives set out for the improvement initiative, but must also follow good practice in systems development, especially when business critical systems are part of the development. When off-the-shelf software is used, development does not take place, while the design effort remains the same.
- **Develop Alpha-version of integrated system.** With all components in place, a first prototype of the technology solution as a whole is developed. In the case of purchased system, this step includes the installation and initial customization.
- **Meet pre-pilot performance threshold.** For ensuring system performance in compliance with the objectives set out on process level, the alpha-version must be able to reach a threshold to be considered as feasible and valid. If tuning of the first version does not make it possible to reach this threshold, the solution must be reviewed and possibly replaced.

Pilot and Rollout

Once the pilot installation has met the performance threshold and has been approved for further development, the pilot installation and rollout is initiated. In this phase, Bain is operationally involved in determining internal technology ownership, defining and designing training and education programs.

- **Alpha/Beta pilot sites with leading vendors.** In cooperation with the internal or external vendors being selected, the improved solution prototype is developed into a stable prototype that is installed at a number of pilot sites.
- **User training and feedback.** User training and the collection of feedback for further improvement is crucial for the successful rollout and deployment of the technological solution. The emphasis must be on training in technology use and the development of understanding the business and process benefits of technology.
- **Plan for needed revision and total rollout.** Based on the user feedback and system evaluation during the pilot phase, a plan for the required revisions and subsequent organization-wide installation and deployment is developed.

The reengineering approach

Bain comprises five stages into the BPR approach, each of them with different objectives, duration, and Bain involvement. The different may involve other companies, e.g. as part of the benchmarking process.

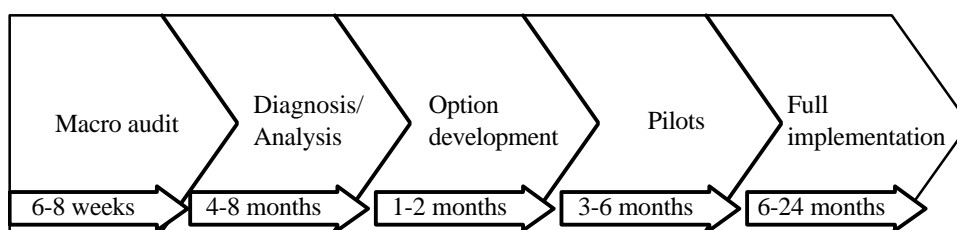


Figure: Bain reengineering approach

Macro audit

At this stage, Bain takes an active role and is involved in all activities. The overall steering group and teams for different improvement areas are actively supported.

- **Identify and prioritize target areas and opportunities.** In this phase, the overall objectives of the initiative are identified and outlined. This includes the identification and prioritization of processes and organizational units to be targeted and the definition of the vision and intended outcome of the improvement effort.

- **Define scope and intended improvement level for each area.** For each of the targeted processes and organizational units, the scope of the improvement initiative is defined. Within this scope, the improvement objectives are described in terms of time, cost, quality and service level.
- **Build project teams.** For each area, a project team is assembled that is responsible and accountable for the improvement effort and achievement of the targeted goals. These teams are coordinated by an overall group.
- **Hunt for profit.** Any organizational and process improvement effort must result in bottom-line profit. In the final stage of the macro-audit, the defined improvement areas are investigated with regard to their ability to deliver added value and profits.

Diagnosis/Analysis

The consultants' involvement in this phase is high, but limited to high-priority areas. Typically, consultants are involved in the benchmarking activities and contribute with their experience from other companies and provide methodological support.

- **Fact base development.** For each area, a fact base is developed, including a detailed analysis of the current situation. For this purpose, the current processes and organizational structures are investigated and documented, and performance gaps are identified and scrutinized for the underlying causes.
- **Inclusion of benchmarks into evaluation.** The results of the benchmarking against external organizations can contribute to developing a more informed fact base and are included into the analysis. The benchmarking effort can include organizations in the same industry, but also companies with similar processes in different industries.

Option development

The development of possible change options is a concentrated effort with high involvement of consultants. However, the consultants primarily play a facilitating role.

- **Test limits of current approach.** The current organizational structures and processes are analyzed with regard to their ability to satisfy the performance requirements set out for the improvement initiative. The result of this analysis determines the required level of change in the different target areas.
- **Develop alternatives.** Depending on the level of change being required for achieving future performance goals, different process and organization alternatives are developed and evaluated against each other. This evaluation includes the determination of

resources and effort required for implementation of the new processes and structures and their potential for future change.

Pilots

The consultant participation in this phase is focused on the support of company internal work groups and the conceptual testing and evaluation of existing and new processes and organizational structures.

- **Prove and select ideas.** In selected areas, pilot implementations of new processes and organizational support structures are implemented and tested in order to prove and evaluate different approaches and concepts. The test, evaluation and selection phase is conducted in an iterative way and the evaluation of these pilot implementations is used for selecting the most feasible options.
- **Build commitment for rollout.** A fast and consistent rollout requires a broad commitment from various actors in the organization. Creating a genuine understanding of the new working principles, processes and organizational structures is a pre-requisite for ensuring a smooth and effective diffusion process.
- **Identify rollout support requirements.** A second requirement for making the rollout process work is the identification and assignment of resources and support for the diffusion process itself. The new process introduction must take place without disrupting operational efficiency and the old ways of working must be transformed fast and seamlessly.

Full implementation

It is common that consultants are involved in the roll-out phase. In most cases, Bain staff is supporting the implementation teams and assists them in the initial check-up phase.

- **Rollout to organization.** Depending on the assigned resources and the implementation strategy and capability, the roll-out phase can take between 6 and 24 months. A parallel introduction is more resource consuming and involves higher risk, whereas a step-by-step diffusion reduces these factors, but extends the project and postpones the initiation of the deployment.
- **Install tracking system.** In order to monitor the performance of the implemented processes and engage in a phase of continuous fine-tuning and improvement, a tracking system must be implemented. This measurement tool analyzes processes according to their performance metrics and in relation to the performance objectives being set out in the initiation phase of the improvement effort.