

Consulting approaches to process improvement

Comparison

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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 on selecting consultants.

Common aspects and differences

General aspects

Generally, the different approaches considered here have relatively few differences on the conceptual level. They all contain the phases Initiation, Analysis, Design, Implementation and Deployment, but each firm adds specific elements to the general concept.

- Boston Consulting Group includes an in-depth preparation phase in which senior management is committed to the intended changes and results, and assesses the organizational readiness for change. Additionally, it is focused on the need for assigning the best available people to the reengineering effort.
- McKinsey recognizes the reengineering effort as a highly iterative process between the diagnostic and design phases.
- Both McKinsey and Bain use a pilot approach, where the new processes are tested in a laboratory environment before full implementation. This business simulation is used for verifying the process prototype against the defined performance objectives. If the new process design involves the deployment of technological solutions, these are included into the business simulation in order to ensure functional fit and usability.

- Andersen Consulting has a strong emphasis on technology from the diagnostic phase, i.e. that the current IT-infrastructure and the applications in use are analyzed concurrently to the business processes. The new process implementation is, where necessary, complemented with the introduction of a new technological solution.

Also, the methods and tools being used within the different methodological stages are basically identical and are based on the theoretical bedrock of the reengineering concept, as it has been described in the early articles and textbooks. They share the striving for order-of-magnitude improvements, the focus on business processes and their value adding capability, the aspect of cross-functionality and the enabling role of information technology.

In the strategy area, the strategy consulting firms (Bain, BCG, McKinsey) have a very solid base. Especially, the Boston Consulting Group has developed some concepts, such as the Boston-matrix, which are widely used within the area of strategy analysis and development. Andersen Consulting, on the other hand, has a very strong practice in the IT-field, including not only advisory on the strategic level, but also systems development and implementation.

The main differences can be derived from the consulting companies' traditions and core competencies. The Boston Consulting Group, Bain and McKinsey, with their roots in organization and strategy consulting, have a stricter focus on the strategic foundation of the reengineering effort, whereas Andersen Consulting, with its background and strong competence in the IT-field, seems to highlight the impact and enabling capabilities of technology. The recent efforts of the strategy firms to develop their IT-practices has increased their capabilities in this field, but of the consulting firms investigated here, Andersen Consulting is the only one providing full-range IT-services.

When considering a number of basic principles, we can see the following picture emerge regarding common aspects and differences between the investigated process improvement approaches.

	Bain	BCG	McKinsey	AC
Primary process driver	Business Strategy			Information Technology
Analysis/Diagnosis	Internal processes	Customer input	Organization	Internal processes
Design	Iterative	Iterative	Iterative	Synthetic
Implementation	Sequential or parallel			Multiple, parallel
Metrics	Customer value		Project specific	Primary financial
	Performance measures for continuous improvement			
People	Top-down, senior management sponsorship			
	Training/education, downsizing			
Communication	Top-down, multiple levels			

Figure: BPR principles, comparison

An important aspect to note is that all approaches contain the design of new processes as a step, but that no concrete guidelines are offered with respect to the level of detail to be chosen, despite the fact that this issue is crucial to the acceptance and usability of the design. Naturally, there is no given level of specification that fits all organizations - the design of the loan management process in bank is substantially different from a process designed for pharmaceutical R&D - but the absence of any guidelines involves the risk of being too general or over-detailing a process design. A very general design leaves room for adaptation of work procedures and technology use on a local process level, which might compromise the overall performance of the process and result in negative consequences in sub-sequent sub-processes. A very detailed process, on the other hand, can limit individuals' creativity and result in strictly controlled processes that can not be easily adapted to specific demands, or it results in organizational work-arounds.

Scope of service offering

All four companies investigated consider themselves as full-service providers and engage in reengineering projects including the improvement of operational processes, as well as management and support functions. The following processes are explicitly included in all

companies' service offerings and all companies have been involved in multiple client engagements where the improvement of these processes has been part of the initiative.

Operations

- **Customer relationships.** Customer Relationship Management (CRM) involves all customer related activities of a company, but can be divided into a number of areas: (1) Acquisition, i.e. the identification, attraction and retainment of target customers. (2) Cross-functional marketing, involving multiple parts of the organization in the marketing effort, instead of reducing it to a sales relation. (3) Customer support, the satisfaction of customers' on-going requirements and activities such as field service and other post-sales activities.
- **Product/service development.** The process by which a company determines what products and services that should be part of its value proposition to customers, the design and development of these products and the development of infrastructures to deliver it to their customers.
- **Supply Chain Management.** The SCM-process involves activities such as order processing, procurement, inventory management, physical distribution and replenishment and associated planning activities.

Management/Support

- **Finance/Accounting.** The financial area covers all activities being related to the organization's cash flow and financial transactions, such as accounts receivable, accounts payable and payroll management.
- **Human Resource Management.** HRM includes administrative activities, but also attracting, acquiring, developing, measuring, motivating and rewarding employees.
- **Information and Technology Management.** This process includes the determination of the organization's information needs and requirement, but also the development, maintenance and improvement of organizational and technological mechanisms for supporting the information flow.
- **Knowledge Management.** KM can be seen as a part of the ITM-process, but is very often considered as a separate process, involving elements of ITM and Human Resource Management.

IT involvement

All firms recognize information technology as a key enabler for organizational change, but have different levels of involvement and participation when IT issues are addressed and

solved. These differences can be derived from the different backgrounds of the consulting firms. More recently however, this traditional image has also begun to change industry-wide. Many of the traditional strategy-consulting firms have established practices in the IT-field, mainly e-commerce, but also covering Enterprise Resource Planning, Customer Relationship Planning and others. McKinsey & Co. Has established its @McKinsey e-commerce practice and the Business technology Office and BCG has started a prototyping lab for WWW-site development in the e-commerce field. Andersen Consulting, with its traditionally strong proficiency in the IT-field, on the other hand, has attempted to strengthen its profile in the strategy field. Bain is still maintaining its profile, but includes certain IT-aspects, such as the development of technology strategies and architectures, in its service offering.

High IT involvement

Andersen Consulting has a core competency in the IT field, and considers this as a significant competitive advantage. The adoption of an integrated approach to solve clients' problems is intended to create a close link between organizational and IT issues.

Medium IT involvement

Bain takes an active part in the development of technology strategies, including the determination of IT architecture and the development of data models. The technical design and development is normally outsourced. Participation in system implementation to ensure alignment with new business processes.

Minor IT involvement

BCG and McKinsey have a focus on the strategic aspects of reengineering projects. Information technology is considered as another tool for achieving business process redesign. Involvement takes place at a high level of the IT requirements definition, while the IT element of the project normally is outsourced. IT is not conceived as a mandatory component of all reengineering efforts.