

Consulting approaches to process improvement

Overview

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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.

Introduction

There are probably as many methodologies for process improvement and change management as there are consulting firms and even scholars from various disciplines, mainly the Business Administration field, have contributed to this flora of improvement approaches in a conceivable way. Any of the major internationally working consulting firms keeps itself with a change methodology and also smaller, local firms have developed their own approaches to business and process improvement. The applied approaches range from complete concepts, covering all steps of the transformation process, to techniques and tools used for specific purposes during a specific part of the change process.

We will not advocate any approach as being superior to any other. The aim of this chapter is to provide an overview of some approaches that are used by large, internationally working management and IT consulting firms and to discuss them with regard to their steps and tools, as well as to relate them to more theoretical aspects.

In the work of consulting firms, methods play an important role for different reasons. Methods are normally considered as explicit mechanisms for problem-solving (Jayaratna, 1994). However, their role is not limited to solving problems, they can also be used for other purposes. Werr (1999) has analyzed the role of methods in the work of management

consultants, with a focus on BPR-style improvement projects. He identified three major areas in which methods are important.

The project work with the client

Methods can be considered as being a medium for constructing reality, i.e. that the method serves as a tool for describing how reality is perceived. This social construction process is fed by the images of all participants in the project group and the common image of reality derives from the individual contributions.

A second role a method can play is to provide a structure for action. In this case, the method provides guidelines, techniques and tools for supporting the problem analysis and diagnosis, as well as the change implementation process. The level of detail can vary from simple rules for facilitating meetings to a detailed rulebook with elaborate descriptions of each step in the change process, its deliverables and the tools and techniques being required, e.g. for process modeling.

Finally, a method can also be seen as an argumentative structure for justifying and driving a change process. Werr (ibid., p 317) concludes that a method can provide a "discursive framework for communication", i.e. that the logic of the method is used for legitimizes the direction and steps of the change process.

The use of methods for problem solving

A methodology¹ can be defined as

a coherent collection of concepts, beliefs, values and principles supported by resources to help problem-solving groups to perceive, generate, assess and carry out, in a non-random way, changes to an information situation.
(Jayaratna, 1994)

Consequently, problem formulation, solution design and solution implementation are important parts of methods and problem-solving processes. In order to support this process, a method normally contains a set of tools and techniques for these steps and also for documenting results.

The knowledge creating aspect of methods

In addition to the purposes mentioned above, methods are also part of the organizational knowledge system. In his study of the use of methods in management consultancies, Werr

¹ The difference between methodology and method, although existing, can be considered as merely semantic, since both terms are regularly used as synonyms.

(1999) has found that methods actually play an important role in these firms' knowledge systems. Werr (ibid., p 320) described the knowledge system in the following way.

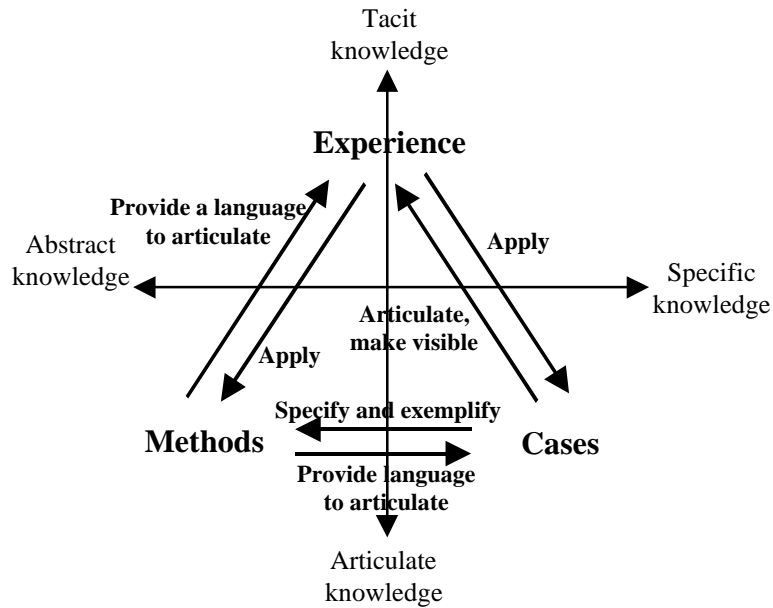


Figure: Methods as part of the knowledge system

Consequently, methods are an integrated part of the knowledge creation and sharing process of organizations and support the process of extending and transferring individual knowledge through the language they provide, and that is shared among all members of the organization.

Comparison of four process improvement approaches

In many firms, the need for consultants for complex change projects, such as BPR projects is generally accepted. It may be discussed, however, which kind of characteristics a project must fulfill to be termed BPR project. In this concern, the prophecy of BPR being doomed may hold true to the extent that the term itself will lose importance, while the underlying principles will remain.

The impact of BPR on companies and consulting practice can be illustrated with the fact, that BPR consulting revenues in 1994 were 3,5 bill. US\$, with an estimated growth rate of 20% on annual basis. In 1994, 69% of US and 75% of European firms were involved in projects with BPR label, or strong BPR characteristics. Of the remaining firms, 50% intended to embark on reengineering during 1995-1996.

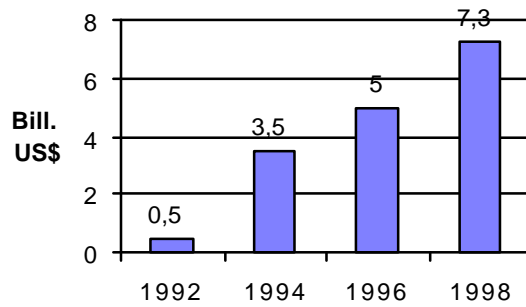


Chart: BPR consulting market, source: Industry data

A general observation is that the reengineering market, and the project intentions have changed from being cost-reduction oriented, to become initiatives for growth and improved customer relations, service, and product development.

Consulting firms and BPR

Virtually all international and also national consulting firms being involved in strategy, organizational improvement or information technology offer process improvement services under the name of BPR, or related labels. In addition, many smaller firms have specialized in reengineering, often with a niche focus on specific industries. When considering the major firms worldwide, it can be concluded, that BPR market shares in percent are generally low (under 10%, except Andersen Consulting), which can be derived from the fact that most firms are offering multiple kinds of consulting services, e.g. accounting, tax auditing, strategy development, etc., or have been entering the BPR market relatively late.

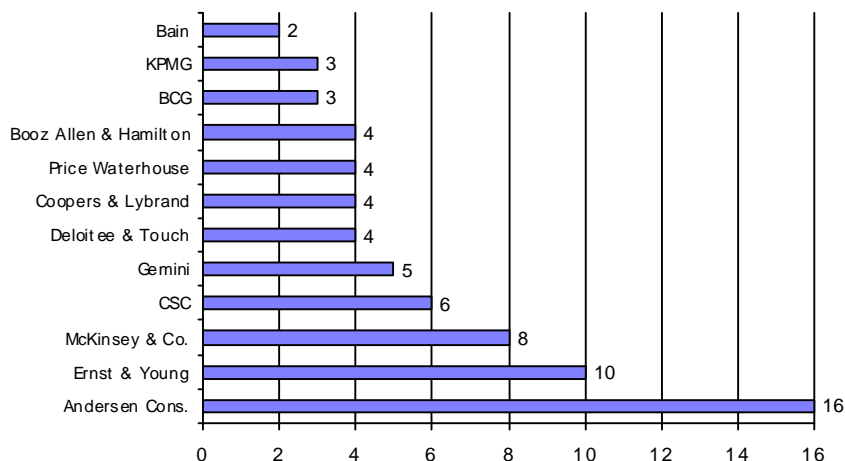


Chart: BPR market share (%), source: Industry data

The above chart can be complemented with the fact that other consulting firms hold a market share of about 31%, accounting for 1.1 bill. US\$. This category consists of smaller, often regional firms, but includes even hardware and software vendors, providing BPR tools (Examples: IDS, SAP) and related services.

Reading the chart carefully, it can be concluded that the majority of leading BPR consultancies are traditional consultants, which especially holds true for the "Big Six". These firms have been offering various consulting services in the areas change management, systems development and strategy prior to the occurrence of BPR. This group of traditional firms holds a share of about 58% of the BPR market. Despite their market share, many of the firms have varying levels of dedication to BPR, which is depicted by the BPR share of their corporate revenues. The traditional consulting firms have a BPR share of corporate revenues of around 20% or lower, while firms with a higher level of specialization have a higher share. Having a BPR revenue share of more than 15-20% would indicate, that the firm has been active in the market at an early stage. In addition, it could be claimed that several of the previously existing consulting firms have embarked on the "BPR-trend" by adapting their traditional services and methodologies to a process approach by adding steps for process analysis and design. Another measure for the success of a consulting firm is the revenue per professional figure. For the four firms described in the following - Andersen Consulting, Bain, BCG, McKinsey - the 1998 figures look like following.

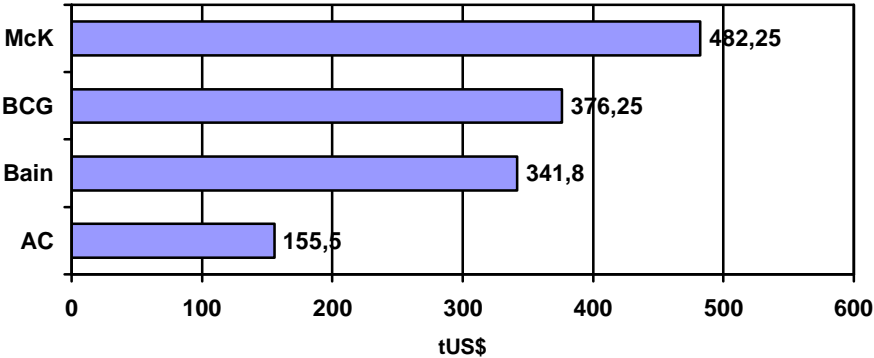


Chart: Revenues / consultant for four firms, year 1998 (source: Consulting News, 7/99)

References

Jayaratra, N. (1994), *Understanding and Evaluating Methodologies: NIMSAD, a systemic framework*, McGraw-Hill, Maidenhead

Werr, A. (1999), *The Language of Change: The roles of methods in the work of management consultants*, Stockholm School of Economics, Stockholm