

# 3<sup>RD</sup> BIENNIAL PEX NETWORK REPORT: STATE OF THE INDUSTRY

*TRENDS AND SUCCESS FACTORS IN  
BUSINESS PROCESS EXCELLENCE*



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# INTRODUCTION

## FOREWORD BY OPENTEXT

### Unleashing the power of process

Businesses have always focused on increasing efficiency, improving quality and cutting costs. However, in today's global and hyper competitive economy these aims have now become a strategic imperative. Rapidly evolving commercial and regulatory pressures mean that companies must relentlessly push for greater agility while making use of existing or even fewer resources. That means companies must change - and change often - to survive.

# OPENTEXT

OpenText has always been a firm believer that progressive organizations embrace process excellence as a means to achieve these goals. Process excellence helps companies work more efficiently, link business strategy to global execution, and make rapid deployment and continuous process improvement a reality. The tools and methodologies that companies use to achieve process excellence may differ but the fundamental goals remain the same: improving work to improve business performance.

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That's why we're excited to be sponsoring PEX Network's 3<sup>rd</sup> Biennial *State of the Industry* report, which looks at how businesses and process professionals are approaching these objectives.

As you'll find throughout this report it's both a challenging and a rewarding time to be involved in process excellence. Process professionals are under increasing pressure to deliver benefits quickly, with fewer resources. At the same time the skillset and capabilities required for the job are expanding into exciting new areas such as change management, customer experience and information technology.

And with the convergence of digital technology and the maturation of the discipline itself, process professionals now have an opportunity like never before to play an integral role in helping to shape and enable business strategy through the power of process.

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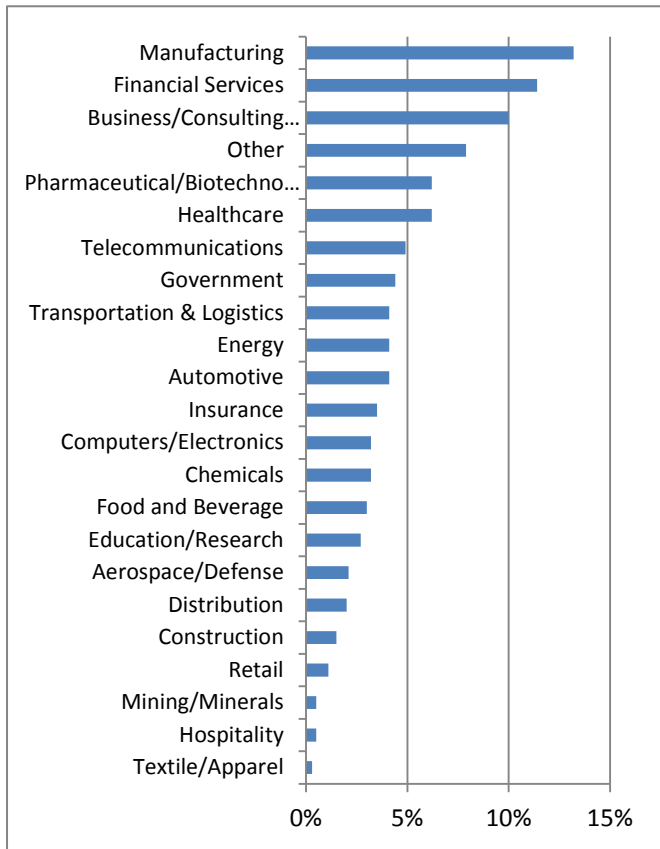
**ABOUT THE RESEARCH**

Every two years, PEX Network undertakes a *State of the Industry* research project to better understand general trends in how companies are approaching operational excellence. What tools and methodologies are they using? What is the outlook for budgets and resources? What are the general trends practitioners are experiencing?

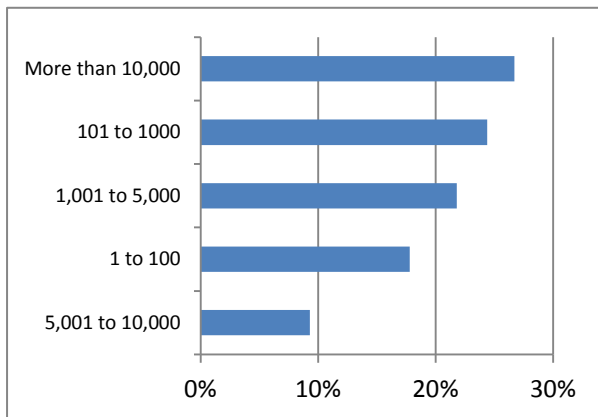
Additionally, this year we examined how process excellence can better support the strategic objectives of C-Level business executives.

Thus, the research presented in this year's report is based on 2 separate surveys conducted June-August 2013. The first was targeted to PEX Network's membership of process professionals. The second was targeted at C-level executives. A total of 814 process professionals responded to the first survey and 60 executives responded to the C-level survey.

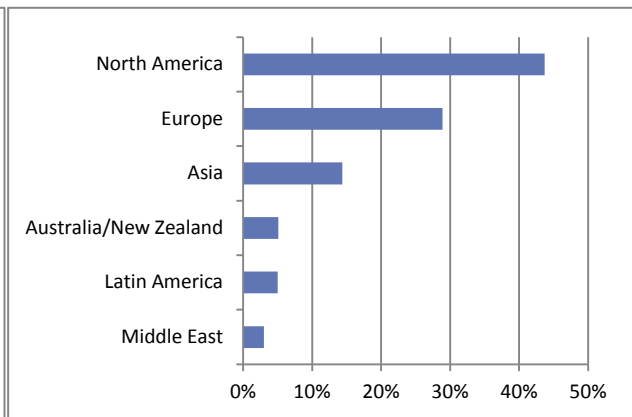
Further in-depth telephone interviews were conducted with selected individuals. Where possible, the survey results have been benchmarked with similar surveys conducted by PEX Network in 2011 and 2005.



**Chart 1: Industries represented by survey respondents (Process Professionals Survey)**



**Chart 2: Company size of survey respondents by number of employees (Process Professionals Survey)**



**Chart 3: Survey respondents by geographic region (Process Professionals Survey)**

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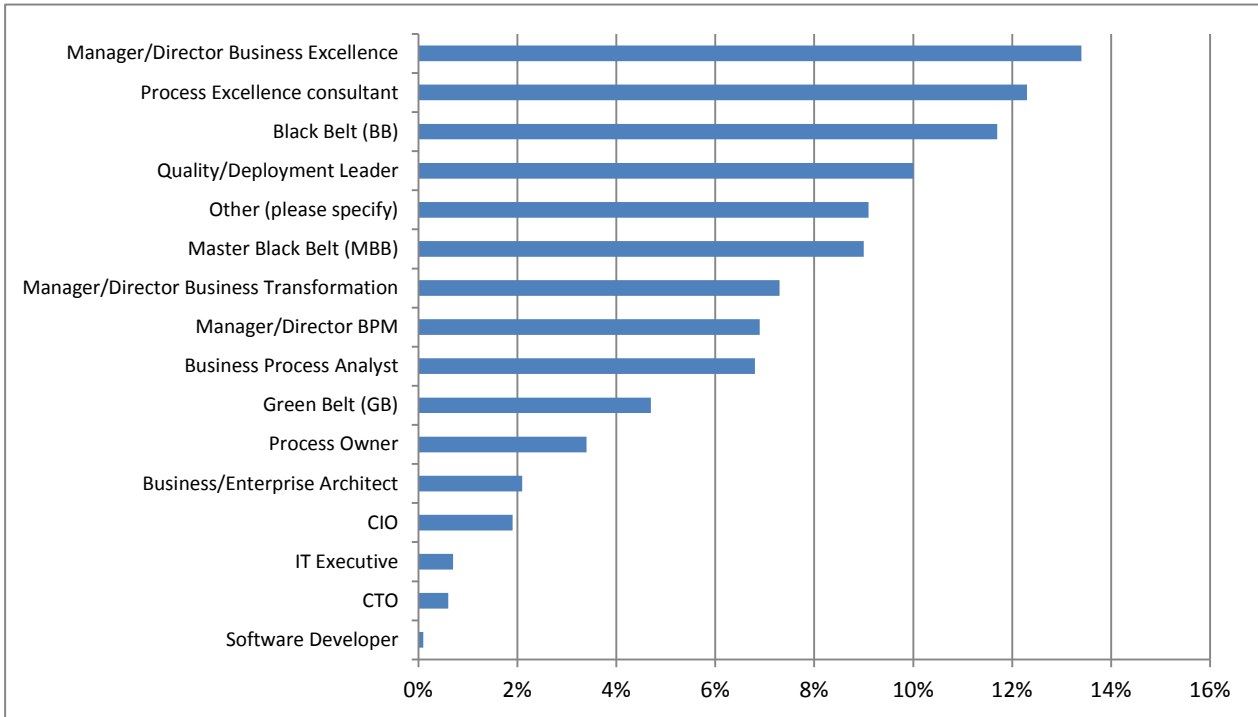


Chart 4: Job titles of survey respondents to Process Professionals' Survey

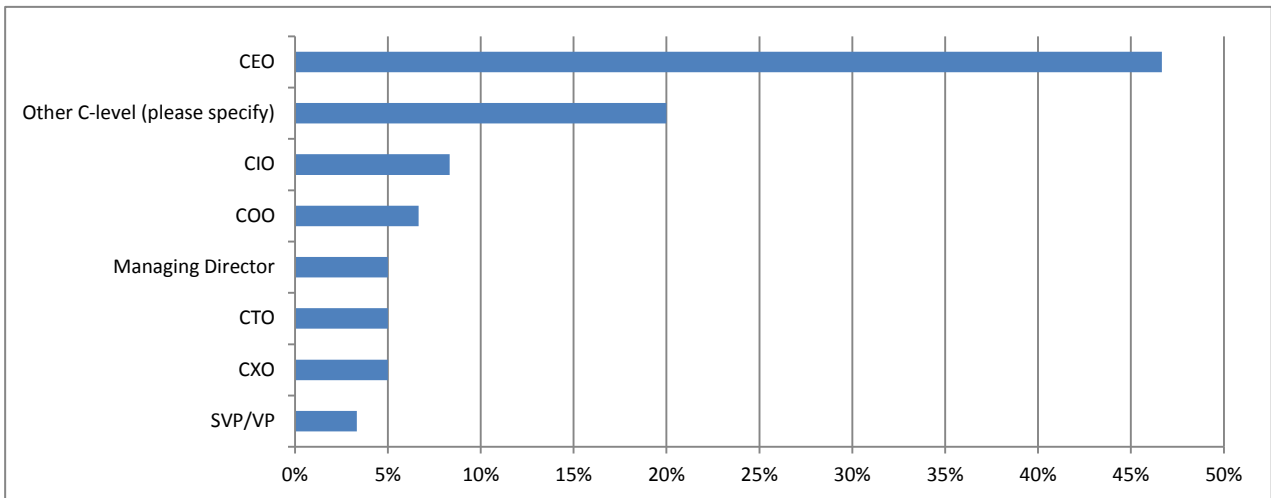


Chart 5: Job titles of survey respondents to Executive Survey

In the survey of process professionals, the bulk of respondents were from North America or Europe (around 70% of the total – see Chart 3, previous page). Manufacturing, financial services, business

& consulting services, telecommunication and healthcare topped the list for industry representation (see Chart 1 – previous page). Respondents came from a variety of job roles, split fairly evenly between Manager/Director of

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Business Process Excellence, Process Excellence consultant, Black Belt and Quality/Deployment Leader (Chart 4).

Meanwhile, over 40% of respondents to the Executive Survey were Chief Executive Officers with the rest split fairly evenly between other C-Level titles, CIO, COO, etc. For full demographic breakdown of the Executive Survey, please download the executive results here: <http://goo.gl/yNkLxs>

*A presentation containing full survey results (without analysis) can also be downloaded here: <http://goo.gl/lohRCX>*

## Key Findings from 2013

Process Excellence continues to expand into all functional areas of businesses with an increase since 2011 in those reporting use in Legal, Marketing, Sales, Finance, Human Resources and IT functions.

Six Sigma's popularity continues to decline since our 2011 survey, although use of Lean and Lean Six Sigma remained relatively steady.

Companies are devoting fewer resources full time to process excellence, with a significant increase since 2011 of those reporting full time resources of 10 people or less.

Average project lengths continue to decrease with a significant increase since 2011 of respondents reporting average project length of 90 days or less.

Executives view process excellence as a means to sustaining business growth and improving customer satisfaction.

Process professionals may focus too much on tactical benefits of process excellence such as cost savings and automating processes, when executives appear focused on improving customer satisfaction.

**OVERVIEW OF PROCESS EXCELLENCE IN 2013**

Process excellence continues its march into all functional areas of businesses. As with previous surveys conducted in 2011 and 2009, this year's respondents indicated that they were deploying process excellence in traditional areas like general business operations, manufacturing and supply chain but also areas not traditionally targeted for deployment of process excellence methodologies, such as human resources, procurement, R&D and customer service. Functions where there has been a marginal increase in use since the 2011 survey include Finance, IT, Human Resources, Sales, Marketing and Legal.

**The percentage of survey respondents reporting use of pure play Six Sigma has dropped from 70.8% in 2005 to 33.1% in 2013**

remain the most widely used methodology in the process improvement tool kit closely followed by Business Process Management (which usually involves a technological component). 50.2% of survey respondents reported using Lean, 48% Lean

Lean and Six Sigma (sometimes in combination)

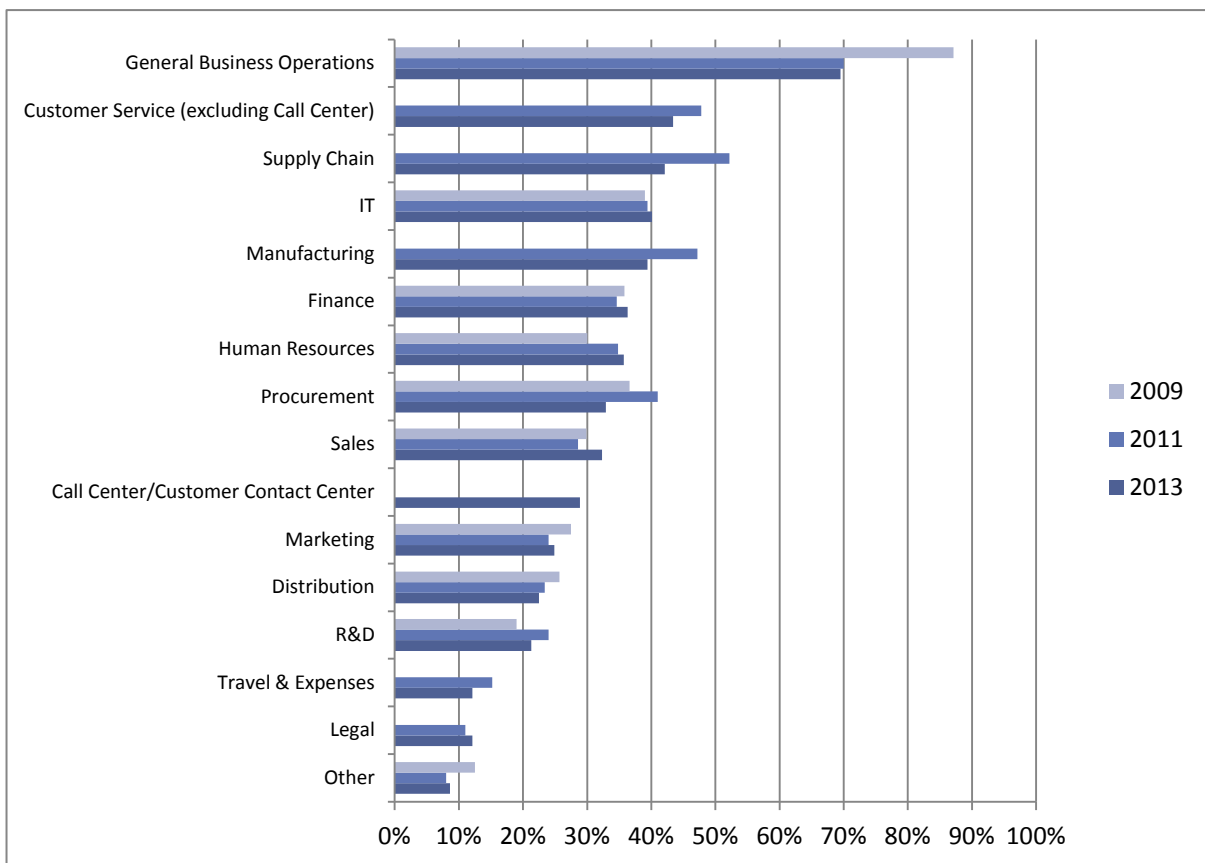
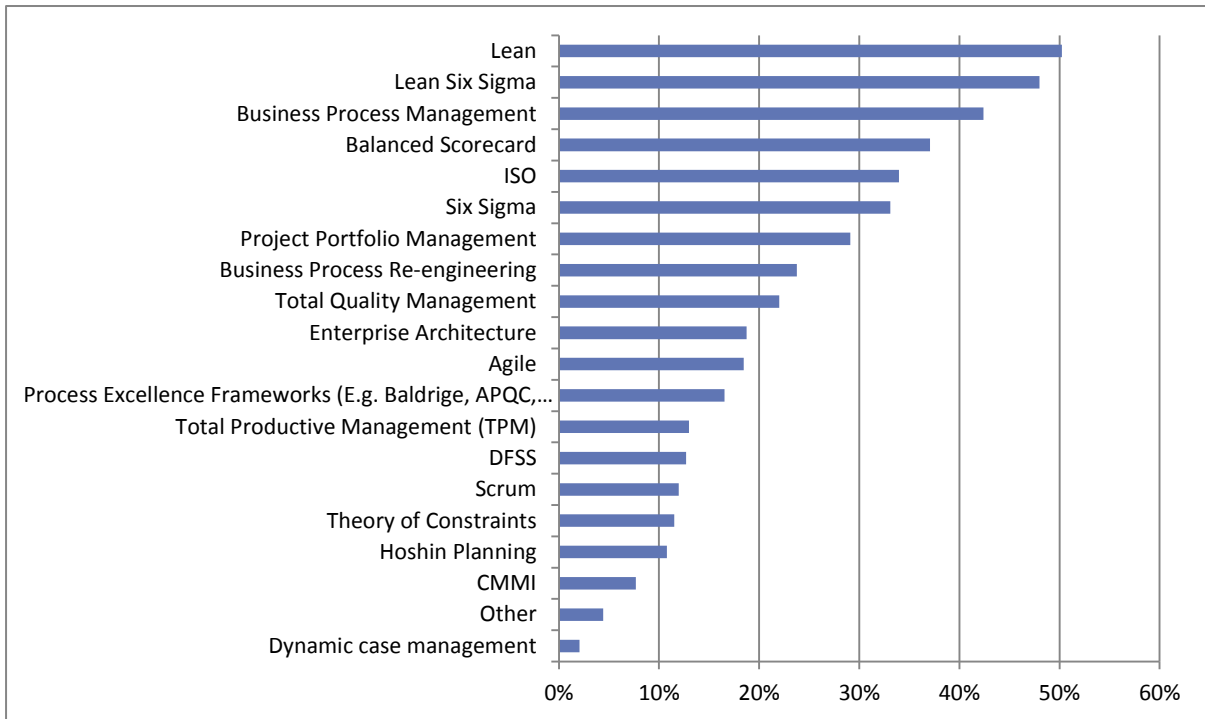


Chart 6: In which departments are you applying process excellence? (select all that apply)

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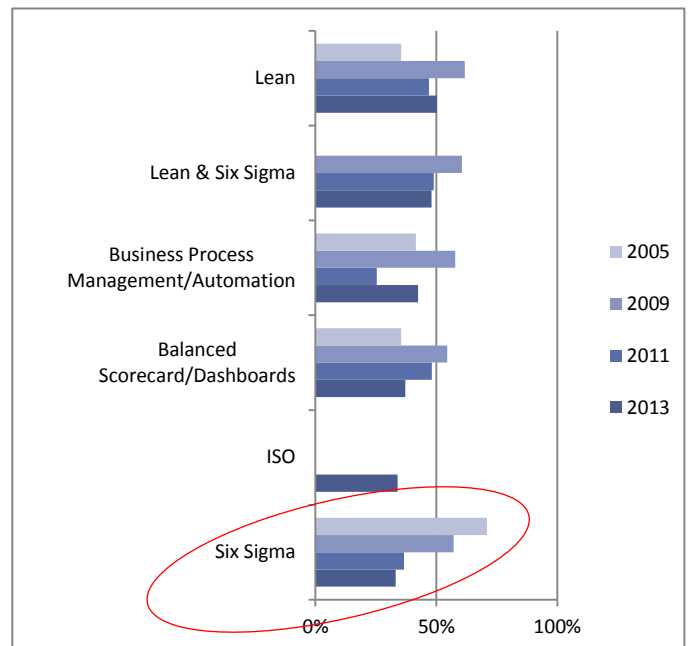
**Chart 7: Which methodologies/frameworks do you employ in your process excellence program?**

Six Sigma, and 42.4% Business Process Management. Balanced Scorecards (37.1%) and ISO (34%) also remain popular approaches to process excellence.

Comparisons with previous PEX Network benchmarking surveys, however, reveal that certain methodologies are not as widespread as they once were. Six Sigma in particular has continued its decline from the heady heights of 2005 when 70.8% of respondents reported using “pure play” Six Sigma to 33.1% in this 2013 survey.

Some of the variation could be due to changing demographics of PEX Network membership, as individuals with new backgrounds, skillsets and approaches join the network. However, phone research also suggested that several other forces were at work.

Some telephone interviewees suggested that companies were moving away from overly structured and rigid approaches to process



**Chart 8: Which tools and methodologies are in use in your business? Comparison of most utilized methodologies with previous survey data**

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Instead, many are taking a more pragmatic approach and drawing on a wide range of tools that fit the business situation and need. Others said they use the methodology to underpin their approach but instead of the inflexible Six Sigma deployments of the late 90s and early 2000's, for instance, many will not even tell the business that they are using a Six Sigma approach.

"Although the tools and templates and collaterals [in our company] have been associated with Six Sigma every step of the way, we have not advocated the word Six Sigma or Lean with our stakeholders," explains Sedwin Vadukut, Program Manager Business Process Improvement at Adobe Global Services. "People find value in us using the tools, templates and approaches rather than dictating bookish terminologies that might turn them off the topic."

Paul Nelson, Leader, Operational Excellence and Transformational Change at Shire Pharmaceuticals agrees. "You won't ever hear us talk about a Kaizen with some of our functional groups. That was because the first time that people heard the term they just cringed. They felt that there was this new, inflexible way of doing things that would be imposed upon them. So we worked with them to create a new language...we ended up calling it rapid improvement."

However, as businesses contend with the rapid pace of change wrought by technological innovations, market shifts, competition and regulatory regimes, there has been some suggestion that methods like Lean and Six Sigma are not enough.

"When these tools got started back in the days of Motorola and GE they were very structured and rigid," says Nelson. "What I've seen over time is that the successful places are able to adapt the tools to fit the audience and adapt the way that the language is used and the way we talk about things to gain the alignment from the leadership and keep people on board."

There are also limits to the problems and challenges that process improvement tools can solve says John Macdonald, Global Manager of Business Process at TNT.

"Lean and Six Sigma remain valuable tools. Practitioners need to drill down into a lower level process area and then using SIPOC and other tools fix a particular problem – which is what they were designed for," he explains. "However, when a process design team is trying to make sense of the overarching end to end customer experience process design, LSS tools needed to be supported by other approaches, such as customer journey maps that surface the cause and effect logic of enterprise wide process design criteria. Our customers in supply chain innovation are pushing the markets this direction. LSS tools are required to do this but within a context of what supply chain requires for all its stakeholders".

"Being able to be adaptable but still stay true to the core of what makes the tools tick, I think that's a big change," says Paul Nelson, Leader Operational Excellence and Transformational Change at Shire Pharmaceuticals.

The changing skill set demanded of process professionals will be discussed in more detail later in this report.

"The successful places are able to adapt the tools to fit the audience and adapt the way that the language is used and the way we talk about things. This helps to gain the alignment from the leadership and keep people on board."

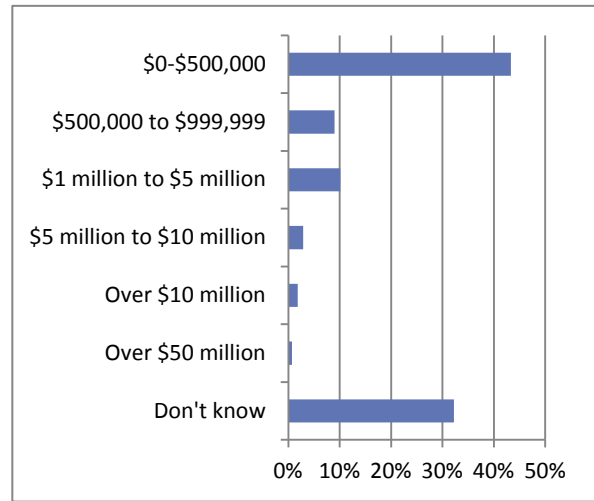
- Paul Nelson, Leader, Operational Excellence and Transformational Change at Shire Pharmaceuticals

**BUDGETS & OUTLOOK FOR PROCESS EXCELLENCE DEPLOYMENTS**

It is perhaps an irony that process excellence professionals are being asked to do more for less. The number of companies with more than 10 people employed full time in process excellence has decreased since our 2011 survey.

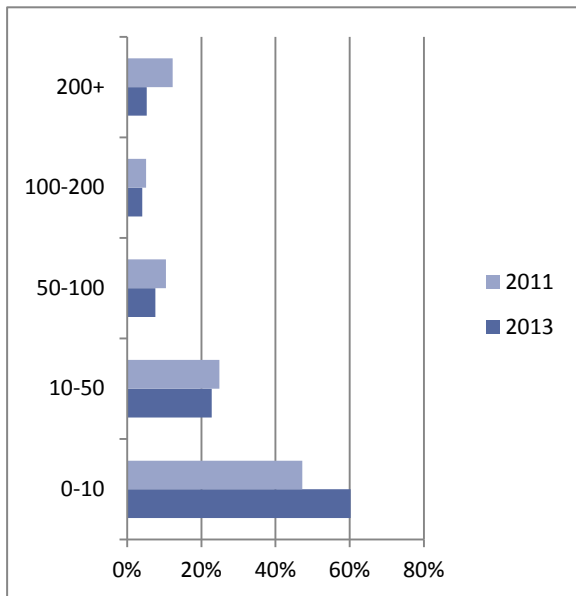
In 2011, 12.3% of companies reported having 200+ full time process excellence resources while in 2013 only 5.3% reported such a large number of resources. Similarly, the percentage of companies reporting fewer than 10 full time resources working in process excellence has increased from 47.2% in 2011 to 60.2% today.

This could be due to a number of factors. More process professionals are starting to see themselves as a facilitator or coach rather than a consultant to the business. That important shift means that it is the role of process professional to coach the business on how to apply the tools to

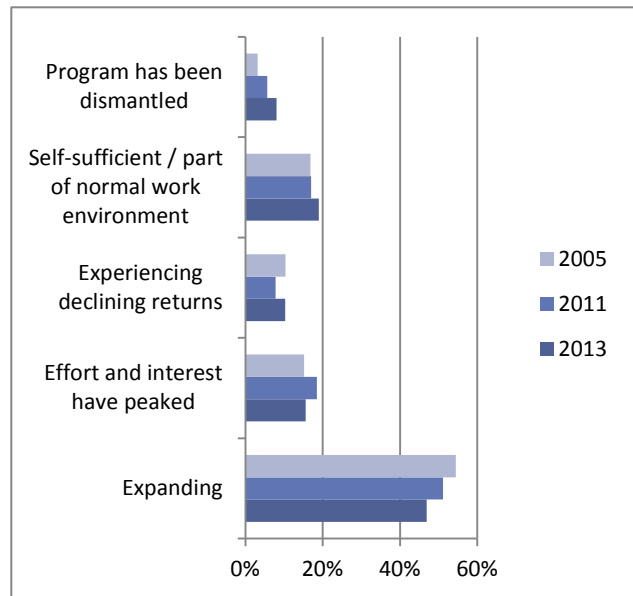


**Chart 9: What is the annual budget for your process excellence program?**

solve their own problems. Similarly, as companies embed the capability for process excellence within business units, there may be less need for



**Chart 10: How many full time resources work in process excellence?**



**Chart 11: How would you describe the current perception of process improvement in your organization?**

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resources to be allocated full time to a process excellence deployment.

This is a shift that could be good for process excellence within companies, according to Mark Nestle, Global Director of Productivity at Praxair.

"What can hurt some companies is that the people who are driving productivity are the 'Belts', the 'ninjas', and everybody else is just doing their job almost like the 'Belts' are an outside organization. What's helped us at Praxair is that our productivity folks are embedded in the businesses. They are part of each business - they're the person sitting at the desk right next to you," he says.

Over 40% of survey respondents in our 2013 survey reported that interest in process improvement was expanding at their organization. However, that percentage represents a decrease since 2005 and 2011 when over 50% of respondents reported that interest was expanding. Those companies reporting that their program has been dismantled or is at risk has similarly increased since the 2005 and 2011 survey.

The tough operating environment for business is certainly a contributing factor.

"When you go into austerity measures you're looking at every expense you can eliminate and people are part of that," says one telephone interviewee, who wished to remain anonymous.

However, he says that it seems strange that companies would look to eliminate process excellence resources at the very time they become so much more critical: "You're trying to maintain the top level growth. You're taking away every expense you can find and you're trying to cut every cost you can. At the same time you're trying to transform your company. Yet you're eliminating those key individuals or functions that can help transform the company faster."

But Paul Nelson, Shire Pharma, says that some companies have been unsuccessful with process excellence deployments and therefore may be doubtful of its value.

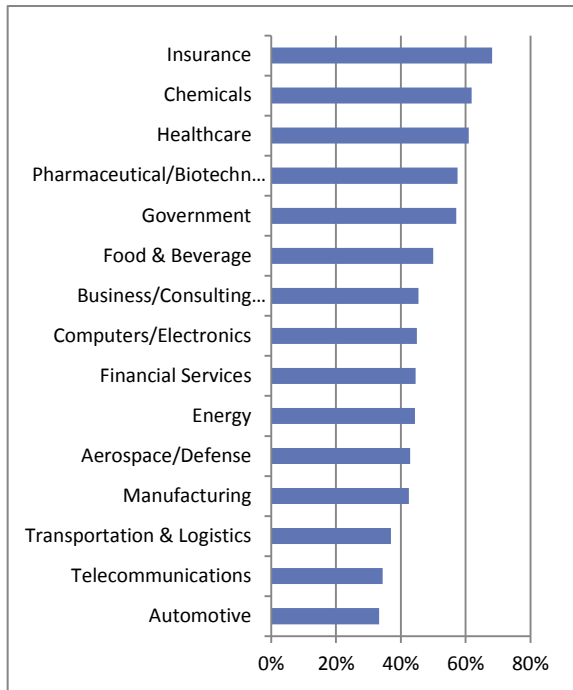
"If the way that it was being done before was successful there would be no reason to move away from it," he explains. "My guess is that those who weren't successful but are willing to try again ascertained part of the reason it didn't work before was that it was too structured and not able to be applied to deliver meaningful benefits as early as possible in as pain free a way as possible."

***Over 40% of survey respondents reported that interest in process improvement was expanding at their organizations but that's down from over 50% in 2011***

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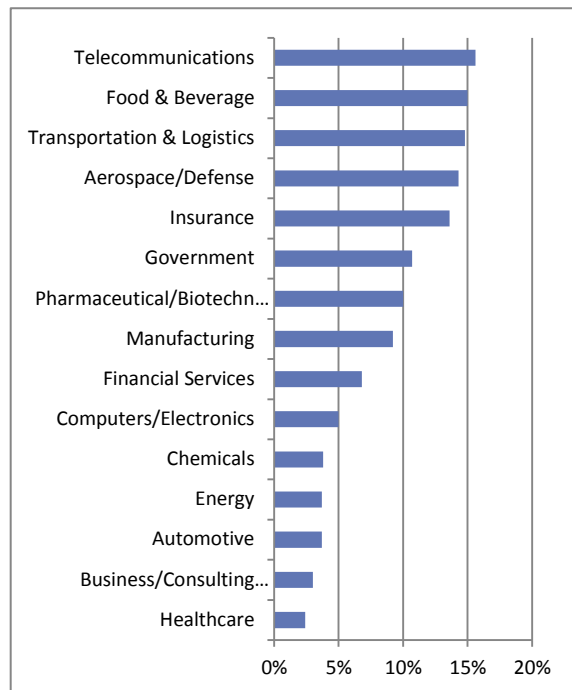
- Mark Nestle, Global Director of Productivity, Praxair

**Where is interest expanding?**

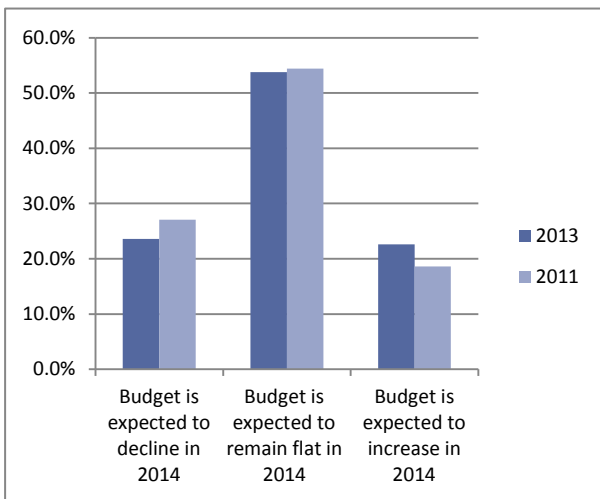


**Chart 12: Respondents reporting that interest in process excellence is expanding (by industry)**

**Where is PEX most at risk?**



**Chart 13: Respondents reporting that their process excellence program is at risk or has been dismantled (by industry)**



**Chart 14: Do you expect your budget for operational excellence to increase, decline or remain flat in 2014?**

Different industries, equally, exhibit varying levels of interest in process excellence. The greatest percentage of respondents who reported that interest in process was expanding at their organization worked in Insurance, Chemicals and Healthcare. On the other side of the divide the greatest percentage of respondents reporting that their programs had been dismantled or were at risk were in Telecommunications, Food & Beverage, Transportation & Logistics, and Aerospace/ Defence. Conditions specific to those industries are most likely factors that explain why process excellence is expanding or contracting.

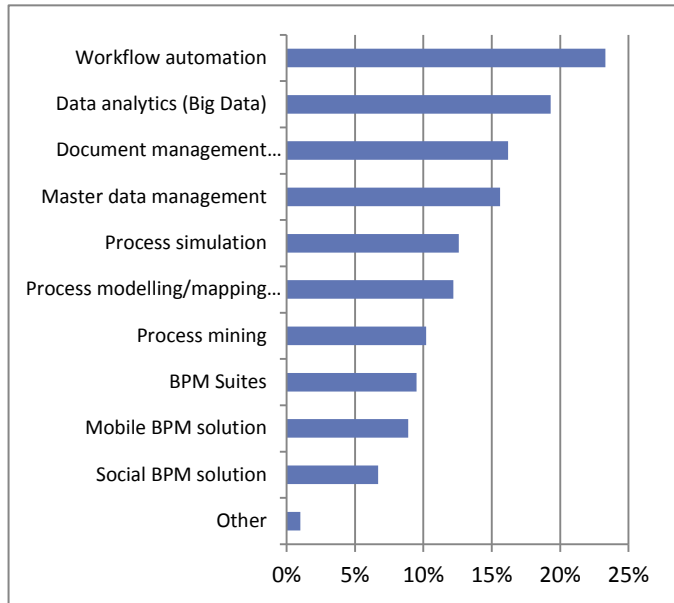
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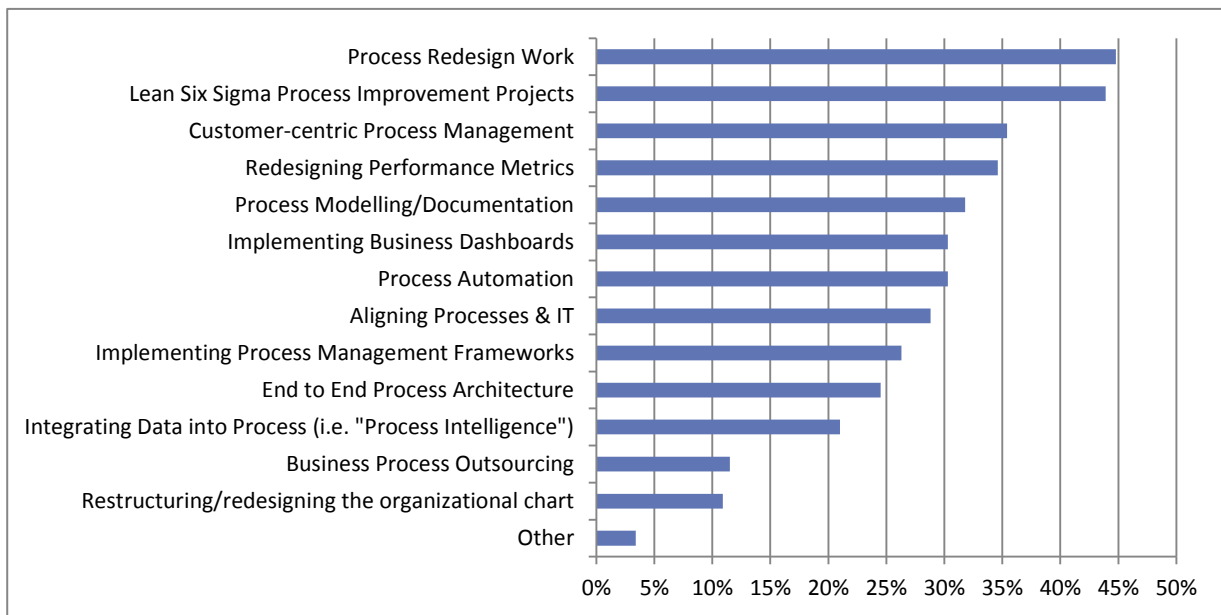
However, it's not all doom and gloom. The picture for growth in process excellence within companies is mixed: 22.6% of survey respondents reported that they expected their budget to increase in 2014 (an increase on the 2011 figures when only 18.6% of respondents reported the same).

Where are they planning on investing their money? A similar survey conducted earlier this year found that workflow automation topped the list of investment areas with 23.3% of respondents reporting that they planned to invest in workflow automation in the next 12-18 months. Data Analytics or Big Data (19.3%), Document Management Solutions (16.2%) and Master Data Management (15.6%) were also seen as key investment areas.

Process re-design work, Lean Six Sigma Improvement projects and Customer-centric process management are expected to be the main focus of most process improvement work in the year ahead for most practitioners.



**Chart 15: What are your key investment plans in the next 12-18 months? Source: Future of PEX Survey, February 2013)**



**Chart 16: What types of process improvement work will be the focus of your program in 2014? (Participants invited to check all the apply)**

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**STRATEGIC ALIGNMENT WITH EXECUTIVE PRIORITIES**

Executive sponsorship is always cited as one of the most important ingredients towards ensuring the success of a process excellence initiative or deployment. When senior management “get it”, the job of a process professional becomes much easier.

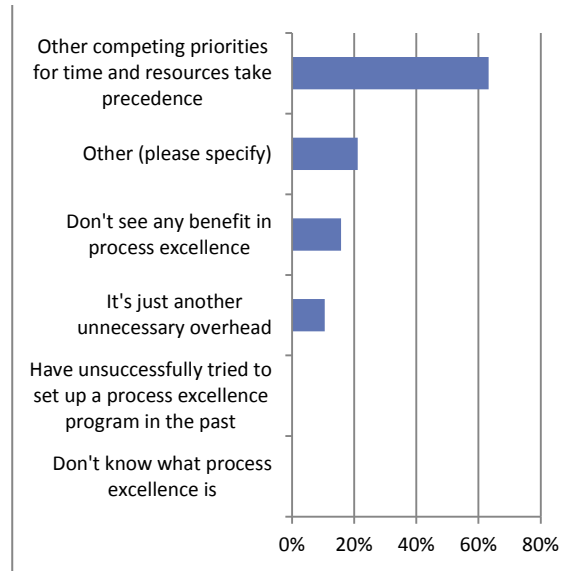
But if process excellence is so beneficial – so game changing – for businesses, then why can it be such a challenge to get senior executives on board?

This year, for the first time, PEX Network undertook a survey of C-Level and other senior business executives in order to better ascertain how top executives view process excellence and what might be stopping them from throwing their full support behind a process excellence deployment.

“Competing resources for time and resources” topped the list of reasons why companies don’t have a process excellence program with over 60% of business executives citing it as the main reason their organization hasn’t adopted such an approach.

The executive respondents that we interviewed were conscious of the need to do things more efficiently and of a higher quality. They were also aware of the need to be responsive to customers and market changes. But what they weren’t convinced of is the method through which to achieve these results. It can be especially difficult in a tough economy to justify investing in fixing processes – or establishing the internal capability to do so - when there’s so many other holes to plug: investment in machines or computers, for instance, or the training of staff in the skills critical to growing your business.

“If there’s no continuous improvement they’re probably not



**Chart 17: Executive Survey - Why don't you have a process excellence program?**

solving problems at the root cause so they’re constantly putting out fires,” explains Lynn Kelley, Vice President of Continuous Improvement at Union Pacific Railway. “It’s like preventative maintenance on a car – you may not have time to get your oil changed but you don’t have time *not* to get your oil changed!”

Kelley suggests that if you’re trying to introduce continuous improvement to a company that has

**“Other competing priorities for time and resources take precedence” was the number one reason cited by 63.2% of C-level executives for not having a process excellence program**

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never had it before, you have to avoid what she calls the “peanut butter approach.”

“If you look at Stephen Covey’s 20 – 60 – 20 rule: 20% of people are willing to change, 60% of people are on the fence, and 20% will resist change. When you do a ‘peanut butter’ approach and go after everybody in an initial deployment, then you’re going to get that 20% against who will influence the 60% who are on the fence,” she explains. “Instead, I tell people to go for the twenty percent that you know are open to change, get the bugs out of your system, go after easy projects, build early success and then get the ball rolling.”

A smaller percentage of executive respondents said that they didn’t have process excellence programs because they either couldn’t see the value in it (15.8%) or saw it as an unnecessary overhead (10.5%).

What would it take to convince these executives to see the value of process excellence? While clearly, there isn’t one answer to that question, part of the solution could be better targeted communication. The intricacies of how process benefits the business may seem clear to the highly analytical brains of those who have spent years training in process improvement theory and methodologies but senior executives need to have a high level

view of not only the entire business operation but also of market and industry trends. For executives, not every business challenge is about process.

“People who can think in ‘process’ really well tend to be perfectionists. They want everything to be perfect – they want to see every little piece of the business and how it fits together like a big puzzle,” observes Ginny Youngblood, Global BPM Lead for DuPont. “But senior leaders don’t really think that way – for them it’s more like a chess game. And as

long as you have people putting together a puzzle talking to people playing a chess game, it will never work. It’s too big a divide.”

Youngblood says that process professionals must figure out how to position their work so that it’s more relevant to the needs of senior leadership.

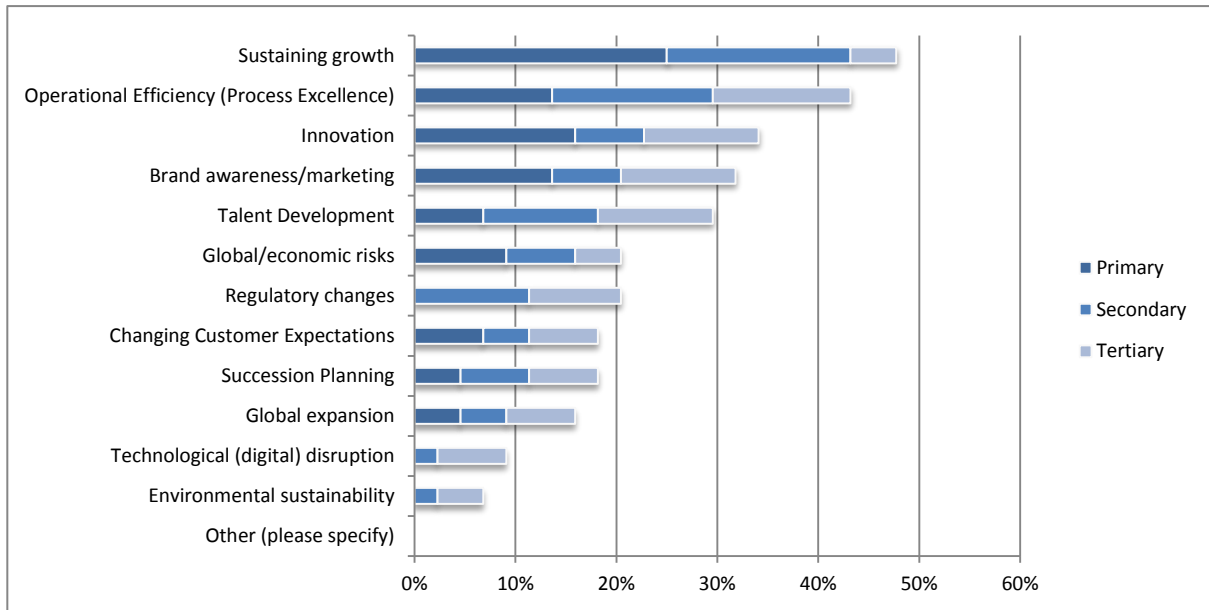
**15.8% of executive respondents said they couldn’t see the value of process excellence and 10.5% said it was an unnecessary overhead**

“The people who are down in the weeds doing the tactical stuff have to figure out how to reframe what they’re doing as a strategic advantage to their company,” she says.

Simply put, it comes down to what outcomes your organization cares about. How does what you’re doing help improve the odds of achieving those outcomes?

“People who can think in “process” really well tend to be perfectionists. They want everything to be perfect – they want to see every little piece of it and how it fits together like a big puzzle. But senior leaders don’t really think that way – for them it’s more like a chess game. And as long as you have people putting together a puzzle talking to people playing a chess game, it will never work. It’s too big a divide.”

- Ginny Youngblood, Global BPM Lead, DuPont



**Chart 18: What are your top three business challenges in the year ahead? (Responses from 60 Business Executives)**

“Some companies are operationally focussed, others are driven by finance, and some concentrate on sales. Depending on which approach drives your business, you will need to translate your message into relevant language to fit your organisational culture.” suggests Sander Graft, Chief Operating Officer, International Large Accounts at Sodexo.

But what are the most pressing challenges of senior leadership? Not surprisingly, “Sustaining

**Sustaining growth was cited as one of the top 3 business challenges in the year ahead by 47.7% of executives**

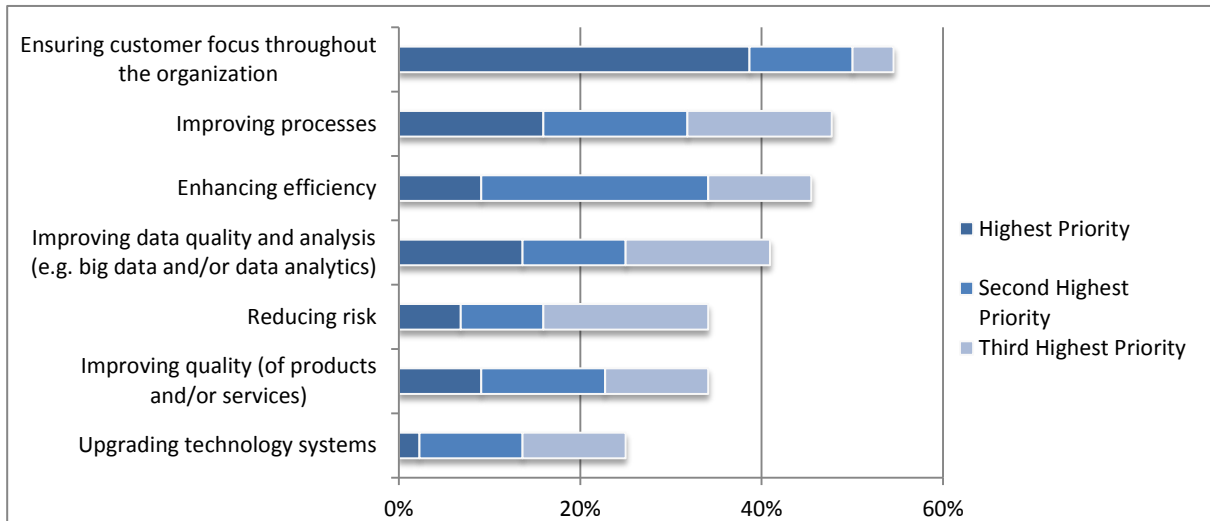
Growth” topped the list of business challenges in the year ahead for business executives in our survey (Chart 18). As Gayla Thal, Chief Legal Officer at Union Pacific puts it succinctly: “There’s no staying even. You either grow or you decline.”

Closely behind the challenge of “Sustaining Growth” was the challenge of “Operational Efficiency”. That the two challenges come out top of the list is perhaps indicative of how interlinked operational efficiency is with sustaining growth.

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**Chart 19: What are your three highest priority areas to address in the year ahead?**

“We set up our operational excellence program when we were at a point of consecutive lack of organic growth,” explains Rene Mandos, Chief Operating Officer Benelux of insurance broker Aon Risk Solutions. “We established the program with the aim of achieving profitable growth. The market we’re operating in is really challenging so in order to grow our revenues we had to focus on making the organization more efficient and productive to improve our margins.”

“Operational excellence and growth are very much interlinked,” he adds. “If we get better at doing things effectively or efficiently, we get room to invest more in client value activities that will help us in our revenue generating activities.”

What was slightly less expected in the survey results was that a majority of business executives cited “ensuring customer focus throughout the organization” as one of their top three priorities in

the year ahead.

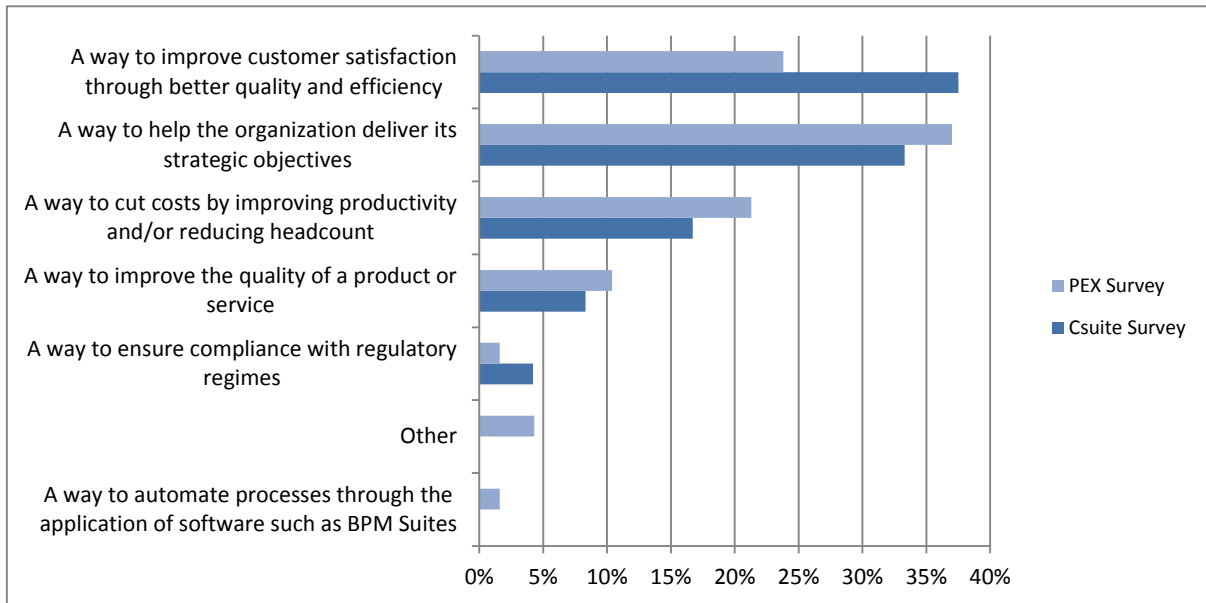
“Creating customer value through safety, service and efficiency is our strategy,” explains Gayla Thal, Chief Legal Officer for Union Pacific. “Staying focused on this strategy has created service levels that differentiate us from competitors and for which our customers are willing to pay, helping generate improved shareholder returns.”

Where it gets even more interesting is in how C-level executives responded to a question that we also posed to process professionals: Which statement describes the primary aim of your process improvement program? (See chart 20 – next page)

In organizations that had a process excellence program, a significant percentage more business executives than process professionals stated that the aim of their process excellence program was to “improve customer satisfaction through quality

“Ensuring customer focus has been our focus for a number of years now. Our great service became a competitive advantage, a margin advantage, an articulated measurable financial advantage for our customers and one that would allow us to gain market share or grow volume.”

- Gayla Thal, Chief Legal Officer, Union Pacific Railway



**Chart 20: Which statement best describes the purpose of your process excellence program? (Comparison of Executive survey responses with those of process professionals)**

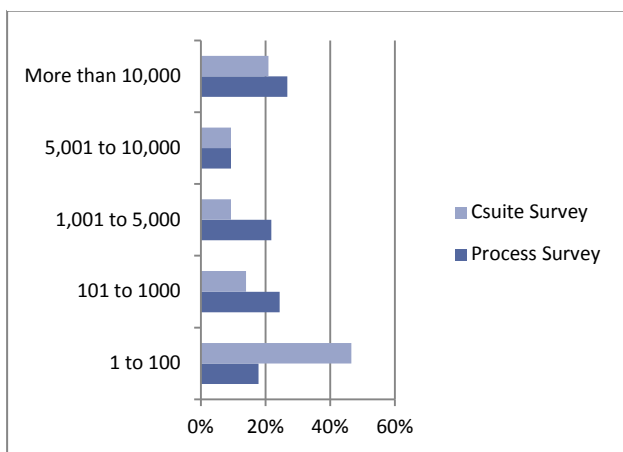
and efficiency.” (37.5% of business executives selected this option versus 23.8% of process professionals).

Meanwhile, process professionals are more likely to define their work as enabling business strategy than their business executives do (37% of process

professionals selected the option that their process excellence program was a “way to help the organization deliver its strategic objectives”. Only 33.3% of business executives selected this as the purpose of their process excellence program.)

So what explains the divergence?

First, there is discrepancy between the data sets. The sample size of our Business Executive Survey was significantly smaller than that of our process professional survey (60 Business Executives versus 814 process professionals). Similarly, the demographics of those surveyed also differed. The largest group of Executive respondents came from companies with less than 100 employees, while the largest group of process professional respondents came from companies with greater than 10,000 employees (see Chart 21). The difference in areas of focus and concern could be linked to the size of the company. Perhaps the executives of smaller companies are much more acutely aware of the importance of customer satisfaction because the risks for smaller companies are felt more directly.



**Chart 21: Number of full time employees in company of Executives versus Process Professionals survey respondents**

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“As a project management company, meeting the client’s specification is one of the key essentials in delivering our services,” says Ali Al Khalifa, CEO of ASTAD, a project management company that oversees building and infrastructure projects in the Middle East. “One of our most important assets we have is our reputation. This is why we have built our system on strong integrated processes so we are confident in delivering the client’s vision, specifications and protecting the client’s interest. This also gives us the assurance in minimizing any reputational risks or exposures while carrying out our services. We all know that if an organization loses its reputation, it’s very difficult and hard to re-gain it back, this is why we make sure we are delivering our services to the highest standards and managing these areas very carefully.”

In larger companies, on the other hand, it can be easier to lose focus of the end customer, says Sander Graft, Chief Operating Officer of International Large Accounts at Sodexo.

“I think in some organisations, especially in bigger companies, too many people can lose focus on the customer because they’re not dealing with the customer directly,” he explains. “In our business it’s a little different because around 90% of our people have direct contact with our end consumers every day. We’re also a contract-driven business. If a contract ends, then we need to win it again and there’s lots of competition...so it keeps you very sharp.”

It could also be that improving customer satisfaction is the organization’s strategic focus for many C-level executives. Executives could be less

likely than process professionals to apply the more abstract – but all-encompassing definition - of “helping an organization to “deliver its strategic objectives” and more likely to relate it to their current business imperatives.

This researcher’s subjective impression in talking to several CEO’s by telephone is that they tended to be quite externally focused on their industries, markets and their own competitive advantage when talking about their businesses. This is in contrast to many of the process professionals who tended to focus on the impact of process upon the organization.

“In the continuous improvement world, the people we deal with usually aren’t the customer. There’s usually someone inserted between us and the customer,” comments Lynn Kelley of Union Pacific.

“Instead, what we normally deal with is moving an organizational metric that will result in customer satisfaction.”

But, she cautions, if process professionals don’t see their role as reaching all the way out to the customer it can be limiting to the continuous improvement department as a whole “because sometimes the way we

see ourselves in an organization defines what we ultimately are.”

A higher percentage of process professionals than of business executives stated that the primary aim of their process excellence program was to cut costs, improve quality or automate processes. These aims are more tactical rather than strategic. Cost cutting, for instance, is likely to be just one aspect of enabling the business to achieve its strategic objectives. Improving quality, on the

**37.5% of business executives defined the aim of their process excellence program as to “improve customer satisfaction through quality and efficiency” versus only 23.8% of process professionals**

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other hand, is also likely to be a contributing factor to improved customer satisfaction.

John Macdonald, Global Manager of Business Processes at TNT, also suggests that a new orientation towards the customer is important.

“My view is that if we had customer experience owners who governed how we design and enable processes from the perspective of the customer that would be completely radical and a step in the right direction.”

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## TRENDS IN PROCESS EXCELLENCE

It is always difficult to make sweeping statements about process excellence. Every industry and every company doing it has a particular flavour that works within the context of what that organization is trying to achieve and its existing culture. However, there are three observations that have emerged from the survey and conversations with telephone interviewees that might be taken as general trends shaping how practitioners are approaching process excellence: technology becoming core to improving processes, change as a core competency, and emerging skills and roles such as customer experience management.

### **Trend #1: Technology and automation considered earlier as a core part of process improvement**

Process improvement methodologies like Lean and Six Sigma have traditionally looked at eliminating waste and reducing variation in a process before exploring how the process can be automated or improved through the application of technology. However, just as disruptive technology is transforming business models and even entire industries, so too is it transforming approaches to process excellence.

“The technology component is huge. It’s game changing. It takes whatever you were thinking about and just smashes it and then it moves on again,” says John Macdonald, Global Manager Business Processes at TNT.

Seth Marrs GM Sales Enablement, GE Healthcare



#### ***Technology and process - almost inseparable?***

agrees.

“In the past you would bring experts together and you would look at what your process is and what it could be - almost entirely from a pure process standpoint. Now you have to bring technology in and look at it as a reinvention state and ask yourself: ‘what could I do to disrupt it?’” he says. “By adding in this third step it gives you the option and visibility to ensure that the process work you are doing is actually creating the best process using the best technology.”

It means that it becomes much more difficult to consider process improvement as a distinct activity from technology and automation.

“The opportunities that IS [Information Systems] can now provide to fundamentally transform businesses – transform with a big T – is such, that you really need their input about the art of the possible, fairly early on before you do too much

“The technology component is huge. It’s game changing. It takes whatever you were thinking about and just smashes it and then it moves on again.”

- John Macdonald, Global Manager Business Processes, TNT

process work,” says Estelle Clark, Business Assurance Director at Lloyd’s Register. “Otherwise, you’ll find that you might be missing something significant.”

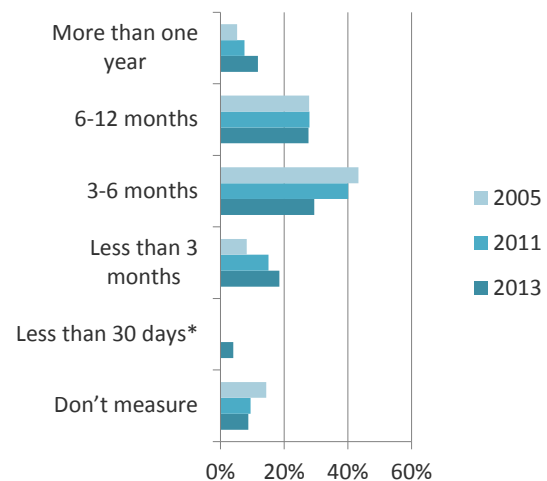
### Trend #2: Ability to change often and rapidly is becoming a core competency

The rise of the digitally enabled workplace and the rapid advances in computing power and technology means that businesses are subject to unprecedented levels of change. They must adapt operating models and processes faster and more often than in the past in order to see off emerging threats and competition.

“We’ve got solutions that were built, tested, and were just about ready to go to the next step and then somebody’s doing it another way that’s infinitely better,” observes John MacDonald from TNT. “The lifecycle of innovation is faster and faster.”

That pace of innovation appears to be impacting the timeframes for process improvement projects. In a PEX Network survey conducted earlier this year on the “Future of Process Excellence” participants were asked the average length of process improvement project at their organization. Responses were benchmarked against previous surveys and show a marked increase in projects taking 3 months or less over 2011 and 2005 figures.

Meanwhile, the time it takes to deploy a technical solution has come down with the advent of new, “lighter” software applications that can be easily



**Chart 22: What is the average length of a process improvement project at your company? (Source: Future of PEX Survey, February 2013)**

configured without the heavy involvement of IT resources.

“Now you have tools like salesforce.com where I can reinvent the process in a week and I can roll it out just as fast so I am not limited by the technology anymore. I can change my process as fast as I can change my sales team,” says Seth Marrs, GM Salesforce Enablement at GE Healthcare. “Now the ability of the people doing the work to change becomes your limiter rather than your ability to improve a process - which is something we have never had before.”

His advice? “You have to make sure your process cycles are faster; you have to make sure you keep an eye out for technology and then you need to be ready to handle that when it comes because it is getting to a point now where your technology can reinvent your process faster than you can do your

“I am not limited by the technology anymore. I can change my process as fast as I can change my sales team. Now the ability of the people doing the work to change becomes your limiter rather than your ability to improve a process - which is something we have never had before.”

- Seth Marrs, GM Salesforce Enablement, GE Healthcare

process improvement.”

Several telephone interviewees also observed that change management skills were increasingly seen as critical to process improvement in a much wider sense than before.

“We were always thought of as change agents but the difference is that now we have people who have experience in big transformational changes that look at intent, that look at people, that look at delivery,” comments a telephone interviewee, who wished to remain anonymous. “We know through the evolution of these methodologies that change is such a huge part of getting to realization of benefits.”

Part of the reason, says Paul Nelson from Shire Pharmaceuticals, is that “change management – like Lean or Six Sigma – has gotten mature to the point where they’ve standardized an approach.”

Now, he adds, there are now proven methods and recognized capabilities in change management that organizations can deploy to help them manage change better.

### **Trend #3: New skills and roles are emerging for the PEX toolkit**

The culmination of these trends is that process professionals require an ever expanding set of skills to be effective. Not only are the traditional skills associated with specific methodologies like

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Lean and Six Sigma required, but also increasingly some knowledge of technology as well as “soft skills” like change management, coaching, customer experience and strategy development.

“The skills and knowledge set that we need in process excellence has really moved on. It is moving more to the “soft” skills where anticipating and making judgements are underpinned by first class business acumen and proximity to your customer, this especially so in regards to an awareness of the markets movements and the continually emerging technology upheavals,” observes John Macdonald from TNT.

Part of the reason is that you can’t separate process from the people that carry out the process. So while it might be relatively easy to make changes to a process, it is much more difficult to ensure that people actually abide by the new process once the changes have been made.

Rajan Nagarajan, VP Business Transformation at Kraft Foods explains that “unless you worry about changing the hearts, souls and minds [of your employees], it’s going to be very difficult to achieve sustainable change.”

“Operational Excellence is a challenge because it requires a change in the beliefs, behaviour and capabilities of our people,” adds Rene Mandos, COO - Benelux at Aon. “That means our managers have to change in the way they manage and our employees have to change in the way they work. All of us have to learn.”

That’s one of the reasons that the role of the process professional as an organizational coach has also become stronger in recent year.

“A lot more of our work has been around current roles and helping people understand what they need to do to run that role so that they don’t have to do fire fighting but so that they can run that role more efficiently and smoothly,” says Ginny Youngblood from DuPont.

Similarly, process practitioners must be able to think more strategically about how their work benefits the business and supports business strategy as discussed in the section on strategic alignment.

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## SUCCESS FACTORS FOR PROCESS EXCELLENCE

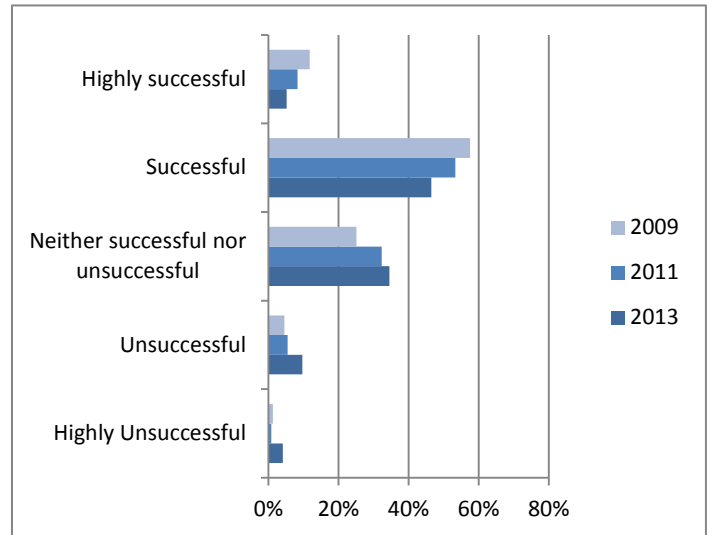
Respondents were asked to rate the overall success of their process improvement program. Overall, the majority of respondents rated their programs as successful (46.5%), while a small handful of organizations rated their programs as highly successful (5.2%).

A small minority of professionals rated their programs as unsuccessful or highly unsuccessful representing (13.7% of the combined total).

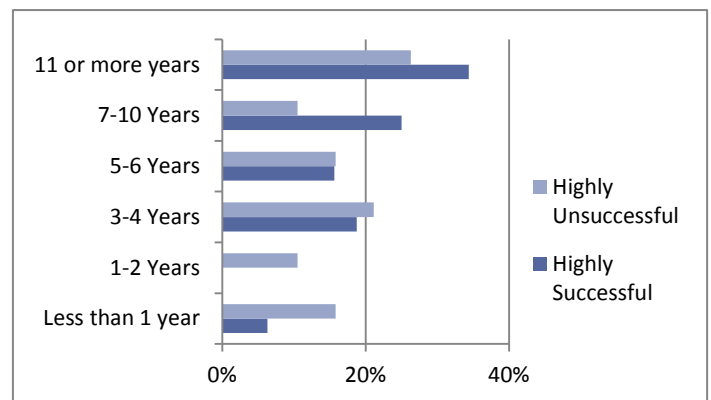
There have been marginal decreases since our 2011 and 2009 surveys in the percentage of respondents reporting their program to be in a successful category and a slight increase in those reporting themselves to be in one of the “unsuccessful” categories.

So what makes the difference between a successful process improvement program and an unsuccessful one? As with our 2011 benchmarking survey, there were two factors that were more likely to be associated with highly successful programs than with “highly unsuccessful” ones: the age of process excellence program and a focus on the positive impact of process excellence.

The majority of survey respondents rated their program as “successful” or “highly successful”



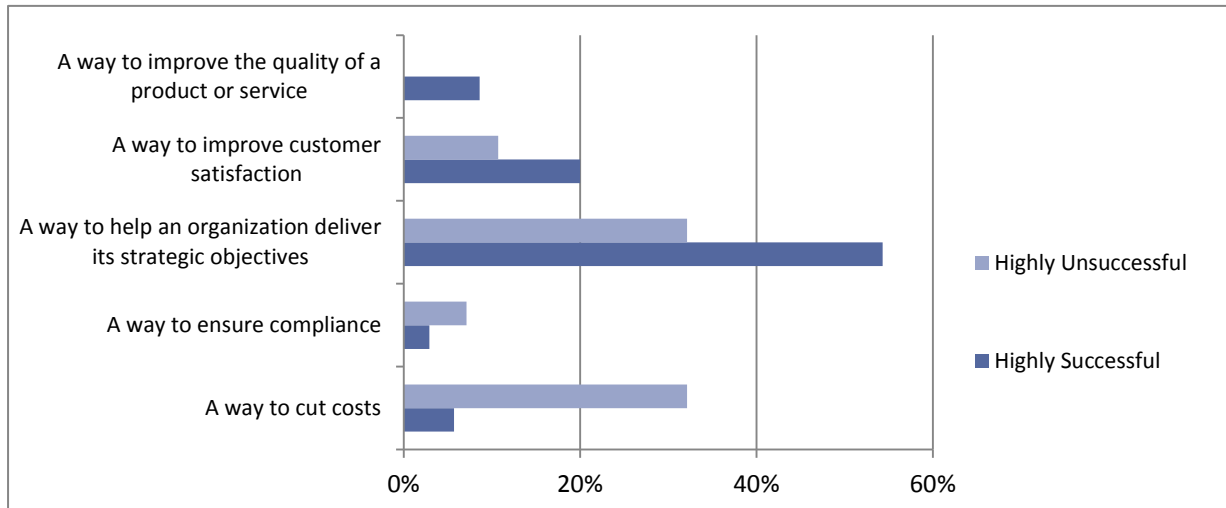
**Chart 23:** Overall, how successful overall would you rate your process excellence program? Comparison with historical data



**Chart 24:** How many years have you had a formal process excellence program? Comparison of those companies rating their program “highly successful” versus “highly unsuccessful”.

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**Chart 25: Which statement best describes how your company views the process excellence function?**

It's perhaps no surprise that the longer you do process excellence, the better (usually) that you get at it. Companies that had been doing process excellence for 11 years or longer were the most likely to rate their program as "highly successful" in our survey. The 5-6 year mark is the point when a wide range of companies seem to start tipping into successful territory with only just slightly more organizations rating their program as "highly unsuccessful" at this stage. At 7-10 years, those companies who rate their programs as "highly successful" have started to pull ahead of those who rate their programs as "highly unsuccessful".

Interestingly, 11 years is the age when companies are most likely to be either "highly successful" or "highly unsuccessful" indicating that it can also get more difficult to deliver benefits to the business the longer you

have been doing it.

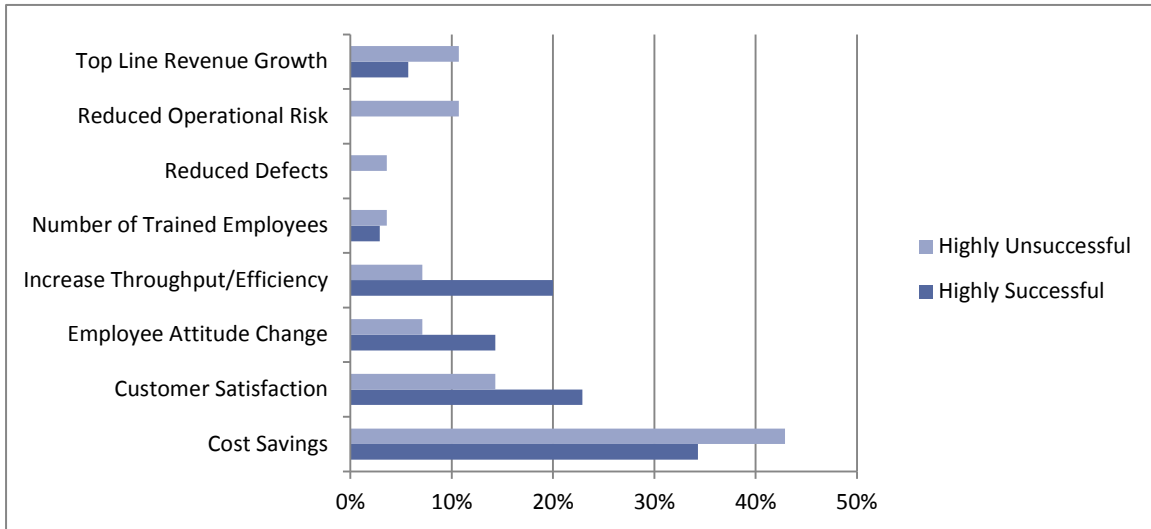
The focus of the program was also a predictor of whether a survey participant would rate their program as "highly successful" or "highly unsuccessful". We asked survey participants how the organization perceived the purpose of their process excellence program. Those companies that were more strategic and positive in focus were much more likely to rate themselves as successful. For instance, those respondents who said that process excellence was perceived as a "way to help the organization achieve its strategic objectives" were most likely to rate themselves as "highly successful". Meanwhile, those who considered process excellence to be a "way to cut costs" were most likely to rate themselves as "highly unsuccessful."

**32.10% of process professionals who defined their mission as cost cutting said their program was "highly unsuccessful" versus only 5.7% of "highly successful" programs**

So why would cost cutting be associated with programs that rate themselves "highly unsuccessful"? Mark Nestle, Director of Global

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**Chart 26: What is the primary measure of success of your process excellence program?**

Productivity at Praxair puts it well: “Cost cutting alone is only part of productivity. If you downsize the business you may look good from a short term cost perspective but eventually you shrink until you have no business! You’ve got to be able to grow revenue, cut costs, automate, and make things more reliable and simpler.”

Interestingly, though, when asked what the primary measure of success of their process excellence program was, cost savings emerged as the front runner for both “highly unsuccessful”

and “highly successful” programs, which appears to contradict our first findings. However, as this was indicative of the primary measure of success rather than the range of measures used, it could be that “highly successful” companies are also using a wider range of measures to track their success linked to the fact that they define their mission as supporting the “strategic objectives” of the business rather than just “cost cutting.”

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## CONCLUSIONS

This report has tried to highlight some general trends in how companies are approaching process excellence and offer suggestions on some of the challenges common to all deployments. But “State of the Industry” is perhaps a bit of a misnomer. Process Excellence is more of a mind-set than an industry. As David Smith, Director of Quality & Environmental Management Systems at Transform Automotive, puts it: “It’s a cultural thing – we have to eat, sleep and breathe continuous improvement...or those that do will run right past us.”

Process Excellence is also more than just a toolset – it’s a way of attacking problems and identifying opportunities in your business. Since our 2011 survey, the average number of full time resources devoted to process excellence has declined – perhaps an indication that more organizations are trying to embed the capability within the business itself and move away from the larger, rigid deployments of the past.

The percentage of respondents indicating an average project length of 3 months or less has also increased since 2011, indicating that projects must deliver value quickly and perhaps indicative of how quickly both markets and technology can change and render existing processes obsolete.

This year, for the first time, we’ve explored how process excellence can better speak the language of the CSuite and more effectively support the



company’s strategic objectives. Better communication and better understanding of what drives the executives at your business is critical for ensuring that process excellence efforts are aligned with what will really help drive the business forward into the future.

Finally, this report has touched on some general trends and success factors that appear to be more closely associated with successful implementations than others. These include a strategic focus and the maturity of deployment.

But there are exceptions to every rule and practitioners reading this report would be well advised to adapt their approaches to the culture and priorities of their organizations.

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