



**The new world of  
Operational Excellence :  
Understanding the key OPEX  
challenges in Europe to  
optimise overall business  
performance.**

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## Executive Summary

Europe is home to some of the most successful companies in the world. But what is it that sets successful organisations apart from those that struggle to meet their objectives? Process professionals understand the impact that their discipline can have on the success of a business, but why is it that so often process improvement programs fail to meet their potential?

Research stats in Europe and ROW reveal the answer to these two questions is the same. A lack of alignment between business strategy and process improvement – or simply – a disconnect between the direction a company wants to go in and the execution of its processes.

Operational Excellence, by which we refer to a wide variety of methodologies (e.g. Six Sigma and Lean) and technology (mapping and modeling, process automation, data analytics), could be defined as the execution side of the equation. Through Operational Excellence businesses seek to continually improve and optimise business processes in pursuit of better quality, efficiency, lower costs and improved customer satisfaction.

It's importance is reflected in the PEX Network survey of European companies - linking process improvement to business strategy has consistently been cited as the top challenge facing process practitioners for two years running

Well established approaches such as Hoshin Kanri, that focus on cascading the strategy of a company down through the layers of an organisation and translating strategy into action, attempt to bridge this gap. So, why does linking process improvement with strategy consistently rank as one of the top challenges for process professionals globally? What parts do leadership and culture play in better alignment between business strategy and process improvement? What can be done to overcome the challenges?

This report, based on a survey of 404 process professionals and telephone interviews with selected industry experts, looks in more detail at the issue and proposes a series of five practical steps that process professionals may consider, to help better align process improvement with strategy.

## Key Findings:

- Linking process improvement with top-level business strategy ranks as the number one priority for the second year running with 23.1% of process professionals across the world citing it as their biggest challenge. In Europe this figure is slightly lower at 18%.
- 57% of European companies surveyed have identified operational excellence as one of the top priorities in the year ahead but 34% of European companies surveyed find it difficult to commit adequate resources and investment for process improvement.
- Clear communication and alignment of objectives between business leaders and OPEX professionals is key to aligning business strategy and execution.
- Many names exist for operational excellence approaches and methodologies and this “brand confusion” may contribute to a lack of general awareness of process improvement as a core capability within companies
- The culture of an organisation plays a big role in the success of process improvement programs. In successful organisations, leadership works to create a culture that will support alignment of business strategy and process improvement.

## ABOUT THIS RESEARCH

Process practitioners frequently define the role of operational excellence as “to support and enable business strategy,” according to PEX Network’s 2014 State of the Industry survey results. Yet, perhaps ironically, operational excellence practitioners also frequently cite linking operational excellence initiatives with top-level business strategy as one of the biggest challenges. Why does this gap exist? And what can be done to align operational excellence with business strategy to deliver desired outcomes?

This report looks at results from a survey conducted in July 2014 with process professionals from around the world, focusing on operational excellence and strategic business alignment. 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 2013. In addition to the survey results, this report also includes PEX Network interviews, sharing wisdom from leading experts in the field.

404 individuals responded to the 2014 survey, from a wide variety of backgrounds, and industries (see Chart 1, right, and Chart 3, below). Meanwhile, the majority of respondents were from larger companies with over 1000 employees (see Chart 2, right).

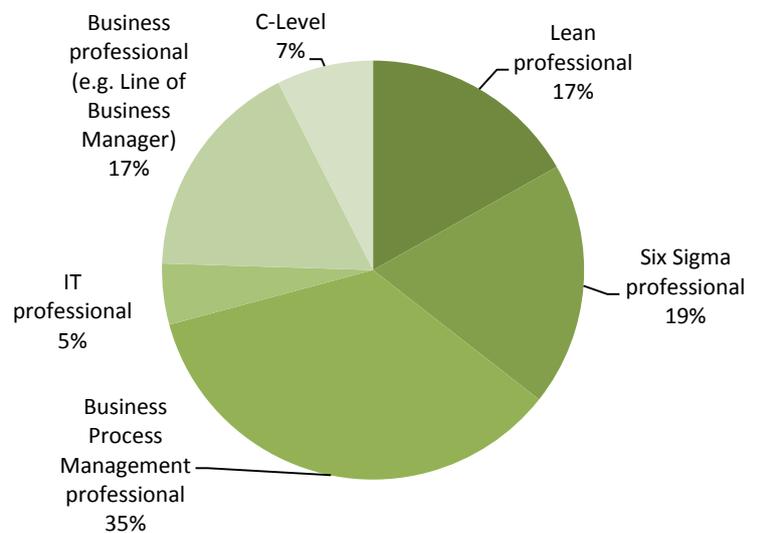


Chart 1: Job profile of survey respondents

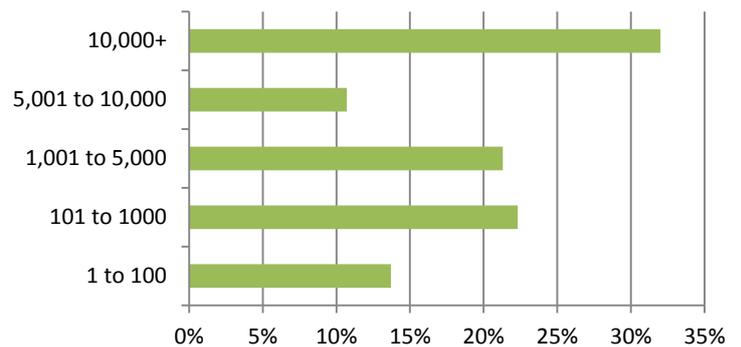


Chart 2: Company size of survey respondents

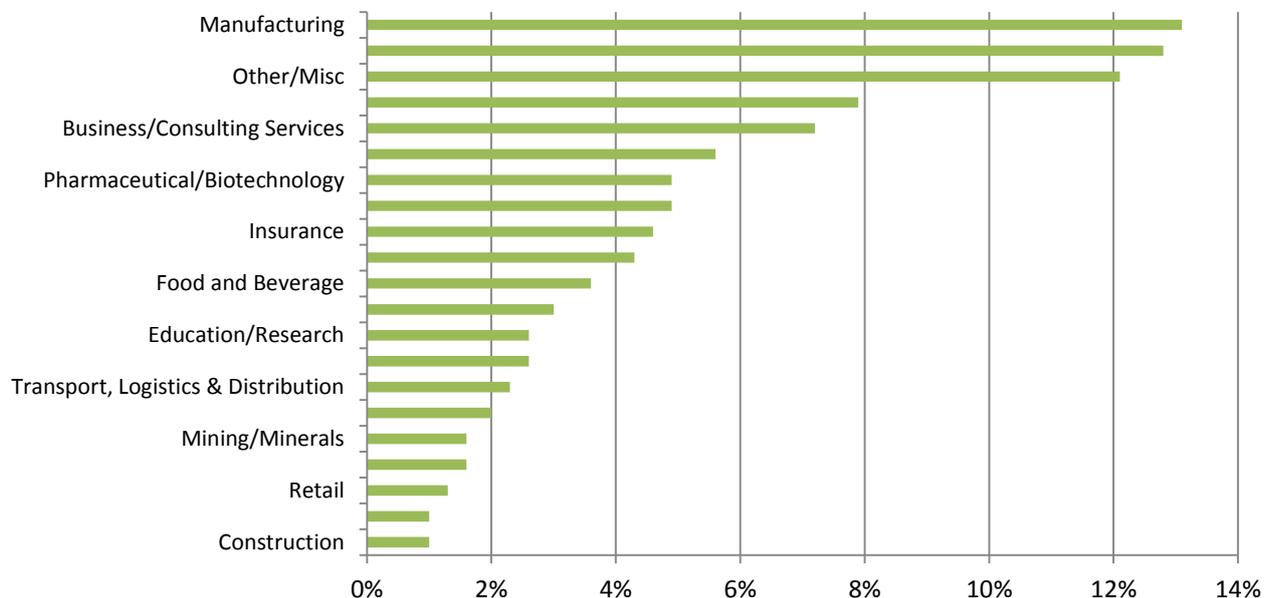


Chart 3: Industry of survey respondents

## WHERE THE RUBBER MEETS THE ROAD: LINKING STRATEGY WITH OPERATIONS TO DRIVE OPERATIONAL EXCELLENCE.

Global process professionals have, for the past two years, cited “linking process improvement with top level business strategy” (see Chart 4) as their main operational excellence challenge in the year ahead. In Europe this was cited by 18% of the professionals surveyed.

Companies often fall into one of two camps:

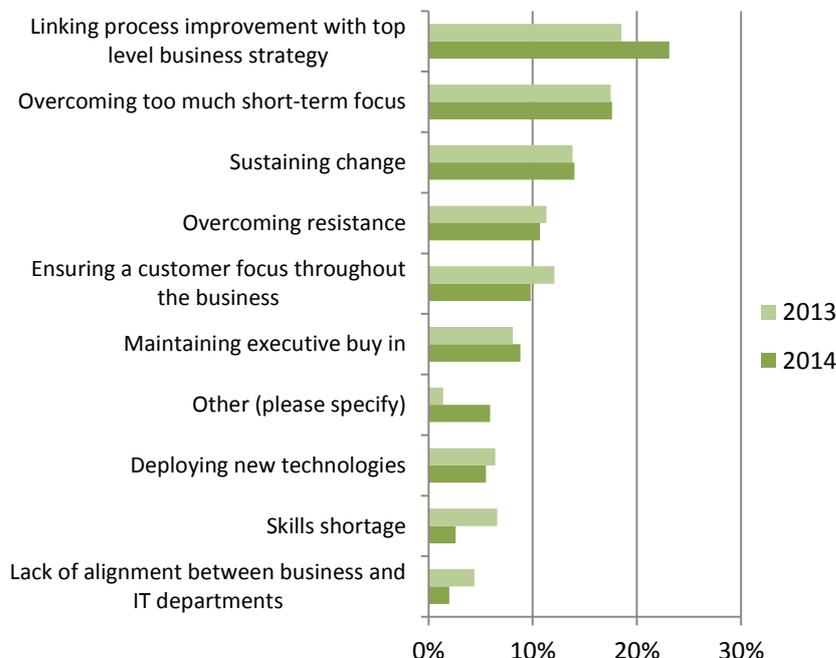
- 1) Functioning on auto-pilot, carrying out tasks and processes – perhaps even making those processes more efficient or moderately improved - without questioning whether those habits are what will set the organisation up for success.

OR

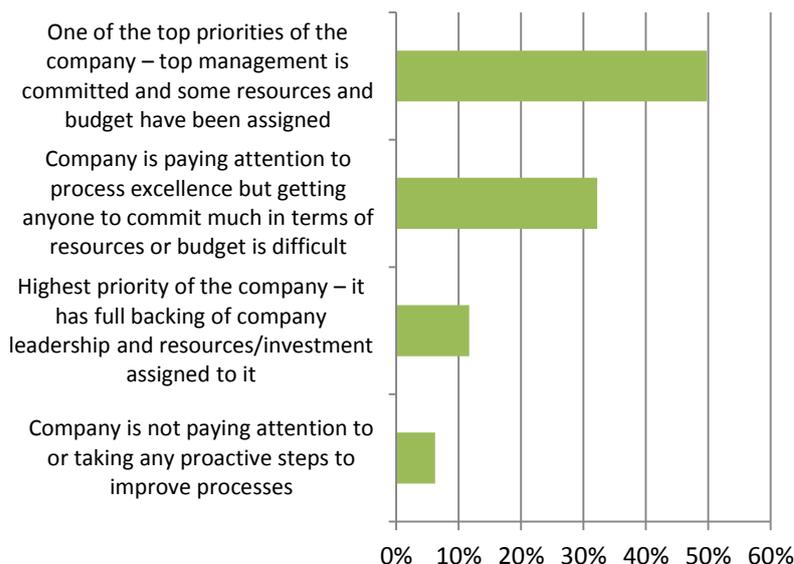
- 2) Having lots of great ideas on where the market is going next, without the discipline to operationalise that vision through the appropriate processes, systems and training.

**The percentage of professionals citing the challenge of strategic alignment rose moderately from 18.5 percent in 2013, to nearly a quarter of respondents in 2014.**

As Chart 5 demonstrates, nearly half of survey respondents indicated that operational excellence was “one of the top priorities of the company.” In Europe this number was even higher, at 57%> However, 32.2% of global



**Chart 4: Comparison of 2013 and 2014 response to question what do you see as your primary process excellence challenge for the year ahead?**



**Chart 5: Overall, which statement best describes how important your executive leadership team views operational excellence at your company?**

## The percentage of professionals citing the challenge of strategic alignment rose moderately from 18.5 percent in 2013, to nearly a quarter of respondents in 2014.

survey respondents reported that, “getting anyone to commit in terms of resources or budget is difficult. In Europe this figure was also higher, at 37%.

Interestingly, the level of executive commitment to operational excellence seems to correspond with the types of process projects that an organisation tackles (see chart 6). A low level of commitment to process improvement (“company is not paying attention to or taking any proactive steps to improve processes”) is associated with a predominant focus on targeted quick wins, while a high priority focus on process improvement (“highest priority of the company”) is most associated with improving processes across the enterprise.

Joerg Baier, General Manager of Process Excellence, Maersk Line explains that Maersk have struggled in the past with ensuring alignment of the OPEX direction with the overall business but have made bold and significant changes to make sure that OPEX objectives fit with executive goals.

“We called a stop to things as they were, reshuffled the organisation, and made sure that each of the thirty or so OPEX resources is now focussed on contributing to one of the strategic priorities of the board. From that, we have a visible contribution of every OPEX resource to the most strategic priorities - not in keeping the business going today, but in preparing ourselves for tomorrow. That's how we've solved it here.”

Devin Rickard, Head of Change Management, Office of the Corporate Controller, Adobe Systems, says that the real challenge comes down to “getting the right level of executive understanding

of the importance of different improvement efforts on helping to execute strategy.”

Survey results would appear to back that up. Only 6.2% of global survey respondents indicated that their companies are not interested in improving process (see Chart 5), previous page. Pulling out the European results, this figure was slightly higher at 8%. Meanwhile, nearly half of all respondents indicated that they felt process improvement was one of the top priorities of the company while 11.7% of respondents said they felt that process excellence was the highest priority of the company with full leadership backing and appropriate resources and investment assigned to it. In Europe this figure was significantly lower at 2%.

34% of European survey respondents felt that leadership was only paying “lip service” to process excellence and not actually making real commitments to it.

Stuart Wood, Head of Operational Excellence, Oxford Instruments outlines some of the obstacles to leadership buy-in.

“Leaders need to see what the benefits are to the business and ultimately to the customer. Large companies make a profit and they do that through satisfying the customer and delivering excellent products. Unless leadership can see the work that you're doing aligns to that then it is difficult to get their buy in. A lot of the OPEX processes can be almost damaged by the obsession with tools, and not focussing enough on behaviours but I do think that in this case using a tool such as the X chart really is useful because it shows immediately to the senior leadership team, exactly how the corporate level goals align to precisely what's happening for us right down onto the shop floor.”

Oliver Campbell, Global Head of Business Transformation, Clifford Chance LLP agrees, “I totally agree that you need to have this alignment to people's objectives. I would actually say that applies not just at the leadership level but also to any element of change management. If you don't incentivise people or dis-incentivise them or

track or use tools like the X chart Stuart mentioned, then you won't be aligned with the individual's incentives. That applies to leaders as it does to everyone else."

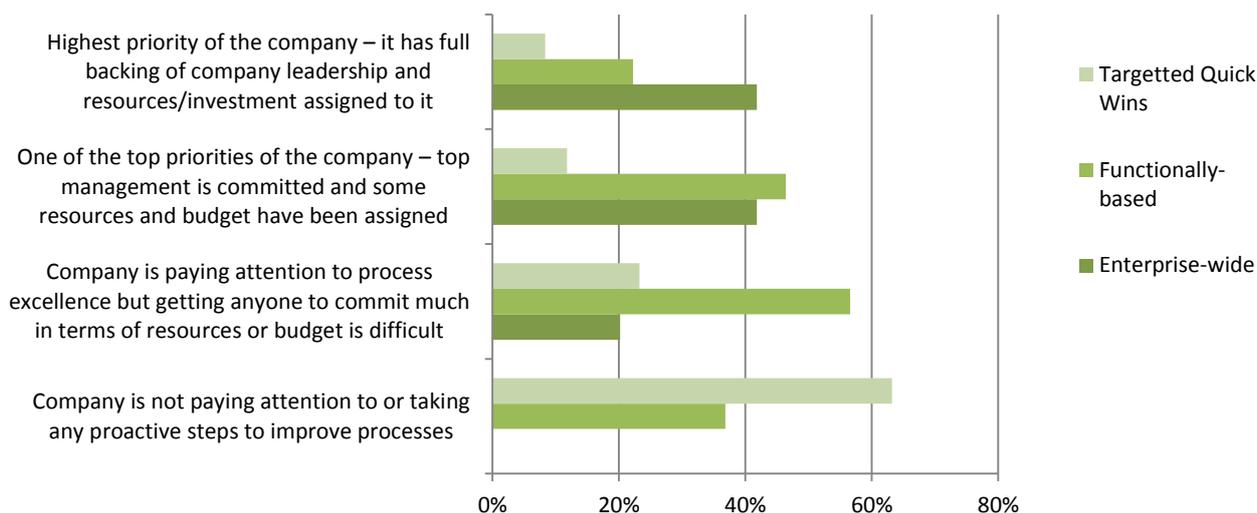
In addition to influencing senior leadership, it is clear that in the face of competing priorities, it is having the focus and the discipline to follow a series of actions through that separates a company that consciously drives towards a goal, rather than simply reacting to external forces.

**Is there a misunderstanding of what operational excellence can achieve?**

With process improvement projects it can be a challenge to demonstrate the "hard" benefits of process improvement, and this can leave process improvement pigeon-holed into delivering cost savings or efficiency gains rather than as an enabler of corporate strategy.

Indeed, cost savings and efficiency consistently come out the top of the list when process professionals are asked about the three primary objectives for their process improvement. Chart 7, below, shows how these key objectives have remained remarkably consistent over the past 3 years. But is a drive to improve costs and efficiency perhaps too narrow a focus?

Mike Ensby from Bioclinica observes that, "the true facilitation of an operational excellence person is being able to take the high level 'here's where we're going' systems approach that senior leaders take – and translate that into what somebody needs do everyday when they come into work."



**Chart 6: Types of projects predominantly undertaken versus priority level of operational excellence at the organisation**

*In the following interview, PEX Network speaks to Russell Danziger, Senior Vice President, Global Change Management Office, Guy Carpenter about the importance of aligning operational excellence with strategy, and the possible consequences of neglecting this vital task.*

**PEX Network: Can you explain little about your experience and observations of linking strategy with operational excellence?**

**Russell Danziger:**

I've seen a lot of these programs be de-railed because they don't start with a high-level strategy. Where they don't have the right people involved in the strategy discussion. It's not so much about executing your strategy, unless you're a pretty senior person in the organisation who's actually setting the strategy, but you really need to be in tune with what the strategy is, and be able to synthesize that down to something that actually could be operationalised to deliver against that strategy.

**PEX Network: One of the key points seems to be ensuring alignment between business strategies and business-transformation initiatives. How do you feel companies currently fare at this? Is this something that's often overlooked or perhaps not executed properly?**

**Russell Danziger:**

Both. It really just depends on the organisation. Aligning operations to strategy is very different than aligning operational excellence to strategy. I mean, they both should be done, they're both starting from the same place – which is: know what your strategy is, in a pretty deep way, and understand how everything, impacts that.

The advice that I've heard frequently given depresses the heck out of me, because people will say thing like, *"Oh well, you know your area and you know, where the problems are, so why don't you figure out where you could be impactful and change things in your area."* And I find that very

frustrating because I've been working with executives for years.

I used to run the global programme at Merrill Lynch, and when I came there, they had a highly successful programme. They were so successful that they didn't realise where the deficiencies were, and when I went around, working with the executives – (because I was a bit of an evangelist) I had to do some sales and get people to want to do operational excellence.

The main problem with the alignment was that executives in areas that actually were doing operational excellence would sit in on project reviews, and the thing that kept going around and around in their head – and I had many conversations with people about this – was: this great work, and they clearly impacted a change, but it's not anything that I really care about; this isn't what keeps me up at night, this isn't what my bonus is going to be based on.

You know, they'd never say it to the person in the room, you know, because the person's doing fantastic work, but they just, frankly, didn't care all that much about what they were being presented on.

**PEX Network: They're doing fantastic work, but in the wrong areas. Based on what you're saying, the key is tying it very closely with company objectives, and also with executive objectives as well, is that right?**

**Russell Danziger:** That's exactly right. And part of the blame for this goes to executives, I would constantly tell them, this is all very nice but remember: people are on your staff, or certainly on your company's payroll, they're doing work for your area, that's why you're in this project review. Shame on you if you have all these resources doing things that don't impact things you care about. You need to redirect them; you need to make sure that these guys are working on the things that you actually care about. So it goes both ways.

**PEX Network: How would you say that securing and maintaining executive sponsorship or buy-in is best achieved?**

**Russell Danziger:** You know, you have to take the strategy, you have to break it down into bite-sized pieces, and then, you know, your black belts who could further dissect it. Whether you're talking about a black belt or a green belt, it's got to be delivering the things that these people care about. If you are, and that tie-in is very obvious to them, then great.

If you think that you're doing things that are going to impact your strategy and they don't, you've got a very different problem you need to solve. But if they've articulated the strategy and you work with them and you come up with a portfolio of projects that are aligned with the core strategy, make sure your ships are all sailing in the same direction and they're going to be very interested in your project, and you're not going to have to chase them to for support or feedback, they're going to be chasing you. You go from a push scenario to a pull scenario.

**PEX Network: You've mentioned black belts and green belts, is Six Sigma your preferred PEX methodology?**

**Russell Danziger:** No, I'm just using it metaphorically; I came up through a Six Sigma programme, so it's firmly engrained within me when I discuss levels and seniority.

When I was talking about Merrill and how they were, six years into a programme and didn't recognise their own deficiencies, the biggest challenge I found with them was that they were six years into a Six Sigma programme, and every single challenge or opportunity that came along was treated as a statistical process improvement opportunity. That's not always the case. No, I'm very much a multi-methodology person. When I hire people, I want multi-disciplined people that

understand the best way to approach the problem and the best tools to tackle it.

**PEX Network: One final question, what tips would you provide to those who're currently struggling with their process excellence programs?**

**Russell Danziger:** A programme could be derailed in many ways. If you're trying to get a programme back on track the first thing to do is to understand the root causes.

- It could be that you aren't aligned to the strategy - that's a lot more common than you might think.
- It could be that your talent isn't the right talent. I've seen many programmes where a portion of the practitioners are just not up to task.
- I've seen other projects where there are training issues.
- The most common issue, as I said though, is that you're not aligned with executive strategy, and that requires a lot of work to mend.

# ALIGNING STRATEGY WITH EXECUTION – PUTTING PEX IN THE C-SUITE

## AGENDA: INTERVIEW WITH APPIAN'S MATT CALKINS



**Matt Calkins,**  
President and CEO,  
Appian

**PEX Network:** Do you think that process excellence is moving up the agenda of the C-Suite? (Why or why not?)

**Matt Calkins:** Understanding of the definition and role of “Process” is changing. A traditional mind-set makes it easy to relegate process to

the ivory tower of theoretical “to-be” states, or the grunt work of marginal improvements to discrete departmental tasks. The truth is that “process” really means “how work gets done,” and work has fundamentally changed in the wake of mobile, social, cloud, and data technology disruptions.

C-level executives who see opportunity in change are embracing new ways of doing business. Creating new revenue streams, driving mobile engagement with customers, increasing collaboration among employees, etc. all require process transformation. New technologies offer little business value if disconnected from actual work. As the concept of “process” evolves to the concept of “work,” it is getting serious attention from the corner offices.

**PEX Network:** In theory process excellence is about enabling corporate strategy. In practice, many companies fail at this strategy-execution alignment. Why do you think that so many companies struggle with this?

**Matt Calkins:** There have always been two problems. The first is the pain involved in operationalizing new ways of working – development/rollout time for new process applications, change management needs, training time and the possibility of user rejection. The second problem has been that there is limited value to be derived from departmentally-bound process improvement initiatives across a relatively small group of employees. Enforcing goal-seeking

behaviour requires a broader approach at every level.

Vitality, the goal of process excellence must be to rapidly, and continuously maximize the unique qualities that an organisation brings to its market. How you do what you do is not a commodity – it is the heart of your competitive advantage. For decades, organisations have developed, deployed and maintained expensive, rigid, cumbersome custom applications to support and enforce their uniqueness. Ask any IT manager for their least favorite application, and they’ll point to a piece of custom software. It is likely to be functionally archaic, difficult to use, poorly integrated and difficult to repair or upgrade. What’s worse, the cost of building and maintaining these applications scales linearly, because each one is a separate silo from top to bottom.

**PEX Network:** What do companies need to do in order to make their processes better support and enable business strategy?

**Matt Calkins:** To tune the way work gets done to the overall business strategy, organisations need a new approach to quickly capturing and automating their unique competitive advantage. A new breed of business process management (BPM)-driven enterprise application platforms is revolutionizing this sort of custom software development. Through a model-based approach, companies are no longer dragged down by the limitations of traditional coding. Process applications built on such a platform are modern, affordable, and synergistic with each other. (Traditional custom software was none of these things.) When such a platform is hosted in the cloud (as an Application Platform-as-a-Service) the benefits are compounded with automatic, hands-free upgrades as device platforms evolve. By working on mobile devices as easily working on a desktop and with no extra cost, application platforms will transform the way custom software is delivered and used. Easy-to-use mobile-available custom software will now unite the organisation rather than drive it apart.

## WHAT'S IN A NAME? PROCESS VS OPERATIONAL EXCELLENCE...WHAT'S THE DIFFERENCE?

One thing is certain within the field of process improvement: There are many variations in how terminology is used. According to Paul Sandell, Senior Master Black Belt at Intel, that's the source of some confusion, "the branding is a challenge because what we call process improvement, can create confusion. Within accounting and finance, for instance, the function is always called accounting and finance. There really is no other brand. But you go to other companies and process improvement can be called any number of things. This causes a great deal of confusion with not only the lay person within the organisation, but also with the business leadership."

In general it appears that there are few clear definitions of terms that the industry has consolidated around. This could be partly because practitioners often aim to make their disciplines part of the culture of the organisation rather than think of them as separate from the day-to-day operations. The theory is that the real gains from these disciplines come when the skills of problem solving and continuous improvement are practiced by everyone, rather than seen as a separate function that only a few specific people do.

Ulf Pettersson, WCM Manager at flooring manufacturer Tarkett Ronneby, observes that naming the function of operational excellence can lead to problems with the way the rest of the business conceptualizes it: "when I started here, they had been running their World Class Manufacturing (WCM) operations [what Tarkett Ronneby calls process excellence] for 2 ½ years and people were making a distinction between "normal work" and "WCM" work. That led to the sentiment that WCM would blow over rather than becoming part of the way we work. Since then, the organisation has integrated and accepted that "normal work" is doing work according to WCM."



**Chart 8: Which term most closely approximates what your organisation calls process excellence?**

Chart 8, above, shows responses to the question: Which term most closely approximates what your organisation calls process excellence. The question was asked in the PEX survey in July 2014. These results show that process excellence alone has a lot of different guises. If we look at the responses to this question from European respondents only, Operational Excellence was still the number one answer and was cited by 22% of the European companies surveyed.

Does this mean that the two are interchangeable?

There are few clear definitions for Operational Excellence and Process Excellence.

"Operational Excellence is an element of organisational leadership that stresses the application of a variety of principles, systems, and tools toward the sustainable improvement of key performance metrics."

The following quotes are a selection of the responses we received when we asked our European survey participants what they would say is the purpose of the process excellence function at their company?

- “Constant and never ending continuous improvement in line with client needs and our strategic goals aiming at being best in class”
- “Direct Impact on Business: understand customer needs, deliver excellent services - aligned with customer needs, bases on excellent processes, have a clear structure (the Service processes) to define competences and roles”
- “Support the business unit in executing relevant projects to execute the company strategy. Improve business performance.”
- “Increase quality, increase efficiency, increase employee and customer engagement and satisfaction.”
- “Support the business in achieving business targets.”
- “To identify opportunities to improve processes and reduce cost”
- “Reduce time to market and improve quality”
- “To invigorate change and adaption to demand and to improve efficiency.”

Moving on to asking the straight question – what’s the difference between Process Excellence and Operational Excellence. Once again, no cut and dry Slideshare presentation, Mike Gammage, Director at Process Operandi, concludes that, “Process and Operational Excellence are effectively interchangeable terms, especially at the enterprise level.”

Why is it that these two terms don’t seem to have their

response can be found; instead, it seems to depend largely on whom you ask.

A LinkedIn user asked the question back in 2012 in one of PEX Network’s own LinkedIn groups. Responses varied with some respondents stating that Process sits nearer to strategy, and therefore above Operations, while others insisted that process is more akin to “under the bonnet” excellence, and that it in turn would lead to Operational Excellence.

BusinessExcellence.org also offers up a distinction, stating:

"Process excellence is about process effectiveness and efficiency. It requires processes to be designed and improved for consistent delivery with minimum variation and minimum waste. It is the domain of Six Sigma and Lean."

"For some, this is operational excellence. However, in truth, operational excellence is broader than this. It builds on the concept of end-to-end process flows in core and support processes, including an organisation’s culture (and with it HR) in its domain. It requires the organisation to ensure staff understands how the organisation works as a value creation system, and to have structures and empowerment that enable people to fix problems when necessary."

In summary:

- Process Excellence – effective, efficient processes
- Operational Excellence – process excellence plus some attention to HR, culture and systems thinking

Someone who’s been on a similar search has presented his findings in an excellent own, clear and universal, definitions?

According to some responses practitioners believe it could be because people rename process excellence when previous efforts have not been successful. The underlying tools and methodologies will be the same,

but practitioners try to wallpaper over the cracks by calling it something different.

It seems, for now at least, that exact differences between the two terms depends on the individual, the company they represent, and what activities they choose to engage in under these banners. For now at least, there's no uniformity in the many definitions of these terms.

However one thing can be considered definite – both are terms used to describe the journey towards excellence within your company, and the ethos that

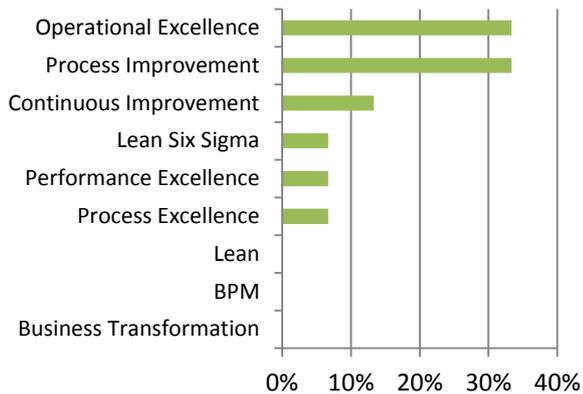
your company should continue to strive for optimum efficiency.

The larger question is whether the lack of a coherent “brand” across companies for process improvement terminology means it will always be a struggle to get process improvement capabilities understood and accepted by business executives as a strategic function. For non-process experts, the vast array of terminology can be baffling and can lead to the lack of understanding that the various terms are all describing the same general set of capabilities and approaches.

# THE MANY SHADES OF PROCESS EXCELLENCE:

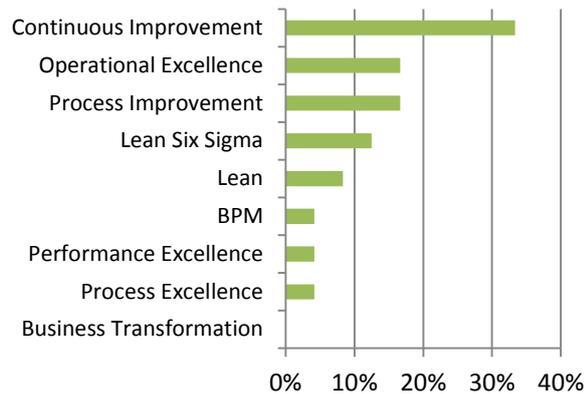
Process excellence goes under the moniker of different names in different industries. Here are the most popular ones by selected industry.

## Energy



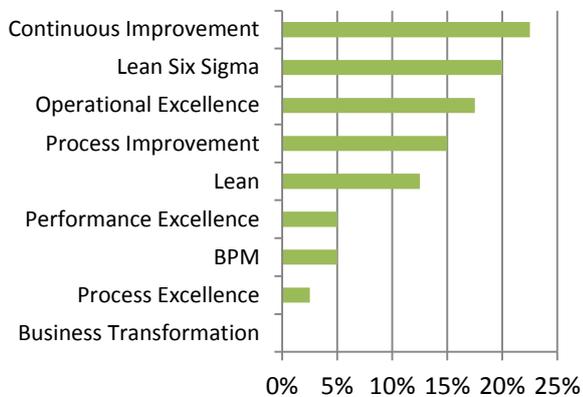
**Chart 10: How energy companies term process excellence**

## Healthcare



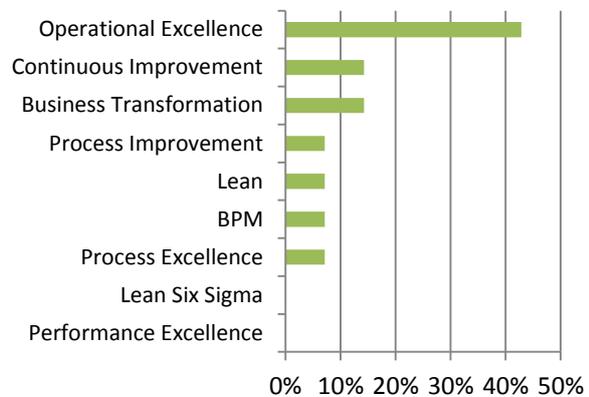
**Chart 11: How healthcare organisations term process excellence**

## Manufacturing



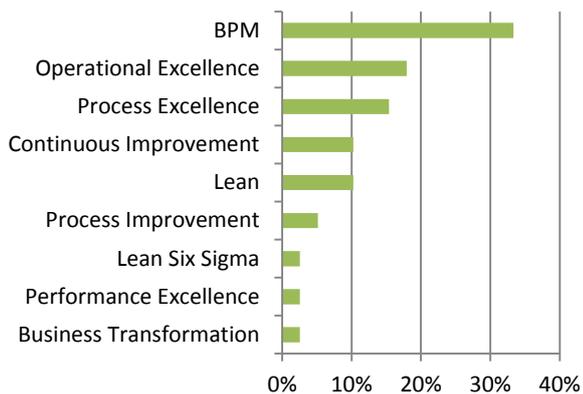
**Chart 12: How manufacturing companies term process excellence**

## Insurance



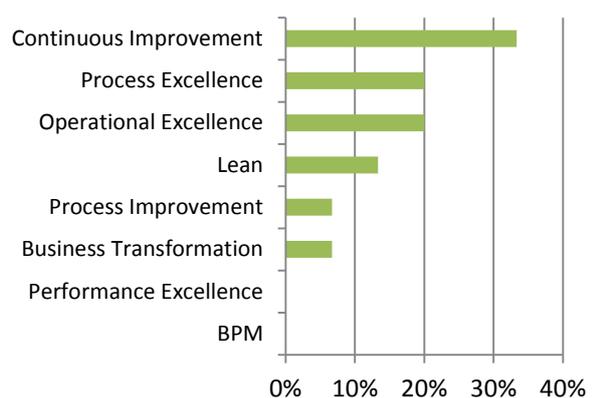
**Chart 13: How insurance companies term process excellence**

## Financial Services



**Chart 14: How financial services companies term process excellence**

## Pharmaceutical/Biotechnology



**Chart 15: How pharma/biotechnology companies term process excellence**

## Building a blended PEX framework by blending tools: Why process improvement is not one size fits all.

Organisations share similar characteristics to individuals. For example, they are unique, have different missions, different challenges, and different cultures (or personalities). It was of course common practice historically for process practitioners to enter an organisation with their specific tool or methodology and apply it almost dogmatically. The danger with this inflexible approach is that those involved can become blinkered to the true nature of the organisation, and its particular challenges and objectives.

It is vital that the true problems, problems that process improvement could solve, be uncovered and addressed.

Jeremy Tranmer from Rio Tinto Minerals says that process practitioners need to take a wider, more strategic and systematic view of how their work fits into corporate strategy, "Instead of coming from the perspective of 'we want to do process excellence' and then trying to link it to strategy, we need to look at the strategy targets and goals first," he says. "Then use whatever tools and techniques to best achieve these goals."

This pragmatic view of the role of operational excellence is a shift from some of the ways that companies have deployed approaches like Six Sigma in the past, where following the methodology was seen as all important.

In his [HBR article](#), Brad Power uses the analogy of adopting a diet or exercise program, simply because a friend has used it and lost 50 pounds, to describe choosing one specific tool for process improvement at your organisation simply because you've seen it work elsewhere. Brad continues his diet analogy by saying that some companies realise that they need to 'institutionalise process improvement,' or - put in place the right mechanisms so that their business processes

remain productive in the future. Like keeping the weight off once you've lost it, by fundamentally changing your lifestyle.

The tools you choose, and also why you choose them, are critical to the success of your process improvement programme. Taking a blended approach is about building an integrated operational excellence framework that makes sense for your organisation.

Of course, a crucial part of the puzzle is to understand the real problems that need addressing within your individual organisation. This was perhaps overlooked in the past, as tools and methodologies were applied like band-aids, without assessing the true damage needing treatment underneath. It is critical that we understand the root causes of a problem before we set about trying to fix it.

As Brad puts it, "If an organisation tries to institutionalise process improvement based on the tenets of just one process religion, it will run into trouble because no single religion has all the approaches for sustaining organisational attention to improvement. A company that embeds Lean thinking into its DNA may occasionally need the hard financial results that Six Sigma can produce. In addition, Lean converts have a predisposition against adopting large, centralised IT solutions, which may cause them to ignore useful approaches from the BPM religion."

The research we've done suggests that organisations should firstly ensure they know the problem they are trying to address, and secondly should then consider every possible approach to address that problem. It is by being aware of all of the tools available to you that you will be able to put together the right mix into a program that works best for your company.

**In our interview with Derek Miers, Principle Consultant at Forrester Research, he explains why a blended, more customised approach to process excellence will provide more agility and a greater level of success to businesses than a rigid approach to a single discipline.**

**PEX Network: Why would a company want to take the ‘blended tools’ route as opposed to just adopting six sigma or lean, for example?**

**Derek Miers:** Any one-size fits all approach just doesn’t work, period – what worked for company A won’t necessarily work for company B. You know, every organisation has its own history and experience, its own culture, and things that worked and things that didn’t.

In one organisation I was working with, ‘agility’ was considered the wrong approach, and you think, hold on, why? It turns out that a past CIO spear headed an agile project, but in reality what happened was he tied the business into a very stilted, very constrained way of doing business – using highly structured ERP environment, – and it failed and was thrown out. Now branding your change program as building an agile organisation, is the kiss of death in that firm. I use that example not to badmouth the vendor, but to make the point that all firms are different with different politics and histories.

The reality is that you have to almost construct your own clinical trial. You’ve got to choose the methods, look at them, think about what works, what doesn’t and why.

At the heart of all these operational excellence type discussions is the notion of process, if you had to describe your personal job with a set of rigorous procedures that is followed every time, on a scale of one to ten where would you rank those rigorous procedures in terms of how helpful they are to you, I guarantee you it’s a one or a two, right?

**PEX Network: On the odd occasion, yes.**

Derek Miers: Right, and in my case too, and anybody else’s in a managerial position. Yet we continue to follow the stupid idea that we can stick to our rigid procedures and succeed in any given situation.

**If you’re going to be a heavy hitter you’ve got to be able to dance like Cassius Clay – you need some fluidity and room to manoeuvre.** There is a strong element of process in the blended toolkit, but if you think about procedure, which is where we tend to lock ourselves down - you know, the rule book says I must do this - what happens is very often you find they can cause as many problems as they can provide solutions – you need to be able to move, and quickly.

**PEX Network: How can a person go about identifying what each tool has to offer and whether it’s right for their business and their requirements?**

**Derek Miers:** Well, I think first of all you have to accept that a fool with a tool is still a fool. Actually it comes about by working out what the problem is that you’re trying to solve.

For most organisations that means engaging the people in their business - that’s the primary problem they have to solve - getting them to reinvent themselves going forward. That means you really need to engage people, you need to get them to see differently and think differently. Standing at the front of the room and telling them what to think will have zero chance of changing anybody’s behaviour. Yes - they’ll all nod appropriately. In the end, you need them to take an active role; an active lead in their own change.

Now, coming back to your question, how can they identify what tools to use and why to use them? You really have to encourage people to figure out what tools they want and what tools will work for them. If they don’t do it themselves you’re imposing them on them.

But go back to my analogy of a clinical trial earlier on, you regularly need to test and review the tools at your disposal. The stuff in your kitbag you're using today, how often do you review how well that kitbag is really working for you? Review after each project? At each critical juncture or phase in the project? Or after engagement with the stakeholders?

Let's say, for argument's sake, you've got a centre of expertise or excellence – a CoE - a group that is trying to help drive transformation in the organisation, that group is the owner or the steward of your operational toolbox. They should be testing and probing and thinking about what tools are needed and why. They need to be able to be empowered to think differently and to challenge their business colleagues differently. That means their charter has to be appropriate to that objective too.

Ultimately, the choice of tools and the way in which you, as an organisation focus down on one or another set of tools, tends to be driven in a sort of top down fashion; but that CoE team needs the ability to look critically at the business from the outside, rather than taking the current organisational structure as a given.

If your employees don't feel empowered to think and respond critically they'll blindly but reluctantly follow – often to the detriment of your business. And so you need to have ways of thinking about the firm in terms of its purpose and the way in which it delivers value without getting rooted in the current mechanisms for apportioning blame.

If you're going to have a way of thinking about the firm that's independent of the organisational structure then you also need to be able to think about how the needs of customers are served - what capabilities are required?

**PEX Network: So we've established that we need a blended toolbox and that we need a team to approach this from an outside-in perspective. Who should we be looking to for this mammoth**

**task? Should they even be an internal team or should we be looking externally?**

**Derek Miers:** You're almost certainly going to need other voices, another view. I mean, I'm a methods geek, and there are hundreds and hundreds of methods. Whether or not we're talking about the six hats of de Bono, role activity diagramming, IDEF or Six Sigma and Lean, you need a way of thinking about the firm from the outside in. Let me put it this way - do you care how your bank is organised as a customer? Of course not, you only care about the experience you receive in the service you consume and that they don't lose your money. On the other hand, the inside-out view of the firm is all about efficiency and risk reduction and so on.

Given the move to a customer-centric, age of the customer approach that we at Forrester pursue vehemently, you need a way of integrating that outside-in view of the world. A way that's linked to your organisational maturity too. You know, if your level of maturity is low, your chance of project failure is much higher, but if you've got basic governance around the way in which you create change programs and projects, then your chances of project success goes through the roof. We found in our joint survey with IQPC that 84% of organisations that have fundamental governance around the way in which they create projects and programs either achieve the benefits they expected or over-achieve the benefits they expected - 84%! That's a massive contrast to the 70% failure rate anecdotally discussed based on Kotler's HBR article of the mid 90s.

**PEX Network: Talking about maturity, OPEX teams, as you know, are flourishing; they're becoming more and more influential within companies. Where should they sit within the organisational structure? Should they be spread throughout the organisation, should they be representatives from various different levels of the organisation, and as we're talking blended tools, should they specialise in everything, generalise, as it were, or should they...?**

**Derek Miers:** The answer is – I am sorry - it depends. It belongs everywhere – as a responsibility, as part of the way in which a business needs to get rigor and discipline about how it does things. Where do you start if you're early on? Well, you probably need to have some sort of centre of expertise that's going to 'teach people to fish' – to get the staff engaged, not in better processes, but in delivering more value for their customers. Show them how engagement is really useful, and at the same time, show them how to identify those people who want to improve on that value proposition, because otherwise they'll be wasting their time.

As that grows, it becomes a more distributed thing where the expertise is rolled out into the Lines of Business. That then also changes the role of the centre; those folks become more responsible for the core methods and frameworks, while the regions or LOB teams take they lead in driving individual changes. The central CoE provides the framework for implementing improvements, tracks the benefits and builds business cases.

“If you're going to be a heavy hitter you've got to be able to dance like Cassius Clay – you need some fluidity and room to manoeuvre. “

# ALIGNING STRATEGY, PROCESS EXCELLENCE AND TECHNOLOGY IN THE AGE OF THE CUSTOMER: INTERVIEW WITH MATSOFT'S MARTIN SCOVELL



Martin Scovell, CEO,  
MatsSoft

**PEX Network: Why do you think more companies are looking to invest in all categories of technologies this year as opposed to last?**

**Martin Scovell:** Given that the economy is recovering from the biggest recession since the 1930's; no one will be surprised to see

technology investment rising at present. That much is obvious, but what is more interesting is that what firms are choosing to invest in isn't the same today as it was before the recession. Gartner's 2014 CEO Survey makes this clear; CEOs are keen to invest in customer-facing areas such as digital marketing, e-commerce and customer experience management. By comparison, focus on back office IT investment has declined.

Forrester's "Age of the Customer" research predicts that investment in what they call "systems of engagement" will overtake back-office IT investment by 2018. Correspondingly, responsibility for such projects is increasingly devolved to business departments, rather than centrally controlled by IT.

This is a tremendous opportunity for firms like MatsSoft that have a pedigree not just in process automation, but in customer experience improvement as well. For projects such as this, platforms that can deliver improvements in days rather than months, have much more appeal compared to the heavy weight technology vendors that were once favoured by IT.

The ability to provide instant and intuitive platforms for business improvement via the Cloud, and the ability to take a share-of-risk / share-of-reward approach with clients, is enabling a new and innovative class of technology vendors to liberate clients from the constraints previously imposed by centralised IT and monolithic procurement arrangements.

**PEX Network: Do you think technology is becoming more of a strategic issue for process excellence?**

**Martin Scovell:** It has always been strategic; it just has not always been very popular. For years the regrettable experience of many process excellence professionals has been that however fast they propose process improvements that streamline operations and raise customer service levels, IT has struggled to keep up. Constrained resources, long work queues and then the complexity and time required for development, have been a real barrier to implementing quick business improvements.

The advent of "low-code" development platforms that are available instantly via the Cloud, means process excellence initiatives can be unshackled from many of the restraints previously associated with technology projects. It's really exciting to work in a domain where technology can be instantly available, immediately intuitive and incredibly quick to deliver results, without the need for hard-core programming.

**PEX Network: How can technology help better align process improvement with corporate strategic objectives?**

**Martin Scovell:** Linking process improvement to top-level strategy is the most significant and growing concern expressed in this year's PEX member survey. Perhaps it's more difficult to improve such alignment in a rising economy, because business leaders have more appetite for risk and radical innovation, which can easily sideswipe the best-made plans for process improvement.

Various industry surveys tell us that customer experience improvement, powered by digital innovation is a top priority for businesses today. Improving customer experience across multiple channels is a top priority for many businesses.

In this respect IT specialists, business people and process excellence specialists all need to collaborate better. Digital innovation that better serves customers really has to be a team effort. Low-code development platforms, that enable business and process excellence stakeholders to retain a simple common language that they both understand, are well suited to this challenge.

By reducing the need for resource-constrained programming, solutions can be built so quickly, that an agile and iterative approach can be taken. It's an approach termed "Test and Learn" by Forrester amongst others. The agility and speed which stem from this approach, can significantly assist in the quest to improve alignment between strategy, process design and technology delivery.

That's because you get results before the need has changed. You retain the involvement of business stakeholders – who don't have time to lose interest. All stakeholders can see and understand what is being built, instead of development only being intelligible to highly trained technologists. In summary, speed and superior collaboration enable better alignment.

## CULTURE + PROCESS = OPERATIONAL EXCELLENCE: WHY CULTURE CHANGE IS CRITICAL TO LONG TERM SUSTAINED PROCESS EXCELLENCE.

How well culture and process come together; how well they're managed, and the support and attention they're afforded by leadership, will determine the level of operational excellence you can expect to see at your company.

In the following section of this report Laura Methot, Ph.D. Senior Partner, CLG, helps to explain why culture is critical to long-term, sustained operational excellence, and how changing leadership thinking and behaviours towards effectively supporting and embracing organisational transformation is crucial.

Let's start with culture. In her interview with PEX Network Laura gives the definition of culture used at as:

**“Culture is really the set of behaviours and norms for behaviour that are reinforced and encouraged over time by people, by systems and so on.”**

Laura explains, “So culture really is all about behaviour. Our approach in CLG is to understand, what are the most important behaviours – we call them high-impact behaviours – that need to happen regularly and well by people within the organisation in order to achieve your result, maintain your culture, and overall accelerate your effectiveness? We start by pinpointing those behaviours and then wrap the leadership fundamentals around that to make sure that those high-impact behaviours are supported.”

Now, many of our clients have purposely identified culture change as critical because they recognise that relationship between cultural norms and organisational success

In many ways culture and process share similar attributes, they are ever evolving and co-

dependent. Like personality traits, culture and process permeate throughout everything done under that company's roof. Whilst putting your finger on the specifics that make up your company's culture and processes can be difficult, you can be sure that they are both affecting performance at all times.

Leadership needs to play an important role in any changes made to culture and process – because by making positive changes in these areas, operational excellence is improved. We asked Laura, what makes good leadership? And what is the importance of leadership within the operational excellence framework?

“Whilst each individual employee has responsibility towards the way that he or she behaves in their role, leadership thinking and behaviours need to be tailored to support and embrace organisational transformation. Simply put, if leadership are not leading the way then who is? Top down.”

Laura explains, “We approach leadership obviously from a behavioural perspective as well. In our own terminology we call it Q4 leadership. If you envision a matrix where on one axis you've got leadership values, behaviours and the impact of leadership in the organisation, then the other axis is your results from poor results to really superb results. If you put those two things together, where your most positive leadership impact comes together with the highest results, we call that Q4; you know, the upper right-hand quadrant of that matrix. Leaders that live in that Q4, it's not about being nice. It's not about being pleasant. In fact, if you shoot to be liked as a leader, very likely you're going to end up in a pleasantly non-competitive situation.”

## Core leadership behaviours

Laura tells us that many of CLG's clients have purposefully identified culture change as critical, "because they recognise that relationship between cultural norms and organisational success." Here, she describes the set of fundamental principles for good leadership for culture change, as followed at CLG:

### 1 Setting expectations

You need to make sure that people in your organisation know what's important and what you expect of them, and how those behaviours and expectations tie to the cultural imperative in the bottom line.

### 2 Observing

The Leaders who are really good at setting clear expectations can then get out and observe in their organisation. It's being out there, walking the floor, being in key meetings, talking to people, watching, listening, and asking questions.

### 3 Providing feedback

Observing performance enables leaders to provide feedback contingent upon what they see and what they've heard, providing really great feedback – positive and constructive – to the performers.

### 4 Removing barriers

Good leaders work with people on identifying and removing barriers. There's nothing more frustrating than having capable people with clear direction that can't get the work done because something is getting in their way.

### 5 Coaching

It could be coaching for improving performance that isn't quite there or it could be that the leader has spotted that this individual is ready to kind of raise their game and take it to the next level. Then it's developmental coaching.

So how do leadership culture and behaviour interface with operational excellence? How do you engineer the conditions for that to exist in a business without stripping out everything? "The bottom line is, nothing changes until behaviour changes. So, you've got your programmes in place. You're talking about operational excellence. You've got the vision for what this looks like, what you want your business to look like... that's all well and good, but really the only thing that's going to bring you there is the people in your organisation behaving in a way that's consistent with your operational excellence vision. So, what brings together strategy, process, even technology implementation, and your operations excellence vision is behaviour. It's what your people say and do at work. That's where it all comes together and behaviour must be positively managed by very intentional leadership in order to make that happen."

**We asked Laura to explain in 30 seconds, the one key thing that you should do to get leadership culture and behaviour all working together for operational excellence.**

I would make sure that your senior team is absolutely aligned on what that means and what that means in terms of obviously your outcome measures. Often leaderships will say, yes, we get it, operations, it's about this. No. I want you to sit down. Define what a perfect day in your organisation looks like vis-à-vis operational excellence. Make sure you understand what the drivers of the perfect day are and who needs to do what in to get there and then, what's your role in making it happen?

I think the notion of the perfect day is critical because operations excellence is the sum of what so many people do every day and so operations excellence is not at a given point in time. It's the sum of many people doing the right thing day in, day out, day after day, and so let's start with defining what your perfect day looks like.

## RECOMMENDATIONS:

There is no “one size fits all” approach to linking process improvement to strategy. Different organisations will be at different levels of maturity and be facing different challenges. Is the problem lack of executive understanding of or support for process improvement? Is it that the organisation hasn’t set a defined strategy? Do the business leadership teams believe that process improvement is something that someone else does for them?

Regardless of where your company sits on the maturity scale, here are five suggestions on ways that process professionals can look at better aligning process improvement with strategy:

### #1: LINK STRATEGY TO OPERATIONS

It sounds like the simplest thing in the world, but as results of this survey have shown, it is not as easy as we’d like it to be to link strategy to operations. Sometimes the strategic focus of the company is unclear or lacking. While it can be easy to blame upper management for the lack of clarity or for lurching from one tactic to another, ultimately, process practitioners can help draw out and articulate the strategic direction of the company by asking the right questions.

“Challenging and asking lots of questions – that’s how you can get your leadership team to focus on setting those objectives and goals,” says Jeremy Tranmer from Rio Tinto Minerals.

Clear communication between leadership and process professionals is required to align goals. A sense of working together must be achieved for sustained, long-term, operational excellence and success. It’s a long road but the rewards are worth it.

### #2: USE DATA TO YOUR ADVANTAGE

Clearly, the new emerging data analytics technologies are in an early stage of adoption by companies and many practitioners remain skeptical about companies who look to the much touted “Big Data” as the silver bullet for business woes. Much work still must be done to lay the foundation for incorporating the new data technologies successfully as companies still struggle with issues of data quality and even with identifying the metrics that matter for performance. However, the effective use of data can be a powerful aid in both ensuring that process improvement is linked with strategy as well as keeping executives on side and supportive.

“After we found that offering up opportunities based on opinion fell on deaf ears, we started digging for facts. Presenting an opportunity, backed up with, say, a value-stream map or an OEE chart, has a much warmer reception,” offers Rio Tinto Minerals’ Jeremy Tranmer.

This does not require major investment in new technologies. Instead it requires a thoughtful approach to the kind of metrics and data that will help drive decision making forward and also keep everyone focused in the same direction. Additionally it requires thought on how to present that information so that it can be readily understandable by all relevant stakeholders. Once a solid foundation has been established the new data and analytics technologies that are emerging can help embed, deepen and support the capability into the business.

### **#3: FOCUS ON LEADERSHIP, CULTURE AND BEHAVIOUR CHANGE**

People play such a huge role in a company's success or failure and that's why it's clear that a focus on leadership, culture and behaviour change is fundamental to maintaining continued alignment between your business strategy and your process improvement programme.

As Laura Methot told PEX Network, "you can sit back and passively allow culture to evolve because it will. New people will come in. New leaders or opinion leaders will emerge and that can result in your culture shifting whether or not you want it. You can take that passive, let it become whatever it's going to become approach, or you can very purposefully shape your culture in a different direction. That's what our clients end up doing. They're saying, we are going to decide what we want our culture to be and be very purposeful about how we're going to get there."

"Your endgame might be, we started in 2010 to shift our focus into continuous improvement and leadership capacity so that by 2015 we are working on operational excellence as the definition of our culture."

### **#4: STAY DISCIPLINED**

Maintain a firm focus on what will truly help move the organisation forward and which opportunities are those that will help support and enable the business strategy.

Everything should be related to your strategic planning. You need to prioritise based on your strategy. Ulf Pettersson, WCM manager at Tarkett

Ronneby explains that his company uses matrices to identify and prioritise opportunities based on the company's strategic objectives. More importantly, though, is the fact that the company regularly reviews those matrices to ensure progress is being made.

"We used to review the matrices twice a year to see whether we had progressed against our objectives," he says. "Now, though, we do a monthly update where each production line does a monthly matrix to make sure that the improvements they have made are progressing and sustained over time."

"The matrices also serve as a prioritisation tool which means the key focus for the plant is what is highlighted in the matrices," he adds. "What matters to the business is managed through the focus on Process Excellence."

### **#5: BLEND TOOLS TO ACHIEVE GREATER RESULTS**

Ultimately, process excellence is about enabling business strategy and solving business problems. Too often, companies employ just one process improvement methodology such as Lean or Six Sigma and expect that it will be able to deal with all the challenges that the business throws at it. Clearly, a more holistic and pragmatic approach is needed when it comes to enabling business strategy. Six Sigma techniques, for instance, may be an important part of the overall approach, but there may be other methodologies or technologies that can help to drive results.

## CONCLUSIONS:

Linking process improvement to top-level business strategy starts at the top. The strategic visions of senior management then need to be cascaded down into specific tasks, activities and processes, looked at holistically, as part of an overall way of supporting that vision.

Process practitioners and senior management have a shared responsibility to build close relationships to facilitate proper communication. Without proper communication of objectives and related projects, alignment simply can not occur.

Executives must set the vision, objectives, and goals but also recognise the discipline required to translate those objectives into meaningful actions. Process professionals, on the other hand, must influence and educate senior leadership to invest in operational excellence by focusing on those

improvements that drive the business outcomes that senior leadership cares about.

Terminology, communication, leadership, culture and technology may all contribute to how aligned process improvement is to corporate strategy and all must be addressed in order to succeed.

“It’s about starting from the business objectives and then determining the right tools, techniques, and programs that will deliver those objectives without being wedded to operational excellence,” says Rio Tinto Minerals’ Jeremy Tranmer. “We need operational excellence but without being evangelical about it. It’s about adopting that level of pragmatism and looking at the big picture.”

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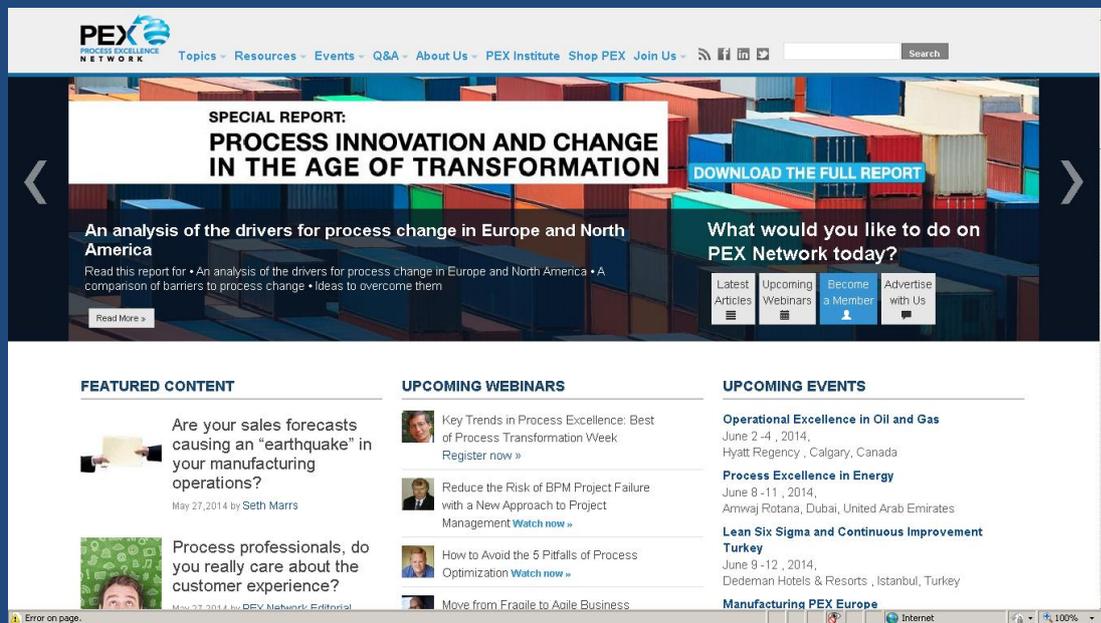




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