

Business Process Excellence: Trends & Success Factors 2012



Executive Summary

The last few decades have seen companies adopt a host of different approaches to improving the quality and efficiency of their output: Total Quality Management, Business Process Reengineering, Lean, Six Sigma, Business Process Management, Business Performance Improvement, etc. Most are represented by their own three-letter acronym and have a host of associated technical jargon; some have fallen out of favor, while others are gaining ground.

What all these methodologies have in common is a focus on process – an activity through which something (whether tangible or intangible) is transformed into something else. At a fundamental, process excellence is about improving the way that businesses create and deliver value to their customers, regardless of what acronym may be applied to the challenge.

The backdrop for process excellence this year is an uncertain global economic climate. The latest report issued by the International Monetary Fund (September 2011) begins with one simple but ominous sentence: “The global economy is in a dangerous new phase.” Increasing fears over debt in the euro-zone,

sluggish economic growth and above average unemployment in developed countries led to a summer of turmoil on the stock market and persistent fears that another recession is around the corner.

Against this backdrop, PEX Network set out to create a snapshot of where Process Excellence is headed in 2012 with the following questions in mind:

- What impact has recent economic uncertainty had on process improvement practitioners within companies?
- What are general trends experienced by process improvement practitioners in terms of approach, focus, and toolset in both general (industry wide terms) and in terms of company maturity?
- What is it that makes some programs more successful than others?

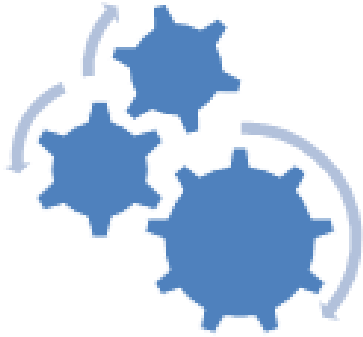
In October 2011, PEX Network conducted an online survey in which nearly 700 practitioners participated. The results of those surveys form the backbone of this report, although interviews with industry experts and practitioners conducted throughout 2011 and previous survey data also inform the results of this report.

Key Findings:

- Companies are relying on shorter cycle times for process improvement projects with a significant increase since 2005 of respondents reporting average project length of 90 days or less
- Lean and Six Sigma methodologies remain prevalent although nearly 50% fewer respondents report the use of Six Sigma methodology than in a similar 2005 PEX Network survey
- Businesses that rate their deployments as “highly successful” tend to have customer satisfaction as a key driver and metric of success.
- Short term cost cutting is associated with process improvement programs that have been rated as “unsuccessful” or “highly unsuccessful.”

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Key Operational Excellence Trends Survey Results 2012



Key Operational Excellence Trends

Background to the Survey

In October of this year, PEX Network launched a Global Benchmarking Study of Trends and Success Factors in Business Process Excellence inviting members of the PEX Network website and social networking groups (including Twitter, LinkedIn, and Xing) to participate.

The October 2011 study had 676 respondents representing process improvement professionals working in a wide variety of industries and disciplines. The largest majority of respondents came from Manufacturing (15.9%), Financial Services (8.8%), Business & Consulting (8.5%), other Services (7.7%), Energy and Utilities (7.7%), and Healthcare and Pharmaceuticals (6.3% & 6.7% respectively).

A majority of respondents came from North America (representing 45% of respondents) and Europe (30% of respondents) – so we would expect general trends presented in this report to be skewed towards the more operationally mature – and economically uncertain – developed economies.

Respondents came from a variety of job roles and backgrounds, but were largely composed of manager-level and above. Approximately 23% of survey respondents identified themselves as senior business executives or director level, while 45% identified themselves as a manager or leader (including Master Black Belts) of some sort.

For a full breakdown of survey respondents by job type, industries, and geography, please see Appendix A.

The survey built on data gathered in October 2009 for the [Business Process Excellence Global Trends and Success Factors](#) – a benchmarking study of over 800 process improvement professionals undertaken as a joint collaboration between PEX Network and Market Value Solution, as well as further data collected in an early benchmarking study conducted by IQPC in 2005, in which 190 process improvement professionals participated.

Where possible in this report, 2011 data will be compared with data from previous surveys.

What does 2012 hold in store for Process Excellence?

676 practitioners responded to our State of the Industry survey in October 2011.
Read on for the results.

Overview of Process Excellence in 2011

In the 2011 benchmarking survey, PEX Network wanted to create a snapshot of what process excellence programs look like going into 2012 – what departments are the key areas of focus? Which methodologies are most popular, and what is the general interest level in process excellence within organizations?

According to the survey, the majority of process improvement work focuses on traditional areas like General Business Operations (over 85%), Supply Chain (52.2%), and Manufacturing (47.2%), although a large number of organizations had deployed process improvement within less conventional areas like Customer Service (47.8%), Finance (34.6%) R&D (24%) and Human Resources (34.8%).

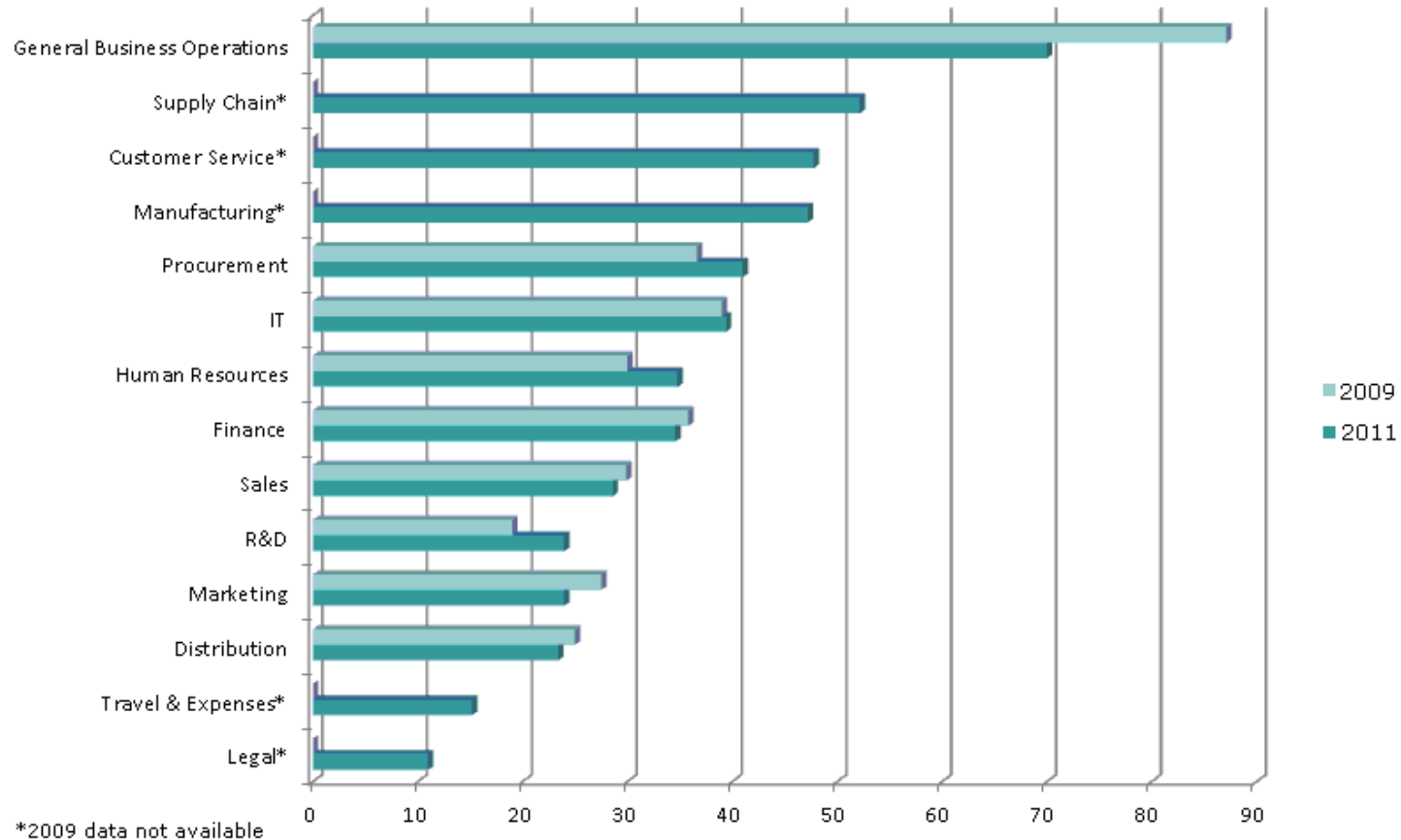


Chart 1: In which department(s) are you applying process improvement methodologies? (Survey respondents invited to select all that apply.)

Interest in Process Excellence is Expanding

A majority of organizations reported that interest in process excellence was expanding (51.4%) although this was a moderately smaller figure than in our 2005 data. The number of respondents reporting that their program had been dismantled or was at risk has increased slightly since 2005 (3.2% in 2005, 5.8% in 2011).

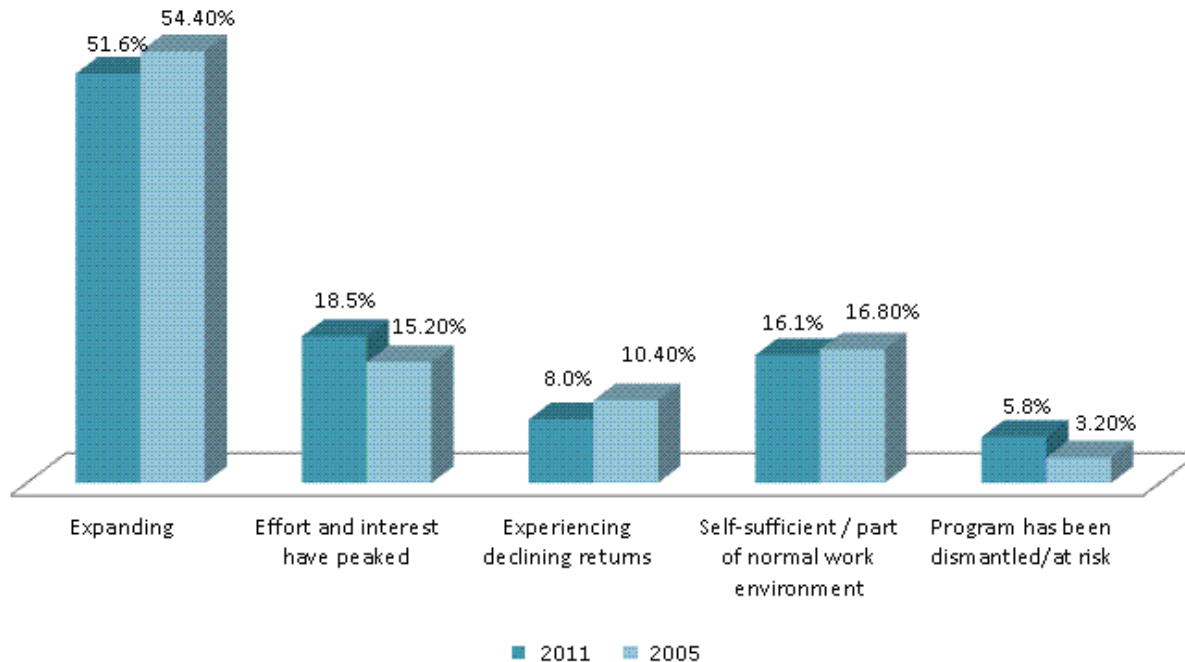


Chart 2: What best describes the level of interest in process improvement within your organization?

Process Excellence Sits Largely Within Operations

Process Excellence sits within either an Operations (42%) or Quality (22%) function in the majority of those organizations surveyed. Only a small number (4%) indicated that I.T. was responsible for the process improvement function, although this number is also probably reflective of the smaller number of I.T. executives who participated in the survey.

A significant proportion of survey respondents - over 30% - selected "Other" as responsible for process improvement. The most commonly cited "other" location was that the process improvement function sits centrally within its own office (called by various names: "Business Performance Improvement, Business Transformation Unit, etc.).

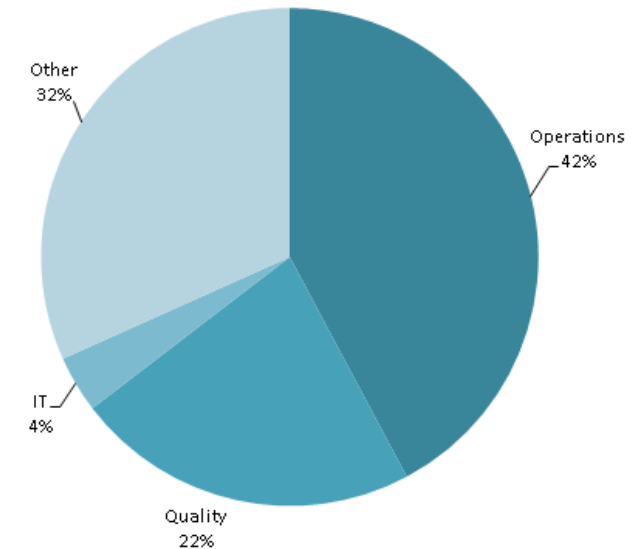


Chart 3: Where does responsibility for process improvement sit within your business?

Maturity of Deployments

Nearly a quarter of respondents indicated that their process improvement program had been running for 4-5 years, with a gradual tailing off in either direction.

Further analysis would be needed to determine the exact reason for this bulge. As process improvement methodologies have been around for several decades, it seems plausible that programs experience an equivalent of a mid-life crisis at the 4-5 year mark once much of the “low-hanging fruit” (i.e. those processes

where problems are easy to identify and fix) have been harvested. Some companies may decide to cut their programs at this stage as direct return on investment may also be more difficult to prove. (Although there are benefits for companies that follow through with process improvement, as discussed in a later section, “Factors for Success in Process Improvement”).

Finally, the majority of respondents had Enterprise-wide deployments of process excellence – reflective of the fact that a decent percentage of those surveyed had deployments of 4 years or more.

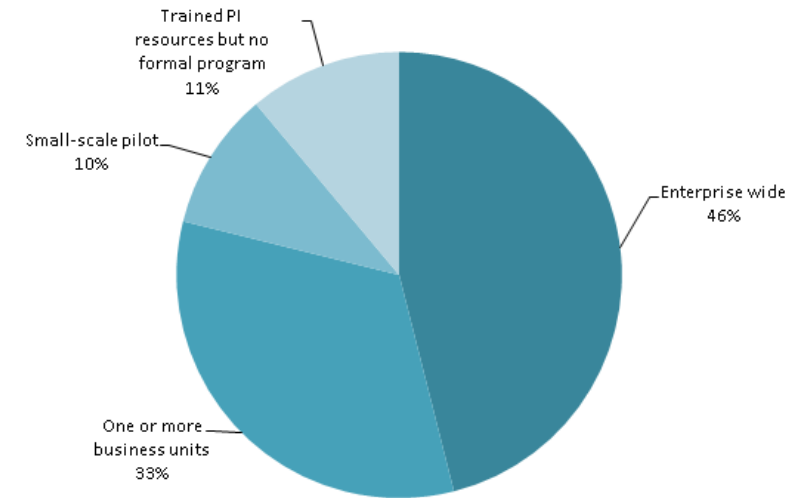


Chart 5: What best describes the scope of your process improvement program?

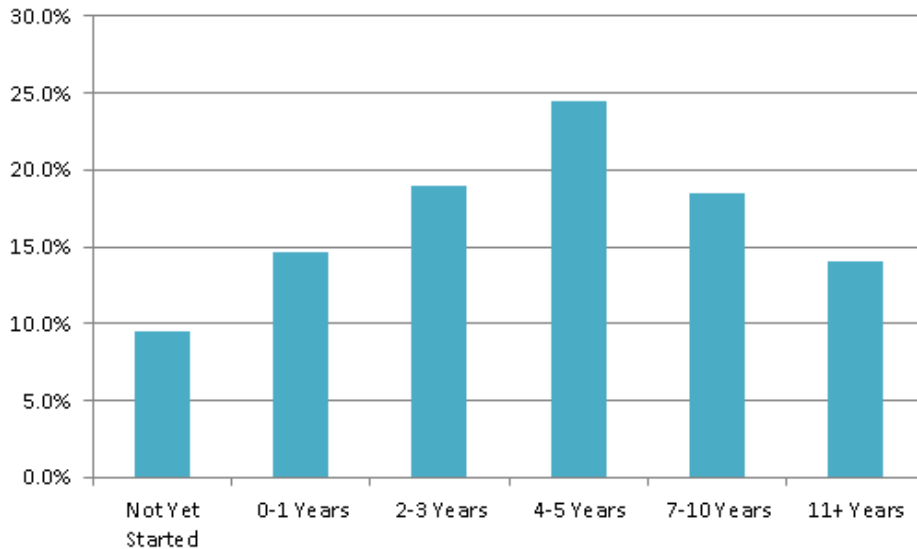


Chart 4: How long has your company been doing process improvement?

Methodologies/Tools Being Used

Lean and Six Sigma remain the most widely employed methodologies for process improvement (approximately 46.9% use Lean, 36.6% use Six Sigma, and 48.9% use a combined Lean Six Sigma approach).

Closely behind these methodologies are Balanced Scorecards and Dashboards with 25.3% of respondents reporting that they already have these tools implemented with a further 16.2% planning to implement in next 12 months).

Business Process Management (BPM) and Business Process Re-Engineering (BPR) were also widely used – with 25.3% of respondents indicating BPM was already deployed in their organization and 25.7% indicating BPR. Many companies also planned to implement once of these two frameworks within the next twelve months (14.3% BPM and 16.2% BPR).

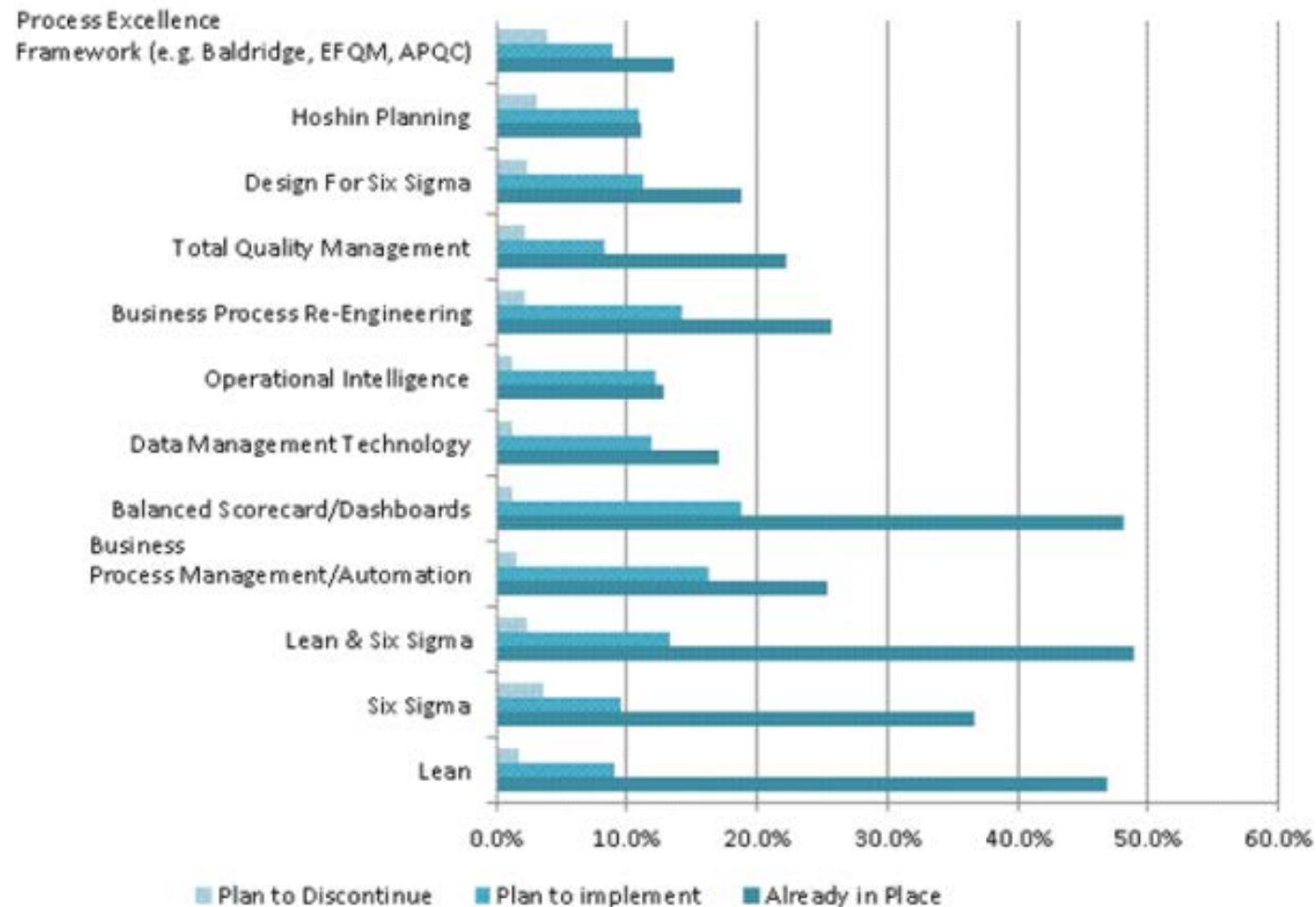
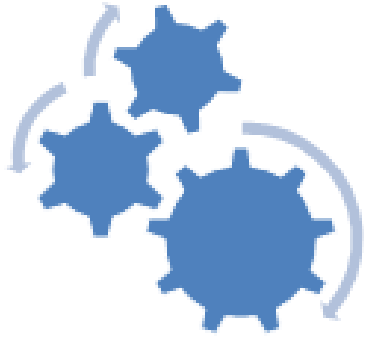


Chart 6: What tools/methodologies are you currently using/plan to implement/plan to discontinue?



Impact of the Global Business Environment

Global economic growth has entered a “dangerous phase” according to the IMF. For Process Excellence practitioners that means plenty of work is on the way – but demonstrating ROI is more important than ever.



Impact of the Global Business Environment

The latest report issued by the International Monetary Fund (September 2011) begins with one simple but ominous sentence: “The global economy is in a dangerous new phase.” Increasing fears over debt in the euro-zone, sluggish economic growth and above average unemployment in developed countries led to a summer of turmoil on the stock market.

“The structural problems facing the crisis-hit advanced economies have proven even more intractable than expected,” the IMF states.

Against this backdrop, 54% of survey respondents reported that they expected budgets for Process Excellence programs would remain largely flat in the coming year. However, a greater percentage of respondents (27%) reported that the budget for process improvement was expected to grow (compared with 19% who expected budgets to shrink).

Likewise, 55% of respondents reported that they expected the number of employees dedicated to process improvement will remain the same in 2012, a bullish 38% who expect the number to increase and only 7% who

expect a decrease in those employment figures.

That expectation reflects the importance of process improvement to organizations at a time when businesses need to be agile in order to respond to changing conditions and customer demand.

“The world is going through a series of very dramatic economic changes and technological changes, which means that both the risk for companies is higher and the pace of change is faster,” says Gregory North, Vice President of Corporate Lean Six Sigma at Xerox. “This

means that, ultimately, Process Excellence has never been more important.”

“But,” he adds, “there’s more cost pressure on organizations to look at non-line business functions, which means that Process Excellence support functions and Process Excellence training enabling capabilities are under pressure as well. So we have a rising challenge to both deliver more value, but to do it in a way that is as lean as possible in support of our enterprise goals.”

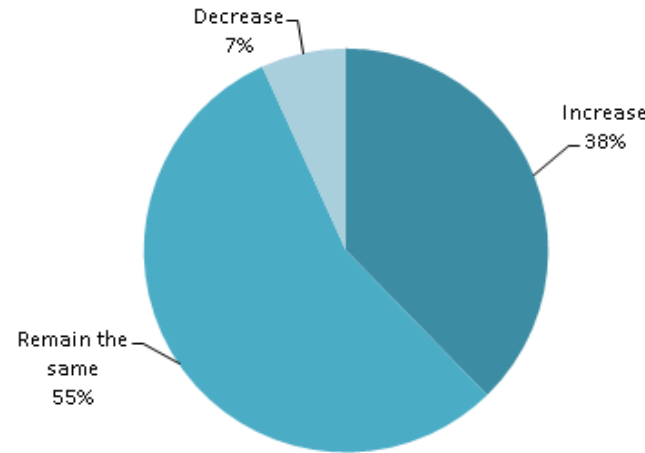


Chart 7: Do you expect the number of employees in process improvement to increase, decline or stay the same?

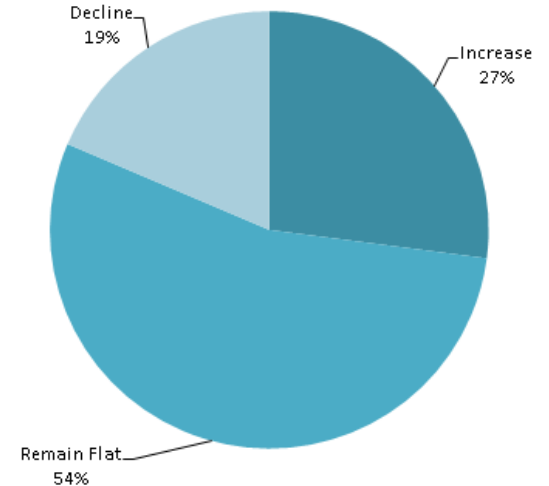


Chart 8: Do you expect your budget for process improvement to increase, decline or stay the same?

Process Excellence Drivers

The emphasis on demonstrating value for money is reflected in the overall goals of process improvement programs for 2012 – nearly 70% of respondents indicated that either increasing efficiency or reducing cost was a primary, secondary or tertiary driver for

their process improvement program.

However, improving customer satisfaction was the biggest primary driver for process improvement with nearly 40% of respondents citing it as the key goal, demonstrating that many companies are starting to understand the value of driving process improvement from

the “Outside-In”, an approach advocated by the PEX Network partners the BP Group, which encourages organizations to look at defining and measuring process improvement from the perspective of customers (what they call an “Outside In” approach).

John Corr, President of the BP Group, says, “Companies are moving away from approaches such as ‘Design for Six Sigma’ towards “Design for Customer Success” adding that the “shift in perspective reflects the need to better align processes to win the triple crown of enhancing service, reducing costs, and growing revenues.”

Progressive organizations – in both the private and public sectors - understand that achieving consistent, successful outcomes for their customers is key to their long term success. It enables companies to grow effectively, enhance customer satisfaction and control costs for the long term.

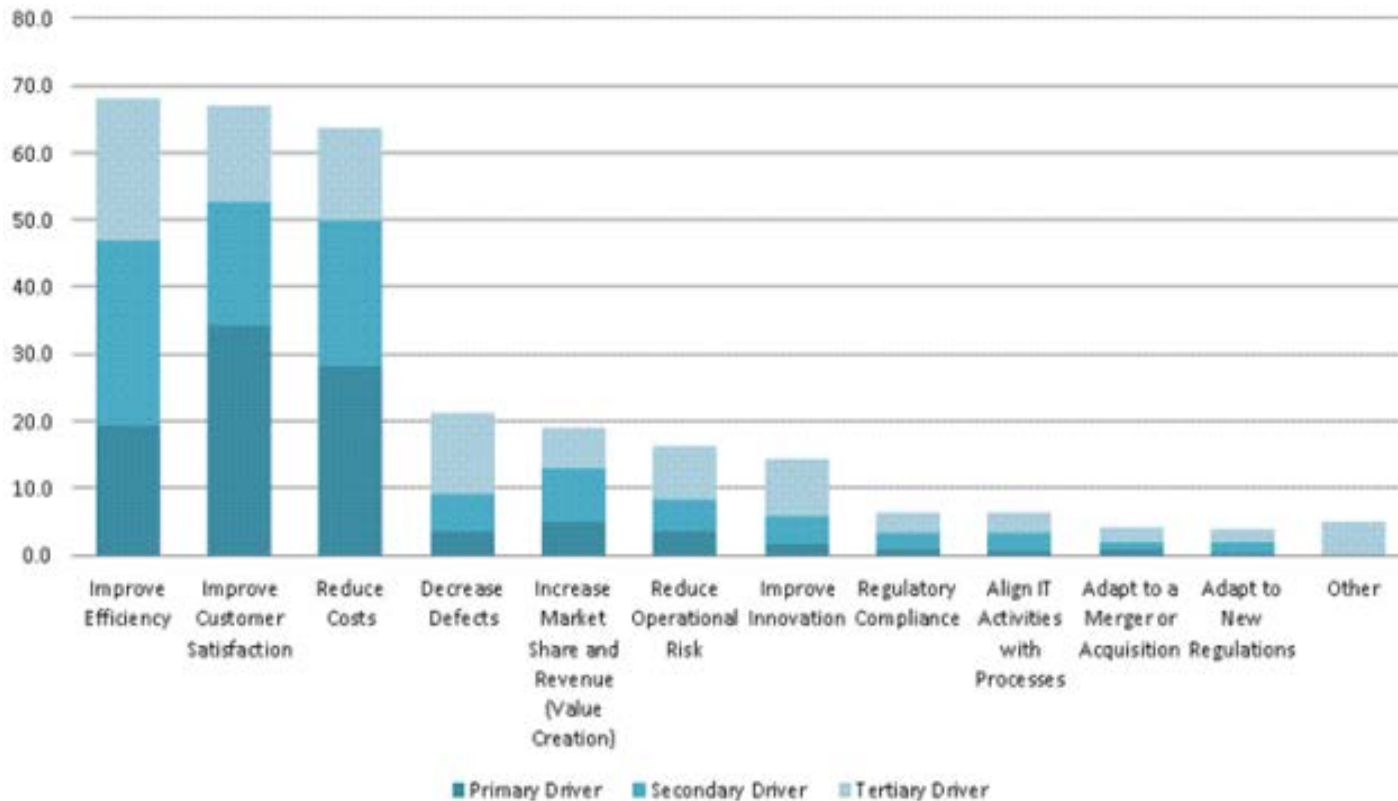


Chart 9: What are the key drivers for your process excellence program?

Shorter Projects & Higher Impact

The percentage of projects that take less than 90 days to complete has increased by nearly 100% since our 2005 data, illustrating the need for process improvement professionals to demonstrate value and respond to changing conditions quickly.

In 2005, 8.2% of survey respondents reported an average project length of less than 3 months. In our latest benchmarking study, that figure has increased to 15.4%. However, the majority of projects, both in 2005 and 2011, fell within the 3-6 month range.

The use of both Lean and Six Sigma

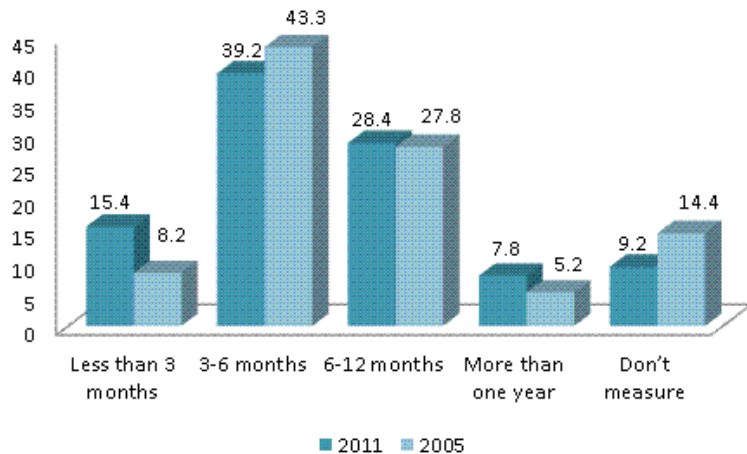


Chart 10: What is the average length of a process improvement project at your organization?

improvement methodologies also appears to be on the decline (see graphic on next page). Respondents reporting use of Six Sigma methodologies, or instance, has declined significantly from 2005 when 71% of survey respondents reported using the method for process improvement work.

In 2011, only 37% of survey respondents reported using the statistically-based methodology as part of process improvement work. Related methods such as Design for Six Sigma have also experience declines to a low of 19% reporting using DFSS methods from 33% (2009) and 29% (2005).

Some of the decrease since 2005 could be due to the introduction of a “Lean & Six Sigma” category in our 2009 survey. However, even the combined Lean Six Sigma approach has experienced a decline according to survey results. In 2009, 65% of survey respondents reported using a combined Lean Six Sigma approach, while in our 2011 study, only 49% of respondents reported using a combined Lean Six Sigma approach.

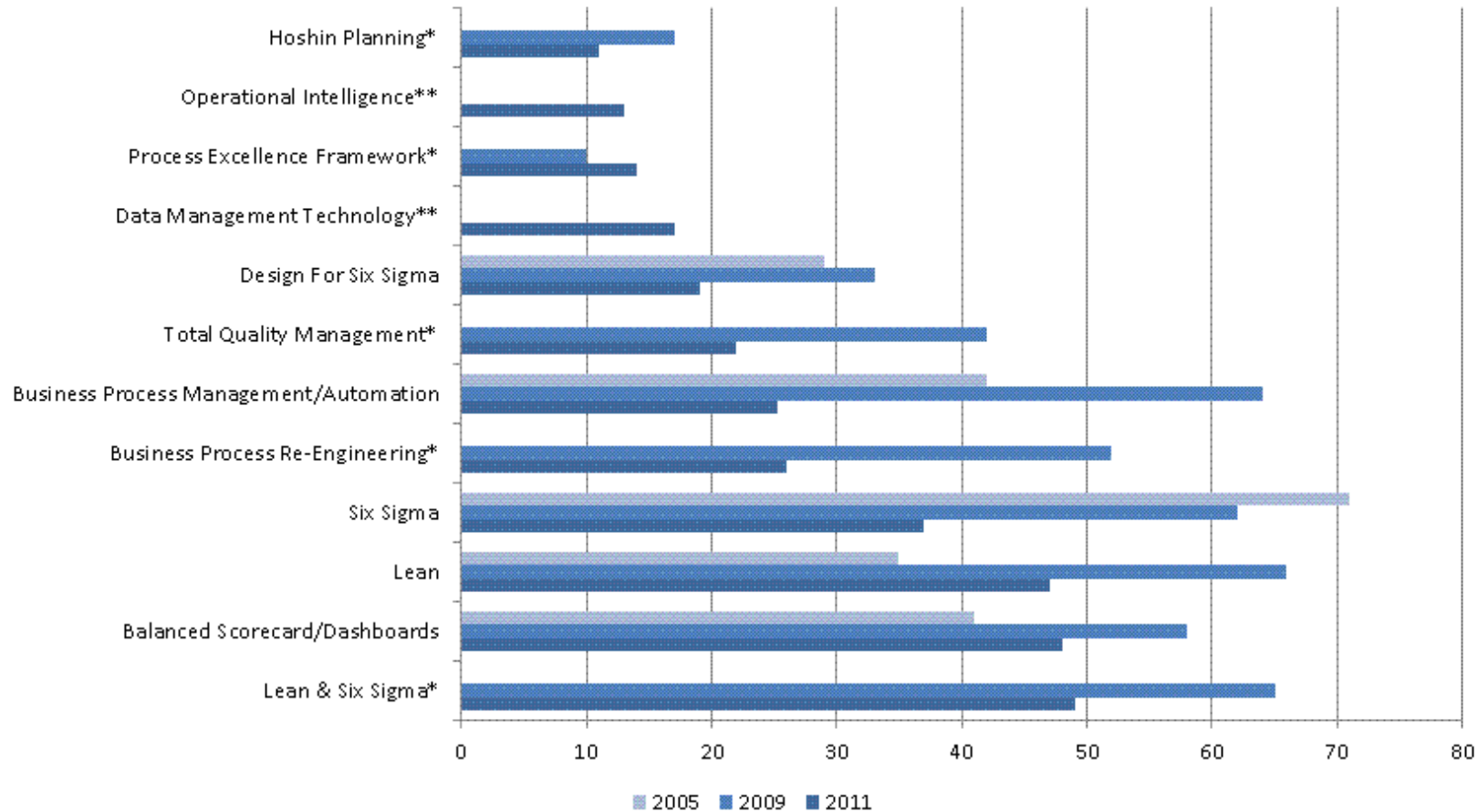
The graphic on the next page compares process excellence tools and methodologies organizations are employing in 2011 with data from similar PEX Network benchmarking surveys conducted in 2005 and 2009.

“We [as process excellence practitioners] have a rising challenge to both deliver more value, but to do it in a way that is as lean as possible in support of our enterprise goals.”

- Gregory North, VP Corporate Lean Six Sigma, Xerox

Chart 11: What Process improvement Methodologies/Tools do you use?

Participants were invited to select as many frameworks as were applicable; compared where possible with 2005 and 2009 survey data.



*2005 data not available, **2005/2009 data not available

How Business Are Adapting Process Improvement Tools

Six Sigma has at times been criticized for the rigidity of its approach and its need to undertake a sometimes lengthy period of data collection. A time of economic uncertainty and rapid change could explain why some organizations appear to be moving away from “pure play” Six Sigma methodologies.

“It’s not that we won’t deploy purist Six Sigma projects when appropriate,” explains Diane Francisco, Director, MBB of Process Excellence and Change Management at pharmaceutical company Covance. “But I think that because of the market conditions and the things that are going on in the industry, we’re taking a hard look at how can we have high quality, effective service without spending decades trying to get something improved.”

Lean has equally suffered declines since 2009 when 66% of respondents reported utilizing Lean methodologies in process improvement. In the 2011 survey, 47% of respondents reported using Lean methods.

New York-based consultancy Alix Partners released a study in September 2011 reporting that that nearly 70% of manufacturing executives said their manufacturing-improvement efforts only led to a reduction in manufacturing costs of less than 5%. The company also claimed that winners of *The*

Shingo Prize for Operational Excellence have, after three years’ time, generated revenue growth and gross profits either equal to or less than their peers’.

“Most continuous improvement initiatives focus too much on implementing a particular ‘checklist’ of program tools and processes, rather than on basic execution,” said Steve Maurer, managing director and leader of Alix Partners’ Manufacturing Practice in a press release about the survey. “Many traditional Lean and Six Sigma programs also tend to fail to institutionalize the improvements that they do generate. As a result, the cost benefits often aren’t sustainable.”

Paul Docherty, CEO of i-nexus, sees another reason why some companies might feel disillusioned with the results of their process improvement initiatives.

“In theory,” he says “the integration of frameworks such as Lean Six Sigma, Hoshin Planning and Balanced Scorecards do have the ability to dramatically improve the probability of delivering on organization’s goals. The reality is however; very few organizations are able to realize this potential as they are using tools not really fit for purpose.”

Managers and analysts across all disciplines, he says, can spend more than 10 hours a week chasing, manipulating and validating

“It’s not that we won’t deploy purist Six Sigma projects when appropriate. But I think that because of the market conditions and the things that are going on in the industry, we’re taking a hard look at how can we have high quality, effective service without spending decades trying to get something improved.”

- **Diane Francisco, Director,
MBB of Process
Excellence and Change
Management**

what are frequently inconsistent inputs to update their monthly reports.

"This is time that these key individuals could, and should, be spending on value creating activities that transform their organizations," says Docherty. "When we see organizations using more robust technology platforms to integrate their goal management, program management and performance management processes, we will no doubt see a decrease in the number of organizations discontinuing Hoshin Planning, Lean Six Sigma and Balanced Scorecards."

However, it is difficult to generalize about the rise and fall of any one discipline broadly.

"It's more about where companies are in their maturity level, and what they are planning at that particular time," says Michael Marx, Director Business Process Improvement at educational service provider the Apollo group/University of Phoenix.

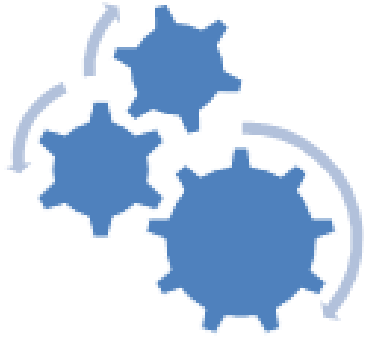
"A broad general theme such as using Lean more than Six Sigma is only happening in

certain companies. Other companies are driving right into the statistics."

What does seem to be happening is that process improvement itself is becoming lean and more agile as companies are required to cope with rapidly changing market conditions.

"Companies are moving away from approaches such as 'Design for Six Sigma' towards 'Design for Customer Success.' The shift in perspective reflects the need to better align processes to win the triple crown of enhancing service, reducing costs, and growing revenues."

- John Corr, President of the BPGroup



Factors for Success in Process Excellence 2012



Factors for Success in Process Excellence

Survey respondents were asked to rate the overall success of their process improvement program. Overall, the majority of respondents rated their programs as successful (52%), while a small handful of organizations rated their programs as highly successful (1%).

A small minority of professionals rated their programs as unsuccessful or highly unsuccessful representing (7% of the combined total.

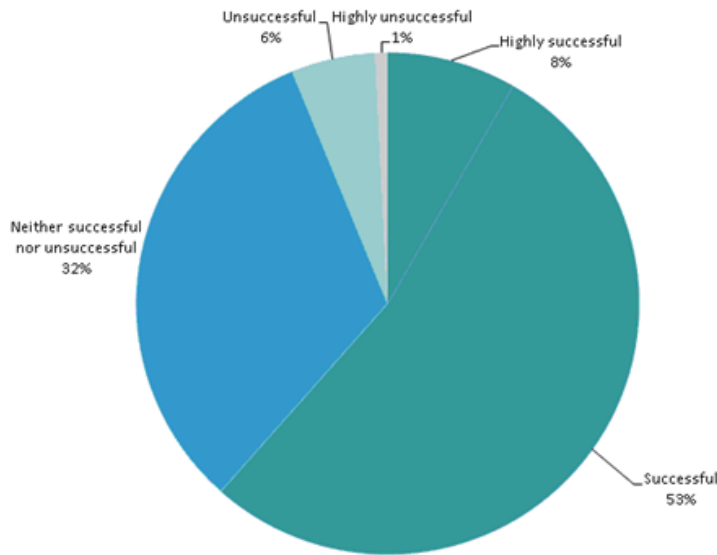


Chart 12: Overall, how successful would you consider your Process Improvement program?

What makes the difference between a successful process improvement program and an unsuccessful one?

Three clear trends emerge when comparing data between those who ranked their program as “highly successful” and those who ranked their program as “unsuccessful” or “highly unsuccessful”:

1. Maturity of Deployment
2. Scope of Deployment
3. Customer-Focused

Success Factor #1:

Maturity of Deployment

The companies that reported having a high degree of success with process improvement were the ones that had been working in process improvement for the longest periods of time. Fully 35% of the highly successful companies had process improvement programs running for 11 or more years versus 3% of programs rated unsuccessful. Programs were most likely to be rated unsuccessful if they had been going 3 years or less.

This suggests that the most difficult and dangerous stages of a Process Improvement journey is in the first three years. Companies that stick with their programs begin to reap the benefits as they advance.

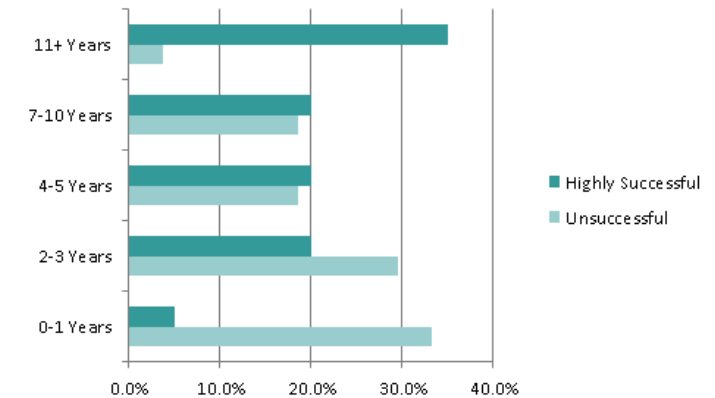


Chart 13: Companies that have been doing PI for 11+ years report the greatest success

Success Factor #2:

Scope of Deployment

Companies that reported the greatest success were those that had Enterprise-wide deployments of Process Improvement activities.

Fully 81.1% of “highly successful” deployments were enterprise wide (versus 31% of those rated unsuccessful). As many companies begin a process improvement journey with a single project-based approach, those with

enterprise-wide scopes would also be those that had most likely been running for the longest periods of time.

Interestingly, one of the danger periods for process excellence initiatives is when moving beyond the small scale pilot to a deployment that involves one or more departments. The largest percentage (34.4%) of “highly unsuccessful” or “unsuccessful” deployments

fell within this range.

This could also correspond with the maturity of the process improvement program; as discussed in the previous section one of the danger periods for process improvement programs appears to be around the 2-3 year mark.

John Murphy, Vice President of Operational Excellence at CSX, a transportation logistics and company, explains that part of the reason could be that the challenges of process improvement change as an organization matures.

“When we were just doing Six Sigma projects you could put your hands around it; it was visible and understandable,” he says. “But as your program matures and moves beyond projects it becomes much more about how you’re trying to get the company to work and that’s a whole different beast with its own set of challenges. It becomes much more about people and changing people’s behaviours to align, not just financials and projects, but to overall business strategies.”

Dennis Narlock, Continuous Improvement Leader with Catalent Pharma Solutions agrees, arguing that with maturity, process

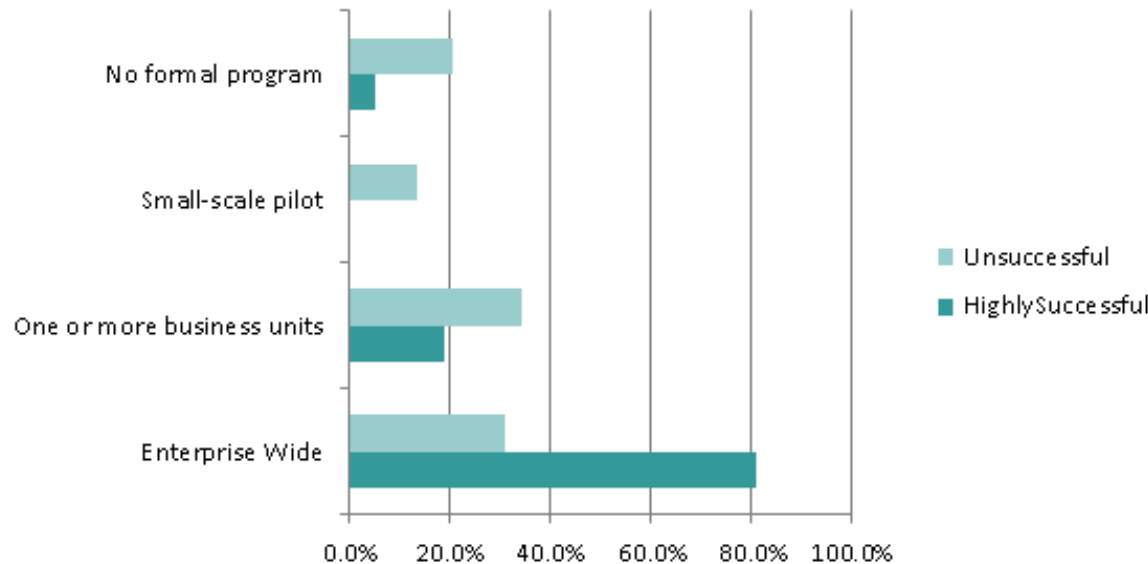


Chart 14: Companies with Enterprise-wide deployments of process improvement report greatest success

excellence becomes less about particular toolsets.

“As you mature, process improvement becomes more culturally focused,” he says. “You have to get into the people side and the skills side for that long term success, understanding what drives, what motivates, and how to sustain the benefits.”

Success Factor #3:

Positive Focus

Companies that focused most on top line revenue growth and increasing customer satisfaction were more likely to rate their process improvement initiatives as successful (32.5% of “highly successful” companies focused on the customer) while those that focused most on cost savings were most likely to be rated unsuccessful (40.7% of the “highly unsuccessful” or “unsuccessful” focused on cost savings versus 20.7% of those in the “highly successful” category).

“Operational excellence is not the engine for cost cutting,” cautions Debashis Sarkar, Global Champion & Head (Asia-Pacific) - Enterprise Lean Sigma at manufacturing giant Avery Dennison. “You should use it for cost efficiency, you should use it for revenue generation, you should use it for customer service, but it’s very dangerous to focus myopically on cost cutting.”

Sarkar adds that “many companies have traditionally separated operational excellence and customer service into different functions” but “many are, rightly, starting to merge the two departments. The focus shifts to enhancing the customer experience. Operational excellence becomes one of the levers supporting the customer.”

Steve Towers, founder of the BP Group and a regular columnist for PEX Network, said that these results demonstrate that “Outside In” organizations - a process improvement

approach that gets organizations to align their processes with the customer experience - achieve greater results and stand a higher chance of success.

“It’s a question of ensuring that everything your business does is geared towards creating a successful customer outcome. Not only will that help your bottom line but it ensures that any process improvement work you undertake maps to the larger enterprise goals, which at its heart should be to create and serve customers. As we often say, it’s

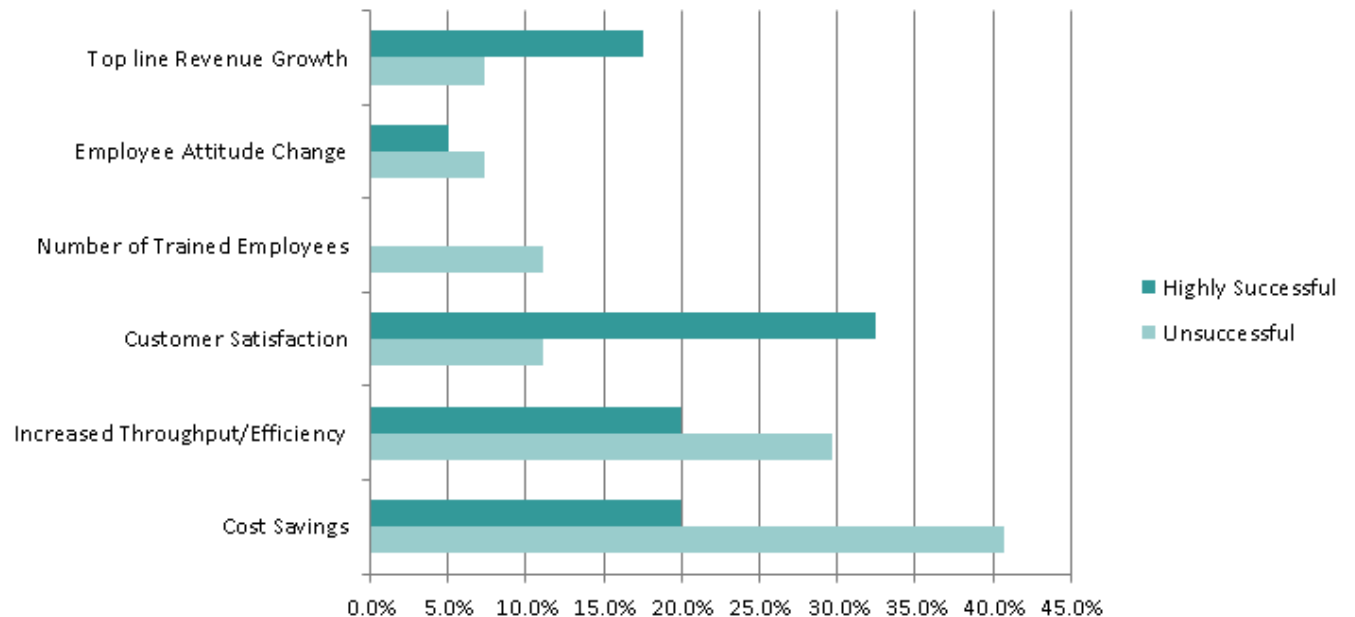


Chart 15: Companies that focused on “positive” goals such as improving customer satisfaction and top line revenue growth experienced greater success

about not just about 'doing things right' but 'doing the right things'."

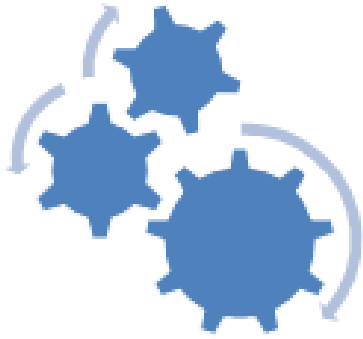
The benefits of focusing on a "positive" goal could have the additional side effect of being more motivating to employees and other business users. People are more likely to buy into a vision if the improvement is related to something positive. A negative benefit such as cost savings and increased throughput/efficiency, which although not necessarily "negative" in themselves, have sometimes translated into job losses and budget cuts, coupled with increased workloads for the employees that remain. As a result it

can be difficult to achieve buy in with these goals, especially in situations where process excellence initiatives have been tried before and failed.

In a similar way, a goal that is internally focused and has no tangible end benefit to the business - such as the number of employees trained in Process Improvement - was closely associated with unsuccessful programs. 11% of unsuccessful program reported focusing on the number of trained employees. No "highly successful" company reported using this metric.

"Operational Excellence is not the engine for cost cutting. You should use it for cost efficiency, you should use it for revenue generation, you should use it for customer service, but it's very dangerous to focus myopically on cost cutting."

- **Debashis Sarkar, Global Champion & Head (Asia-Pacific) - Enterprise Lean Sigma, Avery Dennison**



What's next for Process Excellence?

“Lean Six Sigma is not terribly different from what it was 20 years ago or even ten years ago. It will have to be ultimately the same ten years from now. Process Excellence is about taking care of customers in a way that is cost effective and provides the most value, and there are methods and tools that you have to bring to bear that can help you do that. [To achieve that] you have to engage employees at all levels of your organization. Those are the basic elements, and those aren't going to change.”

– Gregory North, Vice President Corporate Lean Six Sigma, Xerox Corporation



What's next for Process Excellence?

Although Six Sigma as a methodology has experienced some declines since our first global benchmarking survey in 2005 it still forms the backbone of a large majority of Process Excellence programs. Over 50% of respondents indicated that Six Sigma Process improvement projects would be involved in their program for 2011-2012.

Close behind was process redesign work (49.9%), followed by Customer-centric Process Management (35.5%).

Continued uncertainty about market conditions coupled with an increasingly rapid pace of technological innovation means that the leading businesses of tomorrow will be need to be both agile in responding to changing circumstances, and technologically forward thinking to unlock the value that new developments in software and collaboration technology, can bring in terms of employee

efficiency and creating value for customers.

PEX Network has identified four general trends to watch for 2012:

1. Process Excellence Tools Become Increasingly Lean
2. I.T. Becomes More Strategic & Business-Led
3. Mature Businesses Focus on End to End Improvements
4. People are Top Investment

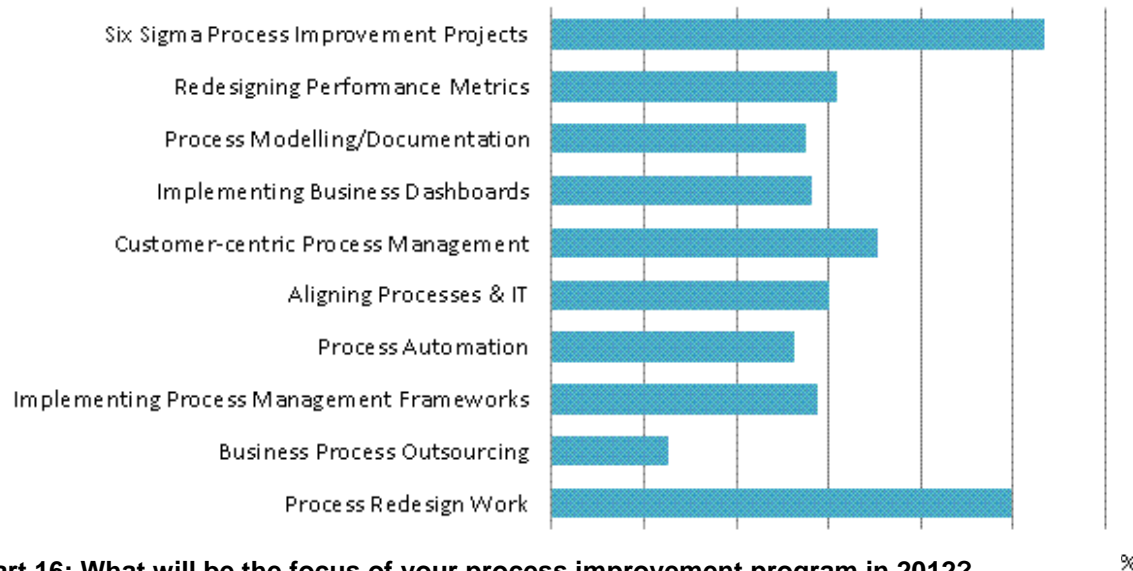


Chart 16: What will be the focus of your process improvement program in 2012?

Trend #1:

Process Excellence Tools Become Increasingly Lean

Although some of the discussion earlier in this report focused on why Lean Six Sigma methodology appears to have suffered overall declines since 2005, PEX Network believes that Lean and Six Sigma remain useful tools for process excellence, but the way that organizations use them needs to be adapted for the rapid pace of change and uncertainty with which businesses today must contend.

As Gregory North, VP Corporate Lean Six Sigma at Xerox puts it: "If you're trying to look at the value stream of an inter-connective set of business processes that go across suppliers

and customers, then where else but Lean Six Sigma can you turn to, in order to be able to quickly reach into that morass and pull out where is the constraint? Where is the bottleneck? Where are the key drivers? What are the key data points that, if you make sure that those are understood, will help you be able to have early process indications of success or failure? Ultimately, these principles are more relevant now than ever before.”

Shorter projects - a trend discussed earlier in this report - make sense from the perspective of quickly adapting business processes to reflect a changing reality. The tools themselves also need to be adapted to better reflect the need to rapid and ongoing change in a hyper-competitive market.

Xerox, for instance, has adapted Lean Six Sigma methods to create a problem solving tool kit called Qwiksolver to better reflect the agility demanded by today’s competitive landscape and to get results quickly.

Mark Stewart, LSS Deployment Leader at the company explained that Qwiksolver was a way of getting a simplified set of Lean Six Sigma tools into the hands of more employees.

“We [realized] that after all this time and investment Lean Six Sigma has only really involved 25% of employees – those that have been trained or are on projects – to make LSS truly part of our culture we need to involve all employees and hence we have invented a simple form of Lean Six Sigma called QwikSolver,” he said. “Xerox has had good success in the past with a ‘problem solving process’ directed to all employees and we are bringing this back strongly. QwikSolver is more about Lean than Six Sigma and among its benefits is that it gives rapid results.”

Trend #2:

I.T. Becomes More Strategic and Business-led

In many businesses I.T. is taking a greater role in leading end to end process improvement, enabled by technology.

An increasing number of organizations, for instance, are looking to bring together traditional process improvement approaches

like Lean and Six Sigma together combined with the technical expertise of I.T. departments.

Cable & Wireless, a UK-based telecommunications company is one organization that has brought the disparate approaches together.

“We’ve focused on bringing centralized agencies together to work on behalf of the business. We look at, [what has been] conventionally ‘I.T.’ doing business process from a technical perspective and Lean Six Sigma [doing business process] from a process operations perspective. We’re bringing those change agents together along with our transformational program teams under one unit called ‘Business Enablement and Technology,” explains Mark Zirbser, Head of Process Excellence at Cable & Wireless.

Despite this the majority of Process Excellence divisions are considered part of general business operations (427%) or Quality (22%) with hardly any process excellence divisions sited within the I.T. department (4%).

"It's ironic that the I.T. team - which has one of the widest fields of view relative to efforts, budgets, changes, and focus - is not strategically leveraged in many organizations," wrote Ben Blanquera, the founder of TechLife Columbus, in a recent Deming Files column on PEXNetwork.com. "Instead, IT is thought of as merely a utility; sometimes as a trusted 'supplier'. Seldom as an internal strategic, cooperative partner."

He argues that "I.T. can play a much more strategic role in the creation of value for an enterprise by releasing change into the environment (through software and enabling technologies).

"In our technology-enabled world a currency of innovation is the release of new software," he writes.

But, a balance between I.T. and traditional process improvement teams such as the Lean and Six Sigma approaches clearly needs to be struck.

Some, for instance, say that Business Process Management (BPM) - a holistic management approach - has traditionally been too I.T. focused and not concentrated enough on driving results for the business.

"People make an assumption that [BPM] is an I.T. thing, so you push it out to the I.T. department and they do all the processes. But

in most organisations less than 50% of processes are I.T. based," says Ian Leaver, an independent BPM analyst with Forward Look.

"The I.T. [department] should be there to enable all of the processes that it works in, but it's not the totality of what business is about."

BPM, Leaver says, is about enabling "people to understand what it is that the business is trying to achieve, what its goals are, what its objectives are, and how the core processes that exist within the business create value."

The creation of value for the business and its customer must be the focus of process improvement work; that should involve a combination of both improving and automating processes. It also means that Lean Six Sigma and technology teams should work more closely to solve enterprise problems together.

Trend #3:

Mature Businesses Focus on End to End Improvements

Many businesses realize that optimizing one part of the process may just be pushing the problem elsewhere in the organization.

"I.T. can play a much more strategic role in the creation of value for an enterprise by releasing change into the environment (though software and enabling technologies). In our technology-enabled world a currency of innovation is the release of new software."

- Ben Blanquera, IS Leader & Founder of TechLife Columbus

“Organisations were applying their business excellence approach - whether this was the [EFQM] model or something else - to a specific business unit,” says Matt Fisher, Chief Operating Officer at European quality organization EFQM. “And they would apply it in lots of business units or factories or sales companies, and those sales companies would be performing very well against whatever tool they were using.”

The problem was that you may have “very well defined process boxes, but it’s the arrows that move between the boxes where things fall down.”

One way that some businesses - particularly in service industries – are addressing these issues is through the appointment of “process owners.”

A “process owner” is responsible for understanding an entire process from start to finish, regardless of which functional silos are responsible for carrying out a part of the process. The advantage with this approach is that it ensures that one person has visibility over and understanding of an entire process to avoid changes in one area pushing problems onto another.

Trend #4:

Companies Invest in Training

Cumulatively, investment in training topped the list of key investment areas for businesses in

2012. Nearly 70% of respondents indicated that some form of training in process improvement tools and methodologies was among their top 3 priorities with approximately 35% of respondents rating it their number one priority. Training in the softer side of process excellence such as in leadership, culture and

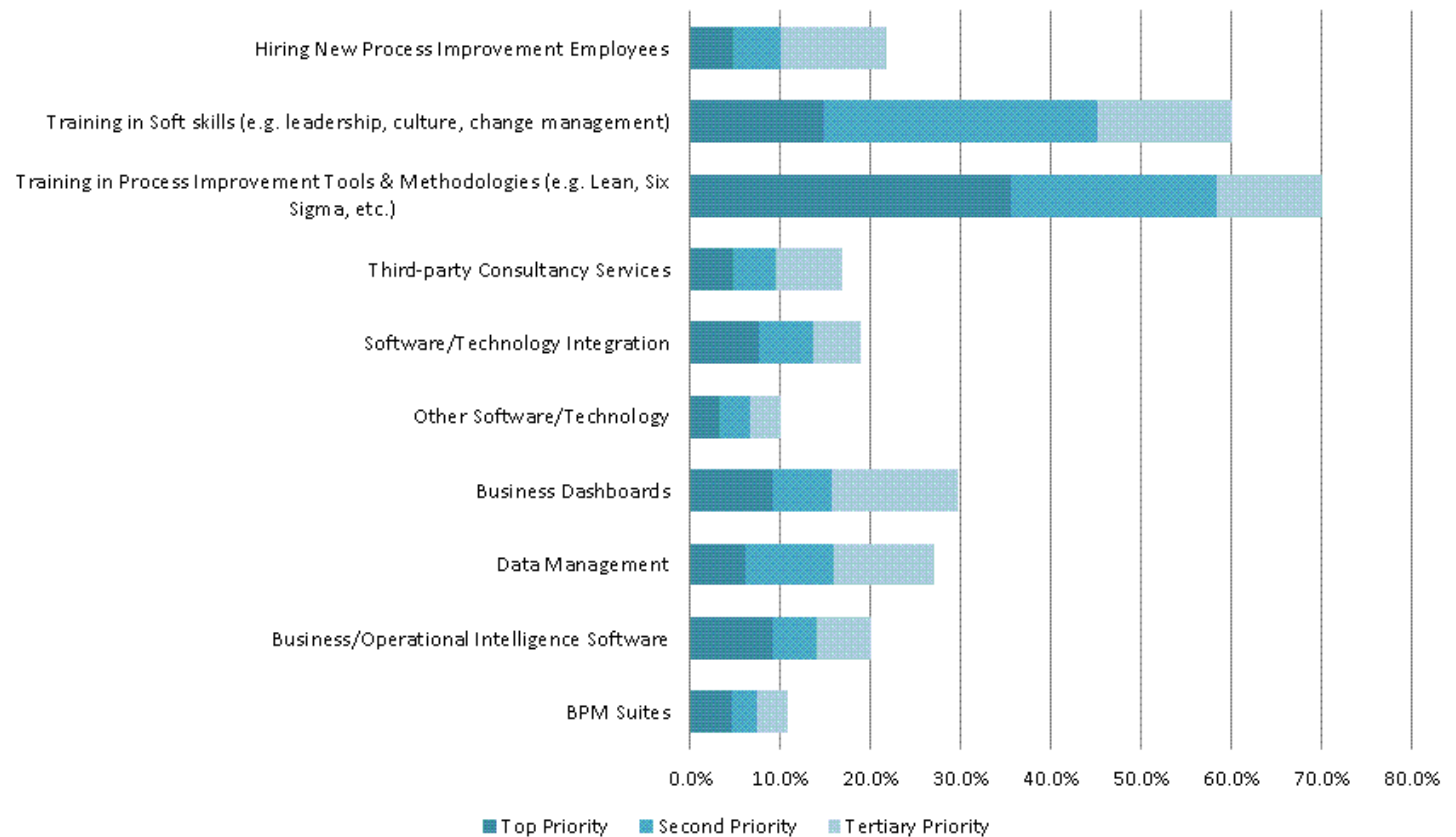


Chart 17: What are your top three investment areas of 2012?

change management was also high on the list with approximately 60% of respondents indicating it would be in the top three of list of priorities.

Investment in Business Dashboards trailed in 3rd placed with approximately 30% of respondents indicating that it was one of their top three investment areas.

Other areas for investment were hiring new Process Improvement resources (employees), data management, Business/Operational Intelligence software and software integration and third party consultancies and other vendors.

“As you mature, process improvement becomes more culturally focused. You have to get into the people side and the skills side for that long term success, understanding what drives, what motivates, and how to sustain the benefits.”

- **Dennis Narlock,**
Continuous Improvement
Leader with Catalent
Pharma Solutions

Summary

While it is difficult to make sweeping statements about the rise and fall of certain process improvement methodologies there are two clear trends that practitioners can take away – the first that general cost pressures and market uncertainty is contributing to an increase in the number of shorter projects (<90 days) and a reevaluation of the tools and techniques used for process improvement (with a bias towards “lite” tools, i.e. those that provide improvement quickly). Secondly, a focus on a positive goal such as improved customer satisfaction is associated with highly successful programs, while those associated with negative goals such as cost cutting is associated with unsuccessful programs.

Businesses are likely to face difficult trading conditions in the coming year. Ensuring that

process improvement activities contribute to the overall success of the business has never been more important.

There is no magic formula for Business Excellence and the particular challenges confronting practitioners will change from business to business, industry to industry.

“A company doesn’t go through this idea of operational excellence or quality or TQM or Six Sigma in any sort of set way,” says Brent Harder, Head of Operational Excellence at banking giant Credit Suisse. “It happens differently for every organization and every business unit. “

Wherever you are in your process excellence journey – whether you’re just starting out and

trying to stabilize your processes, or whether you’re 10+ years into a mature deployment and trying to sustain the momentum, Lean and Six Sigma remain a key part of the process excellence toolset, coupled with the growing availability of new technology to enable greater collaboration between employees, visibility over processes, and opportunities for automation.

Those businesses that are focused on improving the processes that matter most to their customers and doing so in a way that is quick and responsive are set to stand out in 2012, even if operating conditions remain difficult.

There is no magic formula for Business Excellence; the particular challenges confronting practitioners will change from business to business, industry to industry. Those businesses that are focused on improving the processes that matter most to their customers and doing so in a way that is quick and responsive are set to stand out in 2012, even if operating conditions remain difficult.

Interested in Finding Out More?

The ideas presented in this whitepaper will be discussed in further detail at our flagship Process Excellence event, Process Excellence Week, which takes place 16-19 January 2012 in Orlando, Florida. Hear from leading businesses how they're making customer-focused process improvement a reality - to find out more or to sign up for the event, please visit www.pexweek.com or contact our customer services team on customerservice@pexnetwork.com.



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Acknowledgements

Nothing like this could get written without the input of many different people. This report would not have been possible without the ideas and engagement from members of PEX Network's global advisory board, speakers and delegates at our events, and contributors to the Process Excellence website. There are too many to mention them all – but everyone who has taken the time to contribute to the website or to our events has in a way helped expand the body of knowledge about the discipline of process improvement over the course of this year.

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And of course, an especially big thank you is due to the 676 process improvement practitioners who took part in our 2011 survey.

About Process Excellence Network

Process Excellence Network (PEX Network), a division of IQPC, provides access to online resources, holds regular industry forums and conferences on Business Process Management (BPM), Lean, Change Management, Operational Excellence, Six Sigma, Risk Management, Customer Experience and more, we provide the forum where key industry experts and organizations share their experience, knowledge and tools, and your practitioner peers connect with one another all over the world, both face-to-face and online.

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APPENDIX A: Profile of PEX Network October 2011 Survey Respondents

Chart 1: Survey Respondents by Industry & Company Size

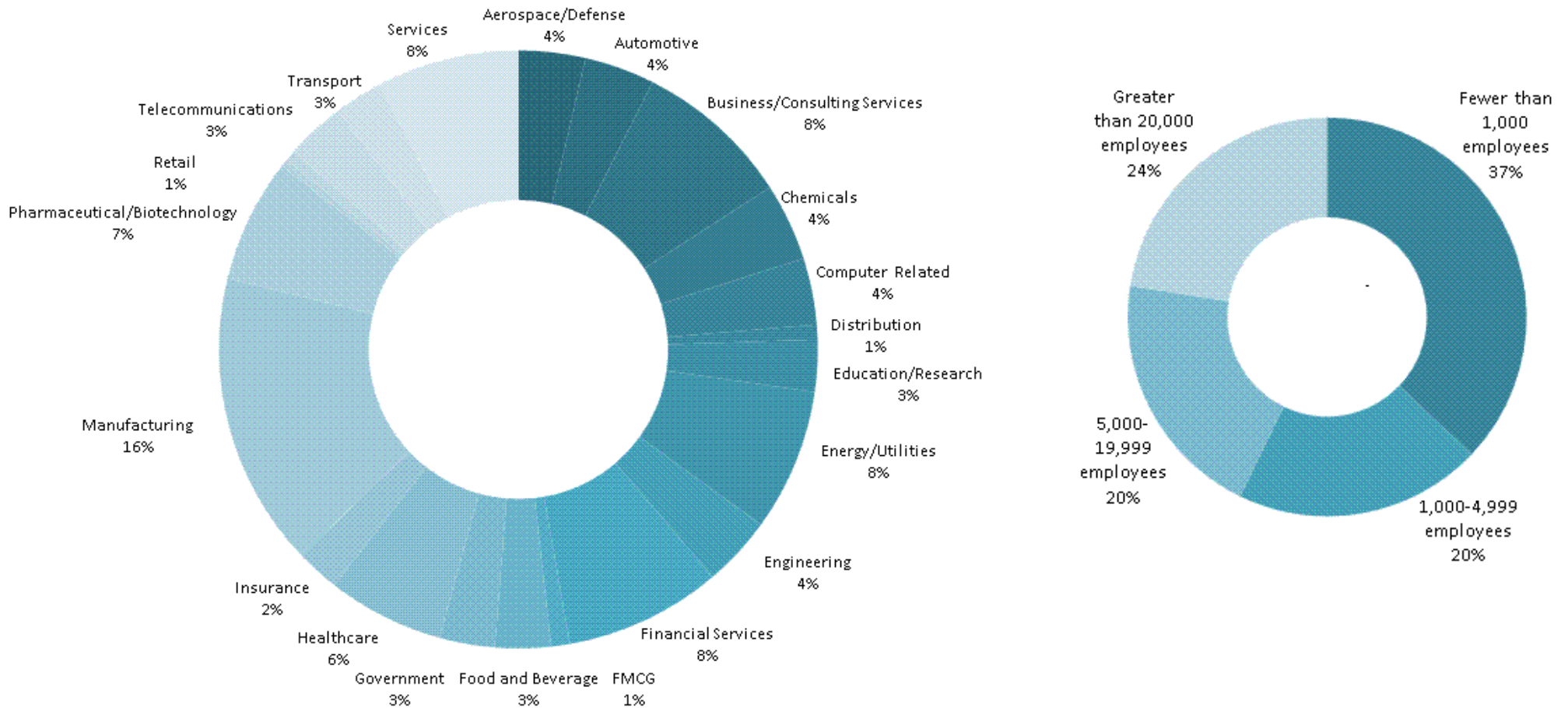
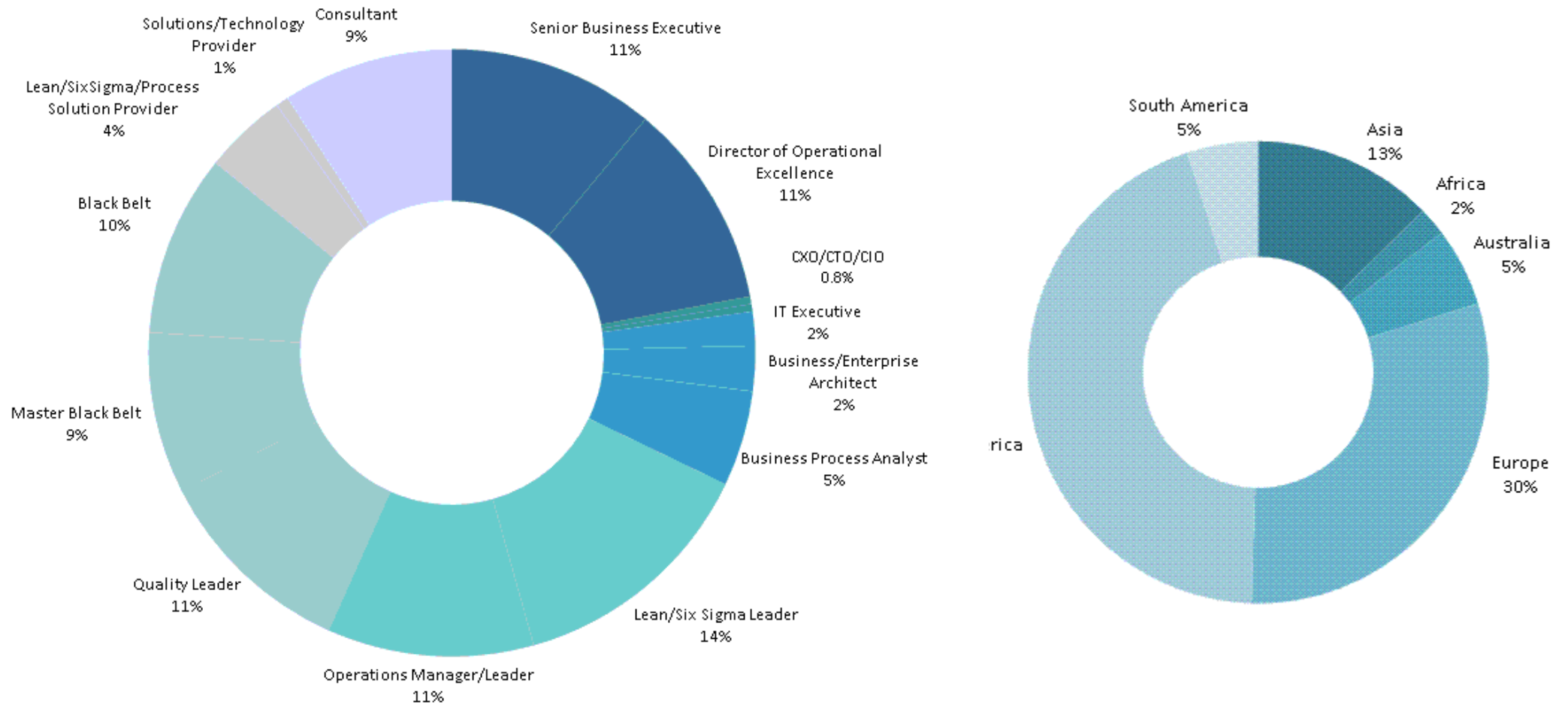


Chart 2: Survey Respondents by Job Title & Geography



APPENDIX B: REFERENCES

This paper is not meant to be an academic piece so citations are not included within the body of the report but for interested readers many of the source interviews are available publicly on www.pexnetwork.com.

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