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# ENABLING DIGITALIZATION THROUGH PROCESS EXCELLENCE

# INTRODUCTION

**The Financial Services sector has been undergoing a series of significant changes in market dynamics. To remain competitive, all players had to adjust to the "new normal" and reshape their business models. However, in the light of an ever evolving regulatory landscape, increased risk & compliance requirements and the threat of new competition from previously unknown players (e.g. technology firms, Fintechs), a constant drive for efficiency gains is vital in order to stay relevant in the marketplace and support growth initiatives necessary to compete successfully. How can this be achieved?**

Taking a closer look at what efficiency is mostly understood as, nearly all efforts are focusing on a lower cost base. One of the main topics currently in the spot light are digital trends and changing customer demands which influence all business areas at Financial Service providers.

On the one hand, with the ongoing rise of mobile devices and the shift of more and more customer interactions—including banking and insurance services—into an online environment, not only the customer experience in front-end applications must change, but also underlying processes such as risk and control, operations or sales processes. On the other hand, customers demand constant innovation which influences both the product offerings and their underlying processes. As most product information is available online, advisory and sales must be possible seamlessly through multiple channels without the necessity of personal interaction. Concepts of robo advice services are already fundamentally changing the sales and advisory processes and at the same time putting pressure on fixed costs (e.g. personnel).

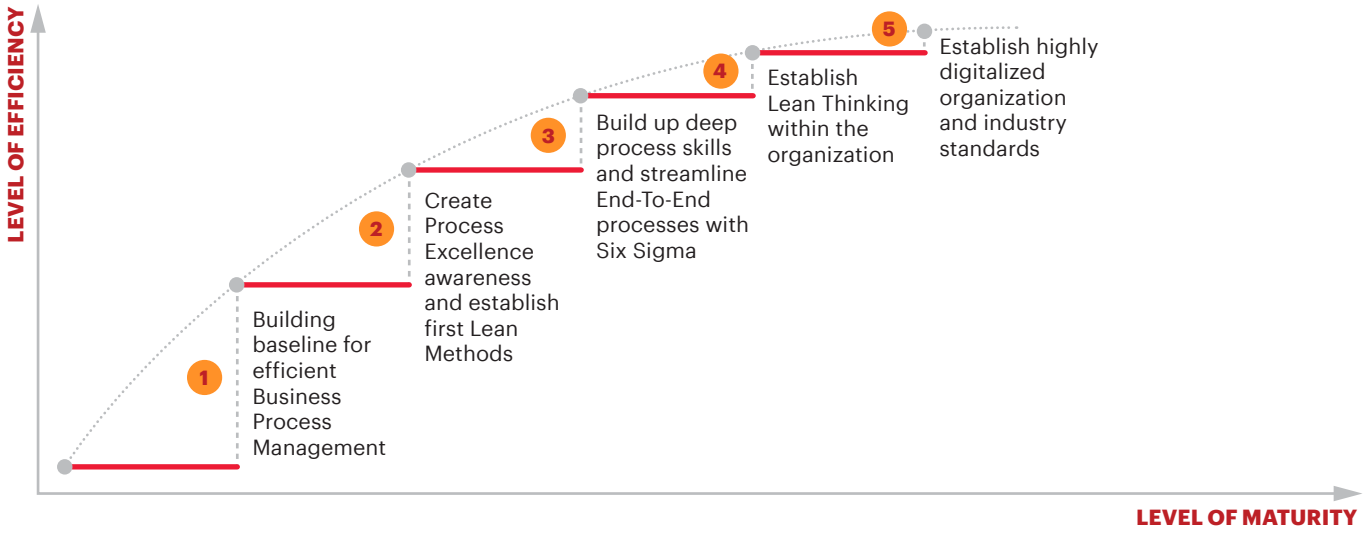
As a primary consequence of digitalization, the customer experience must be enhanced while decreasing the cost per process accordingly. In other words, digitalization can be a catalyst for reducing organizational and process-related costs in the long run. Moreover, cost reductions will mainly be realized through the pooling of services as processes and resources in the digital space require less resources and are not necessarily linked to a certain location. This can be realized even with smaller digital enhancements such as process robots (see Focus). But the full potential of cost savings can only be realized if the digitized processes are designed efficiently. This requires professional business process and lean management to first understand processes which will be streamlined and digitized and second define how the organization must react to the process changes, e.g. through resource reallocation or efficiency and effectiveness management. In the end, an inefficient digitized process ultimately just replaces one form of waste (e.g. human capacity) with another (e.g. unnecessary server use).

Based on our experience and ongoing discussions with clients, we like to give an integrated view of our understanding of the Process Excellence chain, containing active Business Process Management as a baseline for efficiency and effectiveness management; followed by lean and Six Sigma initiatives, leading up to the continuous improvement of processes and teams which is essential for the success of any subsequent and sustainable digitalization efforts.

# PROCESS EXCELLENCE CAPABILITIES

Taking a closer look at Process Excellence capabilities of various organizations, it can be seen that the efforts put into process management and improvement as well as the level of Process Excellence maturity are growing into a differentiating factor. By displaying the different Process Excellence maturity stages in a matrix where the X-axis is the level of maturity and the Y-axis is the level of process efficiency which indicates the cost savings supporting the digitalization activities, the resulting curve can be divided into five dimensions.

**Figure 1. Process Excellence Capabilities**




## 1. BUILDING BASELINE

The first step on the maturity ladder to reach Process Excellence is the scope definition and documentation of all services provided by the respective business unit and positioning of them within the company's overall structure. This documentation of services and processes defines the baseline to steer and measure the own service portfolio and the improvements achieved on the way to Process Excellence. During this first initial phase Business Process Management (BPM) is being used to define the service strategy and improve process outcomes by focusing on holistic end-to-end processes, rather than individual (task) steps. BPM is often preferred during this stage as it leads to short and medium term results without having to transform larger parts of the organization. Even with a limited reach it helps to align available resources with the strategic goals of the business.

## 2. CREATE PEX AWARENESS

Following on from the first is a stage where awareness of Process Excellence is heightened and a first set of Lean Methods is introduced, supported by the advantages that have been achieved through BPM. This leads to follow-on improvements as knowledge about PEX is increased among employees in general and relevant target teams for PEX in particular. Processes are usually enhanced on a functional level including their interfaces to up- and downstream processes. Lean Methods are signified by both focusing on individual processes and on a slim overall organization that reaches its goal efficiently and effectively with given resources while reducing waste as much as possible.

## 3. BUILD UP AND STABILIZE PROCESS EXCELLENCE SKILLS

The third stage of Process Excellence consists of building-up deeper PEX skills within the organization and an end-to-end streamlining of processes with Lean and Six Sigma tools. Here the Process Excellence scope is broadened to cover not only processes within distinct teams or functional areas but focusing on a front-to-back approach across the entire service chain. Once this level is reached, the challenges that should be in focus center around continuing to innovate and sustainably changing the culture to include an awareness of the importance of continuous service improvement. From this stage on the focus is on continuous incremental steps to improve the performance culture of each team and function.

## 4. ESTABLISH SUSTAINABLE LEAN CULTURE

Stage four consists of the establishment of high standards and the preconditions for digitization within the organization as well as a standard that rivals the state of the art currently attained within the industry. As efficiency gains from big-bang improvements usually have been already realized in previous steps Continuous Improvement (CI) is in itself an integral part of a successful and ongoing quality management through cultural change. Challenges become more cultural as organizations have a tendency to persist in a fairly stable state—which fundamentally clashes with constant incremental changes. Therefore, change management and constant inclusion of employees is required in order to create the needed buy-in.

## 5. SET INDUSTRY STANDARDS

Finally, in the fifth stage of Process Excellence digitalization comes into full play. Here processes are highly digitized throughout the company and across functional boundaries. This is the stage where processes reach a level that sets a new industry benchmark and provides a competitive edge over other companies in the sector. This is achieved through cutting edge application of new technological advancements, for example block chain or robotics, as well as artificial intelligence or advanced analytics in order to minimize non-value adding human intervention to a minimum, freeing up resources for more value adding activities.

The classification of the business area or organization to be analyzed by the Accenture PEX Maturity Assessment (APMA) is one step on the way to Process Excellence, not only to get a first overview of the maturity status itself but also to enable the organization assessing itself against the industry standard. Depending on the individual maturity stage, measures will be shown based on the Accenture PEX Tool Box (APTB) which helps to specifically reach the next level.

**Figure 2. Accenture PEX Tool Box**

| Business Process Management | Lean Management | Continuous Improvement |
|---|---|---|
| Baseline for all organizational improvement initiatives must be a consistent and transparent documentation of processes and its governance within the respective business unit and its interfaces.<br><br>Our tools cover the basic instruments such as implementing process modelling principles up to BMP tool evaluation with subsequent process documentation. | Lean Management is a set of tools which enable the organization to analyze and improve the status quo and thereby set a new standard in processing. With a tailor-made approach it is possible to support a company across all maturity stages.<br><br>The selection of tools of our repository is based on the individual goals, business areas and processes. A selection of appropriate measures is done by the client. | Continuous Improvement initiatives are the trigger for constant change based on transparency in our business area. CI is regarded as a key enabler for a continuously learning organization.<br><br>Our tools are especially used with a focus on steady change in the daily operations, reaching from capacity planning to control charts to waterfall diagrams. |
| **SELECTED TOOLS AND MEASURES** | | |
| • **Process flow charts (incl. KPI)**<br>• **SIPOCs**<br>• **Process Cockpit**<br>• **Service Level Agreements** | • **Value Stream Mapping**<br>• **Cause & Effect Diagram**<br>• **FMEA**<br>• **Order Structure Analysis** | • **Control charts**<br>• **Skill matrix**<br>• **Capacity matrix**<br>• **Waterfall diagram** |

# PROJECT APPROACH

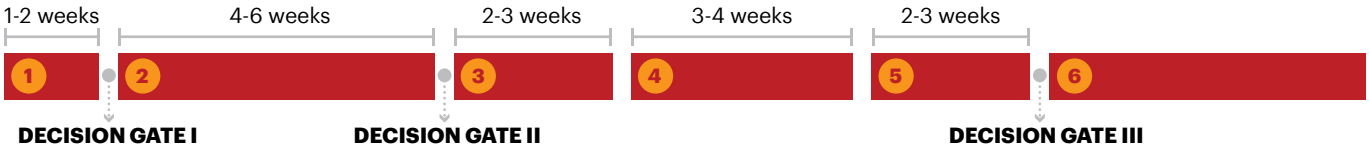
Accenture takes a multi-phased approach for Process Excellence Projects (see Figure 3) which is highly tailored to the specific client needs and the processes and business areas in scope. Typically, project phases are seen as individual components which are finalized by decision gates. The overall duration of PEX projects differs, but usually ranges from 12 to 18 weeks.

The **first phase** consists of the scope definition and an analysis of the individual challenges. Together with the client, an A3 Report is compiled which contains all required key indicators for the further analysis such as the problem statement, cost-benefit evaluation, initial process map and measures for the upcoming phases. These measures are defined based on the specific processes analyzed and are selected out of the Accenture PEX Tool Box (APTB) to ensure an effective and efficient methodology. At the end of the definition phase a decision gate ensures that all problems are addressed and the approach is aligned with all stakeholders.

In a subsequent **third phase**, a technique known as Voice of Customer/Colleague (VoC) is employed in which qualitative interviews with clients and stakeholders are carried out based on the outcome of the activity survey. Responses are recorded and set in relation in order to create e.g. Interface & Interdependency Maps, Service Level Agreements, or Cause and Effect Matrix as tangible outcomes of VoC workshops.

Process Flow Diagnostics as a **fourth phase** serve to validate actual workflows, roles and KPI estimates. Typical tools that have a proven track record of adding value to Process Excellence initiatives at Accenture's clients include Value Stream Mapping, Process Cockpits, and Run Charts. These tools make an exact measuring of process efficiency and automation opportunities possible based on the chosen KPIs and also allow for a quantification of automation opportunities by contrasting costs of the automated processes with the process as carried out by FTE.

**Figure 3. Process Excellence Projects**




During the **second phase**, the initial process map will be refined. An activity survey, process inventories and governance, capacity matrices and the definition of key performance indicators help to understand the challenges and potential of each process and draws the baseline for the following problem solution. Furthermore, a quantitative analysis of each process step regarding time, material and personnel sets a sound basis for the analysis and offers comparable insights for relevant decision makers. With this broad information a high degree of transparency and comparability is created which highlights redundant or suboptimal processes and leads to the subsequent identification of improvement potential for a later digitalization. At the same time this data can be used for a prioritization discussion. In some cases an opting for tactical solutions such as robotics (see Focus) should be considered.

The **fifth phase** is reached after 7-11 weeks and consists of creating a Pain Points Map based on input from workshops identifying issues across geographies. Outcomes from workshops and structured interviews can serve to prioritize these pain points and to identify actions to be taken to further streamline the processes in question.

As this is the final phase before moving into the implementation phase, a PEX Opportunity Workbook is created, quantifying benefits for each improvement initiative and prioritization. This deliverable is the basis for the implementation work to be carried out and summarizes previous analysis work in a structured format.

# CONCLUSION

**Process Excellence methodologies and tools are an integral element of every digitalization initiative no matter whether it affects an entire end-to-end process chain or a single process flow such as with robotics.**

**It is indispensable to know and understand ones own services and its underlying process flows in order to lower the cost base and provide better products to clients that are sustainably competitive in a changing market environment—and to define a digitalization strategy for the upcoming years accordingly.**

Digitalization can only unfold its holistic and sustainable potential when preliminary analysis and clean ups of the existing services to be changed have been made. This is even more relevant with upcoming technologies such as robotics or artificial intelligence as usually the current business and IT infrastructure is unable to fully support these innovations.

Accenture's ongoing discussions show a slight mind shift on C-level based on experiences from recent initiatives that a short-term thinking of technology implementations without Process Excellence is revealing expensive changes in the long-run. As a consequence, more and more projects establish process engineering teams with a clear focus on Process Excellence to successfully support the implementation phase.

# FOCUS: PEX & ROBOTICS

**Process Excellence (PEX) can help robotics become more sustainable. In itself robotics is a great tool, but only short-term. Beside the great number of advantages of software robots, there are also a few things where software robots reach their limits. Robotics for example will not replace currently used software, nor does it resolve inefficiencies. It is also not a workflow tool.**

Robots are implemented with a software and imitate existing human steps based on logical rules. The robot does not ask if a process step makes sense or not, nor will it check the data which is processed. It executes step after step based on how it has been configured.

PEX, however, has the capability and tools to extend the focus of an automation solution from short to mid or even long term. PEX is about improving the general way that businesses create and deliver value to customers. It's a much bigger and more complex view on a service and its processes. For example, PEX asks questions like: does it really make sense the way something is made? Because if it does not, Process Excellence has the power to re-engineer the process to make it better as a whole before e.g. a part will be automated via robots. The ultimate goal of PEX is to change the way people behave and work within a company. That is why Process Excellence is about much more than just process improvement techniques. It is about learning to solve problems and manage change, performance, and workplace culture to align with overall business strategies to support a successful mid and long term development.

In other words, PEX supports robots so that automated processes make sense in terms of durability, cost efficiency and also sustainability as well as scalability.

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