Consulting approaches to process improvement
Andersen Consulting

Kai A. Simon

Viktoria Institute

Author's Note: This is a part of an early draft of my doctoral dissertation that was shortened considerably for the final version. Nevertheless, it might be a useful collection of insight for organizations that face a need for redesigning their business processes and wish to learn more about the basic concept and how some major consulting firms approach it methodologically. The series consists of 7 parts – Introduction, descriptions of the methodologies of Andersen Consulting, Bain, BCG and McKinsey, a high level comparison, and some guidelines or selecting consultants.

Andersen Consulting

Disregarding companies that offer both consulting and accounting services, Andersen Consulting is the world's largest consulting firm. The company offers a collection of integrated services, comprising strategy consulting, change and process management, and technology development. This integrated concept, named "Business Integration", has made AC to one of the major players on the reengineering market. The integration of IT services is also the main reason for many companies to choose Andersen Consulting for supporting their process improvement initiatives.
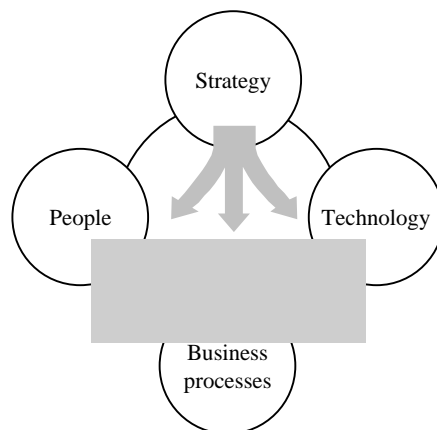

Figure: Andersen Consulting Business Integration

Reengineering principles

Andersen Consulting uses six basic principles for their engagements with clients.

- **Flexibility.** Given the complexity of problem situations that clients have to face, it is necessary to offer a wide range of integrated services. Together with the client, the necessary selections can be made in order to ensure that the right services are delivered.

- **Joint teaming.** Change can be facilitated, but not delivered, by consultants. Effective projects require joint teams and working closely with clients creates full-service partnerships and ensures long-term results and client relations.

- **Work toward strategic objectives.** Any improvement project must depart from the strategic objectives of the client company. The service offering from Andersen consulting should include all client needs, from strategy formulation, change management, IT solutions, and full-scale system implementation.

- **Knowledge management and transfer.** Knowledge must be transferred into the client organization and must be maintained and developed. Project success is depending from fast delivery and a knowledge leverage process.

- **Willingness to assume an implementation and/or an advisory role.** Andersen Consulting can take on multiple roles in a project, including pure advisory, but also development and implementation of solutions. In addition, Andersen Consulting also offers outsourcing services on the IT-side.

- **Delivering value.** Results of change must be linked to client success, defined by measurable outcomes, such as increased profitability, shareholder value, ROI, and cost savings.

The role of IT

Andersen Consulting has a strong focus on IT issues, considering its own capabilities there as a competitive advantage for clients, as well as AC itself. Systems development, implementation and sourcing services are an integrated part of the Business Integration concept. In its process improvement projects, information technology is considered as an enabler and also driver of change and is considered as one out of four main target areas within the Business Integration approach. Technology is considered as being vital in the following areas:

- **Communication across organizational boundaries.** Taking a process view includes a re-consideration of the communication and interaction structures within the organization and between the organization and its external partners, such as customers and suppliers.

Information Technology can significantly contribute to make these communications more efficient.

- **Information sharing.** Work consists of the execution of tasks and activities according to a plan and workflow, but includes also the instant and ad-hoc sharing of information. Information technology can enable and support both forms of work and interaction.

- **Support new ways of doing business.** IT can provide significant improvements in operational performance, but technology can also facilitate new ways of doing business, e.g. by short-circuiting supply chains and industry value systems, and it can allow companies to re-consider their business scope.

- **Elimination of clerical effort.** On an operational level, technological solutions can reduce manual work by creating electronic workflows and automating clerical routine tasks.

- **Support for knowledge workers.** When work becomes increasingly knowledge oriented and knowledge provisioning and management becomes more important than the physical flow of goods, information technology plays an important role for supporting knowledge workers by delivering information timely and accurately, but also by facilitating communities and networking.

The reengineering approach

Andersen Consulting's reengineering methodology, termed "Value-driven reengineering", consists of five sequential stages and support process for team management, change management and the development and introduction of a client specific adaptation of the overall Business Integration framework.
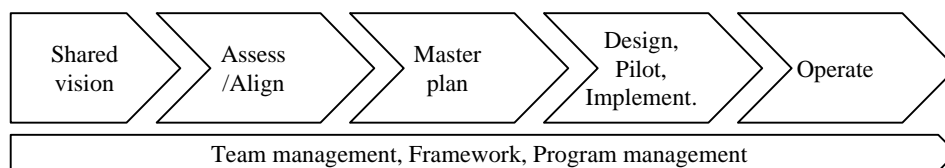

Figure: Andersen Consulting reengineering approach

Shared vision

The initial set-up phase is concerned with identifying and defining the scope of the initiative, based on a value assessment and the positioning of the company. This part is normally conducted by executive management, together with major stakeholders.

- **Define stakeholder value.** Any improvement effort must provide value for the organization's stakeholders in some way. In most cases, shareholder value if highly

prioritized, but it is often achieved indirectly, by increasing value for other stakeholders, such as customers.

- **Define core competencies.** The identification of core competencies is an important measure to assess the current and possible future positioning of the company. The identification process includes competencies within the own organization, but also those of competitors that have an impact on the competitive position.

- **Develop shared vision.** The future vision must be shared broadly among the company's stakeholders in order to create initial momentum and prepare for the necessary commitment in the organization.

- **Determine strategies and priorities.** Based on the future vision, strategies are developed in the areas business, organization/processes, technology and people. Within the areas, the most important improvement areas are targeted.

- **Develop operational vision.** Based on the overall vision and strategic priorities, an operational vision is developed, describing *how* the new organization is supposed to work.

Assess and align

- **Create next level process models.** The results of the initial phase are used as input for developing new process models, supporting organizational structures and sketches for IT solutions. The future process models are conceptually describing the future state of operations and structures, but defined by using a process approach and terminology.

- **Benchmark current operations against vision.** The new process models are now benchmarked against current operations with regard to performance in terms of time, cost, quality and service level. For this purpose, the models are run through a first business simulation, allowing an evaluation of their potential and limitations.

- **Analyze gaps.** Gaps are defined in terms of performance differences between current and future operations, as identified in the previous benchmarking process. The identified shortcomings, which are symptoms, are then analyzed in order to detect underlying causes.

- **Assess barriers to change.** Factors that can hamper organizational and technical change and development can be found in multiple areas. Strategic mis-positionings, lack of competencies, threatened power bases, etc. Most of the barriers are related to people aspects.

- **Identify quick hit initiatives.** In order to show results fast, a number of limited and targeted initiatives is defined that can be executed in a short-term perspective and with limited resources, but still can provide significant improvements within their scope.

- **Define major program initiatives.** The remaining areas are grouped into a number of major initiatives. Each of these initiative has a specific scope, based on the major business processes that have been identified.

- **Project benefits and costs.** In order to justify a project, it becomes necessary to run a sound and realistic cost/benefit analysis. The factors to be included are direct costs and benefits and alternative costs, i.e. the cost for not choosing a specific solution.

Master plan

- **Profile current operations.** Within the profiling phase, the current operations are considered with regard to their necessity and their value contribution. Non value-adding activities and multiple instances of the same activity can be removed, similar areas can be grouped and functionally streamlined.

- **Create top-down solutions.** Depending on the overall objectives that have been defined for the future operations, processes are designed in a top-down way, from a macro-level to a detailed map of activities.

- **Build bottom-up solutions.** A reverse design process, building on the integration of individual activities bottom-up is conducted in parallel to the top-down design phase.

- **Synthesize solutions.** The top-down and bottom-up design phases have resulted in two sets of process descriptions with different perspectives that must be taken into account. The synthesis brings together both approaches into one consistent image of the future process design.

- **Create master plan.** The master plan contains a detailed outline of the change program initiatives for each area. It synthesizes, synchronizes and coordinates the individual plans within each program area.

Design, pilot and implement

At this time, the overall initiative is split up into sub-areas, each of them targeting a specific area of improvement. Regularly, the division is made upon major business processes. A change management team, being responsible for design, pilot implementation and roll-out, is assigned to each program area.

- **Design.** The change team designs a local plan for organizational and, if necessary, technical development in compliance with the master plan. These plans include time-schedules for migration, training and education programs and a definition of working procedures .

- **Pilot implementation.** Within the different areas, the new processes are introduced as pilots and evaluated in a real-world environment. Where necessary, adjustments are made at process level if the overall process structure integrity is not compromised. Otherwise, the required adjustments are referred back to the overall integration team. The same procedure is, if applicable, performed for IT-systems.

- **Roll-out.** The finally approved process is introduced in full scale and the migration from current to future work procedures is initiated. At the same time, the finalized version of the technological support systems is implemented and put into production.

Operate

- **Balance sheet.** An opening balance sheet is set up for the new operational processes as a starting point for ongoing evaluation. At this stage, the new processes are brought into continuous improvement phase.

- **Scorecard.** Scorecard based models for measuring internal and external performance have proven to be powerful instruments for operating and improving processes. Scorecards are introduced at different levels, for individual processes and activities for managing individual processes, and aggregated in order to provide an overall image.