

INTRODUCTION TO OUTSIDE-IN PERFORMANCE TRANSFORMATION AND ADVANCED BPM

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This paper gives the reader an introduction to “Outside-In” Advanced Performance transformation, and introduces how the underlying thinking and techniques can drive significantly greater business performance improvement over traditional previous generation tools such as Lean and Six Sigma.

Outside-In Performance Improvement Potential

Performance improvement delivered is referred to as the “Triple Crown” where cost, revenue and service level based performance metrics are improved – SIMULTANEOUSLY. The BP Group will undertake to improve performance metrics by 20% for any client within 90 days as long as the company has not already been through Outside-In operational re-alignment. This focus can be enterprise wide, departmental or simply an end-to-end process.

True performance improvement potential is often considerably larger than this, but will of course vary immensely from company to company. However, if OI thinking is adopted organisation wide then:

- Organisations will rise to be acknowledged leaders in their market with significant improvements to shareholder value.
- Companies delivering indifferent (flat, reducing or below target) performance figures can post significantly improved figures. Non-profitable companies can often be returned to profit within a year.
- New revenue (possibly new venture) opportunities not previously identified can be directly addressed.
- Customer satisfaction can reach “gold standard” levels. It takes approximately 8 good references/testimonials/case studies to negate the impact of a single bad one.

Examples of Companies who have adopted Outside-In thinking

Companies such as Apple, Virgin (75% of company base), SouthWest Airlines, Best Buy, Hallmark Cards are examples of companies who have adopted OI thinking and risen to the top of their respective markets. All these companies are customers of the BP Group.

Other examples where the management of the BP Group has delivered either notable business turnaround or improvements in business performance using OI principles include:

- Turnaround of AOL Europe business fortunes from 600 million USD loss to profitability in 2 years
- Doubled the value of the Dendrite Corporation (Pharmaceuticals) to 750 million USD in 1 year
- Turned around AXA UK (Insurance Group) from losses of 160 million USD to profitability.

Why are there still massive opportunities to improve business performance in companies that have been through many previous rounds of optimisation?

Although now starting to change, most companies have not yet appreciated that the business world is going through the greatest reorganisation since the industrial revolution. The information age

which started in the second half of the 20th Century is quickly morphing into the customer age with massive implications – opportunities for those who address but significant issue for those who fail to react quickly enough. There are many case studies which illustrate where this is happening.

Change in Customer Behaviour

The customer base whether it be the corporate or the individual consumer now has access to choice at unprecedented levels. We can obtain information or advice on almost anything at the press of a button and whereas we used to be restricted to either what or where we buy, the world has become a global supermarket for pretty well every product or service available. Economic globalisation has compounded the problem as trade barriers between nations and regions are effectively dismantled. In some industries supply effectively exceeds demand with the only apparent differentiator being price. The view that customer focus should be packing in as much of what a customer wants into a product/service without killing the cost base is fortunately a complete fallacy. **The companies who align their capability most closely to what the customer actually needs (not “wants” – discussed later) are likely to sell more than their competitors.** Customers are becoming more informed about alternative options. They are more likely to change allegiance. They are more likely to rebel if they don't get what they perceive they want/need. This applies to all industries whether we are selling insurance products or building submarines.

The pace of change and accelerated technology advances means new products/services or variants are being produced increasingly quicker as most companies try to compete in this new but constantly evolving landscape. We observe this every day and its placing a huge pressure on our organisations. A Personal Computer which might have cost 1500 GBP 5 years ago is now available with 4 times the memory and 5 times the disk capacity at now half the price. A new model's shelf life which at that time was 14 months is now down to 6 months sometimes less. This increased capability/reduced price and reduced time to market is now a factor in virtually every one of our industries. We have to compete, because if we don't then the customer base will quickly find those organisations that can and they will stop buying. Most companies address this by using Lean and other techniques to produce better/cheaper/faster without realising there are huge opportunities sitting “under their nose” if only they could look at their business through a different “set of glasses”.

Our Company Structures

Most companies have a functional structure with “division of labour” fundamental that has changed little since the industrial revolution. Functional silos grow and change over time to address the demands placed on them within the company. The original consequence of ‘labour division’ was a 240 times productivity improvement. The fundamentals of company structure still exist largely unchanged today and have now become the biggest reason why companies are underperforming or failing.

98% of the workforce of most organisations have either no contact with the customer or have only a limited understanding of the customer, their drivers and what he/she really needs. Under the existing division of labour principles, why should they? They have to do a job within the company and either answer to or deliver something to somebody else within the company – the concept of “the internal customer”. Over time the demands on the functional silos change – this may be to improve quality, reduce defects or improve a service to what the internal customer states is required. Because 98% of the workforce are divorced from the customer base then the only measures of success that can be used is the requirements for improvement as defined internally. Overlay the more, cheaper, faster, better quality demands and the focus is firmly fixed on “inside-out” thinking looking at process change in the traditional domain. Companies traditionally have

tried to combat this by using “voice of the customer” and other techniques which leave only very limited insight – the problem for the 98% of us focussing on the internal customer we simply are just not aware what is missing!!

Is this a problem? Well, simply – YES. Because of the focus on what we are doing and trying to deliver or please the people we are answerable to – the internal customer then we are doing lots of things that do not contribute to what the customer – ie the person who pays for the goods and services - really needs. That’s inefficiency that none of the existing performance improvement methodologies have been able to identify or drive out. The vast majority of companies are carrying out a huge amount of work that is simply not contributing to what the customer needs adding complexity, cost and ultimately service.

Customer Needs versus Customer Wants

There are many reasons for this phenomenon but many customers do NOT sufficiently understand the difference between “wants” and “needs”, and moreover do not have a clear understanding of their own needs framework, sometimes because they are victims of exactly the same alignment gap described in the previous section and only partially understand their own customers. Companies that are unable to differentiate between “wants and needs” or unable to sufficiently help their customer differentiate:

- Deliver goods and services that actually reduce the overall customer experience. Delivering wants that have little overall value results in products/services that are over complex and too expensive. For example does building a transit van that can be sold in a form with 1000 different variants actually impact the customer need or end up serving to increase production complexity and therefore cost? Corporates making significant system purchases that end up with projects that significantly underperform or at least partially fail. Even in 2010 underperforming project figures stand at more than 80% (APM, Prince and PMI figures). Much has been written as to the reasons but the alignment of product capability to actual customer needs is a significant omission in all the well established delivery methodologies and at least contributes to the stakeholder issues mentioned in the top 3 of virtually every survey.
- Miss opportunities to differentiate from their competitors. Techniques that open up our understanding of the customer and place ourselves in “his shoes” can help address this.
- Miss significant revenue opportunities. If the reader is under any doubt look at those companies who are able to innovate again and again – SouthWest and Apple are great examples of companies who regularly do this and uncover new revenue opportunities. They simply have a better understanding of customer need than their competitors.

To illustrate – a quote from Henry Ford “If I had asked my customers what they wanted, they would have said faster horses”. Whilst this is a simplistic adage – it nevertheless highlights the issues in the customer want/need definition process.

What is Outside-In Performance Change?

Outside-In is a method of managing an organisation by delivering Successful Customer Outcomes. An Outside-In company is seeking to align every aspect of their company to the achievement of a Successful Customer Outcome.

The Successful Customer Outcome Framework contains the SCO’s that a company chooses to deliver to its customers. There may be other SCOs identified that the company may choose not to deliver for many reasons.

The SCO Framework will translate to a mix of needs and wants for the “desired” customer base:

- The NEEDS matrix is fundamental to the customer experience and will deliver most value to the customer.
- The WANTS matrix is NOT fundamental to the customer experience. There may be value derived from delivering “wants” but BEWARE – excessive delivery of “want” can have negative impact on the customer

The customers don’t always have a clear understanding of their actual needs and may require help in uncovering their specific needs. The process of achieving the SCOs:

- Uncovers revenue opportunity that was previously undefined
- Maximises the revenue potential of the organisation

The process of aligning every aspect of the company’s operations to the achievement of the SCO drives out none contributory work and optimises the cost base.

It is precisely the achievement of these sort of fundamentals that delivers the sort of turnaround figures stated earlier in this paper.

Introduction to the CEMM Method

There are a number of OI change methods emerging but most are still in their infancy. The CEMMmethod in its original incarnation came out of Virgin Mobile a few years ago and the BP Group have developed it further into what it is today.

In its basic form the practitioner assesses and aligns using the following approach:

- Understand & Development of Successful Customer Outcomes
- Create Process Activity Framework
- Process Diagnostics Evaluation
 - Moments of Truth
 - Breakpoints
 - Business Rules
- Perform Risk Assessment
- Develop Action Plan
- Manage Programme/Project Delivery

The SCO understanding and development process can also be used as a strategy or innovation tool and will uncover business opportunities that both company and customer had never previously thought about.

The process diagnostics evaluation is the first step of process alignment. Process views are different from those used in previous generation methodologies in that they look at process starting with customer interaction points – termed Moments of Truth.

The process of understanding and delivering to the SCO framework underpinned by an alignment of every aspect of the company to its achievement defines a future state that the organisation can move to in under a year if it so desires.

BP Group Capability

The mission of the BP Group is to engage in activities that promote the practice of business process transformation and change for business benefit.

a) BP Group Advisory Services

We work with our clients to identify business improvement opportunity that improves our customer key performance indicators – usually in rapid timescales. The BP Group will undertake to improve performance metrics by 20% for any client within 90 days as long as the company has not already been through Outside-In operational re-alignment. This focus can be enterprise wide, departmental or simply an end-to-end process.

b) BP Group Training and Skills Transfer Workshops

The BP Group offers programmes (in-house or public courses) designed for those seeking professional skills in process management, process improvement, process alignment and innovation. The Advanced BPM Methods and Techniques deliver the ability to:

- Uncover Process Improvement opportunities in just hours
- Identify actions that will reduce inefficiency by 30% to 60% (20% is just our minimum undertaking) within 90 days of deployment
- Innovate to compete, set the market trend and even dominate your industry
- Release significant costs, improve revenues and enhance service immediately

You can reach the BP Group in London, Bangalore, Sydney and Houston.



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