



Business Process Optimization in a Captive Finance Company
- Effective Implementation at Mercedes Benz Financial Services Singapore

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Foreword

In today's world Business Process Management and Business Process Optimization are core to most operations. Unfortunately process improvement is often equated with cost efficiency. How can I perform a given process at the lowest cost possible? The customer is quite often neglected in that equation.

Given our experience out of numerous projects, the first questions to ask should always be:

- How is that process affecting our customers?
- What is the value proposition of our product or service?

The processes then need to be designed or improved in a way that they add the most value to the customers while still being able to be performed efficiently.

The future will belong to the companies that are creating value for their customers in a cost efficient way.

Uwe H. Haller

General Manager

Regional PMO & Processes

Daimler Financial Services Africa & Asia Pacific

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Table of abbreviations

AAP	Africa and Asia Pacific
ABC	Activity-Based Costing
ADKAR	Awareness, Desire, Knowledge, Ability, Reinforcement
ARIS	Architecture of Integrated Information Systems
ASEAN	Association of South-East Asian Nations
BPM	Business Process Management
BPO	Business Process Optimization
BPP	Business Processes & Projects
BPR	Business Process Reengineering
CEO	Chief Executive Officer
CIR	Cost Income Ratio
CMS	Contract Management System
CRM	Customer Relationship Management
CS	Customer Service
CSI	Customer Satisfaction Index
CV	Commercial Vehicle
CoC	Center of Competence
DFS	Daimler Financial Services
DSI	Dealer Satisfaction Index
FTE	Full Time Equivalent
GP	Global Projects
GPS	Global Products, Processes and Systems
GPTW	Great Place To Work
HC	Head Count
HR	Human Resources
ISO	International Organization for Standardization
IT	Information Technology
JCCL	Jardine Cycle & Carriage
KPI	Key Business Indicator

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MBFS	Mercedes Benz Financial Services
OpEx	Operating Expenses
OR	Operating Ratio
PC	Passenger Car
PO	Process Owner
P&P	Processes & Projects Department
QFD	Quality Function Development
RoE	Return on Equity
SEA	South East Asia
SGD	Singapore Dollar
SUV	Sports Utility Vehicle
SWOT	Strengths, Weaknesses, Opportunities, Threats
TAT	Turn Around Time
TQM	Total Quality Management

1 Introduction

Significant changes in the economic and business environment force organizations to continuously assess their competitive position in the market place and to search for innovations and competitive advantages. Adapting to these changes is critical nowadays since most companies are facing a huge competitive pressure triggered by globalization, shorter product life-cycles, declining profits, high costs and fast technological developments.

Consequently, nearly every company is constrained to keep their workflows as efficient as possible. Active statements like “Structure follows process” or “An organization is only as profitable as its processes” are well known by the recent economic science and management. Some writers have even gone so far as to say that in the near future, processes will be the main characteristic of an organizational structure. However, many companies are coming up with projects that identify great numbers of potential improvements within high project costs, but in the long run only achieve a few effective results, or the improvements may compromise the quality of products and services.

This diploma thesis delivers the theoretical basics of Business Process Optimization (BPO) as element of Business Process Management (BPM) in general and a potential approach for effective and sustainable implementation of a process improvement project. Furthermore, it concentrates on critical success factors and how to deal with potential causes of failure. The significance of key themes like leadership, Organizational Learning and people change management as well as their relation to change initiatives will be discussed in this context.

To highlight the practical approach to BPO, a case study in the automotive captive finance business at *Mercedes Benz Financial Services (MBFS) Singapore* is provided. Although the scope does not contain a complete before/after analysis and description of each process improvement, the lessons learned from preceding programs as well as a detailed optimization example are an integral part of this thesis. The relationship between the theoretical basics and practical experience will be illustrated by means of an up-to-date initiative in a global organization.

2 Theoretical basics of Business Process Optimization

2.1 Terminology

Nowadays, managers are encouraged to broach the issues of process innovation, process control, process management, process reengineering and process improvement or process optimization. Some organizations spend significant concentration on managing processes as attentively as managing their core products. The theory delivers various approaches as well as terms and definitions for all procedures around the processes in an organization. The following section will give an overview about the main vocabulary that is essential for the process area.

“A **process** is simply a structured set of activities designed to produce a specified output for a particular customer or market. It has a beginning, an end, and clearly identified inputs and outputs. A process is therefore a structure for action, for how work is done. Processes also have performance dimensions, such as cost, time, output quality and customer satisfaction that can be measured and improved” (*Davenport* 1994, p. 134).

This definition can be applied to each type of process and is not dependent to its size or time. Processes can be automated, done manually or even carried out by both together. For example, a process could include the whole set of activities to fill a customer order or contain just entering order data into a system. In addition, *Earl* (1994) summarizes the meaning of a process in the following way:

“A process is a lateral or horizontal organizational form, that encapsulates the interdependence of tasks, roles, people, departments and functions required to provide a customer with a product or a service” (*Earl* 1994, p. 13).

According to *Porters* model of a value chain in 1980 all corporate activities can be classified into core and supporting processes. The **core processes** of a company are directly related to the product and the creation of value. However, they are considerably dependant on **supporting processes** like human resource (HR)

management, accounting, data processing, etc. Depending on the context of a company, the same activity can be a core or even a supporting procedure. Also the term “supporting process” doesn’t imply of little importance, rather the core process and consequently the generation of value is impossible without these processes (*Becker et al.* 2003, p. 4).

Rummler/Brache (1995) appends **management processes** as a third category of processes. These include all actions of the managers to support the core process such as strategic and tactical planning, goal setting, resource allocation human performance management as well as operations review and performance monitoring (*Rummler/ Brache* 1995, p. 45).

Today, organizations increase the establishment of departments like “Business Processes” or “Business Process Management”. Business processes can be related to the core process of *Porters* model of a value chain. They moreover illustrate the specific flow of material, information, operation and decisions with concentration of structured cross-functional activities including start and end points as well as clearly defined inputs and outputs. *Becker et al.* (2003) has defined a business process as follows:

“A **business process** is a special process that is directed by the business objectives of a company and by the business environment. Essential features of a business process are interface to the business partners of the company (e.g. customers, suppliers). Examples of business processes are the order processing in a factory, the routing business of a retailer or the credit assignment of a bank” (*Becker et al.* 2003, p. 4).

The main idea of a process-oriented corporate design and permanent and sustainable process improvement is not new at all. There has been increased attention and approaches through the catchwords “Business Process Management” and “Business Process Reengineering” since the end of the 80’s. Nowadays, there are a number of concepts and ideas, but they often only give a deficient guidance, how to convert the concepts into corporate practice. Furthermore, the business processes of each company build the central position of the process-oriented corporate design. It deals with the execution and coordination of the assigned tasks

as well as their timely and relevant aspects (who does what, how and with what). Basically, components of processes are those that form the fundamental part of sequence and have to be executed in order to render a significant service (*Becker et al.* 2003, pp. 3). *Hammer/ Champy* (1993) have defined “**Business Process Reengineering (BPR)** as:

“...the fundamental rethinking and radical redesign of business process to achieve dramatic improvement in critical contemporary measures of performance such as cost, quality, service and speed” (*Hammer/Champy* 1993, p. 32).

The key application of BPR is to identify customer requirements as well as to align horizontal processes to finally meet these evaluated needs across departments and functions. It's furthermore possible to remove all wasted effort in the workplace and allow clear roles and responsibilities. The overall target is an optimized process that promotes an environment of permanent improvement through a dedicated and authorized workforce (*Mckay/Radnor* 1998, p. 926).

“Business Process Reengineering is increasingly recognized as a form of organizational change characterized by strategic transformation of inter-related organizational subsystems producing varied level of impact” (*Kettinger et al.* 1997, p. 56).

According to *Carr/Johansson* (1995) the origins of BPR can be found in the **Total Quality Management (TQM)** approach. It's also process focused and takes a holistic view of all workplace activities to create a “Total Quality Organization”. The target is to proceed nearly faultless and operate with underlying values such as customer driven quality, involved and active leadership, continuous improvement and learning, employee development, fast response, design quality, etc. (*Carr/Johansson* 1995, p. 5). *Harmon* (2003) characterizes Total Quality Management as follows:

“Total Quality Management is a movement, and industrial discipline, and a set of techniques for improving the quality of process” (*Harmon* 2003, p. 481).

In the past, exponents of science and management created various approaches for quality management. Several concepts like ISO 9001:2000, Kaizen, Six Sigma, etc. were established and the concepts have been widely used (*Jeston/Nelis* 2006, p. 11). These are not an integral part of this thesis, as the topic concentrate on Business Process Optimization as a component of the overall Business Process Management.

Definitions of **Business Process Management (BPM)** range from specific IT-focused approaches to BPM as a holistic management discipline. Furthermore, BPM comes out of TQM and BPR and closes the business and technological gap to create a synergy between both methods. *Llewellyn/Armistead* (2000) describes Business Process Management as:

“...a discipline of modeling, automating, managing and optimizing business processes to increase profitability” (*Llewellyn/Armistead* 2000, p. 225).

BPM does not just allow a business process to be carried out more efficiently, it also provides the tools to measure performance, classify optimization opportunities and start a progress of constantly learning reinvention. Furthermore, *Jeston/Nelis* (2006) categorize Business Process Management in the following way:

“Business Process Management is the achievement of an organization’s objectives through the improvement, management and control of essential business processes” (*Jeston/Nelis* 2006, p. 11).

Gartner/Tibco (2006) as two software development and business consulting organizations describe BPM from a more IT focused perspective as:

“...a management discipline that treats business processes as assets to be valued, designed and exploited in their own right. It aims to improve agility and operational performance. BPM requires tools that business managers can use to control and modify their processes. Specifically, it requires technologies that make process explicit-that is, clearly expressed and readily changed” (*Gartner/Tibco* 2006, n.p.).

In comparison with Business Process Reengineering, Business Process Management concentrates more on the continuous improvement of the organizational efficiency, cost reductions and the acceleration of cycle times. Additionally, BPM serves as a key driver for productivity. BPR is moreover a very theoretical approach to process change. The objective of BPR is a far-reaching implementation, whereby all processes in an organization are redesigned from the beginning and then re-implemented all at once. Business Process Management takes a more pragmatic approach by complementing the existing systems in a company. Processes can be quickly automated and changed over time to develop in step with the business (*Ehmke 2004, n.p.*).

Business Process Management	Business Process Reengineering
Orientation toward existing processes	New definition of tasks and processes
Incremental, constant improvement process	Innovative, non-recurring change process
Focus on single process sections is possible	In principle, total process view
Engineering of existing organizational structures	Singular implementation of process organization
Consideration of all organizational goals	Priority of process efficiency by use of IT
Relative stability with controlled change	Instable conversation
Bottom-up procedure	Top-down procedure

Figure No 1: Difference between BPM and BPR
(According to *Bogaschewsky/Rollberg 2007, p. 250*)

Nowadays, various organizations and managers apply the keyword **Business Process Optimization (BPO)** for their process improvement initiatives. Actually, BPO is a discipline during the overall Business Process Management approach. *Soti/Pandey (2007)* define BPO as:

“The continuous management of performance and incremental business process improvements efforts by measuring the key performance indicators and redesigning the suboptimal processes for better performance. (...) With the objective of optimize business processes, it explores a wide range of operational aspects-people, IT, leadership, work culture, policies and regulations, etc.” (*Soti/Pandey, n.p. 2007*).

2.2 Fundamental application

The target of every economically-working company is to achieve the most potential profit and in fact this is only possible, if the customers accept the products and services and do not prefer those of the competition. The chains of business processes including the customer related activities are essential for the success of a company. Today, the efficiency of all processes (from the cost and time perspective) is elementary to stay competitive in the hard-fought and fast moving market. Business Process Optimization requires the best possible improvement from own resources, ideally based on benchmark processes (best practice performed by the market leader) of the specific market. Furthermore, the competitive environment is changing significantly and companies have to face:

- Increased competitive pressure triggered by globalization
- Deregulation of markets
- Fast technological developments
- Shorter product life-cycles
- Demands of customers for higher product and service quality
- Increased requirement for flexibility
- cost reductions



Figure No 2: Survey of upcoming organizational challenges
(*The Economist Intelligence Unit 2005, p. 4*)

To cope with those obstacles it is necessary that a company constantly reinvents itself. This reorganization involves changes related to structure, processes and behavior. Today's challenge is to handle all functions of the organization simultaneously, i.e. leadership, organizational structure and controlling as well as technology, products and employees. The introduction of an overall Business Process Management concept including Business Process Optimization initiatives might be an appropriate tool to meet this challenge. Processes are cross functional and do not know organizational borders. Process models can be used for process analysis and optimization and with that helps to develop individual software, configure standard software and process models create transparency and are a prerequisite for the ISO 9000 ¹ certification. Therefore, Business Process Management is concerned with an integrated concept of leadership, organization and controlling that enables a specific steering of business processes. BPM moreover empowers to adjust the whole organization according to the needs of customers and stakeholders (*Daimler AG Intranet 2007/2008*).

Basically, BPO initiatives have several linked objectives; all related to three factors "quality", "time" and "costs". Some examples for those factors are (*Daimler AG Intranet 2007/2008*):

- Improvement of customer service
- Avoidance of errors and complaints
- Increased reliability and quality
- Reduction of processing and cycle time as well as idle and wait time
- Avoidance of rework and additional work
- Decrease of overheads, material and logistic costs
- Reduction of receivables

To sum up one can say that Business Process Optimization projects are a direct consequence of a fast changing business environment. To fulfill adjusted requirements of today's business world the organization is forced to reorganize itself

¹ Family of standards for quality management systems, maintained by the International Organization for Standardization

from a functional organization to a more process focused structure. Thereby the organizational structure follows the processes. BPO attempts to achieve several goals related to quality, time and cost. As already mentioned, historically established organizations tend to be functionally organized. According to the functional view hierarchies define the organizational structures and the organizational structure thereby determines the processes. Business Process Optimization however, attempts to view companies by processes not by functions. The process view centers a set of activities to fulfill customer wishes. Therefore the organizational structure is determined by processes not by functions. Since the process view looks at the whole business and not only at parts of it (as in the functional view) employees are better able to see the whole picture and thereby recognize improvement opportunities.

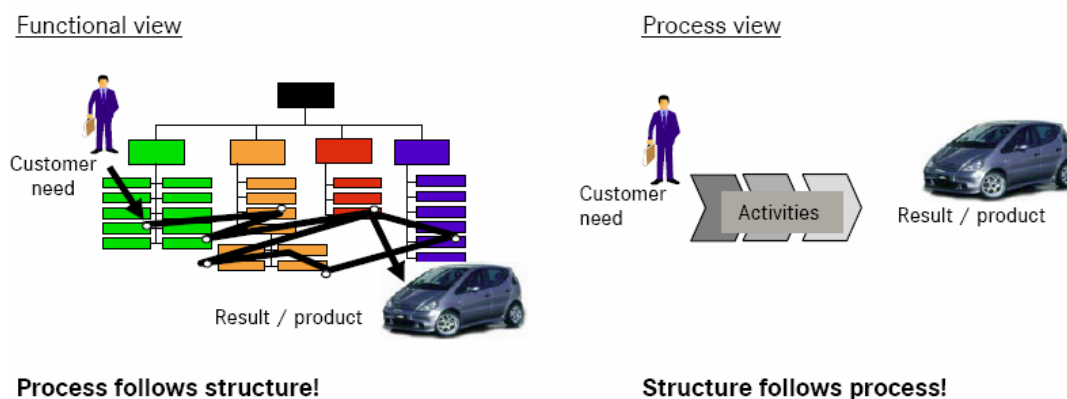


Figure No 3: Comparison of functional view and process view
(Daimler AG Intranet 2007/2008)

The following sector will provide the main techniques & tools as well as critical success factors for process management and process optimization. One comprehensive theoretical BPM approach including Business Process Optimization according to *Jeston/Nelis* (2006) and one pragmatic BPO project carried out at *Mercedes Benz Financial Services Singapore* will be illustrated.

Furthermore, the relevant relation between effective implementation and leadership, Organizational Learning as well as people change management are displayed in this thesis.

2.3 Techniques and tools

As outlined in surveys and interviews from *Kettinger et al.* (1997), at least 72 techniques and 102 tools were used in the year 1997 to accomplish process related initiatives such as Business Process Management, Business Process Optimization or Business Process Reengineering. Further on, it's to be assumed that this quantity has grown until now. This thesis will not provide a comprehensive and detailed comparison of the different process related techniques, tools and software solutions. Basically, the following pages provide a short view on the most representative techniques and tools in order to focus on the main basics and functions of process modeling, because of its significance to modern BPO initiatives and the illustrated project at *Mercedes Benz Financial Services Singapore* in this thesis.

Representative technique used in the envision stage

Search conference brings stakeholders together to take part in defining the need for change and how changes could be realized by active participation. All levels and functions including customers, shareholders and suppliers are normally represented to bring together an array of resources in an active, real time dialogue (*Kettinger et al.* 1997, p. 63).

Representative technique used in the initiation stage

Quality function development (QFD) prioritizes customer needs and relates them to process characteristics benchmarked on world-class processes. Furthermore, it's about identifying responsible business processes for customer dissatisfaction, close collaboration between different functions in the same business process and performance measures standards for sub processes and bench-marking (*Kettinger et al.* 1997, p. 69).

Representative technique used in the diagnosis stage

Process mapping techniques deliver assistance for documenting or rather illustrating the existing processes. Fundamentally, process mapping also named "Process Design" is a core concept in the discipline of Business Process Optimization. Activities and workflows could be structured and illustrated in order to fix standards

or compare the current with the target processes to find gaps, double workflows and improvement potentials. The necessary requirements of a process mapping tool are predicated on the classification of the purposes and on the pretensions of the process modeling employees. In fact, there is not yet a standard for process modeling, but there are several solutions focused on typical requirements for process documentation and process improvement. *Becker et al. (2003)* demand the following requirements from process mapping tools:

- Clear presentation of functions including splits and joins
- Relating process model to data models, to the organizational models, to functional decomposition diagrams and further relevant models
- Defining the modeling techniques in an adequately formal format in order to provide a valuable basis solution for comprehensive applications, such as simulation, software design or workflow management

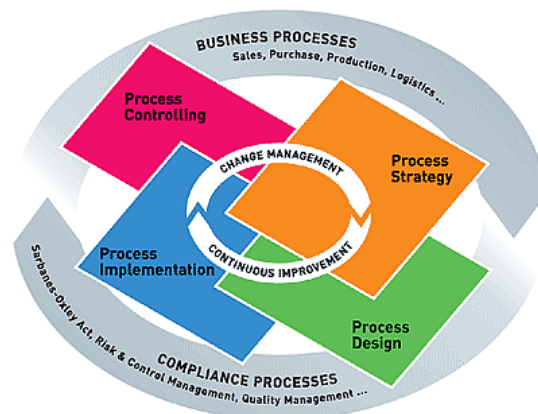


Figure No 4: Process Design as element of BPO
(IDS Scheer AG 2008, n.p.)

Numerous companies believe that purchasing a process-modeling tool will solve all their workflow problems and directly results in process improvements. However, a process mapping tool is just a section of software, and without a methodology of framework, expert resources to use it and a genuine commitment from organizational leadership it doesn't provide the expected results and is moreover useless (*Jeston/ Nelis 2006, p. 9*).

The progress of mapping itself could also be seen as a critical procedure. It might be of little value and the employees have to spend their time in research and mapping instead of other projects or their daily work. For that reason, the process should be performed with the possible minimum of time and human resources. Consequently, it's not advisable to start a Business Process Optimization initiative with an enterprise-wide mapping approach. It should moreover follow the execution of some early, visible process improvements rather than a long mapping procedure with unclear value and unnecessary overhead. Process identification and updated mapping is an ongoing activity as result of a continuous process improvement (*Davenport 1994, p. 137*).

Representative technique used in the redesign stage

Process simulation techniques allow simulation of new mapped processes and moreover the dynamic modeling to assess process design options. Variables such as inputs/output, cycle time, queuing times, etc. can be simulated in order to provide quantitative analysis of process design scenarios in real-time (*Kettinger et al. 1997, p. 70*).

Representative technique used in the reconstruction stage

Force field analysis assists in identifying forces resisting the implementation of the new processes. The management of change is regularly supported by human resource techniques to assist changes in compensation, career paths, and work-role rotation, as a consequence of new designs, is a major constraint to BPR (*Kettinger et al. 1997, p. 70*).

Representative technique used in the evaluation stage

Activity-based costing (ABC) enable reengineering teams to assign process activities to cost centers and quantify process performance. For mechanistic and structured processes monitoring tools provide the performance though statistical control (*Kettinger et al. 1997, p. 70*).

2.4 Critical success factors

According to *Jeston/Nelis* (2006) every project, has its characteristics and uniqueness applying fundamental critical success factors and critical implementation aspects for every process management or process improvement initiative.

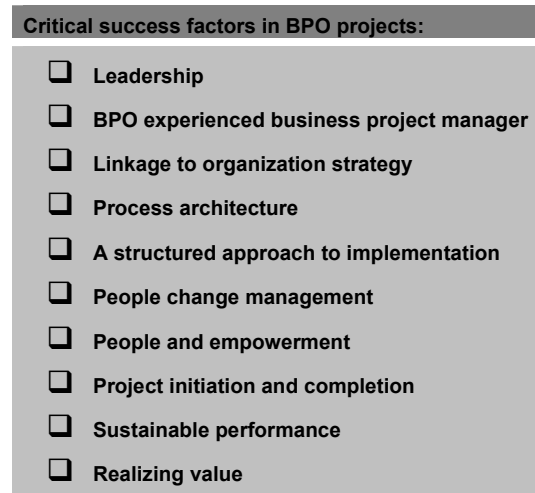


Figure No 5: Critical success factors in BPO projects
(Figure by author according to *Jeston/Nelis* 2006, p. 34-37)

From the BPO perspective **leadership** is mainly about having the attention, support, funding, commitment and time of the leader involved. The management has to “walk the talk”, which means their promoted ideas must be congruent with their core beliefs and values. It should be clearly communicated why these changes and improvements are so essential for the whole organization. In addition, the rule makers must definitely follow the actions and behaviors they are requesting from the employees. They must be passionate and committed to its success, and able to mediate this passion and commitment to all others involved (*Jeston/Nelis* 2006, p. 34-35).

According to the relevance of leadership it's also fundamental to have a **BPO experienced business project manager** as the leader of the project team and of all the surrounding personnel, stakeholders and activities. He must come from the focused business and poses of significant skills with regard to people change management and stakeholder management (*Jeston/Nelis* 2006, p. 35).

Every project must be obviously linked to the overall **organizational strategy** and objectives to make sure that all people are working in the same direction. Otherwise the project should not exist, unless it is a specific planned short-term solution (*Jeston/Nelis* 2006, p. 35).

The **process architecture** illustrates the founding principles of process inside the organization and is the reference for any changes in the way a company chooses to move in the direction of Business Process Management including BPO initiatives. It must contain a kind of fixed guideline and process directives inside the organization, otherwise different parts of the organization will pull in a range of directions and there will not be a constant approach (*Jeston/Nelis* 2006, p. 35).

Every theoretical BPO method is valueless without a planned and methodical **approach to implementation**. Business Process Optimization projects can not only be executed on the basis of traditional project management rather they require a systematic and structured framework. The success or breakdown of the implementation is fundamentally dependent on the employees, because processes are executed by people, no more than supported by technologies (*Jeston/Nelis* 2006, p. 35-36).

People change management can occupy from 25 to 35 percent of project time, tasks and effort, which is in fact less than the companies effort in reality. Additionally, the people aspects of every process change need to be evaluated and acted upon in an understanding and sympathetic way. In addition, the employees of course are highly impacted by BPO projects and their roles may change within the modification of activities and tasks (*Jeston/Nelis* 2006, p. 36).

People and empowerment is the header for exigency of supporting arrangements via one-on-one coaching and guidance dependant on the category of changes and tasks. For example, they are to be performance managed and measured or even the team leaders may have to actually deal with their processes, work volumes and capacity plan for the first time (*Jeston/Nelis* 2006, p. 36).

Within the **project initiation and completion** a post-implementation review needs to be conducted to guarantee that the lessons learned could be transferred to the following projects. This is especially information about the adequate starting point, justifying the business case as the main guide for implementation and engaging the various stakeholders (*Jeston/Nelis* 2006, p. 36).

Whether a project has only been defined for a specific duration, whereon processes are supported, measured, improved and managed, the main target must be a **sustainable performance** and therefore the existence of these improvements in the business-as-usual environment after the project (*Jeston/Nelis* 2006, p. 37).

Every project is concerned with the **realization of value** to the organization's strategy. Therefore a benefit management structure must be created in order to monitor the quick wins and the whole outcome of the project (*Jeston/Nelis* 2006, p. 37).

2.5 Optimization framework according to Jeston and Nelis

The successful execution of each Business Process Optimization project is dependent on a practical and comprehensive structured framework as well as an implementation method that needs to be customized to each organization and its specific position. There are various approaches for BPO/BPM/BPR initiatives available that differentiate in their scope, phases, measures, templates and systems. All of them are focusing on the overall target to improve the current processes of an organization in their quality or their quantity.

Jeston/Nelis (2006) created a procedure of an overall process management implementation framework, including Business Process Optimization that leads from conception and optimization initiation to completion and sustainable business-as-usual. One approach can not absolutely fit to each project and organization, therefore the framework needs to be flexible for adapting or skipping several steps for a particular phase.

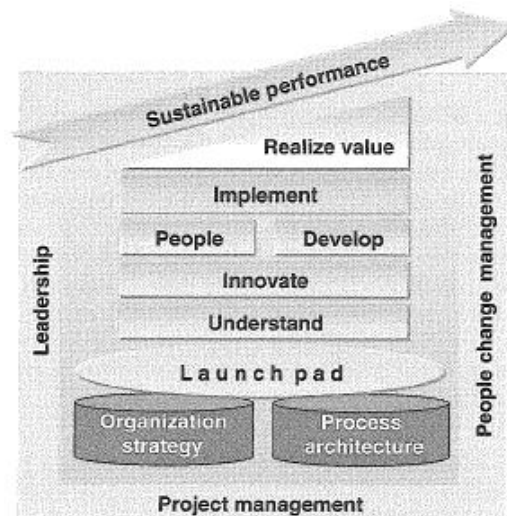


Figure No 6: Optimization framework by Jeston and Nelis
(Jeston/Nelis 2006 p. 49)

2.5.1 Organization strategy phase

The organization strategy phase assures that all project team members obviously appreciate the organizational strategy, vision, strategic goals, business and executive drivers and in addition that the project is exactly linked to these overall targets. Basically, every organization should spend some time to understand how each project is adding value towards the defined strategic outcomes (Jeston/ Nelis 2006, p.66).

During the **analysis of internal and external aspects** the organization should review the internal strengths, weaknesses, competencies and constraints and on the external side, the competitive and environmental impacts upon the organization. For example, this could be achieved with a SWOT analysis, which is a strategic planning tool used to evaluate the strengths, weaknesses, opportunities, and threats concerned in a project or in a business venture and expose those, that are positive or critical to achieve the desired objective (Jeston/Nelis 2006, p.70).

After the analysis step, **strategic choices** in reference to the designated vision, mission, goals, objectives, strategic intent, objectives and implementation strategy should be made and documented.

According to *Treacy/Wiersema* (1997) an organization must choose between customer intimacy, operational excellence or product leadership. Apparently, it's not possible to be a leader in all three strategic options and if no decision is made, the organization will become "stuck in the middle" and finally may not survive. Even from the process perspective, it's essential to identify the direction and the preferred result to steer each project into the most effective and desired way (*Jeston/Nelis* 2006, p. 70-71).

The next step applies to the **determination of impact on the processes** where the effect of the organization strategy and analysis on the business processes is briefly reviewed. Subsequent to that, **strategic high-level measures** should be specified. These will provide the organization with the ability to measure and monitor the progress of the strategy execution, supply more specific and personal objectives and evaluate initiatives by their contribution to these strategic measures (*Jeston/Nelis* 2006, pp. 71).

The Balanced Scorecard is a tool to specify organizational objectives at a high level and make sure that the units, projects and processes afford the aggregated output. It provides the ability to quantify the organization's targets in arrangement with the vision and strategy. The project team needs to make sure that their changes are in line with the targets of the Balanced Scorecard. Additionally, each business needs to create its own and specified Balanced Scorecard system based on its unique situation. The most companies develop their measures in the following business fields (*Stanic/Boyle* 1999, pp. 62):

- **Customer perspective**
 - Identification of the customers view on the company
- **Internal perspective**
 - Identification and development of the own strengths
- **Innovation and learning perspective**
 - Permanent improvement and value progression
- **Financial perspective**
 - Identification of the companies view on the shareholders

For each of these perspectives the objectives, measures, targets and initiatives needs to be specified.

Further on, the strategy and the essential decisions should be finally documented in a strategic **complete plan**, which contains the overall enterprise objectives and the strategic choices as well as a guideline how to achieve these targets. In conclusion, it is necessary to obtain formal **sign-off and communicate** the achievements of the previous steps to the stakeholders (*Jeston/Nelis 2006*, p. 76-78).

2.5.2 Process architecture phase

In this phase, the process architecture and therefore a set of rules, principles, guidelines and models for the implementation of process management across the organization needs to be designed. Furthermore, it provides the basis for the design and execution of BPO initiatives and also builds the foundation where processes, IT and business architecture are brought into alignment with the overall strategy of the organization (*Jeston/Nelis 2006*, pp. 80).

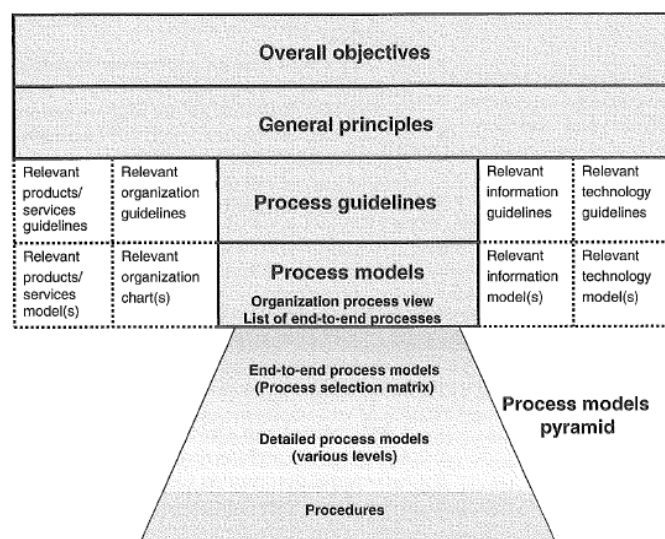


Figure 7: The process architecture phase
(*Jeston/Nelis 2006*, p. 83)

Primarily, this phase is about **obtaining strategy and business information** including overall objectives and general principles, organizational strategy and

relevant business as well as association guidelines and models. Therefore, it's important to have the relevant information and the explicit agreement on the underlying principles as the typology of products and services, customers, pricing as well as partners and distribution (*Jeston/Nelis* 2006, p. 86).

The next step contains the **specification of the process guidelines**, process models and a list of end-to-end processes. The following guidelines need to be formulated for the processes (*Jeston/Nelis* 2006, pp. 88):

- Ownership of the process
- Scope of the processes
- Selection of a modeling method
- Selection of a process modeling and management tool
- Method of governance of the processes
- Process outsourcing
- Process reference models

As already mentioned, process models are graphical, high level representation of the processes for example with the organization process view diagram or other mapping techniques and tools. For every group of processes identified in the organization process view, a list of end-to-end processes needs to be established. Therefore, the Information can be obtained via an executive workshop and by capturing a variety of metrics regarding the organization business and the processes (quantity of employees involved on a process, percentage of business effort involved on a process, etc.) (*Jeston/Nelis* 2006, p. 88-92).

The next task is about **obtaining relevant information and technology principles and models**. Consequently, the target is about creating an overview about data models, essential applications and related interfaces, major middleware as well as the main platforms and networks (*Jeston/Nelis* 2006, pp. 92).

In addition, all information needs to be **consolidated and validated** to ensure consistency. Therefore, all the conflicting priorities and requirements come on the table and have to be separated. This could be a challenging part of the progress, because of the different views of the respective departments. For example, the

business is focused on flexibility, whereas the IT wants to integrate standardization. One potential way to merge the information is to relate various architectural models with each other in a relationship map which is the combination of processes and organization charts. This high level overview enables the organization detect potential disconnections in the process flow (*Jeston/Nelis* 2006, p. 93-95).

The **communication** and publication of the architecture and its benefits is significant for its success and the support by all people involved. Basically, it needs to be understood, encouraged and serves moreover as a foundation for ongoing activities and decisions inside the organization (*Jeston/Nelis* 2006, p. 95).

Before the process architecture can be used, the organization needs to implement the required discipline for the purpose. **Applying the architecture** implies that all relevant projects need to take it in account and identify where they are conflicting from the decided principles. A useful way to insert process architecture in an organization is the implementation of a business process architecture committee that has the responsibility for maintaining an overview of the organization's processes and the process architecture. Further on, the link between the strategic objectives and the process goals of the company should be established by this team (*Jeston/Nelis* 2006, p. 95-97).

Finally, the architecture must always be transformed and react on changes. Keeping the process architecture up-to-date results to the establishment of an **ongoing development**, that is never finished (*Jeston/Nelis* 2006, p. 97).

2.5.3 Launch pad phase

The Launch pad phase conducts the organizational basis in order to scope, set up and launch the initiative and therefore it determines exactly where to start the project. Process goals and vision need to be aligned with the organizational targets and the Process architecture to guarantee that they add significant value to the overall strategy (*Jeston/Nelis* 2006, p. 100).

In the beginning of this phase, basis **communication** work is required in order to inform the organization about the project, its targets, its initial or likely scope and indicative timeframes. Some people might made bad experiences with process

optimization and similar change initiatives or they have negative prejudices right from the start. The key is moreover to convince these people, that this project is different from others and is promising for the company and the people (*Jeston/Nelis* 2006, p. 102-103).

Subsequently, initial **key stakeholder interviews** should be accomplished to gain an overview of the recent business and process situation. These interviews are about gathering the stakeholder's views of the most significant areas of process and operational subjects (*Jeston/Nelis* 2006, p. 104).

In the following step a **high-level process walkthrough** inside the business unit should be conducted on an end-to-end basis, including the people who execute the processes and the project team. This provides an improved understanding of the business and also an opportunity to identify process similarities and differences (*Jeston/Nelis* 2006, p. 104).

The **stakeholder identification and engagement** step could be achieved within brainstorming to discover all stakeholders that will be impacted by the project inside and outside the organization. After completion the respective stakeholders must be kept informed while some customers and suppliers might be involved in the project to be not refused to participate in the new processes (*Jeston/Nelis* 2006, p. 104-105).

Executive workshops with the following goals and outcomes need to be conducted in the Launch pad phase (*Jeston/Nelis* 2006, pp. 105):

- Definition of the project scope and targets
- Agreement of the success check list
- Stakeholder categorization
- List of end-to-end process models
- Identification and analysis of the business processes
- Agreement for outcomes for Understand phase

In the next step the **implementation plan** needs to be smoothly developed to ensure that the best solution for the company is used in greatest manner and in the shortest possible time. The Implement phase moreover considers the proposed options in order to select one appropriate that provide guidance for the other phases in the

project. In addition to researches from *Jeston/Nelis* (2006), the early additional investment in implementation ideas causes substantial benefits within the initiative (*Jeston/Nelis* 2006, pp. 114).

After that, the **development and sign off of the initial business case** needs to be accomplished with cost documentation, performance evaluation, scenarios of various options, etc. This should include the identification and nomination of the business persons who will be responsible at the time, when the project has transitioned to operational circumstances. Additionally, this ensures their engagement in the initiative and provides them a level of ownership and responsibility for the outcomes of the project. The business case will need to be updated in the Innovate phase to justify the continuation of the project (*Jeston/Nelis* 2006, p. 116-117).

Having decided the examined processes during the Understand phase, the initial project members will be able to **define and establish the project team structure**. The organization of a process management and BPO initiatives could be different to the normal structure of an IT or business project. The following project participants are needed for a process management initiative according to *Jeston/Nelis* (2006):

- Project Steering Committee
- Project Director
- Project Manager
- Project Decision Team
- Business Process Architecture Committee
- Process Teams including Team Leader, User Leader, User Team Representatives and Process Experts
- IT Development Team
- Document Management Team

Finally, the **completion of the initial project plan** must be conducted in order to cover the Understand phase in more detail (*Jeston/Nelis* 2006, p. 121).

2.5.4 Process optimization phases

Understand phase

This phase is basically about gaining awareness of the existing business process situation in order to enable the Innovate phase for execution. Basic process metrics need to be gathered to allow for the establishment of process baseline expenses for upcoming comparative purposes (*Jeston/Nelis* 2006, pp. 124).

In the first step, the project team should **communicate** the project and its workshops by informing the people inside the organization about their own responsibilities in the whole initiative. The team needs to create an atmosphere in which the participants feel comfortable by offering information and problems regarding their work and processes (*Jeston/Nelis* 2006, p. 127-128).

Prior to the beginning of the understand workshops the **scope revalidation** needs to be conducted on a continual basis. Therefore, it could be valuable to model the processes of various stakeholder organizations as well. This could help to get a clearer understanding of the end-to-end process and also to develop optimization potentials at shared processes (minimization of duplications, disconnects, handovers) (*Jeston/Nelis* 2006, p. 128).

The **understand workshops** are predominantly to comprehend the current processes in order to come up with the basis for improvement potentials. Not everybody has an adequate knowledge about the running processes as well as the amount and execution of the relevant project phases. Often the management does not dispose about the overall process knowledge and some for example might also believe that process mapping will just take a couple of hours. All these information and clearing should be provided from the most experienced people in the organization. It's obviously a challenge for the business to take a lot of significant resources out during these workshops, but this element is extremely important for the success of the entire initiative (*Jeston/Nelis* 2006, pp. 128).

Prior to the beginning of these workshops a **metrics analysis** needs to be gathered including broad costing information (budgets, organization charts and staff listings), reconciliation of the organization charts and HR staff listings as well as a budget allocation within the project scope (*Jeston/Nelis* 2006, pp. 132).

Furthermore, a **root-cause analysis** of any bad performing processes needs to be executed. In some organizations the workshops automatically discover the root causes, while in others a separate analysis has to follow that includes the observation, investigation and interviews with each respective Process Owner (PO) (*Jeston/Nelis* 2006, p. 136).

The **people capability matrix** provides helpful information about the current and the future environment. It measures and keeps track of capabilities across the organization in order to make sure that the people are performing to the best of their abilities. In addition, it could be useful to understand the upcoming gap between the existing skills and how they will change in the future (*Jeston/Nelis* 2006, p. 136-137).

In the next step, the **identification of available information, innovate priorities and quick wins** should be conducted. All available information regarding the process scope should be collected to become obvious which areas of the business and which processes have priority for change or provides opportunities for quick wins. The possibilities for process change vary from continuing, improving, amalgamating, redesigning, total innovating, outsourcing, insourcing or even eliminating the process. Most organization insists that BPM establishment and BPO initiatives are self funding what causes that quick wins are essential for the execution. Even small improvements from the front-line personnel could be useful to demonstrate them acceptance for their knowledge and ideas what might result in high motivation for more recommendations (*Jeston/Nelis* 2006, pp. 137).

Finally, an **Understand phase report** with the main outcomes and findings needs to be delivered to the project sponsor (*Jeston/Nelis* 2006, p. 140-142).

Innovate phase

The Innovate phase is the most creative step in the initiative where the project team, the business and relevant internal and external stakeholders needs to be involved to build new process options, run simulations, complete the activity-based quotation, accomplish capacity planning and establish implementation feasibility. Additionally, the final decisions for the best options should be conducted in this phase of the project (*Jeston/Nelis* 2006, pp. 144).

During this phase, the **communication** unit always needs to make sure that all stakeholders are informed about the recent status regarding their own suggestions. If their input can not be admitted, the reasons for that must be transparently communicated to the respective people (*Jeston/Nelis* 2006, p. 148).

The overall phase needs to be started with an **executive kick-off workshop** involving the project sponsor and senior business leaders in order to give them a well-founded understanding of the link between the organization's strategy, the process goals and the processes being optimized. Additionally, the agreement of width for the project, timeframes for the options and constraints to be placed upon the innovated process should be an integral part of this meeting (*Jeston/Nelis* 2006, p. 148-154).

The **project set up** requires a quick review of the recent project plan, to make sure that the plan is updated according to the new proposed scenarios and that the right people are participating in the workshops (*Jeston/Nelis* 2006, p. 154).

In addition, **external stakeholder focus groups** could be gathered to keep them informed about the plans and expected involvement in the overall process. They need to be asked for high level input regarding their position in and after the optimization progress (*Jeston/Nelis* 2006, p. 154-155).

During the **initial Innovate phase workshops** the participants should concentrate on the quantity of ideas without too much filtering in a kind of open brainstorm. It will be possible in a further stage of the project to converge to suitable solutions (*Jeston/Nelis* 2006, p. 155-159).

After these workshops, **future process metrics projections** need to be created that illustrate the potential ongoing operational costs for the business (Full Time Equivalent (FTE), other staff costs, IT costs) (*Jeston/Nelis* 2006, p. 159-160).

A potential technique to determinate the feasibility and efficiency of the proposed optimization options is the **simulation** of each respective process. The simulated scenarios can be very supportive to investigate the logic sequence and the quality of a process before the implementation (*Jeston/Nelis* 2006, p. 160-161).

In the next step, an **update of the people capability matrix** needs to be conducted to match the future new processes. To ensure that the right number of skilled people is available at the right time, an additional **capacity planning** must be created (*Jeston/Nelis* 2006, p. 160-161).

Workshops including all stakeholders ensure to match all process options with their needs. Therefore, a short list of the **workshop proposed solutions** should be organized in order to gain an agreement and sign-off of the alternatives to take forward to the feasibility step. Further analysis need to make sure that the optimized options are operationally practicable (*Jeston/Nelis* 2006, p. 161-162).

Additionally, a **demonstration and validation of the feasibility of proposed solutions** needs to be carried out via prototypes, role-playing, etc. to come up with helpful suggestions and exceptions. It could be also really supportive to execute a **process gap analysis** between the processes of the Understand and Innovate phase for the business, IT department and the developers of the training material. This analysis moreover provides an indication of the scale of change and further assists in all change management issues of the initiative (*Jeston/Nelis* 2006, p. 162-163).

The following step is about **identifying benefits and updating the business case** in a far more detailed way than in the Launch pad phase. As much as achievable, it should include the knowledge regarding the planned operational situation and the impact on the involved people (*Jeston/Nelis* 2006, p. 163-164).

To support the business case, **reports and presentations** needs to be developed to provide facts regarding the project status, outcomes and recommendations for the senior management or executives for **approval**. Each company has its individual process to follow for the approval of a business case and the recommended process options (*Jeston/Nelis* 2006, p. 164).

Finally the **business requirements** need to be collected as further development of the documentation behind the process models (*Jeston/Nelis* 2006, p. 164-166).

People phase

The People phase is a critical phase of the framework that involves a certain amount of risk for the whole initiative. The purpose is to ensure that all activities, roles and performance measurement match the overall strategy and process goals of the company. No matter how much automation is involved, it's finally about the people who make the processes effectively and efficiently (*Jeston/Nelis* 2006, pp. 167).

In the beginning of this phase, proactive **communication** between the business and the affected people regarding proposed options, personal concernment and

individual input/outcomes is very important for its subsequent success (*Jeston/Nelis* 2006, p. 170).

The human resources department needs to be significantly involved in this phase and the **design of the people strategy**. The agreed strategy needs to be documented and signed off by all involved management, unions, the people themselves, and possibly even customers and suppliers (*Jeston/Nelis* 2006, p. 170-171).

In the next step an **activity definition** has to take place in order to ensure that the respective people will clearly understand their new role in the process and what is expected from them. It's further on about gathering the process tasks into appropriate activities (*Jeston/Nelis* 2006, p. 171).

After that, the **role redesign** step should be conducted where the activities are grouped into generic role definitions in order to write new role descriptions. While redesigning the complete roles of people, the company has a huge opportunity to empower staff, make people's jobs more interesting, reward them in more interesting ways and provide promotional opportunities (*Jeston/Nelis* 2006, p. 171-173).

Performance management and measurement contain the performance of the individual process and the performance of the people. Additionally, all collected information should be brought together in order to link to the performance goals developed for people, teams and management (*Jeston/Nelis* 2006, pp. 173).

The **people core capabilities gap analysis** assists the project team and business in determining the gap between the current skills of the people and the required skills for the new processes, activities and roles. The human resources department should plan the effort, time and resource regarding the activities as well as coaching for the new roles (*Jeston/Nelis* 2006, p. 179-180).

The **design of organization's structure** could be redesigned progressively from a high-level to a detailed model. The overall target is the minimization of process gaps, departmental interfaces and layers of management as well as the maximization of clarity, process effectiveness and efficiency (*Jeston/Nelis* 2006, p. 180-182).

Subsequently, an **update of HR policies** is required that needs to be provided to all employees for example over the organizations intranet. This should include the various policy and procedural manuals, job families/groups/roles, remuneration structures and other HR documentation (*Jeston/Nelis* 2006, p. 182-183).

Finally, **development of training** needs to be conducted and therefore the preparation of a training need analysis, training strategy and training material that match the new roles requirements. It's moreover necessary to generate feedback forms that can be used for continuous improvement of the training (*Jeston/Nelis* 2006, p. 183-184).

Develop phase

The Develop phase contains the building of all elements for the implementation of the new optimized processes. For example, the construction of a new infrastructure, establishment of a people change management program, support program for people executing the new processes, testing of software and hardware, etc. (*Jeston/Nelis* 2006, pp. 187).

First of all, it is necessary to **communicate** the scope and proposed extent of the automation to all involved stakeholders. It could be helpful to integrate suppliers, partners and customers, as they might be also concerned by the automation (*Jeston/Nelis* 2006, p. 190).

The next step is about **determining components and tools** that will be required, like for example process modeling, process management, process simulation, process monitoring, Balanced Scorecard, etc. (*Jeston/Nelis* 2006, p. 191).

After that, the **decisions about re-use, buy, make or outsource** should be accomplished regarding systems, software, applications and workflows. Further on, the project team needs to **update the functional and technical specifications** and test the new process management solution to make sure that the expectations are fulfilled from the business perspective (*Jeston/Nelis* 2006, p. 191-196).

Basically, every automated process management solution requires certain **software and hardware development**. The software progress should mostly include a presentation layer of the solution to the user, a processing layer containing the automated tasks and an integration layer to other systems and databases containing the data. The hardware deployment could include the computers for users, servers, net-works and related appliances like printers, scanners and storage media (*Jeston/Nelis* 2006, p. 196-199).

Finally, **testing** is the most critical step in the Develop phase that contains gaining the characteristics of an information system and the comparison between the developed application and the final business requirements (*Jeston/Nelis* 2006, p. 199-201).

Implement phase

The Implement phase is the stage, where all the designed process optimizations will be really “brought to life”. All aspects take place such as roll-out of the new processes, roll-out of the new role descriptions, performance management and measures and training. Therefore, this phase is highly related to people and moreover about the sensitization of key users for the upcoming changes in order to get their buy-in. The method of implementing might change during the initiative by the continuous reviewing of methods (*Jeston/Nelis* 2006, pp. 204).

Successful implementation always requires an adequate **communication** approach that involves two-way interaction. Inviting active involvement of users in the project and the attentive dealing with feedback could lead to excellent suggestions as well as helpful critical comments (*Jeston/Nelis* 2006, p. 206-207).

The early **implementation strategy needs to be reviewed** again in this step of the initiative. The project team has gained a better understanding of the changes and the current circumstances and findings through the project might have impact on the implementation strategy as well (*Jeston/Nelis* 2006, p. 207).

To this stage of the project, the process management solution has only been tested according to the written business requirements. The next step is about the **preparation for user acceptance testing** and therefore test cases regarding the adequacy for daily routine of the business users (*Jeston/Nelis* 2006, p. 207-208).

Basically, it's time to **train the people** who will be executing the optimized processes in the future as part of their daily business. This could be done with formal courses or on-the-job training. Furthermore, mentoring and coaching needs to be continued during the business testing, pilot steps and initial implementation (*Jeston/Nelis* 2006, p. 209-210).

The **completion of business test and pilots** step is where the user acceptance test cases are executed including executing data, transaction through an automated

process management solution or manually simulating the processing transaction through the business (*Jeston/Nelis* 2006, p. 210).

The **update of deliverables** covers the feedback from the coaching and testing stages and ensures that the project team has acceptance and buy-in from all stakeholders and still a constant set of prospects (*Jeston/Nelis* 2006, p. 210).

The **involvement of management** is essential in this phase, because they have to communicate the change and all aspects to the people. All managers need to be kept up to date with good or bad news of the initiative at all times in order to ensure a plausible and effective communication. If the developments have impact on the managers as well, it's important to get them first through their own personal change, before they start to advance the changing of others (*Jeston/Nelis* 2006, p. 210-211).

The **development of roll-out, back out and contingency plans** are required, as well as formal **marketing programs** that are specially geared to the external stakeholders. In addition, the organization could also publish the whole change program including new strengths and advantages for the general marketplace. Consequently, the company has to be careful with the announced expectations in order to avoid losing credibility with its stakeholders and customers (*Jeston/Nelis* 2006, p. 211).

The coached "super users" out of the training step could serve as training and **mentoring support** during the early period after the project's roll-out. These mentors need to be fulltime available during that time and don't resume their business-as-usual roles until the implementation is fully developed (*Jeston/Nelis* 2006, p. 212).

After the implementation of the changed processes the project team should conduct all necessary **roll-out related changes** in order to make sure that old processes and systems as well as any other old material is not longer available for the employees (*Jeston/Nelis* 2006, p. 212).

Attentive **monitoring and adjustment** should be carried out during the roll-out progress and the progress towards accomplishing the business results. It could also be helpful to build performance indicators according to the progress such as the quantity of upcoming questions, errors, overtime, etc. (*Jeston/Nelis* 2006, p. 212).

Finally, the project team needs to provide a **feedback to the respective users and stakeholders**. It's moreover important to thank them for their commitment,

involvement and participation and to ensure that they are continually kept informed about the progress and the various lessons learned (*Jeston/Nelis* 2006, p. 212).

2.5.5 Realize value phase

The Realize value phase makes sure that the outlined benefits from the business case are really achieved. It further comprises the delivery of the benefits realization management process and benefits realization reporting. While this is illustrated as a phase of the framework, it is effectively not only a discrete phase in its own right because some of the steps are also carried out during preceding phases (marked in brackets) (*Jeston/Nelis* 2006, pp. 214).

At the beginning of this phase, a **benefits management framework** (Process architecture phase) must be conducted that builds an overall structure for the company to approach, target, measure and realize the profit of the initiative. This arrangement should be incorporated into the process architecture that was developed earlier in the Process architecture phase. In addition, organization's standards and templates need to be established and communicated throughout the organization (*Jeston/Nelis* 2006, p. 218-219).

The next step is about the **identification of potential benefits and planning** (Launch pad phase) that includes responsibilities, expected value, start and end date, and any dependencies and risks associated with the benefit. The project team must take into account that a discrete initiative might have quantifiable and non-quantifiable profits associated with its execution (*Jeston/Nelis* 2006, p. 219-221).

Through the **establishment of baseline and comparative measurement** (Understand phase) it is essential that the baseline is solid, will stand up to assessment of others, and that it is aligned with the business case in order to gather close measurements of all improvements (*Jeston/Nelis* 2006, p. 221).

During the Innovate phase, processes were optimized according to the findings from the executive workshops. These new process options should have calculated metrics to estimate their impact and the processing efficiency. Original baseline measures needs to be updated and reviewed for accuracy and validity. The **refine and optimize benefits mix** (Innovate phase) step compares the metrics from the

new processes with the updated baseline in order to prove the best options regarding their impact upon the benefits (*Jeston/Nelis* 2006, p. 221-223).

The **definition of benefit details** (Develop, People and Implement phases) should be accomplished with the benefit delivery matrix that shows the relationship between the project milestones and benefits. This matrix is time-lined and then adjusted on a continuous basis for changes in the delivery dates for the project milestone tasks (*Jeston/Nelis* 2006, p. 223-225).

After that, the **benefits delivery and tracking** step (Realize value phase) makes sure that all identified activities in the benefits summary plan are realized and the suitable control structures important for benefits realization are really in place (*Jeston/Nelis* 2006, p. 225).

Value monitoring and maximization (Sustainable performance phase) is necessary to guarantee that benefits goals are being realized and continue to be achieved. Monitoring together with compliance or project office audits, should be conducted during the whole project duration. At the end of the initiative, the project team needs to provide a full report on the accomplished benefits to the project sponsor and business project owner (*Jeston/Nelis* 2006, p. 225-226).

In conclusion, the project team should **communicate** the realized success and benefits of the project to the organization and external stakeholders. This includes information regarding how these profits will be continued in the future and the activities that ensure improvement on a sustained basis (*Jeston/Nelis* 2006, p. 226).

2.5.6 Sustainable performance phase

The organization must understand that each process has a lifecycle and needs continuous improvement measures after the realized success of the initiative. Without any further arrangements, the company's processes will emerge in a sub-optimal way. There are multiply reasons for this unfavorable development, like business and market changes, appearance of new habits, decreasing motivation etc. Furthermore, the Sustainable performance phase is about the conversion from a project to a part of business-as-usual (*Jeston/Nelis* 2006, pp. 229).

At the beginning of this phase, an **evaluation of the project results** needs to be conducted by a comparison between the initial business case and the actual

outcomes of the initiative. The lessons learned should be included in later projects within the relevant aspects of the Organization strategy, Process architecture and the Launch pad phase (*Jeston/Nelis* 2006, p. 230-231).

The project must contain tasks to establish an instrument for continuous process optimization and management. This **sustainability strategy** must be created and set up within the initiative and handed over from the project team to the business in a controlled way (*Jeston/Nelis* 2006, p. 231-232).

Performance measures should be embed in the management and linked to a higher level organization objective. This ensures that the processes are geared towards and evaluated by their contribution to this objective. The Balanced Scorecard is an adequate way to bring the measurement of the processes in line with the overall objectives of the organization. Benchmarking across the organizational business units and competitors is a good way to get a better understanding of the own level of process efficiency (*Jeston/Nelis* 2006, p. 232-233).

The comprehension of **feedback loops** is needed to enable the continuous improvement of processes. According to *Jeston/Nelis* (2006) Feedforward loops, Monitoring and Feedback loops are the three significant elements for an efficient feedback communication. The Feedforward loop contains the feedback that is recognized at the beginning of a process and could be helpful for the upcoming process steps. Monitoring should be conducted by the end-to-end process owner to make sure that it flows as smoothly as planned. In the Feedback loop, the outcome of the measurement process will be compared with the process goals and objectives (*Jeston/Nelis* 2006, p. 234-237).

The **establishment of sustainability** can only be achieved if all people keep on using the optimized processes in the exact manner and don't revert back to their old habits or create their own unique processes. Consequently, the organization needs to create a support package for the process users including, guidelines, Process Owners, process models, expected outcomes, required documents and systems, etc. This could be provided on the company's intranet platform to ensure a quick access to the information for the appropriate persons (*Jeston/Nelis* 2006, p. 237-239).

The organization should create a meaningful **rewarding system** for process improvements and innovative processes in order to ensure sustainability for executed enhancements and as incentive for further creative ideas. This could be done with an outcomes-based performance reward system based on results like for example financial and volume-based indicators (*Jeston/Nelis* 2006, p. 239-240).

The **institutionalization of process governance** has become a major specification in many companies and business communities. According to *Jeston/Nelis* (2006) process governance contains the management, controlling and reporting of processes inside a company. It moreover forces the organization to consider all the relevant stakeholders such as employees, financiers, shareholders, government, customers, suppliers and the community at large (*Jeston/Nelis* 2006, p. 240-241).

In addition to the monitoring of discrete processes, the organization should also focus on **process management and sustainability monitoring** in order to gather measurements like the satisfaction index of the involved people, turn around time for process modeling, number of times process models are consulted, percentage of projects that achieved their goals, etc. (*Jeston/Nelis* 2006, p. 241-242).

During the development from a project-based to a business-based process management environment, the **communication** must focus on actual benefits and motivation of involved people. Furthermore, the company's measures should provoke that the process users work according to the new guidelines and keep them inspired to identify new potential improvements (*Jeston/Nelis* 2006, p. 242).

Basically, processes are dynamic and influenced by internal and external effects that requires permanent reflections and the **maintaining of process models** (*Jeston/Nelis* 2006, p. 242).

2.6 Leadership and Organizational Learning

Process management and the implementation of optimization initiatives are addicted to the management of organizational change and related people impacts. Basically, each initiative which causes changes in structures and processes requires the buy-in of all involved people for effective implementation. Therefore, every project needs adequate support and understanding from the leadership.

According to *Sadler* (2001) **leadership** is a social process concerning interaction between actors and followers and their two-way course of influence. The quality of the procedure is furthermore addicted to the relevant techniques, like persuasive eloquence or exemplary behavior, etc. There can be various target outcomes, like the achievement of organizational goals, the commitment of individuals to organizations as well as the enhancement of the team coherence or the organizational culture (*Sadler* 2001, p. 415).

All levels of leadership are essential to an effective initiative and require passion, honesty and integrity and the ability genuinely to listen. If employees not estimate in an existing crisis, they will not make the sacrifices that are required for change. Principally, it is the job of the leadership to characterize and communicate that crisis including its scale, severity and impact as well as the adapted solution in the form of the new strategy, new company model and new culture (*Jeston/Nelis* 2006, pp. 283).

“Leaders may think that getting their organizations to learn is only a matter of articulating a clear vision, giving employees the right incentives, and providing lots of training. This assumption is not merely flawed - it’s risky in the face of intensifying competition, advances in technology, and shifts in customer preferences. Organizations need to learn more than ever as they confront theses mounting forces. Each company must become a Learning Organization” (*Garvin et al.* 2008, p. 109).

One of the foremost thinkers about the management of change and the learning process in an organization, *Argyris/Schoen* (1978) argue, that people have mental

maps that inform them how to proceed in specific situations including the way they plan, implement and review their actions. In addition, they assert that these guiding maps influence people's actions rather than the theories they openly support. Furthermore, fewer people are aware of the maps they use what causes a "split between theory and action". *Argyris/Schoen* define Organizational Learning in the following way (*Argyris/Schoen* 1978, p. 2):

"Organizational Learning involves the detection and correction of error" (*Argyris/Schoen* 1978, p. 2).

According to *Argyris/Schoen* (1974) there is a distinction between the **espoused theory** and the **theory-in-use**. The espoused theory comprised the way how we speak of our actions to others and thus what we would like others to think we do. The theory-in-use is by contrast the action we really execute as practitioners and managers (*Argyris/Schoen* 1974, pp. 6).

"When someone is asked how he would behave under certain circumstances, the answer he usually gives is his espoused theory of action for that situation. This is the theory of action to which he gives allegiance, and which, upon request, he communicate to others. However, the theory that actually governs his actions is the theory-in-use" (*Argyris/Schoen* 1974, p. 6-7).

Argyris/Schoen (1978) initially looked at the mismatch of intention and outcome of action. In case, if a strategy runs in a different way or goes wrong, many people look for another plan that will work within their governing variables. Those are the dimensions that people are trying to keep within the acceptable limits, like norms, policies and objectives. *Argyris/Schoen* term this process **Single-loop learning**. On the other hand **Double-loop learning** is conducted, if the governing variables are critically questioned and the willingness and ability for a modification of these underlying limits is existent (*Argyris/Schoen* 1978, pp. 2).

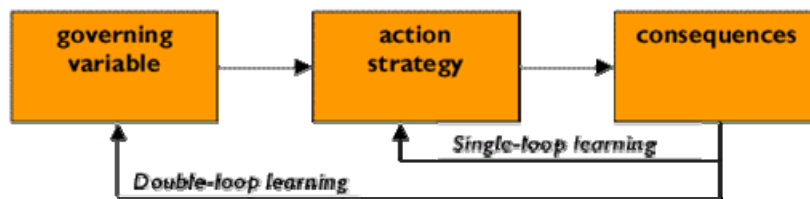


Figure 8: Single-loop and Double-loop learning
(Smith 2001, n.p.)

In addition, *Pedler et al.* (1988) produced a working definition for a Learning Organization after looking at a number of organizations and confer with the literature as follows:

"An organization, which facilitates the learning of all its members and continuously transforms itself".

According to *Pedler et al.* (1988) a Learning Organization is more than just one which engages in a great deal of training. The development of individual skill is certainly a key part of the concept of the need for Organizational Learning. In fact, they state that a learning company is one in which "learning" and "working" are synonymous elements. It illustrates moreover a form of being rather than just a way of doing. *Pedler et al.* (1988) summarizes a Learning Organization as one which:

- Has an environment that provides its individual members the possibility to learn and to develop their full potential
- Develops this learning culture in order to include customers, suppliers and other significant stakeholders
- Establishes a human resource development strategy central to the business policy
- Is in a permanent process of organizational transformation

In the *Harvard Business Manager Review* from March 2008, *Garvin et al.* (2008) illustrate an assessment online tool which is able to identify respective areas in a company in order to support knowledge sharing, idea development, learning from

mistakes and holistic thinking. Furthermore, it's a comprehensive survey instrument to measure the learning that occurs in a department, office, project or division based on the referred three following building blocks of a Learning Organization (*Garvin et al.* 2008, p. 109-116):

- **Supportive Learning Environment** including the characteristics Psychological Safety, Appreciation of Differences, Openness to New Ideas, Time for Reflection
- **Concrete Learning Processes and Practices**
- **Leadership That Reinforces Learning**

Each of these building blocks and its separate subcomponents, though fundamental to the whole, are independent and can be measured separately in great detail. Organizations do not perform constantly in all blocks and therefore they require different supporting activities to enhance their improvement performance. Basically, they are able to conduct individual profiles of their Organizational Learning status and finally compare them with the benchmark that is integral part of the tool (*Garvin et al.* 2008, p. 109-116).

In conclusion, each organization that is going to implement a change initiative or Business Process Optimization project has to make sure, that the leadership acts as a convinced and believable guide and lead employees to be open minded for a learning process and ongoing reinvention of their workflows.

2.7 People change management

“Everybody is for change: I think that you should change, that she should change, that they should change, but should I change? NO WAY. I have everything under control already. If the other people who are causing all the errors and wasting all the money will change, that's all that is necessary” (*Harrington et al.* of Ernst & Young 1997).

The execution of Business Process Optimization and its achievements are first and foremost owned by the people in the trenches. The most effective and efficient new

or redesigned process will be valueless, if the people do not understand the processes and reasons for change or they are even not convinced to use them. Therefore, people need to be incorporated as an integral part of the progress journey. They have to understand obviously what is expected from them and what their role is in the new structure and processes. Their performance procedures need to be moreover developed in consultation and agreement with the employees from the beginning of the optimization project (*Jeston/Nelis*2006, p. 7).

Stanic/Boyle (1999) add that it would seem ridiculous not to involve staff in developing new ideas and initiatives from the beginning. Basically, they have the closest contact to the customers and they have a reflective impact on their perception of service quality. These frontline people know the real problems, gaps and potential process improvements from their day-to-day experience (*Stanic/Boyle* 1999, p. 51).

Hiatt (2006) describes that successful change is fundamentally addicted to the question: “how to facilitate change with each individual person?” In his ADKAR model, he provides a framework for the understanding of change including five essential elements as building blocks, which must be in place for effective realization of each change (*Hiatt* 2006, p. 1):

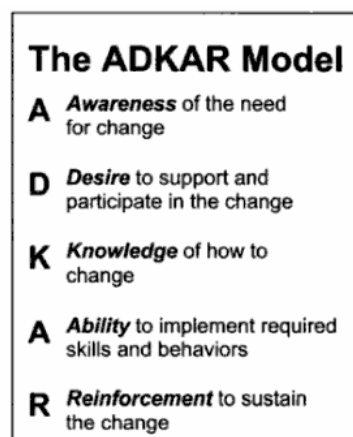


Figure No 9: The ADKAR model for change by Hiatt
(*Hiatt* 2006, p. 1)

Awareness stands for the overall understanding of the nature of change including internal and external drivers and the consequence if no change is executed. Further on, it contains the personal position and opportunities of each individual participant. **Desire** characterizes the motivation to support and engage the change initiative. It moreover depends on the personal choice, influenced by the nature of change, the personal situation as well as intrinsic drive forces that are unique to each person. **Knowledge** represents the information and education in order to be prepared for the change. This contains the information about behaviors, processes, tools, systems, skills, job roles and techniques that are essential for the implementation of change. **Ability** stands for the realization of change and is about turning the knowledge into action. The ability block is moreover realized when a person or group has the confirmed capability to implement the change at the required performance levels. **Reinforcement** signifies the internal and external factors that maintain a change. External factors reinforcements contain acceptance, rewards and celebrations that are attached to the implementation of change. Internal reinforcements are a person's internal satisfaction with the achievement or other personal benefits through the change (*Hiatt* 2006, p. 2, 3).

Furthermore, the ADKAR model as a diagnostic tool supports managers in the change management process to identify gaps and provide efficient coaching for the employees in order to give them an understanding of their own position in the change initiative. The change can be break down into parts to recognize where the change is failing and moreover to address that impact point. Figure No 10 shows the two dimensions of change (business dimension and people dimension of change) according to *Hiatt* (2006):

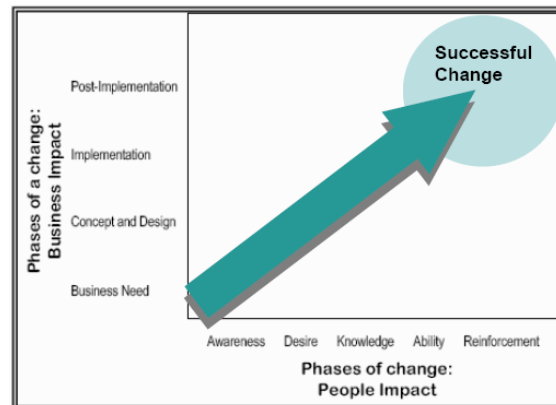


Figure No 10: The ADKAR dimensions

(Modified by author according to *Change Management Learning Center* 2008, n.p.)

The **business dimension of change** includes the typical project elements like (*Change Management Learning Center* 2008, n.p.):

- Identification of business needs and opportunities
- Definition of project scope and objectives
- Design of business solution (new processes, systems and organizational structure)
- Development of new processes and systems
- Implementation into the organization

The **people dimension of change** is related to the ADKAR model and in addition to the experience and solicitousness of the involved employees. According to researches from the *Change Management Learning Center* (2008), this dimension of change is the most commonly cited reason for failure in change projects. Further on, successful change is only possible, when both dimensions of change take place simultaneously (*Change Management Learning Center* 2008, n.p.).

The “Best Practices in Change Management” report from the *Change Management Learning Center* (2008) presents comprehensive findings from 288 organizations like *IBM*, *Intel*, *Nestle USA*, *Shell*, etc. on their knowledge and lessons learned in change management. The key findings of this best practices research are (*Change Management Learning Center* 2008, n.p.):

- The number one contributor to project success is strong, visible and effective sponsorship
- The top obstacle to successful change is employee resistance at all levels: front-line, middle managers, and senior managers
- Employees want to hear messages about change from two people: the Chief Executive Officer (CEO) or their immediate supervisor
- When asked what they would do differently next time, most teams would begin their change management activities earlier in their next project, instead of viewing it as an add-on or afterthought
- The top reasons for employee resistance are a lack of awareness about the change, comfort with the ways things are and fear of the unknown
- Middle managers resist change because of fear of losing control and overload of current tasks and responsibilities

2.8 Conclusion

Nowadays, there are a lot of terms and theoretical approaches for the management and improvement of business processes. They all focus targets like the minimization of costs and time, the development of customer and employee satisfaction or even the enhancement of IT solutions. Several scientists, managers and companies developed techniques and tools, but in reality only the mapping tools like *ARIS* are widely-used. As far as the implementation phase is concerned, there is not really an approved and measured standard-method that promises a successful execution. Predominantly, this is because of the fact that implementation is conducted by the involved people who have to change their working processes, conditions and even their habits. This finally tends to the assumption that the causes for failure and possibilities for success of BPO projects, amongst other things (wrong strategy, less creativity, etc), are connected to the applied psychology. In conclusion, a sustainable and ongoing Business Process Optimization initiative is mainly dependent on the buy-in of the respective involved people, their willingness and enthusiasm for learning and change and therefore the particular approaches like people change management and Organizational Learning.

3 Mercedes Benz Financial Services (MBFS) Singapore

3.1 Position in the Daimler AG portfolio

The history of **Daimler AG** goes back to the middle 1880s and the two engineers *Carl Benz* and *Gottlieb Daimler*, who invented the worlds first motor car in 1886 and marked the beginning of a worldwide enterprise. Today, the *Daimler AG* focuses its core business on *Mercedes-Benz Cars*, *Daimler Trucks*, *Mercedes-Benz Vans*, *Daimler Buses* and *Daimler Financial Services*. The Financial Services distribution has a broad offering of financial services, including vehicle financing, leasing, insurance and fleet management (*Daimler AG Internet 2007/2008*).

In November 1998, *Daimler-Benz* merged *Chrysler Corporation* to *DaimlerChrysler AG* for 37 billion US Dollars. But in 2005 the U.S.-based automakers were confronted with a high increase of the gasoline prices, added to the fact that they depend much more in sales of light truck models (Sports Utility Vehicles (SUV), pickups and minivans), than on the more fuel-efficient car models, where Japanese automakers dominated the U.S. sales. About three out of every four vehicles that *Chrysler Group* sells in the United States is a light truck, the highest percentage of any automaker. But sales of light trucks have seen their overall share of the U.S. market fall, to 53 percent in 2006 from nearly 56 percent in 2004. That's was the main reason for the *Daimler AG* to announce the Company sale of 80.1 percent of the *Chrysler Group* to American private equity firm *Cerberus Capital Management*, on May 14th, 2007. Finally, the deal was concluded on August 3th, 2007 and the company gained its current name *Daimler AG* on October 4th, 2007 (*Isidore, Chris 2007, n.p.*).

Nowadays, the *Daimler AG* is owned by European, U.S. and other international investors with more than one billion shares (December 31th, 2007) circulating. The management board consists of six members and is headed by the chairman Dr. Dieter Zetsche. According to the German Co-determination Law, the supervisory board of *Daimler AG* consists of twenty members, of whom ten are nominated by the shareholders and ten are representatives of the employees. The core functions of

the supervisory board include the control and monitoring of executive management, appointments to the board of management and the approval of the operative planning and important corporate decisions (*Daimler AG Internet 2007/2008*).

Daimler Financial Services AG (DFS) provides leasing and financing solutions to promote the vehicle sales of the *Daimler* group's brands worldwide. The product portfolio includes financing, leasing, insurance concepts and fleet management services. Operating in more than 40 countries, the Berlin-based company currently has a workforce of about 6,500 employees worldwide and is responsible for a contract volume of 58 billion Euros (*Daimler Financial Services Internet 2007/2008*).



Figure No 11: Portfolio of Daimler AG
(*Daimler AG Intranet 2007/2008*)

Daimler South East Asia (DSEA) is located in Singapore and plays the key role for the business development in the Association of South-East Asian Nations (ASEAN) countries and some general distributor markets in South Asia. The company's core activities in this region include passenger cars, commercial vehicles and financial services. With unit sales in 2005 of around 21,000 vehicles, the market centers of South East Asia are among the most important for the *Daimler AG*, outside Europe, the US and Japan. *Daimler South East Asia* is currently located at Centennial Tower in Singapore with a workforce of about 300 employees. Business development and sales and service functions for the company's existing portfolio, as well as additionally shared services and function in the fields of sales and service network development, IT-services, purchasing coordination, planning, controlling and

communications are conducted here. In Indonesia, the *Daimler AG* actuates a wholly owned production and assembly facility for *Mercedes-Benz* vehicles. In Vietnam, the company has a majority participation in a joint venture to assemble *Mercedes-Benz* vehicles in a factory near Ho Chi Minh City. And in countries like Thailand and Malaysia, the group has contract production facilities for *Mercedes-Benz* products. The *Daimler AG* is furthermore committed to Asia and aims, through its strategic alliance with *Fuso*, to enhance its recognition and business opportunities in the future and to be a significant competitor in this part of the world (*Daimler SEA Internet* 2007/2008).

The ***Daimler Financial Services Africa & Asia Pacific (DFS AAP)*** region was created in December 2004 as a result of parts of Latin America Africa & Middle East merging with Asia Pacific. The *DFS AAP* Headquarter, located in the Centennial Tower in Singapore is furthermore responsible for all financial products in the regions: Australia, China, Japan, Hong Kong, Israel, New Zealand, Singapore, South Africa, South Korea, Taiwan, Thailand and Turkey. The section of Africa and Asia Pacific is also of major strategic significance to the *Daimler Financial Services AG*, since the group manages a contract volume of more than five billion Euros. In Japan, the largest market, the company has been active for 15 years. Since November 2005, *Daimler Financial Services AG* is the first in China providing customer & dealer financing as well as insurance services for passenger cars, and commercial vehicles. Furthermore, AAP is still an attractive market which has potential for growing and implementing financial services (*Daimler AG Intranet* 2007/2008).

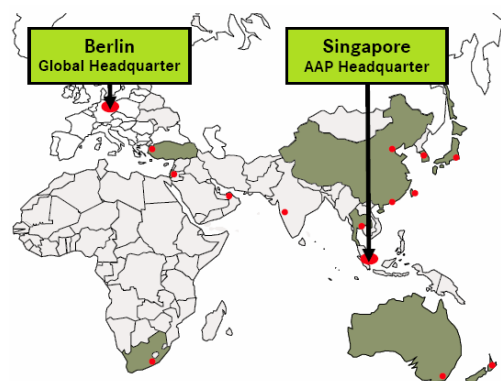


Figure No 12: DFS Headquarters
(*Daimler AG Intranet* 2007/2008, modified by author)

In addition to the DFS AAP Headquarter, **Mercedes Benz Financial Services (MBFS) Singapore** serves as the operative financial service provider and is positioned at the Beach Road Gateway West in Singapore.

Primarily, it was integrated as *Associated Merchant Bank Private Limited* in Singapore under the Companies Act in March 1973. Then the name was changed to *UMF Pte. Ltd.* in September 1994 and subsequently in May 1995 it converted to a public company and changed its name to *UMF (Singapore) Ltd.* The shareholders for *UMF* were *Jardine Cycle & Carriage Ltd. (JCCL)* and *Daimler Financial Services AG*. DFS acquired a 40 percent equity interest in *UMF (Singapore) Ltd.* in April 1999 and was increased to 50 percent in March 2003 (*Daimler AG Intranet 2007/2008*).

JCCL is a public company listed on the *Stock Exchange of Singapore Ltd.* and the exclusive dealer for *Mercedes-Benz* in Singapore. The company also distributes other brands of passenger cars and commercial vehicles in Singapore, Malaysia, Indonesia, Thailand and Australasia and provides investment holding, property development and property investment. This strategic partnership enables MBFS to easily access the point of sale of *Mercedes-Benz* and *Mitsubishi* vehicles in Singapore (*Daimler AG Intranet 2007/2008*).

In December 2007, *Daimler Financial Services AG* obtains an additional 35 percent stake in *UMF (Singapore) Ltd.* from *Jardine Cycle & Carriage Ltd.* for 22 million Singapore Dollar (SGD) in cash. *Daimler Financial Services* acquired therefore 7.56 million *UMF* shares. The consideration was reached on a willing buyer and willing seller basis, based on the estimated net asset value of *UMF (Singapore) Ltd.* as at December 19th, 2007. Upon completion of the acquisition JCCL owned 15 percent stake in *UMF (Singapore) Ltd.* The transaction had no material impact on the *Jardine Cycle* group's net tangible assets and earnings per share for the year ending December 2007 (*Daimler AG Intranet 2007/2008*).

In September 2008, *UMF (Singapore) Ltd.* has changed its name into *Mercedes Benz Financial Services Singapore Ltd.* in order to benefit from the existing and accepted brand identity of *Mercedes Benz* in Singapore (*Daimler AG Intranet 2008*).

3.2 Core business: Captive Finance

Basically, the *Daimler Financial Services AG* offers financial services by providing financing, leasing, insurance, fleet-management and banking to promote the vehicle sales of the *Daimler AG* group's brands worldwide. *DFS* is operating in more than 40 countries and therefore the most international Captive Finance Company of the world. According to *Downes/Goodman* (2003) a **Captive Finance Company** is described as:

“...a wholly owned subsidiary that exists primarily to finance consumer purchases from the parent company. Although these subsidiaries stand on their own financially, parent companies frequently make subordinated loans to add to their positions. This supports the high leverage on which the subsidiaries operate and assures their active participation in the commercial paper and bond markets” (*Downes/Goodman* 2003, p. 262).

Summarized, the core business of *Daimler Financial Services* is generally about financing the cars of its brand partners, predominantly *Mercedes Benz Cars*, *Daimler Trucks*, *Daimler Buses* and *Daimler Vans*. In some countries *Daimler Financial services* also provide financial products to customers of other automotive brands. The portfolio and the main financial products of *DFS* will be basically illustrated in the following section.

Financing and Leasing

In many countries, *Daimler Financial Services* has received banking licenses that allow the company to issue loans. Customers who select this form of financing usually plan to obtain ownership of the vehicle by paying the monthly installments over the term of the financing contract, after which the car belongs to them. Customers can choose among different down payments and financing periods. In some markets, *Daimler Financial Services* also offers balloon-payment packages with monthly rates that are lower than those in a leasing contract. Here, customers decide at the end of the financing period whether they want to return the vehicle,

finance the remainder of the loan, or pay it off in cash. *Daimler Financial Services* remains the owner of the vehicle in all leasing contracts. Customers merely pay to use the vehicle and generally return it to the company at the end of the leasing period. Service-leasing packages combine the leasing contract with various service components, like maintenance, repairs, tire services, etc. (*Daimler AG Intranet* 2007/2008).

Fleet Management

Basically, Fleet Management is the administration of a vehicle fleet including partial or overall services, such as vehicle purchase, leasing and financing, logistics, reporting, driver management, fuel management, health & safety management, remarketing, etc. In Europe its *Daimler Fleet Management* and *Mercedes-Benz CharterWay* subsidiaries offering Fleet Management packages for passenger cars and commercial vehicles. If desired by the customer, those services can be expanded to include complete management of entire fleets. In additional countries Fleet Management is implemented in different characteristics. Often there is cooperation between the brand partners and *Daimler Financial Services*, occasionally all services are still provided by dealer itself. Fleet Management is a growing market and *Daimler Financial Services* is constantly working on several projects to increase and complete their markets (*Daimler AG Intranet* 2007/2008).

Insurance

Daimler Insurance Services is focusing its activities on worldwide insurance policies including automotive insurance, gap insurance and payment protection insurance. The insurance services unit is also responsible for the business insurance of all *Daimler AG* production sites and for company and private old-age provision for the group employees in Germany. The Corporate Insurance division is responsible for the design of individual insurance and reinsurance programs, assignment of the worldwide group insurance programs in the primary and reinsurance market, as well as for the development of the technical provisions of the risk management concept for the whole *Daimler* group. In the staff and private client business, an in-house company, the *Daimler Vorsorge und Versicherungsdienst GmbH*, arranges old-age provision and insurance products for *Daimler AG* employees in Germany and

supports the human resources department with its company old-age provision. Since 2007, the *Mercedes-Benz Bank* has been responsible for motor insurance policies at the point of sale and for staff and their families. This makes it possible for customers to acquire leasing, financing and insurance from a single source. To increase the contribution to operating profit made by automobile insurance policies worldwide, in early 2006 *Daimler Insurance Services* established the automotive insurance unit. It sees itself as an international service provider for the *DFS* regional companies and, among other things, provides centrally negotiated master agreements with internationally operating insurance companies. With its comprehensive set of regulations the Center of Competence (CoC) supports product and portfolio development as well as transparency and quality assurance. The regulations form the basis for continued insurance growth on the international markets. With comprehensive insurance policies tied to repair shops, customers worldwide are directed to *Daimler*-affiliated repair shops where they can expect original parts and the standard of a *Daimler AG* repair shop. These comprehensive policies tied to repair shops not only ensure better shop utilization capacity but also promote parts sales and sales of new vehicles (*Daimler AG Intranet* 2007/2008).

Banking

In several regions, the *Daimler Financial Services AG* offers credit cards in close cooperation with the group's automotive brands. In addition, the *Mercedes-Benz Bank* offers overnight money accounts, savings plans, fixed interest rate accounts, investment funds and certificates in Germany. These new banking products allow *DFS* to reach additional customer segments (*Daimler AG Intranet* 2007/2008):

- Supplements the automotive value chain by generating additional earnings and supporting vehicle sales
- Cross-selling increases customer loyalty to group vehicle brands
- Helps win over new clients that have not yet bought a *Daimler AG* product
- Opens up a favourable source of refinancing for the leasing and financing business

The following section will provide an overview of the effective global change program at the *Daimler Financial Services AG* and a running Business Process Optimization initiative as an integral part of it. Furthermore, a BPO case study at *Mercedes Benz Financial Services Singapore* is provided including a concrete Business Process Optimization example.

Due the fact, that nearly all information is referred to internal corporate material, the *Daimler Financial Services AG* Intranet, Interviews and personal work experiences, only the scientific and significant sources will be listed in the following part of this thesis. In addition, this chapter includes confidential corporate material and therefore any form of publication is not allowed from the position of the *Daimler Financial Services AG*.

4 Business Process Optimization at MBFS Singapore

4.1 BPO in the Captive # 1 program

After the de-merger of the *DaimlerChrysler AG*, the group has to face new challenges within the whole company. Especially the impact on the *Daimler Financial Services AG* becomes apparent and results in a portfolio decrease of 50 percent, a costs decrease of 40 percent and a profit decrease of 60 percent nearly from one day to the other. Based on the *DFS* Balanced Scorecard, the organization formulated the organizational change program “*Captive # 1*” with the following scope and objectives:

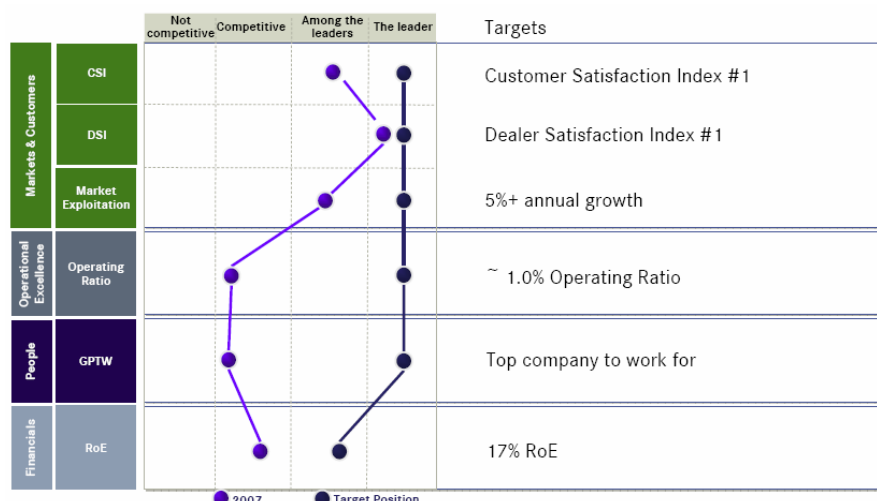


Figure No 13: The Captive # 1 objectives
(*Daimler Financial Services Intranet 2007/2008*)

“The strategic target for *Daimler Financial Services* is to become the best financial services provider in terms of customer and dealer satisfaction, provide optimal support to our brand partners, sustain growth, work effectively and efficiently, be a top employer, and achieve sustainable profitability. *Captive # 1* is a global and comprehensive program to achieve this target. It is based on a high performance culture and focuses on efficiency and growth” (*Daimler Financial Services Intranet 2007/2008*).

The *Captive # 1* structure is based on the four core themes **Leadership & Culture**, **Efficiency**, **Growth**, and **GPS** (Global Products, Processes and Systems).

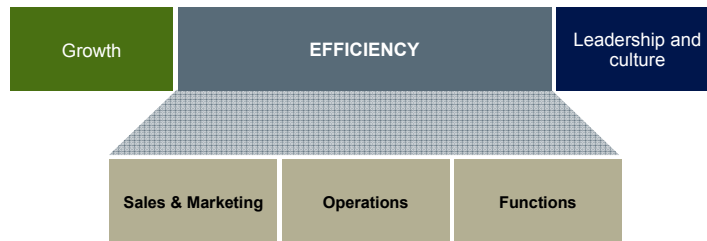


Figure No 14: The Captive # 1 core themes
(Daimler Financial Services Intranet 2007/2008)

Leadership & Culture wants to ensure that more than 7000 employees and leaders of *DFS* become part of the *Captive # 1* program. In addition, it's about delivering the strategies and how to motivate and energize the entire organization to shape the future together.

- Develop the leadership capacity that enables *DFS* to deliver *Captive # 1*
- Enable the organization to embed and sustain *Captive # 1* initiatives across all core themes
- Create and sustain a *DFS* excellence culture

Efficiency is furthermore divided into the three sub themes *Sales & Marketing*, *Functions & Others* and *Operations*. In the following chapter, the main objectives of each core theme are provided in order to describe the Efficiency/Operations/ Business Process Optimization work stream in more detail. It's mainly the basis and driver for the *Quick Feet* project that serves as a BPO case study in this thesis at *Mercedes Benz Financial Services Singapore*.

Sales & Marketing

- Adjust sales and marketing functions to the ideal setup with the brand partner
- Improve the efficiency in all sales & marketing processes to get to the benchmark profitability

Functions & Others

- Measuring to improve the efficiency in all functions of the organization
- Cost base of all capacities needs to be analyzed and to be adjusted to the size of the business
- Tasks and responsibilities need to be investigated to minimize redundancy and to ensure a streamlined decision-making process

Operations

- Identify ideal operations set up for a benchmark captive finance company
- Focus on measures to come to live within *Captive # 1* timeframe
- Improve efficiencies in all operations processes with a savings potential of 62 million Euro (full effect in 2009)
- Create an implementation roadmap

For the *Operations* theme the five work packages Quick Wins, Process Optimization, IT strong2gether, Clusters and Hubs are conducted to achieve the benchmark on a global level in order to improve the effectiveness and support the growth of the company. It's moreover about focusing on costs in all operations and driving each process and the whole efficiency on a much better level.

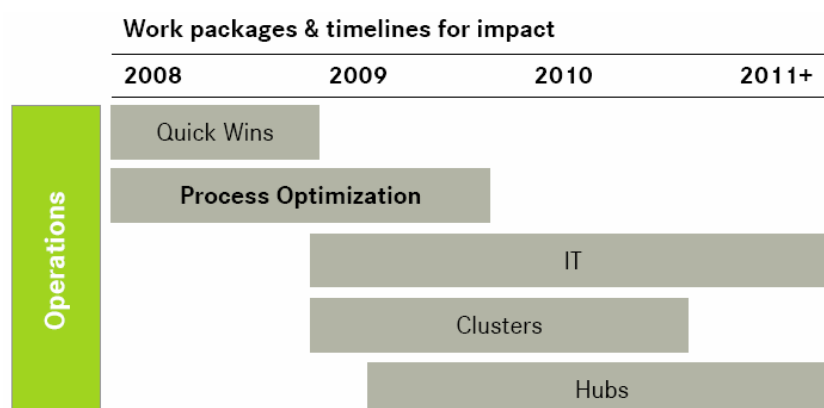


Figure No 15: Captive # 1 Operations work package timeline
(Daimler Financial Services Intranet 2007/2008)

1. Quick wins

- Create general attitude towards cost awareness
- Generated discretionary, yet sustainable savings via e.g. re-negotiation of contracts, project re-prioritization, elimination of waste, elimination of duplications

2. Process Optimization

- Analyzed operational optimization opportunities by sub-process by country [Cost/Income Ratio and percent of total Operating Expenses (OpEx)]
- Created list of best practices by each sub process to initiate local implementation
- Reviewed and revised business rules to improve efficiency while maintaining effectiveness

3. IT strong2gether

- Developed a list of measures to reduce IT costs
- Calculated the value of each opportunity

4. Clusters

- Looked for opportunities to integrate operations
- Five projects quantified, more potential projects identified

5. Hubs

- Analyzed hub opportunities, discussion/detailed quantification
- Identified two potential hub projects which could be executed within the *Captive # 1* timeframe

Growth is about finding and achieving profitable expansion potentials in the core business of the *Daimler Financial Services AG* and also in new sectors that are still related to the automotive value chain. These are all areas where *DFS* is not yet present today - product-wise and geographic-wise.

- Grow in core business profitably
- Drive regional expansion
- Expand product offering beyond existing landscape

GPS is creating modular product architectures, standardized processes, and a globally integrated IT landscape. The present structure of *DFS* is from their point of view far too complex and heterogeneous in those areas. GPS should enable *DFS* to transform from a “multi-local” company to one overall global enterprise.

4.2 DFS Business Processes & Projects

Centers of Competence (CoC)

As of November 2007, the former *Business Process Management (BPM)* and *Global Projects (GP)* departments merged to “*Business Processes & Projects*” (*BPP*). It executes products and services for process and project management and is involved in various global, regional and local change projects throughout the company. The *BPP* Centers of Competence provide expertise for *Daimler Financial Services* in process, project and project portfolio management as well as shared services/offshoring/outsourcing initiatives (*BBP Intranet 2007*).

BPP process management develops and implements standards and methodologies for business process documentation, analysis, optimization, and management for *Daimler Financial Services*. Its contributions range from thought leadership on process issues to extended roles in some of the company’s highest profile implementation and transformation projects. Within the *BPP* process management organization, the Methods & Services team develops and maintains the official *DFS* process modelling and documentation approach to ensure consistency and quality throughout the company and prepares and delivers training material on various process modelling and management topics for *DFS* globally. It also maintains and develops all of the technical aspects of the *DFS* process modelling toolkit, including *COB@ARIS*, the *DFS*-specific implementation of the industry-leading *ARIS* software tool, as well as several other supporting software tools, and provides coaching, consulting, and customer support to process modellers and managers throughout *DFS* and its local subsidiaries (*BBP Intranet 2007*).

The *BPP* project management department harmonizes global *DFS* standards and ensures quality through regular project reviews. It also provides expertise and project management resources for major projects. The project portfolio management is committed to establish transparency on the *Daimler Financial Services* project

portfolio and coordinate the approval and prioritization process for board of management-relevant projects. It facilitate the project approval process, coordinate the review and prioritization process and establish a regular reporting process for the relevant project portfolio to the board of management (*BBP Intranet 2007*).

DFS standards and tools

Daimler Financial Services Standards & Tools are developed to enable consistent project and process management at all levels of the organization. The *DFS ProcessHouse* is a guiding framework for all *DFS* processes, categorized as Management-, Business- and Support Processes and based on a hierarchical process structure with each successive level determining an increasingly detailed level of description. The given structure covers three levels which are considered to be standardized. Any lower level is specific and reserved for the detailed documentation of processes in terms of flow charts. The *DFS ProcessHouse* should cover the majority of corporate processes and concentrates on the most relevant, common and recurring procedures. It names and defines processes with no regard to business structure or function, allowing descriptions to overlap different business departments. As a consistent basis for the description of *DFS* process architecture, it encourages (*BBP Intranet 2007*):

- Increased transparency and reduced complexity
- Comparison and optimization
- Common process language and understanding
- Reduced redundancy and duplication

It is a basis for knowledge sharing, transfer of target processes and standardization. The *ProcessHouse* provides a guiding framework for process management activities at all levels of the organization, (local, regional, corporate, group wide), including alignment with IT. The stable structure of the *DFS ProcessHouse* allows documentation to be re-used for different purposes and transferred between projects.

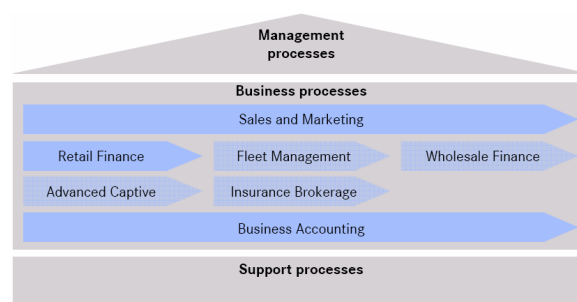


Figure No 16: The ProcessHouse of DFS
(BBP Intranet 2007)

The *DFS* Management processes are defined as comprehensive processes which govern and affect all core and support processes, (e.g. strategy development, planning/controlling, and risk management). Business processes are customer and/or dealer-facing processes, covering the activities which generate business and fulfill the main business purpose, (e.g. retail, fleet, wholesale, etc.). Support processes define activities that sustain other processes. These processes may be cross-functional and can cover or interface with some of or all other management and business processes, (e.g. human resources, IT management, treasury, etc.). Multiplicities of process management tools were in use at *Daimler Financial Services* before Business Process Management was totally established. The decision for the right process management tool was made based on a tool evaluation. This evaluation was used to analyze established process management tools according to objective criteria and in the end to ascertain a tool that meets the requirements of a company-wide software solution for process management. The following objective criteria were applied to evaluate the tools (*BBP Intranet* 2007):

Supply of methods	Database administration
Database functionality	Client-/server-architecture
Modeling functions	Analyzability of data
Multilingualism	Technical interfaces
Web presentation	Simulation
Conventions	Costs

Image No 17: Objective criteria derived for BPO tools
(*BBP Intranet* 2007)

ARIS method stands for *Architecture of Integrated Information Systems* and provides a framework and standard toolbox to design, implement and control business processes. The developer of *ARIS* is *IDS-Scheer*, which is specialized in process management solutions and located in Saarbruecken/Germany. The *ARIS* standard toolbox was used as basis for the development of the *COB@ARIS* method that meets the specific requirements of the *Daimler Financial Services AG*. In this context COB stands for “Challenge our Business” and is a holistic approach to enforce standardization and simplification via process management. Prerequisite for all process management activities is the standardized process documentation. The *DFS* approach represents the process management activities, their sequence and dependence over a certain time. Furthermore, it clearly shows that methods and tools and documentation are basis and starting point for all following process management activities. The business target will be a continuous process improvement that is based on measuring, analysis and optimization as well as regular monitoring (*BBP Intranet 2007*).

The business reality is differentiated into single objects in *ARIS*. With the help of these objects the business processes can be illustrated. The structure of the objects is oriented on the *ARIS House* and based on different colored symbols for people, functions, events, IT systems, documents, etc. The following picture shows an example for process mapping with *COB@ARIS*:

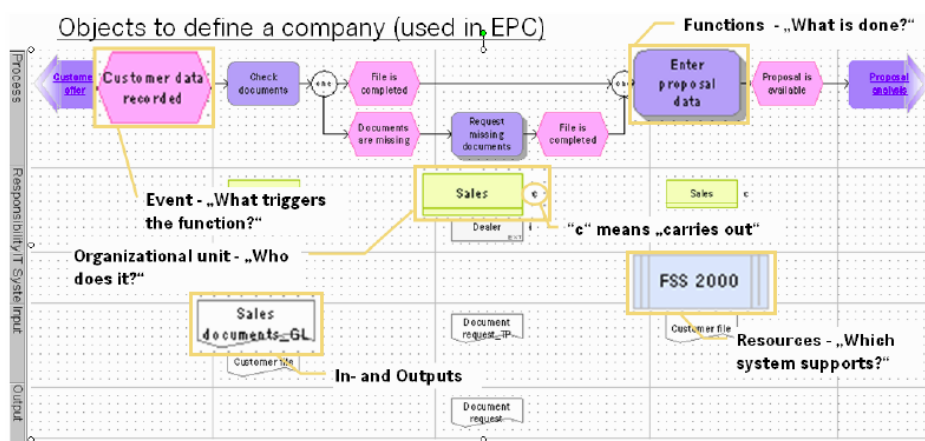


Image No 18: Example for COB@ARIS process modeling
(*BBP Intranet 2007*)

4.3 Preceding projects and lessons learned

Since 1997 *DFS* initiated and executed various projects at *MBFS* [earlier *UMF (Singapore) Limited*] with the overall target to optimize their workflows. Furthermore, these improvements were implemented in order to design the processes more efficient (from the cost and time perspective), to improve the service for the customers and develop them even more comfortable for the employees. In addition, each system or software has to be enhanced time by time, because standards and processes are changing and therefore systems have to be updated or even a new version has to be created.

In the year 2000 *DFS* discovered, that their contract management software in several countries was missing some essential functions and even a lot of processes were done manually, which was not efficient and comfortable at all. Finally, they started an initiative with *Netsol International Inc.* in Australia, Singapore and Taiwan, with the core target to implement a completely new software system, which is able to manage the whole retail finance processes.

Name/ Scope:	Development & implementation of the Contract Management System (CMS)		
Duration:	01.01.2000 - 01.01.2003		
Developers:	Netsol International Inc.		
Countries:	Mercedes-Benz Finance (Australia)	UMF Limited (Singapore)	Tung Yang Leasing (Taiwan)

Figure No 19: CMS project fundamentals
(Figure by author)

“The Contract Management System (CMS) will manage instalment contracts for financing of vehicles. Instalment contracts include hire purchase and leasing contracts with customers. The user will be able to establish, maintain and terminate such financial contracts” (*Netsol International Inc.* 2000).

Fundamentally, workshops were initiated, where developers and the key users modulated their proposals and requirements for the new program. These improvements were collected and combined into the new system. Subsequently, the program was presented to the employees to demonstrate them the first result, show them the screen, announce the functions and give them a final chance to add proposals and corrections. After a second test with the key users, the management of *MBFS* started to roll out the new Contract Management System. It was mainly communicated to the employees by emails, memos and an official kick-off-meeting. Finally, an internal celebration was initiated including an incentive watch for every employee as a mark of recognition for their support.

The system was finally implemented according to the schedule and almost every employee has been accepting to use it for managing their installment contracts until now. But even a small percentage went back to some old manual processes. In spite of everything, some more critical notes according to still missing functions were mentioned from the users after the execution.

There could be varied reasons for these and other gaps in the execution of Business Process Optimization projects. Discrepancies between the requirements from the users and the understanding of the developer are mostly responsible for missing functions in new systems. Sometimes the users forget to mention some improvements or they are even not able to report to the specialists clearly what their needs are. The small motivation for changing processes, habits and routines causes also of varied personal and psychological reasons.

There are employees working for over twenty years, having their routines and their daily workflows standardized. These people are often afraid of changes, new technologies and the fact, that new processes could cause new mistakes. From their point of view they have no time to learn something completely new or they might also have a basic antipathy against new technologies. Furthermore, they are sometimes of the opinion, that the manually way is even more flexible and if they achieve their enquired results the management will be satisfied, no matter how they do this. In fact, if the communication and pressure from the management is low, the employees will automatically create their workflows personally as comfortable as possible by

achieving the required results. An analysis of the results regarding gaps and reasons as well as Interviews with the management and employees offered the following lessons learned:

- The management team needs to drive the project and be determined to carry it through
- Appoint dedicated project leader with strong credibility in the organization
- Get the buy-in from the Process Owners/users from the very beginning
→ Users need to come up with the recommendations and own them
- Find a bridge (agent) between technical and corporate process knowledge
→ Developers and users are speaking a different language
- Minimize structural changes until all process improvements are implemented
→ Structural change within projects causes information shortfalls
- Communicate permanently and follow up to avoid going back to old habits/processes
→ Users create their own solutions if there is no follow-up communication
- Mapped processes serve as basis for each optimization initiative
→ Process transparency is often missing
- Time savings need to result in cost savings, excess resources need to be redeployed

4.4 “Quick Feet” project at MBFS Singapore

4.4.1 Objective and scope

Primarily, all activities from *DFS BBP* including the BPO projects contain the ensuring of the following vision and mission guiding idea, messaged from the board of management of the *Daimler AG*:

“We are committed to being the best. In order to achieve this aspiration, we must live and breathe a culture of excellence. This culture is based on four values: Passion, Respect, Integrity and Discipline. Together, these values

create a framework which serves to motivate and to promote teamwork. Ultimately it is our corporate values that are the key to profitable growth and success. *Daimler Financial Services* wants to be the first choice provider of financial services for our dealers and customers” (*Daimler AG Intranet* 2007/2008).

The *Quick Feet* Project already started in November 2007 and was identified as an approach in the *Captive # 1* Efficiency/Operations/Process Optimization work package in May 2008. The early drivers for the project were the results from the foundation of the *MBFS* strategy in the end of 2006 and their defined essential key actions for 2007/2008. Their target was to ensure, that all systems, processes, procedures and people can deliver the services and products smoothly and efficiently in order to gain a better understanding of the Singapore automotive finance customers needs, together with the needs of the joint venture partner’s sales people. Each action required demanded detailed analysis like a complete Business Process Optimization together with a complete overall of business administration procedures. Concerning understanding the needs of the customers and dealer partners employed the *Looking Glass* methodology which resulted in the following initiatives:

1. Reviewing customer sales agreement terms and conditions
2. Implementation of *Mercedes-Benz Credit*
3. Implementation of *Fuso*² *Credit*
4. Pro-active engagement of dealer sales team
5. Introduction of dedicated *Mercedes-Benz Credit* consultants
6. Introduction of dedicated *Fuso Credit* consultants
7. Introduction of low interest finance product

Parallel, the *Amazing Service* program was initiated in order to earn the accreditation of the Singapore Service Awards, which serves as evidence that the company satisfies all requirements of being a fully customer oriented enterprise. *Quick Feet* rather started as an integral supporting project of *Amazing Service* and became then

² The Mitsubishi Fuso Truck and Bus Corporation is a Japan-based manufacturer which is hold by the Daimler AG with 85%

an integral part of *Captive # 1* with the overall target of improving internal efficiencies and effectiveness by reviewing all the business processes (customer, speed and cost perspectives). The identification of weak points and the leverage of improvement potentials lead to the business/service critical Turn Around Time (TAT), Cost Income Ratio (CIR) and Operating Ratio (OR).

Furthermore, the objective of *Quick Feet* contains the development and implementation of a benchmark company structure ensuring long term sustainability delivering on target whilst delivering benchmark customer service.

The *Quick Feet* related processes are all located within the business processes in the middle of the *DFS ProcessHouse*. These are customer and/or dealer-facing processes, covering the activities which generate business and fulfill the main business purpose (e.g. retail, fleet, wholesale, etc.). Furthermore the overall *Quick Feet* idea is based on the fact that improvements can be achieved through the three different approaches reduce, redesign and restructure.

	Reduce	Redesign	Restructure
Approach	<ul style="list-style-type: none"> ▪ Eliminate nonessential activities and idle time ▪ Reduce duplications and additional efforts/ inputs ▪ Reduce paper streams 	<ul style="list-style-type: none"> ▪ Focus on most essential processes ▪ Standardize and simplify processes ▪ Increase automation 	<ul style="list-style-type: none"> ▪ Restructure the organization and job scope to reduce handovers
Quick Feet Examples	<ul style="list-style-type: none"> ▪ Eliminate of third and fourth checks ▪ Eliminate unnecessary searches ▪ Reduce printings and paper handovers 	<ul style="list-style-type: none"> ▪ Enhance system to auto generate documents ▪ Standardization between PC and CV processes 	<ul style="list-style-type: none"> ▪ Create a dealer support center with front end functions and a customer support center with back end functions

Figure No 20: The three Quick Feet improvement approaches
(DFS AAP P&P 2008)

4.4.2 Project phases

At the overall beginning of the *Quick Feet* project, the **Scope Identification** in accordance with the *Houston* project management methodology³ was pursued. Specifically, all relevant customer processes with critical TAT, CIR and Operating Ratio were determined and the set-up of the multifunctional project team was pursued (Project steering, Processes & Projects (P&P) department, IT department, Process Owners). Furthermore, a timeline for the relevant workshops was established where each workshop contained one day of analysis and one day of process observation.

After having initiated the project, a first sight analysis and documentation, which served as basis for the following detailed analysis and workshop preparation, were conducted. Key Business Indicators (KPI) and processes were measured in order to define a baseline. Subsequently, the **Investigation phase** started with the comparison of the existing process maps of *MBFS* and the target process maps from *BBP* in order to identify the gaps and weak points as well as potential process improvements. The process comparison was conducted as preparation prior to the relevant workshops from *DFS AAP Processes & Projects*. These applied workshops are an essential part in the context of Business Process Optimization, because they build up detailed results that are capable of being implemented. According to *Doppler/Lauterburg* (2000) workshops are defined as follows:

“Workshops involve manageable numbers of people meeting together in a group - an executive group, a project team, or a specialist committee - to work on a specific topic that is too complex for the scope of a normal meeting. Workshops are particularly useful for strategic and planning tasks. Workshops are key events in the context of medium-term and long-term processes of change, as they allow a plan to be developed or an important phase of work to be planned as far as the implementation stage” (*Doppler/Lauterburg* 2000, p. 253).

³ Guide/Toolkit for managing internal projects provided in the Daimler AG Intranet

To ensure that someone with professional competence and authority is looking at and taking action to improve the performance of a whole process, many organizations are appointing an employee as the Process Owner (PO) of each core process. These Process Owners as well as process users and a moderator from *DFS AAP* were all involved in the investigation workshops. Each owner of a process plays a significant role, precisely because he oversees the cross-functional performance and serves moreover as the conscience and champion of the entire process. Additionally, a Process Owner has some or all of the following responsibilities (*Rummler/Brache* 1995, p.167):

- Monitoring the process performance and report to senior management whether the process meets the customer requirements and the internal targets
- Chairing a process management team for setting goals, process plans, budgets as well as execute process optimization and monitoring
- Evaluation and certification of the process
- Managing the largest number of people working in the process

Additionally, the investigation workshops were conducted in such a close cooperation with the Process Owners/process users in order to get their buy-in from the beginning of the project. *DFS* as the initiator played moreover the role of a moderator than a disposer of improvements. If the Process Owner get the findings by himself, it's more probable that he will take care of the adequate implementation of these improvement procedures. Otherwise, the moderator could present his ideas in form of questions in order to find the results together. Furthermore, this approach is considerably more useful, because in the majority of cases people prefer the realization of their own ideas instead of accomplishing instructions from others.

The following figure according to *TQM International Ltd.* (1994) provides a potential Process Step Analysis checklist that could be helpful for these investigation workshops:

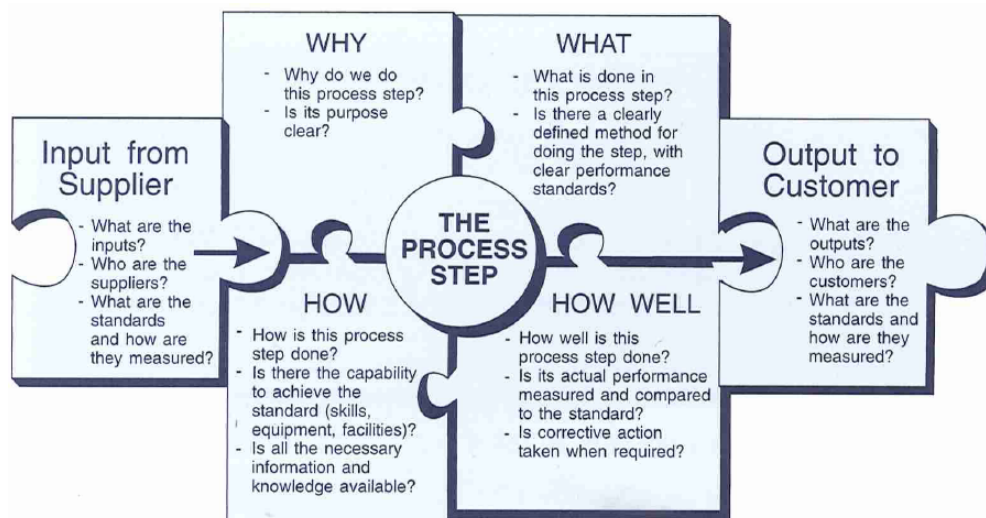


Figure No 21: Process Step Analysis checklist
(TQM International Ltd. 1994, p. 31)

The **Recommendation phase** was characterized by a definition, evaluation and selection of suggestions for process improvements. Besides, a quantification of recommended actions regarding benefits and costs was established. Specifically, savings in time and cost were estimated in order to calculate the benefit for each improvement measure. Time savings were transformed into Full Time Equivalent (FTE) savings (eight working hours per day) by considering the volumes of proposals and contracts per year. Finally, the recommended to-be processes were mapped and compared with the current processes.

After the approval decision of the recommended measures was made the **Implementation phase** started and an implementation strategy was established. Further on, an implementation plan with short-time, middle-time and long-time measures, responsibilities and deadlines were defined and confirmed by the respective managers. This phase is still in progress (until the end of 2008) and a lot of process changes require a longer period to be implemented. For example, significant system enhancements and structural changes need to be well prepared and organized. Integral changes in the organization, infrastructure and policies appeared to be capacious technically and politically effort. Finally, the results will be reviewed and evaluated in order to ensure that the expected goals were achieved.

According to *TQM International Ltd.* 1994 the implementation phase needs to pass into a “Continuous Measurement and Improvement phase” in order to avoid backslides in old structures, workflows and habits. The Process Owner’s role moreover continues with the following tasks (*TQM International Ltd.* 1994, p. 45):

- Ongoing measurement of the performance of the process
- Ongoing review of performance, leading to corrective action when necessary
- Periodic review of performance standards
- That a momentum of continuous improvement is maintained

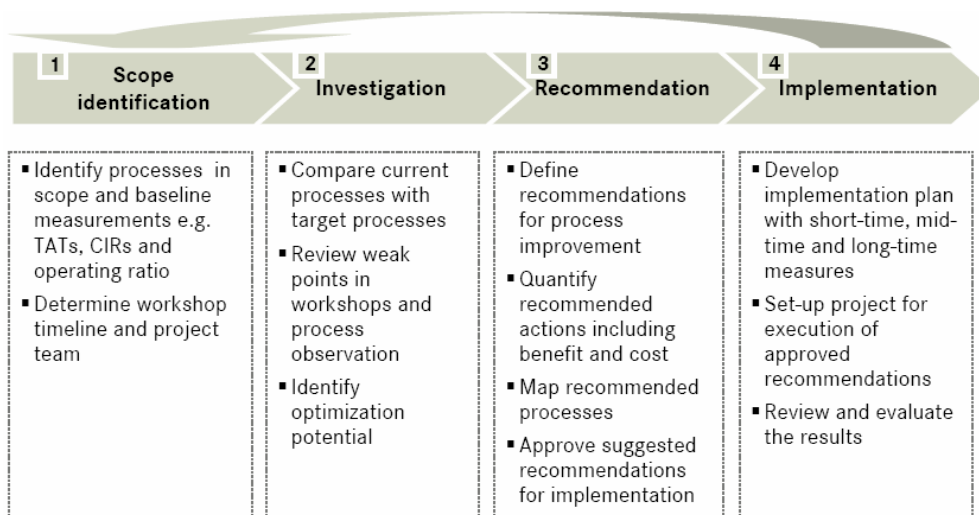


Figure No 22: The project phases of Quick Feet
(DFS AAP P&P 2008)

4.4.3 Business Process Optimization example

Mercedes Benz Financial Services regulates several business process areas like for example retail finance which moreover includes the process types contract origination, contract management, collections, re-marketing and business accounting that again contains a number of sub processes each. Although, the scope of this thesis does not contain a complete before/after analysis and description of each process improvement. To get a better overview about the *Quick Feet* approach, the

concrete optimization of the “Handling of Financial Changes” process will be illustrated in this section.

1. Comparison of as-is with the target process:

In this step the mapped as-is processes were compared with the target processes during a kind of open brainstorm in order to formulate questions, new ideas or findings for potential improvements within the processes. This collected material served as the main basis for the following workshops with the respective Process Owners. It has proved to be useful, if each BPO team member collect his own findings in order to discuss and collect all the results in one overall meeting. Further on, there are some general principles of a process that requires particular attention for Business Process Optimization:

- Reduce amount of non value-added time and activity
- Reduce amount of work in progress by avoiding bottlenecks and adequately staffing resources with demand
- Reduce complexity
- Focus on customer centric activities

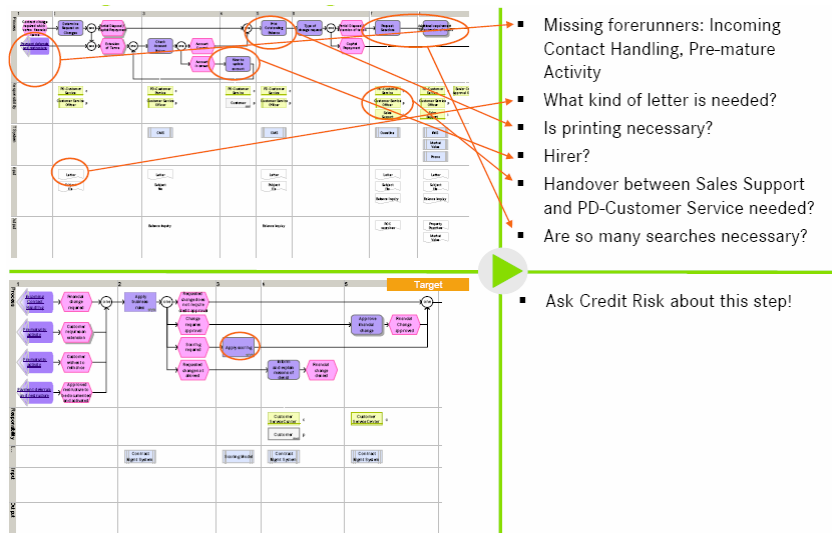


Figure No 23: Quick Feet process comparison example
(DFS AAP P&P 2008)

After that step, the main observations of the as-is processes and the advantage of the target processes were collected in a list in order to formulate issues for the relevant workshops. The target was to be well prepared only with helpful questions and suggestions, because the main findings were created by the Process Owners/users themselves. This was the foundation to get their buy-in and sensitize them for the process change. The comparison of the “Handling of Financial Changes” process resulted in the following short facts:

Questions/observations in the as-is processes

- Too many departments involved
- Too many workarounds in lieu of one system
- Mapping errors (functions confused with events, description errors, missing steps)
- Missing forerunner processes, functions and events
- A lot of checks

Key advantages in the target processes

- Only one department involved
- Only one system (collection module) used

2. Define potential recommendations via workshops

During the workshops every process contained one day of process observation including the participation of the respective Process Owner. There are several individual ways of driving a process workshop, but all target to the finding of potential improvement ideas via the PO. One possibility is to walk through the whole process and add the prepared questions at each respective step. In most cases, the Process Owner will come up with additional improvement ideas, because he generally has the best overview about his daily business and long time experience in the process.

After the workshops, the results were summarized in a list that includes the process step, the current situation, problems gaps, recommendations and potential benefit. This was finally the basis material to get the confirmation by the managers, to map

the to-be processes and to build an implementation plan that includes the defined tasks, responsibilities and deadlines.

Process Step	Current	Problems/ gaps	Recommendations	Benefit
■2	■In case of extension of terms it is checked whether the requested documents are included (NoA, NRIC photocopy, bank statements)	■Usually the documents are missing so that the Customer Support or the Sales Support has to contact the customer	■Communicate with the customer (homepage, welcome packet) the required documents in case of changes ■Check with CRM if some documents can be left out	■2 mins / change Custom. Service
■5	■The outstanding balance is printed by Customer Service to forward it together with the customer file to CRM	■Time and cost for printing information which is in the system	■CRM should use the system and the printing should be left out	■0.5 min / change Custom. Service
■7-8	■In case of partial disposal/ extension of terms property search and ROC searches are done and the market value is determined	■Property search and market value determination are very time consuming	■Leave the property search and the market value determination out	■12 mins/ change Sales Support

Figure No 24: Quick Feet recommendation slide example
(DFS AAP P&P 2008)

These recommendations effected various kinds of improvements, like for example the ending of unnecessary printings and double checks or even the minimization of handovers for a particular document. In the “Handling of Financial Changes” process the handovers and idle times were reduced by restructuring the processes ownership of the process steps in addition to eliminating non value adding steps within the process.

4.4.4 Achievements and benefits

The implementation phase of the *Quick Feet* initiative is still in progress and will be continued until the end of 2008, because of several system enhancements und structural changes which last for some more time. From the beginning of the implementation step until now, the following results have been achieved:

- Target Head Count (HC) reduction > 30 percent
- Target Operational Expenses (OpEx) reduction > 15 percent

- Increase company profits
- Improve customer service delivery
- Improve critical TATs
- Increase product portfolio
- Remove old redundant administration practices
- Introduce IT driven administration processes
- Reward high performance and remove low performers

4.5 Conclusion

The *Quick Feet* approach is pragmatic but very useful BPO method compared to a lot of other comprehensive Business Process Optimization concepts. The requirements for the project team are basically business knowledge, creativity, moderation skills and talent in inspiring and getting the buy-in from the involved people.

Quick Feet Success Factors:

- Clear & comprehensive communication plan
- Identification and engagement of key employees
- Identification & handling of redundant employees
- Transformation plan i.e. new job descriptions, new processes, proactive utilization of IT, new workflow

Quick Feet Challenges:

- Changing peoples mind set
- Motivating and exciting the team with a clear vision of the future
- Making redundant old practices getting support for new ones
- Integration of new structure within new company location
- Re-banding of new structure

5 Conclusion and recommendations

Business Process Optimization is a reasonable approach to adapt the significant changes in the economic and business environment by optimizing the quality and effectiveness of each company's workflows. There are various scientific approaches for a potential BPO project that all need to be aligned appropriate to the individual company. Both comprehensive methods and pragmatic approaches can result in successful process optimization.

However, a good theoretical framework does not directly lead an organization to successful improvements and savings. The majorities of people are generally afraid of change and enjoy the recent work status by feeling comfortable and confident to perform at an acceptable level. In fact, the involved people are not able to foresee if they will be successful in the changed new process.

Implementing Business Process Optimization to an organization can cause more problems and costs than it is worth, if the company does not manage the change in requisite manner and takes care of the effect on the customer. Basically, BPO methods can only succeed if the company challenges and changes the paradigms and corporate culture. It is a fallacy to think that processes could be changed without changing the behavior patterns or the people who are responsible for operating these processes.

The challenge is moreover to sensitize the people for the new processes and conditions and drive out their fear of change. Consequently, the management should be entirely convinced regarding the need and benefit of the initiative and able to communicate this to all involved people in order to encourage them as well. Approaches like Organizational Learning and people change management can be useful to understand the entire background of change and take the right measures. If the corporate culture is open minded and enthusiastic for required and positive change, the organization is ready for sustainable improvements and a continuous reinvention of itself.

Quick Feet is a successful example for a BPO initiative although *MBFS Singapore* still requires ongoing process monitoring, evaluation as well as BPM as integral part of their business-as-usual.

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Declaration of academic honesty

I herewith declare, in lieu of oath, that I have prepared this paper on my own, using only the materials (devices) mentioned. Ideas taken, directly or indirectly, from other sources, are identified as such.

This work has not been submitted in equal or similar form to another examination office and has not been published.

Singapore, 30.09.2008

(Signature)