

AGILITY by ARIS Business Process Management

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Preface

Agility and Execution – Organizational Success Through Flexible Business Processes

Only a company which is flexible, agile and responsive will be successful. The secret to success is agility, meaning the ability to quickly adapt company processes. Against this backdrop, IT is of particular importance as it is virtually the machine implementing company processes.

A variety of very different routes – much discussed in the IT world – lead to the goal of agility. The most radical of these is what is called extreme programming. The fathers of extreme programming assume that the user is not actually aware of what he really wants. There would be no sense in planning a solution, because the end user would not understand the plan anyway and, even if he did, he would permanently be making changes to it. This is why the ‘eXtreme’ programmers see more sense in working on solutions bit by bit and conferring with the end user in the same piecemeal way. This results in a test-driven, thoroughly experimental approach. However, one must concede that this approach does have agility, and it is this agility that one must try to carry over into other IT concepts. For one thing is clear: agility to IT generally means shortening introduction and adaptation cycles.

The concepts for the so-called Service-oriented Architectures (SOA) are taking the same – and in my opinion right – direction. Here, too, small functional building blocks are employed, which are represented by Services as standardized interfaces. These can be flexibly assembled to form entire business processes of an organization. A Service-oriented Architecture starts with a company’s processes. As a consequence of service-orientation, new and particularly more flexible ways evolve to carry out the technical implementation of business process requirements in IT. In order to achieve this, business processes must be described formally in order to be understood by the service-oriented IT platforms.

As a result, these descriptions gain a central importance as business process models. Using these operational business process models, software components can be configured flexibly to form solutions. Concentrating on the description of business processes enables the identification of meaningful standardization potential within complex organizations. At the same time, it is possible to react flexibly to changes in requirements. Process models, as well as the explicit consideration of business

rules to manage the variants of business processes, increase the transparency of Business Process Management. This is why *IDS Scheer* as the specialist for operational Business Process Management also considers the topics ‘Business Rules’, ‘Enterprise Architecture’, ‘Process Governance’ or even ‘Composite Applications’ to be themes for the second half of this decade.

IDS Scheer has succeeded in defining a quasi-standard for describing and steering business processes. We want to work on achieving the same for new topics such as Process Governance. Since all are closely related to Business Process Management, we have the chance of offering an integrated and comprehensive concept which includes consulting, content, methods and tools. Customer feedback is already showing that we are on the right path. Modern and open-minded companies, in particular, are currently discussing their future strategies with us.

Whatever business they may be in and wherever their location is – the secret for successful companies lies in their agility as well as their ability to immediately react to markets. ‘Agility’ and ‘Execution’ are the current terms to denote this – and they are more than mere buzz-words. At this point, I would like to go along with eXtreme programmers when I assert that agility is more important than keeping in line with a strict plan – this does not only apply to software but also to companies in general and those consulting them in process-optimization!

Prof. Dr. Dr. h. c. mult. August-Wilhelm Scheer

Saarbrücken, February 2006

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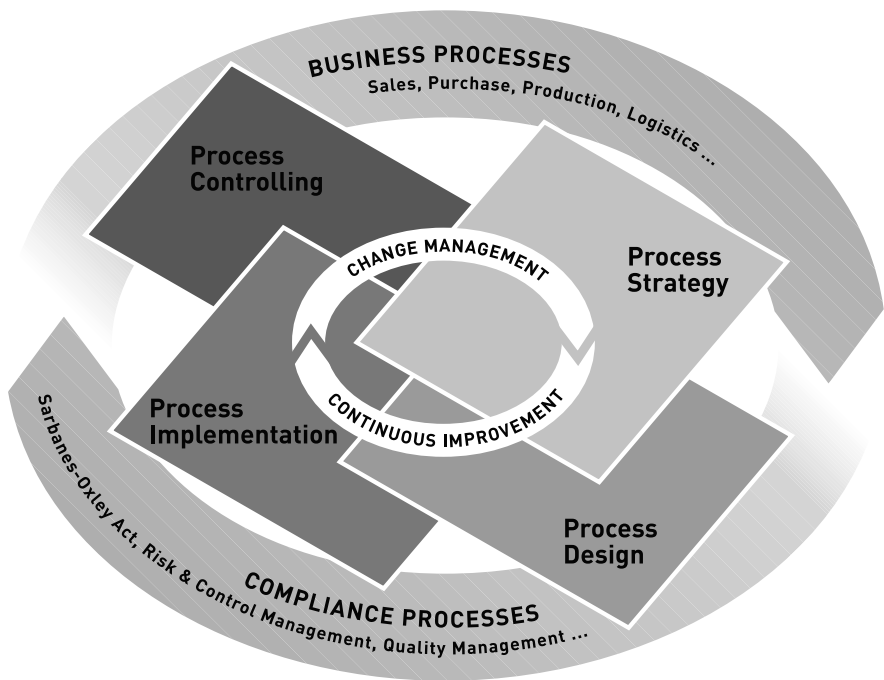
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Part I:

Business Process Lifecycle



ARIS – Software, Method and Instrument

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IDS Scheer AG

What can and must a software and consultancy company do for its customers? How must the portfolio of services be designed, in order to smooth the way towards more agility and better utilization in the business of customers from a wide range of sectors? What are the unique selling points?

In the software sector, competitor differentiation is through concrete functionality. However, the consultancy sector is, if anything, a ‘me-too-market’, in which only a few companies have acquired themselves a unique position by having original approaches and innovative products. *IDS Scheer* has not only adopted another, until this day, unique way with its products – with ARIS the company has developed a methodical approach that proved to be a complete consultancy innovation at its launch in 1992. At the first press conference, Professor Scheer stated that it was unthinkable that consultants advise customers on the introduction of modern information systems whilst they themselves are drawing the organization models using paper and pencil. Rationalization and efficient work practices are not only a theme for the customer, but also for the consultancy itself.

What was then computer-aided modeling using ARIS Toolset, has, in the meantime, developed into a comprehensive consultancy package for Business Process Management: ARIS Value Engineering comprises a wide spectrum of expertise, methodology, tools and solutions.

Gradually over the years, the ARIS BPM software has become a method and instrument for consultancy. Robust models, structured processes, semantically clearly defined contents, and pre-configured solutions were developed for each type of project. 20 years experience in consultancy on Business Process Management has flowed into ARIS Value Engineering. As with many products that have

become a brand and developed into an industry standard, the basic idea is elementary: using a simple descriptive language for business content, a knowledge database and software programs, the consultant has at his disposal a construction kit with instructions, which guide him through the complex project. With ARIS, the principle that one requires standards and pre-defined components to enable experiences to be reusable has been carried over to consultancy. At first, the prime interest were the logistic processes in the manufacturing sector, where ARIS was used as a tool for analysis and improvement. However, over the years, an increasing variety of sectors became interested in the business process expertise of *IDS Scheer*. Last but not least, the term ‘factory’ for back office processes in service organizations made it clear that business process excellence is a primary driver for competitiveness.

ARIS Value Engineering contains over 40 components and modules, numerous sector-specific reference modules and five core tools filled with over 100 sector- and solution-specific standards. This number alone clearly indicates that today’s consultancy has outgrown the know-how of a single consultant. Information systems are there to store and distribute knowledge, independent of individuals: in short, to make it reusable. The vocabulary of concepts is totally conformal. In addition to this, there is the integrative methodological concept: the *IDS Scheer* consultant works according to an integrative method and documentation concept. As early as the presentation stage, the customer is shown how his results are documented; he receives a precise idea of what he will receive at the end. Consistency is assured – from the initial outline right through to implementation.

The methodology is important as it ensures that data and information are homogeneous and each finding is integrated easily or can also be modified. Global project teams not only have a common Web interface, but also a common understanding of the business contents that cuts across any differences in language and culture. They all work according to the same semantic principle and with the same tools, thus ensuring that the outcomes of sub-projects match, any time, any place. Transparency and integration are guaranteed throughout the complete consultancy process, which in the ARIS concept is also described as ‘lifecycle’.

Closed System for Customer-Individual Requirements

ARIS Value Engineering is a closed system with quality-checked modules and components. The concept is targeted to completely fulfill the customer-individual requirements, whilst simultaneously utilizing the advantages of a standard product. ARIS can be best compared to a modular furniture system, made up of standardized and quality-checked components, which can be assembled in different ways to produce different pieces of furniture. The fundamental principle always remains the same, meaning that one can add to and rebuild at any time.

The development of a business process organization is more complex than building a shelving system: so this analogy can only be used conditionally. However, the basic principle is the same: from the start right through to the very end, one works with identically constructed components, so each module fits with any other module and they can be flexibly combined.

Using ARIS Value Engineering, top decision-makers can define the objectives of the business processes, including success factors and business areas. Then, so-called process owners take over the process models and use them to design the organization's core processes. It is the task of the IT department to use information systems to implement these processes. In the end, performance management ensures that these business processes are checked at the start of defined strategic objectives. ARIS Controlling means that the organization's processes are monitored continually throughout their duration. This is because the tool is directly set up on the application systems. This performance monitoring only supplies meaningful information if strategic aspects are combined with process-oriented and IT-related analysis.

From the Strategy to Controlling and Back

ARIS Value Engineering contains the monitoring tool ARIS Process Performance Manager, the basis of which is a key performance indicator system. This is used to define key indicators used to link the process performance with the controlling aspects of the business. It also enables the process to be continually monitored throughout its duration and triggers an alarm when it identifies hold-ups or deviations from the process model. In this way, customers like service providers always have up-to-date measurements, which also make the processes comparable and can be used as the basis for optimization measures. In this way an organization is able to set up a closed loop within itself, supporting a continual improvement in Business Process Management.

ARIS Value Engineering has developed a user-specific interface, tools and graphics for each phase so that each ARIS user can work in the most optimum environment for him. In order to map his strategy, the manager requires a process map or general matrixes and overviews for the process portfolio. Meanwhile, the designer gets right down to business and considers qualitative or structural process analyses and outlines process flows in order to identify logical weak points such as organization, media or system disruptions.

The thus newly designed business processes are realized in the implementation phase. Using several ARIS tools, such as 'Process-to-Application', this is done as far as is possible automatically and without frictional loss. Even the building up of process competence, thus the conviction and training of employees, is methodi-

cally integrated into ARIS Value Engineering. Thus ARIS is a strategic tool to realize measurable benefits in the processes.

BPM – A Question of the Definition

What ARIS Value Engineering and the ARIS Platform products offer is known throughout the world as BPM, Business Process Management. However, in the meantime, this term is used increasingly to discuss very different activities. In order to prevent misunderstandings, an explanation of the fundamentals is required. The fact is that the term BPM has been diluted substantially by pure technology providers, the likes of IBM, *Microsoft* and *Oracle*. For clarification it is important to differentiate between two types of BPM: the business BPM on the one side and the technology BPM on the other.

The objective of business BPM, which *IDS Scheer* represents, is the implementation of BPM as a management philosophy within the organization. It concerns positioning the company's business processes and the associated performances (costs, time, quantities, resources or also degree of innovation) as central planning and control measurements for the organization's success. In order to do this, both an appropriate organization and technology platform are required. At *IDS Scheer*, this is the purpose of the ARIS Platform. This meta-process platform aids the organization to implement the aforementioned business BPM process, comprising process strategy, process design, process implementation and process controlling. In doing so, the business process landscape of an organization is represented in all four phases.

The objective of the technology BPM, however, is the best possible efficient and flexible automation of selected business processes, e.g. workflow, or, when EAI is concerned, also a flexible (process) integration of various business applications. The main focus of these systems is in the area of execution. Indeed, although these software producers talk about process modeling and process monitoring, this only applies to the process (part) modeling or monitoring to be automated. In order to ensure seamless transition in the execution, the models are very technological and far removed from an operative process model. Even the monitoring is only concerned with pure technology key performance indicators.

There are then, if you will, two instances of the terms design/modeling and controlling/monitoring. One considers BPM from the business viewpoint – this is what ARIS represents – and the other considers it from the technology viewpoint. The not inconsiderable challenge is to link and integrate both these cycles as far as is possible. This is also the background to the close connection between ARIS and SAP – a practical example of this would be how business BPM can be interlocked with technological BPM.

Process Management as a Mile Stone for Service Oriented Architecture (SOA)

The objective of the BPM cooperation between SAP and *IDS Scheer* is to further develop methods and tools for consistent process modeling, which support the SAP Enterprise Services Architecture (ESA). With ARIS for SAP NetWeaver, the technological starting basis is already here.

Using the open integration and application platform, SAP NetWeaver, users, information and business processes can be consolidated, spanning across technology and the organization. In doing so, SAP NetWeaver supports process automation within SAP applications (workflow management). Processes spanning across systems can be integrated and automated using SAP NetWeaver Exchange Infrastructure (XI).

What have been missing up till now are the Business Process Management components. Only these enable the business process of the user to be captured, analyzed, optimized, and then to cross over from this into the implementation of the technical processes. This transformation from business into technology is the central focus of the cooperation between SAP and *IDS Scheer*. In terms of the product, this means the integration of ARIS with SAP NetWeaver. In order to guarantee the transition from business process design into the technological implementation, *IDS Scheer* now has a product, designed in collaboration with SAP, which has already been in use for a year with customers such as the Bundeswehr (the Federal Armed Forces): this product is ARIS for SAP NetWeaver.

The Bridge from Business to IT

ARIS for SAP NetWeaver bridges the gaps between the requirements from the point of view of the business process and implementation using SAP applications. In addition, Business Process Management with ARIS for SAP NetWeaver is already providing the starting basis for the successful switch to future technologies, such as the Enterprise Services Architecture from SAP. The solution contains a comprehensive description of the process architecture, from the business models right up to implementation and configuration of the processes using the SAP Solution Manager and integration with service orchestration models in SAP NetWeaver XI and also the applications with SAP Business Workflow.

However, *IDS Scheer* utilizes even further possibilities offered by the SAP NetWeaver Platform. Since the middle of 2005, the development department has been devoting its time to so-called business applications (composites). These new soft-

ware products are designed to fill the so-called ‘white spaces’ within the existing SAP landscape. *IDS Scheer* has special know-how in specific industry processes and generic cross-industry processes, respectively, which will now be incorporated into software as a consultancy product. In doing so, in addition to sector and process expertise, customers can also be offered ‘ready-made’ processes. Initially, it concerns processes from areas and sectors in which *IDS Scheer* has particular strengths and experience values, so e.g. defense and SCM. This truly means that, henceforth, in the context of consulting projects, customers will receive SAP solutions containing supplementary standard software in which parts of their processes or their core processes are already completely represented. Thus implementation of the organization’s processes will no longer take place per hand – as still is the case today – but by the aforementioned standard software from *IDS Scheer*, supported by ARIS methodology and tools.

Over the last 3 years, ARIS process expertise, in combination with SAP technology, has also been made accessible to medium sized enterprises. The ARIS SmartPath product is now in demand in Europe and the USA from medium-sized customers from a wide range of sectors. Discussions with these customers (*IDS Scheer* includes almost exclusively companies with more than 200 employees or a turnover of more than 20 million Euro) reveal that the much-discussed IT investment slow-down is being increasingly resolved. However, other than in the past, the companies do not want any IT solution that may fit for the moment, but the latest technology that is also scalable. This is particularly true for areas such as production. Indeed, it currently seems as though, in proportion to total investment, medium-sized firms are spending far more on IT than their larger counterparts. Increasingly, medium-sized enterprises would like software, maintenance and consultancy all from the same source. In doing this, they want to achieve a long-term and reliable basis for planning.

The proportion of stand-alone solutions in such firms is also decreasing, as the networking and integration requirements with business partners are rapidly growing. It is for this purpose that standards are needed. On the other hand, there is a clear requirement for solutions tailored to the customer’s needs – indeed this is particularly so when organizations spread across various sectors. By using *IDS Scheer*’s ARIS SmartPath for medium-sized enterprises, business process models from different sectors can be combined so that the software immediately supports the ideal-typical workflows.

Based on the SAP All-in-One as ERP software, this solution enables further requirements of medium-sized enterprises to be met. More and more often, consultants feel under pressure to realize quick win implementations with a high RoI. The investment should see returns after just 30 months. Customers see that this is possible using a business process oriented approach. ARIS SmartPath enables processes to be meaningfully combined with applications. As a result, users can transparently map, analyze and optimize the complex entirety of their organization.

IDS Scheer offers its complete portfolio, with products and consultancy, from the process design right through to process controlling, worldwide in over 50 countries – with offices in 22 countries and long-term partners in around 30 countries. This global presence means that multi-national customers can be sure that *IDS Scheer*'s process expertise is accessible wherever they are active in the world. This will be all the more important when, during 2006, the aforementioned new version of the SAP NetWeaver Platform is released – with ARIS 'inside' – and the resultant possibilities this brings to ensure business process excellence in any organization.

“Over the years the BPM software ARIS has gradually become a method and instrument for consultancy. Robust models, structured procedures, semantically clearly defined contents and preconfigured solutions were developed for each type of project. 20 years of consultancy experience has flowed into ARIS Value Engineering. The principle that standards and predefined components are necessary in order to make experience and know-how reusable was carried over into consultancy with ARIS. At first, the prime interest was the logistic processes in the manufacturing sector, where ARIS was used as a tool for analysis and improvement. However, over the years, an increasing variety of sectors have become interested in the business process expertise of *IDS Scheer*. Last but not least, the term 'factory' for back office processes in service organizations made it clear that business process excellence is a primary driver for competitiveness.”

Helmut Kruppke

“Using the open integration and application platform, SAP NetWeaver, users, information and business processes can be consolidated, spanning across technology and the organization. In doing so, SAP NetWeaver supports process automation within SAP applications (workflow management). Processes spanning across systems can be integrated and automated using SAP NetWeaver Exchange Infrastructure (XI). What have been missing up till now are the Business Process Management components. Firstly, these enable the business process of the user to be captured, analyzed, optimized and then to cross over from this into the implementation of the technical processes. This transformation from business into technology is the central focus of the cooperation between SAP and *IDS Scheer*. In terms of the product, this means the integration of ARIS with SAP NetWeaver.”

Wolfram Jost

“Over the last 3 years, ARIS process expertise in combination with SAP technology has also been made accessible to medium sized enterprises. The ARIS SmartPath product is meanwhile in demand in Europe and the USA, from medium-sized customers from totally different sectors. The proportion of stand-alone solutions in such firms is also decreasing, as the networking and integration requirement with business partners is rapidly growing. It is for this purpose that standards are needed. On the other hand, there is a clear requirement for customer-individual solutions – indeed particularly when organizations cover a number of different sectors. By using *IDS Scheer*’s ARIS SmartPath for medium-sized enterprises, business process models from different sectors can be combined so that the software immediately supports the ideal-typical workflows.”

Herbert Kindermann

Business Processes Support Growth at BMW Group Financial Services

How the financial services provider empowers employees in subsidiaries to optimize business processes themselves

Nicolas Lacker

BMW Group Financial Services



Summary

With its 'Process Guide', *BMW Financial Services* empowers staff in their subsidiaries to analyze and optimize business processes themselves. The first implementations in the various countries are rapidly showing success and are supporting the *BMW Group* on its course for growth. For their innovative approach, *IDS Scheer* presented *BMW Financial Services* as overall winner with the Business Process Excellence Award in 2005.

Key Words

Business process improvement, enabling process thinking at country level, knowledge sharing

It can take a long time for Business Process Management to prove successful. Moreover, it takes a lot of energy and resources to support the operational departments in process optimization. But we at the *BMW Group* were not going to take this lying down.

Already in 1999, because management anticipated strong corporate expansion, the current *BMW Group* Chief Financial Officer, Stefan Krause, initiated the 'PROCEED' program (Process Centered Division), the objective being to keep up with the pace of business expansion by optimizing and, as far as possible, standardizing the business processes across countries. In line with the *BMW Group* strategy, this approach was based on the largest possible standardization whilst at the same time respecting the country-specific requirements.

From 2000 to 2004, the number of delivered cars actually increased by about 50 percent. Moreover, fewer buyers were paying cash, preferring instead various financing options. Both resulted in a significant increase in contracts in the Financial Services division, which offers its products in 50 countries through 25 wholly owned companies and 25 cooperation agreements. *BMW Financial Services* has two objectives: one, to support dealers in car sales and the acquisition of new customers, and two, to contribute to *BMW Group* profits. This is made more difficult by the fact that, in addition to the increase in volume, there are several more stringent legal requirements which increase the overheads of concluding a contract. Moreover, there is mounting pressure on margins in the automotive financial sector from independent online financial services providers and local banks.

The first results of the PROCEED initiative for process optimization were encouraging. In one country the failure rate in credit financing of cars was reduced from 14.3 to 4.2 percent. In another, the number of processed contracts per employee was doubled. At the same time, however, we found out that, on the one hand, employees had little time to spend on process optimization on top of their operative business, and on the other, that they had difficulties in dealing with a topic perceived as extremely methodical and tool-based. Apart from individual country organizations, in which the project was driven by the management, the implementation proceeded more sluggishly than we had hoped.

This is why, in the PROCEED Team, we thought about a way to motivate the country organizations and put them into the position of analyzing and improving their processes by themselves. Our starting point was that the central team should not be working *for* but *with* the countries. The team defined its own role as 'enabler'. Our main task was to transfer manageable knowledge and concrete examples, such as best practices, from which to learn and produce benefits. In this way we wanted to achieve the best-in-class processes for all customer and dealer-related processes step-by-step. At the heart were all sales activities and operational processes along the financing processes – including dealer relations, contracts implementation, payments, collection processing, and end-of-term, i.e. up to the

point where we provide the customer with his or her new financed BMW. The foremost goals were improving market focus and customer loyalty, increasing internal efficiency, and continually monitoring process quality.

During the period 1999 – 2003, methods, numerous tools, best practices, and templates were developed which, however, proved to be more suitable for process specialists than for operative staff. The core idea was to develop a practice-oriented ‘Process Guide’ which would examine the existing elements for relevance and usability and organize them such that they may be utilized by any non-process expert. We developed a practice guideline in eight steps, containing concrete, real-life process-examples from the country organizations, and which enabled ‘quick wins’ and provided the basis for continual process monitoring and optimization. With each process optimization, the knowledge of the Process Guide increases and contributes to the exchange of ideas and experience within *BMW Financial Services*. At the same time, the Process Guide ensured a standardized approach that provided the countries with a common language and enabled local and central measuring of efficiency in the core processes. In a pilot project with the Swiss organization, the process guide was tested for usability and user-friendliness and was enhanced with given elements.

The organization in Switzerland was particularly suitable for such a pilot project. Between 1992 and 2002, the subsidiary achieved substantial growth of an average of 30 percent per annum. The portfolio contained about 45,000 contracts. Due to the high volume of concluded contracts, but also as a result of stricter legal requirements such as money-laundering and consumer credit protection laws, it was increasingly difficult for staff there to cope with the daily business. Although a new IT system was introduced in Switzerland in 2003, the staff was still working based on the old process-flows.

As part of the pilot project, the actual processes in the dealer service center, in customer relationships, in accounts receivables, and in end-of-term were analyzed. After three months, concrete measures for improvement were defined and divided into three different categories: organizational changes that were quick to implement, IT implementation projects, or in-/outsourcing measures requiring a strategic decision. The changes included simplifying the application acceptance process, the checks for data completeness, and the extensive automation of receivables management. Unnecessary process steps, from which a new working structure and organization were derived, were eliminated. Added to this, dealers are now also supported in client consulting with checklists and research tools. The Swiss subsidiary also wants to outsource certain services, such as postage or archiving. In the dealer service center, processing times can thus be reduced by 60 percent. Time-savings could also be achieved in the areas of accounts receivables, end-of-term, and in the Customer Service Center. As a result of the newly defined processes, customers now receive a printed version of contract and financing information for their desired car in less than 20 minutes, exactly what customer focus is all

about. The subsidiary also checked given indicators with the aid of the ARIS Process Performance Manager, which provided many very useful insights on the efficiency of the different processes.

With this positive experience in Switzerland, we then set about the roll-out of the updated PROCEED-approach. All *BMW Financial Services* employees can obtain information on the project from the Intranet, download the various elements of the Process Guide, including tools, templates and examples from other countries, and receive support from the central PROCEED team.

With hundreds of pages of documentation plus attachments and templates, the Process Guide proved to be too complex for employees who were already stretched with their daily work. In order to solve this problem and to support those country organizations that had opted for process optimization, the PROCEED project-team set up a training program. Following a kick-off event with a general introduction to BPM, there are four days of practice-oriented training, using concrete sub-process from areas which the country organization wants to improve. Once the target processes for the selected area have been established, the local employees are prepared for the presentation of results to their management.

Within a short period of time, three further country organizations in Asia and Europe were convinced by the success of the Swiss subsidiary and have meanwhile analyzed and improved their processes. This transparency led to the elimination of unnecessary and non value-adding tasks and to an organizational change to many process segments. For large units, automation often promises the greatest potential. For smaller country organizations, the team recommends avoiding IT solutions. The focus here is on reorganizing processes. In one case this led to a significant reduction in the number of clients, whose payments were overdue for more than 30 days. A further country organization was able to increase customer retention by a quarter. Through process analysis, it became transparent in a further subsidiary that in-sourcing entire processes was the most economic solution.

The best result of the project is, however, that *BMW Financial Services* has, on the whole, improved its efficiency, and that the country organizations themselves have emerged from this process stronger and more self-confident. The positive results have meant that employees in the operative sectors have received high praise from management, and that they no longer feel process optimization to be a burden but, rather, an enrichment to their job. They now contribute more to the generation of value than before. The roll-out continues: further country organizations have requested support and training. As the country organizations now have a common language as a result of the process guide, they are able to better communicate on progress and deficiencies using uniform methods and tools, and learn together about how to increase customer satisfaction, efficiency, and process quality.

Owing to BPM, *BMW Financial Services* is prepared for further growth. The share of *BMW* cars financed or leased via Financial Services increased during the last year to 48 percent. By the end of 2005, the portfolio included a total of more than 3.1 million contracts. Global growth confronts both the division and the dealers with great challenges that we are able to address because we use a common language, can act independently, and learn from each other.

Practical Implication and Use of Process Management at T-Mobile Czech Republic, a.s.

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Summary

The attention devoted to the field of Process Management at *T-Mobile Czech Republic, a.s. (TMCZ)* is indisputable. This becomes evident from the fact that it has been integrated into the management style at *TMCZ*.

The aim of this article is to provide a summary of the historical development of Process Management at *TMCZ*, which already started earlier than the official announcement of the objective to implement Process Management principles throughout the entire company. After a short description of the company itself, the focus is centered on the milestones of Process Management at *TMCZ*, the preconditions and reasons leading to the crucial decision taken by top management, and the activities leading to the goal of a process-managed company. Future visions and plans in the field of Process Management are also shortly outlined.

Key Words

Process, Process Management, ARIS, Process Model, Process Improvement

1 Brief Introduction

1.1 Establishment of the Company

On March 14, 1996, the *CMobil* consortium won the tender to become an international partner of *České radiokomunikace* announced by the Ministry of Economics. Eleven days later, on March 25, 1996, the licenses to operate a GSM Mobile Network were ceremonially handed over. On June 23, 1996, a new company called *RadioMobil* was registered with the Commercial Court and started to operate the Paegas mobile network on September 30, 1996. In 2002, Paegas was fully integrated into the *T-Mobile International* organizational structure and, in 2003, the name of the company was changed to *T-Mobile Czech Republic (TMCZ)*.

Within the scope of its business activities for which it is authorized, *TMCZ* established, and now operates, a public mobile communication network at GSM standard in the 900 and 1800 MHz bands and provides mobile telecommunications services pertaining to this network. The comprehensive character of the provided services lies especially in the extensive range of products and possible combinations thereof.

1.2 General Company Information

TMCZ Shareholders

- 61 % – *CMobil B.V.*
- 39 % – *České radiokomunikace, a.s.*

The international consortium *CMobil*, based in the Netherlands, is controlled by:

- *T-Mobile Global Holding* (92 %)
- *TIM International N.V.* (7 %)
- *PVT, a.s.* (1 %).

Network Signal Coverage

As of the end of 2005, more than 99% of the Czech population and 99,8 % of first class roads were covered.

Customer Information

In the first half of 2005, *TMCZ* became the No.1 Czech mobile operator, and in September 2005 the number of *TMCZ* customers exceeded 4,500,000, which is approximately 10 % more in a year-on-year comparison with 2004. *TMCZ* holds a 51 % market share among key account customers (i. e. major companies) on the Czech market, making it the most popular Czech mobile operator in this segment.

Number of Employees

In December 2005, *TMCZ* had approximately 2,500 full-time employees.

Revenues and Profit

In 2004, *T-Mobile Czech Republic, a.s.* recorded substantial growth in many important indicators. Year-on-year, total revenues have increased by 8% from CZK 24.4 billion to CZK 26.4 billion. EBITDA rose to CZK 11.3 billion, which is 7% more than in 2003, when it amounted to CZK 10.8 billion. Net profits reached CZK 4.2 billion. (The financial results were prepared in accordance with German GAAP). Similar positive growth results are expected for 2005.

T-Mobile Group

Now the *T-Mobile Group* is among the world leaders in mobile telecommunications. As one of *Deutsche Telekom's* four strategic pillars, the company concentrates on advancing its global service portfolio. *T-Mobile* is a key contributor to *Deutsche Telekom's* earnings and revenues. By the end of 2005, subsidiaries and affiliated companies of *Deutsche Telekom Group* served over 130 million mobile customers worldwide.

T-Mobile owns network operators in Germany (*T-Mobile Deutschland*), the United States (*T-Mobile USA*), Great Britain (*T-Mobile UK*), Austria (*T-Mobile Austria*), and the Netherlands (*T-Mobile Netherlands*). It also owns a majority stake in *T-Mobile Czech Republic*, *T-Mobile Hungary* (formerly *Westel*), *T-Mobile Slovakia* (formerly *Eurotel SK*), holdings in Poland (PTC) and Russia (MTS), as well as indirect shares in Belarus and Canada. In addition to these complete and partial ownerships of *T-Mobile* in 10 countries, *Deutsche Telekom* is represented in Macedonia, Croatia, Bosnia-Herzegovina, the Ukraine, and the Philippines.

2 Milestone of Process Management at TMCZ

2.1 20th Century ('Period Before Process Management')

The late nineties were determined by extensive company growth regarding both customers and employees. The milestone of Process Management at *TMCZ* was laid in the years 2000 and 2001. The previous years predominately saw a **non-systematic approach** that can be characterized as follows:

Process Management principles were implemented and concentrated mainly in the Customer Care department, where few teams focused primarily on providing operational support. Requirements were driven mainly by standardizing the output to customers.

Apart from those teams, there were also several specialists in other departments. Process Management principles were also implemented in some selected processes or areas via process improvement projects.

Nevertheless, no unified methodology (such as formats, and rules for approval, language versions, publication, etc.) existed throughout the company, with the exception of specific rules for the Customer Care department that were based on the concrete conditions of that department. In addition, various software tools for process description and management, such as Visio, Word, ABC Flowcharter, PowerPoint, Excel, etc., were used. Lack of internal process specialists necessitated substantial cooperation with external ones, especially from consultancy firms. Therefore, only few process improvement projects per year (e.g. in purchasing, fixed assets, product and customer segment management) were undertaken. The aim was to increase process efficiency and process performance. However, it was the company's top management who selected these processes.

Awareness of Process Management among *TMCZ* employees was low. This is also underlined by the fact that the communication of Process Management principles was mainly directed at the top and middle management of *TMCZ*. Comprehensive training in Process Management at *TMCZ* practically did not exist. Since the role of the process owner was unclear, little cooperation between process owners and process specialists took place.

All these facts were not beneficial to the homogeneity of Process Management inside *TMCZ* and could have brought an adverse impact on the company in the long-term. A great challenge was to gain support from the top management for the broad implementation of Process Management. The success of process improvement projects, which had achieved visible results, thus persuaded the top management and obtained the necessary support.

2.2 21st Century ('Process Management Period')

The introduction of **real consistent Process Management at *TMCZ*** is closely linked with the top management's decision taken in 2001. *TMCZ* announced their plan to implement the principles of Process Management throughout the whole company. The decision was taken to make Process Management one of the key company management styles. This decision was preceded by the unification of methodology and tools for Process Management as a result of the project, in which representatives of all divisional support process teams had participated.

The **motivation** for the above quoted top management decision was founded on the following preconditions:

- concrete and positive experience with the process approach within the company;

- know-how of people dealing with this issue in the company;
- number of repeatable activities across several organizational units of the company.

However, the **main reasons** for the top management's decision, apart from the influence of a highly competitive, saturated market and an ambitious demand from shareholders, which put pressure on increasing company performance, were:

- the significant influence of processes on company costs and profits;
- the substantial effect of processes on product quality and customer services, which eventually affects customer satisfaction;
- the requirement for a comprehensive approach to the management of collaboration between the organizational units involved in many of the company's core processes.

Finally, based on the experience and best practices of world leaders, Process Management leads to better business results than simply managing organizational units. This is natural, since each organizational unit is not isolated but cooperates with others in the company.

The following are among the established or initiated **activities leading to the goal of a process-managed company**:

Communication of Process Management Principles Inside the Company

Widespread communication of the Process Management orientation at TMCZ was initiated via email by the CEO, who addressed the company's entire staff. All new employees and managers are introduced to the basic principles of Process Management on TMCZ orientation-days or at the beginning of their career in the company. Articles focusing on Process Management, and mainly on its practical implications at TMCZ, are periodically published in the internal hard-copy magazine ECHO, or in the electronic version called eECHO. Employees can also find plenty of interesting and useful information on Process Management on the company Intranet. There is a special section in which mainly information on Process Management at TMCZ, methodology, and news regarding this topic are made available.

Definition of a Uniform Methodology

- uniform methodology valid for the entire company;
- definition of terms used in Process Management;
- TMCZ Process Management scope;
- rules for process model update;

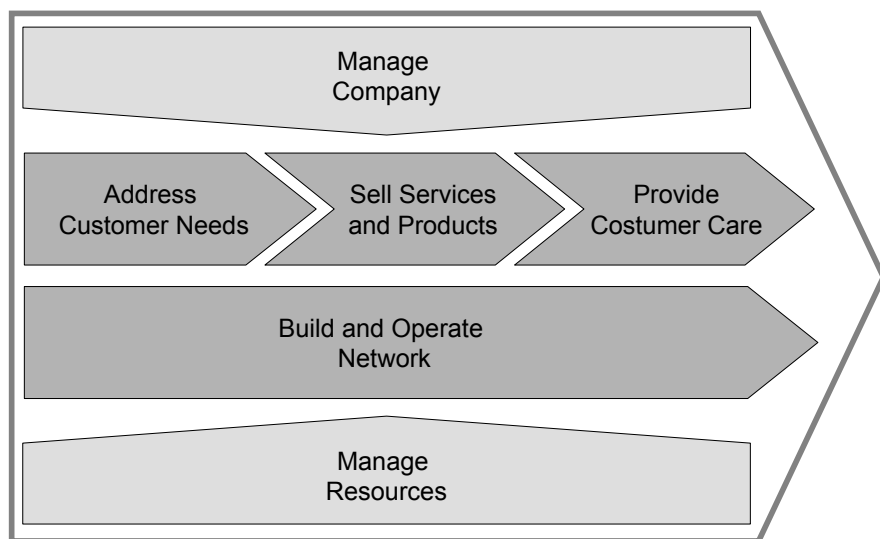


Fig. 1. Process model at *TMCZ*

- definition of the process owner's role (responsibilities, authorities);
- rules for process definition;
- rules for process description, incl. draft preparation, approval, Intranet publication, communication, update;
- rules for process measurement;
- rules for process target setting;
- rules for process improvement;
- description of the process owner's support system (i.e. network of process specialists within the company).

Creation of a Process Model

A process model at *TMCZ* has three levels. It includes six process areas on the first, highest level (see Fig. 1), thirty-three process groups on the second, medium level, and finally, more than 400 processes and their variations on the third level. Since the majority of processes run through several company organizational units, the key characteristic, according to which processes are defined, is process output.

The first version of the *TMCZ* process model was created in 1998 as the result of discussions with the top management. During evolution, process models of telecommunication companies such as *Telecom Italia Mobile*, *T-Mobile Deutschland*