

Aligning business processes and achieving business process excellence



Author



Shaik Abdul Khadar
President
Data Labs India Solutions

Shaik is a strategy execution, supply chain management, performance management, and organizational transformation specialist with 26 years of experience; enable senior leaders to execute their strategies consistently. His Key expertise includes designing and implementing supply chain planning solutions, digital supply chain transformations, supply chain visibility and control tower, blockchain development, ERP implementation and performance management solutions. Expert in designing and implementing systems integration of ERP, EPM, BI, data warehousing, plant control systems, RFID, supply chain solutions, fleet management solutions etc., Shaik has extensive experience in agri-food, construction, poultry, process and discrete manufacturing, automotive, mining, government, shipping, rail and road transportation, and retail.

Shaik can be reached to sak@datalabsindia.com

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Aligning business processes and achieving business process excellence

If your organization is using Balance Scorecard and have running ERP system, then you can adopt following **10-step model** to achieve process excellence. This approach will help you to assess the process maturity, prioritize, select suitable approach for process excellence, launch initiative, and manage change.

By reading this whitepaper, you can be guaranteed that these tips are sourced from our senior consultants' more than 25 years of experience in the Supply Chain Management arena.

You can develop an excel model after understanding the following steps.:

Step 1: Identify business processes

First of all you need to identify mega business processes of your organization. You can find many methods to classify the business processes into various levels; adopt any one of them. All you need to make sure is the consistency in process classification. I usually recommend classifying business processes into three levels mega, main, and sub processes.

Step 2: Identify process leaders & key process members

Most of the organizations if not all, are structured organizationally by functions. While doing step 1, you identify the key process members who are directly doing the level 2 processes (main process). Then identify the senior leader who has the major stake in the execution of the process.

If you take Produce-to-order kind of company and select “Order-to-delivery” as MEGA process; it can have main processes such as order-intake, master scheduling, production, and dispatch. For each of the main process select one process member. If you have multiple product lines, you may need to select more than one. The senior manager responsible for the whole process becomes process leader

Step 3: Map business process against strategic objectives (from strategy map)

If you are using balanced scorecard approach for strategy execution, then you can take the list of strategic objectives from strategy map. If you are not using balance scorecard, then you need to adopt different approach, I will write another blog for this case.

Put the list of business processes in rows and strategic objectives in column. Make sure that all strategic objectives from strategy map are covered. You can highlight the cells (intersection) with three colors (Green for fully aligned process, Yellow for non-aligned but required process, Red for non-aligned process). This exercise will highlight non-aligned processes, which are not required. These processes are good candidates for review and possible elimination or restructuring.

Step 4: Score for strategic impact of the process excellence

Identify strategic impact for fully aligned processes on strategy. This exercise usually needs good understanding in strategy and business processes. The senior leaders responsible for operations can assess this. The scoring from 1 to 5 can be given; with score 1 to low-impact and score 5 to very high-impact. You may use any external consultant to facilitate and help in this step.

In this exercise you can identify core business processes required for focus. Obtaining excellence in these processes can close 80% of value gap.

- Current *supply chain capabilities* should be reviewed in designing operations strategy and necessary gaps should be identified. This includes, supplier capabilities, production capabilities, distribution capabilities, customer capabilities etc. One of my clients has designed manufacturing facility with an assumption of enough delivery capacity by customer and this caused severe demand fulfillment problems.

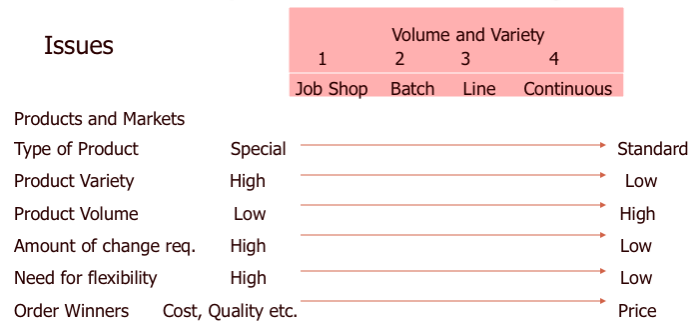
Attention: Usually some assumptions are made regarding supplier and customer capabilities, which prove to be wrong at later stages. By paying enough attention in the beginning, you can eliminate surprises.

- Based on competitive advantage of organization the *focus of decisions* should be clearly identified. Usually the decisions related to operations strategy will be product-focused, product-focused, and customer focused strategies. Manufacturers, who produce wide range of products or services at low volumes, adopt the process-focused strategies. Manufacturers, who produce standard products or services, adopt the product-focused strategies. Customer focused strategy organizations adopt customized solutions with high quality required by customers.

Attention: Understand focus of decisions will help to design processes and configure operations systems. It is advised to make the focus formally and communicate with key stakeholders.

- Product profile* needs to be prepared before designing operations. Product profiling is the graphical representation, which shows the level of fit between a manufacturing process and order-winning criteria of its products. Product profiling can be used at the process or company level to compare the manufacturing capabilities with the market requirements to determine areas of mismatch and identify steps needed for realignment..

Template for Product Profiling



Attention: Product profile will help operations manager to understand strategy clearly. It will help them to design robust operations strategy.

9. **Configuring operations system:** Once the product profile is ready, you can start configuring operation systems. The key operations policies and parameters are aligned through configuration of operation systems with product profile. This will help operations managers in defining operations parameters and input for any ERP implementations. .

Template for Product Profiling Vs Operations System Configuration

Issues	Volume and Variety				
	1	2	3	4	
	Job Shop	Batch	Line	Continuous	
Inventory Investment	Excess RM	→	→	Float FP	
Resource Planning	Excess Capacity	→	→	Close to Full Capacity	
Order Policy	MTO	→	FTO	→	MTS
Forecast Accuracy needed	Low	→	→	High	
Product Design	Custom	→	→	Standard	
Product Variety	Wide	→	→	Narrow	
Managing Fluctuations in sales	Through Order Order backlog	→	→	Through Finish Goods Inventory	

Attention: It is advised to take help from external consultant for configuration. This will eliminate any bias towards old processes and help in managing change.

10. Operations managers need to understand product life cycle, product portfolio matrix, and market entry & exit timings very well. This will help them to design operations strategy comprehensively.

Attention: Usually this information is not available for operations managers since they are involved in the strategy formulation at the later stages. Involving operations managers from the beginning in the strategy formulation covers all aspect of operations and help in linking bottom up and top down strategies.

11. **Organization Design:** It is always recommended to have high-level organization design during strategy formulation stage. This gives better understanding of skills sets required and manage change properly in restructuring the organization. Usually the organizations will have functional structures. It is recommended to put process structure for processes like order-to-delivery. If it is not possible, then at least put process responsibilities in functional roles. This will help to connect discrete functions in a formal way.

Attention: Don't under estimate the level of change required if you are restructuring the organization. It is better to make few big changes during operations strategy development process; this will help in reducing resistance.

12. **Capacity Design:** Adding capacity is very crucial decision every organization does. Various organizations adopt lead strategy, lag strategy, or tracking strategy in capacity additions. Usually in product introduction and growth stages, lead strategy is adopted and at product mature and decline stages lag strategy is adopted.

13. **Infrastructural decisions:** Infrastructure choices and decisions are evolutionary and are usually made by middle or lower management. Information system decisions, hiring & firing decisions are done with heavy involvement of middle and lower management. It is advisable to consider ERP selection at the stage of operations strategy. Industry vertical or standard ERP system choice can become a daunting task.

Attention: Selecting industry vertical or standard ERP is a complicated process. In my opinion, if you consider your business processes are matured enough then go for standard ERP and implement through full involvement of your operations team. If you think the process maturing is not so high, then going for industry vertical is preferred decision.

14. **Planning Engine:** Establishing robust planning engine is vital in executing strategies successfully. Sales and operations planning practice needs to be established to link the business planning and low level plans (MPS & MRP). Usually there is mismatch in the alignment. I will be writing about this topic in another blog.

Attention: Planners should be involved heavily during strategy formulation process. They are the one who understands supply chain operations better than anyone else in the organization.



Data Labs India is a digital transformation company helping manufacturing, logistics, and supply chain organizations to achieve business excellence and increase competitiveness. We perform the digital transformation through our unique capabilities and approach of software, implementation, support, and customization. Our products and solutions are aligned to customer needs and focused on customer satisfaction.

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Our Global Presence

INDIA– DUBAI - UK

Corporate Office

Data Labs India Solutions Pvt. Ltd.
 28-5-154-2, APHB Colony Main Road,
 Anantapur – 515001
 Andhra Pradesh State
 I N D I A
 Phone : 08554248844
 E-mail : info@datalabsindia.com

Development Center & Sales Division

Data Labs India Solutions Pvt. Ltd.
 Office Not: 406, 4th Floor, Pavani Plaza
 H. No 6-2-984, Near Khairatabad Metro Station, Hyderabad
 – 500004
 Telangana State
 I N D I A
 Phone : 04066441333
 E-mail : info@datalabsindia.com

UAE Partner

Data Labs International FZ LLC
 FDBC0008 Service Block
 Al Jazirah Al Hamra
 RAKEZ Business Zone-FZ
 Ras Al Khaimah,
 United Arab Emirates
 E-mail : info@datalabsint.com

UK Partner

FIRST DOT UK LTD
 112 Mordern Road
 London SW19 3BP
 Phone : 020 31301776
 E-mail:info@firstdot.co.uk

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(Supply Chain Business Network)
- Order Management & Fulfillment