

## Transformation Execution Strategies<sup>sm</sup>

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### Insights to empower you to transform enterprise performance

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# TCOE: Process Life- Cycle Management Function

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#### Context:

In our weekly update of June 27, 2006 we described the trends driving the implementation of Transformation Centers of Excellence (TCOE) within SG&A domains in enterprises. We pointed out that a major driver for this is the need being recognized within enterprises to possess competency to rapidly implement newer, more innovative business-models by re-aligning capabilities continuously, faster and on a global-scale.

We also stated that, according to First Kernel, a robust TCOE must support, at minimum, the following functions:

1. Transformation Coordination
2. Performance Management
3. Supplier Governance
4. Complex Project Management
5. Process Life-cycle Management

Starting week of July 11, 2006, we began to explore each of these five TCOE functions in a little more detail. The first four of these, *Transformation Coordination*, *Performance Management*, *Supplier Governance* and *Complex Project Management* were covered during the past four weeks.

This week, we will explore the fifth function, *Process Life-Cycle Management*.

#### Analysis:

In contrast to point-in-time optimization initiatives, transformation requires a structured methodology, one that brings together standardized processes, open KPIs and metrics, and continuous benchmarking. The methodology also needs to provide the artifacts and utilities to adjust costs, staffing structure, service portfolio and other parameters continually.

#### Standardized Processes:

With increasing modularization of IT services and business functions, enterprises are able to standardize SG&A processes, especially those that are non-differentiating. End-to-end processes like order-to-cash and procure-to-pay are examples. American Productivity and Quality Center (APQC), a 27 year organization dedicated to performance

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measurement and industry-neutral metrics (www.apqc.org) has organized a classification framework for all SG&A processes. The Framework is called the Process Classification Framework (PCF). The PCF represents the industry's first neutral-taxonomy for enterprise processes.

#### Open KPIs:

In conjunction with the PCF, APQC has developed Key Performance Indicators (KPIs) for metrics associated with staff productivity, cost effectiveness, process efficiency and cycle-times for all key processes in IT, Finance & Accounting, Human Resources, Supply Chain, Customer Care and Knowledge Management. With over 1000 global enterprises contributing to the metrics repository, APQC boasts one of the largest sources of benchmark data in the industry.

#### Continuous Benchmarking:

Given the increasing use of outsourced providers for IT and Business services, it is vital for the enterprise to continually leverage market-improvements to ensure competitive price and service levels for outsourced services, throughout the term of the contract (of course, the same applies to services retained in-house!). Use of a standardized process taxonomy and metrics allows for benchmarking to be undertaken on a regular (at minimum annually) basis.

#### Artifacts, Utilities:

First Kernel has developed the industry's first and only integrated Performance Transformation System<sup>™</sup> (PTS) that includes hundreds of templates, checklists, sample outputs, etc.. associated with benchmarking, sourcing, supplier governance, performance reporting and much more. The PTS can be seamlessly integrated within a TCOE.

#### **Take Away:**

Increasing standardization of IT and Business functions and modularized process-offerings from outsourcers are enabling enterprise to pursue continuous adjustments to process cost, staffing and service quality. Measurement and benchmarking standards from APQC are furthering this ability. Finally, performance governance tools are beginning to emerge. All these in turn will make the TCOE the keystone of your enterprise performance transformation.

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### TCOE: Process Life- Cycle Management Function

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Mentioned in this Research Update:

Individuals: None

Organizations: APQC

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Websites: [www.apqc.org](http://www.apqc.org)

[www.firstkernel.com](http://www.firstkernel.com)

Publications: Process Classification Framework<sup>®</sup> (PCF) by APQC  
Performance Transformation System<sup>®</sup> (PTS) by First  
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### About First Kernel Research

First Kernel Research is a unit of First Kernel Consulting, Inc. We are experts in Enterprise Performance Transformation. We help enterprises develop and execute exceptional performance transformation strategies and initiatives to continually align costs, service quality and capabilities with the overall strategy and imperative of the enterprise.

Our Clients leverage the integration of our expertise, intellectual property, tools and guidance to achieve or surpass their SG&A performance targets. First Kernel has developed the industry's first *Enterprise Performance Transformation System*<sup>™</sup>, currently pending a United States patent.

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