AIT
Business Solutions

Value Chain Transformation
Breakthrough Process Reengineering

Business Process Reengineering

This is one of those "over used" labels in the business world …

- **In order for AIT to use this term to describe our work … we must define it for you …**

  - **Business Process Reengineering:**

    - Optimization of processes, policies, people and systems in a critical business area to achieve breakthrough performance improvement and significant change in stakeholder "value"

    - Business Process Reengineering is a form of Continuous Improvement … but in our context it is unique in a couple of aspects … much broader scope and focused on achieving breakthrough improvements with "step" changes in performance

    - The techniques of Business Process Reengineering use many tools associated with Continuous Improvement but much more attention is paid to the "human" side of change … collaboration, team building, organization alignment, roles & responsibilities, accountability, etc.

We use Business Process Reengineering to target complex breakthrough change!

AIT
Business Solutions

Typical Process Reengineering Criteria

Process reengineering projects typically have one or more of the following characteristics:

- **Breakthrough Change** – aggressive changes are needed

- **Rapid Change** – we need it done now!

- **Very complex** – complex end-to-end process

- **Cross functional** – many stakeholders; internal and external

- **Multiple problems / opportunities** – no one thing is wrong!

- **Solution Unknown** – many ideas, no comprehensive solution

- **Lacking To-Be Vision** – what, how, where, when?

- **Business Case** – we don't really know what is it worth?

Value Chain Transformation (VCT)

This is what AIT calls its Business Process Reengineering methodology … but frankly after today … we don't care what you call it … as long as you _use_ it …

- **You might wonder why … with all of our Lean Six Sigma background we found it necessary to develop a complementary methodology … ?**

  - **In the early days of Lean Six Sigma, companies found it easy to select well scoped "low hanging fruit" projects in their Continuous Improvement efforts …**

  - **This quickly changed … they began to need an approach for figuring out _where_ to go do work in complex business process areas to avoid sub-optimization …**

  - **Furthermore, they needed a way to create a "vision" and long-term performance improvement "roadmap" where none existed …**

AIT
Business Solutions
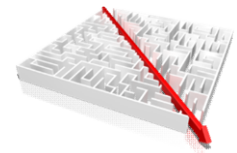
Organization Alignment & Mobilization

**"Aligning people, process and technologies to create the organizational support necessary for driving change"**

AS-IS Analysis Where are we now?	TO-BE Direction Where to go?	Business Case What's it worth?	Project Design How do we get there?
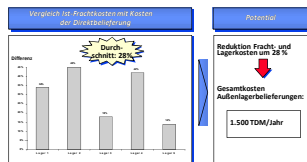
Improvement hypotheses and data-driven validation
- Cost reduction opportunities
- Growth opportunities
- Hard facts analytics
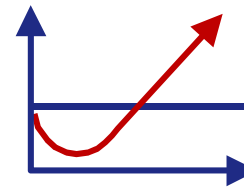- Identifying the main levers for $ improvements
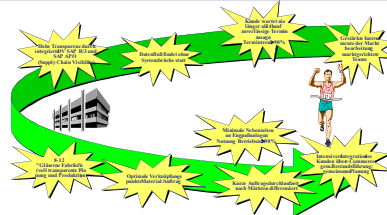
Vision and definition of future direction
- Strategy and overall framework
- High level To-Be Design (structure, processes, roles & responsibilities)
- Key success factors
- Technology direction

Identification and quantification of benefits
- Benefit potential (qualitative and quantitative)
- Project prioritization
- KPIs and performance tracking mechanisms

Path forward for implementation
- Selected projects
- Project structure and design
- Activities, timing and milestones
- Roles & responsibilities

Mobilization & Communication – How do we get it implemented?

Organizational Commitment
- Broadly and comprehensively informed organization
- Organizational readiness and willingness to change
- Key people in middle management are "on board"
- Active executive ownership and commitment

AIT Business Solutions

VCT Methodology Objectives

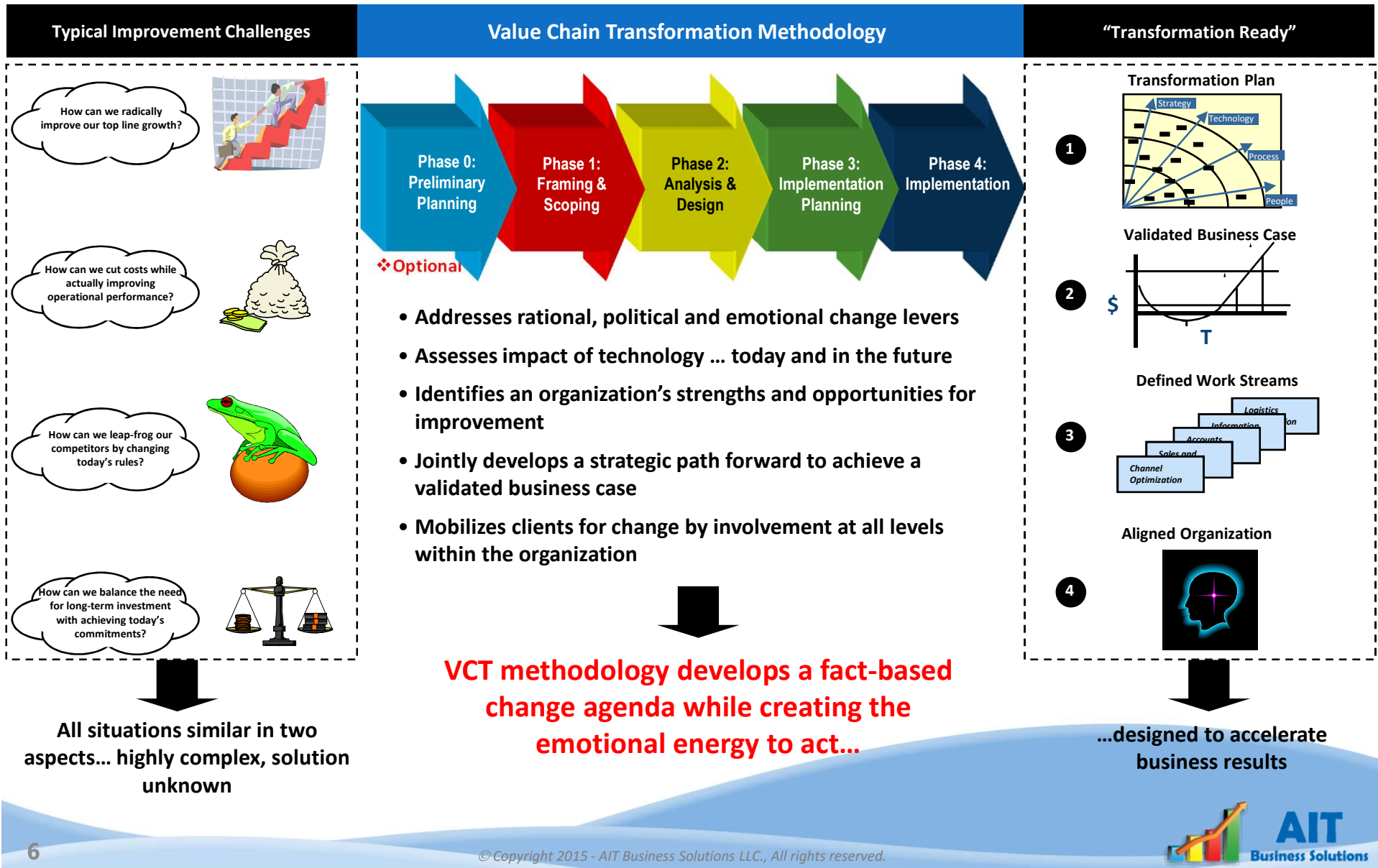| Typical Improvement Challenges	Value Chain Transformation Methodology	"Transformation Ready"

How can we radically improve our top line growth?

How can we cut costs while actually improving operational performance?

How can we leap-frog our competitors by changing today's rules?

How can we balance the need for long-term investment with achieving today's commitments?

Phase 0: Preliminary Planning

Phase 1: Framing & Scoping

Phase 2: Analysis & Design

Phase 3: Implementation Planning

Phase 4: Implementation

❖Optional

- Addresses rational, political and emotional change levers
- Assesses impact of technology … today and in the future
- Identifies an organization's strengths and opportunities for improvement
- Jointly develops a strategic path forward to achieve a validated business case
- Mobilizes clients for change by involvement at all levels within the organization

Transformation Plan

Strategy · Technology · Process · People

1

Validated Business Case

$ · T

2

Defined Work Streams

Logistics · Information · Accounts · Sales and · Channel Optimization

3

Aligned Organization

4

All situations similar in two aspects… highly complex, solution unknown

VCT methodology develops a fact-based change agenda while creating the emotional energy to act…

…designed to accelerate business results

AIT Business Solutions

Phase 0 – Identifying Target Opportunities
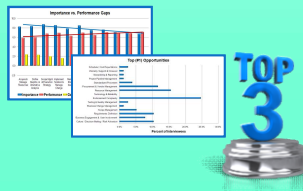
Process Reengineering Steering Team

- Sponsorship
- Prioritization and Selection
- Guidance and Decision Making
- Resourcing and Barrier Elimination

Phase 0: Preliminary Planning
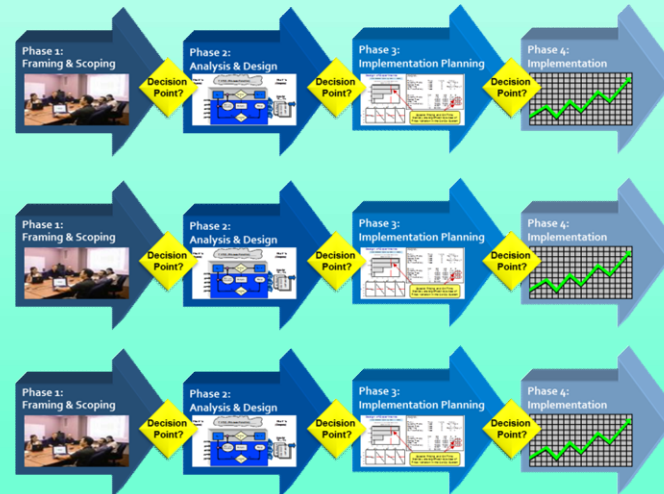
Opportunity Area Assessment using Focus Interviews

Target Opportunity Areas

Decision Point?

Phases 1-4: Process Reengineering

Phase 1: Framing & Scoping — Decision Point? — Phase 2: Analysis & Design — Decision Point? — Phase 3: Implementation Planning — Decision Point? — Phase 4: Implementation

Phase 1: Framing & Scoping — Decision Point? — Phase 2: Analysis & Design — Decision Point? — Phase 3: Implementation Planning — Decision Point? — Phase 4: Implementation

Phase 1: Framing & Scoping — Decision Point? — Phase 2: Analysis & Design — Decision Point? — Phase 3: Implementation Planning — Decision Point? — Phase 4: Implementation

Process Reengineering Teams assigned to Target Opportunity Areas

AIT Business Solutions

Value Chain Transformation Methodology

"Creating the roadmap for the future – accelerating business benefits."

Value Chain Transformation provides true understanding of the issues and opportunities across an end-to-end value chain. It is a methodology that enables companies to step back, assess the big picture, then drill down to project level opportunities – creating a roadmap to obtain significant strategic and financial rewards.

Phase 1: Framing & Scoping

This 1-4 week effort is designed to define the vision, goals, and scope of the effort, establish the analytical process, build the team structure, preliminary benefits, and roles and governance for the Analysis & Design phase.
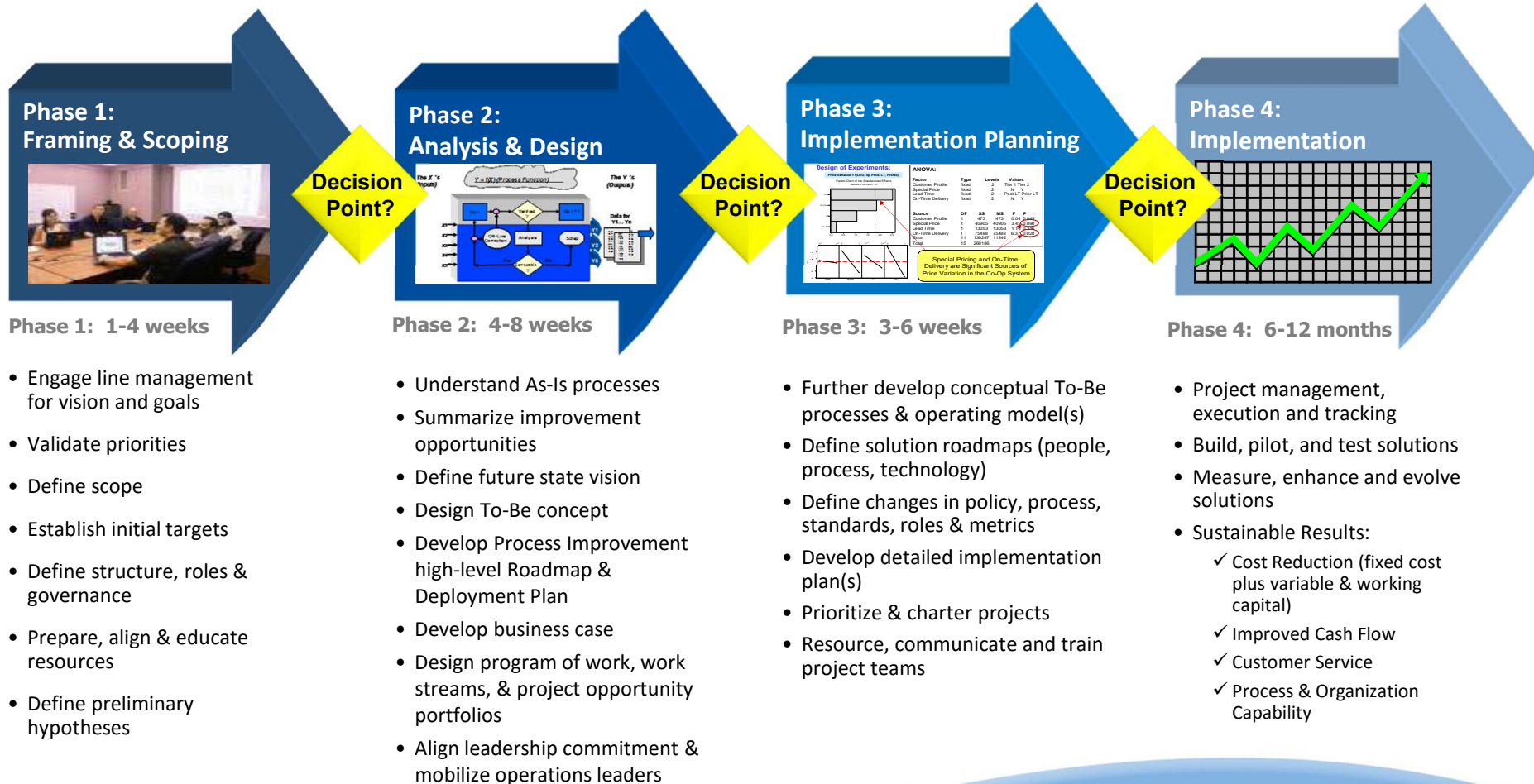
Phase 2: Analysis & Design

This 4-8 week process rapidly engages the organization to develop detailed "As-Is" understanding of the current value chain and the improvement opportunities that exist. Conceptual "To-Be" processes and operating models are developed and supported by a process simplification roadmap, justification and business case. A high-level time-phased implementation approach summarizing the work streams required to most aggressively transform the value chain is outlined and approved for the Implementation Planning phase.

Phase 3: Implementation Planning

The 3-6 week Implementation Planning process is typically a complex effort of planning a time-phased implementation involving multiple streams of work, multiple teams, and many project activities. Skills needed to implement are identified. Opportunities to develop internal Lean and Six Sigma capabilities are identified. The required policy, process, people and technology changes are coordinated and measurements for success are established so that benefits can be validated. Detailed solutions are planned, piloted (if necessary) and organized for Implementation.
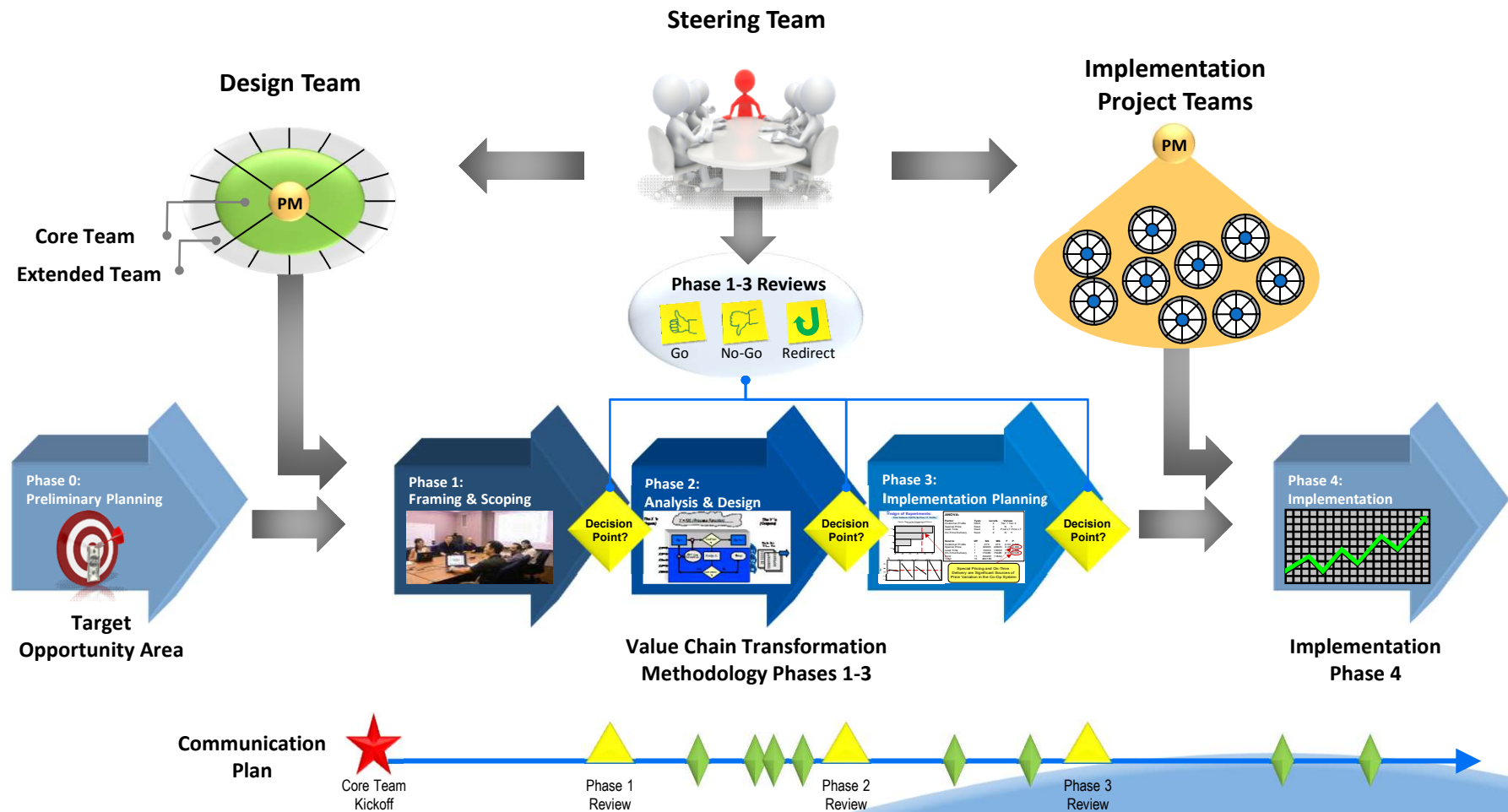
AIT Business Solutions

Value Chain Transformation Methodology

Structured, data driven, collaborative, and quick, ... for the best future possible

Phase 1:
Framing & Scoping

Decision Point?

Phase 2:
Analysis & Design

Decision Point?

Phase 3:
Implementation Planning

Decision Point?

Phase 4:
Implementation

Phase 1: 1-4 weeks

Phase 2: 4-8 weeks

Phase 3: 3-6 weeks

Phase 4: 6-12 months

- Engage line management for vision and goals
- Validate priorities
- Define scope
- Establish initial targets
- Define structure, roles & governance
- Prepare, align & educate resources
- Define preliminary hypotheses

- Understand As-Is processes
- Summarize improvement opportunities
- Define future state vision
- Design To-Be concept
- Develop Process Improvement high-level Roadmap & Deployment Plan
- Develop business case
- Design program of work, work streams, & project opportunity portfolios
- Align leadership commitment & mobilize operations leaders

- Further develop conceptual To-Be processes & operating model(s)
- Define solution roadmaps (people, process, technology)
- Define changes in policy, process, standards, roles & metrics
- Develop detailed implementation plan(s)
- Prioritize & charter projects
- Resource, communicate and train project teams

- Project management, execution and tracking
- Build, pilot, and test solutions
- Measure, enhance and evolve solutions
- Sustainable Results:
  - ✓ Cost Reduction (fixed cost plus variable & working capital)
  - ✓ Improved Cash Flow
  - ✓ Customer Service
  - ✓ Process & Organization Capability

AIT Business Solutions

Organizing for VCT Success

Teamwork, collaboration and communication are critical ...

Steering Team

Design Team

Implementation Project Teams

Core Team
Extended Team

PM

PM

Phase 1-3 Reviews

Go   No-Go   Redirect

Phase 0:
Preliminary Planning

Phase 1:
Framing & Scoping

Decision Point?

Phase 2:
Analysis & Design

Decision Point?

Phase 3:
Implementation Planning

Decision Point?

Phase 4:
Implementation

Target
Opportunity Area

Value Chain Transformation
Methodology Phases 1-3

Implementation
Phase 4

Communication
Plan

Core Team
Kickoff

Phase 1
Review

Phase 2
Review

Phase 3
Review

AIT
Business Solutions

Phase 1: Framing & Scoping

Define Opportunity Scope, Approach and Definition of Success

- Generate a clear definition of the problem and scope of work
- Develop clear understanding of customer segments and customer requirements
- Clearly define project goals and objectives
- Define success metrics, i.e. what will we measure to know we are successful
- Refine and validate the project charter
- Define the best analytical approach to understand the "As-Is" and develop a "To-Be" state in Phase 2 – Analysis & Design
- Assess resourcing and timing options for execution of Phase 2 – Analysis & Design
- Forecast the potential benefits

Approach: Sponsor and Stakeholder engagement
Facilitated Framing & Scoping workshops
Customer segmentation and requirements definition
High-level "As-Is" process mapping
Work track definition
Goals, objectives & measurements of success definition
Benefits Forecasting (Three-Point Estimating)

Deliverables: Detailed Scope Definition
Finalized Project Charter
Phase 2 Analytical Approach
Phase 2 Resources and Timing Alternatives
Preliminary Benefits Estimate

Stage Gate: Phase 1 Deliverables Review and Phase 2 Authorization to Proceed

AIT
Business Solutions

Phase 2: Analysis & Design

Understand "As-Is" Opportunity and Design the Future State

- Collaboratively develop "As-Is" process maps, problems, issues and opportunities
- Define "To-Be" goals, improvement opportunities and future state vision
- Develop and document proposed "To-Be" Conceptual Design
- Validate proposed "To-Be" with Sponsors and Stakeholders
- Develop program of work, work tracks, and project portfolios
- Develop business case including detailed cost / benefit estimates
- Communicate and align leadership, management and stakeholders
- Develop high-level process improvement roadmap and deployment model
- Develop a preliminary approach for Phase 3 – Implementation Planning

Approach: Facilitated Analysis & Design workshops with a dedicated design team

Process metrics review and data collection

Organizational design (review, issues, capabilities, alignment)

Collaborative process mapping, geographic mapping, value stream mapping

To-Be Opportunity aggregation and affinitization

Work track and project portfolio definition

Program Cost / Benefit analysis

Communication Fairs and Stakeholder Reviews

AIT
Business Solutions

Phase 2: Analysis & Design *(continued)*

Deliverables:
As-Is Process Definition, Issues, Problems and Opportunities

Organization Design Review and Issues / Opportunities Summary

Performance Metrics Baseline

Improvement Goals and Objectives (Aggregate and by Work Track)

Future State Vision Statement (what will be achieved by when)

To-Be Conceptual Design (process, policy, organization & systems)

Program of work (roadmap), work tracks and project portfolios

Business case / justification

Phase 3 Implementation Planning Approach

Stage gate:
Validate and approve To-Be designs, go-forward roadmap and the approach to be used to plan implementation; validation and buy-in by stakeholders, SMEs and sponsors

AIT
Business Solutions

Phase 3: Implementation Planning

Plan the Implementation Work

- Further develop conceptual To-Be processes & operating model(s)
- Define solution roadmaps (people, process, technology)
- Define changes in policy, process, standards, roles & metrics
- Develop detailed implementation plan(s)
- Prioritize & charter implementation projects
- Resource, communicate and train project teams
- Ensure the implementation or deployment teams have thorough understanding of the To-Be designs

Focus:
Facilitated Implementation Planning workshops with a dedicated design team
Dissection of Work Tracks into executable projects
Organizational change coordination and timing
Project implementation planning, chartering, and sequencing

Approach:
Detailed implementation planning
Resource / project management
Project Charter development
Team training, coordination and development

Deliverables:
High level deployment plans and charters for implementation projects
To-Be process documentation/training materials and requirements documentation
Project Portfolios prioritized and time-phased for maximum benefit

Stage gate:
Implementation ready project portfolios and teams

AIT Business Solutions

Phase 4: Implementation

Execute the Implementation Work

- Define, schedule and charter the work packages associated with the To-Be design
- Launch project teams and educate them on the To-Be vision
- Monitor project team progress; identify / remove barriers and mitigate risks
- Coordinate resources and management support
- Communicate progress and results

Focus: Centrally coordinated implementation effort – PMO or Project Coordinator
Central review and monitoring of a multi-project / multi-team implementation effort
Coordination of timeline and interdependencies to allow maximum realized benefits

Approach: Due to complexity, this is typically a multi-project coordinated "program of work" approach that may include:
- Process reengineering projects
- Lean Six Sigma Black Belt or Green Belt projects
- IT redeployment projects
- Organization redesign projects
- Kaizen events
- And a bunch of "Just Do It" work …

Deliverables: To-Be Processes, Systems and Organization changes implemented
Process performance metrics and controls operational
Performance results compared to baseline and financially validated

Stage gate: Post-mortem verification that To-Be process designs were fully and effectively implemented

AIT
Business Solutions

Collaborative Value Chain Analysis

Process XY

Labels visible in the diagram: Activity, Team Members, Decision, Strengths, Clarifications, Original Documents, Improvement Opportunities, Top-Opportunities, Interface to other processes, Overview of improvement opportunities, Overview of strengths
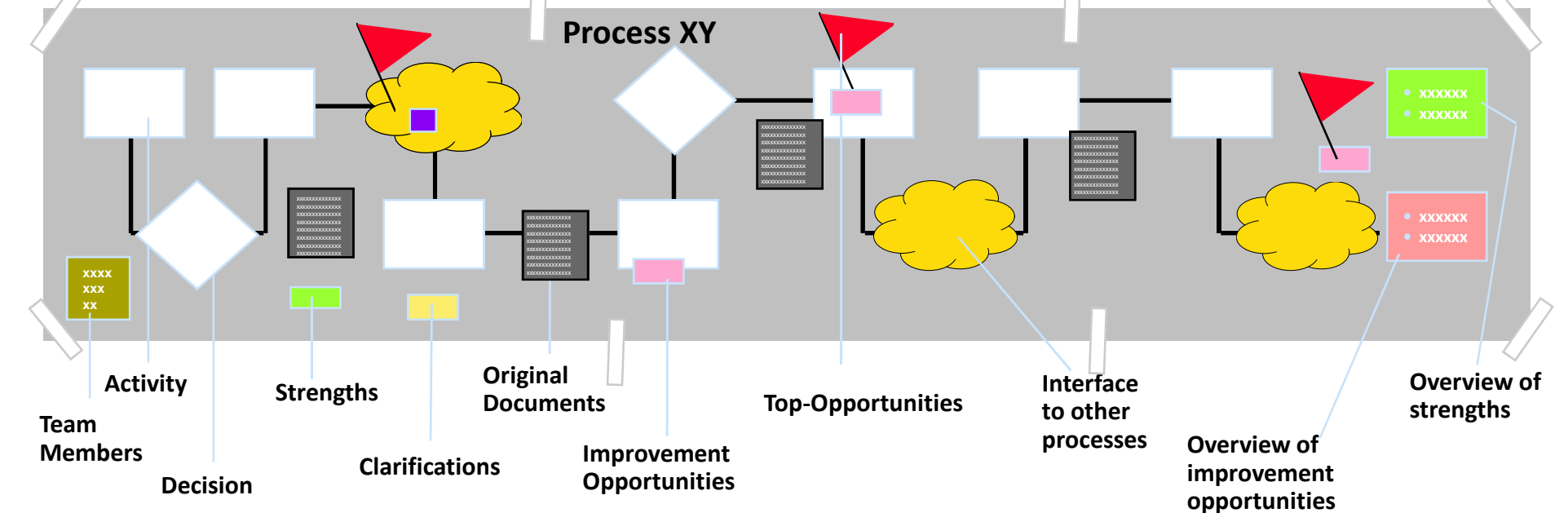
- Value Chain / Value Stream Mapping is jointly developed and analyzed by a cross-functional team in a workshop
- Value Chain Maps are developed using a low tech, highly visual approach to allow broad contribution and review of the deliverable
- Emphasis is on creating understanding of overall "end-to-end process" - not only department or functional focus
- Visualization of AS-IS processes is the starting point for TO-BE and improvements
- Fosters team building; well suited for communication (e.g. benchmarking of processes)

AIT Business Solutions

Communication Fairs

A Communication Fair is used to engage a large part of the organization

- – Solicit additional ideas and opportunities
- – Opportunity to discuss and get feedback from the organization on go-forward recommendations
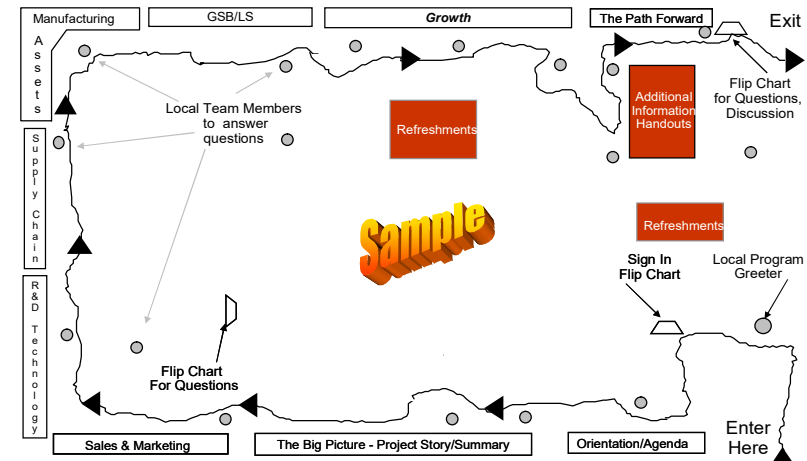
The Communications Fair is a highly effective way to collect data, gain process knowledge, and obtain validation and consensus!

AIT Business Solutions

Value Chain Transformation

Not Just Process Change!

Leadership Alignment

Collaborative Value Chain Analysis

Governance

Transformation Mapping

Mobilization & Communication
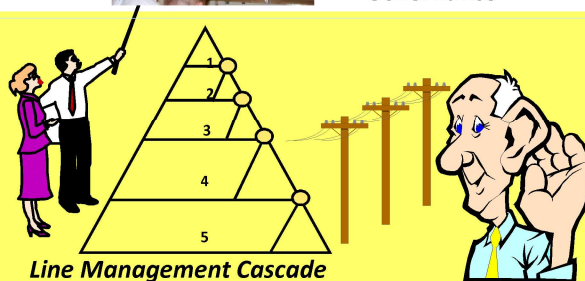
Line Management Cascade

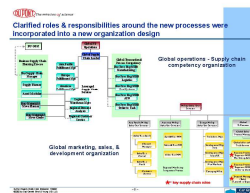Communications Fair

Town Hall/ Open House

Mfg/Publ | Financials | ERP Overview/Demo
Order Processing | | Change Mgmt
The Big Picture | Refreshments | Milestone Plan
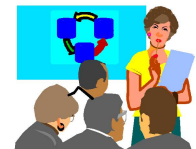Introduction | | Path Forward
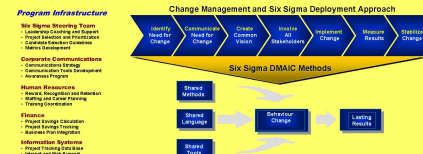| | Wrap Up
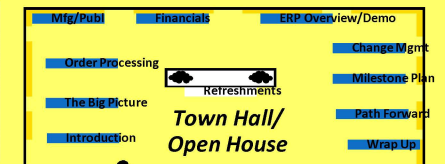
Organization Design / Architecture (Roles & Responsibilities Alignment)
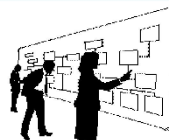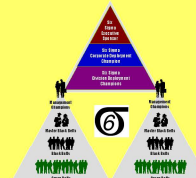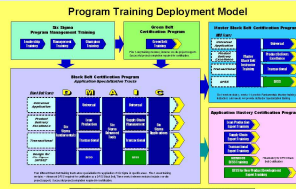
Case Examples/ Leading Practices
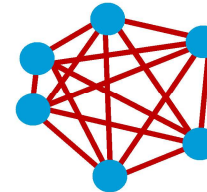
Roles / Responsibilities

Capability Development (Education & Training)

Key Performance Indicators/Metrics/ Business Case/ Performance Management

SCORcard

Change Mgmt Architecture

Build Capability to Manage Change
Leadership Alignment and Accountability
Focus on Results
Project Branding, Communication, & Mobilization
End User Preparation and Training
Strategic and Tactical Organization and Design
Project Team Training And Team Building

AIT Business Solutions
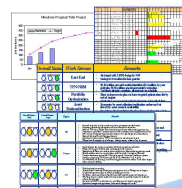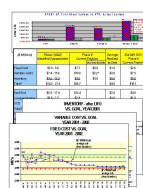
Value Chain Transformation Approach

IS …

- A tailored, structured approach to solve complex cross-functional core business process challenges
- Process and data focused
- An approach with multiple solution paths and "off ramps"
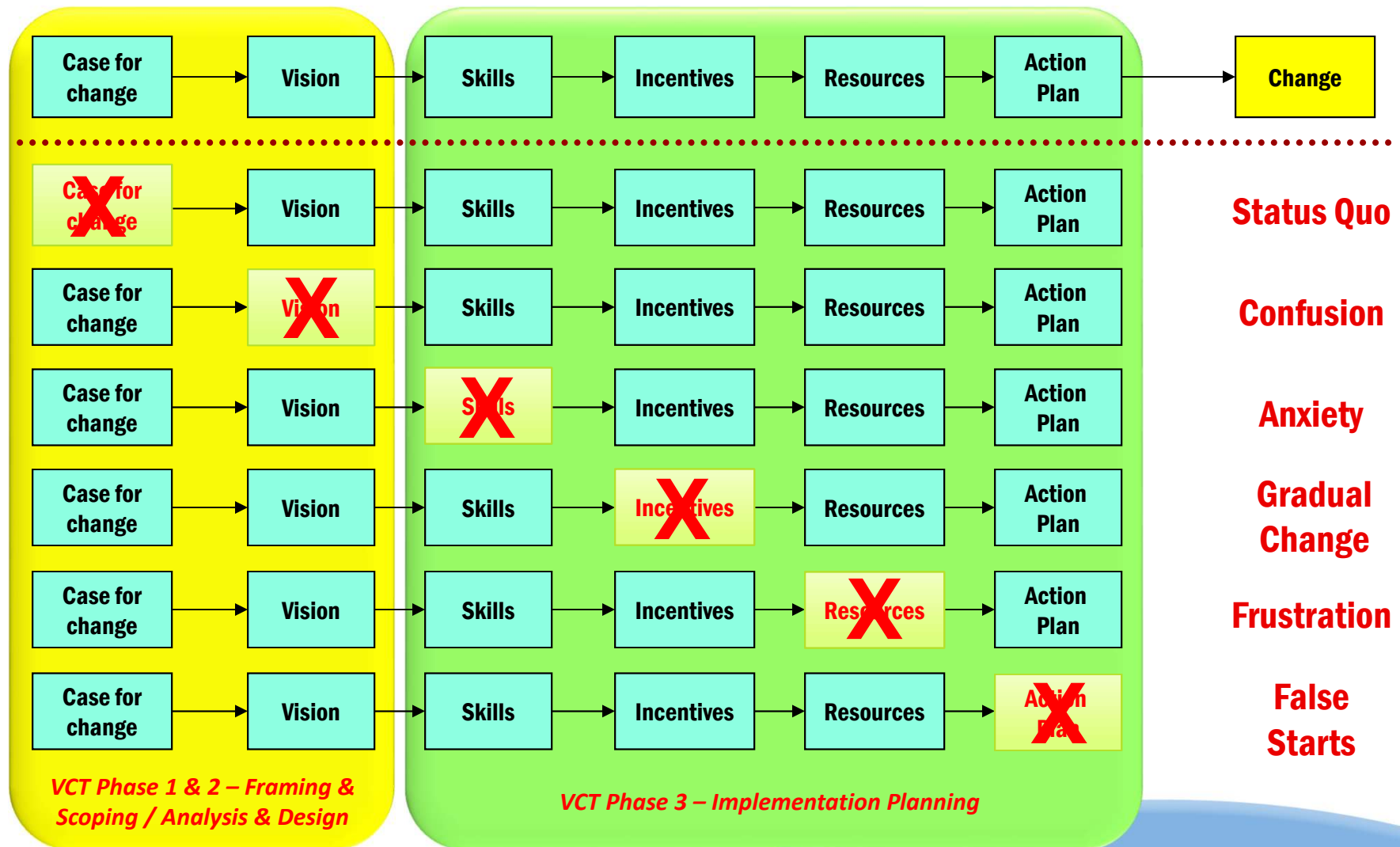- Team owned and driven
- An approach that lets process and financial data drive decision making
- Engaging for employees and stakeholders in the process
- Intentionally highly collaborative
- A vehicle for employee development
- Sustainable and repeatable

IS NOT …

- Overly analytical and time intensive
- A software or technology solution
- An emotionally driven or opinion-based approach
- A consultant centric approach
- Unproven

Our Value Chain Transformation approach is designed to quickly get the organization working on the "right" things!

AIT Business Solutions

Change Management Approach

| Case for change | → | Vision | Skills | → | Incentives | → | Resources | → | Action Plan | → | Change |

	Vision	Skills	Incentives	Resources	Action Plan	**Status Quo**
Case for change	✗ Vision	Skills	Incentives	Resources	Action Plan	**Confusion**
Case for change	Vision	✗ Skills	Incentives	Resources	Action Plan	**Anxiety**
Case for change	Vision	Skills	✗ Incentives	Resources	Action Plan	**Gradual Change**
Case for change	Vision	Skills	Incentives	✗ Resources	Action Plan	**Frustration**
Case for change	Vision	Skills	Incentives	Resources	✗ Action Plan	**False Starts**

VCT Phase 1 & 2 – Framing & Scoping / Analysis & Design

VCT Phase 3 – Implementation Planning

AIT Business Solutions

Questions?

Feel free to contact us.

Rod Recker
Executive Director
AIT Business Solutions

rrecker@AITBusinessSolutions.com
Cell: (530) 277-3154

5260 S. Ashley Drive
Chandler, AZ 85249

AIT
Business Solutions