



Business Excellence through Process Maturity

An Executive Study of Indian IT / Services Sectors

ADVISORY

Foreword



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The way business is done has undergone a sea change; the economic recession has made people rethink their business models. Corporates are finding new ways to deal with these turbulent times.

Quality and excellence have become bywords for survival. Also it's time like these that enable people to do things more efficiently and with a great sense of focus and purpose. Top leadership and board rooms are trying to embed quality and excellence into the work ethos.

In the context of this dynamic change environment, KPMG conducted a survey based study of senior executives in the IT and Services Sectors to analyze their perception of Process Excellence and established practices that help bring it to a state of higher process maturity alignment with business needs.

With the widespread adoption of numerous process based standards / models / awards, the key question is how this translates to a significant contribution to both top line and bottom-line. This study is intended to understand the perceptions of the practitioners and top executives on the business benefits accrued from the use of process models / standards and thereby look at key characteristics of sustained excellence. The key message is that not just choice of models, but the right application of pertinent process models / standards, provides the key to sustained excellence.

Process excellence can significantly help transform the business by aligning and creating harmony amongst all parts of the business process that serve to understand customer needs and deliver a solution exceeding customer expectations profitably. In fact excellence becomes a part of culture when harmonized in every single activity, with focus on internal or external customers. Process models / standards are enablers and compliance is not the destination but a starting point in Total Quality Organizations. Excellence is then more an attitude of doing things right first time and every time.

Executive Summary



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Faced with the need to demonstrate quicker results, organizations do not always appear to adequately focus on the means to attain successful process certifications or appraisals. Failing to focus on means in the adoption of process models can lead to its unsustainable implementation. As a consequence the intended benefits of achieving excellence cannot be fully experienced. While adopting relevant models does help organizations get on to the path of excellence, restricting this pursuit to process certifications and awards can severely impact the value of the journey towards excellence.

We have studied perceptions drawn covering multiple dimensions of process excellence. This includes aspects that can be done even without any process models and those that could have happened only with models. In addition, we focus on key pointers to measure the results of an excellence initiative and triggers of excellence from a customer point of view. Although process models help determine what needs to be done, it is the organizational execution strategy that determines how well it is done. Significant thought and home-work, if invested at the start of execution planning, on how to align process models to business need, helps get better results.

Excellence needs to be viewed from multiple dimensions of customers, employees and suppliers/partners to be effective from a holistic standpoint. Traditionally, people, process and technology are viewed to be the three key ingredients to assure excellence. Process models / standards provide a ready-made collection of recognized practices and distilled experience that can be absorbed in a structured way internally. While aligning, it is critical to connect with the Eco-System of the business environment in which organization operates. Incorrect alignment may cause over-heads and over-kill during practice implementation. Bottom-line impact on all stake holders must be kept in mind sharply in measuring overall effectiveness. Survey outcome reveals that meeting of society and ecosystem stakeholder goals in the pursuit of excellence program appears to be much lower (around 38 percent positive) although it is agreed as highly relevant by over 85 percent executives.

As per the survey results, the key drivers for an organization to initiate Process Excellence program, in the relative order of importance appear to be:

1. Attaining Certifications / attestations
2. Increasing Employee Morale
3. Reducing Cost of poor Quality
4. Better Recognition in Business community
5. Improving effectiveness of Business process
6. Deriving Competitive advantage.

This ranking indicates that the community at large still believes in attaining certifications as the most important driver for an Organization Excellence initiative. However, confining to certifications / attestations alone, will not help organizations in their quest to achieve holistic business excellence.

Looking at internal and external impact, over 90 percent executives feel that aligning to process models / standards has significantly improved their role and their perspectives of business processes. Over 80 percent feel that aligning to process models / standards has significantly improved team and organizational performance. On a critical review of this output, it is clear that there is a scope for further improvement in terms of impact on organizational performance, by better alignment right from the planning stage.

Objectives of the Study

KPMG in India conducted a survey on the threads of process excellence that help build organizational excellence. This is with a view to understand how process maturity enables business excellence in Knowledge based organizations and derive insights that will help similar organizations. In their quest for excellence, many organizations adopt a process model based approach, focusing on certifications and quality awards. While some organizations that choose not adopt a model based approach alone, tread a path studded with experiential learnings.

KPMG conducted this study to help spread awareness of learning and preferred practices and also recommend key pointers to the community to better derive better business value while creating a culture of excellence through high maturity practices.

Methodology



Multiple sources of data collection have been used in this study. Combination of Surveys and Interviews were used to obtain and analyze the perception data. A high degree of data points were collected from Survey mode to promote more objectivity.

Limitations

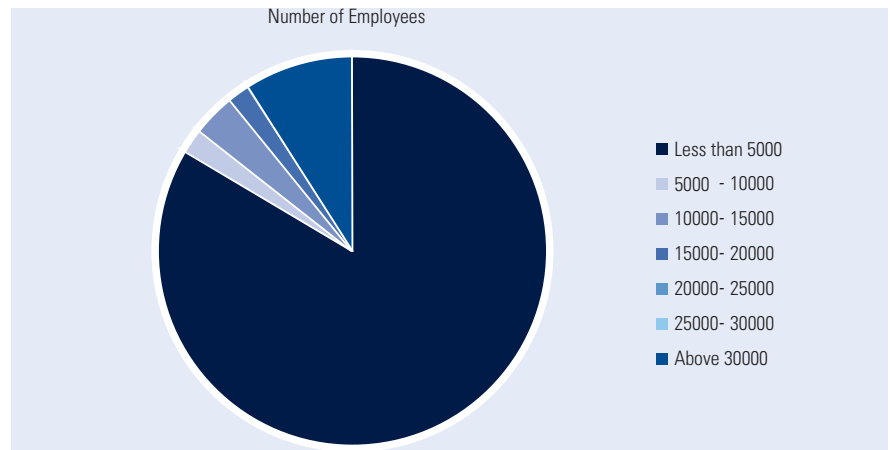
This survey and consequently its analysis and results are predominantly based on practitioners and organizations in the Indian market. Although the survey is applicable to a number of industry segments, the responses studied in this report have been predominantly from IT and Knowledge Services Sector. Organizations need to suitably interpret the recommendations and findings in the context of their operating environments and other special factors.

Trends and findings from the Survey



1. Distribution - Number of Employees

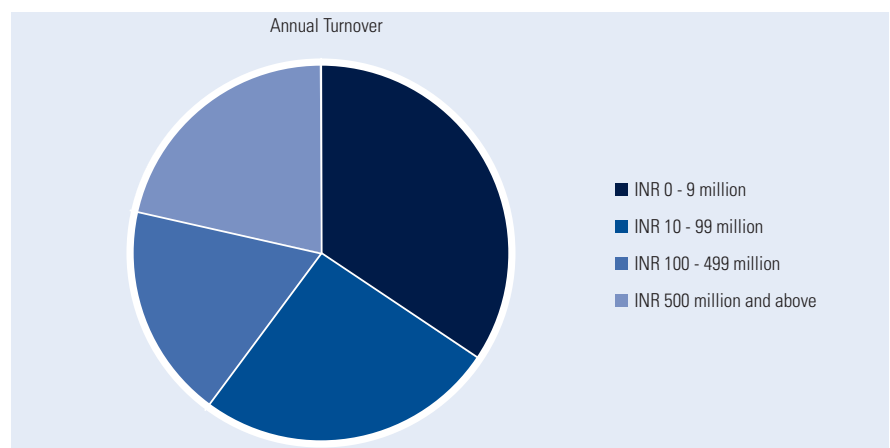
Looking at the demography data of organizations that participated in the survey, organizations with less than 5000 employees had high representation (around 85 percent) in this survey. Around 2 percent were from employee base of 5000 to 10000, around 3 percent from 10000 to 150000, around 1 percent from 15000 – 20000, around 9 percent from organizations with more than 30000 employees. Around 96 executives representing 65 organizations, largely in IT Software and Services sector in India, were contacted through surveys / interviews as part of this study.



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2. Annual Turn-over distribution

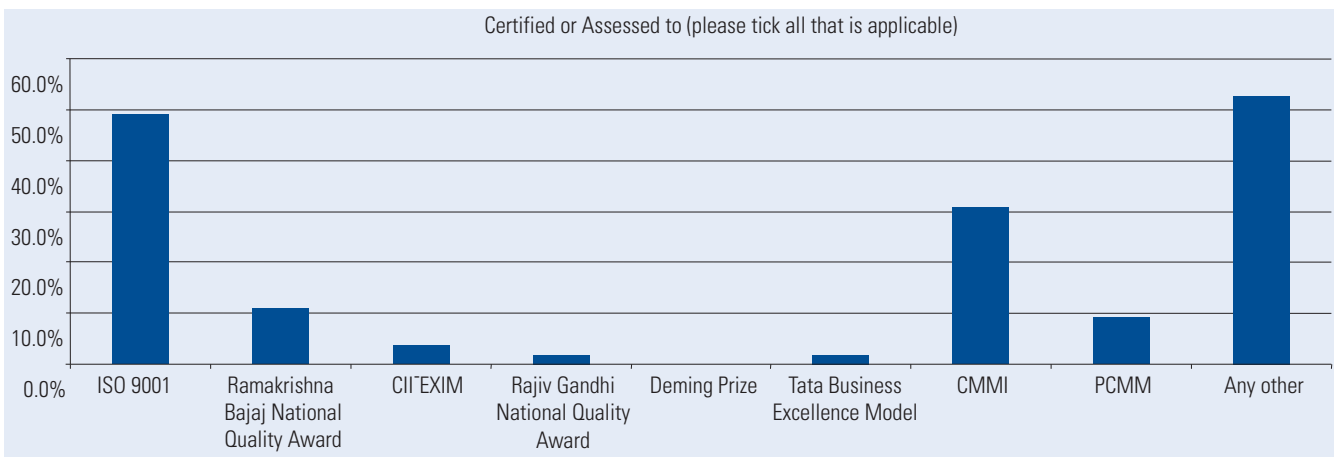
With regard to the organizations turn-over distribution, around 34.5 percent representation emerged from INR 0-9 million turn-over. Around 25.5 percent representation emerged from INR 10 to 99 million, around 18.2 percent from INR 100 to 499 million and around 21.8 percent from INR 500 million and above. We see a fairly equitable representation across turnover ranges in the sample.



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3. Distribution on model adoption / certifications / awards

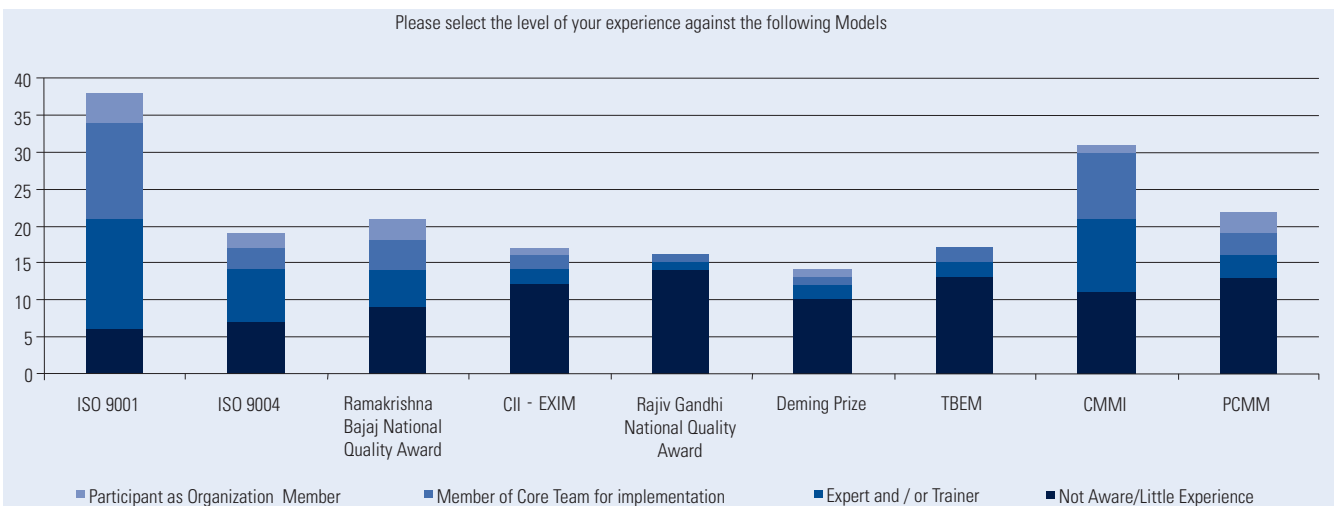
Around 49.1 percent of the respondents have been certified for ISO 9001, around 30.9 percent were appraised for CMMI, around 10.9 percent of the organizations have embarked on Ramakrishna Bajaj National Quality Award and around 52 percent of the organizations have embarked on other initiatives such as Information Security and domain specific models. Inclination to align and adopt to ISO 9001 and CMMI standards observed to be high while other models have been adopted moderately. It is interesting to note around 20 percent of respondents also focusing on business excellence frameworks in this sample.



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4. Distribution on experience levels against various models

Members with varying proficiency levels participated in this survey and shared their perceptions. Executives who have extensively participated as a member of Core team for implementation and experts / trainers (largest category in most segments) participated and shared their views. The findings reflect the voice of their perceptions at large.



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5. Key drivers for the organizations to work on Excellence

On an average attaining certifications / attestations has been the key driver with highest ranking for organizations to initiate work on excellence. While drivers such as increasing employee morale, reducing cost of poor quality, recognition in business community and improving effectiveness of business processes are at the next levels of ranking. Looking at certifications / attestations just as a means to improve the efficiency and effectiveness of Business processes needs enhancement. Impact of process certifications on improved Business process performance needs to be better emphasized. 70 percent of respondent have mentioned improving efficiency. This is primarily because the enhanced efficiency would provide the short term success. Being efficient on ineffective process is not uncommon. Excellence requires larger focus on efficient effectiveness. 57percent of respondents have considered driver as the Competitive advantage. Such advantage is short run as when we buy a service or product we buy the quality as experience directly or indirectly and not the certificate or accreditation.

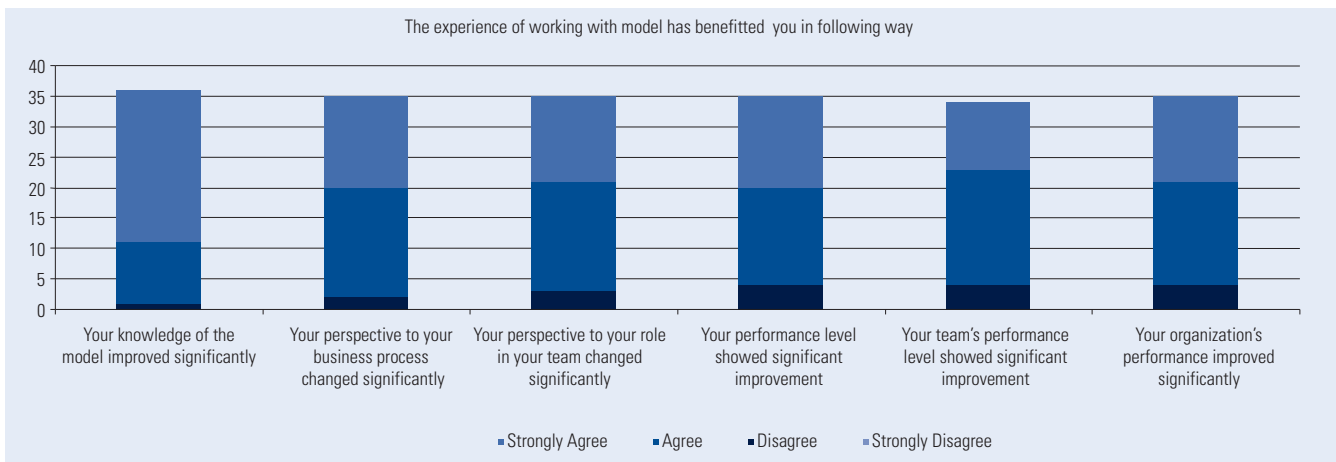


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6. Business Benefits of having worked with the model

Over 94 percent of executives feel that their knowledge and perspective of the model and business processes have improved significantly. While around 88 percent felt that the individual, team and organizational performance improved while working with the process based models. Although individual members benefit from the adoption of various process models, it is also essential to evaluate the organizational performance measurably while adapting to process models. This would be the key for continued sustenance.



KPMG in India's Process Excellence Survey, August 2009

7. Key Characteristics of Team Excellence

Around 75 percent of respondents selected the following characteristics for Team Excellence	Almost 45 percent of respondents believe the following characteristics are not consistently found, but are relevant
Customer Focus	Contributing to society at large
Relationship management within and outside	Strategy to take care of challenges
Sensitive to Human needs	Fact orientation
Ability to unlearn	Transparency
Focus on long-term performance of enablers	Alignment to organizational objectives
Focus on short term performance indicators	Competency Development
Ability to stretch	Alignment to aspirations
Enabling others	

8. Key Characteristics of organizational Excellence

Significant population of executives feel the following characteristics are consistently found	A segment of executives (around 22 percent) feel the following characteristics are not consistently found
Customer Focus	Contribution to Society at Large
Strategy to take care of organizational challenges	Top management commitment for certain initiatives
Relationship management within and outside	Structured prioritization of initiatives
Sensitive to human needs	Fact orientation and measurement based approach
Focus on long-term performance of enablers	Alignment to organizational objectives
Focus on long-term and short-term performance indicators	Objective and data driven decision making
Ability to stretch and Enabling others	Sustenance focus

9. Key Characteristics of Individual Excellence

A significant population of executives feel the following characteristics are consistently found besides being highly relevant	A section of respondents feel the following characteristics are not consistently found, even though highly relevant
Customer Focus	Clarity of Directions
Strategy to take care of organizational challenges	Hands on too many things at a time
Relationship management within and outside	Data driven decision making
Sensitive to human needs	Competency improvement
Focus on long-term and short-term performance indicators	Continued involvement
Ability to stretch and Enabling others	Frequent shifts in priorities
Contribution to Society at Large	Identification of Quality resource

Across individual, team and organizational perspectives, the common trends with respect to weaker areas that need greater focus appear to be data orientation, competency focus and proactive change / risk management strategy in execution. On the positive side, areas that will need continued focus in excellence initiatives include customer orientation and focus on qualitative goals.



10. "Excellence" as viewed by the respondents

Pointers on Excellence through Models:

1. Logical
2. Requires skillful deployment
3. Alignment is necessary
4. Balancing the stakeholders' interest
5. Rating based on criticality
6. Improvement in process standardization, better timely delivery and quality
7. Exceeding stakeholder expectations consistently and profitably
8. The way to mature in process efficiency and effectiveness
9. Help people work in more matured and predictable way.

Long-term perspectives on Excellence:

1. Excellence models needs to encompass all the business processes within the Organization
2. Consistency in delivery in terms of meeting with "all" commitments agreed with customers builds perception of excellence
3. Excellence is a state of mind that translates into individual, team and Organization progressively becoming role models
4. Excellence is necessary for serving long distance and successful businessmen and corporate and command better fees in the today's global and competitive village of business world
5. Business excellence is all about right alignment of people, process and technology in providing customer delight
6. Exceeding stakeholder expectations consistently and profitably is a key to sustained excellence
7. Excellence is an attitude to do every time the right thing in the right way
8. Sustained urge of delivering value add to customers is necessary to build the culture of excellence
9. Excellence is a continuous journey towards perfection, a culture building exercise. In the long-run, provide disciplined approach in a chaotic world, resulting into stress-free environment.



Excellence through Product Focus:

1. Excellent Quality of products is a fundamental pre requisite
2. Continual focus on quality, cost, delivery and improvement in the services is a key
3. Customer Feedback in measuring excellence.

Excellence through Process Focus:

1. Process Excellence is a Way of Execution in the organization which constantly looks at adding value at every step at an optimal cost
2. Achieving set goals based on business needs and actual performance; continuously improving the goals; in-control & predictable progress monitoring, visibility and involvement of stakeholders.

Excellence through People Focus:

1. Excellence - The Key initiative through which the Organization can imbibe quality in each individual and make the employees more committed to work.
2. Excellence is a state of mind that translates into a person, team and organization becoming a role model for others.

11. Key factors contributing to “model over-focus” threat in the pursuit of excellence as viewed by respondents:

1. Getting lost in excessive paper-work and increasing the bureaucracy can mask the key benefits.
2. Inadequate empowerment can cause rigid structure creating more bottlenecks
3. Lack of suitable tools and automation can cause burn-out
4. Measuring every thing instead of right things
5. Result based approach with minimal focus on the “Means”
6. Tasks and processes laid to just meet with process models instead of pertinent customization to align with business objectives
7. Inadequate integration of processes to business models
8. Frequent shifts in the priorities
9. Incorrect understanding and misinterpretation of process model requirements
10. Not incorporating voice of customers in the set processes.
11. Redundant / non-industry specific requirements
12. Monitoring trivial details in the process instead of focusing on vital aspects from customer’s point of view
13. Lack of structured competency building models.

12. Key practices (independent of nature of approach - model/non model/combination) that need greater focus as viewed by respondents

1. Customer focus and proactive relationship management during execution
2. Cost reduction
3. Delivery focus
4. Drive for results
5. Vendor management.

13. Key changes to be brought in the pursuit of excellence as expressed by Respondents

1. Mind-set of the employees to prepare them to accept change
2. Alignment to client needs
3. Adequate work-flow automation
4. Prioritization of initiatives
5. Integration of all departments to work cohesively
6. Transparent system to assess employee contribution
7. Focus on pre-sales and proposal submission stage
8. Reduction in Bureaucracy
9. Balance between cost, quality and cycle time.

14. Key excellence expectations by the respondents as customer

1. Value addition
2. Uniqueness and proactive problem solving
3. On-time delivery and assured quality
4. Predictable performance
5. Adherence to commitments
6. Understanding and meeting stated and implied needs.

Conclusion - The Way Ahead



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In the pursuit of excellence it is imperative to continue to stay focused on the ultimate vision and goals of the organization. Vision and goals should be translated from the customer point of view and further disseminated well across the organization so as to effectively guide the team members interfacing with clients. Process models / standards can immensely facilitate the journey towards excellence while restricting the initiative to model compliance alone may impede the ultimate goal. Process models should be used more as enablers to reach the excellence and not as a destination.

Similarly, accomplishments of process certifications should be viewed as the foundation for next level and as a journey instead of an end in itself. Certainly certifications and attestations are great enablers to put the organization on the path of excellence. However, getting the system aligned to certifications and attestations alone without encompassing the big picture of organizational growth, can cause process overhead instead of yielding significant benefits.

Critical Success Factors on the quest of excellence require Leadership Team Commitment and ability to translate the vision / dream to employees at all levels. Ability to dream big is as important as actions to promote a shared vision and alignment in making the dream a reality. As per the survey findings and perceptions of participants, in order to sustain the path of excellence, operational and strategic directions are key ingredients. Many process models do provide Operational directions while some provide strategic directions. One of the keys is to use frameworks to organizational advantage by harmoniously aligning the initiative to business needs and evaluating this alignment regularly with all key stakeholders, including customers.

Prioritization of key initiatives is a critical step to achieving optimal and systematic institutionalization. Success of the initiatives largely depends on the way they are internalized and ingrained as part of the organizational culture and way of life. Involving key stakeholders right from the beginning and putting first things first can save valuable efforts and time and help generate better returns from the initiative.

A common thread has been that "Excellence" is all about positive attitude and customer ownership in every single action at Individual/Team / Organization levels. Excellence is a function of Quality People, Quality Process and Quality Technology and above all Quality Leadership.

To sum it all... Excellence is exhilarating if seen as a journey rather than as a destination

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