



IDC CUSTOMER SPOTLIGHT

Business Process Reengineering Uses Small Changes to Create Big Impact at KPN

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Introduction

Netherlands-based KPN is a leading telecommunications service provider offering both the consumer market and the business market fixed and mobile internet-based services. With revenue of €6.8 billion and 13,500 employees, the company operates across the Dutch, German, French, and Belgian markets. For millions of customers, KPN's Fiber and Copper networks serve as the basis for the company's three fixed services: IPTV, internet, and fixed telephony. Access-based services on the Copper and Fiber networks are also provided to the company's wholesale segment, which supplies connectivity solutions to KPN's fixed and mobile partners.

Faced with a challenging and rapidly changing telecom environment, KPN wanted to streamline operations in a simple and efficient way to help drive future growth and to enable its strategic business transformation into the leading ICT provider in the Netherlands. To achieve these goals, the company pursued a series of modernization projects designed to simplify its operational processes, improve network quality, and lower total cost of ownership (TCO) while speeding delivery of new and better services to its customers. "As part of that, we also needed to do big improvements in the copper domain," said Just Hut, KPN's director of service platforms. "We needed to improve our legacy processes to provide a really good customer experience, with respect not only to the bandwidth but also to delivering service."

Enhancing customer experience is a cornerstone of KPN's business strategy. An important telecom metric and business driver for KPN is Net Promoter Score (NPS), which helps companies measure customer loyalty. "Improving the NPS was really driving us," said Just Hut. "To have a long-term relationship with our customer means investing in that relationship. NPS is the measurement that shows how well we're doing that."

KPN's vision for the future called for strategic cost optimization using a lean methodology to help the company improve customer experience by boosting network quality, resolving customer issues faster, and enabling quicker service delivery through better processes that leveraged existing IT. The company also wanted to increase the life span of its copper infrastructure. KPN's copper network is one of the pillars on which all its communications are based. Upgrading this network would allow the company to improve existing services and provide innovative products to its customers.

Solution Snapshot

Organization: KPN is the largest telecommunications service provider in the Netherlands

Operational challenge: To strengthen the business using strategic cost optimization to improve the efficiency and effectiveness of the IT environment and operational processes to enhance services and deliver a better customer experience

Solution: Business process reengineering program from Tech Mahindra, an IT and consulting services provider

Project duration: Started January 2015 and ongoing until the end of 2019

Benefit: Savings of €45 million by 2018 from ongoing and completed initiatives from quality improvement opportunities

To speed its business transformation, KPN began a collaborative partnership in 2014 with the Business Excellence practice at Tech Mahindra, an IT and consulting service provider with expertise in business process reengineering (BPR), process and IT transformation, operating model simplification, and organizational redesign.

Implementation

Tech Mahindra's Business Excellence consulting team started by performing a process improvement review and a cost analysis of the entire domain. The team found that KPN's business processes could be improved by up to 50% and identified potential savings of €64 million through implementing small process improvement initiatives across order fulfillment, service assurance, field services, and network capacity management.

First, the planned BPR program would require approval from KPN's board of directors. To win buy-in, Tech Mahindra and Just Hut worked to build a business case by redesigning operations within KPN's access copper domain that identified business benefits and transformation goals. These benefits and goals included simplifying the operating model by standardizing and integrating end-to-end processes, improving handoffs and reducing waste to increase efficiency and lower TCO, and automating and digitizing IT activities to improve customer experience and reduce cost.

Impressed by the business case's findings, the KPN board green-lighted the BPR program and approved a budget. The program started in January 2015.

Initially, a team of seven Tech Mahindra BPR consultants spent four to six weeks working with Just Hut and a 10-member KPN team to redesign the telecom's operating model in support of the project objectives. The resulting BPR program identified key areas of waste in order fulfillment, service assurance, field services, and network capacity management, and it sought to replace the existing processes over time with incremental improvements. "We were looking at what's the main problem in a process and how can we design it differently," said Just Hut. "But we also really wanted to look at redesigning it from a customer perspective."

The BPR program follows a road map that outlines a standardized approach to implement improvement initiatives and realize business benefits in a defined time frame. Tech Mahindra's Business Excellence team owns the BPR program and has seven consultants performing the investigation and analysis, collaborating with Just Hut and other KPN stakeholders to create and describe the process steps, assess impacts on people/process/IT, create business cases, plan implementation, manage changes, support operational rollouts, and measure business benefits. Just Hut and a supporting KPN team, depending on the subject, handle the internal rollout of each process implementation. This approach allows KPN's local staff to create the detailed processes that they're going to own and aids in their quick adoption.

As each implementation successfully winds down, the metrics and lessons learned are introduced to other processes. Just Hut noted that 17 projects are running within the program (four in capacity, seven in fulfillment, six in assurance). Although the redesign is about 75% done within its initial addressable scope, KPN still sees new opportunities for creating value.

Challenges

KPN has faced hurdles as it reengineers its business processes. As part of its BPR program, the company opted to overhaul its current IT stack and processes rather than build a new system. "We made a deliberate choice not to do a full new design but to do it with the people and the organization that have been doing the job," said Just Hut.

As a result, change management loomed large. To finesse that challenge, Just Hut and the Business Excellence team took an incremental approach that relied on making small process improvements to achieve workflow changes that could yield significant business impact. However, such an approach requires time. Details need to be shared. Workers need to be educated about the new processes and related benefits to drive buy-in. They need to be convinced that the new way is better for change to take hold. However, working this way can be challenging during a business transformation. "It can be a big hurdle unless you take it into account and say, 'OK, I'm not going to push on doing the change in two weeks. Instead, I accept it will take us five months from now,'" said Just Hut. Taking a step-by-step approach allows workers to participate in change and see the benefits. Once that happens, they are quicker to get on board as new business processes are introduced.

Benefits

KPN's experience proves that small process improvements can yield big business value. The company's completed initiatives have resulted in savings of around €14 million for 2017 to date with further savings of €10 million expected in 2018. In addition, KPN forecasts €21 million in savings from ongoing initiatives, which means the overall benefits from the program will reach €45 million by 2018.

Furthermore, initiatives are being planned for 2018 and 2019 to achieve a next set of savings amounting to €18–20 million.

Other key benefits include:

- Reduced delivery time for new customer connections from three weeks to a few days
- Achieved greater efficiencies internally and in the back offices
- Helped with improving consumer residential NPS from 3 to 10 between 2014 and 2016
- Enhanced corporate agility to respond to customer needs and industry changes

"I think the team from Tech Mahindra did a brilliant job," said Just Hut. "What they did was to get all the data, link it together, and show that these are the pain points at KPN. What they're doing is not to make a big change but to take it in smaller increments by looking at the complete data and seeing what battles we can win."

Methodology

The project and company information contained in this document was obtained from multiple sources, including information supplied by Tech Mahindra, questions posed by IDC directly to KPN employees, and KPN corporate documents.

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Global Headquarters: 5 Speen Street Framingham, MA 01701 USA P.508.872.8200 F.508.935.4015 www.idc.com