Sharing Lessons learned - Business Process Management @ FME

University of Applied Sciences Koblenz
19th November 2013
Welcome & Introduction

Fresenius Medical Care - Company Profile

Background and Motivation for BPM

Designed Concept & Lessons learned

Questions & Answers
Introduction of Presenter

Armin Heber
Fresenius Medical Care Deutschland GmbH, Bad Homburg
Senior Manager
BPM Center of Excellence Lead

Major work areas...
• Setup of organizational structures aligned to business strategy
• Implementation of process-focused organizations such as Shared Service Center
• Process design and effectiveness: development of industry-specific process architectures, business process splits and BPO (Business Process Outsourcing)
• Finance and controlling, operational risk management: Implementation of risk management, reporting and compliance concepts

Before joining Fresenius Medical Care...
• Managing Consultant at Capgemini Consulting, Frankfurt
• Employee at DaimlerChrysler AG, Stuttgart
• Executive MBA, Fuqua School of Business Duke University
• Diplom-Betriebswirt, University of Applied Sciences Würzburg
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Fresenius Group

Group Sales FY 2012 (bn EUR) 19.3
Employees 169,320

- Dialysis Products
- Dialysis Care
- Extracorporeal Therapies
- Renal Pharmaceuticals

- Clinical Nutrition
- Infusion Therapy
- Transfusion Technology

- Acute Clinic Operation and Management
- Rehabilitation Center Operation and Management

- Health Care Facility Consulting
- Health Care Facility Planning and Management

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Fresenius Medical Care - profile

Fresenius Medical Care - a vertically integrated company

Production

Research & Development

Evaluation of Treatment Outcome

Patient Database

Products & Therapies

Patient Care

Global market leader in dialysis products & dialysis care

Provider of other innovative extracorporeal therapies
Fresenius Medical Care - patients, clinics, treatments

Fresenius Medical Care North America

- 164,554 patients
- 2,082 clinics
- 24.4m treatments

Fresenius Medical Care International

- Europe, Africa, Middle East, Latin America, Asia Pacific
- 93,362 patients
- 1,078 clinics
- 14.2m treatments

Fresenius Medical Care has subsidiaries in more than 60 countries worldwide

Fresenius Medical Care Worldwide

- 257,916 patients
- 3,160 clinics
- 38.6m treatments

Status as of Q4 2012
Fresenius Medical Care - overview

**Revenue by business segment**
- Dialysis Products: 24%
- Dialysis Care: 76%

**Revenue by region**
- Total Revenue: USD 13,800 m
- NA: 65%
- AP: 21%
- EMEA: 6%

**Employees by region**
- Total Employees: 86,150*
- NA: 59%
- AP: 24%
- EMEA: 10%

* full-time equivalents

**Revenue by business segment**
- Services: 91%
- Products: 9%
- North America: 48%
- International: 52%

**Total Revenue FY 2012:**
- Services: 9,031 m
- Products: 4,740 m
- North America: 76%
- International: 24%
Agenda

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Questions & Answers
We need the inSITE Program to deliver the FME EMEALA business process backbone

inSITE Mission & Key Goals

What we know

- Business complexity and volumes will increase significantly – by 2020 we will have doubled our business with an increased focus on new business models
- Today business processes are inconsistent across and within geographies and manual effort is high making the handling of additional complexity difficult
- The current system landscape is fragmented and does not support FME’s business processes well enough

What we need – Mission & Key Goals

Mission

Create and Sustain…

… an excellent and harmonized business processes backbone…

…to enable us to manage efficiently future growth

Key Goals

Sustainability

Integrity

Transparency

Efficiency
inSITE delivers the business processes necessary for sustainable growth and new business models in a more complex business environment with tougher competition

<table>
<thead>
<tr>
<th>Goal</th>
<th>Reduce complexity in business processes and IT solutions to enable Sustainable growth at best cost by increasing data Integrity and the Transparency and Efficiency of business performance (inSITE).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approach</td>
<td>Define a harmonized end-to-end business processes backbone across EMEALA and map it in a standardized SAP template. Establish a Business Process Management framework to sustain new processes.</td>
</tr>
<tr>
<td>Scope</td>
<td>All major business processes along the value chain (i.e. Sales, Finance, Controlling, MM/Purchasing, Production, Quality Management, Logistics Execution / Warehouse, Integration to Supply Chain) across the 40 countries in the EMEALA region including Product Business, production and an interface to Nephrocare.</td>
</tr>
</tbody>
</table>
| Timeline | 1. Foundation Phase: Apr ’11– Aug ’11  
2. Process Landscape Blueprint Phase: Sep ’11 – Jun ’12  
3. Process Landscape Realization Phase: Jul ’12 – Mar’13  
| Core Team | More than 100 team members from FME (including ca. 20 full time business process experts from countries in EMEALA region), Fresenius Netcare and the external partners. |
| Extended Business Support | More than 50 FME business process experts from seven representative EMEALA countries (i.e. Serbia, UK, Germany, France, Poland, Italy and Brazil) including production, providing in depth process knowledge. |
Fresenius Medical Care’s journey of transformation to becoming a process-oriented organization ...
inSITE top-level End-to-end Process Landscape

- E2E Processes
  - Deal Management
  - Order to Cash
  - Machine Life-Cycle-Management
  - Forecast/Order to Cash Machines
  - Forecast to Replenish
  - Procure to pay
  - Strategic Purchasing
  - Treat to Reimburse

- Supporting Processes
  - Finance
    - Asset Lifecycle Management
    - Period End Closing
  - Controlling
    - Product & Service Costing
    - Local Planning & Budget
  - MM/PUR
    - Purchasing Master Data
  - Master Data
    - Customer Lifecycle Management
    - Material Lifecycle Management
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Questions & Answers
Point of departure... for achieving our business targets we need one process template as the single source of truth throughout EMEALA...

EMEALA E2E Business Process Template

sharing our best practices from end-to-end business process perspective

“single source of truth”

... respecting the specific local requirements of our countries and markets
Implication of inSITE roadmap and related IMB decision: We need to start the initiation of the required governance structures now – it’s a key success factor!

We need...

- one **common governance process** to manage our business process template throughout EMEALA
- the according integrated **collaboration model** to run the governance process together
  - **local business roles** to steer & manage local needs
  - **central business roles** to steer & manage EMEALA’s needs
  - **supporting roles** to offer needed process management support services to the business (idea of “BPM Center of Excellence”)
Where do we want to go?

To design the right governance structures, the aimed BPM maturity stage needs to be clear...

- **Pure functional organization**
  - FME EMEALA 2011

- **Functional organization/processes identified**
  - FME EMEALA 2020?

- **Process Owners with development authority**

- **Process Owners with performance responsibility, functions with resources**

- **Process Owners with business responsibility, functions as competence centers**

- **Pure process organization**
FME’s challenges to establish a sustainable process-oriented culture throughout EMEALA

• Ensure **sustainable template** of inSITE business processes

• Balance the idea of **business process harmonization** with all **local needs and specific requirements** of the countries

• Create **cross-functional & cross-country collaboration** as well as needed communities along defined E2E processes

• Establish **process performance management incl. KPI and target definition** as valuable management dimension

• Enrich FME’s entrepreneurship culture by **cross-functional E2E process-mindset**

• Ensure buildup of needed **BPM capabilities** on **local & central level** to enable success

• Enable needed collaboration between **local** and **central level**
Collaboration Model: Steering FME’s Business Processes supported by services of BPM CoE

EMEALA Business Processes

Order-to-Cash
Deal Management
Procure-to-Pay
Forecast-to-Replenish

BPM CoE (Center of Excellence)

Illustrative example!

Business Process Sponsor
Business Process Owner
Local Business Process Owner
Local (Key) User

Business Process Sponsor
Business Process Owner
Local Business Process Owner
Local (Key) User

Business Process Architect
Business Process Expert
Process Consultant
Training & Change Manager

CoE Services

1. Idea & Demand Management
   - Analyze/consolidate process demands
   - Quotation/Offer Mgmt.
   - Define Business Case
   - Scope & Budget Decision preparation

2. Business Process Analysis & Design
   - Process Modeling (Method & Content)
   - BPM Tool Operations
   - Business & Validation alignment
   - URS- FS-/DS- document generation

3. Develop & Test IT Solution
   - Coordinate IT Partner
   - Control System Build and Test Mgmt.

4. Deployment
   - Local Fit-Gap
   - Change Management Support
   - Training Planning & Execution
   - “Go Live”-Support

5. Process Performance Management
   - Continuous Improvement
   - KPI/Target Definition
   - Root-Cause-Analysis
   - Benchmarking (internal/external)

Project Management
### BPM Roles, Responsibilities and Collaboration

#### BPM Role Overview (1 of 2)

**Business Process Sponsor**
- Takes **business decisions** on behalf of all EMEALA countries
- Resolves **conflicts** that cannot be resolved by Business Process Owners
- **Sponsors business process template** at all organizational levels
- **Is proactive driver** of cross-functional **collaboration & end to end business process awareness**

**Business Process Owner**
- **Is responsible owner** for assigned business processes throughout EMEALA (within own Domain and for assigned end to end business processes) **on central level**
- Cares about **cross-functional alignment** and integration of his/her business processes
- **Decides on** business process **demands and scope of** process template releases
- Manages identification and sharing of **leading practice business processes** and drives continuous process improvement

**Local Business Process Owner**
- **Is responsible owner** for assigned business processes (within own Domain and for assigned end to end business processes) **in his country/on local level**
- Is the key local role to **balance interests** of harmonized **EMEALA process template and specific local needs** (business cases or compliance needs)
- Contributes proactively in ongoing process template maturity increase by identifying and sharing **leading practice business processes**

**Key User**
- Acts as **experienced process operator** in her area of expertise
- Contributes **proactively in continuous process improvement** by developing new process demands in reconciliation with the responsible Local Business Process Owner
- Can be used as **business process trainer or knowledge multiplier** in her country
BPM Roles, Responsibilities and Collaboration
BPM Role Overview (2 of 2)

- coordinates all activities of Business Process Experts and Process Consultants (Fresenius Netcare) in her team/area (part of BPM CoE, role and responsibility analog to existing role of Business Domain Lead in inSITE program)
- takes simple business process decisions within defined/given limits by herself and prepares complex business process decisions for Business Process Owner level
- ensures continuous end to end process awareness within her team and beyond

- acts with profound process knowledge within the BPM CoE on central level
- is key driver for identification and deployment of leading practice business processes as well as for continuous business process improvement and therefore deeply involved in idea & demand management, business requirements analysis and business process template design

- supports functional teams with his business process knowledge and IT system expertise in order to identify and design leading practice business processes
- ensures fully integrated, process-driven approach for design, development and deployment of new business process template releases within methodological frame
- integrates business process governance with resulting IT governance for FME EMEALA

- prepares and supports process template release deployment by specific change activities (like impact analysis, fit-gap-analysis, training and change readiness assessment ...)
- ensures sufficient information and communication especially between central, regional and local level to avoid typical change risks and issues
- close collaboration with BPM Center of Excellence is needed along the BPM Governance process
Defined Governance Process to identify and approve demands

1 **Key User** of any country formulates new process demand and raises request to Regional Business Process Expert after reconciliation with Local Business Process Owner.

2 BPM Center of Excellence prepares demand decisions to be taken by central BPOs (scope, template relevance, priority, …) and ensures involvement and alignment with required stakeholders (incl. compliance and training).

3 Decision on template release scope, local variants and further projects is taken by the central Business Process Owner (incl. Design Decision Board).

   **IMB with Business Process Sponsors** decides in case of escalation only.

4 Resulting from BPO’s decisions, template demands and localizations are identified and ready for overall prioritization & funding procedure.

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Layers of the BPM community
The BPM Center of Excellence as key enabler

- BPS
- Global BPO
- Local BPO
- Key Users
- BPM
- Center of Excellence

Cluster I
Cluster II
Cluster III
Cluster IV

Domain View
End-to-end View
Within the given guidelines both BPO and BPA need to define their individual way of working

Collaboration BPO and BPA

FME EMEALA Business

Business Process Owner

BPM Center of Excellence

Business Process Architect

Framework

Adjust your regular way of Decision-Making!

Adjust your approach for continuous alignment!

Determine your individual scope and degree of delegation!

Define your common agenda and top-priorities!

Working relationship between BPO and BPA is key!
For the local fit-gap analysis during process deployment there are 4 different scenarios foreseen

**“Sale-or-Jail” Approach**

<table>
<thead>
<tr>
<th>Template–Adoption</th>
<th>N/A</th>
<th>“Sale” – Adaption</th>
<th>“Jail” – Adaption</th>
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<tbody>
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</table>

- **Template–Adoption**: no local process adaption needed (= standard case)
- **N/A**: process not applicable for rollout country (e.g. no production)
- **“Sale” – Adaption**: valid business case legitimates local process adaption
- **“Jail” – Adaption**: law or other regulatory compliance causes local process adaption
A transparent funding and project portfolio decision procedure will ensure realizing demands with the highest benefit for the company.

**Budgeting and Prioritization of Process Demands**

<table>
<thead>
<tr>
<th>Demand Priority List</th>
<th>Overall Budget</th>
<th>10.000.000 €</th>
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<tbody>
<tr>
<td>“Jail”-Adaptions</td>
<td></td>
<td>-2.000.000 €</td>
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</table>

<table>
<thead>
<tr>
<th>“Sale”-Budget</th>
<th>8.000.000 €</th>
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</thead>
<tbody>
<tr>
<td>“Sale”-Adaptions</td>
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</table>

### Business Case
- **NPV, €** Net Present Value
- **IRR, %** Internal rate of return
- **Pay-back Period, t**

<table>
<thead>
<tr>
<th>Project</th>
<th>NPV</th>
<th>RRI</th>
<th>PP</th>
<th>Prio</th>
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<tbody>
<tr>
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</table>

Further centrally approved initiatives to be funded by regional/local budgets:
- Project 1: 500.000 €
BPM Status Quo @FME and Future Challenges

Experiences & Lessons learned

• Top Management support is most critical success factor!

• Understand your starting point: How process-oriented is your organisation today?

• There is a difference between a role concept and reality. Understand your peoples’ skill

• Never underestimate change efforts: Significant impact of change in the transformation process (changed responsibilities, level of business knowledge, new decision processes, etc.)

• Do not rush through! Find your own pace to transformation and consider local specifics

Future Challenges

• Roll-out BPM Governance organization along inSITE into all remaining 34 countries

• Further ramp-up BPM Center of Excellence with resources providing the right skills and experiences

• Support deployment and operations at the same time

• Align internal IT provider structure to BPM

• Support governance from a tool point of view with workflows, etc. to create transparency and visibility.

• Next big step: Further integrate business process initiatives to create “one single source of truth”
BPM Is People Business!
Defined Standards And Reality
Thank you very much for your attention!