E Squared UK Ltd

An Investigation into Business Process Management Success Factors: Process Knowledge and Effectiveness

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Date: 25/11/2010

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1 The Purpose and Structure of this Paper

A couple of years' ago, IBM and others produced an interesting report entitled: 'BPM: lessons from the real world'[1]. In it, the authors proposed seven factors which they discovered were critical for the successful application of Business Process Management (BPM) initiatives.

In the second in our series of seven white papers, each one addressing one of the factors proposed by IBM and The Register, we look at the issue of process knowledge and effectiveness.

In particular we ask whether a solid knowledge of process function, whether desired or actual, including the effective use of maps and models is still a critical factor today.

We open by précising the conclusions of the IBM report before reviewing the impact of the current economic and commercial environment on process knowledge and effectiveness. We then look at the current face of process knowledge and effectiveness, two years down on from the original paper before presenting some proposals of our own for improvement.

As with all the papers in this series, the aim is to provide insight and provoke thought in an easily-digestible form. Each paper is relatively short, designed to be read in no more than 15 minutes and will be supported by follow up webinars, discussions groups and accessible international expertise provided through E Squared's new BPM Knowledge Centre. This, which will be launched after the issue of the final white paper in this series, will be exclusively available through the E Squared website. Details on its content and accessibility will be published on our blog at www.bpmblog.co.uk and announced through our Twitter account www.twitter.com/esquaredgroup .

1. The Register 'BPM: lessons from the real world. Practical ideas to apply to your organisation.' Freeform Dynamics Ltd, in association with IBM, October 2008

2 Findings from 2008

In the 2008 paper, IBM and their co-authors found the following.

- "Effective and efficient management of the design, implementation and evolution of their business processes is a weakness in most organisations. Process fragmentation across systems, staff and organisational boundaries causes headaches in terms of performance and also poses a challenge when people want to start improving things and corral available expertise and support.

- BPM effectiveness can be super-charged with the right approach and capabilities. Formalising the way BPM is carried out simply works better than acting in an uncoordinated fashion. Benefits can be gained as much from doing things the right way and in the right order as from adopting a highly regimented approach.

- Leading organisations are more likely to adopt specialist BPM technology, especially comprehensive, repository-based process tools which include the capability to conduct modelling. "

In the following two chapters we look at how these findings have changed in 2010 and in Chapter 5, consider possible improvements.

3 2010: the impact of the transformed commercial environment

Clearly the world has moved on significantly in the intervening two years since 2008. In particular:

- We now have the global recessionary environment as a result of which organisational efficiency, effectiveness and agility are more important than ever.

- There are indications that in process terms, many organisations are going back to basics. Whilst the 1st decade of the new millennium was characterised by a huge move towards process automation in the industries where that could most easily generate competitive advantage e.g. financial and customer services, 2010 appears to be the year where root and branch process reviews are taking place, with a strong emphasis on human activities.

- The days of the large, despotic IT department are numbered with more and more organisations moving from technology management to information management. Whilst those organisations that committed to multimillion dollar roll outs of enterprise-wide business process management suites are still rolling those out (and will continue to do so if they have any hope of recovering their investment), very few large server-based BPMS systems are being purchased afresh. The capital outlay is too great and the ROI too nebulous. Instead there is a massive move towards software as a service (SaaS): it requires less, if any, capital outlay; is available instantly without any requirement for installation and the significant IT and consultancy involvement that entails; and it can often be rolled out department by department. Some of the latest SaaS process systems are also modular [2] and allow for a gradual roll out of functionality, aiding cash flow and ROI even further.

These developments should have an effect on the way organisations deal with process knowledge and effectiveness.

- A back to basics approach to effectiveness must, if it is to emphasise human activities, focus on:
    - Optimisation of the customer relationship
    - Consistency and compliance

- Organisations need to clearly distinguish their approach to jobs with different levels of required intellectual input. Whilst low 'IPR' jobs could still involve a 'replace the human' or 'control the human' approach, high IPR jobs, those within the core knowledge sector on which recovery depends, will need to focus much more on 'assist the human'. This implies the use of process tools, language and conventions that humans can most easily comprehend and follow.

2 Qmap Studio is one such example.

- SaaS BPM tools will become the norm in anything but the largest of organisations. Not only will this reduce the cost of purchasing and using BPM tools, it will also reduce the cost of maintaining them. That has to be good for both the customer and the supplier alike.

So in many respects the recession has had a positive impact on process knowledge and effectiveness and continues to provide opportunities to improve it further. In the next chapter we will consider how organisations might deal with these opportunities.

4 2010: the current face of process knowledge and effectiveness

4.1 Fragmentation

Unfortunately, when it comes to process knowledge, not much has changed since 2008: it is still heavily fragmented.

Many quality managers are quite used to BPM but their main focus is the definition and monitoring of metrics and key performance indicators (KPIs). Business analysts may use it too but their focus is almost entirely the efficiency of – often tiny parts of – their processes. For the IT department, BPM is mainly a tool for automation and senior management, if involved in BPM, tends to focus on compliance.

In itself, these are all valid approaches but the fragments tend to distract people from the organisation-wide benefits. Principally BPM is not a tool for specialists housed in nooks and crannies of the organisation, but a method to improve the efficiency and effectiveness of the organisation as a whole. Therefore, it requires organisation-wide application. This basic understanding of the use of BPM is still not very widespread.

4.2 Costs and benefits

Given this fragmentation it may not be too surprising that in 2010 many organisations still find it difficult to measure expected costs and returns for a BPM project. Fragmentation affects the relevant measures and the project's scope. So whilst it might be relatively straightforward to measure the costs, benefits and risks of streamlining or automating one microprocess of just a few steps, it is much more challenging to measure the impact of improvements to a vertical process which links a range of business-critical activities. Also whilst the analysis of microprocesses involves the use of activity-based costing techniques and can produce immediate results in terms of say, cycle time reduction, compliance or quality-based projects have a much greater lag time; often years. As a result, within most organisations now, there is a relatively high degree of knowledge about process automation and relatively poor knowledge about compliance or quality improvement. This may help to explain why, despite the fact that in most organisations a maximum of 20% of processes are capable or being automated, this activity occupies at least 80% of the BPM effort.

4.3 Lack of accessible tools

Even if an organisation has grasped the importance of BPM and consequentially aims to share process knowledge within the whole organisation, it often lacks the tools to do so effectively. Dedicated BPM software often comes in the shape of fairly expensive applications that need specialist knowledge to use. In addition the multitude of conventions and icons within the software leads to the production of process maps which are difficult for non-specialists to follow.

Furthermore, if process maps are distributed within the organisation, overview is often lost. Departments may have intricate maps of their own (sub) processes, but they will usually lack the functionality to see the process hierarchy at different levels. As a result they may not understand where their process fits in to the larger picture – especially the delivery of corporate goals – nor may they clearly see relevant details of supporting processes if required.

4.4 The BPM function

In 2010 the BPM function within an organisation is not at all well-defined. It remains the domain of specialists, often brought in as temporary consultants or interim managers. Senior management finds it easier to hire BPM consultancy every few years instead of investing in long-term in-house BPM knowledge and tools.

This has a dual impact. Process knowledge is often transitory and in many cases leaves the organisation with the consultants. Secondly processes are often poorly maintained.

This lack of attention for BPM within organisations results in a waste of time and resources. Many consultants who have done BPM work for the same organisation for a longer period of time say that every few years they get the same questions about the same processes. As the organisation has no 'memory' of the history of the process itself, it relies on the consultant to avoid repeating mistakes.

As long as an organisation mainly relies on external experts to provide BPM knowledge, it is impossible to impose anything like the formal and unified approach to BPM called for by the authors of the 2008 paper.

4.5 An incomplete approach

Process mapping is often done in an incomplete way. The operational processes in the primary value chain tend to get sufficient attention but the mapping of supporting processes lag behind and management processes are often not mapped at all. Over the years we have heard many explanations of senior management why this was the case – one of the best being "management is a matter of personal style, it cannot be caught in a map" – but we remain unconvinced: the quality of supporting and management processes has a huge effect on processes in the primary value chain. To be able to improve the quality of processes, they need to be mapped.

5 2010: proposals for improvement

If an organisation wants to improve process knowledge, one of the first steps should be the implementation of a process mapping tool that deliver processes across the whole organisation into the hands of end-users. To keep things simple for those members of staff that need to create or edit the maps, the tool should support a clear and concise set of drawing conventions, rather than offer a myriad of shapes taken from decades of flow charting applications. The advent of highly scalable and affordable SaaS applications now makes such tools available to organisations of any size.

Implementation of such a tool will make it possible to share process knowledge easily. Ideally process maps should be the main interface to the organisation's operations. The homepage of the organisation's intranet should be a map of the top level of the value chain. Drilling down through each element should lead to increasing process detail and to all kinds of information relevant to individual tasks.

Sharing process maps is only the beginning. To benefit members of staff should have a general awareness of the organisation's value chain and a detailed knowledge of the processes in which they are directly involved. This can be achieved by training staff to read process maps but it should go further. Staff should also be taught how to (re)model processes so that they can engage and collaborate in optimising processes. That requires a common method of process visualisation and communication.

Once acquired, organisations should strive to maintain their process knowledge for the long term and once an organisation has developed a unified approach to process mapping it should be used consistently throughout. Consultants should be required to follow the process mapping conventions already established and to use the tools that already are in place. Once a process is mapped the organisation should maintain its own knowledge of the process 'as is' so that when consultants leave they should not do so without handing over the results of their work to members of staff in such a way that the staff can continue to develop the processes thereafter.

Substantial – and often quick – wins can be realised by engineering supporting processes, as they affect many operational processes. When similar processes for similar functions in different parts of the organisation are being compared, possibilities for standardisation and amalgamation often appear. Many organisations have already done this for IT, (in the form of shared service centres) and for areas like HR and Finance similar results can be achieved.

If an organisation wants to profit from process knowledge, HR should be involved. Every induction of a new member of staff should start with a high level presentation of the organisation as defined by its processes: value chain first, followed by information on the supporting and managing processes. This should be followed by mandatory, detailed study of the processes most relevant to the newcomer. Similarly, when a member of staff leaves, a 'debriefing' on his ideas on the processes he worked with should take place.

Between induction and debriefing, the willingness and ability of members of staff to acquire and work with process knowledge should be rewarded. In short: process knowledge should benefit careers. Comparable to, for example, IT qualifications or Six Sigma belts, steps gained in process knowledge should open new career opportunities.

In time, a sustained focus on processes might well change the organisation itself: process managers will replace line managers, and organisational boundaries will no longer be allowed to interfere with the managing of processes. On the contrary: organisational structures will increasingly be defined by the processes themselves.

Of the four main reasons for process mapping, the wish to share knowledge within the organisation ('this is how we work') and the need to demonstrate compliance are met by mapping processes as they are. Once an organisation has realised the importance of BPM, this mapping 'as is' is usually achieved fairly easily.

The mapping of processes 'to be' however is often more of a struggle. Usually, this is the result of a far too limited understanding of processes as an instrument of change.

- If, for example an organisation set up a shared service centre for IT, no one would forget to look at the processes as part of the project. In fact the analysis of the existing processes and the re-mapping aimed at increasing efficiency (to improve the 'internal' quality of processes) and improving effectiveness (to make sure the demands of the client are better met) would form the major part of the project.

- However, when talking about projects with a more limited scope, processes are often not taken into account. For example over the last decade we have encountered many projects aimed at 'cleaning up' IT: after years of investment in many different applications, often with very different business models and contracts, organisations feel the need to clean up and rightly so. But when defining the project, processes are not taken into account. This means, that the effects and repercussions of changes to one process on others are not seen. It also means that the selection of areas to improve is more haphazard than necessary. If organisations were to start change by having a good look at processes first, far less time and money would be wasted.

Therefore it is our recommendation that every initiative for change starts with a business case, and each and every one of these business cases should start with an inventory of processes involved, and an analysis of the impact of change on the processes.

If the approach outlined above is adopted, processes become the levers for change. This should apply all the way through the hierarchy of the organisation, from shop floor to senior management. However, the application of processes as instruments for change on the level of senior management itself still poses problems. This is mainly caused by the fact that senior management finds it difficult to quantify the benefits of implementing a full BPM strategy. It is clear that it involves substantial investments, but unclear in the method required to measure the increases in efficiency and effectiveness. As always, the proof of the pudding is in the eating. Out there organisations have already done it and they are reaping the benefits right now. We have good experience of projects where this has worked very well indeed.

6 Conclusions

In 2008, the authors of the IBM paper identified fragmentation, lack of coordination and lack of specialised technology as the main problems regarding process knowledge and process effectiveness.

In 2010, not much has changed. The main reason is a misunderstanding of the role of processes and process management. Process knowledge is not a tool which is used a few times per year to solve problems: process knowledge should permeate the understanding and daily working of all organisations. Only then will it be possible to build a process- driven organisation and in such an organisation process knowledge is king. Process knowledge guides the day-to-day operations, it drives improvements (on all levels) and it even builds careers.

However, most organisations still have quite a way to go before they get to this state of bliss and to get there they might adopt the following approach.

- From the start, BPM implementation should be organisation wide, which means it should be driven by senior management
- Organisations should dare to expect real benefits from BPM: business cases do make it possible to calculate in detail what BPM can do for the organisation. Processes should be the levers for change.
- Organisations should invest in acquiring and maintaining BPM knowledge, which has the added benefit of reducing the need for BPM consultancy.
- Process knowledge includes knowledge sharing. Organisations should invest in tools that allow easy mapping and distribution of processes throughout. Software as a Service seems promising here.
- When building up process knowledge, supporting and managing processes should not be neglected. Often, substantial improvements affecting big parts of the organisation are possible there.

Once these measures are implemented, organisations can truly start to benefit from the many advantages that BPM offers.