

The Insiders' Guide to BPM

7 Steps to Process Mastery

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with

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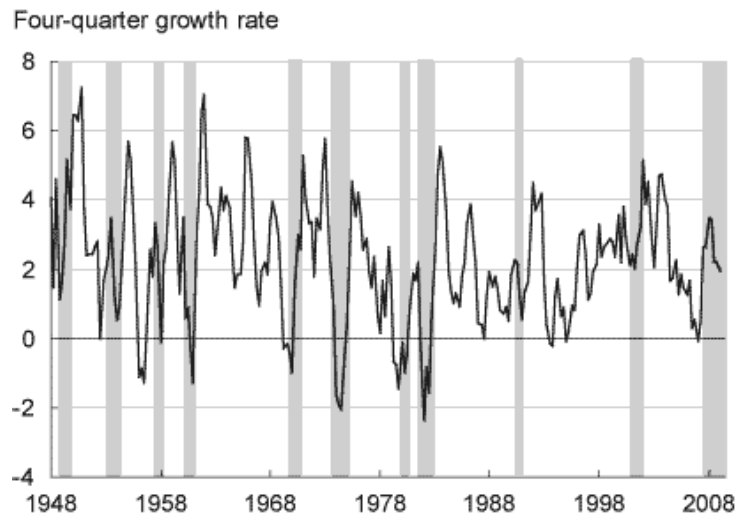
Contents

| | |
|--|-----------|
| PREFACE | 6 |
| THE BASELINE: PERSPECTIVES ON BUSINESS PROCESS MANAGEMENT | 12 |
| MARKET SPLIT: INTEGRATION VERSUS WORKFLOW | 17 |
| PROCESS IMPROVEMENT BY METHODOLOGY | 19 |
| INDUSTRY TRENDS AND COMMON PRACTICE | 20 |
| PERSPECTIVES ON PROCESS | 25 |
| SOMEONE NEEDS TO | 29 |
| AFFINITY GROUPS: BUILDERS, PARTICIPANTS AND MANAGERS | 31 |
| PROCESS RELATIONSHIPS TO TECHNOLOGY | 34 |
| BUILDERS – SETTING THE LANDSCAPE | 36 |
| PARTICIPANTS – PERSONALIZATION | 37 |
| PROCESS PARTICIPANTS – COLLABORATION | 39 |
| PROCESS PARTICIPANTS – ADAPTATION | 40 |
| MANAGERS – PROVIDING OVERSIGHT, DIRECTION AND LEADERSHIP .. | 41 |
| MANAGERS - INFORMATION IS OFTEN CAPTURED BUT RARELY RELEVANT | 42 |
| SUCCESSFUL BPM EMBRACES ALL OF THE PEOPLE IN PROCESS | 43 |
| THE PROCESS IS THE SUM OF THE PERSPECTIVES | 44 |
| TWO MORE PERSPECTIVES | 44 |
| STEP ONE: UNDERSTAND AND EMBRACE YOUR GOAL | 51 |
| FINANCIAL GOALS | 52 |
| REVLON – BPM THAT DRIVES EBITDA | 55 |
| KPIs FOR GOALS | 58 |
| KPI VARIANT – CUSTOMER KPIs FOR GOALS | 60 |
| STEP TWO: BUILD AN ELEGANT DESIGN | 61 |
| SIMPLICITY IS THE ULTIMATE SOPHISTICATION | 62 |
| PROCESS MODELING FOR IMPROVEMENT | 66 |
| ELIMINATE WHAT IS NOT RELEVANT TO THE GOAL | 70 |
| HAND-OFFS, WHITE-SPACE AND BREAK POINTS | 71 |

| | |
|--|------------|
| ACERTA: REDUCING COSTS WHILE ENHANCING SERVICE | 77 |
| SIMPLIFICATION THROUGH AUTOMATION | 83 |
| SIMPLIFYING TASKS THROUGH AUTOMATION..... | 87 |
| STEP THREE: IMPROVE PERSONAL PRODUCTIVITY..... | 91 |
| BAND-AIDS – NOT A CURE FOR CORPORATE ILLS..... | 92 |
| BALANCING PEOPLE AND PROCESS..... | 99 |
| PROCESS QUALITY (NO SIGMAS ALLOWED)..... | 101 |
| PERSONAL PRODUCTIVITY AND THE IPHONE? | 105 |
| NMAC – ORDERS OF MAGNITUDE SUCCESS..... | 108 |
| MISSING THE TARGET – LIFE IN THE REAL WORLD..... | 110 |
| STEP FOUR: ORCHESTRATE FOR REAL-TIME DEMAND .. | 113 |
| ORCHESTRATION AND ROUTING VARIABLES..... | 114 |
| VARIABLE VARIABLES..... | 118 |
| EXPRESSIONS AS VARIABLES | 120 |
| MODELS THAT MISS..... | 121 |
| STEP FIVE: KEEP YOUR PROCESS IN TUNE..... | 127 |
| HORSE SENSE | 128 |
| REACTIVE TUNING (KILLING THAT SOUR NOTE) | 130 |
| PROTECT YOUR GAINS..... | 131 |
| ADAPTATION IN (ALMOST) REAL TIME..... | 133 |
| TLC FOR PROCESS..... | 135 |
| STEP SIX: CREATE TRANSPARENCY | 139 |
| RAPID COGNITION | 139 |
| CRITICAL OVERSIGHT AND KPIS..... | 141 |
| PROCESS METRICS: UNDERSTANDING THE “BOX” | 142 |
| PROCESS METRICS INSIDE THE BOX..... | 144 |
| PROCESS POWERED TRANSPARENCY..... | 146 |
| PERSONAL ANALYTICS | 153 |
| STEP SEVEN: DESIGN, MANAGE AND DELIVER THE CUSTOMER EXPERIENCE..... | 159 |
| THE PROMISE GAME..... | 162 |

| | |
|---|------------|
| THE CUSTOMER EXPERIENCE..... | 164 |
| MOMENTS OF TRUTH..... | 168 |
| MAPPING THE CUSTOMER EXPERIENCE..... | 170 |
| DESIGNING THE CUSTOMER EXPERIENCE..... | 171 |
| MANAGING THE CUSTOMER EXPERIENCE..... | 172 |
| SUMMARIZING THE INSIDERS' INSIGHTS | 175 |
| SEVEN STEPS SUMMARIZED..... | 177 |
| WHERE DO WE GO FROM HERE?..... | 189 |
| BY PETER FINGAR..... | 189 |
| THE LAST WORD – PROCESS EXCELLENCE | 207 |
| REFERENCES..... | 213 |
| INDEX | 215 |
| ABOUT THE AUTHOR..... | 218 |

this cyclical pattern in productivity but it is at least driven in part by bad processes, or perhaps it would be better to say *band-aid* processes.



US Bureau of Labor Statistics

Business Sector Productivity – Last 60 Years

Band-Aids – Not a Cure for Corporate Ills

A band-aid process starts out as an under-performing process that needs to be improved. Band-aid processes are commonly placed under software control, often have complex process models, frequently embed many business rules in the process software and almost all are built from a command and control perspective. Sounds like a pretty heavy-duty band-aid?

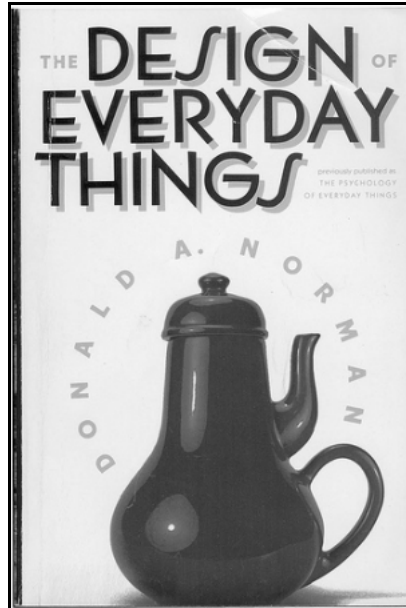
The reason why we call these band-aid processes is that they focus on the symptom rather than the cause. With the band-aid applied, the process is likely to head right back into the poor performance category. There are two influences that guarantee that will happen.

First, there is the matter of context that we began talking about in the previous chapter. *Context* includes all of the environmental, societal, and behavioral influences that affect how work gets done. There is no place that this is more obvious than in the trenches with the people doing the work in our processes. The people who perform the work are exposed to significant contextual influences from both internal and external sources. Internal management and infrastructure changes are biggies, but sometimes even small changes in human resource policies can have a profound effect. Changing shift times, overtime policies and documentation for things like sick-time approval (did you bring your doctor's note, Johnny?) can have negative effects on process performance.

Meanwhile the world outside is changing at a rate like never before, imposing pressure on our processes that, for brittle over-engineered processes, causes them to strain and break. If you want to be a mechanical or aeronautical engineer, then go build bridges or rocket ships, not business processes. Processes that people interact with require a highly subjective engineering exercise that in turn requires a unique blend of cognitive science. In fact no one should be designing processes without having read the works of Donald Norman, a founder of the

Institute for Cognitive Science.

In his book *The Design of Everyday Things*, Norman describes the psychology behind what he deems good and bad design, through case studies, and proposes design principles. He exalts the importance of design in our everyday lives, and the consequences of errors caused by bad design.



The Design of Everyday Things by Donald Norman

In this book, Norman uses the term “user-centered design” to describe design based on the needs of the user, leaving aside what he deems secondary issues like aesthetics. User-centered design involves simplifying the structure of tasks, making

things visible, getting the mapping right, exploiting the powers of constraint, designing for error, explaining affordances and seven stages of action.

What should we use to help us place the dividing line between what will enable people to maintain productivity gains versus over-engineered processes that are likely to crack under pressure?

As one example, we can look at the perspective taken by Netflix. Netflix is in the movie business, or perhaps it is better to say they are in the personal movie and TV viewing business. However you prefer to define what they do, Netflix has rapidly become a dominant market player in rental and on-demand consumption of movies and TV shows. With over 10 million customers and revenue on track in 2009 to hit over \$1.5 billion (with gross margins of 30+% and rising) the company is delivering on its promise.

What is Netflix's promise to their customers? Netflix promises to deliver customer satisfaction. Customers agree that Netflix delivers on their promise with over 90% of surveyed customers saying that they would recommend Netflix service to a friend. They promise to keep making the best service even better. They promise the best content selection, personalized choices and 24/7 free customer support. They appear to be delivering on their promises quite well and they use process to help in a very interesting way.

The movie and TV show rental business (DVD's or on demand) is a low margin business. There isn't much room for

making mistakes and there certainly is no room for premium pricing. That means Netflix is selling a commodity product in a highly competitive market. Do you think process is important in a business like that?

Process is essential to companies like Netflix, so much so that we might jump to the conclusion that highly engineered and refined processes are critical to their success. While this may be true in cases like the actual processing and shipping of physical DVDs, in reality it is the initial innovative design of that process that makes the real difference. That design has most material moving out of distribution centers the same day it moves in, keeping the majority of inventory *afloat* in the U.S. Postal system. The biggest challenge is managing all of the processes that a company with roughly 1,300 employees simply cannot do without.

However, in a presentation by Netflix CEO Reed Hastings uploaded to www.slideshare.com, some very interesting observations on process emerge. Mr. Hastings observes that as most companies grow in size they use process to control their environment, an act that reduces personal freedom. The mindset we commonly find is that by developing highly structured processes we can increase consistency while reducing the number of errors produced.

Mr. Hastings continues in the presentation to describe a phenomenon where growth increases complexity to a degree that injects chaos into the mix when balanced against the behaviors of high performance employees. Highly structured

processes are used to drive out chaos by most companies, but in doing so they also drive out high performance employees.

What a minute. That seems to be a bit challenging, doesn't it? It seems that we have a choice. We can either exist in a permanent state of chaos with lots of high performance people or we can operate in a state of unity knowing we will lose most of our top talent. Talk about the lesser of two evils.

Further complicating the situation is the fact that keeping those top talents is an essential ingredient in adapting to rapid market change. Conversely, implementing a highly structured process is a great way to maximize short term financial success.

If we don't put this into perspective our process direction can really jump the track. Remember the productivity graph from the U.S. Bureau of Labor Statistics? The cyclical nature of business productivity is at least partially the result of over-structured processes that quickly lose their relevance to our context as the world around us keeps changing.

One key observation that we can make is that regardless of we want from our processes, our target is constantly on the move. In fact, neither the target nor the process stands still. Because change is a given, then the more complicated, structured and controlled our processes become the more likely they are to inhibit our ability to adapt to changes as they occur. In fact, every process that is designed, optimized, or improved and then deployed is out of date before we even turn it on. How can that be?

It's simple really; we can only improve and implement

changes to processes aimed at a fixed target. Now if our time span is weeks or months there is probably so little movement (change) that we are effectively working on the current context of the process. But for those who still believe in the four year master plan, can you imagine how much change is likely to occur in four years? Just look back at what has changed in the last four years and you'll have a good idea of what we mean.

Command and control processes, which are still very much a part of many companies, go out of date even faster and are much harder to bring back up to date. They are band-aid processes that become less and less aligned to our needs and changing contexts with every passing day. That's why we often see immediate improvements, but when we go back a year or two later and reassess the process we find we aren't in any better shape than we were before the last improvement cycle. The benefits don't stick because we designed the process for a specific context that doesn't exist anymore, and then began applying band-aids.

The lesson to be learned is that tightly aligning a process to the current context, including embedding everything we can up to and sometimes including the kitchen sink in it, is a recipe for productivity disaster. Any gains are short lived, forcing us to continually reengineer the entire process. The approach we must take needs to strike a balance – a balance between people and process.