

DISCUSSION PAPER

Critical Business Process Management

Business Process Management

December 2014

A publication of

leonardo  **consulting**

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Introduction

In bad times as in good ones, an organisation delivers value to its customers and other stakeholders through its business processes; there is no other way. If you successfully (or dismally) deliver goods and/or services to a customer, you do it through a process, not through a department or function. Yet, often, particularly in times of economic turmoil, rather than trying to identify and solve its pain points, an organisation's focus on process is replaced with initiatives designed to eliminate anyone or anything unable to prove a direct and quantifiable contribution to the money-making machine. It seems, in that regard, that business process management (BPM) is set aside every time management needs to make a radical transformation. Ironically enough, though, when you google 'BPM definition', one of the first results is: "BPM is a way of looking at and then controlling the processes that are present in an organization. It is an effective methodology to use in times of crisis to make certain that the processes are efficient and effective, as this will result in a better and more cost efficient organization".¹ The definition outlines BPM's effectiveness in "bad" times, yet most organisations fail to see it that way.

Why is that? Why is the management discipline that oversees how value is delivered shelved when profits go amiss? One could surmise that BPM is not seen as critical. One would think that if BPM was seen as paramount to the survival or growth of a company, it would be the subject of many more boardroom meetings; that process excellence groups would be the norm, and process improvement projects would be legion. Yet, these things are more the exception than the norm. So, to keep process thinking in managers' minds, it is mandatory to (re)assert why BPM is critical and should be a concern for all organisations. With a better idea of *why* managing processes is relevant and important, it would be interesting to know *how* it could become a great enabler. Starting with the identification of critical processes (the ones that must not break), we can show demonstrable results through metrics. Now, some words of advice to spread the BPM word across your organisation.

1) Why business process management is critical.

"We already know how we do what we do, why do I need BPM?"

John Doe, BPM sceptic

Before diving into an explanation about the criticality of BPM, let's first go through the mandatory step of defining what these three letters are all about: "Business Process Management is a structured, coherent and consistent way of understanding, documenting, modelling, analysing, simulating, executing, measuring and continuously changing end-to-end business processes and all involved resources in light of their contribution to business improvement."²

The definition deed being complete, let's look at why it is critical.

BPM is critical because processes are how you make your money, deliver value, meet your targets, achieve your objectives, and much more. Processes are critical because they are the way an

¹ Aiim.org: <http://www.aiim.org/What-is-BPM-Business-Process-Management>

² Definition by the Australian BPM Community of Practice (www.bpm-roundtable.com)

organisation realises its strategic intent. Is your business about selling cars? You sell cars through a process. Do you evaluate loan applications? You evaluate your loans through a process. *Ad infinitum.*

BPM is critical because it works: there is a common consensus that if business process management projects are implemented correctly, it stunts significant advancement of organisational performance.³

If ‘bad’ processes can lead to a company’s downfall, managing them can put you on the path to success and help you stay on it. So, what is it that BPM brings to your organisation, you ask? BPM’s benefits make a long list, but a popular view is that it mostly comes down to efficiency saving. While this makes a big part of the benefits of BPM endeavours – such as Process Improvement Projects (PIPs) – operational efficiency is only one of many favourable outcomes that can arise from knowing your processes and acting on that knowledge. Other benefits include: increased scalability and customer satisfaction; increased business flexibility; quicker introduction of new products; and stronger competitive differentiation. BPM also has an undeniable strategic value – by mapping end-to-end processes, a holistic perspective of the organisation unfolds, facilitating endeavours like planning or accountability definition.

The low-tech UPS process improvement

Years ago, UPS engineers worked on a route-optimisation plan to increase efficiency. They came up with a simple rule: minimise left-hand turns. The plan was simple, the results baffling.

Since 2004, UPS has saved an estimated 10 million gallons of gas. Carbon emissions were reduced by 100,000 metric tons – the equivalent of 5,300 cars off the road for an entire year.⁴

Notice that, so far, no word has been written about what some people automatically associate with the BPM discipline: automation. There is a common misconception that you need to automate processes to get benefits from BPM. Some BPMS (Business Process Management Suite) implementations help automate some process work and deliver significant benefits: but, as per the example on the left, there is no shortage of success stories about organisations achieving significant benefits from BPM work without automation.

Hopefully, now convinced of the importance of managing processes, you might wonder why BPM is not more engrained in management culture. One reason is that most organisations, even though participating in some BPM-related activities, do not seem to consider BPM a strategic tool. It is not seen as a tool or an enabler, but mostly as a project – and what is the main tool for project selection? Return on investment (ROI). Organisations evaluate the cost and benefits of their different projects, compute an ROI, and select the ones that score the highest on this indicator.

³ Bandara, Wasana and Alibabaei, Ahmad and Aghdasi, Mohammad (2009), *Means of achieving Business Process Management success factors*, Proceedings of the 4th Mediterranean Conference on Information Systems, 25-27 September 2009 , Athens University of Economics and Business, Athens.

⁴ <http://compass.ups.com/UPS-driver-avoid-left-turns/>

In that paradigm, investment in BPM is often lacklustre because it has an unknown ROI. BPM is a discipline, not a project, and estimating the return on investment for tasks like process modelling can be difficult. In this respect, it is important to go beyond the pure percentage or dollar value associated with BPM: the intangible areas of an organisation affected by process changes can also indirectly contribute to the financial results of the organisation. (An intangible area such as customer satisfaction is linked through customer loyalty to repeat customers to greater revenue.)⁵

II) How to make business process management (even more) critical.

a. Which processes should I manage?

"If everything is a process, should I look at every one of them? That sounds like a lot of work ..."

John Doe, BPM questioner

Everything is a process, but not all processes are equal. If you are a manufacturer, the creation of your product carries more strategic value than the procurement of milk for your employees' coffee (even though we all need that coffee break!). Along the same lines, it is important to identify which of your processes are the most critical – and this begs the question: what defines a critical business process in a company?

There are many ways to define this, but a good definition is: "a critical process is one which has the greatest positive contribution or negative effect on the organisation over time".⁶ Another, more problem-focused definition is: "Critical process: Business process that must be restored immediately after a disruption to ensure the affected firm's ability to protect its assets, meet its critical needs, and satisfy mandatory regulations and requirements".⁷ Finally, more customer-focused, critical processes could be "the visible activities or processes from a customer view".⁸ In most cases, a critical process involves a potentially high impact on the organisation's strategic goals (in either a positive or a negative fashion), interactions with the customer, and unsustainable risks if the process were to fail.

That exercise of identifying critical processes, although seemingly abstract in nature, can be done quite easily at a high level: for example, can you quickly identify three processes that would have a major impact on your organisation if they were to fail? Well, those processes are critical. Now the million-dollar question: are those processes being actively managed? No? Well, they *must* be managed – the success of your organisation could be affected either way; that is, whether you do manage them (reaping the benefits), or choose to leave them be (witness their underperformance or failure without being able to pin-point why they behave as such).

⁵ Norton and Kaplan, 2001, *The Strategy-Focused Organisation*, Harvard Business Press

⁶ Craig M Huxley, 2003, *An Improved Method to Identify Critical Processes*, Thesis submitted for the degree of Master of Information Technology (Research, IT60) .

⁷ Critical process. BusinessDictionary.com. WebFinance, Inc. December 09, 2014: <<http://www.businessdictionary.com/definition/critical-process.html>>.

⁸ Melnyk, S. A. (2000), *Value-Driven Process Management: Using Value to Improve Processes*, Hospital Materiel Management Quarterly; Rockville 22(1).

b. It's (almost) only about measure:

"Measures are for others; our processes are too complex to be represented through metrics"
John Doe, sceptic measurer

There are no improvements without measures. Repeat after me: *there are no improvements without measures*. This statement is simple, yet powerful – how on earth would you be able to know if you made something better if you didn't know how good it was before? Well, you can't. How do we solve that? Measures. Measures of cost (how much to produce that car?), time (how long to produce that car?), defects (how many cars per 1000 need re-work?), etc.

Now comes the decision about what to measure. A thousand things are measurable, but only a handful are potentially relevant. Which ones? Although no straightforward answer exists, the following guidelines offer a starting point: measure what is measurable (duh!); start at a high level (number of projects delivered) then drill down to more detailed measures (number of projects over budget per project manager per year). If nothing comes to mind, start with the targeted inputs and outputs of the processes, and the resources taken to get from one to the other (time, cost, resources allocated). As measures are associated with these 'critical' processes, much value can be extracted. It gets easier to set some strategic goal (the difference between 'produce as many cars as possible' and 'build 100 cars' is huge in terms of planning and setting expectations), accountability (*you are now responsible for that process*), compliance ...

Measuring is a virtuous circle – once you start, the 'measuring' fever can take the organisation by surprise, simply because measure begets measure. For example, hiring new staff takes three months on average (high-level measure) – too long? Why does it take long? Could we measure how long it takes from identifying a resourcing need to the first interview? Measures are indicators of strengths and weaknesses and one of the most effective tools to build a business case for change. Measuring is also a journey you are unlikely to ever stop, not because you can't, but because you won't want to. Once you have been able to quantify a process, returning to a 'black box' state where results come from star performers (or worse, sheer luck) seems inconceivable.

c. Start small and spread: a few pieces of advice

"My BPM project was successful; how do I replicate those successes?"
John Doe, BPM convert

Once you have your critical processes nailed down and some metrics attached to them, you are starting to get somewhere. As you go through the exercise, you may find some pain points in your organisation are very good starting points to evaluate a potential process improvement project (our release cycle is too long, procuring the materials is too costly, etc.). Use that architecture and those metrics to coordinate your search for problems and opportunities. But, given a view of the organisation as a collection of interdependent processes and a limited budget for improvement projects, the question is: how does an organisation select the right processes to improve?

The literature provides us with many ways to identify which of the most critical processes are the most likely to result in successful process improvement projects. Among the criteria, the following seem the most comprehensive:

1. *Dysfunction* – which processes are in the deepest trouble?
2. *Importance* – which processes have the greatest impact on the company's customer?
3. *Feasibility* – which process is the most susceptible to successful redesign?⁹

A balanced scorecard from that criteria can guide you to discover (hopefully) which process can be improved and trigger other process improvement endeavours.

Another word of advice: involve management. Endeavours like process improvement projects take time and involve a lot of stakeholders, so it is important to have support. The more the hierarchy is aware of process work, the greater the quality of the output, and the greater the consensus of the results. It would also ensure that the management team thoroughly understood the approach undertaken to achieve their goals, and the processes in which they must excel.

1.1 Conclusion

Embarking on a BPM initiative while an organisation is going through troubled times is not common practice and, realistically, might never be. BPM requires a certain level of organisational maturity as it involves finding problems (and those accountable for them) and taking specific actions to solve them. Implementing BPM as a practice is not trivial; it involves cultural change towards more process awareness, regular reviews, dedicate personnel – but those who have made the trip have deemed it worthwhile.

“Ok, let's improve shall we?”
John Doe, BPM expert

⁹ Hammer, M. and J. Champy (1993), *Reengineering the Corporation: A Manifesto for Business Revolution*, New York, Harper Business

About the Author

As a Consultant with Leonardo Consulting (www.leonardo.com.au), **Clement Hurpin** has put his business process management knowledge into practice by working on projects involving process engineering and design, process modelling, gathering user requirements, process automation, data modelling, use case definition, workflow and report design.

A member of the Western Australian team, Clement can be contacted at c.hurpin@leonardo.com.au.