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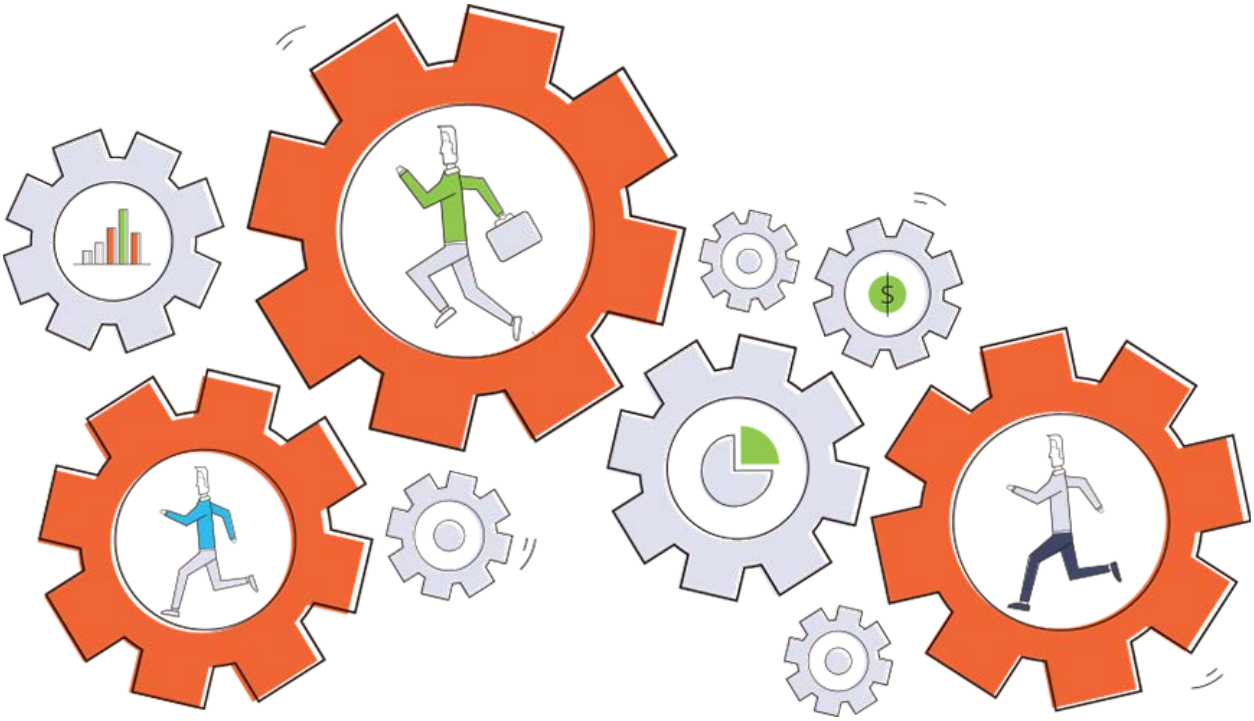
The Complete BPM Guide

AN END-TO-END LOOK AT IMPLEMENTING A BUSINESS PROCESS MANAGEMENT PROJECT IN YOUR ORGANIZATION



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Business Process Management (BPM) is the organizational discipline that provides tools and resources for analyzing, modeling, optimizing, monitoring, and controlling business processes and for measuring and driving improved performance of interdependent business processes. The most important clarification of this often-misused acronym is that it is a broad organizational discipline, not a software application or a one-time attempt to improve isolated business processes.

Business Process Optimization (BPO) is the targeted redesign of processes to promote efficiency and strengthen the alignment of individual processes with overall strategy and goals. BPO means more than automation of existing workflows. A BPM initiative may include BPO efforts but it also provides a robust framework for driving the organization through the major changes that arise from regulatory shifts, adoption of new technologies, corporate restructuring or marketplace dynamics.

High-performing organizations understand that business processes are not static and that the rate of change has been increasing steadily over the last decade. Many have already adopted an enterprise BPM approach to foster greater agility in responding to change. They have the right leadership commitment, well-defined BPM responsibilities, IT support for the BPM tools that automate workflows and monitor performance, and a rational framework for prioritizing and scheduling all of the business changes that arise from multiple directions, throughout multiple business departments.

Other organizations may be struggling to coordinate departmental efforts at process automation, improvement, and management. Some are tempted to begin by selecting an automation tool and developing streamlined workflows within a particular department. While this approach provides targeted improvement, we believe that an ongoing integrated approach yields significant lasting benefits for all types of businesses.

We have written this guide to provide you with a thorough understanding of what goes into implementing an enterprise-wide approach to BPM. It will help organizations struggling with specific issues in their current BPM approach as well as those businesses that are new to BPM.

We will cover the key areas of BPM in this guide including:

Enterprise BPM - There are many good reasons for adopting a rigorous enterprise-wide approach to business process management. No business is static. Internal needs such as ongoing cost reduction, the rollout of new products and services, and planned mergers, acquisitions, or divestitures require changes to business processes. The external pressures of market disruption, regulatory changes, and the need to replace outdated, unsupported enterprise software also impose process changes. Any of these changes will be less disruptive to employees and business operations if changes to current business processes are communicated appropriately to all segments of the organization.

Scoping and Prioritizing the Process Architecture - While there are immediate gains to be made from targeted process optimization efforts within a department or single process, future technology and business initiatives will be less chaotic if there is a well-defined process hierarchy to use as a starting point. This makes it easy to flag changes imposed by individual projects or prioritize process optimization efforts.

Mapping Business Processes - It is important that the organization adopt and communicate a common tool set and a single verbal and visual syntax for defining business processes - including process variances as well as the standard daily process flows. This post will provide rules and tips that will make it easy for individual process teams to coordinate efforts. At this stage of the BPM initiative, it is important to begin flagging the key performance indicators (KPIs) that help an organization understand if process optimization is yielding the desired results.

Process optimization Fundamentals - This post will explore some of the standard inefficiencies that BPO can address, including the automation of work done outside the enterprise software applications, streamlining of approval workflows, and the elimination of non-value added handoffs between job roles.

KPIs and Metrics - Without an enterprise framework to process management, organizations may experience tension and inefficiency when departmental KPIs become opposing forces. After performance targets are established, it is reasonable to adopt target metrics on a realistic phased timeline. Everyone who

plays a role in the process needs to understand his or her personal performance targets.

Managing Evolving Processes in Real Time - Business process management does not end with the documentation and communication of new processes. After investing in a BPM initiative and toolset, the management team needs dashboards and reports to provide insight into process performance so that they can pinpoint bottlenecks and drive operational efficiency. Without visibility, they will be unable to find and eliminate "shadow processes" that may persist when employees continue to work outside of enterprise transactional systems.

From Process Diagrams to Real Process Change - BPM success requires more than process documentation. For some organizations, it will be a massive cultural shift, with a new lexicon, new roles and responsibilities, new software for defining processes, new online forms to support automated workflows, and new dashboards for tracking results. In an environment of continuous waves of business change, a flexible and cost-effective training framework plays a critical role, especially in a multi-generational workforce that has multiple learning styles. Management needs to provide resources for change management and change leadership to keep employees motivated through successive changes.

Choosing the Right BPM Tool – There are many BPM options in the current software marketplace. Some enterprise transactional systems may also include workflow tools. This post will help you understand the business and technology selection criteria so that you can tailor an RFI or RFP to the unique needs of your organization.

Special Situations - The final posts in this series will address the unique needs of a number of special situations that businesses may encounter from time to time:

- Mergers and Acquisitions
- Business process outsourcing
- Replacement of outdated enterprise applications
- Financial turnarounds

Enterprise Process Management is Imperative for Every Organization

No organization can survive by remaining static. To remain competitive, today's businesses need agility to avoid profitability dips when they grapple with major changes resulting from:

- Shifting regulations
- Mergers, acquisitions or divestitures
- Marketplace shifts
- Global economic upheaval
- Launch of new products or services
- Adoption of new technologies
- Outsourcing internal business functions

Many organizations are struggling while trying to adapt to changes coming at them from several directions at the same time. In addition, there is always a need for incremental improvements in efficiency.

There are two ways to deal with these changes:

- A well-structured enterprise approach
- Isolated departmental initiatives

While departmental process improvement and process management can be fruitful, it may also cause unintended harm. Here are just a few painful examples:

- In a global organization, each regional sales team had independently designed sales reporting processes with different pipeline status definitions, making it impossible to design a single workflow, re-segment sales regions or analyze meaningful reports to gain insight into pipeline status and sales effectiveness.
- A customer service manager, working in a vacuum with a brand new ERP system, instructed the entire sales order entry team to overwrite the amount requested with the amount actually shipped, so that the company had no way to understand how many orders were shipping complete. The

customer service agents were blindsided when fielding calls about incomplete orders, because when they viewed the order, it looked like the customer had received the amount they originally requested.

- A process team at corporate headquarters designed approval processes and assigned tight approval privileges. When the third shift at a production plant had no one available to authorize repair parts requests and swipe in to the spare parts cage, plant personnel had to destroy the parts cage to get the parts needed to keep the line running.
- An IT department manager tries to improve business satisfaction with IT by implementing every change request without instituting a formal change review and control process. Satisfaction goes down, because department A deems department B's changes a drag on efficiency. The changes were a Monday morning surprise to department A because the IT project manager only notified the requester in department B that the changes were going into production.

In these and other cases, narrow scoping that misses the crosscutting implications of process changes is the source of harm. Before interdependent business processes can be adjusted, there needs to be an enterprise level board that assesses the full organizational impact of proposed changes. The impact includes process changes, changes to roles and responsibilities, and potential changes to staffing levels.

The changes are not always clear if the assessment lens is only focused on normal day-to-day operations. The impact on process variances can be significant. Consider this example of processes and roles/responsibilities issues that arose from the adoption of new technology:

"A rapidly growing packaged food company was new to the marketplace, and grew their brand aggressively through social media, which was the perfect way to reach the target demographic for their product: young moms who were looking for healthy foods for their children. A social media manager adeptly managed their Facebook page, Instagram postings, and Pinterest boards, serving up engaging content daily. When a product recall was necessary due to contamination at one of their plants, there was no way to deal with the venom

that ensued on their Facebook page. The Facebook page referred disgruntled consumers to contact the consumer care line to obtain a refund. Consumer care could not handle the volume of calls and asked callers to log a complaint on the website, which crashed under the load. It was not clear who had authority to approve social media responses in a situation that could eventually result in litigation. The entire process for product recall management had to be designed on the fly, with several blunders that only increased consumer frustration and attracted additional media attention."

The Importance of IT and Business Collaboration

When we talk about an enterprise-wide approach, we mean engaging all departments and regions involved in business operations as well as the people responsible for the organization's information technology. No organization is so simple that it can design new processes and workflows and hand them off to IT for implementation. Today's process has become more iterative, especially in those businesses that have departments running key processes on cloud-based point solutions. Often, several process alternatives must be sketched out to give management the opportunity to weigh the pros and cons of full automation, semi-automation and competing data integration approaches.

There is No Time like the Present to Launch Your Enterprise BPM Initiative

The best time to pull together an enterprise level BPM initiative that delivers lasting results is during a lull in the change cycle. However, few businesses can carve out sufficient time to pull together baseline documentation of all their processes and get them under change control for upcoming and possibly overlapping changes.

The start time or timeline of major initiatives such as an ERP rollout can be adjusted to allow the time and resources to address the process definition work first. In one case, we saw a high-performing organization weave the process work into a major ERP project and use those processes as the basis for flawless integration projects when they acquired several large businesses. On the other hand, we saw a small, disorganized group of executives struggle with the integration of a larger business because they did not even have a formal

documented process hierarchy, let alone documented processes. For the first client, their financial results during the integration period exceeded expectations. For the second business, the chaotic integration eroded financial performance for over a year.

The necessary factors for launching a robust approach to BPM are:

- Strong executive support and ongoing communication from the top that makes the priority of enterprise BPM clear to everyone
- Allocation of resources from across the business and IT to the process design and management effort. This may involve backfilling key resources' day-to-day responsibilities.
- A formal process improvement methodology, lexicon and toolset so that everyone speaks the same language and all process teams produce the same results.
- A clear approval process for implementing process changes. It needs to include the identification and resolution of crosscutting issues.
- The initiative must be run like a true business project with defined responsibilities and milestones.

Next Topic: Establishing and Prioritizing the BPM Process Scope

The next post in our series will provide tactical advice on establishing the scope of your enterprise BPM initiative and prioritizing your process management efforts in alignment with your business strategy. We will include information on handling the multiple dimensions of process scope so that you can address process variation by region or division and deal with overlapping process changes from concurrent business and technology projects.

Scoping and Prioritizing the Business Process Architecture

As we pointed out in the previous section, targeted optimization of a single process or of the processes in a particular department can yield real business improvement. However, without effective scoping and prioritization of BPM efforts, both point optimizations and enterprise initiatives sometimes mimics the situation described in the classic tale of the blind men and the elephant. Each blind man touches the elephant in a single place and infers a different form and function for the creature. Similarly, an individual process team or department may see only a part and not the whole process. Inability to grasp the big picture may lead the team to make changes that have unintended and potentially harmful consequences for other processes and for the overall goals of the business.

Establishing the Enterprise Process Scope

The best way to avoid the blind men and the elephant approach begins with the development of an overall process hierarchy. At the highest level, begin with major business processes like quote-to-cash or orders-to-cash. Most process optimization teams adopt a hierarchy like the following, although the name of each level may differ from those we suggest below.

Level 1-Enterprise Process: Aggregation of inter-related complex processes that tie to overall organizational goals

Example: Orders to Cash

Level 2 – Process: group of processes within a single area of authority or department

Example: Manage Sales Orders

Level 3 – Sub-process: A series of steps that encapsulate a single activity. It may be further broken down into various "flavors" or types in Level 4.

Examples: Enter Sales Orders or Cancel a Pending Order

Level 4 - Process Variance: A distinct "flavor" or sub-type of Level 3 that may have unique goals and steps

Examples: Enter a Sample Order or Enter a Recurring Order

Many organizations have taken the time to develop their own process hierarchies and maintain them through multiple business initiatives and software implementations. There are also standard process hierarchies available for many business verticals through APQC, and these can serve as an effective starting point for businesses that are starting from scratch.

The hierarchy can be captured and maintained in any application that describes an organization chart such as Visio, or it can be stored easily in a spreadsheet.

Establishing Ownership, Responsibility and Accountability

With the process hierarchy in place, the next step is to establish process ownership, responsibility and accountability. At the highest level, the executive team has the authority to establish enterprise process goals and metrics that align with overall business strategy. Process ownership/authority does not necessarily become more granular at the lower levels of the hierarchy-such an approach may lead to the blind men and the elephant scenario.

For the lower levels in the hierarchy, businesses must be clear about which roles have the authority to place requirements on the process at that level. For example, the accounting department has the right to specify requirements on how the production plant handles raw material receiving so that vendors can be paid in accordance with corporate accounting policies.

At the lowest levels of the process hierarchy, it is important to flag how the granular processes map to specific job roles within the organization. A simple approach is to map the lowest level to the roles that perform the steps in the process. This is helpful for training, but a more comprehensive approach is to map the lowest levels in a RACI matrix using the following definitions:

- **Responsibility** for performing the process or task

- **Accountability/approval** authority for the results achieved by the process or task
- **Consulted**: the roles that have information required for successful completion of the process or task
- **Informed**: the roles that need to receive notification that the task or process was completed

Early in the BPM initiative, teams may only capture the responsibility and accountability/approval information. Detailed analysis sessions will include discussions of who needs to be informed and consulted. With the responsibility and approval assignments information defined and agreed upon, it becomes very clear who really has the authority to make or approve changes to business processes. This gives process improvement teams the guidance they need to seek alignment and approval of process changes.

Within a particular process or workflow, the full RACI matrix provides rules that can drive the development of automated workflow by specifying the information that is sent to approvers and those who need to be consulted and informed.

Using the Process Hierarchy Effectively

The hierarchy with a supporting RACI matrix improves the ability to flag and manage changes to inter-related business processes. Without such a structure, the business is at risk of unintended consequences from changes made in a vacuum.

Once established, the process hierarchy can be used as:

- A map for flagging the changes/impacts of business and technology initiatives ranging from M&A integration to major software implementations or upgrades
- A framework for phasing and communicating about large enterprise initiatives
- The basis for effort estimation for process improvement work
- Outlines and agendas for training and software testing

- The categories and sub-categories for the information architecture that governs the storage, versioning, and previsioning of process maps and supporting information

Prioritizing the BPM Initiative

BPM is never an academic exercise that proceeds in a vacuum. At a given point in time, businesses face concurrent and sometimes competing needs for such exigencies as shifts in strategy, revenue growth, cost containment, and pressure to replace legacy software applications. While these needs may be thought of as distinct projects, the business process hierarchy can be used as a tool to coordinate effort so that the concurrent changes to a single process area can be implemented together. This makes it easier for end users to absorb the changes.

A Project Management Office or similar structure within an organization can heat map the hierarchy, flagging areas that are may be at high risk when major changes are in the works. These "Code Red" processes on the hierarchy provide the visibility that management needs to inform difficult decisions like the following:

- Moving the most experienced project leadership to the highest risk projects or engaging outside expert project management
- Deferring or rescheduling initiatives to reduce the level or risk
- Adding staff in certain areas to cover upcoming dips in efficiency during periods of significant process change
- Offloading management responsibilities while supervisors are coaching their teams through high-risk changes

Remember, it is fine to begin your process management efforts with a quick win within a single department or functional area. As other parts of the business seek to duplicate the initial success, the effort put into scoping and prioritizing will pay off as the BPM team moves forward with coordinated effort.

Effective Process Mapping Puts You on the Straight Path to Business Improvement

Good Intentions are not Enough

Motivated and engaged employees are certainly willing and able to improve the efficiency of their daily work. In many cases, they form self-organizing teams and work out solutions to process issues that result in real improvements. They discuss proposed approaches, whiteboard the process, and get back to work. Enterprise-wide process improvement proceeds best with some level of standardization and it may require the guidance and assistance of a business process specialist. This is especially true when:

- Employees may not recognize the unintended consequences of changing a process that is shared with other people, departments or divisions
- The workforce is unaware of organization's strategic direction and how that will be threaded through target state business processes
- Technology improvements are about to impose major disruption on current processes
- The people who do the work are be unable to articulate the steps in a process in a standardized, linear fashion

Keys to Effective Process Mapping

A few simple rules provide a standardized framework for mapping processes effectively. Of course, you will begin with the scoping hierarchy we talked about in the last section. You will actually refine the hierarchy as you proceed through an enterprise process initiative, and that's perfectly normal.

It's said that brevity is the soul of wit, but it's also critical to creating understandable process maps by using crisp, precise language and a standard visual syntax of boxes, shapes, colors and arrows in a process diagram.

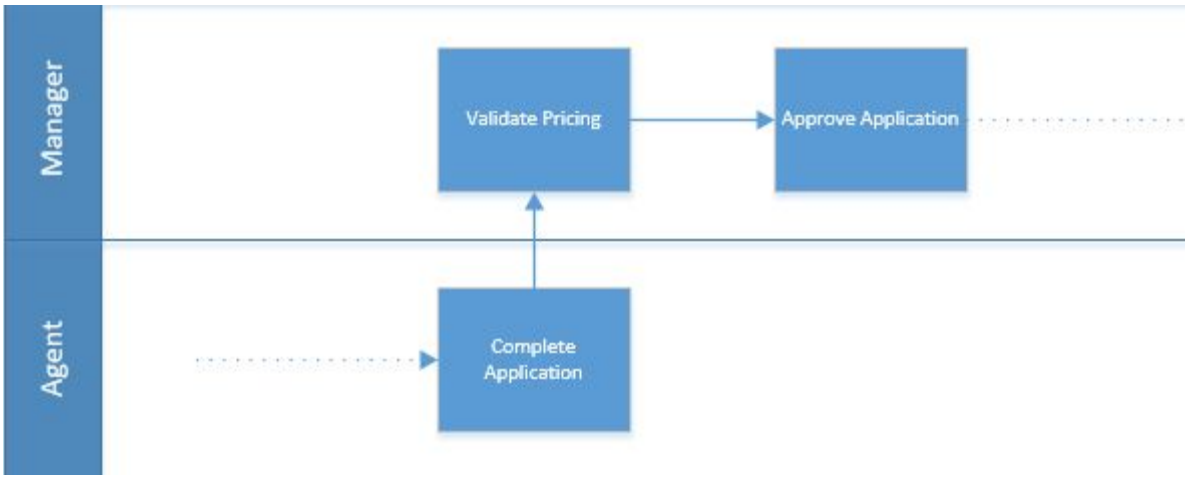
Follow these simple rules:

1. Each box on a process map should represent a <u>single</u> action or decision.
2. If the diagram uses swim lanes (also known as cross-functional flowcharts), the actor for each step is defined by the ***lane***, not within the action or

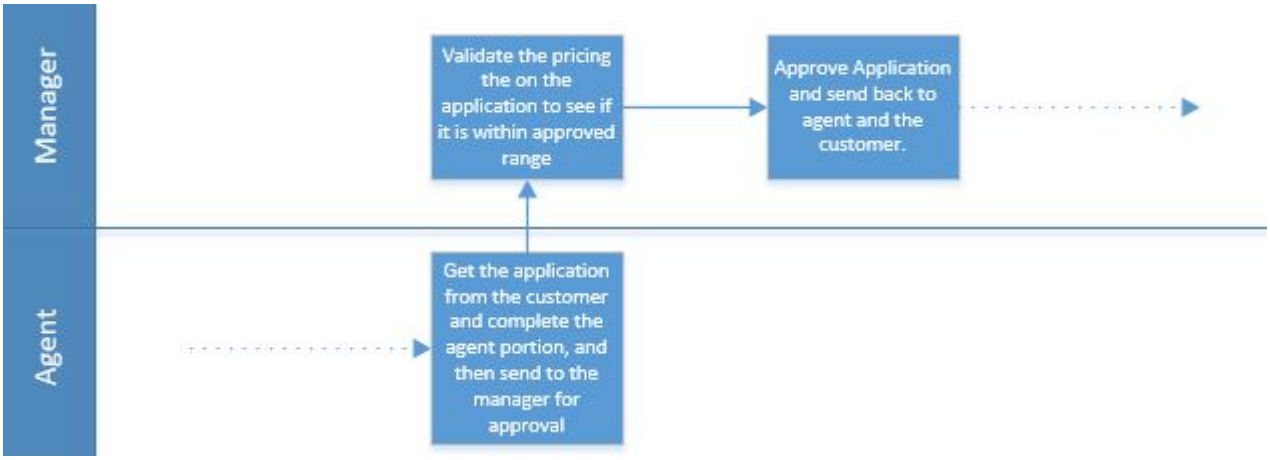
decision box on the chart. The box should contain simple ***verb+object*** phrases, with the **to** and **from** information implied by the arrows ending and originating on the box.

Consider the following examples:

Right Way: Tight wording, verb+noun, single action in each box

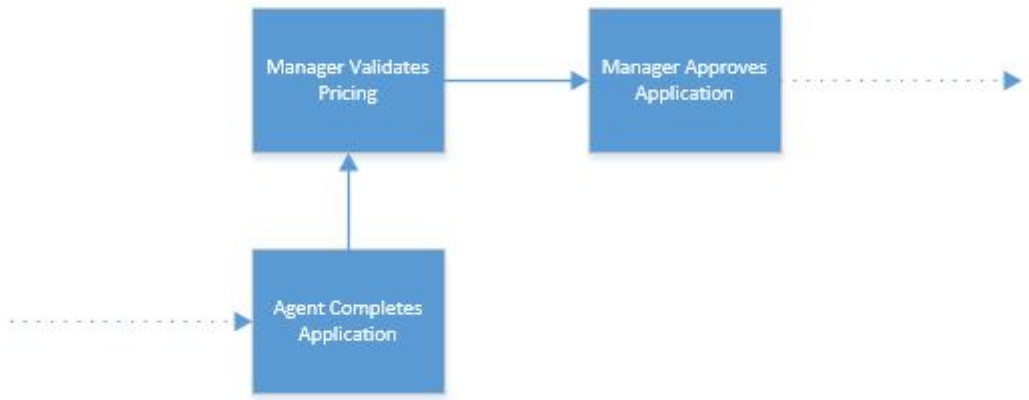


Wrong Way: wordiness, multiple actions in each box, prepositional phrases that are redundant to visual syntax

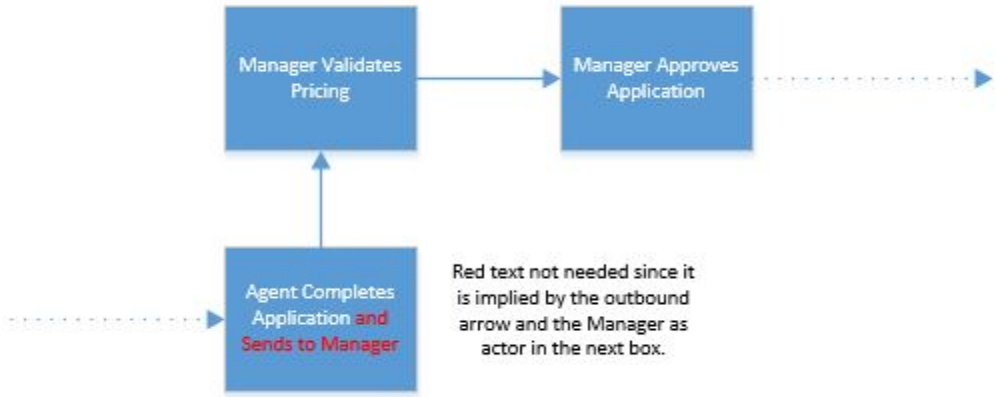


If the diagram does not use swim lanes, the verbal syntax is: **Actor+verb+object**. The **To** and **From** information is still designated visually and does not need to be added verbally to the box. For example:

Right Way:



Wrong Way:



Other helpful rules for creating good process maps include:

- Use boxes for steps and diamonds for decision points.
- Label the exit points from a decision point or logic branch. Phrase these decision points as a question that can be answered with Yes or No whenever possible. For example:
    - Is this a new customer?
    - Is this a special order?

- Avoid crossing arrows whenever possible.
- Keep long arrows tidy by breaking direction in right angles instead of diagonals.
- For processes that involve complex logic and branching, break some of the logic branches out into separate diagrams. Too much information with too many decision points on a single diagram may confuse some audiences.

Current State Considerations

Historically, a business process initiative began with extensive effort devoted to mapping the current state, especially if the process team was a group of outside consultants. Today, it's more typical that teams abandon the potentially wasted effort involved in documenting "What is" and "What was" and jump right to defining and mapping a new target state process. If there is a solidly internalized understanding of how things work now, it's fine to skip the extensive documentation of the current state.

In certain situations, you should start by mapping the current state:

- You require current documentation for regulatory and compliance oversight and certification (Sarbanes-Oxley, HAACP, HIPAA, ISO, etc.)
- You know that inefficiencies exist, but you need to see the current big picture before you can begin an optimization attempt
- You have had or expect to have high turnover and you need solid current state documentation for training purposes
- You are about merge a newly acquired business into your existing business operations

The Importance of Mapping Process Variances

Naturally, the initial process mapping sessions will deal with the everyday transactions, or the "happy day scenario." Business inefficiencies arise when staff has to improvise a solution to an exception situation. Different workers will "wing it" in their own unique way. For example, when working through a purchase-to-pay process, one would document the standard workflow for receiving inbound shipments. The following non-routine situations also need to be documented, if not fully mapped:

- Receive an order shipped incomplete
- Receive an order with all the wrong items
- Receive an order with some items that were ordered and some that were not
- Receive an order with more than the requested quantity on the purchase order
- Receive an order after the requested delivery date
- Receive an order to the wrong receiving location

Each of these situations may add or change steps in the simple workflow for receiving in an order. Failure to properly understand and educate the workforce about them may result in payment errors or inventory inaccuracies that could have significant impact on the company's financial statements.

Defining Key Performance Indicators

You can't improve your business processes without a clear goal in mind. That's why we need to discuss key performance indicators at this point, although we will return to this topic in an upcoming section.

Consider the following story.

A customer service center puts together a team to work on the department's business processes and "improve customer service." They cannot dive in and propose new processes or new roles and responsibilities until they clarify what "improving customer service" really means.

Is it about reducing customer wait time in the queue? Is it about completely resolving a customer service issue on the first call? If it's about both, the team needs to realize that these performance indicators may be at odds with each other. Driving toward first call resolution may increase the time spent on that call, which may increase customer wait times if the staffing levels are not addressed as part of the improvement initiative. Reducing time in queue may only be achieved if agents hurry through the initial call and promise a callback with the requested information or resolution.

The effort to improve processes, or the quality of process outcomes must always start with agreement on the goals. Process teams may start with a mandate to improve quality or timeliness, or accuracy, but the goals must be stated very crisply with an actual target metric that can be measured and tracked.

Quality: Reduce the product defects to 1 defective finished assembly per 1,000 produced.

Timeliness: Close all financial periods within 5 days of month-end.

Accuracy: 99% of all orders will contain the correct items and quantities when picked for shipment from the warehouse.

With verbal precision established for these agreed upon KPIs, the process improvement team can better hone in on which parts of the process to improve.

Process Optimization Fundamentals

Charting the Course

It does not matter if you have fully documented current state processes or if the current processes are undocumented but well internalized. At the outset of a process optimization initiative, align your team's understanding and make sure everyone understands the following:

- The primary business goals of the process
- The non-negotiable constraints placed on the process
- The strengths and weaknesses of the process as currently performed
- Acceptable optimization strategies for preserving/enhancing strengths and mitigating/eliminating weaknesses

Let's look at an example.

Process: Manage Client Contracts

Process Goals:

- Contract Data is Current, Correct and Complete
- Up to date contract information is accessible to sales reps in the field

Process Constraints:

- Contract Data Is Only Maintained in the System of Record
- Contract Data is Secure from Information Breaches

Strengths of Current Process/Strategies for Preserving or Enhancing Strengths

- We can perform discount analysis with current reports/Maintain current report structure
- Clients don't see many errors when reviewing contracts for final signature/Maintain tight data validation

Weaknesses of Current Process/Strategies for Mitigating or Eliminating Them

- Our auditors have issued findings on our revenue recognition in the last two audits/Implement and enforce standard process for project managers to track percent work complete against stated contract deliverables

- We have limited ability to understand total customer value when multiple contracts have been written in separate sales territories/Explore master data management approaches and automate the current spreadsheet based consolidations

Now let's take a look at some of the common sub-optimizations that plague both small and large process improvement initiatives.

The Low Hanging Fruit

Smaller optimization projects may be led centrally or by self-organizing teams within a department or across departments that participate in a bigger process chain. These projects can make substantial improvements by addressing the low hanging fruit.

Eliminating Off-system Work

Many businesses spend considerable capital and effort when implementing modern enterprise systems that automate business processes that were formerly performed in isolation and sometimes on paper. However, off-system work sometimes persists. Consider the following examples:

A Thirty-Year-Old Workflow

A customer care organization photocopies a form, writes in the content of a congratulatory letter for clients who have been with the company for 10 years, and sends it through inter office mail (or walks it!?!) down to the Word Processing Department.

The Word Processing Clerk types the letter, prints it and gives it to the Word Processing Manager to proofread. The Word Processing Manager hands the letter back to the clerk, who interoffice mails it to the customer care manager. The customer care management signs it, and hands it to the customer care clerk for bundling and sending to the mailroom for outbound delivery.

Even if the company's brittle mainframe could not automate this labor intensive (and low business value) process, a modern workflow tool could have eliminated the manual movement of paper between departments and speeded up claim payment.

Potentially Deadly Mistakes

Before electronic medical records (EMRs), patients were discharged from the hospital with handwritten discharge instructions: one copy went to the patient, one stayed at the hospital, and one went to the patient's primary physician.

Now, doctors enter their orders in the EMR, the discharge nurse finalizes and prints a copy for the patient. Hopefully, the primary doctor can access the hospital system from home or from her office.

This works well in theory, but what happens when one of the specialists for a patient with a complex medical condition is late to enter discharge dosages of critical medications while the ambulance transport is waiting to convey the patient home? A nurse may scribble the last prescription on the patient's copy and forget to enter it into the EMR.

Later that evening the patient is confused and it requires numerous phone calls to the ward (where a different nurse is on duty), the primary, and the specialist to understand what meds and dosages need to be taken at bedtime. The correct process would have been to dismiss the ambulance, track down the final specialist, have the primary review all the discharge instructions for potential drug interactions and errors, and THEN and only THEN print the discharge instructions for review with the patient.

Ensuring Value Added Handoffs

There are two aspects to consider when evaluating the handoffs between roles in a process or workflow (and this is one reason swim lane diagrams for process visualization are always helpful).

- Does the step itself add significant business value to the goals of the process?
- Does the step truly require a handoff? Sometimes segregation of duties requirements mandate a handoff, but in some organizations, there are handoffs in place to justify high staffing levels or to work around the preferences or skill deficiencies of particular resources.

Here is another example of low value work + unnecessary off system work that could be encountered in a member services organization.

The member services department had centralized the event notification function of the local member chapters. In this workflow, the local chapter coordinator sent the event notification information (time, place, program, fee, etc.) by email or fax to member services at the main office.

A member services clerk formatted this information (normally just a few sentences) in a desktop publishing application. The clerk printed a proof and set it in a pile. The next morning, a different clerk would proofread the pile of draft postcards and run the mail merge.

When you first suggest eliminating the printing step, you might almost be run out of town. But taking a quick survey of chapter coordinators you'd find an almost unanimous request for the elimination of the postcards in favor of emailing the event notifications out themselves. Significant work was being wasted on steps that had no business value.

Re-thinking Approval Workflows

As far as possible, approvals should be enforced by system rules. When situations require human approval, the approver and date/time of approval must be auditable in a system. Verbal approvals are a significant cause of profitability holes for many businesses.

Consider the following real example from an insurance company:

A local agent submits a claim for a minor benefit. It appears in a workflow queue at the main office. A claims clerk verifies eligibility requirements, prints a copy of the claim, and walks it in to the office of the claims manager. If the claims manager approves, he or she initials the printed claim and hands it to the clerk who sends it via inter-office mail to a payables clerk.

The payables clerk enters the claim into the mainframe for the nightly check run. IT delivers the checks the next morning to the payables clerk who clips each check to its printed paperwork. The payables manager reviews the checks and paperwork. Approved claims are sent back up to the claims department.

A claims clerk prints the accompanying form letter (hopefully without the involvement of a Word Processing Department!) and takes the check and letter to the claims manager, who signs the check and the letter. Then the clerk sends them down to the mailroom.

This real-world example contains multiple approvals as well as non-value added steps that could have been automated either within the enterprise systems, or in a modern workflow tool.

KPIs and Metrics for Effective Process Management

In earlier sections, we highlighted the importance of KPIs and metrics to effective process management. Although the great Peter Drucker quote “If you can't measure it, you can't manage it" has become a topic of debate among process gurus, KPIs and metrics are still the most important tools in driving tangible process improvement.

Definitions

Let's start with some definitions, because the two terms are sometimes confused.

- A **KPI** or key performance indicator is a measurable factor that provides insight into how well an organization is achieving its business goals
- A **metric** is the target value for a KPI. Process initiatives often define metrics by stating the current value and a target value along with a target date for achieving them

The following table gives some examples and shows how the two are related.

KPIs and Metrics	
KPI	**Metric**
Days Sales Outstanding	45 days
Inventory Turns	10 times per year
First Call Resolution	95%

A process improvement initiative could use these KPIs and metrics to state its goals in the following way:

- Reduce Days Sales Outstanding from 63 to 40 by the end of Q3.
- Increase inventory turns from 5 to 8 by the end of 2017.
- Increase first call resolution of inbound customer questions from 80% to 90 percent by January 1.

Better still, state the goal as a phased metric. For example:

- Reduce Days Sales Outstanding from its current value of 65 to 60 by the end of Q1, 50 by the end of Q2 and 45 by the end of Q3.

How to Begin

There are several well-known approaches for initiating the effort to define effective KPIs and metrics, including the balanced scorecard and Kaplan and Norton's strategy maps. Balanced scorecard helps to obtain a complete set of business goals across the four important perspectives on a business: Financial, Customer, Internal Business Process and Learning & Growth. The strategy map approach provides a framework for threading the highest-level business objectives down through each layer of an organization, so that every level can play an appropriate role in driving the overall objectives.

The most important thing to avoid is an unscripted approach that catalogs a wish list of KPIs from departmental managers, since this approach may result in too long a list of KPIs to manage, KPIs that provide insufficient business value, KPIs that are not aligned with high-level business goals, and KPIs that are actually at crossed purposes.

In developing your final set of KPIs for a process initiative, keep the following scoping suggestions in mind:

As you finalize your KPIs, make sure your process improvement scope covers all of the processes that can influence each specific KPI.

Include both leading and lagging indicators in your KPIs.

- A leading indicator points toward future actions, for example, the number of open customer service inquiries is a leading indicator.
- A lagging indicator assesses past performance. For example, past month's first call resolution percentage is an indicator of past performance.
- Include KPIs that cover the quality of the process outcome and the timeliness or efficiency of process operations

Be S.M.A.R.T When You Choose Metrics

When using any methodology for defining metrics, it's best to keep the SMART model in mind:

- **S** - metrics should be ***specific*** and tied to business goals.
- **M** - metrics should be ***meaningful*** and ***measurable***. The underlying data elements must be captured accurately and completely and the calculation must be correct. If you can't measure it or report on it from your current enterprise systems, consider the tradeoff in business value vs. manual effort or report development before including it in your list of metrics.
- **A** - the target values for your metric must be realistically ***achievable***. Do the right people have the ability and authority to drive the metric toward the target value?
- **R** - metrics should be ***realistic, relevant*** and ***results-oriented***. Are there identified actions that can drive the metric toward its target value?
- **T** - metrics need to be ***timely***, especially if they are leading indicator metrics. Can reports be generated, or dashboards be updated in time to allow appropriate interventions to drive the metric toward its goal?

Tracking and Communicating Performance against Metrics

We have come a long way since the days of tracking business performance by reviewing a stack of paper reports for critical metrics. It used to be the responsibility of the process owner to wade through a stack of paper and find his or her meaningful metrics and use them as a support for the day's operating decisions. Modern software offers a variety of features that make it easier to intervene quickly and drive KPIs toward target metrics much more aggressively:

- User-configurable reporting periods
- User-configurable alerts when metrics reach certain set points
- Multiple options for real-time visual displays with drilldown analysis capability through levels of regional, customer, product or other hierarchies.
- Export functionality for further manipulation in Excel

- Robust role based security. For example, the system should allow a clerical worker to see only personal performance metrics while allowing the manager to view individual as well as departmental performance.

This functionality often exists within modern enterprise software applications. If it doesn't, it should be part of the core feature set of your process management solution. Either way, strive for maximum flexibility and power for the end-users without the need to rely excessively on IT staff to fine tune reports and dashboards to the process owners' needs.

Effective metrics tracking and communication is critical to business operations. It also provides vital feedback to the process improvement teams, allowing them to get a better sense of what types of process interventions work best. This will help them improve their process improvement skills with each new initiative.

Managing Evolving Processes in Real Time

Modelling improvements to your business processes involves considerable effort but it is only the starting point for effective process management. With a clear idea of how processes should work in the future and a set of meaningful KPIs in hand, it's time to take the plunge and transition your business from today's inefficiency to tomorrow's first-class performance. In this section, we will discuss three important components of successful business process evolution:

- **Measuring process performance** so that you can validate your improvement strategy or fine tune it
- **Driving organizational metrics** or moving the needle in the right direction for your KPIs
- **Eliminating shadow processes** to root out and address ad hoc process workarounds that are lurking in the hidden areas of your business operations

Measuring Process Performance

When you defined your KPIs using the SMART framework we outlined in the last section, I'm sure you gave some thought into how you would measure and track them. If new reports and dashboards need to be developed, you also need to capture the answers to some questions about each KPI. Answers to questions like the following need to be documented after there is agreement from the business owners of the KPI, those who drive the behaviors necessary to influence the metric, and those who can authorize any effort involved in developing the required dashboards and reports.

- Who is responsible for driving this KPI towards the target metric?
- How often are updated values for this KPI needed?
- How will the data be collected? (application, spreadsheet, manual count)
- Where and how should the data be displayed? (count, sum, percent of goal, etc.)
- Do we need to track this KPI across any hierarchies? (regions, locations, departments, products, etc.)

- Do we need to visualize trending over time, if so, at what granularity? (hourly, daily, weekly, monthly)
- Do we need historic insight into year over year or quarter over quarter performance?
- Do we need to display predictive or forward trending based on where we are right now?

A governing body such as a steering committee needs to prioritize the effort involved in automating the answers to these questions for all the KPIs that are within the scope of the business process improvement initiative. The steering committee needs to consider the relative importance of each individual KPI to overall organizational goals.

Driving Organizational Metrics

With effective tracking in place, an organization can effectively steer operations toward the target metrics by:

- Using the metrics appropriately to communicate to the individuals whose day-to-day actions can move the needle in the right direction. A communication plan should specify each role or group that needs the information along with information. Some groups can be overwhelmed by too much information or complex displays, but they need to know how they are tracking so they can take remedial action to improve performance.
    - For example, appropriate communication to the shop floor or the customer service agent usually requires much simpler views than the dashboards created for management.
- Establishing appropriate behavioral incentives. Traditional incentives include bonuses and parties, but in some areas, gamification is now taking hold as an effective way to motivate individual and team performance against KPIs, especially with a younger workforce.
- Pre-planning interventions so that when performance is lagging, remedial actions are not invented on the fly. These corrective actions are often based on set points for the KPIs that are specified during process design and displayed visually as red-yellow green status. Pre-planning allows

greater agility, eliminating meetings to discuss the options, and delays that arise when corrective actions require too many layers of approval.

  - When average wait time for inbound customer service calls exceeds three minutes, we will add temporary CSRs.
  - When our Days Sales Outstanding rises to 75 days, we will write all new sales orders with net thirty days' payment terms.

In some situations, incremental improvements to a particular metric can only be achieved by careful orchestration of the effort of many different individuals. In these cases, management needs to provide:

- Effective training so that the right people can initiate the right actions in the right sequence and context
- More direct daily oversight to coach and coordinate effort
- Agile cross-departmental steering, perhaps via a quick daily standup meeting while everyone reviews the pertinent dashboard.

Finding and Eliminating Shadow-processes

In every business, organizational politics and personal working relationships have the potential to create shadow processes. We have all encountered them:

- "I'll call Joe in IT and ask him to turn back the server clock so I can book this sales order in to last month."
- "The system is slow today so I'll just record this order on my notepad and enter it tomorrow."
- "I don't understand how to process these special orders, so I will just leave those in the queue and do the easy ones."
- "I was on the phone during training and never learned about all this drilldown stuff, so I will just track this information in my old spreadsheet and walk it over to the production department. Stacy hates this new system and says my old spreadsheet works better for her."
- "My new hire starts tomorrow, I'll just call down to the help desk and see if they can get me a workstation and account access asap, oh, and have someone come up to train them on all that IT stuff right after their HR new employee orientation tomorrow afternoon."

In addition, verbal approvals and ad hoc decision making that is hidden in lengthy email threads result in an inability to analyze what has happened and design effective ways to deal with non-routine situations in the future. The verbal and email workflows exist to fill what Oracle describes as ***process whitespaces***, the work that gets down outside the large enterprise systems like CRM and ERP. The best way to fill these whitespaces is to add a cloud-based BPM tool that can be implemented quickly and configured (and reconfigured) easily.

A Gartner report from an annual BPM summit summed it up perfectly:

"To encourage shadow process owners to make their processes more visible, business process improvement leaders, application managers and enterprise architects should proactively suggest high-productivity BPM cloud platforms to their business process stakeholders."

From Process Diagrams to Real Process Change

Now we need to discuss the real work of achieving process improvement. Diagrams, documentation, KPIs, metrics are all theoretical- they can only form the foundation of tangible process change. With that work in hand, there are two other important factors to consider - technology implications and the people side of change.

Technology Considerations

There are several layers of technology needs you must address to support an effective process improvement initiative.

BPM Tools

We have talked about the need for BPM tools in earlier sections. Because process management should be an ongoing organizational strength (and not a one-time improvement effort), every organization can benefit from the adoption of a BPM solution. Consider the following criteria when selecting a BPM tool:

- Ease and speed of implementation
- Learning curve and ease of use
- IT resource needs for implementing and supporting the BPM tool
- Functional depth:
    - Easy visual tools for process diagramming, with the ability to capture appropriate data along with the objects in the flow chart or diagram
    - Built-in process for designing, editing, approving, and publishing new processes or workflows
    - Inherent workflow automation (routing and alerts, ability to capture the required complexity of your business rules)
    - Data capture/forms capability to allow workflows to bridge existing enterprise application gaps
    - ease of data integration from BPM data collection to other enterprise applications
    - KPI tracking and reporting that provides easy to understand charts along with direct access to the underlying data for further analysis

Smaller businesses and departmental process improvement teams can take heart - there are great tools available to fit every budget in today's BPM marketplace.

Technology Requirements for Training

If you intend to make significant process changes without formal learning and training tools, you should consider some level of learning management system to:

- Host training content
- Create rich multi-media training
- Publish training schedules
- Track training module completion and student proficiency

At the very minimum, you will need a well-organized portal where your employees can easily find the latest versions of process documentation and any training materials you develop for the initial rollout, as well as an evolving knowledge base.

Enterprise Technology Requirements

You will never see a process change take place independently of technology. Process change occurs within the context of technology change or improved processes require new technology to achieve sought-after efficiency. The right BPM tool can help bridge across applications, but some process initiatives involve moving processes or workflows from one application to another. In today's enterprise software landscape, there may be several options for implementing a particular process. For example:

- Should sales orders be initiated in the CRM software or an order module of the financial system?
- Should product specifications be managed in an isolated system or in the ERP system itself?

The right answer changes over time in any business; this is why the application portfolio continuously evolves and imposes changes on business processes. If an organization grapples with these issues within the framework of a business change control board, they can find the right path forward at any given point in time.

Change Management

Process folks love the clarity of a well-documented process, depicted in a tidy diagram that clearly shows roles, steps, decisions, handoffs, inputs and outputs. The act of getting it all down on paper and tweaking it to perfection can be a creative thrill for them. Process folks find it frustrating when their perfect process was neither clearly understood nor immediately implemented. However, it's usually because they failed to grasp the following facts:

- Everyone has a different learning style
- There are huge differences in learning styles across the spectrum of today's inter-generational workforce
- People can only absorb so much change within a given time period
- Change in the workplace takes place in a different personal context for each affected employee
- Change resistance takes many forms
- Change incentives are not one size fits all
- People actually grieve during the change process and there are psychological stages of acceptance

A Eureka! moment occurs when process teams understand that a perfect diagram cannot make a process improve until everyone involved understands and adopts the improvements. The strategies and tactics for making that happen are embodied within an organizational discipline called Change Management.

All of the process work dovetails well with the change management effort to communicate, train, and encourage adoption. It takes a different or expanded skillset to help people through process improvement, so you may want to consider training/certifying a team member in this capability or hiring short-term consulting assistance for change management.

Much has been written about change management and there are many good resources available for education in this discipline, but here are a few key points to remember.

When communicating in advance about upcoming changes:

- Develop a formal communication plan that specifies the message contents, the author, the audience, the delivery channel and the person who will deliver each message.
- Use separate but coordinating messages for each unique audience that will be affected by the new processes
- Communicate through multiple channels as appropriate: emails, meetings (live and virtual), newsletters, posters, etc.
- Paint an honest picture of the benefits and of what you will be asking each individual to change. Employees tune out sales pitches and they deserve clear and honest answers from all levels of management.

When preparing training materials, including information on pertinent policies and how individual workflows fit within the larger business processes. Train on the best-case scenario processes as well as the most common exception cases. People are more likely to adopt new processes if they understand why the processes are changing, and where their work fits within the larger business context.

Finally, be realistic. Depending on the magnitude of your changes and the quality of your training, the first few weeks or months may be chaotic. It is likely to take some time before your KPIs hit your desired metrics.

Special Situations Require Business Process Management

Throughout the earlier sections, the focus has been on business process management within an existing organization that initiates either a "bottoms-up" or "top-down approach to improve business efficiency by streamlining business processes. This section will deal with four special situations that may become part of the strategic direction at some point in time. Let's take a look at them and highlight some of the unique challenges and BPM requirements for:

- Mergers and acquisitions
- Outsourcing
- Replacing outdated enterprise software
- Financial turnarounds

Mergers and Acquisitions

Every merger or acquisitions begins with an investment thesis that defines the goals and financial impacts of absorbing the new organization into the acquiring company's business model. While much effort is expended on the financial model, the business process and organizational implications of the thesis are often left unsettled until after the deal closes. When a deal fails to achieve the projected financial goals, poorly integrated business processes or misdirected process integration focus are often the root cause.

Integrating business processes is difficult, and it becomes chaotic if the effort lacks structure, leadership and effective documentation. During the integration period, enterprise systems need to communicate across organizational boundaries. Those organizations that already have experience with BPM projects and tools will be able to integrate more quickly because they have the following advantages:

- They have defined an over-arching process structure and have flagged as priorities those areas that will directly support the financial goals of the deal
- They have experience using BPM tools to model processes and automate manual workflows - there will be many more manual workflows to required bridge the two organizations while the technology integration is underway.

- Within the parent organization, the workforce is already accustomed to training and absorbing managed process changes
- BPM tools give them the ability to quickly copy and configure existing workflows for the newly acquired organization before optimizing them - this also makes it easier to train and communicate the new workforce into how daily tasks are to be performed.

There are some caveats to remember when integrating a new company:

- **Keep an open mind:** the best mergers are transformative to the parent company as well as the newly acquired entity. Explore the acquisition's way of doing things, and you may benefit from unexpected process improvements.
- **Start as early as possible:** Your business process due diligence needs to start alongside your financial, legal, and technical due diligence.
- **Plan for employee attrition.** The brightest and best may be the ones who leave first. An early start will help you mitigate the chaos from lost process knowledge that results from too many key people leaving after the deal is announced. Honesty and transparency about plans are best for employee retention, but if your plans include the elimination of whole departments, you need to keep plans close to the vest.

Outsourcing

Outsourcing, whether it is offshore, nearshore, or onshore, has proven its effectiveness in lowering costs, improving product and service quality, and driving business innovation. It poses special challenges in the process area. These challenges need to be addressed early, while the initial decision to outsource is under evaluation.

Most organizations do not move forward with business process outsourcing without carefully considering the upfront costs and ongoing costs of several outsourced service providers. These cost models are very difficult to build because it is rare that you will be able to make apples-to-apples comparison of two competing service providers - the devil is in the details. Your cost model needs to include the savings that will result from reducing your internal staff, but

you often need to drill down several levels in your process hierarchy to understand the workload and headcount requirements of a proposed outsourced operating model.

Clearly, if you already have well-documented, managed processes, and you understand your current and target transaction volumes, you will be better able to create a clear comparison of your options. Here is how you should approach it:

1. Start with your process hierarchy, expanded to its lowest level of detail.
2. Flag the processes and workflows that each provider includes in their proposed service offering.
3. For cost comparison purposes, draw a boundary on your diagram that is big enough to include what each provider proposes to take on.
4. In each case, you must factor in a different cost for retained staffing, estimating transaction volumes to the best of your ability.

Bear in mind that step 4 involves a considerable estimating insight, because you are very likely to shift and consolidate responsibilities across existing roles and staff.

Replacing Outdated Enterprise Software

When replacing or implementing large enterprise systems like ERP, EMR, Policy/Claims processing software, it's best to take a process-centric, rather than software-centric approach. The success of the technical implementation is based on how quickly and easily the workforce can embrace the new software. Again, begin with your existing process hierarchy and scope the implementation by process, not by application module (although there is always some degree of alignment between the two).

Document new target processes, and drill down into new workflows and tasks that take place within the new software. If your employees are already fluent in your BPM lexicon, diagrams, and workflow documentation, they will be better able to understand and embrace the changes.

Financial Turnarounds

If a business is struggling, management needs to execute a financial turnaround as quickly as possible. Time is the biggest enemy of a successful turnaround. Organizations with existing BPM capability will be able to achieve a faster turnaround because they have the framework, tools and discipline to zero in on those process areas that are likely to provide the biggest financial relief.

At the outset, many turnarounds result in onboarding a new management team and possibly the engagement of specialized turnaround consultants. Well-documented business processes will speed the initial situation appraisal that this turnaround team must undertake before devising their turnaround plan.

The turnaround strategy may include outsourcing, abandonment of less profitable products and services, and deep staffing reductions. Drastic staffing cuts require that existing staff take on additional responsibilities, and they will be able to absorb the new work more easily if their new daily tasks are well documented.

Conclusion

In highlighting these special situations, hopefully you can see that effective business process management provides lifetime benefits for your business. You will see near-term benefits as your workforce improves efficiency and develops the discipline to continuously improve the processes that make up their daily work. Effective BPM provides a single reusable framework for effective execution of special situations like M&A, outsourcing, and enterprise software implementations, but it can also save your business if you find yourself in an unexpected downturn.

This guide was a collaboration between Integrify and Joanne Wortman.

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