

Agile Decisions and Agile Actions: Keeping Up with Change from Strategy to Execution

The Gist

We hear much these days about business needing to be agile. But what does it really mean to be agile? Remember what it was like when your company was on the small side, or when you worked at a start-up? You had plans, and knew just where you wanted the company to go and how to get there. Maybe something popped up that you weren't expecting - like a new competitor - but that didn't faze you. You got your key people together and figured out what you needed to do to adapt, and then you rolled up your sleeves and did it – you just did it. But now that you are a multi-national corporation, from the moment that management leaves the boardroom with a new idea to the moment that the company is poised to execute can seem to take an eternity. That agility you once knew is long gone, and large business leaders all over the globe wish that H.G. Wells' time machine wasn't fiction, and a pull of a lever could take them back to a simpler, more manageable time.

Chewing gum and walking at the same time

What your company wants to do is “Strategy”. What your company knows how to do is “Competency”. What your company does is “Process”. All of these things are connected, and the rapidity in which they react to each other is straight-up “Agility”.

Executing the business strategy properly requires the ability to put in place the right competencies and the right processes, and that in itself is a challenge. But in the face of certain change, this work is a constant and dynamic process. Three key capabilities will make it easier to keep up with change:

1. Understand the real connections between strategy, competency and process
2. Synchronize what you think you know with reality
3. Remove technology barriers to the process of effecting change

How to understand the real link between strategy, competency and process

Companies use guiding strategies to articulate the results they want to achieve and the methods they imagine will get them there. For the community of business leaders, operational managers and process practitioners, their responsibility is to determine what work needs to be done, and what the most effective way is for it to get done. If the efforts they go to are not connected to strategy and measured against it, chances of the business meeting their goals are slim to none.

The gap between strategy and execution is a struggle for many; in fact, linking process improvement with top level business strategy was the top challenge for process professionals in both 2014 and 2013 surveys conducted by the PEX Network*. Agility requires not just bridging the gap between strategy and execution at a single point in time, but dynamically maintaining it in order to make sure that as strategy changes, execution follows in lock step. Unless you are a very small company where information flows openly and freely, there is no better way to communicate and manage the execution of strategy than by creating an operating model.

An operating model describes the various pieces of how and why an organization does what it does, and how those parts interact. You can think about the operating model like a mechanical blueprint of a machine. Each working part is identifiable as an individual piece as well as in relation to the other pieces that are connected to it. An operating model includes an organization's strategic goals, operational business competencies, business functions, processes and tasks, as well as the structure and technology that enable delivery. Definitions of value and desired performance are also critical to a fully fleshed out model. Some may say that strategies live outside the model, some say within, but the long and short of it is that including strategies as an integrated part of the model helps reinforce the connection they must have to the other organizational elements.



Strategies

Creating strategies is often seen as step 1 of a top-down approach to operational modeling. This does not mean that every strategy needs to be modeled before moving on to examine other elements of the business – this will create analysis paralysis and other than keeping many executives and business architects very busy, will not create any tangible value for your business. Starting with one strategy, and drilling in from that perspective is a more pragmatic approach.

Some questions to ask before you get started with strategy modeling:

- Why do customers buy our products and services, rather than those of a competitor? (i.e., where do we lead, and where must we maintain a competitive advantage?)
- Where are we noticeably falling short of our competitors or our customers' expectations? (i.e., where can we improve?)
- Are there certain areas that if we do not improve, we risk losing customers no matter how good we are in other areas? (i.e., what must we improve immediately?)

Strategic Business Objective

Critical Success Factors

Critical Success Factors

KPI

KPI

KPI

KPI

As you answer the above questions, ideas for important areas to tackle start to rise to the surface. For each emerging strategic business objective, there must be a way to measure success. Create critical success factors for each, and for every success factor, a Key Performance Indicator, or metric. Figuring out what the CSFs and KPIs are for each strategic goal actually help the refinement of the strategy itself and the best way to articulate it. Over time, measurements will help determine what ranges are acceptable and will help hone the metrics. Having this information available in a role-based performance dashboard will provide insight to business decision-makers on where operational changes may need to occur.

Competencies

Business competencies define what your business is equipped to do, using a mix of skills, resources and capabilities. These competencies can be catalogued as Core, Strategic and Enabling if that helps, but most importantly, they must be identified in context to overall strategy. This connection is important as management moves forward with adapting strategies in response to outside changes – to help them identify where there may be untapped capabilities and resources at their disposal, or inversely where they are missing the wherewithal to actually execute on the new plans.

Operational competencies can be organized by business area and business group to help see better how they can be used in different parts of the business, especially if your organization has governance or compliance reasons to keep resources and processes separate.

Business Area

Business Group

Business Group


Operational Competencies

Processes

An organization's process landscape is a means of describing and viewing their processes in a hierarchical way, and potentially from varying perspectives. Creating these landscapes often starts with the question, "What are the core processes to a customer value chain?" For example, the core processes of a software company are: software development; product marketing; marketing; selling products and services; fulfillment; and customer service. There are also secondary processes like strategic planning, human resource management, facility management, and more.


Processes like those just mentioned are generally part of an operational process landscape. An organization may want to also want demonstrate alignment to one or more reference landscapes, such as Information Technology Service Management (ITSM) for its IT processes; or Sarbanes-Oxley (SOX) for financial regulatory compliance.

You may also want to model the support landscape, which might describe a subset of the operational processes that are automated or enabled by a particular IT application (e.g. SAP).

 **Tip:** For a quick start to organize processes into a hierarchical landscape, adopt a publicly available process framework like the Process Classification Framework (PCF) from APQC (www.apqc.org).

The fluidity in which change occurs in today's business environment requires equal fluidity in the reaction of businesses. Changing business objectives or the metrics that measure them require a rapid evaluation of whether the business has the competency to fulfill the change. Processes and work that is performed must be modified to fulfill the new measures. This overall adaptation of the business, or transformation, has to occur quickly before the reason for change has morphed or become obsolete.

In large organizations, it's easy to imagine the number of strategies, competencies and processes and the complexity in the links between them. The operational model provides the ability to expose this complexity and provide transparency around how changes need to ripple through the organization and which areas are impacted. This reportable meta-model doesn't have to be comprised of difficult-to-read reports that only an analyst can make out – high level information should be made available to management in easily understandable graphs and indicators that help pinpoint intersections, and information should get more detailed as one drills further into the heart of the business. The key is traceability all the way through to the workflows being performed at the lowest level of the organization, so that process transformation can become real rather than stagnate as an unrealized strategic plan.


 **Tip:** Businesses in earlier stages of process maturity are concerned with the ability to implement and maintain an operating model. Start with a specific area of the business to focus on and work outwards instead of trying to boil the ocean.

Tighten the synchronicity between what you think you know and reality

Operational modeling from strategy through to execution is an excellent start to understanding enough about how your company functions to be able to react quickly to change. But there is an issue with models – many times they are representations of what one thinks to be true, but unless they are very tightly tied to real data, they have a tendency to remain removed from reality. Two ways to increase the link between the model and how business is really working:

Pull in process performance data directly from processes into the model


When critical success factors and KPIs have been established, and processes identified that are measured against them, the data from the processes can be collected in the context of the process landscape and strategy model to show clearly how processes are performing. Show in the process model where performance indicator data is being generated, and link those tasks back to the indicators in the strategy model.

 **Tip:** Extended BPMN notation allows including reporting tasks among task sequence flow. These tasks will explicitly identify what data is being captured at given points in the process, allowing analysts to easily identify where and when processes are affecting Process Performance Indicators and / or Key Performance Indicators.

Actually link the process models to runtime workflows

It's important for models to be able to exist outside of their own implementation. Not every aspect of a process is automated, not all parts of workflow are executed in a digital system. The holistic and end-to-end picture of how work flows through systems and processes and across departments is complex enough that it must not be only portrayed from an IT-centric context.


That being said, there is a huge advantage to linking models to real implementation to help preserve the accuracy of the model. Whether it be through tight blueprint-based integration with large ERP systems, by using model-driven deployment of workflows, or a combination of both, integration will help cut down on the disconnects that frequently occur when analysts model and maintain process documentation while another group is implementing and making adaptations on the fly – many of which will not get reconciled with the model. Models that are out of alignment with reality before projects even go live become throw-away, and hardly can be used as an asset that enables ongoing agility.

 **Tip:** Modeling processes in the BPMN standard will allow more seamless integration with process execution engines, and even allow model-driven deployment if the modeling solution has an automation capability.

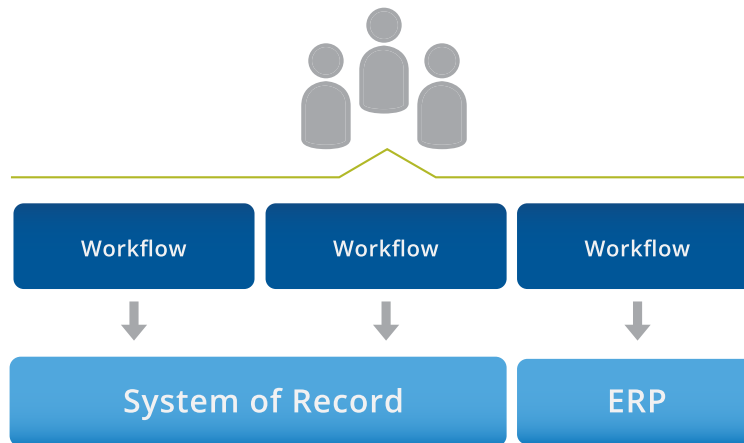
Remove technology barriers to the process of effecting change

As digital business becomes the norm, IT departments have become more burdened with implementing and maintaining complex systems and structures. Even a company that has a bounty of IT resources will be looking for ways to prioritize projects and empower the business to take increased ownership of systems.

Armed with the operational model that shows a clear path of which processes need to be implemented or changed to execute updated strategy, the business can model new requirements for workflows, or examine ways of optimizing the workflows they have. If the next step is to lobby for resources from IT to push the changes live, they may find themselves with a long wait, or an expensive internal project proposal. Fortunately systems are becoming more business-friendly and easier to implement without extensive programming or IT involvement. Not every workflow requires being executed on large, complex and difficult to adapt systems. Business groups should look for workflow automation systems that will allow them to manage the bulk of the definition and deployment on their own.

 **Tip:** Don't try to model and deploy the perfect process. The pressure to get it right the first time is high when working with expensive legacy systems requiring IT consultants at every project. But with lighter weight systems that business groups manage on their own, iterative deployment is much more effective, tweaking and improving as needed.

There are many processes that are candidates for running outside of the ERP or other IT-owned systems. If integration points are needed with systems of record, such as writing data to and from them, layer business-friendly workflow systems over the top of them, for easier management by the business when the workflow changes over time.



Summing it up

Organizations are pressed to be agile in order to keep up with market demands and surpass the competition. This agility can only result when decision makers are armed with the ability to see how change needs to be executed throughout the organization.

By modeling the operational model, making it closely linked to real implementation and reporting back with real data, management and process owners have the transparency into how the business is truly performing against their strategic business objectives. Add to that the ability for the business to manage and deploy their own workflows with limited involvement from IT, and they are empowered to understand, anticipate and own the cycle of continuous improvement and adaptation.

Want to learn more?

If the concepts outlined in this article are of interest to you, please visit www.igrafx.com or call 1.503.404.6050 to find out more.