Understand Your Organization Before You Change

Business Analysis Best Practices Enable Successful Transformations

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1. Introduction

Downsizing, re-structuring, lay-offs, mergers, acquisitions, out-sourcing – each takes its toll. Yet tough economic times demand that companies do more with less and look for opportunities to improve efficiency. Often that means reorganizing internally; other times it means merging or acquiring another organization. The only certainty is that change will occur and that change can present multiple challenges:

- Working Relationships on which you depend can be permanently damaged and you can inadvertently lose your best people.
- Customers, Suppliers and Partners can quickly become aware that things are simply not working as they should and choose to no longer work with your company.
- Existing Groups may be misunderstood and the efficiencies and excellence that they developed can be overlooked and lost during the change process.

The Result

Simply put: You can lose competitive advantage, you can lose momentum, you can lose control. But understanding the challenges of transformation, your organization, and the change that you are undertaking can mitigate the dangers and reduce the uncertainties.

2. Start by Understanding the Organization

Combining two organizations or restructuring an existing one is a stressful and confusing time. It doesn't matter what side you are on, or what your role is, something will be changing. The sooner that change is understood, documented, and accepted the smoother the transition will be.

On the positive side, large transformational change provides an ideal opportunity to step back, evaluate your business, and achieve improvement through the use of proven business analysis techniques. During this time you can establish common understanding among stakeholders and ensure that the organization is ready for change by documenting, analyzing, and understanding the change. A structured approach allows the organization to benefit from change as opposed to suffering through it.

Document Organization Knowledge

Reorganizing business units directly impacts "how things are done;" mergers and acquisitions take two different ways of doing things and attempt to bring them together into a single process. In both cases the business processes performed by an organization are impacted. Unfortunately, the collective organizational knowledge of how a process or procedure is supposed to work is often locked up inside the heads of the people performing the tasks on a day to day basis. And policy manuals typically describe "what" needs to be done, not "how" things are done.

Through experience we've learned that if you don't document organizational knowledge and don't fully understand what work is done and how it is currently performed, then it is impossible to understand the impact of change to that work. And, not understanding the impact of change means that it will take significantly more time and effort to arrive at a smoothly functioning operation – the whole purpose for reorganizing in the first place.

Org Charts Only Tell Part of the Story

Most models of a business start and end with the organization chart. During times of change the organization chart can become an obsessive focus of the managers who are directly affected. They argue over who is going to report to whom and

how the organization is going to be structured, but rarely consider how the organization is actually going to operate. Many times the org chart is the first, and the only graphical representation of the business that employees know. However, while organizational charts are an effective tool for describing the structure of a company, they convey very little about the operations of a company or how those operations can be changed and improved.

Understanding an organization begins with documenting existing operations and the processes that the business performs. If you are planning to improve your processes or you intend to combine your operations with another organization, we suggest you start by modeling what the business does, then think about the future and how things are going to change. Save the debate over who manages who for later. The truth is, as a best practice, span of authority should be assigned after a process is designed and understood so that the authority is grouped appropriately and given to the right individuals.

Business Process Diagrams Document Organizational Knowledge

The best way to build a collection of organizational knowledge is to document exactly how your organization operates, that is, how departments, teams, and employees actually perform their jobs. This documentation should be easily understood but also capable of capturing a significant amount of detail to truly reflect the processes taking place. Additionally, organizational knowledge should be able to be re-used for activities such as impact analysis, what-if analysis, and the generation of work instructions. This type of reuse means that you will continue to generate value from the models that represent the collective knowledge of your business.

The business process diagram provides a single consolidated view of how things work by

incorporating many different elements together into a robust model of an organization's operations. Business process diagrams are similar to traditional "swim lane" diagrams that describe business operations in a step-by-step manner, but in addition include information such as roles, systems, business rules, and risk areas to form a more complete and useful picture of business operations.

These models are also useful for identifying potential pain points or opportunities for improvement, as well as places in the business process where metrics can be collected to measure improvement, enabling quantitative analysis.

A few of the benefits that organizations can achieve through the documentation of business processes include:

- A Holistic View of your operations, your bottlenecks and, most importantly, your opportunities for improvement
- A Single Source for organizational knowledge that can be shared across the business
- An Understanding of Change and the ability to know the impact of a new system, role, or activity on operations and the organization
- A Place to Experiment and try out new ideas using quantitative analysis without disrupting existing business operations

Building Business Process Diagrams

Constructing business process diagrams begins with holistically examining the organization. Business analysts work across departments and functions to piece together the detailed tasks, systems, information and business rules that go into day-to-day operations. This means interviewing managers, specialists, supervisors, and professional staff; then collecting and

organizing the pieces of information that describe your business process into a concise model.

Facilitated discovery sessions, which bring business and process stakeholders together, are powerful tools for capturing business information and building consensus. Once this collaborative process is started, stakeholders begin to not just list the current state, but also naturally evaluate how thing are done, leading to immediate process improvement. The enabling element in this process is a skilled facilitator who not only understands the business and technology used, but can also drive the conversation by posing questions, exploring topics, and providing a valuable external point of view.   The result is a complete view of business operations and the details behind them provided in an easily understood reusable format.

3. Business Process Diagrams Become Business Tools

Mergers, acquisitions and re-organizations are all about making important business decisions that will bring benefit to the new organization. Unfortunately, executives do not have a crystal ball. It is impossible for leaders to be sure that the direction they are taking the organization is ideal. At the same time change can cause major stress and pain within an organization; having to go through change again and again in order to "course correct" is not a good option as it opens the door to low morale, poor performance, and the loss of valuable employees. Leaders need to know that they are making the right change. The information contained within the business process diagrams can be used to make sure that the organization is making a positive change and executing it in the best way possible.

Simulate Change

Analyzing the information contained within the business process diagrams and using that analysis

to select the best path forward can help ensure that critical decisions can be made with confidence.

One way to judge the impact of change is through the use of sensitivity or what-if analysis. Borrowed from statistics, what-if analysis takes a system of dependent variables and shows how a change in one variable will impact the system as a whole. By applying this same approach to business processes, it is possible to see how the different variables of an organization – roles, business rules, volume, frequency, cost, etc – all contribute to the execution of business operations and how they will be impacted by organizational change. Taking one example, volume is an important metric for a manufacturing business process where it is a function of throughput and time and can change based on adjustments made to the process. What-if analysis using a repository based business process modeling tool will allow you to calculate changes in volume based on adjustments made to the business process and the different variables. The benefit is that you can see how changes will impact business operations in a simulation rather than using the cost and time-intensive practice of reworking live operations in search of efficiencies which may or may not actually exist.

Example: Performing Analysis – Staffing Models

The potential staffing impact of making a business process change is one example of how what-if analysis can be applied.

Future staffing models are developed by examining the organization and identifying the processes and the roles within those processes that need to respond to events. For example, if a customer cancels an order or refuses a delivery, this is an event that triggers a business process that needs to be handled by specific groups in the company. In this case the analysis of the roles,

processes, and events may bring to light issues of responsibilities that are not handled consistently, revealing opportunities for efficiency improvements. Scenarios which describe the staffing levels needed under these specific circumstances are then produced using information within the business process such as: hours worked, salary, head count and loaded costs.

The result: leadership can allocate staff appropriately based on current operations while also forecasting future staffing needs based on changes to the business process.

4. Build a Blueprint for the Future

Taking the analysis of existing operations into account, to-be business process models provide a venue for discussing change and crafting vision for the future state of an organization by documenting who will do what, when, and where. Having a formalized blueprint that depicts the future state of business operations – not just the organizational structure – can rally the organization around a clear vision of the future and the change. Employees will not only know where they fit in the organization, but also what will be expected of them and how they will contribute to operations and overall success of the business.

Continuous business improvement is a goal that every organization strives (should strive) to achieve. However, this goal is difficult without a complete business architecture that describes the operations of the entire organization. Graphical models such as business process diagrams enable continuous improvement by enabling organizations to locate points in their process which can be improved and understanding how those processes should change. The effectiveness of the change can then be proved out by gathering new metrics

and using the previous baseline to determine overall impact.

A business architecture composed of business process models is the ideal place to begin future change initiatives. All projects ranging from enterprise wide initiatives to single system fixes will benefit from knowing the current state of the organization's activities, roles, systems, and business rules. An investment in business process analysis and the creation of a business architecture which describes the operations of an organization does more than enable successful organizational transformation. It pays dividends again and again in the form of future project success.

5. Conclusion

Kathleen Barret, President of the International Institute for Business Analysis® (IIBA) provides a concise definition of business analysis and what it provides:

> "Business Analysis is a formalized, disciplined process for identifying, articulating and facilitating a *change needed* to solve a business problem or address a business opportunity."

Reorganizations, mergers, and acquisitions – these are business problems and business opportunities at the same time. Yet they are difficult and often do not succeed in meeting their stated goals. We believe that applying business analysis best practices to document your business operations, to understand how changes will impact those operations, and to build a blueprint of the future organization are the keys to coming out on the other side with measurable positive results.