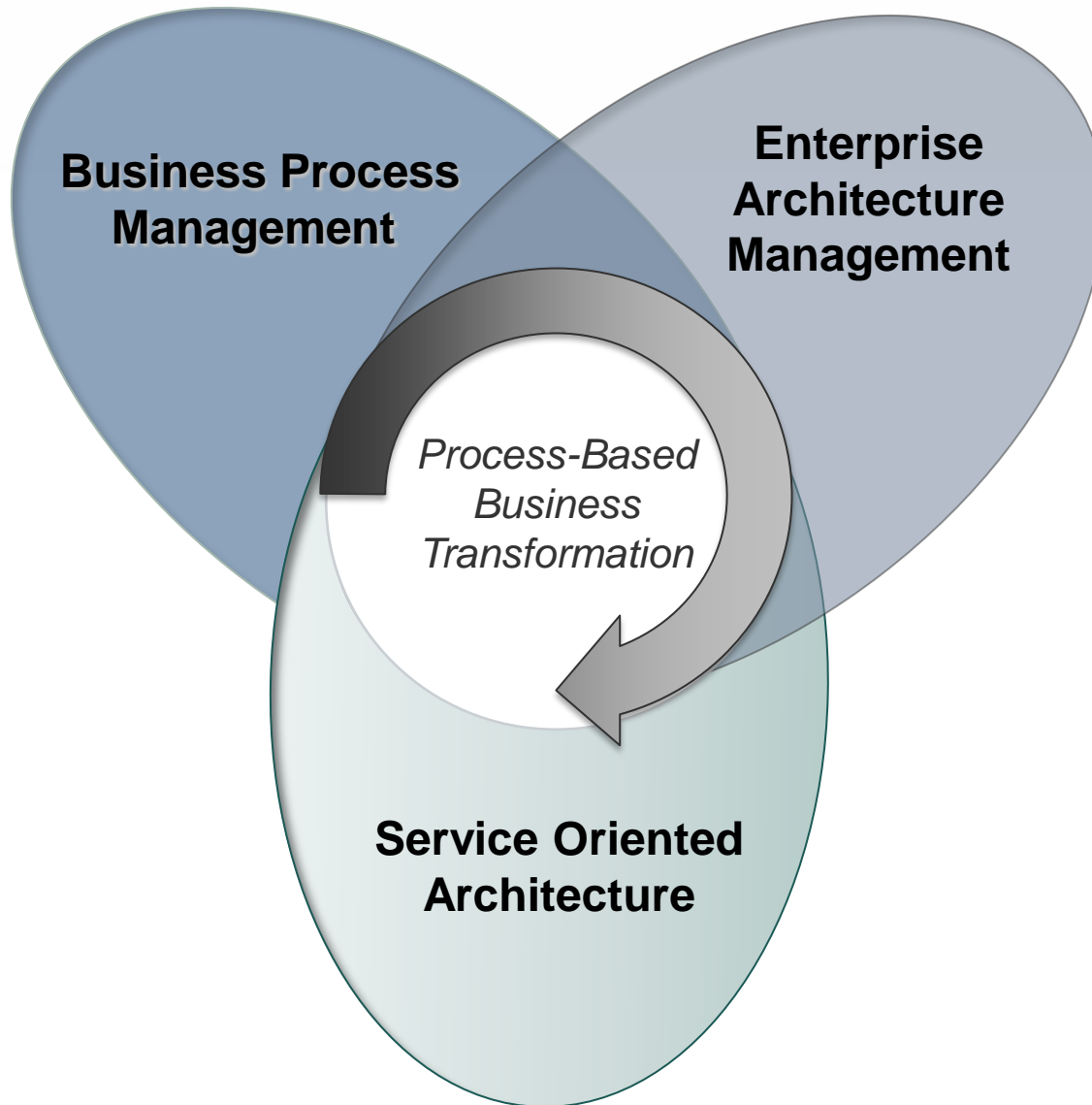




Process-Based Business Transformation

Todd Lohr, Practice Director

Process-Based Business Transformation



- Process is central to all transformation initiatives
- Transformation starts with a process foundation
- Technology is additive to accelerate results

Business Process Management

Business process management (BPM) is a method of efficiently aligning an organization with the wants and needs of clients. It is a holistic management approach that promotes business effectiveness and efficiency while striving for innovation, flexibility and integration with technology.

As organizations strive for attainment of their objectives, BPM attempts to continuously improve processes - the process to define, measure and improve your processes – a 'process optimization' process. Can include complimentary disciplines such as Six Sigma and Lean.

BPM – Key Points

- **BPM** starts with **B**usiness
- BPM can be both Strategic and Tactical
 - Strategic as a holistic management approach
 - Tactical as a process improvement methodology
- Technology is an enabler of BPM, tools enable process-based transformation but tools alone will not deliver process results

Enterprise Architecture

- Effective management and exploitation of information through IT is the key to business success, and the indispensable means to achieving competitive advantage. An enterprise architecture addresses this need, by providing a strategic context for the evolution of the IT system in response to the constantly changing needs of the business environment.
- An **enterprise architecture (EA)** is a rigorous description of the structure of an enterprise, which comprise enterprise components, the externally visible properties of those components, and the relationships between them. This description is comprehensive, including enterprise goals, business process, roles, organizational structures, organizational behaviors, business information, software information, software applications and computer systems.

Service-Oriented Architecture

- Today's competitive environment requires businesses to be flexible, which means that organizations must be able to effectively execute to rapidly changing strategy. The key to successful execution lies in its processes being flexible, the supporting applications and infrastructure need to change dynamically and rapidly. SOA provides this agility.
- **Service-oriented architecture (SOA)** is a flexible set of design principles used during the phases of systems development and integration in computing. A system based on a SOA architecture will package functionality as a suite of interoperable services that can be used within multiple separate systems from several business domains.

Process-Based Business Transformation

- Many initiatives only realize a portion of the potential value

- By focusing on our processes, we have the potential to uncover tremendous value that lies beneath the surface
- A process-focus is key to dive beneath our current line of site and fundamentally change the way we do business



Processes are Key to Driving Business Results

- We know why we work – defined financial and customer metrics
- Do we know how we work? Do we know how work get done across the enterprise? Is it articulated & documented? Is it understood by everyone? Is it as efficient as it can be? Are our processes agile – can we change fast enough to keep up with market changes?
- Do we know how to drive value (shareholder & customer) from the way we work? Can we identify problems with our processes and ways of sustainably fixing them?
- How do we know the “how” is going to give us the “why”? Do we know what to fix with our processes to drive the most value to the things that matter?

Shareholders & Customers - *Why we work*



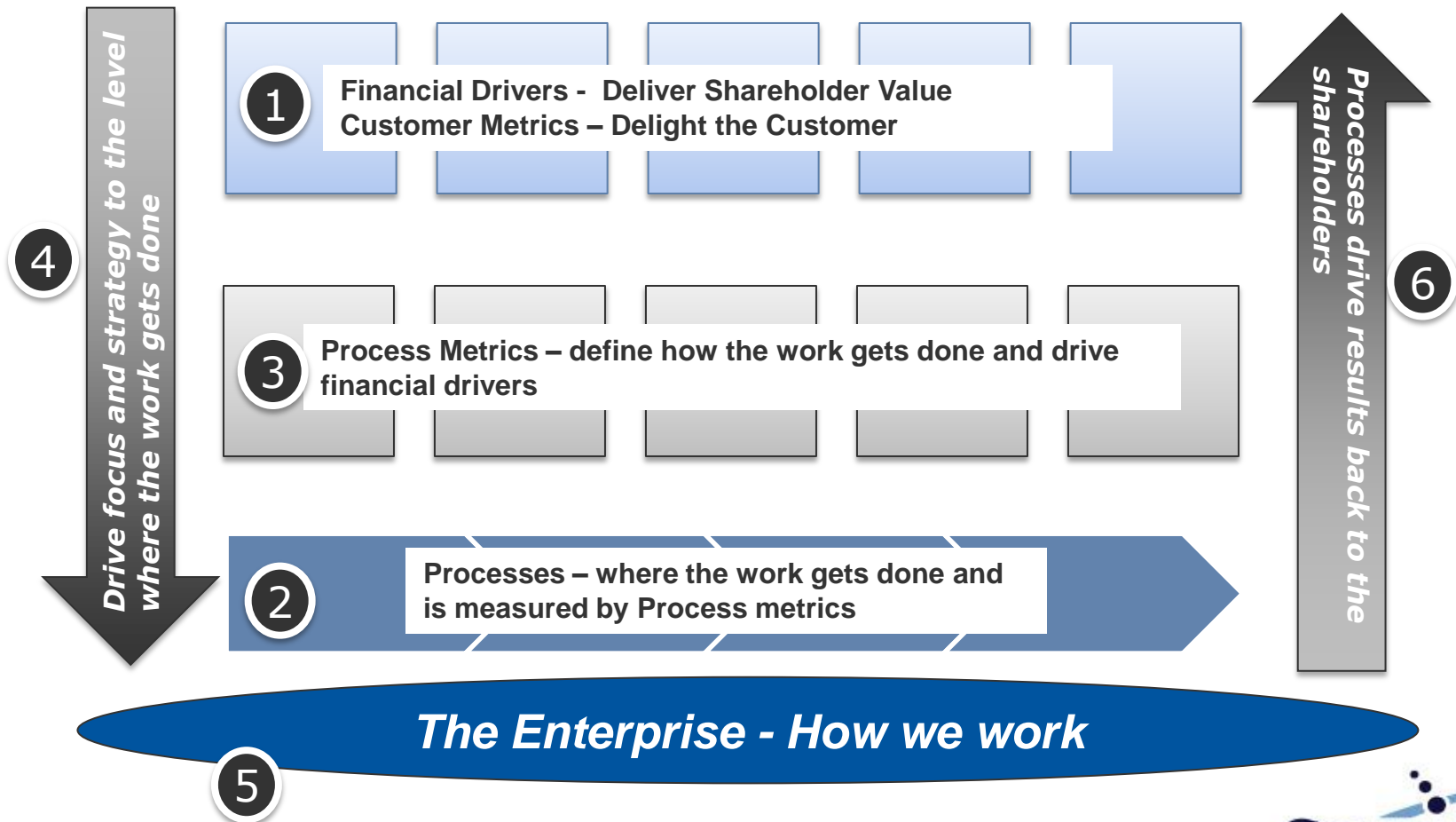
Do we know the relationship between the “**why**” and the “**how**” are related?



The Enterprise - *How we work*

Tying Process to Results

Shareholders & Customers - *Why we work*



Why Process?

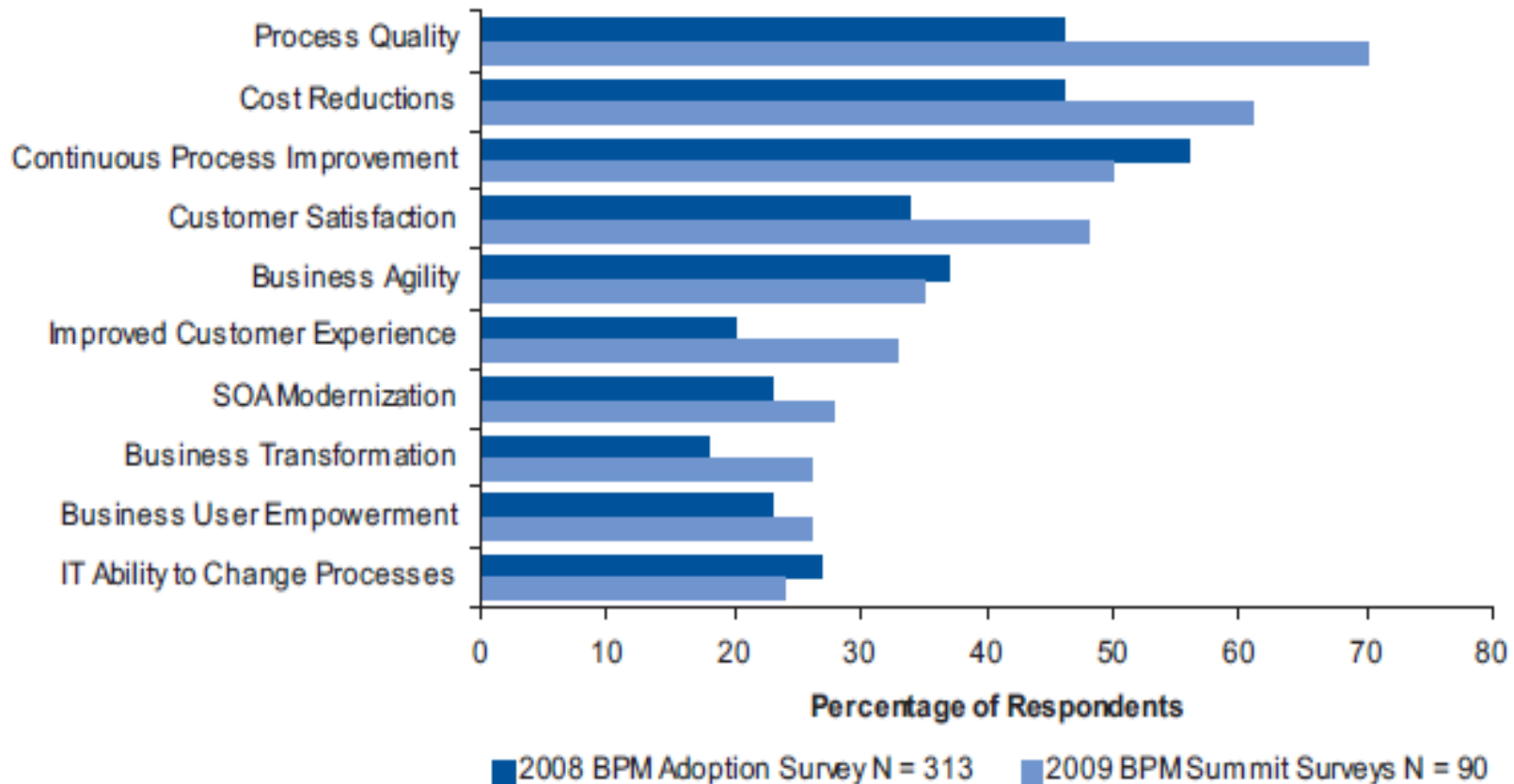
- The business priority "***improving business processes***" has been the No. 1 business expectation of IT since its introduction to the CIO Agenda survey in 2005. In 2009, more than 57 percent of CIO's reported this as one of their top five business expectations. "It's time for CIO's to develop business process improvement capabilities as part of the core of IT. This will enable them to respond to executive expectations that see business processes as important to business performance, as closely associated with application systems and as a responsibility of the CIO and IT"
 - Gartner CIO Survey

Why Process?

By aligning processes to the true needs of the organization we achieve:

- Improved process **Efficiency**
 - Improved visibility into key process metrics helps identify losses due to manual effort, poor hand-offs between departments and inability to monitor overall progress
- Improved **Effectiveness**
 - BPM helps define the optimal process and enables standardizing it across the organization (One Language – Multiple Dialects)
- Improved **Agility**
 - BPM enables process changes to be implemented rapidly while maintaining control

Results of BPM Efforts



Based on 2009 Gartner Summit Survey

Bridging the Gap

- By Definition the concept of process transformation is enormous and can be overwhelming in today's large, complex organizations
- Difficulty selling the vision
- Trying to be all things to all people
- Don't know where to start
- *How do we Bridge the gap to Business Process Realization?*

The Path to Process



Assess Organizational Readiness

- Capture high-level stakeholder Requirements
- Define Process Goals & Objectives
- Align to Overall Corporate Goals and Objectives
- Establish Leadership Plan
- Assess Process Maturity



Establish Process Infrastructure

- Create supporting process organization
- Establish process teams
- Create Business Process Competency Center
- Establish metrics and create process scorecards



Create the Roadmap

- Create Enterprise process model
- Create the enterprise capability (enabling) roadmap
- Create process area roadmaps



Deliver BPM

- Begin to execute the roadmap for the first process area
- Manage continuous improvement through process teams and BPCC

Assess Organizational Readiness



- Are we ready to begin bridging the gap?
- Who are our stakeholders, what do they want?
- What are our goals and objectives for BPM?
Immediate? Long-term?
- How do we align to our corporate strategy?
- Do we have leadership buy-in? The Leadership Development plan
- What is our current Process Maturity?

Process Maturity

- Process Maturity provides a methodology to assess the ability of our processes to provide optimized performance to the business
- More mature process capabilities will drive enhanced business results
- Process Maturity provides the framework for establish our process structure and guides development of our roadmap
- The process maturity framework reviewed here is based on the Process Enterprise Maturity Model (PEMM) developed by Michael Hammer

Process Maturity

Process Maturity can be viewed on two-dimensions:

- **Process Enablers** – maturity of our individual processes to drive process transformation within our business areas
- **Enterprise Capabilities** – foundational requirements across the enterprise to enable successful process transformation within our processes

Enterprise Capabilities

Process
Enablers

Process
Enablers

Process
Enablers

Process
Enablers

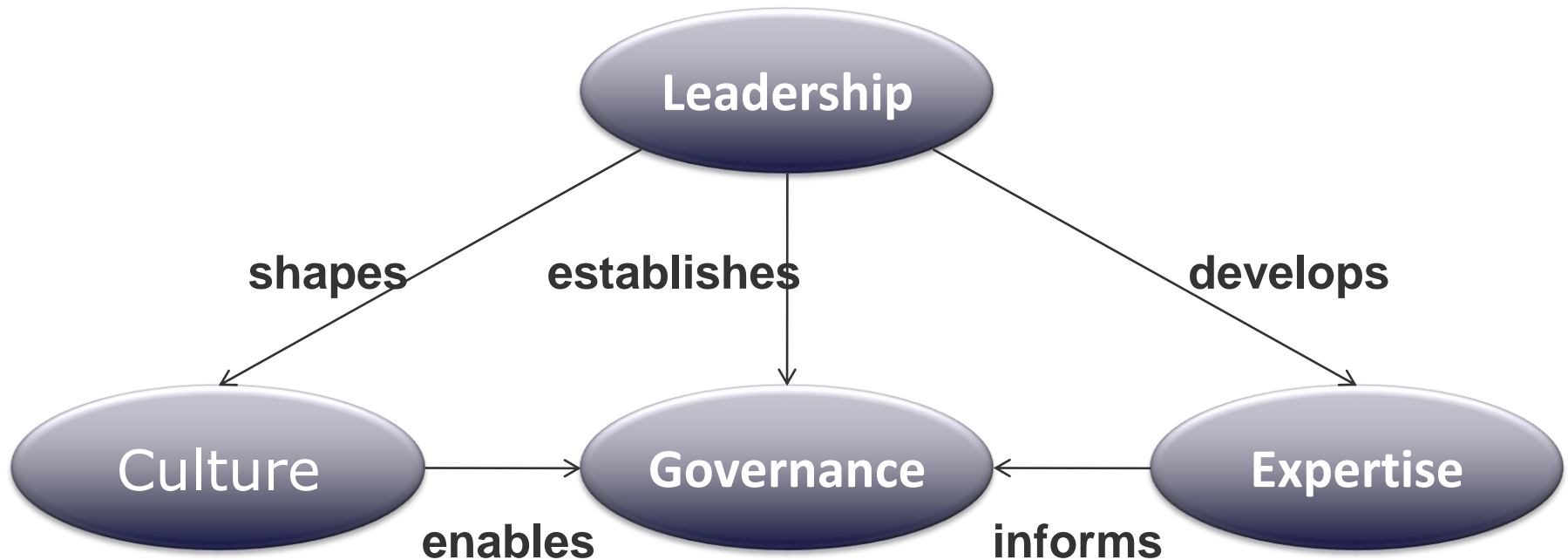
Process
Enablers

Prerequisites of Process

- Effective process organizations require capabilities within the enterprise to sustain their efforts
- These are the things that as an enterprise need to be in place to sustain process transformation and are the responsibility of the central Process Competency Center driven through the Process Owners
- The ***Enterprise Capabilities*** are:
 - *Leadership*
to authorize and enable the effort
 - *Culture*
a value system receptive to what process entails
 - *Expertise*
capability to plan and execute process transformation
 - *Governance*
a system to manage the effort and ensure it doesn't fall apart

Process Enterprise Capabilities

- Fitting them together



Enterprise Capabilities - Key Aspects

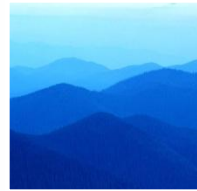
- *Leadership*
 - Knowledge
 - Alignment
 - Behaviors
 - Style
- *Culture*
 - Teamwork
 - Customers
 - Responsibility
 - Change
- *Governance*
 - Process Model
 - Accountability
 - Integration
- *Expertise*
 - Personnel
 - Methodology

Process Enablers

- Process enablers are required for each process for sustained performance
- These are the things that each process team needs to focus on for their respective process
 - *Design*
specification of how the work is performed
 - *Metrics*
used to assess and assure performance
 - *Owner*
required to manage E2E view of the process
 - *Performers*
knowledgeable users to ensure execution
 - *Infrastructure*
required supporting mechanisms

Establish Process Infrastructure

- To drive process transformation, an infrastructure needs to be created to support the effort
- The process structure is required at the individual process level as well as the enterprise level (remember our maturity model)
- The centralized process support area (business process competency center, center of excellence, Process PMO, etc.) is responsible for driving enterprise capabilities and the overall process program
- Each process team is responsible for driving individual process maturity through the coordination and support of the centralized team



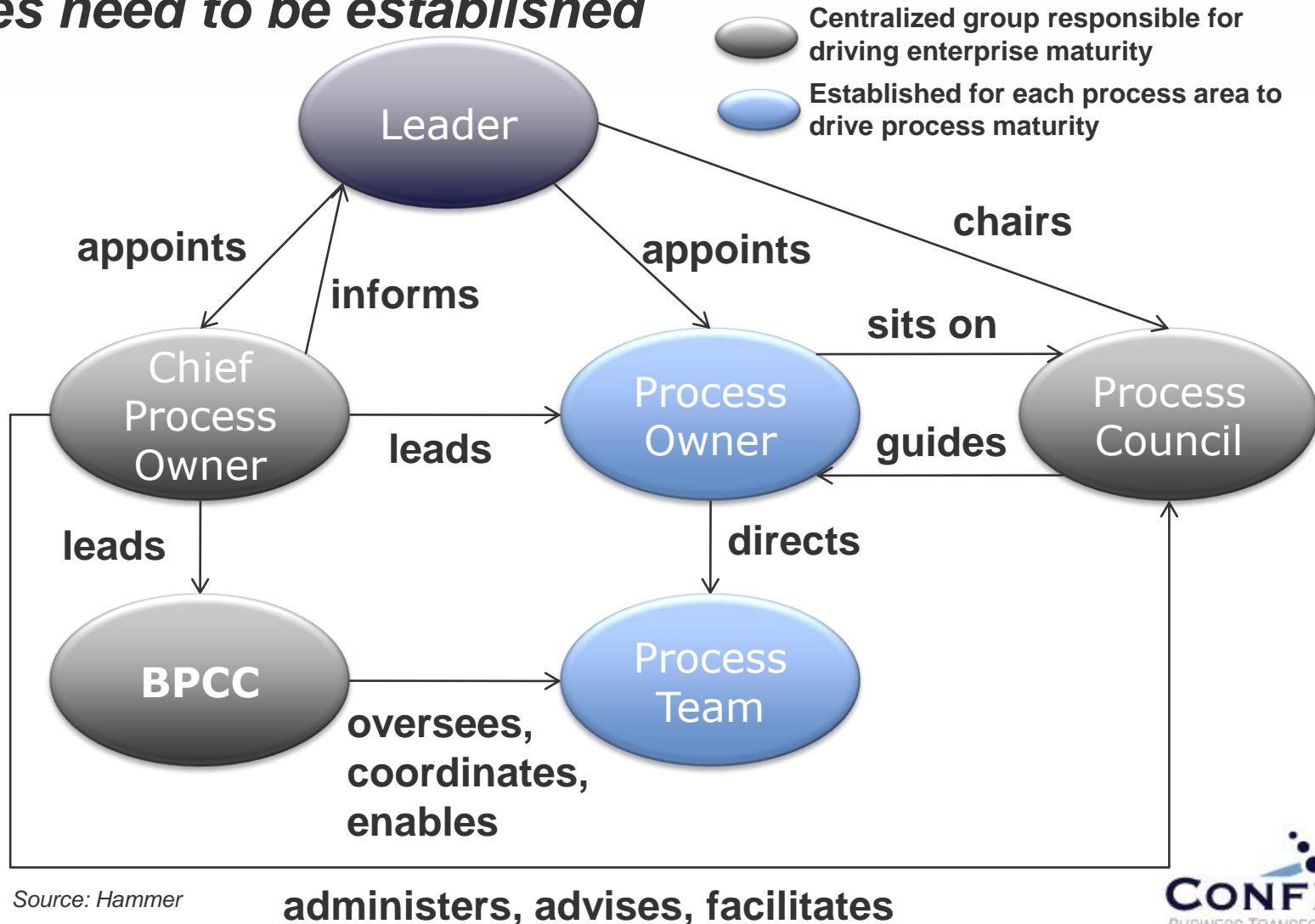
Establish Process Governance



Process Governance is broad and all-encompassing concept that can include many strategic and tactical concepts

Process Infrastructure

To enable process maturity, a supporting organization and roles need to be established



Source: Hammer

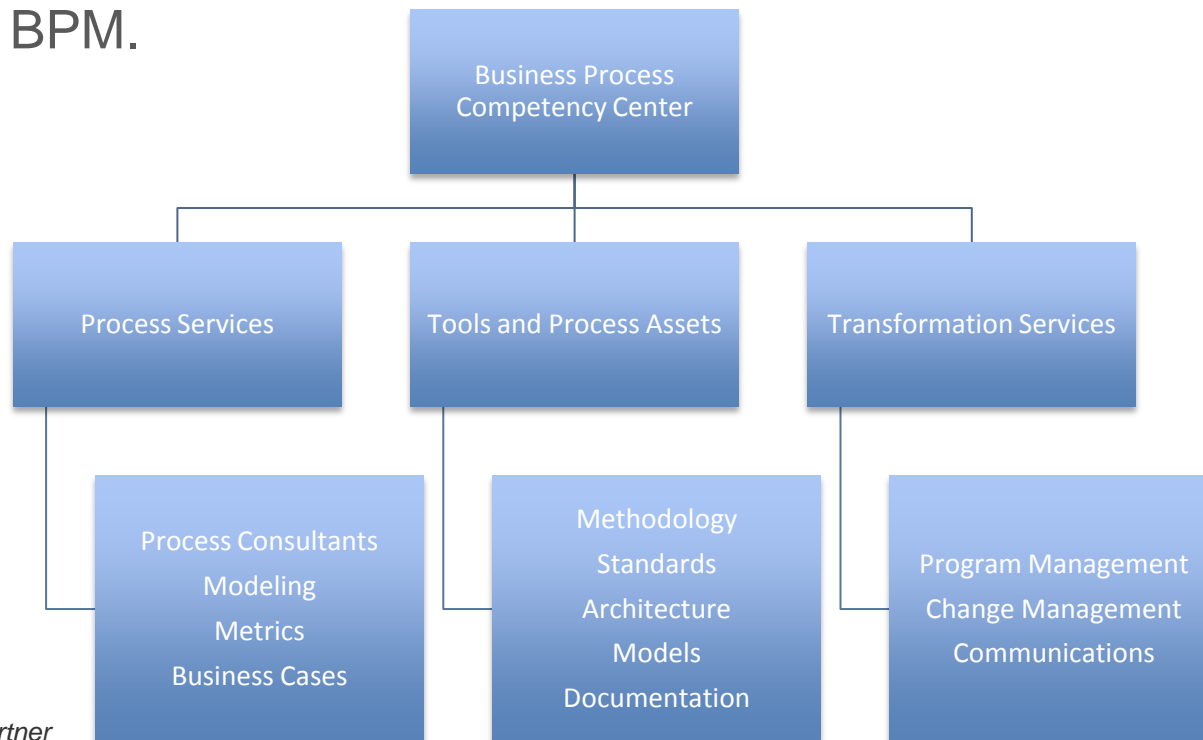
administers, advises, facilitates

Enterprise Roles & Responsibilities

- Process Level: Process Owners and Process Team
 - Responsible for new process and its implementation
 - Creates, designs, coordinates implementation, acts as process-level program manager
 - Implementation achieved via large number of projects
 - Responsible for advancing process
 - Process owner has accountability
 - Design and implementation
- Enterprise Level: Chief Process Officer and BPCC
 - Responsible for enterprise process model and its maintenance
 - Development of plan for advancing enterprise capabilities
 - Control tower for implementation
 - Enterprise-level program manager
 - Responsible for cross-process integration (E2E)

The BPCC

- Integral, and often the first step in establishing a program for process transformation is the Business Process Competency Center
- The BPCC acts as an internal consultancy and offers a "one-stop shop" that provides services to multiple BPM projects, programs and/or initiatives. The BPCC implements the guidelines, standards and tools, and it provides services that enable the enterprise to progress with and adopt BPM.



Source: Gartner

BPCC Responsibilities

- Define & Develop Enterprise BPM Goals & Strategies
- Conduct Enterprise BPM maturity assessments & manage growth plans
- Define BPM Roadmap & manager towards delivery
- Provide BPM Services (process documentation, facilitation, analysis)
- Govern BPM Initiatives & Manage overall delivery of BPM
- Define and develop BPM skill sets through training definition and development
- Develop and manage BPM execution capabilities (methods, tools, technologies)
- Define and Manage BPM Marketing plan (capabilities, successes, organization)
- Define & Manage the processes used to manage “process” – Process Governance
- Set standards for process modeling / methodology
- Select & manage BPM enabling technologies

Benefits of a BPCC

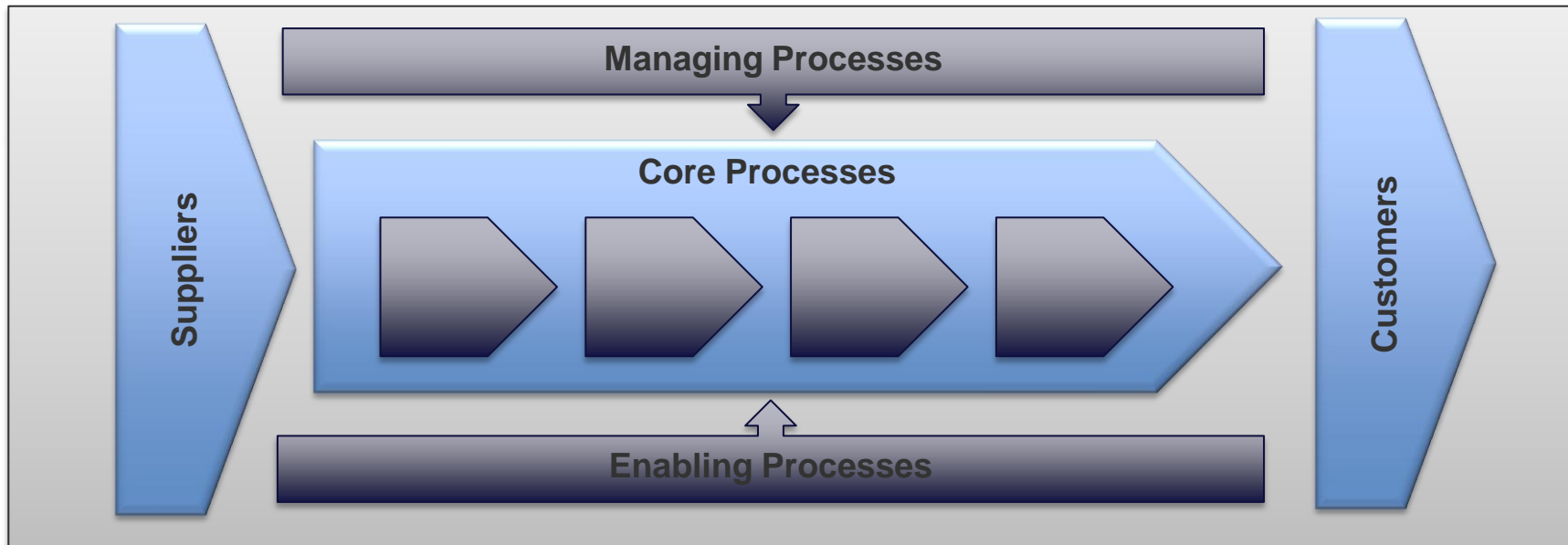
- Enterprise coordination of approach, tools, methodology, deliverables
- Process coordination across process teams
- Provides support and training to process teams to further their development
- Reduces project redundancies early in the discovery cycle
- Provides input to prioritizing and sequencing steps in the strategic planning process by understanding and ranking process and organizational components of initiatives

Create the Roadmap



- Establish an Enterprise Process Model
- Create a Roadmap for each process area as well as the enterprise
- Our Roadmap consists of:
 - **Clearly defined goals and objectives**
(Where are we going? What's our destination?)
 - **Stakeholder Analysis**
(Who's along for the ride)
 - **Defined Activities**
(What is the sequence of activities? What are the Directions?)
 - **Enablers**
(What do we need to support the above? What are our tools? What kind of car do we have? Who's driving?)
 - **Multiple Views**
(What is the roadmap for the enterprise, for each business area? What are the directions for our entire trip? What are the directions for a leg of the trip?)
 - **Strategic Alignment**
(Are we aligned to our organizations strategy? Do we have the same destination?)
 - **Scorecard**
(Measure success against key indicators, How do we know if we are making good time?)

The EPM



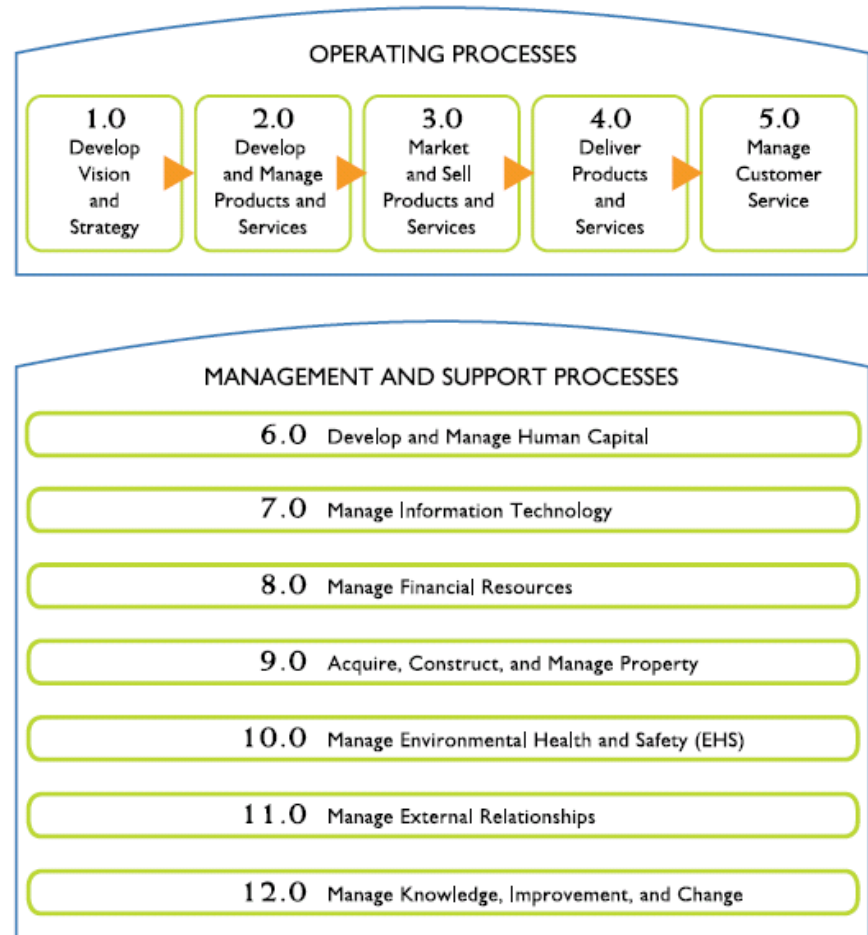
The EPM is...

- The basis for your process organization (process teams)
- The basis for your process measurement (process scorecards)
- The process areas that you will address (roadmap sequencing)

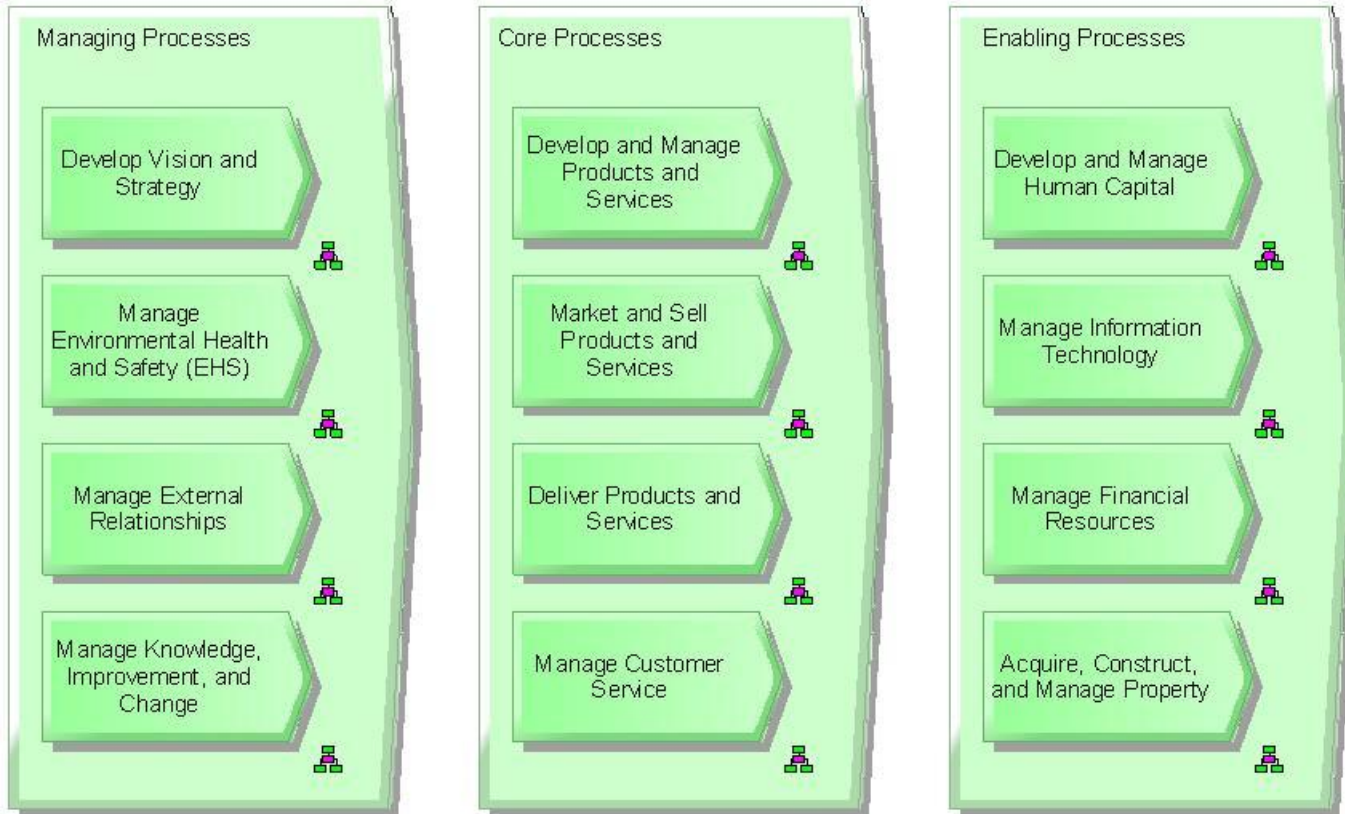
Use reference architectures as a starting point

Reference Architectures

- VCG – Value Chain Group
 - Value Reference Model
- APQC – American Productivity & Quality Center
 - Process Classification Framework
- Supply Chain Council
 - Supply Chain Operations Reference model



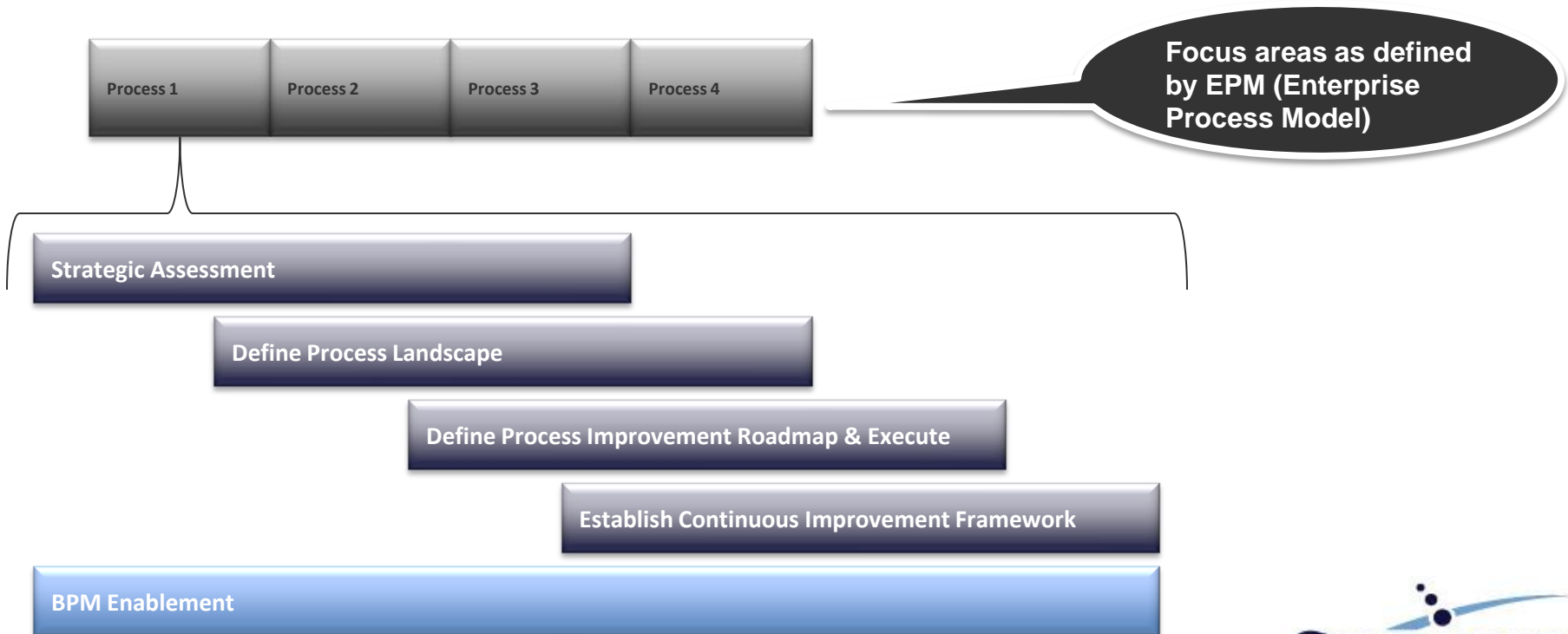
Concepts in Action



Recommendation: leverage technology

Process Area Roadmap

Due to the size of the effort, BPM realization can't be achieved overnight. To continuously deliver value in an organization, BPM should be addressed piecemeal with an initially limited scope. Success can be built on over time. The Roadmap should include the entire organization but each group will be addressed over time with a roadmap that can be reused and redefined from lessons learned.



Strategic Assessment



Followed in conjunction with "The ProcessAble" by Michael Hammer (10th April 2011 & April 10 2014).

How Mature is Your ENTERPRISE?

To determine if your organization is ready to support a process-based transformation, evaluate the statements in this table. They show the strength levels, from E-1 to E-4, of the capabilities that enterprise need in order to develop their business processes. If a statement is at least 80% correct, color the square #1 in green; 20% and 80% correct, shade in yellow; and if it is less than 20% correct, make it red.

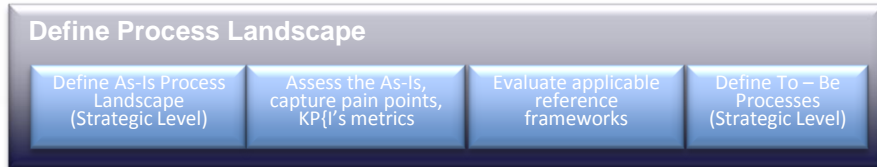
| | E-1 | E-2 | E-3 | E-4 | GREEN 80% CORRECT | YELLOW 20% CORRECT | RED LESS CORRECT |
|-------------------------------|---|--|--|---|-------------------------|--------------------------|------------------------|
| | E1 | E2 | E3 | E4 | | | |
| Leadership | Awareness The senior leadership team understands the need to improve operational and performance in a fundamental understanding of the power of business processes. | It has an awareness of the daily value added to the business and the importance of the process performance and what is needed to improve it. | The senior leadership team views the enterprise as a process-based organization and is actively engaged in the process program. | The senior leadership team views the enterprise as a process-based organization and is actively engaged in the process program. There is a network of people throughout the enterprise leading to process improvements. | | | |
| Alignment | The leadership of the process program has a high level of understanding of the business strategy and its implications for the process program. | A senior executive has responsibility for each performance goal in customer, worker and is engaged in process to ensure they align their strategy and process capabilities to the business strategy. | Senior executives in a team manage the program through its process, and are actively engaged in the process program. | The members of the senior executive team understand the process program and play a leadership role in process efforts. | | | |
| Behavior | A senior executive endorses and tracks improvement objectives. | A senior executive has responsibility for each performance goal in customer, worker and is engaged in process to ensure they align their strategy and process capabilities to the business strategy. | Senior executives have been delegated control and authority to process a new or improve an existing process. | The members of the senior executive team understand the process program and play a leadership role in process efforts. | | | |
| Style | The senior executive team has created a culture that is open, honest and supportive of process, collaboration and innovation. | The senior executive team has created a culture that is open, honest and supportive of process, collaboration and innovation. | The senior executive team has created a culture that is open, honest and supportive of process, collaboration and innovation. | The senior executive team has created a culture that is open, honest and supportive of process, collaboration and innovation. | | | |
| Culture | Teamwork Teamwork is open, honest and supportive of process, collaboration and innovation. | Teamwork is open, honest and supportive of process, collaboration and innovation. | Teamwork is open, honest and supportive of process, collaboration and innovation. | Teamwork is open, honest and supportive of process, collaboration and innovation. | | | |
| Customer Focus | There is widespread belief that customer focus is important. There is a strong emphasis on customer focus at the operational level. | Employees realize that the purpose of their work is to deliver value to the customer. | Employees understand that customer focus is a key to success and a competitive advantage. | Employees focus on delivering value to the customer and are actively engaged in the process program. | | | |
| Responsibility | Accountability for results rests with managers. | Employees feel responsible for the success of the process program. | Employees are held accountable for enterprise results. | Employees feel a sense of ownership in the process program and are actively engaged in the process program. | | | |
| Attitude Toward Change | There is growing acceptance of the importance of change in the process program. | Employees are prepared for significant change in the process program. | Employees are ready for major multidirectional change. | Employees recognize change as inevitable and embrace it as a regular phenomenon. | | | |
| Expertise | People A senior group of employees is responsible for the process program. | A senior group of employees is responsible for the process program. | A senior group of employees is responsible for the process program. | A senior group of employees is responsible for the process program. | | | |
| Methodology | The selected process is a mature methodology for the process program and is being used to improve the process program. | Process methodology has been selected to be used to improve the process program. | The enterprise has developed and standardized a methodology for process improvement and has integrated it with a standard process for process improvement. | The process management and methodology has been selected to be used to improve the process program and is being used to improve the process program. | | | |
| Governance | Process Model The selected process is a mature methodology for the process program and is being used to improve the process program. | The enterprise has developed a process model, enterprise-wide, and is using it to improve the process program. | The enterprise process model has been standardized throughout the enterprise, and is being used to improve the process program. | The enterprise has developed a process model, enterprise-wide, and is using it to improve the process program. | | | |
| Accountability | Senior managers are responsible for performance, process management and process improvement. | Process owners have accountability for individual process areas and are actively engaged in the process program. | Process owners have accountability for the enterprise's performance. | A process owner is responsible for the process program and is actively engaged in the process program. | | | |
| Integration | There are clear goals, objectives and support provided by the operational management and process management. | An efficient operating body provides needed process management and is actively engaged in the process program. | A process owner is responsible for the process program and is actively engaged in the process program. | Process owners work with that support in a consistent and coordinated manner to improve the process program. | | | |

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Key Activities

- Perform stakeholder analysis for area, who are the stakeholders, what do they want, where are we going, how do we measure success
- Assess current maturity level for the area based on the Process and Enterprise Maturity Model (PEMM)
 - **Process Enablers:** Design, Performers, Owner, Infrastructure, Metrics
- Assess PEMM score and identify areas for improvement

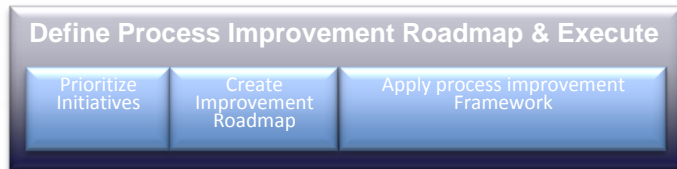
Define Process Landscape



Key Activities

- Define the high-level process landscape (executive and strategic tiers)
- For the defined process landscape, capture high-level VOC, pain points metrics
- Evaluate applicable reference frameworks, e.g. APQC to facilitate process documentation
- Define a To-Be high level process view
- Evaluate As-Is against To-Be

Define Improvement Roadmap & Execute



Key Activities

- Utilize magic quadrants and spider diagrams to assess improvement areas (process-based) and focus efforts
- Assess outputs of strategy session, as-is, to-be landscape and PEMM to focus additional opportunities
- Quantify improvement opportunities and communicate value proposition
- Create 6 – 12 month roadmap of initiatives based upon prioritization
- Begin to execute against roadmap, utilizing process improvement framework and methodologies

Establish Continuous Improvement Framework

Establish Continuous Improvement Framework

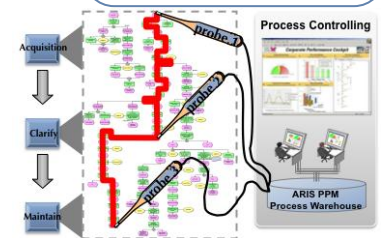
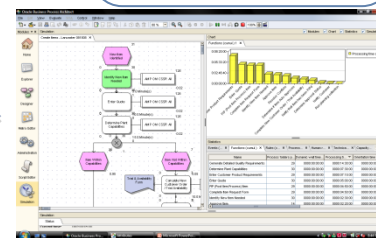
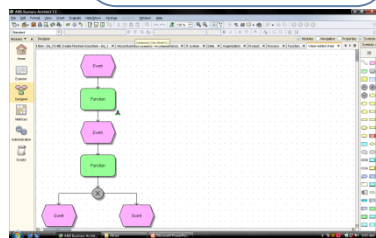
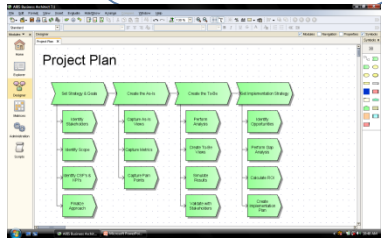
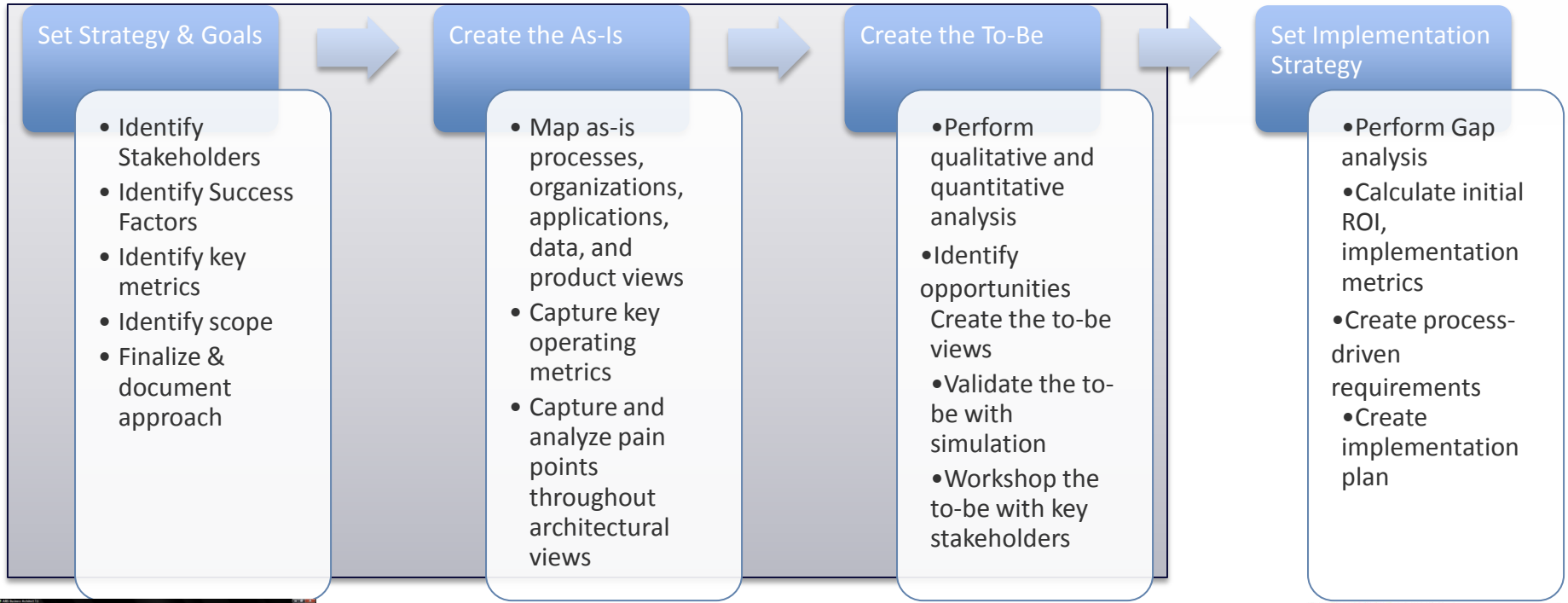
Establish Framework for Continuous Improvement



Key Activities

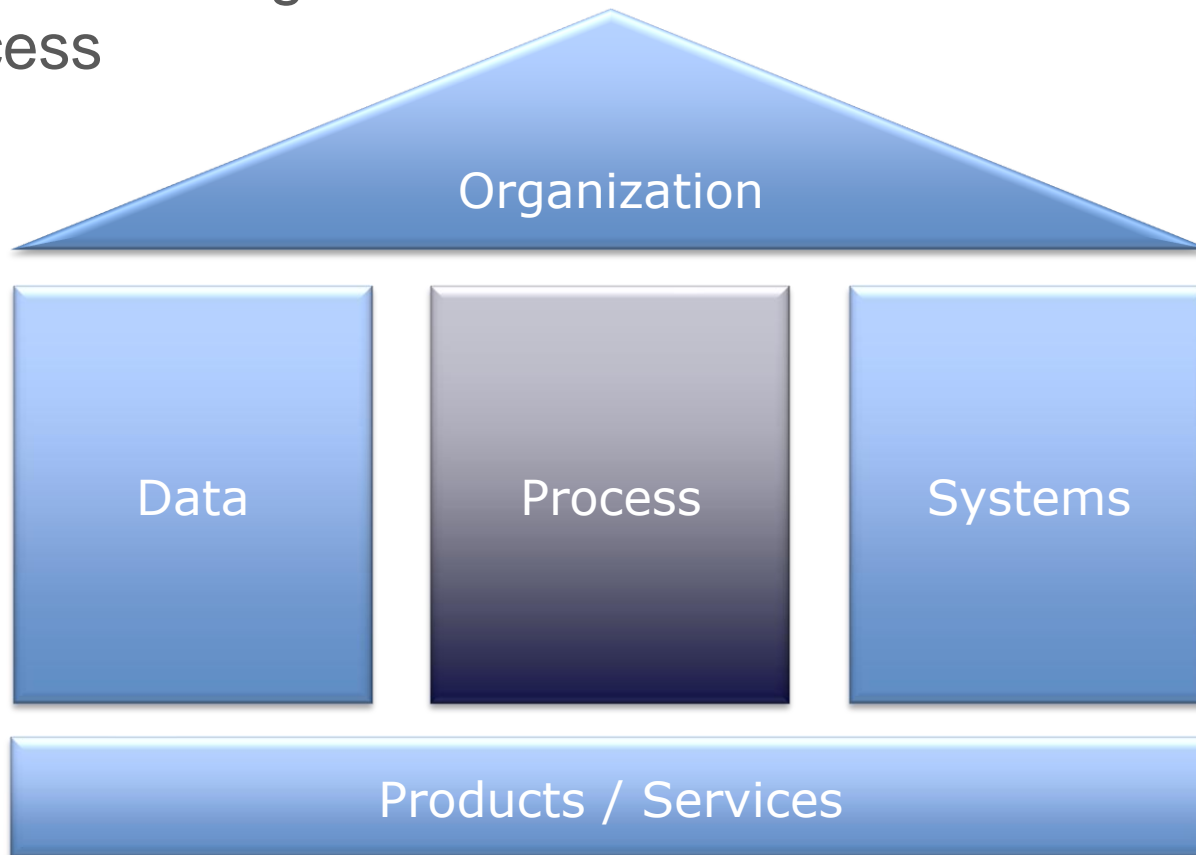
- BPCC to equip process teams with tools and methodologies for process improvement
- Establish a governance strategy to ensure continuous process improvement
- Establish organization, roles, responsibilities to ensure successful governance
- Establish key metrics to be managed towards
- Define intervals of process maturity assessment
- Build the “toolbox” and equip the organization

Process Improvement Approach

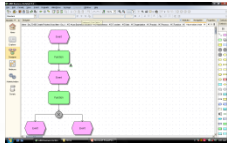


Process-Based Methodology

- Analysis can be done for based on different “views”
- Approach is designed around walking the process and then assessing the different views associated to the process



Methodology



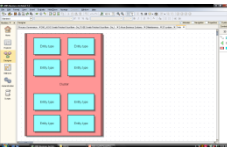
Process Analysis

1. Create as-is process and related objects, pain points
2. Analyze process flow through the organization, fragmentation, automation, level of standardization
3. Capture as-is process KPI's and metrics
4. Simulate process for baseline



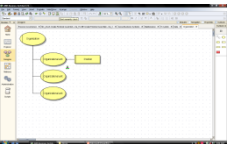
Application Analysis

1. Create & analyze application inventories and application flow diagrams
2. Number of systems, information flow, fragmentation
3. Capture pain points related to applications
4. Collect key application metrics, e.g. response time,



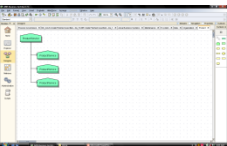
Data Analysis

1. Create logical data models
2. Analyze data for number of clusters, storage of data, duplication, fragmentation
3. Capture data pain points



Organization Analysis

1. Create organizational views in ARIS
2. Analyze organization for hierarchies, organizational responsibilities, fragmentation, organizational breaks, employee staffing, employee utilization
3. Capture organization pain points



Product / Service Analysis

1. Create product / service models
2. Analyze product types, product quantities, product differentiation
3. Capture product pain points

The BPCC Drives Enablement

BPM Enablement – BPM CoE

Process Leadership

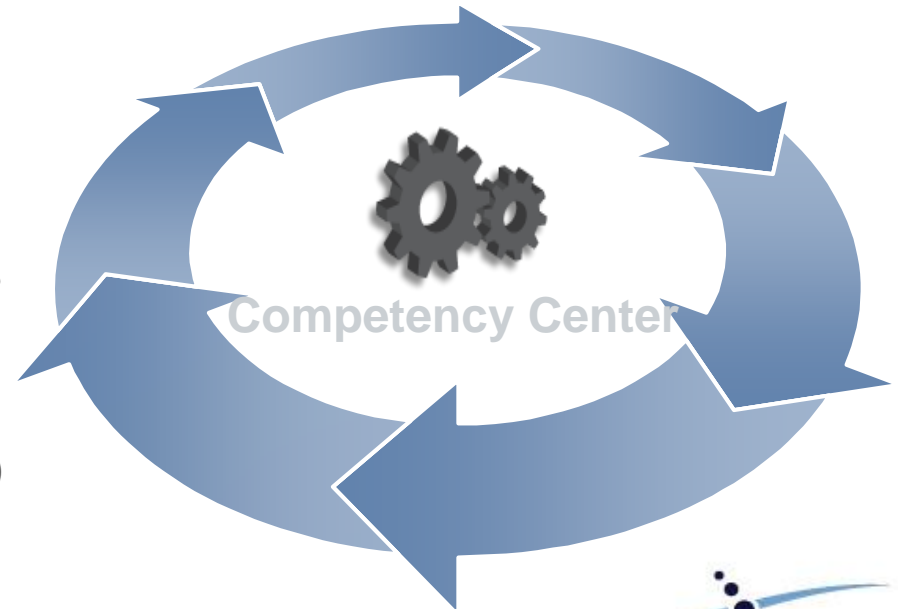
Process Culture

Process Expertise

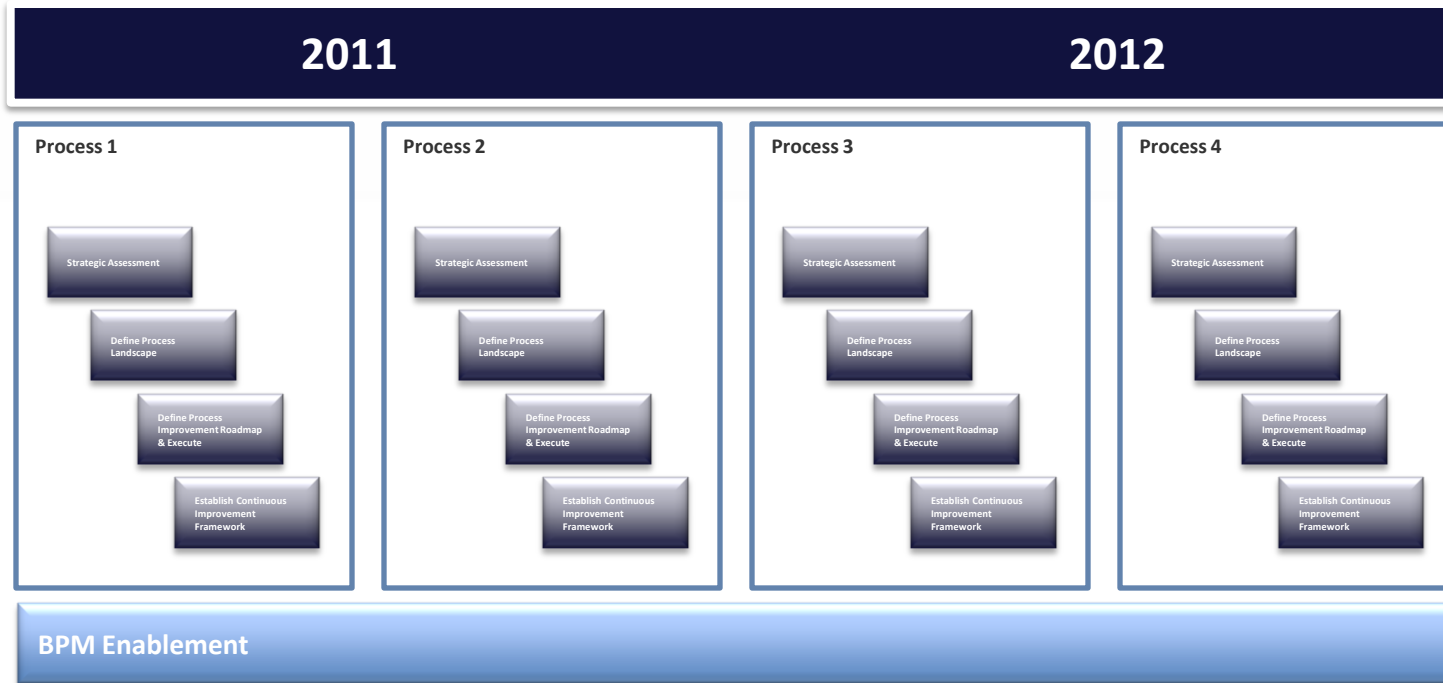
Process Governance

Key Activities

- Define and Develop Enterprise BPM Goals & Strategies
- Provide BPM Services (process documentation, facilitation, analysis)
- Govern BPM Initiatives
- Define and develop BPM skill sets
- Manage BPM resource requirements
- Manage overall delivery of BPM initiatives
- Conduct Enterprise BPM maturity assessments
- Develop and manage BPM execution capabilities (methods, tools, technologies)
- Define and Manage BPM Marketing plan (capabilities, successes, organization)



Putting it Together

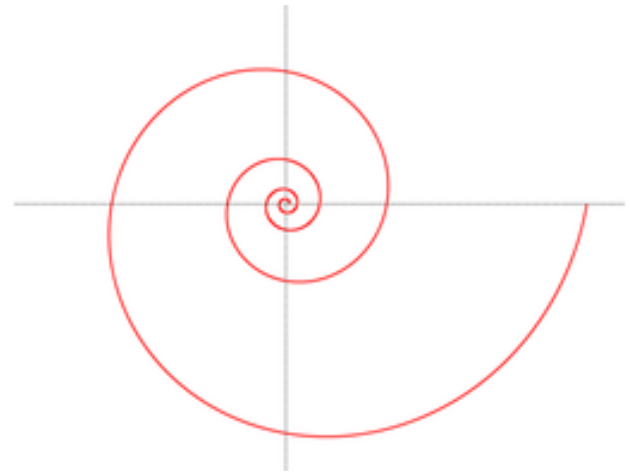


Key Points

- Effort described for each area is to establish a BPM framework, not to execute all BPM activities
- BPM in itself is a methodology for continuous improvement, a journey not a destination
- Enterprise enablers (The BPC) are required to support BPM Activities

Deliver BPM

- Not a linear checklist
- BPM is a journey not a destination
- Start Tactically
- Build toward Strategic goals
- Efforts should be iterative
- Apply lessons learned
- Use the EPM as a guide, completing one piece at a time



Where do we Start?

- Look to the EPM
- Create prioritization scores for each process area
- Rank each area based on scores
- Ranking will be important for Roadmap Sequencing

| | Ease of Implementation | | Business Value | | Stakeholder Alignment | | Strategic Alignment | | Score |
|-----------|------------------------|-----------|----------------|-----------|-----------------------|-----------|---------------------|-----------|-------|
| | Score | Weighting | Score | Weighting | Score | Weighting | Score | Weighting | |
| Process 1 | | | | | | | | | |
| Process 2 | | | | | | | | | |
| Process 3 | | | | | | | | | |
| Process 4 | | | | | | | | | |
| Process 5 | | | | | | | | | |
| Process 6 | | | | | | | | | |

Think Stractical

Stractical BPM - Tactical process efforts to enable strategic opportunities. BPM as a management strategy is strategic in nature. However, companies often struggle trying to deliver the entire BPM vision. For Business Process Realization, companies should:

- Develop a Roadmap for BPM activities
- Focus initially on the tactical to deliver value while building toward the strategic
- Enable the organization through a Center of Excellence



QUESTIONS?

Todd Lohr

tlohr@confiancegroup.com

www.confiancegroup.com

Potential Workshops

1. Business model / transformation – about more than process?
2. **Maturity Models**
3. Governance structure / model
4. Where do you start Operations or Technology
5. Services Model vs. manufacturing model
6. EPM – why doesn't everyone have one – how to you create and gather support
7. Using Reference models (SCOR ,APQC)
8. Tools – technology showcase, BPA vs. BPMS
9. **Methodology / toolbox**
10. **Quantifying results**
11. **Developing Leadership – enterprise capabilities**