Mastering Your Organization's Processes

Understanding and improving your organization's business processes is vital in today's economy. Using non-technical language, this book describes the importance of these processes and the internal and external forces that shape them. It then explains the kinds of computer software available for improving and managing business processes in a flexible way. Detailed case studies illustrate that successful process management depends on attention to the human, organizational and financial factors involved, as well as the strategic implications. Finally, the book gives even-handed guidance on what to look for in Business Process Management software and discusses current technical trends.

With many clear diagrams, a glossary of terms and suggestions for further reading, the book gives the non-specialist reader a broad and informed view of business processes, free from technical imperatives. Ideal for non-technical managers, this book will also appeal to MBA and business studies students.

John O'Connell is chairman of Portrait Software plc and Clarity Commerce Solutions plc. He was founder, chairman and chief executive officer of Staffware plc until it was sold to Tibco Software, Inc. in June 2004. Staffware was acknowledged as the leading workflow and Business Process Management software company worldwide and one of Europe's top software companies.

Jon Pyke is founder and president of The Process Factory. He was chief technology officer and a main board director of Staffware plc from August 1992 until 2004. He is a world-recognized industry figure, an exceptional public speaker and a quoted company executive.

Roger Whitehead is a director of Office Futures, an independent consultancy in electronic business that he founded in 1981. The company advises organizations on using information technology to make their strategies real. It also assists with product and supplier selection, and supplier implementation.

Mastering Your Organization's Processes

A Plain Guide to Business Process Management

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Dedicated to the memory of Alaric Robert George Whitehead

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Foreword

Richard Holway

In March 1923, in an interview with *The New York Times*, the British mountaineer George Leigh Mallory was asked why he wanted to climb Mount Everest, and replied, 'Because it's there'.

For most of the forty years that I have been involved in IT, the answer to a question like 'Why did you install that technology, that software?' was inevitably 'because IT's there'. If the dot.com madness of the late 1990s produced one lasting benefit it was, once and for all, to kill that off as a justification for the implementation of every latest IT innovation.

The business, rather than technological, case for both change and investment is now paramount. But it was not always so. Indeed terms such as business process management (BPM) and business process outsourcing (BPO) entered my lexicon as an IT analyst only in the 1990s.

I have become increasingly convinced that the way to success with complex systems is to start with clear thinking by managers and users. Any manager looking to embark on a business process change programme must first focus on how any proposed changes are likely to affect not only immediate challenges but also other processes and actions further down the line. Businesses are not assembly lines, and users have important knowledge and opinions to share.

Too many books about business processes go into elaborate detail about processes and the way computer software can help with them but forget about the business side of things. We needed a book to help to set the balance right. That's what you would expect from the authors, who have long experience of the practical side of improving organizations. It shows in the breadth of coverage they provide. They understand that business improvement is about people, about communication and about change – not just sophisticated software and powerful machines.

The aim of this book is to help any manager – no matter how non-technical – who wants to learn about the length and breadth of BPM, not just about the latest software.

Richard Holway is the Director of the research group, Ovum Holway. He has been involved in the UK IT sector for nearly forty years and is considered by many to be the UK's leading IT analyst. Richard has served as a non-executive director and, in several cases, chairman, of over a dozen private and publicly quoted UK software companies. Ovum is the largest European headquartered authority on the telecoms, software and IT services sectors.

Professor Robin Milner

To experts in business systems, computers are important players in the total performance of complex processes; the other players are human. To computer scientists, the most common thing they have to grapple with is no longer a single program running on a mainframe computer, but a network of computers serving humans in a complex interaction of tasks. So both communities confront the same phenomena, and for decades have been seeking the right concepts to express them.

I believe that business people will welcome the jargon-free descriptions, as well as the simple graded examples, that the authors use in this book. As a computer scientist, I see progress in the way that their descriptions and the concepts behind them align nicely with elementary theories of interactive systems developed since the 1960s. By 'talking through' such examples, the two communities can converge upon a shared concept of process that will serve them both, and enhance the way they work together.

Robin Milner is the Emeritus Professor of Computer Science at Cambridge and was head of the computer laboratory there from January 1996 to October 1999. He was elected Fellow of the Royal Society in 1988, and in 1991 he gained the A. M. Turing Award, the highest honour in computer science. Among his many contributions to the field, Professor Milner pioneered the pi-calculus, a means of analysing concurrent, communicating and mobile processes.

Preface

Business Process Management (BPM) is a new class of business software and, at the same time, a way of looking at organizational behaviour. This book is about using both aspects to improve and manage your organization's processes. It is intended to give people in all kinds of organization a clear understanding of the nature and importance of processes, both internal and interorganizational. It relates processes to other organizational resources and activities and gives advice on creating a process management strategy.

We try to present a balanced view. It is our firm belief that you cannot make lasting improvements to significant business processes without using computers. At the same time, we know that success comes only if you pay serious attention – and not just lip service – to the human side of organizational life.

What this book does *not* do is:

- try to sell you a method, system or product
- pretend your organization will collapse if you fail to do what we say
- talk as though the world revolves around computer systems and computer people
- argue that there is one best way of doing anything (and that we know what that way is)
- swamp you in computing jargon.

Instead, we offer you a plain, honest and balanced look at how to improve business processes.

Chapter 1 is a look at systems in general, to give you an idea of how process thinking applies in the wider world. From then on we concentrate on business processes. We describe their importance, and relate them to other processes and activities. We discuss how to change and manage processes, and how to make a case for doing so. Finally, we look at technical issues such as computing architectures and choosing a suitable product. At the end of the book are a glossary of technical terms and a list of suggested reading. Throughout, there are detailed case studies and other user testimony and examples.

We start from the basics in each chapter. We know from experience that it is riskier to assume too much knowledge than too little. We do not mean to insult anybody's intelligence by doing this.

We progress this way in the book because this is the way we ourselves like to work in any process of discovery and learning, which is what systems change is. If you know your starting points and opening assumptions, you can always backtrack to them if you get lost. In complex circumstances, it is as important to know how you got to where you are as it is to know your location.

What you have learned on the way there, individually and collectively, is your knowledge. No one can deprive you of it. You are, of course, usually free to share it with others who were not on the journey with you. Indeed, doing this often improves that knowledge.

Taking off-the-peg ideas, such as proprietary 'methodologies', does not permit this navigation and this learning. They deposit you in a foreign landscape, with little or no idea of the terrain or how you got there. Hardly ever do they tell you how to get out again with least damage. Such pre-packaged and often expensive 'solutions' have one advantage – they save people the trouble of thinking for themselves. This is about all that you can say for them.

You will, we hope, also notice that this is therefore not a cookbook. Indeed, it is intended as a 'what to' rather than a 'how to' guide. Cookbooks preach one way of making things, to the authors' favourite recipes. They assume that you have all their preferred ingredients to hand, a full range of utensils and the time to follow their methods. All this is very nice in theory but seldom possible in practice.

Our aim instead is to help you become a good cook. This is someone who can make something nutritious and attractive whatever ingredients and tools are available. He can adapt himself and his methods to the circumstances he finds himself in.[1] A good cook still uses cookery books, but as a guide not a prop.

So it is with managing processes. You are unlikely to be in an ideal organization, with ideal people, ideal computer systems, an ideal business strategy and an ideal management style – however you might wish to define 'ideal'. As with being a good cook, managing organizations is a matter of making the best with what you have. Organizational life is too unpredictable and events too interdependent for 'one best way' answers to be usable.

We have assumed that you, the reader, are a mature, intelligent and educated person, able to make up your own mind about possible choices of action. We also believe you do not need coaching in the elements of management, accounting or marketing. Those sections of the book therefore omit the usual theories and studies;

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1 We are not being sexist by saying 'he', as we do throughout the book. This is solely for concision. It saves having to use such cumbersome constructions as 'he and she' and 'his and hers', which is wearisome for readers and writers alike. ('They' is simply ungrammatical. English may one day have neuter personal pronouns but not yet.) Please, therefore, read any masculine pronoun as applying to both sexes, unless of course it refers to an identified male human being.

you will get those from general business guides. We concentrate on material we think you will be unfamiliar with.

Although much of this material is not technology-related, neither is it there to be skimmed over. The content still needs thinking about. Looking at the world differently is always hard because it demands change in ourselves. This not the One Minute *Process Manager*.

We have written this book to help you to:

- find out what BPM is about
- understand why it is important to your organization
- help you cut though the prevailing marketing hype and technical mystification
- gain moral support for a commonsensical and well-rounded view of the subject.

Even though the book has been sponsored by Staffware, a company that makes process management software, we hope we have been even-handed in technical and product matters. Our simple aim is to help you make a better-informed decision on whether your organization needs to change its processes and, if so, how it should to do so. Whether you use Staffware's software for this or someone else's – or any at all – is your decision.

John O'Connell, Jon Pyke and Roger Whitehead

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Prologue: Olympic results

Every spring there takes place in the USA a sort of Olympic games for users of process management software. Called the *Global Excellence in Workflow Awards*, this international competition has run since 1989. It recognizes those installations that, in the judges' opinion, have been the best that year.

Each entry consists of a case study, which must answer set questions. Several of these questions deal with the effects of the project. We list below some of the answers from the 2003 finalists. We have grouped the first set into three categories – financial improvement, better work management and better competitive position.

Quantified results

Financial improvement

- $2 million a year saved though fraud elimination
- 68 per cent improvement in cost efficiency for the organization
- Paid for itself in three months
- Unit cost of loan 28 per cent lower.

Better work management

- 20,000 hours telephone time saved annually
- 40 per cent increase in on-time installations
- Cycle time down 75 per cent
- Rework down 33 per cent.

Better competitive position

- 90 per cent of expected service levels met
- Customer retention capacity increased by more than 10 per cent

- Increased customer satisfaction (on-line versus telephone inquiries) – 85 per cent. Impressive as these outcomes are, what caught our eye were the *un*quantified results, such as these below. Notice the new category, better information:

Unquantified results

Financial improvement

- Significant saving in 'inventory attrition'
- Staff retention improved, reducing recruitment and training costs.

Better information

- Access to repair statistics allows managers to view trends and to react accordingly
- Customers say the company knows their building schedule as well as they do
- Most important advantage is staff's visibility of processes
- Quick and detailed information available to customers
- Managers feel greater accountability.

Better work management

- Eliminated a backlog of policy applications
- Formalized rules for processing claims
- Immediate implementation of process changes
- Sales staff can more efficiently schedule special offers and other tactics
- Workloads now shared across departments.

Better competitive position

- Allows [organization name] to begin moving to its target operational model, servicing clients in their preferred location, language and time zone
- Faster loan processing than competitors
- Greater customer satisfaction and loyalty
- Improved dealer satisfaction – making it harder for competitors to take away revenue-generating customers
- Now a 'virtual hub', able to take in work from other organizations
- Some customers now take [the company's] information as input to their own processes.

Looking closer at the results

When you compare the two sets of outcomes, there are several notable differences. First is the lack of quantified gains from better information or better delivery of it. Either this is because quantifiable gains did not arise or because people did not have the tools to measure them readily.

What also stands out is the number of qualitative reports of improvements in competitive position. These far outnumber the quantified reports on this topic. Perhaps a lack of suitable measurement tools is the problem here, too.

The other major difference, related to the above, is in the type of benefit these organizations enjoyed. Almost all the quantified results are about doing things cheaper or better. They are aptly reminiscent of the Olympic motto of *Citius, Altius, Fortius* or, more familiarly, 'Swifter, Higher, Stronger'.

This is typically what process management software has always been used for – not changing what an organization already does but performing existing processes more slickly. This is useful and praiseworthy but, frankly, does not warrant reading or writing a book about.

But there is more. If you look again at the unquantified results, you can see some other outcomes and implications, such as:

- More congenial working arrangements ('Staff retention improved')
- Better information ('Access to repair statistics' and 'staff's visibility of processes')
- Closer relations with customers ('company knows their building schedule')
- Improved motivation ('Managers feel greater accountability')
- Order achieved ('Formalized rules for processing claims')
- Greater responsiveness ('Sales staff can more efficiently schedule')
- Competitive lock-in ('Improved dealer satisfaction' and 'input to their own processes')
- Strategic innovation ('Now a "virtual hub"')

It is these sorts of result – less mechanistic and often outwardly focused – that are at the heart of process management today. They show there is room for a fourth Olympic quality – *Ingeniosius* or 'Smarter'.

For business processes, therefore, the Olympic qualities to strive for are *Citius, Altius, Fortius, Ingeniosius* – 'Swifter, Higher, Stronger, Smarter'. It is to help you achieve these ideals that we have written this book.

What we can learn

If you add these two lists of gains together, the result is a resounding endorsement of the abilities of process management systems. It reads like the perfect supplier's brochure.

These results are from just the sixteen finalists for the 2003 competition. There were many similarly successful organizations whose cases did not make the finals. Thousands more did not enter. If all these organizations can achieve these sorts of results, then so can yours.

It is not the suppliers alone who create success, of course. These are users' stories. They reflect their effort, skill, perseverance and courage. They also reflect their vision of what can be achieved by understanding and improving processes.

As the finalists' results reveal, sometimes that vision became clear only with hindsight. One of our main hopes is that reading this book will make such surprises less frequent. We want to help you see your organization's processes more clearly. This will help you more accurately *fore* see the likely results of changing them. We start in chapter 1: A gentle introduction to systems and processes.