

White Paper

10 Tips for Successful Business Process Improvement

WP0049 | November 2012



Jonas Hulstaert

Jonas Hulstaert is a consultant, based in Orbus' head office in London. Jonas' experience includes working with public and private organizations in Europe, USA and the Middle East.

Jonas is passionate about Business Architecture and Business Process Improvement and applies experience from previous positions in Banking, Insurance and Business Process Outsourcing, and from knowledge areas including Enterprise Architecture (TOGAF 9 and Archimate), Project Management, Six Sigma and Lean.

Business Process Improvement (BPI) is a structured approach to improve an organization's business processes to make the organization more effective and productive. BPI is all about analyzing the current (AS-IS) state of the organization and developing the TO-BE state. The figure below shows the high level roads from AS-IS to TO-BE.

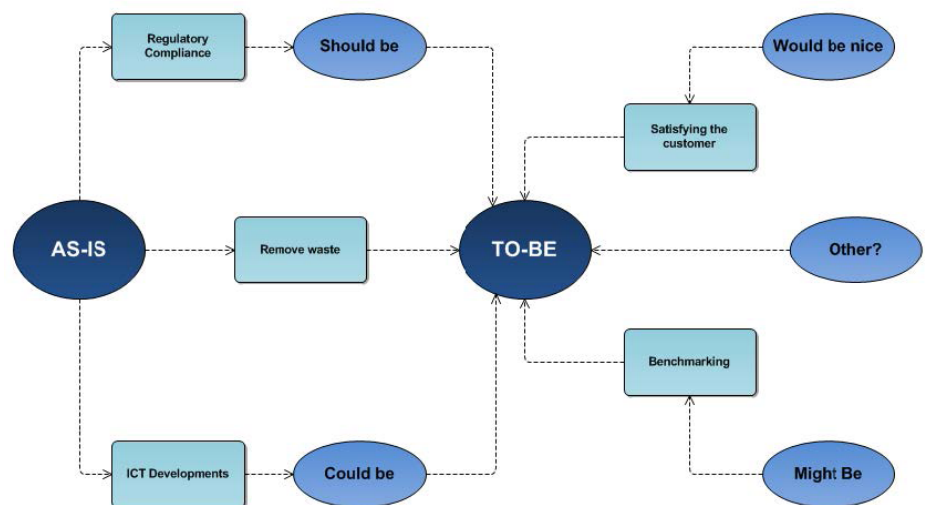


Figure 1: Roads from AS-IS to TO-BE development

With this paper I would like to share some of the experiences I gained when implementing BPI in an organization. It is not my purpose to write a theoretical paper about BPI methodology, but to give 10 practical tips which may help everyone working on a BPI initiative, whether they are Business Analysts, Project Managers, Process Owners or Line Managers. Often I have seen such initiatives fail because one or more tips, described in this paper, were not taken into account.

Access our **free**, extensive library at www.orbussoftware.com/community

Tip 1: Choose the Right Process to Improve

When starting to implement BPI in an organization it is crucial to get immediate buy-in from the major stakeholders to create momentum to implement BPI further in the organization. Therefore, it is necessary to select an improvement area that has the potential to return significant benefits, cost reductions or visible quality improvements in a short time.

So, how do we select the right process to improve? It all starts with the problems we gather or hear of when controlling our AS-IS processes.

These problems show that some things are not as they should be. Possible sources of these problems are customer complaints, KPI's in red, costs over budget, audit reports, non-compliance to regulations, etc.

Once you have created a list of problems, these need to be prioritized. Some possible criteria you can use are benefit, strategic alignment and cost. A tool that could help you in prioritizing is the Bubblechart.

In *Figure 2* we have plotted our problems or issues on a Bubblechart diagram. The X axis represents the Strategic Alignment and the Y axis the Benefit, both on a level from 1 to 5. The size of the bubble represents the cost. This Bubblechart view allows a visual comparison of best-fit options on three criteria. It can help to create a common view and agreement.

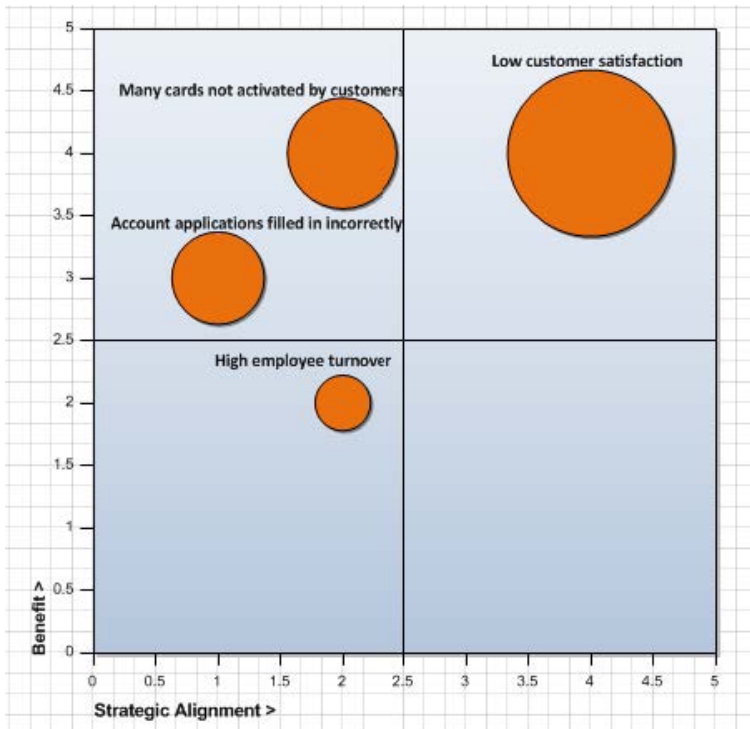


Figure 2: Prioritization Bubblechart

When selecting a first process for improvement there are some additional criteria that may influence your decision:

- Are there quick wins? Quick wins are relatively cheap, easy and short initiatives that will provide an immediate return on investment, and they can be very useful to gain stakeholder confidence and generate a good spirit among the business and IT staff.
- Can the problem be solved without ICT involvement? A lot of BPI initiatives are driven by ICT, but in fact a lot of processes can be improved without ICT involvement at all. Not involving ICT can decrease the cost and increase the speed of your improvement initiative. Some examples of items you can focus on are:
 - Try to reduce the number of hand-offs between organizational units or people.
 - Try to reduce the waste in a process. Remove all activities that don't add value for the customer or are not required by internal/external regulations.

- Will the improved process be visible in the organization? Not every process improvement initiative has to be driven by financial factors. I was once responsible for the implementation of a new BPI initiative in a large bank. I got the buy-in from management but not yet from the employees, who saw BPI as an equivalent of cost and employee reduction. Since their buy-in was crucial for the success of the initiative I decided to start with improving selected internal support processes, so all employees could see the benefits in their daily work. Selected were the office supplies ordering process, the internal parcel handling process and the expense handling process. Since most employees were affected by at least one of those processes, we could give our BPI initiative high visibility in the company and could increase the employee's buy in.
- Does the process have a clear owner who understand his/her business and who is supportive to the BPI initiative? It is crucial that for each BPI project you have a strong Business sponsor and buy-in from the involved process owners.

Tip 2: Manage Every BPI Initiative as a Project

BPI is a systematic approach to improving an organization's business processes to achieve more efficient results. It is therefore crucial that every BPI initiative is treated as a structured endeavor or, better, as a strategic project. This ensures, for example, that improved processes do not conflict with the organization's strategy or with other processes. For example, a company improves its remote channels sales process. Once that process is improved, 50% more orders can be processed but it becomes clear that the improvements in that process have created bottlenecks in other processes such as the order fulfillment process or the customer service process. In a project management approach these interdependencies would be analyzed in the initiation phase of the project and would be part of the business case, where an assessment would be made whether the improvements to our sales process would be beneficial to our wider end-to-end process and the company as a whole. Another possibility is that these issues would be managed as part of the project's Risk Management.

There are different BPI methodologies on the market and, just like with other methodologies, a lot of common sense needs to be used when applying them. In the next paragraph I will give a bird's-eye view of a generic BPI methodology. When implementing a methodology in your organization, the number of steps can differ but the logic behind it is important.

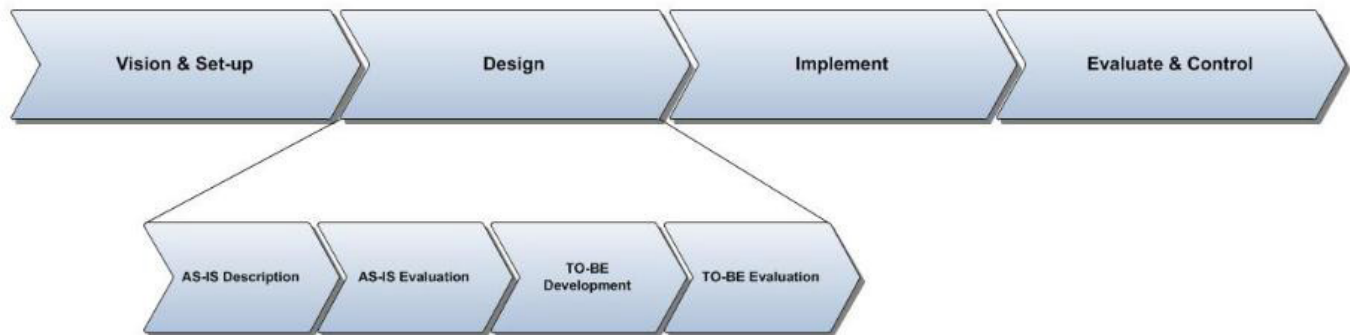


Figure 3: Generic BPI Methodology

All projects start with a Vision and Set-up phase, defining the “what”, “why” (Vision) and “how” (Set-up) of the project. In the Vision phase the improvement initiative is linked to the strategy and the business objectives, and realistic targets are set. This phase ends with a formal go/no-go decision. The Set-up phase runs together with the Vision phase and is used for the practical preparation of the project. A validated Business Case is a deliverable of this phase.

Once the project has been approved, the actual design can start. First the AS-IS process is analyzed. This consists of describing the current process, analyzing the problems and their causes and setting the priorities. The next part of the design phase is the TO-BE development. Here, improvement ideas are being generated and evaluated and a decision is made about which improvement ideas will be implemented.

In the Implementation phase the approved changes are being realized and the process is made operational. The Evaluate and Control phase is used to evaluate the project results and to install continuous process evaluation. Between each main phase there should be a decision milestone to decide if the project still delivers value for money.

Tip 3: Create a Business Case

We saw in the previous chapter that every BPI initiative should start with a Vision phase. The key deliverable of this phase is a viable Business case.

A Business Case answers the questions: why do we undertake this project? What are the business benefits? What are the costs? The purpose of a good Business Case is to convert the project results in financial impact. This can be hard financial benefits, such as staffing reduction, improved yield or revenue/volume increase, and soft financial benefits such as decreased time to market or increased customer satisfaction.

The Business Case will be used at all decision milestones in the BPI methodology and should include all information needed for taking these decisions. It is therefore important that the right people are involved in its preparation.

A Business Case evolves over time when design and implementation begin. If the business case becomes negative, the project should be stopped.

So, what information should be included in a Business Case? According to Prince2 (see Managing successful projects with PRINCE2, by OGC - Office of Government) the contents of a Business Case are as follows:

- **Reasons.** Why is the project necessary? (Also refer to the tip “Choose the right process to improve”). In general I see three main focusses in BPI: decrease cost, increase quality and increase speed.
- **Options.** What are the options and which option have you chosen? What would happen if you did nothing?
- **Benefits Expected.** This is the point where you persuade your stakeholders that your project is worthwhile. Where possible, try to quantify the benefits but all benefits should be included, tangible and intangible.
- **Costs.** What are the anticipated costs? Each area of expenditure needs to be justified.
- **Risks.** What are the main risks to the success of the project? A risk is defined as any potential event that would affect the outcome of a project so positive risks may also be included.
- **Timescales.** How long will the BPI project take? When will the benefits be realized?
- **Investment Appraisal.** This is the place where, as a summary, you make a final cost-benefit analysis to persuade your stakeholders.

Not every BPI project will of course need a fully elaborated Business Case, but in my opinion it is important to at least think about the above aspects of your initiative.

Tip 4: Understand the Baseline Process

The first step in the Design Phase is to create the baseline process architecture. It is key to have a good understanding of the problem before designing a solution. A Baseline is also necessary to measure the project results. How can you otherwise compare at the end of the project and prove that your project has been successful?

The first step in creating an AS-IS description is by modeling the process. Process modeling is a structured and schematic way of representing how work is done, by describing different “objects”, such as

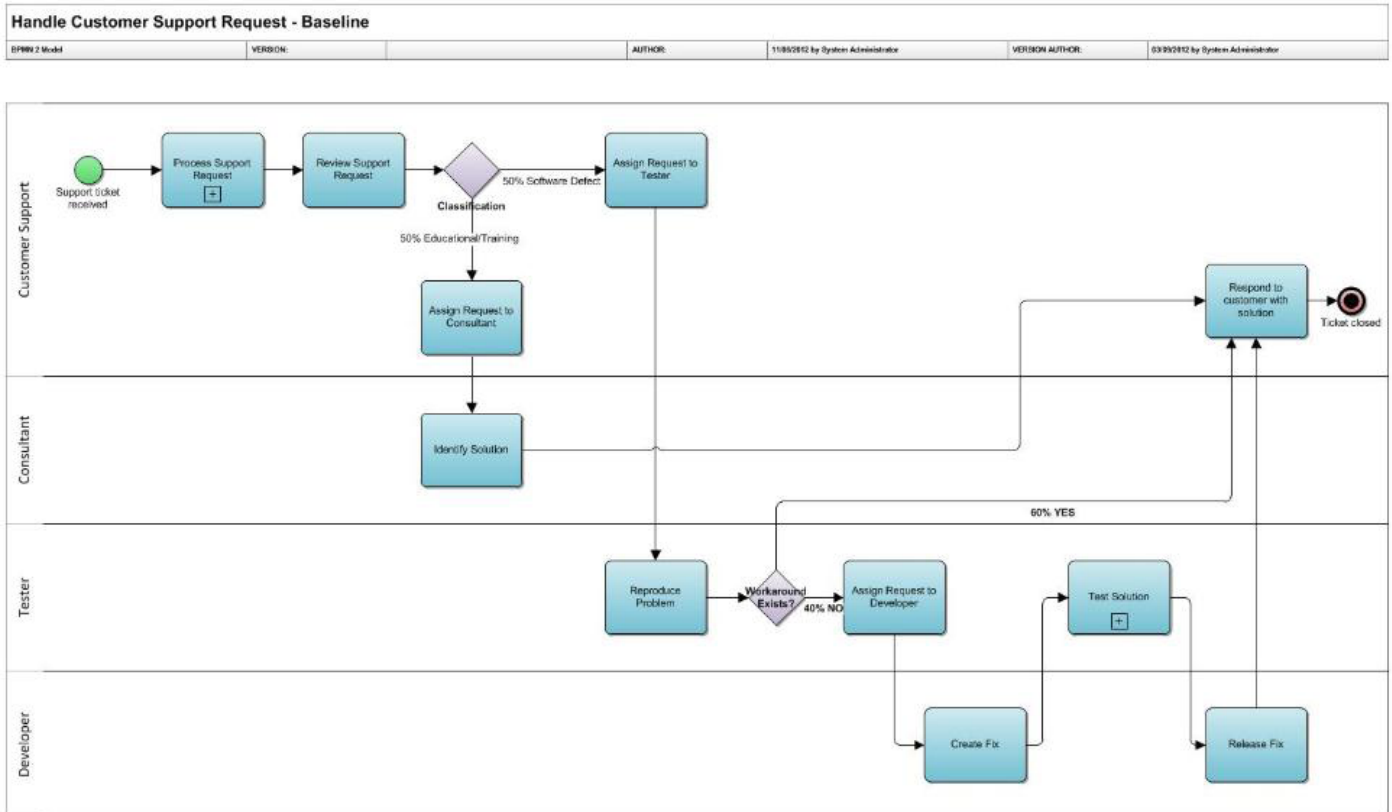


Figure 4: Baseline Process Diagram in iServer

activities, decisions, inputs, outputs, organization units, roles, systems, etc. Since for most people a picture tells more than 1000 words, process diagrams can be used to understand and communicate the baseline processes.

A second deliverable of the AS-IS description is a list with problems, bottlenecks and issues related to the process. During the creation of the process diagrams several bottlenecks and process inefficiencies will be discovered and probably also improvement suggestions and quick wins.

Two techniques, which may help with the AS-IS description, are:

- **Voice of the Customer (VOC).** Every process has a customer, whether this is an external customer (for example in a sales process) or an internal customer (an employee in the “order office supplies” process). By hearing the Voice of the Customer, you can identify customer expectations regarding the outcome of the process and determine specific measurable requirements.
- **Performance Measurement.** If you can’t measure it, you can’t manage it. Some examples of what can be measured are: effectiveness (measures delivered output to required output), efficiency (measures resource consumption such as time, cost and FTE in relation to obtained results such as customer satisfaction, cost reduction and lead time reduction), Input Service Level (measures delivered input from suppliers to required process input) and Benchmark (measure performance compared to competitors or internal or external third parties).

Once the AS-IS process is described, it can be analyzed and evaluated. Three possible techniques that can be used here are:

- **SWOT Analysis.** This analysis is used to provide an overview of strengths, weaknesses, opportunities and threats (SWOT). Its purpose is to help understand how the process relates to its environment, both internally (strengths and weaknesses) and externally (opportunities and threats). A SWOT analysis is important to develop process improvement ideas that take into consideration many different internal and external factors, and maximizes the potential of the strengths and opportunities while minimizing the impact of the weaknesses and threats.
- **Process Cost Analysis.** This is a method for allocating costs to the process (or process activities) rather than to cost centers. In a non-production environment you can concentrate on man-hours spent on the different tasks (workload). This analysis will identify areas to improve concerning activity cost and will give insight where in the process expensive resources are being used, or where too much time is spent on a certain activity.
- **Root Cause Analysis.** The root cause is the ultimate cause of a problem, which has a material impact on the outcome. Root causes are not always immediately apparent; therefore one must ask “why” several times (“5 whys”) in order to uncover the real reason of the problem. Root Cause Analysis is important because it helps process improvement. Teams push beyond symptoms to discover potential root causes and to ensure that major causes are not overlooked.

Tip 5: Gather Information from Management and Key Users

It is important not only to involve management in the BPI initiative but also the key users. During the Vision phase of the project manager; workshops can be organized to scope out the project. During the design all key users of the process should be involved in brainstorming workshops. Often I have met managers who know perfectly well how the processes are managed on paper. But once I started speaking with people on the floor it became obvious that in reality those processes worked differently and that often a workaround solution existed for years to overcome existing problems in the process. Hence, key users will often have the best ideas for improving existing processes.

Workshops, or Brown Paper Sessions as I like to call them, are best used as a final stage in the AS-IS process description but can also be used to create the TO-BE state. There are, however, other ways to gather information. Most of the techniques below should be used before starting the workshops with the key users.

- **Gathering of existing information.** This is of course only useful when available information is correct and up-to-date. Existing information can give the project a head-start but it is not advised to make it a lengthy exercise. Some examples of existing information:
 - Process descriptions from previous improvement initiatives
 - ISO 900x documentation
 - Internal procedures and job descriptions
 - Financial controls descriptions (SOX, IFRS,...)
 - Manuals for software systems
 - Customer surveys and benchmarking reports
- **Interviews** can provide a good basic input for workshops and allow you to collect in-depth information on the actual situation of the process (process steps, roles & responsibilities, inputs and outputs, performance indicators) and on the point-of-view of the interviewee on issues and potential improvements in the AS-IS state. The positive aspect is that you might get information that would not come up during group sessions. It can also foster cooperation because the interviewee feels like you have listened to them.
- **“Walk the process”.** This technique can be used to generate quick insights to improve processes and services by watching the work flow through the process. You can use it to verify and double-check the interview results. Moreover, it fosters acceptance and cooperation of the people “on the floor”.
- **Surveys.** With surveys you can efficiently gather a considerable amount of information from a large group of stakeholders. It will also allow you to conduct analysis that will result in data with statistical validity since interviews will mainly generate qualitative data.

Tip 6: Use a Business Process Analysis (BPA) Tool

As I mentioned before, process diagrams are the best way to understand and communicate processes, both AS-IS and TO-BE. Using a Business Process Analysis tool instead of a standalone modeling tool (such as Visio) has a number of benefits:

- **Single source of truth.** All process models are stored in a single repository where different business analyst can work together. A repository should also have full document management functionalities, such as storing all versions of a diagram and check-in and check-out facilities to prevent conflicts when multiple people might want to edit the same piece of content at the same time.

- **Enforcing common modeling standards.** One of my other tips is to use a process modeling standard. A BPA tool can help you in enforcing standards, since all modelers are forced to use the same template. This template will only allow agreed modeling elements to be used.
- **Re-use of objects.** A repository stores the objects on a component level, so you can easily re-use existing objects in the repository. Some BPA tools will allow you to import objects in bulk, for example all actors and roles in an organization. This will save your modelers a lot of time and will also enforce consistency in the naming of objects.
- **Analysis capabilities.** A BPA tool provides you with the ability to make informed business decisions that would not otherwise have been possible. Since all objects and relationships between those objects are centrally stored, a repository based tool allows you to run different reports and analyses. An example is the Impact Analysis, which allows you to see the impact objects have on their environment. With the Impact Analysis you can analyze for example the impact of retiring an application on the processes and the organization (departments or roles).
- **Simulation** can be a very useful functionality when improving your processes. By simulation, I mean running theoretical instances of a process to try and understand where the bottlenecks are and how the process can be improved; but also to test different improvement scenarios without the risks you would have if you would test it in a real-life environment. In *Figure 5* below you can see an example of a process simulation in iServer. The process, Handle Customer Support Requests, starts when the customer

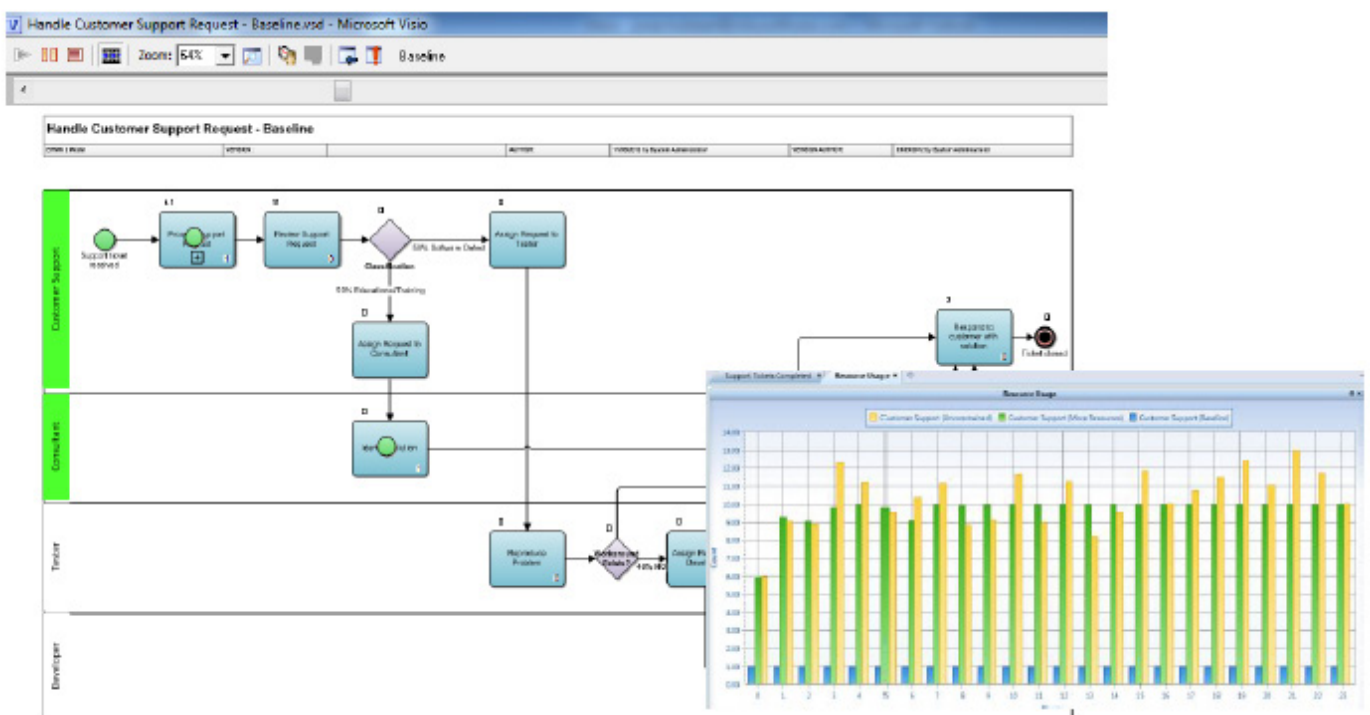


Figure 5: Process Simulation in iServer

support representative receives a support ticket and terminates when a solution has been provided to the customer. I can run for example several scenarios based on the number of resources involved in the process. Reports and charts can help me then to understand how many customer support representatives I should ideally have, and at which moments of the day.

- **Increased visibility of your processes.** Most BPA tools offer publication functionalities (HTML, Word and PDF). Some also offer live browser access to the repository. The increased visibility of your processes can help you to improve stakeholder's buy-in.
- **Engage business stakeholders.** With iServer's Portal, business stakeholders across the globe can not only view the process models but also send direct feedback on diagrams and objects to the process owner. This feedback can be an improvement suggestion, change request or general comment. Such a feedback mechanism is a very efficient tool in a BPI project.

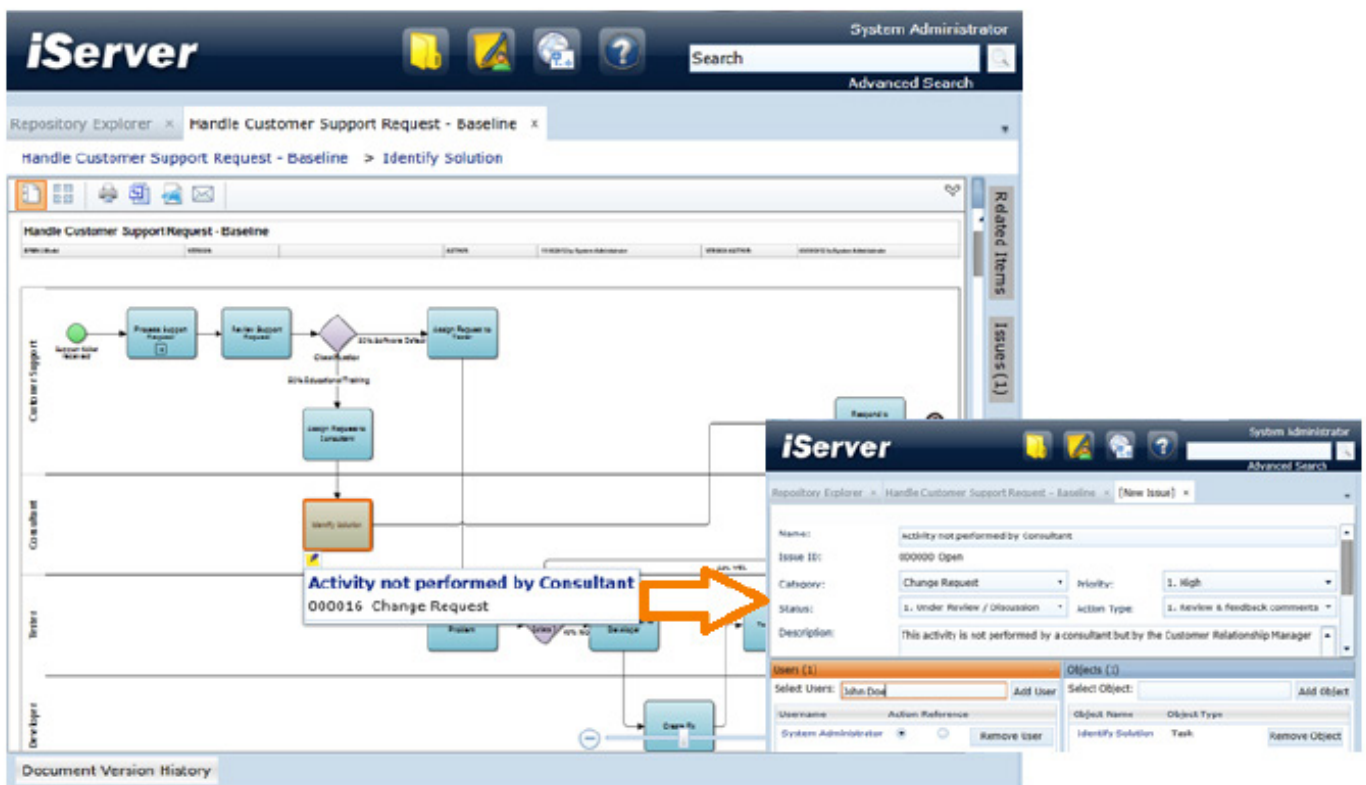


Figure 6: Engage Business Stakeholders by Gathering their Feedback via iServer Portal

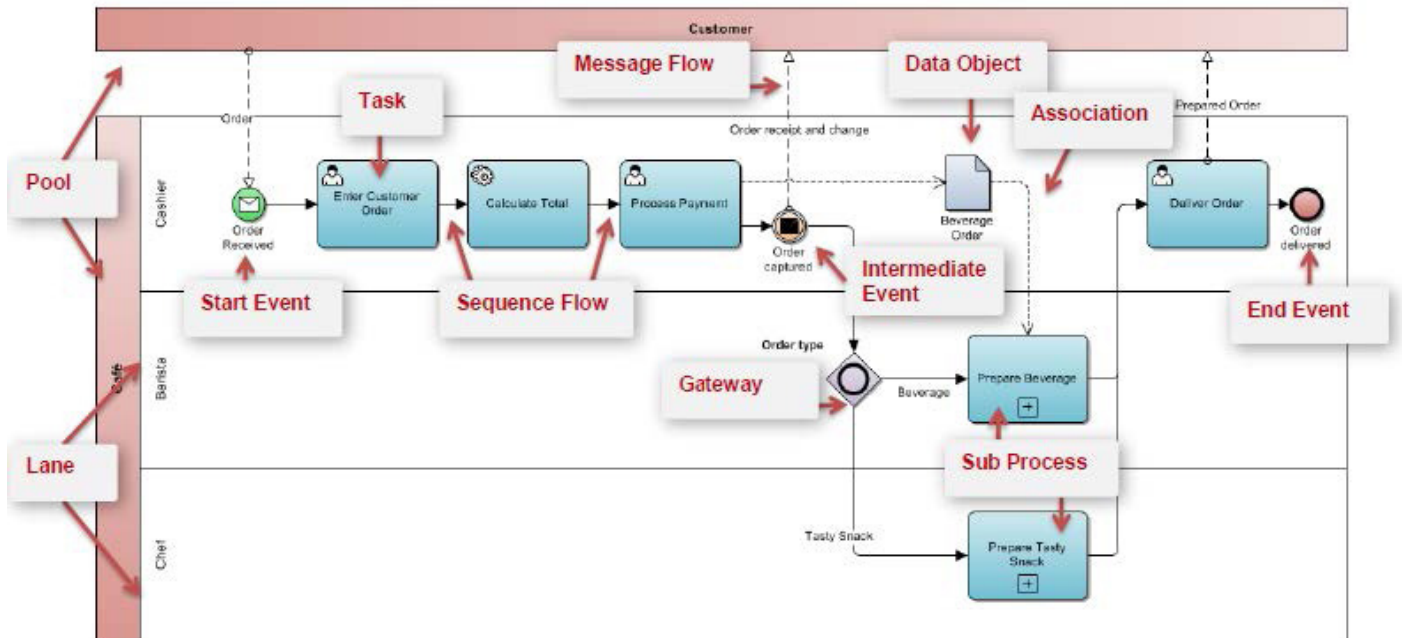


Figure 7: Core BPMN 2.0 Modeling Elements

Tip 7: Use a Process Modeling Standard

A standard process modeling notation will give organizations the ability to communicate their business processes in a standard manner. The graphical notation will facilitate the understanding of the collaborations and transactions between the organizations.

Currently, there are several competing modeling standards; both standards used by modeling tools and general purpose modeling languages such as UML and BPMN. Business Process Modeling Notation (BPMN) is currently the most popular standard and is fully supported by iServer. On the Orbus website a free copy of the BPMN 2.0 template for Visio can be downloaded.

In *Figure 7* above you can see all core BPMN elements.

- A **Pool** is used to define either a group of participants such as an area within an organization or an external entity that collaborates within a process.
- A **Lane** is used to define a specific participant or role within a process.
- An **Event** is an indicator that something has happened within a process. There are 3 types of events: start events, intermediate events and end events.
- Within the flow of a process, one or more lanes will perform a number of activities. These can be **Tasks** (activity) or **Sub Processes** (group of activities).
- There are 3 types of **Flow** in BPMN: Message Flow (the flow of information between participants), Sequence Flow (flow of activities between participants) and Association (used to attach artifacts, such as data objects, to activities).
- **Gateways** represent decisions within the process.

Tip 8: Use Process Classification Frameworks and Reference Models

Process classification frameworks and reference models can support organizations in their BPI initiatives because they provide a strong foundation on which to build. Starting with such a reference model or framework can accelerate the analysis and design of processes. Frameworks can be used to better understand how the business works, to define the processes that need to be improved and to benchmark with other organizations. Without the use of a framework or reference model, benchmarking activities could be very costly and time-consuming.

There are several frameworks and reference models available. iServer supports all and has out-of-the-box solutions for the most commonly used.

- **APQC Process Classification Framework (PCF)** is a widely used open source business tool. The PCF outlines all of the processes practiced by most organizations, categorizes them, and aligns them according to a hierarchical numbering system. There is a cross-industry framework and a number of industry-specific frameworks, such as Banking, Pharmaceutical and Automotive.
- **ITIL v3.** The Information Technology Infrastructure Library (ITIL) is a set of practices for IT service management that focuses on aligning IT services with business needs.
- **eTOM.** The enhanced Telecom Operations Map (published by the TM Forum), is a guidebook that defines the most widely used and accepted standard for business processes in the telecommunications industry.
- **SCOR.** The Supply Chain Operations Reference model is the product of the Supply Chain Council (SCC) and captures the SCC's view of supply chain management processes.



Figure 8: iServer has out-of-the-box solutions for the most commonly used frameworks and reference models

Tip 9: Manage the Change

In my experience a large part of change initiatives fail because of the lack of focus on people issues. It may be obvious but the effectiveness of a project is not only a result of the quality of the solution but also of the acceptance of the solution by the organization. It is crucial that all employees involved, not only understand the changes and consider them realistically, but also believe in them and see how they fit into this TO-BE state. It is therefore important to manage change in an organization.

Management of Change (MoC) can be defined as a structured process to support the organization in the transition towards a future state.

Managing the change in a structured way helps you to:

- **Involve management and establish strong sponsorship.** By doing this you can prevent a time consuming validation process, lack of commitment on the business case and endless requirement discussions.
- **Involve the key users.** Consequently, you avoid the designed solution being inappropriate and the targeted benefits being unrealistic and that in the testing phase, specific real life scenarios are not confirmed.
- **Manage the expectations** in order to prevent “Rolls Royce” requirements or unlimited local specifications.

Some activities that are part of the change management process are described below:

- **Impact assessment.** What will be the impact on the organization from an employee point of view? This assessment focuses on understanding the (high-level) changes in roles, job descriptions, team requirements and organization structure.
- **Stakeholder assessment and stakeholder management.** Who are the stakeholders and what is their current level of understanding about the BPI project? Make sure that their goals and expectations are in line with the goals and expectations of the project. During the course of the project, a process to monitor the stakeholders’ expectations needs to be established to ensure the project outcome remains aligned with their expectations.
- **Communication Management.** It is very important to determine to whom, when, how frequently, by which preferred medium and which messages need to be spread as well as who is the most appropriate messenger. The purpose here is to deliver the same messages to all levels in the organization by using appropriate communication channels.
- **Knowledge transfer.** Training and documentation ensure that all employees impacted by the change have the required knowledge, skills and abilities required to deliver the change.

Tip 10: Drive Continuous Improvement

Once the improved process has been implemented, it has to be continuously controlled and improved. This is of course an ongoing process and not just a one-time event. In order to put a process under control the following needs to be in place:

- **Governance** is the environment you need to make the continuous improvement work. It covers, among others:
 - **Roles and Responsibilities.** There must be clearly defined roles and responsibilities in the process.
 - **Ownership.** There is one process owner appointed to each process responsible for process design, management and monitoring
 - **Process Documentation.** All processes need to be properly documented (including process maps).
 - **Methodology & Tools.** All processes in one organization are ideally modeled and documented in 1 central tool, using 1 methodology.
 - **Training.** All people involved in the continuous improvement of a process should be properly trained in BPI.
- **Process Control** is all about understanding what is happening and being able to act if needed. It covers the following activities:
 - **Evaluate process performance.** Once a process has improved its performance should be measured. Focus should be on critical success factors such as cost, time, quality and performance.
 - **Set improvement priorities and define improvement projects.** These Key Performance Indicators (KPI's) will trigger new BPI projects. This brings us back to Tip 1 of this paper.

Conclusion

With this White Paper I wanted to point out 10 aspects of BPI that I think are crucial for everyone involved in Business Process Improvement.

In order to successfully implement BPI it needs to be managed as a structured initiative. BPI is part of the Business Process Management cycle, which means that (improved) processes should be constantly evaluated and controlled. In turn, this will trigger new improvement projects which should be managed as strategic projects to achieve more efficient results.

© Copyright 2012 Orbus Software. All rights reserved.

No part of this publication may be reproduced, resold, stored in a retrieval system, or distributed in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior permission of the copyright owner.

Such requests for permission or any other comments relating to the material contained in this document may be submitted to: marketing@orbussoftware.com

Orbus Software

3rd Floor
111 Buckingham Palace Road
London
SW1W 0SR
United Kingdom

+44 (0) 870 991 1851
enquiries@orbussoftware.com
www.orbussoftware.com

