Processes Don't Exist in a Vacuum

The Importance of Analyzing the External Business Environment

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Introduction

Over the years, much has been written on the important and useful discipline of process improvement. Organizations have, quite understandably, invested in analyzing, documenting and improving their core processes. An increasing focus has been placed on continuous improvement, with many organizations empowering workers on the front-line to look for opportunities for incremental changes. Organizations that have embraced these disciplines and philosophies have come on leaps and bounds, stealing precious competitive advantage over their rigid and set-in-their-ways competitors.

Yet, amongst this myriad of improvement work, there are still organizational processes that don't work as expected, with some that seem to cause significant stress and inconvenience for internal staff as well as end-consumers. I suspect we have all experienced poor processes as a customer—perhaps you call a supplier with a question and you're passed from department to department. Your query doesn't fit the 'script', and it feels like you're speaking to uncaring person after uncaring person. After what seems like hours, you end up hanging up in frustration and going with a competitor.

There are many reasons for issues of this type, but when discussing improvement an important question to ask is: improvement for whom.

This sounds like a simple question—but in reality the answer is by no means simplistic. A common response would be to assert that process improvement should be focused on "The Customer". But do we really know who our customers are, what they expect, and who they are comparing us to? In fact, does everyone in our organization have the same definition of "customer", or are there different types or segments? And beyond these points, it is likely that there are a whole range of stakeholders—other than customers—who have an interest in our process, and we ignore them at our peril. Layer on top of this a fast-paced business environment where expectations can change very quickly, and the importance of looking outside of our organizational boundaries becomes clear.

Looking beyond the organization

Strategists and analysts have long since asserted the importance of understanding the external business environment in which we operate. Once seen as the province of senior management, it is arguable that some of these analysis techniques are as relevant for those of us working on "front line" processes as those who are formulating strategy. If we are to create processes that operate effectively, efficiently and not just satisfy—but delight—our customers, then we need to have a clear understanding of the relevant factors and changes in our industry and business environment.

A technique that can help us here is STEEPLE. I am sure many readers will have seen variants of this technique before—STEP, PEST and PESTLE are very similar. These techniques help us to consider external factors that might affect an organization, and

that might present opportunities and threats. STEEPLE consists of seven components, representing the factors that 'press in' from the outside world and can impact or affect our organization. These are illustrated in figure 1.
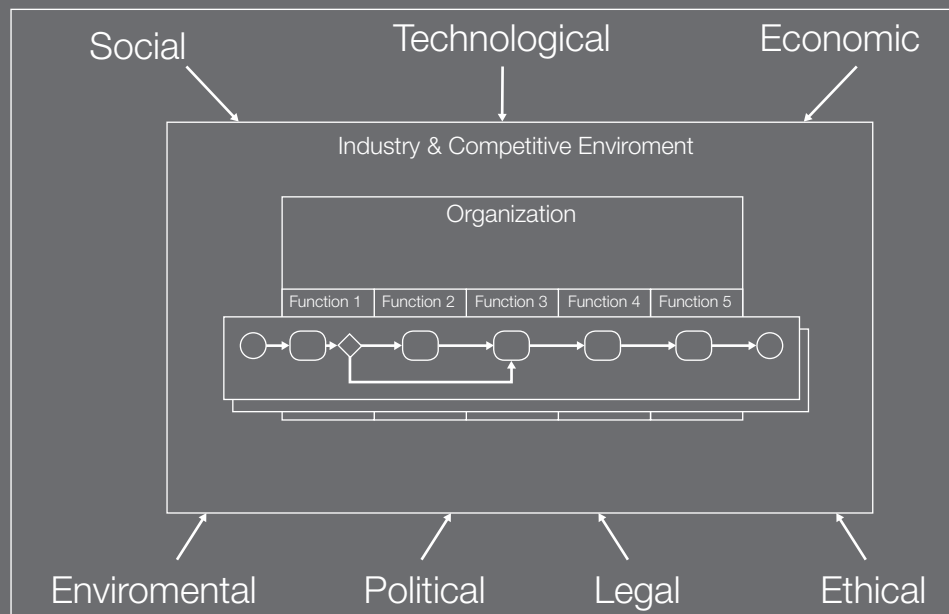

Figure 1: STEEPLE and the organization

Each factor is described further below:

>> **Social:** Includes social-cultural aspects, trends, fashions, and so on.

>> **Technological:** Includes the availability of new and emerging technology.

>> **Economic:** External economic factors such as a recession or an economic 'boom'.

>> **Environmental:** Sustainability issues. For example, climate change, hotter summers or rising sea-levels.

>> **Political:** Any political factors from local, national or international government. May include trade sanctions, trading relationships and so on.

>> **Legal**: Relevant regulations and laws that must be complied with.

>> **Ethical:** Considerations and pressures relating to ethical factors. For example, the increasing desire for a 'living wage' above and beyond any legal minimum wage.

At first glance, it might be difficult to imagine how factors that seem so abstract could influence or affect something as concrete as a business process, so it may help if I outline a hypothetical example. Let's imagine that we are carrying out analysis for a small online retailer. The store's sales have grown rapidly in the last few years, but are starting to level out (and in some lines they are declining). One particular area of dissatisfaction with customers is dispatch time. The team currently dispatch goods within 72 hours, and

send them by 48 hour courier – meaning that it is at least five days between a customer ordering goods and receiving them. It is felt that this time delay is no longer sustainable, and it has been suggested that the dispatch process could be improved through a series of technological and process improvements in the warehouse, alongside increasing staff levels. This would be an expensive investment, and it is estimated that prices would need to rise marginally to cater for the initial investment and ongoing costs. This would make the organization slightly more expensive than its main competitor—but it is felt that this would be acceptable in return for a better customer experience.

Whilst this might be one possible solution, a STEEPLE analysis might uncover additional opportunities, threats or general factors/constraints that need to be kept in mind. It might even cast into doubt a potential solution!

Area	Possible Factors Include
Social	• Customers increasingly shopping on price, and being very happy to switch supplier regularly to secure the best deal • Increasing consumer expectation for "immediacy", with a trend for 24 hour delivery, and some providers offering same-day delivery in major cities • Alongside the expectation of "Immediacy", an acceptance of slower delivery for a discount, e.g. "Save 7-day delivery". • Amongst target market, a disinterest in communicating via phone (voice) • Increasing propensity to order via web • Increasing acceptance and use of mobile applications to 'order on the move' • Expectation that orders can be tracked 'real-time' • Increasing frustration with couriers that deliver only during working hours • Increasing propensity for customers to share their experiences with others online, and 'rate' companies performance—and increasing propensity for customers not to order unless the supplier has a 4 or 5 star rating!
Technological	• Availability of cheap, easy to use mobile technologies • New integration opportunities with partners (notably, the ability to track parcels and inform customers of a 1 hour window) • Emergence of 'aggregator' and 'price comparison' technology that allows consumers to easily compare and shop on price
Economic	• Increasing "squeeze" on household budgets with high inflation but low wage increases • Less disposable income in some target customer segments
Environmental	• Pressure to use less packaging • Pressure to use packing materials from sustainable sources
Political	• Potential impact of countries exiting or entering European Union • Potential future changes to Sales Tax/Value Added Tax (VAT) system
Legal	• Consumer regulation regarding distance selling—allowing products to be returned 14 days after receipt (not order)
Ethical	• Considerations around suppliers, with a particular focus on ensuring that suppliers treat their staff ethically and fairly

Figure 2: Partial STEEPLE analysis

A partial hypothetical STEEPLE is shown in figure 2.

With the right people involved, it is possible to create an initial STEEPLE very quickly, by brainstorming. It is then beneficial to bring in any further insight and research that we have, and build on it incrementally.

Drawing on our case study, and picking on just a few of the factors on the STEEPLE, we can see that there are issues that call our hypothesized process improvement project into question. We see that customers are very price conscious and that there is emerging price comparison technology. This is likely to lead to more and more downward pressure on price—so perhaps now isn't the time to make major infrastructure investments that will lead to higher prices than our competitors! Conversely, with evidence that the market is price sensitive, perhaps we focus on efficiencies—perhaps a different way of re-engineering the process is to offer customers a choice of delivery option—'premium' or 'saver', allowing demand to be managed and expectations to be clearly set. If this were combined with tight integration with the parcel company (so a customer can trace their parcel in real time), this would allow customers to feel in control of their delivery.

Arguably, many of these discussions do relate to strategy and strategic positioning, and on reflection this makes sense—all of our processes, and every single one of our change projects should be aligned to our organizational strategy. It's therefore important that we keep the organization's strategies and objectives in mind alongside all of these discussions and decisions. The decisions we make on projects and processes are all within this broader strategic context. It is equally important that we understand the constraints—for example regulatory standards or laws —that may affect our process improvement options. An online retailer may very well want to make payment as easy as possible, but certain steps (like collecting 'card-holder's address' as well as 'delivery address') may be mandatory, as they help to prevent fraud.

Understanding the competitive environment

Another key consideration when improving processes is to consider the competitive environment. In many industries, we are in a constant race not only with our competitors, but also with other alternative or substitute product or service providers. What was considered acceptable in the past may now be considered sub-standard, if our competitors have moved the benchmark. I can remember starting my career in an Insurance Broker's office – more years ago than I care to remember. As archaic as it sounds now, policyholders would fill in an extensive paper application form for their car insurance, often in person, and a "cover-note" would be hand-written. The paperwork would be sent by post to an insurer's office, and the full policy would follow a few weeks later.

Clearly, things have moved on significantly since then—with it being normal for paperwork to be issued in minutes or hours rather than days—and with the option

of purchasing over the phone or online. However, in this significantly competitive environment if a company were still taking 3 weeks to issue policy documents, a process improvement project that aimed to reduce bottlenecks and reduce the timeframe from 3 weeks to 2.5 weeks would be largely fruitless—it is very unlikely to make a significant enough difference to matter to the customer. Of course, if it led to operational efficiencies, it may be worth pursuing—but there are probably deeper and more ingrained problems that need to be considered first.

Understanding competitive norms, and how we are competing is important. Clearly a discount airline will have very different booking, boarding and customer-service type processes compared with, say, a luxury full-service airline. The two are aiming at different markets. A very bad outcome is to charge a Champagne price-tag and offer a cheap-and-cheerful service! This will lead to a clash in customer expectations and customer frustration and complaints. So understanding our competitive positioning, the market expectation, alongside the STEEPLE factors is crucial.

A very useful model for exploring competitive pressures is Porter's 5 forces, which encourages us to examine not just our direct competitors, but also the threat of substitutes, the threat of new entrants and the bargaining power of suppliers and buyers. Interested readers will find more resources in the 'Further Reading' section.

Customer & Stakeholder Insight

As implied throughout this paper, it is important that we consider and agree who the end-customers of the process actually are—and what they actually value. Research, focus groups and surveys can all help. This might sound like an obvious statement, but so often there can be subtle differences of opinion. Going back to the insurance example I briefly mentioned earlier—as an insurance company, would we consider the broker the customer, or the policyholder? Or both? In reality, they will have different (but hopefully complementary) needs, and both will need to be met. Other times we might find there are different segments of customers who need to be treated differently—retail vs business customers for example. This might mean a different path through a process, or may necessitate a separate process entirely.
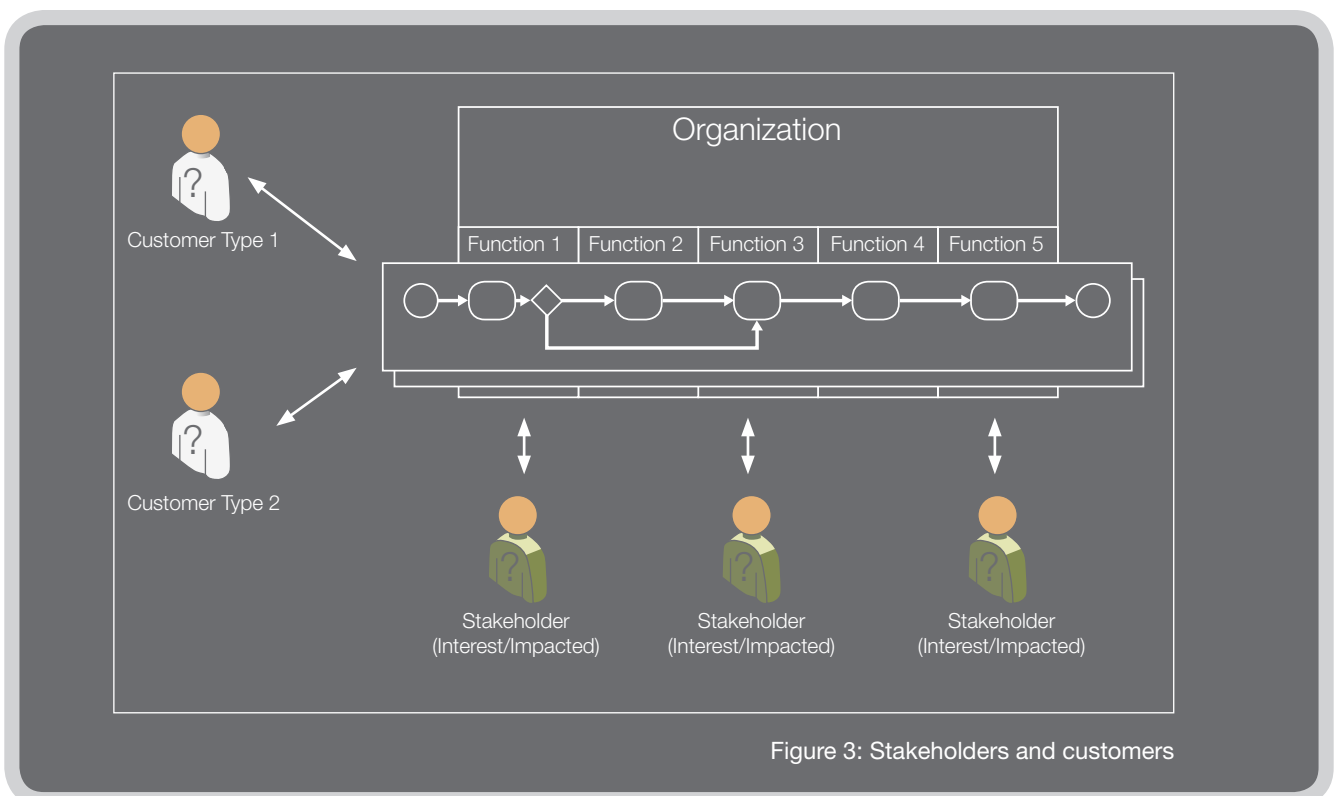

Figure 3: Stakeholders and customers

As figure 3 indicates, we also need to think beyond customers. There will often be other stakeholders who hold a genuine interest in or who are impacted by the outcome of a process. If an insurer has a "Manage Claim" process then clearly the claimant (who might be a third party) is important, as well as the insured policyholder. It is important to spread the net wide so that we can ensure our processes are fit for purpose and create the positive experiences that our customers and stakeholders desire and expect.

Conclusion

Process improvements are undoubtedly valuable exercises, and improving the way we do things can help to create competitive advantage. However, any type of improvement project should be viewed with the wider lens of the organization's stated strategy and objectives, and a range of external factors should be kept in mind. Techniques like STEEPLE, amongst many others, can help. It is also crucial that we examine our competitive environment, and ensure that we inject the voice of the customer into our initiatives.

Readers interested in the topics raised in this paper may find the following resources useful:

Cadle, J, Turner, P & Paul, D et al (2010) Business Analysis Techniques: 72 Essential Tools for Success, BCS, Swindon

IIBA® (2015) A guide to the Business Analysis Body of Knowledge® (BABOK® Guide) Version 3.0, IIBA, Toronto

Paul, D, Yeates, D & Cadle, J et al (2014) Business Analysis (third edition), BCS, Swindon

Porter, M. (1980, re-print 2004), Competitive Strategy: Techniques for Analyzing Industries and Competitors, Free Press, New York

Pullan, P, Archer, J et al (2013) Business Analysis & Leadership: Influencing Change, Kogan Page, London

About Adrian Reed:

Adrian Reed is a Consulting Lead Business Analyst who is passionate about the analysis profession. He is Principal Consultant and Director at Blackmetric Business Solutions (www.blackmetric.co.uk), where he provides business analysis consultancy and training solutions to a range of clients in varying industries. He is also a director of the UK chapter of the International Institute of Business Analysis (IIBA). Adrian is a true advocate of the analysis profession, and is constantly looking for ways of promoting the value that good analysis can bring.

You can read Adrian's blog at http://www.adrianreed.co.uk and follow him on Twitter at http://twitter.com/UKAdrianReed