

Why Process Matters – Process Documentation, Modelling and Improvement

Stephen Pearson

Enterprises are faced with many conflicting demands to focus on particular types of solutions ('Knowledge Management', 'ERP', 'Business Process Management' etc), or particular techniques ('Continuous Improvement', Balanced Scorecard, Six Sigma, ITIL etc) to drive improvements in their enterprises. However we frequently find many enterprises have overlooked one of the fundamental building blocks of enterprises that can deliver considerable gains over more complex and costly alternatives – 'Process'.

Management Consultants talk of enterprises being composed of 'People, Technology and Process'. We certainly don't undervalue the importance of People and Technology but present the case for more emphasis on the third. That emphasis states that good processes should not be seen as an afterthought or flowing from a software solution but as the primary driver for managing successful enterprises. Enterprises that understand their processes are typically also those that achieve success with their people and technology.

The view that the basics matter was confirmed in a recently published study in the Harvard Business Review. This major research project investigated 160 companies over a 10 year period and reported no direct causal relationship between over 200 management tools and techniques used and superior business performance¹. The review concluded that the most successful businesses were those that understood the fundamental elements of their enterprise. Those that focused on simplifying their processes to better align their strategies and structure to deliver their goods or services were far more likely to be superior in their performance than those that didn't.

We are strong proponents of the simplification of the enterprise's processes. Our experience indicates that 80% of all processes are common to all enterprises, 15% is industry specific and 5% represents the competitive difference between enterprises. Simplifying the 95% will enable the enterprise to focus on the critical 5%.

The best starting point is to document your processes. Virtually all enterprises have some form of process documentation. Typically it is held in basic software and not updated. But this needn't be the case. Modelling and documentation software has seen considerable improvement in functionality and ease of use in recent years.

We believe that it is realistic for all business users to have access to and be able to contribute to the upkeep of process documentation. We don't believe that it needs be complex or requiring technical skills. Simple straightforward ongoing documentation of its processes should be a fundamental part of good management in any business. No jargon, acronyms or IT involvement is required.

Once processes are documented they can be modelled. The modelling of processes enables enterprises to identify opportunities for improvements in going from the 'As-is' to 'To-be' processes. Modelling has other opportunities from simulation to measurement. Improvement techniques such as 'Six Sigma', ITIL, and 'Best Value' can be applied. Strategic values can also flow with opportunities to align the enterprises strategies with the IT systems.

Unfortunately there is a level of cynism with modelling so I have set out some of the reasons to model and the common fallacies associated with process analysis.

TEN REASONS TO DOCUMENT AND MODEL YOUR PROCESSES

1. Cost savings

Identifying cost savings out of inefficient processes remains one of the key drivers of process analysis. For some enterprises the mere exercise of documenting and discussing graphic representations of process can highlight improvements not otherwise seen.

2. Agility

Enterprises face continual pressure to adapt and change. Well documented processes are understood and can be changed quickly. New services or changes due to competitive threats can be addressed with agility.

3. Control your destiny

Confidence in knowing what the business does and how it does it creates a more confident approach to issues and management. A healthier relationship can be built with your IT function as business needs will be more clearly stated.

4. Competitive advantage

Our work both here and overseas consistently indicates that enterprises who know and manage their processes achieve higher returns and better

customer satisfaction. A key reason is their ability to identify and work on elements of their process that offer competitive differentiation. We frequently hear from clients who have embraced the 'Process' message not to tell others as they are strongly aware of the powerful advantage it has created for them over their rivals.

5. Simulation and Measurement

Most modelling software has features which enable simulation of processes. Different alternative designs and workflows can be modelled. Questions such 'How many resources will be required to run a particular task?' or 'Is a manual process appropriate or should we invest in automation?' can be estimated before major investments are made.

6. Staff induction and cross skilling

Getting new staff to understand their roles and responsibilities quickly is critical across many enterprises. Modelling software enables comprehension of tasks, responsibilities and can even provide forms and other documents at appropriate steps.

Well documented processes also enable people from similar functions to work across more roles and extend their contribution.

7. Reuse of business objects

A key area of saving for large enterprises is the ability to reuse systems for similar functions (e.g. a billing system). Enterprises that have consolidated and achieved common systems (also know as 'business objects') to support different business lines have delivered higher gains and stronger outcomes. In turn by reducing their systems they can concentrate on making them more effective.

8. Manage merger and acquisitions more effectively

Realising the investment from economies of scale or achieving shared services can be more quickly delivered if processes are well documented. Simulation of different approaches can also assist to get the right answer in how to get merged or acquired businesses working more efficiently with the existing businesses.

9. Corporate Governance

Up to date process documentation provides evidence of a comprehensive understanding of how the enterprise works. There is increasing emphasis

on enterprises fully understanding how they produce their services or products. Well managed process modelling can increase confidence in how the process actually works over what is believed.

10. Quality and Risk

Certainty of outcome is increased and potential risks can be minimised if the relevant processes are known and followed. Barely a function exists that would not benefit from documentation and yet many enterprises still do not maintain process documentation that is accessible, comprehensive and up to date.

TEN FALLACIES ABOUT PROCESS ANALYSIS

1. Can't be kept up to date

Relatively cheap and richly functional software that is run from a server means that process diagrams can now be kept up to date. The software has easy access, comprehensive publishing (including web formats) and version control. Appropriately setup, the maintenance of the process models can be kept interactively up to date by the function's staff as part of regular work routines.

If you don't document process or if your enterprise sees it as a once a year or greater exercise you will be missing out on opportunities. There will also be a significantly increased workload when you do need to tackle the issue.

2. It is an IT issue

Technology is there to support the enterprise and not the other way around. The processes of an enterprise should not be dependent on what technology the IT function wants to provide or how IT sees the business. Just as most users no longer have to ask IT if they can run a report so process management should be in the hands of the business.

3. Its expensive and time consuming

Any new initiative requires an investment but the returns can be considerable. Our experience is that the most successful process orientated enterprises have seen the issue as a journey. 'Big Bang' strategies with process improvement have often failed to deliver.

Small steps focused on value and return is a legitimate and effective way to start the journey.

4. It requires in-depth technical expertise

The tools are straightforward and after appropriate training and mentoring, all levels of staff can contribute. Of course complexity may be needed, but this should be an extension of process work, not as a starting point. We fundamentally believe that graphic representations of process should be intelligible to all staff and not just the IT function or elites.

5. It only relates to situations where software applications are being implemented

Enterprises are continually undergoing change and 'snap-shot' style analysis will quickly fall out of date and become irrelevant. Software will never completely replace manual intervention or processes.

6. Only one function can use it

The software available today enables different versions to be held on the same server and address different functional needs. The software will provide different views of the same process. For example a process analysis for a Quality Management system will have different requirements to a Sabanne Oxley related process flow.

7. We tried it once and it didn't work

Unfortunately the history of management has been littered with fads and fashions. Some have made significant contributions but many have failed to match their hype. We would state that process is present in every activity that an enterprise undertakes. Inefficiencies inevitably arise in the dynamic environments in which all enterprises exist. Simple and realistic approaches to process improvement issues will save your enterprise time and money.

8. Requires external Consultants

Our view is that to solely rely on external Consultants will not achieve the benefits that a properly implemented approach to process can deliver. As process is at the heart of every enterprise we believe that it should form part of ongoing responsibilities to maintain and review in addition to specific project needs.

Similarly we also believe that to rely only on internal resources will not achieve the full benefits. Effective modelling requires a strong methodology and disciplines. Teams can quickly get lost and disillusioned without the right structure. External Consultants can also bring experience of similar processes or other experience to add value.

Therefore external Consultants have a role and can add significant value if used properly. 'Snap - shot' process analysis has its place for particular projects and external Consultants can provide the necessary resource to make it happen.

9. It only works when combined with other techniques such as 'Six Sigma', ITIL etc

Even simple documentation of a process can add value. Techniques such as 'Six Sigma' are heavily dependent on good process analysis. Ensuring that realistic expectations are set and that more complex techniques can subsequently be applied often requires a straightforward start to process analysis. As stated above the 10 year study of 160 companies confirmed that techniques are less important than fundamentals.

10. Sounds like 'workflow', 'knowledge management' or 'middleware'

Because process is one of the basic building blocks of any enterprise it is bound to be present in a multitude of initiatives and forms. Many enterprises have recognised the importance of the role and appointed a senior manager to head up their 'Process' function.

Our message is that process modelling should be an integral part of the ongoing responsibilities of good management in any enterprise. Of course it fits into and relates to other projects and initiatives.

Sometimes the tools offered by the modelling software may provide a better or more cost-efficient approach to an issue. For example the document management capabilities of modelling software could provide a more appropriate and effective way of publishing and accessing documents than a knowledge management system.

WHY USE A MODELLING TOOL?

A pencil and piece of paper is all you need to start but if you want the features that will make your process analysis project work then you need to look at

specialist modelling software. It is feasible to use standard tools such as “Word”, “PowerPoint” and ‘Visio’. Again just as with a pencil and piece of paper they can be a good place to start but don’t have the features we believe are necessary to sustain success with good process analysis disciplines.

Modelling tools have advanced significantly in recent years and we believe offer features that make them tools of choice when addressing process issues, including:

- Specialised software designed for process work
- Version control – who did what and when
- Simulation of the process with transactions and timings
- Measurement features
- Ability to share with other users
- Integration into ERP solutions
- Ability to progress to more technical requirements (e.g. software design)
- Different views for different functions
- Comprehensive publishing features including internet
- Security features and controls

HOW DO THE PRODUCTS COMPARE?

There are a multitude of products on the market. They offer a range of prices and other features. We have assisted enterprises select and choose appropriate tools for their needs.

WHAT CAN PROMENDO DO TO ASSIST?

Promendo is committed to assisting our clients achieve best practice with their processes.

Promendo addresses process with an integrated service capability with disciplines, methodologies and tools that can build or change an enterprise, its processes, communication and systems.

Clients include ANZ Bank, Translink, Parmalat, Queensland Education, Golden Casket, Commonwealth Rehabilitation Service and JB Were Goldman Sachs.

Our experienced Consultants can assist you with all process issues:

- Comprehensive training
- Workshop facilitation

- Business analysis and documentation (functional and technical specifications)
- Business, process and information modelling
- Methodology Guidelines and Procedures
 - Documentation Templates
 - Process and Information Patterns

CONTACT

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Stephen has spent over 20 years in the Information Technology industry both in Australia and Europe. He has held senior positions in government, commercial enterprises and major consultancies. He was responsible for the Small to Medium Enterprise sector for the ERP practice of IBM Global Services as a Principal. As Chief Information Officer for Australia's largest IT services Group he implemented several major new systems. He is a qualified Accountant and his first job as a trainee accountant was to map the processes of a client's Accounts Payable function.

¹ Nohria, Ntin, William Joyce, Bruce Roberson, 'What Really Works' Harvard Business Review July 2003