

BPR Tutorial

LINQ
Systems

***BIS European Business Process
and Workflow Conference***

Michael Mandahl

&

Kai A. Simon

Agenda

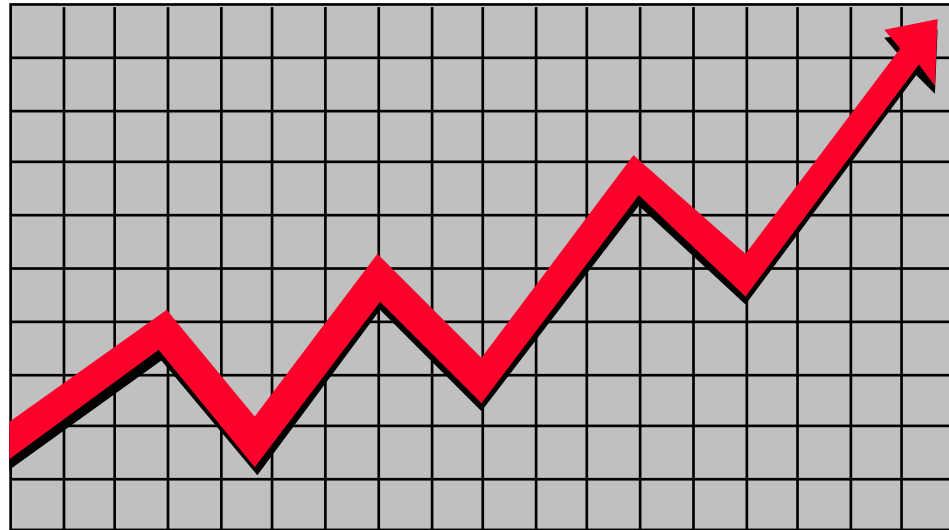
- New times and challenges
- BPR - history and concept
- Relatives - TQM, TBC ...
- What about IT?
- How to do it?
- Managing change

The curve and the Cs

Competition

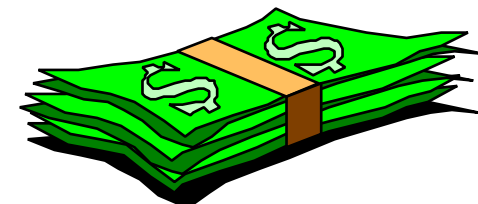
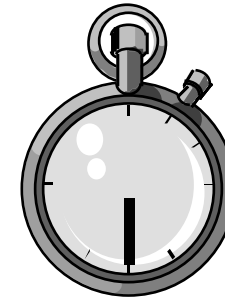
Costs

Customers



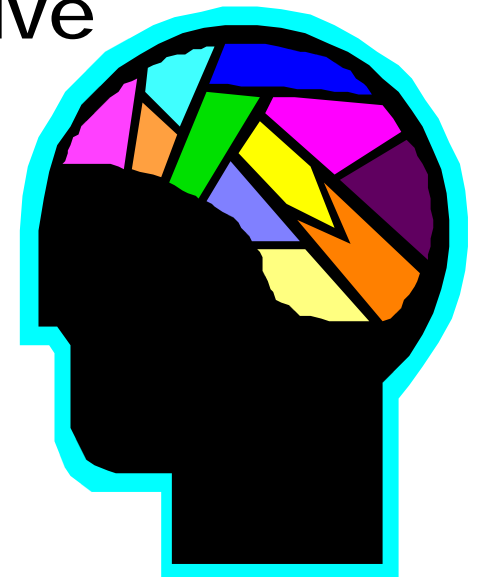
The logistics challenge

- Time
 - Time to market
 - Process cycle times
- Quality
 - Customer perceived
- Cost
 - Transaction costs
 - Activity costs



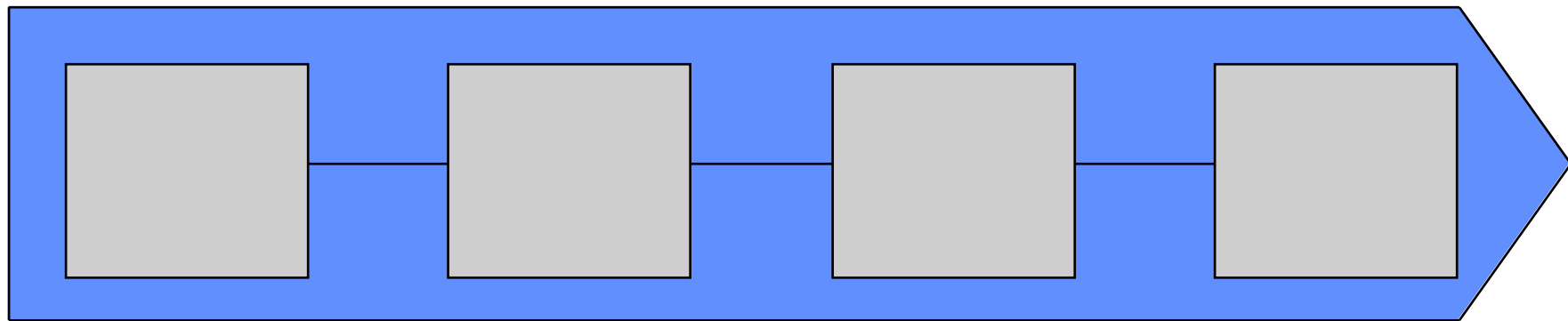
The knowledge challenge

- Working with competence
- Learning how to learn
- Turning competence into competitive advantage
- IT enabled knowledge work



Processes and IT support

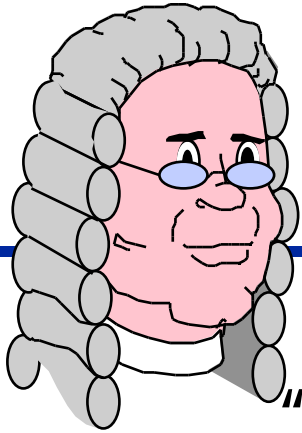
LINQ
Systems



BPR - history & concept

- From Smith to Hammer and beyond
- Let's talk value
- The dimensions of BPR

Adam Smith, 1776



"One man draws out the wire, another straightens it, a third cuts it, a fourth points it, a fifth grinds it at the top for receiving the head: to make the head requires two or three distinct operations: to put it on is a particular business, to whiten the pins is another ... and the important business of making a pin is, in this manner, divided into about eighteen distinct operations, which in some manufactories are all performed by distinct hands, though in others the same man will sometime perform two or three of them."

Ford Motor Co., 1907

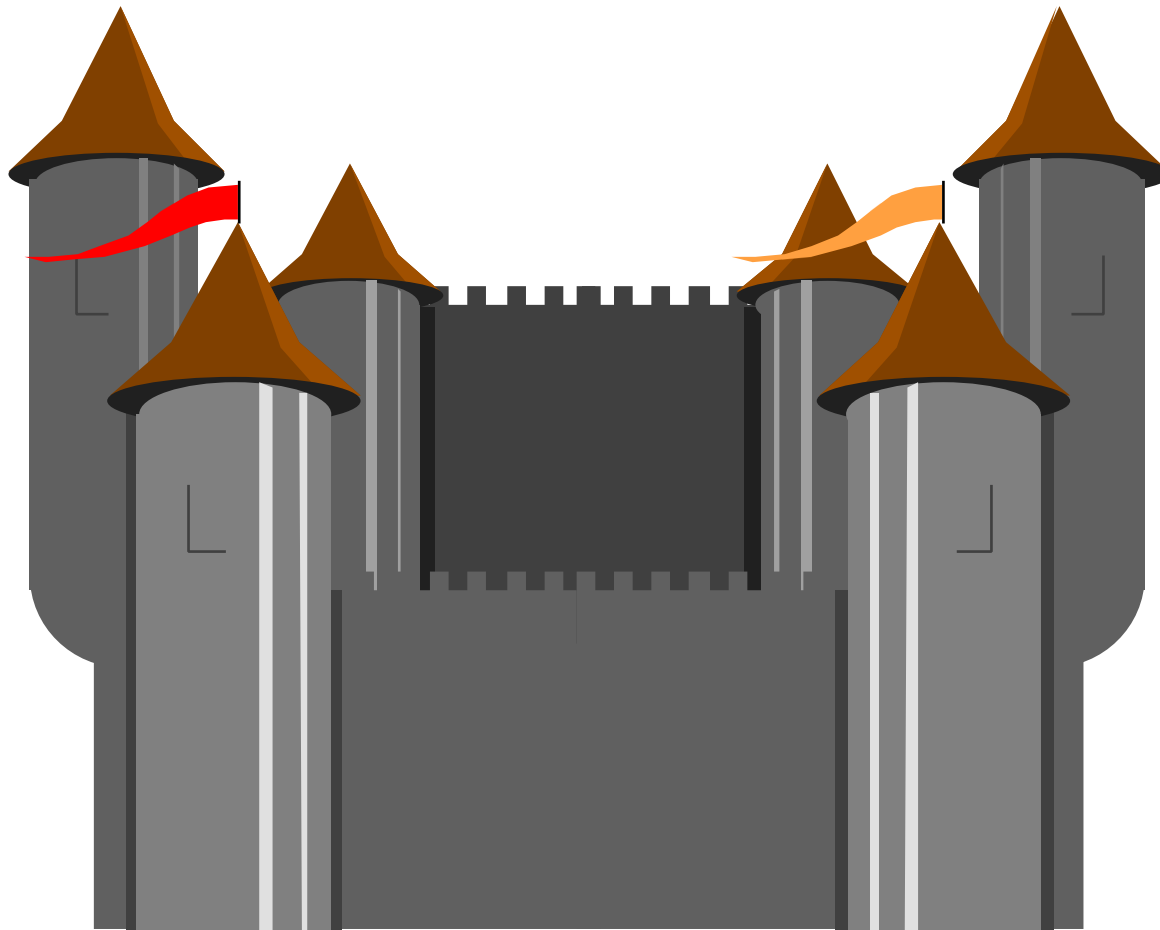
LINQ
Systems



M. Mandahl, Kai Simon

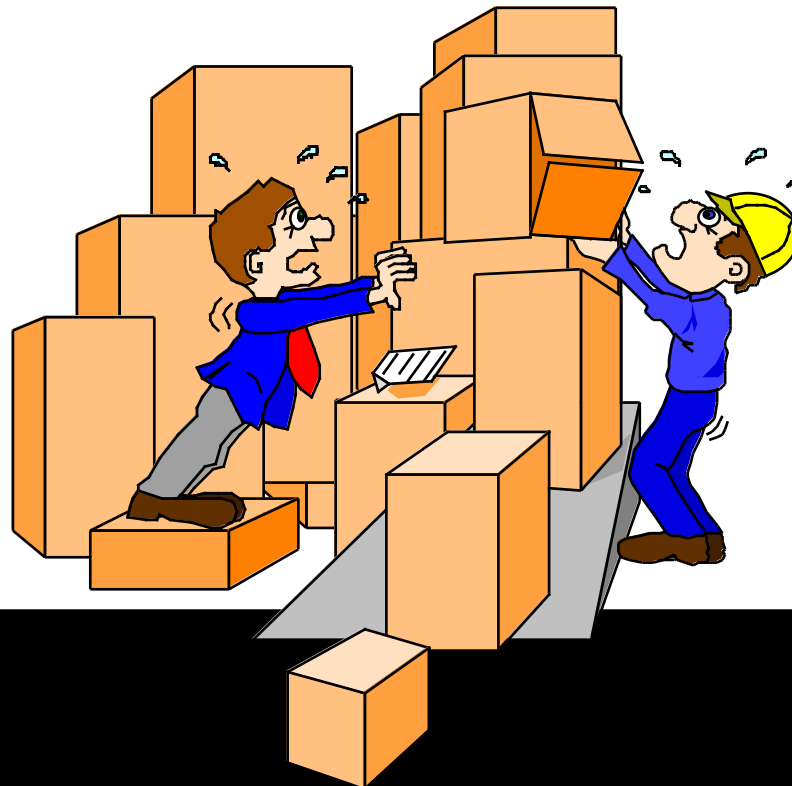
Hierarchical pathologies

- Introvert structure



Hierarchical pathologies

- Introvert structure
- Separation of planning and doing



Hierarchical pathologies

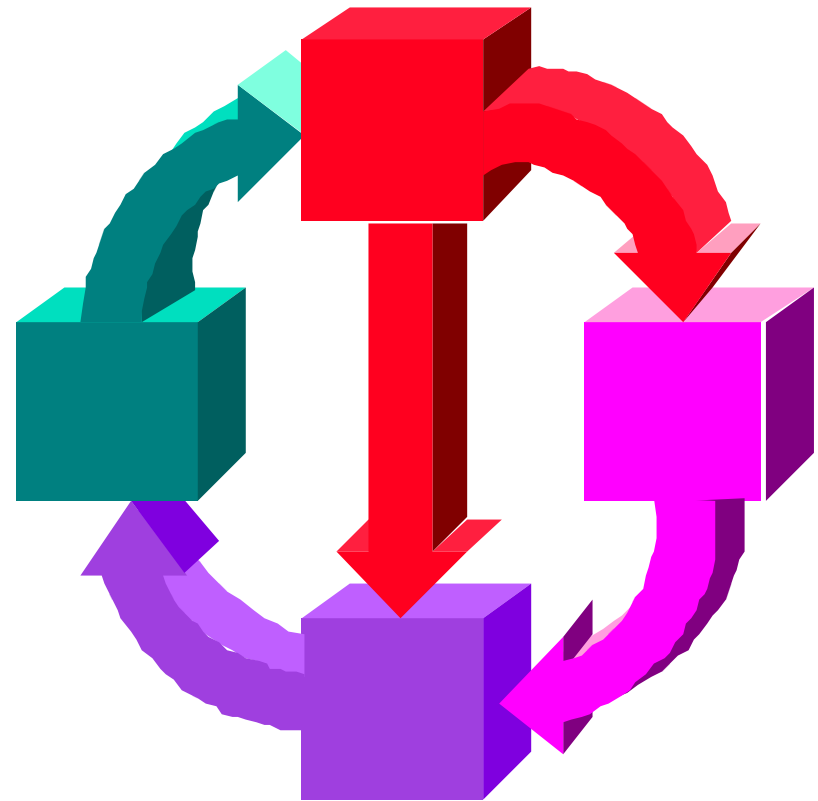
- Introvert structure
- Separation of planning and doing
- No process responsibility

Who?
Me?



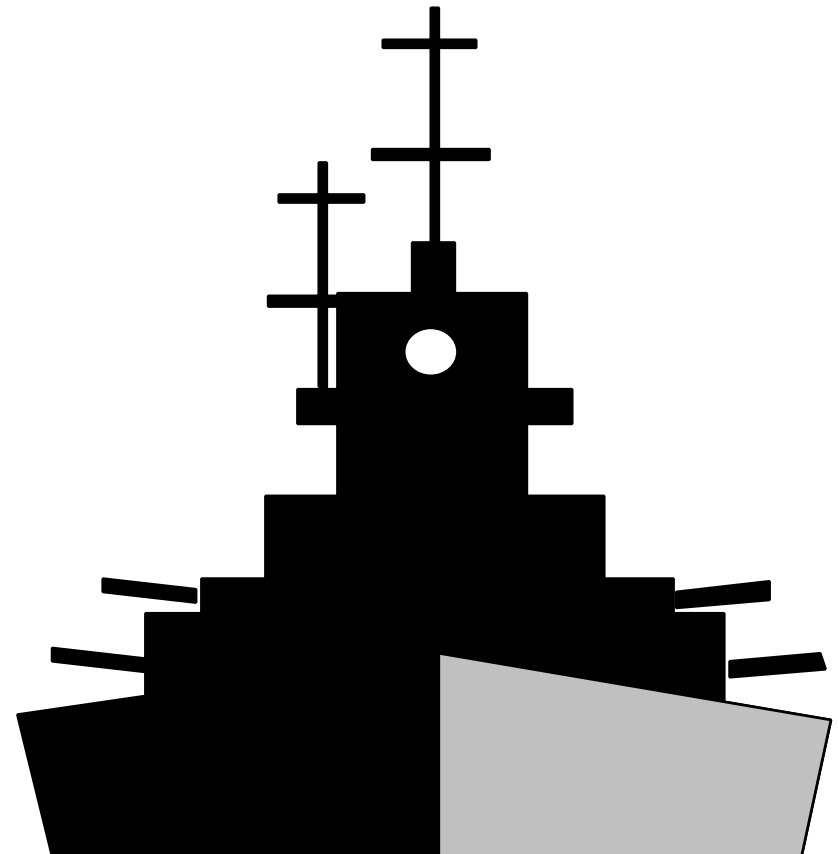
Hierarchical pathologies

- Introvert structure
- Separation of planning and doing
- No process responsibility
- Vertical flow of process information



Hierarchical pathologies

- Introvert structure
- Separation of planning and doing
- No process responsibility
- Vertical flow of process information
- Difficult to change course



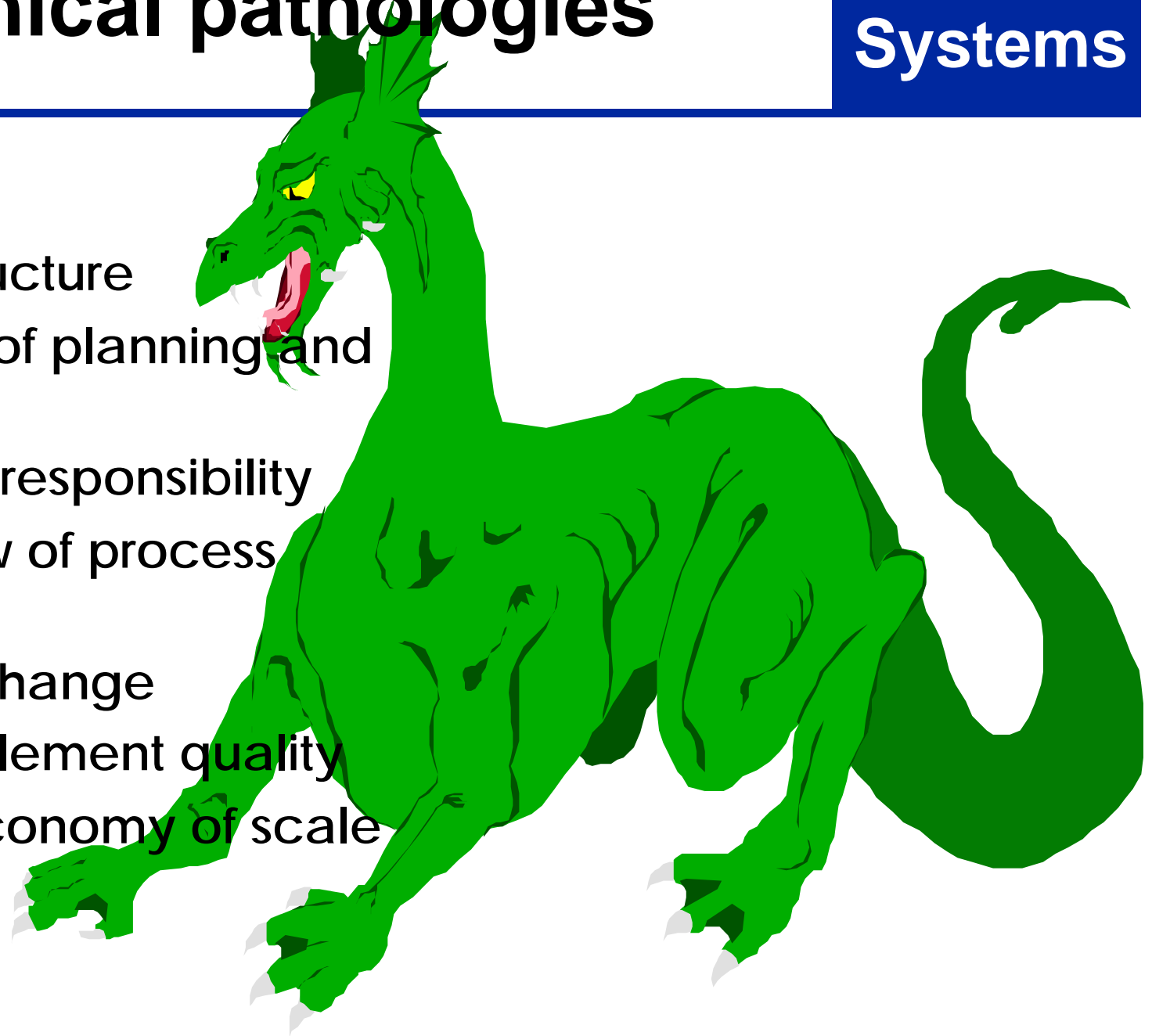
Hierarchical pathologies

- Introvert structure
- Separation of planning and doing
- No process responsibility
- Vertical flow of process information
- Difficult to change
- Hard to implement quality



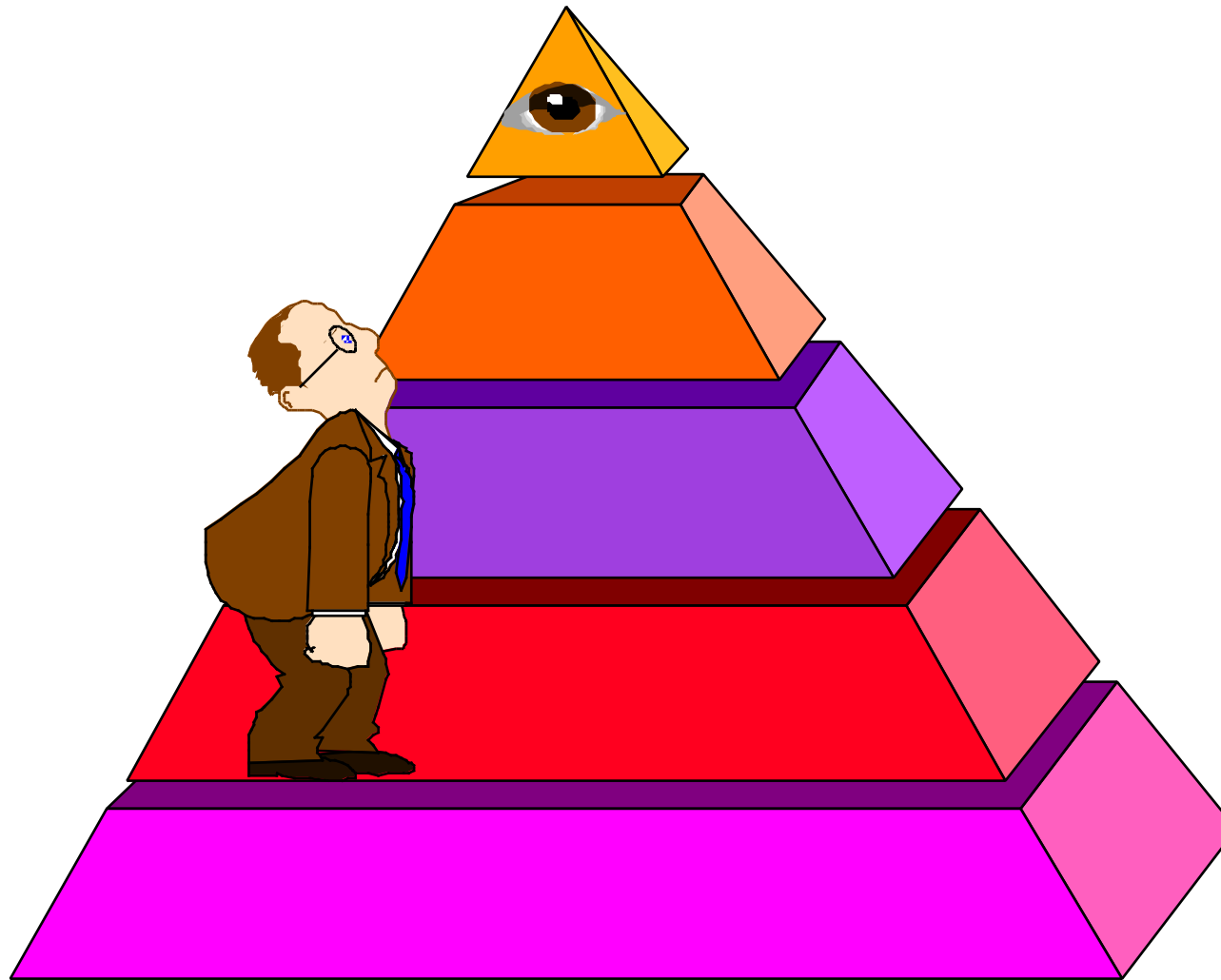
Hierarchical pathologies

- Introvert structure
- Separation of planning and doing
- No process responsibility
- Vertical flow of process information
- Difficult to change
- Hard to implement quality
- Builds on economy of scale



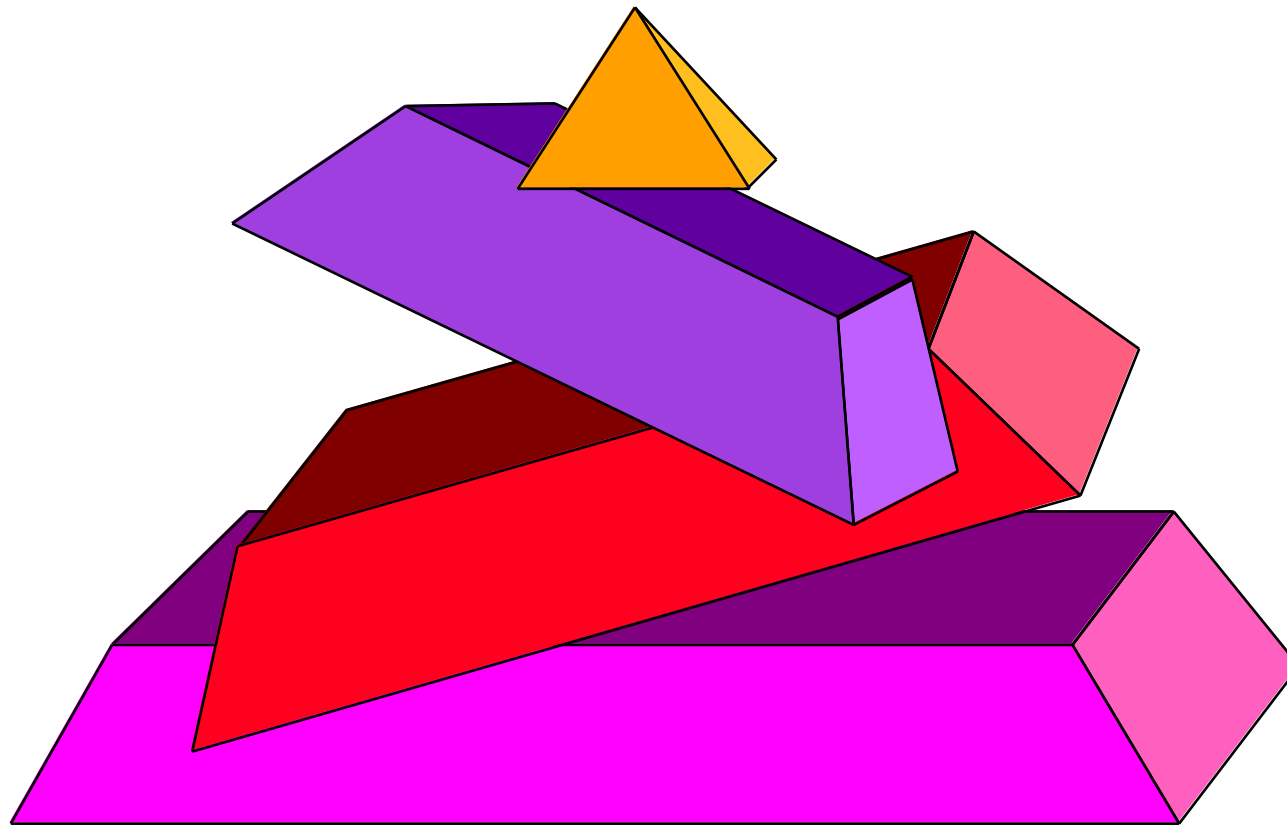
The result ...

LINQ
Systems



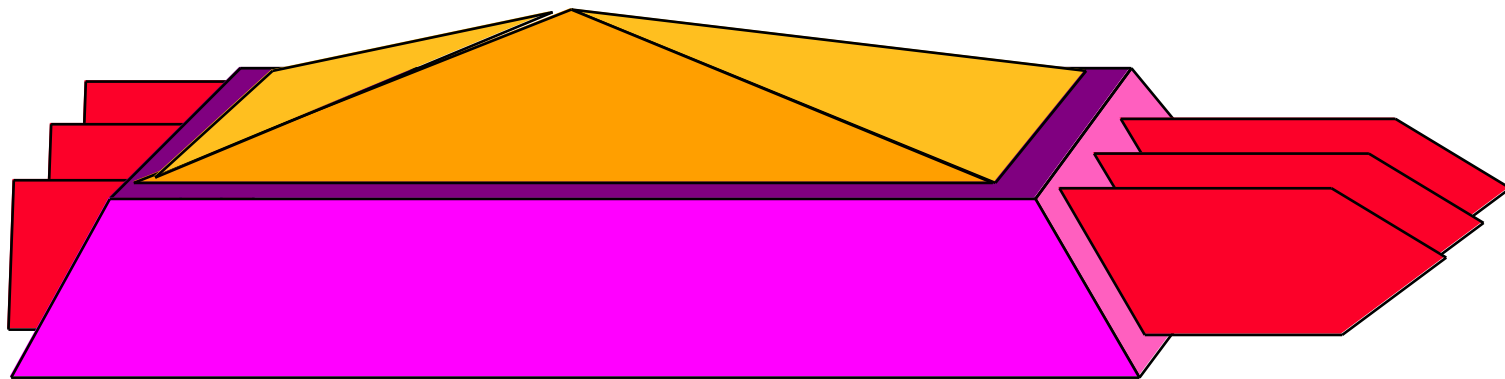
Let's do something

LINQ
Systems



The process organization

LINQ
Systems



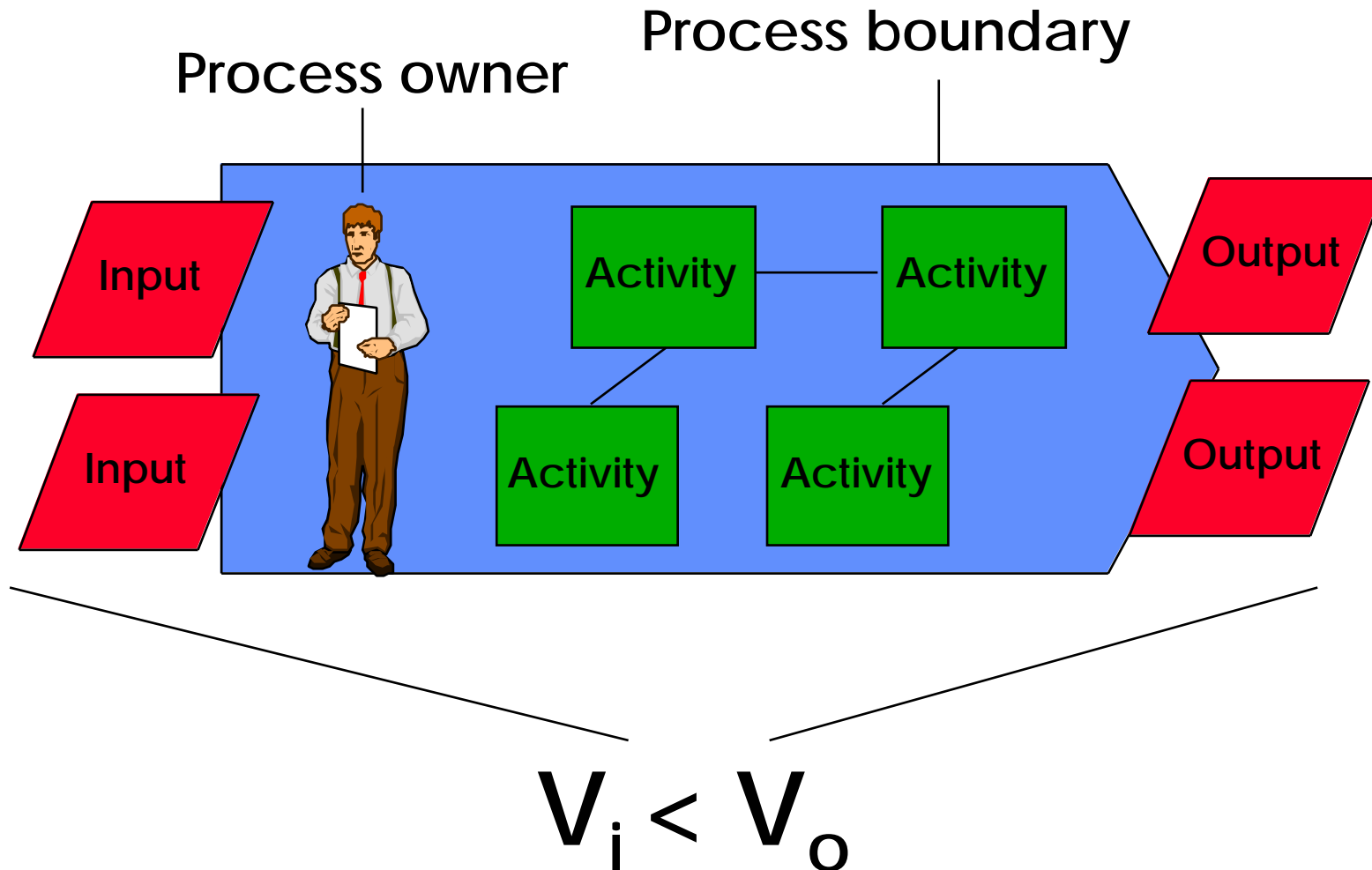
Business processes

- Based on customer demands
- Holistic perspective
- Determination of value added
- Team as organizational unit
- Self organizing
- Resource ownership
- Flexibility
- From functional competence to general knowledge

BP - formally defined

- Davenport: “A process is a specific *ordering of work activities* across time and place, with a *beginning*, an *end*, and clearly defined *inputs* and *outputs*: a structure for action.”
- Hammer & Champy: “A business process is a *collection of activities* that takes one or more kinds of *input* and creates an *output that is of value to the customer*.”

BP - Conceptual model



What BPR is ?

Abandoning long-established procedures and looking afresh at the work required to create a company's product or service.

Given what I know and given current technology, what would the company look like?

~~***"We have always done like this."***~~



What BPR isn't

“To persist with slash-and-burn downsizing, along with the sort of neutron-bomb reengineering that leaves only the buildings standing, is tantamount to management malpractice.”

Peter Scott-Morgan

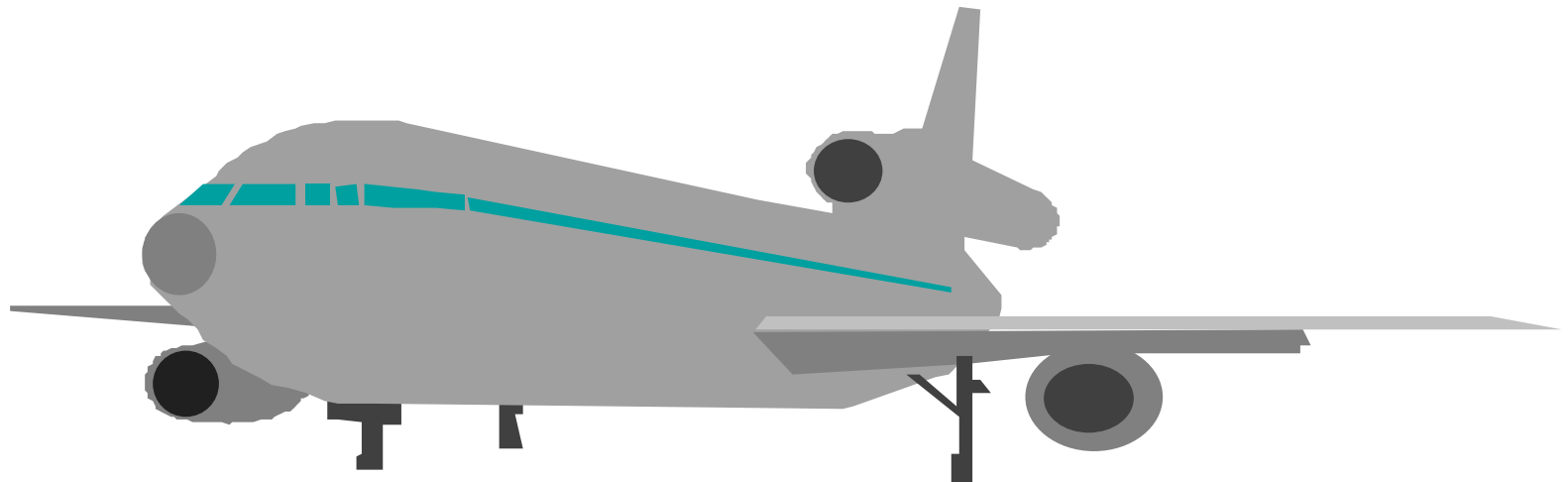
Value

- Customer perceived
- Worth to pay for
- It isn't always what you think it is
- Functional value
- Added value
 - Delivery time
 - Quality
 - Status



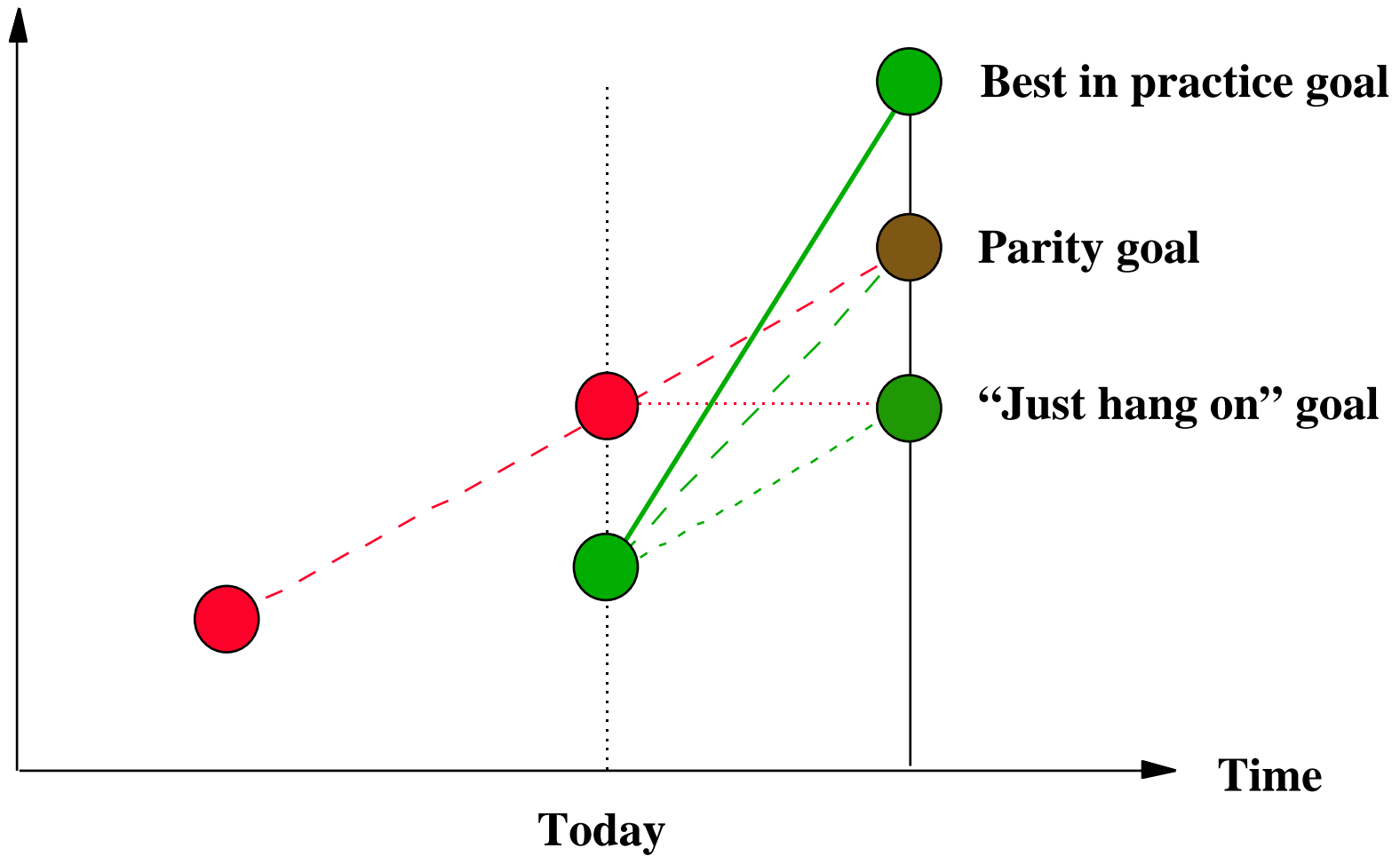
Example: Air carriers

- Normal benchmark:
Departure time according to schedule
- Perceived customer value:
Arrival time according to schedule



Why not simply OD ?

Performance

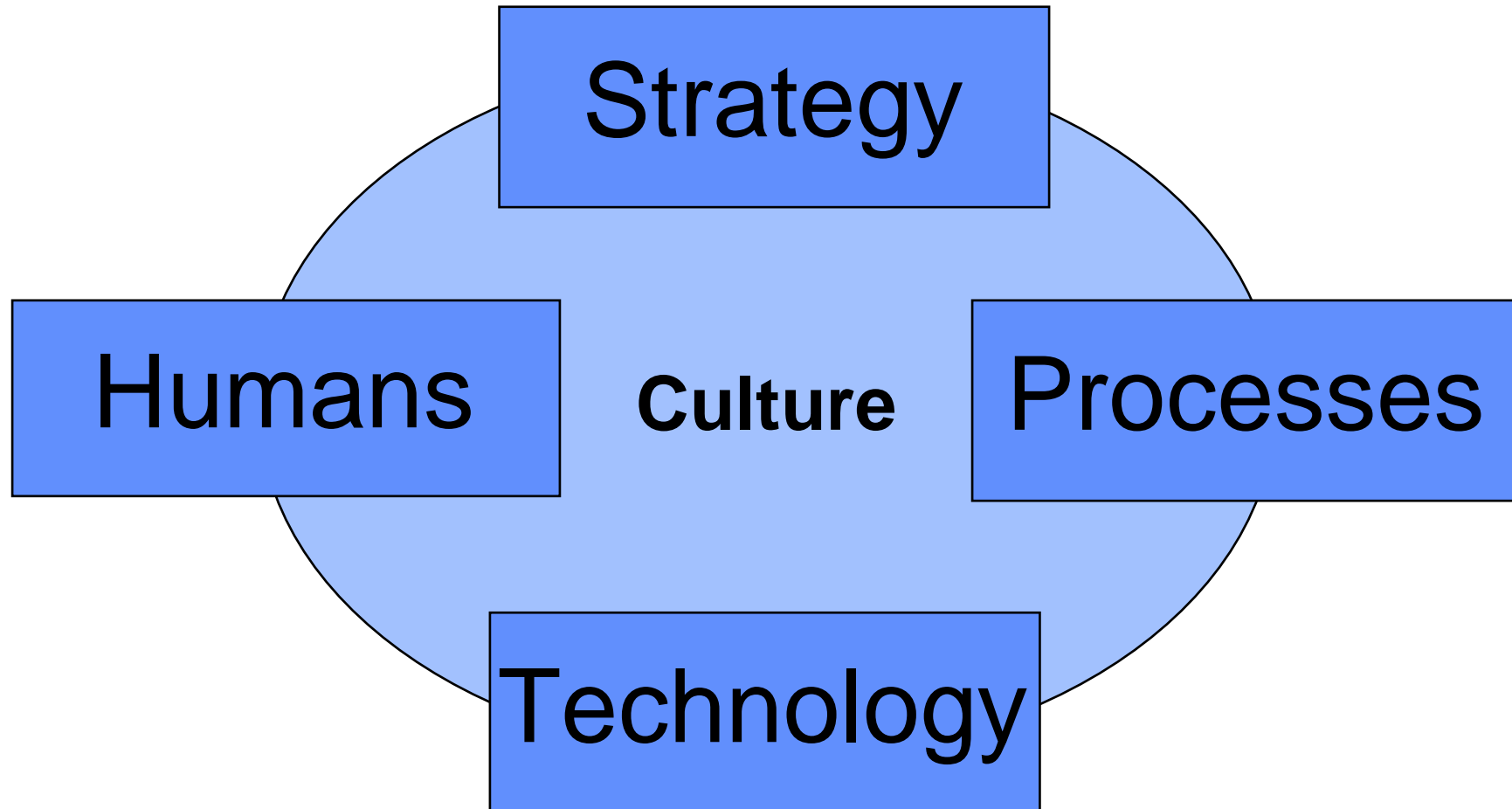


● Compet. performance

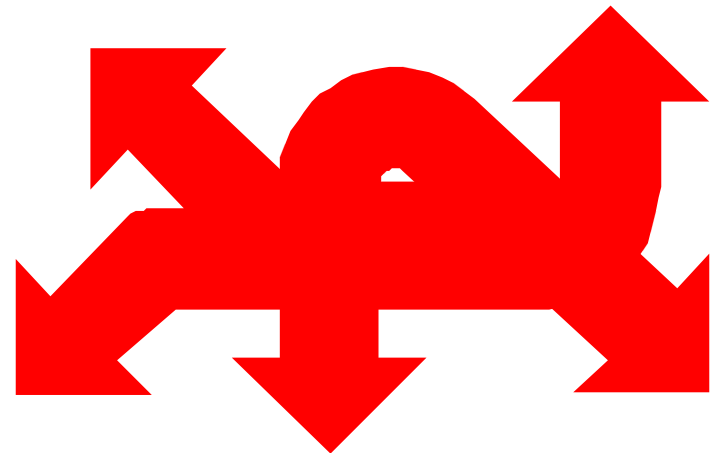
● Own performance

BPR dimensions

**LINQ
Systems**

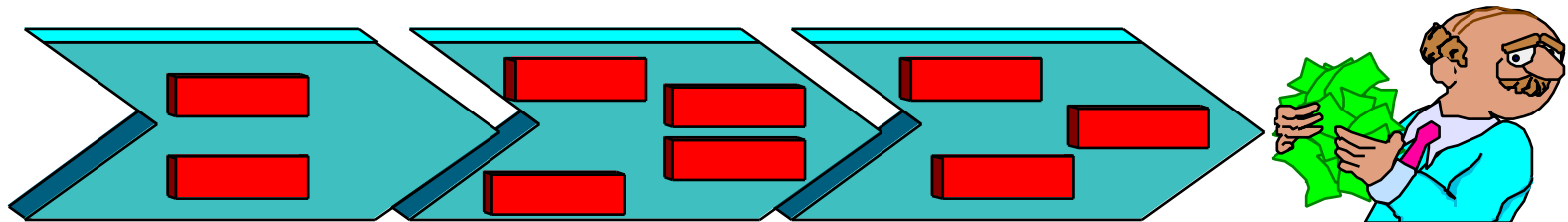


- Multi dimensional
 - Organizational
 - Human Resources
 - Technology
- MTBS < planning range
- Visionary, but achievable
- Communicate it



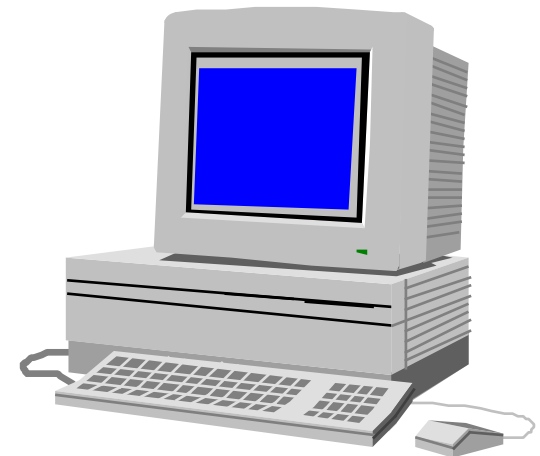
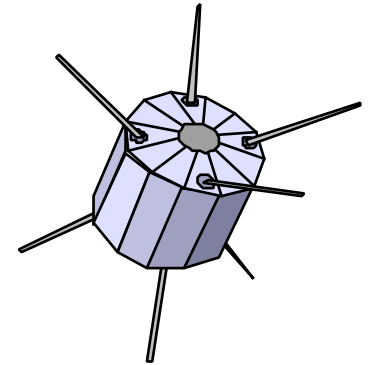
Processes

- Core processes (Pareto principle)
- Determined by customer needs
- Change of structural variables
- Process optimizing



Technology

- We haven't seen it all yet
- New technology & new methods
- Technology as "enabler", not "improver"
- Match IT with current and future requirements



People

- The most critical factor
- Align work force with strategies
- Management by seduction
- Environment & culture
- Competence & empowerment



BPR relatives

LINQ
Systems

Time-based
competition

Core
Competencies

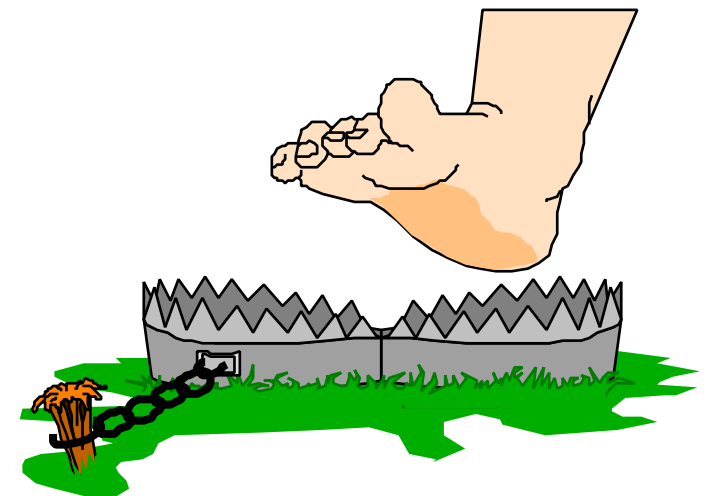
Total
Quality
Management

Milk and honey
method



Traps & pitfalls

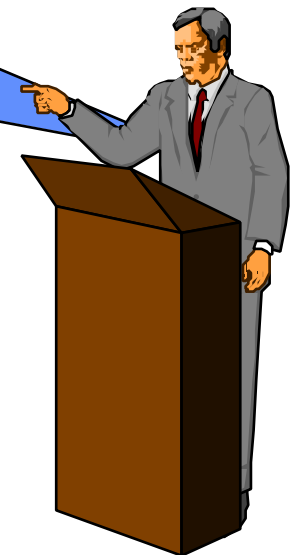
- Lack of commitment
- Insufficient critical mass
- Method & tool happiness
- IT happiness
- Ancient world view



Worldview - Mid 1990s...

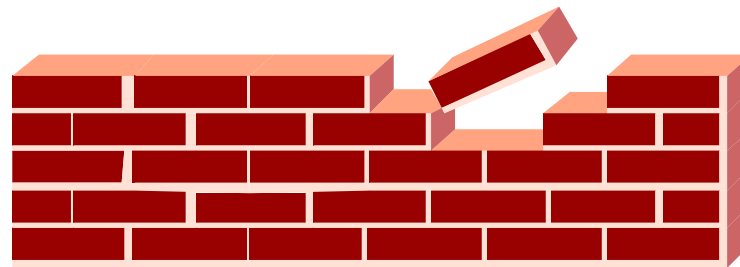
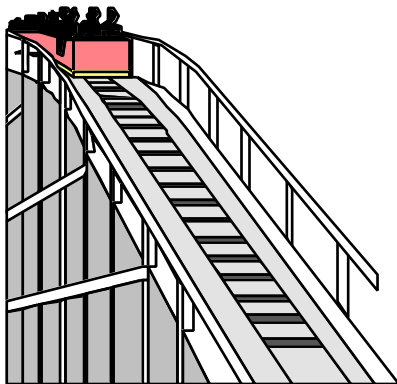
*"Information is the new raw material.
And as the material is applied to
products, companies, and entire
businesses, everything changes."*

Alan M. Webber, "What's So New About the New
Economy?" HBR Jan-Feb 1993.



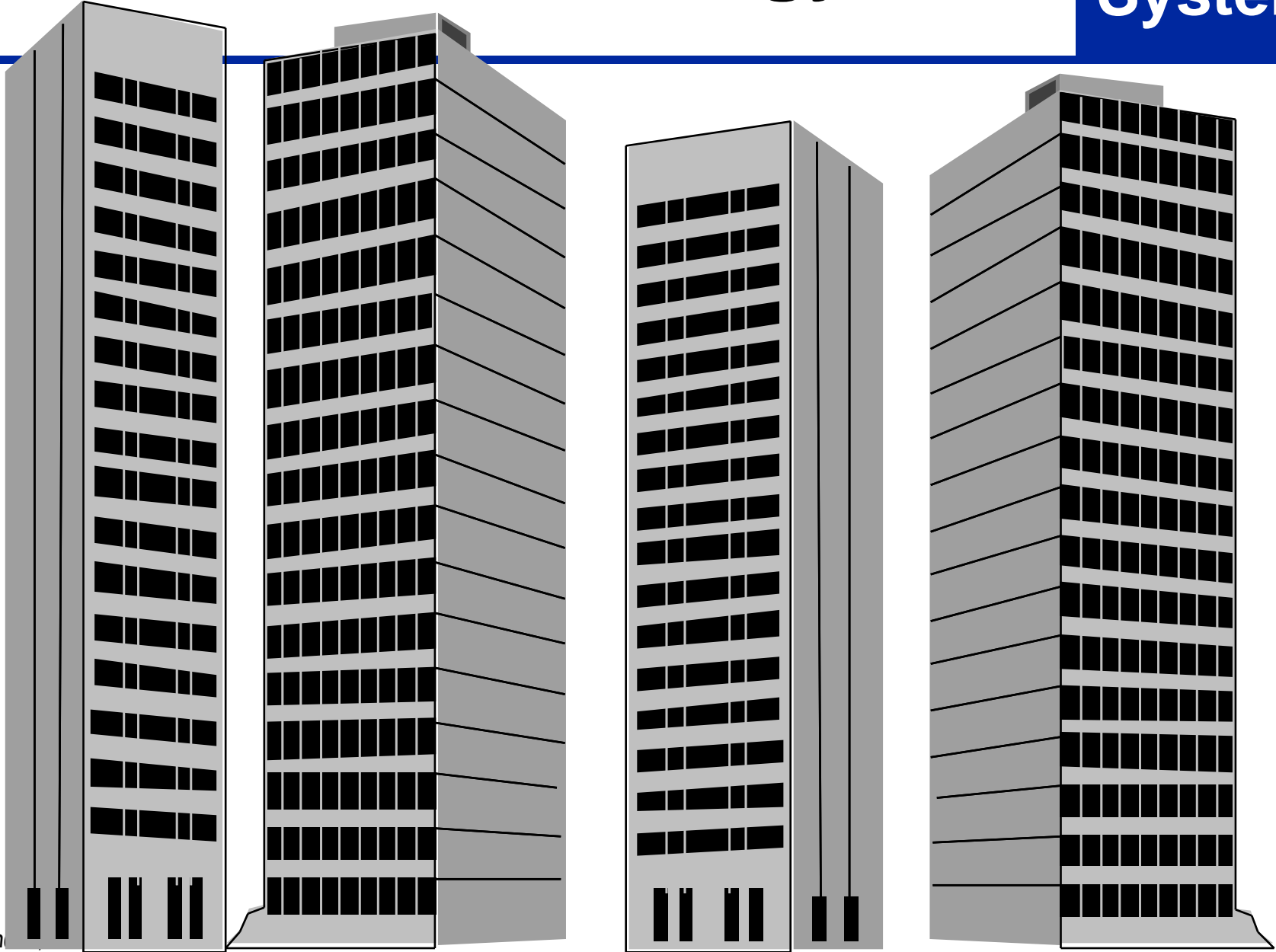
The role of information technology

- A paradox
- An important tool for change
- Present use often a big obstacle
- IT changes the rules in many businesses



Towers of technology

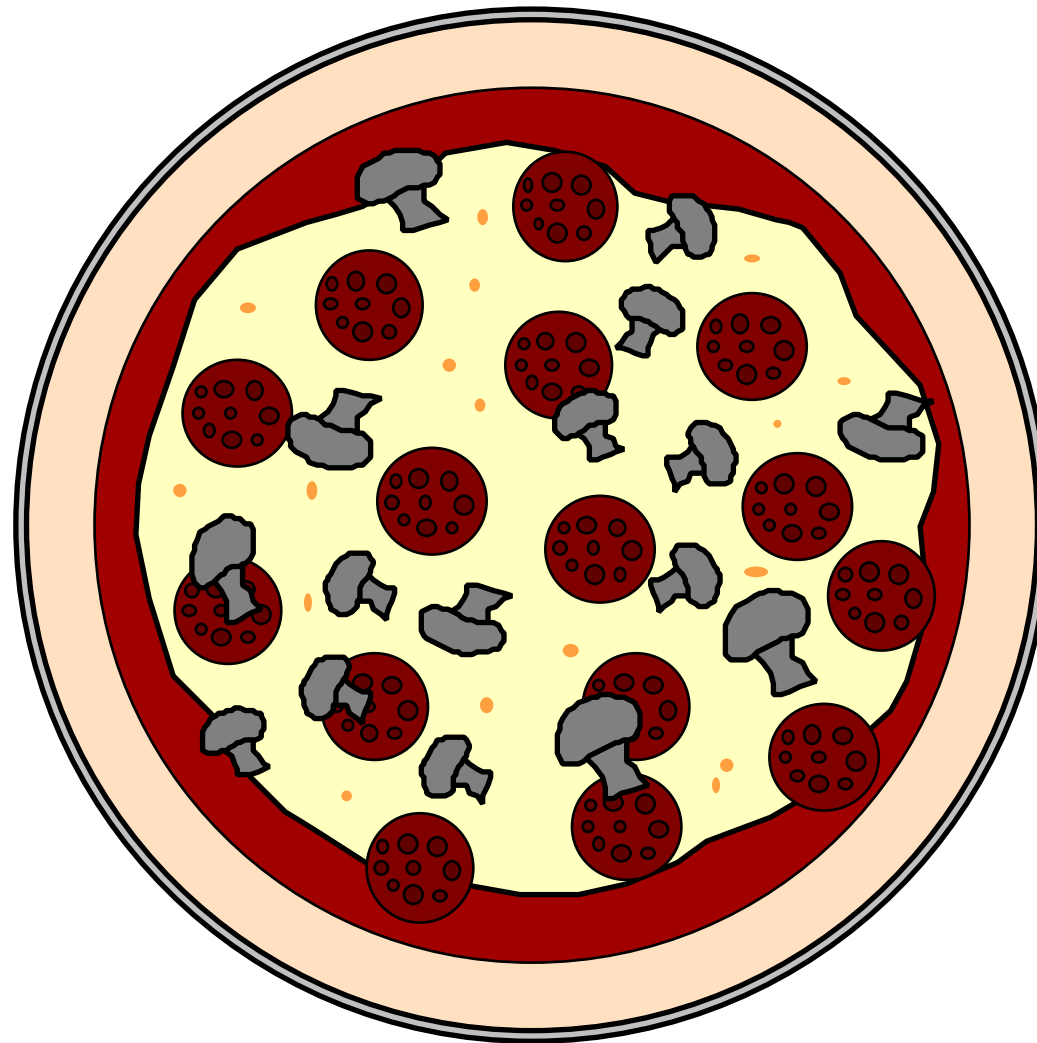
**LINQ
Systems**



M. Man

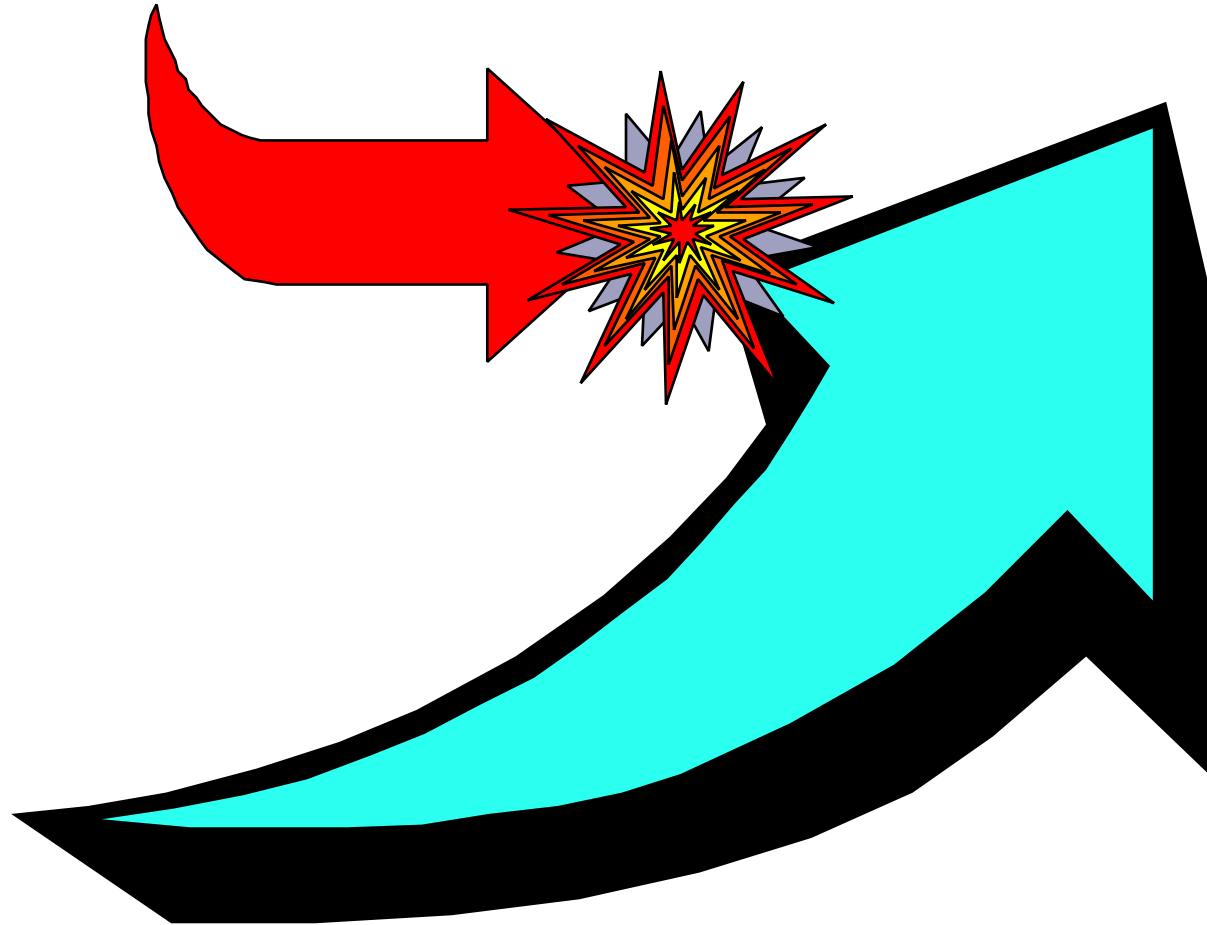
Today's special

LINQ
Systems



Low-End always kills High-End

LINQ
Systems

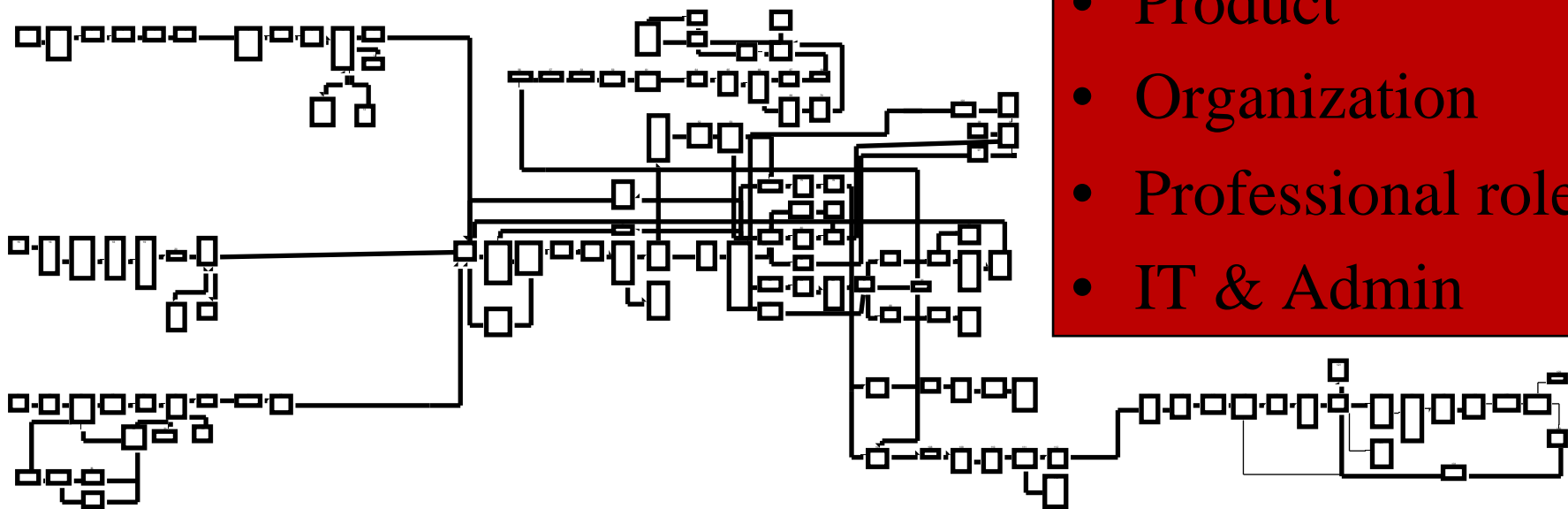


Processes in perspective

Every activity in a process enables;
creation of errors,
generation of costs,
delay of results,
and in the best of worlds generation of value for
the customer

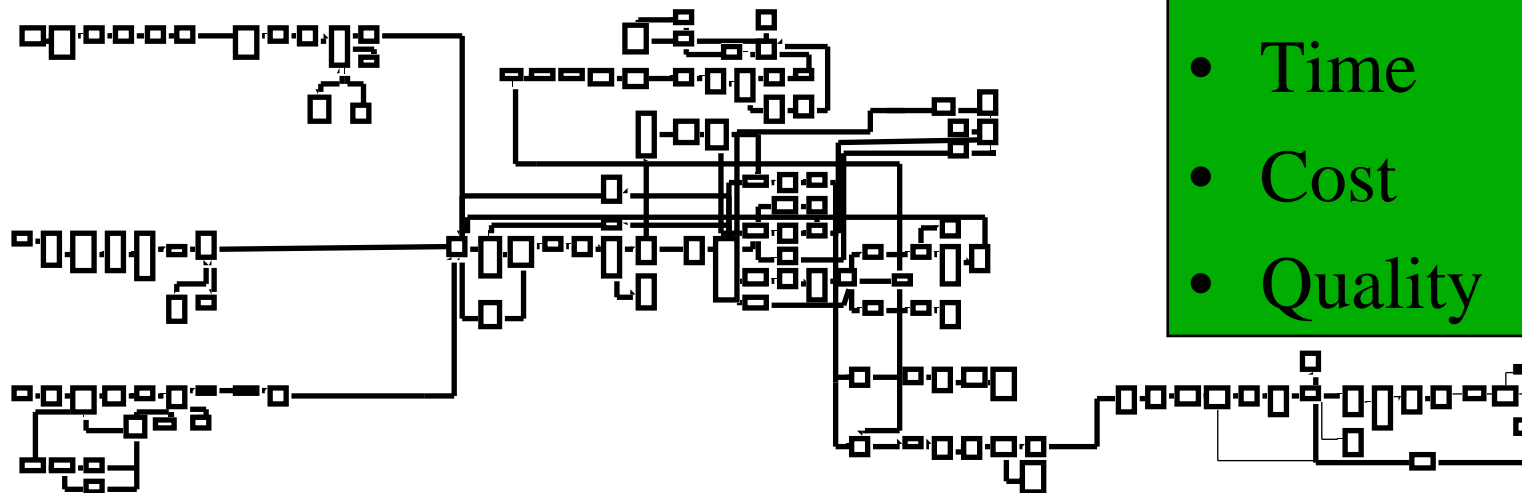
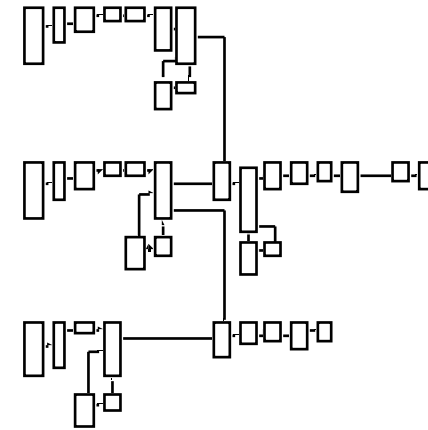


Before - 139 steps



- Product
- Organization
- Professional roles
- IT & Admin

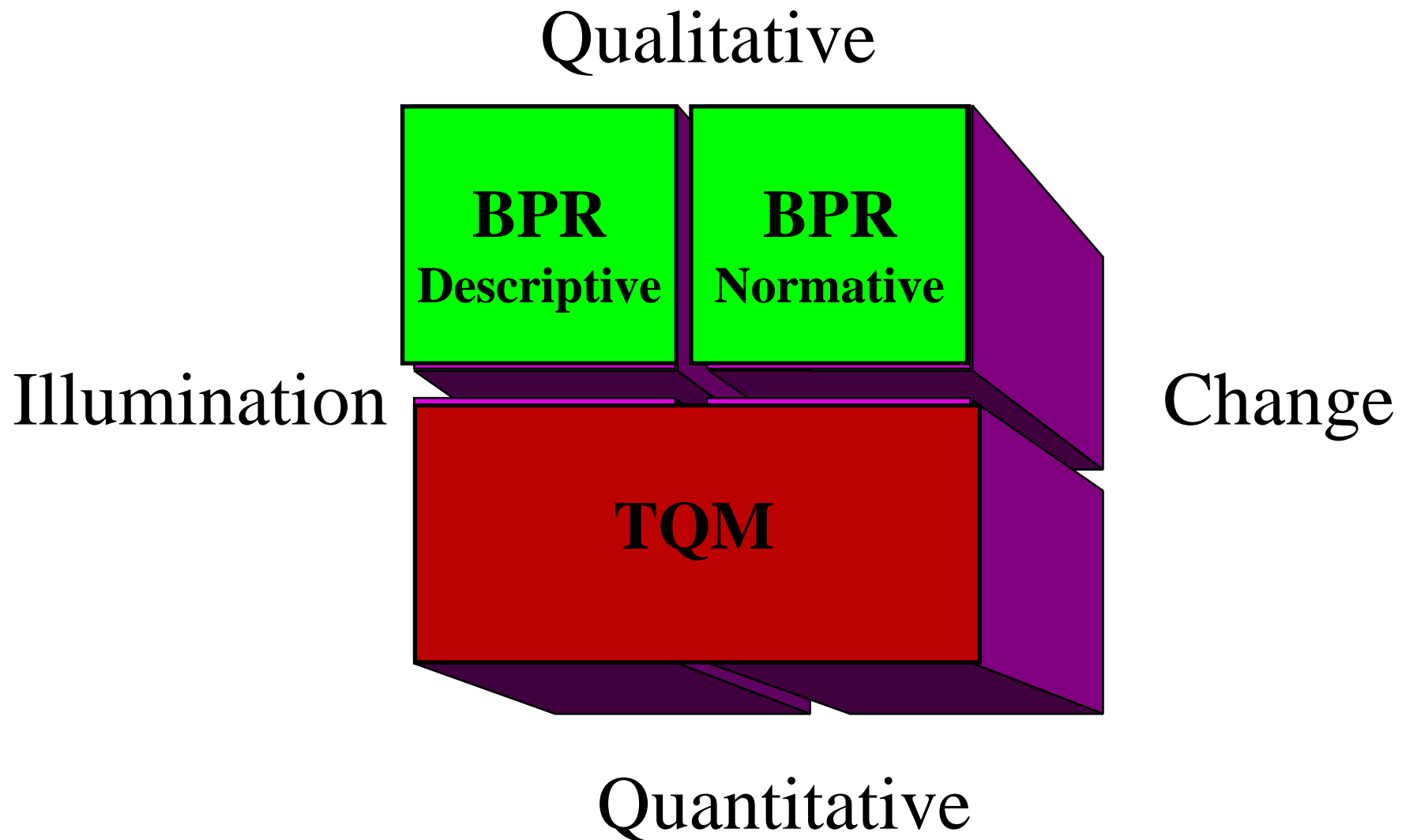
Transformation



- Customer
- Time
- Cost
- Quality

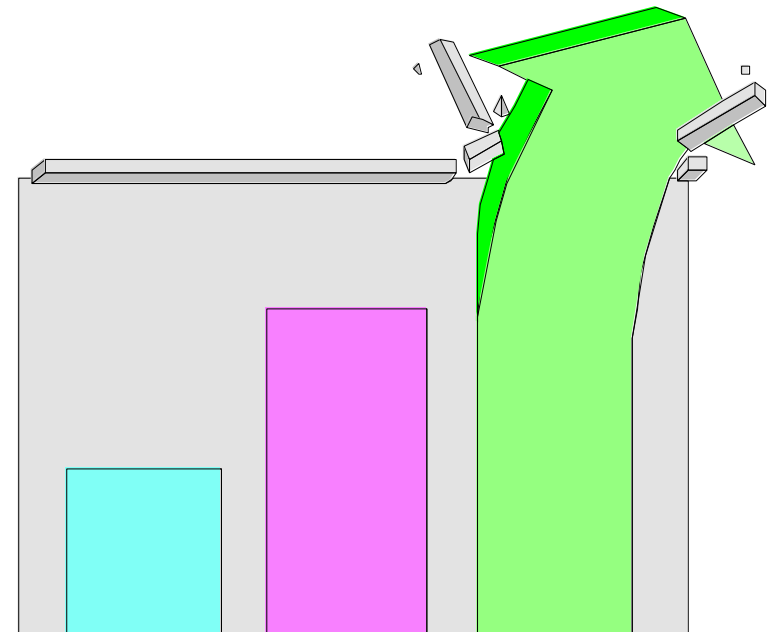
Models of change

**LINQ
Systems**

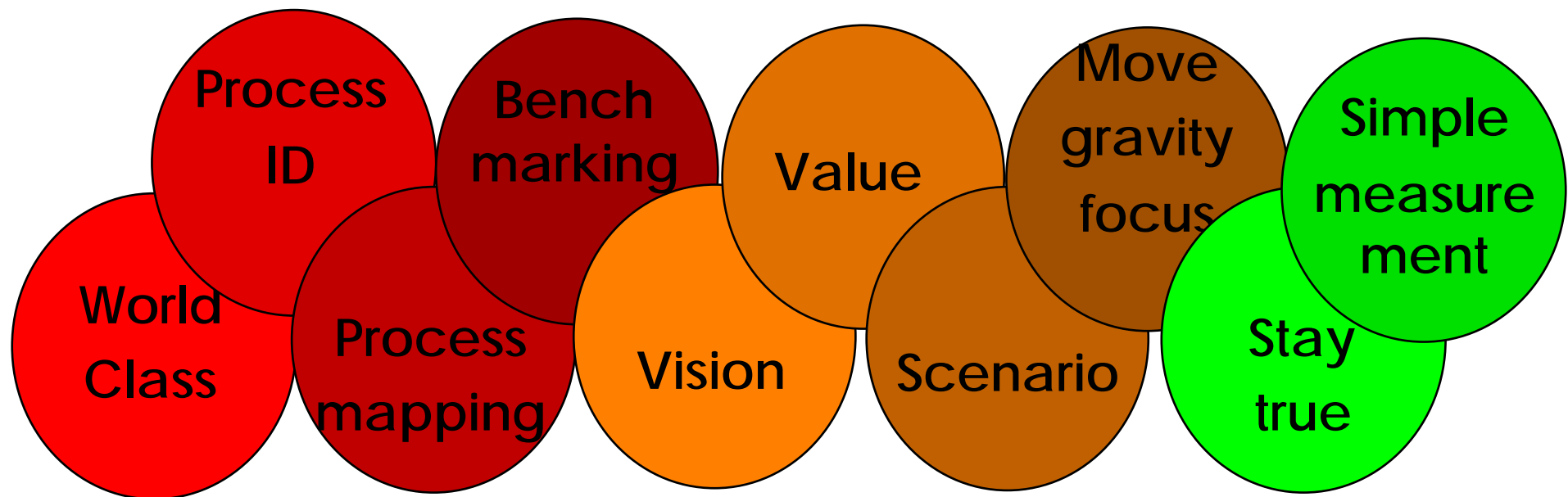


BPR - The agendas

- Revolution
 - Changing the game
- Achieving Excellence
 - Beating the competition
- Process improvement
 - Reducing costs



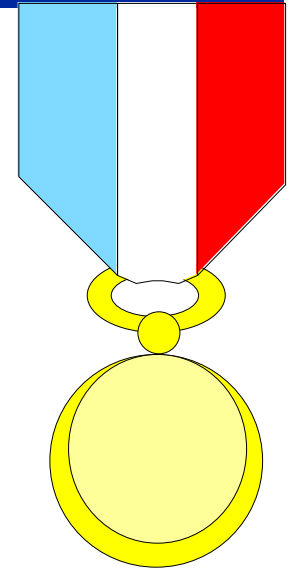
Steps & Tools - Vanilla



World Class

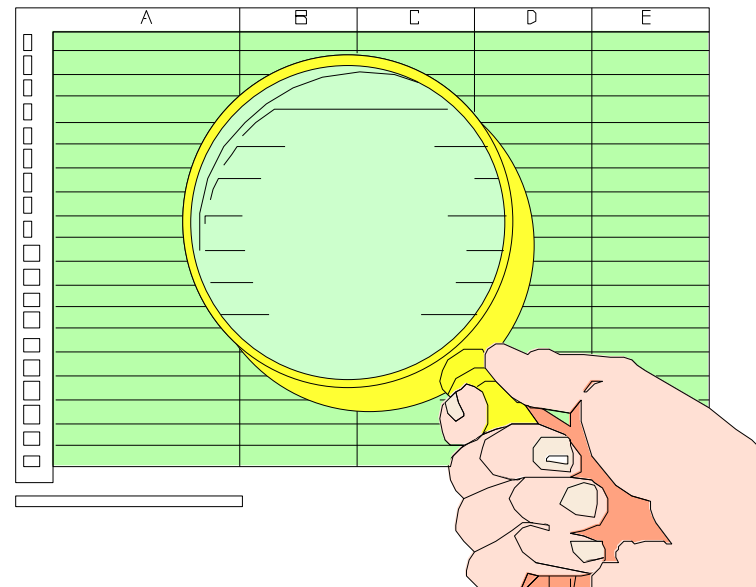
LINQ
Systems

- What is worldclass?
 - Speed Kings, FASTRAC, T50
- Form: Workshop, analysis
- Awards?
- The whole company? One process?
- Finding world class performance
- "Lasting Kiss" or "Beauty is only skin deep"



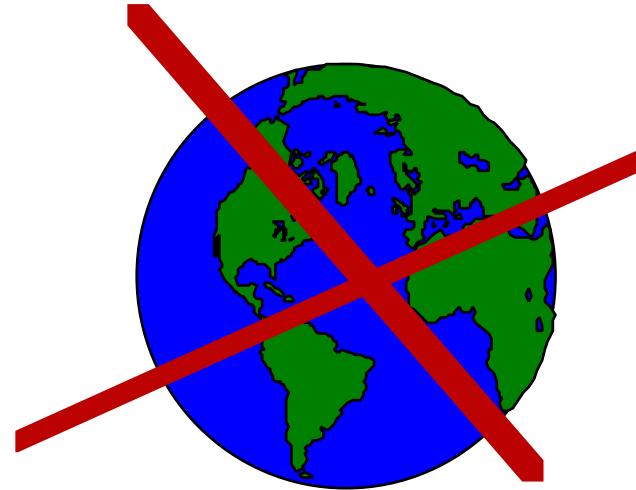
Identify processes

- In the eye of the beholder
 - Core process
 - Support process
- Form: Workshop, analysis, documentation

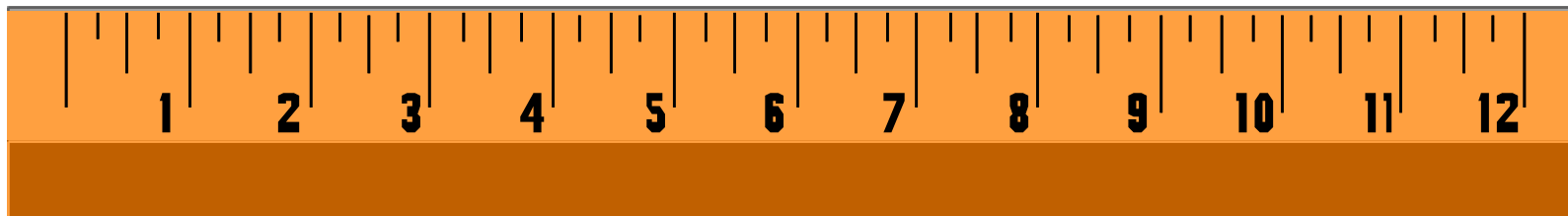


Process mapping

- Boundary: environment – resources
- Actual activities
 - Classify
 - Time
 - Cost
 - Quality/Precision
 - Value
- Form: Interviews, visits, documentation, maps

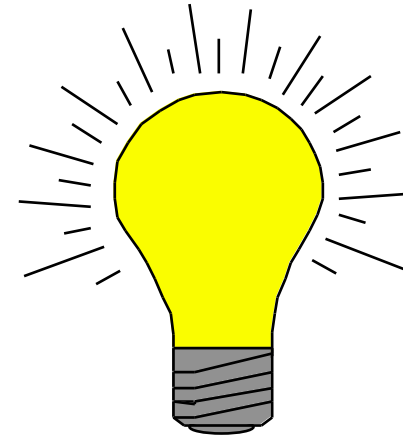


- Use partners
 - Avoid industry tourism
- Rolemodels in different dimensions
 - IT
 - Speed, flexibility, precision
- Form: Workshop, Visits/Interviews, Analysis, Documentation



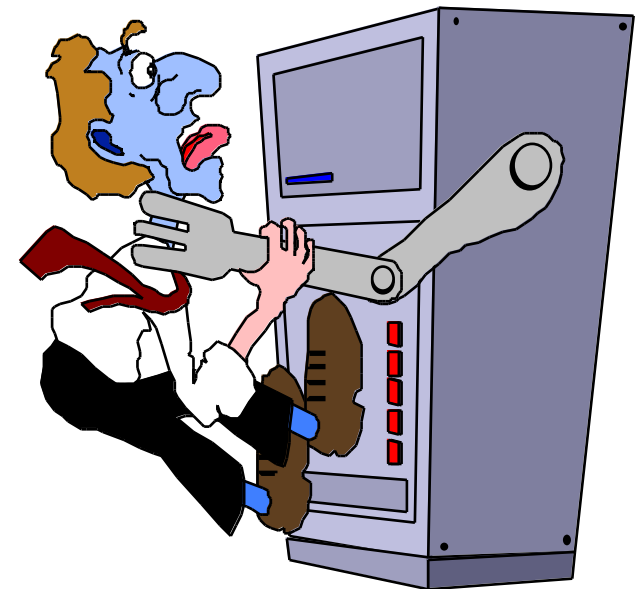
Vision - Starting all over

- Create and document the vision for the main process
- Vision - First formulation
 - How will it work?
 - Key properties - Steps, output, product, tech., org.
 - How good is it going to be?
 - Goals & Measurement - Cost, Quality, Cycletime
 - What needs to go right? What can go wrong?
 - CSFs & Obstacles - Risks
- Form: Workshop, analysis, documentation



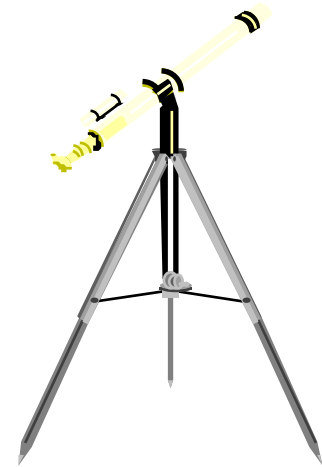
Scenario workshops

- Example IT (Present-> Vision)
- Dig where you stand
 - Renovate, Convert, Restructure
 - Facelift, Embed
- Robinson says: New System
- Form: Workshop, analysis, documentation



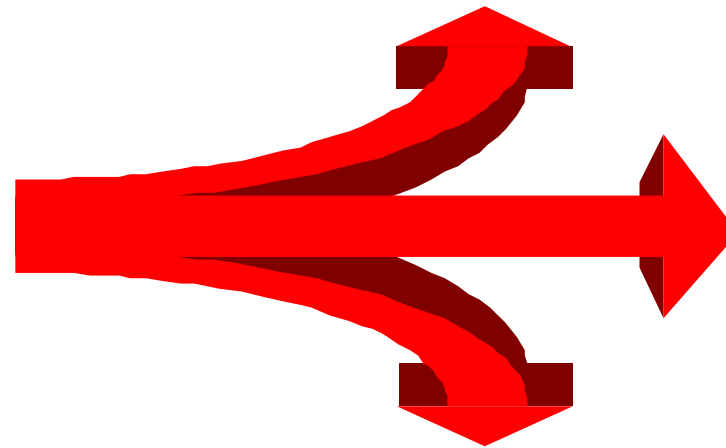
Process mapping is activity mapping

- What is really taking place
- All activities can be viewed from different perspectives



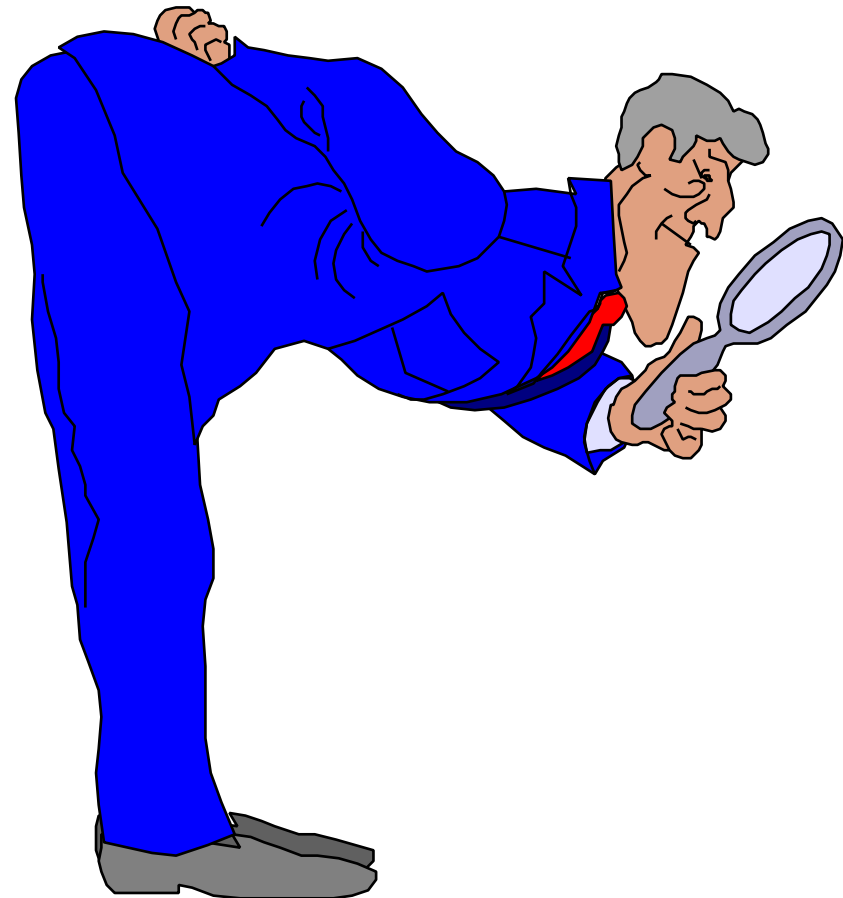
Terms - one example

- Core processes
- Support processes
- Process steps
- Activities
- Process variants



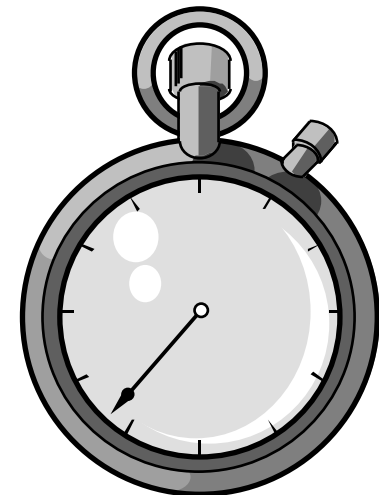
Mapping

- Time
- Cost
- Quality/Precision
- Value



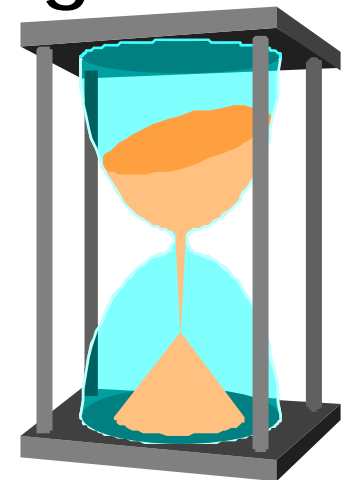
Time

- Cost ==> Time
- Financial results ==> physical results
- Capacity planning ==> Throughput
- Individual or/and departmental measurement ==> Team measurement



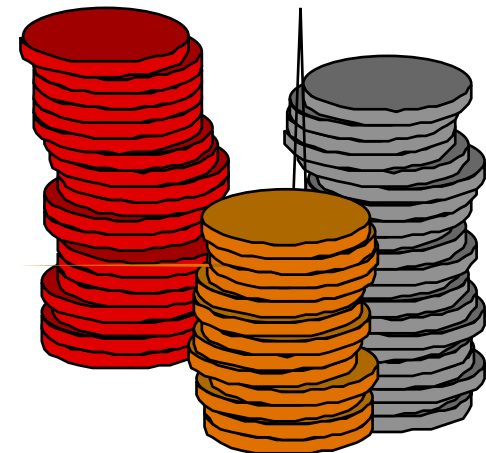
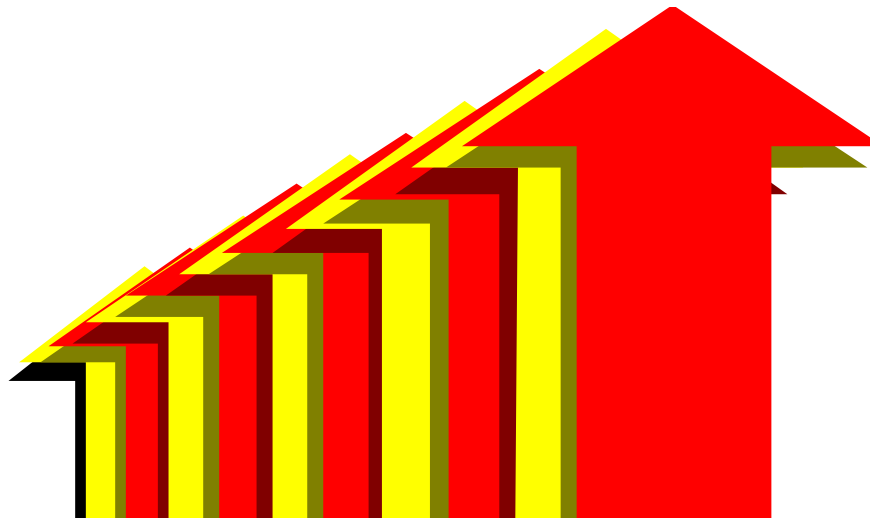
Measurement

- Actual activity time related to the process cycle time
- Classify time, i.e. transaction time, transfer time, and waiting time
- Grade activities regarding time hunger



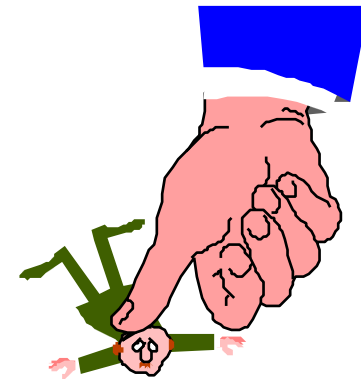
Cost

- The stairway of cost in a process
- Own cost
- Cost, up-stream and down-stream
- ABC - Activity Based Costing
- TCA - Transaction Cost Analysis



Cost measurement

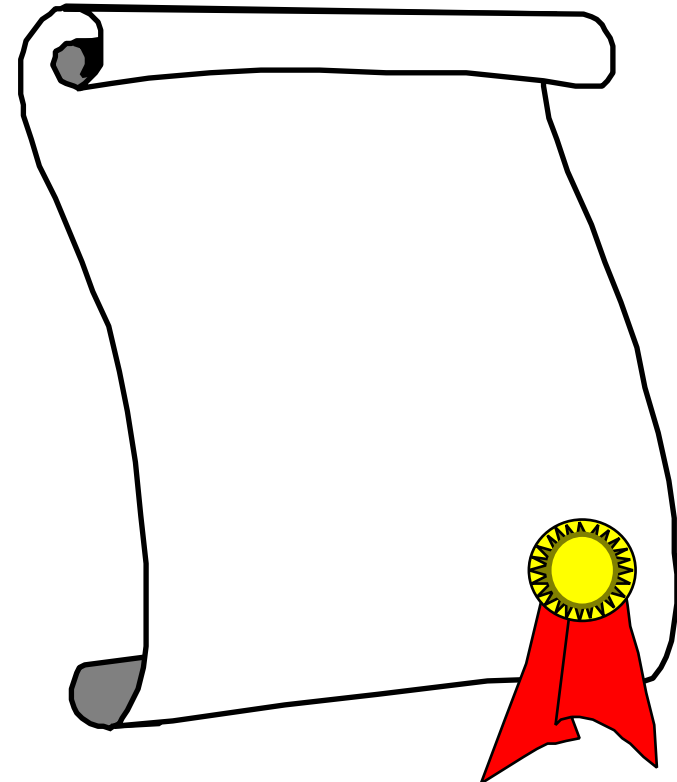
- Per process step or activity
- Separate different costs
- Cost drivers
- Classify activities in degree of cost



- Based on value model
 - Product
 - Precision
 - Economy
 - Information
 - Services
- Grade each activity in terms of value generation.



- Quality controls
- Non-quality-cost
- Sources of f faults
 - Creation
 - Identification
 - Measurement
- Grade activities in the quality aspect

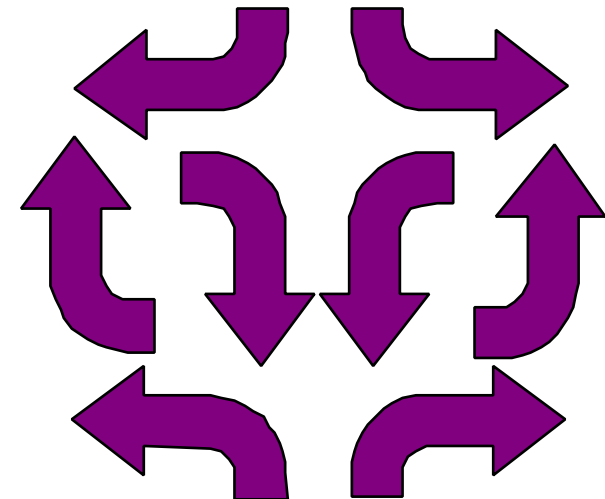


Two-step mapping

- Expert step
 - Study object
 - Backbone
- Empirical step
 - Verify
 - Elaborate, Measure
 - Pathology, layers and loops

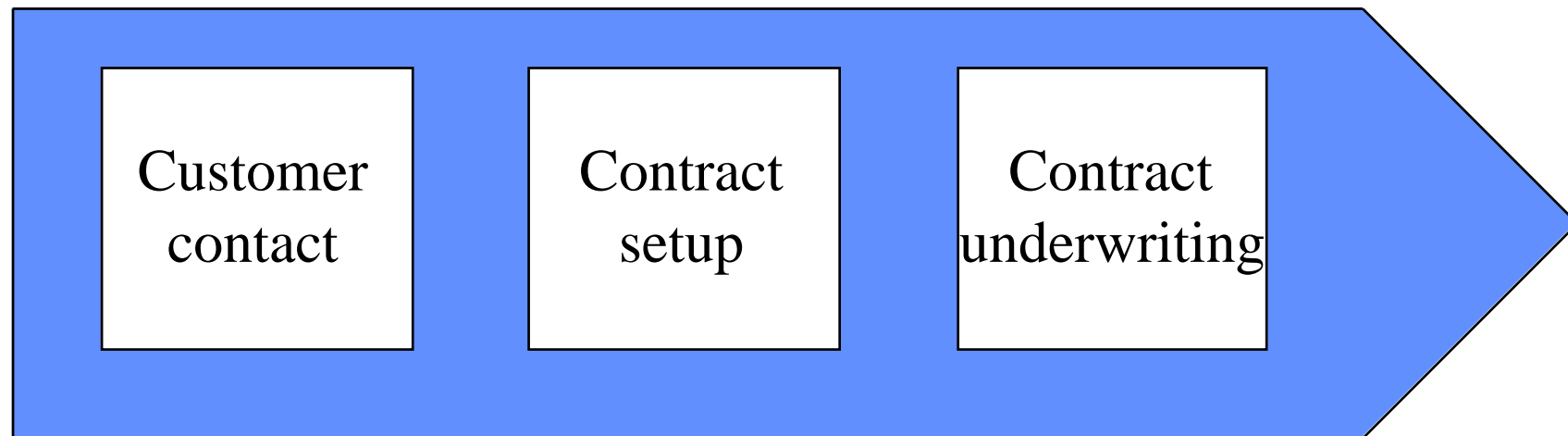


- Process overview
- Detailed process map
- Detailed variants in each dimension
 - Time, Cost, Value, Precision, Roles

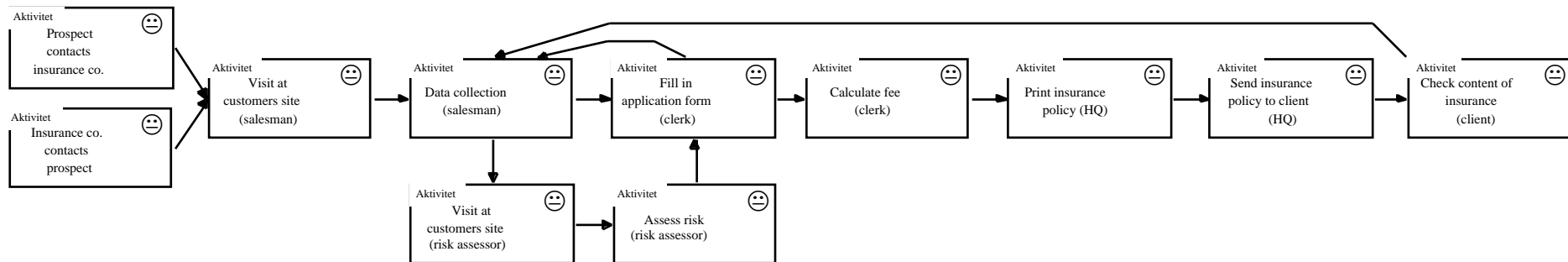


Process scheme

New Customer - insurance

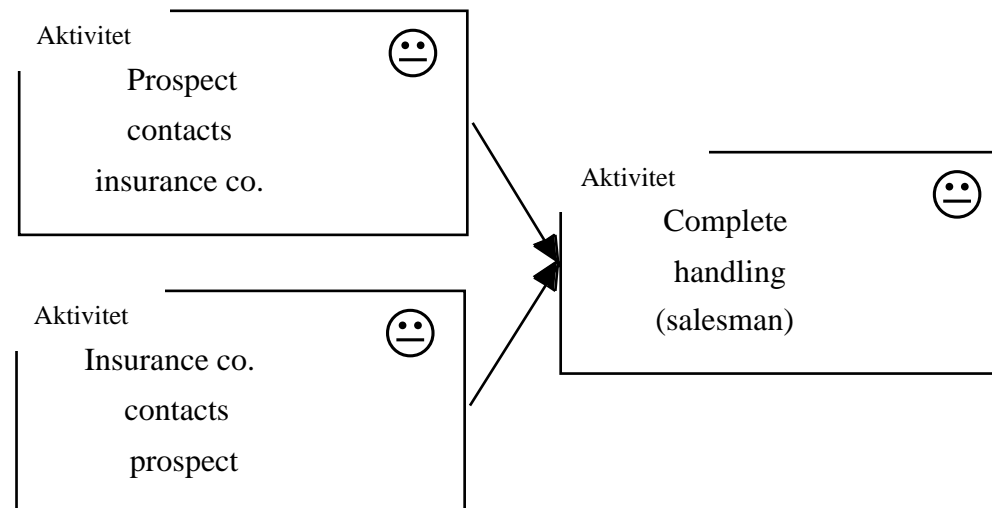


Process map



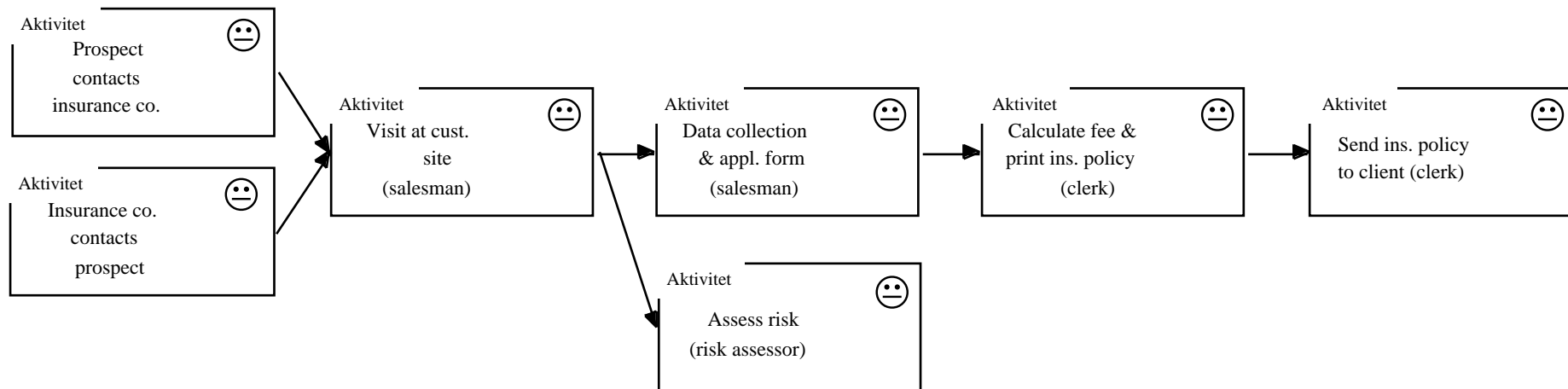
Process vision 1

Insurance fee < 20.000 SEK

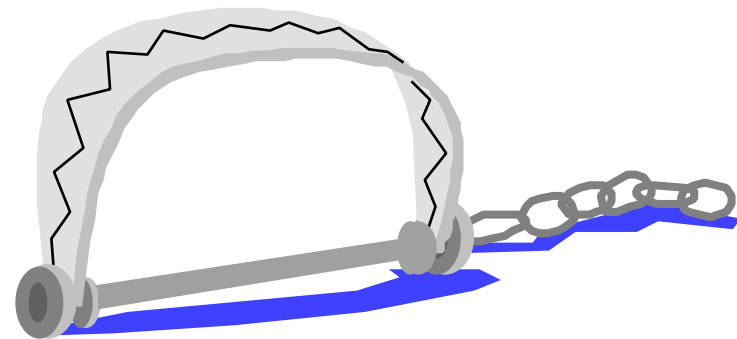


Process vision 2

Insurance fee > 20.000 SEK

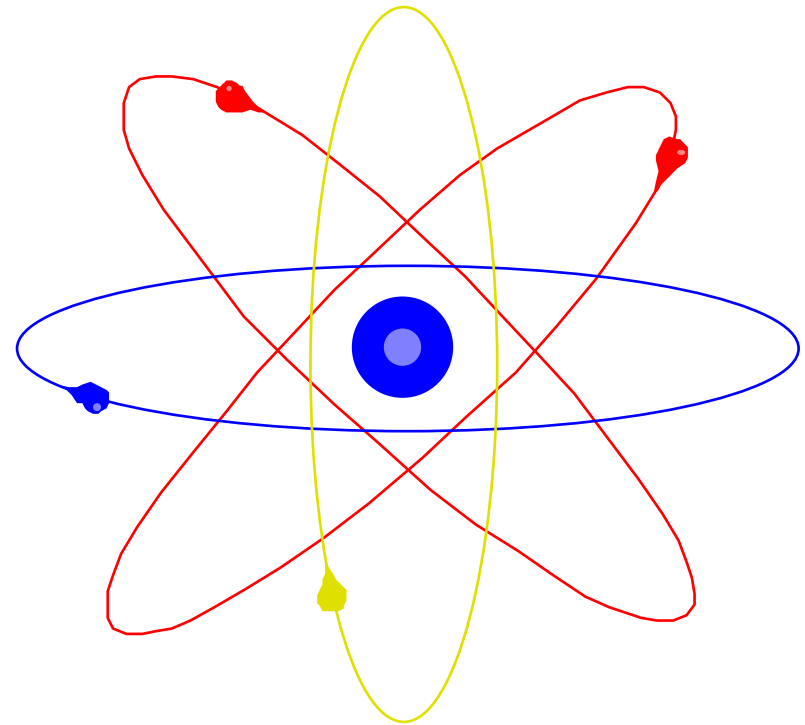


- Manually with Post-it
- In the PC with a tool
- Activity form
- Process step form
- Process variant form



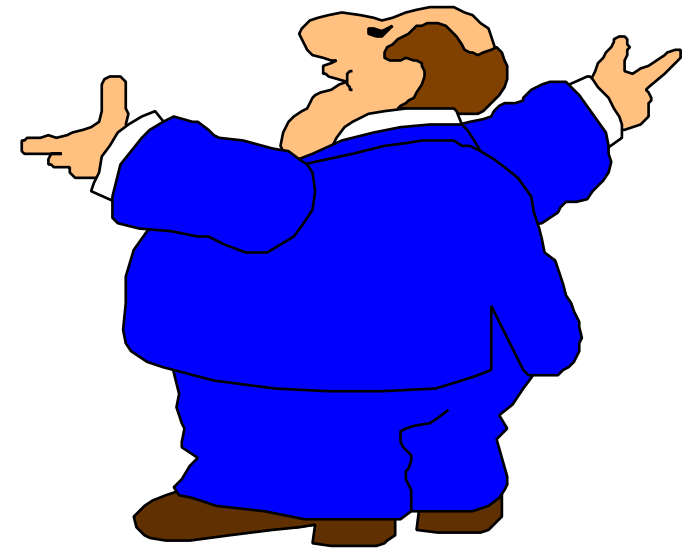
Splitting the atom

- Threat - 60 %
 - Opportunity - 30 %
 - Ambition - 10 %
-
- Defying gravity
 - Using enablers
 - Dynamics – form \leftrightarrow content



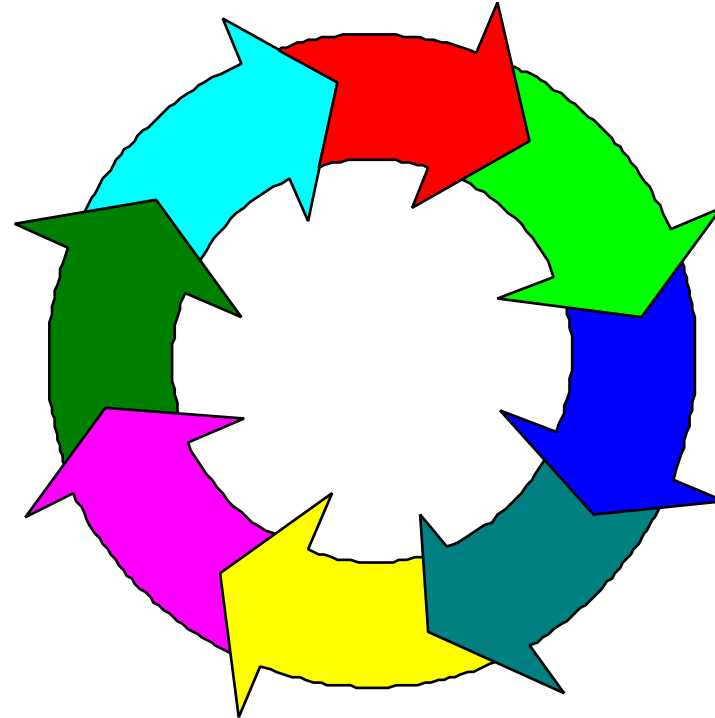
You can't make love through a consultant

- Change is a product
- One size fits all
- Catalyst & Consumable
- The nature of things
- Trade-off principle



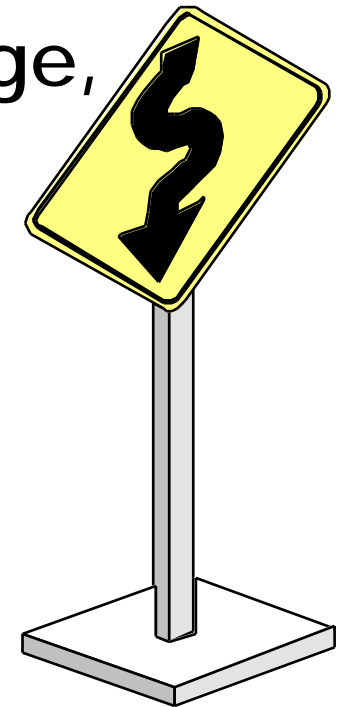
Change - five states

- Stagnation
- Anticipation
- Implementation
- Decisiveness
- Project dissolved



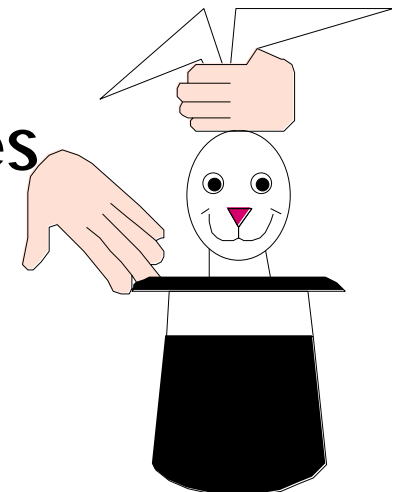
Stagnation

- Feeling: Slight boredom, waiting for the good times
- Trap: Some realize the need for change, but they can't persuade the rest
- Normal response: Business as usual
- Active response: Leadership, vision, threat or/and opportunity.



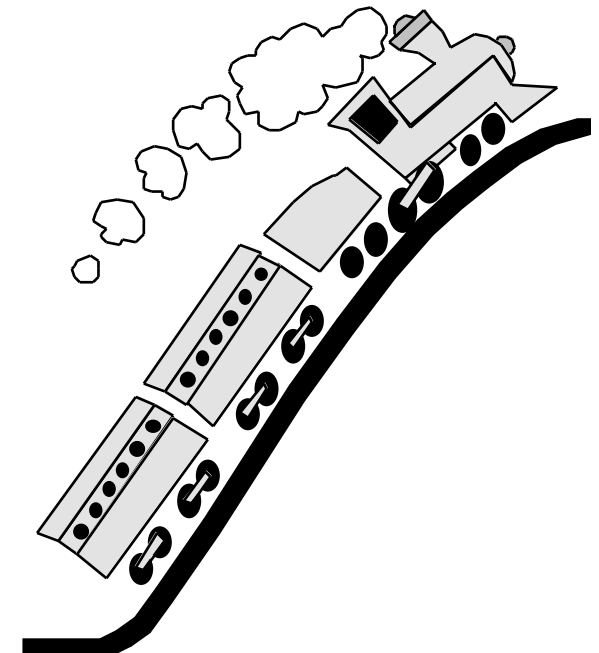
Anticipation

- Feeling: Unrealistic expectations.
- Trap: Not realizing the great difficulties.
No tension.
- Normal response: Great speeches, delegated responsibility, no result.
- Active response: 20 % of executive time is spent on: Clarifying goals, setting priorities, removing obstacles and creating common vision.



Implementation

- Feeling: Excitement & frustration
- Trap: First success & failure are magnified, distorted picture.
- Normal response: Too small investment, cut-it-off instead of sweep-it-in, Seeking change without attacking core issues.
- Active response: Increase pressure, firm grip & do not lose perspective. Remember...



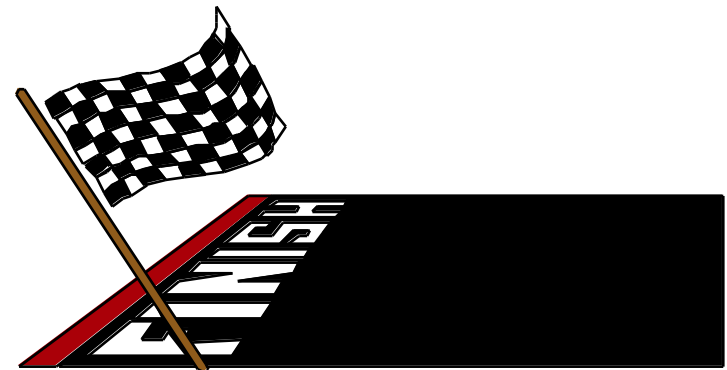
Decisiveness

- Feeling: It's difficult, expensive, and takes time and sweat.
- Trap: It's really tempting to stop...
- Normal response: The project is stopped, confidence costs unsuccessful remissioning.
- Active response: Constructive reviews, slack, support.



Project dissolved

- Feeling: OK, What happens now?
- Trap: The music stops and the lights are lit.
- Normal response: How many get this far?
The result is sacred, unjust rewards, many feel tricked
- Active response: Keep on dancing, reward all and focus on culture and attitudes.



Laundry list - Culture

- Doing your utmost
- Take initiatives
- Face risks
- Accept change
- Be decisive
- Cooperate in teams

- Share information and knowledge
- Trust others
- Respect others
- Take and accept responsibility
- Give fair feed-back

Successful change

- Crisis
- Sponsorship
- Vision
- Propaganda
- Slack
- Success
- Endurance

