



Doing Better Business

How to identify and prioritise your key business
process improvement projects



Introduction

Business today, more than ever, continues to look at ways of improving business processes. Industry analysts such as Gartner and CIO Magazine continue to rate business process improvement as a top ten initiative for most organisations. In fact it's held the number one spot on Gartner's top ten business priorities since 2005.¹

Interestingly, business process improvement underpins many of the other top ten priorities, such as reducing enterprise costs and improving workforce effectiveness making it a clear priority. Ultimately companies that focus on business process improvement seek efficiency, competitive advantage and better customer service and agree that it is a priority worth pursuing.

Companies in growth mode, such as market leaders, are trying to keep competitive differentiation, retain staff, and innovate to stay ahead. And companies trying to avoid trouble, due to price pressures, spiralling wage and resource costs, wanting to do things better. In both cases a focus of improving your processes brings efficiencies, consistency and ultimately productivity and profitability.

The Australian Business Awards² tell us that a typical benefit to cost ratio of well executed process improvement projects is usually 10:1 or higher – much higher than for most capital investments. These benefits are not just for large companies – the size of the organisation is not a limiting factor – in fact small to medium organisations can initiate change and deliver improvements much faster than Tier One companies.

The anomaly is that less than 1 in 10 businesses actively budget for process improvement. For those businesses that do, what opportunity is available to them? Joseph Juran, a well-known evangelist for quality and quality management, estimates process and quality issues equate to 25% of total operating cost in a service-based business, and as much as 40% in a capital intensive business.³ As these are annual savings they represent significant savings that may provide greater credibility for your return on investment calculation.

But what's the size of your opportunity?

Commenting on his experience with a recent Zero Harm strategy project for OH&S, Adam Williams at Serco Sodexo Defence Services says of his return; "In terms of efficiency 25% easily, results more likely to be far higher".⁴

As the opportunities you have to improve vary in size, complexity and return to the business, it can be hard to know where to start and which projects should get priority over others.

This white paper will focus on the methods you can use to quickly identify those business processes which should be a priority based on the needs of your business. The methods we discuss support rapid identification, prioritisation and delivery of your projects. By using this approach you'll get a speedy result. Most organisations do not want a 12 month research project, but desire some quick and easy outcomes delivered to the business.

¹ Worldwide CIO Survey 2011, Gartner, gartner.com.au

² The Australian Business Awards are a national awards program recognising the success, innovation and ethics of organisations across all industry sectors. Conducted annually and now in their sixth year, the awards honour Australia's industry leaders through the acknowledgment of innovative business processes, product development, enterprise, sustainability and overall business success. <http://www.businessawards.com.au/businessawards>

³Juran, Joseph: The Juran Institute Research on Cost of Poor Quality, August, 2005.

⁴Serco Sodexo Defence Services : PA client interview for case study



A Road Map

One of the key techniques to assist you in process improvement is road mapping. The technique provides steps to facilitate identifying opportunities and business priorities.

This allows you to turn your business process improvement goals into reality. There are eight steps to the road mapping process.



1. Agenda design

The first step in holding a successful road mapping workshop is an easily overlooked one. Agenda Design establishes three important factors, which lay down the ground rules for the workshop to follow:

Scope

Will you be discussing an enterprise-wide improvement initiative or improvements related to a specific department or process area? It is important to decide the boundaries of your discussion and communicate it with your audience before the workshop starts.

Audience

Who needs to be involved in the workshop? Use the agreed scope to decide who should attend. Seek to invite a broad mix of attendees, from upper (operational) management to process owners directly involved with the day-to-day execution of the process areas you wish to discuss.

Duration

Once scope and audience are agreed, you should be able to accurately estimate the time needed to hold the workshop. Road mapping workshops are most effective when you allow between three and eight hours to complete. Duration is obviously affected by the scope of the discussion, the number of attendees and the proposed depth of the conversations you intend to have.

2. Identify critical success factors

The first step, once the workshop is under way, is to list your organisation's critical success factors (CSFs). A critical success factor can – in this context – be defined as a condition to be met for an organisation or project to achieve its objectives.

Typical CSFs include customer perception, employee satisfaction, legal compliance, reputation, efficiency and sustainable growth.

A technique which can be quite useful to surface and identify CSFs is called Affinity Mapping (also known as Affinity Diagram). Give your workshop participants a set of sticky notes, and ask them to write a CSF on each. Each participant can contribute as many CSFs as they wish. Once completed, these sticky notes need to be organised into clusters of related ideas. A white board is useful here to attach the notes to so they may be grouped together as required. The value of affinity mapping is that it helps develop groupings of information that are both logical and intuitive.

To ensure the workshop is most effective, it's useful to ensure there are no more than eight CSFs that make the final cut. This is where affinity mapping becomes useful as it is an effective way of consolidating all your team's ideas into fewer categories without leaving any good ideas behind.

Critical success factors can be interpreted as an organisation's broader goals, which is why it's important to be SMART when identifying them. Where possible, choose CSFs which are:

- **Specific:** Select well-defined CSFs which are well understood by the workshop participants. Vague CSFs tend to leave too much room for personal interpretation when other measures are applied to them later in the workshop.
- **Measurable:** It is always helpful to know when a goal is met. Choose CSFs with specific measures which can be used to decide whether they've been achieved or missed.
- **Achievable:** Aiming high is fine, but the purpose of the road mapping workshop is to establish a process plan which is realistic and attainable. It is not about setting lofty targets.
- **Relevant:** CSFs should ideally be properly aligned to an organisation's vision or mission statement.
- **Time-based:** CSFs that do not have a targeted timeframe remain nebulous and intangible. The aim should be to create goals which have a specific deadline in mind.

3. Prioritise Critical Success Factors

The second step in the road mapping workshop is to gain an understanding of how your CSFs relate to each other in terms of importance.

Criteria	Customer Impact	Service Impact	Efficiency Improvement	Cross Organisational Win	Total Row	Relative Decimal Value	Rank
Customer Impact		5	1	10	16	0.54	1
Service Impact	1/5		1	5	6 1/5	0.21	3
Efficiency Improvement	1	1		5	7	0.24	2
Cross Organisational Win	1/10	1/5	1/5		1/2	0.02	4
Grand Total					29 7/10		

Create a matrix which pits each CSF against every other CSF listed, and then assign it a priority ranking. In the example above a Microsoft Excel template has been used to capture this data. Ranking scores vary from 1/10th (much less important) to 1 (equally important) to 10 (much more important).

In our example Customer Impact has been ranked as substantially more important than Service Impact, and as important as Efficiency Improvement. Once all criteria scores have been assigned, calculate a Relative Decimal Value (RDV) for each CSF.

Customer Impact has a total criteria score of 16. We'll divide that by 29.7 – which is the total criteria score of all CSFs, to get a RDV of 0.54. The CSF with the highest RDV is then given the highest ranking, and lowest RDV the lowest ranking.

Based on these comparative rankings, a clear picture will emerge of the comparative importance of the listed CSFs. These results may be surprising and could be different to the general perception or opinion of the attendees of the workshop. It is important, however, to not blithely reassign CSF rankings at this point to align them with the opinion of those around the table. Review and discuss the scores given in comparison to other CSFs. The values in the Rank column should not be modified manually, only edit the cells with yellow backgrounds.

Once we have a clear understanding of the relative importance of our critical success factors we can move on to the next step.

4. Identify process candidates

There is no definition of a good (or bad) business process candidate at this stage, although they are typically referred to as those processes causing the most business pain to the organisation. All attendees will likely have a list of processes they feel could stand to be improved, and at this point in the workshop the goal is simply to list them. No weighting or importance is assigned to any of the process candidates – simply jot them down.

Affinity Mapping could be used as a brainstorming technique to facilitate conversation but it is usually sufficient when inviting attendees to the workshop to ask them to give some thought to areas they feel the organisation should seek to improve. Try to limit your process candidates to a maximum of twenty per workshop, unless you have allotted six to eight hours for discussion.

5. Prioritising process candidates

The next step is to decide how well each of your candidates addresses each of your critical success factors.

Processes Score 0 to 10	Customer Impact	Service Impact	Efficiency Improvement	Cross Organisational Win	Customer Impact	Service Impact	Efficiency Improvement	Cross Organisational Win	Rank
1 New Policy Processing	10	10	6	4	5.39	2.09	1.41	0.07	8.96
2 Employee Onboarding	4	6	5	10	2.15	1.25	1.18	0.17	4.75
3 Complaints Management	6	6	4	4	3.23	1.25	0.94	0.07	5.49
4 Vendor self evaluation	2	4	4	2	1.08	0.84	0.94	0.03	2.89
5 Travel Request	0	2	4	4	0.00	0.42	0.94	0.07	1.43
6 New Product - Concept to Master	0	0	10	6	0.00	0.00	2.36	0.10	2.46
7 Room Booking	0	0	4	5	0.00	0.00	0.94	0.08	1.03
8 Broad Band Movers Process	10	10	8	8	5.39	2.09	1.89	0.13	9.49
9 New Equipment Process	0	6	8	4	0.00	1.25	1.89	0.07	3.21
10 Case & Matter Management	10	5	5	2	5.39	2.09	1.18	0.03	8.69

In a table format, assign a score from 0 to 10 for each of your Process Candidate / CSF combinations. In the Excel sample shown above, for example, the Travel Request process candidate has no bearing on the Customer Impact CSF, and was given a score of 0. Conversely, the Case & Matter Management process candidate directly addresses Customer Impact, and was given a score of 10.

These scores, in conjunction with the RDVs calculated during Step 3, can then be used to calculate a CSF Rating for each of the process candidates listed. In the example above, you can see Employee Onboarding and Broad Band Movers Process are the two candidates which best address the (weighted) critical success factors listed.



6. Quantify Monetary Benefits

At this point in the workshop you need to get an idea of the financial impact that each process may have on your business. This exercise will provide you with return on investment information which could be used to substantiate a business case if you proceed.

Firstly, calculate how much each of the nominated process candidates currently cost the business.

If this information is not available, a high level estimate can be calculated by identifying:

- The number of times each process candidate is run per annum, e.g. how many leave requests does your company process each year?
- The amount of time each instance takes to complete.
- The average dollar rate (cost to company) of all employees participating in this process.
- Multiply these three values together and you have an estimated cost of the process.

No	Process Candidate	# of instances pa	Hrs per instance	\$ Avg Rate	(Time * instances * avg rate)	Planned Hrs per instance	Target Fixed Cost Saving	Planned savings \$	Comment
1	New Policy Processing	2,000	3.00	50.00	300,000	2.00		100,000	
2	Employee Onboarding	36	60.00	50.00	108,000	20.00	20,000	92,000	
3	Complaints Management	500	5.00	100.00	250,000	3.00		100,000	
4	Vendor self evaluation	50	5.00	50.00	12,500	5.00		-	
5	Travel Request	100	0.20	80.00	1,600	0.20	10,000	10,000	
6	New Product - Concept to Item Master	20	400.00	50.00	400,000	300.00		100,000	
7	Room Booking	2,000	0.50	50.00	50,000	0.10	2,000	42,000	
8	Broad Band Movers Process	5,000	2.00	50.00	500,000	1.50		125,000	
9	New Equipment Process	10	1.00	50.00	500	1.00		-	

Once you've estimated the annual cost of a process candidate you need to identify the efficiency saving you will seek to achieve by improving the business process. Properly managed and implemented process improvement projects typically target an initial efficiency improvement of around 25% to 40%, but these figures may not necessarily apply to each process candidate listed. This targeted saving can then be used to calculate a rough ROI number, as shown in the example above.

7. Assess Candidates for Complexity and Risk

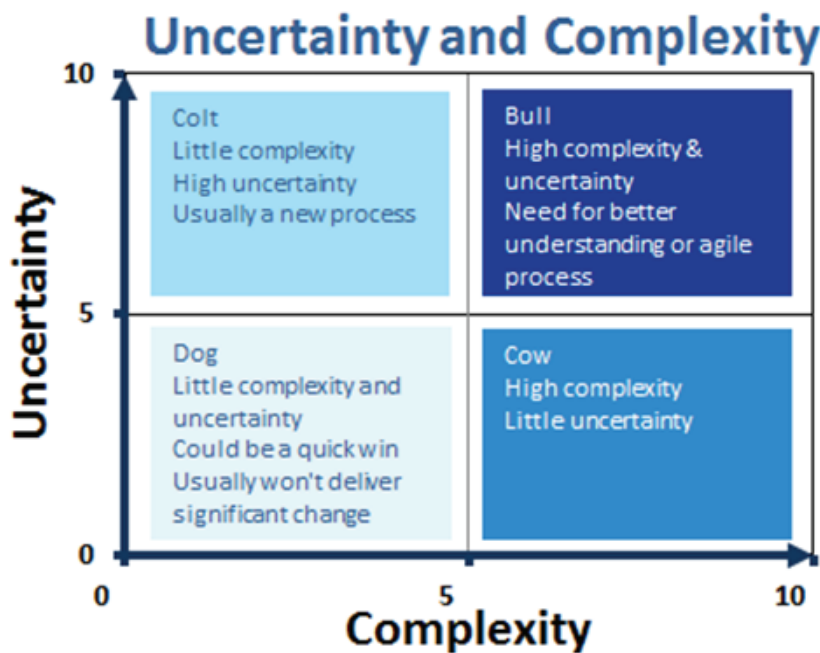
Now you've crunched the numbers, you need to get a high level understanding of the effort involved in implementing your process improvements. You can accomplish this by assigning a Complexity and Uncertainty score to each of your process candidates.

The complexity score indicates how complicated a process is – how large, how many steps and participants involved, how many integration end-points it has. This complexity score has a direct relation to the effort involved in improving or automating a business process.

Uncertainty indicates (again on a scale of 1 to 10) how familiar your organisation is with the process. For example, a core line of business process which has been running unaltered for many years would have a low uncertainty score. Conversely, a business process informed by recent legislative or policy changes may have a higher uncertainty score.

So, if complexity is about how hard it would be to automate a process candidate, then uncertainty is about how well we understand that candidate.

Once Complexity and Uncertainty scores have been assigned to each candidate they can be mapped onto an Uncertainty/Complexity Matrix.⁵



A candidate's placement on this matrix will generally have a direct bearing on the cost involved in implementing a process improvement project related to it.

- **Dog** – Process candidates in the Dog quadrant are usually quick and easy to implement. If they have a decent CSF ranking (as calculated at step 5), they may well be quick wins and should be good candidates for first phase implementation.
- **Colt** – Candidates in this quadrant tend to be temperamental, and are usually processes new to the company (such as managing a new product line). Temperamental processes can be hard to nail down, so the recommended approach would be to implement a "good enough" process improvement, which perhaps addresses 80% of your organisation's requirements. This, in conjunction with strong monitoring and feedback capabilities should enable you to implement a continuous improvement approach, making incremental changes to the business approach as requirements and organisational needs are better understood.
- **Cow** – Cow quadrant process candidates are usually rather sluggish. Well understood but complex processes can usually be nailed down with a detailed design, breaking the process steps into manageable pieces.
- **Bull** – Like a red flag to a real bull, implementing improvement projects can sometimes lead to undesirable effects. A circumspect approach is usually the best way to deal with candidates in the Bull quadrant. Discovery workshops are the logical first step when considering these processes for improvement. The aim is to reduce the uncertainty or to break the process into smaller chunks, which can usually be addressed with less risk and effort.

⁵"Context Adaptive Agility: Managing Complexity and Uncertainty," T. Little, IEEE Software, April 2005, Vol. 22, No. 2.

8. Review

Once you've compiled this information you should have a clear understanding of the way in which you should approach your business process improvement initiatives. To recap, at this stage you've captured:

- Critical Success Factors – your organisation's top business priorities have been listed and given a weighted ranking.
- Business Process Candidates – opportunities for process improvement have been identified and discussed.
- Candidate Rankings – you've ranked your process candidates in a number of ways:
 - Business Impact: The extent to which candidates address your business priorities creates a clear picture of the effect their improvement will have on your organisation.
 - ROI: By assigning realistic targets in efficiency gains you have a clearer understanding of the direct cost savings associated with implementing an improvement project for a process candidate.
 - Implementation Effort: Complexity and Uncertainty analysis gives you a high level understanding of the effort (and therefore cost and timeframe) involved in implementing an improved business process.

	Processes	CSF Rank	Recommendation	Complexity	Uncertainty	Class	Recommendation
1	New Policy Processing	8.96	Do Now	6.00	8.00	BULL	Discovery required, address uncertainty, breakdown into small change
2	Employee Onboarding	4.75	Start Planning	7.00	3.00	COW	Detailed design, focus on AS IS and TO DO, address complexity, breakdown into small change
3	Complaints Management	5.49	Do Now	6.00	3.00	COW	Detailed design, focus on AS IS and TO DO, address complexity, breakdown into small change
4	Vendor self evaluation	2.89	Nice to Have	2.00	6.00	COLT	Park candidate for future consideration
5	Travel Request	1.43	Don't Do	2.00	2.00	DOG	Not worth considering
6	New Product - Concept to Master	2.46	Nice to Have	8.00	6.00	BULL	Park candidate for future consideration
7	Room Booking	1.03	Don't Do	1.00	1.00	DOG	Not worth considering
8	Broad Band Movers Process	9.49	Do Now	4.00	4.00	DOG	Quick win, design and deploy, make this change with more substantive wins
9	New Equipment Process	3.21	Start Planning	2.00	3.00	DOG	Quick win, design and deploy, make this change with more substantive wins
10	Case & Matter Management	8.69	Do Now	3.00	8.00	COLT	Detailed design, focus on TO BE, incorporate strong monitoring and feedback and expect continuous improvement loops

Considering the amount of information captured (and all the calculations involved), this road mapping exercise can be simplified with a tool that helps you capture and organize this information in a structured format.

In the example displayed above, three clear candidates for automation were identified at the conclusion of the road mapping workshop. Broad Band Movers Process, Case & Matter Management and New Policy Processing all returned exceptionally high CSF rankings, as well as good estimated monetary benefits. When taking into consideration the classification of New Policy Processing as a Bull process, it was clear it would require a higher level of design rigor and structure. For this reason the recommendation was made to split the project into two phases. The first phase would deploy Broad Band Movers and Case & Matter Management. The second phase would implement and deploy the New Policy Processing business process. This recommendation was approved by the customer and the decision was made to re-run the road mapping workshop at the conclusion of phase 2, to re-evaluate their process priorities.



Conclusion

Improving business processes in your organisation has the potential to deliver great value back to the business, ensuring your organisation becomes more efficient, effective and agile.

As the opportunities you have to improve vary in size, complexity and return to the business, it can be hard to know where to start and which projects should get priority over others.

Ensuring you tackle processes that provide the best value and business cases with strong ROI, allows you make a great start with your continuous improvement program.

Free Download

All the examples presented in this white paper were taken from Professional Advantage's Process Analyser, an Excel-based tool created with the express purpose of facilitating road mapping workshops. If you would like a copy of the Process Analyser, please do not hesitate to contact us or download the analyser from <http://www.pa.com.au/bpm>.

About Professional Advantage:

Professional Advantage specialises in helping mid-tier organisations realise the real, measurable benefits of Business Process Management. Our team has extensive experience in designing and delivering both enterprise-wide and discrete business process improvements across all areas of the organisation, in all industries.

Our business process management software solution, XMPro, facilitates change and provides rapid payback with a low total cost of ownership. Our philosophy is to help clients take control over process development and improvement, thereby providing long term autonomy. We know that it's not always necessary to replace systems. Sometimes all that's needed is a little improvement to make things work better.

Website: www.profad.co.uk/xmpro

Email: ukinfo@profad.co.uk

Phone: +44 (0)207 268 9800

Website: www.pa.com.au/xmpro

Email: xmpro_info@pa.com.au

Phone: +61 (0)2 9466 8707

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