



# What business processes can do for business leaders

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## Thinking the unthinkable

Management is a multi-faceted activity, and attempts to allocate priorities amongst those facets are doomed to failure. In management, context is all. What's most important in management depends on the goals of the organisation, the situation at hand, and the resources available. And yet there's one dimension of management that, while it may not be the "top" dimension, has some claims to being the foundation of all the others. This is the ability to think systemically: to recognise the objects of interest within a domain and the relationships between them.

Organisations suffer from a lack of *systems thinking* - which isn't surprising, because, as a discipline, systems thinking is largely absent from every level of education and training. Management training rarely includes any attention to the systems analysis and design techniques that have been developed over the last sixty years or so - largely predating the ubiquity of the computer, though offering a very powerful way of directing and taming technology's role. Systems thinking isn't about IT: it's about business.

Without access to systems thinking skills, organisations remain essentially blind to their business processes. Lacking the mental model, the language and the tools to appreciate how the business actually works, managers can't conceptualise the business. They can't see the *busy-ness*: what the organisation does, how it transforms inputs into outputs, where it adds value, and where it generates waste.

They're left with crude tools that aren't up to the job of directing the enterprise, basing their decisions on information that is at best incomplete, and at worst irrelevant. So, for example, an organisation may decide to upgrade the operating systems of its IT estate in order to gain a licence discount - rather than assessing the business value represented by its current portfolio, or gauging the transition and training costs associated with the upgrade. Generally speaking, what we might call the ills of fragmentation stem from a lack of systems thinking: point solutions, islands of information, and the silo mentality. The business community steadfastly ignores the mental equipment available to it - and wonders why it has IT headaches.

## The questions to ask

The absence of systems thinking is at the root of most common IT problems in business today. The void leads to a lack of a "big picture" for the business, which leaders may seek to supply through a creative vision, reaction to competitive pressure, or blind luck. The systems thinking deficit also means that there is no common, professional vocabulary to enable business and technology people to work together more efficiently and effectively. Most seriously, there's a lack of an *agenda-generating mechanism* to guide and validate development activities.

Without systems insight, decision makers do not know which questions they should be asking. Business abhors an agenda vacuum, which is why so many busy IT leaders are run ragged pursuing the answers to



questions that are irrelevant or nonsensical. They chase metrics such as “system availability” and “customer satisfaction” without being able to contextualise either of these properties. Or they allocate IT spend against

business users in an attempt to find out who’s using which resources for what business benefit - only they can’t really define, or subdivide, or allocate, or value “business benefit” in the first place. It’s a bit like trying to gauge the effectiveness of a hospital by looking at its electricity bill.

Systems thinking is an abstract, conceptual skill, but it’s not an academic one. Some of the finest systems thinkers we know learned their skills not in a classroom, but from walking the business. They have lived the business at every level, gaining first-hand knowledge of how events play out, and how activities impact on each other. So, for example, if you’ve worked on a production line, you’ll have gained a very clear understanding of what a bottleneck is, and how production pacing affects the throughput, quality and profitability of an enterprise.

But as businesses atomise and evaporate, becoming in themselves more abstract and information-intensive, so the opportunities to learn systems thinking by walking the business are reducing. There’s little to touch or smell in a contemporary financial business, for instance. Even in apparently high human-touch areas such as education, healthcare or the performing arts, the “business” of the organisation rests in abstract goals and measures rather than in physical properties. To make matters worse, in the traditional “heavy” industries, physical plant and stock is now less significant than invisible business elements such as platforms, intellectual property and strategic alliances. You can still walk around a car plant, but you won’t be walking the business any more.

In order to acquire systems thinking skills relevant to the modern era, it’s necessary to make an imaginative leap from the physical manifestation of the business to the conceptual properties that are driving it. It’s about seeing behind, and beyond, the immediate evidence.

## **Reactive management of IT**

So, managers don’t know the right questions to ask. But, in many ways, it’s worse than that. In most cases, they don’t know that there *are* questions to be asked. They don’t realise that they have options. Where they could be seeing opportunities to make decisions, they see simple constraints. Instead of asking questions, they make assumptions.

The result is that managers are constantly surprised and confused by the plain facts of their IT regimes. We frequently investigate business areas only to find that the entire process suite is run on a collection of complex spreadsheets - the existence of which the IT department never suspected. “But we put a system in... Why aren’t they using that?”

Even more worryingly, we often find that managers are simply unaware of the number of processes that are involved in delivering any area of the business. When we tell them, for example, that there may be some 200 processes involved in delivering a minor change to a product or service, they’re devastated. “It’s a simple change... How can it have such a knock-on effect?”

The reaction of some managers is to hide from what they see as unwelcome knowledge about the infinite, unseen complexity around them. They need reassuring that any process map is finite, manageable - and improvable. In fact, they need gentle encouragement to see ownership of the emerging process map as the



core of their management effectiveness. If you want to stop fighting fires, or running in order to stand still, then opening your mind to the business's process model is the way to start.

## The clash of models

If you're not using systems thinking and you try and layer integrated information systems over the top of your business, then you're working with two complex models - neither of which actually represents the business. On the one hand you have an incoherent, poorly understood collection of functions that seems - fingers crossed - to make some kind of contribution to the business. On the other hand, you've got a coherent and well documented set of functions that has been purchased and applied by many, many businesses.

One system looks messy, the other looks tidy. But neither of them *is* your business. The first is an evolved failure to address the business, while the other is a generic attempt to address a market. As an IT leader, your job isn't to champion either of these models - to "believe" in one more than the other. Your job is to determine the *truth* of the business, via an intimate and objective understanding of its actual processes.

This is why organisations struggle to gain benefits even from the finest packaged solutions. Any packaged solution that succeeds in the market must, by definition, be based on a model of that market. Adopters whose business model differs from the model at the heart of the packaged solution will need to appreciate and compensate for the mismatch. But if you have no appreciation of your own business model, then how can you assess the fit of the packaged solution? Instead of realising that they are dealing with a comparison of business models, managers will often be left simply criticising the behaviours of the packaged solution. "That's not the way my business works," they say. The hard-to-hear response may well be: Well, that's how your business *should* work.

People who don't understand their own business processes are incapable of appreciating the design decisions that underpin any candidate solution. It then follows that they have no grasp of why putting systems in - any system - is hard. They believe that they are "supporting the business" by authorising changes to packaged solutions that bend standard systems to the haphazard shape of the business's unexamined and unchallenged processes.

The classic example is the organisation that requires stacks of additional reports - so that these can be delivered to other teams for re-keying. At best, companies end up with a superfast means of supporting delay, duplication and error. The technology tail wags the business dog - but no one hears the business howling over lost value.

Without a robust, explicit and complete model of the organisation's business processes, managers can't make *any* kind of useful comparisons. Not only are they constrained when it comes to assessing packaged solutions, they have no means of determining whether any of the business processes are adequate to their tasks, lacking in effectiveness, or superior to what the competition does. What the business does - the transformations it makes, and the needs it serves - can't be valued except in the crudest possible terms: that is, whether or not it stays in business.

Again, physical businesses have a natural advantage in fostering systems thinking. Work in a restaurant, and the processes of cooking and serving meals are demonstrated repeatedly, day in, day out. Every restaurant manager lives within a perpetually animated business model. For managers in white collar factories, business



processes are invisible and elusive. Recognising those processes, assessing their value, and questioning their continuation, needs a real effort of will.

## Evolutionary disconnect

Business evolves. Although managers attempt to direct the development of the business, they must also respond to adaptations that people make in the heat of battle. Arguably, in established, successful service businesses, the ability of customer-facing staff to change the operating practices of the organisation in response to real-time needs is the major factor in their continuation. Less controversially, the quality movement – in most of its guises – has shown that front-line ownership of processes is the key to both innovation and productivity in product manufacturing. However you measure the contribution of real-time adaptation to business development, one thing's for sure: someone must be responsible for assimilating the changes made in the field, certifying their effectiveness, disseminating them to other teams, and commissioning any needed changes in contingent domains.

Here's a simple example: a customer services agent taking details of a new prospect's interests discovers that offering three of the most common options cited by previous customers speeds up the data collection activity, produces positive feedback in the prospect, and generates better qualified leads. The agent shares this insight with her team, and everyone begins to use the new technique. At this point, a formal process should kick in which controls the verification and promotion of this modified process. Someone needs to ask: does this practice limit our business options, even though it speeds up the process and pleases customers? Is this practice accepted by our regulators? How do we know that these top three options will remain stable? Why do we offer three, rather than two or thirty, options? And so on.

This "someone" asking the difficult questions is, of course, a leader. And, in a business that explicitly recognises the kind of process improvement activity we're describing in this example, this role would undoubtedly be recognised and implemented. The problem is that *all* businesses – or all businesses that stay in business – implement some version of this improvement behaviour, but usually without any conscious control.

The result is a disconnect between top-down planning and bottom-up process evolution. Top management thinks the organisation is heading in one direction, whereas the people on the ground are responding to the unmediated prompts of customers. Managers are managing an *idea* of the business, rather than the actual business.

Even organisations that resist all attempts at continuous (or periodic) improvement experience major evolutionary periods as they scale up. Making and selling ten products a week from a back bedroom is a substantially different proposition from producing 300 products a week and distributing them all over the world. The core of the proposition endures: the essential properties of the product, its positioning, the benefits it conveys, and so on. But the way, or ways, in which that core is expressed differ markedly as scale kicks in.

Procuring input materials changes. The manufacturing technique changes. Partners may be brought in. Fulfilment and logistics are likely to be radically different. More staff may be needed. The business begins to trade across borders, dealing with new markets in different time zones. No owner wants to see the core of the business destroyed in a rush to scale. And yet no owner can afford to let growth destroy profit, flexibility, or market share. Sadly, the outcome of organic growth can often be a dysfunctional business, constrained by



historic choices made in response to momentary threats and opportunities, rather than being geared towards long-term business goals.

## The silent abdication of responsibility

Faced with an operational climate that has evolved without genuine strategic management, many leaders abdicate responsibility for real business change and content themselves with chipping away at the corners - or on making grand, hopeful gestures. They seek to introduce new types of point solution - often technology-led - that promise to deliver benefits without impinging on any other parts of the business. Examples in the retail space include new channels such as online stores or kiosks; in product manufacturing, the answer is usually a new must-have product feature. As you'd expect, these responses are non-systemic.

In the IT arena, abdication leads directly to the acquisition of packaged systems, or outsourcing of IT service. There's no shortage of willing accomplices ready to indulge this behaviour. Managers throw their headache into a bag, and lob the bag over the wall to an expert who promises to fix it - at low cost, and with high quality. They're looking for a silver bullet - unaware that the gun is pointing at their feet. (See: *IT is not the silver bullet to IT ills.*)

## Making a new vision

Managers who want to opt back into ownership of their business processes must commit to providing a vision of the future that others will value and follow. Some people can summon "the vision thing" from out of nowhere, painting compelling pictures of the business's future state that get everyone excited - but which generally evaporate when the organisation tries to take real action. Slogans and promises won't cut it: an authentic vision has to be the product of careful systems thinking, related to a thorough understanding of the business's goals.

Respecting and understanding business processes is at the heart of visioning. It's only by appreciating the processes you have, and how they contribute to the business's performance, that you can accurately measure your efficiency and effectiveness. Once you have a comprehensive overview of your existing business processes, then you can turn your vision into a concrete plan for change. You'll know which processes are earning their keep, and which need to be retired. You'll know which processes need a reboot, and which need a rethink.

You'll also be much better placed to assess what the market has to offer in terms of business improvement. A business process map acts as a framework against which you can judge external solutions, and which you can use to control and query investment decisions.

Once you have a business process model that faithfully represents the business, you'll be able to dispense with a great many activities that typically deflect managements and suck value out of organisations. Chief amongst these is the IT beauty parade, where business leaders look for solutions without articulating their problems, hoping that one of the eager suitors besieging the organisation will magic all those problems away.

The benefit figures stated by IT suppliers will at last find a context, because when a systems supplier quotes the benefits of moving to "industry best practice", you need to know three things. First, you need to know what your current practice is - and that means detailing your business processes. Second, you need to know



what industry best practice means - in terms of business processes. Third, you need to know what the journey from “current” to “best” practice might look like - and what it might cost.

Business process analysis delivers a vital artefact that’s missing from many enterprises, the absence of which causes great confusion, lack of cohesion, and wasted pursuit of idealised, big-ticket solutions. Think of it as the business’s instruction diagram. Your process map tells you what your business actually *does*. It’s more important than the organisation chart, more important than the HR manual, more important than the annual report. It shows you how resources are transformed into outcomes. And it gives you a means of making meaningful changes: changes that will add real value.

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Procertis Ltd are a business solutions company specialising in helping organisations extract maximum business value from their IT investments. We do this by thinking about technology only when we have understood the business. For further information tel +44 (0)1926 400822, email [info@procertis.com](mailto:info@procertis.com) or visit [www.procertis.com](http://www.procertis.com)