

The Power of Process

A Pragmatic Approach to Continuous Process Improvement

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How IT Creates Business Value: Continuous Process Improvement

It's been popular lately to cast IT as a service provider. But as we grapple with outsourcing, managed services, and cloud computing—all of which enable business units to acquire IT services from anywhere using a corporate credit card—the question arises: what distinct value can an internal IT department offer an organization? Clearly, IT wants to create business value, not just build and maintain infrastructure, not just react to demands and fix what breaks.

To create value, IT should provide the service of process improvement, for it is processes that drive business success. Through processes, customers experience and derive value from an organization. Processes define the brand. Processes determine the bottom line.

Despite the importance of business processes, many IT departments run on one-time fixes. A business user comes to IT with a problem—a process is broken. Depending on whom she speaks with in IT, a particular solution is proposed; somebody knows of a hammer for that nail and drives it in. Good. IT fixed that process (at least from that user's point of view), but what about the next. The organization may have gained a tactical advantage, a better process, but not a core strength, the ability to continuously and effectively improve processes across the enterprise.

The innovative organization embraces ongoing change, recognizing that no single process improvement project will fix a process for all time. Rather, an organization must continuously improve all of its processes to meet competitive challenges. For IT to become an enabler of such change, it must make continuous process improvement a core competency.

Unfortunately, the concept of process improvement has been caught up in competing methodologies, laden with complexity, and, for some, fraught with emotion. Should you follow BPR with its emphasis on dramatic, gut-wrenching change? Six Sigma with its statistical focus and teams of black belts? Or Business Process Management (BPM) with its complex enterprise software? How do you avoid getting bogged down in these debates before you even begin?

This whitepaper recommends a pragmatic, agile approach: start simple and build incrementally. Rather than wait for an elaborate infrastructure for the support of process improvement, just get started, keep going, and learn through experience.

The Process Improvement Value Proposition

Before making an investment of effort in continuous process improvement, it is important to reflect on its business value. As users confront you with demands for one-time fixes and short-term thinking, you will need to communicate the greater value of a process approach. And while the best language for framing this value varies across organizations, the key value propositions stand out for their simplicity and universality:

- **Customer Loyalty.** What does the customer care about your strategy, your mission statement, your organization structure? The customer cares about whether his purchase went smoothly

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and met his needs. The customer cares whether her service request was handled promptly and professionally and whether her special circumstances were accommodated. Succeeding in these moments of truth and winning customer loyalty depends on efficient, effective, and flexible processes.

- **Revenue Growth.** Whether it relates to product development, marketing, sales, or services, revenue depends on processes that win.
- **Cost Reduction.** To win efficiently demands fixing inefficient processes, processes wrought with errors, duplications, and unnecessary bureaucracy, processes that drain resources and drive up costs.
- **Enhanced Employee Satisfaction.** As the quality guru W. Edwards Deming put it, good employees lose to bad systems. While most employees want to please customers, bad processes stand in their way, frustrating employees as well as customers. An effective program of continuous process improvement, a program that gets employees across the organization involved, that shows clear results, and that moves forward with consistency, will generate employee enthusiasm, with benefits for customers and the bottom line.
- **Increased Agility for Strategy Execution.** In the competitive world of business, victories fade fast. To sustain success, organizations must chart a path ahead, adapt to market challenges, and execute on strategy. And executing on strategy depends on process improvement, for it is through processes that organizations achieve strategic objectives.

These core value propositions apply across industries, apply to businesses of all sizes, and will continue to apply even as fads come and go.

The Enduring Imperative of Process Improvement

The central theme of process improvement, evoked in many guises, has dominated management theory for a century.

Without using the word process and thinking more of the mechanical worker than the knowledge worker, F. W. Taylor recognized the importance of process optimization as early as 1911, stating the following in his seminal study, *Scientific Management*:

Now, among the various methods and implements used in each element of each trade there is always one method and one implement which is quicker and better than any of the rest. And this one best method and best implement can only be discovered or developed through a scientific study and analysis of all of the methods and implements in use, together with accurate, minute, motion and time study.

Beginning with Walter A. Shewhart's 1939 study, *Statistical Method from the Viewpoint of Quality Control*, the quality movement has likewise focused on process improvement, primarily the improvement of manufacturing processes. Following World War II, W. Edwards Deming, Joseph M. Juran, and Kaoru Ishikawa, working in Japan, refined and popularized Shewhart's ideas, introducing techniques such as the Ishikawa diagram, control chart, and Pareto chart. Six Sigma, developed at

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Motorola in the 1980s, also stresses process improvement through statistical control, striving for defect levels below 3.4 defects per million opportunities.

Business Process Reengineering, as the name suggests, likewise emphasizes process improvement, albeit improvement through radical redesign rather than the gradual improvements advocated by the quality movement. In their 1993 manifesto, *Reengineering the Corporation*, Michael Hammer and James Champy exhorted business executives to focus on processes because it is processes that deliver value to customers:

The core message of our book, then, is this: It is no longer necessary or desirable for companies to organize their work around Adam Smith's division of labor. Task-oriented jobs in today's world of customers, competition, and change are obsolete. Instead, companies must organize work around process.

Process improvement remains a key theme in management theory, with much recent writing focused around the phrase Business Process Management (BPM). John Jeston and Johan Nelis define BPM as "the achievement of an organization's objectives through the improvement, management and control of essential business processes." BPM emphasizes knowledge workers, collaboration, human interaction, and the importance of flexibility in responding to customer needs.

Debates rage on between these schools of thought. Is BPR too one-sided in its demand for radical redesign? Is Six Sigma a rehash of the quality movement, distinguished only by its insistence on an arbitrary degree of statistical control? Fortunately, there is no imperative to choose a side. We are free to learn from the many brilliant thinkers in this field regardless of affiliation.

What is imperative is to get started and make a pragmatic, concerted effort to build the capability for continuous process improvement.

How to Get Started

Get started simply. Put in place a basic framework for continuous process improvement. Apply that framework to requests for IT services. Then apply lessons learned to incrementally enhance the framework. Do not get bogged down in debates over the appropriate methodology—TQM v. BPR v. Six Sigma. Do not wait for a team of certified experts. Do not make process improvement dependent upon complex and expensive integrated suites of enterprise software.

Get started small. While dramatic increases in productivity might demand dramatic redesigns of processes, begin your efforts with smaller, well-chosen projects, the low hanging fruit. By focusing initially on modest process improvements, you avoid costly failures, gain a deeper understanding of processes, earn the confidence of stakeholders, and increase your capability for improving processes. In time, you will build the capability to reengineer with less pain and greater effectiveness.

Grow capability in iterations, learning with each effort to improve a process how to better improve processes. Keep the initial framework simple with a few key elements:

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- **Process awareness.** Communicate process awareness to the entire IT department. It takes a process awareness for IT staff to recognize that while not all requests to IT directly refer to a process, just about every request relates to a process. Whether the request is for an application, a report, or even equipment, the user making the request plans to use the asset within a process, and IT can better service that request if it understands that process.
- **Knowledge sharing.** Encourage various forms of knowledge sharing from online collaboration to seminars. Let teams share their lessons learned with a broader audience. Make training available, including books, webinars, and courses. Learning should be iterative: learn, practice, share, repeat.
- **Templates.** Make templates available for project plans, models, and requirement specifications. Start out with simple, bare-bone templates; add to them as you learn through experience what works at your organization.
- **Communication plan.** Since IT can only get so far building a capability for process improvement without a partnership with the business, create a communication plan to foster that partnership. Partnerships take time and effort to develop. The plan will certainly change, but start out with a plan so as not to overlook this important aspect of the effort.
- **IT platforms.** Process orientation does not depend on any particular software package. As Howard Smith and Peter Fingar write in *Business Process Management: The Third Wave* (2003), “BPM [Business Process Management] is not a point solution or a single product that a company can go out and buy.” And Andrew Spanyi notes in *More for Less: The Power of Process Management* (2006) that software for business process management is at most a toolset, not business process management itself. Nonetheless, technology choices matter. To avoid a proliferation of point solutions, define a general policy describing what platforms you intend to use for improving processes. (The IT enabler section below explains how to select a platform that avoids the pitfalls of purchased business applications and custom programming.)
- **Post mortems.** Insist that every process improvement project finishes with a post mortem session at which IT staff and business users discuss what worked well, what didn’t, and how such projects could be done better next time. Organizations often skip this step. When a project finishes, everybody rushes to the next adventure and forgets to reflect on and document what they learned. Besides, people worry that finger pointing could make the conversation awkward. So appoint a facilitator who will make sure the post mortem happens and that it remains focused on a productive agenda. Used effectively, the post mortem enables you to incrementally build the capability for continuous process improvement.

This minimal framework represents a starting point. Over time, experience will reveal what additional resources, tools, and skills will be of value in creating a capability for continuous process improvement.

Keys to Successful Process Improvement

The above elements will get you started building a capacity for continuous process improvement. To improve your chance for success on each individual project, incorporate the following guidelines:

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- **Remember that it's about people.** People perform processes, and no process will deliver results without the commitment of the people behind it. Imposing a process will only lead participants to find a way around it. So get as many people involved as early and often as possible. This does not mean that everybody needs to sit at the table for every decision. Rather, use every means available to encourage participation. Request input through surveys. Set up a collaboration portal. Hold a few large meetings. Give everybody a chance for input.
- **Communicate over and over.** Start with a communication plan, revise it as necessary, and stick to it. Communicate in multiple channels and formats. Adapt the frequency of communication and levels of detail to the needs of each audience.
- **Make the team cross-functional.** Important processes in an organization rarely begin and end within a single department. Significantly improving a process almost always requires changing the interfaces by which one department hands off a process to another. Unfortunately, tackling the cross-functional dimension of a process often proves tricky. Users ask that you focus on meeting their requirements without the delays, complications, and politics that go with speaking with other departments. To counter the pressure to go with a quick and narrow solution that achieves little, be prepared to explain the value of cross-functional process improvement and make use the alliances that you have built across the organization.
- **Exercise caution with automation.** Successfully improving a process depends foremost on changing behavior. Focusing too much on automation and ignoring the needs of the people involved in the process might actually make matters worse. Workflows that send emails out right and left only lead people to set up rules routing those messages to the garbage bin. Keep in mind that most processes do not have a linear flow, even if depicted as linear on a flow chart. Success depends more on flexibility and effective collaboration. The purpose is not for IT to control every aspect of the process but rather to assist participants at each step, providing whatever information and automation would be helpful.
- **Focus on the information needs of knowledge workers.** The knowledge workers engaged in a process need to make decisions that impact customers. Think about what they might need to know at each stage of the process, where that information is located, and how you can most efficiently present it to them.
- **Build metrics into the process.** Be prepared to dispute the common refrain that this particular process is special and cannot be measured. If you dig below the surface, you can find a way to measure. Just be sure to avoid metrics that are complex and expensive to collect. Make the metrics customer-focused and meaningful to the people engaged in the process. And start out with a baseline, even if crude and derived from sampling. Beware of the perfectionist impulse: the mistaken belief that metrics are either good enough to publish in a scientific journal or useless. As Douglas W. Hubbard points out in *How to Measure Anything (2010)*, the purpose of metrics is to increase visibility into a process and reduce uncertainty in decision making.
- **Align with strategy.** Try to select process improvement projects that align with the organization's strategy and use strategy to guide priorities during the improvement process. While strategic alignment sounds like a cliché, it helps to mention strategy in project documents to encourage the team to think broadly.
- **Pull ideas from everywhere.** Without adhering religiously to any particular approach, draw ideas on process improvement from the rich literature in the field. Despite the many negative reactions to BPR, the books by Michael Hammer and James Champy offer a lot of practical

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advice about how to improve processes. So too does H. Harrington in *Business Process Improvement* (1997) and Geary A. Rummler and Alan P. Brache in *Improving Performance* (1995). And do not forget the Seven Basic Tools of Quality: the Ishikawa diagram, the check sheet, the control chart, the histogram, the Pareto chart, the scatter diagram, and the run chart. The more tools in your belt, the greater the contribution you can make to process improvement.

Just as you should follow an agile approach to building a capability for process improvement, so should you follow an agile approach on individual process improvement projects. During a first go around, improve rather than perfect a process. Build iteratively, adding value to the business users and customers in each iteration.

A Platform for Agility: Enabling Process Improvement

While the most important aspects of process improvement relate to people, most process improvement projects do involve technology, and so technology decisions matter.

Ironically, IT can make itself an obstacle to agility by creating dependencies on multiple purchased business applications that are difficult and expensive to modify and that hold the organization hostage to the upgrade schedules of software vendors. A purchased application that meets the requirements today, and that seems like the fastest and least costly fix to the problem at hand, may make it more difficult to meet tomorrow's requirements. The more resources an IT department must dedicate to individual applications, the less flexibility it has to adjust to new, unforeseen opportunities for improvement. Applications, despite configuration options, are bound by limitations; customizing purchased software adds cost, inhibits upgrades, and rarely satisfies all of the business requirements.

Many organizations, seeking to avoid the costs and inflexibility of purchased applications, paint themselves into another corner with custom programming. In some cases, custom programming makes sense. Each organization's processes are in some way unique, and that uniqueness may require a custom solution to achieve maximum efficiency. However, custom programming can easily become an obstacle to agility. Despite the best intentions of programmers, software code, as it evolves to meet changing requirements, tends to grow ever more complex, making it more and more difficult to go in and change that code without breaking existing functionality.

Howard Smith and Peter Fingar summarized this dilemma in *Business Process Management: The Third Wave* (2003): "Processes cast in stone through point solutions, one-time projects, habitual work practice or the straightjacket of packaged business software are as much a liability as an asset, no matter how excellent." According to Smith and Fingar, leading organizations in the third wave are creating the capability to continually improve processes rather than entrapping themselves with the one-time fixes of purchased applications and custom programming.

To escape the buy-or-build dilemma, base your enterprise architecture on a platform that provides for extensive customization with minimal need for custom programming. By adopting such a platform, you will reduce licensing costs by breaking from the old formula of one license per user per application. You

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will reduce the cost of custom programming by minimizing the need for custom code. And you will assure that you are ready to meet new requirements with maximum efficiency.

For a platform to enable continuous process improvement, it needs to offer the following services:

- **Forms.** Business users working through a process will almost always be inputting or viewing information on a form, whether paper-based or electronic. The efficiency of forms determine in large measure the efficiency of the process. So for a platform to enable the efficient improvement of processes, it must make it easy for non-technical users to create and edit forms using simple methods such as drag-and-drop.
- **Entities and Attributes.** Forms in line-of-business applications generally represent business entities—insurance claims, job applications, customer service cases, and the like. Each entity includes a set of attributes for data points such as name and address. In the past, a programmer might model these entities through tables and fields in a database as well as through code. A platform for process improvement must therefore make it easy for business people to build these entities and attributes through a simple user interface, defining these elements with words and phrases that make sense to them.
- **Collaboration.** Most processes involve several employees working together to service the needs of customers. A platform must make this collaboration as easy as possible. Likewise, it must make sure that everybody does their part and that no task falls between the cracks. So a platform must provide a flexible approach to managing task items as well as appointments and conversations. And for real-time collaboration, the platform should integrate with a unified communication system.
- **Workflow.** A platform that enables process improvement should make it as easy as possible to automate those steps in a process that can be automated. This may involve extensions that tie into other IT systems. Or it may involve automatically creating the tasks necessary to assure effective collaboration. In either case, what is needed is a workflow tool set that is both user-friendly and extensible.
- **Document Management.** Many processes still revolve around textual documents, which remain a simple means of flexibly handling unstructured content. Hence, a platform for process improvement must include the capability of managing documents, which means the capability to store, version, check-in, check-out, and search based on text and metadata.
- **Analytics.** The knowledge worker engaged in a process, the manager responsible for the process, and the executives trying to see across processes to gauge enterprise performance—all need their distinct views into process metrics. Therefore, a platform must provide tools for visualizing metrics at multiple levels. These tools should include basic wizards for building charts, more sophisticated reporting tools for advanced users, and tools for displaying visualizations in dashboards.
- **Integration with productivity applications.** Knowledge workers spend much of their time using productivity applications for word processing, calculations, and email. More specifically, most knowledge workers spend their days in Microsoft Outlook, Word, and Excel. Therefore, a platform can most effectively improve business processes by connecting those processes to the tools that users keep open and rely on throughout the business day.

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- **Extensibility.** In an ideal world, a business analyst would configure processes through a user-friendly toolset without any need for programming. However, we have yet to reach the point at which all requirements can be met without programming. So what we should seek is a means of minimizing custom programming while retaining the ability to extend solutions through programming when necessary.
- **Web Services.** No matter how flexible, no one platform will meet every need in an enterprise. Moreover, with the exception of start-ups, all organizations have in place mission critical applications, which are impractical to replace in the short term. To accommodate this reality, a platform must make it easy to integrate with these existing systems by exposing its functionality through standard web services and by consuming the web services of other systems.
- **Security.** To protect the privacy of customer information, organizations must control who can share information. Therefore, a platform must provide access controls that are straightforward, easily managed, and granular. In addition, compliance regulations make audit capabilities likewise essential.
- **Cloud Option.** Cloud computing enables scalability, giving even small organizations the agility to ramp up quickly in response to demand. To gain the full benefits of cloud computing, keep your options open. Be ready to take advantage of private clouds, hybrid clouds, and the full marketplace of public cloud providers. Avoid any platform vendor that would restrict you to its cloud infrastructure, a ploy that essentially turns the cloud into a cage.

In addition to these criteria, select a platform provided by an established vendor, supported by multiple well-established service providers, adaptable to your existing infrastructure, and compatible with the skills of your IT staff.

Microsoft Dynamics CRM: The Simplicity of Success

Microsoft Dynamics CRM superbly meets all of the above criteria through a user-friendly extension framework known as xRM—eXtensible Relationship Management. Dynamics CRM was built from the ground up on standard Microsoft technologies to provide a rapid development platform for line-of-business applications, applications that can be built by non-technical users and refined where necessary by developers. Indeed, Dynamics CRM distinguishes itself through its user-friendly interface, empowering both the people designing applications and the end users of those applications.

Building on a platform that provides CRM capabilities out-of-the box makes a lot of sense because those processes that matter most are those that directly impact customers. These processes both gain from and contribute to the creation of a 360 degree view of the customer. However, even if you choose not to exploit its out-of-the-box capabilities for sales, marketing, and service, the flexibility and ease-of-use of Dynamics CRM makes it an ideal platform for improving processes.

Microsoft Dynamics CRM does an outstanding job of integrating with the Microsoft Office suite. If the knowledge workers in your organization spend their days in Microsoft Outlook, Word, and Excel, Dynamics CRM offers tremendous practical value. The export to Excel button appears everywhere in the application, enabling users to grab information quickly and manipulate it in any way that makes sense to

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them. And users who live in Outlook can work directly with your solutions in Outlook without ever leaving this familiar interface.

Dynamics CRM complements Microsoft SharePoint, a platform for collaboration, document management, and enterprise search. Through the integrated capabilities of Dynamics CRM and SharePoint, you gain the flexibility to combine structured and unstructured content in whatever way meets your business needs.

Moreover, Microsoft supports a worldwide ecosystem of partners, including independent software vendors, system integrators, and cloud hosting providers, which offer you a tremendous range of choices when it comes to obtaining support to assist you in growing with Dynamics CRM as a platform.

Take the Next Step

Avoid the traps of point solutions and custom programming. Make the strategic choice to embrace a platform for continuous process improvement.

Get started right away by viewing demos, reviewing case studies, and signing up for a free trial at <http://crm.dynamics.com>. Follow the Dynamics CRM team blog at <https://community.dynamics.com/blogs/crmteamblog/default.aspx> for the latest news.

About the Author

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