Principles of Process Management

CHAPTER

3

IN THIS CHAPTER

This chapter lays the foundation for the methods, techniques, and activities that make up the process of transforming an organization. I will build a basis that, once understood, will allow you to guide yourself through the confusing maze of options.

By taking an approach that relies heavily on a simple set of base principles, everyone involved in renewal work will be able to understand and communicate more clearly. You can make recommendations and decisions based on a set of commonly understood and consistent criteria. You can share and discuss rationale for change, as well as avoid the always dangerous approach of relying on thoughtless cookbooks that describe unequivocal steps to be followed, even when they are senseless or irrelevant. The entire method should become a useful guide that helps you exercise judgment more confidently.

This chapter has been partitioned into two sections. The first section defines concepts to help you understand the terms often used in process management. It will define the interaction among a number of closely aligned concepts, all of which should be exercised for businesses to function effectively and for change to become robust. The second section lists a set of guiding principles that have worked in thousands of situations. These principles are the essence of process management. When present and applied in an organization, these principles satisfy a set of critical factors for success. When absent or not applied, they highlight the increased business risk associated with a program of change.

Guiding Concepts

As I just mentioned, this section defines a number of very fundamental concepts and terms used throughout this book. It especially deals with the differentiation of the concepts

- Business
- Process
- Knowledge
- Rules

These ideas are all very powerful in their own right and are part of the search by architects and analysts to find the set of concepts which represents related, yet independent, business variables. Those variables can be isolated and changed independently to enable adaptability.

As we will see, this disentangling of concepts is a step in the maturing of organizational analysis, which has struggled with change when the concepts were intertwined and almost impossible to undo. Because we didn't know any better at the time, our business solutions exhibited a high degree of *dependence.* This caused many organizations that were previously successful in stable times to become hopelessly impotent when adapting to new business pressures and opportunities.

By managing some of these variables independently, as we learned to do with databases, we can change each relatively easily. This level of *interdependence* has been a step in the right direction. However, as happens in humans who successfully grow up, independence soon is replaced by a level of *interdependence,* wherein all factors stand alone but are connected in a set of known relationships. Any change in any one factor affects the others in the relationship, and that impact can be easily known. In this way, interdependence brings robustness and the ability to move more easily with the times. This is especially true when it comes to process modeling because, if the other variables are deeply embedded within the models, it is often necessary to change the entire process model. By defining such items as rules separately and cross-relating them to the process model, you can change the rule without changing the process design.

The same is true of the concepts examined next. It's vital that a business understand its processes, information, knowledge, and rules. We must make sure that we know the differences and the relationships among them to ensure that we don't see any one of them as the independent answer to all problems. We must work all of these concepts together synergistically to ensure that we understand their complex fit and can tweak any of them without having to change everything.

What Is a Business?

I define a *business* as any organization whose aim is to create results of value for someone who cares about those results. This is obviously a simple or, some might say, a simplistic view. But starting from the business's place in the world will help you understand how it must behave to serve its purpose.

Business as a Vehicle of Transformation

In simple terms, the purpose of any business entity is to act as a transformation mechanism. When appropriate events and conditions trigger action, customer requirements and consumable resources—such as raw materials, money, and information (see the left side of Figure 3.1)—are transformed into goods, services, and business outcomes for the customers' benefit (see the right side of Figure 3.1). These results can have a physical component, such as a tangible product, as well as an informational or knowledge-based one, such as a report, book, or expertise provided. Regardless of the nature of the delivered result, an emphasis on service and customer retention is the objective of most 21st century organizations.

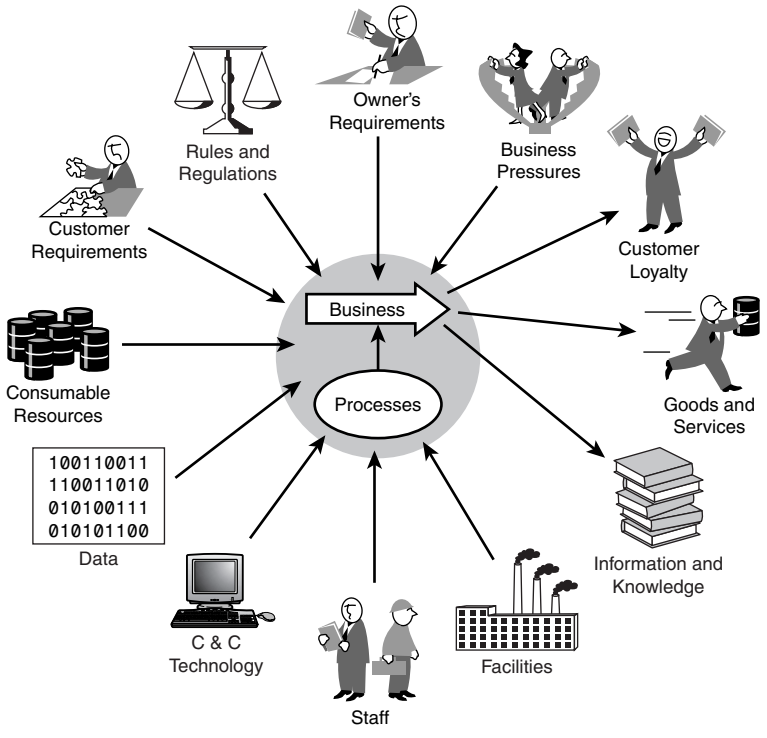

FIGURE 3.1

Understanding the business context and organizational capabilities.

At the same time that businesses are serving their customer and consumer markets, their performance is measured in terms of appropriate key performance indicators (KPIs) and evaluated against the requirements of the business owners and investors (see the top of Figure 3.1). Satisfying customers and owners concurrently while recognizing the multiple outside pressures and regulatory constraints is difficult, given the potential conflict among these guiding factors (again, refer to the top of Figure 3.1).

The business applies a number of reusable resources to enable this transformation (see the bottom of Figure 3.1). These capabilities include

- Cross-functional business processes. Interestingly, businesses might not recognize them as processes.
- Physical facilities. These include offices, factories, equipment, and tools.
- Computing and communications technology. These enable information flow, knowledge sharing, and communications.
- Human resources.

The traditional challenge of any business is to optimize results from competing courses of action, given performance objectives and scarcity of some resources. This isn't easy given the number of interdependent variables in play. It's made more difficult because the game is played on a business landscape that's changing rapidly. Different players might be playing by different rules and focusing on different time horizons. It's management's job in this environment to make the difficult decisions in a state of uncertainty and sometimes chaos.

Internal Versus External Perspectives

A fundamental obstacle in optimizing performance and flexibility is the often systemic conflict between those inside the organization and those outside it. This classic battle pits workforce performance measures and incentives against the true requirements of the market forces. The needs and wants of customers, consumers, suppliers, and shareholders will ultimately rule in any competitive business environment but might not be the focus of staff and managers.

The vertical structures of most organizations recognize and reward those who perform well against arbitrary, divisional targets. Unfortunately, these targets are often misaligned with external requirements, of which the organizations are often ignorant. The challenge is to align these two perspectives by segmenting programs of change and ultimately organizations into value-creating streams focused on and measured by outsiders, not insiders. To do this, all analysis and design need a process perspective. Process is the only way to segment a business that can be described in exactly the same terms as the business itself. A *process* is also a vehicle that delivers results valuable to those who care. That is why it must remain the primary way of segmenting change programs.

The Industrial Revolution

In focusing on managing the delivery of results to our customers and consumers, we are in a sense returning to the days before the Industrial Revolution, when work was performed completely in one place and time. Workers saw the results of what they did. Outcomes were clear, stakeholders weren't mysterious, and work processes had integrity. Craft workers did the whole job and took ownership of the results, not just small parts of it.

The advent of the Industrial Revolution in England in the late 18th century changed work significantly. Even though products and service had relatively long business cycles, everything had changed. Equipment availability and production capacity brought competitive advantage. However, financial capital was scarce because of the relatively expensive equipment and plant required.

A large pool of low-paid, uneducated laborers was clearly a commodity to be exploited. As usual, companies optimized based on their scarcest resource, and work methods were built around division of labor into repetitive simple tasks that could be easily taught. Human resources had no "value" reflected in accounting systems, which evolved to see only physical

facilities as corporate assets on the balance sheet. A business's human resource, including middle management, was considered merely a labor overhead—strictly there to control work in a hierarchical structure.

This philosophy was central to many exponents of early industrial engineering and process re-engineering approaches. They saved money at the expense of staff knowledge because employee headcount reductions were simply exercises in accounting savings with no regard for the loss of knowledge or creativity assets. In the era that valued things over people, organizations measured themselves on such factors as Return on Assets (ROA) and Return on Investment (ROI). Internally, they focused on efficiency metrics such as ratios of physical outputs over physical inputs. Industrial engineering approaches worked because similar outputs existed across companies and could be compared over time.

Quality Management Period

In the 1970s, such respected teachers as W. Edwards Deming[1] and Philip Crosby[2] recognized that traditional industrial engineering approaches had outlived their usefulness. Even though the lifecycles of products and services were still long by today's standards, traditional mass production means were under question. The customer's role was starting to gain importance. Organizations realized that by meeting customer needs for better, faster, and cheaper results, they could gain in market share. This became most apparent when customers rejected the inferior offerings of traditional U.S. industries such as automobiles and steel. Offshore competition took away significant market share.

The shortening of business cycles—which required the capability to repeat success more frequently—exacerbated this trend. Also, the growth in the service aspects of business meant that product quality alone was no guarantee of keeping one's position in the marketplace. The messages of "Customer first" and "Continuous improvement" became the slogans of many organizations. However, most of them practiced their new approaches only in small groups within large organizations. Despite some performance improvements, there was still lots of room to do better, especially when it was clear that savings in production were mostly offset by increased expense in office and overhead positions.

During the 1970s and 1980s, plentiful financial capital poured in for equipment that had now become more of a commodity than a scarce resource. Everyone was on a level playing field when it came to physical assets. A skilled well-paid labor pool was growing steadily. Businesses also started to remove layers from their deep functional organizations. Businesses started implementing customer service in addition to efficiency measures.

---

[1] Out of the Crisis, *W. Edwards Deming, MIT Press, 1986*

[2] Quality Is Free: The Art of Making Quality Certain, *Philip B. Crosby, Mass Market Paperback, August 1992*

Despite the changing business landscape, bottom-line measures still focused on ROA and ROI. Human resources were still seen as having no residual value from a corporate financial perspective, unfortunately. Many organizations would live or sometimes die to regret this oversight.

Information Technology Revolution

In the 1990s with the advent of advanced information technology, we entered a knowledge-led revolution characterized by hyper rates of change. Business cycles became extremely short. Products and services were and still are constantly in flux. Mass production and continuous improvement approaches became totally insufficient for a business to thrive. Mass customization, individualization, personalization, one-to-one approaches, and permission marketing strategies started changing everything to a relationship-based business model. In this world, customer expectations skyrocketed and are still going higher, whereas loyalty is more fleeting.

Features of this new economy, within which we still find ourselves, are plentiful liquid capital and low-priced and universally accessible commodity equipment. More and more, the large pool of educated laborers available in the last few decades is becoming a scarce resource due to a rapidly growing increase in demand for them. This threatens to limit organizations' capability to grow and adapt. Within this ecosystem, human resources are investments to be leveraged.

To survive in this new world, the integration of tasks into full processes isn't an option—it's the only way to deliver results to the outside world. The people working in them, typically experience daily variation in fuller, more complex roles. They feel that they own more of the process within more "fuzzy," less structured organizations. Clearly, human capital is now critical for success even as we struggle to find ways to measure its value.

New measurement approaches are also creeping into complement traditional financial-based measures. Return on Management (ROM) approaches such as those developed by Paul Strassmann[3] are becoming more mainstream. ROM evaluates the effectiveness of the knowledge capital of what has traditionally been called *overhead* in corporations. Measures of staff competency, experience, retention, and loyalty are also being recognized, as are indicators of innovation. Many organizations have incorporated these concepts into a more comprehensive measurement system, often called a *balanced scorecard*[4] because it looks at multiple indicators of predictive organizational health, and not just at the end-of-game score.

---

[3] *"Measuring and Managing Knowledge Capital, Knowledge Executive Report," Paul Strassmann, June 1999*

[4] *"Having Trouble with Your Strategy? Then Map It," Robert S. Kaplan and David P. Norton, Harvard Business Review, September–October 2000, pages 167–176*

In balanced scorecard world, worker incentives focus more and more on collaboration to deliver stakeholder outcomes as part of a shared team reward in a total process and relationship.

These themes are commonly accepted, and all prognosticators emphasize the critical role of customers, cross-functional processes, and knowledgeable human resources.

This transition of the economy and society requires a new emphasis on professional practices to emphasize full processes and learning. These will be discussed next.

What Is a Business Process?

As has been described so far, there seems to be an awakening to the absolute necessity of managing along process lines. This becomes even more apparent when the nature of a process is examined.

A true *business process* starts with the first event that initiates a course of action. It isn't complete until the last aspect of the final outcome is satisfied from the point of view of the stakeholder who initiated the first event or triggered it. This outside-in perspective cuts across organizational structures, geographies, and technologies, and begs the question, "How do we know the criteria for satisfactory conclusion?" More importantly, "What relationship must we have with the stakeholder who initiates action?" In other words, "Who cares?"

A true process comprises all the things we do to provide someone who cares with what they expect to receive. It also contains all the actions we take when we fail to meet those expectations.

Within any true process, inputs of all types—such as raw materials, information, knowledge, commitments, and status—are transformed into outputs and results. This transformation occurs according to process guidance, such as policies, standards, procedures, rules, and individual knowledge. Reusable resources are employed to enable the change to happen. These resources can include facilities, equipment, technologies, and people.

From this perspective, any process clearly will contain logical and sometimes illogical steps, which usually cross professional functions and, often, organizational units. It's in this realm that you'll find the lion's share of misalignments because organizational and personal goals and incentives are frequently at odds with the organization's value proposition to the stakeholder who launched the process.

In a stakeholder-oriented process, you can easily find performance indicators and desired targets for future performance improvement. The process can have measurable objectives set and performance can be evaluated on an ongoing basis based on outcomes.

A final test of a process's completeness is whether the process delivers a clear product or service to an external stakeholder or another internal process.

What Is Business Process Management?

Business process management is itself a process that ensures continued improvement in an organization's performance. As with any process, business process management requires leadership and guidance. At times, this means taking a *radical-change perspective*, meaning that the fundamental tenets of the process are under re-examination and perhaps renewal. At other times, the process might undergo a cycle of continuous review and enhancement with minor adjustments being considered. At all times, the process's fit with other processes should be understood, examined, and challenged.

Processes are assets of an organization, much like people, facilities, and information. Well managed, they will pay off in terms of performance to the corporation. Processes, moreover, are somewhat special in that they are the vehicles that synchronize the other assets and aspects of change. They are the organizing framework for all the other components. If we don't have the answer to the question, "What should we do?" we can't justify our designs for change in other organizational capabilities. The process links the changes we make to the external business reasons for their existence because only processes can be measured in terms of business performance. They exist for no other purpose. Everything else is in place to make it possible to attain the processes' aim of achieving stakeholder results. The process management hexagon in Figure 3.2 depicts this concept.

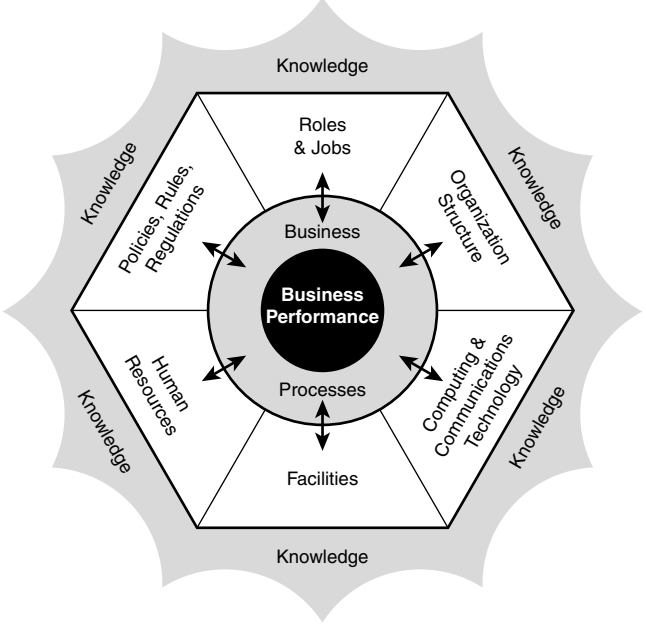

FIGURE 3.2
Process management hexagon.

Process management ensures that all other factors shown in Figure 3.2 are in sync to deliver performance. The work flow from input through transformation to output aligns with the desired results. The technology, people, and facilities enable the process to deliver repeatedly. The guidance of rules, roles, and organizational structure provides the controls to execute the process well. Knowledge and intellectual capital are embedded in a business's physical and technological assets and embodied in its human abilities. The hexagon in Figure 3.2 is always under stress. Process management is the never-ending journey that maintains the balance and keeps an organization pointed in the right direction.

What Is Knowledge?

Today, many businesses emphasize those processes that create knowledge in the form of new products and services or those that exploit created knowledge in the conduct of day-to-day activity. Thus, knowledge workers draw on their experience or their documented references more than ever before. *Knowledge* in business guides humans in making judgments, formulating decisions, and doing work. Knowledge in this sense provides context. It tells us who, what, when, where, why, and how to be most effective.

Implicit in this view of knowledge is the assumption of relevance to a business or a process objective. From this perspective, knowledge is different from information in that knowledge is the guide that helps us use data and information to attain results. *Information* is what's processed; *knowledge* is how and why information is processed.

It has become an accepted convention to divide knowledge into two major types: tacit and explicit.

- *Tacit knowledge* exists within a human being. It is *embodied*.
- *Explicit knowledge* has been articulated in an artifact of some type, rather than existing solely within a human being. It is *embedded*.

Table 3.1 outlines the advantages and disadvantages of each.

TABLE 3.1 Tacit Versus Explicit Knowledge

Advantages	*Disadvantages*
Tacit Knowledge	
The most powerful form of knowledge	Difficult to articulate formally
Drawn from real experience	Difficult to communicate and share
Includes insights, feelings, culture, and values	
Hard to steal or copy	
A source of creative advantage	

TABLE 3.1 Continued

Advantages	*Disadvantages*
Explicit Knowledge	
Can be articulated formally as pictures, models, and documents	Can become obsolete quickly; has a lag
Can be duplicated and transmitted easily	Easy to steal or copy
Can be processed and stored automatically	
Can be shared, copied, and imitated easily	

A survey of the popular dictionaries provides three main distinctions of the word knowledge: *recognition*, *guidance*, and *ability* (see Figure 3.3). Often, more than one of these is at play in a business dialog, transaction, or relationship, and the distinction of which meaning applies when in a business can be critical.

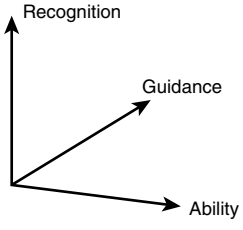

FIGURE 3.3
The three dimensions of knowledge.

Recognition

Recognition is the shallowest level of knowledge. Unless you can identify a problem, the application of knowledge won't occur because no action will ever be taken. Recognizing a problem with a customer relationship is a critical first step to resolving the problem or avoiding further problems. However, recognition by itself not sufficient. Many people will claim they "know," about a problem area, but what they know remains shallow compared to those who are knowledgeable in other dimensions.

Guidance

Guidance, or *referenceable knowledge* that tells you what to do, is the next dimension of knowledge. Guidance requires rich and deep sources with specific relevance so that an appropriate action can be taken. Without it, people might recognize a need or know how to do something but they would lack the specific context needed to do the right things correctly. Once a problem with a customer relationship is noted, it's imperative to find out more details, which then guides the appropriate response.

Ability

The third dimension of knowledge is the *ability* to accomplish some result that is of value to someone who cares. This know-how is obviously essential to the smooth functioning of an enterprise. Having this deepest form of knowledge often differentiates the enterprise from its competitors. Clearly, someone must be able to do what it takes to resolve a customer relationship problem, after it is recognized, and appropriate guidance is gained. Applying the three levels of knowledge enables a business to do the right things in the right way.

Applying Knowledge

By identifying the two types of knowledge and the three dimensions of knowledge, we can explore what knowledge is important to business. This can be represented as a two-by-three matrix, which I have named the Burlton Six Pack (see Figure 3.4).

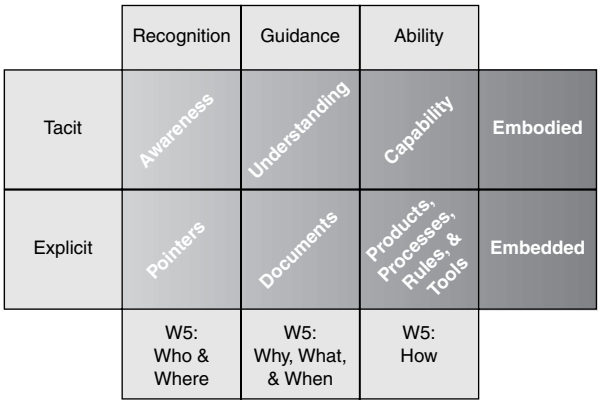

FIGURE 3.4
Burlton Knowledge Six Pack.

This scheme can be used to determine which set of alternatives form the best mix of solutions for a particular process problem. It also can be used as the basis for enabling software selection.

With today's emphasis on knowledge and intellectual capital, many questions are being asked about the value of such capital and how we can measure it. Again, process plays the key role. If we see knowledge as a guide embedded in an enabler to the processes we conduct, we can measure the value that the knowledge provides only in terms of the difference it makes in the process. Typically, this is done by examining process quality or the cost of nonconformance—that is, the cost of lost opportunity to do better due to better knowledge. This can appear as the total downstream cost of not having that knowledge available, costs of extra work, customer dissatisfaction, repairs or corrections, lost staff, and so on.

It can also be measured as the cost of the lost opportunity that would have been realized if the knowledge had been accessible immediately, rather than later. For now, let's say that we improve the "flow" with what we "know."

What Is Knowledge Management?

Knowledge management (KM) is the set of professional practices that improves an organization's human resources capabilities and enhances the organization's ability to share what employees know. KM is a set of processes that delivers capability to others in order to meet the organization's objectives.

Knowledge in business can be seen to have a life cycle of its own, as shown in Figure 3.5:

1. Knowledge must be *created* either within or outside the organization. Ideas evolve in iterative tacit and explicit loops until the knowledge is ready for distribution to those outside the creating group.
2. Knowledge can then be *stored* somewhere, either tacitly or explicitly, so that it's accessible for others to find and use.
3. Those who need the specific knowledge must *find out* where it is by searching in the right places and/or by asking the right people.
4. Once the knowledge source is found, the user will then go through the act of actually *acquiring* it—that is, gaining personal knowledge from other humans or documented sources.
5. Once acquired, the knowledge can be put to *use* toward some productive purpose.
6. As a result of having applied the knowledge, perhaps repeatedly, the user will *learn* what worked well and what didn't. This learning can then be significant input into further iterations of the knowledge creation and distribution process.

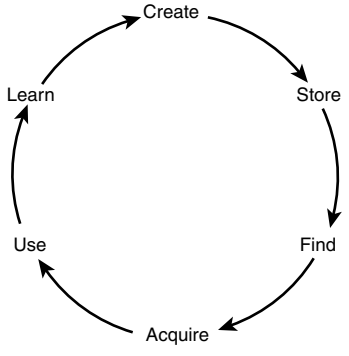

FIGURE 3.5
The knowledge life cycle.

Learning contributes highly to the effective management of this cycle. Without the learning component, the cycle is devoid of knowledge. It merely becomes an information delivery strategy, disconnected from the leverage of more effective human experience. Applying the delivered knowledge to operating the business (finding, acquiring, and using) will have some initial value, but the delivered knowledge will be immediately out-of-date unless it's continuously renewed with the latest lessons learned (learning, creating, and storing).

Knowledge management processes oversee this cycle for optimal performance across all aspects of the Burlton Six Pack (see Figure 3.6).

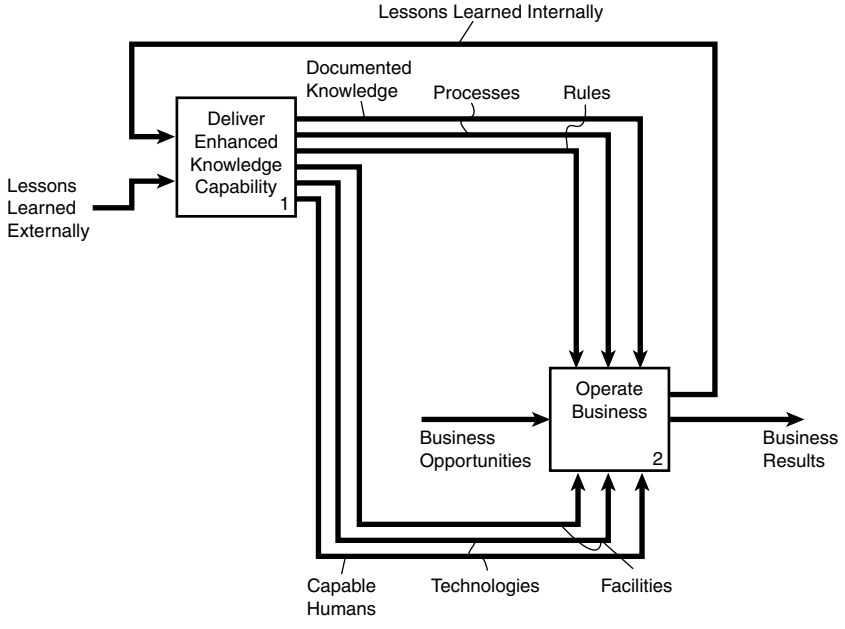

FIGURE 3.6

The knowledge creation and exploitation process.

The objective of knowledge management processes is to make this cycle more effective as well as more efficient. This implies that corporate knowledge must be made available in readily accessible forms, such as documents, processes, and rules. These could be embedded in human resources, in information technologies, or in the design of facilities. In this way, the embedded knowledge can be reused and continually evaluated for effectiveness and improvement.

Improving the knowledge management lifecycle is critical to organizational success; without it, overall business performance will suffer. Getting the best knowledge through the cycle quickly before it ages is a major goal within intellect-based, fast-paced companies.

This challenge applies at the individual, workgroup, company-wide, and intercompany levels. Each wider level offers a greater degree of leverage and improved business results but also brings with it a set of more difficult issues, as long-standing ways of doing things must be overcome.

Knowledge management creates and maintains the optimum environment to make this happen. It closes the process feedback loop, which continuously converts tacit knowledge, based on experience, into explicit knowledge for wider communication. This explicit knowledge turns back into tacit knowledge again through inference, experience, and learning.

Improving the sharing of knowledge, then, delivers better guidance and more effective enablers to the business process at hand. This pays off when applied to individual workers, communities of practice, and corporate-wide knowledge creation.

Individual knowledge enhancement is key to developing a flexible and adaptable work force, whose members can provide better service and help others learn in an environment of rapid change. *Communities of practice*—people with a common interest and bond associated with a knowledge topic or way of working—generate knowledge that can be shared if it is harnessed and communicated.

Corporate knowledge creation processes help bring new products and services to market faster.

An organization's individual, community, and corporate levels all deliver capability in a learning environment, enabling the organization's other processes to function. It should be no surprise that leading organizations emphasize these knowledge creation processes today as their only sustainable advantage.

What Are Business Rules?

A subset of our knowledge can be represented as *business rules*. Rules are constraints on human behavior or business system behavior, normally derived from legislation, regulations, or policy and expressed in the form of a declarative sentence. We can leverage our knowledge of best practices and lessons learned repeatedly by consistently applying the same rule under the same conditions. Normally embedded in technology or documents, rules represent what we know in a consistent structure that allows easy, broad sharing. Rules provide a consistent expression of business requirements. Rules, like knowledge, provide guidance to business processes.

Business rules consist of terms, facts, and rules:

- *Terms* simply identify the business concepts we use through a noun or noun phrase, such as *customer*, *payment*, *order*, and *credit*. Clearly, if business partners and staff don't have a common understanding of terms, business will be hard to transact. Terms are the most stable of business concepts. They change less often than facts and rules.

- *Facts* describe relationships among terms—how business concepts connect to one another. Facts are expressed as a verb or verb phrase that connects terms, such as "Customers place orders and make payments for them using credit." Knowledge of these connections is clearly essential for running a business. Facts change less often than rules.
- *Rules* constrain terms and facts. An instance of a rule is a truth statement governing a fact usually involving *must* (constraint) or *should* (guideline). A sample rule might be, "Customers who have outstanding payments older than 90 days must not be granted credit for new orders." "Must" rules can be automated and shared quickly. Humans can interpret "should" rules according to their individual knowledge and experience.

A rule is "a statement which accomplishes any of the following—defines a phrase (term), relates terms (facts), constrains populations of facts (constraints), calculates a new piece of information by applying mathematical formulas to known information (mathematical derivation), deduces a new piece of information by applying logical formulas to known information (inference), (or) initiates an action (action enablers)."[5]

If written strictly in business language, each rule can stand alone and does not need to be embedded deeply in procedures, workflows, and software logic. In this way, rules can be changed more easily than any of these other hosts. They also leave behind a more stable set of processes and technologies that are also easier to change when the rules are separated from the hosts. As a significant advantage, busineses can identify, normalize, and manage standalone rules as reusable assets, applicable across business processes, documents, and technologies.

By putting in place shared rules, a businesses can achieve independence of variables and significant advantage in adaptability and change. They can expect tremendous productivity breakthroughs as well as integrity similar to that achieved when software developers separated normalized data from logic.

What Is Business Rule Management?

Business rule management, like process and data management, attempts to see rules as assets that can be reused in many situations. As organizations require more integrity of execution across multiple channels and functions, they must have integrity of rules within and across processes or relationships with their stakeholders will suffer.

Business rule management captures, reconciles, publishes, and makes an organization aware of the business's rules. It aims for rule independence. It attempts to shorten the time and effort required from identifying the need to change a rule to making the new rule accessible to all enablers. This area will mushroom in the coming years as organizations begin to understand the need for complete process management and for integrity and ease of change.

---

[5] *"One More Obsession," Barbara von Halle, DBNewsletter, May/June 1997, pages 3–4*

The 10 Principles of Process Management

Implicit in the preceding discussion are a number of fundamental principles that must be honored in order to deliver business results to customers and to satisfy the needs of the organization's other stakeholders. These principles underlie the methods of business operation and change. Understanding and living according to these principles will get managers and practitioners alike through some tough debates about managing processes. Without the principles, teams can easily get lost and distracted from the intent of the journey.

The 10 principles are

1. Business change must be performance driven.
2. Business change must be stakeholder based.
3. Business change decisions must be traceable to the stakeholder criteria.
4. The business must be segmented along business process lines to synchronize change.
5. Business processes must be managed holistically.
6. Process renewal initiatives must inspire shared insight.
7. Process renewal initiatives must be conducted from the outside in.
8. Process renewal initiatives must be conducted in an iterative, time-boxed approach.
9. Business change is all about people.
10. Business change is a journey, not a destination.

Principle 1: Business Change Must Be Performance Driven

This principle deals with the question, "How can we evaluate what we are doing and how well we are doing it?"

All change must be based on business performance measurement. All the things we do, we should do for a reason, and measurement allows us to know if we are acting consistently with the reason. This principle in no way says what the right measurement indicators should be. Every industry is different, and every company has its own strategy for which a variety of indicators are possible. Nonetheless, it's vital that each organization choose wisely; the old adage, "You get what you measure," seems true for all organizations.

Clearly, profit and market share will be important performance indicators for automobile companies; customer satisfaction and retention for services firms; share price and staff loyalty for dot-coms. Government will have different drivers than the private sector, and monopolies will have different drivers than free-market firms. All, however, must know their aim in life and set a scorecard to evaluate how they're doing.

Traditionally, competitive organizations have used physical asset-based measures or investor-based measures, which I have likened to hearing last night's final score without seeing the football game. Although we know that all teams go out to win and, in the long term, a team must win or its management and coaches will be fired, just having the final score after the fact does little to help our understanding of the whole game. We don't know if it was a good game for our team or not. We don't know if it was exciting and if our fans were happy, or perhaps not because we should have done better. We don't know if our strategy worked, or if it was abandoned part way through. We don't know what the team should probably do differently in the next game. We only know the result.

Similarly, in business, most of us need other feedback to know what's working. A high stock price or good return on assets is nice, but how can we contribute to it with what we do every day? Earlier, I talked about evaluating human resources and intellectual capital as measured by return on management. However, this too can disconnect us from what we must do as far as many of our staff are concerned. As in sports, we need predictive measures, not just after-the-fact reports, to see the total picture. Constructing a connected measurement system is critical for us to break down overall targets into what people do every day.

A popular response to this has been the "balanced scorecard" approach, which tries to put in place a set of measures that aren't oriented just to the financial bottom line. Measures of all major components of success are required, including customer satisfaction and loyalty, innovation, knowledge and people, customers, suppliers, processes, as well as the financial side of the organization. From this perspective, the measurement-oriented approach doesn't have to be just financial numbers but can also include outsider perceptions. This means that all organizations, regardless of business mission, can find their own set of performance metrics from which all decisions regarding processes can be derived and linked to each other.

This concept is normally referred to as *traceability*. Traceability simply means that everything we do, and every decision we make under ideal circumstances, relates through a set of linked performance measures to the organization's scorecard.

After performance measurement factors are determined, the organization sets some performance targets. There may be inherent conflict among the targets. Meeting targeted measures associated with customer acquisition, such as achieving rapid market share growth, could be in direct opposition to the requirement to delight our customers. Attaining good satisfaction levels and delivering higher profits by reducing costs may be fundamentally at odds, especially if we also are striving for no headcount growth at the same time. Likewise, improving speed may fly in the face of our quality improvement initiative. Cost reduction can also be a killer of customer satisfaction, depending how it's done. Management must send clear messages on strategy and priority and not rely just on wishes and targets. Remember, hope is not a strategy. Both hope *and* business strategies are needed.

The bottom line for any business improvement is that well-thought-out, targeted measurements will inspire and track progress and ensure that we allocate our scarce human and financial resources to things that matter most.

Principle 2: Business Change Must Be Stakeholder Based

This principle asks, "Who cares about what we are doing and how well we are doing it? What do they care about?"

This principle continues the thought process surrounding traceability started in the first principle, but from the perspective of those other organizations and people that surround the organization in focus—its stakeholders. A stakeholder is anyone or any group that's affected by, has a vested interest in, or can influence the organization's performance in some way.

Clearly some stakeholders are more important than others when it comes to the organization's success, and this will change over time. This principle recognizes that the organization doesn't exist only for its own purposes—it must serve a larger community than itself. Stakeholders provide context for the business—its own ecosystem.

Stakeholder needs and expectations are the prime drivers of the balanced scorecard and also help determine what that scorecard should be.

Stakeholders can be classified into a number of broad and deep types. Typical generic categories are

- Customers and consumers
- Owners
- Staff
- Suppliers
- Community
- The enterprise itself

These categories will vary wildly for different companies and significantly from industry to industry.

Often, significant overlaps in classification result in confusion. For example, many organizations have customers or suppliers who are also their competitors. How should the competitor be classified? Also, what's good for the customer might be not so good for the staff or might violate legal and regulatory community rules. Again, a balance must be struck.

In most organizations, one level of stakeholder type is insufficient, especially when we look at what certain parts of the organization do and whom they deal with. *Customer segmentation* is a well-developed function in many sales-oriented companies. It's the basis for marketing

campaigns, sales organization design, and incentive schemes. Segmentation is used less, however, as a driver and organizer of business change initiatives and process management, an area where it holds great potential. Likewise, we can segment or structure the other stakeholder types, such as staff or suppliers, into hierarchical categories, from general types to more specific sub-types.

Types should be segmented according to their different requirements and the difference in the way that they are to be treated. For example, telecommunications companies treat residential customers differently from multinational business customers. If there's no difference in treatment required, further segmentation might not be required.

To analyze a stakeholder segment, we should know the current state of our relationship with that segment and what would we want it to be in the future. The gap between these two states will drive our needs for change. The future state view will provide a set of evaluation criteria for change from the current reality.

From the current state, we should determine where we are with each type and sub-type that warrants distinction. This evaluation includes knowing the following about each stakeholder type:

- Our principles and values as they affect the type
- Key performance indicators (KPIs) and actual performance measurements
- Interactions from and to the stakeholder type including
  - Business events/outcomes
  - Flows of work, material, data, knowledge, and commitments
  - Health of current interactions
- Health of the overall relationship

For the future state, we should know where we need to be at the end of the planning horizon with each type and sub-type that warrants distinction. This projection should cover

- Principles and values
- Expectations and relationship vision
- Key performance indicators (KPIs) and performance targets
- Interactions from and to the stakeholder type including
  - Business events/outcomes
  - Flows of work, material, data, knowledge, and commitments
- Critical success factors

The stakeholder criteria will depend on the stakeholders' actual needs, but this will be balanced with the organization's desires.

The degree of importance placed on each stakeholder type will also depend on the value proposition that the organization chooses for itself. If the organization sees itself first and foremost as a customer/consumer service excellence company, it will focus heavily on the customer segmentation and customer criteria. If it sees itself as primarily an excellent manufacturer, it will focus more on suppliers and distributors, and its customer orientation will be toward quality of product more than service at all costs. If it sees itself as an innovator above all else, the organization will have a different mix of staff and community stakeholders than the others and might depend on channel partners to get products and services to market.

Another factor in the stakeholder analysis will be the organization's philosophy toward its prime mission. This is especially a key factor in today's drive toward e-businesses. Many organizations have come and gone—some by design and others, not. Organizations that see themselves as built to last will have a totally different perspective from those that plan to take advantage of their intellectual property or capability in the short term and flip the firm to others purely for immediate financial gain.

Executives with an incentive to haul in lots of stock options in the short term might deemphasize staff criteria for market share or growth. In any case, the organization must come up with a set of criteria based on balancing the outsiders' needs and expectations that can be measured to make decisions now and to prioritize later. These stakeholder evaluation criteria reflect the value added by their relationship with the organization.

Principle 3: Business Change Decisions Must Be Traceable to the Stakeholder Criteria

Principle 3 tackles with the question, "Why should we make the choices we make?"

This principle is almost self-evident and doesn't require a lot of explanation. However, that doesn't mean it's common practice. As a matter of fact, it's often ignored or abused. Personal and political agendas more often form the basis for proposals, recommendations, and approvals of courses of actions than criteria derived from outcomes of value to our stakeholders. The key question is, "What's the reason or justification for a particular decision? Is it business or personal?"

The challenge is to obtain accepted criteria before we enter into choosing among business options, even small ones, and to use those criteria instead of the personal drivers of powerful players. Conflicting personal, political drivers among decision makers can devastate a sound decision-making process. When those drivers are also misaligned to the organization's mission, vision, and values and to its stakeholders' expectations, we cannot expect to optimize results,

and disaster is always possible. Change initiatives that waste millions of dollars can be found in almost all organizations of size. The root cause is almost always poor decision making, or, some would say, poor management due to the factors described here.

Again, insist on agreement to the future state stakeholder criteria that will determine your course of action; then and only then, select that course.

This simple philosophy of tracing business change decisions to stakeholder criteria is consistent with many popular strategies for personal and professional success. Stephen Covey's second habit of highly successful people states, "Begin with the end in mind."[6] Sports psychologist Terry Orlick[7] claims that the first thing any competitive athlete must have is a clear picture of what success is. Visualization of that end state drives the behavior to get there. If you don't know or care about where you are going, any behavior will suffice.

To actually put this principle into practice, management must consciously and visibly agree on the criteria first and then publish them. Management must also empower those working on change to work creatively within those parameters.

An example is the up-front agreement necessary in the process-renewal projects I have handled for various businesses. I always fight hard to get the commitment that we will use the stakeholder criteria to reach a solution. We all agree not to discuss or even try to think about any organizational structure already in place. This is hard to manage, but, if I don't get this commitment, it usually means that managers are thinking more about the drivers of direct relevance to them personally and currently. These current personal drivers seldom align within the team or with the best interests of external stakeholders.

Principle 3 should be practiced in numerous situations. In deciding on design options for every aspect of the process management hexagon (refer to Figure 3.2), we should use the stakeholder criteria. In making scoping decisions, in selecting among alternatives in business cases, in allocating resources to work requirements, in communication and human change management, and many other business practices, it will serve you well.

Principle 4: The Business Must Be Segmented Along Business Process Lines to Synchronize Change

Based on the earlier discussion in this chapter, it's natural to view *process* as the prime segmentation strategy internal to organizations and—more and more frequently—among organizations. As business cycles of products and services shrink timewise, management structures with overly

---

[6] The 7 Habits of Highly Effective People: Powerful Lessons in Personal Change*, Stephen R. Covey, Simon & Schuster, New York, 1989, pages 96–144*

[7] *"Embracing Your Potential: Steps to self-discovery, balance, and success in sports, work and life," Terry Orlick, Human Kinetics, 1998, pages 66–75*

rigid organizational boundaries and planning mechanisms are too slow to respond. They don't anticipate changes well enough to lead the market.

Also, a customer or supplier clicks on a mouse while on a Web site, with the expectation of quick, efficient, and effective results.

In both scenarios, seamless cross-functional integration is mandatory. Restructuring functional units alone won't do it. Focusing on people skills and empowerment also won't do it by itself; such approaches are aimless. A technological basis for organizing the delivery of results is likewise misdirected because technology will automate only what we want it to. Despite wider-focusing technologies, such as enterprise resource planning and customer relationship management, businesses require results-oriented structures.

Only process can stake the claim of achieving enterprise-wide integration because, by definition, a process starts with the first triggering event that initiates action and doesn't end until the results of value are delivered to the appropriate stakeholders. This event/outcome pairing defines the processes that we have. All other structures should be put in place solely to serve the event-to-outcome process and therefore to deliver added value to stakeholders.

This strategy implies that in deciding how to invest in change, prioritizing along process lines is requisite. In this way, processes organize strategy and become a key link in the traceability chain between business/stakeholder criteria and the day-to-day actions of all the people in the value chain.

Aggregated around events for stakeholders, process definitions become more stable. The first event will define the start of the process, and the last outcome, its end. Other events and outcomes can appear in the interim, but they are still part of the same process. For example, when a customer clicks on a Web site to order a product, he launches the "Fulfill order process." The process isn't complete until satisfactory delivery has occurred, and payment has been received. Other events along the way can include receipt of an inquiry regarding status of shipment, invoicing, receipt of payment, and so on. Other types of events to consider include

- Arrival events, such as "Order phone rings"
- Scheduled events, such as "Invoice creation at 6:00AM every day"
- Conditional events, such as an alert warning "Out of stock condition"

Each event will or should generate an appropriate business response. Process analysis doesn't rest until all actions are complete. In event/outcome analysis, the organization is treated as a black box, and we don't look inside. Looking internally in the process will only confuse us—we'll get to that later. In order for you to manage processes, they must be defined as independent activities. However, in their performance, it's clear that they are interdependent.

In identifying processes that need to be renewed to resolve a problem, start with those event/outcome pairings that involve the customers and consumers affected by the problem. These processes are referred to as *core processes*. Look at the customer/consumer life cycle, which starts with the first interaction or awareness that this stakeholder has with the organization and proceeds to the last interaction in that relationship. This would span everything from marketing through to, in worst case, losing the customer, or, in best case, delivery of the completed product or service. From the core processes, we can derive the processes that deliver guidance to them (*guiding processes*) and those that deliver reusable enablers to them (*enabling processes*). These processes should themselves be defined, taking into account events and outcomes but from the perspective of other stakeholders.

Especially important is the need to see the core processes as customers of the guiding and enabling processes. In this way, value creation can be traced from the processes traditionally seen as overhead. Processes such as hiring staff, developing systems and guidelines, and so forth exist only to support the business objectives that are the target of the core processes. They should be measured primarily by the impact they have on the core processes, such as their impact on operational capacity. Their internal measures of efficiency, such as headcount and expense, are irrelevant in this situation.

By segmenting the business along process-value added lines, we have a clear framework for organizing and prioritizing change and for measuring the impact of our efforts in terms that the business executives can understand.

Principle 5: Business Processes Must Be Managed Holistically

One traditional pitfall associated with business change is an inability to deliver and sustain benefits. In process-oriented change, the problem can be exacerbated if the proponents of change can't find appropriate champions. These sponsors must take a full-process perspective—that is, one that delivers on behalf of external stakeholders, and not just for internal functional managers.

Typically, anyone in a position to act is also typically responsible for only a portion of the day-to-day process and might not have the interest, knowledge, or motivation to take the whole process into account. This person seldom has the authority to act on behalf of the full process. Consequently, it's becoming more and more prevalent to appoint a full *process owner*, sometimes referred to as a *process steward*, for each process of the organization.

The process owner acts as advocate on behalf of the process, taking responsibility for the process's performance for stakeholders. The process owner works not only to deliver improvements in process projects but also to remain in the role subsequent to completion of these projects. This means staying on top of process and stakeholder performance metrics and reviewing

current performance against the best in the business. It also means assessing the work methods and other guides and enablers for the process, as defined in the process hexagon (refer to Figure 3.2). The process owner is always looking for an edge and evaluating the risk of not adapting. He ensures that feedback mechanisms exist to gather lessons learned and that knowledge from the latest experience and practices is distributed.

Primarily, the process owner makes certain that the process continues to perform to requirements for its stakeholders, and he takes corrective or anticipatory action as needed to either continuously improve or to introduce radical change. The objective is similar to that of total quality management, although the process owner's focus is wider and spans organizational control boundaries. Process owners must be effective even though they might have no direct control over the resources involved in the execution and management of the daily work being performed.

There are several structural approaches to achieve the goals of process management. One is full-process organization, in which all workers in the process report to the process owner, who controls all staff and is accountable for all results. This avoids the problem of internal organizational behavior and incentives that are misaligned with desired outcomes. This is the utopia for process ownership and results-oriented performance management.

In this model, well-designed natural organizational units send finished products and services to one another. Process teams manage all work from business event through to business outcome. This approach upholds a very strong "customer" orientation and accountability for results. Feedback and information are shared broadly. The model is fully traceable, both process-wise and people-wise.

It's can be very hard to transition from other models of hierarchical management to a process-organized approach because multiple processes might have to move simultaneously. Such a change clearly requires incredibly strong top management leadership. One way of making this happen is to implement a single point-of-contact for service to stakeholders. This one-stop-shopping approach widens the point of contact's job to be fully aligned with the activities in the process; the individual's performance measurement is simply tied to stakeholder value added. Clearly, this also has a significant organizational impact.

Another organizational option is a mixed function-and-process approach wherein day-to-day control rests with functional line management, but monitoring and improvement responsibility goes to process owners. These might be dedicated process owners who have a very small staff and rely on advocacy and influence. They might also be line managers who also are responsible for certain processes. Process owners, then, can have a cross-functional responsibility without the direct ability to change what people do. In this case, their success lies in their ability to influence those who do have direct control. These could be the line managers or the managers of the line managers.

The critical mechanism that must be in place for ongoing process management to be effective is a forum within which processes are discussed their performance vetted, and the incentive for process outcomes shared among all involved managers. Typically, every senior manager not only has a line but also has at least one process to report against in the forum and to act on. The managers' personal evaluations must rest on their reports and their success, and they must take reporting and follow-up seriously. Top management must also be decisive about the consequences of not supporting the approach.

Staff involved in the day-to-day process also must see feedback on the ultimate results of the process. They must have incentives to support overall stakeholder value creation and not to do just what's convenient for themselves.

Principle 6: Process Renewal Initiatives Must Inspire Shared Insight

Process renewal relies heavily on gathering information, gaining understanding, and arriving at innovative approaches and designs for change. In many organizations, approaches to change have mirrored the now classic debate in any knowledge management discussion group: What form of knowledge is most appropriate to understand and communicate the nature of change needed? Should this be done explicitly through documents and models or tacitly through low-tech meetings and discussions? Experience has shown that using either approach exclusively is risky.

It's hard to argue against the fact that one learns best by being in the work environment itself. This type of knowledge allows one to internalize the subtleties of "being there." It's also true that working closely with "knowers" rapidly accelerates the learning curve. In small areas of an organization, this type of learning is manageable because everyone can identify the area's knowers and trusts them as credible sources of process information. This type of knowledge is hard to steal but sometimes hard to change.

As its organizational focus grows, a business requires more formal approaches to identify, connect, and share what's known as well as to realize the identities and trustworthiness of its knowers. It's also usually impractical to learn everything required first hand in the timeframes required by modern change. Hence, accessible knowledge artifacts, often in the form of explicit documents, hold great importance to help bridge the knowledge chasm between "knower" and "solution stakeholder."

The quantum jumps in knowledge experienced by society and the associated historical leaps in quality of life can be traced to the availability of breakthrough distribution mechanisms and media associated with explicit knowledge artifacts. The advent of language, writing, paper, scribes, printing presses, copy machines, and electronic media have all provided a great acceleration in the amount of both tacit *and* explicit knowledge available to members of society.

With the advent of each, a leap forward in the human condition ensued. There's reason to believe that the current breakthrough enabled by electronically networked distribution of such artifacts will also lead us to similar levels of tacit knowledge enhancement, due to the democratization of access to explicit knowledge.

The prime lesson that we can learn from the past lies in how tacit and explicit knowledge interact with one another in a never-ending learning process. Today's challenge is no different, with the exception of the speed with which the learning must occur.

The TTEE knowledge discovery model (see Figure 3.7) deals with all types of knowledge conversion—tacit to tacit, tacit to explicit, explicit to explicit, and explicit to tacit—in a series of iterations or learning cycles. This model has a distinct R&D flavor and is being adopted by companies that want quality products and services to enter the market quickly in a competitive environment. This approach manages a creative and collaborative process of deeply embodied knowledge discovery resulting in the deepest form of knowledge embedding—that is, knowledge is embedded into our process definitions. In their analysis of successful Japanese companies, Ikujiro Nonaka and Hirotaka Takeuchi support the iterative creativity of the TTEE model.[8]

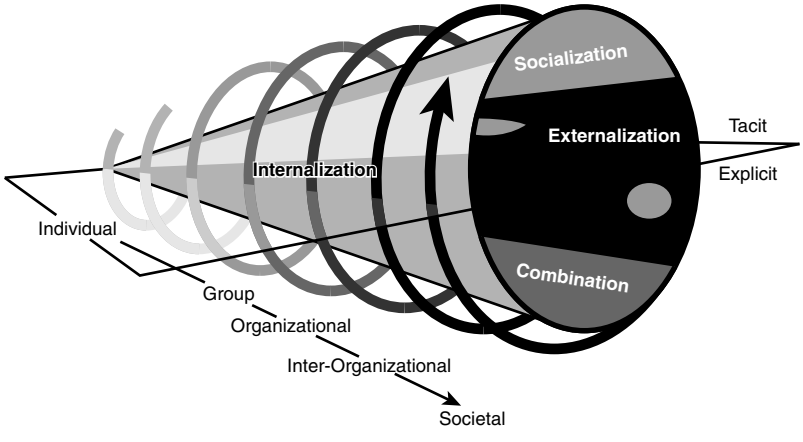

FIGURE 3.7
The knowledge discovery model.

Examples of this business solution can be found in many internal company processes that create artifacts for other parts of the organization to use, including process design.

[8]The Knowledge-Creating Company: How Japanese Companies Create the Dynamics of Innovation, *Ikujiro Nonaka and Hirotaka Takeuchi, Oxford University Press, 1995*

In doing this work, it's important to be cautious about too much emphasis on the models themselves. They are only one aspect of the deliverable. The other is arrival at a common understanding of the situation and its potential for improvement.

NOTE

Models and documentation are only abstractions of the real world and not comprehensive in their reach. Not everything can be explicitly modeled or documented in pictures and words. Some things are tacit and must be explained in other terms. Metaphors, scenarios, and verbal examples are often more useful than written, technical reports to assure common learning and validation, which are necessary conditions for any change to proceed. If we just focus on models, we will never bring to the surface what we are unaware of.

Recognition of the value of sharing insight, not just documents, is reflected in the methods discussed later in this book. A number of activities will uncover what we know, so that it can be shared across a group in workshops. These workshops will create artifacts or records of the agreements and ideas, but more importantly they will embody a deeper tacit understanding of what's important to allow better decision making and common commitment. In many cases, a discussion of strengths and weaknesses will be more valuable than the charts created. Especially regarding strategy and architecture, there are no right answers, only a better sense of how to judge. Not everything can be objective. Don't leave out activities that embody trust, commitment, and understanding in the participants.

Principle 7: Process Renewal Initiatives Must Be Conducted from the Outside In

In any change initiative, it's easy to become overwhelmed with the daunting task to be accomplished. There are myriad concepts to master, all of which are in play concurrently and all of which interact with one another. If we try to deal with too much at once, we will never finish the job; instead, we will fall prey to "analysis paralysis." Each step of the way will require a strong ability to focus on the work at hand with the confidence that we will get to the other aspects later when the time is right.

Managing multiple levels of detail or going to an overly complex level is the biggest risk. It won't be possible to understand and communicate that understanding when looking too soon at 500 flow boxes with decision points throughout. Everything we do should be understood and validated at its own level, starting at the top box and then working down. At each level, the objects we are analyzing must be looked at only with regard to their own context before any decomposition occurs.

Processes and organizations should employ the black-box approach. For example, we will look at the organization-in-focus and how it interacts with its external stakeholders before we analyze the processes of that organization. We will then identify each process for that organization and select the priority ones to examine further. We'll examine each chosen process in turn to see how it works with regard to its external stakeholders and other related, internal processes. We will break down each process into its next level of activities, and each of those will be examined. In this way, we'll keep analysis and design at an appropriate level of detail. We won't spend unnecessary time analyzing work that won't even exist later. We will focus on the *key* aspects, not *all* aspects. We will understand the drivers and have the insight needed before moving on. The context will provide meaning at each and every level of detail or decomposition. The details will come if and when they are needed.

Principle 8: Process Renewal Initiatives Must Be Conducted in an Iterative, Time-Boxed Approach

The arguments in Principle 7 call for a top-down approach to conducting change. The arguments in Principle 6 call for a discovery approach that fosters learning. Principle 8 extends these two ideas into an approach that encourages you to learn, create something, review it, and plan the next cycle of the same. It assumes that people don't know everything in advance and that they must create an environment wherein they can figure things out and articulate them incrementally. This iterative approach can be found in knowledge creation processes,[9] in prototyping of technology,[10] and in research-oriented activities. It assumes that you will get it wrong before you get it right and that you will know the result of a change only when you try it. It also assumes that we need to attempt changes first at a fairly high level of abstraction before we get too detailed.

This concept isn't new, but, more recently, those applying the concept have proven the benefit of doing only a time-fixed amount of work before reviews occur. This is often referred to as *time boxing*.

Time boxing dictates that the activity schedule is preset and the amount of work performed varies according to what can be done within the timeframe. For example, a schedule might say, "Each Tuesday afternoon from 1:00 to 5:00, we will review what we have learned in the past week with the key participants in the process in order to validate our findings." Such a statement ensures that the team will not get too deep too soon, too far off track without correction, and will be able to gain gradual commitment toward the deliverables from the participants. It

[9] *See note 8 previously in chapter.*
[10] Application Prototyping: A Requirements Definition Strategy for the '80s*, Bernard H. Boar, John Wiley & Sons, 1984*

also solves one of the biggest problems in process-oriented and other change situations—that is, scheduling the participants, especially management, for key reviews. In this approach, everyone schedules weeks and months of reviews and other workshops in advance with no surprises and no excuses.

Each time-boxed cycle includes major types of activity: knowledge gathering, analysis, reconciliation and packaging of findings, and results validation.

When gathering knowledge, the previously described approach of starting at the top and decomposing downward into detail is a key tactic. Of all the components at any level, only the important ones should be investigated. What's important should be determined by the impact of that activity on the desired outcomes of the overall process, by the frequency of its execution, by the degree of problems encountered, by the amount of inconsistency in its methods, and so on. Those gathering knowledge should recognize that the 80/20 rule is in full play. This rule suggests that 80% of the effort in a process is consumed in 20% of the activities, that 80% of the problems are caused by 20% of the process, and so on. The session are fixed in time and therefore must be limited in scope. Even if the participants gain only 50% of the critical understanding at any level at each iteration, the knowledge gained with each iteration will add up quickly, as seen in Table 3.2.

TABLE 3.2 The Value of Timeboxing and Iteration

Iteration Number	*Outstanding Knowledge Gained*	*Incremental Knowledge Gained*	*Cumulative Knowledge Gained*
1	50%	50%	50%
2	50%	25%	75%
3	50%	12.5%	87.5%
4	50%	6.25%	93.75%

It appears that there's little value studying things to death when an incremental approach will get us there. Experience bears this out. It also confirms commitment to the findings is also built incrementally. However, it's important that the right knowledge be pursued—that is, relevant knowledge to the task at hand as defined by the stakeholder criteria. Whatever is to be dealt with at any level or number of iteration must be prioritized according to those criteria and other factors that tell us where to drill and where to stop. In this way, the analysis and design might be lumpy. In other words, some parts of the process under review are known in detail because it's important to know at that level, whereas other parts are known at a broader, higher level only (see Figure 3.8). Note that although there are different levels of detail at different points, the process remains connected without breaks from left to right. This prioritization should

occur as part of the review or validation session at the end of each iteration, when we seek consensus on what we got right, what we didn't get right, what we missed, and what priority we should look at next. We've found that a simple ABC ranking is sufficient, wherein we can be confident that we will get to the A's by next time but the C's won't be addressed now. (They might become A's in later iterations.)

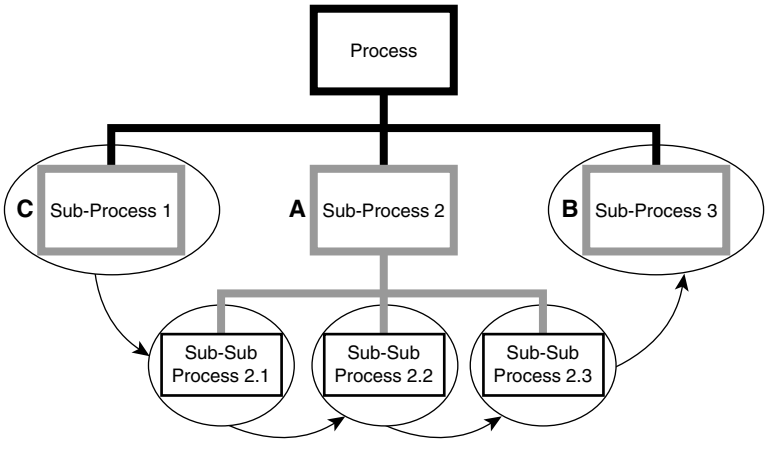

FIGURE 3.8
Process prioritization and decomposition.

Not all work can be at the lowest level of detail nor needs to be. If four levels of decomposition are pursued and each level has five subprocess components, there would be 5, 25, 125, and 625 chunks of detail to investigate, respectively. To avoid this, prioritization is a must. Certain overly detail-oriented staff should be kept away from this type of work. We are analyzing and developing processes, not procedures.

This type of rapid-fire work can put tremendous pressure on team members, who are now living a series of short-term deadlines. Perfectionists will have a difficult time with this. What's needed are good listeners, who can develop trust and respect, and good presenters who will explain but never defend their findings. They must not take changes personally; they must be comfortable in revealing their incomplete, incorrect work products and see the changes to them as a positive. Likewise, those who tend to dominate or push their own solutions are inappropriate for this work.

Principle 9: Business Change Is All About People

At a seminar I facilitated a few years ago in Toronto, a participant came up to me and said that she had found the two days extremely valuable. When I asked her why, she told me that she

came to find out "Where do we do human change management?" She said she was leaving knowing that, "Human change isn't something you do; it's everything you do." That phrasing of the message has stayed with me ever since. It's absolutely true.

Chapters 6 through 8 explain in detail how to support decisions that have been made and the people who make them. Many steps in managing change are there for no good reason other than decision support. Intellectually, you could argue that many steps are unnecessary or a waste of time and effort. Sadly, you are right, *if* you don't consider the human element.

Change initiatives are often used simply as ways of creating a document—a specification for a system, for example. Instead, you must see them as a vehicle of more encompassing transformation. You aren't just converting technology, data, procedures, or organizations; you are converting people into enthusiastic supporters and participants who will provide you with a competitive edge that can't be matched. This is one reason that you should encourage the analysis of existing processes. This analysis fosters understanding and communication.

To do this, a number of factors become paramount. In addition to your communications strategy, you must support changes with appropriate roles and responsibilities, organizational structures, empowerment within accountability, aligned performance incentives, and recognition as well as personal growth opportunities. During transition, the staff must feel that an appropriate level of trustworthy communication is happening. They should feel a sense of contribution as a result of their participation.

Principle 10: Business Change Is a Journey, Not a Destination

A major distinguishing feature between process management and the wave of business process re-engineering (BPR) efforts that swept past us in the early and mid-1990s is their approaches to continuity of effort. BPR emphasized radical change of business processes and everything that touched them in a big-bang, "break-all-the-eggs" approach but did little to uphold the notion of supporting the ongoing management of the implemented change or the ongoing implementation of change. It assumed that the solution would have stability in a stable marketplace. Perhaps for these reasons, as well as human resistance to the inhumane approaches sometimes taken, BPR took its share of criticism and failed to deliver the anticipated results more often than not.

Two major business factors must be taken into account today:

- We don't have time to get it right, so whatever we do will have to adjust as we learn in the marketplace.
- Whatever we do, no matter how right, will be short-lived and have to change anyway.

Consequently, classic BPR philosophies won't work. Instead, we must build adaptable solutions and keep our eye on what is changing to be able to adapt in the future. This essentially means that we will never arrive at the Nirvana of stability but will always be getting there.

We must recognize that, at any point in time, our stakeholders will have a set of requirements that are in flux. The balance among these requirements will change as each of the stakeholders' contributions to us change. This will make some stakeholders more important to us than others. For example, when no one is buying, the customer relationship seems more important, and, when few skilled resources can be found, staff relationships become more valued.

The ebb and flow of stakeholder and market evolution means that processes must be managed, even when they aren't undergoing radical change. Without process ownership, ongoing measurement, benchmarking, and constant attention to stakeholders of all types, we will fall behind through attrition. Change is required even if we simply want to maintain our current position.

If change is a journey, it's important to pay attention to all the principles that precede this one all the time. Notice especially that seeking perfection before action is suicide. Doing something small now and learning are more valuable than getting a bigger process right later. Whatever we do, we must be prepared to do it again better on the next go around.

Building learning feedback and knowledge distribution into processes is mandatory. Constantly gaining tacit insight before designing is key. Designing for change is essential. Acting fast isn't a risk if we are prepared to pay attention to outcomes and adjust accordingly.

Summary

This chapter has laid the foundation for the framework methodology of managing organizational and human change. By defining and describing the main concepts of business, process, knowledge, and rules, I have attempted to ensure a common language. Participants in all initiatives must understand these concepts consistently.

I have also laid out 10 critical principles for managing processes. These principles address risk factors that need to be examined in any transformation design. If these risk factors are ignored, the chance of success will be reduced, possibly to a very low level.

The following chapter will provide some examples of companies with good track records of managing along process lines. All experienced a major organizational transformation, and all now manage their processes as a matter of course.