



Points of View

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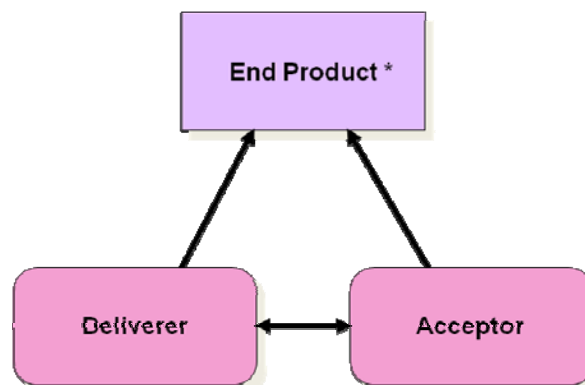
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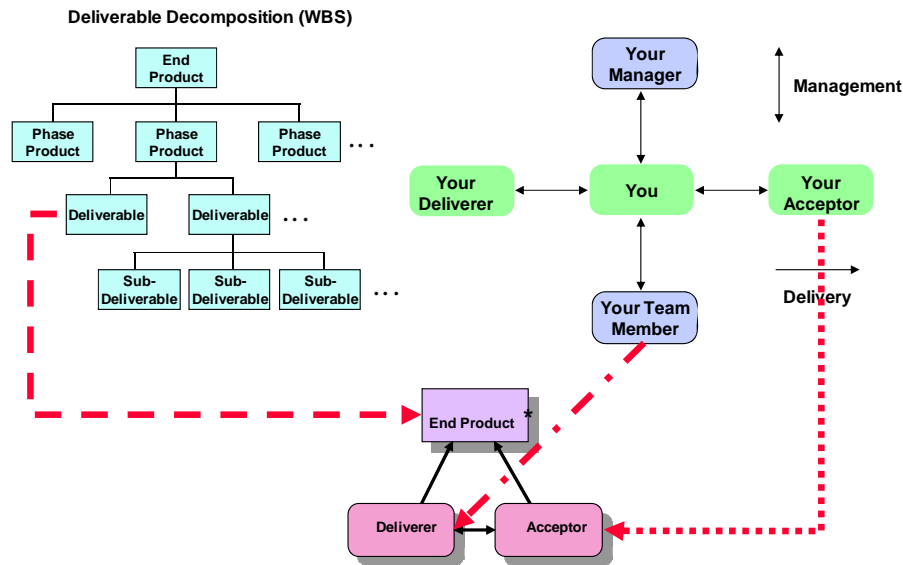
Who Cares About Your Business Processes?

My introduction to process thinking

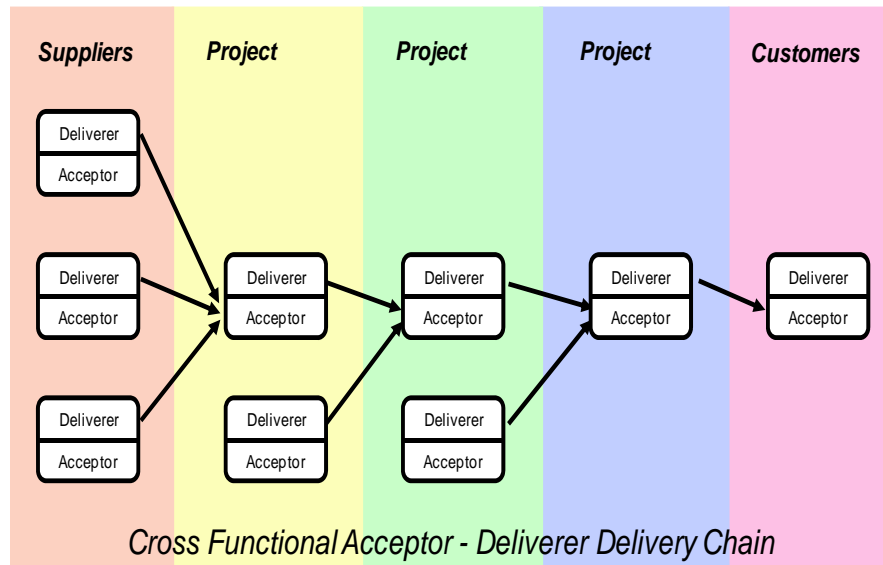
Early in my career as a project manager, I was told by my manager to register for a project management class that he had heard good things about. I thought that I already knew how to develop a schedule and balance it. After all, as an undergraduate industrial engineer, I had been exposed to PERT and CPM scheduling methods and, also, to Operations Research approaches of optimizing resources, time, and cost. I did not feel I needed to do all that again. It did help that the class was at a golf course that was hosting a national PGA championship a month later, and we would get to play, so I was not all that opposed. This class was run in Toronto by a slightly eccentric, yet highly common sensical, facilitator named Michael Howe. Michael loved to challenge mainstream thinking models that were primarily objectivity-based, and to get people to use their subjective side a lot more. Once we started the class, I soon figured out that all the scheduling and resource balancing in the world would not be sufficient to get someone to like the results of our work and that good project managers built relationships to get them through the tough situations to come. Michael challenged us every step of the way by continuing to ask, "Who cares?" His elegant project management model was based on commitment management. His main question was based on the idea that if the corporation or business unit has formally committed to complete a job on behalf of the customer, how can we assure that all the players on the project team will make and meet the required commitments? This was surely a different way of dealing with project management. His simple project triangle, whereby all boxes and lines had to be resolved prior to doing any professional/technical work, was the basis. Every triangle for all levels of the work breakdown structure had to be sorted out early, or communication problems would surely follow.



This meant that project management and communication were everyone's business, up and down the hierarchy of work components and also across the delivery chain. This can be seen by the following figure. In putting all this together, I realized through Mike that the real end products are more than physical and technical things, and that the job is not done until we (deliverers) have assured that the responsibility for each end product has been transferred unambiguously to the acceptor. This means that project management, if seen as a stream of work, actually requires a network of relationships to be managed. This was my entrée into process thinking beyond the scope of the project world.



The day to day running of the business was no different. If we just replaced the concept of project with business activity in a process it is clear that all the dots had to be connected and aligned. It was all just common sense.



Eye of the Hurricane

Around the same time, I was given a book entitled, *The Eye of the Hurricane*, which, for me, built on Michael Howe's concepts by addressing the issue of how change managers are typically in a conflicted position since there are many stakeholders pushing, pulling, wanting a say or even a veto on the results, for the process of transformation work. The unfortunate process change PM is buffeted from all sides and can easily be drawn into the storm front. As a simple example, you have all experienced differences between what the client or customer wants and what your boss thinks the client or customer should get. This small book compelled project leaders and business managers not to be drawn into conflict resolution issues until the criteria for valuing results had been sorted out among the various stakeholders, and agreement reached on what success looked like among them. His analogy was, of course, to stay in the calm of the eye, and not be sucked into whirlwind disruptive arguments on specific details, by establishing the stakeholder relationships first and understanding and resolving fundamental mismatches in expectations among them right up front as well as to constantly balance multiple perspectives. Unfortunately, I cannot find any reference to the specific book anywhere anymore (I lent it out to someone), but the concepts have stuck. Finding the right balance among competing perspectives is real work and essential.

Relationships are everywhere

What I learned in project management became the stimulus for me to get into quality and process management very early in the life of those ideas. It was obvious to me that the same problems that dogged project managers were those that affected outsiders of the organization that we were striving to serve and, by extension, all the other stakeholders serving us. I brought the idea of relationship management to process management in 1991 and since then have always been outside-in in my approaches. I realized then that the real issue is to balance and manage those who care about our business processes, and everything I had learned to date would be very relevant. However, the applicability of the ideas was spread much more widely than just projects. We now have to recognize that we have relationships with

- stakeholders outside our company or agency
- inside stakeholders who are in the value stream (upstream and downstream from us)
- those who manage and direct the units or departments navigated by value streams/ processes
- peers and associates
- technologies that do work in the value stream/ process

For each type, some will be based on a pure exchange of things, some on a direct working involvement, and others will have an indirect, but critical, relationship to the work. All of the relationships must work. Any one of them can cause difficulties and stop progress and prevent success. For all relationships to work, trust must be established. That means trust must be sought, earned, and nurtured or lost. I will dedicate the next four columns to ways of conducting stakeholder analysis targeted to the type of process management you are conducting. The four columns will be

1. "Stakeholder Analysis in BPM" in general (this article).
2. "Stakeholder Analysis in Business Process Architecture."
3. "Stakeholder Analysis in Process Improvement Projects."
4. "Stakeholder Analysis in Organizational and Human Change Management."

“Stakeholder Analysis in BPM” in general

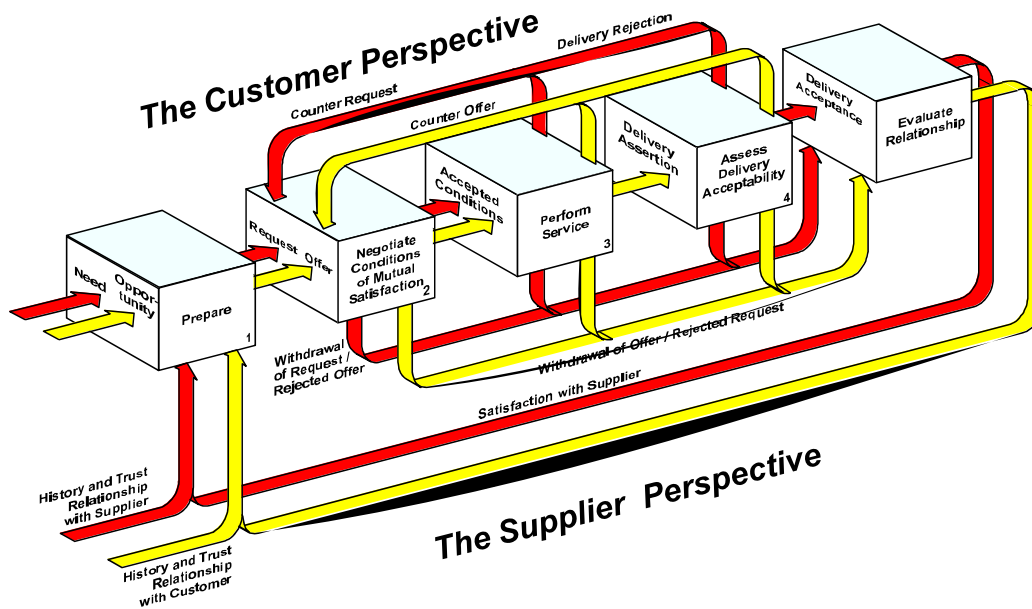
In my book, *Business Process Management: Profiting from Process*, I wrote a section that dealt with the ten principles of BPM. Each of these deals, in a key way, with knowing “who cares” and what do they care about. These were

1. Business change must be performance driven.
 - Performance is on behalf of the external stakeholders such as shareholders and customers.
2. Business change must be stakeholder based.
 - Change that does not deliver value to outsiders just adds cost.
3. Business change decisions must be traceable to the stakeholder criteria.
 - If we do not know and agree what is of importance to each stakeholder then change becomes a political process.
4. The business must be segmented along business process lines to synchronize change.
 - Processes serve stakeholders and are served by them. This is the heart of true cross functional process management.
5. Business processes must be managed holistically.
 - Managing the parts without managing the whole delivery of value to outsiders is a sure recipe for sub optimization.
6. Process renewal initiatives must inspire shared insight.
 - The insight must be shared by stakeholders externally and internally and be the basis for design decisions.
7. Process renewal initiatives must be conducted from the outside in.
 - Process analysis and design starts and ends with assessments of outside value creation. Lean thinking is built on this concept. Bottom up (inside out) leads to broken processes.
8. Process renewal initiatives must be conducted in an iterative, time-boxed approach.
 - Stakeholders and change agents do not know what they do not know. This is the learning and trust building that delivers changes tested and accepted as they are developed.
9. Business change is all about people.
 - If all the people, both internal and external stakeholders, do not change, then performance will not either.
10. Business change is a journey, not a destination.
 - The management of stakeholder relationships will continue to be required since the destination is a moving target. Trust will have to be constantly assessed and built with all of those who care.

A Trust Relationship Model

In order to ensure good relationships with stakeholders of any type, it is useful to view relationship management as being comprised of a lifecycle of trust relationship activities based on a Customer-Supplier model that is based on commitment.

For every item delivered to or from stakeholders, there is a reusable commitment-based process design approach that has proven to be successful. This approach, which extends from some of the concepts independently developed by Michael Howe, is best articulated in the works of former Professors Fernando Flores of Berkeley and Terry Winograd of Stanford.ⁱ Their work can be viewed as the basis for a repeatable generic process to be applied at every incoming or outgoing hand-off with stakeholders. It assumes that there are primary roles, at each point in time, of “supplying to” or “receiving from.” These, of course, can vary even within the same relationship.



This relationship process navigates the network of requests, commitments, and cooperative actions required. There are four principal activities in the model: **“Prepare,” “Negotiate,” “Perform,”** and **“Assess.”** My experience is that there is also an ongoing **“Evaluate”** activity that is invoked in the case of breakdown of understanding, agreement, or commitment. It leads to a set of pre-dispositions, which feed back into subsequent instances of the process and partially determine the nature of the ongoing relationship between customer and supplier.

When this set of steps is designed-in at each hand-off point in the relationship process, and the staff is trained in its navigation, breakdown is minimized. Should it occur, mechanisms exist to handle it. When it is present, processes deliver results because the protocol exists to ensure that conditions of product acceptability and customer satisfaction are known in advance. When it is absent, as our work usually finds in “As-Is” analysis, disconnects and gaps become obvious and the root causes of problems found later, such as unhappy customers, are more easily traced.

The model starts with the **“Prepare”** activity, which will be conducted according to whatever processes the customers use to identify their needs or whatever processes the supplier uses to identify opportunities or customer requirements. As a result of this step, a request for service is made and/or an offer of service is tendered. Both the nature and style of the request or the offer will be colored by the background and experience that each party has with the other. A customer may decide not to make a request of a supplier in whom there has been a loss of trust due to prior non-delivery. Likewise, dissatisfaction may pre-exist due to the way in which they feel they were treated, or even through reputation or hearsay. A supplier may choose not to extend an offer of service to a customer who has proven to be difficult to please in the past. Relationships internal to the organization often exhibit the signs of expected breakdown. This may be due to the loss of confidence or trust built up over time and due to neither party feeling at liberty to reject or withdraw. In any case, requests or offers are generated, and associated with them are a set of initial, but usually incomplete, conditions of acceptance and satisfaction.

The **“Negotiate”** activity is critical to the customer-supplier protocol. It will take any request or offer, including counter-requests and counter-offers, and produce a mutually understandable and acceptable set of terms and conditions. These will define the acceptance criteria for the product or service to be delivered and the requirements for satisfaction of the customer. It will also provide a common understanding of the commitments, which must be honored by the customer and supplier in order to achieve success. These commitments will sometimes be made personally on behalf of their entire organizations in order that the terms and criteria can be reached. The

conditions for accountability through the execution of the process instance will now have been set. These include product or service definition, timing, cost or price, payment terms, ongoing communications, mechanisms for dealing with breakdown, and others. Depending on the relationship and experience between the parties, these terms may be more or less explicit. Measurement of the success of the process can now be formulated on a customer instance by instance basis. Rather than measuring what percentage of product was shipped in less than two days – an internal measure of little relevance to the customer – we can now measure what proportion of product was received by the customer within the agreed delivery time frames. This recognizes that, for some customers, four days is perfectly acceptable, even desirable, and for others, tomorrow is too late. This is the essence of good process design, good performance measurement, mass customization, and effective customer-supplier relationships. Both customer and supplier now have a common vested interest in the same result. This step provides the effective coordination “so that breakdowns are infrequent and [there is] a standing commitment by both speaker and listener to enter into dialog in the face of breakdown.”

By nature, the “**Negotiate**” activity is an iterative one, which includes cycles of countering by both parties. It may result in either a rejection of an offer or request by the other party – e.g., “*We are not interested in your services, even at the lowest prices that you propose.*” It can also end in the withdrawal of the offer or request before agreement has been reached – e.g., “*Upon careful review, we feel that we would like to withdraw our proposal, due to our belief that we cannot produce a solution to the quality levels you expect.*” As a result, there may be consequences that affect the relationship between the parties, which will be dealt with in the “**Evaluate**” step.

The “**Perform**” activity produces and delivers the goods and services defined in the “**Negotiate**” activity, which focused on defining the right thing to do and the commitments for them. The appropriate players in both supplying and customer organizations will now execute the personal commitments made earlier. This will likely include defining or confirming the component process activities required to produce, and to recognize progress of the production and delivery work. In order to reduce opportunity for breakdown, due to lack of understanding and lack of commitment, hand-offs will be reduced to their logical minimum. Where other producers must get involved, due to expertise or available capacity, the prime supplier will have to take on the role, internally, as customer, and request service from another internal or external supplier. In this way, all steps of the customer-supplier commitment cycle can repeatedly cascaded down and outside of the organization until all work has been completed, i.e., accepted, by all customer and supplier roles.

This activity strives to produce the deliverable products and services according to expectations. Often, as this is in progress, the customer will request, or the supplier will suggest, modifications to the solution being provided. This requires a pre-understood protocol, which should have been established in the “**Negotiate**” activity, and will result in a return to “**Negotiate**” for the renewal of conditions, criteria, and commitments. Failure either to provide for this or to invoke it is a common cause of breakdown or source of customer dissatisfaction later. After the fact, statements such as the following are not unusual: “*If you had told me that changing the order would delay delivery of all line items, I would not have done it. I needed the product last week, not next week. Now I look bad to my customers, and I have the attention of my boss, which I do not need!*” These show a lack of earlier recognition of potential breakdown in commitments. In some cases, the customer or the supplier will completely withdraw from the commitment despite the fact that the work may be underway. Customers sometimes cancel contracts due to budget or political pressures. Suppliers sometimes back out because it may only have become obvious part way through that delivery is not feasible. Consequences from these withdrawals may be severe and expensive. Nevertheless, this phase usually results in an assertion by the supplier that the job is done. In the customer-supplier protocol, however, this is not done until appropriate customer assessment has been completed.

The “**Assess**” activity has two major components, which on the surface appear to be the same: assessment of the acceptability of the products and services produced, and satisfaction with the supplier and its processes. These are quite different and their blending can lead to confusion within delivery organizations. Experience tells us that it is not unusual to like the product but hate

how we are treated. It is not uncommon to discover customers accepting deliverables or solutions only because their backs are to the wall and they feel at the mercy of the supplier, believing that something is better than nothing. But it does not mean that they like it or that they will be back. Completion does not guarantee customer satisfaction. Withdrawal can also happen even at this late date. It is conceivable that the customer could withdraw without accepting deliverables, but still be happy with the supplier. Unusual customer business situations such as a merger or takeover may change the customer's need. Furthermore, recognition by the customer that they cannot meet their own commitments may void the agreement. In this activity, deliverables may be rejected, and counterproposals for re-negotiation of conditions and terms may be necessary.

Lack of acceptance and withdrawal will usually have more serious consequences the later they occur. This is due to the difficulties and expense of changing product and service deliveries and also due to emotions associated with the breakdown in commitments on either or both sides. At this point, hardened positions due to the lack of mutual trust make the situation more difficult. Problems at this juncture are the result of breakdown, which can often be traced to the lack of establishing standing commitments or the terms and conditions associated with them in the “**Negotiate**” activity.

Lastly, the “**Evaluate**” activity, which does not exist as such in the Flores/Winograd model, will evaluate the overall customer-supplier relationship. It will handle consequences of misalignment of expectations, commitments, and delivery for specific instances of the process. It will also provide feedback and a historical perspective to the entire customer-supplier protocol for specific customers and suppliers. Extreme responses could be: “*We will never do work for XYZ company again*” or “*I wish we could contract this one out, because our people have never delivered anything this big or tricky on time, much less to our requirements.*” They could also be “*Let's use ABC Inc. because they really deliver a great product when we need it and they understand and work with us. Let's not take a chance on anyone else.*” Even no experience or exposure may prejudice the relationship. Whether we like it or not, these pre-dispositions are always in play. They are neither necessarily rational nor apparent, but they govern if, when, and how our relationships will work when we start with the next process instance in “**Prepare.**”

This cycle is never ending. It is based on people, process, and performance. Its pre-dispositions and biases are based on the history of the supplier and customer and can only be changed through successful action over time. It requires commitment building and commitment management. It has the characteristic of being universally applicable and infinitely recursive. It is “complete: all possible outcomes can be represented...it can be used to describe the highest level transactions of an enterprise all the way down to the specific actions of an individual”ⁱⁱⁱ.

Conclusion

Relationships are tricky at the best of times. In process work, however, they are critical since without getting them sorted out, our processes simply cannot and will not perform. This Column is a start to provide some foundation. Next time out, I will address how stakeholder analysis is used at the strategy and architecture levels of process management.

That's how I see it.

Roger Burlton

ⁱ Winograd, Terry and Flores, Fernando, Understanding Computers and Cognition: A New Foundation for Design. Norwood NJ; Ablex Corporation, 1986

ⁱⁱ Scherr A. L., A New Approach to Business Processes. IBM Systems Journal, Vol. 32 no 1, 1993 pp 80-98