

Executive Summary:

In this issue of BPTrends we return to a broad perspective. We describe what we call a Second Generation business process methodology. The approach was developed by the Supply Chain Council as a methodology for supply chain analysis and redesign is now beginning to spawn variations for other types of business processes. The Second Generation approach we describe saves time and money, provides integrated measurement, and facilitates better communication. We believe that this will assure that second generation approaches to business process change will become increasingly popular. This month we want to give you a preview.

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Second Generation Business Process Methodologies

Business process change enjoys growing support today. At the same time, however, every senior manager would be happier if business process redesign teams could accomplish their work faster and for less cost. Similarly, several surveys have shown that most senior managers are concerned that new process designs, and the applications that support them, may not be properly aligned with corporate goals. Thus, providing measures that assure that new processes are producing useful results is a high priority for most process improvement efforts. Management is also concerned with linking internal processes to those of business partners in various collaborative undertakings.

In this issue we want to provide an overview of an exciting new approach to business process architecture, analysis and redesign. There is, as yet, no commonly available name for this approach, so we are going to call it a Second Generation Business Process Methodology.

Second Generation Business Process Methodologies are a significant improvement over earlier approaches. They reduce the initial analysis effort from weeks to days. They make collaborative efforts much more efficient by providing a common vocabulary, and they assure alignment by providing measurements that are installed right at the beginning of the project. In other words, these new methodologies are going to make lots of executives very happy.

First Generation Methodologies

We've used and reviewed several of the first generation business process methodologies over the past decade and, overall, they all approach business process redesign the same general way. They all rely on analyzing each new business process as if it were unique. Rummeler-Brache, BPR, IDEF0, Six Sigma's DMAIC, and the various methodologies of the consulting companies (e.g. Catalysis), and those of the various vendors (e.g. ARIS), all rely on an approach that analyzes each process as if it was unique. One begins by defining the scope of the process to be analyzed, and then proceeds to decompose the process, identifying its major subprocesses, and then the subprocesses of those subprocesses, and so on down to whatever level of granularity one chooses. Once the process is laid out in detail, the analysis team usually considers how to change it. More or less simultaneously, one considers the goals of the company and the objectives of the specific process, and then seeks to define measurable outcomes for each subprocess. There are lots of variations in the details, however, all of the existing business process methodologies are designed to structure a generic process that a consultant and a business process team can employ to figure out how to improve any possible process.



Second Generation Methodologies

A second generation approach to business process redesign began to emerge a few years ago. This new approach has evolved to a definitive form at the Supply Chain Council, a consortium of business managers from Global 1000 companies who designed a specific methodology tailored to the analysis of supply chain processes. The SCC named this second generation methodology the Supply Chain Operation Reference (SCOR) Framework. When we first encountered SCOR, we immediately recognized it as the first “second generation” business process methodology we had encountered.

When one analyzes software markets, one gets used to thinking of first generation software as generic software that is designed to address any of a wide range of problems. Second generation software is usually tailored for specific industries or niche markets. Thus, an example of a first generation product is a database, or a spreadsheet application. Second generation products are databases for storing hospital patient information, or spreadsheets hidden under interfaces and packaged as applications for specific markets, such as banking and loan analysis. SCOR is a second generation business process methodology built by, and for, supply chain analysis and design.

If SCOR was the only instance of a second generation methodology, we would have focused this issue of BPTrends Newsletter on SCOR alone. What is interesting, however, is that several groups have recognized the power of the SCOR approach to business process change, and have begun to extend the approach to other business process domains. We'll start our discussion of Second Generation methodologies by considering SCOR, which is both the starting point for this approach and the best example of it to date. SCOR is, if you would, the baseline metaphor for the Framework-Based approach to Business Process Change. Following that, we will consider how the Business Process Management group at Hewlett Packard has used SCOR to design their supply chain and generalized it into a Framework-Based methodology for other domains within HP.

The Supply Chain Council's SCOR Framework

Companies have been creating supply chains for decades. Different departments have different ways of talking about the work they do to facilitate the flow of supplies. Different industries talk about their supply chain problems in different ways. The first challenge the Supply Chain Council faced was the variety of ways in which people talked about, and

diagrammed, supply chains. To solve this problem, the SCC established a standard vocabulary and a notation that could be used to describe any supply chain.

Scott Stephens, the CTO of the Supply Chain Council, instructs most of the SCOR training workshops. He quips that SCOR is the result of a consensus – and that guarantees that no one likes everything about it. Each individual can see things he or she would have done differently. However, the existing vocabulary and notation work well enough and everyone can learn how to use them in a day and become much more productive as a result.

SCOR Process Levels

SCOR defines four levels of process. (See Figure 1.) Level one describes supply chain processes at the most general level. It assumes that all supply chains are composed of four basic types of processes: Source, Make, Deliver, and Return. In addition, the SCC defines a Plan process – in essence a management process. Complex supply chains are made up of multiple combinations of these basic processes. Each supply chain process must be managed. Thus, if a company has a Source Process, it must also have a Plan Source process to manage it.

Level 2 provides for variations in the Level 1 processes. These are not subprocesses, as such, but variations in the way the processes can be implemented. Each of the Level 1 processes currently has 3 variations. In analyzing a process, one first decides that there is a sourcing process (Level 1 Process), and then decides which of three (Level 2) variations of sourcing process it is: S1, Source Stocked Products, S2, Source Made-to-Order Products, or S3, Source Engineered-to-Order Products. (The SCC is currently considering a fourth variation for some Level 1 processes to better facilitate the description of retail supply chain processes.)

Figure 1 shows all of the current Level 2 variations, inside their respective Level 1 processes. Note that, in fact, there are two slight variations in the Return Process itself. (Sometimes the SCOR model also includes Enable as a Level 1 process and includes Level 2 processes within Enable. In essence, Enable contains independent processes, including IT and HR processes that enable the functioning of the other SCOR processes. For simplicity, we will ignore Enable in this discussion.)

Each Level 2 process is further defined by a set of subprocesses or activities that define the basic sequence of steps involved in implementing the process. In fact, in



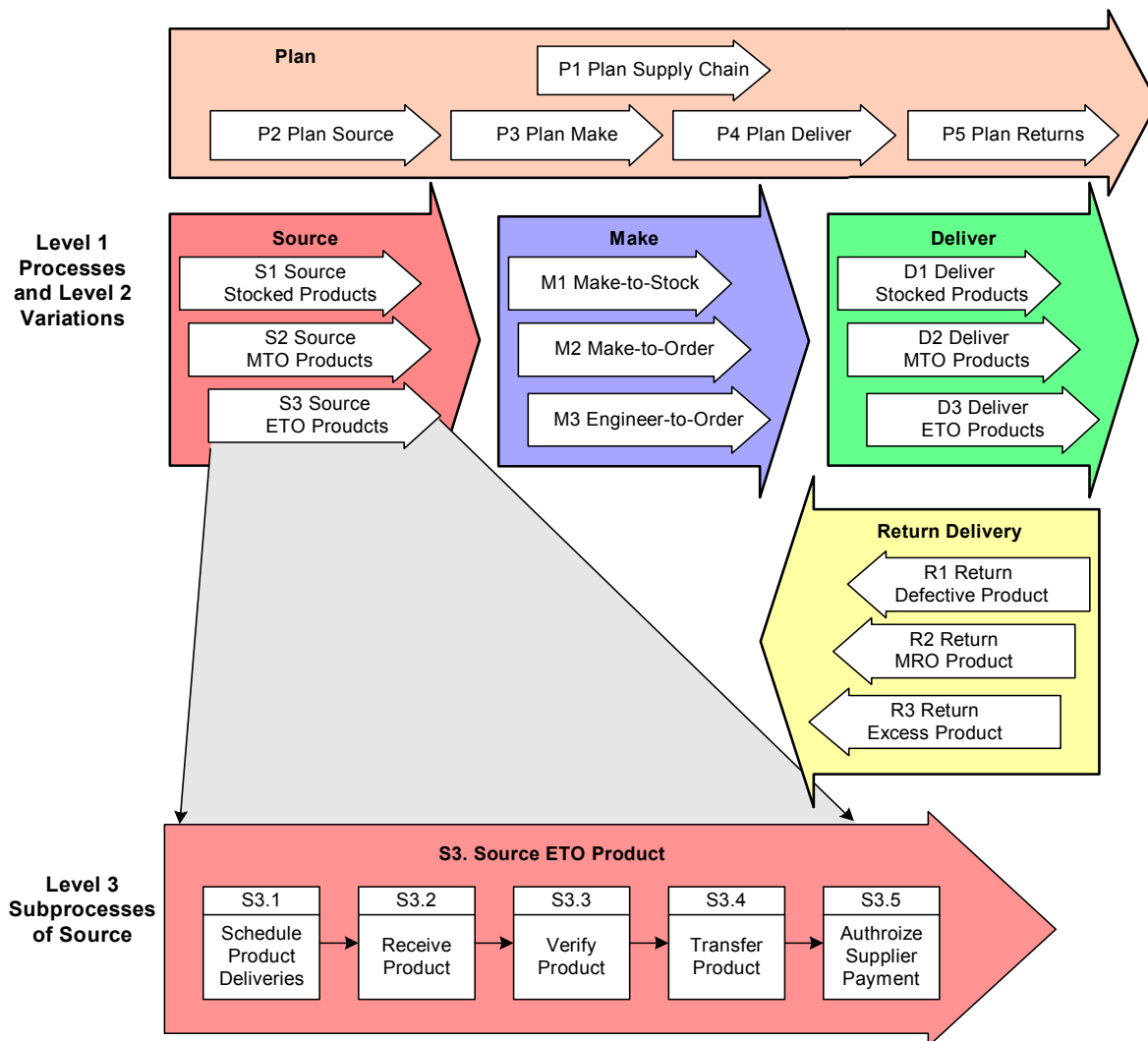


Figure 1. The five basic SCOR Level 1 processes, with the Level 2 variations within them, and one set of Level 3 subprocesses below.

SCOR, the Level 3 processes are subprocesses of the Level 1 processes, and are the same, no matter the variation. Figure 1 shows the Level 3 activities that are included in one Level 2 process: S3, the Source Engineered to Order Products. Level 4 processes are beyond the scope of the SCOR framework. It is assumed that each company will have its own procedures for implementing each of the Level 3 subprocesses defined by the SCOR framework and that it isn't useful to try to standardize Level 4 subprocesses.

SCOR Measures

In addition to defining a well organized, hierarchically structured vocabulary for talking about supply chain processes, the SCC has also defined a set of measures

that one can use to evaluate processes at each level of the process hierarchy. Figure 2 provides an overview of the process measures defined for Level 1 processes. The SCC understands that different companies will have different goals. One company, for example, may want to organize its supply chain to assure that customers can always get what they want, and are willing to stock a lot of inventory to assure that. Another may want to sell products at the lowest possible price and will want to minimize inventory and occasionally run out of products to assure that product costs are minimized. Different measures will be appropriate, depending on the goals of the company. Thus, the choice of measures is closely related to the development of a strategy and goals for the supply chain. The SCC doesn't dictate strategies,



but defines a list of high-level measures, and leaves companies free to choose the measures appropriate for their strategy.

Although it isn't shown in Figure 2, the SCC has defined each of the measures by specifying precise formulas for each measure to assure that the "Cost of Goods Sold" will mean the same thing at each company that decides to use that SCOR measure. (SCC companies can report their information to outside benchmarking companies that work with the SCC and get back information that shows how they rank within their industry and within all companies for each of the measures they track.)

The SCOR methodology is supported by a Manual that describes each process and subprocess defined by the SCOR framework. There is one table for each Level 1, Level 2 and Level 3 process. Each table specifies each way in which the process or subprocess interacts with other processes, standard inputs and outputs, and measures that are most appropriate for that process or subprocess. The tables also provide information on best practices that successful companies have found useful when they have implemented the process or subprocess.

The SCOR Methodology

The SCOR methodology can not be understood without first understanding the availability of a standard way of analyzing supply chain processes and measuring the results. To redesign existing processes, business managers need to begin by defining the existing processes and measuring them. Then they consider how their existing processes align with their company's strategic and supply chain goals and use that information to help redesign the existing process. (See Figure 3.)

The SCOR methodology is defined in some detail in a white paper available on the BPTrends portal.

(Publications/White Papers: *Introduction to the SCOR Methodology*) We won't go into too much detail here, but will emphasize the key points relevant to our overall discussion of framework-based business process analysis.

I. Define the Supply Chain Process

One begins a SCOR redesign by modeling an existing supply chain process. The process is modeled with a SCOR Thread Diagram like the one shown in Figure 4. In effect, sequences of Level 2 processes, usually simply represented by a letter and number, are placed inside arrows and linked together. Bold vertical lines separate companies. Dashed vertical lines represent divisions within the same organization. The thread diagram often becomes the basis for a subsequent analysis of the time it takes to move items through the supply chain. Thus, in some cases, the analysts will want to represent intermediary organizations, like customs, that can cause predictable delays in the flow of materials. In SCOR terms, an intermediary operation, like customs, or an outside shipper, would be represented by a Source process and a Deliver process. Obviously, in these cases there is no Make process, since the materials being moved are not changed in the process.

	Performance Attribute	Performance Attribute Definition	Level 1 Metric
Customer Facing Attributes	Supply Chain Delivery Reliability	The performance of the supply chain in delivering: the correct product, to the correct place, at the correct time, in the correct condition and packaging, in the correct quantity, with the correct documentation, to the correct customer.	Delivery Performance
			Fill Rates
			Perfect Order Fulfillment
	Supply Chain Responsiveness	The velocity at which a supply chain provides products to the customer.	Order Fulfillment Lead Times
Internal Facing Attributes	Supply Chain Flexibility	The agility of a supply chain in responding to marketplace changes to gain or maintain competitive advantage.	Supply Chain Response Time
			Production Flexibility
	Supply Chain Costs	The costs associated with operating the supply chain.	Cost of Goods Sold
			Total Supply Chain Management Costs
			Value-Added Productivity
			Warranty / Returns Processing Costs
	Supply Chain Asset Management Efficiency	The effectiveness of an organization in managing assets to support demand satisfaction. This includes the management of all assets: fixed and working capital.	Cash-to-Cash Cycle Time
			Inventory Days of Supply
Asset Turns			

Figure 2. SCOR Level 1 process measures.



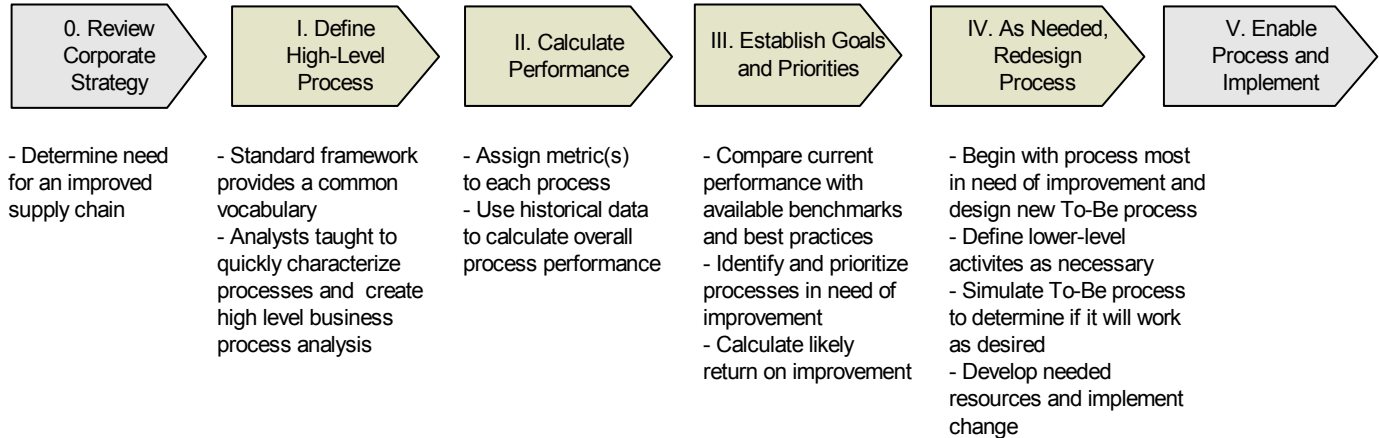


Figure 3. An overview of the SCOR methodology.

Obviously one could regard the diagram as showing a single supply chain process, or regard each combination of Source-Make-Deliver (Return) processes as a single chain. The example shown is relatively simple, however it is not uncommon to create very complex Thread Diagrams when a large company is modeling its processes. For example, a complex assembly, like an automobile, might source hundreds of parts or subassemblies from hundreds of different suppliers, who might, in turn, do the same.. Thus, its not uncommon for a single supply chain to source two different types of products, one drawn from stocks (S1) and another produced to order (S2).

What's impressive is how quickly supply chain managers can create these diagrams. We have attended SCOR workshops that included managers from a dozen different companies, who spent a half day learning the SCOR framework, and were then able to work together to create complex Thread diagrams to define their respective processes. Traditional business process methodologies expect to spend days or weeks defining complex business processes. Indeed, many analysts avoid high-level processes altogether because vocabulary problems assure that it will require weeks to get even a broad overview of the process. The SCOR methodology relies on its framework of predefined processes and subprocesses to reduce the analysis of supply chain processes to hours rather than days or weeks.

II. Define the Performance of the Existing Supply Chain

Once the SCOR team has scoped the existing supply chain process, it can use historical data to define how the existing supply chain is performing. We have already seen an

example of the Level 1 performance measures that SCOR uses. (Figure 2.) Once again, the preexistence of standardized performance measures means that a team can arrive at an overall evaluation of a supply chain process in a matter of hours rather than days or weeks. Similarly, since the measures are standardized, a company can quickly compare several S1 processes to see which is more efficient.

Once the SCOR team has examined the Level 1, and in some cases the Level 2 As-Is historical data, it is in a position to decide if the supply chain should be changed. In effect, it is now ready to review the organization's existing approach to its supply chain and, if necessary, define a new supply chain strategy, and set some targets, priorities and a budget for any redesign effort.

Steps III through V

We won't go into Steps III through V in any detail, since they are similar to other process redesign methodologies that readers are undoubtedly familiar with. In essence, once you define the existing (As-Is) process, you rearrange it to define a new (To-Be) process. SCOR provides some benefits, since it defines Level 3 sequences, which make it easy to determine what elements a specific, existing process might be missing. At the same time, the SCOR manual suggests best practices that companies can use to identify changes that might prove beneficial.

Perhaps the major difference between SCOR and some traditional methodologies is SCOR's emphasis on Plan (Management) processes. In essence, if you have a supply chain, SCOR requires a supply chain Plan process. Then it requires subsidiary Plan processes for each subprocess in the supply chain. (See the Thread Diagram, Figure 4.) The

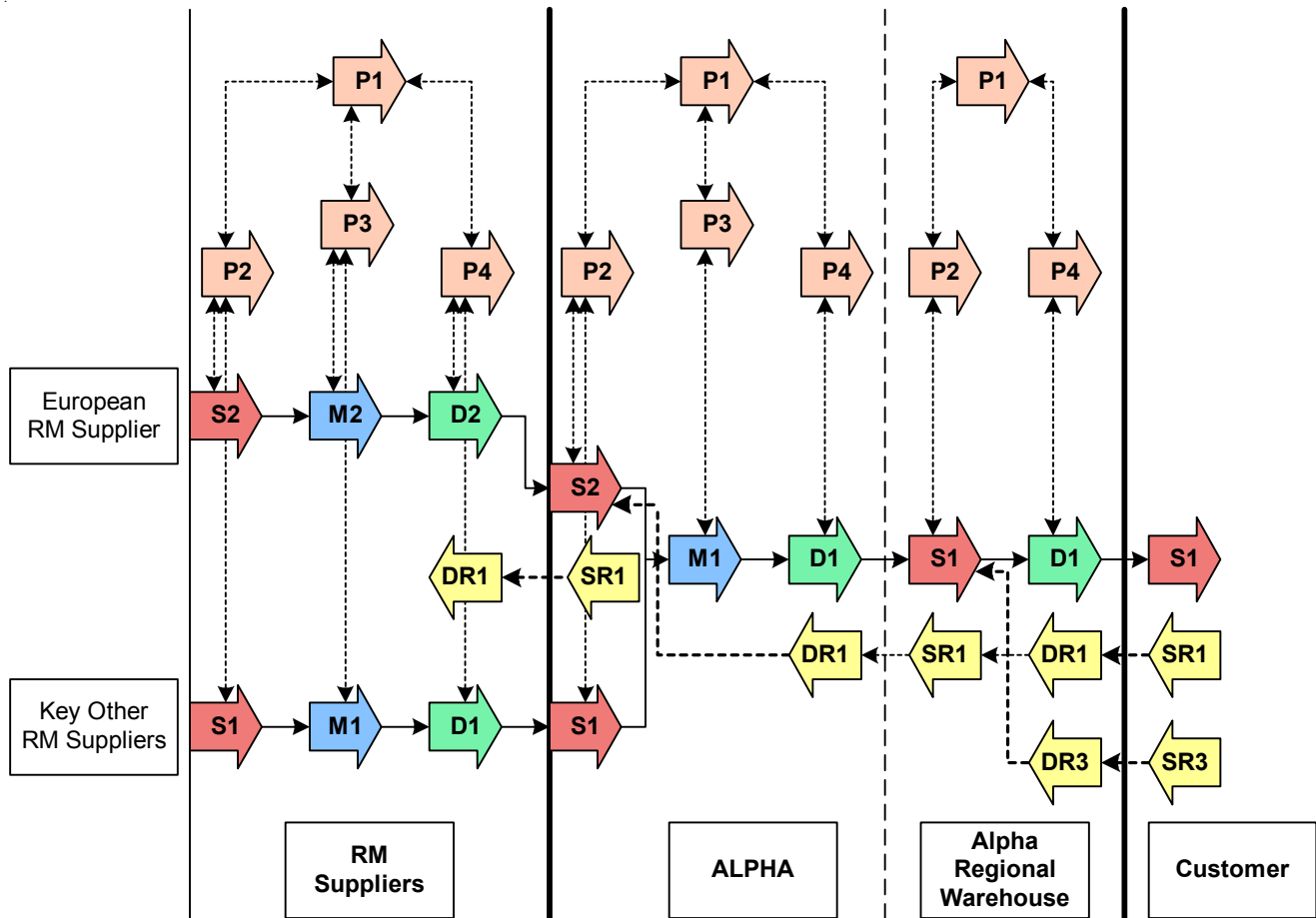


Figure 4. A SCOR Thread Diagram showing several supply chains.

Rummler-Brache methodology puts a similar emphasis on aligning operational processes with management processes, but doesn't represent management processes on the same diagram the way the SCOR methodology does. Since SCOR has already predefined the measures to be used with each supply chain process, we know at least how the managers implementing the various Plan processes will measure the processes they are managing. Hopefully this approach will catch on and introduce a new, notation-based emphasis on aligning management with process redesigns.

When teams begin to redesign an As-Is process, obviously the Thread Diagrams give them a good overview of the kinds of changes they are proposing. A number of companies have introduced special software modeling tools, or templates for standard modeling tools that specifically support the SCOR methodology. If the design teams run their redesigns on simulation tools, to check the probable

results of changes, they can rely on the SCOR measures to evaluate changes more efficiently.

The detailed redesign of Level 4 activities and the automation of specific activities is beyond the scope of SCOR. Similarly, SCOR doesn't have much to say about the implementation of new processes.

To summarize: the use of a framework-based business process methodology is only possible in cases where a high-level analysis of the processes to be analyzed already exists, and where measures of process success have already been standardized. Obviously, it will help if the standardization is done by a large, neutral standards group, like the Supply Chain Council, since that will assure that the processes and measures are really well thought out and that individual practitioners will more readily buy into the common framework.

When a business process framework is available, as it is for supply chain processes, then the analysis of processes can be undertaken in a fraction of the time required in earlier business process methodologies. Moreover, if measures and historical data are available, then processes can be quickly evaluated and management systems can be established quickly to gather additional data to help identify where changes will be most useful.

We have only emphasized the use of SCOR for an internal company redesign effort at this point, but obviously, a framework-based approach, like SCOR, is even more valuable when two or more companies sit down to figure out how to integrate their separate business processes. If vocabulary problems can slow internal efforts to analyze business processes, they can often prove an insuperable problem when a half dozen companies try to work together. SCOR is being rapidly embraced by companies throughout the world that want a common basis for discussing their collaboration plans.

Second Generation Business Process Change at Hewlett-Packard

To provide a concrete example of the power of a second generation approach to business process change, and the movement to generalize SCOR into a framework-based methodology that works with non-supply processes as well, we will now turn to a discussion of some recent developments at HP.

The Use of SCOR During the HP-Compaq Merger

We've attended two SCC meetings during which Joe Francis, the Senior Director of the HP IT Business Process Management group, described his experiences with SCOR during the HP-Compaq Merger. It seems when the merger was initially announced, HP and Compaq set up teams to plan how the merger would work. Joe was an IT Senior Director at Compaq who had worked on Supply Chain development; and was asked to serve on the team that was to plan what IT systems would be used after the merger. Obviously, both Compaq and HP had dozens of supply chains that spread around the world. These supply chains had been developed at different times and relied on different software systems. Some of the supply chain groups were very committed to the software they had relied on for years.

In fact, the supply chain team was only one of several teams. There were also teams set up to identify the software systems to be used for the new combined Sales, Marketing and New

Product Design functions, as well as for support functions like Finance and Accounting, HR and IT.

Most of the teams began by identifying all of the Compaq and HP software used, and then proceeded to discuss the merits of the various software applications, trying to decide which were "best." These discussions often became heated as the various groups provided assorted evidence, factual and anecdotal, to support their favorite programs. Anyone who has been in a similar situation knows how difficult this kind of discussion can get.

Joe led his supply chain team in a different direction. Because of his experience with SCOR, Joe knew that very complex supply chains could be quickly characterized with Level 2 Thread Diagrams. He also knew that SCOR provides precise formulas for business measures that could be applied to the historical data to measure the success of each subprocess defined on a Thread Diagram.

Anyone relying on a first generation business process approach – one that assumed that the team would need to analyze each supply chain process from scratch – would never have considered analyzing all of the Compaq and HP supply chain processes in the time allowed. (In fact, as readers know, the Compaq-HP merger didn't take place on schedule, since it was challenged by major stockholders and was delayed by a drawn-out battle to achieve the required stockholder support.) In spite of the short time, Joe was convinced that his team could model the major Compaq and HP supply chain processes and apply business measures to each, and his team undertook the effort.

In essence, the team developed SCOR Level 2 Thread Diagrams of each major HP and Compaq supply chain process. Once they had Level 2 diagrams, they analyzed Level 3 diagrams for selected processes so they could compare the coverage of more or less similar Compaq and HP processes. They also used historical data to determine the success of each of the processes, using the SCOR metrics.

In some cases two processes from HP or Compaq were similar in functionality and one was clearly superior, as judged by historic measures. In other cases, the processes were similar in performance, but one offered more functionality, as judged by the presence or absence of Level 3 subprocesses. By the end of the time allowed, the supply chain team was able to identify the superior supply chain process and select the software applications that supported that process.

Unlike the other groups that eventually selected the software applications they wanted to keep and identified those they wanted to discard, based on the most convincing arguments put forth, the Supply Chain group justified the applications they chose by first choosing the business processes that worked best, and then simply choosing the applications that supported the superior processes.

At the same time, having evaluated the supply chain processes against measurable criteria and outcomes, the supply chain group was not only able to recommend the best of the existing business processes, but to also suggest which existing processes could be improved further. In essence, by analyzing the processes in terms of SCOR Level 3 activities and the associated metrics and best practices associated with that level, the Supply Chain team was able to identify deficiencies and prioritize what might be improved after the merger.

The Supply Chain team also developed a systematic approach for sequencing the merger of processes and the elimination of duplicate software. Again, based on SCOR, they were able to identify processes that were very similar, largely similar, or not so similar. They were then in a good position to estimate what kind of difficulty groups would have using new processes. A very similar process could replace another process rather quickly, while the replacement of a very dissimilar process would require more time. Using this approach, the HP-Compaq Supply Chain team was able to outline business process changes that would be required over the course of the year following the merger.

The benefits of a second generation approach to business transformation came to the attention of management and Joe was asked to lead a newly created HP IT Business Process Management group to support accelerated decision making and design of key business transformation initiatives in the post-merger company.

Extending SCOR in the Post-Merger Period

Hewlett-Packard and Compaq formalized their merger in May of 2002. The new company, known as Hewlett-Packard, has significantly reorganized both companies. Before the merger, HP alone, had over 60 business groups. Today, the new HP has four major operational groups.

In effect, HP is beginning to transform itself into a process-centric company with all that entails. Before and since the merger, HP has several different groups and initiatives that are focused on business process change. Among them it

has corporate architecture groups, it has Six Sigma groups and a Balanced Scorecard initiative. SAP is used to implement many business processes. In addition, since the merger it has a new group – the IT Business Process Management group, which is headed by Joe Francis. This group reports to the CIO, Bob Napier. The IT BPM group uses Proforma's ProVision tool for their modeling and analysis work. (There is a special template for ProVision that supports SCOR work.)

The success enjoyed by the Supply Chain team during the merger relied on the preexistence of a framework with which they could quickly and consistently model supply chain processes and a set of well-defined metrics they could apply to judge the efficiency and effectiveness of each of the processes or subprocesses they identified. The existence of the SCOR framework made the HP-Compaq Supply Chain team's rapid success possible.

In the months since the merger, the IT BPM team has spent most of its time working out ways to extend the SCOR framework to other business domains within the enterprise. Through several cycles of development and refinement, they validated the models with business partners involved in actual day-to-day operations, always ensuring that descriptions remained neutral. The resulting frameworks accurately describe several business domains at HP and proved to be general enough to be useful in describing any business domain the team tested them on throughout the year.

The three major business domains the IT BPM team have defined include:

Business Development (Market Research & Segmentation, Marketing & Advertising, Value Propositions, Product Life Cycle, and Product Pricing). The five major subprocesses are Analyze, Create, Launch, Revise and Plan. The Level 2 Variations are Expansion (Sell More), Extension (Sell in New Market), and Creation (New Product in New Market).

Customer Chain (Customer Relationships, Partner Relationships, Selling & Consulting, Configuration & Quotation, Customer Pricing and Customer Support) The five major subprocesses are Relate, Sell, Quote, Assist, and Plan. The Level 2 Variations are Sale to New Customer (Not Currently Named in Customer Database), Sell to Named Account (Known Customer), and Sale to Partner.

Design Chain (Research & Development, Product Engineering, Intellectual Property, Inventions and Labs, and

Product Costing). The five major subprocesses are Research, Design, Integrate, Amend, and Plan. The Level 2 Variations are New Technology, New Product and Product Revision.

As the IT BPM team at HP continues to work with line managers on projects, they will undoubtedly further refine these process definitions, but it provides a starting point for analyzing other process domains. To date, they have successfully modeled processes in over a dozen programs

in each of the four domains, with few significant adjustments. HP's Level 1 and 2 processes are shown in Figure 5. Notice that in each domain, they have managed to limit the high level processes to four major subprocesses, plus a management process, Plan, and support process, Enable. In each case, they have subdivided these processes into Level 2 variations and Level 3 subprocesses and in all cases, they have defined business measures to use in evaluating the processes.

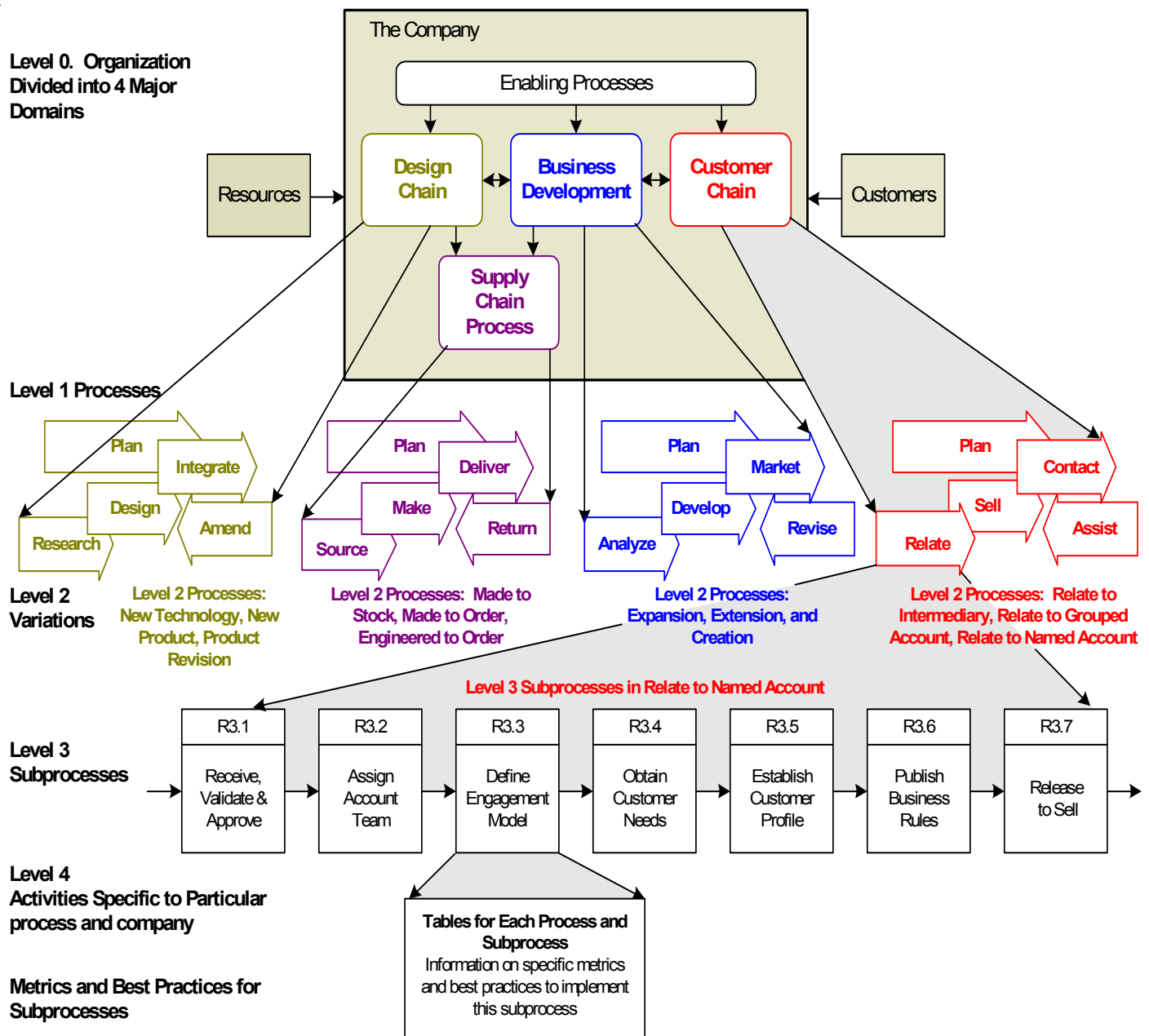


Figure 5. HP's Current Business Process Frameworks.

At the same time that the HP BPM team has established high-level frameworks for various domains, they have also worked with managers to establish metrics for each of the levels within the domains. Figure 6 lists the Level 1 measures identified for the HP Customer Chain process.

Obviously the frameworks that the HP BPM group has worked out cannot claim the authority that the SCOR model has. The SCOR model was created by managers from a wide variety of Fortune 1,000 companies, and each of the subprocesses and activities was the subject of prolonged discussion and argument and names and descriptions that were finally chosen represent widely accepted processes. Managers from a wide variety of companies learn SCOR quickly, exactly because it represents a high level framework that has been developed and polished by a large number of supply chain managers representing a range of perspectives.

In trying to create similar frameworks for domains other than supply chain, the HP team must necessarily draw on far fewer perspectives, and has undoubtedly included subprocesses that will not generalize as well. What they have done, however, is create an initial set of frameworks that they can use to accumulate insights as they conduct subsequent analysis efforts.

To gain more validity for their work, the HP BPM team has begun to offer some of their insights to other groups to encourage broader standardization. For example, they have presented the HP extensions to the Supply Chain Council, and the SCC has just decided to convene a group to consider extending the SCOR framework to include a New Product Development framework. The first SCC team to consider a New Product Development framework met for the first time on April 23 and 24, 2003.

At the same time, Joe Francis has been elected Chairman of the Board of the Supply Chain Council for the coming year,

where he is likely to continue to advocate for extending the SCOR model.

We suspect the standardization of the Sales and Marketing processes might have to be undertaken by another consortium, but we also expect that the HP BPM team will be willing to help any group that looks at SCOR, realizes the potential of the Framework-based Business Process approach, and decides to extend the effort in a new direction.

In addition to researching alliances with other standards groups to achieve more generic support for their non-SCOR process frameworks, the IT BPM team at HP has been consulting with other business process groups within HP. An example of this is their recent effort to explore how framework-based models might support the HP Six Sigma efforts. The HP team is meeting with HP Six Sigma practitioners to determine how a combination of the framework-based approach and Six Sigma might help both groups. To further this effort, the BPM team will offer a course on framework-based business process analysis and design to some of the Six Sigma people at HP.

HP is not the only company familiar with the SCOR approach that has been thinking of how it might extend the SCOR methodology in order to use it with other processes. Another

Domain	Performance Attribute	Measure
Customer Chain	Reliability	Net Customer Loyalty Index
		Perfect Contracts
		Perfect Assets
	Responsiveness	Lead-to-Contact Cycle Time
		Assist Cycle Time
		Quote Turnaround Time
	Flexibility	CC Reaction Cycle Time
	Cost	Cost of Selling
		Cost of Assets
		Warranty Cost
	Asset Management	Customer Conversion Rate
		Customer Growth Rate
		Assists Per Customer
	Profitability	Gross Revenue
		Customer Franchise
Average Profit Per Customer		

Figure 6. Level 1 Measures for Customer Chain established by HP.

example of an effort to extend SCOR is provided by a new joint effort on the part of StreamlineSCM and Dassault Systemes. StreamlineSCM had already developed a database/analysis product designed to support SCOR development. Dassault had an existing line of software modules used to support various processes. The two companies worked together to create a set of extensions for SCOR, which they are beginning to sell. (See Figure 7.)

The SCC and Product Design

The SCC has recently decided to launch a task force to consider standardizing the new product development cycle (sometimes called the Process Lifecycle Management or PLM process). Many companies working on supply chain systems have felt a need to define the relationship between supply chains and new product design because companies are increasingly trying to integrate the two. High Tech companies, for example, often find that delaying the final configuration of a new product until they can learn as much about customer acceptance and use of the current product is a significant advantage. Thus, in effect, one is using feedback from the supply chain process to help guide the new product development process. Add that consideration to the fact that some industries have very short lifecycles, and the integration of the supply chain and new product development becomes an important goal.

The April SCC Product Design working group attracted a number of managers from companies like AMR, Computer Associates, CommerceNet, Dassault, DRK Research, HP, IBM, Intel, Lucent, Oracle, PRTM, SAP, and StreamlineSCM. Two existing models of the Design Process, one developed by HP and one developed by StreamlineSCM in conjunction with Dassault Systemes were discussed and the group agreed to move forward to create a framework for the Design Process. The next meeting will take place in Phoenix in May.

Summary

Obviously the ideas embodied in what we have termed the Second Generation approach to business process redesign are just becoming established. We fully expect to see them change and develop over the course of the next few years. So far, however, this new approach has already had a profound affect on the development of supply chain processes and is currently being generalized to other process domains.

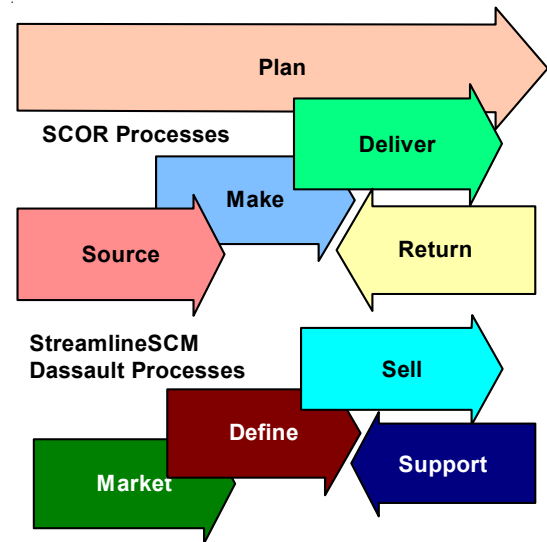


Figure 7. The Dassault Systemes/StreamLineSCM model.

Figure 8 sums up the points we have made about first and second generation methodologies. Once the initial domain frameworks are developed, second generation approaches significantly reduce the time and expense involved in analyzing new and existing processes. They assure that teams who have mastered the basic framework models can work together to analyze processes and facilitate collaboration among teams from different locations or companies. In addition, they guarantee measures that can be tied to company strategies and used during the earliest stages of an analysis effort to check existing processes and then, subsequently, to judge the results that design efforts produce.

Clearly the Supply Chain Council intends to extend SCOR to embrace the new product development lifecycle. It's unlikely, however, that the SCC will expand its scope to include Sales and Marketing, or support process domains like Finance and Accounting. Companies like Hewlett-Packard may do this on their own, and then promote their models. Or, associations or consortia for Sales and Marketing and/or ERP-focused organizations might decide to sponsor the extension of the SCOR model to their own domains or develop their own second generation Business Process Methodology.

What's clear is that this new approach to business process redesign won't go away; it's too powerful and too easy to use. It's currently gaining support among supply chain practitioners and being extended at companies like HP and Dassault Systemes.



In an earlier era, when companies were more jealous of their unique processes and were more likely to develop unique software applications, a framework-based approach to business process redesign might not have been acceptable. Today, however, concerns about cost and speed have moved most companies to using standard applications and a standardized approach to high-level business process design seems a lot more acceptable. When you add to that the fact that most large companies are increasingly dependent on suppliers and partners as key processes and sub processes are outsourced, a standardized approach to high-level process analysis and design is going to be all but mandatory. It's an approach based on the idea that process developers at different companies ought to be able to communicate easily about how they might integrate their processes. It's an idea whose time has come.

Notes

Readers who have followed Geary Rummler's work, or taken a recent PDL workshop are aware that Dr. Rummler has anticipated what we have termed a Second Generation approach by identifying three common, high-level processes, which he originally termed: It Available, It Sold, and It Delivered. Each of these three very general processes were subdivided into subprocesses. Dr. Rummler used this model as a kind of template to help new analysts think about the processes that exist at every company. As far as we know, however, he has never used these two levels of processes to actually analyze company processes, nor has he tied measurements to these processes in the same way that SCOR has done.

More information about the details of the SCC's SCOR methodology is available on the BPTrends website, and at the SCC's website: www.supply-chain.com. Similarly, information on the SCC's SCOR workshops, which we strongly recommend, are also available on the SCC website.

Those interested in becoming involved in the SCC's effort to define the new product development process should contact

First Generation BP Methodologies	Second Generation BP Methodologies
A generic methodology that works just as well with any type of process.	A process specific methodology that only works with a specific type of process. (e.g. Supply Chains, or New Product Development processes.)
Designed by and for business process specialists.	Designed by and for business managers who understand a specific type of process.
Each new process is analyzed from scratch and unique names are assigned to processes and subprocesses.	Each new process is analyzed by identifying how the new processes and subprocesses fit an existing framework that names the various process elements.
Measurements are developed from scratch for each new process and applied as appropriate.	Measurements, like the basic process vocabulary, are pre-defined and used to analyze the process elements as soon as they are named.

Figure 8. A comparison of first and second generation BP methodologies.

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