



Points of View

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Who Cares About Your Business Processes?

Part 2: Stakeholder Analysis in Business Process Architecture.

Introduction

In my March 2010 Column, I laid out some ways of looking at our external business stakeholders based on communications between our organization and those we serve and serve us. Understanding the delivery and acceptance of products, services and commitments was described as the basis for developing and sustaining strong trust and loyalty so critical to long lasting collaborative relationships and the overall good health of our businesses. In this Column, I will describe what we need to know about relationships relative to the establishment of corporate strategy and processes at the enterprise level. This Column will describe what organizations must do to accommodate stakeholders if they wish to see their bold statements of intent and strategic direction realized through the mechanism of business processes.

The prime role of Business Process Management (BPM) at this enterprise level is to assure that the various enterprise capabilities are aligned with one another and they deliver traceable process performance back to the stated strategic goals and objectives of the "Organization-in-Focus" (OIF). Our processes should act as the coordinator to ensure we optimally allocate scarce resources to deliver value to customers within the constraints of other stakeholders' requirements.

This Column presents a framework for identifying and resolving potential conflicts among various stakeholders' expectations. It will show how customer relationship lifecycles can be used to focus on the core value proposition. It will establish a set of reconciled stakeholder-based criteria to help prioritize and manage changes downstream. It will briefly discuss the performance management aspects of BPM made possible by the stakeholder analysis and how these plus the strategic objectives of the Organization-in-Focus (OIF) provide the basis for a better balanced scorecard and human motivation system.

The Outside-in Perspective – the one that counts

Functionally oriented approaches to the establishment of processes typically lead to value streams and workflows full of disconnects and waste. Today, everything an enterprise does is interconnected and the rippling effect of a change in one domain or department can spill over to many others with severe, unintended consequences.

Customers and consumers do not care at all about our insides. As a matter of fact, no external stakeholders do. They only value what they get and how they are treated in the process. If we take a customer centric approach, then all of these methods just reflect the common sense that places the consideration of 'ends' before 'means'. With so many pressures and options facing managers an integrative approach seems necessary. Modern methods recognize the need to work at many levels in many domains while remaining connected among them. The BPTrends Associates Pyramid conceived by Paul Harmon in Figure 1 shows an Enterprise level that deals with overall strategic alignment and management of the process asset while governance, prioritization and resource allocation for process and capability transformation occur at lower levels. This is the level I will address in this Column.

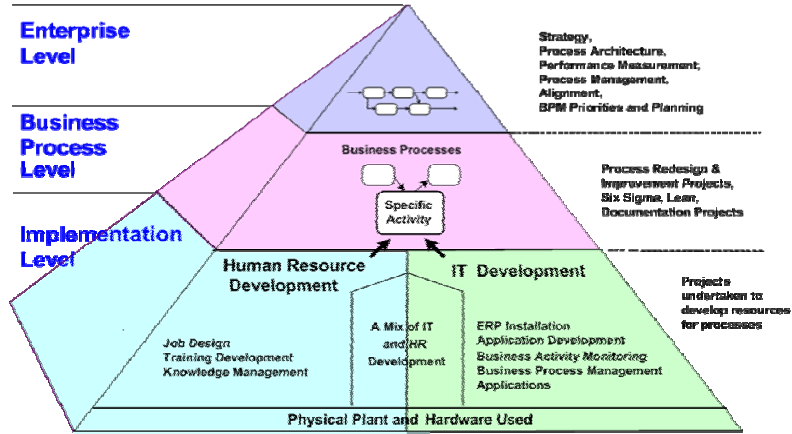


Figure 1: The BPTrends Associates Pyramid

An Integrative Model from Drivers through Aligned Capability

Figure 2 describes the alignment of capabilities to Strategic Intent. External factors are understood, strategic intent ascertained and strategy derived including stakeholder propositions.

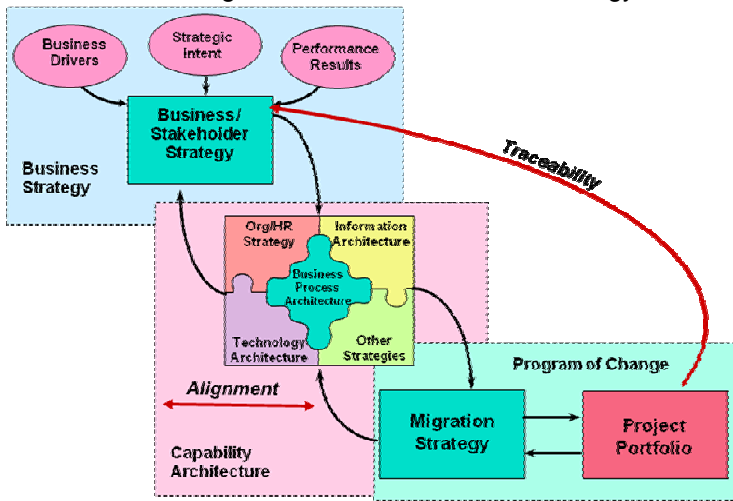


Figure 2: Strategic Integrity Model

methodology that are highly stakeholder dependent as the backdrop for how stakeholder analysis can be conducted. I will address issues relating to Levels 2 and 3 in future Columns.

Processes and other capability future needs are compared to current capabilities of various sorts, gaps are identified, aligned and prioritized programs of change established. Capability enhancement programs and projects are resourced and conducted. Traceability of changes is carefully monitored against strategic intent. Figure 2's approach is supported by the top line (the enterprise phases) in the BPTrends Associates methodology shown in Figure 3. In the remainder of this Column, I will use the phases of the

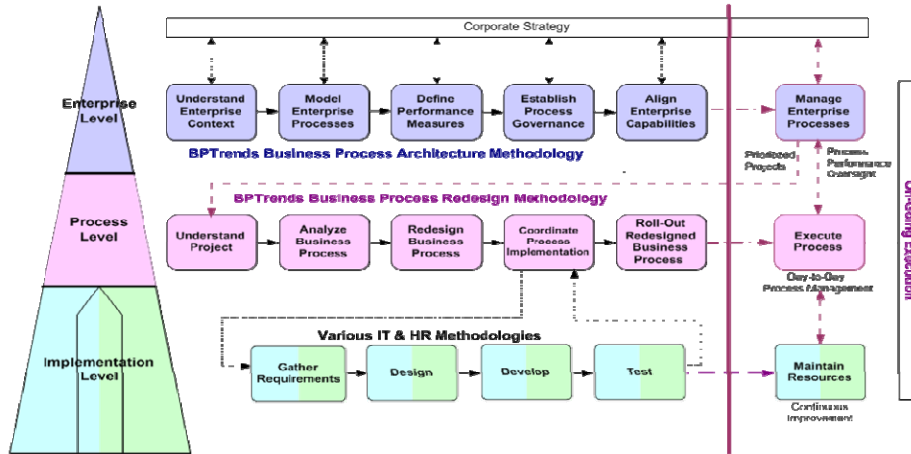


Figure 3: The BPTrends BPM Methodology

Understand Enterprise Context (Part 1: Understand Business Strategy)

Purpose of the Activity

The prime purpose of this methodology activity is to understand and validate:

- External and internal business drivers
- The strategic intent of the OIF
- Known OIF strategies
- OIF scorecards

It is important to note that, when it comes to the perspective of managing processes as enterprise assets, the work of the architects has a context that is traceable to the intended direction of the OIF. Consequently, the effort conducted at this point is NOT to be confused with actually developing corporate strategy but instead it is to understand what has been done and to ensure that the interpretation of it is commonly understood and accepted..

Concepts

A good starting point and repeatable metamodel for this work has been evolving over the past several years thanks to the work of the Business Rules Group. This work is now published as the

Business Motivation Model (BMM) standard by the Object Management Group. One has only to look at any number of strategic documents across organizations to find that words such as 'Mission' and 'Vision' become confused. 'Goals' and 'Objectives' are freely used interchangeably despite their differences. Even the term 'Strategy' itself is inconsistently applied. This problem of imprecise wording

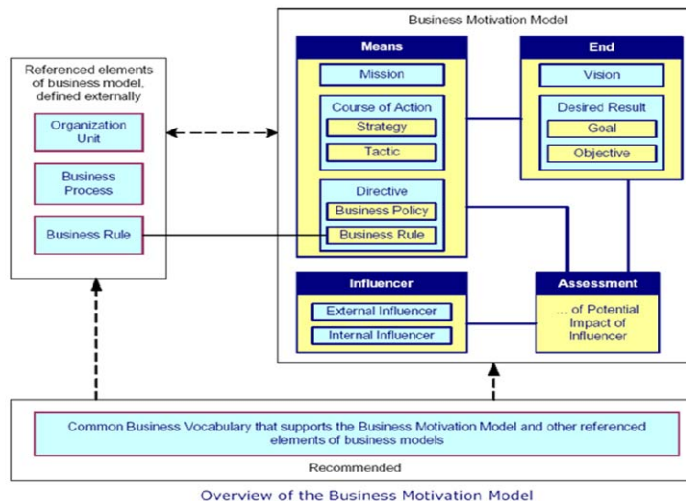


Figure 4: OMG's Business Motivation Model

has made it difficult to document statements of direction in any repeatable fashion. It also means that it is difficult to communicate higher statements of intent and approach to lower levels of the enterprise and to ensure traceability of performance tracking from bottom to top.

The BMM shown as Figure 4 defines both the structure of the strategic concepts as well as the semantics of the terms used. It not only covers the traditional components of strategic planning but also includes the concepts of Influencers (stakeholders in the remainder of the chapter) and Assessments. An important feature of this model is the perspective offered on its components by Reference Elements including organization and process. The message is that all processes in the organization should have a model with a consistent structure as depicted by the BMM framework. The BMM implies, as does common sense, that every part of the enterprise from the whole to specific units should articulate its Mission, Vision, Goals and Objectives as well as other driving motivations. The same applies to each and every process. Of course, the set of organizational and process attributes should also be connected, aligned and traceable in relationship to one another.

Kaplan and Norton developed the concept of Balanced Scorecard as a response to the shortcomings of traditional financially oriented and backward looking measurement systems observed in most companies. The authors arrived at the conclusion that organizations also need to consider a quadrant of measures that adds customer, process and learning and innovation measures to the traditional financial measures. Over the years, I have used a slightly wider view of the measurement system to ensure alignment among all stakeholders, not just customers, processes, and capabilities by building a traceability line of sight up and down the set of organizational units. I and others have found this technique more suitable than a classic Balanced Scorecard because it ensures process performance traceability. The traceability line states that poor capability means ineffective or inefficient processes that affect customers and other stakeholder relationships negatively and, ultimately, poor bottom line performance at the enterprise level.

Understand Enterprise Context (Part 2: Determine Stakeholder Relationships)

Purpose of the Activity

The purpose of the stakeholder analysis activity is to understand or determine:

- Customer segmentation
- Other stakeholder types and sub types
- Today's and tomorrow's products, services and information given to and received from each stakeholder type (interactions)
- The health of the current interactions between stakeholder and OIF
- The starting point for process architecture development and process analysis
- Consensus on the types of external relationships
- The expected goals of the relationships
- The performance indicators and objectives of the relationship
- The capabilities required to be successful

Especially useful will be the ends, means and assessment attributes described in the last section for the OIF but applied in a more focused way for each stakeholder relationship.

Concepts

The first questions to be answered regarding external connections are 'Who cares about us?' and 'Who do we care about?' Some stakeholders interact with us on a regular basis and exchange things with us. Some stakeholders may not interact with us much but certainly affect what we do or are affected by what we do. Others may be interested but are not as involved as the first two groups. We need to care about all of them and get them to care about us. Once we understand them we can decide what we need to do to optimize our part in the ecosystem within which we all

participate. It all starts with gaining agreement on the classification of the various types of stakeholders that we wish to see. Be aware that the stakeholder segmentation names assigned and their definitions can be a source of major semantic, cultural and political dissonance.

The classic starting top levels of stakeholder types prior to decomposition are:

- **Customers and Consumers:** those we are in business to serve
 - This category is often not as simple as it may seem since there may be many intermediaries or channels to market, many types of products and services for different markets and differences among buyers, influencers and users.
- **Owners:** those who invest in or direct our activity
 - This category includes all the investors, boards of directors and senior executive. Again there will likely be sub levels depending on degree of control.
- **Staff:** those who work on serving and supporting the enterprise and its stakeholders
 - Staff is considered to be an external stakeholder type since members join the enterprise voluntarily and will thus need to be personally attracted and satisfied and subsequently assume internal roles once hired. There may be several types based on the longevity of their tenure or association with collective bargaining units.
- **Suppliers:** those who provide products, services and resources to us.
 - Suppliers may be segmented according to what they supply.
- **Community:** those who govern, guide or influence what and how we do what we do.
 - This can be a very broad category with many segments since those who provide regulatory and compliance requirements and certification will be different from those who may be simply influencers on us or for us.
- **Competitors:** those who fight in our markets for our customers.
 - Competitors may be targets for capacity enhancement by acquiring them or they, us..
- **Enterprise:** the enterprise itself.
 - This category is somewhat esoteric in that it considers the enterprise to be a different stakeholder from its staff, owners or customers, because its perspective is sustainability and freedom to act in the best interest the organization's longer term health.
- **Overlaps and Oddballs:** those who play conflicting roles
 - There will always be other types that do not fit into the customary categories. There will also be those that play multiple roles, such as customers or suppliers that compete with you or competitors that own part of your company.

These categories are all decomposable into sub types, but there is a practical limit to over refining beyond the point of usefulness for enterprise level work. Each type can also be weighted so that some will be considered more heavily when it comes to influencing choices and design decisions. Weighting is a strategic choice. For example, should the five customers that make up seventy five per cent of your business volume be given equal weight as those who make up the remaining twenty five per cent? If you do not weight them, you are making them all equally strategic and important.

Understand Enterprise Context (Part 3: Describe the Stakeholder Business Context)

Purpose of the Activity

The purpose of the Stakeholder Business Context analysis activity is to develop:

- a model of stakeholder interactions and exchange and their health represented by drawing a simple diagram of the actual and planned exchanges delivered to and received from each stakeholder type, and using our "Organization in Focus," We can show all current and future exchanges including:
 - Products delivered or received

- Services provided or received
- Information exchanged
- Knowledge shared
- Commitments (formal and informal) made
- State changes of various assets or relationships

Concepts

When building a context model, expect to find that an incoming item will often be paired with one or more outgoing exchange items. For example a request for credit may come in, and a rejection or acceptance may go out in response. A triage-like assessment of each exchange can be made to get a good start on understanding relationship issues and opportunities. Taken together it becomes obvious which relationships are in good health overall and which need serious attention in terms of the processes that support them or are supported by them. A form of strategic Ishikawa or Fishbone diagram is produced but the real value of the exercise lies in the common insights gained across a typically diverse and siloed group of internal decision makers.

Understand Enterprise Context (Part 4: Analyze the Stakeholder Relationship)

Purpose of the Activity

The purpose of the Analyze the Stakeholder Relationship activity is to understand and gain acceptance of:

- The current state (health) of the relationship in general
- the future we want to see with each stakeholder type
- how to measure the success and progress towards the future state
- the current versus future performance gap
- the capabilities needed and the extent of change to close the gap

Concepts

The analysis of each stakeholder relationship will be accomplished by looking at three main aspects. The first will be understanding stakeholder expectations and goals to be attained at some defined point in time. The second will be determining the performance indicators of the relationship as well as the actual and target relationship performance level you would like to accomplish by then. The third is to figure out what types of critical changes have to be made and new capabilities delivered in order to achieve the targeted performance and hit the goals which achieve the stakeholder expectations.

Stakeholder Expectations and Goals

A useful technique for sorting out the stakeholder vision is called Time Machine Visioning. In this 'back to the future' scenario, the architect and strategist imagine themselves arriving at the future they would like to see at the planning horizon when all results are in and the process is performing as desired. Statements are postulated as to what each stakeholder type would say, or better yet what you want them to say. It then becomes the OIF's role to do everything necessary to make the statements come true. These are referred to as stakeholder expectations and are indeed our goals for the relationship. The technique defines value criteria and keeps everyone aimed squarely at the purpose of any necessary changes. The criteria must be used as the guide to all design decisions. This is not to say that all stakeholders will love what we want for them but since it is our business we must choose the criteria.

Measurement of Relationship Performance

The stakeholder goal statements are the basis for the determination of the performance indicators required to be able to monitor success of the relationship and progress towards success. These

statements will now become contributing Key Performance Indicators (KPIs) towards the strategic intent statements and should be directly linked to them. They measure value creation from the perspective of the stakeholder as well as the OIF. Both sides must realize value from the relationship to attain its expectations. These will be a combination of effectiveness, efficiency, and adaptability. To avoid sub-optimization one KPI will not do. The goal statements are also the basis for establishing the measurable relationship objectives. These are the target values of the KPIs that the organization will aim for. They will be set for the same timing as the time machine destinations. They may also be established for interim points in time as milestones to be achieved along the way. These KPIs and targets can now become part of the Balanced Scorecard next level down, if the organization has one, which in turn will be supported by traceable process measures that will be derived from the process architecture at the next level below that.

Critical Success Factors (CSFs) and Required Capability for Relationship Success

The gap in current versus target goals and objectives will indicate the state of the relationship change required and the extent of capability changes needed. The changes will be greater and more capabilities will be affected when the performance relationship gap is larger. Small performance gaps will not require launching major new systems but a big gap may. Small gaps will not require significant organizational changes but large ones may depend on them.

In order to discover the CSFs, make sure you answer the following question: "In order to achieve our vision and improvement targets from where we are today it is absolutely vital that". Obtain three to five responses from the perspective of each stakeholder type.

Taken together, the results of the stakeholder analysis will provide additional strategies and criteria for later decision making as well as the beginning of the design of the process architecture. There will be conflicts among stakeholder perspectives that will have to be sorted out. It is critical that conflicts be addressed and resolved at this point rather than later when inconsistencies are typically discovered.

Understand Enterprise Context (Part 5: Consolidate Strategic Criteria)

Purpose of the Activity

The purpose of this methodology activity is to:

- Discover and reconcile inconsistencies and conflicts among stakeholder views
- Gain agreement on the decision making criteria to be used to:
 - Assess alternatives and prioritize resource allocation
 - Remove personal biases toward solution design in later methodology phases
- Balance the enterprise intent with the stakeholder criteria

Concepts

This activity provides assurance that the process architects will subsequently design an architecture that truly helps the enterprise manage the capabilities required to attain its corporate objectives with the appropriate value proposition. It will validate the fit among strategic components and among potentially conflicting stakeholder perspectives, as well as being sure that both levels are connected. Ideally this will be a simple negotiation that will also summarize the results into a brief OIF and Stakeholder Charter upon which programs of change will be chosen. It will also be the starting point for defining the process architecture that will define the structure and organization of OIF processes.

Model Enterprise Processes (Part 1: Build Process Architecture)

Purpose of the Activity

The purpose of this methodology activity is to determine:

- All value chains, value streams, processes and sub processes of value to the enterprise stakeholders
- The relevance of any published industry frameworks to the OIF
- The Core Processes of value to the customers of the organization
- The Guiding and Enabling Processes supporting the Core that interact with other stakeholders
- High Level Process Map and Attributes

Concepts

The BPTrends pyramid articulates the levels of process work we can conduct. Our challenge is to optimize process performance at all of these levels. However, the Process Architecture (model of enterprise processes) that describes what we do in terms of what's important to those for whom we do it, starts at the top. Its existence provides significant benefits to those levels below since it automatically provides context and scope for each process in lower levels. Since the performance scorecard must provide traceability from what everyone does every day to full process results to stakeholder value to strategic objectives, there is no other way to connect these dots with integrity without a sound and elegantly simple architecture.

The architecture is built from the perspective of a clear "Organization in Focus" with defined boundaries and responsibilities. *An architecture level process is a repeatable series of activities performed to produce a result of value for one or more of the stakeholders of the OIF sitting outside its walls.* It starts with an understanding of the exchanges developed earlier as part of stakeholder analysis. Common sense (and our own rules) will tell us that everything coming into the OIF must come from an external stakeholder and be received by at least one process and likewise everything leaving the OIF must go to an external stakeholder and be produced by at least one process. This is the essence of integrity and illustrates why stakeholder analysis is essential to process architecture.

The interactions that come from and go to the customers, consumers and main value chain/ value stream partners will mostly define our Core Processes. The ones that involve owners, regulatory or influencing stakeholders will essentially define our Guiding Processes. Those which send and receive reusable resources such as technologies, people and facilities will for the most part establish our Enabling Processes. An illustration of a typical depiction of these stakeholder relationships with Guiding at the top, Core in the middle and Enabling at the bottom is shown in Figure 5.

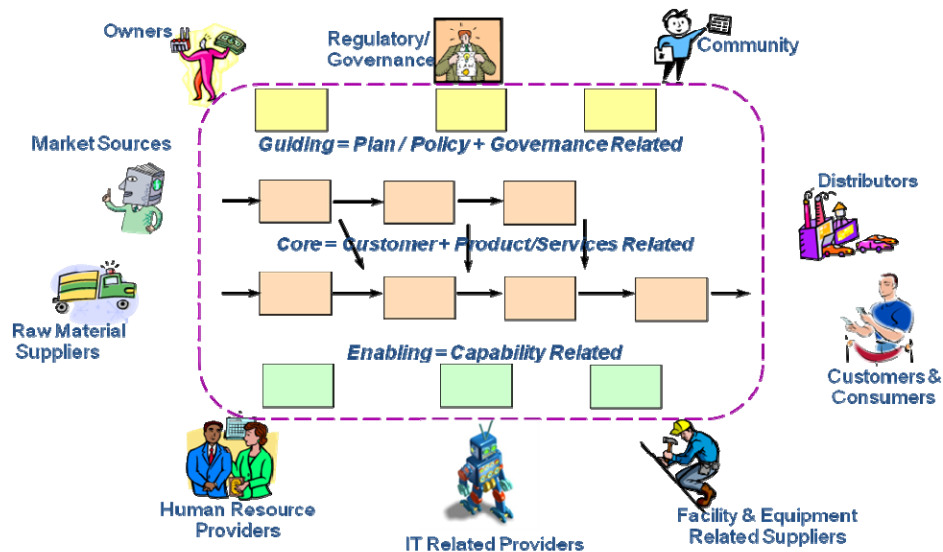


Figure 5: Stakeholder-Driven Processes

Lifecycle Approach to Building the Architecture

Processes in value streams move stakeholder relationships through a lifecycle of state changes - from unawareness through termination of the relationship over a period of time. They also move enterprise assets and other items of interest through a lifecycle of their own - from idea through retirement or termination. There is a time when our customers do not know we exist. There is also a time when they will no longer be customers or potential customers for whatever reason. There is a time when a product has not yet been thought of. There is also a time when it has been retired from service. In between these extremes are a series of state changes that require our processes to do something to move them to the next progressive state. The lifecycle approach is typically easy for staff to articulate one stakeholder at a time and it avoids the normal problems of seeing processes within functional boundaries since this approach looks at the life of a relationship from the stakeholder perspective and not the internal organizational one. It is always outside looking in. The lifecycle approach does not miss much and is easier for subject matter staff to work through methodically **and** for architects to facilitate.

Reference Frameworks Approach to Building the Architecture

In the past decade we have witnessed the growth of a number of industry and specific value chain frameworks or reference models that articulate a set of best practices for viewing and managing the work of organizations. These frameworks serve the purpose of providing a starter kit or a point of comparison for organizations that want a consistent way of evaluating themselves against a benchmark. There are several types:

- Generic Enterprise Models
- Industry-Specific Models
- Domain-Specific Models
- Process, Lifecycle and Value Chain Models

These frameworks that take the perspective of end to end processes in a connected process chain from the supplier's supplier through to the customer's customer across and within enterprises are the most connected and fit the stakeholder relationship model quite well. A growing perspective is that supply chains exist in various guises beyond the movement of physical goods, and advocates of SCOR and VRM (Value Reference Model) will use it for non-traditional process customer – supplier challenges. The other types of frameworks tend to be

more lists of activities functionally arranged, but can be used to make sure that nothing in the stakeholder lifecycles is missed.

Architecture Consolidation

Both the process lifecycle and the process frameworks approaches have merit. Both approaches tend to delve to a level of detail that is deeper than the single page snapshot that is often seen in the first view of process architecture diagrams. Keep in mind that the structure and semantics of the architecture will be political; there will be a functional bias and it will be confusing for those not exposed to process thinking. That is why an outside-in perspective following stakeholder lifecycles is helpful since it shuns an organizational bias in favor of a stakeholder one that is hard to argue against. Involve managers and make them aware of your approach before trying to sell the models to them. You are changing the organization's semantics, and, to some degree, the culture of the enterprise, as you do this, so be patient and give it enough time to steep.

Model Enterprise Processes (Part 2: Identify Measures of Performance)

Purpose of the Activity

The purpose of this methodology activity is to:

- Identify the performance indicators to be used for each process
- Associate the process architecture KPIs with the strategic objectives and stakeholder measures

Concepts

By now we should have a good start towards establishing the strategic measures of the OIF and the ways to measure stakeholder relationship success. If not, we must go back and get this clear or the process architecture level will have no measurement context or criteria. For each process at the top level of the architecture we determine which processes are relevant in support of the strategic direction of the OIF, which are of value to the stakeholders, and the KPIs for each process in terms of the support for the higher level strategic and stakeholder KPIs. We can also set the targeted performance objectives for the process at this time. Remember that an objective is a KPI with a target level by a defined time.

Manage Enterprise Processes (Part 1: Prioritize Processes)

Purpose of the Activity

The purpose of this methodology activity is to:

- Determine which processes are critical to the achievement of Strategic Business Objectives and Stakeholder Value Creation
- Identify the gaps in stakeholder and process performance
- Find the processes most in need of improvement relative to future needs

Concept

Looking at stakeholders and our processes, we can circle back and connect the stakeholder values and performance requirements to give us a ranking of where our biggest return on investment for change will come from. This will comprise an assessment of both process value ranking and process performance gap using stakeholders as the assessment mechanism. The best opportunities for raising overall enterprise performance will be in processes that have both the highest potential value to stakeholders in support of our strategic intent and that also have the largest performance gap today from where we need them to be at the end of our planning horizon. By evaluating each process against each stakeholder for these two points of view the

results of the two matrices' rankings give us a Pain rank and a Gain rank and produce a quadrant of High and Low Gain versus High and Low Pain as depicted in Figure 6.

The High Pain/ High Gain quadrant is clearly where the greatest advantage can be realized and most of the resources should be allocated. The findings from the grid must still be vetted and adjusted from a cost/ benefit, dependency, political and other types of feasibility perspectives to build the transformation plan.

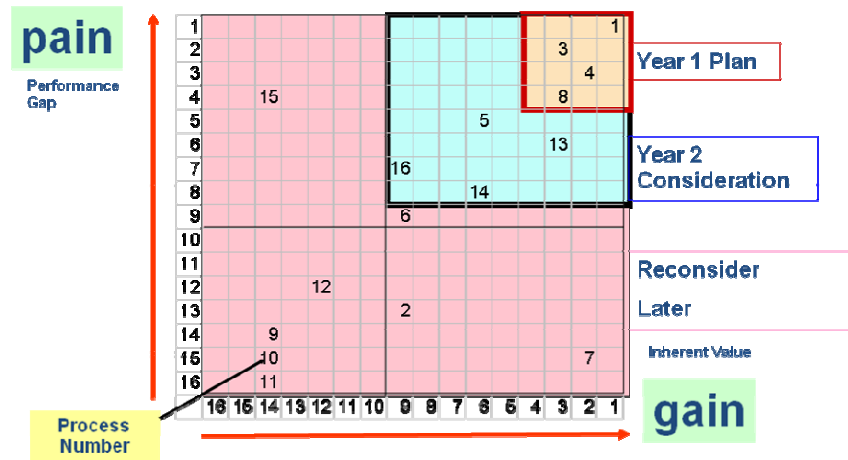


Figure 6: Process Migration Strategy Grid

Conclusion

I hope that the journey described in this Column shows why enterprise process work requires a strong stakeholder baseline. Without it, functional arguments are rampant since there is little in the way of solid criteria to assure that processes are managed from end to end. Stakeholder Analysis is a foundation for managing a modern enterprise; one that is customer-focused, strategically-aligned and process-centric. Business processes are the only things that connect the dots to create stakeholder value consistent with enterprise strategic intent. This fundamental shift in work towards linked performance management and change management must become a relentless pursuit for change agents. It will occur sooner or later in all organizations that survive. What I have attempted to describe here is a simple and common sense approach to remain true to the ideals of managing by process for stakeholder outcomes not by function for internal reward.

That's how I see it.

Roger Burlton

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