



## Managing BPM

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### The Customer is Always Right

Recently I've been teaching benchmarking in large BPM networks where I repeatedly encounter a couple of significant mistakes, and I thought this article presented an excellent opportunity to discuss them. There are six basic steps in benchmarking: identify sets of process networks, select the important networks and prioritize them, choose a BPM strategy, set a scorecard for that strategy, gather the benchmark data, and perform the benchmark analysis. I find that practitioners frequently have difficulty with the concept that each BPM network has its own distinct strategy based on customer requirements.

A simple process network can be articulated by looking at all possible "outputs" (destinations) for a process network (i.e. customers), and looking at all possible "inputs" (sources) for a process network (i.e. products or services). If there is a connection for each combination of an input/output (a given product goes to a given customer), then we normally consider it a process chain (supply-chain, service-chain, and so forth). It's a very simple formula. Complexity intrudes when there exists the possibility that there may be thousands of SKU/Customer pairs. In such cases, I normally advocate grouping products into families, thus greatly reducing the complexity of the process network. Similarly, you should group customers into customer segments and markets, since you normally don't have one process for each customer (unless you only have a few, e.g. a rocket manufacturer may only have one or two customers). You do successive reduction on inputs and outputs.

Let us consider a process network where the customer – i.e. grouped customers or segments-- requires very short cycle times and low process cost, versus a process network where the customer requires high-precision performance and short cycle times. Or a process network which must have very high reliability (five-nines!) and cost and assets (inventory, spare parts) are not an issue. Each process network has a characteristic combination of features, or what we could call a strategy, which is determined by how the customer wants the process to operate for them.

When I work with groups on this issue, I normally use five (sometimes six) key features of a process network to create a unique "BPM strategy" for each one. The features are **Reliability, Responsiveness, Flexibility, Cost, Assets**. Responsiveness and flexibility are primarily features *process customers* are interested in; cost and assets are features which *process owners* worry about. I work with the BPM team to identify the performance level required for each feature— Superior, Advantage, or Parity (High, Medium, Low).

It is at this point that the teams begin to make mistakes.

Process teams inevitably set all process features to be "Superior" performance. Virtually no customer or process owner will require superior performance in all features of a process. In fact, the same customer may require a completely different performance level for different materials in a process network. For example, a carpenter building houses may not be concerned about timely delivery of nails – he'll keep a supply on hand, so superior performance is unnecessary for that part of the process.. That same carpenter will, however, be concerned with timely delivery of windows because late delivery can stall the entire project. So that segment of the process does require superior

performance.

In this example, the remedy is “forced ranking”. That is, the process teams are allowed to select only one superior feature, two advantage features, and two parity features to create the strategic footprint. I impose the same limit on all process networks I work with – five features, but only three rank types, and only a limited subset of combinations are allowed.

Process teams set all process features to match company strategy which presents another opportunity for team error. Company strategy – total strategy – may not suit all customers and all products! Continuing with the home construction model, let us say a building materials company cites as its strategy to be the best cost provider of building materials. But even as the best cost provider of windows, the company needs to respond to the builders’ demand for on time delivery. They will stop selecting the “best cost” windows if delivery is late and will select another provider that delivers on time, even if the cost is the same or even higher.. The impact of late delivery on their construction project is more costly than the value of the windows. They know the lesson of being “penny wise and pound foolish”. The lesson for the building materials company is to consider the overall relevance of the strategy to each process network. Simply stated, to apply the “best cost” strategy to all process networks could be disastrous.

How do you know what a customer, or customer segment, or market wants for a given process network? How does anyone ever know what a customer wants (or needs) – you ask them! You do market research and perform competitive analyses. The results provide the critical link from marketing to process network design – the marketing focus should articulate the features a customer needs from a given process network: specifically, sales, supply-chain for external customers; design or marketing or IT or HR or Finance for internal customers.

Am I advocating throwing out company strategy? Absolutely not. A majority of your process network strategies should naturally reflect your company strategy – “best cost provider” should be reflected in networks where process cost performance is superior; “best experience” should be reflected in networks where reliability is superior; “high velocity” should be applied to networks where response is superior, and so on. But if you find that a majority of your company’s process networks (the majority of transactions, or revenue or other key elements) do not match the stated company strategy or brand strategy, there may be a problem with the stated strategy.

Another stumbling block for process teams is that they tend to set process features to what *they perceive* needs fixing, rather than what the *customer perceives as a priority*. Why? So that an acknowledged problem is examined intently and receives more resources to resolve the issue. The mistake here is obvious. While the *problem* may be solved, the *customer’s priorities* are not accommodated. In such a case, customers might rate a company’s reliability as poor, thus making reliability for superior performance a target. On the other hand, the company’s customers may only want parity performance for a process. The mistake in that case would be setting the wrong performance level to a process strategy.

Make certain to choose process strategies that your customers want. If you improve reliability but fail to achieve cost targets, the customer is still dissatisfied. You’ve just exchanged one dissatisfaction for another.

The big takeaway in this narrative is that the customer is always right, whether internal or external. If you don’t deliver processes that they want, customers will inevitably turn elsewhere to fulfill their demands. Choose the set of process features which best match customer requirements for a particular process/material/service combination. This BPM strategy should orient all your process performance measurements, gap identification and analysis, and continuous improvement programs.