How Many Processes Does your Organization Use to Run its Business?

Carl Lehmann

Most managers don't know the answer to this question. But you must know which ones add customer value and which create liability.

Organizations serious about Business Process Management (BPM) take stock of their process as assets by conducting something as simple as a business process inventory.

In my last BPTrends Article I discussed how industry leaders use portfolio management techniques to take stock of business processes, continuously assessing them for strategic value and effect.

Processes considered "Core" to operations must perform well. They demand commitment, ownership, investment in performance enhancement and optimization. "Non-core" processes that create liability or risk demand consolidation, decommissioning or outright elimination.

A portfolio management approach to BPM begins by conducting an inventory exercise.

A Business Process Inventory

A Business Process Inventory is an exercise that uses a standardized process framework (or reference model) to help identify, catalogue and classify business processes and evaluate their quality. It prioritizes various Core and Non-core processes based on their ability to create and deliver customer and shareholder value. It is accomplished through a facilitated discussion with members of your management team and business process owners. It elicits how they perceive the value and quality of various businesses processes and how well or poorly each process is being managed.

Indeed, most organizations measure process performance *quantitatively* using key performance indicators (KPIs). However, the quality of how well a process is defined, documented, changed, evaluated for compliance and value, etc. is rarely assessed. In other words, a key reason to conduct a Business Process Inventory is to assess the <u>quality</u> of management and execution for each process category, group and individual process used by an organization.

Introducing Process Classification Models

The diversity and complexity of processes used by an organization (also referred to as its "value chain") has created the need for standardization. Several reference models for business process design and performance management now exist. Developed by a range of industry consortia, non-profit associations, government research programs and academia, they are thoughtful representations of real-world operating environments. Many are crafted from the input of hundreds of organizations. Examples include the Supply Chain Council's SCOR Model, APQC's Process Classification Framework (PCF), Value Chain Group's Value Reference Model (VRM), and many others.

Process classification models standardize process definitions and performance measures, helping organizations to quickly evaluate and refine their value chains. They are particularly useful when they define regulatory or industry-specific processes; or when performance benchmarking against peers and competitors is desired.

Without such models conducting a business process inventory can be daunting. Essentially, they can be used as a "checklist". The classification system provided by the framework chosen can be adapted by the organization as they see fit – by department, function, and group, what-have-you.

For example, organizations can use APQC's PCF to inventory the processes in the framework they use, flag those they don't use, and add processes unique to it – thus reconciling the framework – to represent its value chain. This greatly simplifies the effort needed to inventory and classify processes from scratch.

Next, the management team can evaluate the quality, or lack thereof, of each process category, group or individual process and determine what is to be done with the "Core" processes necessary to create and deliver customer and shareholder value, and those that do not. Various quality evaluation criteria can be established to this end. BPMethods developed an inventory and evaluation worksheet for this purpose. Process quality can be assessed across several standardized evaluation criteria. As BPM initiatives and process automation and/or improvement projects take shape each process can then be periodically evaluated over a timeline to measure quality, outcomes, improvement, sustainability, etc. – thus establishing a process lifecycle management technique and the foundation for a Continuous Process Improvement Program.

The key benefit of conducting a business process inventory in this way is that it's simple! "Big Bang" approaches such a Carnegie Mellon's Capability Maturity Model (CMM), Six Sigma, Lean, et al, are all great, but they frighten management teams unfamiliar with them – especially in small to mid-sized firms. If you can't engage your management team to begin BPM with a simple inventory exercise, a Big Bang approach won't be any easier.

Oh, and when you do, you'll know exactly how many processes you use to add customer value to your business.

A Business Process Inventory is a critical and yet simple method to take stock of business processes as strategic assets and managing their overall lifecycle performance as part of a Continuous Process Improvement Program.

Author

Carl F. Lehmann is a business process management (BPM) specialist. He helps organizations improve execution, performance and outcomes through efficient process design. His career spans nearly three decades during which he developed and brought high-tech products and services to market, and helped organizations use high-tech products and services to run their businesses.

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