The Business Process Transformation Framework, Part 2

A new approach to delivering your "to be" vision completely, accurately, and efficiently

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In the first Article of this three-part series, we discussed the long list of Enterprise Resource Planning (ERP) system implementation failures and introduced a new technology framework for accomplishing Business Process Transformation in those implementations. We introduced an efficient and effective, holistic process design approach. This approach ensures balance is maintained throughout the design process among the key drivers of business transformation success: <u>People, Process, and Tools</u>.

Studies on the subject of ERP failures have clearly identified that the primary cause of failure is the difficulty companies, and their people, have in properly and quickly articulating the process design needed for success. They fail because the companies and their people lack the skills, knowledge, and tools required to successfully incorporate best practices, the business needs, and system capabilities into a transformational framework.

This Article will further describe the new Business Process Transformation Framework as it applies to a real business process requirement. We will present a value chain scenario developed in ValueScape (an enabling modeling tool) from an Extensible Resource Model (XRM) dictionary that contains integrated best practice process flows, enabling definitions, policies, procedures, and practices with complementary metrics and functional role definitions.

The Business Issue

A global company has determined that its Master Scheduling process has continually failed to produce the anticipated results. It is a cumbersome, costly, and ineffective key process that impacts directly the company's operational performance and business success. It has been a number of years since the initial ERP installation, which included master scheduling functionality.

The ERP functionality was selected and configured using the typical "user-defined requirements," which were largely reflective of what was then current practice. That initial design proved to be flawed and, over time, was no longer capable of scheduling according to the business requirements and needs. As a result, the master supply planner has developed many off-line (outside ERP) spreadsheets and other non-integrated, work-around practices in order to produce a master supply plan and related schedules. Schedule attainment results remain low when measured against actual production.

After repeated efforts to "simply use the software as designed," it has become clear that to produce different results, the company needs to take a different approach. This approach includes taking a hard look at how the scheduling process needs to operate to ensure product availability and how the ERP system must be configured to support the needed process attributes.

In this case, the company has decided to re-engineer the master supply planning process using Business Process Transformation Framework (BPTF) methodology. The company has arranged for outside expert help to guide their use of the BPTF methodology to develop the business process design. This methodology includes conducting redesign workshops, using a modeling tool called ValueScape.

ValueScape consists of a pre-defined Extensible Resource Model (XRM) which contains industry best practices for Integrated Planning and Control. These best practices are based on Oliver Wight's extensive experience over 40 years in developing process designs and on the best practice standards contained in the *Oliver Wight Class A Checklist for Business Excellence, Sixth Edition*. The process designs include integrated workflows, roles, responsibilities, and performance measurements in what is called an XRM model dictionary. The information in the dictionary is drawn upon as a baseline for the new design and applied to the specific nuances and needs for this company.
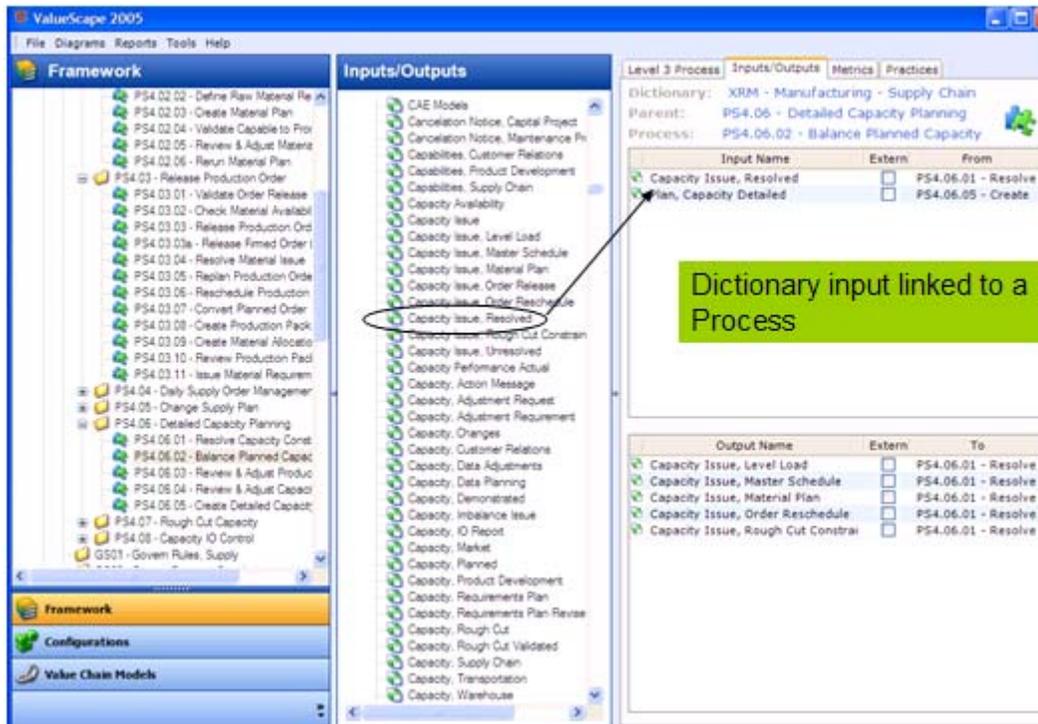

Figure 1: Example of the Extensible Reference Model (XRM) Dictionary

A key value in utilizing pre-populated process designs in XRM dictionaries is that companies do not have to literally start with a blank sheet of paper when developing the process designs. They can start with the process framework that represents best practices and then ask, "What will we need to change to adapt this process design to our business and planning needs?"

The approach of starting with a business process framework enables the process design to be completed in less time. Instead of the company's planners focusing on the administrative tasks involved in documenting the process design on a blank sheet of paper, they can focus on the critical thinking needed to ensure that the process design reflects what is needed to be successful. This critical thinking includes comparing current company practices to the best practice models and challenging the need for deviation. This approach produces a truly transformational design for the company as measured by its goals for process performance.

The Process of Transformational Design

In developing the process designs, the company tasks internal teams to produce final process designs. The use of inside teams, facilitated by process experts utilizing the best practice

templates, results in the delivery of accurate and transformational designs that meet the needs of the business.

It is essential that the company's planners, rather than outside experts, develop the designs for these reasons:

1. To ensure understanding of the new designs (because they will end up operating the process and the system)

2. To identify and accommodate truly different needs of the specific businesses (these differences are usually less significant than originally thought).

By addressing the differences within the context of the best practices contained in the XRM model, the solutions can readily be seen. Frequently, the solutions will simplify the process rather than building unneeded complexity into the design. In the authors' experience, the designs cannot be done effectively or efficiently by system integrators. But the design output provides clear direction to system integrators and better ensures that the system is configured to support the process design and business needs.

The following illustrates how the framework supports accelerated design development while concurrently providing a formal baseline for on-going design maintenance. On-going maintenance includes managing the design knowledge database.

Think of the process designs, as contained in a company's XRM model, as intellectual capital. As processes need to change to accommodate changing business needs, the model is updated. When people change positions or roles, they can refer to the company's XRM model to understand how the process is supposed to work, the process flow, roles and responsibilities, and performance measurements.

The design process has as its foundation education of the design team on process best practices. This education is followed by design workshops.

Workshops are based upon the XRM dictionary, which includes an abundance of process reference information and process definition routines. These process building blocks are reusable, enabling design consistency across operating units and regions.

The starting point for design consistency and consensus is a common understanding of process language and terms. Definitions for inputs and outputs of a process are included in the dictionary. These definitions facilitate building a common understanding of how the process needs to work.

The XRM dictionary also includes the integration links between each step of the process and between processes (such as, demand and supply planning processes). These terms and definitions are also reusable and drive consistent use of information and data throughout the process. This consistency is a key element that prevents the building of processes that result in multiple sets of planning numbers, which are the enemy of true integration.

All of these building blocks and definitions are linked to a best practices reference database. The best practices database enables process designers to quickly understand the attributes of best practices in the terms of process, behavior, and results. These best practices are also linked to the metrics necessary to manage the ongoing process in order to deliver specific business results. The desired business results are typically customer service targets and operational performance, such as cost and inventory investment.

Starting with a best practice template for a Master Supply Planning process, the design team embeds key process requirements in the new process model. The attributes defined in this new model include:

- Process flows
- Integrated policies, procedures, and practices
- Definition of process roles and responsibilities

- Input and output dependencies
- Integrated metrics
- Linkages to key external documents

For international and multi-location companies, this design approach provides efficient scalability of the design to create region-specific processes grounded in best practice principles. It also allows for any differences between regions or strategic business units or even countries to be formally documented and maintained for future use in updating improved best practices or implementing new software capability.

The ValueScape framework also provides graphical displays of key process information. This approach provides ease in training current and new users of the process. Studies continually show that even modern ERP systems are too dependent on one or a few individuals to operate because of design complexity, use of offline planning tools (such as spreadsheets), and turnover of key individuals.

Within ValueScape, the graphical tools available include:

- Functional process lanes to provide visibility of cross-functional process inter-dependencies
- Process Analysis capability, including determination of:
    - Cycle time
    - Dependencies
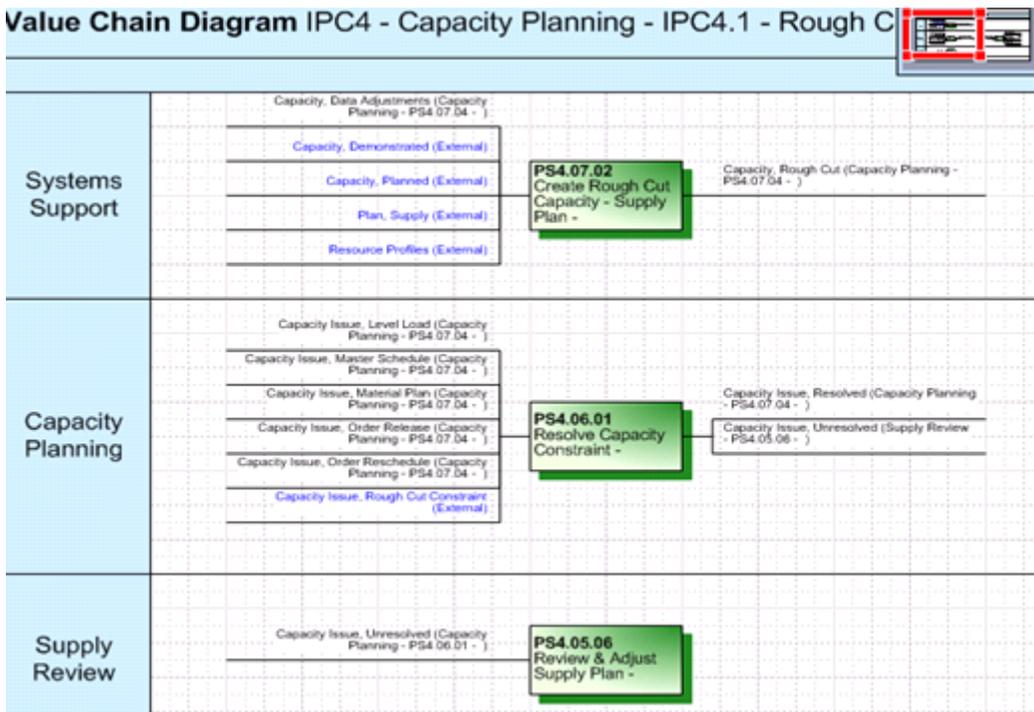   - Minimum inputs needed to produce an output

Figure 2. Example Process Design Output Using the Business Process Framework

Graphical output in the XRM modeling tools often leads to identification of process conflicts and, more importantly, potential opportunities for process improvement. Common opportunities for improvements include the identification of:

- Cycle times that do not meet business needs for velocity
- Circular dependencies, including the determination of the key variables involved, so they either can be closely controlled or the process can be designed to eliminate circular dependencies.
- Collaborative communication needs to increase the effectiveness of decision-making and to do so more efficiently.

The graphical outputs can also be used to communicate clearly the process design during mid-project design reviews. These reviews are needed to ensure common understanding of the processes and to build consensus on how the processes and integration linkages will operate.

Conclusion

The new Business Process Transformation Framework dramatically improves business process redesign and facilitates the proper configuration of software applications to support business processes. The process design work can be accomplished in less time. Relieved of administrative tasks in documenting the designs, the design team can focus on the critical thinking needed to develop best practice designs that will bring about the desired results for the business. All of this reduces both cost and risk associated with redesigning business processes and implementing software to support the business processes.

When multiple business unit implementations are required, the Business Process Transformation Framework helps to break down regional communication barriers and accelerates consensus building on how the process needs to work to support the business. This further reduces costs and time to results.

In the final Article of the series, we will further describe the Business Process Transformation Framework design steps. We will provide insight into the lessons learned for consideration against a perceived need to install or re-install an ERP system. We will also provide an overview of the many dos and don'ts to consider before embarking on such a project, including how to drive true business transformation while eliminating the risk of cost overruns and implementation failure.

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