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BUSINESS PROCESS TRENDS

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Customers and Business Processes

Businesses have been consciously working on improving business processes in the US at least as far back as 1911 when Fredrick Winslow Taylor published his book, *Scientific Management*. He urged that the steps that employees take should be analyzed and the best sequence of steps should be identified, defined and required. Taylor was inspired by Henry Ford, who had just introduced the continuous production line where the initial assembly of the Ford motorcar moved from one station to the next as workers added new elements until a completed car emerged at the end of the line. This effort could be contrasted to the way in which all other cars were built at the time - by hand, by craftsmen, each of whom followed his own practices. Taylor argued that the day in which each craftsman was allowed to do whatever he thought best was over. He claimed that scientific studies could determine which sequences would result in work being done in the least amount of time, with the least amount of strain on the worker, and with the best likelihood of success.

From this beginning, industrial engineering was born. Throughout the first half of the 20th Century there were annual Work Simplification conferences where those interested in processes met to discuss the latest techniques. World War II led to major improvements in our ability to manage and control processes and a variety of process movements flourished in the latter half of the 20th Century. Most, like Quality Control, Lean and Six Sigma, were born in the industrial environment and focused on improving manufacturing processes. Even today, the company that most process people would point to as an example of mastery of its process, is Toyota - a company whose founders consciously modeled their initial process work on the successes of Henry Ford. There's nothing wrong with this, of course. We have gotten very efficient at manufacturing and the process work in large manufacturing organizations is undoubtedly among the most sophisticated being undertaken.

The problem, however, is that most of us do not work in industrial manufacturing organizations. More importantly, there are significant differences between the design requirements for manufacturing environments and the design requirements for service environments. Too often, when folks new to process improvement read introductory texts, the examples presented are confined to manufacturing environments. This forces the reader to try and generalize from these examples.

In an Advisor last month, I complained that too many business school professors misunderstood processes. Business schools are organized around functional departments, just as most organizations are, and they teach courses along those functional lines - marketing, strategy and planning, finance and accounting and operations. Most business schools regard "processes" as an element within operations, reflecting the history of processes and manufacturing.

Even business theorists as sophisticated and flexible as Kaplan and Norton fall into this trap. Consider Figure 1 which illustrates a simplified version of their Strategy Mapping approach. This approach is designed to generate the performance measures that an organization following Kaplan and Norton's Balanced Scorecard methodology would then organize into one of four boxes: Financial goals and measures, Customer goals and measures, Operation/Process goals and measures, and Innovation/Learning goals and measures.

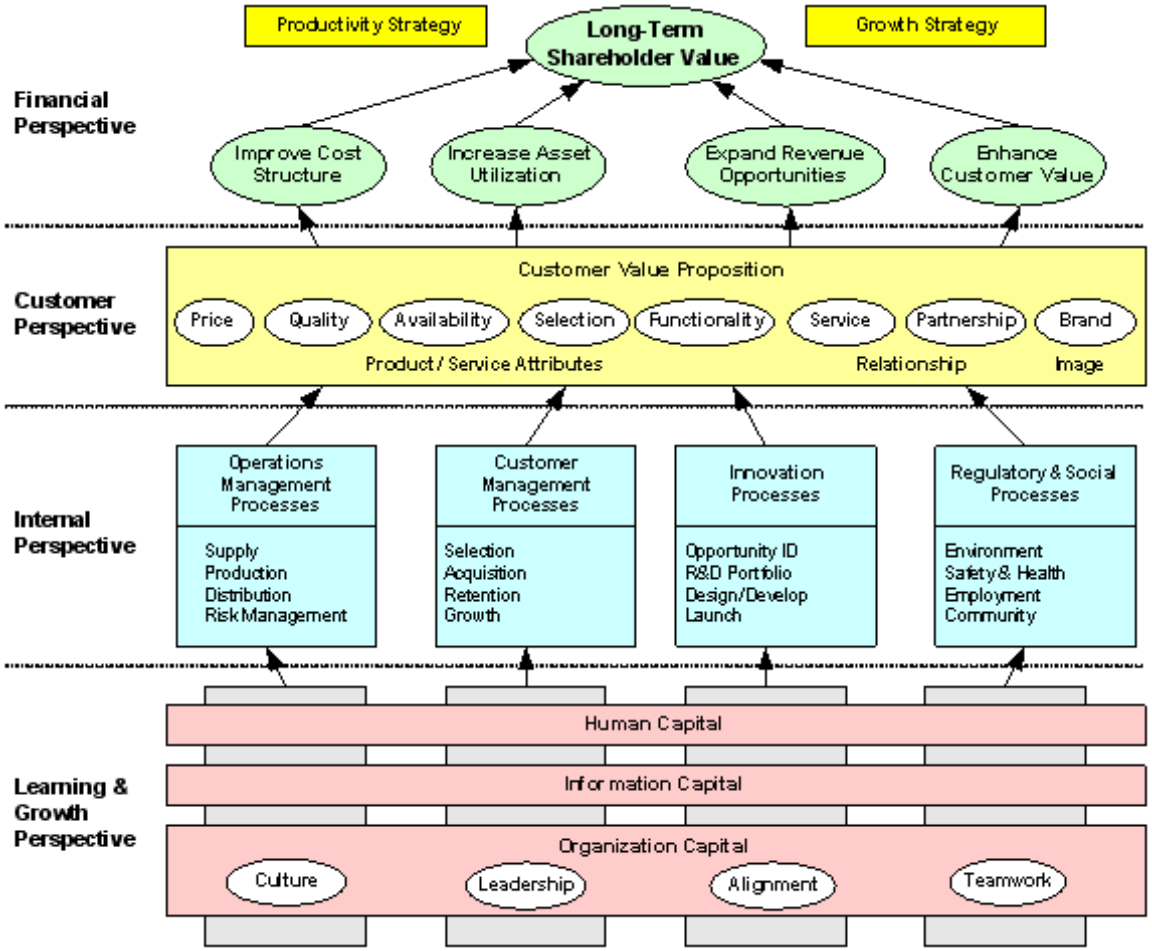

Figure 1. A Kaplan and Norton Strategy Map

It doesn't take much of an effort to flip the Kaplan-Norton Strategy Map on its side and see it as the manufacturing process model pictured in Figure 2.

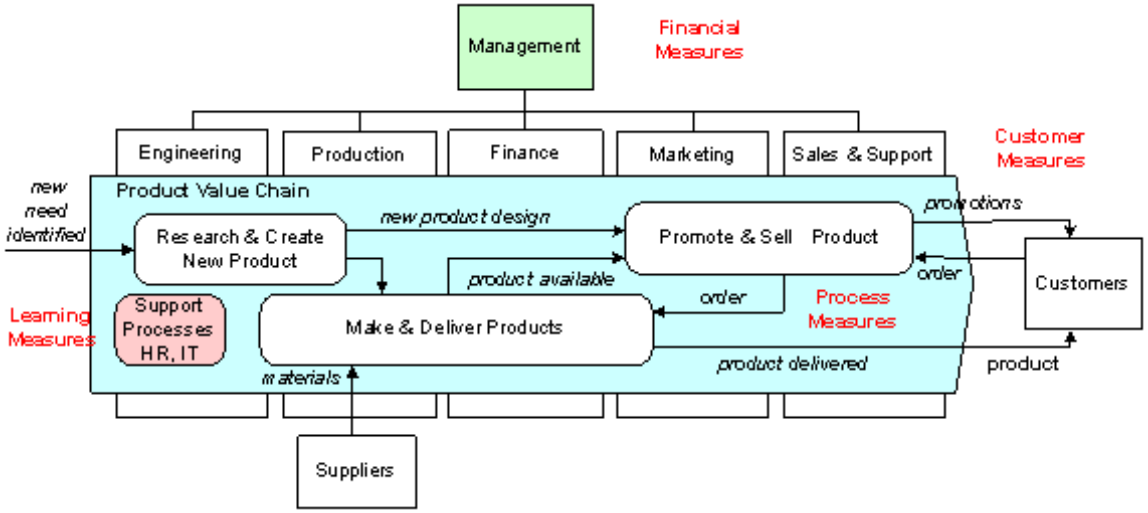

Figure 2. A Manufacturing Environment and the Kaplan and Norton Strategy Map.

Too many people have seen diagrams similar to the one in Figure 2 and think of processes as represented by that figure. The organization undertakes a series of processes that produce a product, like a car, that is pushed out the door of the factory and delivered to the customer.

The reality, today, is that there are few long processes running inside an organization with no contact with the customer. In fact, it's the opposite: processes and customers are constantly interacting. There is no easy or clean line between the operations and customers like the one that traditionally existed in manufacturing. That's why it is so important, when thinking about service processes, to use something like a Rummler-Brache (or simple BPMN) diagram with swimlanes. Figure 3 is a diagram of a process that focuses on a customer trying to get his or her car serviced and repaired.

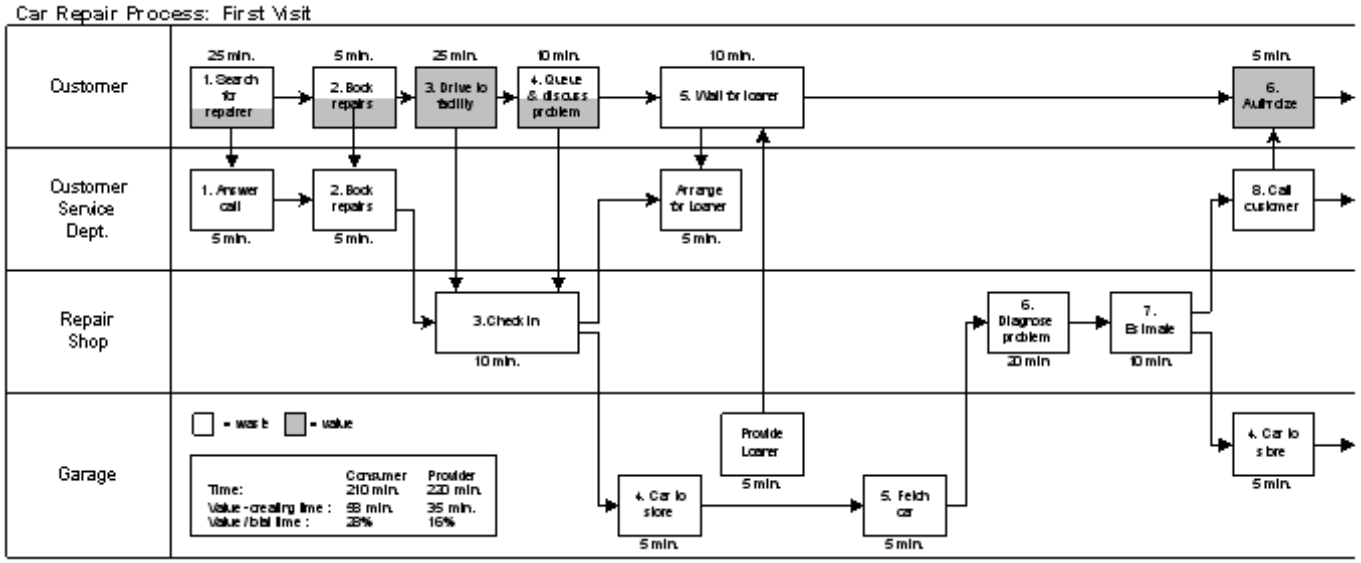

Figure 3. A car repair process.

You could think of the car repair process as a "manufacturing" process that begins with a broken car at one end, fixes it and shoves the repaired car out at the end. If you did that, however, you would never understand why customers were happy or unhappy with the "product." In service processes - government agencies, insurance companies, retail organizations - the people performing the process interact with the customer throughout the time the customer has or uses the product or service. There is a real sense in which the interactions between the provider and the customer are the real product: How easy is it to get an appointment? What happens when you arrive at the shop with your car? How much hassle is involved in arranging for a loaner and what condition is it in? Etc., etc..

The idea that there is one best series of steps to follow to perform the job is pretty irrelevant in the service environment. Each customer is slightly different and each presents the employees with slightly different challenges. The responses and the steps taken by the employees have to be different according to the situation and the customer.

Figure 3 is a reconfiguration of a problem described in *Lean Solutions* by James Womack and Daniel Jones. They diagram the problem differently, using traditional Lean notation, and suggest that, when dealing with service processes, you need to begin by defining the customer's process, and, only later, the process the business goes through to support the customer. (The gray areas in the activity boxes that describe the customer process is a Lean way of showing how much value is added by the activity.) In April of this year, we published my review of their book, *Lean Solutions*. In the review, I described the way Womack and Jones proposed to evolve Lean to deal with service processes. If you didn't get a chance to read it, I urge you to do so. This is a breakthrough process book that everyone engaged in process analysis in a service organization should study.

In describing the process shown in Figure 3, Womack and Jones actually have another diagram that extends the diagram shown above. They point to data showing that 40% of the customers that take their cars in for repair have to bring them back because the repair effort was insufficient! This underlies the point that we are NOT talking about producing a "product" (the repaired car) when we focus on services - we are talking about supporting a customer throughout the lifetime of the product/service that the customer is purchasing. This calls for a different way of doing analysis, a different approach to diagramming and a different way of thinking of what's involved in testing a service process. And, of course, it calls for different ways of evaluating success.

Recall our business school with its functional organizational structures. The idea that a modern business school would try to analyze "process" as an element within operations, and somehow separate from whatever it is that we do when we analyze customers, is not only out-of-date, it leads to error. It's the business process analyst who needs to understand the steps in the customer's "process/service" lifecycle. The analyst needs to understand each step in the customer's process because he needs to define exactly how the business will support that step, how the business process's employees will interact with the customers, and how each of those interactions will be evaluated. A common understanding of the customer process interface, throughout the customer process lifecycle, is required by everyone in the organization - by finance and operations and marketing.

A process analysis should help everyone in the organization reach an integrated understanding of how the organization creates value. That isn't something that occurs exclusively within operations, and it isn't something that can be neatly divided into "process" measures that are somehow separate from "customer" measures.

We are way beyond the world in which we define a process as a set of steps an assembler follows or in which we measure the success of a process by checking the quality of items as they come off the end of the production line. There is still a role for those sorts of techniques, but for most of us, they are where we started from, not where we are today.

Till next time,

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