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Dealing With Those New Software Announcements

Dealing with new software announcements is just one variation on processing any of the announcements that arrive each day at any large company. IBM, let's say, has just announced a series of new software applications that make it easier for banks to support mobile devices, or SAP has announced an upgrade to the modules that handle pension fund accounting, or the company that manufactures the turbo engines used in your factories has just announced a new version of the engine.

How does your organization decide how to respond to these software announcements? Let's begin by assuming that different announcements are sent to many different individuals throughout your organization. In a conventional organization, most of the knowledge required to make decisions regarding how to respond to these announcements resides with technical people. If the technical folks in IT and the specialists in pensions are suitably impressed with SAP's new module offering, they put together a proposal for finance to fund a software upgrade. The VP of Human Resources eventually puts a proposal before an executive group and a decision is made regarding whether or not to fund a pension software upgrade at this time.

And how is that decision made? Is it just a matter of "we have the money and HR thinks it's a good idea" so let's proceed. Or, perhaps your organization is giving every department a 5% increase this year, and it's up to HR to decide what it wants to spend its 5% on. Or is there some way of comparing this possible investment and prioritizing the investment relative to other opportunities?

Business Process Management thought leaders argue that this kind of decision ought to be driven by a Value Chain manager who has real data about the ongoing workings of the value chain he or she manages. Let's assume we are talking about a bank and there is a value chain for consumer banking managed by the VP for Consumer Banking. Further, let's assume that individual has a process model of the Consumer Banking value chain, and receives monthly data on the productivity and the satisfaction of various stakeholders involved with the value chain. She knows that your organization is producing services for about the same cost as your competitors, and that customers are generally happy with your organization. Indeed, she has a Process Scope Diagram of the current As-Is Consumer Banking value chain that looks like the one in Figure 1 [1].

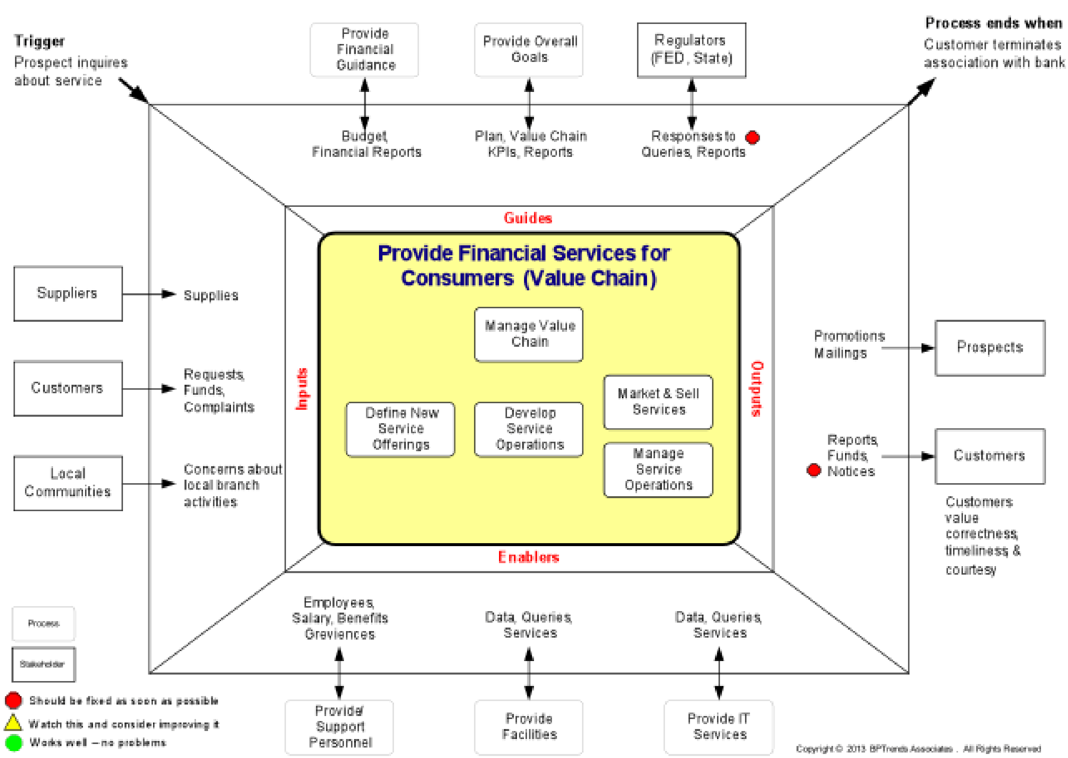

Figure 1. Scope Diagram of Current Consumer Banking Value Chain.

Let's assume that our bank value chain manager meets with the Consumer Banking team each month and reviews the data associated with each stakeholder relationship, and with some additional data on the internal productivity of the organization. Once every six months the Consumer Banking team goes a bit further. They take each of the internal processes shown on the Scope Diagram—actually they take the 14 subprocesses of the processes shown in Figure 1—and they work with several lower level managers involved in each of the major processes, to rate (1) the overall importance of each subprocess to the value chain and to its stakeholders, and (2) the overall effectiveness of each of the current As-Is subprocess. Using these numbers, the team plots the processes on a Pain-Gain matrix, like the one shown in Figure 2. In essence, the processes that end up near the top-right of the matrix are processes that are (1) of very high importance to the value chain (high gain), and (2) most in need of improvement (high pain).

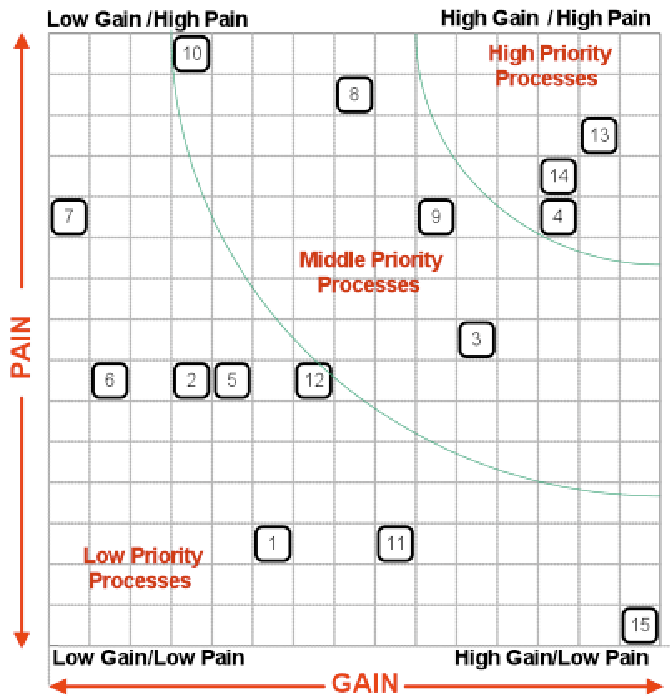

Figure 2. Pain-Gain Analysis for the Consumer Banking Value Chain.
(Processes are represented by numbered boxes with rounded corners.)

The results of the type of effort we are describing cuts across departmental concerns and focuses on how the bank creates value for stakeholders. The large scale subprocesses pictured in Figure 2 only provide a general indication, but if the team proceeds to drill down and do other scope diagrams for the sub-subprocesses at the top-right of the Pain-Gain matrix shown in Figure 2, they are in a position to define the precise processes whose improvement would provide the most benefit to the organization.

This does not suggest that organizations won't continue to receive announcements or that departments won't come to the value chain manager and suggest ways of improving a specific process by acquiring a new software package, or taking advantage of new training or technology. It does, however, suggest that decisions regarding what specific new software or technology the organization might acquire, can be organized in a systematic manner. Every organization has limits on what it can spend at any point in time, and simply letting various departments pursue goals that may or may not align with the goals that the organization has set for a value chain isn't a good way to go. There will still be cases when an outside entity offers an improvement that changes the nature of the competition within an industry, and in such a case, the value chain team will be forced to rethink the nature and goals of the value chain. In most cases, however, having a clear understanding of your existing value chains, a clear idea of which processes within each value chain will contribute and benefit the most from a process improvement effort, and using that knowledge to prioritize decisions will provide a better way forward.

Till next time,
Paul Harmon

Notes
[1] For a more detailed look at this diagram, read my October 9, 2012 Advisor *Scoping Processes* where we show the high priority customer values on Figure 1. A more complete chart

might list the high priority values for each stakeholder.

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