

IMPROVEMENT SKILLS CONSULTING LTD.

“Simply, improvement...”



Identify value with a
Business Process Model

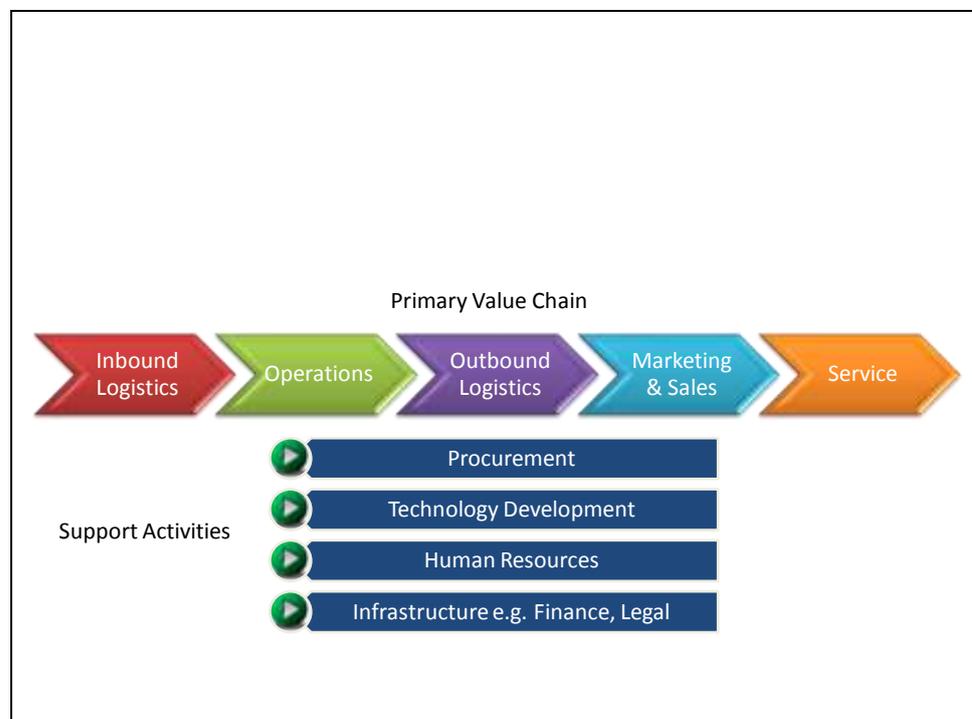
Identify value with a Business Process Model

“Processes only exist to add value to their customers.” [Anon.]

Value Chains

As long ago as 1985 Michael Porter, in his book “Competitive advantage” defined the concept of the Value Chain. He was describing the ways in which an organisation could organise its activities in order to achieve competitive advantage by making it hard for others to copy.

His example of a typical Value Chain included all the organisation’s external-facing processes, plus their supporting ones. He suggested that once the Value Chain had been identified, costs could be assigned to the activities. An organisation could then achieve a cost advantage by reducing the cost of individual Value Chain activities, or by re-configuring the Value Chain.



Michael Hammer and James Champy built on this idea in the 1990s with their approach to Business Process Reengineering (BPR). Here, the focus was on identifying the processes that really added value and were part of the organisation’s core capability. Organisations were challenged to find radically new ways of designing their processes which achieved step-change performance in service, cost, quality and cycle-time. Hammer and Champy usually only described customer-facing processes as being in the Value Chain, which is probably why many BPR efforts led to the outsourcing of support functions/processes that were felt to be non value-adding and non core-competence.

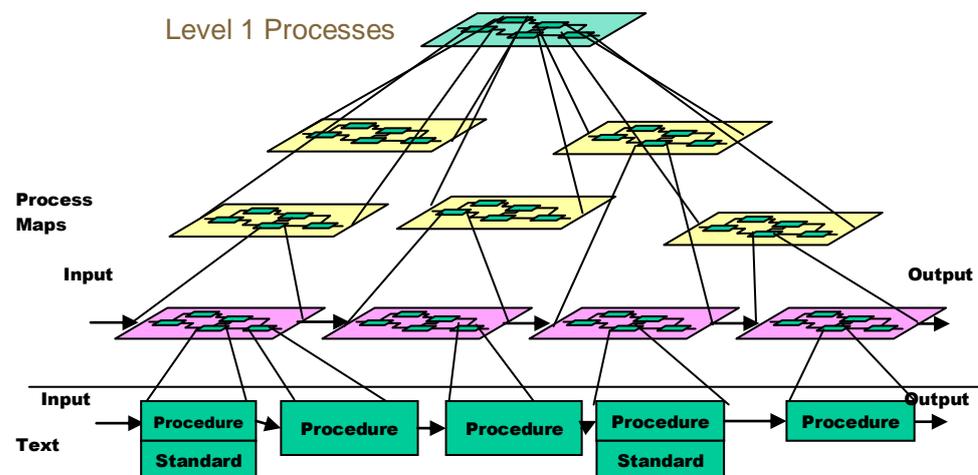
A Business Process Model

Many organisations are now developing their approaches to Process Management. In our experience this requires three things:

- A business process model and supporting infrastructure
- An approach for team-based process improvement
- An approach for day-to-day process management

The development of a business process model is a fundamental starting point as it provides the “context” within which all process management and improvement is carried out. Ideas like Porter’s Value Chain and those of Hammer and Champy are really useful in developing such a model.

All organisations can be described through a business process model. This is a hierarchical diagram developed from a high level and drilled down to lower levels of details.



The top-level diagram is typically split into customer-facing and support/enabling processes. Some organisations add a third type: management/governance processes.

- Customer-facing processes are those in the “value chain” that enable the organisation to add value for its external customers. They’d typically include:

- Developing products and services
- Winning business and new work from customers
- Delivering customers’ requirements
- Providing post-delivery services (e.g. technical support)

- Support processes usually reside in the functions such as IT, HR, Finance, Procurement

- Management processes include business planning, performance management and performance improvement

There are unlikely to be more than 8-12 processes, in total, on the top-level model (ideally, fewer than that).

Each of these top-level processes should have a single, named, senior manager designated as Process Owner. They are responsible for clear definition of the process (a SIPOC Process Definition is a good starting point) and for resolving any interface issues with other Process Owners. Part of a good Process Definition is a clear purpose statement for each process; which can then be used to help identify a balanced set of performance measurements for each process.

The value add...

Why bother with a process model? As we’ve said above, it provides the context for all work on processes. But, importantly, it also encourages senior managers to have conversations about their roles as Process Owners.

Engaging the senior team in developing the model usually results in:

- Greater clarity about the purpose of each process and its contribution to the organisation

- Clear definition of boundaries and dependencies between key processes

- An understanding of the need for Process Owners and Process Managers and their role in driving performance improvement
- A clear set of priorities and targets for process management

For many public sector organisations, particularly for those striving to become more competitive, an understanding of how a private sector business would define its process model can be useful. It can challenge them to think about what “product or service development” and “winning business” means to them.

Without the understanding that a process model brings, your process improvement activity can only ever be tactical. The risk is that you simply carry out a series of improvement projects without seeing the big picture and without making the connections across the processes that really add value.

The process model enables you to make a clear link between the performance improvements you are trying to achieve and the processes which contribute to that performance.

For those interested in activity costing, a process model also provides a robust framework for doing “bottom-up” costing and really understanding where cost and value is added. In theory, you could adopt Porter’s approach and aggregate all your activity costs up into the top-level processes and make some judgements about value for money.

So, if you’re serious about Process Management, develop a process model with your senior management team. The fact that they have developed it will mean it has ownership and they can readily ensure the organisation’s performance improvement initiatives are properly aligned with key processes.

Finally, to return to the quote at the start of this article: “*Processes only exist to add value to their customers*”; so, the development of a hierarchical business process model is an essential element of identifying where value for customers is created.

Our track record

Our consultants have been helping organisations in the private and public sectors to manage and improve their processes for nearly two decades. We have supported European Quality Award winners in their approach to process management.

We are not wedded to a particular methodology. We help clients identify their improvement goals and then develop an approach to achieve these; invariably ensuring their people develop the skills to make further improvements themselves.

Please contact us for more information about how we can help you to manage and improve your processes.

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© 2009 Improvement Skills Consulting Ltd.
204 Blind Lane, Flackwell Heath, High Wycombe HP10 9LE
Phone 07850 728506 • Fax 0871 221 5638
E info@improvement-skills.co.uk • W www.improvement-skills.co.uk