Driving Outcomes

Delivering On-time On-budget Business Outcomes - every time

Whitepaper

Driving Outcomes

1. Background

It would seem common sense that packaged software systems exist to ensure that change projects are on time and budget …yet this is not the case.

In fact the inability to bring in projects on time and budget within certain service sectors has led to the high level of failure being accepted as the norm - a condition psychologists call learned helplessness.

Why?

A better way to drive business

Managing business is like driving a car. It's fine while traversing a desert in a straight line. But when you reach the mountains at the other side the road is no longer straight and you need to be responsive.

Change is like a bend in the road, you can't see what lies ahead so you must react quickly and accurately. Some organizations lack responsiveness and come off the road - sometimes with fatal results.

To see what lies ahead organizations look to data held in their enterprise systems. This is akin to using a rear-view mirror to negotiate bends. The data can tell you how fast you are going (revenue) and the oil level (inventory) but in fact they impede change rather than facilitate it.

Enterprise systems are complex. Even the smallest modification needs extensive testing, precluding a quick response to the need for change.

To accurately negotiate bends in the road ahead, organizations need a system that is designed to handle change and minimize the risks of driving an increasingly challenging course.

This is Enterprise Process Planning (EPP) software. It helps tame the risk inherent in business change by enabling you to predefine the process for handling the change.

2. The Problem

Changing the way an organization works invokes problems - the larger the change the greater the risk. Projects such as merging companies, restructuring operational units or introducing a new IT system are known for their high rate of failure. Even small scale change can pose a risk.

Change is a people issue: The more people, the bigger the issue - exacerbated by their all-too-human aversion to the risk that change represents. The more people are affected by the change and the longer it takes to implement, the greater the likelihood that other changes will intervene and derail the plan.

At the root of the problem is a lack of effective ways to accurately define and communicate what has to be done to successfully execute the change. Knowledge of how work is done is often tacit. Procedure manuals typically collect dust on a shelf or a disk - outdated almost as soon as they are completed.

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As long as the business is driving in a straight line and people are doing what they did the day before all is well, but as soon as management introduce a change, a bend, things start going off track.

Failure to communicate and its effects

Successfully executing a change requires you to define and communicate:

1. Instructions to each staff for handling changed tasks
2. Changes required to the flow of work between staff
3. Data and forms required to support a changed process
4. Actions to cut-over from the old to the new way of working.

This may sound straight forward, even trivial, but without an underlying infrastructure the complexity of coordinating them among staff and making subsequent adjustments drives change projects of the road.

The problem is exacerbated by the traditional hierarchical management structure of an organization - a model that may be the best option for warfare, but for business is inefficient and resistant to change.

Operational departments tend to behave as fiefdoms, lacking a company-wide view of a business. They also may duplicate work already done elsewhere or perform the same tasks but in a different manner. The result: Elaborate procedures are created to cater for the unknowns, the duplicates and mismatches - increasing project complexity exponentially. The resulting large project team adds to the risk of failure.

Inadequate capability to manage substantial change projects has considerable costs for participants:

1. Few projects stick to their budgets - most overrun
2. For many projects it is apparent well before 'go live' that they are not working and so they are cancelled – often restarted, only to have the same result.
3. These projects typically have a high cost in dollars and opportunity, and with the project usually requiring additional funds, it can make the company vulnerable.

The inability to stay in control of a change project or respond to change has several negative effects:

1. Errors: As with going round a bend in the road and not seeing what lies ahead, the inability to set new work instruction correctly leads to mistakes in the change process. Correcting errors depends on the accuracy and speed of a response to the unanticipated. Identifying and communicating actions depends on your ability to identify the parts of the plan that are affected. Figuring this out without an automated system can lead to more problems.

2. Miss-communication: Just as a car encounters unknowns in a windy road, keeping a change project on track depends on the speed and accuracy of delivering instructions to the staff charged with executing the new actions - knowing who is doing what and ensuring that they have everything they need to do their job. Without this, inaccuracy leads to mistakes.

3. Invisibility: Managing change often involves using project control software, but altering the plans is time-consuming. There is no big picture. How is the project going? Where are the problem areas? Like a driver without a GPS, they can't see where they are in the process, and this makes responding to unanticipated changes difficult.

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Drilling into the problem

IT system projects fail for three reasons: They are cancelled, cost more than budgeted and miss dates:

1. Projects do not have a known starting point. Companies do not invest in defining what they do. Without a known start point how can you create an accurate plan for change?
2. IT people perceive their systems to be generic and easy to fit to any organization. They don't see a human aspect, the real life workplace, and the change to peoples' daily routine.
3. Today's software doesn't integrate change planning with the support function and doesn't connect people with what they actually do. It doesn't handle changes in a project - changes that will derail the project if not dealt with properly.

3. The Solution

A change project is a process that can be defined in detail and trialled before it is applied in real life. It is possible to create specific systems for each type of change project outcome - such as a company merger or the implementation of a brand of enterprise software, such as SAP.

In the form of a packaged solution this type of system would require extensive customization to tie each step in the process to the real life artefacts and people affected by the change - plus integrate the documents, software and training material required in the process.

Customisation is uneconomical for traditional software technology - software changes require extensive testing to ensure integrity.

Enterprise Process Planning (EPP) software solves the problem - with two features.

- EPP is built for change. The rules that govern the components of its predefined business model prevent the errors that haunt traditional software, such as removing process functions that are used in multiple parts of the business.
- EPP engages people affected by a change. It must reflect their real life environment and activities. Our experience has shown this only come from the people doing the work. To enable staff to buy into a process, EPP uses language and images that reflect their real life work environment.

4. The System

There are 3 steps in a change process:

1. Defining the starting point and end point - taking the business environment as it is today and using this to create a model of the future state - what it will look like after the change.
2. Defining each step in the process to get from the starting point to the end point - detailing each action that has to be performed and the person or group that has to do it.
3. Putting the change process into effect - initially in a dry run, stepping through each action with the people involved, and then finally implementing the change for real.

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Change System Part 1 – Understand the starting point and what the outcome looks like.

Step 1: Define the business as it is today

For many organizations this is a major undertaking. Engaging the workforce in the change process is vital to success. If they are new to this there will be a learning curve - similarly for those leading the project. They need to have the procedures in place to gather and verify the information they collect. Above all they need to have a good understanding of the principles of business – the mechanics that make any business work – and how they apply in this instance.

Any business, including not-for-profit, conforms to a basic model, which is the foundation of EPP.

Figure 1 shows the elements that define an organization. It acquires resources to which it adds value in response to a demand. EPP atomizes this definition to enable the organization to customize the model with their own terminology – figure 2.

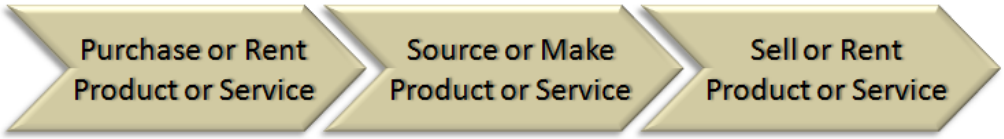

Figure 1: The three basic components of business

Satisfying demand is a 'sale' to a manufacturer or retailer, a 'stay' in the hospitality industry and a 'loan' in a library. The entity creating demand is a customer, guest or patron, and they make take ownership of the product, room or book - permanently or for a limited period of time. The transfer of value may take place over a counter, as a short-term debt or by an annual subscription. Applying their own terminology to figure 2 an organization can provide its workforce with an understanding of its business model.

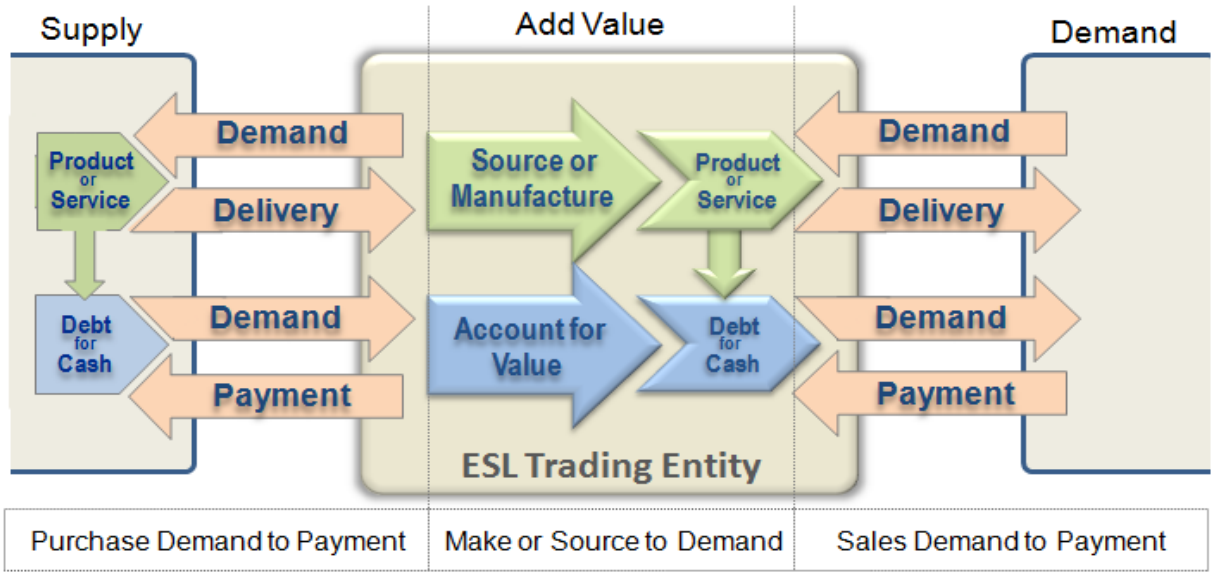

Figure 2: The basic flow of activity in a business

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Business is about adding value - whether making clothing, sourcing and retailing clothing or providing a service that cleans clothing. The effectiveness with which an organization sources the resources it needs (people, product, facilities, materials or finance) to conduct business affects its profitability. Likewise for the efficiency with which it acquires and handles demand and the way it handles the value-add process.

Figure 2 shows an organization's three basic transactional processes - demand, value-add and supply - that can be defined in their own terminology so it will be understood by everyone in the workforce.

There are usually several variations for each of the three main transactional processes. For example, a supply process for a property lease will be quite different from one for housekeeping consumables. Similarly a transaction for selling equipment will be different to the transaction required to service it.

Having defined these main transactional flows it is relatively straight forward to follow them through the organization – from origin to termination. EPP methodology makes this easier than traditional process mapping techniques, because it first defines the desks, work centers and other points where a person or people contribute to the process; i.e. defining the workflow between people rather than the sequence of specific tasks that an individual may add to the transaction at their location.

While it is important to define these key transactions from end to end, once this is done they can be re-presented in departmental *chunks* to cater for the organizational fiefdom structure.

Once the workflow level is agreed it is a simple matter to flesh out the manual and automated tasks that are performed at each stage – desk or work center - in the process. Later, the tasks themselves can be populated with procedural instructions, forms and links to the company's enterprise business system, spreadsheets and training material.

Once an organization can accomplish the above, the rest is easier.

Step 2: Define the future state

With a plan of the current business model completed it is possible to create different *future states*, depending on the outcome that is required - ranging from simple to complex:

1. In the *simple* category is meeting the requirements for a compliance audit, by adjusting the way things are done to meet ISO, FDA or other requirements.
2. The next advance is to use the current state model to improve the way the business operates, to identify duplicate or redundant activity, shorten timescales and find better ways of doing things. Workshops tap the knowledge of the workforce and model the future state to be implemented.
3. More complex is introducing a new way of doing things (automation, IT system or new process). The *new way* should include a *best practice* process model – this is how the supplier or designer recommends it is implemented. Creating the future state is a matter of applying the *new way* to the current business model and deciding what to change to accommodate the new system.
4. The biggest challenge is to merge two business entities or operational units. In this case both the business must be fully defined and the business models overlaid to determine the future state.

Change System Part 2 – Detailing the process of change

A Change Process defines in detail each step that is required to move the business from the current state to the future state. Success requires that absolutely every change action is defined and routed to people who need to act on it, in the correct sequence and with all necessary supporting material.

There is a different Change Process template for each type of outcome defined above, and no doubt others as they are encountered. The template defines the system, and like all predefined systems it starts with 'release 1.0' of the first processes - to be enhanced from practical experience.

The process may alter resources utilized in the future state process. Some changes can be applied prior to switch-over to the future state if they do not immediately impact operations, otherwise they must be staged for implementation at cut-over time. Data to support this - volumes, dimensions or equipment settings - is gathered and applied as part of the change process.

Customizing a process template includes defining every action required to convert from current activity to future state activity. The future state model shows what staff will do. The change process will define actions to be completed before switching to the future state - including what is required to support the future state, quantitative data, the resources affected and set-up parameter values.

On completion of this stage the Change Process will have adopted a totally custom form – a check list of actions to be completed - which can be trialled before they are used 'live'.

Change System Part 3 – Implementing the change

Because the Change Process is a script of activities it can be exercised in a trial environment to check its completeness and the readiness of staff to undertake the change.

A trial implementation uses a duplicate Change Process model. This can be updated during the trial to verify the results of the trial, otherwise manual control data records have to be maintained.

Implementation requires a controller to step through each Stage of the process and initiate the actions of the individuals and groups allocated to specific roles within the model. Participants step through the tasks allocated to them and if required either update control data sheets or the model.

Progress in the process is monitored by tracking the content of control data entered by the participants to report the completion of their Stage.

5. Conclusion

The Analytic feature now available in XSOL can assist a change process by allocating times and costs to each task in the process - for time and cost estimation before the implementation then an actual time-cost analysis when the process has been completed.

XSOL Outcome Systems aim to take the variability and risk from the process of change, offering product that makes change as simple as 'painting by numbers'.