

Process Modeling

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Ways to Think About and Describe a Business

P and L statement

how much we make

Balance sheet

what we own

Product catalog

what we sell

Customer list

whom we serve

Organization chart

who we are

Process model

what we do

**Financial, marketing, HR, and
operational perspectives**

Process Fundamentals

What is a process?

an organized group of related activities (tasks) that together create customer value

a transformation of input(s) into outputs: state change

emphasis on customer and outcome, not on mechanism: what gets done rather than what we do; why, not how

note: departmental process is an oxymoron

cross-functional process vs. cross-process function

all work is process work

Some recurring processes

order to cash: order fulfillment

prospect to order: order acquisition

target to prospect: demand creation

concept to design: product development/commercialization

need to concept: innovation

inquiry to resolution: service

position to employee: employee acquisition

plan to produce: manufacturing

requisition to check: procurement

The Virtues of Seeing All Work as Process Work

Customer identification and focus

Clarity about inputs and outputs

Precise design

Explicit measurement

Repeatability

Depersonalization

Team orientation

Commitment to systematic improvement

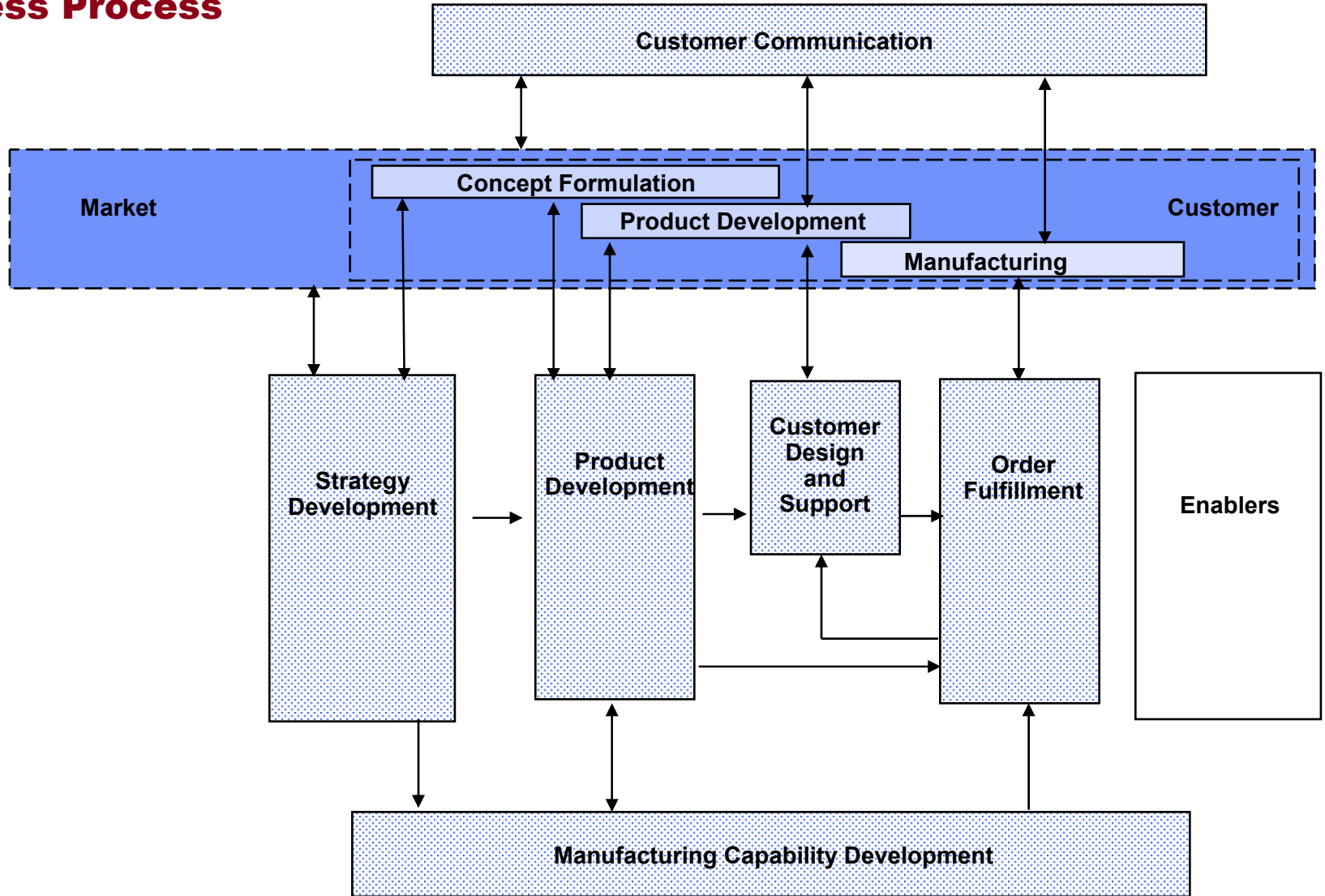
**Framework for distinguishing VA work from
the rest**

An Important Distinction

Process modelling vs. process mapping

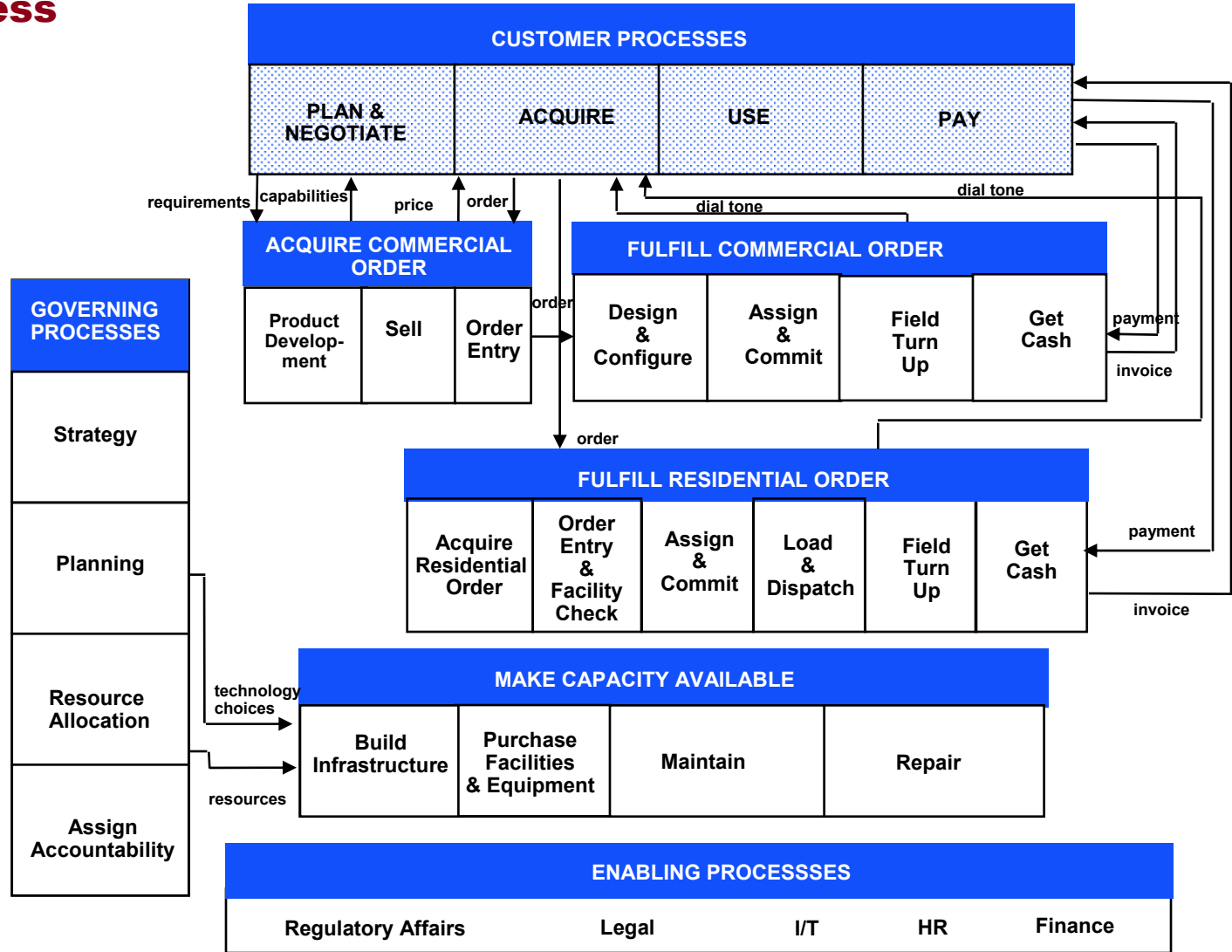
**Identifying processes and how they
inter-relate vs. specifying the activities
within a process and their sequence**

TI Semiconductor Business Process Model



Source: Texas Instruments
(Reprinted with permission)

Telecommunications Company Process Model



Desiderata of a Process Model

Simple

Customer-centric

Holistic

All-encompassing

Non-hierarchical and non-organizational

Processes, not functions

Stable, non-product-dependent

A Disquisition on Simplicity

Complex is bad

incomprehensible means unusable
error-prone
inflexible and slow
coordination overhead

Simple is good

comprehensible/easy to understand
flexible
accurate

What makes a system simple?

few constructs
few elements
few inter-connections
familiar and outcome-oriented terminology
information hiding/selectivity
visual presentation (top-down, left-right)
logical flow

The tradeoff: simplicity vs. completeness

approach: layering/levels of abstraction

On the Nature of Customers

An external customer is an entity outside your organization whose behavior you wish to influence by providing value

consumers, regulators, intermediaries, suppliers, etc.
from money for product to behavior for value

The outputs (value) produced by your processes are inputs for your customers

a process perspective on customers

Everyone is fundamentally in the same business

beyond conventional distinctions

For comprehensibility, we stage final outputs through a series of internal customers

a customer is a process too

The lines between internal and external should be blurry

in pursuit of "boundarylessness"

Categories of Processes

Core

processes that convert inputs into outputs of greater value to external customers

Infrastructure

processes that create and manage infrastructural assets that are used by and leverage core processes

Governing

processes that direct or tune other processes

Enabling

processes that support one or more other processes, typically by supplying indirect inputs

External vs. internal customers

Core and enabling typically transactional, governing and infrastructure typically continuous

A Process for Finding Processes

Start with a business: repeatedly consider whether to aggregate or disaggregate

Identify external customers: distinguish among different types

Identify the customer's processes and interactions with you: define your business from the customer's point of view

Work backwards (right to left): determine the requirements of customer processes and what it takes to meet them

A Process for Finding Processes

... continued

Trace all inputs back to external sources or to other processes: nothing falls from the sky

Focus on inputs, outputs, and their state changes: invent process names last

Distinguish among different process types: core, infrastructure, enabling, governing

Meditate, communicate, cogitate, iterate, and perspire: a good process map is like a great poem

Principles for Performing the Process

Make inputs and outputs correspond to natural constructs: use familiar terminology

Emphasize the essential rather than the artifactual: identify the inputs that the processes really require

Ignore functional and organizational boundaries: cross at least three boundaries

Focus on goals and ends rather than actions and means: the case of "direct mail" (ask why)

Principles for Performing the Process

... continued

Use names that include active verbs (and beware of "manage"), and that are memorable and baggage free: if it sounds familiar, nuke it

Involve senior management for their priorities: a process map is a statement of strategy

Keep it simple: Ludwig Wittgenstein and Frank Perdue were right

Make it unique: learn from others but avoid mimicry

Process Modeling Makes Us Ask

What are our businesses?

Who are our customers?

What do they do?

What do they need from us?

What do we need to be good at?

What is essential and what is secondary?

Why do we need to do this?

What are our fundamental assets?

A useful exercise in its own right

Can We Skip Process Modeling?

It's risky to skip it

may misbound

It's unnecessary to skip it

doesn't take long

It's important to do it

gets you into process mindset

Common Mistakes in Process Modeling

Relabeling functions as processes

Taking an introspective point of view

Failing to specify inputs and outputs

Drawing boxes first

Using mealy-mouthed names

Being influenced by structural considerations

Diverging from the business strategy

Expecting to get it right immediately

Imitating TI

Developing Process Metrics

Goals

(outcomes the enterprise must achieve)

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Strategies

(major programs that the enterprise pursues to achieve its goals)

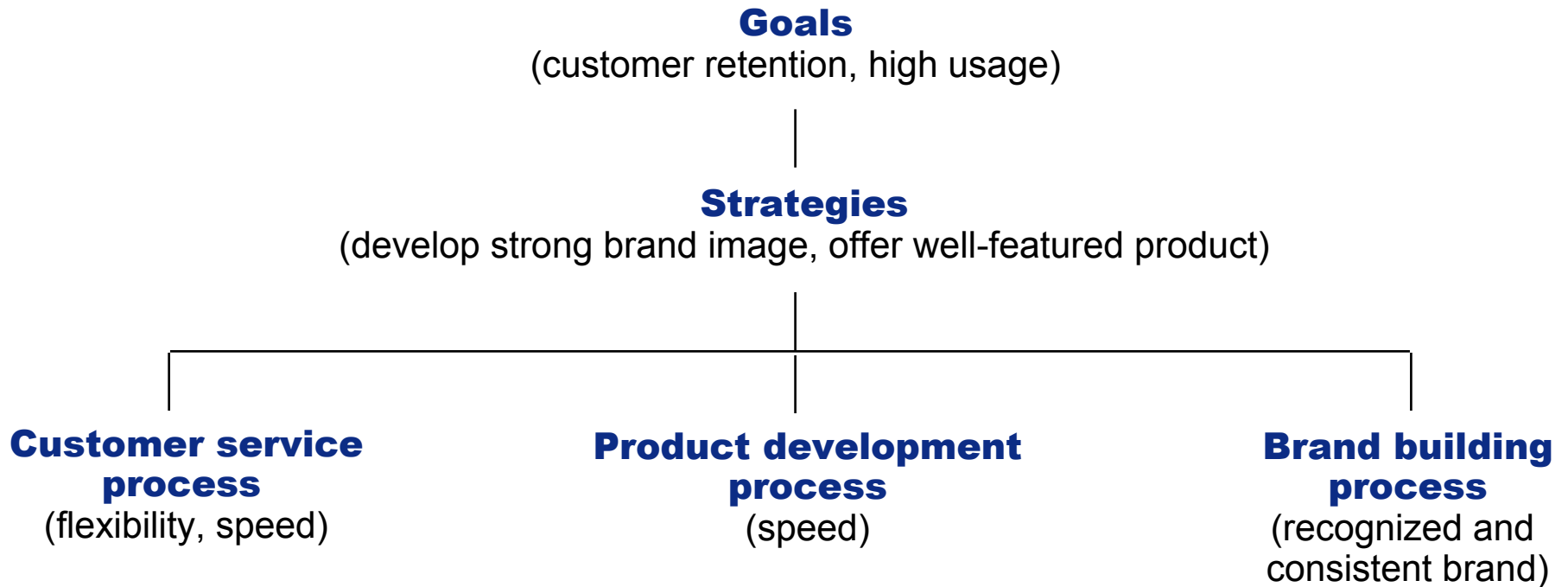
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Processes

(operating mechanisms that execute strategies)

**Deriving process metrics from
business objectives**

Partial Example



Cascading requirements

Case in Point

Organizational Outcomes

Workforce Resources
- Employee Retention

Performance!/Performance!
-Customer Retention

Strategic Initiatives
-Growth in Products/Partners

Process Outcomes

Skilled Process Professionals
-External Turnover Rate

Customer Satisfaction
-Dalbar

New Product/Partner Implementation
- # of New Products/Partners

Process Performance Conditions

Delivery of Training
-Technical Skill Gap

Timely Delivery of 1035 Assets
-Avg. # of Days for Receipt of 1035 Assets

Timely Delivery of a Contract
-# of Contracts Issued and Mailed by End of Day 2 (Life and Annuity)

Accurate Delivery of a Contract
-Internal Efficiency (Life and Annuity)
-External Error Rate

Cost Effective Delivery of a Contract
-Unit Cost vs. Target
-Actual vs. Budget (Unit Cost and Total)

Team Performance Conditions

Participation in Technical Training Programs
-# of Training Hours per Process Professional

Timely Completion of 1035 Follow up Calls
-# of Calls Completed within 14 Days

Timely Processing of and Application
-% of Contracts Completed Same Day
-% of Paperwork sent out within Standard (complete, timely and accurately)

Timely Completion of Underwriting Review
- Cycle Time to Complete an Initial U/W review
-Cycle Time to Complete a Final U/W Review

Issuance of Error Free Contracts to Customers
-% of Contracts Written without Error
-% of Rework on Contracts Processed
-Internal Efficiency by Team (Kemper, Fulcrum, etc.)

Timeliness and Accuracy of Licensing and Appointment Information
-Turnaround Time within 2 Days (Licensing & Applications)
-Turnaround Time for Appointments Submitted without Business within 2 Days
-Same Day Turnaround for Appts. Submitted with Business

Some Categories of Process Measures

Cost of performance

Asset utilization

Output accuracy

Speed of operation

Output quantity

Yield

Some Sample Process Measures

Product development	Time to market, cost of terminated projects, use of common building blocks
Order fulfillment	Perfect order percentage, inventory turns, cash to cash
Order acquisition	Closure ratio, profitability, order accuracy

Designing a Good Measure

Accurate

reliably expresses the phenomenon being measured

Objective

not subject to dispute

Comprehensible

can be readily communicated and understood

Easy

inexpensive and convenient to compute

Timely

data sources available

Harmless

does not induce inappropriate behavior