# Business Process Management

'Business Process Management' (BPM) might be regarded by cynics as yet another grand title for applied common sense. But organisations which address BPM are recognising three fundamentally important issues:

1. Just meeting their customers' current needs does not provide the strategic long-term **positioning** of the business that ensures that it will be competitively and financially successful in local and world markets in the future.

2. Traditional methods of improving the business only focus on separate functional issues and individual internal customer needs within the current processes.

3. The totality of all the internal processes, the business's **capability**, needs to be constantly driven by the need to create the future positioning of the business.

Conventionally, positioning alone has been seen as a largely separate set of functional tasks split within the marketing, strategic planning and finance functions. Capability changes are generally the preserve of individual operations functions which could be working to an agenda determined by local measures of productivity.

Understanding and addressing the inextricable linkage between positioning the business and having the appropriate capability is itself the key process in the organisation. Linking positioning and capability is thus the **job** of the executive and senior management in leading the business to a better future. BPM is focused to help the executive do this job better.

**A fundamental problem**

Internally, the delivery of products and services to customers is the end result of co-ordinated activities by different groups working within the business. Companies seem to go through an irreversible life cycle that leads them towards specialisation, complexity and functional parochialism. However hard we try to avoid the situation developing, the entrepreneurial start of the business, where everyone can virtually do any of the necessary tasks within it, slowly evolves into functions. As functions clone staff together over the years, the rigid development of formal functional structures has provided the opportunity for functions to become fortresses, the contents of which become the jealously guarded property of the occupants. Inside each fortress allegiances are high and people speak their own language, a mechanism to spot intruders and confuse communication.

The natural variation of any process leads to errors. In the functional fortress, it is easy to blame others rather than cross the functional boundaries and resolve multi-functional problems. For companies that are multi-divisional and international, not knowing who to blame is a source of internal frustration. For many members of staff and management, this is their working life. Even moving from one company to another rarely seems to bring us to a different working environment. If we cannot conceive of something better then we accept the situation as simply being business-as-usual and do the best we can in the circumstances.

The fundamental problem for many companies lies in their structure. Organisations are hierarchical, while the transactions and work-flows that provide service and products to customers remain, as always, a horizontal path through the business. The traditional management structure causes managers to put functional needs above those of the multi-functional processes to which their departments contribute. This results in departments competing for resources and blaming one another for the company's inexplicable and continuing failure to meet or exceed current customers' needs efficiently, as well as an inability to see how to put in place a series of multi-functional processes, focused on the customer, that will provide future competitive differentiation.

**A way forward**

BPM addresses all the necessary steps to undertake, to create a cost-effective business in the short term, and a truly competitively differentiated business in the longer term.

BPM is a journey with a distinct path and a specific set of actions along the way.
BPM will be the mechanism:

- to create the long-term future positioning of the business and its future capability;
- to create short-term cost effectiveness and improvement to current customer service;
- to initiate continuous improvement from the base of the current, but improved, processes;
- to introduce a knowledge of product and customer profitability;
- to re-engineer the business radically and provide clear future competitive differentiation;
- to address the cultural barriers that prevent effective cross-functional and hierarchical working;
- to introduce leadership and a role for managers and empowered staff.

BPM is not a panacea or a short cut. It demands time and energy. It demands an open mind and a holistic view of your business in relation to the business environment in which the company is operating. It demands a constant challenge of the accepted norms.

There are four key elements to achieving a successful ongoing implementation of Business Process Management.

1. First, the company needs to recognise that it has a problem that requires the level of change that BPM entails. By viewing the business on the axis of positioning and seeing the relationship to the axis of capability, the company will begin to see how customer and business issues can be brought together to impact on realigning the business processes.

2. Through a bottom-up process, staff and managers measure and analyse the current capability. From this base, staff and managers propose short-term options for change which are brought together through forums of internal customers and suppliers. This stage improves the current business, puts in place mechanisms for continuous improvement, and creates the foundation for fundamental re-engineering.

3. From customer and competitor research, the key positioning conclusions create the vision, expressed in terms that will delight customers and turn them into advocates of the business, and point the direction to innovative changes to capability. Through a process of deployment, every employee sees the same vision, but expressed in a language they understand and thus become aware of how their own element of the process can contribute to making the vision a reality.

4. Using the vision as the driver, a top-down approach re-engineers the key business processes, starting with the customer-facing issues and building back into the business. The need is to create a proposition for a customer that leads to retention and advocacy, and to deliver this through an internal framework that ensures lowest unit cost. The innovative approach also completes the process of transforming management attitudes and behaviour.

**The warning signs of failures in current processes**

If a business process is failing then what is causing the failure? We can think of errors, mistakes, misunderstandings and so on as being viruses that infect processes. Once such a virus is in the system its presence is felt and if the system is not treated to become immune to its effect, then the virus escapes and infects others. A system that contains viruses is one that produces a variable output; the results are no longer predictable, stable or of high quality.

Like any illness, though, do we always know what we are treating? The effect of the virus can create serious symptoms and our response is most often determined by the higher visibility of the symptoms which divert us from attempting to treat the root cause. What is important is to be able to recognise the difference between symptoms and causes, and then with knowledge and sufficient time, treat the root causes. What often mitigates this is a traditional measure of a good manager; an ability to make snap decisions on little evidence - the 'fire fighter'. To quote Abraham Maslow, "If your only tool is a hammer, you will begin to see everything in terms of nails"
All businesses contain this virus of variability. We attempt to do our best but the system consistently beats us; things just do not happen as predicted every time. Whatever we do, the process contains the virus - parts do not fit together every time on assembly, invoices have mistakes on them, specifications are incomplete, the computer breaks down, the materials are often inferior, things just keep letting us down. The processes we are using are not capable of doing the job. And, if the process is not capable, then despite our best efforts our output will be variable and, in the broadest sense, of inferior quality. Only by working on the process can it become capable and its results stable and predictable.

When processes fail our behaviours become abnormal. We run around like headless chickens, we try and drive through improvements using performance measures that confuse staff, we invest unwisely in Information Technology, and we overburden the organisation with accountancy practices to get a firmer grip on the numbers. We retreat into the comfort of the safe havens of our separate functions, and when all else fails we resort to exhortation, "to do better", and "be right first time".

Recognising a virus, its symptoms and root causes is one thing. Making a process robust and immune to its effects is an entirely different matter. Processes are multi-functional and suffer from noise at the interfaces. The culture may actively discourage gaining a cross-functional awareness and the knowledge base may be so low that nobody is really able to spot a virus, its symptoms and root causes. In this scenario, authority to change a process resides with the executive board and few people are able to know how to improve the process.

As parochialism increases and staff have increasing difficulty in communicating across the organisation, the chances of understanding and resolving multi-functional problems reduces. More insidious and, in many ways, the more alarming is the constraint on change imposed by the relationship managers may have with their staff. A poor relationship swiftly decouples the manager from the very people who have the most knowledge of the process and, particularly, its failures.

Where processes lack robustness they will be susceptible to the viruses from others. While remaining unaware of this effect managers see only failing outputs as being failures of their own staff. This perception can also be reinforced by the department's internal customers pointing out the level of errors to their own highest level of authority. Come appraisal time managers will have carefully tracked the errors their staff have been making - "well, aren't the failures all their fault?"

An impasse. Management is blind to the issues, but with maximum authority to improve the process. Staff with knowledge of the issues are unable to break through the constraint of management. Staff have become victims. The variability of the process, a process the staff have no authority to improve, has created winners and losers. Appraisal is simply a lottery with your chances of losing increasing with the passage of time. Such an environment is one of fear, and although fear conjures up images of someone who is personally frightening, this scenario is worse. This fear is less tangible, it is a cultural issue and represents a behaviour pattern in the whole business that becomes the way of life for everyone. In the end, staff just give up. Why shouldn't they?

**The inextricable link**

The BPM journey is founded on the principle that there is an inextricable link between positioning and capability. It is useful to remind ourselves of the definition of the two key axes that help us plot the journey, and how they are linked.

***Positioning***

Positioning is to do with external factors such as:

- understanding customer needs,
- understanding competitor initiatives,
- determining the business's financial needs,
- meeting changing legislation;
- environmental constraints.

Positioning leads to higher levels of revenue through increasing market share, increasing the size of the market and by retaining the first-time customers acquired by the business.

***Capability***

Capability is to do with internal factors such as:

- key business processes,
- procedures and systems,
- competences, skills, education and training,
- attitudes, style and behaviours.

The capability is changed to deliver the positioning. Capability creates the costs in the business. The inextricable link joins revenue and cost. Getting the balance right enhances profits.

The final position and final capability deliver the vision for the business and the journey then becomes Business Process Management; the management activity that addresses both axes. Given that your competitors will not stand still as you stay ahead or overtake them, there is an ongoing need to review the future position and the implications on capability. The management activity that addresses both axes thus becomes the number one key business process within the organisation. It is therefore essential that a company pools together the knowledge that resides in all the functions to fully understand the positioning dimension. Reflecting this onto the necessary capability to put in place suggests that any re-engineering should not remain the preserve of individual functional heads. BPM has to start with a need to think non functionally; a requirement that has always existed at the top of organisations but has often been an elusive set of behaviours in many.

Like many initiatives, such as TQM, ABC and others, BPR (Business Process Re-engineering) has come to mean something in a generic sense. From our experience, BPR in practice has developed a focus on changing capability in the short term to address current issues. In contrast, we contend that the need to develop a true vision, rather than a motherhood statement hanging in every manager's office, is the job of senior management acting as a team. Using the term BPM (Business Process Management) thus encompasses a larger task; the management of the inextricable link.

In BPM, we use the word 'vision' to mean something tangible, the result of understanding positioning and working this through to changes in capability. The vision thus links the two. To be meaningful to staff, the vision has to relate to them and implies a degree of deployment and subsequent involvement that is far beyond issuing everyone with a one-line mission or vision statement on a pocket sized piece of plastic. To be meaningful in a business context, the vision has to relate to customers. 'Being the best' can be a meaningless statement and sets the business up on an unattainable pillar, ready to be knocked down by any single customer or the media.

BPM is the process by which companies journey along the routes of positioning and capability to deliver the vision. Depending on business circumstances, the emphasis on each axis will change. Logically, a company should start by undertaking all the activities to determine the future position, followed by changing all the processes in order to reach the chosen position.

Some companies can simply neglect to challenge and re-examine their vision of the future and their role within it. Frequently, such companies concentrate on reducing costs and increasing efficiencies, while market trends, competitor moves and the critical factors that delight customers are ignored. As a consequence, the organisation drifts and managers become increasingly frustrated at the lack of direction at the helm; decision making abilities become stifled by the uncertainty of the goals managers are trying to achieve.

However, it is frequently necessary to take short-term actions driven by a business imperative. In most cases, this will require action on improving the current processes, a change in capability with little change in positioning. The change in capability could be driven by a need to:

- reduce the cycle time to process customer orders;
- lower variable overhead costs;
- re-balance resources to meet current market needs;
- improve quotation times;
- reduce work-in-progress stocks;
- increase product range to meet an immediate competitor threat;
- meet changed legislation requirements;
- bring the business's capability back to the point where it is able to meet its current service promises;
- just reduce costs in order to reduce prices and retain short-term market share;
- introduce new short term processes driven by macro-economic effects. (e.g. increased arrears in payments from customers hit hard by a long lived recession).

Managers and staff will have a clear focus on the short term need and an understanding of the risk of such actions on the longer term future position. However, without the short term action, there may be no future.

It is our experience that to make radical or innovatory change throughout a business from a poor base of currently failing processes is to invite failure of the attempt to achieve overall corporate transformation in one giant step. It is unwise to make a single step to the vision. Those that have attempted it have discovered that they arrive close to the vision still weighed down by the baggage of current process failure and inappropriate cultural attitudes.

**Step 1 of a BPM journey**

The primary objective of Step 1 is to examine all or part of a company's processes and to develop implementation plans to improve efficiency and effectiveness. In overall terms, the key drivers for change could be that costs must reduce while simultaneously improving quality and current customer service. Step 1 provides a burst of activity that brings out the major proposals for process improvements and uncovers many minor irritations due to local process failures. Implementation of the proposals from Step 1 needs to be absorbed into the transition to an ongoing state of continuous improvement.

The key deliverables of Step 1 are focused on the identification of an interim workable set of proposals for change, given the existing environment and level of change that can realistically be achieved in the short term. This delivers the changed capability.

***Cost reduction***

A key deliverable of Step 1 may need to be a materially reduced operating cost. At the moment, the current service from any department or section could be excellent, good, bad or indifferent. While maintaining this current level of service, the level of activity could be reduced through improvements in the methods and processes in a department, and through the elimination of another department's errors and failures that passed problems through the processes. However, because some current levels of service may be too high or inappropriate for the current business needs, a reduced level of activity needs to be explored by proposals for selective reduction below the current level of service. Such proposals force the debate on whether this creates real risks to the business or not.

***Service enhancement***

Another key deliverable may need to be an improved quality of products and customer service through additional activity to enhance the service from certain departments above the current level, or, through new tasks, to provide outputs which the business does not benefit from currently. In some departments, an increased level of activity or service may be necessary in one department in order to achieve outputs which are right-first-time and thus save time in other departments who are downstream in the process.

***Re-balanced resources***

In general a business should be seeking to rebalance the resources with an overall cost reduction and selective increases in service to provide additional benefits to the business greater than the cost of providing them.

***Establishing the current capability***

Data collection and analysis is a critical first stage in Step 1 as it provides an objective basis for:-

- understanding the current failure to meet current external customers' needs;
- challenging the existing output or levels of service, both externally and internally;
- evaluating the benefits of improvements of methods;
- understanding cross-functional organisational relationships;
- understanding the interactions within multi-functional processes
- identifying and evaluating systems opportunities.

The data needs to provide the basis for rational, fair, objective and open discussion and decision-making about improving the efficiency and effectiveness of the business in the short term.

The facilitators work closely with groups of staff to create a set of data. This data should include organisation structure, organisation and process affinities, problems with internal services received or provided, activities carried out within each group, the elapsed time of activities and their classification to reflect their level of added value or otherwise. Process mapping is also key to tracking the cross-functional flow inside a business process. Such maps quickly highlight failure feedback loops and potential over-complication within a process.

***Insights from data analysis***

In Step 1, data collection is the 'Voice of the Process'. The range of data is unlikely to be already collected routinely within the organisation. The data should include an understanding of current customers' needs, the nature of the flow of the processes within and between functions, the perceived level of service given and received, and the type of activities undertaken within each process. Simple analyzes allow powerful insights into the business to be obtained quickly and allow the processes to speak intelligently.

***Customer needs surveys (external)***

Without asking customers, companies should never presume they are meeting the current customers' current needs. If the evidence is missing, then Step 1 will need to begin with some involvement of external customers. The exact nature of their involvement will depend on the nature of the business. For a High Street branch outlet business the survey could involve questioning customers as they leave the shop. For a finance company the survey could be a postal questionnaire matched to internal data on segmentation. For an airline it could be a comparative analysis with other airline companies on the same route, questioning regular flyers on a range of airlines. For a design company it could be a discussion panel of customers across a range of household types.

***Customer complaints***

Customer complaints are a form of unsolicited customer needs survey. While wishing to have a business that does not generate complaints, in the short term,
complaints analysis is a useful mechanism to determine where some priority should be given to improve processes.

From research undertaken by TARP, a company specialising in undertaking complaints research, on average a dissatisfied customer will tell twelve others. The problem for the service sector, in particular, is that for many companies, they are in an undifferentiated and competitive market, but repeat business is vital to sustain profitability. However, it is in this sector that people tend not to complain. Typically, they do not think it will be worth the time and trouble, they do not know how to go about complaining, and they have a fear of retribution should they need the service again. One should always assume that the level of complaints actually received considerably understates the overall perception customers have.

The data from research undertaken by TARP suggests that the process of handling complaints, while they exist, is as important as getting the core processes performed right first time. Against expectation, completely satisfying a complaining customer is itself a motivating factor.

***Benchmarking***

Benchmarking is a technique to compare a variable, output or process in one's own company to that achieved by others. It can be used to focus on those competitors which, by accepted sector standards, are more successful than one's own business, and then to focus on those aspects within the competitors' businesses that are providing their success. For example, in a comparison of the hours required to build motor vehicles, Japanese manufacturers consistently had productivity levels that outstripped their USA and European counterparts. As this reflects on product prices then this knowledge would focus competitors on discovering how to achieve and outstrip Japanese levels of productivity.

In the finance sector, cost:income ratio could be a prime indicator of success and one's relative ranking in a league table of these ratios would provide a spur to attempt to understand the differences in each companies' operating methods. At one level, cost:income ratio may be a prime measure used by the city to establish a credit rating for wholesale funding. However, at another level, cost:income ratios may be distorted in any one year as costs rise to put in place actions to increase significantly revenues in another year. High-level comparisons may not always tell the complete story.

In a non-competitive situation, benchmarking provides a comparison between processes. Level of inventory may be an indicator of better stock management processes, number of debtor-days may be an indicator of a better process for payment collections or it may be an indication of a better type of customer relationship or a different type of customer segment. For any benchmarking exercise to be meaningful requires more knowledge of one's own and the benchmarked companies than just the variable being measured.

The two key difficulties are finding co-operative companies with whom to benchmark and then ensuring that you are comparing like with like. It is also important to measure variables that are important to your business in relation to improving aspects of customer service which are relevant to your customers and those processes that have a high potential for cost reduction. The risk is that whole areas of benchmarking expertise grow within the company in every function and becomes an industry within itself. Anything that can be measured is benchmarked until the company disappears under a mountain of irrelevant comparisons.

Benchmarking is not an end in itself. Its use should concentrate on:

- helping a company focus on what is important in its competitive environment;
- providing a framework for systematic analysis and learning, and a reduction in myopia;
- identifying what is possible and achievable;
- acting as a spur for change; and
- encouraging team-work during the benchmarking exercise.

***Customer needs surveys (internal)***

Internal customer needs can be surveyed in order to discover how the services supplied match the needs of the internal customer in relation to the perceived importance and performance. In an example where a Publications department served a Marketing department, the results of such a survey highlighted a mismatch between the service provided and that required. Only the supply of the annual report, a company need, was marked as a service higher than required. All other important needs, such as liaison with sponsors, video creation and printing, tended to be wholly inadequate. Later analysis of the Publication department's time showed how little was devoted to meeting the needs of the internal customer. Most of the time went on 'other' activities, those activities that the Publications department had decided for itself were important without reference to any internal customer.

Internal surveys at the start of Step 1 are enlightening for those involved, and can create a fair degree of emotion if they raise old interdepartmental antagonisms. However, the survey is an early thermometer for gauging the heat that could be generated when internal customers and suppliers get together later in Step 1 to discuss process improvements. Some heat is healthy at this stage as it focuses on the inevitable clash between meeting functional rather than process objectives, and will demonstrate how naturally people blame others rather than look first at the processes in which both work.

At the start of Step 1, any functional parochialism that exists will be reflected in an internal customer needs survey. Any department that is busy meeting its own objectives out of line with those of the business will be demanding services from others to perpetuate its own objectives. Where this situation is known by the supplying departments then there will be little motivation to adjust or improve their service to meet unnecessary internal customer needs. This type of issue is dealt with in later stages of Step 1, when the overall processes will need to align with the business objectives. Again, some heat raised by this type of issue provides early signs of the behaviour of some departments and their managers. At this stage, give everyone the benefit of the doubt and assume that such behaviour is generated by ignorance of the bigger picture rather than being motivated purely by self interest. Everyone needs the chance to learn that a change in behaviours as well as processes is a potential outcome of Step 1. The support teams often suffer a certain level of frustration when they are confronted by such poor behaviours.

***Process flow charts***

In conventional linear process charts, activities, decision points and so on, are drawn one after the other in a vertical column. Such charts are often used to analyse systems with a view to computerisation. In BPM the emphasis is to understand the interaction between the people and the processes in which they work, particularly the points where the process crosses functional boundaries. Such flow charts put the sections, departments or functions across the horizontal axis and the process is charted as it moves from one department to another. We use the term 'the cast of characters' to represent the people in the process.

For most processes, using just rectangles to indicate activities and diamonds to indicate decisions or check points is sufficient to generate an understanding of the process. A process chart will start to beg further questions. Each horizontal line is an internal customer/supplier relationship. At this point, the process can be measured to understand the nature of the service given and received. Each decision or check-point tends to have a feedback loop. Such a loop indicates a failure to provide a correct output from the upstream activity, resulting in checking and re-work. By measuring the frequency by type of error, the priority to search for root causes can be established.

Another insight that process charting provides is the complexity of reality. When drawing a process chart, it is quite common to just draw how the process should work rather than how it actually works. The complexity of reality grows very quickly as you introduce variations to the standard procedure.

Process charting will also raise a number of issues concerning conventional departmental and functional budgeting procedures. In a typical budget statement for a purchasing department, extracted from the monthly accounts, typically one finds that the accounts headings are to do with the resources that go into the department. The headings would include such things as staff costs, travel, telephone, stationery, premises, computer charges and so on.

***Categorising activity data: core, support and diversionary activities (C/S/D).***

Among the analyzes, one of the most enlightening is the classification of each activity, by the groups themselves, into three categories: core, support, and diversionary. The terms are defined as follows:-

Core activities use specific expertise within the group and can be seen to add real value to the business. Core activities are those that provide a necessary service to internal or external customers.

Support activities make it possible for core activities to take place. For example, a salesperson's time spent negotiating with a customer is a core activity. The travelling time to get to the customer is support.

Diversionary activities are caused by a process failure somewhere in the organisation. Such activities include correcting errors, chasing other groups for information, resolving queries and so forth. Diversionary activities have many causes including, for example:

- inadequate training;
- inadequate tools, procedures and systems;
- poor documentation;
- poor communications;

- poor quality suppliers;
- conflicting functional objectives and performance measures;
- inadequate understanding of customer needs.

Poor efficiency and effectiveness can only be eliminated by isolating the root cause of the problem. Frequently, failures cascade through a number of sections, picking up further diversionary activity, and therefore costs. By identifying the source of failure and the associated diversionary activity costs, wherever they occurred, simple cost/benefit analyses can be undertaken. A key outcome should be to change the mix of core, support and diversionary activity within each area of the business - that is, to place more emphasis on core activity to enhance service quality, and so avoid diversionary activity elsewhere.

The sum of core, support and diversionary activities is a hundred per cent of the activities within the business. In Step 1, all activities will be questioned.

***Other types of activity classification***

For some companies, the term cost-of-quality (COQ) has been used to determine the potential benefits of improving the quality of the processes within the business. COQ has three categories:-

- the cost of prevention (activities to prevent the occurrence of poor quality, e.g. training);
- the cost of appraisal (activities to find poor quality, e.g. inspection, checking);
- the cost of failures (the results of poor quality, e.g. re-work, scrap).

In general, it has been estimated that the COQ amounts to around thirty per cent of all costs within a business prior to improvements. However, the balance of activity, seventy per cent, is termed the 'basic work'. The focus on just COQ can often lead to the assumption that the basic work does not need to be scrutinised and all attention is focused on those elements falling within the COQ classification.

In the UK, a British Standard has promoted the classification of all activities into being either 'Conforming' or 'Non-conforming'. We would contend that this removes the subtlety of being able to challenge the need to conform to certain procedures. The currently conforming activities may be supporting inadequate processes that are failing to meet customers' needs.

***Examples of using C/S/D analysis***

In an example of how a salesforce and sales administration department of a manufacturer of office equipment used their time, it was found that only fifteen per cent of the whole department's activity was devoted to customer contact. For a typical salesperson, the core activity of 'selling' occupied only fifty per cent of the time spent with customers. The remainder was spent in dealing with queries and complaints about delivery performance - a diversionary activity. Other activities in head office, such as credit notes, special invoices, keeping statistics on the problems, and a substantial proportion of management and administration was driven by the same problems. Not surprisingly, the saleforce had little time to spend on new calls to win customers.

When the process was investigated each link in the chain can usually point to another link as the cause. If the saleforce got the order details right first time, if manufacturing had organised production schedules to provide adequate inventory, if distribution had kept to the customers' delivery dates, if.. if.. if.

As one finds everyone attempting to do a good job, then often the cause of process failure can be attributed to each function trying to improve its own, but isolated, functional efficiency. In this case functional effectiveness measures were driving everyone's behaviour. The saleforce were measured on numbers of orders sent in, with month-end panics being the norm. Production ran larger than necessary batches in order to improve machine running-time utilisation. Distributions standard costing variances were reduced by running full loads every time, even if this meant changing customer delivery dates. No end-to-end process measures were in place that related to the processes' ability to satisfy customers at lowest unit cost to the business.

By identifying the root causes of poor delivery performance, a substantial proportion of the salesforce's time was released, allowing it to focus on winning more orders. Time was also saved in sales administration; some taken as a cost saving, while some was re-deployed into dealer support, handling increased volumes and a new task of telesales.

As a general principle, the reported level of diversionary activity in a department is not created by the department itself. After all, it is very rare than we would expect to find people creating diversionary activity for its own sake. We can safely assume that people come to work to want to do a good job and take pride in what they do. Diversionary activity is just as tiring as core activity, but the latter creates job satisfaction, whereas diversionary activity leads to frustration.

It is also often the case that when people are appraised it is on the output of their core activities. High levels of diversionary activity reduce the level or quality of core output but this can be overlooked during the appraisal, particularly if one's manager has not been sufficiently aware or proactive in working across functional boundaries in order to tackle the root causes somewhere else. In the Sales Department example, many of the statistics that were kept listed the frequency that other departments had failed. This evidence was not used to guide process improvements but was guarded carefully to prepare a defence against any charges of incompetence, should the business begin to blame the department for declining sales.

In another example of the use-of-time analysis highlighted a problem that had been addressed through misplaced investment. A group of over four hundred product engineers in a manufacturing company spent only twelve per cent of their time on the group's core activities of design and development. The rest was a mixture of activity such as testing and prototyping, and a large proportion of management and administration. Much of the management activity was associated with prioritising and re-prioritising the enormous backlog of work that had built up.

It was not surprising, in view of the small proportion of core activity, that the company was recruiting more engineers. In fact, it was the only department that was not affected by the company's recruitment ban. The company had also invested heavily in computer aided design (CAD) in an attempt to match the lead times for new products being achieved in Japan (half the time) and Germany (two-thirds the time).

The use of time analysis demonstrated that these two actions had a negligible effect on development lead times. New recruits only added an additional twelve per cent of their time and the CAD could only improve the productivity of a small amount of core activity. The answer lay in understanding what was creating the high proportion of non-core activity and then reducing it. This was done in two ways:

- First, by investing in computer simulation to increase the productivity of the prototyping and testing. Many initial design options could be eliminated prior to moving to the prototyping stage.
- Secondly, by introducing an administration section rather than have expensive engineers perform the same tasks badly, the diversionary time released transferred to core activity for the engineers.

The level of core activity then rose from twelve per cent to forty-one per cent which allowed the CAD to become effective and removed the need for additional recruitment. As the backlog reduced, so did the need to prioritise and more time was released.

The solution, in retrospect, now seems obvious. However, when people work inside routine procedures and standard practices it is difficult to stand above the department and take a more holistic view of what is going on. Activity data, though simple, provides many insights not seen before.

**A summary of the journey so far**

If a company has decided to make the full BPM journey then it will need to plan the stages and timing to complete Step 1. The degree to which timescales are compressed or relaxed will be a function of economic necessity, desired accuracy and required employee perception. A need to implement a fast downsizing of the business will lead to a limitation on the level of detail that can be explored and any subsequent reduction in employee numbers will leave the remainder less willing to participate in continuous improvement. Good communications and honesty will help avert a poor employee reaction to the BPM initiative. A longer term approach is always desirable as it allows more time for detail and involvement and a greater degree of re-balancing of the resources through creating spare capacity to work toward growing the level of business.

Step 1 presents an ideal opportunity to look closely at everything that is done and question its relevance to the current business objectives and current customer needs, and the impact these have on the changing roles that people will need to have in the future. The outcome of Step 1 is determined by everyone in the process, after all they are the best people to propose what the outcome should be.