Step One: Understand and Embrace your Goal

Give me a stock clerk with a goal and I'll give you a man who will make history. Give me a man with no goals and I'll give you a stock clerk. —J.C. Penny

The first step in mastering your business processes is to understand and embrace your business goals. Do you have a goal you are seeking to achieve? Of course you do, otherwise why would you even bother?

Goals define our purpose, and the type of goal we have helps us focus on the kind of improvement actions we must take, along with establishing metrics to determine our degree of success. The one perspective on process that we didn't specifically call out is *you*, and understanding your goal is definitely part of your personal perspective on process. Goals are critical to process participants in the strategist group and they drive the activities of process participants in the builder group.

So what is your goal?

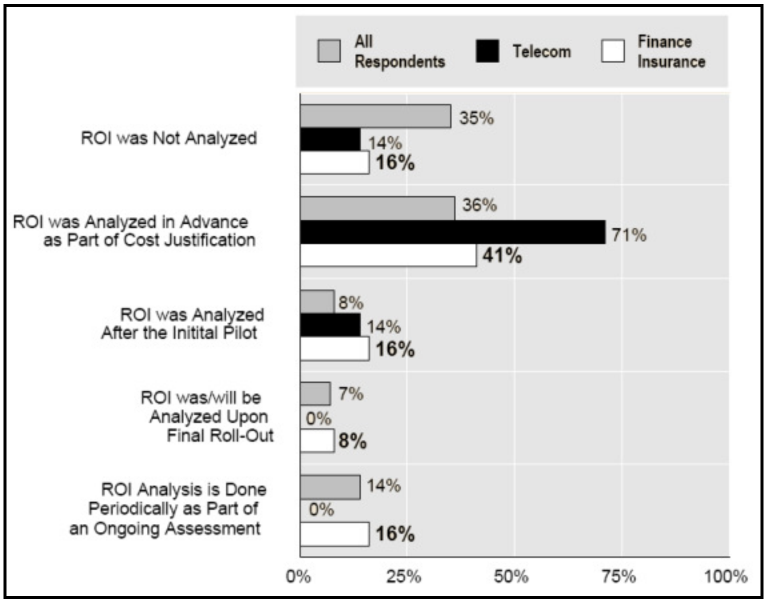
Oh, and if you don't think you have a goal, but instead have a mandate, think again. A mandate or other motivation that requires you to do something with process still means you have a goal because you are expected to do something, something that produces a significant result. For example, your goal may be to meet your organization's expectations of you so you can keep your job and perhaps even qualify for a promotion. If you don't have a specific goal, is it safe for us to say that your goal includes making *something* about the process better? We should certainly hope so.

There are three ways to set process goals that we will cover in this chapter. We will start with financial goals, as they are a common goal shared by almost all organizations.

Financial Goals

Where your goals are financial (cost reduction, increased profit or increased revenue) BPM should be driven by a before-and-after Return on Investment (ROI) analysis. In light of that, here is another interesting process observation from the study by Nathaniel Palmer.

In this study, over one-third of survey respondents did not use ROI analysis as part of their BPM deployments. Further, less than one-sixth of respondents performed any ROI analysis after piloting the project, final roll-out, or as an ongoing assessment. That means that one out of every six BPM projects doesn't have any proof of what the project actually achieved financially nor has any evidence that gains achieved continued to return the initial degree of benefit over time.



From research by Nathaniel Palmer

Regardless of the reason for this, conducting an ROI analysis of a proposed BPM improvement project is one of the ways we have to set goals for the project. Developing the ROI case and then identifying the measures by which we can assess our success in achieving that ROI is an essential part of process goal setting. It's like taking a vacation where we identify our desired destination, plan our route, determine intermediary stops, create a budget and then head off. Can you imagine taking a vacation where you simply got into the car and randomly drive off whichever way happens to catch your fancy? No directions, no planned stops, and a destination that is somewhere a lot nicer than here? Does that sound like the kind of vacation you want to take? Oh, and what do you think the likely outcome of that approach to vacationing would be? Granted, you might get lucky, but chances are you won't and even poor planning is better than no planning at all.

Yet it seems at times that no planning at all is our approach to process success. But that's not the way to achieve process success, at least not on any consistent or predictable basis.

Is ROI analysis the only way to set process goals? Sure there are. For example, if the process or processes in a particular part of the organization have already been identified as underperforming and in need of overhaul, then we may not deem it necessary to do a ROI analysis.

On a larger scale, ROI becomes a part of the Balanced Scorecard (BSC), a strategic performance management tool for measuring whether the smaller-scale operational activities of a company are aligned with its larger-scale objectives in terms of vision and strategy. By focusing not only on financial outcomes but also on the operational, marketing and developmental inputs to these, the Balanced Scorecard helps provide a more comprehensive view of a business, which in turn helps organizations act in their best long-term interests. Organizations are encouraged to measure, in addition to financial outputs, those factors that influence the financial outputs. For example, process performance, market penetration, long-term learning and skills development, and so on.

The underlying rationale is that organizations cannot directly influence financial outcomes, as these are "lag" measures, and that the use of financial measures alone to inform the strategic control of the firm is unwise.

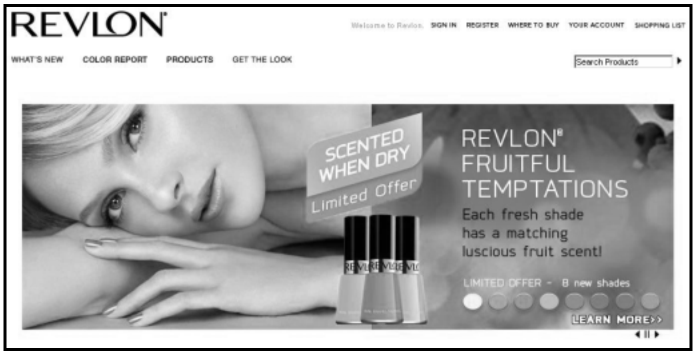
Organizations should instead also measure those areas where direct management intervention is possible. In so doing, the early versions of the Balanced Scorecard helped organizations achieve a degree of "balance" in selection of performance measures. In practice, early Scorecards achieved this balance by encouraging managers to select measures from three additional categories or perspectives: Customer, Internal Business Processes and Learning and Growth.

It is not sufficient to say we know a process needs improvement. We still need goals for the simple fact that goals (like those derived from an ROI analysis or Balanced Scorecard) force us to assess where we are (the current or as-is state) and where we are going (the to-be state). In effect, goal setting forces us to assess the potential improvement against measures that matter.

Revlon – BPM that Drives EBITDA

Revlon, which takes its name from founders Charles and Joseph Revson along with the chemist on their founding team, Charles Lachman (where the L came from), was founded in 1932. An internationally recognized brand in cosmetics, skin care, fragrances and personal care products, Revlon clocked in 2008 with $1.3 billion in revenues and a healthy 18.4% EBIT-

DA. Not bad. They must be doing something right.



Increasing EBITDA with BPM

Part of what Revlon is doing right is BPM. For example, Revlon has an extremely high claims volume (over 1,000 per day). Before applying BPM (with BPM software) to their claims process, Revlon struggled to keep up with the workload and financial impact was significant with chargebacks amounting to fully 20% of gross revenues. Claims processors were over-burdened and were often unable to review low-dollar clams or contest them if appropriate. Another interesting data point was that the document collection process by itself took 30 minutes on average per claim.

In implementing BPM, Revlon reduced processing time by two-thirds (66%) which gave the company the opportunity to process all claims at a net reduction of employee time of over 50%. Revlon has not disclosed the reduction in chargebacks achieved from their use of BPM but with an optimized and streamlined process in place there is little doubt that total chargeback costs would also be reduced (probably quite significantly). Revlon claimed 18-month breakeven and 24 month payback on the project, but what is even more important is the company will reap the cost reduction benefits year after year for many years to come.

Direct cost reduction, as a non-discounted or amortized savings. In the Revlon case it is estimated to be in the range of $1.2 - $1.5 million per year without factoring in other benefits derived from the BPM improvement. That translates to a minimum half point gain in EBITDA. Now *that* is the way to leverage BPM. Revlon reduced processing time by 66% and realized a net reduction of 50% in labor time.

Is reduction in processing time a valid process goal? Sure it is. We can measure and contrast it with before and after measurements. Reduction in processing time is a different take on financially driven ROI because reduction in process time will reduce the operating costs of the process.

This example is important as it shows a use of BPM where reduced operating costs through process improvement made the company more efficient while lowering its operating cost, resulting in a direct impact on the bottom line of the business.

So what did Revlon do that made this BPM initiative successful? Well for one thing the company knew its baseline, its challenges and it measured the result of their efforts. While we may not know what Revlon expected to achieve, the company certainly achieved success and undoubtedly improved its ability to leverage BPM for future successes by conducting the before and after analysis.

Now some of us will shy from doing a ROI or Balance Scorecard measurement analysis, especially one that includes before and after measurement, particularly when we aren't expected to do so. Measurements can be problematic as they will either validate or invalidate our expected results. While validating our results is fine, invalidating them is not comfortable for many people.

Yet how else will we know, really know, what we achieved? Whether the results are on target, above or below target, knowing the results tells us something. It can validate our assumptions, help us adjust our expectations, teach us to capitalize on what really works, and help us improve on what didn't work as expected.

KPIs for Goals

In addition to financial ROI or Balanced Scorecard measures, we have other ways to establish baselines, set goals and measure our success. One of those ways is to use Key Performance Indicators (KPIs).

KPIs accurately reflect what we want to improve about the process. KPIs could come from a mandate, a compliance requirement, a service initiative or even a specific process outcome that we can clearly see is undesirable.

Mandates could be improvements in measures such as error reduction, meeting government regulations, business partner requirements, defect reduction, response time improvement, and so on. These motivations for improvement often arise from a sense of dissatisfaction—an *undesirable outcome*.

As in the case of ROI analysis, identifying the metrics that describe the nature of the undesirable outcome gives us a baseline for comparison. From that baseline we can define the KPIs we need for goal setting and the metrics to assess the degree of success we expect to achieve from our process improvement efforts. In this case we are defining the current or as-is process state by its underperforming metrics and we will be describing our goals by improvement targets against that same set of metrics. Like financial goals, this gives us the means to:

- Be rigorous in our assessment of what we can achieve
- Establish a clear deliverable that we can hold ourselves accountable against
- Measure our success against our expected results

The undesirable outcome can also be related to enterprise or stakeholder dissatisfaction. We often see this reflected in profit or revenue strategies, where executive leadership is concerned or focused in elevating value. Again, using KPIs gives organizations the means to assess where they are, where they are going, and then to judge how well they deliver on their goals.

KPI Variant – Customer KPIs for Goals

The third way to set goals is a variant on the KPI approach for goal setting. It comes from focusing on customers by acknowledging that the customer experience organizations currently provide may be lacking in what they could or should deliver to their customers. For companies that are seeking to excel in service value or for whom customer loyalty is of high value, this approach is vital.

In this scenario we identify customer KPIs for starters. Customer KPIs represent what customers care about and are an external perspective of an organization's processes (commonly termed an outside-in perspective).

As with the discussion on KPIs in general, we must identify what customer KPIs are in order to create a baseline. From there it becomes a matter of establishing goals against customer KPIs, followed by assessing success after process improvement is implemented. Once more we have the means to be rigorous in our assessment of what can be achieved, and we can establish a clear deliverable that we can hold ourselves accountable to and measure our success against.

Any of these methods, financial ROI, Balanced Scorecard, KPIs or Customer-specific KPIs, enable us to develop an understanding of where we are, where we want to go, and to know when we get there. Assuming we have our goals in place the next step is to process mastery is to build the exceptional processes that will deliver on those goals.