Process Standardization & Harmonization

Enabling Agile Customer Service in a Digital World

By Peter Franz and Mathias Kirchmer

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Abstract

Complex market conditions combined with digitally empowered consumers present a challenging commercial environment. Most business leaders understand that the answer is innovation and agility but the question is how this is achieved. Creating a Next Generation Enterprise suited to this new “normal” is about understanding and managing processes. When processes are aligned and good practices are applied, efficiencies are created freeing people to innovate. This generates a nimbler organization, which is able to adapt to evolving market conditions more quickly.

Much has been written about the importance of standardization and harmonization in achieving this alignment and efficiency of business processes. They consistently highlight the human dimension of process as being the key challenge. In the author’s experience, applying five key enablers of Business Process Management (BPM) can have a dramatic impact in improving the effectiveness of standardization and harmonization in process change programmes.

Process Governance: Using segmentation of business processes to understand their characteristics and provide the basis for choosing the most appropriate responsibility (and empowerment) to standardize and harmonize the processes appropriately.

Process Knowledge Management: Establishing a process repository, which is both accessible and driven by users, is crucial in breaking down the barriers, which so often exist between process management teams and the rest of an organization. It makes standardization and harmonization tangible.

People Engagement: Creating a shared sense of ownership for the business processes and their results and engaging the whole stakeholder community in sharing the responsibility for standardization and harmonization.

Tools and Technology: Leveraging Technology as a powerful driver of standardization with the automation of parts of the business process. Using tools that have been used very successfully to improve the pace and effectiveness of people engagement within the organization.

Metrics and Monitoring: Finally, measuring success of standardization and harmonization initiatives is important but needs to be tightly linked to the business strategy with the most relevant metrics being defined to focus behavioral change and make it more manageable.

These BPM enablers have been shown to have a profound impact on achieving standardization and harmonization as elaborated in this paper and with reference to case examples.
Keywords


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1. Business Conditions: the perfect storm

Businesses are currently facing a perfect storm of, amongst others, rapid digital change, empowered customers and globalization. Digitalization means most organizations need to operate in virtual and real worlds and if we are to believe Gartner (Hill, 2014) these two worlds will merge in the near future. People, things and business will soon become so interconnected that it will be hard to tell where one ends and the other begins.

Organizations are in global competition - whether they intend it or not - as consumers use the internet to access, compare and purchase from businesses all over the world. Armed with the power of social media, customers are quick to react if a product or service fails to meet expectations. As a consequence, organizations need to respond more nimbly than ever to avoid an individual complaint turning into a global crisis.

Meanwhile, game-changing digitalization is shifting the information technology landscape. Consumer demands, swift technological development and unprecedented internet growth are stimulating further proliferation of digitalization. Currently there are around 10 billion people, processes and things connected to the internet but the proliferation of mobile technology is expected to increase that to 50 billion by 2020. The cloud will be at the heart of the growth of this “Internet of Everything”.

With this impending commercial metamorphosis sounds alarming, there’s no need to panic. Although the questions may be around global digitalization, the answer is about process. To thrive in this gale force wind of change, business leaders need to acquire a better understanding of the processes within their organizations so that they can identify priorities and make more informed decisions. They need to create agility where it matters by rapidly adopting new practices in some areas while aligning routine processes to improve efficiency and compliance in others. In BPM-D terms, they need to become a Next Generation Enterprise (Kirchmer, Franz, 2014-3).

In a recent research project that BPM-D conducted with Widener University and the Universidad de Chile we investigated the relationship between digitalization and BPM and received feedback from over 200 executives across a wide range of industries globally. The results of this are being documented in a following paper but 63% of respondents who are engaged in more mature digitalization have improved their BPM capability alongside this in the past two years. This is another indicator of the importance of process management as an enabler of this dynamic and fast moving environment.

In this dynamic world it is not enough to merely improve processes. The BPM-Discipline also needs to deliver standardization and harmonization to enable consistent, innovative and agile customer service around the world. In the next section we recognize the importance of standardization and harmonization as one of the prerequisites to delivering change fast and effectively. In the later sections we show how using key elements of the
Business Process Management Discipline (BPM-D) has been shown to significantly enhance the effectiveness and pace of achieving standardization and harmonization.

2. The Process Implementation Challenge

The authors have worked with many organizations and often find that they know what they should be doing; it's the approach of getting these ideas into action, which provides the greatest challenge. The challenge is strategy execution; building a management discipline which will not just implement the strategy but will sustain it in the short and long term as well. (Kirchmer, Franz, 2012).

Throughout this paper we will use a case example to bring the concepts to life. This is included as notes in side boxes (as shown on the right here) and describe the company, their standardization and harmonization challenge and how the BPM enablers made a pragmatic difference to their efforts.

Many companies like this face common challenges. They know they need to adapt to their specific markets and they understand the kind of change required. Their problem is implementing the change at the customer interface in a consistent standardized way.

They had well engineered process flow diagrams, but they had failed to adequately understand that process is either implemented through technology and/or by changing what people do.

The answer, as seen by many organizations, is process standardization and harmonization. Here are definitions of these terms and our application of these to a process context.

Standardization as defined in the Business Dictionary (Business Dictionary, 2016) is: *Formulation, publication, and implementation of guidelines, rules, and specifications for common and repeated use, aimed at achieving optimum degree of order or uniformity in a given context, discipline, or field.*
Stated simply, standardization is the creation of a single, common set of business processes that should be used across the organization. Standard business processes make it easier for the different parts of the organization to work together to share best practice and create synergies; it cuts down organizational barriers and makes it easier to implement changes in these processes to adapt to ever-changing market conditions. This could be achieved, for example, through the automation of the business processes using a single technical system and through defining standard manual procedures that need to be implemented around the technology.

Harmonization is defined in the Business Dictionary (Business Dictionary, 2016) as: Adjustment of differences and inconsistencies among different measurements, methods, procedures, schedules, specifications, or systems to make them uniform or mutually compatible.

Harmonization in a process context is minimizing the variation from the adoption of standardized processes across the organization. The various parts of the organization seek to adopt the standard processes minimizing local or product related variation and jointly focusing on maximizing the overall organizational value rather than sub-optimizing within specific organizational entities.

There is much being done in the quest to achieve both standardization and harmonization. Most notably standardization can be enabled through rationalization of the application portfolio and moving all parts of the organization onto the same standard applications thus automating parts of the business process. This is discussed in more detail in section 7 below. With standards in place for the application portfolio comes the second, more challenging step of getting people to work appropriately with the systems and adopt the standardized business processes.

Logistics Company – The Challenge

In this company, the leadership team had established a new and differentiating standardised application system and related processes. They needed to persuade people, working in hundreds of locations, that a new solution would deliver great value and that it was essential for everyone globally to be delivering the service in a consistent way.

This standard approach would make it easier to implement new and differentiated, knowledge-based services as these could be channeled through the standard process at speed.

This approach would enable this organization to add value by adopting more customer-centric services. However, the rollout of the new standard process was progressing painfully slowly.
3. Adopting Standardized Processes – fast at lower risk

There are many factors that influence the adoption of standardized business processes. Much research has been conducted and papers written on change management in general and how this can enhance the adoption of business processes during improvement initiatives. Our experience shows that, in the fast moving digital environment, change management should be integrated into the day-to-day business of people. It needs to become a component of the overarching BPM-Discipline which provides different enablers of standardization and harmonization.

Any action to improve business process adoption should properly address key people oriented factors to be successful. This is where traditional process engineering and change management need close alignment in a very practical way to address the people engagement needs. Effective process management combines these two approaches focusing on delivering the expected value outcomes. This is shown schematically in figure 1 below:

![Figure 1: Alignment of Process Engineering with Change Management.](image)

This paper does not seek to normalize the multiple models or approaches to Change Management and therefore use one of the accepted 3-step approaches of: Information, Communication and Training (Kirchmer, 2011). The ingredients to success of process adoption lie in an understanding of how good process management can feed and enable a collaborative approach to change management.

In the book “Value-Driven Business Process Management” (Franz & Kirchmer, 2012) the authors describe the Process of Process Management that underpins a pragmatic and effective BPM-Discipline. Further and more current writings detail this framework and describe how it works (Kirchmer, Franz, 2015). This process framework is shown in Figure 2 below. It is based on numerous engagements to deliver real value from BPM as a management discipline. There are in the author’s experience five important components of this discipline that are essential to enabling the people adoption during a process standardization and harmonization initiative. These enablers are highlighted in Figure 2 below and then described in more detail in the following sections:
4. Process Governance – Enable appropriate empowerment

In our fast moving digital environment, understanding who is responsible for and thus empowered to change business processes, is now more than ever a critical prerequisite for standardization and harmonization success. We refer to this in the BPM-Discipline framework as Process Governance.

In a world, which is constantly changing, knowing what doesn’t need to change is helpful. Extensive research (Kirchmer, Franz, 2014-3) has proved that an organization competes through less than 20 per cent of its business processes. This leaves 80 per cent for which it is sufficient to achieve an industry average. The 20 percent tend to be the ones which offer more opportunity to drive innovation, increase agility and adapt to the needs of particular customers. The remaining 80 per cent are usually made up of routine processes which operate using a common industry practice e.g. payment processes, payroll, procurement of office material or credit checks.

An organization may have hundreds of sub-processes. Sorting them, understanding their characteristics and finally segmenting them into the 80/20 structure can be a daunting prospect (Kirchmer, Franz, 2014-3). In the authors’ experience, this is therefore usually not given the attention it deserves. Process management - using our patent-pending BPM-Discipline Framework - systematically enables the strategy-based analysis of processes, which in turn allows them to be prioritized and segmented.

The essence of the approach starts by drawing the link between business strategy and the high impact/low maturity business processes using a Process Impact Assessment Matrix (PIAM). It then looks at the high impact sub-processes from two dimensions:

![Figure 2: Five essential enablers of Process standardization and harmonization in the BPM-D Process Framework](image-url)
Strategic Importance and Uniformity as outlined in the book “Value-Driven BPM” (Franz, Kirchmer, 2012). These are shown in the matrix in Figure 3 below. Some processes neatly fit into one of the four quadrants as the examples show in each of these.

![Figure 3 – Process Segmentation Model (Franz, Kirchmer, 2012)](image)

The titles (colored in red) in each quadrant suggest the most appropriate management approach typically assigned to processes in each quadrant. For the purposes of this paper, those items higher on this chart require the most strategic agility.

The less strategic or even commodity processes should not be forgotten though. While a process might be routine it may need significant variation to accommodate the specific requirements of: the products or services (what); the market (where); the customer (who); and the time (when). Understanding and minimizing related variations based on real business need, is essential to achieving the goal of harmonization and standardization. Unwillingness to change and vested interests can often cloud well thought-through analysis but a well-structured approach helps to align conflicting points of view.

Segmentation is the starting point for making it absolutely clear who is empowered to change business processes and/or adapt them to their specific needs. This provides the basis for a refined process governance required to establish and maintain the right level of standardization and harmonization of the business processes. As an example, this would be by establishing the empowered global and local process owners as one of the elements of this approach.
A more detailed overview of the governance can be found in the paper: “Chief Process Officer – The Value Scout.” (Kirchmer, Franz, 2014-1). Here the governance is outlined using the BPM-D Organization framework as shown (at a high level) in figure 4 below. This is a reference structure to sustain process standardization and harmonization by establishing the necessary governance roles and bodies.

**Logistics Company – Segmentation removes change barriers**

For the logistics organization, segmentation made it very clear what sub-processes should be retained locally and where they could benefit from strategic, centralised processes that could be of great value when leveraged locally. The analysis also highlighted those very routine, back-office processes that could be executed elsewhere, freeing up time for greater customer engagement.

This realization broke down the human barriers and raised their acceptance of the new, standardised systems and processes.

In this case, harmonising existing standard processes and adopting new ones gave employees the chance to add in customer knowledge and deliver greater innovation to the client experience. This has significantly enhanced customer interactions, which has proved critical in this fragmented market and is now leading to growth.

![BPM-D Governance Model](image)

*Figure 4 – BPM-D Governance Model (Franz, Kirchmer, 2014-1)*

5. **Process Knowledge Management – Enabling the right transparency**

Information about process knowledge may range from simple Power Point visuals and SharePoint folders to more sophisticated management of information models using software from vendors such as Signavio or Software AG (ARIS).
Too often these repositories are created and managed by the company's business process experts who design and store thousands of models which are incomprehensible and inaccessible to the people who need to use them. The content, format and governance are driven by the process management experts and not by the expected outcomes. The intent is good but the process engineers behind the models frequently fail to recognize that information models are only as good as the outcomes that they trigger.

We look at business modelling from a different perspective. We start from the usage-scenario as the first of 5 critical aspects of an effective process repository leverage. These 5 areas are shown in Figure 5 below and explained in more detail in the book “Value-Driven Business Process Management” (Franz, Kirchmer, 2012).

![Figure 5 – BPM-D Repository Success Model](image)

We applied this approach with the global logistics company implementing a new customer service system. Their existing process repository was not meeting the needs of the people who were meant to benefit from it; it wasn’t based on a clearly shaped usage-case. As a result it was hardly ever being referenced and ran the risk of not keeping pace with the real operational practices.

We spent time with the customer service users and their operating environment. Here we identified when and how the process and supporting information would be useful to them. They needed procedural input that was current and helped them understand how to deal with the diversity of logistics offering they had. Each major type of service had specific value-add offerings that could significantly enhance the relationship and improve the scope of service the company provided. We defined a simple way to make this information accessible through their customer enquiry system and then modelled the format of the information to meet this need.

Armed with this knowledge we restructured the content of the process repository to meet this need in such a way that integrated this with the Process Engineering requirements. One base of usable information was created which was relevant, current and available.
In the book we describe in much more detail why all of these aspects are important in creating a repository that can be integrated into normal business practice and thus a recognized and accessible reference point for the standardized business processes. While all five of these areas are important, the most critical, in the context of standardization and harmonization, is “Usage-Scenarios”. How do normal business users engage in and consume the process information in a way that integrates with their normal daily operations, executing a “standard process”. By understanding and properly addressing this factor, the level of people engagement in any business change is significantly enhanced. People have to understand how to apply those models to implement a standard and then harmonize their individual work processes in regards of the defined standard.

**Logistics Company – People Enablement in Action**

In this case, modest attempts at people enablement made an early and big impact on adoption of harmonised business processes. This was enhanced through the use of the Signavio process modelling tool (described below). Rather than being a back-room and somewhat secretive modelling exercise, models were published on-line and made available for comment using the collaborative features of the tool. This alone had a great impact harmonising existing standard processes and adopting new ones which gave employees the chance to add in customer knowledge and deliver greater innovation to the client experience. This has significantly enhanced customer interactions, which has proved critical in this fragmented market and is now leading to growth.

We have already discussed ensuring that process management does not take place in isolated silos hidden within organizations. Once an organization has created a process repository which is outcome-driven, the next step is to ensure these documents are easily available to the people who need them. Creating a usage-scenario based access of the procedural information (as described above) is one such way of achieving this objective.

**6. People Engagement – Enable joint success**

While the organization focuses on creating and adapting the process standard the stakeholder community needs to be engaged as broadly as possible to contribute their best practice thinking. The standard process should not be owned by any specific individual but rather by the whole relevant process community.

Community management is the key part of the process of process management (Kirchmer, Franz, 2015) to ensure good stakeholder engagement. In our private lives we are increasingly exposed to a series of physical and virtual groups and communities that we use for input, support and guidance. Using the same principle in a business context encourages engagement in the improvement of the standard process through an active
exchange in experiences. This is not one wise old owl (typically the process owner) decreeing what the standard should be and then imposing it but rather the enriched input from the whole process community establishing a jointly accepted standard that includes all of their best practice. The role of the process owner in this context is to facilitate the active working of this community and to deftly manage the process design decisions that lead to a common standard.

Success of any community management program is significantly enhanced through making this a normal part of the day job rather than a parallel and sometimes cumbersome activities. Learning should be delivered in a very personalized way linked to their normal desktop activities. Providing feedback should similarly be accessible through the desktop as closely aligned to the normal business process as possible. As someone experiences difficulty while attempting to perform their normal work, they should be able to capture the issue and recommendation without attempting to navigate to a new and different environment. Make it easy and it is much more likely to happen.

We have repeatedly seen that if community management is done well and very collaboratively that the acceptance of the process improves significantly. As part of the engagement of people on the processes there needs to be a parallel avenue for them to raise their organizational and personal concerns and have these addressed. Harmonization is achieved when each individual accepts the quality of the common standard and then overcomes main concerns related to the impact of the new process on them personally.

Engagement of stakeholders in the community should not slow down the process design. During the implementation of the new standard processes there needs to be an active channel for continuing input to enhancing the standard process design and its implementation. They need to feel part of adapting the processes to resolve errors or omissions.

7. Tools and Technology – enable speed and effectiveness

As described at the beginning of this paper, technology plays an important role in standardizing business processes. With the ever increasing digitalization many processes are automated through standard application systems. These systems encapsulate parts of the standard process and enforces those process components.

However, when looking at any larger organization it has a diversity of business units and/or regional operations. For many reasons the application portfolio will have become vast with many applications supporting the same business function in different parts of the organization. This diversification tends to be increasing due to the availability of
cloud-based application solutions. The business leadership finds it easier to source their application support directly through cloud-based point solutions rather than attempting to have these implemented into the legacy portfolio by IT.

Standardization and harmonization is therefore only achieved with the parallel optimization and rationalization of the application portfolio. Many of the reasons for this proliferation are more people oriented. In the same way that people choose which process standards to adopt and where to do things their own thought to be better way, they also make decisions about which applications to use. Therefore, the answer to portfolio reduction and the associated standardization lies in combining this technology optimization with the enablers mentioned in the previous 4 sections of this paper.

The appropriate use of newer technologies can also enhance the speed and effectiveness of the each of the other four enablers (described in the previous sections). Newer research (Ewenstein, Smith, Sologar, 2015) tells us that change management practices need to “start catching up”. Many companies have made great progress in digitalizing their customer-facing businesses. The application of digital tools has untapped potential to promote and accelerate internal change. The research paper further identifies that digitalizing five key areas in particular make internal change efforts more effective and enduring: Provide just-in-time feedback; Personalize the experience; Sidestep hierarchy; Build empathy, community and shared purpose; and Demonstrate progress.

These areas are aligned with the authors’ experience. As an example, social media tools are an effective way to break down the barriers between process management decision makers and the people within an organization. Linking people via internet and cloud-based tools creates transparency and encourages communication across organizational boundaries. This use of social media to enable many of the BPM processes, we refer to as “Social BPM” and is likely to increase as social media tools like online communities, the cloud, subscription feeds and tagging grow more common-place. All of these enable individual, role-based engagement of people and the sharing of process related information.

Another example of the enabling technology is the collaborative modelling software products like Signavio. These are helpful in engaging the people who are implementing the models to be involved in delivering the process. They offer appealing and flexible formats which encourage users to comment and give feedback on a process. This in turn ensures the model remains relevant, functional and fit for purpose.

Technology is therefore both an enabler of standardization and harmonization and a key contributor to adding pace and certainty to the internal change efforts described in the other sections of this paper.
8. Metrics and Monitoring – enable actionable feedback

“What gets measured gets done” is the accepted approach and this is the case in enabling the standardization and harmonization of business processes. However, we caution against an over reliance on metrics and the inevitable proliferation of performance reporting. Clearly there is a need for some metrics and KPIs to gauge process performance, but doing too much clouds the focus and is therefore not actionable.

Standardization of business processes should therefore be combined with a parallel standardization of the performance metrics. Using the approach to targeting value described in an earlier paper (Kirchmer, Franz, 2014-2) the high impact, low maturity processes are identified through a “Process Impact Assessment”. By describing this prioritized set of processes in terms of their relationship with the business value-drivers the most important leading measures can be identified.

The lagging measures, are those formulated to describe the outcomes expected through achieving each of the key value drivers. This produces a standardized set of metrics that are aligned to the business strategy and the most important standard processes that are required to deliver the strategy. A further useful addition to this set of metrics is a “Standardization Index” which needs to be carefully constructed to identify how various parts of the organization are delivering on the promise of both standardization and harmonization.

9. The way forward

The difficulty in achieving process standardization and harmonization is convincing people to adopt them in a consistent way and to remove unnecessary variability. In this paper we have identified five of the BPM components that have been shown most important to accelerate this business process standardization and harmonization. This in turn enables agile customer service in a digital world. It highlights how important it is to implement a pragmatic BPM-Discipline addressing both the ‘science’ of robust process management AND the ‘art’ of engaging and motivating people to change their behavior.
10. References

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Peter Franz has been working at the forefront of Business Process Management (BPM) for many years as part of a 30-year career with Accenture. He has a deep understanding of the application of Business Process Management discipline to drive real business results. His career includes education and experience in the use of Information Technology and thus understands the Business / IT interaction from both sides and can help bridge this divide. He is passionate about BPM and its application to real business challenges.

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Dr. Kirchmer has worked successfully as business process management expert in an international environment across various industries. He held roles as Managing Director at Accenture and CEO of the Americas at IDS Scheer. Dr. Kirchmer has combined his broad practical business experience with his extensive academic research. This systematic integration has led to pioneering management approaches that have proven to be both sustainable and provide immediate benefits. He is an affiliated faculty member at the University of Pennsylvania, published six books as well as numerous articles and shares his insights regularly in presentations around the world.