WANT TO IMPROVE YOUR BELOW-AVERAGE BUSINESS PROCESSES? – INNOVATE DON'T INVENT

The CXO[1] reads through the dismal results from the customer satisfaction survey. Another indication that his department is performing below average. Why can they not improve? He is working night and day to fix the problems, but his department is still spending way too much money and his customers are still deeply unhappy. The CXO knows that his business processes badly need to be fixed but with all this constant fire fighting there is just no time or money to get the job done. How can he improve his department's business processes quickly and cheaply?

Sound familiar? Do you have processes that your customers describe as below average? Are you struggling for a breakthrough improvement? Don't worry, you are not alone. Business processes are notoriously difficult to re-engineer and 50 to 70% of re-engineering efforts fail to achieve the dramatic results that were intended.[2]

What would you say if we offered you a cheap and fast way to make all of your business processes above average? Interested? The answer is to innovate by bringing in ideas from other companies, industries, or contexts and then rapidly incorporate them into a better process design. Using these techniques we have worked with clients to achieve a 10:1 return on investment.[3] But first let's see why the majority of attempts at business process redesign fail.

The problem with inventing

The typical mistake that managers make is to redesign the broken business process from scratch. The "invent" approach goes something like this. The CXO assigns a team of "experts" to solve the problem and then asks them to report back in several months with a new process design. The team interviews as many people as possible and then locks themselves away to design a better solution and then re-emerge to test out their new ideas. Does the new process work? In our experience, sometimes – if you are lucky. Usually it either offers only minor technical improvements and customers barely notice the difference, or it is radically different but simply unworkable.

The bottom line is that inventing is hard. It requires lots of time, a fair amount of investment, smart people, and a great deal of serendipity. But there is an easier way...

Much better to innovate

The alternative to inventing is to look outside your company and "borrow" ideas from others. We have found that using this technique a team can typically redesign a relatively simple business process in a couple of days and a more complex set of interrelated processes in a week.[4]

After all, there is a strong probability that a company in the FT100 or the CAC40 has a better business process than yours. So if, like many CXO's, you already know that your business processes are average at best then don't wait until these processes grind to a halt through neglect. Get innovating!

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Hold a design event

The first steps are straightforward:

- Pinpoint a process or a set of processes that need overhauling. Start with ones that your internal or external customers would describe as "must-fix." Remember that business processes are more than just the routines embedded in IT systems, such as the order-to-cash. Almost every task performed in a business is linked into a repeatable process. All of these processes are ripe for redesign.
- Put together a stakeholder team of 8 to 10 people from all the functions and departments that are part of the process or are impacted by it.
- Schedule an off-site design event. Typically three or four days are enough to deal with most processes.

There are no hard and fast rules about the exact agenda for the design event. But there are three critical ingredients: knowledge brokering (borrowing new ideas), rapid prototyping (brainstorming the new process) and collective intelligence (voting for what will work).

1. Knowledge brokering to bring in new ideas

Knowledge brokering is the process of taking an idea from one context and applying it in a not-so-obvious way to another.[5] For instance, a team from a wholesale bank was working on an initiative to move the bank from selling low margin commodity products to high margin solution-selling to their key accounts. So they looked for industries which are already excellent at solution selling. They discovered that high technology service companies compete fiercely for market share by selling tailored solutions to their customers. So the team invited knowledge brokers from IBM, Oracle, Mercury Software, HP and Cisco. And as none of these companies were competing directly with the bank, they were happy to share their knowledge.

How does brokering function? Typically the knowledge broker joins the team by phone or video conference for one hour. During the first 10 to 15 minutes the broker simply tells his or her own story as it relates to the process that the team is redesigning and describes the "must-dos" and the pitfalls. Then it is up to the team to ask questions. During this conversation the team taps into knowledge that is not written down anywhere and that is largely impossible to transfer without dialogue. Much of this knowledge may be obvious to the broker but not obvious to the team struggling with their redesign challenge.

Is this the same as best practise transfer or benchmarking? Well, no. We are not talking about a cut and paste solution that can be lifted from one environment to another. As mentioned, this process is closer to a product design event. Of course some process elements may work "as is" but other elements that have worked for the knowledge broker need to be filtered out. In many cases the team can combine ideas from the broker with their existing ideas to produce a much better process. Or brokers may not bring any useful ideas but simply speaking to them helps trigger-off or unlock a good idea from one of the team members.

The richest source of knowledge brokers comes from industries where being good at the process is required for survival. For instance, a team from a private bank was redesigning the process of opening up offices in emerging markets, so they spoke to brokers from McDonald's and from a chain of pizza restaurants. Why? Because, in the fast-food industry being able to open up restaurants quickly and efficiently gives companies a significant competitive advantage. It is this difference in process competence between industries which creates the potential for borrowing good ideas (Fig. 1).

To find good brokers you need to think laterally so that you can tap not-so-obvious sources. For instance, a team from a European retail bank wanted to improve customer queuing in their branches. So they looked at other industries where queuing is a major issue and where efficient
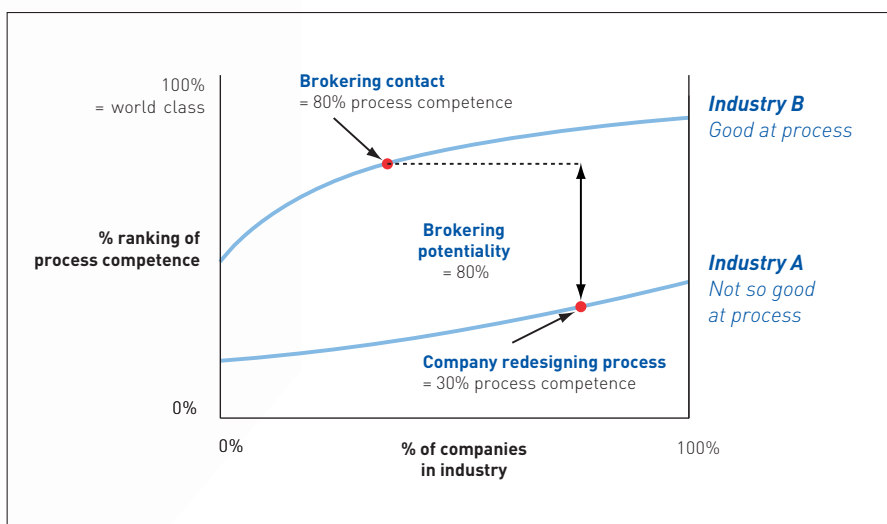
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Figure 1: Knowledge brokering potential

queuing is a requirement for success. They talked to Tesco about their one-in-front process, to Disney about the fast-pass, and to Woolworths about mobile tills. All these brokers provided the team with potential ideas that they could incorporate into their redesigned queuing process. There was

Sources for knowledge brokers

- **Suppliers** are probably the best source of brokering opportunities, particularly those that work closely in partnership with your company. And the good news is that they are usually delighted to help.

- **Potential suppliers** that are keen to make your business their business are usually more than willing to explain exactly how they can make an in-company process more effective and efficient. They can also be a great source of more radical ideas.

- **Customers** may be prepared to share their business processes on the basis that it will make you a better supplier and so in turn help their business.

- **Value-based brokering:** There are some business processes where managers are attracted to work in these areas because they support a higher moral cause and hence are happy to share their knowledge and experience with other companies. Good examples are processes such as responsible procurement, diversity in the workforce, or environmental processes.

- **Functional-based brokering:** When the process being redesigned is located within a particular business function then there is always the opportunity to access brokers through industry associations, for example, processes located in human resources, finance, procurement, or shared services.

- **Professionals** are a good source of brokering knowledge, although you will probably need to pay for their time.

- **Brokering swap:** One concept that is definitely worth considering is a knowledge brokering swap. Look for companies who have a world-class version of the process under redesign and then find out if there is a process that this company would like to learn about in exchange.

no obligation to use all or any of these concepts but in the end the team recombined several elements taken from the brokers with their own ideas to create a much improved process.

One question that we are often asked is, "How can we find good knowledge brokers if we don't have contacts with people in other companies?" Well, you might be surprised to find out that there are armies of willing knowledge brokers out there that most executives would not think of (see box).

2. Brainstorm the new process with rapid prototyping

The second important element of your design event is to incorporate rapid prototyping. This forces the team to *quickly* put together a potential "answer" to the problem and then to either throw away, refine or upgrade. It is the norm of product design companies such as IDEO[6] and essential in any business process design event. The basic message of rapid prototyping is "do it rather than talk about doing it." When prototyping, use sub-groups to work in parallel on the same process design and then bring the prototypes together in a final version.

At the heart of rapid prototyping are iterative cycles of divergent and then convergent thinking. During the divergent phases the team brainstorms in a non-judgmental way to uncover conscious and unconscious ideas that might form part of any solution. Then during the convergent phases the team sorts, groups, matches and melds these ideas into a coherent concept. The key is to set short deadlines to create energy in the team and to push people's thinking.

There are no hard and fast rules about when to use knowledge brokering relative to rapid prototyping, except that the two should take place close in time if the team is to incorporate and recombine the best ideas effectively – ideally within 48 hours. If the process being worked on is unfamiliar to the team then start with several knowledge brokering conversations before moving to rapid prototyping. Beginning with brokering stimulates the divergent phases of prototyping by bringing in new ideas that can be re-deployed immediately. High levels of immersion foster creative thought and spark innovation when pieces of knowledge from diverse sources interact.

If the team is already familiar with the process then go ahead and start prototyping. Stopping at various points to talk to brokers has the effect of

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bringing in new perspectives that break the team's conventional thinking and enhances the innovation process. Then the team can either choose to design a completely different approach made up of a combination of new ideas from brokers. Or choose to recombine some of these ideas with parts of the existing process or with their own new ideas to create a solution. Finally, the team can also use brokers at the end of prototyping to check whether the new process is realistic.

Listening to brokers talk about their experiences also provides emotional support to the team, giving them the confidence to redesign their own process. Somehow it feels less daunting after talking to "real people" who have struggled with similar issues.

3. Vote for the ideas that work with collective intelligence

The final vital element of any design event relies on the principle that groups of people are more often correct than lone experts.[7] During prototyping each subgroup gives and receives feedback on the other subgroups' designs. Feedback takes the form of silent voting using green stickers for prototype elements that are "good ideas" and red stickers for elements that are "really bad ideas." This form of collective intelligence ensures that the best ideas make it through to the final prototype and that the bad ideas quietly die without debate, argument or ill will.

Don't wait – implement

Of course, once the team has redesigned the process then it still has to be implemented. But in contrast to many business process change efforts that fail,[8] there is now a committed set of key stakeholders who are convinced that the new solution will work. They are ready and willing to convince others and get the job done.

Final piece of advice; don't strive for perfection. The new process does not have to be flawless, just significantly better than the existing process. So think of each process redesign in terms of a number of limited releases that create momentum but at the same time reduce execution anxiety. Implement as soon as you can then like all good software developers, note down the remaining issues and start working on release two.

So the next time you see an important business process that is not functioning effectively or efficiently, don't wait until your department hits a crisis. Use innovation to borrow-with-pride from people who have already done the hard work for you.

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1 CXO could signify the head of finance, marketing, supply chain, sales or shared services.

2 Varghese, C. 2004. Resolving the process paradox: A strategy for launching meaningful business process improvement. Cost Engineering, 146, p13-21.

3 This figure comes from our experience working with teams on the IMD Booster Program and is similar to the returns generated by product designers using open innovation processes - see Innocentive: www.innocentive.com

4 Experience of the authors working with teams on the IMD Booster Program

5 Hargadon, A. (1998) *California Management Review,* 40, 209-227.

6 IDEO techniques – www.ideo.com

7 Surowoecki, J. (2004) *The Wisdom of Crowds.* Doubleday, Random House.

8 Business process redesign efforts frequently fail because little attention is paid to the people side of the change effort – Harrington, H. J. (1998) *TQM Magazine*, 10, 69-71.

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