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Subject Overview

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ORIGINS AND CONVERGENCE
1.1 Origins of quality thinking
1.2 Origins of systems thinking
1.3 Convergence of quality and systems thinking

Module Two
RETHINKING BUSINESS STRATEGY
2.1 Rethinking business leadership
2.2 Leadership and strategy
2.3 Strategy and leadership in context

Module Three
RETHINKING BUSINESS PROCESSES
3.1 Rethinking business process reengineering
3.2 Rethinking business process innovation
3.3 Context and business process

Module Four
COLLABORATION ISSUES
4.1 Cross-silo collaboration
4.2 Cross-supply network collaboration
4.3 Cross-arena collaboration

Topic Preparation

Getting the Most from the Topic


Read the pages in this topic.

Reflect on the implications of the content given your leadership experience and current responsibilities.

Compare your responses (one page in total) with the Topic Review Question Answer Guidelines provided. Be prepared to discuss the questions in the next Teleconference.

Topic 3.3 Context and Business Process

Change must be placed in its internal and external context. Effective strategic leadership fosters conditions that encourage continual learning as the basis for Business Process Innovation. Business Process Innovation occurs in a social context which will itself be changed by successful innovation, and this social context will largely determine whether innovation is successful or not.

In some cases, process changes, especially those carried out under the banner of BPR, have ignored this context, especially threats to the perceived and actual interests of powerful internal and external stakeholders. Failure to achieve benefits for the business or its customers has resulted, and some innovations have had to be reversed. Vertical communication, both upward and downward, is also an important, but often neglected, aspect of the context that must be considered if sustainable and adaptive change is to occur.
Different stakeholders will have different perspectives that will result in different views of the future – different scenarios. The implications of such variations in perspectives, and the possibilities of using scenario building methods to take multiple perspectives into account are explored.

Learning Outcomes

- Recognition of the interactions between business processes and their internal and external contexts.
- Recognition of the varied ways in which internal and external contexts can constrain and facilitate business process innovation and strategies for dealing with contextual constraints.
- Understanding and ability to apply the following key concepts:
  - Organisational culture
  - Organisational stabilisers
  - Multi-cultural organisations
  - Communication gatekeepers
  - Mental models
  - Problem owners
  - Action, social and political system perspectives
  - Process paradigms and process paradigm shifts

Internal Context

Organisational Cultures as Contexts

Nearly all current programs of organisational quality improvement, whatever their primary focus and content (e.g. 360 degree feedback, competence systems, performance appraisal, TQM, BPR, the move to SBUs), have as a common element the attempt to change the way employees think and feel about their work and the purposes and priorities of that work.

Central to the successful creation of the new non- or anti-bureaucratic organisation is the transformation of the employee from someone who, at best, did as they were told, to someone who does what is necessary because they want to do it. Restructuring organisational life consists of attempts to manipulate and mobilise values, language, ritual and symbols in an effort to unlock the commitment and enthusiasm of employees.

The attempt to change organisational cultures is, thus, extremely common, yet it is one of the elements of organisational behaviour most resistant to change. Culture is essentially a system stabiliser that produces change-dampening reactions to shifts that threaten cultural continuity.

The Self-Sustaining Current Culture

An organisation’s culture is continually conveyed and reinforced by:

- Messages conveyed from management behaviour (particularly how time is spent, and what gets management attention)
- Management reward systems
- Symbols, including stories of company origin and early successes of founders; physical symbols; and company icons.

These messages highlight acceptable and unacceptable behaviour patterns. People quickly determine what is considered “good and bad behaviour”, and “if that happens, this will be the result.” Organisational culture influences managerial behaviour and leadership, which directly influences strategies, policies and organisational image. A key to a “change culture” is the approach to learning that is embedded in the culture.

The key, suggest Campbell and Kleiner (2001), is to learn from all aspects of implementing change, especially mistakes; and to learn as change is implemented (not only after it is completed), taking immediate action to resolve emerging issues.


Shaping Culture to Meet BPR

Organisation culture is shaped and transformed by consistent patterns of management action. Thus culture cannot be reshaped in the short-term: it must be continually reinforced by long-term consistent action. Systems thinkers will expect and look for the ways that the organisational culture will sustain itself against change. No isolated new process, attitude, or slogan will produce sustainable change, so long as informal and formal reward systems and the messages from norm-setting sources of the current culture prevail.

BPR suggests radical change for radical rewards. Research suggests that a more effective approach may be to develop a well thought out change process that supports a feasible balance between gradual and radical change. Successfully implementing a transformative process depends on how thoroughly management conveys the new cultural messages to the organisation. If the new cultural messages support the new business processes, it is more likely that people will adjust to the changed rewards and a true business transformation will take place.


BPR Commitment and Leadership

Research into the effectiveness and sustainability of BPR repeatedly confirms that, before any BPR project can be successfully implemented, there must be a strong and visible commitment to the project by the leadership of the organisation.
Commitment from a leader or manager is communicated by actions; words alone are not enough.

If commitment is not strong enough, or does not exist, then BPR should not proceed – expectations of employees will rise along with the initial announcement for change, then quickly fall; the absence of follow-through recognised by observing the behaviour of management will undermine trust and make further efforts at change even less likely to succeed.


The Complexity of Change

Creating a process enterprise (the ultimate in BPR) is an enormously complex undertaking. Traditional units (whether function-based or customer-oriented SBUs) tend to be hostile to integrated processes; SBU management tends to see them as threats to their own power base, and even to their SBU’s identity.

BPR requires that organisational and management structures be changed in fundamental ways, although vertical units, whether based on function, region or product, continue to play essential roles. Horizontal and vertical structures have to co-exist in partnership. CEOs need to communicate with, involve and gain commitment from SBU heads.

Failure to recognise and act on these key insights might largely explain the mixed results from BPR.


Multi-cultural Organisations

People, therefore, should be the focus of any successful business process change: BPR is not a recipe for successful business transformation using computer technology and process redesign alone. As has already been suggested, many BPR projects have failed because they did not recognise the importance of the human element in implementing BPR. Understanding the people in organisations, the current company culture, motivation, leadership and past performance is essential and must be integrated into the vision and implementation of BPR.

An additional complication must also be faced: large organisations do not have a single, unchanging, unitary culture; although there are often major features that characterise that organisation’s culture, there will be multiple sub-cultures, often cutting across each other. Consider such bases for sub-cultures and identification as:

- SBUs with very different work processes and priorities
- Functional and professional groups socialised to hold to different values, worldviews and consequently, different priorities

People Make Processes Work

Initially, the BPR approach adopted a highly formal approach to the organisation. It assumed that there are no conflicts or sources of dissension or difference. Purposes were seen as clear and shared; staff as committed: the only source of difficulty was the possible survival of old-fashioned and obstructive organisational structures.

But this approach assumes a unitary, mechanistic view of the firm - that is, that all members of the organisation share, and are equally committed to, the same organisational values and goals, namely customer focus. Hammer, the leading advocate of “blank page” reengineering, admitted in 1996 that:

“No matter how well designed a process is, it’s the people who make it work”.


Cultural Change Initiatives

Research evidence on the achievements of efforts to change organisational cultures is mixed. Behaviour can be changed, so that a level of compliance with new cultural norms is achieved. However, the enthusiastic, self-regulating commitment to organisational vision and objectives which is central to much of the prescriptive literature is rarely achieved. The potential has been shown by some outstanding exemplary cases. The bulk of research results confirm that the typical result is more limited.

Asch and Salaman (2002) conclude that most culture change approaches “are based on some questionable assumptions and poor research and a simplified view of organisational processes and dynamics and decision-making”.


Improving Outcomes for Change Initiatives

Asch and Salaman (2002) discuss three very broad classes of approach to achieving improved performance in the face of increasing change:

- Changing Structures
- Changing Processes
- Changing Cultures.

A Complex Adaptive Systems perspective would emphasise that all three must be considered when introducing major organisational change. None can be achieved in isolation from the others, as all have effects on the others.

Put simply: all change involves structure and process and culture.

Building and Sustaining a Culture

Some organisations are famous – perhaps infamous – for the practices adopted in seeking to build and sustain an organisational culture. McDonalds is a ubiquitous example, seeking to present the same dining experience (with variations in menu now allowed) throughout the world. Training of managers and staff and standardisation were the central methods used to maintain the culture.

GE under Jack Welch was another example – one that, in contrast to McDonalds, sought change and innovation as a cultural constant. Disney, prior to developments in 2003 and 2004, was another organisation that sought to define a strong organisational culture. Consider some aspects of Disney’s “managed culture” in more detail.

The Disney Example - Manufactured/Managed Culture

With 50,000 office and blue collar workers*, Disney is the largest single site employer in the US; from 1998 and for the following five years it projects hiring at least 20,000 employees annually.

Disney has a unique culture – the heritage, traditions, values, quality standards, behaviours, language and symbols that help guide employees in their work. Chairman and CEO Michael Eisner has called maintaining Disney's culture his “No.1 priority.”

“Our culture didn’t happen overnight”. Disney leaves nothing to chance when educating job applicants. Conditions of employment are proactively outlined and applicants are encouraged to opt out early, if they are unwilling or unable to comply with Disney rules. The appearance standards known as the “Disney-look” are detailed, non-negotiable and strictly enforced. The standards have survived legal tests because of their long history, vigilant enforcement and justification for business reasons.

Disney is enthusiastic about recognition programs, with 20 official recognition programs. Managers may also design their own rewards program. New employees record for their file how they like to be rewarded whether with time off, public recognition or other preferences.


The Disney Example - Communication

Disney employs an holistic approach to communication, with methods that include both physical and electronic/multimedia. Staff communication centres offer access through shared computers to email, bulletin boards and televisions for viewing videos and other information, and 40,000 weekly copies of the popular employee newsletter ‘Eyes & Ears’. Thus, the means used to transmit the culture have changed.
Supervisors schedule update meetings in the early morning, at lunchtime and late afternoon to cover all shifts. “One of the things that gets people involved is to have predictable times when they share information” says Patty Hunter, director of programming for the Disney Institute. The Institute managers always relay at least three main messages from the meeting to their staff, verbally and/or with emails: “it’s only effective if they cascade the information to other employees.”


Personal Reflection
Identify one potential major benefit and one potential major cost likely to be associated with a highly prescriptive “managed culture” such as that adopted by Disney in the 1990s.

Organisational Communication Processes
Organisational communication is a central dimension of business processes and organisational change. Many gains in productivity that have been reported from business process innovation involve changes in the communication system, including flatter hierarchies with reductions in the number of levels.

However, organisations continue to utilise hierarchical structures; while up to 75% of practices, policies and procedures are communicated laterally even in traditional, silo-bound functional structures (Madlin, 1987), vertical communication continues to be critical. Understanding and reengineering vertical interfaces is thus a key (but rarely discussed) issue for business process innovation.


Strategy Communication through the Organisation
Blocked vertical communication has a particularly pernicious effect on a business’s ability to implement, and modify on the basis of feedback, its strategy – in short, to learn. In many of the organisations examined by Beer and Eisenstat (2000), strategic planning documents went into great detail on long-term technology trends, customer buying behaviour and the competitive environment, but they failed to communicate downward a coherent story showing why the changing world outside the organisation demanded new ways of working together.

Employees never heard about how the strategy affected priorities nor received any guidelines showing the relative priorities of projects. How could employees decide on a day-to-day basis which of their process activities would be most helpful in making the business successful?

Effective Vertical Communication

Well-recognised tactics for promoting effective vertical communication include:

- **Team meetings** can provide a useful channel for communication; a well-structured system of regular meetings with two-way dialogue rather than a top-down monologue can help. See Appendix A on page 30 for two case examples
- **Diagonal slice meetings**: members from each functional level, from front line staff to top management, rotate to represent their colleagues with a pre-distributed agenda on topical issues and a consistent convener
- **Grievance procedures**: blame free opportunities for employees to state concerns and problems in a structured format with an independent monitor
- **Coaching and mentoring** to encourage and support management commitment to strategic change in the organisational culture, and to enable managers to cascade these shifts “down the line”
- **Project improvement teams** reporting to a senior mentor/sponsor
- **External representatives** on internal problem definition and solution project teams
- **Management by walking around**: top management routinely conducting on-the-spot informal discussions with front line staff, and making themselves accessible to approaches by front line staff

Vertical Gatekeepers

Formal authority and effective power in organisations is not always aligned. Some gatekeeper roles have great power based on control over communication to those with the formal authority. Personal and executive assistants who manage the diaries of, and contact with, senior decision makers are an obvious example. See Appendix B on page 31 for an analysis of the PA as a gatekeeper.

Customer contact staff who do not recognise that a customer has a problem or do not choose to report the problem are another vertical gatekeeper; without some system and incentive for recognising and reporting problems a huge information resource is wasted. Similarly, supervisors and managers often either do not recognise that staff have problems or choose not to pass these up the line.

Personal Reflection

What could be done (or is being done) to create self-sustaining, open and effective vertical communication in your business unit?
Cultural Change and BPR

Reis and Pena (2001) have suggested that BPR initially achieved considerable success, as documented in a report published by the Boston Consulting Group (BCG). The BCG report identified as a key component of successful BPR a redefinition of what it means to be a manager, a transformation from command and control, top-down management, to leadership based on building internal capabilities and linking them to customer needs. This change in organisational culture, essential to “healthy reengineering projects”, was often ignored in later efforts, with the focus shifting to cost reductions through downsizing: “One could say that the downfall of reengineering started when the first manager, running out of ideas, fired the first employee” (Reis and Pena 2001, 671).

Reis and Pena argue that downsizing rose to prominence using the rhetoric of BPR, while ignoring the hard work required to seriously reengineer business processes.

Adapted from: Reis D and Pena L (2001) Reengineering the motivation to work. Management Decision 39(8):666-675

Lean Organisations and “Spare Capacity”

Many of the prescriptions for business process innovation also advocate “lean” organisations. The imagery invoked by these exhortations is of agile athletes or predators able to make rapid adaptive responses to unexpected environmental events. Behind this is the implicit assumption that all “organisational fat” is bad.

Top athletes optimise fat levels, and are very careful to not destroy essential muscle: fat stores energy for use when food is not available; muscle enables effective activity. Similarly, for organisational systems, some level of “spare capacity” is essential to enable adaptation. Meeting changing demands requires resources that can be redeployed. Without spare capacity, resources must be diverted from immediate satisfaction of customer requirements. If there is no internal spare capacity it must be bought from outside. It can be argued that the reduction in internal spare capacity has been a major factor in the growth of the consulting industry.

Adapted from: Reis D and Pena L (2001) Reengineering the motivation to work. Management Decision 39(8):666-675

Organisational Anorexia

The results were “anorexic firms” that were not only failing to achieve their economic objectives of lower costs and higher profits but also experiencing other serious problems. Survey after survey was showing that very few companies were achieving the desired results in cost reduction, increased productivity, efficient decision making and even increased cash flow or short-term profit. Managers forgot that the objective of reengineering was to make organisations more effective, not more anaemic.

Between 1993 and 1995, Sears, AT&T, IBM, Boeing, and Xerox alone eliminated over 250,000 jobs. By 1996, 60 percent of the companies that engaged in anorexic behaviour had hired back the same
number of workers that they had originally laid off. This might have been due to managers re-
building depleted empires to enhance personal status, but could also be a delayed recognition that
the lost staff did make a valuable contribution.

Adapted from: Reis D and Pena L (2001) Reengineering the motivation to work.
Management Decision 39(8):666-675

Why Downsizing Fails

Reis and Pena (2001) mention the following losses produced by crude downsizing:

- **Corporate memory**
- **Knowledge** about organisation’s culture, beliefs, values
- **The irreplaceable external network** of business contacts
- **Expertise** (which is costly to replace)
- **The (mostly) internal network** of individual relationships from which strategy and strategy
  implementation emerge, and consequently
- **The capacity for problem solving and innovation** (which are intensely social endeavours).

Understanding organisations as complex adaptive systems would immediately flag these losses as
destroying adaptive capacity; further feedback effects on the motivation of the staff and managers
who remain can amplify the destruction.

Adapted: Reis D & Pena L (2001) Reengineering the motivation to work.
Management Decision 39(8):673

BPI Insights from a Systems Approach

A systems understanding of organisations would suggest that before engaging in such a radical
change as across-the-board percentage cuts in staff, or reducing layers of management with wide
ranging middle management redundancies, consideration should be given to:

- **Short term** and **long term impacts**
- How these will **feed back** into the **organisation’s adaptability**.

Even cursory analysis would have revealed some obvious reasons to expect that crude “grenade”
downsizing would have exactly the results that have in fact emerged. Retaining apparently
redundant managers and supervisors as coaches and trouble shooters might reduce immediate
savings – and might also save the company.

A useful “systemic” question to be asked would be: “What, perhaps hidden, inputs and
transformations are provided by the redeployed resources?” This could prevent discovering what
these were when it is too late to recover the loss.

Adapted: Reis D & Pena L (2001) Reengineering the motivation to work.
Management Decision 39(8):673
External Context

Multiple External Stakeholders

In a highly competitive environment the survival of an organisation may depend on how well powerful external stakeholders are managed. Consolidation, mergers, integration and system development have contributed to the ever expanding set of external stakeholder relationships.

With multiple stakeholders and perspectives to account for, what effects does this have on output quality, and on BPR and other innovative improvements within the organisation? How many stakeholders should one consider? How influential are they? What are the implications for change and maintaining quality? What should be done when conflicting stakeholder requirements cannot be reconciled?


Stakeholder Involvement

Process quality improvement has many critical elements and outcomes. From the initial planning stages, identifying and gaining the commitment of stakeholders is considered a critical element for success. In order to secure commitment, stakeholder participation and involvement should be encouraged. Their ideas and opinions are essential inputs for planning. This will apply to external stakeholders, as well as to the internal stakeholders who have already been discussed. For example:

- New suppliers who are “technology ready” will replace incumbent suppliers that rely on outdated or redundant systems, provoking conflict with the passed over suppliers and their internal advocates
- Existing suppliers might have to invest in their own process improvements (e.g., to enable electronic data interchange), and there might be conflict over who pays for the investment or how benefits are shared
- Customers might have to learn new ways to interact with the organisation (e.g., as happened with introduction of ATMs and online banking), which some customers will resist.


Personal Reflection

Think about one recent business process change affecting your Business Unit. Who was affected by this process change? What are the gains and losses for each of those affected?
Aligning With Customer Requirements

A systems approach to quality emphasises the critical role of customer expectations and experience in deciding whether outputs satisfy quality requirements. The organisation must seek co-alignment between its outputs and customer needs. This requires corrective feedback from customers as a basis for identifying where process innovation might be needed. Attempts to “close the feedback loop” by monitoring customer responses have rapidly increased.

Systems for collecting and tracking customer problems, customer satisfaction surveys (often used to generate Key Performance Indicators), and customer interactions with the organisation (CRM) have become a growth industry. With some notable exceptions, results have been disappointing – In many instances much has been spent with typically disappointing impacts and/or payoffs.


Failures in Customer Feedback Systems

The essential problem is that feedback loops have not been established or do not reliably work to bring performance back into line with customer requirements. Some of the reasons for this are:

- Mostly, customers do not complain
- If they do complain, this might not be recognised as a complaint, or not be seen as actionable
- There might be no system to record and communicate the issues upwards to where effective corrective action can occur
- Even when there is a system, training and incentives might not be sufficient to overcome reluctance to “look bad”, so messages are not carried upwards
- Formalised monitoring through customer surveys and similar mechanisms is often too slow, rarely records enough detail to allow identification of root causes and the design of corrective action, and often measures the wrong variables
- When problems are recognised, staff efforts to correct the problem can increase satisfaction but not fix the processes.


Satisfaction Surveys for Other Stakeholders

The use of satisfaction surveys and other requirement/expectation/behaviour data capture procedures can be applied to detection of problems among other stakeholders (for example, staff, suppliers, or shareholders). Similar issues can be anticipated in identifying problems and designing improvements to meet the needs of other key stakeholder groups. Satisfaction surveys are subject to most of the deficiencies identified in reviewing customer satisfaction surveys. Whilst surveys of various types, including identification of problems and the response to problems, may be useful, direct communication can be even better, so long as respondents feel safe to be open and the response is, in fact, constructive.
Purposeful Innovation, Perspectives, and Scenarios

BPI and Purposeful Action

Business process innovation (whether incremental or radical) result from purposeful actions. Any business process is created with some purpose(s) in mind. Different stakeholders involved in business process innovation will have different process purposes in mind. These will flow in part from different perspectives about “how the world works”, and in part from different values for judging outcomes.

These insights have been extensively explored and systemic methodologies for improving organisations developed by Checkland and his co-workers. Jackson (2000) reviews Checkland’s career and how his approach to systems and systems methodology has evolved through experience.

Adapted from Jackson MC (2000) Checkland, Peter Bernard (1930-). Systems Research and Behavioral Science. 17:53-510

Systems Perspectives

We have, throughout this subject, advocated taking a “systems perspective”. Many systems approaches implicitly assume that there is “a system” which can be accurately described and can be (re)engineered. This “mental model” or way of thinking about the world – that the “system” is “out there” – is prevalent among “systems thinkers”.

Checkland (cf Jackson, 2000, p57) argued that it is ultimately unhelpful to think of systems models as “models of the world out there” which vary in accuracy and insight (although some do fit better than others). Rather, systems models are more usefully thought of as “models for guiding action in the world that will serve the actor’s purposes”. They are like maps – devices that help us “find our way”. As such, we must never forget that the map is not the territory. While some maps give better guidance, they are all partial and simplified descriptions.

This alternative “mental model” for systems thinking – of systems as maps – has some major implications for how systems thinking is used to solve problems such as achieving BPI.


System/Process Models

From a practical point of view, modelling social systems should be understood as an extension of the way in which we have always dealt with social systems. Models in a computer are extensions of our thinking processes, which use what we think we know to consider various scenarios to help in choosing a course of action—“models are inspirational rather than containers of truth” (Richardson et al., 2000).

Models are also extensions of the stories (novels, etc.) we tell, which help us teach others,
particularly children, what we have learned from experience. As Pidd (1996: 122) points out, “models are developed so as to allow people to think through their own positions and to engage in debate with others about possible action” rather than “a proper representation of part of the real world.”

From a scientific perspective, models help us understand the logical consequences of specific assumptions that may or may not have a basis in the real world. This helps us, in a limited sense, to validate or refute assumptions, which is important in developing better models.


Relative Levels of Process Aggregation

<table>
<thead>
<tr>
<th>Relative Level</th>
<th>Key Involvement</th>
<th>Process Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic (“super-system”)</td>
<td>Board, CEO and top team</td>
<td>Arena networks</td>
</tr>
<tr>
<td>Operational (System)</td>
<td>BU leader of leaders</td>
<td>Single arena</td>
</tr>
<tr>
<td>Tactical (Sub-system)</td>
<td>BU leaders</td>
<td>Single market</td>
</tr>
</tbody>
</table>

BU = Business Unit

This is one perspective. The “system level” can be moved up or down to span different levels of aggregation.

Multiple Perspectives

Different types of maps (e.g., topographical, rainfall, land use) are drawn for different purposes, and at different levels of detail (e.g., an ordinance map and a street directory). Similarly, different perspectives generate different, equally legitimate, models for understanding the world.

Checkland (cf Jackson, 2000:S7) argued that it is useful to recognise, in tackling any problematic situation, that different stakeholders will have different perspectives and often different purposes. Thus, their models will differ, even if all think systemically. He further argues that, to be effective in resolving a problem situation, any stakeholder or analyst should adopt multiple perspectives, including

- An action/intervention perspective
- A social system perspective
- A political system perspective

Checkland’s Key Perspectives

Checkland’s approach started by defining a problem situation that some individuals or groups wished to “improve”.

- An **action/intervention systems perspective** is the intervention that is being carried out, including the roles of client(s), problem solver(s) and problem owner(s).
- A **social system perspective** looks at the social roles, norms of behaviour and the values being used to judge role performance.
- A **political system perspective** looks at the politics of the problem situation, and how power to take action to change the situation is obtained and used.

Each of these perspectives might appear different to different stakeholders or “problem owners”. Indeed, some might not recognise that there is a problem. If their roles, performance or interests are affected by the situation of the intervention, they are still “problem owners”.

Adapted: Jackson MC (2000) Checkland, Peter Bernard (1930-). Systems Research and Behavioral Science. 17:S3-S10

Developing Interventions

If Checkland’s recommendations are accepted, it follows that the process of developing an intervention must be highly exploratory, participative and involve a wide range of affected “problem owners”. It involves a “learning cycle” with the following steps (likely to include much re-tracing of ground previously covered):

- A real world situation of concern to some “problem owners” is identified
- The purposeful activities generating the situation can be described by a relevant system(s)/process(es) model
- The models are compared with perceptions of the real situation, usually involving collection of additional data to challenge the models, and debate seeking accommodations between the models and the interests and perspectives of those who have built them
- Action needed to improve the situation is defined that will be at least acceptable to the key stakeholders
- The impacts on the problem situation are assessed from each perspective, and (usually) new problems emerge – and so return to Step 1 above

Adapted: Jackson MC (2000) Checkland, Peter Bernard (1930-). Systems Research and Behavioral Science. 17:S3-S10
Process Paradigms

The literature on systems thinking repeatedly describes mechanistic, organic and complex adaptive systems thinking as paradigms. This is based on the suggestion that progress in science, and in many other areas, mostly proceeds in small steps, punctuated by intellectual “revolutions”. Such revolutions have been described as “paradigm shifts” – a change in the whole worldview of a discipline. The shift from Newtonian mechanics to Einsteinian relativity can be viewed as a paradigm shift.

A process paradigm shift will therefore involve a fundamental rethink of the process purpose, presumably based on triple-loop learning, and as a consequence fundamental changes to the way in which the process is configured, the inputs that will be necessary, and as a consequence of the above, the manner in which the process inter-relates with other processes.

The way that an organisation views the appropriate design of any business process is also based on paradigms that can be subject to shifts. Given a level of process aggregation from which the process is viewed, a process paradigm can be defined as the “the process owners’ worldview and perception of process purpose that is embodied in the design of a process” (Fayed et al., 2003).

**Business Process Paradigm Shift – Ford Motor Company Case Example**

In order to reduce costs the Ford Motor Company decided to look critically at each department to see if it could be tightened. Accounts Payable was one such department due to its excessive labour force and high level of errors. The Ford managers analysed the existing system and found that the department spent most of its time on mismatches – that is when the purchase order cannot be matched against the corresponding receiving document and invoice.

By reengineering accounts payable processes the department was able to prevent mismatches through the use of “invoiceless processing”. This new process paradigm involved all the information being entered into an integrated online database. The new method required matching only three items which is done automatically. Ford was able to achieve a 75% reduction in headcount, had simpler material control, and financial information was more accurate.


**Application Process Paradigms**

**A “Production Line” Processing Paradigm**

Throughout the banking and financial services industries, traditional process paradigms for handling applications involve a flow of paper documents through a succession of specialists who perform simple “transformations” (often checks on the data or comparisons to approval criteria). This process paradigm seeks quality through breaking the task down into small simple elements and having specialists deal with each – a classic “production line”.

**A “Single Customer View” Processing Paradigm**

A contrasting paradigm, common to many successful BPR projects, is to have a single data base all data entry, storage and updating; data checking is so far as possible automated (perhaps requiring interfaces with external data bases in other organisations); and each operative takes responsibility for as much of the process as possible. Reducing hand offs and data transcriptions can cut turnaround times and error rates dramatically. Applications for loans, insurance and credit are relevant examples.

The “single customer view” paradigm has huge advantages, but can have problems in achieving the right balance between competing priorities, especially between customer demands for easy approval and risk control.

**Process Paradigm Scenarios**

Future scenarios can be used to explore possible “process paradigm shifts”. Thus, rather than “wait for the revolution”, a systemic approach to applying scenarios can be used to support and justify paradigmatic shifts in how an organisation thinks about its business processes. Fayed *et al.* (2003) have suggested four stages for such a process, with a number of sub-steps for each stage. These are summarised in the diagram below.

Personal Reflection
Can you identify a “process paradigm shift” for a business process used by your business unit?

Selected Process Paradigm Shifts and Identified Context Scenarios
Once a business process paradigm shift has been defined, it is important to determine the impact of the change on the robustness of this shift given a range of context future scenarios. For example, in the 1980s, a large successful global organisation introduced an important new product with automated accounting support processes that only provided facilities for payment via an established account or by credit card. There was no facility for payment in cash. Not surprisingly, there were missed sales opportunities!

It is also interesting to contrast the above limited payment process situation with current multiple customer payment process options that reflect a process paradigm shift from how payment processes were viewed in the 1980s. Emerging process paradigms emphasise customer convenience over provider convenience. Process design that starts with customer needs is itself a new paradigm, replacing the traditional technology or resource driven approaches that gave priority to supplier needs.
Assessing Process Paradigm Shifts

A variety of scenarios could be developed that would “test the robustness” of a process innovation, such as a shift of an application process from a “production line” to a “single customer view” paradigm. One obvious uncertainty for generating future context scenarios would be to test how the new process would respond to significant changes in workload.

Another would be to consider scenarios that might force the process to deal with information inputs of a different type to those that have traditionally been received (remember the customer who wanted to pay cash). Information that is unexpected can be entered on paper forms, but will often be difficult to accommodate on an online data base!

It would also be vital to consider the social and political perspectives and to review all the stakeholders and how they would respond – if only to prepare for or reduce resistance (e.g., by agreeing with redundant staff on re-deployment, retraining or entitlements; the Ford Accounts Payable case did not discuss what happened to the 75% of staff who became redundant).

Assessing Stakeholder Requirements

Once intended process configurations are finalised, stakeholders can be asked to further review the expected effects on such issues as:

- The range of inputs that would be required, the sources of these inputs and how this will differ from the existing system
- The resources required to transform the inputs into the intended outputs, the processes and how these “map” onto the organisational system (including new boundaries)
- The expected outputs and outcomes from the viewpoint of each stakeholder group
- Potential sources of support for, and resistance to, the concept, and the basis for the support and resistance from the perspective of each stakeholder.

Be sure to:

- Probe for both immediate and longer term effects
- Ask stakeholders to consider how the concepts would “cope” with suggested external changes.

Personal Reflection

What other variables (apart from workload changes and changes in the types of information input dealt with) might generate process context future scenarios that could “test” the robustness of a shift from a “production line” paradigm to a “single customer view” paradigm?
Using Stakeholder Inputs

Identifying process paradigm shifts, developing context scenarios and reviewing consequences for proposed process configuration could be done by individuals working separately or as a group. Either multiple stakeholders should be involved, or their input sought at multiple points.

The reactions of the various stakeholders should not be accepted as a set of “verdicts” on the business process innovation. Rather, these results provide input to a review process. The process should try to identify:

- Issues identified that had been missed in development of the innovation concepts so far
- Sources and motives for resistance to otherwise beneficial concepts, and how these might be resolved (process modification, persuasion, or use of countervailing sources of power)
- Indications of benefits of the concepts that might reduce resistance or support changes.

Based on the review, a case for choosing between alternative process configuration innovations, or revised concepts that build on the “best features” of the initial process configuration, can be prepared.

Topic Review Questions

1. Identify a recent or current problem situation that might require changes in business processes. (You might use a situation that you have discussed in previous Topic Review Question answers.)

2. Summarise the problem situation and possible action to resolve it from your perspective and from the perspective of one other “problem owner”. Highlight three differences due to the differences in your perspectives. It would be useful to consider any key differences in how the purposeful activities, the social system, and the political system are seen. (*Suggestion: if possible talk to the other “problem owner” to clarify differences in your perspectives without trying to change the other party’s views.*)

3. Identify a major but feasible change in the problem context (“super-system”) that might occur in the next year. Consider how well the resolution actions outlined in your answer to 2 above would deal with this change.

Compare your responses (one page in total) with the Topic Review Question Answer Guidelines provided. Be prepared to discuss the questions in the next Teleconference.
Topic Review Question Guidelines

1. Identify a recent or current problem situation that might require changes in business processes. (You might use a situation that you have discussed in previous Topic Review Question answers.)

A problem should be identified from a systems perspective. Identify who the key problem owners are, and how this manifests. From each perspective, identify

- The nature of the problem – in particular the “gaps” between what is and what is desired, e.g. too much input given the available processing resources (demand overload), insufficient influence over the process in relation to the level of influence required to keep the process within desired limits (process quality); process too slow relative to customer expected response time (customer service quality); level of errors in process output (process quality) resulting in customer complaints above the acceptable level (customer service quality), and so on;
- What would be seen as the “root cause” of the problem,
- What would appear, from that problem owners’ perspective, to be:
  - The objectives to be met in resolving the problem
  - The constraints that need to be considered (e.g., policy, time, other resources),
  - A “preferred course of action”.

2. Summarise the problem situation and possible action to resolve it from your perspective and from the perspective of one other “problem owner”. Highlight three differences due to the differences in your perspectives. It would be useful to consider any key differences in how the purposeful activities, the social system, and the political system are seen.

(Suggestion: if possible talk to the other “problem owner” to clarify differences in your perspectives without trying to change the other party’s views.)

A matrix could be used as follows to answer both Q1 and Q2:

<table>
<thead>
<tr>
<th>Perspective</th>
<th>Your perspective</th>
<th>Another problem owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Problem Definition:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nature of problem with the process (see above); will need to describe process sufficiently to put the problem in context, and identify reciprocal cause/effect relationships, objectives, and constraints</td>
<td>What is the “gap”? Shared views Distinct views</td>
<td>What is the “gap”? Shared views Distinct views</td>
</tr>
<tr>
<td>Preferred purposive action to correct the problem</td>
<td>Shared views Distinct views</td>
<td>Shared views Distinct views</td>
</tr>
</tbody>
</table>
### Perspective

<table>
<thead>
<tr>
<th>Social system perspective: Relationship to process and problem and to other “problem owner”</th>
<th>Your perspective</th>
<th>Another problem owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship to problem: Owner, processor, input source, customer; Victim, cause, bystander</td>
<td></td>
<td>Relationship to problem: Owner, processor, input source, customer; Victim, cause, bystander</td>
</tr>
<tr>
<td><strong>What interests are seen to be at stake?</strong></td>
<td>Shared views</td>
<td>Shared views</td>
</tr>
<tr>
<td></td>
<td>Distinct views</td>
<td>Distinct views</td>
</tr>
<tr>
<td>Relevant cultural assumptions, norms, etc</td>
<td>Shared views</td>
<td>Shared views</td>
</tr>
<tr>
<td></td>
<td>Distinct views</td>
<td>Distinct views</td>
</tr>
<tr>
<td>Political system perspective</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power to make/break possible solutions</td>
<td>Perceived power of: Self, other, 3rd parties</td>
<td>Perceived power of: Self, other, 3rd parties</td>
</tr>
<tr>
<td>Interests at stake for those with decisive power/influence</td>
<td>Shared views</td>
<td>Shared views</td>
</tr>
<tr>
<td></td>
<td>Distinct views</td>
<td>Distinct views</td>
</tr>
</tbody>
</table>

### Notes:
The table above effectively provides an answer to both question 1 and 2. Not all the above would be required in a particular answer.

3. **Identify a major but feasible change in the problem context (“super-system”) that might occur in the next year. Consider how well the resolution actions outlined in your answer to 2 above would deal with this change**

   Identify a change in the internal or external environment (e.g., a change that might require an adjustment to the strategy adopted).
   Assess how well the suggested purposive action proposed in the answer to Q1 and Q2 would work if faced with this change.
   Examine it from your viewpoint and that of the other problem owner (so again, a tabular format could be helpful in identifying shared views and distinct views).

A hypothetical example of an answer to all three parts of the question follows. This again gives more detail than would be needed in any one answer.
**HYPOTHETICAL EXAMPLE:**

Table 1 (First two parts of the question)

<table>
<thead>
<tr>
<th>Relationship Banker’s (RB’s) Perspective</th>
<th>Lending Service Unit’s (LSU’s) Perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Problem Definition:</strong> Time taken to complete loan approval and documentation, compared to customer requirements Errors during the process that cause complaints Resulting processing costs</td>
<td>Lending Services cannot meet turnaround, quality or cost requirements, e.g. turnaround typically X1 days, desired turnaround X2&lt;X1 days* Y1% of documents have errors, target is Y2 &lt; Y1%; Z1% of customer dissatisfied, target is Z2&lt;Z1%; * Processing costs/application $D1 target is $D2&lt;$D1</td>
</tr>
<tr>
<td><strong>Underlying process</strong></td>
<td>Application data collected from customer and referred to LSU to produce documents; for convenience, applications often &quot;batched&quot;; queries from LSU handled; customers shown copy of draft documents and corrections referred to LSU</td>
</tr>
<tr>
<td><strong>Objectives</strong></td>
<td>Maximise volume and value of loan applications received and approved</td>
</tr>
<tr>
<td><strong>Constraints</strong></td>
<td>Expected to concentrate on “selling” not “paperwork” No local document preparation or production resources</td>
</tr>
<tr>
<td><strong>Possible purposive action to correct the problem</strong></td>
<td>Problem perceived to be the separation of documentation from customer relationship unit. Major process reengineering required to reunify application and documentation processing</td>
</tr>
<tr>
<td></td>
<td>Relationship Banker’s (RB’s) Perspective</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Social system perspective:</strong></td>
<td>Perceived relationship to problem:</td>
</tr>
<tr>
<td>Each sees the other as the “cause” of the problem</td>
<td>Bankers see their work in dealing with “selling” loans to customers as more important, devalue “paperwork”</td>
</tr>
<tr>
<td><strong>What interests are seen to be at stake?</strong></td>
<td>Own remuneration and how it is set; frustrations and distractions from rework and checking back with customer, may see changes as requiring inappropriate menial paperwork, not selling or relationship management</td>
</tr>
<tr>
<td></td>
<td>“Our job is selling and dealing with the customer, not doing paperwork”</td>
</tr>
<tr>
<td></td>
<td>Reinforced by incentives, status</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Relevant cultural assumptions, norms, etc</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Political system perspective</strong></td>
<td>Those perceived to have power:</td>
</tr>
<tr>
<td>Power to make/break possible solutions</td>
<td>Heads of customer relationship and documentation units</td>
</tr>
<tr>
<td></td>
<td>More senior managers of retail and business lending and other units that use documentation unit</td>
</tr>
<tr>
<td></td>
<td>IT managers who will need to allocate resources to streamline or reengineer process</td>
</tr>
<tr>
<td><strong>Interests at stake for those with decisive power/influence</strong></td>
<td>For each powerful “player”, resources, status, control perhaps career future at stake</td>
</tr>
<tr>
<td></td>
<td>Pressure from top level to “right the customer wrongs of the past”</td>
</tr>
</tbody>
</table>

* Actual values should be given if possible. No problem is well defined until the gaps can be quantified.
Table 2: Change in business context that “tests” solutions

<table>
<thead>
<tr>
<th>Change in Business Context</th>
<th>Relationship Banker’s Perspective</th>
<th>Lending Service’s Perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitors gain market share with maximum 3 day turnaround and lower application fee</td>
<td>Empowers those pressing to consider more radical reengineering of the process</td>
<td>Reduces power to press for incremental process improvement without a major restructure</td>
</tr>
<tr>
<td>Bank commits to exceeding competitor “best practice”</td>
<td>Could be seen as a “win” by RB</td>
<td>Could be seen as a “loss” by LSU</td>
</tr>
</tbody>
</table>

Comments on the Example Answer

The hypothetical example considers two key problems with the loan application documentation process – how long it takes and the related issue of errors and missing information. Perspectives compared are those of the Relationship Bankers and the Lending Services Unit.

It would also be possible to compare say, the Relationship Bankers’ perspective with the perspective of the customers who are applying for a loan; or to compare the perspective of operative level staff with the perspective of a more senior manager. Any of these could be quite illuminating and provide the basis for both an excellent answer and for evaluating potential action the Bank. However, in choosing the perspectives, it could be useful to consider how critical the differences between the perspectives are to creating, sustaining, or solving the problem. The differences in RB and LSU perspectives seemed particularly crucial.

The example is more thorough and detailed than would be required for any one adequate answer, simply to cover a range of possible responses that would satisfy the requirements of the question. It highlights differences in every aspect of the problem that is considered, so any three rows of this table would provide an adequate answer to the questions 1 and 2. However, the greater power of a more complete analysis is evident.

The topic notes pay considerable attention to the organisational culture as a context for business processes and efforts to improve them. The question asks about “purposive, social and political perspectives”, but not explicitly about similarities and differences in “culture” that might contribute to differences in the perspectives of the problem owners. Relevant aspects of “culture” will become evident in exploring problem owner purposes, social aspects and political aspects of the problem context.

For example, the organisation’s culture will be expressed through:

- Willingness of “problem owners” to acknowledge they “own” the problem
- Assumptions about which groups are “important”
- The incentive and reward structures, e.g.:
Relationship Bankers being rewarded for the volume or value of new business, with no direct allowance for the costs generated if they collect and forward incomplete and incorrect information

No feedback or incentive to make Relationship Bankers aware that providing incomplete or inaccurate information actually reduces the time they have to “sell” loans

No compensation to LSU for correcting the level of omissions and errors in data provided.

These enshrine a culture of “sales first”, in turn supported by such norms among Relationship Bankers as “our job is to sell loans, not to do paper work”, and self-perception that RBs are “more important” than LSU processing staff.

Table 2 of the hypothetical example answer considers the impact of a loss of loan market share due to competitors being able to turn around applications in 3 working days, with lower application fees to customers due to having developed an improved application and documentation process. This would intensify pressure for a major improvement in processing performance, and might shift the balance in favour of more radical process reengineering objectives rather than incremental improvements to the existing system. Of course, implementation might be incremental to reduce risks and allow “fine tuning” during implementation.

An approach to the problem that:

- Was collaborative;
- Involved all key stakeholders; and
- Better balanced the end-customer perspective and expectations with the organisation’s interest in reducing waste and costs through a better quality process;

might have produced improvements that would have “beaten” the competition and won market share. An excellent answer would point towards this possibility.
Appendix A - Vertical Communication Barriers: “Inco”

Senior management at an insurance company (Inco) “hoped” that the briefings reached staff at the lowest level, though whether they did so was the responsibility of supervisory staff.

There was no monitoring or accountability.

At Inco, departmental managers used briefing to build team spirit and encouraging a wider “business awareness”.

Nevertheless, management were loathe to formalise briefing for staff below the supervisory level: “The cultural hangover of paternalism seemed to generate a reluctance to communicate too much information to staff; for as one department manager remarked ‘you don’t want to overdo it’”.


Vertical Communication Barriers: “Medbank”

It became apparent to McCabe (2000), whilst observing a number of team meetings within Medbank, that managers, on occasions, sought to suppress areas of disagreement or disgruntlement (typically concerning intensive working conditions and high levels of stress).

Thus, there was an attempt to focus only upon the more positive issues. Yet failing to address the concerns of staff tended to lead to disillusionment.

There were increasing pressures from some managers to reduce the duration of team meetings. Similarly the opportunity for interactive communication was under pressure and team leaders and customer service managers typically stymied more open discussions in favour of one-way monologue. It seemed that the long term benefits of enhanced communication, goodwill, and trust were being displaced or sacrificed for short term business demands.

Appendix B - Gatekeepers

The Personal Assistant as Gatekeeper

Lugo (2003) gives some amusing but telling examples of the power that derives from control over communication by P.A.s – and of the costs that can result, e.g.,

An investment banker “cold called” another investment bank about a company she was selling, and was told by the PA she had the wrong person; to reach the decision maker she had to call back after 5pm when the P.A. had gone home.

Lugo (2003) reports that assistants to senior management in leading Wall Street firms are “treated with kid gloves by the business community” – as one executive said “they have immense power”.

Insiders told Lugo that it’s just as crucial to build a relationship with the P.A. as the executive.

There are systems-based reasons for this power developing: the constant barrage of junk mail, email, phone calls and business meetings require the P.A. to be ruthless in filtering; however, this creates personal power that must be kept in alignment with organisational objectives.

Lugo D (2003) Lighten Up Pas opportunity beckons. The Investment Dealers’ Digest, Feb 3:1

Reviewing the Role of System Gate Keepers

As with most systems problems, there is no single solution.

Some measures that can combine to reduce the problem include:

- A culture that recognises and treats everyone as a worthwhile individual will reduce the temptation to build self esteem by exercising illegitimate gatekeeper power
- If the executive trains the P.A. to see how the executive will assess an approach, the P.A. can more effectively step into the executive’s shoes in acting as a filter – but will need to understand, and be motivated to function in, the interests of the organisation and its priorities

If the potential power of the P.A. is recognised, executives can better pick up and act on signals that the power inherent in controlling access is being misused.

One approach is to eliminate such roles as the P.A., except perhaps for the most senior executives. However, this leaves the problem of filtering messages and face-to-face access unsolved – quite apart from the time lost by managers without keyboard skills creating and editing their own documents.