

DIGITAL BUSINESS ANALYSIS

3 Best Practice

Reimagine Business Processes

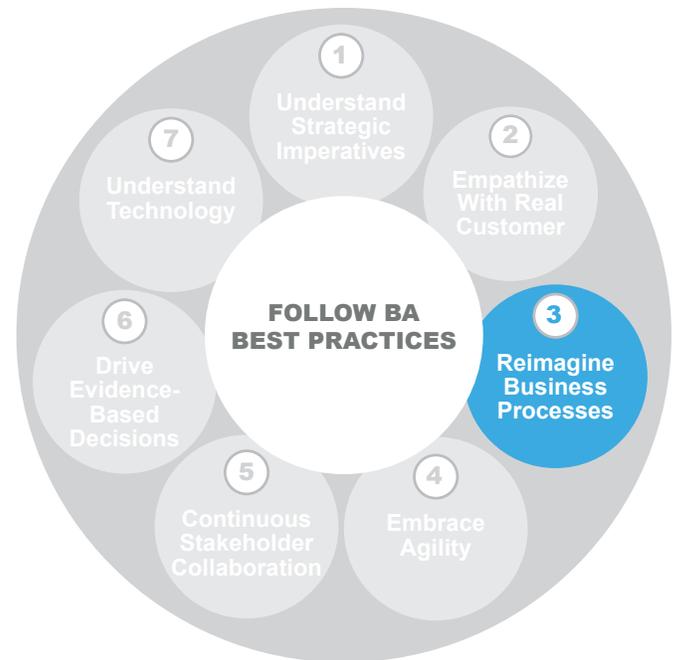


Business Processes – Optimization to Reimagination



Ever since Michael Porter announced the concept of the value chain to the business world, organizations have started the journey of understanding their business models as a set of activities. As a process-driven view of the organization, it takes specific inputs and adds successive value through multiple steps within the organization transforming it to business value. The understanding of masses has remained the same for how value is created. For many decades, faster, leaner processes, and the reduction of waste has been the mantra for the success for organizations.

The advent of automation and new technologies has morphed into the fabric of business prompting the industry to solely focus on the reduction of the cycle time and the efficiency gains achieved by doing the same business activities in an optimum way. However, digital has opened a whole new way of thinking about doing business. It is well argued in the International Institute of Business Analysis™ (IIBA®) thought leadership paper 'Crossing the Chasm from Traditional to Digital'¹ that an incremental change may infuse the efficiency needed, whereas reimaged business processes disrupt the market.



This paper explores the need for re-imagination, critical elements necessary to put re-imagination into practice and the mindset needed by business analysis (BA) professionals to analyse business processes in the context of digital. The more significant change in mindset must stem from adopting an outside-in perspective different from the inside-out approaches still followed by many organisations.

The key is to think not through the lens of how we can perform the current processes better, but to move the goalpost to a much loftier goal of providing customer and business value in a novel way through digital innovations. A simple way to drive this point is through an example:

In Uganda, almost 80% of children afflicted by Sickle cell die before they turn five. The disease is not complicated to diagnose or cure in most countries; however, in Uganda, accessibility to a decent testing centre and the cost of lab tests are prohibitive. Availability to a facility is as sparse as a single hospital in millions of square miles. A group of dedicated young women has created a solution that uses only mobile phones and inexpensive mobile mounted cameras through an enterprise called AfriGal Tech. With a touch of the button, Sickle cell can be identified through their mDex app. The problem of accessibility and the time between test and results are reduced significantly by employing a simple digital innovation that has the potential to change lives. It would be entirely incorrect to understand this example through the lens of the technology application. Similarly, labs with only internal focus may develop a restrictive view in defining value only as accelerated execution of existing lab processes without a broader definition of customer value.

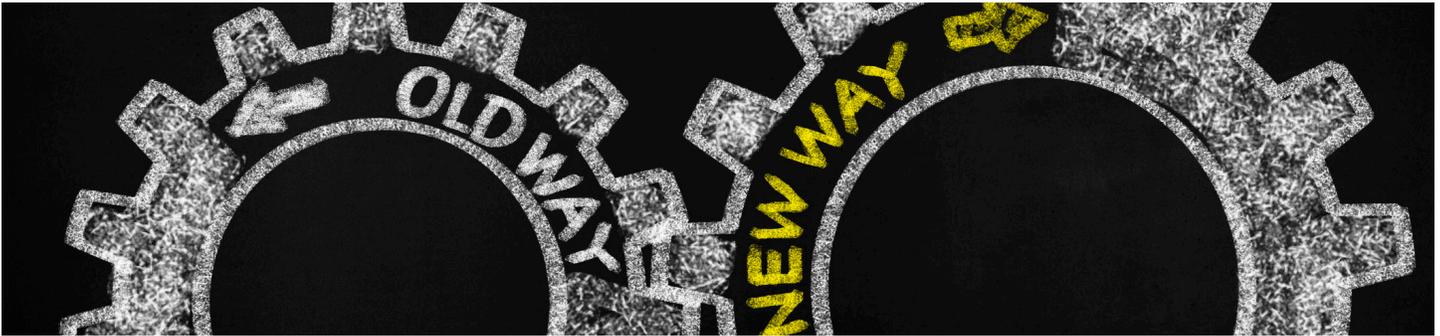
The real change that was brought in by AfriGal Tech is framing the customer value as an outcome to a problem of accessibility and lifesaving capabilities of this novel solution.

Throughout this paper, we will follow the theme of reimagination of processes for better value and demonstrate the need to reimagine rather than continually improve, what reimagination means in the context of digital, and, as BA professionals, how do we approach the reimagination of processes in digital engagements?



The digital world demands organizations to reimagine processes that reflect value delivered through improved customer experience, a strategic imperative focus, and new business models.

Traditional Analysis – A Bottleneck in Digital?



The usual metaphor for being truly digital for most organizations means marshalling the enterprise's resources and digital initiatives in a way that provides value, which is measurable and greater than the sum of its parts as opposed to an inside-out approach to process analysis aimed at the reduction of waste, greater efficiency, and cost reduction. It describes the true exponential value organizations must seek from the digital transformation efforts. For example, merely equipping customer representatives with digital tablets and devices and changing the process to a slight degree does not help the customer representatives to be more empathetic. Adding a CRM to the sales and marketing team for a streamlined operation without changing the products or services needed by the customers does not translate well to digital success.

Incremental changes in disconnected processes causes organizations to lose focus on providing a better solution for customer problems. The incremental approach zooms into business processes at a level where business and customer value are not clearly defined. Applying digital technologies at that level does not result in real transformation.

Digital innovation must be infused into processes where it must have an outside-in perspective, i.e., a clearly defined set of activities that add real value to the customer. Analysis of business processes would mean looking at the processes, not through a set of multiple stakeholders with as much detail as possible but, through the journey of the customer to identify opportunities for digital innovation and driving the change through reframed business processes.

While there are many innovations taking place in the broader context of Business Process Management (BPM), the core concepts most relevant for BA professionals are process analysis and design. There are three significant areas where traditional business process analysis and design approaches can be augmented to confront challenges of the digital world:

- Value creation for customers,
- Perspective on improving customer experience, and
- Emergence of platform business models.

Value Creation for Customers

Digital allows us to be more fluid in understanding customer needs and demands certain flexibility to address the problems and opportunities. The rigidity of a tightly governed process analysis and evaluation approach fails to adapt to the changing needs of customers at the same pace. Lean and Six Sigma bring flexibility through a continuous improvement approach, but essentially reach a steady state of processes and procedures, which are bound by pre-defined objectives. In digital, these objectives typically translate to customer value, which is not always related to the bottom line.

To understand this better, we take an example of a Canadian healthcare organisation providing home care. Nurses and Home Support personnel directly offer their services at the familiar surroundings of a patient's home. With an objective of cost reduction in scheduling and planning the nurses' visits, they started a centralised service centre. The cost saving was anticipated from better capacity planning of nurses and other personnel. Nurses will get allocated based on factors such as proximity to home and availability at the time of allocation. Despite the best of intentions, an approach of continuous improvement with a single objective of cost reduction may not be suitable in this particular example. The nurses familiar to the patients are knowledgeable of their habits and the individual patient care needs. The empathy shared between patients and nurses builds trust over time resulting in a better patient outcome. The value created for patients may offset the incremental cost savings of managing the schedules perfectly.

The techniques and approaches followed in analyzing processes such as DMAIC or PDCA are predicated on the assumption that only a single problem needs to be addressed, be it cost, cycle time, etc.

Approaches such as PDCA, DMAIC etc., are inherently unidimensional approach to process analysis where a part of the process is optimized for a single metric. Digital, in itself, is a whole ecosystem of values that need to be treated and analyzed in its entire context.

The other aspect that restricts the scope of value creation is the ad-hoc basis through which the existing processes are evaluated. The gap between "As-is" and "To-be" remains tethered to individual experience and judgment of analysts. Although there are data-driven approaches like Six Sigma, the entirety of insights gleaned from available data is seldom used.

The precision of established process analysis approaches along with the agility and customer focus of the digital way of thinking would truly enable customer value beyond the typical measures such as efficiency, cost reduction and volume to customer experience, engagement and process agility needed for digital transformation.

Perspective on Customer Experience

Traditionally process improvements have always been inclined towards a functional approach in designing, analyzing, and governing business processes within an organization. Business stakeholders have designed the processes that best suited the needs of internal stakeholders or business functions. The value provided to customers are usually a matter of scale and price arbitrage. The digital natives, i.e., the companies born to the digital era, start their journey with the customer in mind and with the right set of technologies to offer a better experience, products, and services.

According to a survey from Salesforce.com², 80 percent of consumers and business buyers alike say the experience a company provides is as significant as its products and services. With startups geared to provide the experience in every sense, larger and more established organizations are tied to processes that do not adapt well to the current ecosystem. A top-down focus is clearly needed to centre all the processes around customers to compete and preserve the customer base. Also, the perception that customer experience drives only the processes governing systems of engagement would be an incorrect assumption. Multiple processes and systems of records indirectly contribute to the customer experience in a substantial way. Designing the back-end processes to gain better efficiency or keeping the data quality at the highest level that can be consumed by customer-facing processes also reduces customer friction also improves the experience the organisation can provide. Automation of such transactional processes is a precursor in delivering a better experience, and a BA professional should not ignore the value provided by automating or simplifying transactional

processes. The challenge for BA professional here is to tie-in the processes aimed for efficiency gains and translate it to how it impacts customer experience while formulating the overall digital strategy. Larger organizations testing waters by deploying digital technologies in disparate areas of the value chain would be mistaken in their digital strategy. Each process that directly or indirectly influences customer experience has a lot to gain through reimagination.

An old, but very well-known example of a business decision by Zappos, a shoe and clothing retailer, is quite relevant to the context of outstanding customer experience. Zappos customer service representatives have no scripts, no phone tree, or limit on call-times. They are encouraged to go above and beyond to provide customer delight. In 2013, Zappos decided to just remove the role of traditional managers within their organization in a radical move to empower their employees to self-manage. In their own words, all Zappos customer service representatives have the authority to accept special-case returns, offer partial or full refunds in cases of loss of service, pay for damages, and “WOW” customers to provide solutions in any other manner they deem appropriate³. Imagine the sweeping changes to the HR processes and systems required to align to the new organizational structure Zappos adopted. BA professionals and process designers, not only, need to account for the changing processes, but they will also have to consider defining new processes that best serve the customers.

The balance has shifted from businesses deciding on what products or service to offer to customers being in control of their relationship with the companies. Reimagined business processes bolstered by digital technologies are the only recourse that organizations can take to provide the kind of experience expected in the digital age.

The Emergence of the Platform Business Models

In the IIBA paper 'Crossing the Chasm from Traditional to Digital', we introduced the concept of Business Domain Convergence - an effect of digital where organizations are developing new business models by utilizing their well-established digital platforms. We will go a little deeper into the concept where organizations are creating their vision around platform business models, not as an afterthought, but as a well-crafted business strategy.

The biggest and most valuable businesses today have platform-based business models compared to the large diversified companies of past years. Apple, Google, Amazon, and Microsoft are on the top of the pyramid by valuation. It is quite interesting that all four companies are technology giants with direct access to customers and the business ecosystems are built on their digital platforms. A host of business services are offered through the platforms that operate under the principle of MICE:

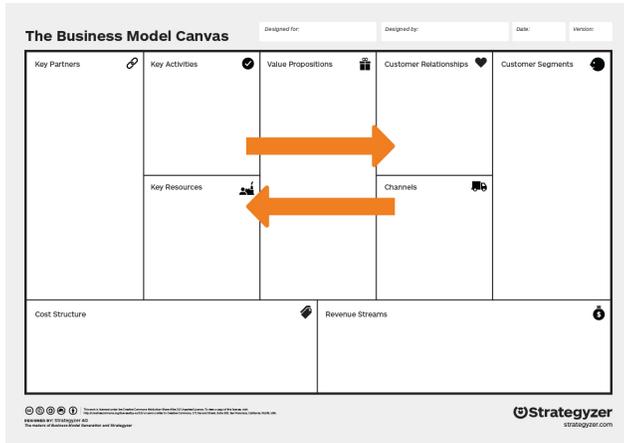
Matching the producers and suppliers by facilitating Interactions that provides speed, scale, and experience, and Complements organic and iterative growth for networked businesses through an Ecosystem that distributes value to different stakeholders.

A simple example is Apple's App Store, which matches app developers and consumers through a marketplace by creating a virtual pool of seemingly unlimited innovations and value propositions for consumers. It presents opportunities for dependent businesses (App owners) to grow and iteratively refine their apps and support the consumers and the producers through an innovative development ecosystem.

One might wonder how it is relevant to process analysis? The typical study of a linear business model where the value is derived through direct purchases of goods and services includes understanding the sequential nature of value chain and related processes. It can be further analyzed through a business model canvas that provides a summary picture of the organization. Then individual activities are optimized within each process so the value is transitioned in a cross-functional environment within workgroups and departments and, ultimately, transferred to the customers.

Process analysis for platforms, on the other hand, requires the analyst to think about the value exchange between multiple parties and capture value propositions within a network. The focus is on creating a perfect match that serves as a competitive advantage. Unlike the supply and demand sides of a business model canvas, which is an excellent fit for linear businesses, it may not be the best tool for capturing value exchange in a platform business. BA professionals trying to understand and reimagine business processes in the context of a platform should investigate using the right toolkit⁴ that adapts to the platform perspective better.

Another caveat for process analysts in thinking about the platform business model is that providing a digital technology platform does not make it a platform business model. While YouTube is an excellent example of the platform model, Netflix is still a linear model, which provides a digital platform to distribute relevant content. The key to analyzing and designing business processes characteristically requires thinking of ways to connect stakeholders to facilitate the exchange of value at a scale with unrivaled customer experience to drive engagement.



Linear Business Model Canvas



Platform Business Model Canvas⁴

The essential difference of process analysis and design between linear business model and platform business model is a matter of perspective. One focuses on reimagining processes that deliver products and services best suited to customers whereas the other focuses on reimagining the best way to deliver an internet of product and services.

Reimagination in Practice



Companies like Amazon, ING, Uber, and Apple have long understood that digital innovation requires a holistic focus. A focus that starts and ends with the customer's unmet needs, and the organization's processes that are impacted. Going fully digital through ING Direct, productizing the commute experience, or creating a marketplace through an App store are examples where it is fundamentally incorrect to discount these as only product or service innovations.

Take the example of Amazon's Dash Button. Launched in 2015, it is a simple easy to use wi-fi and Bluetooth enabled IoT device that lets consumers order items at a touch of a button. When the Dash Button was first introduced, there were many misgivings about this device; it has been dubbed as a new toy for affluent and tech-savvy consumers who are the overenthusiastic early adopters. However, the takeaway here is not the device itself; it is the innovation that went behind it. You must brainstorm the right type of products that would adopt such a device. In this case, it is the consumer-packaged goods, which require frequent replenishment.

Similarly, there was no price display with the device, which might originate from a strategic imperative that relies on the customer's instinct to impulse buy. The efficiency of the supply chain to deliver the items as soon as possible must be thought through, e.g., possibly linking it to two-hour or one-day delivery. Amazon would also need to influence companies like P&G to add Amazon's platform as a distribution channel. Multiple processes would have been reimaged to realize this concept with data insights and digital technologies supporting the change.

Although many design approaches can be followed, The authors of this paper have considered Design Thinking to emphasize the relevance of customer experience and creativity in process innovation. Design Thinking is a human-centered approach to innovation that blends customer emotions, the capabilities of digital technologies, and the right business outcomes. It crystallizes customer experience through prototyping and orchestration. It validates cross-functional activities to improve the customer experiences resulting in a robust process definition that is backed by evidence. To learn more about the Design Thinking principles and how it results in a deep understanding of real customers, please refer to IIBA whitepaper, "Empathize with Real Customer⁵."

To bring in structure and rigor to the process of reimagination, we propose three parts of analysis with six criteria to evaluate and assess the current processes that lead to the evolution of reimagined business processes. These parts and evaluation criteria are briefly explained for the readers to baseline their approach to process innovations.

Customer Analysis

It should not be a surprise that understanding your customers deeply is the most significant input one could provide as an input for process reimagination. The way we have been analyzing business processes is a bottoms-up approach. We take the portfolio of business processes already followed by an organization and elaborate it to the most granular level. Typically modelling the “As-is” processes and discovering the shortcomings by evaluating their efficiency and effectiveness. The flip side in this approach is that you would rarely see the value being created at this level of detail. The task of aligning the processes to an objective of the organization and customer needs becomes extremely difficult. The right way to conduct discovery is through a design thinking approach where BA professionals need to understand everything about their customers first and make it a top-down, need-based innovation. The design principle of empathy comes in handy in such an approach. You need to understand who your customers are first, their personas, and their experience journey with your organization to discover the unmet needs.

To understand who your customers are, you need to apply the six criteria together. For example, data and customer analytics are a vital element of persona discovery in understanding which segment they belong to, their buying behaviour, and their lifetime value to the organization.

Process Re-imagination in Practice



In fact, the entire process of persona discovery is data-driven. Likewise, a criterion, such as network, must be taken into consideration to understand your customer within the whole ecosystem. What are the products and services they are buying from other organizations? What are they talking about on social channels? Are they utilizing a platform to buy your products or services?

These lenses (criteria) need to be applied holistically to discover the right persona for your organization. Then design techniques, such as journey mapping, can be used to chalk out their experiences with your organization. The third aspect is discovering unmet needs where elicitations and interviews with the real customers come into the picture. The design principles like judgment-free ideation, quick prototyping, and collecting responses from the customer set the tone for needs discovery.

The six criteria for better understanding your customers – Context, People, Data, Technology, Network, Change – must be applied in understanding the customers.

Strategic Imperatives Analysis

For a successful reimagination of processes, agility of perspective is critical for gaining the whole picture. While understanding the customer needs is the starting point in assessing and reimagining processes, BA professionals need to keep in mind the organization's goals, objectives, and imperatives that might constrain or prioritize specific needs over others. The ability to switch between these perspectives, which is one of the defining characteristics of Design Thinking and Agile philosophies, is a must-have competency for BA professionals engaged in digital opportunities. BA professionals need to uncover these imperatives to assess whether the processes provide the right business outcome while maximizing the customer value. In the example of Amazon Dash, facilitating impulse buys by customers is a strategic imperative.

IIBA has published a whitepaper, "Understanding Strategic Imperatives⁶" explaining strategic imperatives in detail. The first step in analyzing the strategic imperative is fundamentally understanding the business model of the organization, the environment it operates in, and knowing the trends of the industry through environmental scanning and trend analysis. The next step would require BA professionals to reframe the value chain by challenging the long-held industry assumptions that digital is transforming. The way to achieve this may come from different value sources and economic drivers affected through digital⁷.

The value sources can be in the form of simplifying demand by unbundling, personalizing, and providing uninterrupted access, through matching the suppliers and consumers through the platform, constraining supply through digital channels, removing intermediaries, or integrating physical and digital. These are just a few ways organizations are utilizing digital to deliver new value streams. A careful consideration of all fundamental criteria

(context, people, data et al.) should again be considered in understanding strategies and objectives organizations might adopt. The third step in analyzing strategic imperatives is to prioritize these against customer needs discovered through customer analysis.

Operational Processes and Systems Analysis

The last part of reimagination is evaluating existing processes for efficiency and effectiveness. The starting point requires BA professionals to understand the win themes of the existing processes – e.g., is logistics working flawlessly, do we have the latest technologies, and are the products and services well designed? The current strengths of the organization can be the difference that separates established businesses versus the new entrants who heavily rely on digital. An insurer with 20 years of underwriting data, given the right digital toolset, can provide far better risk classification than a digital entrant. The change would be the way we formulate the insights from the data by utilizing newer methodologies provided by digital.

After understanding the current strengths, an organization would need to define the future capabilities of their business operations based on a reframed value chain, which addresses customer needs and imperatives. The fundamental difference here is that the future capabilities are uncoupled from the current business processes. The BA professional needs to start with a blank slate and utilize the current strengths rather than take an iterative improvement approach.

The BA professional will have to include newer measures for comparisons to fulfill the customer needs. The metric for optimization would have to account for experience and engagement in addition to volume and cycle time.

For example, with Rocket Mortgage, you can refinance your existing mortgage on your mobile phone without even having to visit any financial institution, wait hours for your credit check to happen, or wait for paperwork to be completed. For every uptick in experience points, your processes would require an overhaul.

The central idea of process reimagination requires BA professionals to embrace different criteria or lenses⁸ through which business processes are evaluated and innovated. The six criteria are briefly explained here:

1 Process Context Understand different scenarios within which processes will be utilized	2 People Understand the needs and skill set of people who will execute the processes	3 Data Capitalize on existing data and future data that will be generated by processes and be evidence-driven
4 Technology Understand the technology capabilities required to provide customer value and experience	5 Network Effect Articulate and manage the dependencies and impact processes generate within the ecosystem	6 Change Understand the change that new process and practices will introduce

Conclusion and Takeaways



Over the years, the focus of business processes analysis, modelling, and governance had a strong inclination towards internal operations characterized by sound identification, analysis, and solving of process problems related to waste, variation, or cost. Therefore, methods such as Lean Management, Six Sigma, or workflow management have emerged. However, digital disruption has prompted practitioners to not only focus on automation but, also, enable entirely new business processes, which means that the current practices are no longer enough. There is a stark need to utilize an outside-in perspective into the business operations and processes with customer and strategic imperatives in mind.

In the last section, we discussed the ways BA professionals can approach business process reimagination. A summary view for process reimagination in a digital context is provided below as a quick reference.

In conclusion, this paper attempts to sensitize BA professionals to the need of reimagining business processes in the changing industry environment due to the onset of digital and provides a firm-footing on how to apply the best practices in a real-life setting.

Elements of Analysis	Steps	Guiding Principle
CUSTOMER To understand who exactly your customers are and what are the unmet needs	1. Identifying the right personas 2. Evaluating customer experience 3. Defining unmet needs	Follow a top-down approach such as design thinking approach to improve customer value assessed against process context, people, data, technology, network effect, and change
STRATEGIC IMPERATIVE To discover and analyze the organization's goals, objectives, and imperatives that might constrain or prioritize specific needs over others	1. Understanding the business model 2. Analyzing value chain 3. Prioritizing imperatives	Understand the value sources of the organization and how digital can tie in the value sources to customer needs. Apply all six evaluation criteria to measure new value propositions
OPERATIONAL PROCESSES AND SYSTEMS To redefine business operations and processes aligned to customer value and strategic imperatives	1. Understanding the strengths of current processes 2. Define future capabilities based on customer needs and strategic imperatives 3. Redesign processes with different success factors	Define the reimagined processes by discovering future capabilities required to satisfy customer needs and imperatives with holistic success factors - e.g., customer value, experience, engagement, process agility, etc.

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Ashish is a recognized thought-leader in the business analysis profession with over 23 years of experience and has worked with clients globally to establish highly effective Business Analysis and IT Consulting disciplines, enabling the delivery of solutions to business and technical problems.

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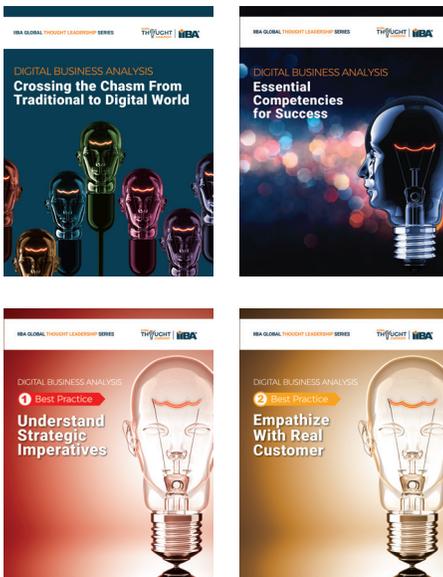
- ¹ IIBA®: [Digital Business Analysis: Crossing the Chasm from Traditional to Digital World](#) – Ashish Mehta, CBAP, Managing Director – India, APAC and [Global Thought Leader](#), IIBA
- ² [Salesforce.com](#)
- ³ [Zappos.com](#)
- ⁴ [Platforminnovationkit.com](#)
- ⁵ IIBA®: [Digital Business Analysis: Empathize with Real Customer](#), Kupe Kupersmith, CBAP, Founder, KupeTalks, and Global Thought Leader, IIBA
- ⁶ IIBA®: [Digital Business Analysis: Understanding Strategic Imperatives](#), Ken Fulmer, President, and CEO, IIBA
- ⁷ McKinsey: <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/the-economic-essentials-of-digital-strategy>
- ⁸ Digital-bpm.com: <http://digital-bpm.com/research-method/>

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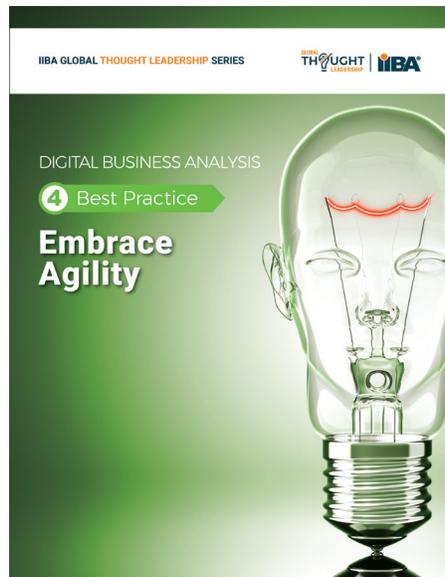
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