



BPM 2012 SUMMIT



Business Process -- Over rated and over stated

**Dr James A Robertson PrEng – The ERP Doctor
James A Robertson and Associates**



BPM: Evolved



A word of caution

This presentation may seem rather strange

In fact, you might think that I have got things upside down 😊

Please think laterally because, just maybe, I am seeing something different AND valuable 😊



ERP / IT / BPM versus bridges



Engineers do NOT design bridges to stand up



Engineers design bridges NOT to fall down



Strategy

- Doing the right things



Professor Malcolm McDonald

Tactics

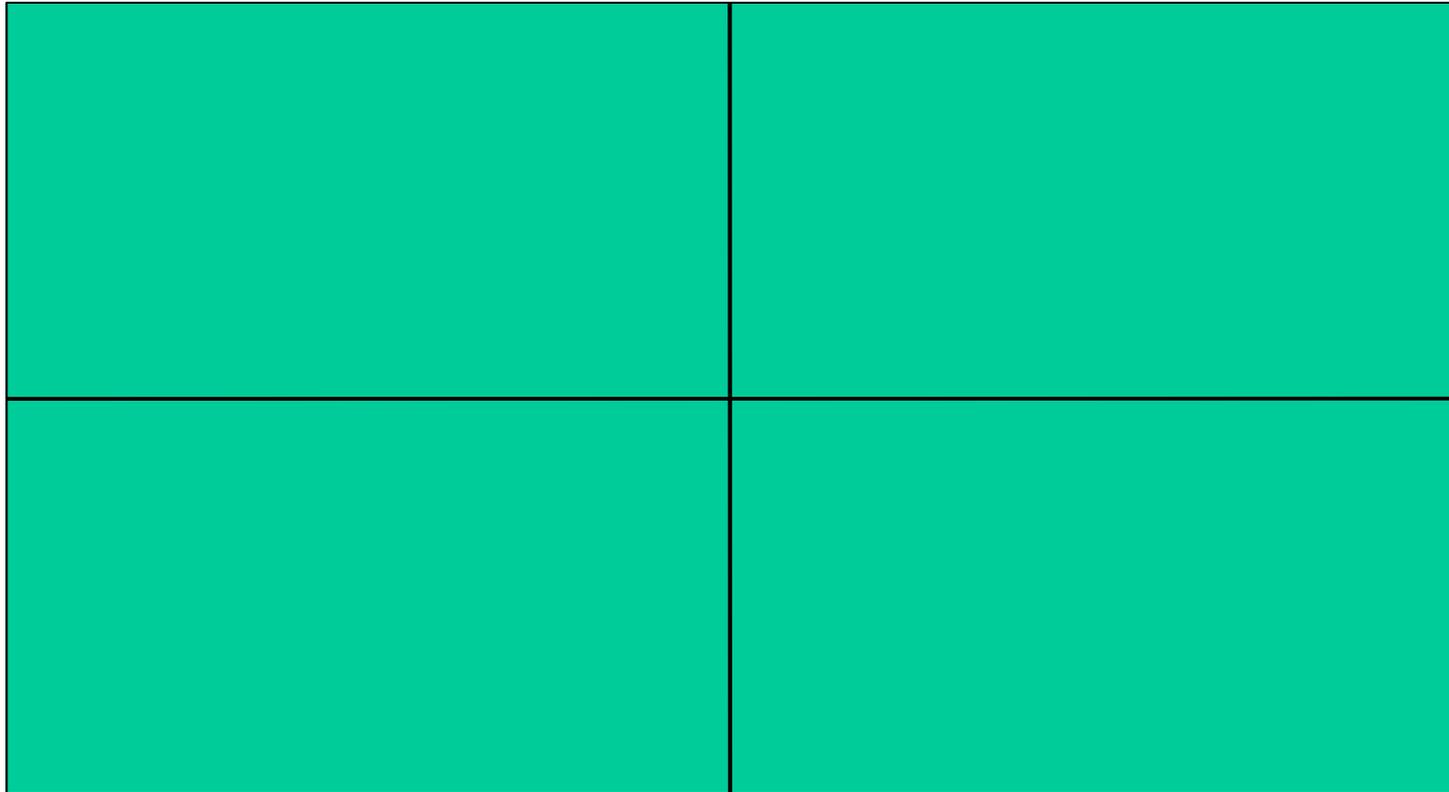
- Doing things right



Professor Malcolm McDonald

Strategy versus tactics

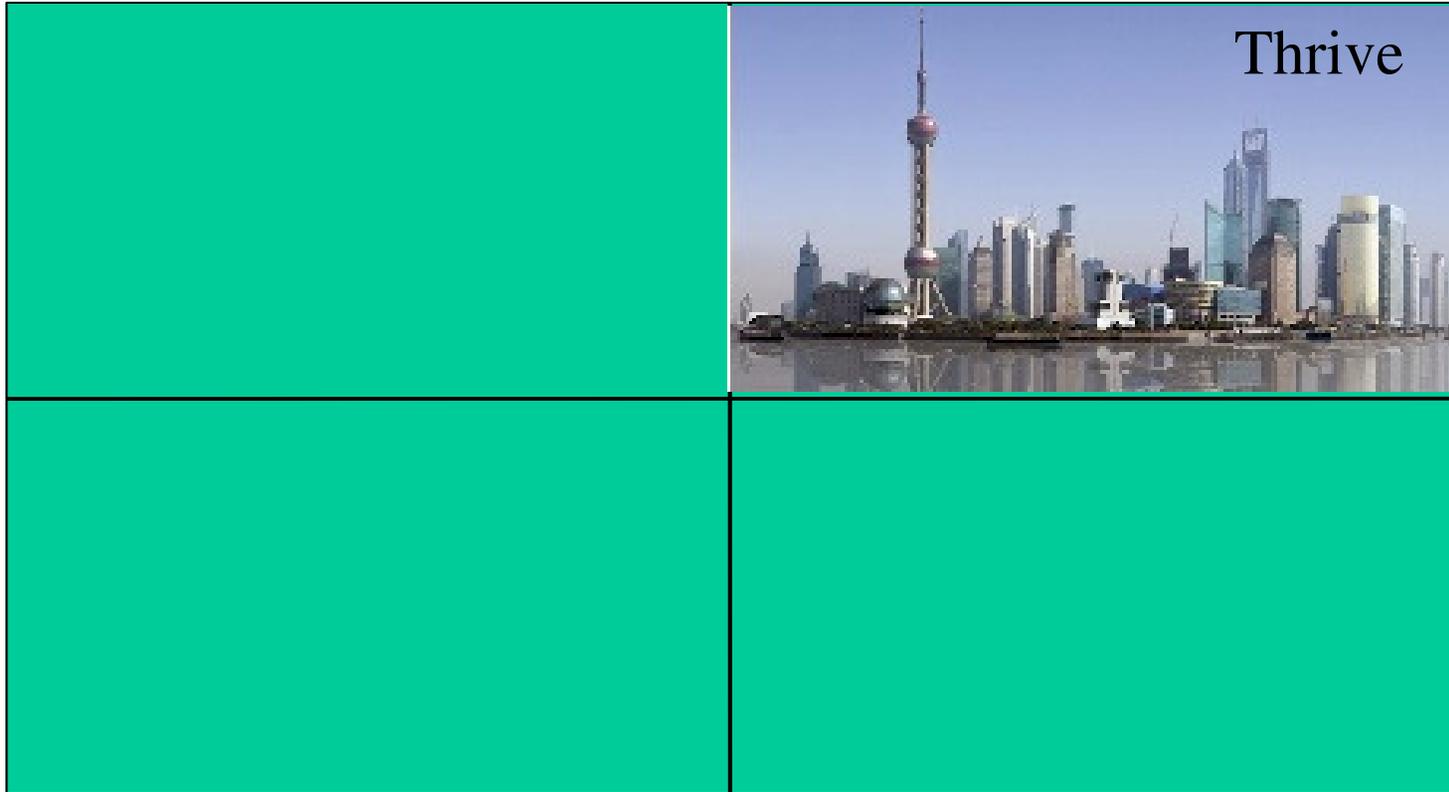
Tactics – Doing things right →



Strategy – Doing the right things →

Strategy versus tactics

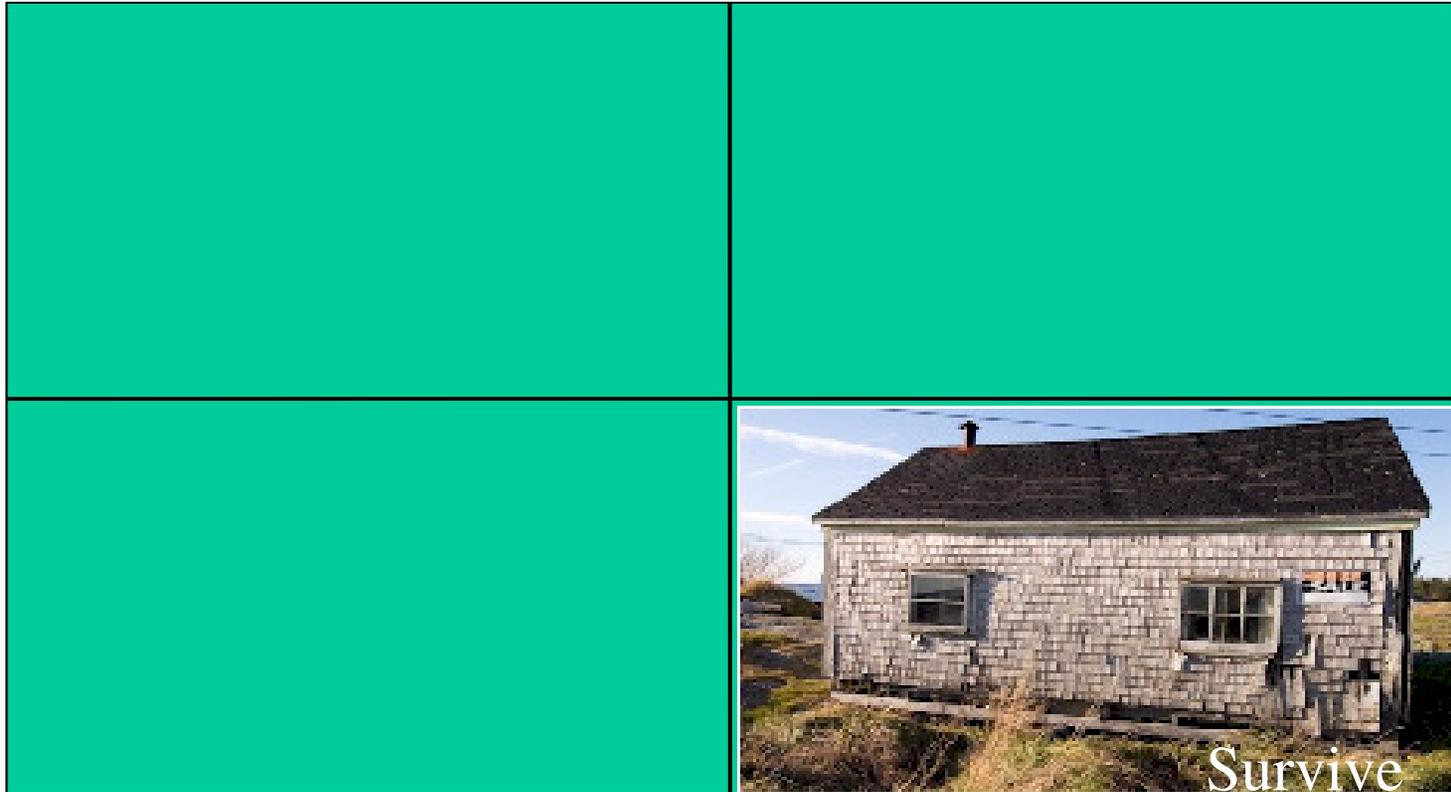
Tactics – Doing things right →



Strategy – Doing the right things →

Strategy versus tactics

Tactics – Doing things right →



Strategy – Doing the right things →

Strategy versus tactics

Tactics – Doing things right →



Strategy – Doing the right things →

Strategy versus tactics

Tactics – Doing things right →



Strategy – Doing the right things →

Strategy versus tactics

Tactics – Doing things right →



Strategy – Doing the right things →



What is strategy?

- The essence of why an organization exists and how it thrives



The “Strategic Process”

- Receive report of a problem
- Ask for information
- Make some phone calls
- Discuss with some colleagues
- Or whatever ...

or

- Find a nice conference venue
- Go away and talk
- Write a report
- Or whatever ...

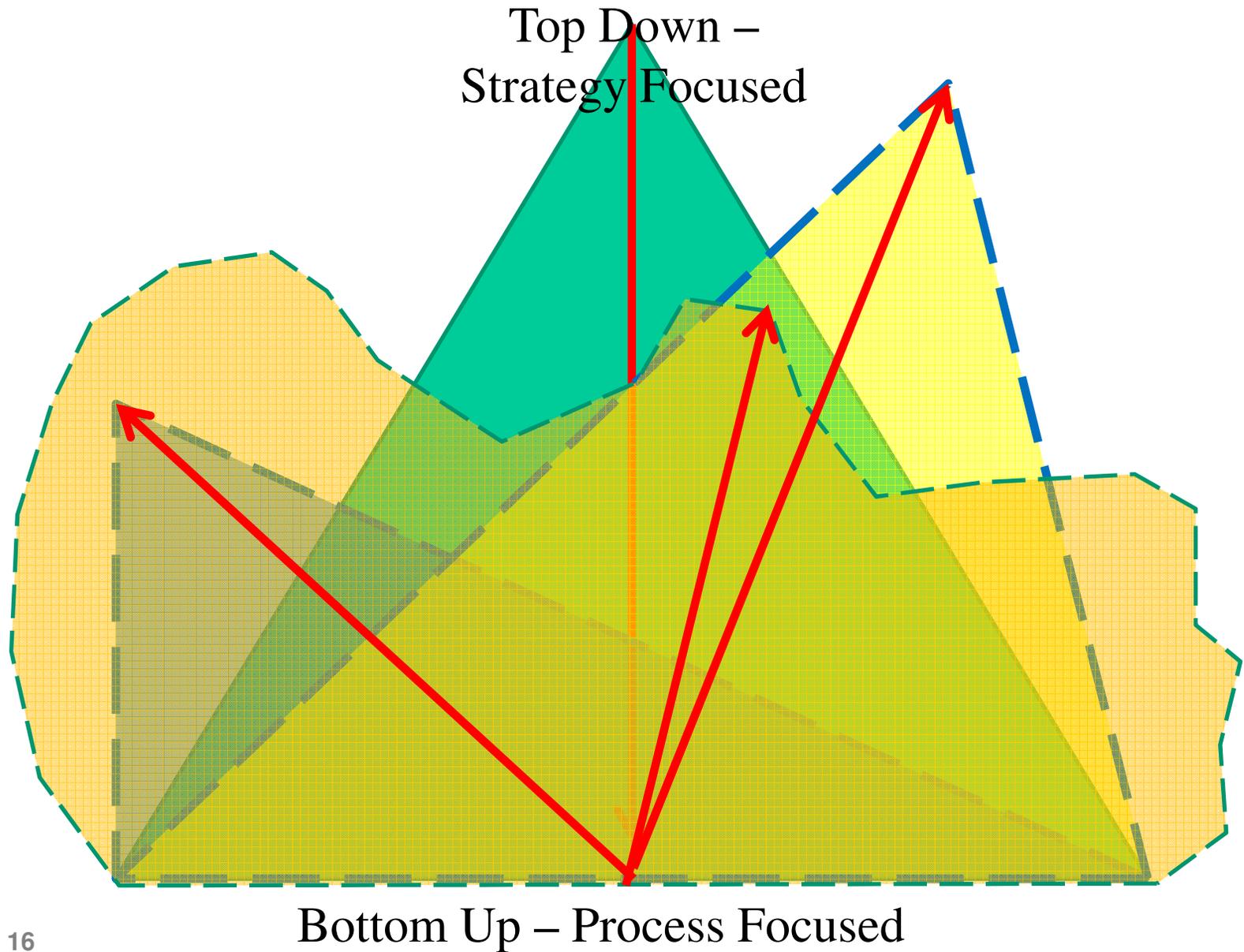
Critical strategic thinking
leading to high value
decisions

Operational workflow = process
leading to operational efficiencies

Like silver bullets the “Strategic Process”
does NOT exist

Process is fundamentally OPERATIONAL

Top down versus bottom up design



To avoid misunderstanding → let me stress that I REALLY believe ERP can and should add great value to business



BUT -- Failures are increasing
The threat and therefore the opportunity is huge

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Exclusive

Labour's computer blunders cost £26bn

Ministers blamed for 'stupendous incompetence' after taxpayers left with projects

By Michael Savage, Political Correspondent

Tuesday, 19 January 2010



ERP -- an industry in crisis



“19 out of 20 ERP (integrated business information system) implementations do NOT deliver what was promised” – based on a survey of executives

An industry characterized by failure



"Attendees of Gartner's Business Intelligence Summit in London last month were not surprised to hear that most enterprises are still failing to use business intelligence (BI) strategically. Gartner's survey of over 1300 CIOs returned some unimpressive findings about the state of BI implementations: Gartner's vice: president of research summed up the situation nicely by saying:

"Most organisations are not making better decisions than they did five years ago"

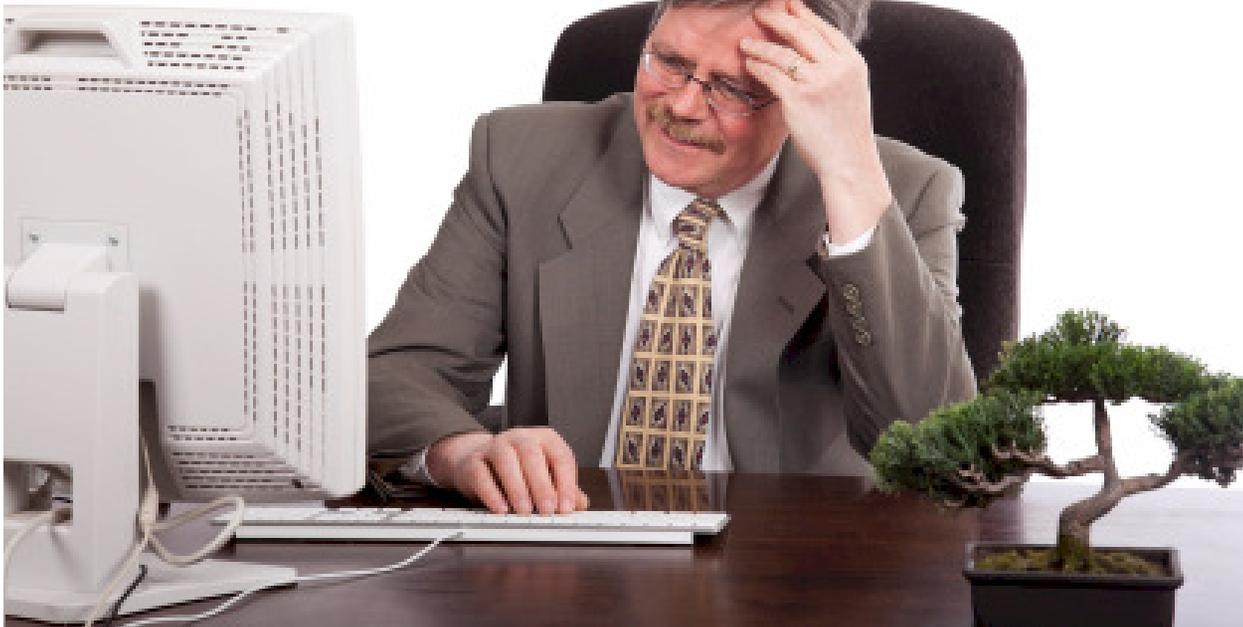
BUSINESS INTELLIGENCE

Article published in Computer Business Review Africa.

One of the classic business problems of this age



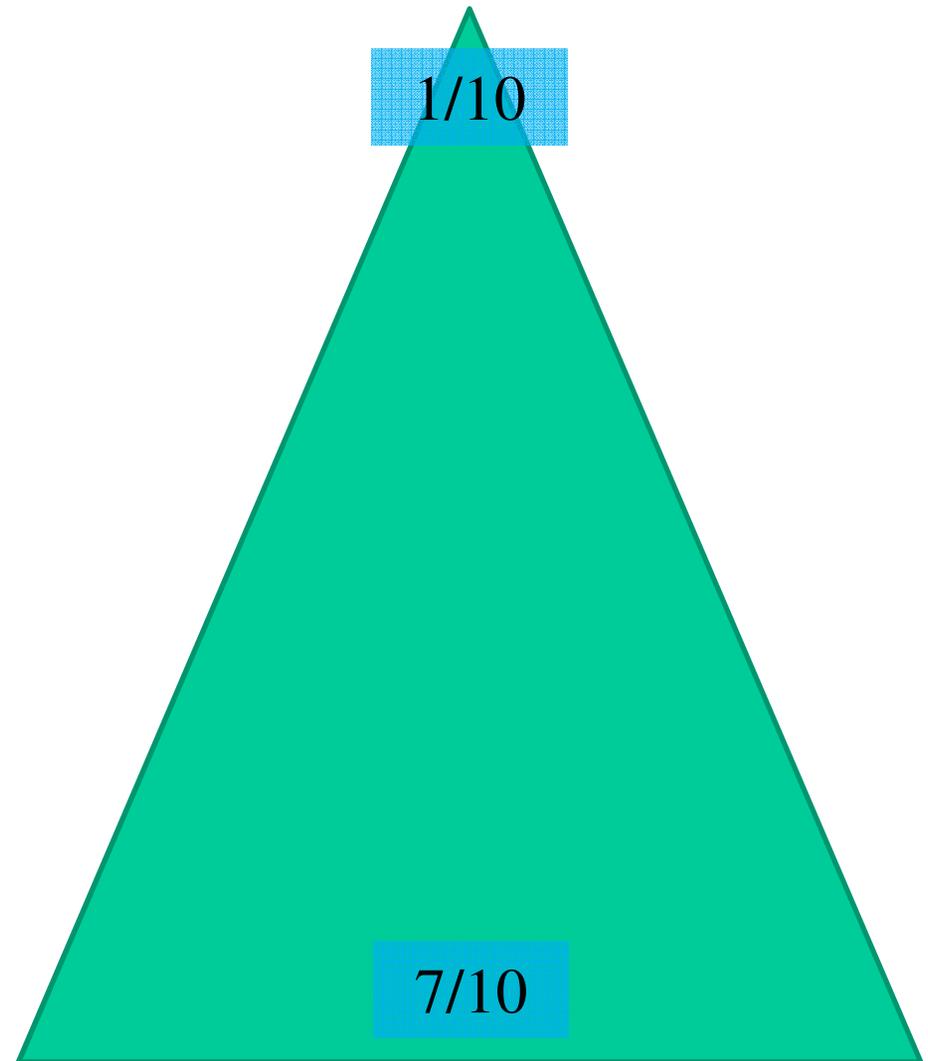
We have spent a FORTUNE on this computer system and IT tell me it will take two years and another few million to get what I want BUT the transactions are being processed already



So – what are we left with?

- CEO of very big listed corporation in Johannesburg
- With very big installation
- Of very big brand ERP
- Used in advertising
- “At the executive level I would rate my systems at 1/10”
- “At the operational level I would rate my systems at 7/10”

BUT even that is being done with smoke and mirrors!



Defining terms – Business Process



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Business process

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A **business process** or **business method** is a collection of related, structured activities or [tasks](#) that produce a specific service or product (serve a particular goal) for a particular customer or customers. It often can be visualized with a [flowchart](#) as a sequence of activities with interleaving decision points or with a Process Matrix as a sequence of activities with relevance rules based on the data in the process.

*“A business process or business method is a collection of related, structured activities or tasks that produce a specific service or product (serve a particular goal) for a particular customer or customers. It often can be visualized with a **flowchart as a sequence of activities** with interleaving decision points or with a Process Matrix as a sequence of activities with relevance rules based on the data in the process.”*

i.e. WORKFLOW!!!

Pulse measurement

- A concise diagnostic investigation into why an ERP or other IT investment is NOT delivering what was promised
- Prescription of what is required to solve the problems
- Been doing them since 1990 – dozens and dozens

Process obsession is increasingly manifesting as a MAJOR cause of failures and sub-optimal outcomes

In fact business process is close to irrelevant when it comes to designing HIGH VALUE ERP solutions



This is NOT in a Text Book

- Engineering
- Zoology
- Document cataloguing
- Military combat planning
- Methods of structured software design
- Strategic planning techniques
- etc
- Dozens of pulse measurements – what does NOT work and what does
- Cataloguing and analysing findings
- Trial and error
- Never did process BUT produced excellent results
- Then a client told me I was incompetent because I did not do process 😊
- Proven conclusively process close to irrelevant for ERP implementation



Process is at BEST an output

Motivating quotes



- “James you produce exceptional high value outcomes in ridiculously short time frames at ridiculously low cost”
- “James you transformed what would have been a pedestrian, poorly thought out system, into an ERP that is already functional and will ultimately transform our analytics and IT offensive capabilities” -- Robert Priebatsch, Robert Priebatsch, Chief Executive, African Sales Company
- “James you have provided some key pieces of my jigsaw puzzle, now I understand why Business Systems Implementations are failing”
- All sorts of opposition

In fact ...
Some very contradictory
feedback 😊

Some process obsession examples



- Big brand ERP implementation completely stalled
 - Project stalled
 - Took over leadership and brought to completion in five months
 - Thick file of Business Process diagrams = flow charts
 - Put on the shelf to gather dust
 - CEO of implementer could not tell me how the process diagrams contributed to the final outcome

i.e. process a complete waste of time and money!

Some process obsession examples



- Big brand ERP, client insisted on process but consultant could NOT find out what the process was
 - Creditors process
 - Two creditors clerks, two completely different process descriptions
 - Two weeks later neither agreed with what they said before

i.e. process a complete waste of time and money and caused confusion!

Some process obsession examples



- Big brand ERP, big brand implementer
 - Project stalled and restarted
 - Running for three years and NO DELIVERABLE
 - Thick files of process documentation
 - Swimlanes, user stories, flow charts
 - You name it they had it
 - Except a deliverable

i.e. process a complete waste of time and money
and caused massive delays!

The brutal truth

- Real processes are much more diverse and more complex than most people realize
 - probably at least seven creditors processes
- Processes are seldom if ever defined in most businesses
- We hack it with the way the people we hire do it
- Process is only relevant IF all the rest of the business is highly optimized
- Process is a DESIGN OUTPUT NOT an input
- There is NO SUCH THING as the Strategic process

→ Provide quality information on which to base quality decisions – one really good strategic decision could repay the entire investment!

→ One really BAD decision can destroy the business

- Strategic – the essence of the business and how it **THRIVES**
- Business function – the **WHAT** we **DO** – eg Creditors Function – high level, broad concept – **NOT** a process
- Discovery – gain understanding

Then
Precision Configuration

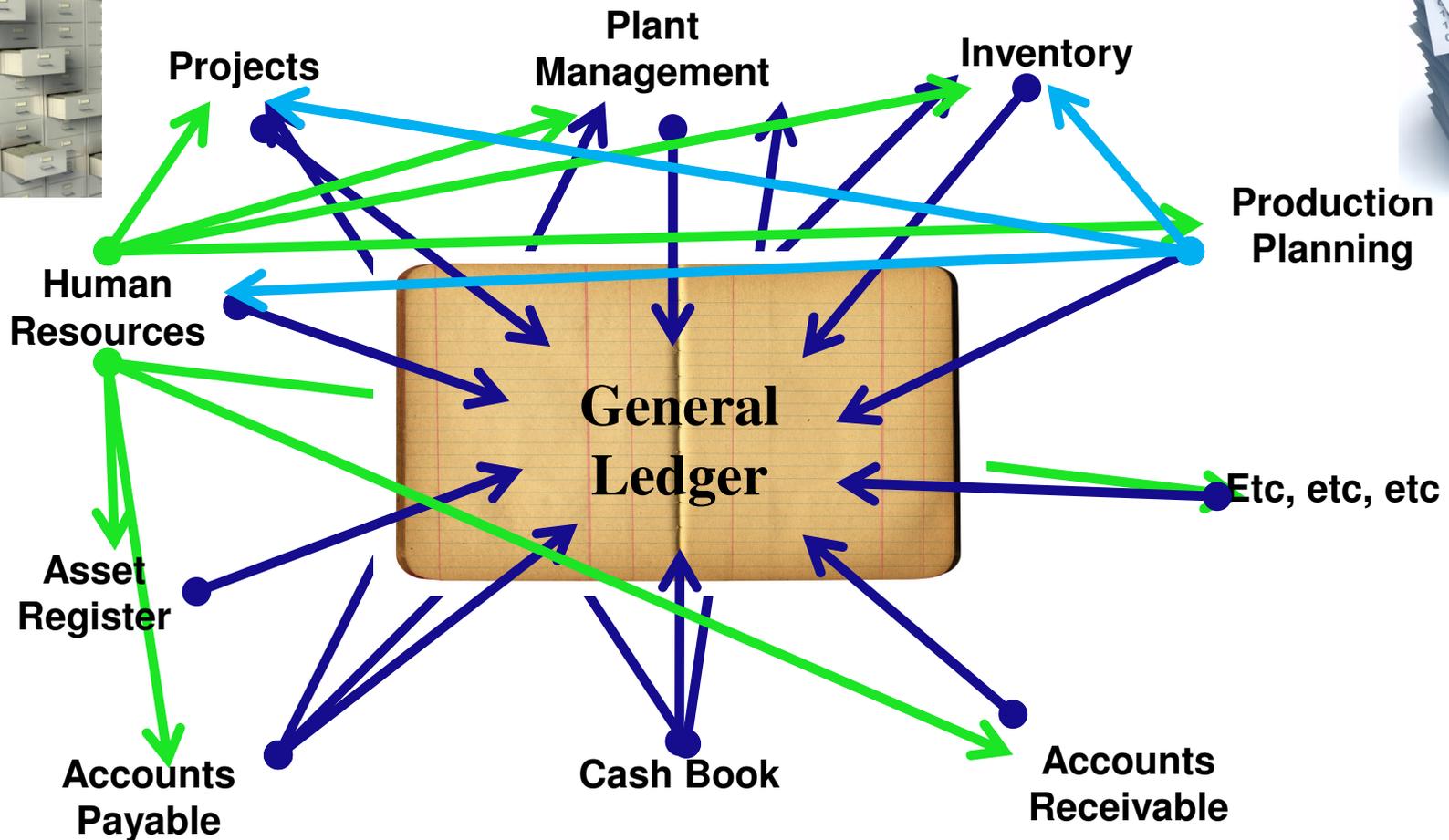
Define: Precision Configuration



- Configuring the ERP so that it PRECISELY models the real world
- The goal is that any executive, manager, supervisor or operator can look at the configuration and say “YES, this IS my business”
- Founded on master data taxonomies – structured semantic content
- Coupled to custom business specific attributes
- Supplemented by highly structured record level configuration
- Supporting small pieces of clever custom development that add huge value and create huge strategic and operational opportunities

An ERP is a huge precision
data processing factory
Feed it precision data

Integrated system a few examples of lines of integration -- (look-up and posting)

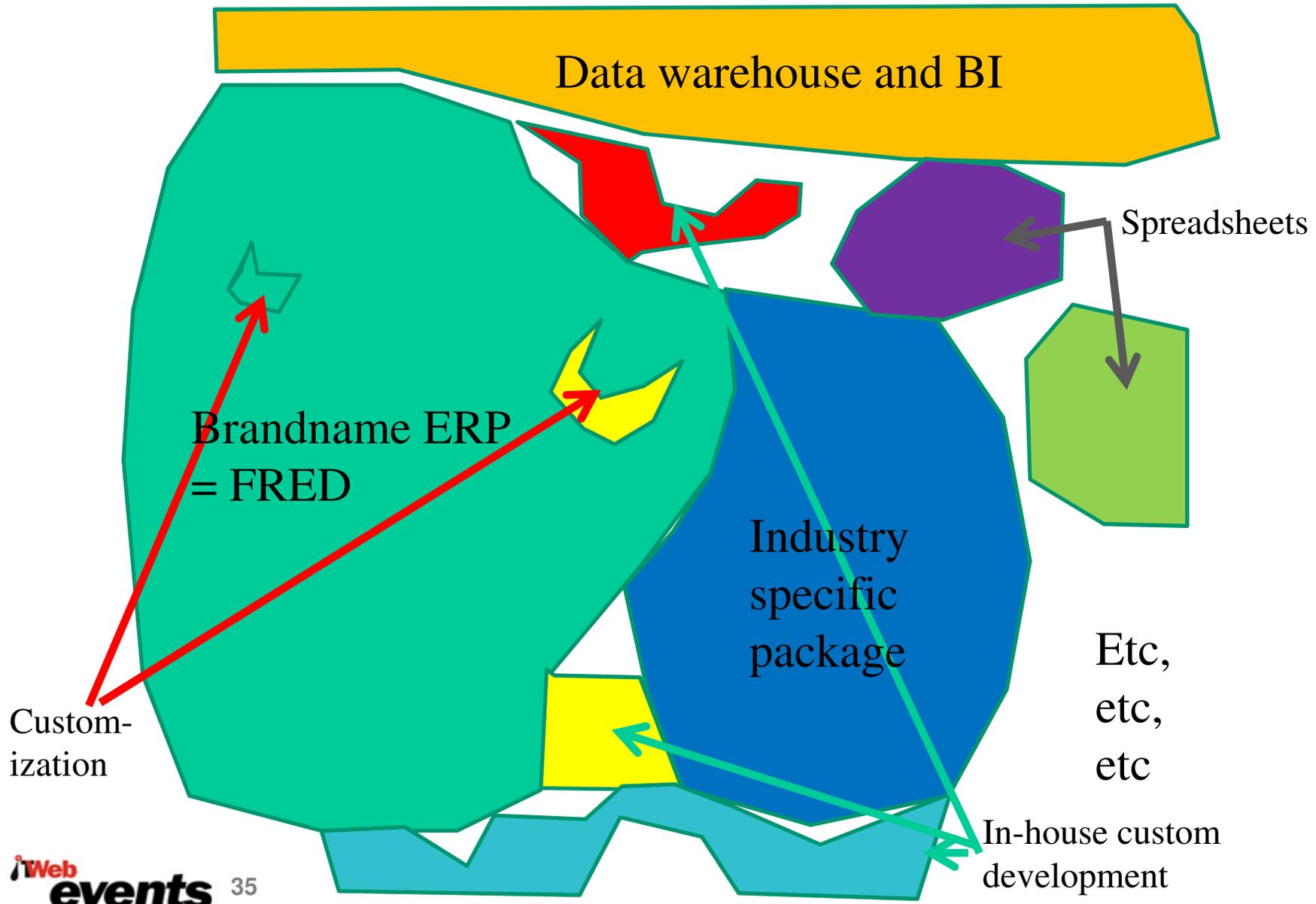


- But there really is NO SUCH THING as an ERP system (Enterprise Resource Planning)
- Many organizations do their resource planning in industry specific software, frequently NOT from the ERP vendor
- And configure badly = “sloppy configuration”
- And therefore are unable to integrate properly
- So HAVE to customize to compensate
- And still need spreadsheets – Excel is the most widely used software development tool in the world because we LIE about it
- Data warehouses are a necessity NOT a luxury, you SHOULD have one

So what do we have?

IBIS = ERP Plus

IBIS – what every company REALLY has ☺



Jumbled data – BUT we live in a world of precision

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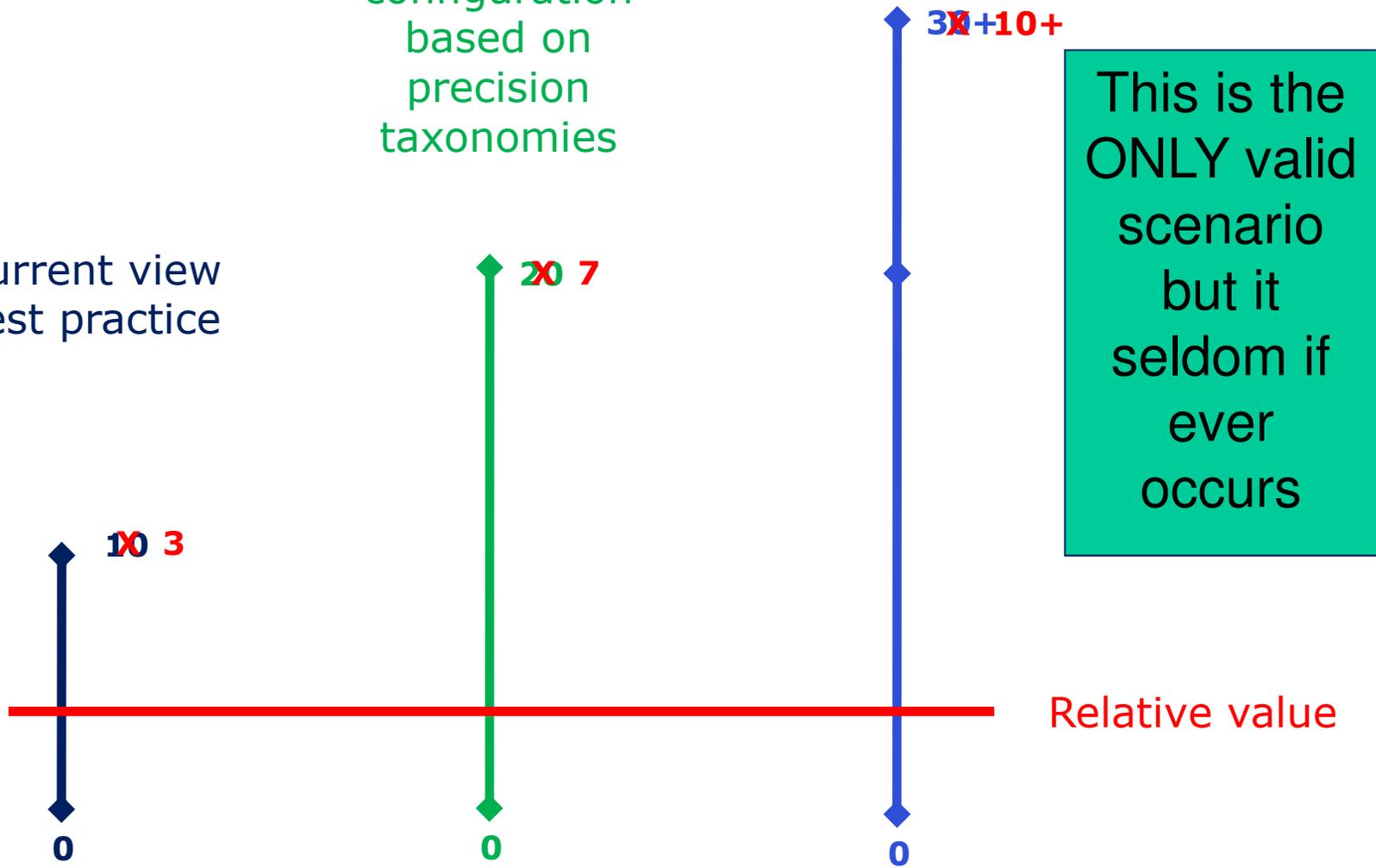


Three alternative ERP value scenarios

1. Current view of best practice

2. Precision configuration based on precision taxonomies

3. Strategic customization



- ERP
 - Masses of high value management information
 - Audit reduced from six months to six weeks
 - No audit qualifications for first time in fifteen years
 - One less bookkeeper
- Risk Management Information System
 - Masses of high value management information
 - Data captured with four clerks instead of twelve (66.67% saving)
 - 90% of data captured instead of 10% (900% improvement)

Precision configuration
delivers HUGE payback

Taxonomy Defined



Credit note reason codes -- original

Reason Codes	
Reason	Description
01	Incorrect Price
02	Damaged Goods
03	Incorrectly Supplied

Strategically aligned credit note reason codes

ReasonCode	Description
C.	ORDER CANCELLED
CC	Order Cancelled Credit Control
CS	Order Cancelled by Consumer
CT	Order Cancelled by Customer
D.	DAMAGED OR DEFECTIVE
DF	Defective Product
DM	Damaged Product
DP	Damaged Packaging
DT	Consumer Complaint
P.	PRICE ERRORS OR DISCONTINUED
PD	Discontinued
PI	Incorrect Price
S.	SUPPLY ISSUES
SD	Order Duplication
SF	Customer Non-Franchise Holder
SI	Incorrectly Supplied
SK	Overstock
SL	Late Delivery
SO	Oversupplied
SV	Not in Customer Inventory Master
T.	USED AS TESTER
TT	Used as Tester
Z.	OTHER
ZN	Not Known
ZO	Other

Taxonomy Defined



- Logical word (semantic structure)
- Precision vocabulary of preferred terms
- Conveys understanding between humans with relevant knowledge and experience
- Once linked to a precision code scheme the most important communication mechanism between computers and people
- An art and a science
- Once it is right it is OBVIOUS 😊

ReasonCode	Description
C.	ORDER CANCELLED
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Taxonomy relevance

- Essential to effective operational and strategic use of business software
- Nearly ALL validation lists (drop down lists), chart of accounts, etc
- Large body of expertise – Botany, Zoology, military filing, Library Science, Information Management, etc
- Unknown to many (most?) IT professionals and business people



10	1	.	.	.	.	.	INCOME
555	3	.	.	.	.	.	EXPENSES
556	3	0	.	.	.	.	PURCH INGRP CONS CONTRA Cr
570	3	1	.	.	.	.	C OF SALES(CORE CoSl)
575	3	1	2	.	.	.	FINISHED PRODUCT MVMNT(FPMv)
763	3	1	3	.	.	.	RAW MAT CoS &Stk Mvt (RMCS)
921	3	1	4	.	.	.	PACKAGING COSTS (PckC)
950	3	1	5	.	.	.	DISC & REBATES REC (D&RR)
954	3	1	6	.	.	.	DIRECT LABR CoS (DLCS)
955	3	1	6	-	1	.	SALARIES
974	3	1	6	-	4	.	WAGES
975	3	1	6	-	4	1	Basic Wages
976	3	1	6	-	4	2	Company Contribution
977	3	1	6	-	4	2	1 Medical Co Contribution
978	3	1	6	-	4	2	5 Provident Co Contribn
979	3	1	6	-	4	2	8 UIF Company Contribution
980	3	1	6	-	4	2	9 Other Company Contribn
981	3	1	6	-	4	3	Overtime &Oth Spc Remn
982	3	1	6	-	4	4	Inctv Comm & Bonuses
983	3	1	6	-	4	5	Allowances
984	3	1	6	-	4	5	1 Nightwork
985	3	1	6	-	4	5	5 Overnight
986	3	1	6	-	4	5	9 Other Allowances
987	3	1	6	-	4	6	Reimbursements
988	3	1	6	-	4	7	Exceptional Payments
989	3	1	6	-	4	8	Provisions
990	3	1	6	-	5	.	CONTRACT / CASUALS
999	3	1	6	-	6	.	OTH PERS RELATED COSTS
1005	3	1	6	-	7	.	PLACEMENT FEES
1007	3	1	6	-	8	.	RETRENCHMENT COSTS
1009	3	1	6	-	9	.	OTH STF REL CST (CORE)
1012	3	1	7	.	.	.	...

Extremely weak Chart of Accounts



- 500528 Waste Material Consumed
- 500530 Loss from valuation of external materials
- 500540 Loss from valuation of own materials
- 500550 Losses - inventory variance -consignment sale
- 500560 Safety Clothing
- 500565 Safety Equipment
- 500570 Sand & Stone
- 500575 Scraper Rope
- 500580 Scrapers
- 500585 Services
- 500590 Signs
- 500595 \$ Capital item
- 500600 Finished Goods Inventory Offset
- 500605 \$ Capital item or cost
- 500610 Production Order Settlement - Variance
- 500615 Steel Other
- 500620 Steel Sections
- 500625 Steel Sheets & Plates

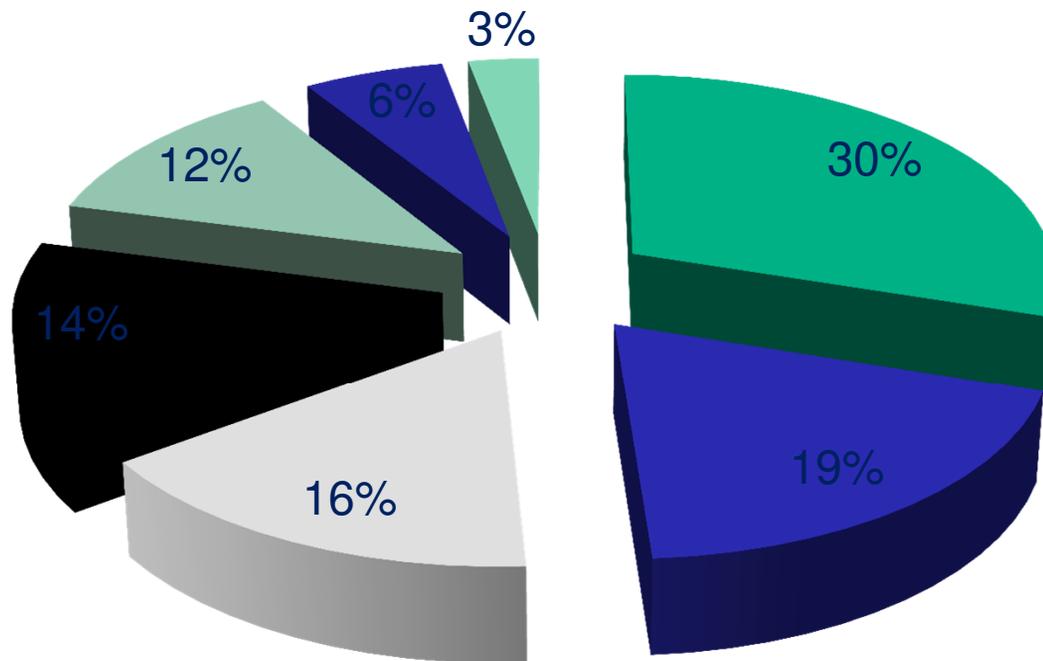
A shocking “best practice” Chart of Accounts



COST OF SALES	
MATERIAL EXPENSE	500000 - 509999
500000	Raw Materials - consumed
500001	Raw Material - Wastage
500002	Raw Material – Wastage 2
500005	Raw Materials - Cost of Goods Sold
500010	Raw Materials - scrapped
500015	Raw material 2 consumption
500020	Finished Goods - consumed
500025	Finished Goods - Cost of Goods Sold
500030	Finished Goods - scrapped
500035	Inv. change - sale of own goods w/o cost element
500040	Packing Materials - consumed
500045	Packing Materials - Cost of Goods Sold
500050	Packing Materials - scrapped
500060	Inventory change-cost of goods sold w/o cost elem.
500080	Spare Parts - consumed
500085	Spare Parts - Cost of Goods Sold
500090	Spare Parts - Scrapped
500100	Component Material - Consumed

Factors causing ERP failure -- Based on 22 years of experience conducting Pulse Measurements

Includes process obsession



1. Mythology, hype & tradition -- 30%
2. Lack of executive custody, governance, policies -- 19%
3. Lack of strategic architecture, alignment, etc -- 16%
4. Lack of Precision Configuration -- 14%
5. Soft issues and change impacts -- 12%
6. Lack of an engineering approach -- 6%
7. Technology issues -- 3%

Coding taxonomies



- Computers only understand binary
- The code is a unique binary pattern that corresponds to the structured English taxonomy
- The only way the computer will appear to be intelligent
- Results in “intelligent data”
- Standard conventions
 - Indents and trailing periods
 - Capitalization
 - Other standards and conventions

10	1	INCOME
555	3	EXPENSES
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570	3	1	C OF SALES (CORE CoS1)
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950	3	1	5	DISC & REBATES REC (D&RR)
954	3	1	6	DIRECT LABR CoS (DLCS)
1013	3	1	7	MANUF OVERHEAD (MnOH)
1109	3	1	9	.	.	.	.	OTH CST OF SLS (OCoS)
1165	3	5	.	.	.	.	.	CORE SUPT OP EXP (CSOE)
1413	3	8	.	.	.	.	.	SLL MKT DIST EXP (SMDE)
1716	4	1	.	.	.	.	.	ADMINISTRATIVE EXPENSE (AdEx)
1966	4	5	.	.	.	.	.	OTHER OP EXP (OOpE)
1970	4	8	.	.	.	.	.	DEPN & AMORTIZN (D&Am)
2000	5	1	.	.	.	.	.	INT PEN FOREX (InPF)
2013	5	3	.	.	.	.	.	TAXATION (Taxn)
2022	5	7	.	.	.	.	.	NON-CTRL INT (MINORITS) (NCIM)
2025	6	.	.	.	.	.	.	ASSETS (Asst)
2204	7	.	.	.	.	.	.	LIABILITIES (Liab)
2380	9	.	.	.	.	.	.	CAPITAL&RESERVES (Cp&R)
2415	9	z	z	z	z	z	z	END CHART OF ACCOUNTS

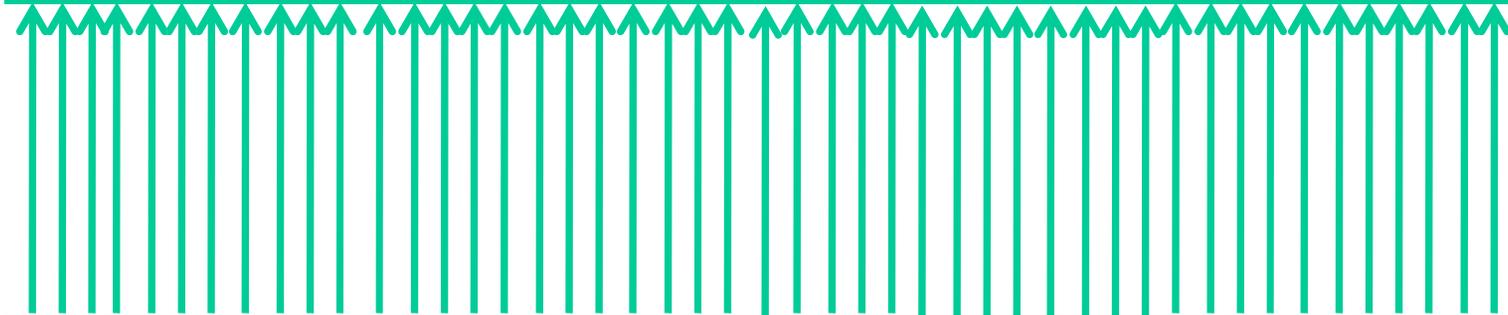
Business Intelligence
the ideal

**Better
DECISIONS**



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Business intelligence solutions



ERP



**Precision fundamental strategic taxonomy
The foundation of decision support**



The business

Business Intelligence
current reality

Throwing
Money away



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Business intelligence solutions

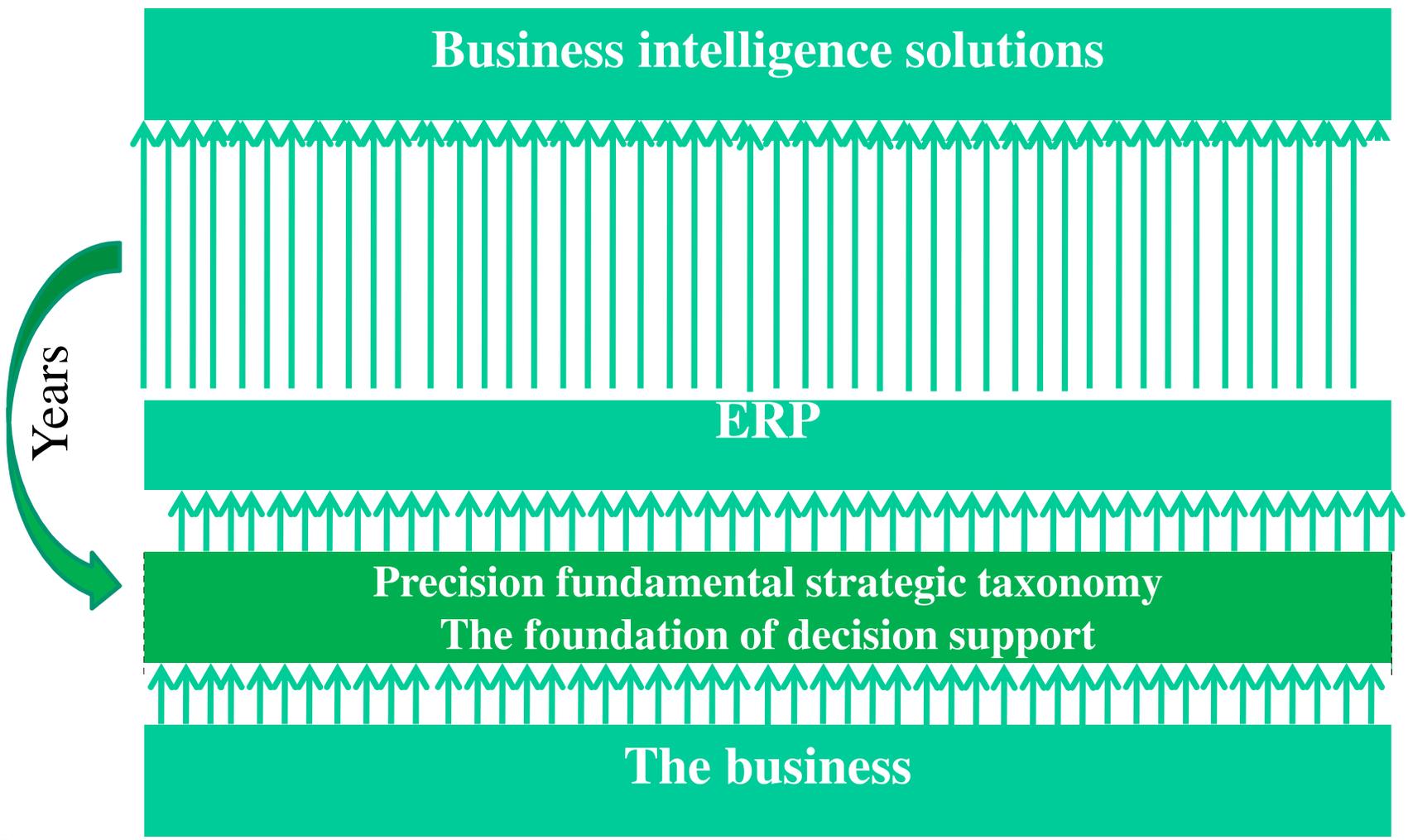


ERP

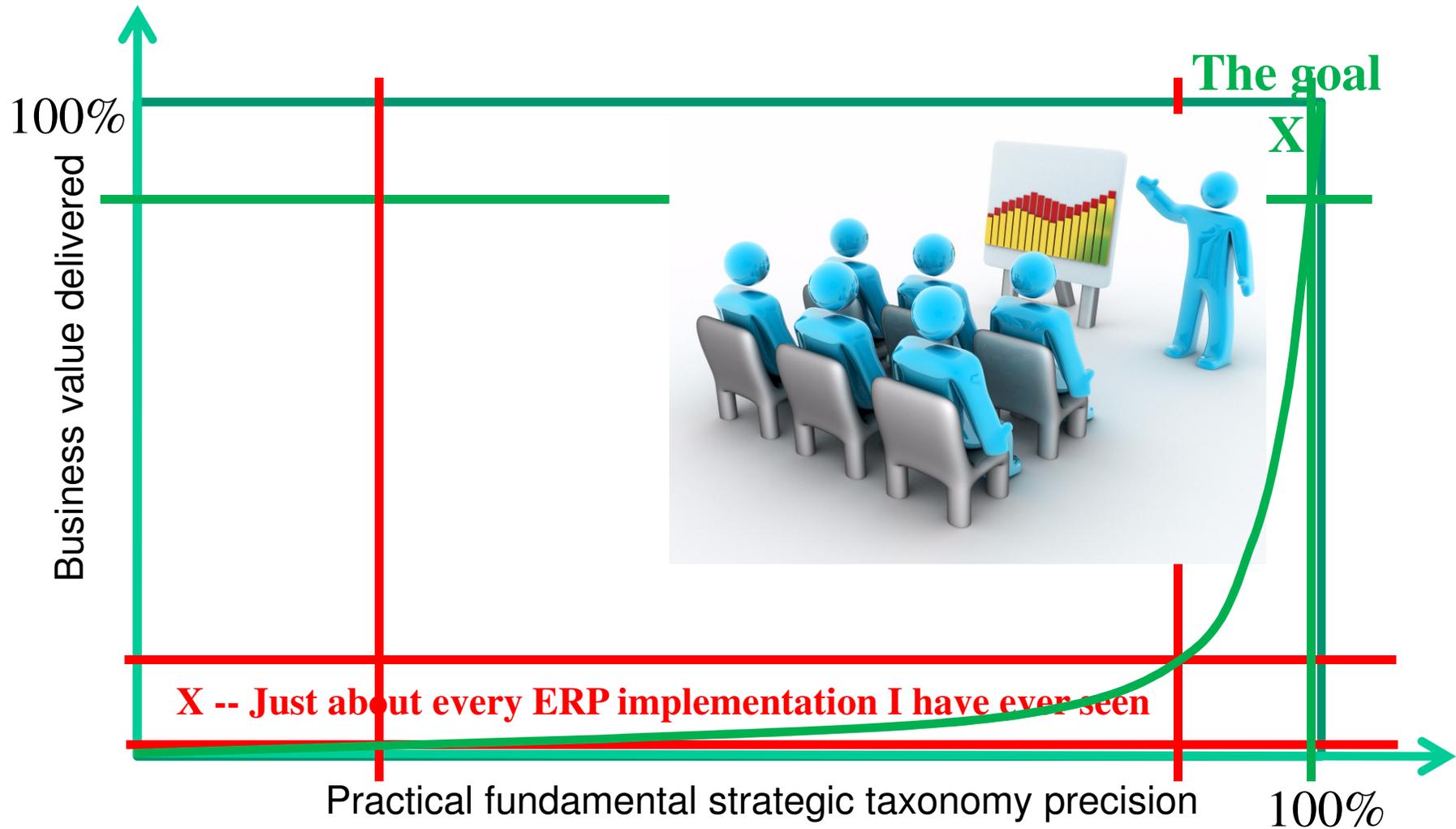


The business

Business Intelligence
the opportunity -- high value highly successful
outcomes



Value versus precision A critical consideration

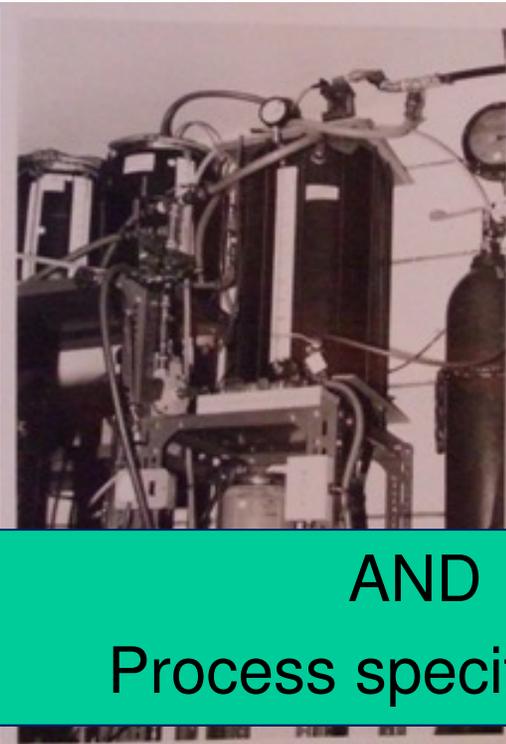
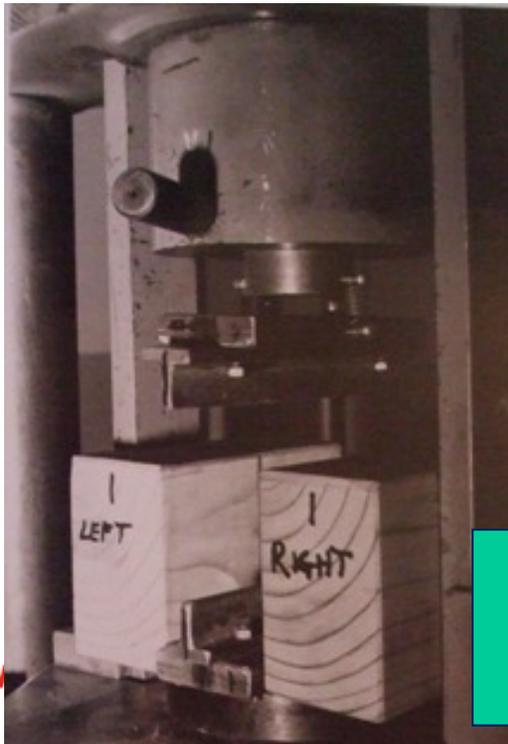


Laboratory

A location where the real world is simulated on a statistically valid representative basis

ALL possible scenarios thoroughly tested

Reports, BI, training, CBT...



AND

Process specification!

What is an ERP? REALLY?

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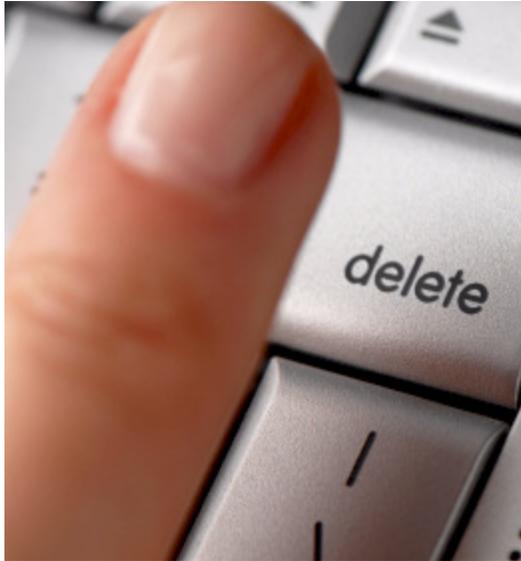
A huge precision data processing factory that SHOULD be fed precision data in order to produce precision results (the factory CAN be OLD) ☺

What is an ERP? Refurbish

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vs Deleting a building



The fundamental requirements for an ERP



- The answers to questions I have not yet thought to ask
- Enable me to run the business MY way
- Accurately model every aspect of my business
- Totally integrated solution
- Entirely reliable and dependable
- Fundamentally support the essence of the business and how it thrives (strategy)
- Fully support my day to day operational functions

Including but NOT limited to processes

- Business process obsession is killing ERP
- It is placing businesses at serious risk
- It is only a matter of time before MORE major clients SUE major implementers
- There are OTHER aspects of ERP configuration that are MUCH more important than process
- Strategic Engineered Precision Configuration based on Precision Taxonomies is **THE** ERP WAVE OF THE FUTURE

If you do not act within 48 hours you probably never will – act TODAY! ☺



What is your single most important insight from this presentation?

What is the single most practical action that you can take tomorrow to apply ERP more effectively?



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Design ERP and BPM solutions like bridges ...
Not to fall down but to last

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Acknowledgements



My clients, associates and staff

My parents Angus and Thelma

My wife Brenda

My children Alexandra and Struan

Other significant people in my life who have contributed to me gaining this knowledge



Psalm 136:5 "To Him who by wisdom made the heavens, for His mercy endures forever;"

Assisting clients to thrive through the effective strategic application of IT and ERP





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Questions?

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