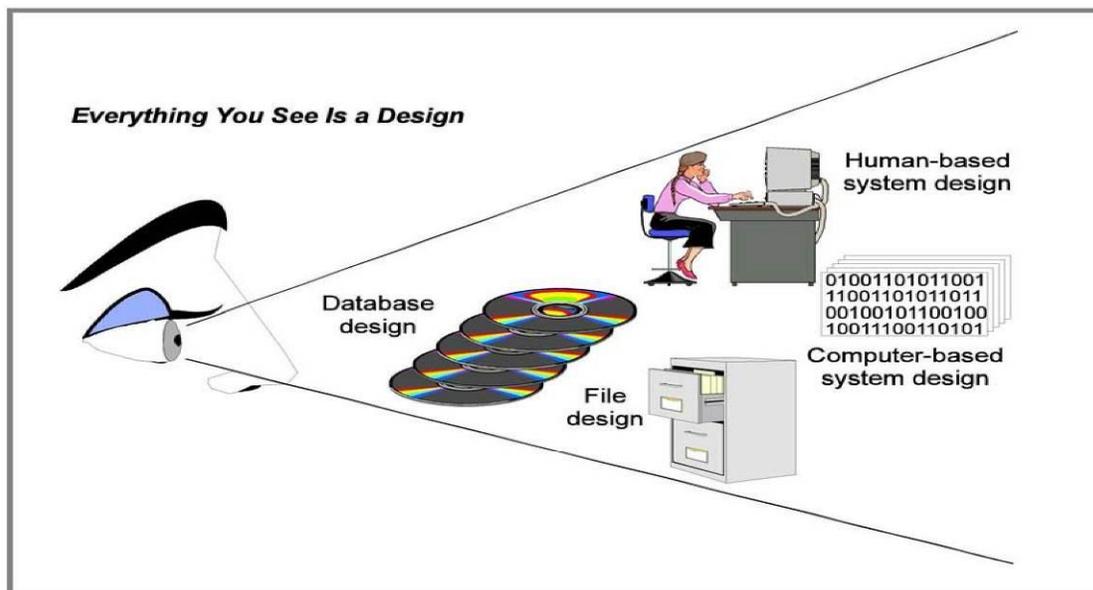# Introduction

Everything you "See" is a Design (either human or nature's)

In the business world "everything you see is a design" because every human-based or computer-based system is designed and then implemented using whatever human and computer technology was available at the time the existing system was invented – this design encapsulates the business.

In every organization everything you "see" is a
design and its implementation -
not the actual business.

The problem is, you never "see" the business, just the implementation of the business. You can't "see" the business because it's intangible, therefore you can't see an analysis. Even that sentence structure sounds strange "see an analysis". You can see a design, but you can't see an analysis.

However, to create a new design for the organization that is not "warped" by the old design, you have to be able to obtain a true business view that comes from conducting an analysis of your business. So to "see" the analysis of our business we need to use a model, just as any engineering profession does.

We need to be cautious when we create a model of the business because it's easy to fall into the trap of modeling aspects of the old or even a new design rather than modeling the underlying essential business itself.

Based on over three decades of observing typical organizations I have found that the majority of them have simply evolved to where they are today. This evolution was often without any conscious strategic "engineering" method applied to past growth and, as new systems were developed, it was typically without performing an analysis of the business issues required to satisfy the customer. I'll explain why

this happens later.

(*I just used the word "Customer"; I want you to realize that when I use that word in this book it always refers to the external person, place or thing that we are in business to satisfy. The customer isn't always a human being. I conducted seminars at many government agencies where their "customer" was the environment, such as a fire agency responding to a forest fire or an agency protecting a national park etc.*)

So, the vast majority of organizations run with a disjointed collection of human and computer systems in place based on historical factors. The older and larger an organization seems to determine the systemic limitations in place, take for example many government systems. However, as I've said even a small business may impose systemic limitations because of copying the structures of large organizations.

Using the concepts in this book we can analyze any historically/hysterically designed organization to realize significant improvements over their systemic limitations, or if we have a small/start-up business, just not do them in the first place.

When should we Analyze our Business?

When you are starting-up a business you can do things right from the beginning using an analysis effort and not make all the mistakes of other older businesses that have gone before you. If you are in a large business you can conduct an analysis effort and recognize significant improvements by removing/replacing the old way of doing things and the old system structures.

Unfortunately, the vast majority of today's organizations run with a disjointed collection of human procedures and computer systems based on left over concepts from the industrial-age. As organizations evolve they fall into the trap of applying the latest technology to "whatever is in place today". This of course is more severe in large organization but is even true in small ones.

Customer un-friendly practices are present in almost all organizations. As customers we all encounter organizations with procedures that frustrate us and leave us asking "Why do they make it difficult to do business with them?" What we do not know is the organizational history of why a particular procedure was put in place. Usually it was because of some historical (read hysterical) process that was passed on through time based on old reasons and old system designs or it was just an accepted way of implementing a business.

Even when a manual process is computerized, software vendors and programmers will offer a computer system that perpetuates old designs and out-dated business practices. The major reason for this, of course, is that the software vendors and even internal Information Systems people are typically "selling" or developing a system for the head of a department who is already oriented to satisfying their own department's needs. These packaged applications are, of course, also sold to new businesses.

Have you ever questioned why we have Accounting Systems? Do you think it could have anything to do with the fact that we had and have Accounting Departments? An accounting system is predominately internal, that is, it rarely deals with the organization's outside customer. It may satisfy a subset of the processing associated with a customer's request but rarely does it satisfy a complete need of a customer.

Businesses evolve; for example, in the formative years of an organization just keeping the business alive is a major issue. Typically, they don't have the capital to invent a new design for the business, so it's most likely they will model their systems on the same type of structure that everyone else is using. They'll form similar departments, jobs and tasks that every other organization has (e.g., Warehousing, Marketing, Accounting departments with a hierarchical boss/subordinate people structure). Also, they

are likely to purchase off-the-shelf computer software to support these departments (e.g., Stock Control, Sales/Marketing, Accounting packages).

It may only be when a serious problem occurs in an established organization or an organization want to beat a competitor with a radical restructuring, that they analyse their business and rethink their organization from an outside customer point of view. This is perhaps the worst time to analyse the organization as a whole because old systems and ways of working will be difficult to change.

For over 30 years I've seen a whole bunch of business improvement fads come and go. They had names such as **Reengineering**, **Restructuring** by division, product or region, **Streamlining**, **Inverting the hierarchy**, **Flattening the hierarchy**, **Matrix management** etc. Many large organizations have spent incredible amounts of money cascading through these various business fads with little (if any) payback. I'd like to say here that I truly believe structuring an organization based on the concepts in this book is the ultimate structure that cannot be beat and is not another improvement fad.

The process of analysing and restructuring an organization recommended in this book gives us a chance to apply what I like to call true **business engineering**. It involves, first of all, looking at the organization's essential business processes and ignoring any past human and computer implementations. For example, this means we do not satisfy what's known as "internal customers". An organization's old internal management structures and system boundaries are always aspects of the organization's last design and its implementations. *(I hope I didn't lose too many readers with that comment because Internal Customer and Stakeholder have become popular terms in the technical Information Systems world.)*

Removing Technical/Systemic Obstacles

Satisfying the external Customer should be the central "reason for being" of any organization by using its human and computer systems to implement responses to customer requests and needs. We find, however, organizations where the focus seems to be on satisfying their internal hierarchies and giving the demands of their installed systems a priority over the needs of their customers.

This myopic focus on the needs of the "systems" is the result of a "warped" view that I call the "Clothes Have No Emperor" (not the Emperor Has No Clothes) syndrome in which the old systems get perpetuated by things such as the old process of assigning budgets to internal department and division structures. As customers we sometimes wonder why organizations send or transfer us from department to department or have us interact with disjointed computer systems with no continuity of data between them. When working within an organization, we justify these customer inconveniences as "That's the way it works"; however, when we are the customer, they seem silly.

Familiarity Gets in Our Way

When one has lived with a human procedure or a computer system for a long time it's easy to believe that it is essential to the business without questioning whether it is an aspect of an old design. We all fall into this trap of believing the systems we "see" in an organization are the real business. However, they never are.

Every structure and supporting system in the organization should be designed and operated so that it is part of a Customer-Focused solution and not a high tech, reworked version of an old implementation.

The workflow paths of the systems and processes,

and their data should be the shortest distance

between the two points of the customer's initial

request and the satisfaction of that request.

The new designs we create from this perspective will typically form design structures that are quite different from what we see in place in a typical organization.

For example, in our new designs we should not see separate Accounting Systems (Accounts Payable, Accounts Receivable, and General Ledger), Order Entry, Stock Control, or Invoicing Systems. Similarly, there should be no Edit-Update-Print or Input-Process-Output computer programs in our new computer systems. All these are leftovers from old manual/data processing environments. (*I may have just lost a few readers here.*)

We should implement unbeatable, seamless systems based on what I call Business Event-Driven Reactions. Orienting your organization's structures and systems around Event-Driven Reactions provides a truly natural basis for creating a Customer-Focused organization.

Of course older and larger organizations face more obstacles in creating a Customer-Focused structure and of course overcoming inertia to change. Some of the major obstacles are an organization's old internal human and computer system boundaries. These boundaries will also be the organizations' biggest obstacles to customer satisfaction. Re-vamping or eliminating these boundaries will provide a major source of improvement. The boundaries include human boundaries such as jobs, departments, divisions, bureaus (with their associated "politics") and computer system boundaries such as programs, applications and systems. Many computer systems were built in a haphazard manner in response to the latest fad (hardware platform, computer language, system development methodology, etc.), or which departmental manager carried the most budgetary clout. This type of system partitioning is what I call "dysfunctional partitioning" because it actually interferes with meeting a customer's needs.

Significant and real business improvements will
best be seen when an organization takes a complete
look at its business and understands how it
effectively responds to customers' requests coming
from outside the organization.

I hope that the preceding "key point" sounds obvious. However, the older an organization is, the less responsive it tends to be to its customers. What I hope you'll get out of this book is a clear understanding of what "functional partitioning" really is and the tools to fundamentally improve an organization by focusing on real business issues.

A Rose by Any Other Name

I don't care whether you call the process of organizational change "Enterprise Architecture," "Business Process Improvement/Management," "Business Process Re-Engineering," "Workflow" "Organizational Restructuring," "Total Quality Management," "Team Building," or "Creating Customer Focused Organizations." Regardless of the name you give it, the goal should be to satisfy whomever or whatever you call the customer.

In all my books the central theme I've taught has been to look at the old design and determine when the design gets in the way of satisfying the customer's needs. This book contains a methodology that advocates the best way to structure an organization without the design getting in the way.

Over the years many business "fads" were used for downsizing, outsourcing, cutting middle management, or implementing the latest computer or human-based technologies, and not to improve customer service or to increase product quality (although they may have had that on their list of

benefits).

It doesn't matter what you call the methodology in this book as long as your focus is on satisfying the customer's needs first and not the needs of the old organizational structure and its systems.

Growth through Customer Satisfaction

The internet has already proved that customers will migrate to the organization which gives them quality products and services efficiently, even if the organization is across the country or in another nation. We've also seen that an organization will outsource part of its business if it can be done more cost-effectively by another organization. I assert that by focusing on satisfying your customer's needs, with quality systems your organization will automatically be more productive and hence will need to expand its human and technological resources to meet the expanding customer demand. So, the ultimate goal of the methodology in this book is business growth.

This does not mean jobs won't change. We may re-train staff or repartition management tasks and bring in new technology, but this is what keeps organizations alive and moving ahead. Trying to avoid this constant (albeit, at times uncomfortable) improvement can have a catastrophic cost. For example, does anyone want to buy stock in cassette tapes or camera film?

Creating customer-focused systems in your organization also should ultimately improve the quality of life - not only from a customer's point of view, but also from both the employer's and employees' points of view while ensuring the longevity of the organization.

When we use the disciplines in this book, what we're really doing is restructuring the **systems** that make up the organization, not the **business** itself. In other words, after we've created a customer focused organization, we'll still be in the same business. We'll use the ideas to create the best manual and automated systems to run our business.

This book is not about using the latest computer technology and support systems to improve customer service – although we will do that also. I don't believe your customers really care if internally you're using the fastest equipment with state-of-the-art technology? Your customers do care about good products and services that satisfy their needs. So the first place to start is by improving the processes and data you use to respond to your customer's needs that's the focus of analysis..

The gains achieved by implementing the latest technologies internally are often incidental improvements based upon increased speed and capacity, but the organization gains no real competitive edge because its competitors can use the same technology, or even leapfrog it by waiting and implementing the next generation of technology first.

The designs you finally implement may indeed use the latest technology, but don't let this obscure your view of what it is your organization actually does. The true nature of your business will almost certainly be unrelated to its implementation technology.

Concentrating solely on technology can lead us to create "faster bad systems"

Let me be realistic here, depending on the organizations size, age, and traditions, the creation of a customer-focused organization is a strategic project that can take months and even years to fully implement in a large organization. The ideas in this book are not the "quick fix" that will make you the hero in the next quarterly report or necessarily this political term. History has taught us that there will always be another organization (or country) that's willing to take the long-term view and do it right.

Objectives of this Book

I have some objectives for the contents of this book that I hope match the ones for your organization,

they are:

•   Objective- To put the customer first - satisfy customers' needs and expectations by structuring our organization to seamlessly respond to these needs.

•   Objective- Analyze the Business issues. Focus on <u>what</u> we do rather than <u>how</u> we do it.

•   Objective- Create the most efficient organization- Achieve measurable improvements in the performance of the organization's implemented systems by creating the most effective reaction to our customer's needs.

•   Objective- To replace old systems that may be hurting the organization today with new engineered manual and/or automated systems that will be faster and easier to install and maintain.

•   Objective- To create systems that have data and process integrity, that take advantage of the opportunities for re-using data and processing whenever possible to eliminate "dead" data and processes.

•   Objective- To satisfy the organization's strategic mission and allow for constant improvement in the organization by producing a flexible environment for future change.

I'll review these objectives at the conclusion of the book to show how they have been satisfied.

How this Book is Organized

As the title of the book states, this book provides a methodology to analyze a business. So the majority of the chapters will show you how to analyze a business, however I will show you how to use the analysis result to form an efficient, customer-focused new organizational structure.

•   The **Dis-Covering the Essential Business** chapter focuses on how systems were designed and developed in the past and how these old designs are still haunting us today. This chapter exposes the misguided reasons for creating customer un-friendly systems.

•   The **Events and the Fundamental Characteristic of all Systems** chapter describes the fundamental characteristics of every system. This understanding is needed before we try to analyze a business and convey the results using an abstract model.

•   **The Model _IS_ the Business** chapter discusses why and how we can model systems. This chapter provides examples of using graphical tools to analyze and model the organization's business. This knowledge is necessary to select the set of models that are most appropriate for understanding our particular business.

•   The chapter **Our Event Horizon - The Boundary of Our Organization** defines what an organizational Event is and the different types of Events.

•   The **Distinguishing the Five Types of Events** chapter shows how to identify and differentiate between the five types of external things (Events) to which our organization responds. It also shows how the differences between these Event types dictate which model they affect and how to model them correctly.

- The **Partitioning by Business Events** chapter describes what we need to know to be able to functionally partition our business. This is important because our initial partitioning of our business model will dictate all subsequent classifications, and will probably affect any future systems' designs.

- The **Detailed Business Modeling chapter** is the heart of the book. It explains how we bring together the complete business reaction to a customer's need and produce a seamless Business Model result.

- The **Achieving Organizational Process and Data Integrity** chapter builds on the knowledge from the previous chapters and identifies how we gain some major advantages by using Event Driven partitioning of our business model. These advantages include Process Integrity (consistency across business policy/rules) and Data Integrity (ensuring no "dead" or unsynchronized data).

- By this stage the hard part (the analysis) is over. The next part is inventing a new design, and in the chapter, **Designing and Implementing Event-Driven Systems**, we will see how our new designs will be based on business (not technology) issues. This will lead to "seamless" business systems that are efficient, cost-effective, easily understood, easy to change, and that are ultimately customer-focused.

- The **Strategic Planning and Management Issues of an Event Driven Organization** is an extract of this book's companion book where we get a glimpse of the strategic planning and project management benefits of using an Event-Driven methodology.

- Finally there's a short chapter called **A Logical Conclusion** that looks back at the objectives for analyzing a business and shows how they have been met with the contents of the book.