The Next Generation of Business Analysis Methodologies

Prepared by:
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Learning Points

1. The highest Return on Investment (ROI) is achieved when Business Performance Improvement initiatives are tied to technology implementations.

2. The rate of user and IT learning is directly correlated to business benefits. The degree of consensus and collaboration is directly correlated to project timelines and cost.

3. The next generation of Performance Improvement methodologies will focus on achieving the above 2 points in a deep and meaningful way.
Discussion Content

- Future of Technology
- BA Importance
- Business Performance Improvement
- Business Analysis
Towards the Frictionless Economy

- Information technology can be thought of as ‘islands of automation’ in the sea of processes or activity

- It is increasingly rare to undertake a process re-engineering exercise without considering technology requirements

- The same holds true for many technologies areas
3 Generations of IT Use

Realization of corporate strategy is dependent on processes; Processes are increasingly dependent on IT

First Generation: American Airlines - Innovator of a legendary pricing process that immediately sent a competitor into bankruptcy

Second Generation: Wal-Mart - Low cost to “acquire and sell” product meant leadership in supply chain processes

Third Generation: eBay - Have you ever spoken with an eBay employee while using their services? Most company transactions are carried out by computers.

Wal-Mart's sophisticated distribution system and use of information technology to track inventory has significantly improved its efficiency and productivity making it far more profitable than other retailers.
Demand Cycle & Corporate Behaviour

Speed, complexity, and importance of this cycle are increasing. Business analysis plays a critical role in this cycle and therefore the competitiveness of organizations.

- New business & IT synergies
- Evolution of new process efficiencies & competition
- New process & system implementation
- Drive to improve economics of IT systems
- New viability of technology enablers
Why Executives Buy Technology

- Executives are not actually demanding a system
- They are demanding business or operations performance improvement
- Failure to achieve business results is commonly deemed an IT failure
Combining Business & Technology

Organizational Performance Improvement Initiative

System Deployment

System Enhancements

Results can only be achieved by COMBINING performance improvement and technology initiatives
The Challenge Gets Bigger

**Business Process Re-engineering:** Success Rates of 30%
Source: Hammers et al

**IT Projects:** Success Rates of 29%
Source: Chaos Survey, Standish Group

*Failure is defined as a significant underachievement of goals; significant and unfavorable variance in costs or timelines*
> Business Performance Improvement
BPR Struggles to Find Consistency

After a century of applying, changing and improving BPR concepts, we continue to struggle to produce results consistently:

- Hammer & Champy (1993): Failure rate of 50% to 70%
- Caron, Jarvenpaa and Stoddard (1993): Failure rate of 50%
- Murphy (1994): Failure rate of 70%
- Andrews & Stalick (1994): Failure rate of 80%
- Greene (1993): Failure rate greater than 60%
Hmmmmmm......

Coincidence or Correlated?

- New business venture success rates are approximately 20 - 30%
- Business Process Re-engineering Success rates are approximately 30%
- IT project delivery success rates are approximately 29%
• 1973: The concept of "wicked problems" proposed by Horst Rittel and Melvin Webber

• They identified the difference in design and planning problems which he termed "wicked" (that is, messy, and circular) to contrast against the relatively "tame" problems of mathematics and puzzle solving

• This theory is a subset of “Systems Thinking” that emerged in the 1920s
Characteristics of Wicked Problems

• No right or wrong answer – just better and worse answers
• Cannot be proactively tested
• Every problem is unique and “pure” precedents don’t exist
• No right to be wrong (it is a “one shot” deal)

New ventures, BPR initiatives and IT projects have these characteristics… could they be the cause of this odd correlation?
Why Organizations Struggle...

Organizations are systems that are both mechanic and organic in nature. Traditional approaches focus on one or the other – rarely both.

Addressing both characteristics gives rise to new change and performance possibilities.
Comprehensive Approach Needed

What do we mean by organic characteristics of an organization?

- Culture
- Human Motivation
- Emotion
- Unpredictable Environmental Conditions
- Informal Communication
- Unstructured/Intuitive Decision Making
- Human Bonding
Systems Thinking

Systems thinking concerns an understanding of a system by examining the linkages and interactions between the elements that comprise the entirety of the system.

It is based on the belief that the component parts of a system will act differently when isolated from the system's environment or other parts of the system.
## Moving to Systems Thinking

<table>
<thead>
<tr>
<th>Foundation</th>
<th>Evolution</th>
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<tbody>
<tr>
<td>Activity management</td>
<td>Activity motivation</td>
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<tr>
<td>Change communication</td>
<td>Tipping points &amp; network effects</td>
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<tr>
<td>Best practices</td>
<td>Collaborative learning</td>
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<tr>
<td>Metrics</td>
<td>Correlated feedback loops</td>
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<tr>
<td>Structured comprehensive design &amp; functions</td>
<td>Un-comprehensive, distributed design &amp; functions</td>
</tr>
<tr>
<td>Process design</td>
<td>Process evolution</td>
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<tr>
<td>Internal planned economies</td>
<td>Internal free markets</td>
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</table>
Getting On Our Way

Business leaders are increasingly incorporating systems thinking into their approaches
Great Leaps Ahead...

Highest value for improving our ability to apply systems thinking into the corporation is coming from sciences that have emerged over the last half century… these concepts are beginning to enter mainstream thinking…
Business Analysis & System Engineering
## Required Focus Areas

Top 10 Reasons for Successes and Failures (Surveying of Project Participants)

<table>
<thead>
<tr>
<th>Survey Result</th>
<th>Root Cause</th>
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<tbody>
<tr>
<td>User Involvement</td>
<td>Learning/Collaboration</td>
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<tr>
<td>Executive Management Support</td>
<td>Visibility/Consensus</td>
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<tr>
<td>Clear Business Objectives</td>
<td>Consensus/Visibility</td>
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<tr>
<td>Agile Optimization</td>
<td>Learning</td>
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<tr>
<td>Emotional Maturity</td>
<td>Consensus/Collaboration</td>
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<tr>
<td>Project Management Expertise</td>
<td>All</td>
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<tr>
<td>Financial Management</td>
<td>Visibility/Consensus</td>
</tr>
<tr>
<td>Skilled Resources</td>
<td>Learning/Collaboration</td>
</tr>
<tr>
<td>Formal Methodology</td>
<td>All</td>
</tr>
<tr>
<td>Tools and Infrastructure</td>
<td>Other</td>
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</tbody>
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*Chaos 2007 Rex, The Standish Group*
This Challenge is Well Recognized

Responses from executives as to why we are having difficulty generating IT value (Synovia study based on interviews with 50 Alberta executives)

<table>
<thead>
<tr>
<th>Root Cause Area</th>
<th>Executive Consensus Level</th>
<th>Recommendations for Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business lacks knowledge of IT domain</td>
<td>75.3</td>
<td>40%</td>
</tr>
<tr>
<td>Mechanisms and knowledge to collaborate are missing</td>
<td>64.6</td>
<td>36%</td>
</tr>
<tr>
<td>IT does not understand business</td>
<td>35.3</td>
<td>16%</td>
</tr>
<tr>
<td>Organization lacks consensus on IT priorities</td>
<td>27.8</td>
<td>11%</td>
</tr>
<tr>
<td>Other</td>
<td>12.9</td>
<td>5%</td>
</tr>
</tbody>
</table>
Combining Business & Technology

Organizational Performance Improvement Initiative

System Deployment  System Enhancements

Results can only be achieved by COMBINING performance improvement and technology initiatives
Base Process

1. Performance Improvement Initiative Design
2. Performance Metrics Framework
3. Solution & Requirements
4. Systems Metrics Framework
5. Environment Analysis
6. System Design
7. Technology Adoption
8. Performance & System Enhancement

Legend: Industry Practices Color Coding
- Weak
- Struggling
- Acceptable
The number of specialists in any organization is increasing. Integrating knowledge across domains is vital to system deployment success.
The Need For Learning & Consensus

What direction will this organization drift?
At what speed, efficiency, and cost?
BA as Consensus Generator

What direction will this organization drive towards?
At what speed, efficiency, and cost?

Mind of the Organization

Executive Mind
> The Prize

% Increase in Total Factor Productivity (100 manufacturing firms)

Source: Joint study by London School of Economics & McKinsey and Company
Executing the Process Well

Business Analysis Must:
A. Generate a broad & clear line of sight to results
B. Manage scope
C. Generate knowledge of system benefits
D. Increase rate of team learning (configuration & user side)
E. Increase rate of collaboration (system adoption & configuration accuracy)
F. Settle complex project debates & make trade-offs
Organizational Self Awareness

Mapping the Mind of the Organization:

- Create organizational **self-awareness** – it is rare that individuals know what the whole is thinking or what matters to others
- If you “**math-matize**” results you increase trust and understanding (% consensus, factor weights, etc.)

Impact:

- Visibility of collaboration barriers – many surprises
- Mis-aligned objectives become apparent
- Trade-off’s can now be considered
Generating Outcome Consensus

Business Outcome Logic:
- Map out **business outcomes** and their relationships to each other (cause-effect)
- Several layers of **granularity** is required
- Outcomes are defined by **metrics**

Impact:
- Clear business & learning objectives
- Critical success factors become known
- High granularity of business outcomes
- Solidification & linkage of project with executive goals
- Focus on intent to improve rather than install
Shared Solution Development

Generating a Shared View of Solutions:
  • Through **team learning** generate actions to achieve outcomes
  • **System functionality** is derived from outcomes and actions

Impact:
  • Managed scope
  • Further trade-off’s identified
  • Efficient stakeholder involvement
  • Collaborative & integrated team learning
  • Earlier debates, better solution
Continuous Project Learning

Continuous Learning & Fine Tuning:
- Feedback loops are used to continually test solutions against outcomes
- Assign outcome owners as well as action owners

Impact:
- Improved quality control & governance
- Clear line of sight from high level objectives to project detail
- More benefits attained sooner
- Creates desire to change
The 2 L’s:

1. **Business Learning** – Users must go through a learning curve to know specifically what they want
2. **IT Learning** – IT needs to gain enough understanding of the business to configure system

The 3 C’s:

1. **Consensus** – Stakeholders have differing views and priorities
2. **Collaboration** - Consensus on outcomes leads to collaboration on the actions
3. **Change** – Business change must accompany system function change & vice versa
> Impact

![Graph showing the impact of new techniques and standard processes over time.](image)
Learning Points

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3. The next generation of Performance Improvement methodologies will focus on achieving the above 2 points in a deep and meaningful way.
### A Critical 25: Operational Analysis Check List

<table>
<thead>
<tr>
<th>Check</th>
<th>Score (1-5)</th>
<th>Resolution Plan</th>
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</thead>
<tbody>
<tr>
<td>1. A compelling business case exists</td>
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<td>2. Stakeholders recognize implications to strategy</td>
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<td>3. Economic and revenue drivers are understood and documented</td>
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<td>4. Operational performance improvement initiative is well designed &amp; easy to understand</td>
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<td>5. Potential staff and external parties make related changes</td>
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<tr>
<td>6. Categorize operational objectives have been defined and correlated directly to system functionality</td>
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<tr>
<td>7. Categorize operational objectives have metrics (measurable &amp; traceable)</td>
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<tr>
<td>8. Operational objectives have been proactively compared. Prioritization and trade-offs have occurred prior to implementation</td>
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<tr>
<td>9. System functionality needs re-constitute directly to granular operational objectives which in turn correlate directly to high level objectives</td>
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<tr>
<td>10. Operational objectives must be based on prioritized or potential project realignment</td>
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<td>11. Objectives exist that will proactively guide project technical staff</td>
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<tr>
<td>12. Stakeholders are actively moving up a learning curve prior to implementation (or mechanisms exist to facilitate this)</td>
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<tr>
<td>13. Business analysts are used as facilitators and are not counted on to design the solution</td>
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<td>14. Operational gaps have been identified</td>
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<tr>
<td>15. Operational gaps have been resolved</td>
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<tr>
<td>16. Change management risks are understood by stakeholders</td>
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<td>17. User learning surveys are proactively understood and documented</td>
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<td>18. Customer satisfaction criteria have been documented</td>
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<td>19. Customer expectations are reasonable and not in conflict with one another</td>
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<tr>
<td>20. Operational improvement actions and strategy are documented and documented prior to system requirements documentation</td>
<td></td>
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<tr>
<td>21. Operational improvement actions correlate to system function (and vice versa)</td>
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<tr>
<td>22. User interface has been proactively designed based on stakeholder input on information, integration, and reporting requirements</td>
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<tr>
<td>23. Users have had input on GUI &amp; user interface</td>
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<tr>
<td>24. Technical staff know specific operational objectives each configuration will impact</td>
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<tr>
<td>25. Technical staff can develop ideas with stakeholders prior to programming or configuration work</td>
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Questions?

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