

# Crossroads:

How HPT & IT Can Improve  
Organizational Performance

Alan Ramias  
2009 ISPI Conference  
April 20, 2009



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# About PDL

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## **Performance Design Lab (PDL)**

- ◆ Research, consulting and training organization, founded by Dr. Geary Rummler
- ◆ *Improving Performance – How to Manage the White Space on the Organization Chart* (Rummler & Brache) (1990,1995)
- ◆ *Serious Performance Consulting According to Rummler* (2004).



# My Background...

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- ◆ Motorola (1981-'91)
- ◆ Rummler-Brache Group (1991-99)
- ◆ Performance Design Lab (2005-9)



# Rummler's Focus

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- ◆ 1950's – IE (All About Process)
  
- ◆ 1960's & 70's – *Performance* Improvement
  - 1965 – Job/**Process**/Organization Levels
  
- ◆ 1980's & 90's – All About Process (Again)
  - Motorola ('81-'91)
  - Rummler-Brache Group ('87-'97)
  - Improving Performance ("Whitespace" book) 1990/1995
  
- ◆ 1997 – Retirement
- ◆ 2001 – Un-retirement and PDL
- ◆ 2005-2009 – Focus on Technology-Process Relationship



# Agenda

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- ◆ The Opportunity
- ◆ IT vs. HPT
- ◆ Avenue 1: IT & Business
- ◆ Avenue 2: IT & Performance
- ◆ Avenue 3: Managing IT



# The Opportunity



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# The Importance of Technology



- ◆ “Information technology has become the fundamental platform of modern business. Few organizations can run at all without network and computer technology and, as each company’s IT infrastructure becomes increasingly interconnected with that of its suppliers and customers, IT is becoming the virtual world within which business is conducted.”

“What’s IT Worth?”, Mike Jude and Michelle Kelley, *Business Communications Review*, October 2007.





# The Importance of Technology

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- ◆ \$1.75 trillion is spent globally on information technology by businesses and governments
  - Forrester Research
  
- ◆ 50% of capital spending by corporations is on information technology
  - Forrester Research
  
- ◆ But a lot of companies are dissatisfied with what they get for their money...



# Some Results: Your Tax Dollars



- ◆ The FBI spent \$170 million on their first attempt at fixing their antiquated computer systems after 9/11. After multiple attempts with no results, *The New York Times* estimates that the agency will spend \$500 million before it's through.
- ◆ The FAA tried to replace its aging air traffic control system, but stopped after \$4.5 billion had been spent, of which only \$75 million was salvageable for local airports. The project was then restarted, and the current estimate of costs has grown to \$51 billion (from an initial estimate of \$12 billion).
- ◆ The IRS modernization project for processing tax returns started in 1985 and ran for 10 years. The project was stopped until more funding was then obtained, and another effort began in 1998 to process simple tax returns – at a cost of \$8 billion.



# Some Results: In Business

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- ◆ McDonalds blew \$170 million on a dead-end “global ERP” venture that never got implemented
- ◆ Neilson Media Research tried to overhaul its billion-dollar rating system but rushed the conversion, wasting millions of dollars and ending up in a lawsuit.
- ◆ Earthcare, an oil recycling company that bought an acquisition partly for its accounting system but forgot to bother about the upkeep until the system was shut off, leaving the company without any accounting system for months.

“8 Blunders You Should Never Make,” Paul McDougall, *Information Week*, October 16, 2006.



# And The Pressure is On...



- ◆ Global IT growth will be cut in half in 2009
- ◆ Emerging markets and small business spending on IT will slow significantly
  - IDC Research, January 2009
- ◆ 43 % of CIO's expect to decrease IT operating budgets in 2009 (vs. 2008, when 50% expected operating expenses to increase)
- ◆ 40 % expect to increase new IT investments in 2009 (but down from last year's 69%)
  - McKinsey IT Survey, December 2008



# In Our Opinion...

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The misuse, waste and frustration caused by poor selection, adoption and management of information technology in organizations represents one of the biggest opportunities for improvement in business history



# IT is...

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- ◆ Where the money is
- ◆ Where the waste is
- ◆ Where the opportunity to improve is



# HPT vs. IT



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# Should HPT Include IT?

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- ◆ “One of the early struggles...was the use of the word “technology” itself.... We believe that others..automatically interpret technology to mean the hardware (that is, computer) end of performance. This perception has led some to always use the word “human” in front of performance technology to therefore distinguish us... But the distinction has also limited our own perception and action of what we will be concerned with in helping a given business or organization.”

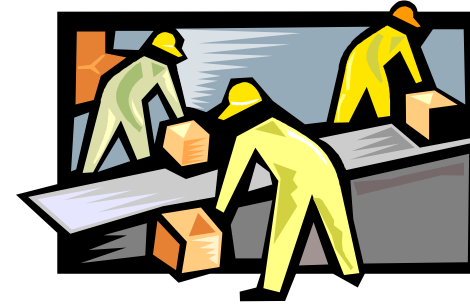
Danny Langdon, “Taking the ‘H’ Out of HPT”, *Performance Improvement Journal*, Volume 39, Number 1, January 2000



# Who is the Performer Anyway?



The human performer



The human performer  
enabled by technology



Technology as the performer



# Who is the Performer Anyway?

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- ◆ Information technology is so pervasive in organizations that virtually no human performer is working without some level of “technology enablement”
- ◆ Therefore, you can’t address human performance without addressing information technology



**Avenue #1:**

**IT doesn't understand  
business**



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# The Business-IT Gap

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“Each year, when CIOs and IT management are surveyed to identify their top priorities, the need for business and IT alignment appears near the top of the list. In CIO magazine’s annual “State of the CIO” survey, heads of IT from a broad range of industries highlighted their need to find best practices for partnering with business units and delivering the greatest value to the organization. Their greatest challenges for the coming year are prioritizing demands from the various business units and aligning IT with business goals.”

**David A. Ritter, Vice President,  
Proforma White Paper**



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# The Business-IT Gap

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“[One of the big problems with the ERP and CRM systems] as well as some of the big data warehouse projects... was... ‘If we build it, they will come.’ Without getting at the core issues of where the value is and what functions in the company are going to gain that value, you’re disconnected from business execution. You’re trying to leverage technology to improve your technical consistency. You really haven’t gotten to the business consistency.”

**“Making Data Work for You”,**

**Ed Spurling, Forbes.com, January 2009**



# The Business-IT Gap

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“In our last Advisor we complained that the BPM world is divided rather sharply between those interested in management issues, high-level process redesign issues and Six Sigma, and those interested in IT issues, primarily BPM systems development and process monitor systems (BAM). This is unfortunate because the two groups need one another. Few companies are so committed to process improvement that they can afford to have different groups competing with each other for the BPM mantle. More important, most companies have limited funds and need to prioritize their efforts. Working together the various BPM groups could have a major impact. Focused narrowly on separate sub processes and activities significantly reduces their overall impact.”

**Paul Harmon, Executive Editor BPTrends**  
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# The Reality

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- ◆ The reality is that many businesses are increasingly impatient with failed IT-centric solutions, huge costs and an ever increasing lag in enabling business with effective technology
- ◆ The reality for IT is that their systems exist to serve the business
  - Implication: You can't deliver effective enabling technologies without understanding changing business requirements
- ◆ The reality for internal improvement departments is that virtually all businesses are increasingly dependent on information systems
  - Implication: You can't improve business without understanding and designing effective IT into your solutions



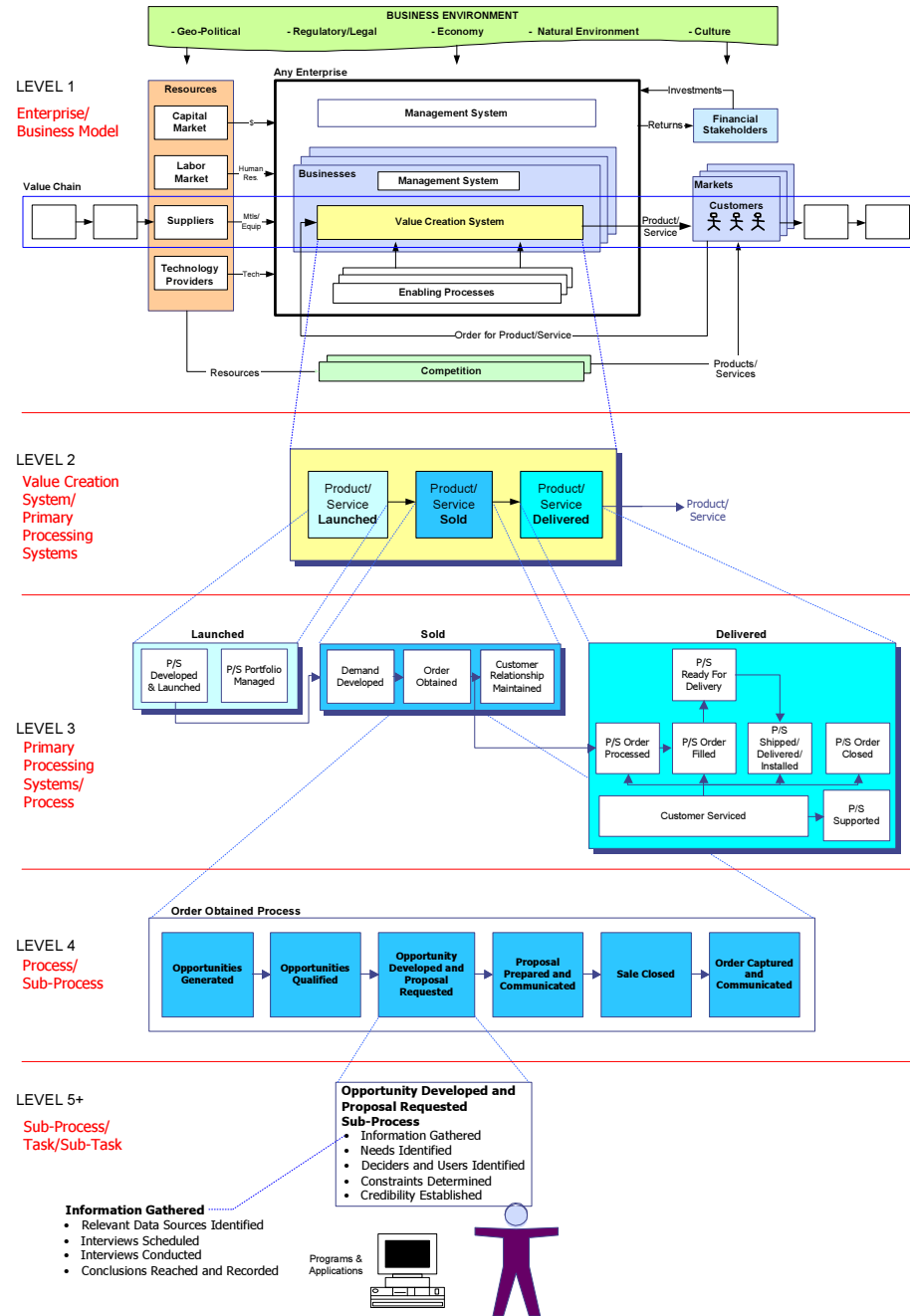
# What We Think is Needed

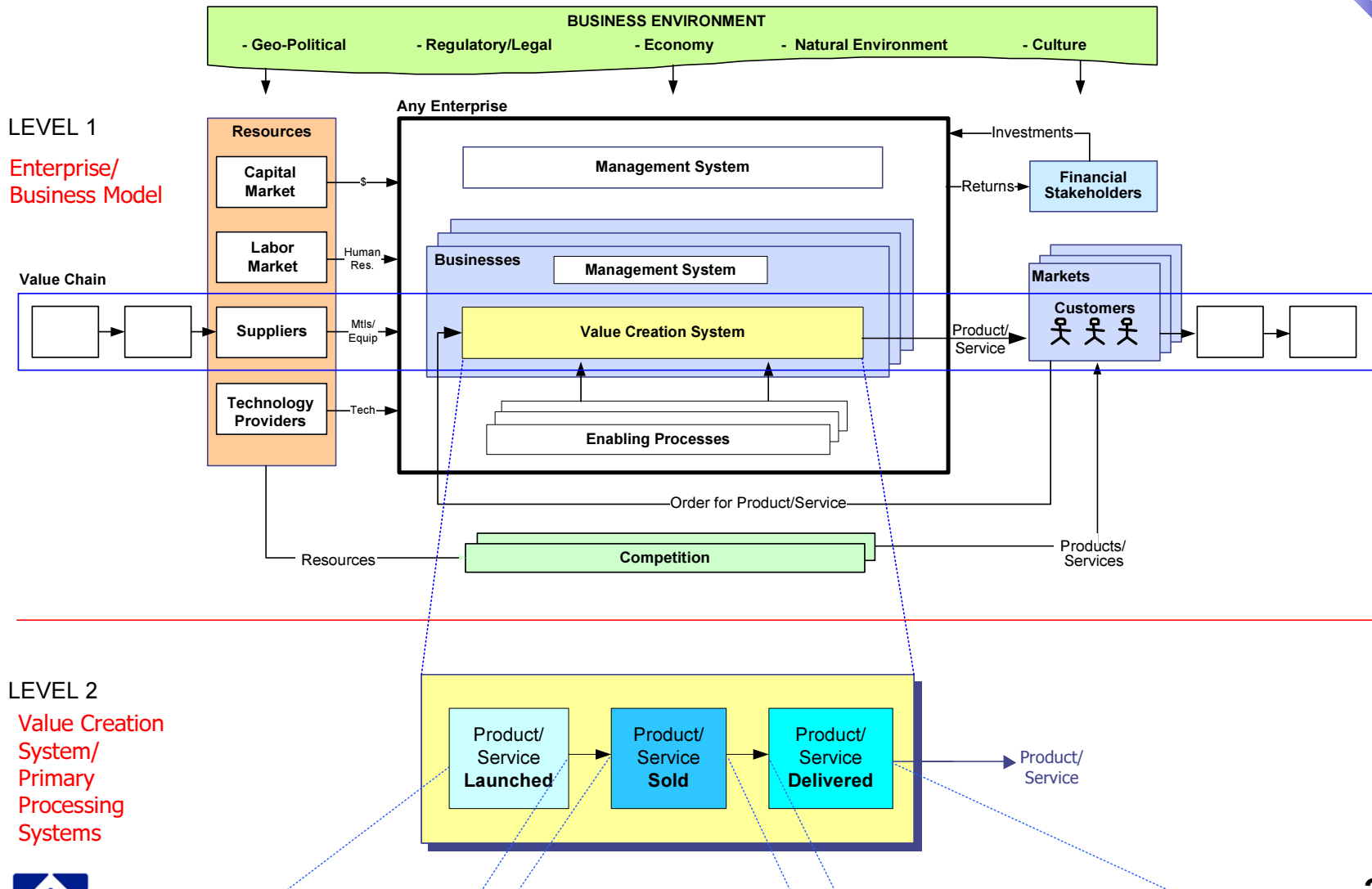


- ◆ A common view of the business shared by its leaders to IT and all providers of improvement technologies
- ◆ Effective alignment between IT providers and improvement designers to deliver integrated solutions
- ◆ A shared language and tools for identifying business problems, designing improvements and delivering results



# Value Creation Hierarchy

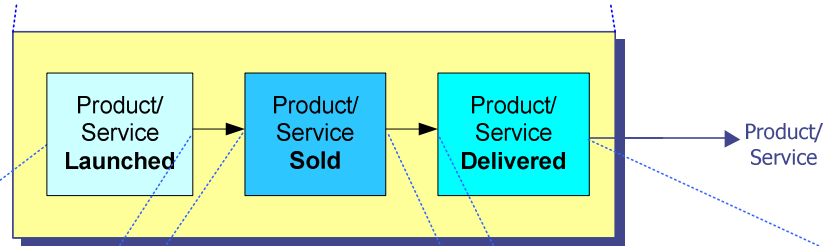






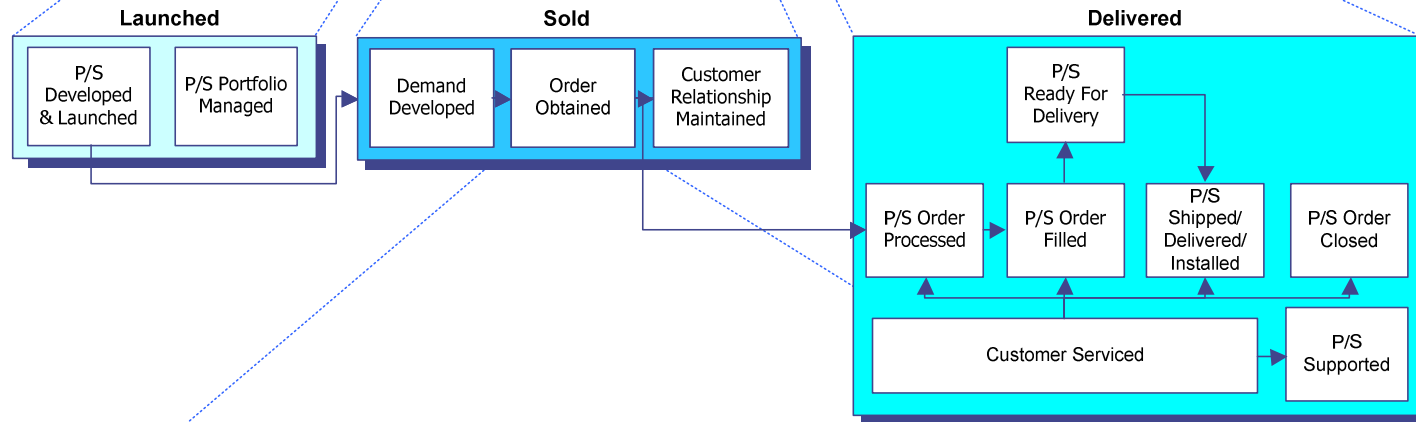
LEVEL 2

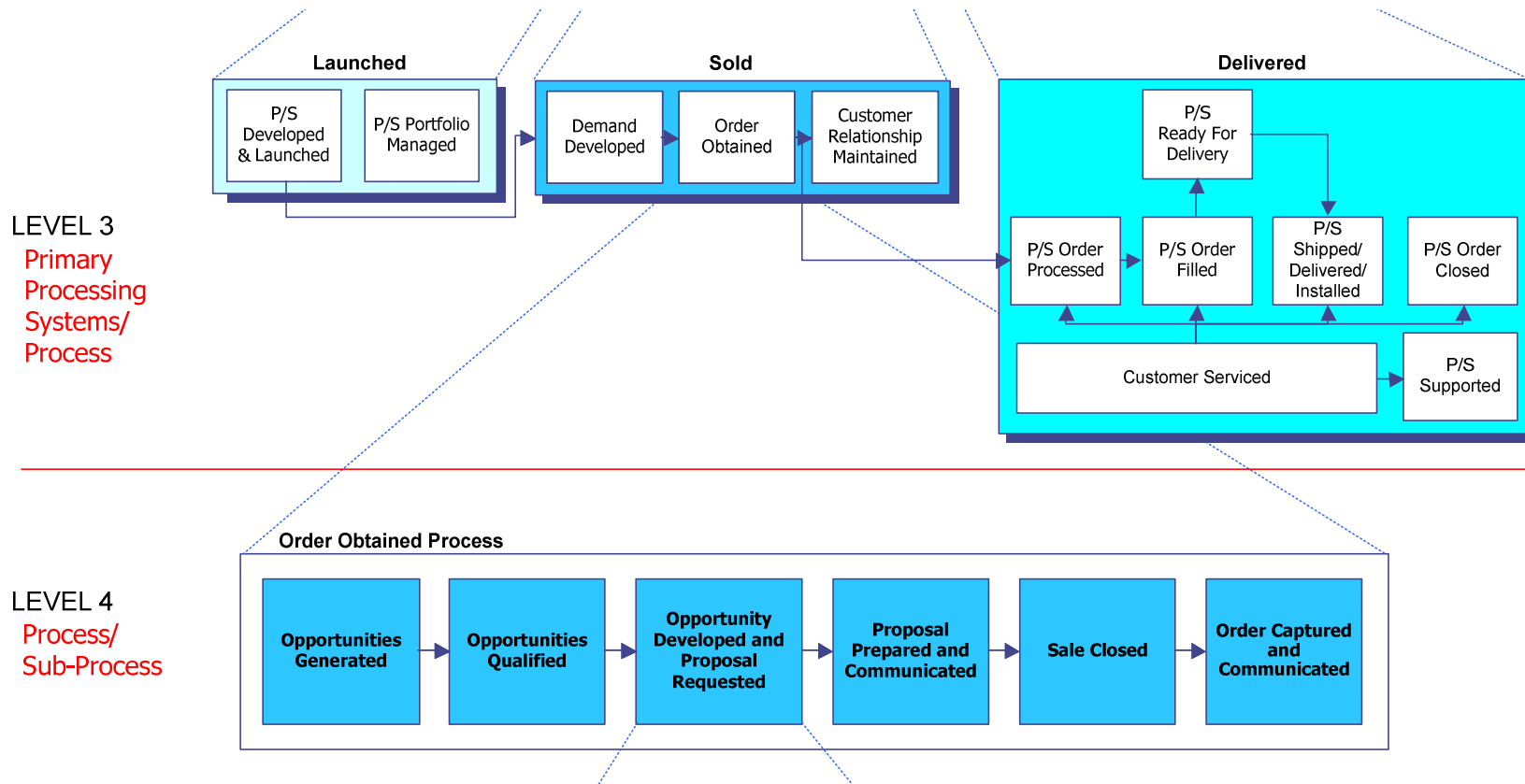
Value Creation  
System/  
Primary  
Processing  
Systems



LEVEL 3

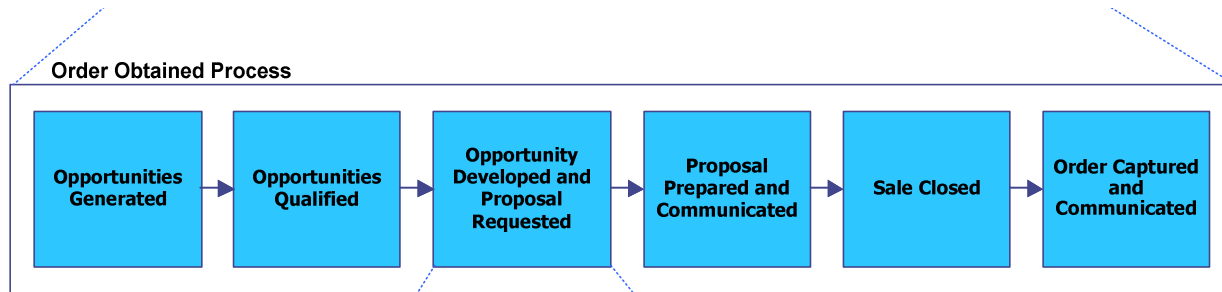
Primary  
Processing  
Systems/  
Process



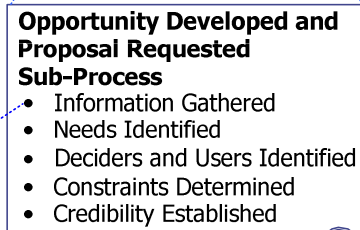




LEVEL 4  
Process/  
Sub-Process



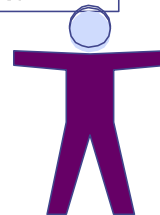
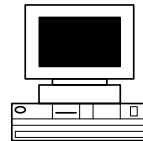
LEVEL 5+  
Sub-Process/  
Task/Sub-Task



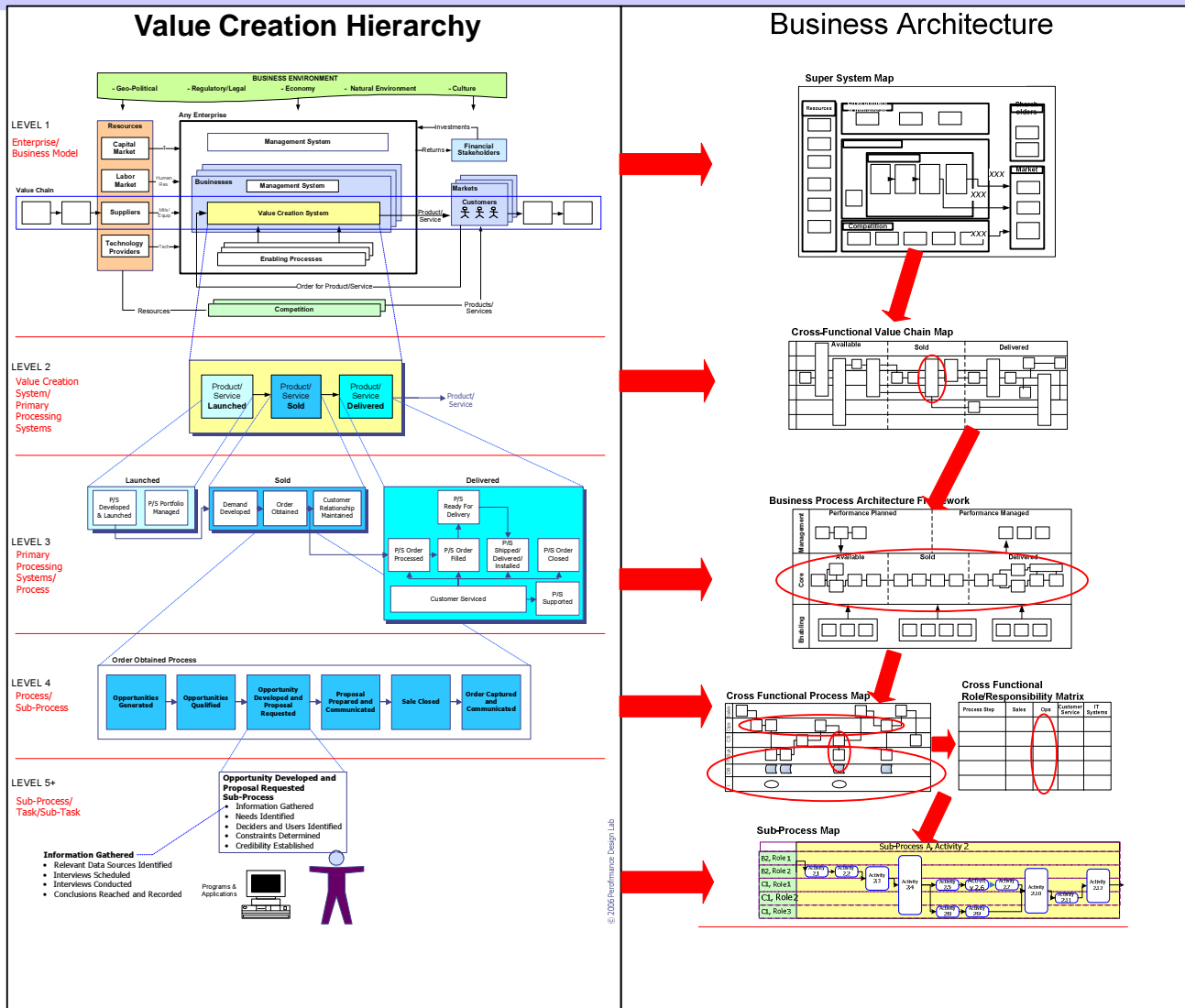
**Information Gathered**

- Relevant Data Sources Identified
- Interviews Scheduled
- Interviews Conducted
- Conclusions Reached and Recorded

Programs & Applications



# Value Creation has to Become Visible



# The Proposed Model

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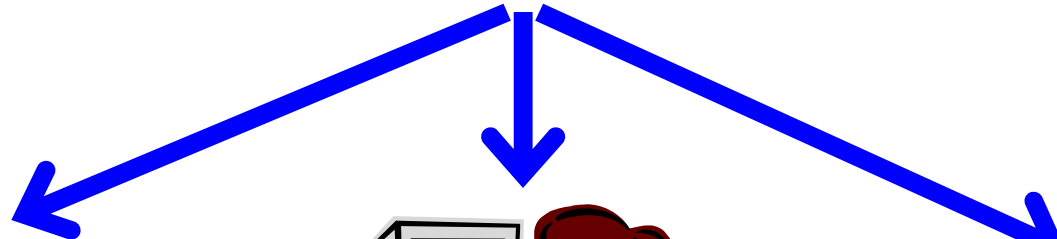
- ◆ Starts with a view of the business and the value it produces
- ◆ Links the business view to the performers (technology & human)
- ◆ Links management of the business to management of the enabling functions (IT and HR)
- ◆ For use by performance improvers, IT analysts and developers, and business leaders



# Overview of the Model



**Business View**



**Technology View**



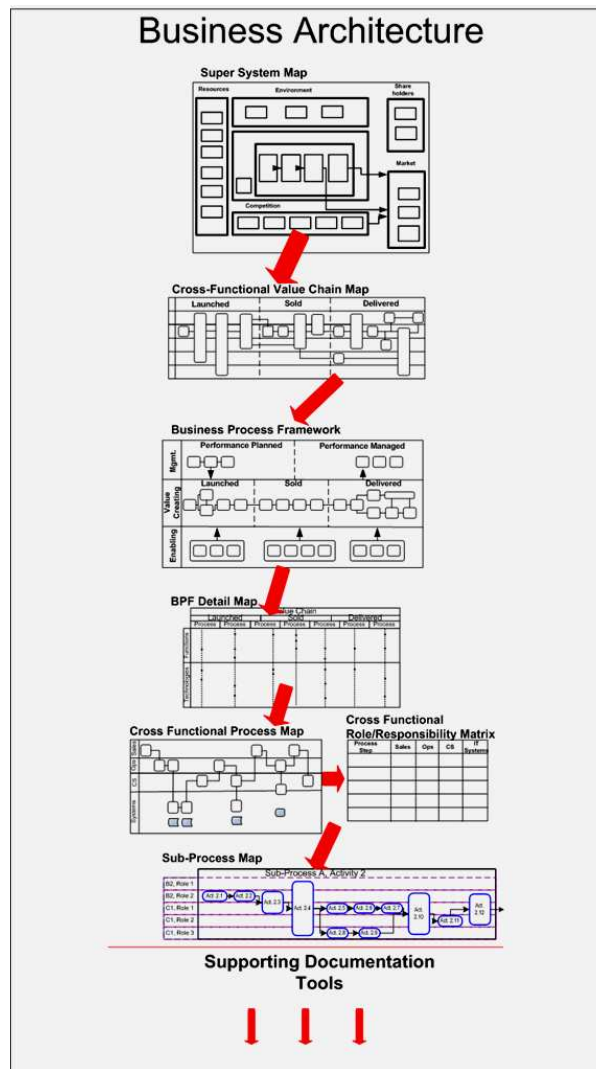
**People View**

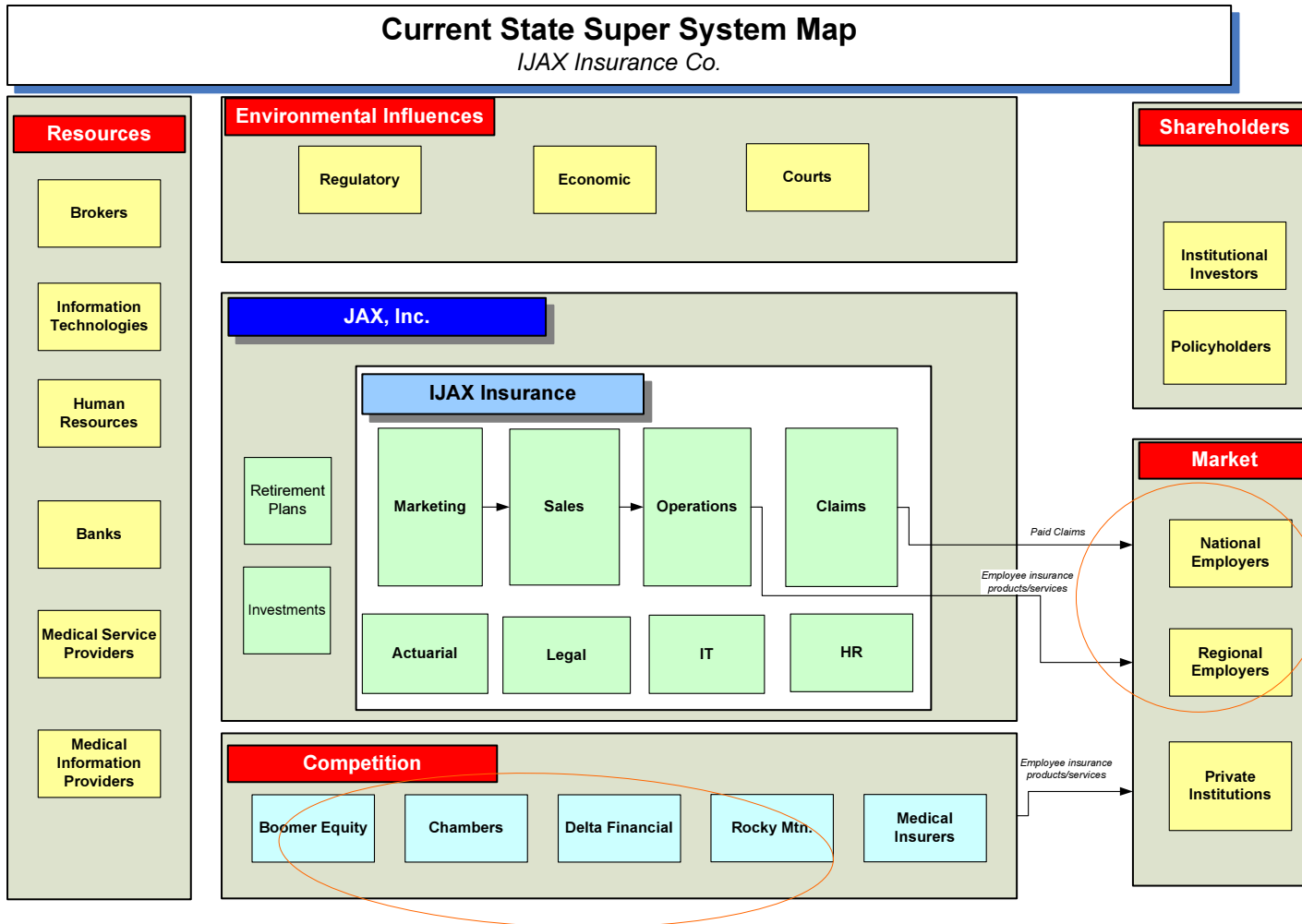


**Management View**

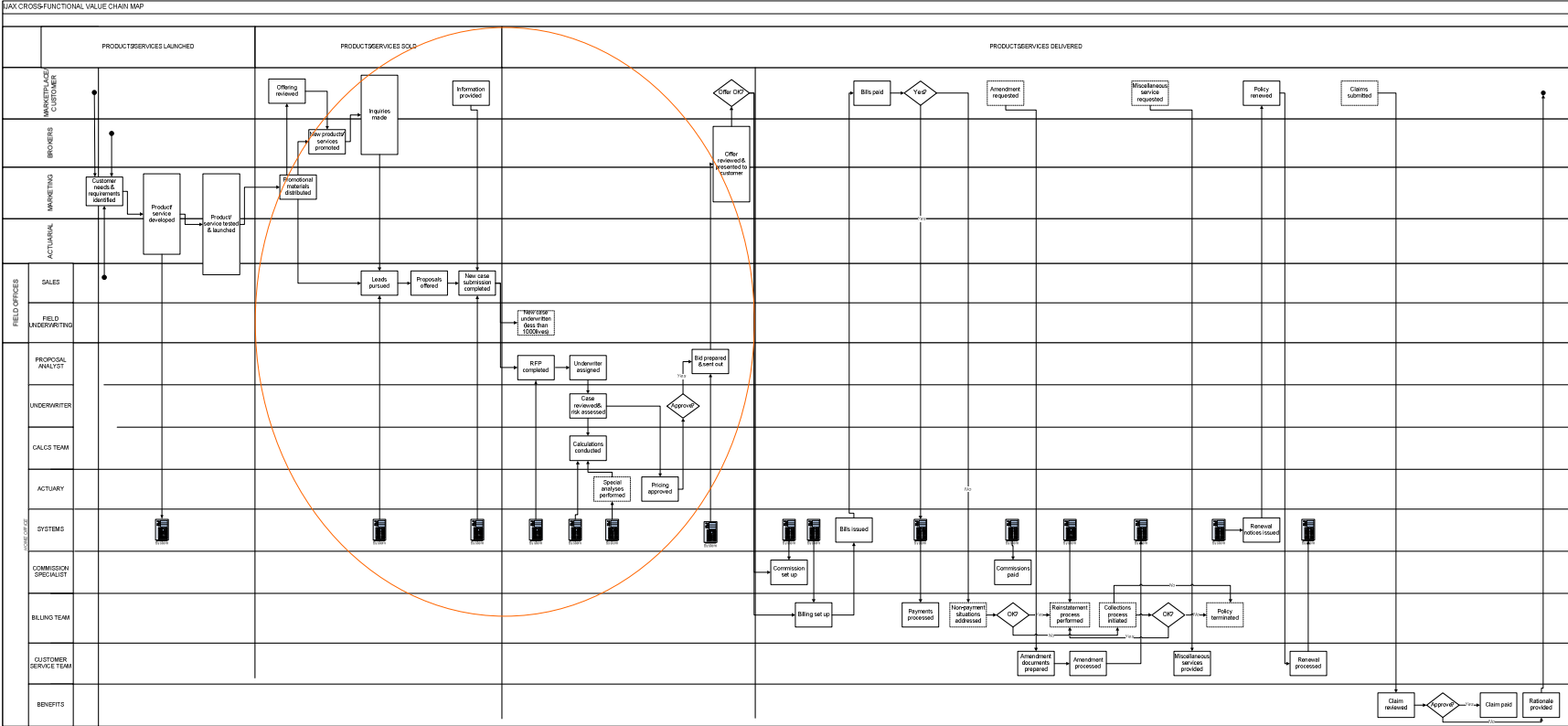


# The Business View

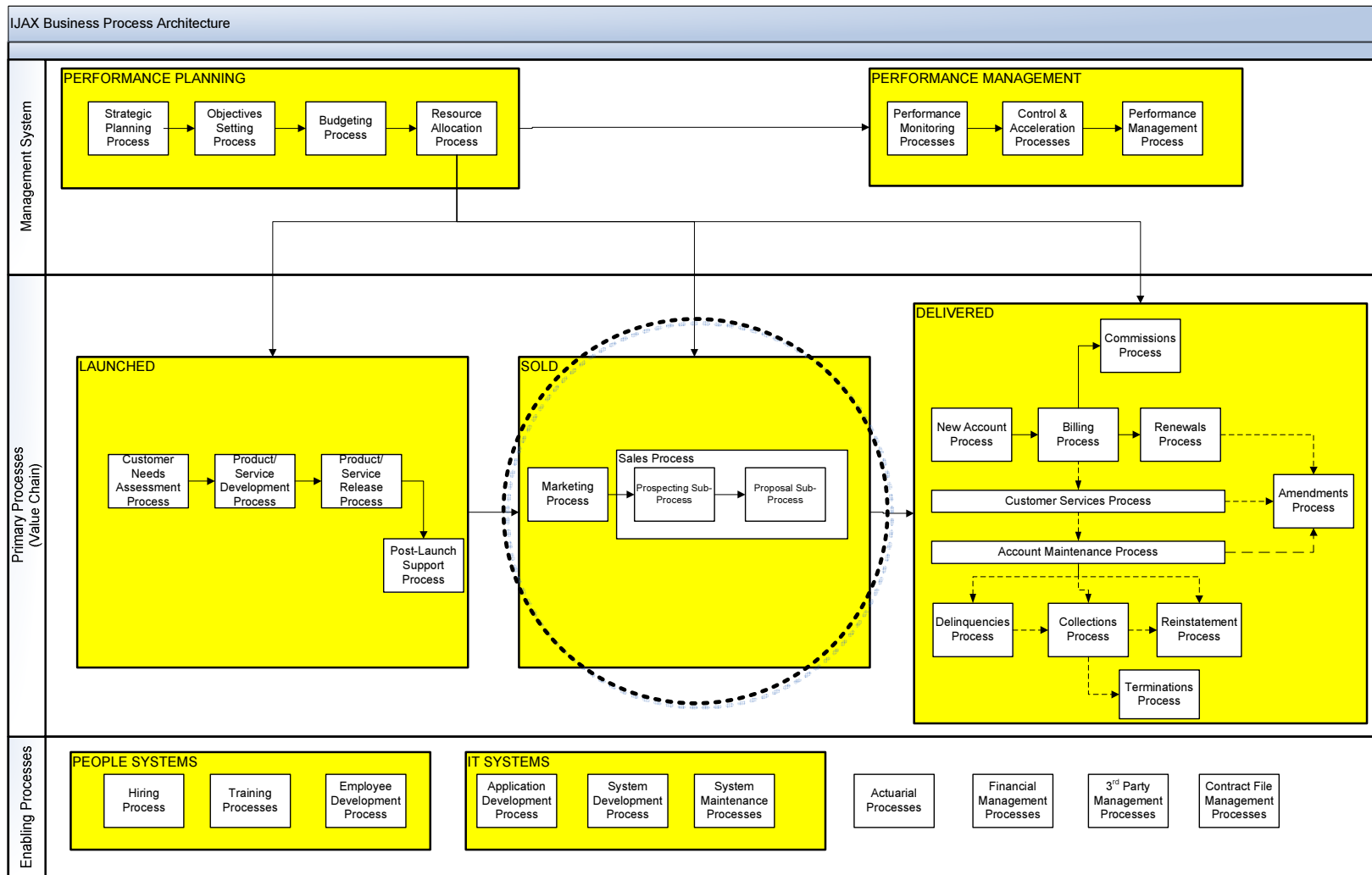




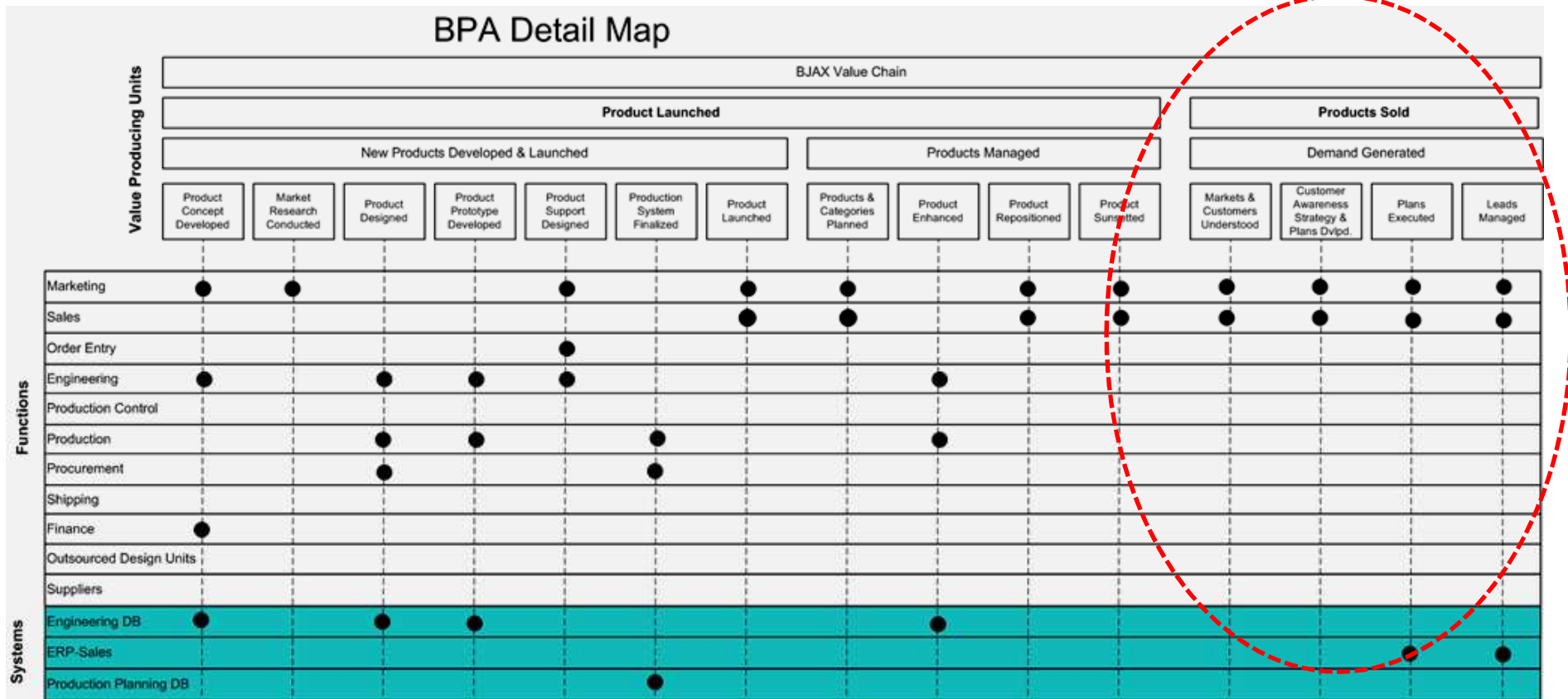
# Cross-Functional Value Chain Map



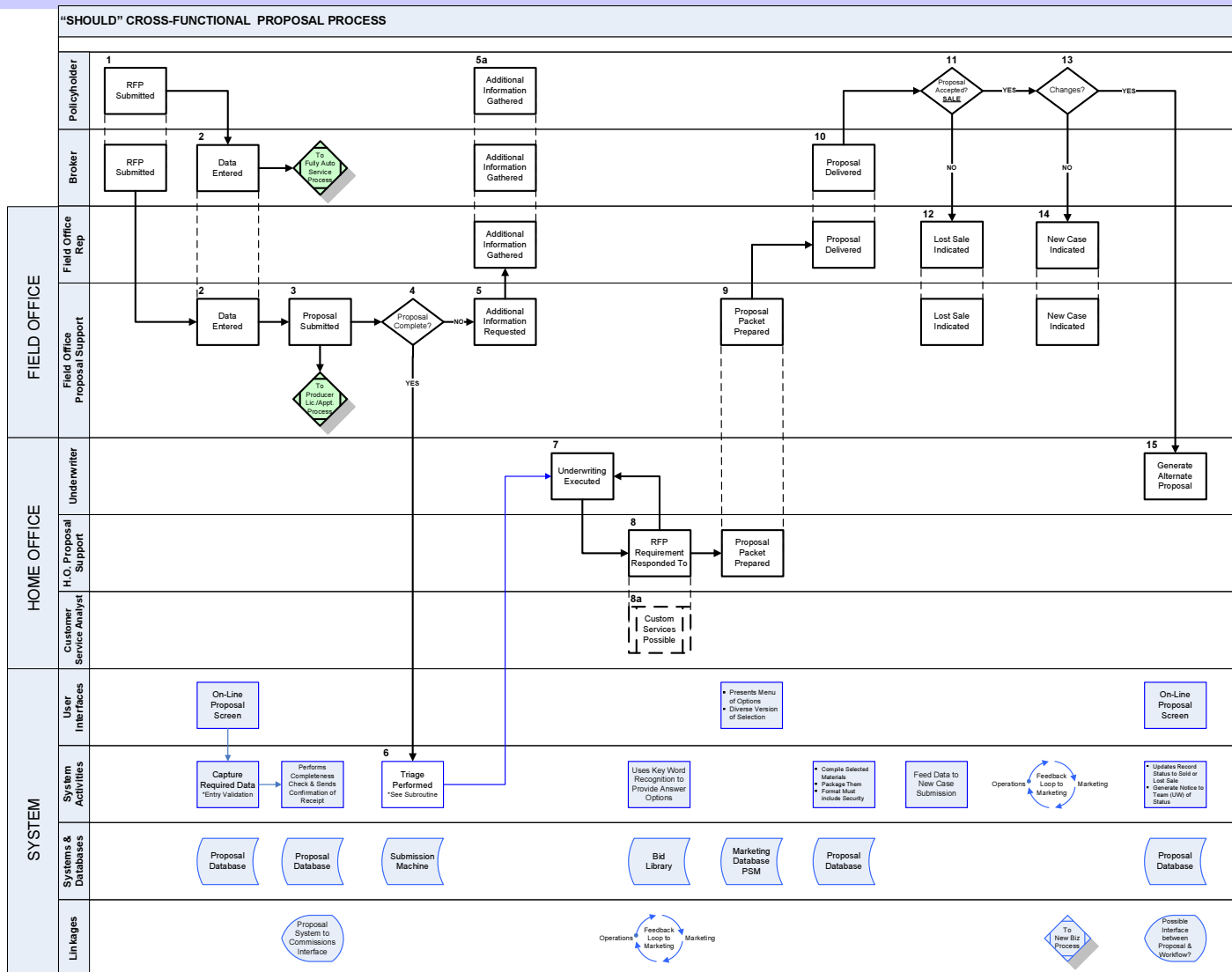
# Business Process Architecture Framework



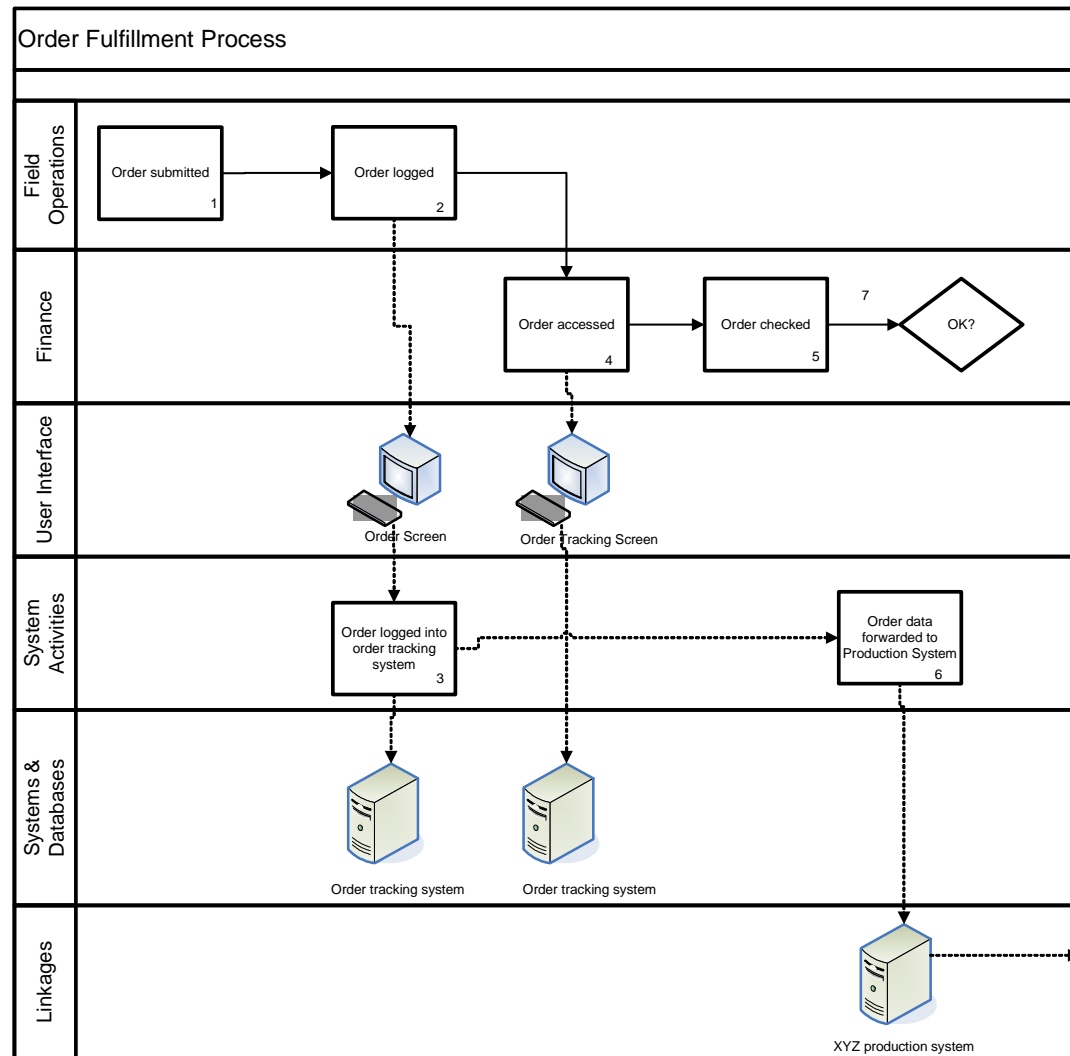
# BPA Detail Map



# Cross-Functional Process Map



# Swimlane Capture of Performance



# Cross-Functional Role-Responsibility Matrix



Proposal Process	Policy holder	Broker	Field Sales Support	Field Office Proposal Support	Home Office Proposal Support	UW Team	Customer Services Analysis	System
1. RFP submitted	Provides RFP specs	Delivers RFP to field office						
2. Data entered		Enters proposal data into the proposal database		Enters proposal data into the proposal database				
3. Proposal submitted				Submits proposal request				
4. Proposal complete?								Reviews for completeness & accuracy & send data to Commission database



# Path Forward



- ◆ Path taken from here depends on your role and assignment
  - Technologists to the left
  - HPT down the middle
  - Management system designers to the right
  
- ◆ There are multiple linkages between each path





# Technology Performer View



# Technology Performer View

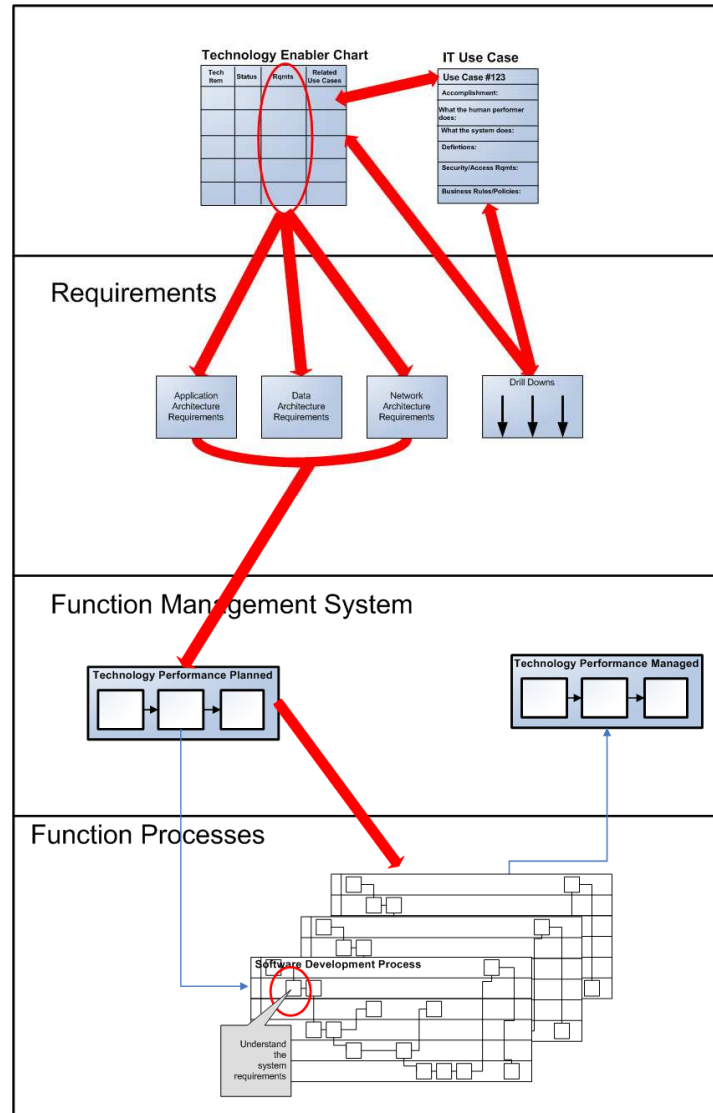
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- ◆ Links technology design upward to business processes
- ◆ Links technology requirements to IT's processes
- ◆ Links human performance to technology performance
- ◆ Links IT's management system to the enterprise management system



# Technology Performer Tool Set





# Human Performer View



# Human Performer View

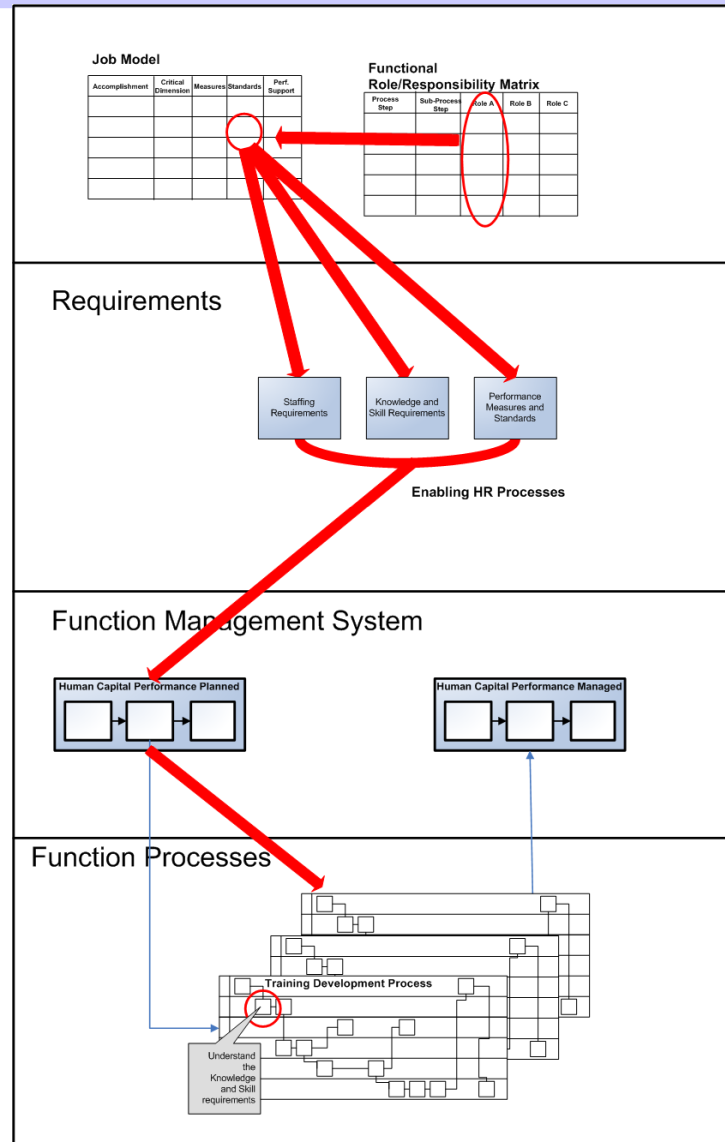
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- ◆ Key tool is the Job Model, which specifies the expectations for each job
- ◆ Links each job to business processes
- ◆ Links HR's enabling processes to business processes via the job models and RRM's
- ◆ Links HR's management system to the enterprise management system



# Human Performer Tool Set

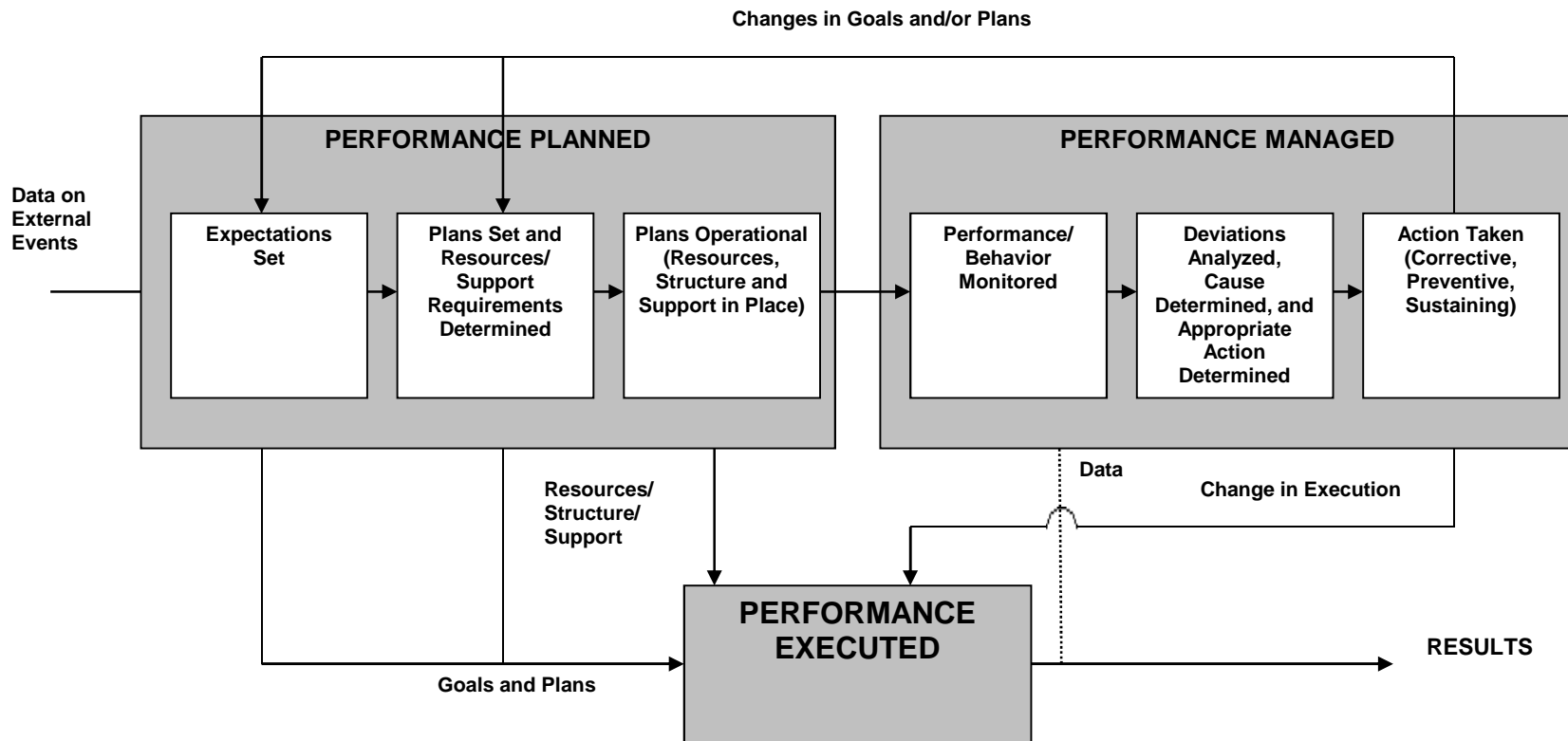




# Management System View



# Management System Model



# Management System View

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- ◆ Links all processes and technology improvement to business goals and measures
- ◆ Links the enterprise planning and management system to the planning and management systems of the enabling functions



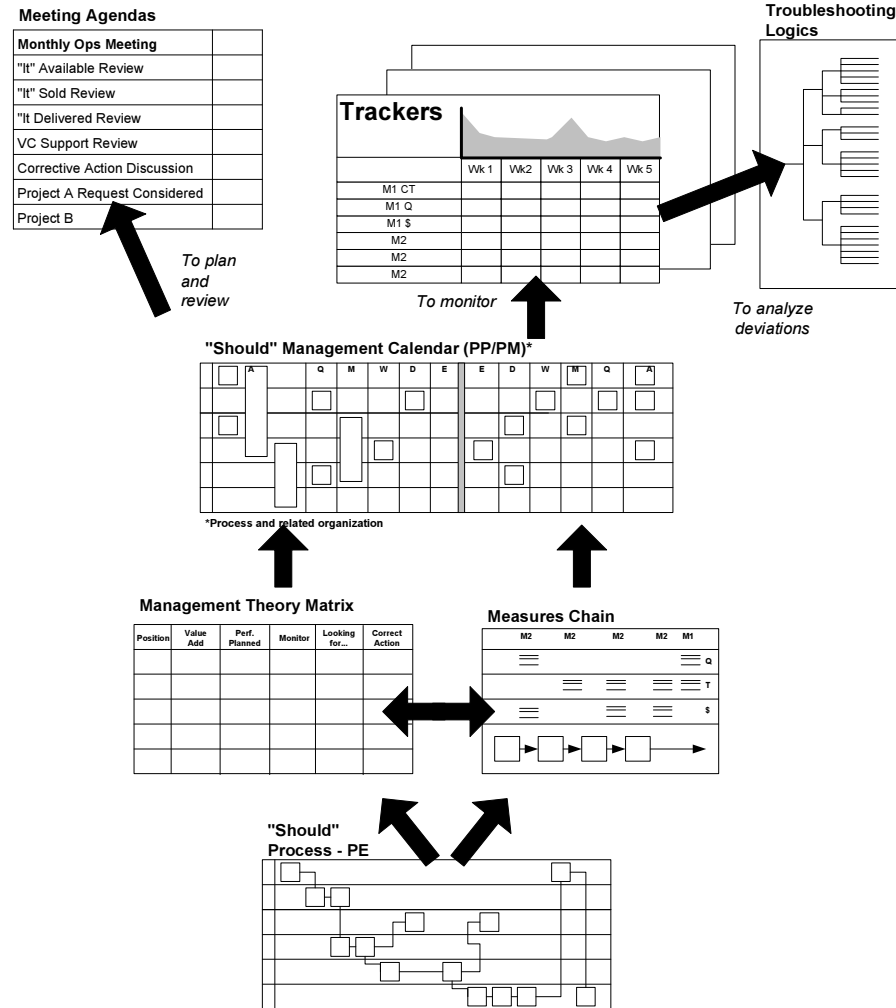
# Management System Overview



- ◆ A set of tools that link goals and measures to a closed-loop tracking and management cycle
- ◆ Specifies what management has to do to manage the complex organization
- ◆ Driven by the business value chain—what gets planned, monitored and managed is what customers care about



# Management System Tool Set



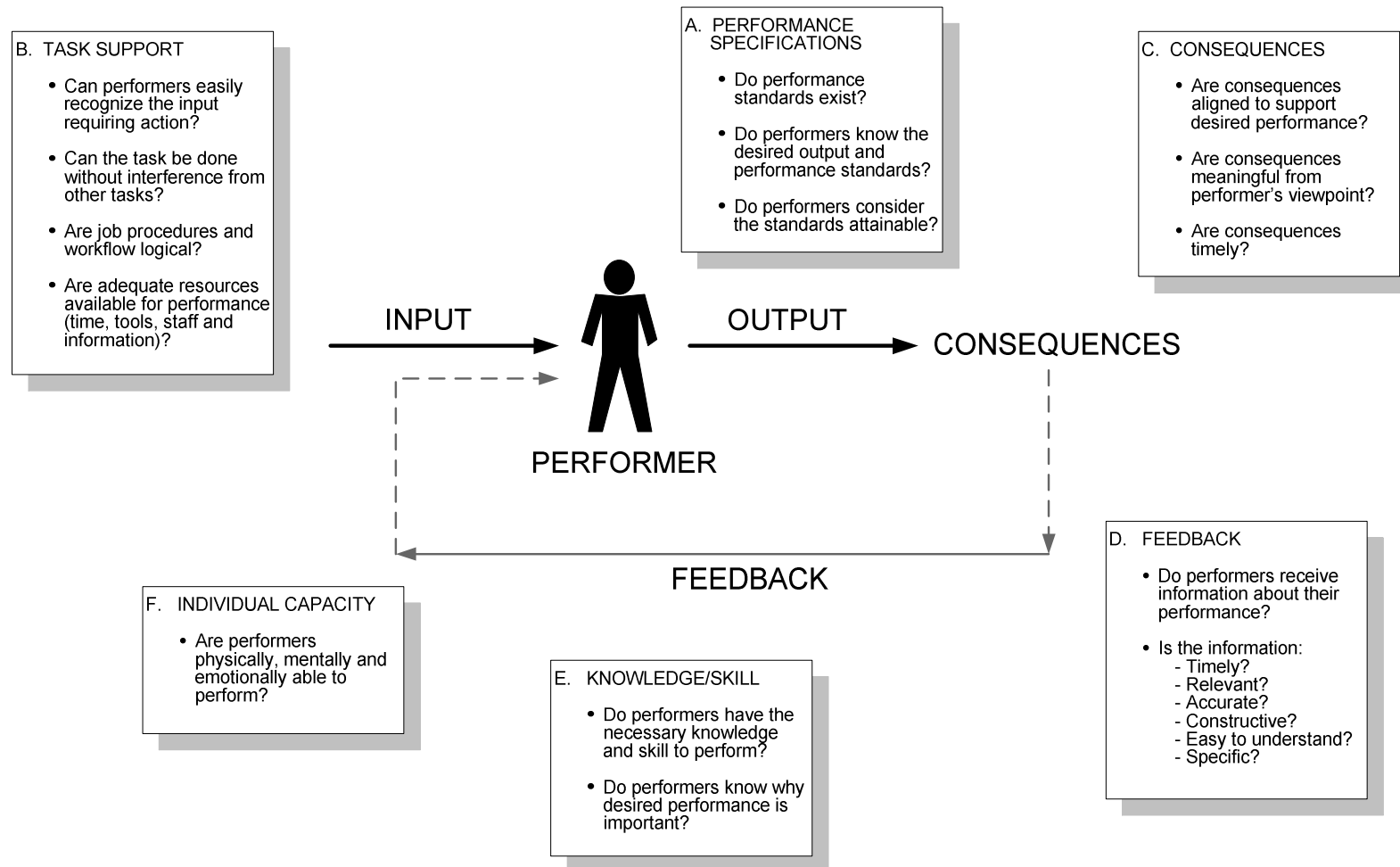
**Avenue #2:**

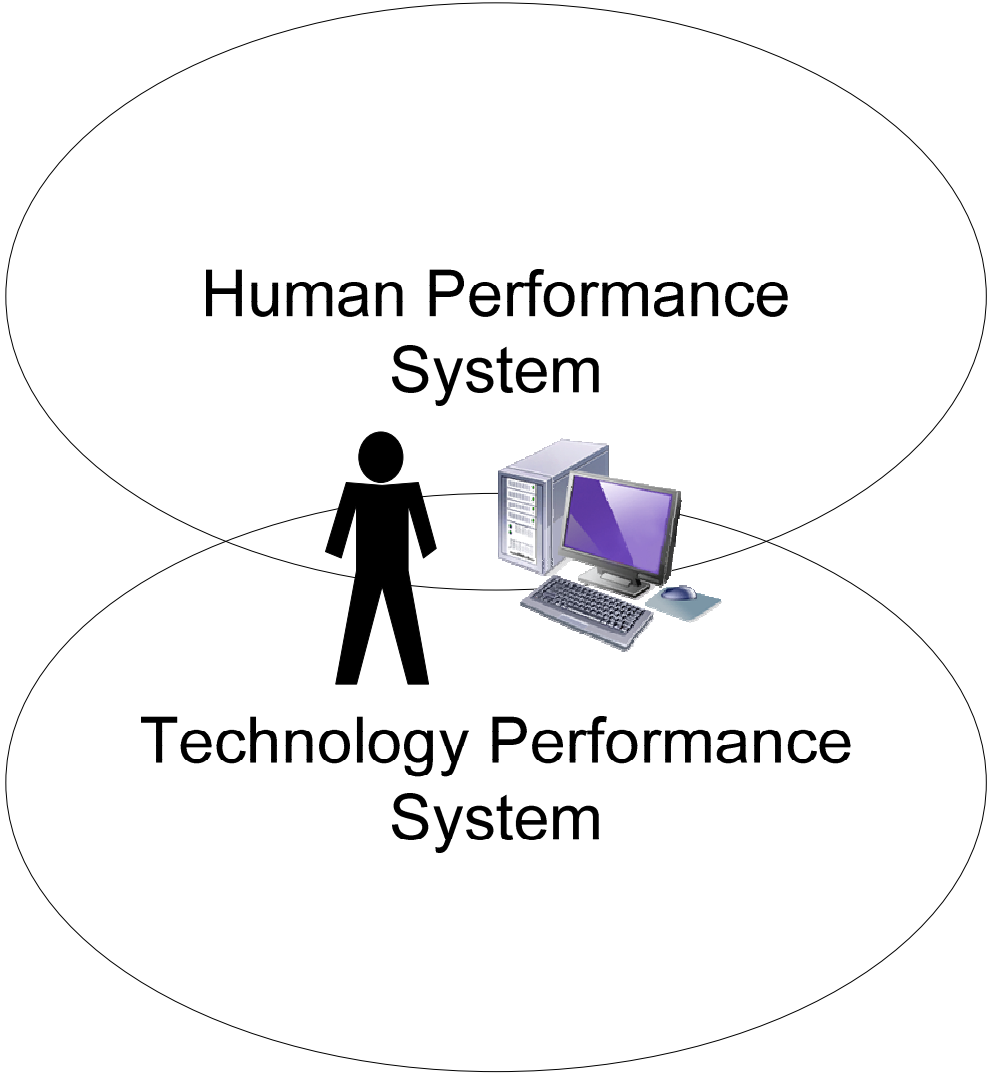
**IT doesn't understand  
performance**



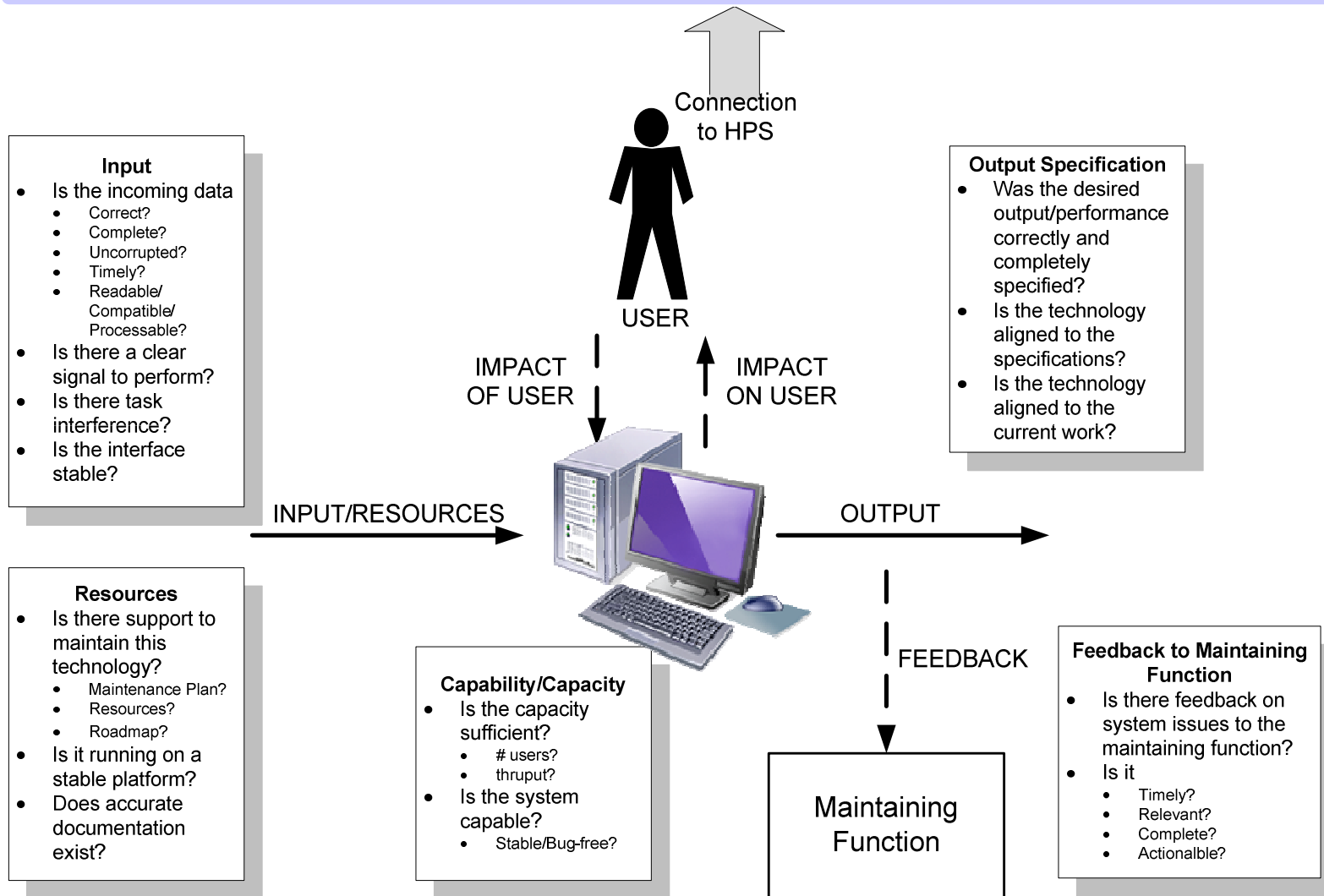
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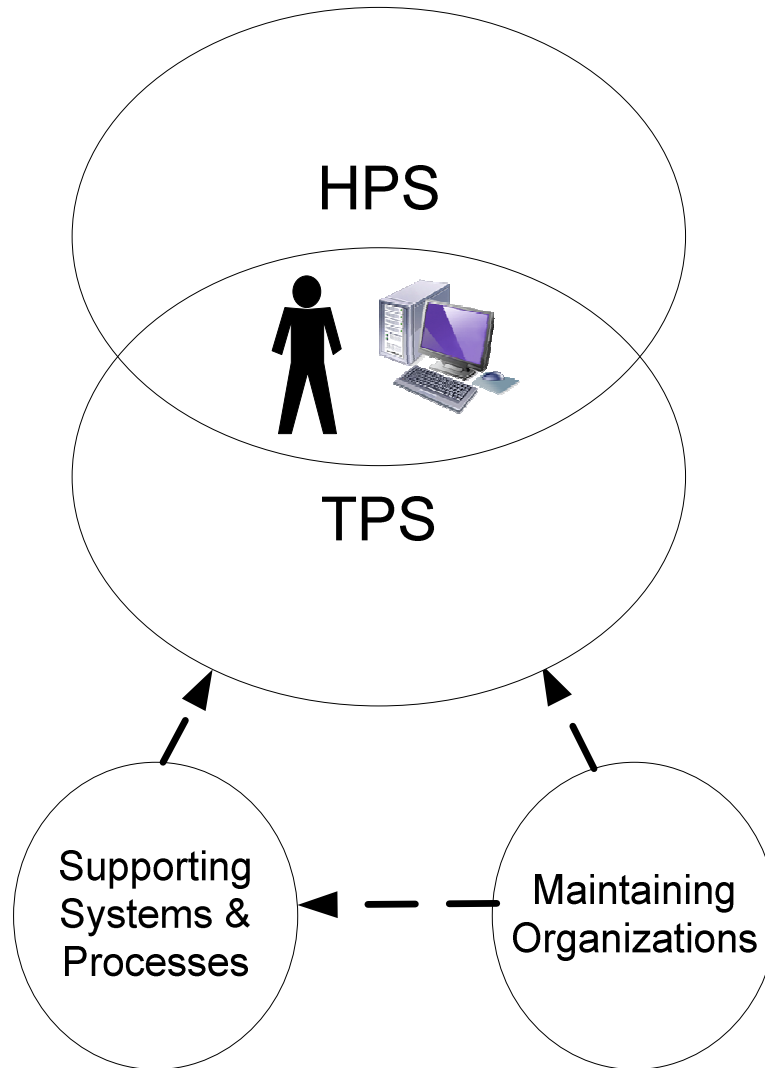
# The Human Performance System



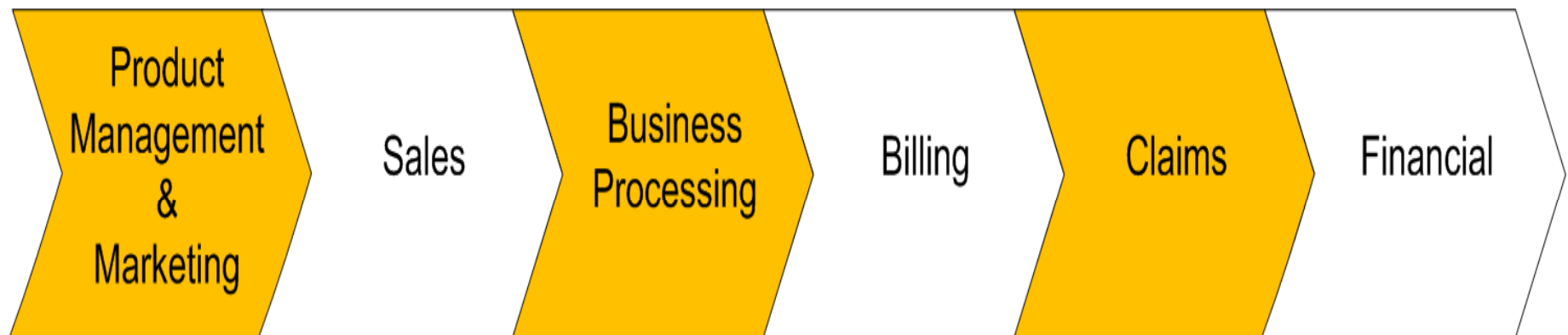


# The Technology Performance System





# IT has a Siloed Approach



# How Can HPT Help IT?

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- ◆ Teach them how to do performance diagnostics
- ◆ Teach them to see the organization as a system
- ◆ Teach them to think, analyze, and design cross-functional solutions
- ◆ Teach them how to collaborate with other improvement groups



**Avenue #3:**

**Management doesn't  
understand IT**



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# IT as Magic

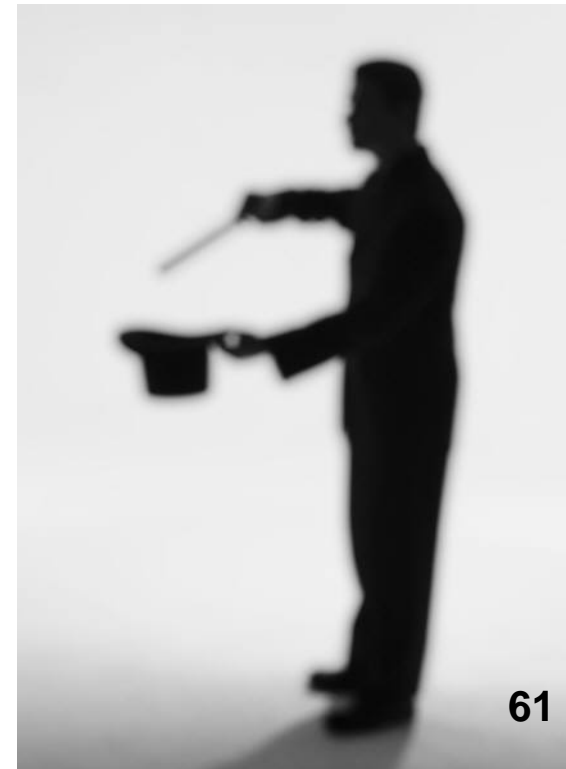
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- ◆ Many business leaders are unwilling (or unable) to manage IT—instead they tend to indulge in magical thinking...

***More, better, faster, cheaper  
technology***

***Just make it happen...***



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# IT as Magic

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- ◆ Many people are intimidated by IT
  - It's complicated and technical
  - IT people indulge in their own insider language
- ◆ The Bill Gates Factor
  - Who's the smartest person in the room?
- ◆ But IT can, and should be, managed as much as any other function...



# Managing IT

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- ◆ Link all IT projects to *business requirements you actually understand*.
  - Use the Value Creation Architecture to define business requirements
  
- ◆ Insist on IT proposals and reports being in ordinary business language.
  - Make IT talk in non-technical terms. Instead of being buffaloed by mysterious lingo, require them to make their case in plain English. The same goes for progress reports.



# Managing IT

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- ◆ Do not accept promises of miracles to come. Building software systems is costly and hard. Remember that.
  - Force your people to be realistic about what a system can do, whether it is even possible to build what they would love to build.
  
- ◆ And while you're at it, stop expecting miracles.
  - Executives ask for failure when they simply expect technologists to simply give them what they ask and brook no excuses.
  - Listen carefully to the doubters (i.e., when technology is being overpromised and pain underestimated)



# Managing IT

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- ◆ Get business analysts and software designers to become experts first about the performers and their work processes, and, second, experts about technology.
- ◆ It is a key flaw of requirements-gathering during software development projects to let the technologists leave the room when *they* are satisfied. *A requirements session should end only when the business people are satisfied that they have made their needs clearly understood and achieved an agreement.*



# How Can HPT Help Managers Manage IT?



- ◆ Become the trusted advisors on performance to managers and IT
- ◆ Become role models on collaborating with IT to develop cross-functional solutions
- ◆ Become role models on asking good questions about proposed solutions
- ◆ Don't get seduced by technology ourselves



# How Can IT Help HPT?

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- ◆ Funding
- ◆ Access to executives
- ◆ Involvement in designing the organizations of the future

