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Implementing Lean Marketing Systems



A Guide to Business Process Management

Guest was Theodore Panagacos

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Transcription of Podcast

Joe Dager: *Welcome everyone. This is Joe Dager, the host of Business901 Podcast. With me, today is Theodore Panagacos. He is an Industry recognized change management practitioner, and he has ten years experienced helping organizations design and implement business models that improve their services to customers. He has a strong background in the banking financial services and government sectors and has worked across a range of functional areas relating to business strategy, ICT Transformation, Project Management, Corporate Governance Reform and organizational re-design.*

*Theodore is also the author of the **Ultimate Guide to Business Process Management** and has been a guest speaker at several change management conferences, both within Australia and overseas. I would like to welcome you, Theodore, and would you update me with what you are doing presently?*

Theodore Panagacos: Well greetings from Australia Joe and thank you for having me on your show. For the last few years, I have been working in both finance services industry, and right now, I am working for a company in the electric utility industry. Basically, my role has been to consult, advise and help implement business process management and business



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architecture capability within these organizations. I have been doing that for the last five years and a lot of lessons have been worked and capture and hence the reason for my book. Still have a lot of work to go that's for sure.

Joe: *Let's start out at the 20,000 foot level and talk about what is Business Process Management?*

Theodore: Simple enough, the definition is actually in the title itself. It is actually managing business processes. In the change management industry, Business Process Management uses a defined framework and methodology to management, govern and optimize processes within an organization. It is a prescribed methodology that has been built up over a number of years going back to the early 1950s, and whereby organizations now applies this framework in order to improve productivities, save costs and give better insights into the way they manage their business's usual activities.

Joe: *If it goes back to the 50s has it changed in the modern era?*

Theodore: Yes and no. It has obviously changed in terms of the technology aspect because back in the 1950's the practice was built up by Edward Deming and some of those pioneers and even those experts that came out of Japan during the rise of the industrial age at that time. They used basic core principles in order to improve the workflow and productivity of staffs. However, as Business Process Management developed and became a little bit more technical, particularly during the late 70's,

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right through the early 90's, we saw more and more technology type approaches. Whereby IT software companies starts to build specialized tools and workflow engines and so forth in order to automate processes. We saw companies remove the manual component out of the process, in order to ensure that the process moved a lot faster; where executed quicker, etcetera, etcetera. At the end of the day, regardless of what happened during Deming's era and regardless of what the IT companies have done, and even, regardless of today, the principles are still the same, it's all about Managing Business Processes. Some companies liked to do it in a technical manner and use sophisticated software to do that whereas other companies like to grass root sort of tools for basic process improvement.

Joe: *If Business Process Management (BPM) stems from Dr. Deming, what is the difference between BPM and Lean?*

Theodore: There are several change management functions that I guess that are out there in the consulting industry at the moment. So, we've got Business Strategy that is the highest level of business architecture. Next, Business Process Management and then underneath, we have a Lean and Six Sigma components. I think the Lean, Six Sigma colleagues will probably argue with me on this, but basically how it works is that your Business Strategy folks develop the long term plan as an organization in terms of where that organization is going, the directions it's going to take and how it is going to position itself with its market competitors. The Business Architects then take their strategic plans and develop what the Business Model should look like. Underneath that the Business Process Management people that reside within a

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people center of excellence takes the models that the Business Architecture developed and models the process that create the optimum business functions and activities that the business is expected to perform. Then what happens is that the Lean and Six Sigma people will work with the business process management teams, optimize the processes that are being developed. There are definitely fundamental differences between BPM, Lean and Six Sigma. I just explained, I guess that holistic 50,000 foot view. More fundamentally, Lean and Six Sigma practitioners tend to look at optimizing the absolute tactical levels of processes within the organization. Whereas the BPM team, BPM process analyst tends to focus throughout the operational level at a higher view of the organization.

Joe: *What we are trying to accomplish with BPM is the strategic side and then we hand off the operation or tactical side to the Lean and Six Sigma folks?*

Theodore: Yes, that is correct. The BPM folks will set up the framework for how the processes will be managed, and they can do that in a repository or other various means. They will identify what those processes are align those processes to be a functional part an organization. The Lean and Six Sigma practitioners will work with those process analysts and further optimize and refine the processes so that they will perform at their optimum level.

Joe: *If I want to start with Business Process Management, how do I start? How does an organization start?*

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Theodore: The good news is actually Business Process Management is actually not hard to implement, and it is not a complicated methodology to apply within an organization. My recommendation is, in terms of starting out on the BPM journey, the first thing that a manager or a project manager would need to do is actually get executive endorsement. Without a sign of an endorsement from a C-level executive, more often than not, the BPM projects are doomed to failure. As I say time and time again, middle-level managers thinking we need BPM, and this is something we would like to implement, they start there on that journey. Then what happens is because it has not been supported by hi-level management, the project gets fizzled out or the management gets distracted by other projects or they do not get enough stakeholder supports. My recommendation again, is a safeguard and support from a C-level executive, and that could be done through steering community or something like that and to do that, you should actually develop a business case. In that business case, you would want to highlight the benefits of business process management, what the organization intends to achieve out of implementing such a methodology and then an actual road map in terms of how you would implement that in real life and what you want to achieve and what the success will actually look like.

Joe: *What are the success factors or the benefits of Business Process Management? What do we get out of it?*

Theodore: BPM is all about identifying what you do-do and what you don't do within a business. BPM helps managers identify the day to day activities that the business runs in a visual representation. Having that sort of information allows managers to

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make more informed decision about again, the day-to-day operation of their business.

When you go down to the improvement level and the actual level analysis level, you can then start looking at time and cost improvements. For example, how many FTE (Full-Time Equivalent) employees are associated with a particular event or task? How long does it take them to execute that task? When you have that insight and information, you can run certain scenarios that allow you to optimize those processes so that your business is running again at optimum efficiency.

You have other potential benefits like ensuring that you adhere to regulatory compliance. A lot of industries such as the mining industry and even the banking industry, they have tight laws that govern what they can and can't do and more often than not, there are regulatory bodies that govern these laws. They want to know that the bank has their processes documented particularly if you are dealing with sensitive information like people's bank accounts. That is a couple of things; Regulatory, Process Optimization and Manager's Insight into how the business is run.

Joe: *When I think of Business Process Management, I think, we are going to initiate some change in the business. Is it project orientated? When we talk about Lean, we talk about continuous improvement and culture, where does Business Process Management fit? Is it just a one-shot deal for a certain time period or is it something that is continued on a regular basis?*

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Theodore: It is actually a continuous improvement methodology. Ideally, you have the Lean and Six Sigma experts sit with the BPM practitioners to continually update the process repository by those processes that had been identified. It is continuous in a sense that the market always change, competitors are always changing, there is always new innovative products that had being introduced to the market space and these external factors always, more often than not, force an organization to change the way they do business. What that means is that the job and role of the process analyst and even the Lean and Six Sigma experts are actually never-ending. When the practitioners work in unison, the actual outcome and the result can be quite powerful and can help senior-level executives make informed decisions about which direction they want to take the organization, what new process they should be introducing and how they can align their business to new and emerging IT technologies.

Joe: *I think some listeners are sitting there probably saying: "Gee, Lean does that." You are looking at Lean and Six Sigma more as a toolset for Business Process Manager to manage at a higher level.*

Theodore: That's right.

Joe: *What are the tools of Business Process Management? Are there modeling tools and other tools?*

Theodore: In BPM there are actually two types of tools. There are static tools, and there

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are dynamic tools. When we talk about static tools, what we are talking about are actually freehand drawings. You can do those drawings on something like butcher's paper or even post it notes or in Visio. I have seen lots of them which used post-it notes to model processes within a workshop, and these are essentially static tools are a path. Documents are actually another example of static tools. Static tools are essentially those tools that create flat form drawings of the process. Once they have been developed, they cannot be manipulated or altered. Analyst will tend to use static tools when they are rushed to create a process or when they need to show a manager or a stakeholder a quick overview of the process.

There are several different types of dynamic tools. There is your Vanilla Process Modeling Tool. There are workflow engines, simulators and enterprise architectural tools. I won't go into details and describe each one of those tools, but more often than not, organizations used two types of dynamic tools. One is the process modeling, Vanilla Process Modeling tool and the other is the workflow engine tool. When we talk about dynamic tools in that sense, what that allows a practitioner to do is to change a process in one area of an end-to-end process model and a tool automatically updates and cascade those changes throughout the rest of the process architectural or process model. The tool does a lot of the hard work for you. Some of these tools that are being developed and reside in the market at the moment have a simulation capability, as well. Whereby, once you developed an end-to-end process model, you can literally just hit the play button, and the tool will do some detailed analysis around the efficiency of the process that you have just built. Some are more expensive than others for sure, and some have been implemented with

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some varying degrees of success within an organization. When used properly, they are all very powerful.

Joe: *Are you simulating workflows or doing let's say scenario planning of what may or may not take place?*

Theodore: Yes, that is right. Just to give an example, this is the one that I used in a lot of my training programs. For example, assuming a lot of your listeners have been through an airport and has walked up to the gate of the airport. You will, more often than not, come across several security gates, whereby you have to take off your shoes, remove your bag from your shoulder, remove the laptop body bag, put it in on a conveyor belt and walk through a scanner. In that scenario, you'd have a couple of hundreds of people who were trying to go through several scanners, and there will be a backlog of people all trying to reach the gate and try to make their plane on time. What will happen is that process analyst will document an event scenario like that, put that in a modeling tool and work out whether or not it would be ideal to add more security scanners within a gate and what the outcome and differences would be. For example, would you be able to get more people through in less time or building another security gate cause more problems, somewhere else? That's just one scenario.

Joe: *One other thing that I notice in your book was the BPM Maturity Model. Could you explain to me what that is?*

Theodore: The BPM Maturity Model have been developed by the Object Management Group

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and essentially, it is a document and plan and I would like to think it is also a roadmap too that allows an organization to identify how mature the process' capability is. At a very high level, the BPM Maturity Model is broken into four distinct components. It centers on of people, process, governance, and technology. The maturity model can allow you to assess the parts of your organization that are not performing or lacking or identify way standard at a particular point in time with your process management capability. Then, the maturity model helps you and shows you the steps in terms of what you actually need to start improving those capabilities, and it is freely available from the Object Management Group website. It is a fairly lengthy document, and the good news is that organizations can pick and choose the components that are relevant to their organization.

Joe: *When you wrote your book, who was it meant for, practitioners of Business Process Management or as an introduction to someone?*

Theodore: I wrote my book for just about everyone. I think there are certain parts of the book that I think experts will find new as well as I think even those who are just starting out in the BPM journey at the University. They would definitely find it useful. It has been written in such a way that even a beginner practitioner or even someone that have absolutely no idea about change management altogether or when at level one of business management can pick up and then start writing. The idea is that once they finished the book, they are literally an instant expert and, of course, I say that in jest, but I would like to think that by the time the person has read the book, they have a complete insight into BPM. Plus, they are given some of the tools that

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they can start using to apply BPM within their respective organization.

Joe: *I think in your book you relate BPM to Six Sigma and Lean quite often?*

Theodore: I do, and I think my idea was to try and ensure that the reader got a sense and was convinced that BPM and Lean and Six Sigma are separate and defined functions. My view is that in the past BPM has often been confused with Lean and Six Sigma because the term process management was used inter-changeably and very loosely within the industry and that has created some ambiguity, particularly amongst managers and so forth. What I wanted to ensure is that BPM was clearly defined and that even though you set up a BPM practice, you still need the Lean and Six Sigma practitioners to help you achieve your goals within the organization.

Joe: *Is there something that maybe you would like to add that I didn't ask?*

Theodore: We'd be talking about Lean and Six Sigma and earlier on we have talked about the rise of Business Process Management since the early 1950s and it has been interesting to say how the BPM industry has changed somewhat, actually more recently in the last five years. The most notable change has been around how BPM is implemented and who implements BPM. Up until recently, the IT folks in the IT community and IT industry were largely responsible for driving business process management. The reason being is BPM started to be adopted by more and more organizations, naturally; the IT industry responded by creating specialist tools such as the web flow engine and the vanilla process modeling tools. What happens

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naturally is the IT industry became responsible for driving BPM. We had, and we saw IT folks arrive at the doorstep of an organization and try and sell their wares in a very technical manner. Therefore, C-level executives got confused by that and naturally thought that BPM was an IT related function. Organizations have now done their complete 180-degree turn and realized that BPM as with Lean and Six Sigma should be business centered and not IT centered. Ideally, what we would like to say that whenever a BPM project is implemented within an organization, that project should be initiated and run by those people that reside within the Chief Operating Officer of the Operation Area of an organization. What you want to see is the BPM Center of Excellence, actually, sit and reside near those business activities that are taking place in real time. I think the agreement within the BPM community at the moment is that it should reside within the operations area of business. So, the center of excellence should ideally report to the Chief Operating Officer.

Joe: *Is BPM a separate department or is it a shared responsibility like in a matrix organization where there's a group that comes together.*

Theodore: It would depend actually on how large the organization is. If the CEO is responsible for the organization of 40,000 employees plus, then ideally, it wants to have the BPM team as a reasonably large team. In terms of the numbers, well, that is anyone's guess. It depends on size, complexity, the manner of work that is involved, etcetera, etcetera. But, if you are trying to apply Business Process Management within a small organization, may be just a couple of hundreds of employees, there is actually nothing wrong with just having one or two BPM

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practitioners or process analysts just do BPM full time. Again, BPM doesn't need to be an expensive exercise and it really largely depends on what the goals and objectives of the organizations are in terms of wanting to manage their processes.

Joe: *Where can I learn more about BPM?*

Theodore: There is a whole host of information that is available on the internet. That is definitely fairly available. I recommend to your listeners and anyone else that wants to get a more detailed understanding of Business Process Management is to first and foremost start out with the website that is the Object Management Group website. So, that is www.omg.org, and there you will be able to friendly download the Business Process Maturity Model and plus the modeling text and for business process model and notation if you are interested in the modeling component. If you are interested in getting it in a high level of view and you are starting out and there is a lot of great book out there, publications that revival on the on repositories like Amazon.com and so forth and then there is also a friendly available courses as well.

I certainly recommend that people start off and do a Lean and Six Sigma course and there are BPM courses that are out there in available, and that is just a matter of using Google. Last but not the least is, well, for those who want to, I talk about a changed management functions before. For those who would like to work at a more strategic level of the organization. I highly recommend for those practitioners to take the non-certification course. TOGAF is The Open Group Architecture Framework. That's an international body to promote business architecture for all

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industries around the world. They offer a certification course on how to build business models and process architecture. That is something I highly recommend.

Joe: *I think a great place to start is your book, *The Ultimate Guide of Business Process Management* and it is available on Amazon. It gives you a great approach or a great overall look at it. I would like to thank you very much Theodore and if someone would like to contact you, how would they do that?*

Theodore: Yes, definitely, they can do that via my linked in page. It is definitely not hard to find me. I don't think there are too many Theodore Panagacoses out there in the wider world [laughs]. So, certainly linked in or alternatively they can visit the book website at www.ultimateguidetobpm.com.

Joe: *Well, thanks again very much Theodore and I look forward to hearing more.*

Theodore: Pleasure, Joe. Thank you for having me.

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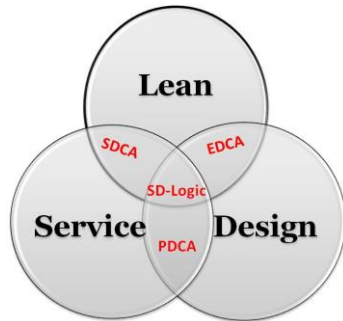
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Joe Dager is president of Business901, a firm specializing in bringing the continuous improvement process to the sales and marketing arena. He takes his process thinking of over thirty years in marketing within a wide variety of industries and applies it through Lean Marketing and Lean Service Design.

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