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## Business Process Standardization

### Abstract

Across its own functional and geographic structures every organization has many processes with the same, or similar, outputs and inputs. These processes are comprised of comparable activities, are constrained by similar rules and are supported by like resources. They are common processes. They could be identical processes; multiple instances of the same process. Consider the corporate process, Purchase Goods, based on a global standard to use a single contracted supplier. At the same time, credible arguments can be made for local variations on these common processes to meet local requirements. Should a local variation of Purchase Goods be allowed in a location where the sole supplier has no office? In planning the implementation of a large software application for use in 30 countries, to what extent should local practice be allowed to customize the corporate application, potentially creating 30 different instances of the application? Is 30 too many? How about 10? 20? How many is too many? At what point does the cost-benefit balance shift away from global standardization to favor local relevance?

In this chapter we address the complex of issues around process standardization. A Global BPM Framework is described that facilitates management of the conflicting demands of standardization for global efficiency versus variation for local effectiveness.

### Standardization Dilemma

Every organization would like to avoid uncoordinated business process activity with isolated business units constantly re-inventing the wheel. The arguments for standardization are compelling. So are those for variation in response to particular local requirements. This is true on any scale within and across state, province or national borders.

In this context, process standardization means the development of a standard or best-practice process to be used as a template for all instances of the process throughout the organization. Our emphasis here is on the organization development and culture issues that relate to BPM governance.

The development and use of technical standards, e.g. BPEL and BPMN, for the development of BPM systems are not part of our considerations. These issues are covered elsewhere in this book in the chapter *Influential BPM Standards* by Leymann et al.

Neither does this chapter address the technical management of process model variants. These issues are covered in another chapter of this book, *Configuration and Management of Process Variants* (Hallerbach et al).

Questions about the effective standardization of business processes go to the heart of process governance. They can drive or limit process change. They bring into sharper focus questions of process performance accountability. They shape organizational culture.

Harmon<sup>i</sup> states the case for standardization plainly “... if a company is doing the same activity in many different locations, it should consider doing them in the same way.”

Any organization seeking to develop a process-centric culture must find ways to reconcile the tension between standardization and local variation, between centralized control and distributed autonomy. Can we achieve business process change with a predisposition towards standardization and still support critical local differences?

In the first chapter of this book Michael Hammer discusses seven axiomatic principles of process management. One of these principles is that “*One process version is better than many*” and he says “*Standardizing processes across all parts of an enterprise presents a single face to customers and suppliers, yields profound economies in support services such as training and IT systems, allows the redeployment of people from one business unit to another, and yields a host of other benefits. These payoffs must be balanced against the intrinsically different needs of different units and their customers, but our bias should be in favor of standardization.*”

Standardization actually involves two related questions: how should standards be developed and how should compliance be managed. Should process best practice be determined centrally or can the wisdom of the crowd of process participants be harvested to inform best practice decisions?

We discuss a two tier approach that can deliver business processes that work at both the global and the local levels. We describe a Global BPM Framework that facilitates the execution of a Global BPM Strategy which delivers a process view that is globally consistent and locally relevant.

Drawing on the Object Management Group’s definition of strategy from its Business Motivation Model (BMM)<sup>ii</sup>, we define a Global BPM Strategy as the essential course of action required to achieve the goal of process-based management. The case for committing to process-based management is made elsewhere in this book, for example in Hammer’s chapter *What is Business Process Management?* and *BPM as an Organizational Approach* by de Bruin and Doebeli In this chapter we assume that general commitment and suggest how it might be operationalized with a particular emphasis on the question of standardizing common processes across the organization.

The Global BPM Framework is a set of concepts, principles, constraints and relationships that provide the basis for the development and execution of the Global BPM Strategy.

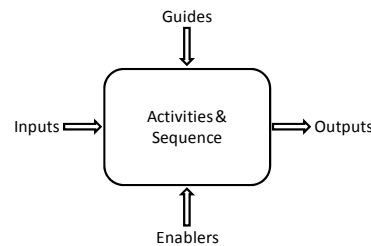
Many of the concepts discussed in this chapter have been developed and refined in working with a leading international financial services provider. Given both the sensitivities that surround their business environment and their significant

internal change management opportunities and challenges, we are unable to identify the company<sup>iii</sup>.

### Defining Variation

Before we discuss options for reducing and managing business process variation, we should be clear about what we mean by such variation.

The simplest process diagram<sup>iv v</sup> is a single box showing inputs, outputs, guides and enablers. The process is a sequence of activities that transforms inputs into outputs using the enablers and informed and constrained by the guides. The key focus is on the outputs and this must include the customer(s) for whom the process output represents some form of value. The impact on other stakeholders such as suppliers and partners must also be considered. Variations occur with one or more of the inputs, guides, enablers or sequence of activities transforming inputs into outputs. Deriving the same outputs based on different suppliers (inputs), or different regulations or policies (guides), or by using different IT systems (enablers), gives rise to the potential for standardization.



## Globally Consistent or Locally Relevant

As in many of life's dilemma's, the question is one of balance. The idea of the "one true process" executed consistently throughout the organization is persuasive. The conflicting argument for a primary focus on particular needs at the customer interface is compelling.

### Attraction of the Global

In a perfect (process) world an organization would have many standardized processes throughout its operations. Whether it was a single site operation or spread across a country or spread across many countries, the same process would be executed exactly the same way in each place. Common processes would be documented, executed, managed and measured in the same way in every instance. The "one true process" would be maintained and enforced, if not by cultural norms, then by a central authority.

Training would be uniform. People and work would move seamlessly between locations. Customers would always have the same experience of the same process irrespective of location. Partners would have an optimized and well understood role in the supply chain. IT development, implementation and maintenance costs would be greatly reduced. Other elements of the infrastructure of common process execution would also be consistent across the organization. Economies of scale would be significant. Opportunities for consolidation, outsourcing and offshoring

would be more readily and accurately identified and, consequently, more effectively managed.

Quality assurance would be consistent and more manageable across the organization. Compliance management generally would be greatly enhanced, leading to better understanding and management of risk.

In this environment it would be possible to have comparable performance measures between locations (process instances) and process improvements would be redesigned once for immediate implementation across the organization giving the added benefit of economies of scale. Management of the organization and its processes would also be standardized.

The opportunity to create common standardized process does not arise only where an organization operates across national borders. An organization working from a single location will also have common processes. These processes could be executed by different parts of the same organization in the same building or across the world. The case for standardization will be just as strong, and its achievement may be just as difficult, in this single location as in a global diverse organization.

There are many benefits to be gained from the standardization of processes. Surely the arguments are compelling. The conclusion must be that every organization should document its process architecture, model its processes to at least two levels, assign process owners, seek out variation, determine “best process” and standardize. Next stop, Nirvana.

### **Attraction of the Local**

In reality, most organizations working across a range of geographies, cultures and operating environments do not achieve this level of standardization. Indeed many do not even want to try.

For them, the arguments for local variation are just as compelling. Each location or business unit is best left to run with reasonable autonomy. Global management is not done by micro-managing from afar in Head Office. Local requirements require process differences in each location. Having the various business units only loosely coupled to Head Office, and each other, makes them much easier to sell or reorganize when required. Establishing and maintaining the degree of rigor required for effective centralized control is difficult and distracting. The traditional arguments against enforced standardization are that it's too hard, takes too long and can be disruptively confrontational.

Let's consider this global/local balancing act in general terms before we return to a more detailed analysis of the drivers and costs of local variation.

### **Balancing Act**

The polar opposites of centralized control and loosely-coupled association have given rise to many debates in the lives of individuals and communities.

How can we resolve the tension between the competing cases for standardized global processes versus locally tailored processes? Should organizational energy

be expended in enforcing compliance with global standards or in managing the variability that is inevitable in complex organizations? Do we achieve standardization at the expense of agility or do common processes increase the ability to safely and quickly achieve meaningful change?

A further aspect of the balancing act involves choices about the degree of authoritarianism involved. How do we determine what the standard processes should be? Should a central unit work out what is best and issue instructions? Perhaps a central unit's primary role should be to relentlessly capture and disseminate examples of good practice and thereby facilitate the evolution of standard processes?

Once a standard has been set, how will its use be enforced? Careful choices are required in limiting local autonomy. The culture of the organization and its customary approach to policing compliance will play a large role. No organization allows business units to design their own accounting systems. Such rigor may not be so strictly applied to the management of processes. For a multi-national operation, differences in national cultures will be important. Hofstede reminds us that "*culture is more often a source of conflict than synergy*"<sup>vi</sup>.

The problem also changes at different process depths. At the highest levels of the process architectural view of an organization there are many seemingly common, or at least similar, processes. A common process that might be described in any public or private sector organization of any size and in any country is Hire-to-Retire. Such a process would describe all of the activities, policies and rules involved in HR management. You can easily imagine a level one process sequence such as Define Role, Recruit Employee, Manage Employment, Finalize Employment. At this level, such a sequence could be common throughout an organization, indeed perhaps common between different organizations. The further we drill down into the sub-processes the more variation we might find. One example of variation would be that recruitment might be done via public advertising or via an agency. Reference frameworks such as the Supply-Chain Council's process reference model, Supply-Chain Operations Reference (SCOR)<sup>vii</sup> and the APQC's Process Classification Framework<sup>viii</sup> also illustrate the levels of abstraction issue. The SCOR model's highest level defines five processes that describe any supply chain across a wide variety of organizations: Plan, Source, Make Deliver, Return.

Another consideration will be whether it might be appropriate to maintain standardized "back office" processes at a particular business unit location while having customized "front office" processes. Even if a customer segment genuinely requires customization of customer-facing processes, that may not mean that the changes need to be deep. Variation may need to go no further than the customer's field of view.

Whatever standardization approaches are adopted in an organization there will need to be some flexibility in their application. Some business units and locations will be much better able to successfully introduce local variations. Others will lack the maturity to be allowed to vary far from the global standards.

There will be genuine reasons for some process variations from location to location, from business unit to business unit. Clearly identifying similarities and

differences in business processes allows us to validate the cost-benefits and re-use best practice for business optimization and change.

The intent is not to create robotic organizations all working in the same way in every aspect. Henry Ford's phenomenal success was built largely on standardization of the components and construction processes of the Model T, the "Car of the Century"<sup>ix</sup>. Even so, he was keen to point out that "*The eventuality of industry is not a standardized, automatic world in which people will not need brains. The eventuality is a world in which people will have a chance to use their brains ...*"<sup>x</sup> This idea is reflected in the Toyota concept of "autonomation" meaning "*automation with a human touch*"<sup>xi</sup>.

Given the current condition of the automotive manufacturing industry, there is some irony in comparing the beginnings of the Ford and Toyota companies. The Toyoda family studied the work of Henry Ford very carefully and for some years before establishing their Toyota company in 1936. By this time the Ford Motor Company was well established. The manufacturing and marketing phenomenon that was the Model T had been over for nearly a decade. Taiichi Ohno, the architect of the Toyota Production System was "*in awe of (Henry) Ford's greatness*"<sup>xii</sup>. Today, the Toyota Motor Corporation in Japan receives some 600,000 improvement suggestions each year from staff. A staggering 99% of these suggestions are implemented<sup>xiii</sup>. That's almost one successful improvement per month per employee. Katsuaki Watanabe, the then President of Toyota Motor Corporation, said in 2007 that "*There's no genius in our company. We just do whatever we believe is right, trying every day to improve every little bit and piece. But when 70 years of very small improvements accumulate, they become a revolution*"<sup>xiv</sup>.

What if every organization had a way of collecting successful process improvements made across its locations and business units and standardizing processes based on that knowledge? Over time, would a complete set of standardized processes evolve?

## Local Variation

Inevitably there will be local variations on common processes. These variations will arise for many reasons. Each variation imposes a cost on its host organization.

### Reasons for Variations

Despite the compelling arguments for standardization, there are many reasons why common processes are designed and executed differently in different locations. Some of these reasons, e.g. legislative requirements, make variations inevitable. Other causes are less proscriptive. Some seem to result from personal whims. To understand the validity of a variation and the cost of supporting it, it is necessary to understand why the variation exists in the first place.

Various reasons for business process variations can be described.

**Legislative requirements.** These are mandatory and unavoidable variations that come from differences in financial regulations, taxation regimes, import/export regulations and employment practices.

**Local market imperatives.** Although these changes can be harder to define, they are more common and have a significant effect. They are caused by differences in national or regional culture, customer expectations, market maturity, competitive landscape or local market conditions.

**Personal preference.** Some differences are more to do with the personal preference of an individual with authority to make, or stop, change.

**Knowledge is power.** Related to the effect of personal preferences, but less benign, some see the sharing of knowledge about how a process works as a loss of control and power.

**Drift.** Processes can change for no obvious reasons. Over time they drift away from the standard by the accretion of many tiny variations.

**Resource constraints.** What works in one location may not be possible in another if the necessary resources are not available or affordable.

**Product/service variations.** Differences in product and services may require variation in the processes that create, deliver and maintain them.

**Mergers & Acquisitions.** When organizations join there are usually at least two versions of notionally common processes. In theory, this problem would be resolved and a single process selected, but old processes sometimes die hard.

**IT driven.** IT systems, particularly legacy systems, may force variations in business processes.

**Unstructured, unmeasured and unrepeatable<sup>xv</sup>.** Knowledge work is often said to be impossible to document and model as a process.

There are many reasons why variation from a global standard for a particular business process might occur. Some of the variations are inevitable and organizations need to manage that diversity. Others have no such compelling purpose.

It is common for people and business units to express the view that what they do is “special” and “different” and can’t be seen to be standard. Sometimes this is true. Mostly, it is less so. We rarely hear people successfully argue that financial management or project management should be handled in a special way for their business unit. Should process management be different? Resolution of this tension is a complex and important aspect of global management.

### **Costs of Variation**

There is a cost for variation. Such costs are not always apparent as they seldom appear as line items in financial reports. They are no less real. Continued support for unnecessary process variations is a lost opportunity for performance improvement. “Opportunity losses” are seldom recognized, let alone reported.

Across a large organization, and even in some smaller ones, there can be many processes in play that could be standardized but this opportunity is not recognized

because nobody is looking. Expressing a fundamental premise of what we would come to know as Lean Management, Shigeo Shingo<sup>xvi</sup> wrote in 1981 that “*We cannot find and eliminate waste if we are not looking for it.*”

The costs of variation take many forms.

**Customer dissatisfaction.** Customers expect the consistent outcomes that result from consistent processes when they deal with an organization. Customer dissatisfaction leads to loss of sales and/or resources wasted in dealing with complaints.

**Inefficiency.** The performance of most processes can be made more efficient. There can be a significant cost in not removing inefficiency.

**Ineffectiveness.** No matter how efficient a process is made, it is entirely waste if it is the wrong process.

**Training.** Multiple versions of a process can impact on training material incurring additional development and maintenance costs.

**Documentation.** Process variation means multiple versions of documentation are being maintained (or should be).

**Lack of information.** There is a potential opportunity cost in decision making not informed by the best consistent and comparable information.

**Loss of “best process”.** Without a system to identify and standardize “best process” across an organization, it is inevitable that some parts of the organization will be operating in a sub-optimal way.

**Increased complexity.** Organizational complexity is increased by process variations. Complexity adds cost to management.

**Re-inventing wheels.** Uncoordinated business process activity by isolated entities re-inventing solutions is clearly waste.

**Losing competitive advantage.** Failure to reduce costs, improve customer satisfaction, reduce time to market and reduced quality decision making must result in the loss of competitive advantage.

**IT development & support.** Process variations will often require variations in IT systems to support them, creating additional development and maintenance costs.

**Staff impacts.** For almost all organizations, staffing costs are significant. In many cases they are the largest single cost. Sub-optimal processes waste and disrespect these important and expensive resources.

There are many ways in which the existence of unnecessary process variations impose costs on an organization. In large and complex organizations these costs could amount to many millions of dollars, perhaps annually.

Each organization needs to assess the trade off between the cost of standardization and the costs of non-standardization. In doing so, most organizations will find that the financial costs of standardization are reducing. The availability of better global information and knowledge management tools, reducing communication costs and improving technology, and globalization of thinking and operations are weakening financial arguments against standardization. This trend will continue.

Variations in process may have both costs and benefits. A variation that might seem beneficial at one level of cost may seem extravagant at another. The common circumstance is that this cost-benefit is neither calculated nor challenged.

## Resolving the Dilemma

A two tier approach is proposed to deliver business processes that will help balance the demands of standardization and local variation. There are two integrated and closely coupled activity streams. One involves the development and maintenance of a Global BPM Framework<sup>xvii</sup>. The Framework includes models, templates and general guidance. The second stream entails the use of the Framework in the execution of the Global BPM Strategy. Both streams are continuous and enduring.

The Global BPM Strategy is realized via the following artifacts:

A **Global BPM Framework** supports ongoing development and management of globally consistent and locally relevant processes.

A **BPM Governance Scheme** provides policies, principles and conventions for coordinated process development and management.

A **Global Process Council** is the custodian of the global policy aspects of the Global BPM Framework.

A **Global Process Office** conducts day-to-day operations, analysis and reporting on the global usage of the Global BPM Framework and supports the execution of the Global BPM Strategy.

**Local Process Councils** in each location/country are the custodians of the local policy aspects of the Global BPM Framework.

**Local Process Offices** conduct day-to-day operations, analysis and reporting on the local usage of the Global BPM Framework and support the execution of the local aspects of the Global BPM Strategy.

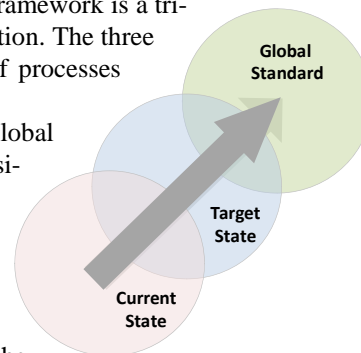
A **BPM Knowledge Exchange** captures and disseminates learnings from across the organization about BPM best practice.

A **BPM Capability Development Plan** provides a common method for developing BPM implementation and management capabilities.

Guiding the operation of the Global BPM Framework is a tri-state definition of levels of process standardization. The three levels provide a trajectory for development of processes towards a global standard. The three states are:

**Global Standard.** This is the notional global standard representing the ideal state for all business units everywhere from a standardized process perspective. The global standard may be one of the available process reference models such as SCOR or it may be an internally designed reference.

**Current State.** This is the current state of the



process in the particular business unit. Where complete standardization of the process had been achieved, this would be the same as the Global Standard. Where local variation is accepted as necessary a process may never move further towards the Global Standard.

**Target State.** This is the current target for the process in a particular business unit. It represents improvement from the Current State. Although the trajectory from Current State to Target State would ultimately reach the Global Standard, the Target State may be short of the Global Standard. Where local variations have been accepted as valid, the Target State and Current State are coincident.

The Global Standard is maintained by the Global Process Office with the authority of the Global Process Council. Current and Target States for business units are managed by the Local Process Offices and Councils.

### **Global BPM Framework**

The Global BPM Framework allows all business units to develop coherent approaches to BPM. Standardization is encouraged and necessary local variation is supported.

The Global BPM Framework is shown in Diagram 1. It's most obvious characteristic is the integration of global and local perspectives. The Global BPM Strategy is developed and managed by the Global Process Council assisted by the Global Process Office. The Local Process Councils are accountable for the implementation of the Global BPM Framework adjusted for local conditions. The Local Process Office supports the management, measurement and reporting of local process performance and the coordination of process improvement activities.

Global BPM activities are driven by, and fed back to, corporate strategy. Similarly, local business strategies are closely coupled with local BPM activities.

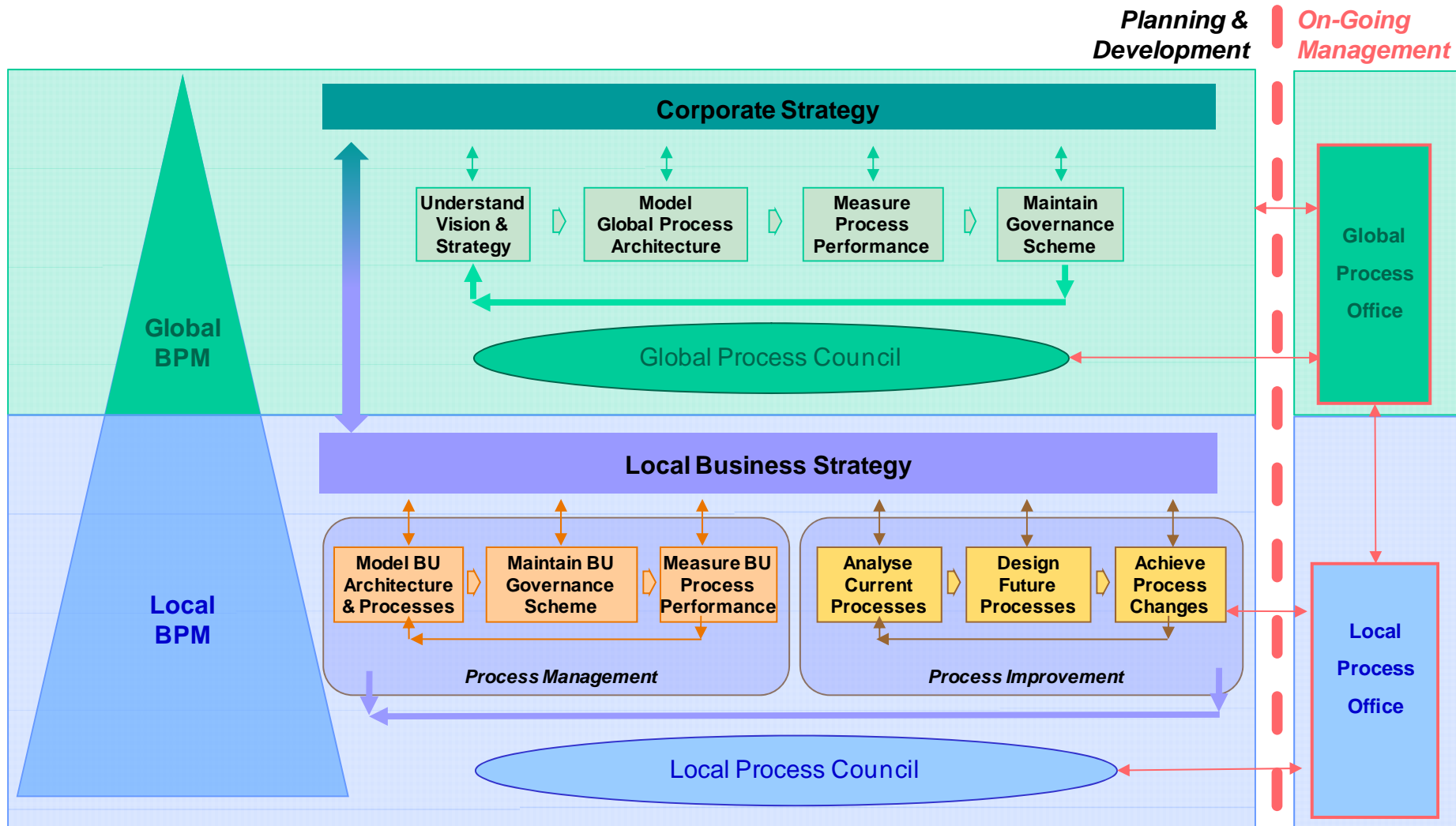
The Process Councils are responsible for BPM policy. Process Offices are responsible for day-to-day management, logistics, coordination and support of process improvement and management activities.

Local Process Offices and the Global Process Office work together to provide global and local support for BPM.

### **Development & Management**

The Global BPM Framework (Diagram 1) provides the basis for the execution of the Global BPM Strategy.

An important distinction is made between development and maintenance of the Strategy and its ongoing execution. The thick dotted vertical line in the schematic shows the relationship between these closely coupled aspects. Planning and development of the Strategy involves its initial creation and subsequent maintenance. The other side of the vertical line represents day-to-day process execution and management. These separate but integrated aspects create a process management environment that is consistent yet responsive to changing organizational needs.



**Diagram 1. Global BPM Framework**

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## Balancing Global & Local

Some aspects of the Global BPM Framework must be managed and controlled on a global level. These elements need to have a single owner and be used in identical ways in all business units.

As well as the Framework itself, such global aspects include:

- BPM Knowledge Exchange
- Global Standards (for common process)
- BPM Capability Development Plan
- Global and Local Process Council Charters
- Global and Local Process Office Charters
- Process Architecture
- Global analysis and reporting specifications
- Global process modeling and management tools
- Process modeling conventions and standards.

The global-local balance must be maintained in a dynamic environment. It's not a matter of designing systems and achieving balance just once. Rather the requirement is to maintain equilibrium despite changes at both the global and local levels. The Global Standard, Current State and Target State are all able to change as an organization's circumstances change.

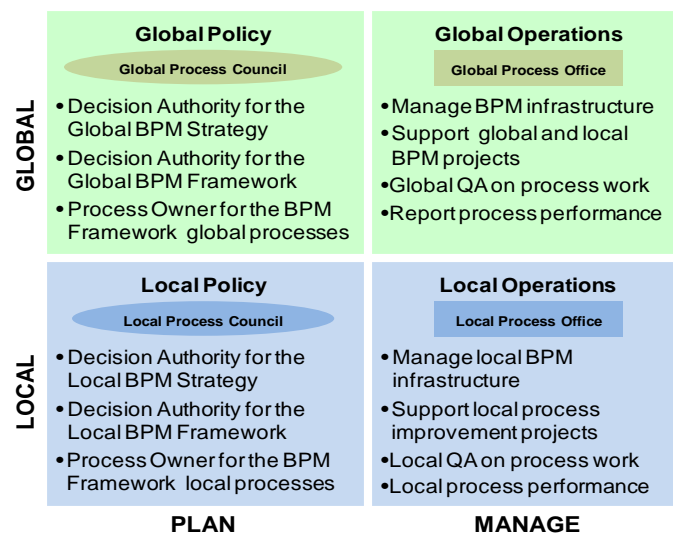
Global standards should change over time. As Henry Ford said "*If you think of standardization as the best that you know today, but which is improved tomorrow – you get somewhere. But if you think of standards as confining, then you stop.*"<sup>xviii</sup> Interestingly, Taiichi Ohno, the creator of the Toyota Production System and progenitor of Lean Management, makes a very similar point "*.. standards should be changing constantly. Instead, if you think of the standard as the best you can do, it's all over. The standard is only a baseline for doing further kaizen.*"<sup>xix</sup> Change control requires input from all stakeholders. Change requests are considered, in consultation with local Process Councils and Process Offices, to determine whether (a) a change should be made on a global basis, (b) a localized change should be made or (c) no change should be made at all. Such decisions would be made on a case-by-case basis. Some general questions can be applied. Can the local variation be justified; do the benefits of variation outweigh the initial and ongoing costs? Is the local variation really necessary; what is the business impact of not having the variation? If the local variation is justified, is the same variation applicable in other local environments? Is the variation so widely applicable that it should become the new global standard?

Changes will also occur at the local level as an organization responds to changes in customer demand, competitive pressures, new product developments, economic conditions and other external factors.

Harmonization of activities is managed by the Global and Local Process Councils (policy) and the Global and Local Process Offices (operations).

While global consistency is important, it is equally important to ensure that global requirements do not adversely effect local business operations. Diagram 2 illustrates the four integrated harmonization activities:

1. global planning and development
2. local planning and development
3. global day-to-day management
4. local day-to-day management.



**Diagram 2. Harmonization Matrix**

Global Standards are established from reference models, other best practice sources or personal experience. These set the nominal target for all parts of the business using the common processes. Local requirements are considered and, if a case can be made, local variations to the Global Standard are approved and implemented. Local variations are also assessed for more general applicability. Where local variations can be usefully applied globally, they are used to change the Global Standard. In this way, a bias towards global standardization is harmonized with requirements for localization.

The Framework separates, but leaves closely coupled, the activities undertaken as part of Global BPM and Local BPM.

### **Global BPM**

At the global level, the process management focus is on creating a global approach that supports local business requirements. The key purpose of the Global BPM Strategy is to enable the coordinated management and continuous improvement of local business processes.

As illustrated in Diagram 1, BPM planning and development is based on four sub-processes that are closely coupled to corporate strategy. Each step draws on, and provides feedback to, the corporate strategy. Together they articulate a vision for global BPM, describe the organization and its business performance in process terms, and create mechanisms for the management of these processes. These activities are undertaken by the Global Process Office, in consultation with Local Process Offices and the Global Process Council. Table 1 shows, for each sub-process, the key activities at the global level, how the local business collaborates in these activities and the shared target outcome. Beyond some initial one-off setup requirements, these activities are enduring.

GLOBAL BPM			
	Global BPM Key Activities		
Process	Global Lead Activities	Local Involvement	Outcomes
Understand Vision & Strategy	<ul style="list-style-type: none"> <li>• Develop and maintain BPM Global Framework</li> <li>• Develop change control mechanisms</li> <li>• Communicate vision and strategy to stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Advise Global Process Council</li> </ul>	Shared understanding of how the concepts of BPM are applied
Model Global Process Architecture	<ul style="list-style-type: none"> <li>• Create/maintain global reference model</li> <li>• Develop change control mechanisms</li> <li>• Communicate with stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Review for local applicability issues</li> <li>• Submit change requests</li> </ul>	Agreed model describing major processes and their relationships and dependencies
Measure Process Performance	<ul style="list-style-type: none"> <li>• Define global process performance measures</li> <li>• Establish measurement methods</li> <li>• Set targets for measures</li> <li>• Establish current performance levels</li> <li>• Review/maintain measurement architecture</li> </ul>	<ul style="list-style-type: none"> <li>• Advise Global Process Council</li> <li>• Localize process performance schemes</li> </ul>	Agreed description of measures, targets, measurement methods and current values for major processes.
Maintain Governance Scheme	<ul style="list-style-type: none"> <li>• Define global governance</li> <li>• Establish Process Ownership</li> </ul>	<ul style="list-style-type: none"> <li>• Integrate global governance in local Governance Scheme</li> </ul>	Agreed accountability for process performance.

**Table 1: Global BPM Activities**

### Local BPM

Diagram 1 shows how, at the local level, process activity has two focal points, Process Management and Process Improvement.

Local Process Management involves the establishment of levels of BPM capability and planning to close identified process performance gaps within a localized process architecture and governance scheme.

Local Process Improvement involves the running of process redesign projects to improve processes selected by local management with the advice of the Local Process Office.

The six sub-processes are described in Table 2.

LOCAL BPM					
		Local BPM Key Activities			
		Process	Local Business Lead	Global Involvement	Outcomes
Local Process Management	Model BU Architecture & Processes	<ul style="list-style-type: none"> <li>• Create/maintain a local process architecture consistent with the global architecture</li> <li>• Develop local change control mechanisms</li> <li>• Communicate with local stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Review/advise</li> <li>• Provide support to develop and maintain</li> <li>• Make local architectures available</li> </ul>	Agreed local model describing processes, their interrelationships and variations from the Global Standard and local Target State	
	Maintain BU Governance Scheme	<ul style="list-style-type: none"> <li>• Define local process governance</li> <li>• Establish local process ownership</li> <li>• Report outcomes</li> </ul>	<ul style="list-style-type: none"> <li>• Review and advise on local governance</li> <li>• Capture best practice</li> </ul>	Clear understanding of BPM governance in each business area	
	Measure BU Process Performance	<ul style="list-style-type: none"> <li>• Define local process performance measures</li> <li>• Establish measurement methods</li> <li>• Set targets for measures</li> <li>• Establish current performance levels</li> <li>• Maintain measurement architecture</li> </ul>	<ul style="list-style-type: none"> <li>• Review and advise on local measurement approaches</li> <li>• Capture and disseminate best practice</li> </ul>	Agreed description of local measures, targets, measurement methods and current values for major processes	
Local Process Improvement	Analyze Current Processes	<ul style="list-style-type: none"> <li>• Priorities processes</li> <li>• Model processes and collect related data</li> <li>• Document process issues and impacts</li> <li>• Consult BPM Knowledge Exchange</li> </ul>	<ul style="list-style-type: none"> <li>• Collect, collate local issues into BPM Knowledge Exchange</li> <li>• Support local activities</li> </ul>	Thorough understanding of current processes, problems and scope for improvement	
	Design Future Processes	<ul style="list-style-type: none"> <li>• Redesign processes to improve performance</li> <li>• Assess impacts/risks</li> <li>• Review process measurement system changes</li> <li>• Communicate change</li> <li>• Prepare Business Cases</li> </ul>	<ul style="list-style-type: none"> <li>• Assess change proposals</li> <li>• Approve global variations</li> <li>• Update Knowledge Exchange</li> <li>• Update global process mea-</li> </ul>	Continuous localized process improvement in a controlled, risk managed and constructive environment	

		<ul style="list-style-type: none"> <li>• Plan Change Management</li> <li>• Prepare Projects Plan(s)</li> </ul>	surement arrangements	
	Achieve Process Changes	<ul style="list-style-type: none"> <li>• Initiate and manage process change projects</li> <li>• Measure performance and ensure changes effective</li> <li>• Post Implementation Reviews</li> </ul>	<ul style="list-style-type: none"> <li>• Post Implementation Reviews</li> <li>• Assess global process change requirements</li> </ul>	Forecast changes achieved; learnings gathered for future projects

**Table 2: Local BPM Activities**

## Managing The Dilemma

At the outset we described the “standardization dilemma” as follows: “Can we achieve business process change with a predisposition towards standardization and still support critical local differences?” In theory, all common processes would be standardized everywhere giving consistent interfaces for customers, suppliers and other external stakeholders as well as cost savings in IT, training and documentation management, with work and people moving freely across organizational and geographic boundaries. In practice, local variation in business processes is inevitable and necessary. Local variation must be constrained by cost-benefit considerations. Such constraint must not be allowed to stifle genuine business needs and aspirations.

The Global BPM Framework presented in Diagram 1 provides a coherent environment to manage the global versus local balancing act. It provides a pragmatic division of labor between global and local process management via Process Councils and Process Offices. The BPM Knowledge Exchange facilitates the dissemination of emergent best practice and the details of current global standards across the process architecture. Since all of this must be achieved in a dynamic environment, the task is to manage the dilemma rather than resolve it. There can be no static resolution in a changing system. A quasi-stationary equilibrium is maintained in local management autonomy versus centralized control, global efficiency versus local effectiveness and centralized process design versus organic evolution of best practice.

The Framework is a big picture view of managing the conflicting demands of standardization for global efficiency versus variation for local effectiveness. Practical use of the Framework will need to be informed by a range of variables resulting in different timetables and degrees of change. Key issues may include: the level of BPM maturity of the organization, internal and national cultural variation across the organization, current practices regarding centralization versus local autonomy, the sense of urgency<sup>xx</sup> perceived by middle management and their teams, motivations for the change, and the more pragmatic issues such as resources, funding and executive support.

### Achieving Standardization

A key issue requires further consideration. How can process standardization be introduced across an organization while nurturing and sustaining a culture of innovation, creativity and resourcefulness? Michael Hammer suggested that “*business units are no longer independent, but merely executors of centrally designed processes*”<sup>xxi</sup>. Will the McDonaldization<sup>xxii</sup> of global business mean the end of local business units?

The Toyota Motor Corporation is the world’s most successful manufacturing company. Not immune to the current difficult economic conditions, it is still orders of magnitude more successful on most measures than its competitors, and most other companies. Toyota is widely known for having extremely detailed work instructions and extensive training programs for its workers to ensure that all work is done precisely and consistently. Toyota managers are considered to be fanatical about the close adherence to detailed work instructions. Toyota workers are seen to be well crafted (and willing) cogs in superefficient factories that are entirely micro-managed in fine detail. This is to misunderstand the Toyota Way.

Standardized work is a cornerstone of the Toyota Production System. However, not all work is standardized to the same degree. Toyota determines the most critical parts of the work and requires those parts to be executed flawlessly. They document these critical processes in significant detail and train the workers relentlessly to achieve perfection. Other parts of the work are completed with much less control. By focusing on the critical processes and being relatively relaxed about the other parts, Toyota consistently produces extraordinary results<sup>xxiii</sup>.

In developing global standards, it is sensible to think carefully about the degree of standardization to which common processes should be subjected.

A recent book, *Extreme Toyota*<sup>xxiv</sup>, written by Japanese speaking authors with unprecedented access inside the company, sheds light on the local variation versus standardization question within Toyota. The book gives a more nuanced view of how this dichotomy is managed. It identifies six balancing forces that drive constant renewal characterized by both continuous and discontinuous change.

One of the six forces is *local customization*, which sees Toyota customizing “products and operations to incorporate the sophistication and diversity of local markets around the world”. The instructive twist in the tail here is that the process starts with customizing to suit the local market and then collecting and collating those innovations into a global repository. Bottom-up much more than top-down. Global standards and proven variations are developed from the experiments and experience of local business units. Toyota culture actively encourages a high level of controlled and purposeful experimentation and insists on the institutionalizing of successful practice via an extensive ecosystem of information sharing. The intent of the Toyota information nerve system is to allow everybody to know everything, based as much on personal human contact as on accessing digital information. IT enabled knowledge sharing is not seen as a substitute for social networks based on personal human interaction.

Other organizations can learn a lot from this. Standardization and centralized control are not the same idea. The intent of globalization of common processes is to capture and make available the “best process” outcomes from throughout the organization. Implemented properly, global process standardization is less like a police action and more like a collaborative information sharing exercise. Good ideas for process improvement bubble up from the workplace. They are collected, collated and disseminated. With echoes of Darwinian theory, standardized, best processes evolve based on many choices made in the organizational ecosystem.

Jeffrey Liker<sup>xxv</sup> draws on Paul Adler’s analysis of Toyota’s organizational practices to further understand the balancing act between highly proscriptive environments where rules are rigidly enforced and organic environments where flexibility, empowerment and initiative are the valued attributes.

Adler contrasts “coercive” and “enabling” bureaucracies. Coercive bureaucracy seeks to control people via standards. Enabling bureaucracy uses standards to help people control their work. In Table 3 he summarizes how a coercive approach looks for something wrong and the enabling approach looks for something right<sup>xxvi</sup>.

<b>Coercive Systems &amp; Procedures</b>	<b>Enabling Systems &amp; Procedures</b>
Systems focus on performance standards so as to highlight poor performance.	Focus on best practice methods: information on performance standards is not much use without information on best practices for achieving them.
Standardize the systems to minimize game playing and monitoring costs.	Systems should allow customization to different levels of skill/experience and should guide flexible improvisation.
Systems should be designed so as to keep employees out of the control loop.	Systems should help people control their own work: help them form mental models of the system by “glass box” design.
Systems are instructions to be followed, not challenged.	Systems are best practice templates to be improved.

**Table 3. Coercive & Enabling Systems**

In global process standardization initiatives our efforts will be much better rewarded if we create enabling rather than coercive systems. We should first carefully decide which processes will give an appropriate return from standardization investments. We must also strike a balance between standardization being based on process design originating from Head Office and a proactive system of collecting global best practice and making it available to all.

## Summary

The arguments for the standardization of common processes across an organization are compelling. Customers and suppliers have a consistent interface. There are economies of scale in training, IT development and operation, document control, process improvement, change management, performance measurement and quality assurance.

Are these benefits enough to sacrifice local variations that respond to local needs? The arguments for allowing, indeed promoting, local variation in common processes are also persuasive.

The dilemma faced by an organization moving to process-based management is where to strike the balance between global efficiency and local effectiveness. Issues of central control versus local autonomy often arise in developing process governance policies. These tensions must be resolved if process management is to be adopted as the core management philosophy.

Should organizational energy be expended in enforcing compliance or used to encourage diversity? Do we develop standard processes centrally and promulgate them as mandatory decrees or can the wisdom of the crowd be used to inform best process decisions? Do variations need to be deep or just within the customer's field of view? Will compliance with the standards be achieved by forceful policing or empowering encouragement? At what level of the process architecture will standardization be required?

The need to balance centralized control and loosely-coupled association is enduring. As circumstances change, so do the balance points.

We have described a Global BPM Framework comprising a set of concepts, principles, constraints and relationships that provide the basis for execution of a Global BPM Strategy, the essential course of action required to achieve the goal of process-based management.

Global Standards are established by the Global Process Council. This is achieved via reference models, other best practice sources and personal experience. The Global Standards set the nominal target for the common processes. Local requirements are considered by the Local Process Councils and, if a case can be made, local variations to the Global Standard are approved and implemented. Local variations are continuously assessed for more general applicability. Where local variations can be usefully applied globally, they are used to change the Global Standard. In this way, a bias towards global standardization is harmonized with genuine requirements for localization. The flow is circular, both bottom-up and top-down.

This approach separates, but leaves closely coupled, the activities undertaken as part of Global BPM and Local BPM. The dilemma is not so much resolved as managed, since the global-local balance must be maintained in a dynamic environment. There can be no static resolution in a changing system.

The BPM Framework provides a solid basis for modeling, communicating, analyzing, testing, proving, controlling and managing the costs and benefits of global consistency versus local relevance.

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<sup>i</sup> Harmon, Paul. *Business Process Change: A Guide for Managers and BPM and Six Sigma Professionals*. Morgan Kaufmann. 2007.

<sup>ii</sup> Object Management Group (OMG). *Business Motivation Model Ver 1.0*. <http://www.omg.org/docs/formal/08-08-02.pdf> . Accessed 8 February 2009.

<sup>iii</sup> Operating in 30 countries with 6,000 staff, its banking, finance and leasing services are essentially the same in most places. The company is a major player in each of its markets. Total operating income is €1 billion and the company is profitable with excellent credit ratings. Global efficiency objectives and the desire for common systems make global standardization attractive. The contrary attraction for local specialisation is driven by local customer demands and regulatory requirements. These are ongoing discussions. The ultimate choices are not just financially and operationally significant, they are mission critical.

<sup>iv</sup> Burlton, Roger T. *Business Process Management: Profiting From Process*. Sams Publishing. 2001.

<sup>v</sup> Harmon, Paul. *Business Process Change: A Guide for Business Managers and BPM and Six Sigma Professionals*. Morgan Kaufmann Publishers. 2007.

<sup>vi</sup> Hofstede, G. *Culture's Consequences: Comparing Values, Behaviours, Institutions and Organizations Across Nations*. Sage Publications. 2001.

<sup>vii</sup> <http://www.supply-chain.org/>

<sup>viii</sup> <http://www.apqc.org/portal/apqc/site>

<sup>ix</sup> Brooke, Lindsay. *Ford Model T: The Car That Put the World on Wheels*. Motorbooks, Minneapolis. 2008

<sup>x</sup> Ford, Henry. *Today and Tomorrow*. Doubleday, Page & Company, New York. 1926.

<sup>xi</sup> Shigeo Shingo. *A Study of the Toyota Production System*. Productivity Press, New York. 1989. pp59  
and

Ohno, Taiichi. *Toyota Production System: Beyond Large Scale Production*. Productivity Press, New York. 1988. pp6.

<sup>xii</sup> Ohno, Taiichi. *Toyota Production System: Beyond Large Scale Production*. Productivity Press, New York. 1988. pp97.

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- <sup>xiii</sup> Magee, David. *How Toyota Became #1: Leadership Lessons from the World's Greatest Car Company*. Portfolio, New York. 2007.
- <sup>xiv</sup> Thomas A. Stewart, and Raman A. P. "Lessons from Toyota's Long Drive: A Conversation with Katsuaki Watanabe". *Harvard Business Review*, July 2007.
- <sup>xv</sup> Davenport, T. H. *Thinking for a Living: How to get Better Performance and Results from Knowledge Workers*. Harvard Business School Press. 2005.
- <sup>xvi</sup> Shigeo Shingo. *A Study of the Toyota Production System*. Productivity Press, New York. 1989.
- <sup>xvii</sup> Some aspects of the Global BPM Framework are derived from the published models and training material of BPTrends Associates. [www.bptrends.com](http://www.bptrends.com) and Harmon, Paul. *Business Process Change: A Guide for Business Managers and BPM and Six Sigma Professionals*. Morgan Kaufmann Publishers. 2007.
- <sup>xviii</sup> Ford, Henry. *ibid*
- <sup>xix</sup> Taiichi Ohno, *Workplace Management*. Gemba Press. 2007.
- <sup>xx</sup> Kotter, John P. *A Sense of Urgency*. Harvard Business Press, Boston. 2008.
- <sup>xxi</sup> Anand Raman. Harvard Business Publishing, HBR Editors' Blog. [http://discussionleader.hbsp.com/hbreditors/2008/09/michael\\_hammer\\_a\\_tribute.html](http://discussionleader.hbsp.com/hbreditors/2008/09/michael_hammer_a_tribute.html). Accessed 17 November 2008.
- <sup>xxii</sup> Ritzer, G. *The McDonaldization of Society*. Pine Forge Press; 2 edition. 2007
- <sup>xxiii</sup> Liker, Jeffrey, and A. Meier. *Toyota Talent: Developing Your People the Toyota Way*. McGraw-Hill, New York. 2007.
- <sup>xxiv</sup> Emi Oson, Norihiko Shimizu, Hirotaka Tekeuchi. *Extreme Toyota: Radical Contradictions That Drive Success at the World's Best Manufacturer*. John Wiley & Sons, New Jersey. 2008.
- <sup>xxv</sup> Liker, Jeffrey. K. *The Toyota Way: 14 Management Principles from the World's Greatest Manufacturer*. McGraw-Hill, New York. 2004.
- <sup>xxvi</sup> Adler, Paul. "Building Better Bureaucracies", *Academy of Management Executive*, 13:4, November 1999, 36-47.