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How Do You Ensure Successful Change Programs?

Focus on Customer Experience and Business Architecture

by Derek Miers

WHY READ THIS REPORT

This report explores the drivers of project success and failure; highlighting the key traits that will help you set up your change program for success. Our research is based on three surveys conducted with IQPC and the PEX Network, exploring the maturity of organisational change programs. We've analysed some 670 change programs over the last 4 years, with detailed responses from 150 organisations in 2015.

We found that change programs within more mature firms almost always succeed. Indeed, the chance of outright failure drops to just 3%, with 84% of more mature firms reporting that their change program either met or exceeded their goals, however formed. Even in low maturity firms, outright failure rates peak at just 40% although a further 32% said their program failed to meet up front stated goals, but was considered a success because of unexpected benefits.

The key pillars for program success are a) ensure greater clarity and realism in the definition of goals and expected benefits, b) control how change is mandated across the organisation, and c) engaging employees into working outside-in to solve problems. We found a strong correlation between program success and the combination of business architecture and better customer experience design practices.

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KEY TAKEAWAYS

Silos Are The Problem

The biggest challenge faced by change agents is overcoming the effects of organisational silos. Mapping business capabilities independently of processes and the functional structure of the organisation helps employees to focus on the purpose, creating better alignment and achieve successful change programs.

Organisations That Design Their Target Operating Model (TOM) Enjoy Better Success

60% of all successful change programs worked on designing TOMs, compared to just 39% of those with failed change programs. The correlation is much clearer in Financial Institutions, where 86% of successful change programs performed such designs.

Employing Customer Experience (CX) Oriented Techniques Drive Chances Of Success

Organisations that employed customer experience oriented techniques such as Voice of Customer, Customer Journey Maps, Design Thinking, Persona Design, and Value Stream Mapping (VSM) were more successful in their change programmes. More mature organisations employ more techniques and are more successful.

The Much Touted 70% Failure Rate Is Pure Fear, Uncertainty and Doubt (FUD)

Our research findings directly refute the much touted 70% change program failure rate touted by big consulting houses such as McKinsey and then repeated incessantly in HBR. It all depends on how you ask the questions. What we found was that, while low maturity organisations may experience failure, this is quite unusual for mature organisations. Moreover, project failures are mere stepping stones on the path to success.

Business Architecture Leads To Higher Maturity And Change Program Success

There is a strong positive correlation between elevated Business Architecture practices and project success. The ability to predict project outcomes and shape change programs increases dramatically with organisational maturity. Business Architecture creates alignment around goals; it reduces programme risk and the costs of doing business by removing waste and focusing on value creation outside-in.

As Organisations Mature Their Goals And Methods Evolve

Initially, most firms focus on cost reduction. As they mature, they discover that waste elimination saves money. They also start to emphasize customer experience (CX) improvement; they discover that their customers don't value some of the things they do; so they stop doing them (and save money).

Use Co-creation, CX And Business Architecture To Develop Compelling Services

Linking CX with Business Architecture is, by definition, transformational. It means working outside-in, focused on the purpose of the business – but factoring in the impact of technology, and pace of change in the outside world – to recast how you deliver value to customers. Engaging employees to collectively design compelling service propositions enables your change programme to start with the best chances of success. Focusing on the customer experience and how the organisation delivers value, teams regularly share artefacts as they innovate. This shifts the focus from hierarchy and product, to service and experience; ultimately, differentiating the firm.

MATURITY TRANSITIONS ARE IMPORTANT

In partnership with the Process Excellence Network (PEX) run by the International Quality & Productivity Centre (IQPC), we conducted two surveys in 2011 and 2013 to understand why organisational improvement goals invariably seek to enhance organisational maturity.[1] We set out to understand the benefits of increased maturity and how firms have improved their maturity.[2] In June 2015, we conducted a third round of research to find out what it takes to achieve successful change programs within an organisation. In all of these surveys, we used a modified five-layer maturity scale roughly based on the Business Process Maturity Model (BPMM) standardized by the Object Management Group (see Figure 1).[3]

Our hypothesis going into 2015 was that Business Architecture and Customer Experience (CX) oriented techniques help drive and improve organisational maturity. Secondly, we wanted to discover whether those approaches contributed to the ability to manage change successfully.[4]

The challenges posed in reaching the highest maturity levels are immense. This is a very challenging journey for most organisations and the individuals within them; each transition sees an organisational transformation and a change in the power structures and governance. In the higher maturity levels, rather than just managing processes, the organisation is using "processes to manage" and deliver "compelling service propositions."

Most organisations have grown up with a strong functional orientation. The managers of those organisations exercise their power to control their own fiefdoms. The scope and focus of processes evolve as you move up the levels – from the individual to business unit/functional levels to the enterprise. But at level 4, the emphasis moves back down a notch; now you are "specialising" those standard offerings for different segments of customers. Teams reinvest their learnings back in the standard ways of doing things. At the highest level of maturity, the individuals in the organisation not only understand the implications of this sort of specialisation, they are empowered to respond to the needs of individual customers; potentially customising the offerings of the firm for each unique customer. Individuals are adept at capturing key learnings and constantly feeding that back into enterprise standards. For more detail on this, see How To Understand Maturity Levels in the Appendix on page 15.

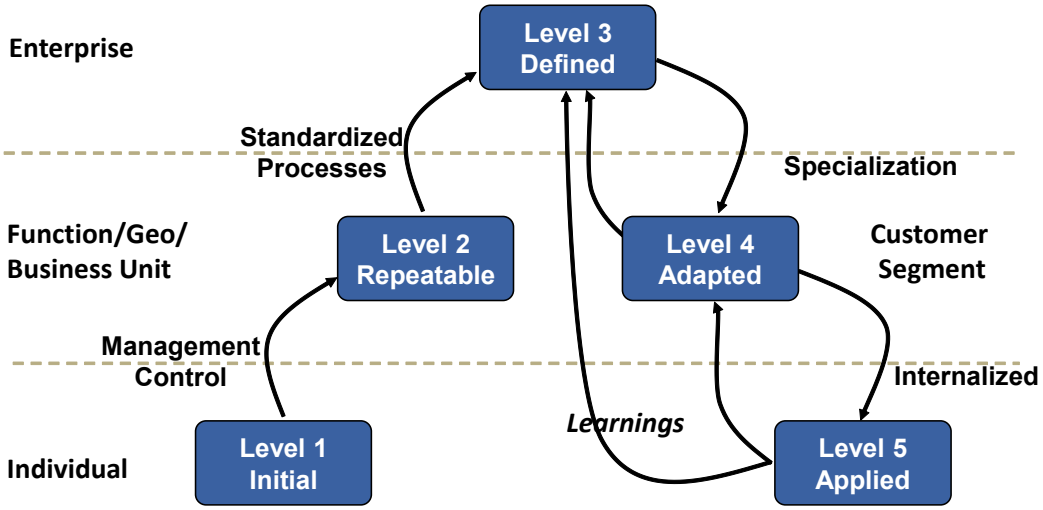


Figure 1 – Our assessment focused on the transitions between maturity segments

CORE SURVEY FINDINGS

Change Program Goals Evolve With Maturity

We asked companies to select the two most important drivers of their change programme from Value Innovation, Customer Experience (CX), Cost Reduction, Waste Elimination, and Digital Transformation. In 2011 we first saw how, as maturity improves, the emphasis changes from Cost Reduction to CX and Value Innovation. In 2013, this correlation was again borne out although not as strongly. It's interesting to see that Digital Transformation actually reduces slightly as maturity increases.

Given all the attention given to CX over the last few years, it's hardly surprising that by 2015, even organisations at the initial maturity level see the value of rethinking their business outside-in – possibly they're just groping for the next big thing – either way, CX came in second to Cost Reduction, although they didn't see the link to Value Innovation. In earlier years, CX went from last place to first as you went above Level 2.

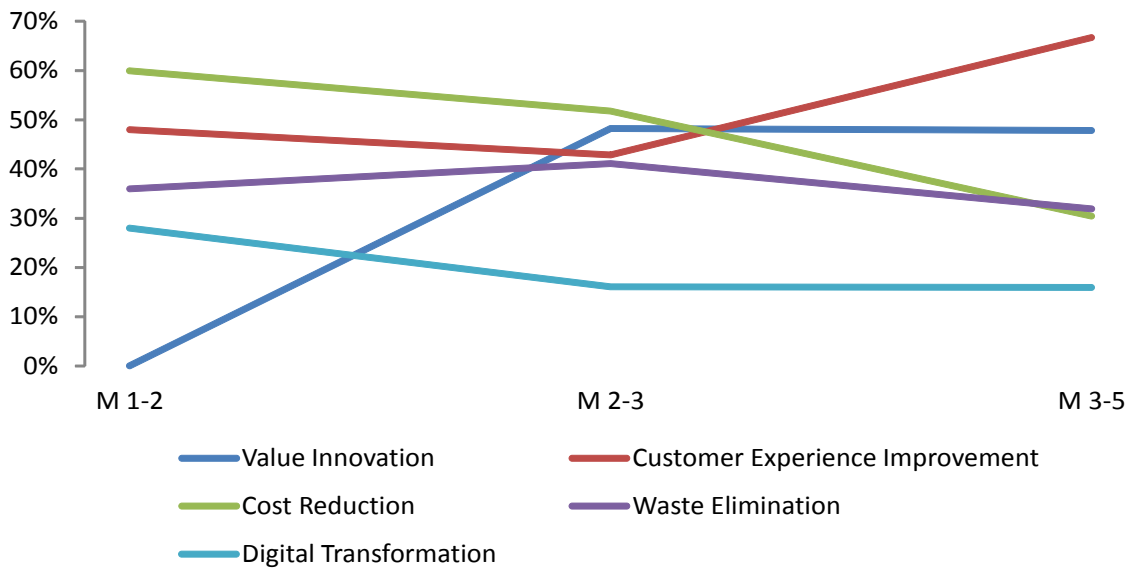


Figure 2 – Organisational goals evolve as the maturity level increases

All Problems Are People Problems

We asked people to rank their top three challenges from a list of 15 normally associated with business change. We then weighted the responses, giving a 3 score to the top challenge, a 2 to the second and a 1 to the third and then calculating the average. Clearly, as shown in Figure 3, the biggest overall challenge faced by those in organisational change programmes is "How to overcome the challenges of organisational silos and fiefdoms". The survey also provided direct evidence to the observation that "all problems are people problems"; all of the top seven challenges were about people rather than technological issues.

They all represent engagement challenges.[5] On the other hand, choosing the right BPM technology was the lowest ranked challenge out of the 15 issues with a weighted average score of just 2.7%, with "the alignment of data and process" ranking second lowest.

Base: 150 business change programs
Source: Q2 2015 Structure Talent/IQPC Business Process Maturity Online Survey

Figure 3 – The biggest challenge is overcoming organisational silos (BPM technology was last)

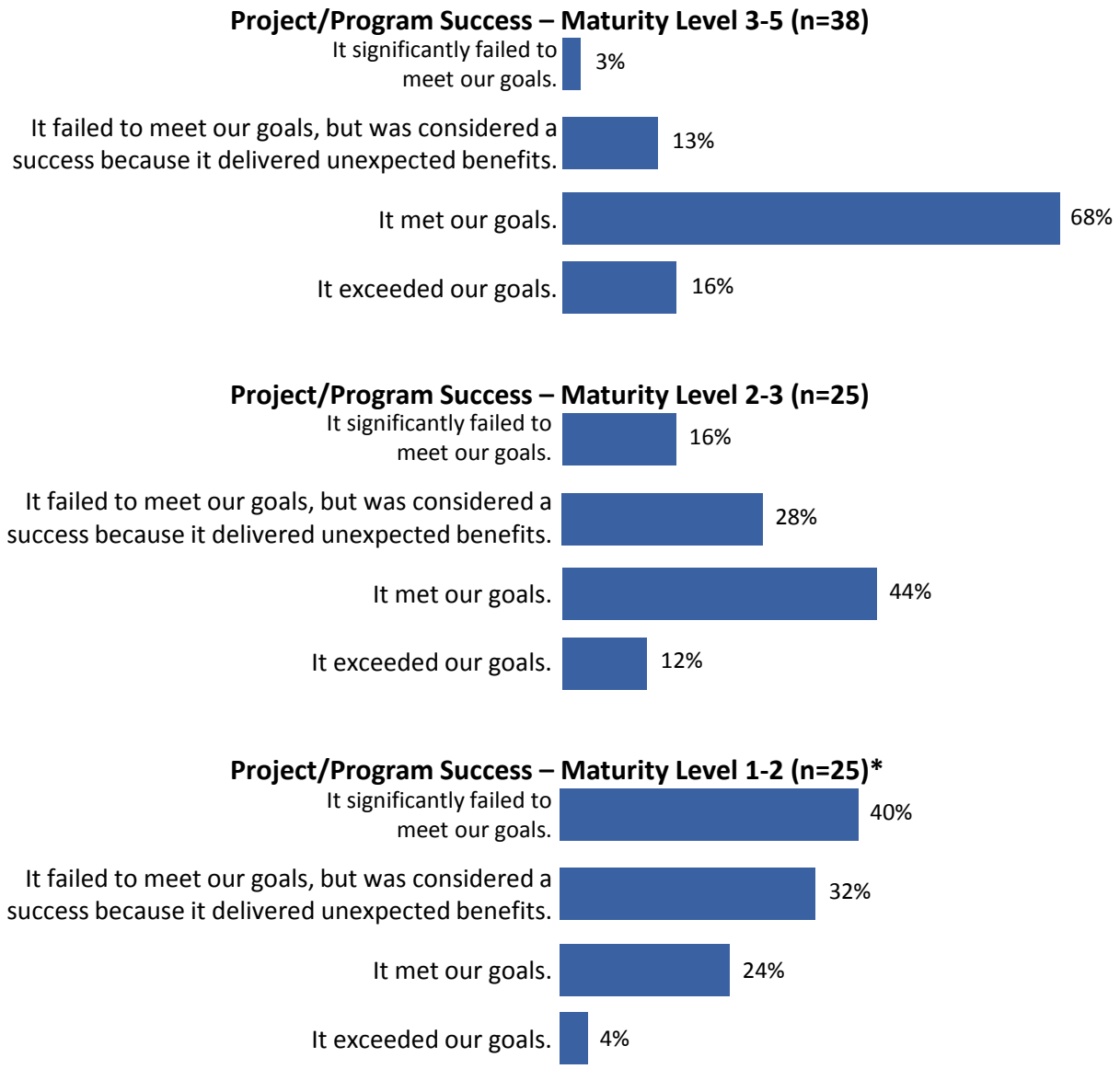
High Maturity Organisations Seldom Experience Project Failure

We asked firms whether their change initiative delivered on the organisation's expectations or goals. For the analysis, we excluded those respondents who said "it was too early to tell." With the 2013 survey, we had set out to debunk the program change failure myth that consulting vendors and change management firms promulgate at every opportunity in order to sell their services. When we look at the overall results in 2015, we reconfirmed that only a small percentage of change programs, just 10% in 2015, "significantly failed to meet their goals."[6] A further 22% said that their program was "considered a success even though it failed to meet the initially stated goals."[7]

The real headline here is that, 68% of all change programs – that's 49 out of 72 – either met or exceeded their goals.[8] This evidence directly contradicts the often quoted claims of McKinsey who state that 70% of change programs fail. Figure 4 presents the success rates at different maturity levels. Not surprisingly, at lower levels of maturity, the percentage of respondents saying that "it's too early to tell" was relatively high.[9]

Clearly, more mature organisations have a greater the chance of project success. Indeed, for organisations at level 3 maturity and above, the chances of outright project/programme failure fall to just 3%, with the probability of overall success rising to 84%. Of course, all of these results are based on the respondent's perception of success and failure, and their reflection on the goals initially established.

At the other end of the scale, low maturity organisations do experience failure and relatively few of them meet or exceed their goals. Indeed, with around 40% of those projects failing outright, there is much room for improvement. This figure is probably driven by the silos themselves competing for resources and attention, along with the reductionist (cost-cutting) focus of the business cases.



Base: 88 out of 150 business change programs [10]
Source: Q2 2015 Structure Talent/IQPC Business Process Maturity Online Survey
* Figures based on a combination of 2013 and 2015 results

Figure 4 – Success Rates Are High And Failure is Low For Mature Organisations

Mature Organisations Use CX Techniques

In the 2015 survey, we set out to dig further into the use of CX oriented techniques within change programs. These techniques include Design Thinking, Persona Design, Customer Journey Mapping, Service Blueprinting, and Voice of Customer (VoC). Our hypothesis was that the higher the maturity level, the more likely the organisation applied outside-in thinking.

This involves developing stereotypical profiles of customers (Persona Design) to focus on when developing processes and supporting systems (Service Blueprints); followed by creative experimentation techniques (Design Thinking) and Customer Journey Maps to understand customer's current experience or to design future service offerings.

So we asked respondents to select all of the CX oriented techniques they used in their change program from a list, with an option to select none. We found that:

- **At the lowest levels of maturity, 32% of respondents said they didn't use any CX oriented techniques.** Of the remainder, Voice of Customer was the dominant approach (82%), with 29% employing Design Thinking and Customer Journey Mapping.
- **Level 2-3 respondents had very similar results.** 29% of respondents used none of the listed techniques and, where they did use CX techniques, there was a continued heavy reliance on VoC programs. There was a little more use of Persona Design and Service Blueprinting.
- **Above level 3 the picture suddenly looks entirely different.** The numbers using none of the techniques listed suddenly dropped to just 7%. Also, there was a much better distribution of techniques, with the majority of firms employing several techniques with an emphasis on Customer Journey Mapping and Design Thinking.

The principal conclusion is that, as expected, mature organisations use CX-oriented techniques widely in their business change efforts. Secondly, lower maturity organisations tend to rely on VoC programmes for customer input; on the whole, they ignore the more directly applicable techniques such as Persona Design and Customer Journey Mapping.

CORRELATIONS REVEAL INGREDIENTS FOR SUCCESS

Our analysis makes it clear that:

- **There is a strong positive correlation between project success and Business Architecture.** With relatively mature Business Architecture practices – scoring 3 or above in our maturity questions around project governance – 77% reported that projects met or exceeded their expectations.[11] Only one out of 30 experienced project failure; and just five respondents felt that although the initially scoped project had failed, it was considered a success because it delivered other benefits. The point is that with effective Business Architecture approaches in place, organisations learnt how to create better business cases, manage scope and govern their projects. Also, their discipline in project execution is almost certainly improved with the greater clarity and alignment created by Business Architecture.
- **Organisations that focus on the future have a higher chance of success.** In a world where things are moving at nano-second speed, it means you must focus on the future. Trying to fix the past is a waste of time and resources, a risk to the business and ultimately leads to failure. Of the 49 change programs that met or exceeded their goals, 60% worked on designing their Target Operating Model (TOM); whereas those that experienced outright project failure that was just under 40%. The correlation is much stronger in Financial Institutions, where 86% of successful change programs performed such designs. Business capability mapping was slightly more prevalent in successful projects than in failures.
- **Deploying CX-oriented techniques significantly increases the chances of change programme success.** Focusing on the customer creates a "coincidence of interest." By better understanding customer needs, and what they don't want to pay for, informs cost reduction efforts. Of the 49 change programs that met or exceeded their goals, 88% used at least one CX-oriented technique, and 68% used at least two. Only 6 did not use any customer experience oriented techniques. Customer Journey Mapping was used by 41% of programmes and 22% used Persona Design. Conversely, those that did not use any CX oriented techniques were far more likely to fail 30%. None of the failures used Persona Design, and just 9% used Customer Journey Maps. However, 30% of the outright project failures used Design Thinking and a full 48% used VoC programmes.

WHY OUR RESEARCH DIFFERS FROM MCKINSEY

With so much hoopla in the business press about project/programme failure, it's clear that there is still significant room for improvement. We thought deeply about why our figures were so different from those reported by McKinsey et al. Also, it's really quite hard to find any underlying data sources. There is a lot of anecdotal discussion, but very few references to primary research. The source data is hard to identify. References to it are in many places, with most just reciting the consulting folklore.

The one exception on base numbers we did find was in a presentation given by McKinsey to the Association of International Product and Marketing Management in 2013. Within that presentation they talk of 6,800 CEOs and senior executives who completed surveys regarding their experience with transformational change; 311,000 Respondents from more than 400 organisations that completed their organisational health survey and three worldwide surveys with senior executives who had experienced a significant performance transformation in the last five years: 2,314 senior executives responded in January 2010, 2,994 senior executives responded in July 2008 and 1,536 senior executives responded in June 2006.[12] Clearly, they had a lot more data than we pulled from the PEX Network surveys.

We offer the following potential explanations for the differences:

- **The community of survey respondents represented relatively mature organisations.** The McKinsey surveys involve a wider audience; they include organisation design changes, mergers, new product launches, and new IT-system roll-outs, as well as Lean transformation. This is probably the main cause of the difference. By definition, the members of the PEX Network are already working on process excellence. They are interested in and deploy techniques such as Lean, Six Sigma and Business Process Management.
- **IT-projects are far more susceptible to failure.** The underlying reason is that most IT projects fail to engage the business properly. Given that the business side of the house has followed a waterfall approach, effectively outsourcing change to the IT department for the last 50 years, it's no wonder that their change programs fail. Low maturity organisations tend to see change in terms of the applications that need adjusting rather than the more holistic aspects that require careful engagement.
- **We are asking different people in the organisation.** In the McKinsey studies, they were asking senior executives about whether their change programmes had been successful. Senior executives are most interested in the financial implications of change, which are often overstated in initial business cases.
- **The objectives stated in the original business case evolve.** If you see success in black/white, measuring against your original plan, it's often impossible to capture needed subtle changes. You develop your initial business case with clear and detailed business benefits. But as that noted philosopher Mike Tyson once pointed out, "Everybody has a plan until they get punched in the face." The problem is that change initiatives have a habit of not going to plan. They evolve for all sorts of reasons – say for example, the actions of a competitor, or new regulations, or the oil price drops without warning; so your initially stated business case is no longer relevant. When executives are asked the black/white question, they can easily point to failure without taking into consideration the needed changes.

TO DRIVE SUCCESS TAKE AN OUTSIDE-IN PERSPECTIVE

Jack Welch once said that "If the rate of change on the outside exceeds the rate of change on the inside, the end is near." Few business strategists would disagree.

Therefore, in a world that is changing ever-more rapidly, the ability to handle and master change is a critical success factor for future. What's clear from our research is that higher maturity organisations are more successful at change programmes. Key components to their success involve the use of:

- **Business Architecture methods to give shape and substance to change programs.** While Business Architecture is just one dimension out of the nine we used to measure maturity, it clearly has an influence on the others through the alignment created. Business Architecture implies development of:
- **Target Operating Models (TOMs) to help give shape and substance to the change effort.** TOMs should be created by teams to capture the vision of how value is delivered to customers, then applying Business Architecture techniques they work backwards to the capabilities and processes of the firm. Only then, does it make sense to set out the organisational design. Organisations should use:
  - **Business Capability Maps to help change agents focus on the core purposes of the firm.** They help overcome the central challenges posed by silos. Business capabilities are also very useful in helping to clarify the scope in the early stages, which helps ensure all the right stakeholders are considered.
  - **A performance management framework that underpins decision-making and governance.** The business capability framework also provides an effective structure for a pan-organisational metrics and a comprehensive performance framework. Because the performance management framework is linked to the "why" of the organisation, it helps ensure alignment of the what, how and who. This can then help in the prioritisation of change interventions, and the long term tracking of benefits.
- **CX-oriented techniques help people focus on the real needs of customers.** That's what business is all about. Let's face it; none of your customers care about your functions and departments. All they care about is the value delivered and the experiences they receive. And your employees know that too. So to accelerate organisational maturity and improve business outcomes, it is much better to:
  - **Engage the business around improving the experience of customers.** Rather than leading with process efficiency as the central objective, focus on the customer and value creation. This also helps overcome the political challenges of silos and the existing organisation structure.
  - **Start with persona design and customer journey maps.** These techniques establish the goals and objectives of your most important customers. From here, you work backwards into the design of the organisations processes. This approach also unbundles the processes from the organisational units that carry them out.

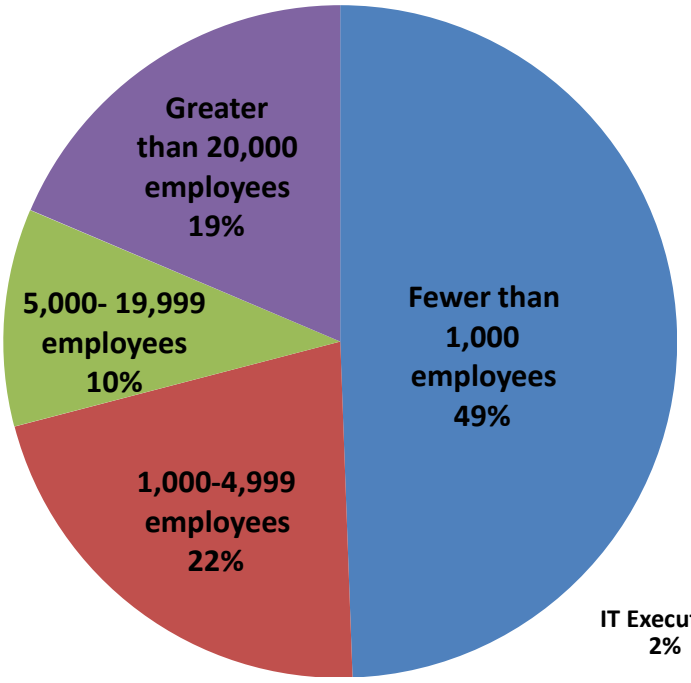
APPENDICES

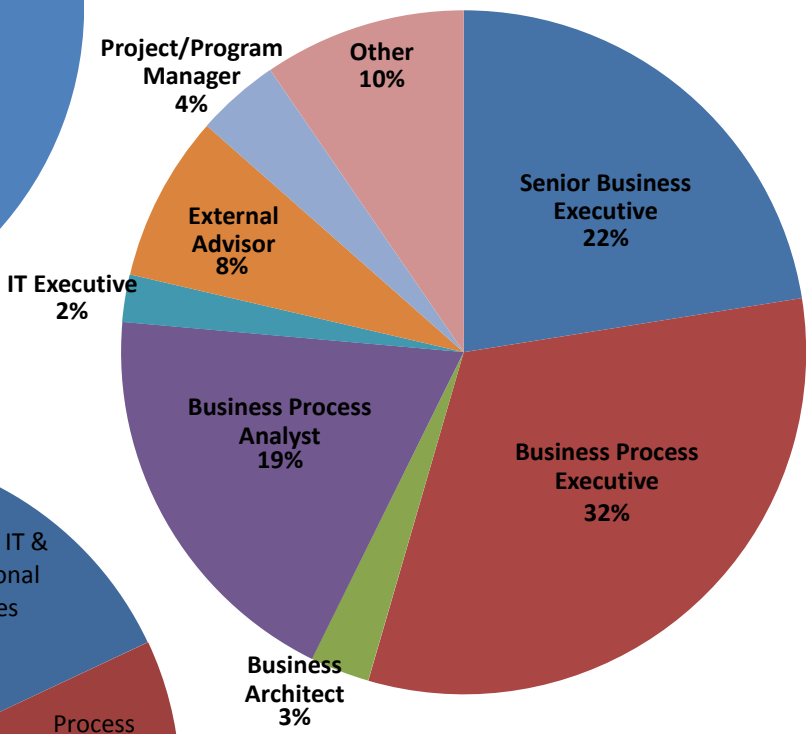
Demographics - The Survey Spanned Industries And Sizes

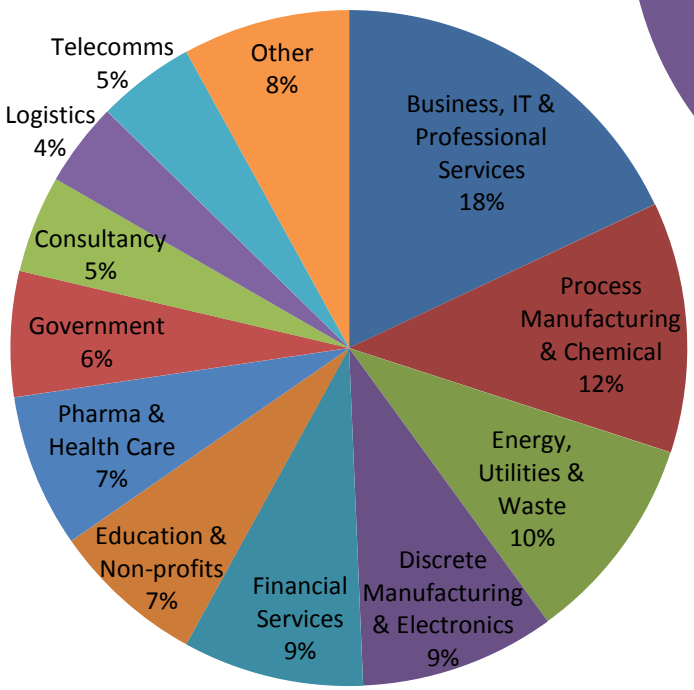
In all three surveys – 2011, 2013, and 2015 – the respondents come from a wide spectrum of industries and organisations of different sizes. In the 2015 survey, half of respondents came from organisations with fewer than 1,000 employees, 22% came from organisations with 1,000 to 4,999 employees, 10% from organisations with 5,000 to 19,999 employees, and 18% from organisations employing more than 20,000 people.

As shown in Figure 5, just over 50% of respondents Executives. The second major grouping was for process analysts and quality/lean six sigma specialists. Just 1% of respondents identified themselves as having an IT role. The overwhelming majority of respondents said they came from the business side. Respondents also represented companies from a wide variety of industries. There are no significant changes in the industry proportions from 2013 survey.

Figure 5 – Organisation size, respondents' role and Industry distribution







Maturity Level Summaries

In our analysis of the 2015 survey results, we segmented respondents across the major transitions of the maturity scale outlined in Figure 1. Further, given the very few organisations that achieve Level 4, we grouped the all results above Level 3. The key observations for each transition were:

- **Transition 1-2 (n=25).** Their Primary Goals focus on Cost Reduction (60%), followed by Customer Experience (CX) improvement (48%). 17 respondents (68%) considered that it's too early to tell if their change program was successful or not. Out of the 8 remaining, only 1 of the 2015 respondents said their change program exceeded its goals, and 2 said it met their goals. 5 of them failed to meet their goals, although 3 of those were later considered a success because they delivered unexpected benefits. Because of the relatively small number of respondents who provided usable data on programme success, we combined the results with those from 2013 to derive statistically significant comparisons on project success and failure (see Figure 4). From a CX perspective in 2015, 32% (8/25) did not use any CX oriented techniques and of the remainder, 82% rely on Voice of the Customer (VoC). It's interesting to note that the one program that exceeded its initially stated goals used 4 different CX techniques.
- **Transition 2-3 (n=56).** The top primary goal were still on Cost Reduction (but the proportion is lower, 50%), followed by Value Innovation (47%). 31 respondents (53%) considered that it's still too early to tell if their change program delivered the expected goals. Out of the 25 remaining, only 3 change programs (11%) exceeded their goals, but 11 (41%) met them. 11 of them (41%) failed to meet the expected goals although 7 of those (26%) were considered a success because they delivered unexpected benefits. Although CX improvement was a primary goal for 41% of the participants, 29% did not use any CX oriented techniques. Again, most continue to rely on VoC programmes. Only one of the 3 change programmes that exceeded its goals had CX Improvement as a primary goal.
- **Transitions between Levels 3-5 (n=69).** The top primary goals were CX Improvement (67%) and Value innovation (48%). 93% of the mature organisations (Level 3+) used at least one CX-oriented technique in their change program, with 61% using at least 2. Again, the most widely used CX-oriented were VoC (66%), but now Design Thinking was also high (59%) along with Customer Journey Mapping (44%). 31 respondents out of 69 (45%) considered that it's still early to tell if their change program delivered the expected goals. Out of the 38 remaining, 6 change programs exceeded their goals, 26 met their goals, while 5 of failed to meet the expected goals but were considered a success because they delivered unexpected benefits. Only **one** out of 38, that's just 2.6%, said their programme significantly failed to meet its goals.

The distribution of respondents between the categories was almost identical when comparing 2011 to 2013. We had 22% in 2011 and 24% in 2013 between levels one and two; 44% and 46% between levels two and three; 27% and 25% at level three to four; 7% going down to 6% in 2013 above level four. However, in 2015, compared to previous two surveys, we had just 17% between levels one and two; 37% between levels two and three; 39% between levels three and four; 7% above level four. There are more organisations above the third maturity level than were in 2011 and 2013.

How To Understand Maturity Levels And Transitions

Most organisations are on the initial transitions between Level 1 and Level 3; the most challenging of which transitions is enterprise level standardization. Associated with each maturity level is a whole set of subtly different management practices and behaviours. Each maturity level represents a sort of threshold; at these points organisational strategies and tactics evolve, as do the methods and techniques needed to support them.

- **At Level 1, often called "Initial" everyone has a subtly different way of doing things.** Things are pretty chaotic until you get basic management controls. Organisations at this level tend to be run top-down with a command and control mentality. They focus on cost reduction and see problems in terms of technology and application deployment such as CRM, ERP, BI, and BPM Suites as the way of driving their change. It's not that these technologies are irrelevant, it's just that there is so much more to the story – putting "go faster stripes" on broken processes tend to get you in a bigger mess, faster.
  - As described in our Worked Examples on page 14, if a consulting company had every consultant on their team using different methods and techniques, then the customers will inevitably receive highly variable outcomes. In management speak – things are a mess. Quite rightly, getting to the next level is normally about reducing cost and creating better predictability. The transition to the next level is mostly about exerting stronger management control within the existing functional structure.
- **At level 2, the organisation has standardised at the level of the function or geography.** It's OK to have one way of doing things in London, another in New York and a third in Tokyo. But that still holds you back. If you are a global freight business, having separate finance functions with different operating practices in each country is just adding costs and complexity you can do without.
  - Transitioning to the next level is all about finding what's common and core to your operations and creating consistent customer experiences. Achieving those goals means engaging employees across functions to collaborate more, which is challenging considering the fact that most middle managers still think their job is to get better command and control. Typically, metrics are still aligned to the functional silos, so process improvement only works to the extent that it makes those silos look good. In effect middle managers are the problem here. Subconsciously, they work to protect their status and validity of their function. They will nod in the right places, but most will still exhibit a set of passive aggressive behaviours that slow down the pace of change.
- **Achieving Level 3 is all about standardising your processes at the enterprise level.** People tend to resist this as it requires functions and business unit managers to effectively relinquish complete control over their resources. Along with those trying to improve things, they often misunderstand the goal. It's usually seen as having a single way of doing things, which is often interpreted as sterilizing/sanitizing business offerings. They see this as cost reduction exercise.
  - The real trick in getting to the next level is to understand the opportunities for value innovation and focusing on improving the outcomes delivered to customers; segment-by-segment. This is really where Business Architecture can help you give shape and substance to the change initiative; using it to outline the path ahead and create alignment. It's also where you will use more and more Customer Experience Improvement techniques, working outside-in to engage colleagues into the change program, but more importantly, to differentiate your business offerings to customers, delivering compelling experiences.
- **At Level 4 process outcomes are far more predictable.** You are now running the organisation by the numbers with refined metrics that help you discover where you need to improve and adapt. However, it's critical to understand that this is not about taking standardization to another level; it's about "specialising" the standard processes for different segments of customer, in the full knowledge that you are breaking that standardization. The metrics focus is going to help you identify the types of cases and customer segments that require special attention. Specialization for different customer

segments – effectively, adapting your processes to the customer needs – feels right and safe because you know that the supporting capabilities and processes are industrialised to handle the work. Where relevant, you need to reinvest those changes back in the common enterprise-level approach, improving it for all.

- **Level 5 organisations are very rare.** Indeed, we can only think of two or three that we have studied – one a cleaning company in Brazil that saw its role as reducing the needs of its customers for its services; the other a software development business. With richly segmented customer segments, your employees are becoming more important in further specialising your offerings for individual customers. They are so well educated that they know the implications of creating customer-specific variations. For example, they could accurately price the implications of variation A in comparison with variation B for a specific customer, taking into account the impact on all the supporting components. Your customers love it because they are getting custom offerings based on a deep understanding of their needs.

Each one of these transitions sees a transfer of power. Those who currently wield power – especially those in mid-management positions – will feel increasingly uncomfortable moving up toward Level 3.[13] And although they may not even consciously realize it, it is this loss of power which drives their resistance. They may engage in all sorts of behaviours to undermine the initiative, since in the end it will see them lose their position of dominance and control.

Example 1 - A Consulting Firm's Maturity Journey

Here we walk through the maturity levels shown in Figure 1 using a fictitious consulting organisation as a background example:

- Level 1 – Individual consultants have their own offerings that are neither standardised nor consistent across the organisation. Individuals hoard their knowledge and jealously guard their specialist areas. As a result, customers receive highly variable results and often, conflicting advice. Moreover, the overall business just cannot scale. Sales are difficult to make and the only repeat business comes from the odd superstar consultant.
- Level 2 – Practice Leaders create a catalogue of existing offerings and establish basic management controls. Each practice area has a different way of doing say, an assessment. Indeed, they may have several different types of assessments. While the outcomes have now become a little more predictable, the overall experience of the customer is still highly variable across consulting disciplines. Processes are seen very much inside-out, and long-term viability of the organisation is still sub-optimal.
- Level 3 – The organisation struggles to create standardized service offerings across the practice areas. After a lot of soul searching, the different practice areas start to zero in on common ways of carrying out their work. The customer facing service offerings are beginning to leverage common and predictable components. Once achieved, it becomes infinitely easier to communicate the value of the organisation; its sales start to increase in a more predictable fashion. However, there is a still a tension as individual practices want/need to customise the standard approach for their own areas. They want to, and need to, reflect the needs of their particular customer segments.
- Level 4 – Having established standardized offerings in Level 3, we now look to customize them for different areas and domains in the full knowledge of the variations we are making (from the somewhat standard, common approach). Where possible, the standard approach is adapted to support and enable those specializations. The emphasis is back on meeting the needs of the practice areas, but now these service propositions leverage robust, scalable and efficient components. Selective centralization of common services occurs to help drive efficiency.[14] Every customer engagement is scrutinised for areas of weakness; best practices are constantly identified.
- Level 5 – With highly educated and empowered consultants, customers benefit from seemingly bespoke offerings that are constructed for their specific needs based on robust and scalable components. Cultural norms are strong enough such that all variations are captured and shared, with peers adopting novel and useful variations. When initiating projects, teams work hard to reuse existing approaches. Management practices encourage constant innovation.

Example 2 - A Bank Employs Business Architecture And CX

This case study is based on a fusion of recent consulting engagements. EuroBank was embarking on a major change programme aimed at reinventing the core of the organisation over the next 5 years.

Business Challenge

The Bank had been relatively successful in avoiding the financial meltdown – mostly as a result of some cautious risk management in the early 2000s. Following previous rounds of M&A, the Bank had multiple overlapping systems and products. With strong functionally-organised business units, there was no effective way of challenging their dominance; each department set its own budgets and employed their own IT resources. To set up the Bank for a successful, long-term business simplification change initiative, the Bank started to explore a combination of a centralised Business Architecture initiative and CX programmes. It had to develop both the muscles and reflexes it would need for the transformation ahead.

Approach

When designing Business Architecture function the Bank took an outside-in perspective, challenging existing architecture resources to design the set of propositions for Business Architecture within the Bank. Employees worked outside-in to first understand the service consumer (customer) context and the journey they were on, before designing the desired delivery experience, and ultimately all the way back into the capabilities and processes needed within Business Architecture. Brought together and socialised internally, these service propositions formed the core of the Business Architecture charter.

The outside-in approach – using Persona Design, Customer Journey Mapping and Service Blueprinting – also became the underlying method used to design the services of "business change" and "organisational design." The participants realised that the workshop methods and framework approaches they had developed and internalised were directly applicable to other areas of the Bank. Collectively, these techniques and the multi-disciplinary approaches formed the core of a "co-creation" engagement framework. They quickly became the way to design the future state of business areas.

Benefits

Through the introduction of Business Architecture, the executive team were able to identify common shared business capabilities such as "Credit" that appeared across all the different major business units of the organisation. Many of these common "purposes" were then replicated in every country where the Bank operated. One of the objectives of the early stage effort was to appoint "Capability Owners" within the business, giving them responsibility across functions and geographies; making them accountable for how processes operate in the different functions and countries. The same business capability framework also provided the backdrop for consistent metrics across the enterprise, which helped Capability Owners spot improvement opportunities and, at a macro level, the prioritisation of change initiatives.

Programme Challenges

Chartering of the Business Architecture programme underscored the challenges of engaging executives; they really wanted to understand the business case. They did not fully see the value until it became clear that Business Architecture would reduce overall programme risk and costs. In the business areas, it's early days with business managers still asking significant questions as they struggle to understand the impact on their traditional governance framework. Once they understand the commitment generated and engagement associated with the core co-creation approach, their fears tend to subside.

Research Methodology

In May 2011, we fielded a survey in two parts: Part 1 was about roles and the perceived challenges and goals of their process improvement initiative, while part 2 involved a fundamental assessment of maturity. In 2013 and 2015, we kept parts 1 and 2 the same, but then extended this with further questions on techniques with a special emphasis on techniques related to customer experience improvement. We also asked questions around perceptions of success and failure of the in the change programme.

- **Demographic data, goals and challenges.** Here we captured information on organisational size, respondent roles and industry. We also asked respondents to rank their top three challenges and identify the goals of their change programme.
- **Maturity assessment.** Presenting multi-choice answers across 9 different dimensions we asked respondents to characterise organisational attitudes on Strategic Positioning, Governance, Execution, Business Architecture, Collaboration and Skills, Sustainable Performance, Measurements and Reporting, Change Management, and finally, Cultural Norms. We then grouped them by the average maturity level (across these dimensions) and also looked for correlations.
- **Project/programme success and techniques used.** We asked a few questions here about the use of specific Business Architecture and CX related techniques such as the use of Business Capability Maps, Target Operating Model development, Voice of Customer, Persona Design and Customer Journey Maps.

The maturity component of the survey involved a set of multi-choice questions across sub-dimensions covering strategic positioning, governance, execution, business architecture, collaboration and skills, sustainability, measurements and reporting, change management, and culture. Each survey respondent expressed the state of their change program as it related to the primary categories we had selected. Each choice tied back to a maturity scale, which allowed us to associate the maturity level of the change program with other aspects of their program such as techniques and challenges. We did not weight primary categories of maturity. We removed responses that were incomplete, or where we felt the respondent had given purely arbitrary answers; for example, where all answers were at the highest level of maturity.

About The Report Author

Derek Miers is the Transformation Lead Consultant for Structure Talent. He is passionate about enabling sustainable change. **When you do it to yourself – it's yours! When someone else does it to you, it's resisted.** So we help organisations and teams develop the capability to change themselves.

Derek focuses on the methods, approaches, frameworks, techniques, and technologies of business architecture, transformation and target operating models. His deep competence is around BPM; business process improvement; and organisational change. He places a special emphasis on an outside-in, outcome-based, customer-focused approach. His engagements usually focus on helping major organisations charter and establish their change programs, ensuring the change has the best chance of success.

Prior to joining Structure Talent, Derek spent 5 years at Forrester Research working in both research and consulting. He led the Business Architecture research practice for 2 years, before which he focused on BPM, Case Management and Organisational Transformation. While at Forrester Derek published over 60 different research reports exploring these themes.

Prior to Forrester, Derek worked as an independent Industry Analyst for 18 years where he established an international reputation in BPM and organisational transformation.

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End Notes

1. The term "maturity" relates to the degree of formality and optimization of processes and practices.
2. The first two studies in 2011 and 2013 were developed while the author worked for Forrester Research. Results from the 2011 Survey were published in Forrester report "Focus On Customers And Business Architecture For Greater Business Process Maturity" August 30, 2011. Results from the 2013 Survey were published in Forrester report "Focus On Customer Value To Grow Organisational Maturity", Forrester Research, January 2, 2014
3. This work built on the original Capability Maturity Model (CMM) of Carnegie Mellon University. The original CMM model was based on data collected from organisations that contracted with the U.S. Department of Defense (DOD). There are very many different maturity models and maturity assessment frameworks in use today; most of which derive from this primary work. The Business Process Maturity Model (BPMM) is a direct derivative work that has been through a rigorous standardisation process with the OMG. "The five levels of maturity guide an organisation in evolving from poorly defined and inconsistent practices, to repeatable practices at the unit level, to standard organisation-wide end-to-end business processes, to statistically managed and predictable processes, and finally to continuous process innovation and optimization." For a copy of the specification see http://www.omg.org/spec/BPMM/
4. Through this research we have gone to extraordinary lengths to avoid confirmation bias.
5. This is consistent with the challenges in innovation. In their recent HBR article *Design for Action*, Roger Martin of Rottman Business School and Tim Brown, CEO of IDEO argue that "with very complex artifacts, [a change programme is very complex artifact] the design of their "intervention"—their introduction and integration into the status quo—is even more critical to success than the design of the artifacts themselves." Harvard Business Review, September 2015. https://hbr.org/2015/09/design-for-action
6. In 2013 this figure was 16%.
7. In 2013 this figure was 23%.
8. In 2013, this figure was 60%.
9. Indeed, with only 8 responses that did not say it was "too early to tell," we felt it was impossible to draw statistically significant conclusions. However, when we compare the 2015 success results with the 2013 data, the results for maturity levels 2 and above are almost exactly the same. In 2013, we had considerably more results for the initial transition – n=17 instead of n=8. Therefore, given the direct correlation between 2013 and 2015 at the higher levels, we added the results together to give n=25 and a combined 2013/15 graph. Of course, with more data, we could draw stronger conclusions.
10. Graphics do not include respondents who selected "It Is Too Early To Tell".
11. We selected the 56 respondents whose practices in Business Architecture were either:
    - The organisation applies a coherent and consistent architecture framework for business processes, insight and decision making to help structure and prioritize business process change targets.
    - The Business Architecture framework for business processes fuels the organisation's unified portfolio of business services for prioritizing business process change investments.
    - The Business Architecture framework for business processes, insight and decision making is a strategic capability.

    Note that these respondents were selected solely based on the maturity of their business architecture practices rather than the wider, more holistic, maturity assessment used in the other analyses. From these we removed the 26 respondents who said it was "too early to tell."
12. Available at http://www.slideshare.net/aipmm/70-26633757.
13. Below level 3, processes are there to make the functions look good, above that, the functions are there to make the outcomes look good.
14. For example, funding a centralized "Research Service" such that individual client projects have a shared resource that ensures they have access to the most up to date and relevant research for their needs. Rather than doing that on each project, the Research Service maintains a staff to make high priced consultants more efficient (and therefore more profitable).