



Model Your Business Processes Before You Reorganize

Downsizing, re-structuring, lay-offs, mergers, outsourcing – each takes its toll. Yet tough economic times demand that companies do more with less and look for opportunities to improve efficiency. Often that means reorganizing internally; other times it means merging with another organization.

Reorganizing is hard work. Working relationships on which you depend can be permanently damaged and you can inadvertently lose your best people. Customers, suppliers and partners can quickly become aware that things are simply not working as they should. You can lose competitive advantage, you can lose momentum, you can lose control.

A reorganization of business units directly impacts and re-orders “how things are done”; a merger means that two different ways of doing things must be brought together into a single, best-of-breed process. But typically the collective knowledge of how a process or procedure is supposed to work is locked up inside the heads of the people performing the tasks on a day to day basis. Policy manuals typically describe “what” needs to be done, not “how” things are done. We’ve learned through hard experience that if you don’t understand what and how work is currently done, it will take significantly more time and effort to arrive at a smoothly functioning operation – the whole purpose for reorganizing in the first place. And what happens if you lose the people who know how it’s done before you get there?

Put the Org Chart Aside

Most models of the business start and end with the organization chart. During times of change the organization chart can become an obsessive focus of the managers who are directly affected. Many times it is the first, and the only representation of the business people know. But the organization chart tells very little about the way things are done or how they can be improved.

If you are planning to improve your processes or you are acquiring a company you intend to fold into your operations, we suggest you start by modeling what the business does, and how it could work in the future, and save for later debates about who manages what. If you cannot describe in detail what the new process will be, it makes very little difference who gets assigned to manage it. Span of authority should be assigned after the new process is designed and understood.



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Process Models Tell the Real Story

What is missing from an organization chart are the relationships, systems, data, events, roles and business rules that make the organization work. You can bring these myriad elements together into complete and robust models of your business processes by building process flow maps. While these diagrams are similar to traditional “swim lane” process models, customizing the models to show where systems support the process, to illustrate where business rules occur, and to document risk areas means the information is more complete and useful.

How does this type of diagram get built? You must work across departments and functions to piece together the detailed tasks, systems, data and business rules that go into the day-to-day execution of a business process. This means interviewing managers, specialists, supervisors, and professional staff; and collecting and organizing the thousands of pieces of information that describe your business process. These data must then be fitted into a coherent graphical model with detailed descriptions that can be reviewed, approved and revised by the business people directly involved in the process.

The result? Participants have a clear and coherent picture of the business process and how it can be improved. Using a graphical model makes it much easier to pick out unnecessary steps or costly redundancies. Areas of agreement and areas of contradiction in the way departments work can be highlighted. The result is a detailed ‘picture’ or model of the business as it works on a day-to-day basis. Management can use the model to explore ways of merging processes or using technology to streamline operations. They can look for ways to eliminate redundancy and make more efficient use of shared resources. Once you thoroughly understand the “As-Is” process and have determined what improvements and changes should be made, you can build a model of the re-designed, or “To-Be”, process to guide the work of the future.

The Process Model as a Business Tool

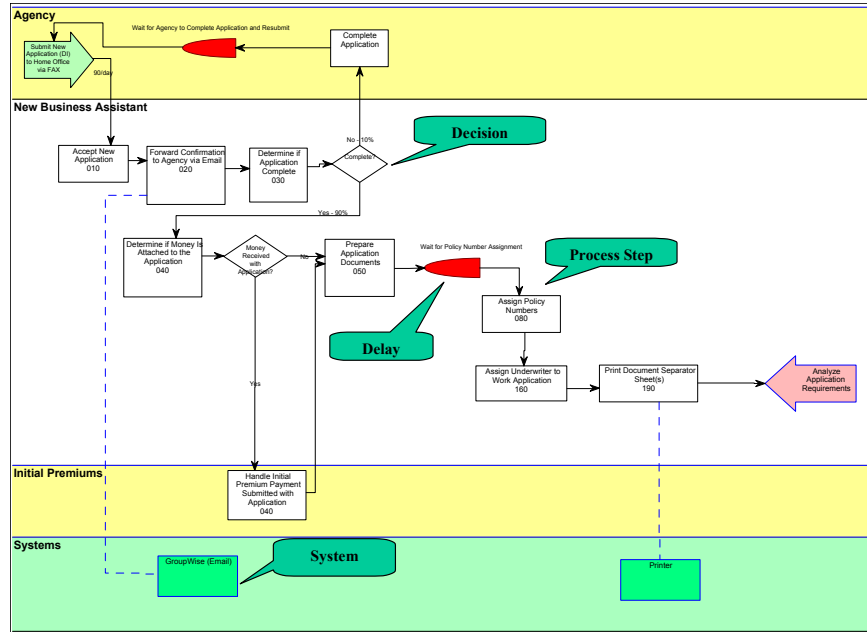
Graphical business process models are a road map to how things are done in the organization. They need to be clear and easily understood by a broad range of interested stakeholders. At the same time they need to be precise and use consistent conventions for representing events, roles, data, processes, decisions and systems.

A business process model diagram has several key features to it. Horizontal stripes (called “swim lanes”) represent roles that participate in the process. The symbols within each role are the tasks, decisions and events that are the responsibility of the persons in the roles. This feature of the model makes it very easy to identify who does what and when in the process. There is a swim lane for systems that contains the technology and computerized systems that support the business process.



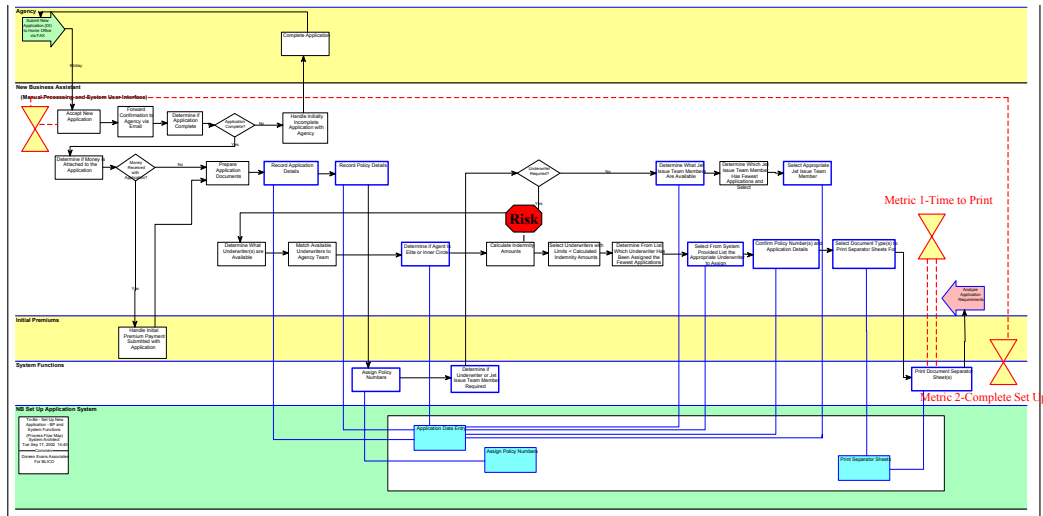
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Example Business Process Model

If you use a customizable modeling tool such as System Architect from Popkin to build your models, you can add symbols to the diagram to represent opportunities, risks and controls, and metrics that measure critical process statistics.



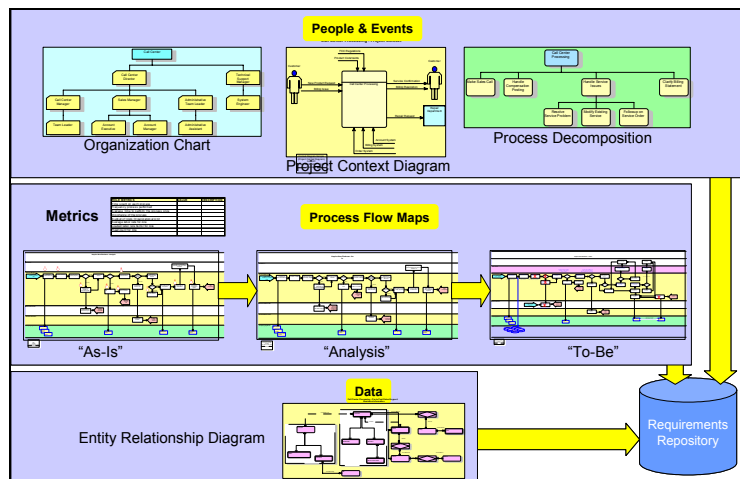
Example Business Process Model with Risks and Metrics



The Devil's in the Details

While graphical models are an easy and useful way to grasp the entire process from end to end, equally important are the detailed descriptions of what happens at each step in the process. This is particularly important if you are planning to automate any step in the process with a commercial application or customized system. The sheer quantity of information collected can be overwhelming if it is not managed correctly. Tools like System Architect provide the advantage of a robust repository for storing all the details behind the symbols and allow you to generate sophisticated analysis reports directly from models. Even better, if you use a web-enabled repository, business people can browse the models, comment on the details and approve changes online. It makes paperless requirements management a reality.

Your analysis should encompass three perspectives: People and Events; Process Flow; and Data.



People and Events: Here you look at the organization and identify the processes that need to be performed to respond to events. For example, if a customer cancels an order or refuses a delivery, this is an event that needs to be handled by specific people or roles in the company. The analysis of people and events frequently brings to light issues of responsibility and events that are not handled consistently.

When you're examining people issues, you can build staffing models to help you determine what roles you need, how many you need, and at what cost. Behind each swim lane, you define a role with information such as hours worked, salary, head count and loaded costs.



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This information can be used together with the completed process information to run scenarios on what kinds of staffing levels you will need under varying circumstances.

(Research COB Pends, Process Commercial COB and Process Returned Questionnaire)						
To Be COB Specialist Staffing with Auto-Pay Secondary						
To Be #1 - Auto pay secondary when Amisys COB data matches claim data						
Monthly COB Pend Volume 12,107						
Process Scenario and Description	% Freq	Monthly Volume	Min/ Each	Hours/ Month	FTE Base Loaded	Annual Labor \$
6P Step 1 (Initial 6P, JT & QU Research)						
Process Primary (capitated provider)	2.0%	245	1.3	5	0.0	\$1,800
Process Primary (no data in LR)	6.7%	811	1.7	23	0.1	\$7,900
Process Primary (with data in LR)	7.3%	888	2.1	32	0.2	\$11,000
Close Claim U2 (no data in LR)	21.1%	2,556	3.1	131	0.8	\$45,900
Close Claim U2 (with data in LR)	22.6%	2,732	2.7	122	0.8	\$42,700
Pend Resolved (questionnaire received)	12.1%	1,471	3.9	96	0.6	\$33,600
Continue Processing 6P Pend	28.1%	3,405	2.0	112	0.7	\$39,000
Total Step 1 Research	100.0%	12,107	2.6	520	3.3	\$181,900
Process Returned Questionnaire						
Questionnaire Processed	68.4%	2,962	1.5	73	0.5	\$25,600
Questionnaire Processed (w/CSR help)	28.0%	1,212	1.9	38	0.2	\$13,200
Additional Information Requested	3.6%	156	1.7	4	0.0	\$1,500
Total Questionnaires Returned	100.0%	4,330				
U2 Closed Claims Resolved (Commercial)	40%	1,670	0.3	7	0.0	\$2,400
QU Pends Resolved (Commercial)	40%	1,670	0.2	5	0.0	\$1,600
Paid Claims Adjusted (Commercial)	40%	1,670	2.3	65	0.4	\$22,200
Total Process Returned Questionnaire	100.0%	4,330	2.7	192	1.2	\$67,000
Commercial						
Close U2 (incomplete LR data)	11.1%	142	1.4	3	0.0	\$1,200
Close U2 (primary with old LR data)	30.1%	383	1.6	10	0.1	\$3,500
Close U2 (LR data doesn't match claim data)	1.2%	15	1.8	0	0.0	\$200
Close UY (commercial w/o EOB)	8.8%	112	1.8	3	0.0	\$1,200

Staffing Model for COB Specialist Role Showing Usage and Labor Costs
Changing Volume or Timing Results in Varying FTE Needs

Process Flow: The roles or departments responsible for handling an event execute a set of business processes. Process Flow Maps describe these processes step-by-step, including decision points and the rules that guide the decisions. These maps not only show exactly what happens, who does the work, and what systems are involved, but they are also useful for identifying points in the business process where you can collect metrics to measure and improve performance. Each step can and should be described in detail, including business rules, timing, and technical requirements if the step will be automated.

Once you've collected and documented the detail, you can run reports that show you the different scenarios for the process (each decision point creates at least two branches and therefore scenario paths), the timing for each scenario, and the cost. These reports can be crucial in understanding what changes should be made. The figure shown below illustrates a report was generated from a process model built in the System Architect tool. The purpose of this process is to adjudicate pended claims that require a coordination of benefits with a member's other insurance carrier. As you can see, the report includes all the steps in the path of the scenario, the total time, and the costs associated with the role that performs the steps. The report also calculates the frequency with which this scenario occurs, and lists all of the decision points along the way.



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Scenario Number	Conditions	Step Number	Step Name	Average Time	Time Unit	Performed by Role	Loaded Labor Cost	Referrals and Services	Cost of Step
	Is Claim EDI? = No 25%; Service Capitated? = No Any Remarks? = Yes 70%; Contain Questionnaire Info? = No 50%; Military or Medicaid? = No 80%	10	Determine if Claim is EDI	5.00	Second	HK-PN COB Specialist	\$74.875 00		\$0.00
		50	Locate Image	10.00	Second	HK-PN COB Specialist	\$74.875 00		\$0.00
		60	Open and Review Image	15.00	Second	HK-PN COB Specialist	\$74.875 00		\$0.00
		70	Determine if There Are Any Member Remarks	15.00	Second	HK-PN COB Specialist	\$74.875 00		\$0.00
		210	Determine if Remarks Contain Questionnaire Info	15.00	Second	HK-PN COB Specialist	\$74.875 00		\$0.00
		300	Determine if CR is Tri-Care, Medicaid, Changes			HK-PN COB Specialist	\$74.875 00		\$0.00
		350	Process BP Pended Claim						
	Total Time and Cost for Scenario #1 Scenario Frequency: 1%				1.00	Minutes			\$0.20

Scenario Report Showing Costs and Timing

Data: The third type of analysis looks at the data required by the business process. Working with business people and subject matter experts is key in understanding the “things” that the process is working on and with. A health insurer’s processes might be focused on referrals, for example; it is critical to examine exactly how a referral is identified and what it involves to help you fully understand the process.

Continuous Process Improvement

Continuous process improvement is a worthy goal, but one that is virtually impossible unless you start with concrete process models that all stakeholders agree on. Since these graphical models allow you to locate points in the process where performance metrics can be collected, they give you the ability to measure and improve business processes and organization performance.

To make continued process improvement a reality, all the graphical models, and the detail behind them are best stored and managed in a repository. The repository houses detailed descriptions, business rules and requirements about how each step is performed. When you and your managers look for ways to optimize and improve your operations, these details tell the complete story. Contrast this to building maps and definitions on paper, or in MS Office tools, where there is no way to track relationships among the various artifacts or to ensure that a change you make in one place will be reflected everywhere else it occurs in other documents or files. A repository is built to provide exactly these kinds of capabilities.

If the repository can be accessed with a web browser, it becomes invaluable for training employees and documenting policies and procedures. Stakeholders can view the graphical models, drill down into detailed business rules and descriptions, approve and comment on the process designs, and even subscribe to a porting of the process model. If changes are made to an object in the repository, all the ‘subscribers’ are notified by email.



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Business process models housed in a repository allow you to let everyone know how the process works, including:

- ✓ Executive management
- ✓ Department managers
- ✓ New employees
- ✓ Human resources
- ✓ Supply chain partners
- ✓ Customers and clients
- ✓ Channel sales partners
- ✓ Field sales and support
- ✓ Vendors
- ✓ Information technology staff

Reorganizations, mergers, outsourcing – all are difficult and many efforts do not succeed in meeting their stated goals. Documenting and understanding your business processes is key to coming out on the other side with measurable improvement results.

About Doreen Evans Associates

Doreen Evans Associates (DEA) is a professional services firm that focuses on business process improvement. We can help you change a process, build an enterprise architecture, or define requirements for your systems and technologies. Founded in 1992 as a woman-owned, privately-held small business, our mission is to ensure that business need drives solutions.