



Steps for Measuring and Assuring Business Value (processes and services)

Purpose

This whitepaper provides a high-level overview of how JBD Consulting International evaluates processes and services for business value. The workflow is designed to both assure that value to the business is the foundation of processes and services, and is directly traceable to their design and development. The goal is to measure and assure value from the *perspective of the customer*; i.e., the business.

We believe in total transparency of our methods, as well as sharing knowledge to our clients, potential clients and colleagues.

Scope

In scope are processes and services. New systems, applications and infrastructure upgrades are out of scope with respect of our workflow. We did include the optional requirement for a business case in Step 1, Entry Criteria, but that is included because processes and services do affect operating expenses (OPEX), and their design and development may fall under a company's OPEX justification policies and/or processes. Moreover, in some cases processes or services may require upgrades or enhancements to infrastructure, applications, etc., that could be a capital expense (CAPEX.) In those cases, a business case is usually required.

Background and Terms Used

Some of our senior staff worked as consultants to Toyota in our careers. We learned the basics of Toyota's *Lean Way*, and used some of the concepts as the foundation of our approach to both efficiency and ensuring value to our clients. This led to our company embracing Lean Six-Sigma, which is heavily based on the Toyota approach.

There are terms used in Toyota's Lean Way and Lean Six-Sigma that are based on the Japanese language. We use the English translations; specifically:

- Muda (wasteful), broken down into these two types: Type 1 non-value-added steps that are still necessary, such as QA, etc., and Type 2 non-value-added steps that are completely unnecessary for delivering value to the business.
- Mura (inconsistent), which includes attributes like uneven, not uniform and irregular (among other attributes.)
- Muri (overburdened), which is self-descriptive.

Other terms, such as kanban, kaizen, etc. are identified and described using their English translations.

Additional

Our methods are not based solely on Toyota's Lean Way. We have borrowed heavily from ITIL version 4's value-focused approach, COBIT 2019, and the four value streams covered in The Open Group IT4IT Reference



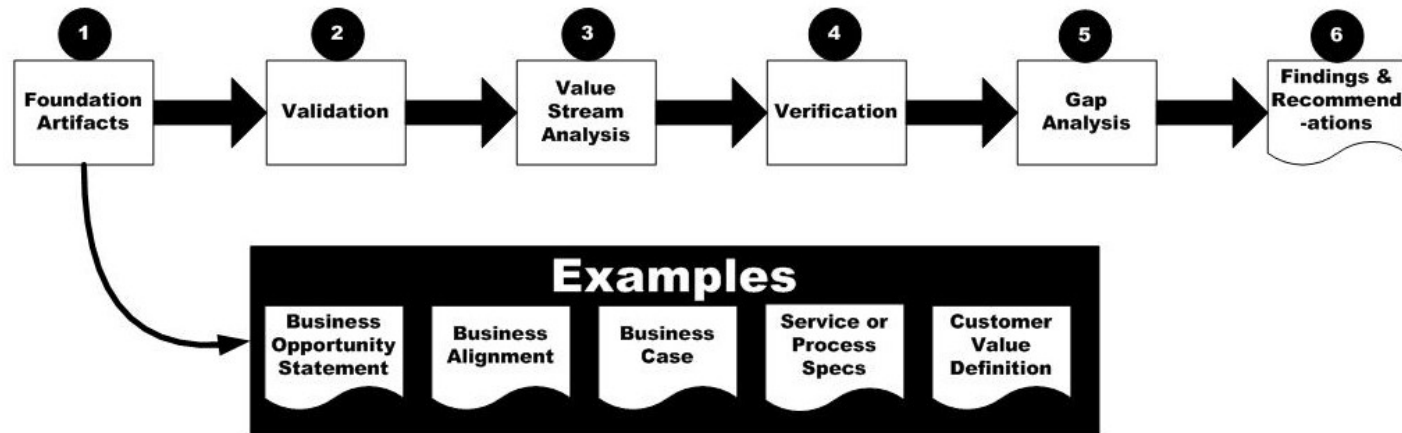
Steps for Measuring and Assuring Business Value (processes and services)

Methods

Architecture (version 2.0).

Workflow

Steps for Measuring and Assuring Value (processes and services)



Copyright © 2020 JBD Consulting International



Steps for Measuring and Assuring Business Value (processes and services)

Steps Overview

The following table gives a brief description of each step, and the goals or expected results.

STEP	Description	Goals/Results
1	Gather and Review Entry Criteria	These documents are sources of information regarding how the process or service was envisioned to support business needs, and value that was articulated and expected by the customer. See the Notes section of this white paper for expanded discussion of some of the artifacts.
2	Validation	Ensure that the foundation artifacts contain information, including goals and projections, that can be traced directly to business requirements, customer expectations, and have clearly defined and measurable value statements.
3	Perform Value Stream Analysis	<p>Systematically evaluate the following value streams in the value chain (if they exist in the client organization):</p> <ul style="list-style-type: none"> • Strategy to Portfolio (S2P) • Requirement to Deploy (R2D) • Request to Fulfill (R2F) • Detect to Correct (D2C) <p>Look for value-adding and non value adding steps and activities. Streamline the value chain by noting Type 2 non-value adding steps and activities that can be marked for elimination.</p> <p>Identify controls; i.e., COBIT management objectives, etc. (or lack thereof).</p> <p>Assess risks if warranted.</p>
4	Verification	<p>Determine if the process or service meets the following requirements:</p> <ul style="list-style-type: none"> • Can be traced to valid business requirements • Provides quantifiable value from the customer's perspective • Efficiency (elimination of Type 2 non value-adding steps and activities) • Has controls to assure governance, risk and compliance • Cost effectiveness (the cost to provide the service or manage the process does not exceed the value to the business)
5	Gap Analysis	<p>Compare results of the evaluation of the services and processes against what we consider to be good practices. Key points are:</p> <ul style="list-style-type: none"> • Traceability to business requirements and customer perceptions of value • Completeness and validity of foundation artifacts upon which the service or process is based • Issues (if noted) with the value stream analysis • Gaps in the verification step
6	Findings and Recommendations	Written report that provides the results of the evaluation, noted gaps and recommendations for rectifying the gaps.



Steps for Measuring and Assuring Business Value (processes and services)

Notes

Foundation Artifacts

1. *Business Opportunity Statement* identifies a less than ideal situation, how it affects the business, and what is considered to be an ideal state. It can be used as the basis for guiding a process action team for service and process improvement initiatives, or as justification for determining the feasibility of chartering a project to design, develop and deploy a new service or process.
2. *Business Alignment* is a class of artifacts that document business imperatives, strategies and tactics. Example artifacts include (but are not limited to) balanced scorecards, mission and vision statements, strategic planning goals and objectives, competitive analysis and business intelligence data and information, policies, etc. When we evaluate services and processes for value this is the first place we look to validate them.
3. *Business Case* is important when the service or process requires justification of a CAPEX or OPEX. We examine the business case to ensure that there is a clearly defined business alignment per item (2) above.
4. *Service or Process Design Specifications* set forth the scope of the service or process, the workflow, governance, risk and compliance controls, and factors specific to services or processes. Service factors can be tier schemes, such as regular or premium, units of service, service level targets, and pricing. Process factors include model (i.e., Entry-Task-Validation-Exit, Plan-Do-Check-Act, Supplier-Input-Process-Output-Customer, etc.), dependencies between and among other processes (identified using a system map), management objectives per COBIT, cycle times, etc.
5. *Customer Value Definition* is a statement from the customer regarding how they see the benefits and value or a service or process when compared to the cost. This should be included in artifacts such as the *Business Opportunity Statement* (1) above, or the *Business Case* (2) above. During our evaluation if this cannot be validated it would be considered to be a major gap.



Notes (continued)

Steps for Measuring and Assuring Business Value (processes and services)

Validation

This step ensures that there is:

- Direct evidence of alignment of a service or process to customer requirements
- Customer requirements track directly to business imperatives, strategies or tactics
- Defined value from the customer's perspective
- Clearly articulated customer goals, objectives and expected results

Absence of one or more of the above will be noted as a gap.

Perform Value Stream Analysis

- If the organization employs The Open Group's IT4IT Reference Architecture we will evaluate all four value streams in the value chain and note any gaps. Otherwise, this step will be skipped and not noted as a gap.
- We identify what we believe to be non value-adding steps and activities in services or processes that are classified as Type 2. This type is considered to be unnecessary. Type 1 non value-adding steps and activities add no value, but are considered to be necessary. A good example is QA. It is necessary, but does not add value – it assures that value that should be in the service or process is actually present. In many cases the final determination of whether a step of activity is Type 1 or Type 2 will require facilitation and drilling down into the reasons why the step or activity is considered to be necessary despite adding no value.
- Identify controls or lack thereof, risks, and compliance requirements. Controls and compliance requirements are usually (but not always) non value-adding that are classified as Type 1.

Unresolved determinations, Type 2 steps and activities, and missing controls will be flagged as gaps. In addition, shortfalls in meeting compliance requirements, or noted risks will be addressed as gaps.



Steps for Measuring and Assuring Business Value (processes and services)

Notes (continued)

Verification

Any of the following conditions will be flagged as a gap:

- Weak or no traceability to valid business requirement(s)
- Customer's value determination is not quantified, or appear to be unrealistic
- Inability to resolve whether non value-adding steps are Type 1 or Type 2
- Insufficient controls for governance, risk and compliance (we use COBIT 2019 as the definitive reference)
- The cost to provide the service or manage the process (including design and development of new services or processes exceeds the value to the business. ^{Note 1}

Note 1: Before classifying this condition as a gap we verify that the costs we are evaluating have exceeded the projected breakeven point and are, in fact, "bleeding money." If the breakeven point has not been reached at the time we are evaluating the service or process we will see of the costs are following projections in the *Business Opportunity Statement* or the *Business Case* (and associated artifacts such as CAPEX and OPEX documentation.)

Gap Analysis

Each noted gap, the existing state, in the four preceding steps will be compared to the desired state. That state is defined by source documents, such as the *Foundation Artifacts*, relevant standards and requirements (i.e., compliance, policies, COBIT 2019) and [any] frameworks the organization employs such as ITIL, IT4IT, etc. The following is the basic sequence:

1. Compare the gap or shortfall to the source documents, standards and requirements, and frameworks.
2. Determine how far apart the existing state is from the desired state.
3. Add the results of steps 1 and 2 to the findings log.



Steps for Measuring and Assuring Business Value (processes and services)

Notes (continued)

Findings and Recommendations

1. List each finding.
2. Prioritize each finding based on impact to the business. Examples:
 - ONE - Business Critical such as non-compliance with regulatory requirements or laws, necessary to support business imperatives, etc.
 - TWO – Organizational Efficiency (affects organizational value chain)
 - THREE - Operational Efficiency (cost containment or avoidance)
 - FOUR – Workgroup Efficiency (impact limited to workgroups, teams, etc.)
3. Note the complexity and rough cost in money and resources to remedy.
4. For each finding provide a high level plan of recommended action, milestones and estimated costs to implement.
5. For each recommendation, provide a short justification (in the event of a recommendation that involves multiple team coordination, complexity or requires a CAPEX or OPEX, the recommendation should be in the format of a *Business Opportunity Statement*).