The SAP Business Transformation Management Method (BTM²) parallels with DYNAMICS/P³

Tim Hornung MS, SAP  Joel Adler Ph.D. UPenn
What is Organizational Dynamics at Penn about?
Dynamics Concentrations
Alignment of BTM² & DYNM/P³

A rare industrial situation that sees its business strategy inextricably tied to these two principles of Penn Organizational Dynamics

- Holistic approach
- Balance of Process and Behavioral perspectives

Mapping of Content of the P³ concentration

- Project Management
- Program Management
- Risk Management
- Portfolio Management
- Business Process Management
BTM$^2$
63% of the world’s transaction revenue touches an SAP system.
The SAP mobile platform reliably delivers 1.8 billion text messages worldwide every day.
SAP HANA can increase analysis speed by more than **10,000x**, equal to walking from California to New York in 6 minutes.
Our customers produce 85% of the world’s pet food.
Drivers for Business Transformation (BT)
Fundamental and complex changes

What is Business Transformation (BT)* – Excerpt
Business transformation implies fundamental and complex organizational changes within as well as across companies alongside the value chain; business transformation can also radically alter the company’s relations with the wider economic and societal environment.

Drivers for BT:

- Increasing globalization (that leads, for example to stronger competition)
- Technological innovations (e.g. Information and communication technologies)
- Radical changes of economic conditions (e.g. Financial crisis)
- Pressure for sustainability (which results in changed customer preferences or regulations)
- Changing workforce (such as increasing global mobility)

Business Transformation Academy
A global, trans- and interdisciplinary network of Thought Leaders
Business Transformation Management

Call for action

Findings

Low success rate of business transformation projects (less than 40%)
Source: Isern et al. (2009)

Lack of holistic management approaches
Source: Winter, Uhl (2011)

- 75% are failing because of non-technical reasons
  e.g. non acceptance of the solution, skill problems, communication problems, problems with project resources

- 25% Failure because of technical reasons
  e.g. demands can not be mapped, sizing problems, problems with connecting legacy systems

Source: Seven Reasons Why Information Technology Projects Fail (2011)
The BTM² – Big Picture

<table>
<thead>
<tr>
<th>Meta Management</th>
<th>Orchestration of individual disciplines: Guidelines, Leadership, Culture, Values and Communication</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direction</strong></td>
<td></td>
</tr>
<tr>
<td>AS-IS Data Collection</td>
<td>Baseline analysis</td>
</tr>
<tr>
<td>Analysis of needs &amp; maturity level</td>
<td>Value estimation</td>
</tr>
<tr>
<td>Design business vision</td>
<td>Detailed business case</td>
</tr>
<tr>
<td>Design Business Model</td>
<td>Agree ownership for realization</td>
</tr>
<tr>
<td>Integrated transformation plan</td>
<td>Plan benefit realization</td>
</tr>
<tr>
<td>Organizational model</td>
<td>Review and evaluate results</td>
</tr>
<tr>
<td>Risk analysis</td>
<td>Establish potentials for further benefits</td>
</tr>
</tbody>
</table>

**Meta Management**
- Orchestration of individual disciplines: Guidelines, Leadership, Culture, Values and Communication

**Direction**
- Strategy Management
- Value Management
- Risk Management

**Processes Management**
- Determine scope of analysis
- From template to bespoke inventory
- Identify improvements /add attributes
- Map selected processes
- Plan process implementation
- Implement processes
- Evaluate processes
- Establish CIP

**Program/Project Management**
- Program Planning and Governance
- Program & Proj. Integration Mgmt
- Program & Project Scope Mgmt
- Program & Project Time & Cost Mgmt
- Program Quality Mgmt
- Program Human Resource Mgmt
- Program Procurement Mgmt
- Program Reporting

**Enablement**
- IT Transformation Management
- Organizational Change Management
- Competence & training management

**IT Transformation Management**
- Business and IT Capability Assessment
- To-be analysis
- Gap analysis
- IT roadmap plan
- Solution architecture design
- IT Deployment plan
- IT Operations & Service Optimization
- IT Lifecycle Management

**Organizational Change Management**
- Set-up & governance
- Stakeholder management
- Change agent network
- Communication management
- Performance management - Project team
- Change readiness assessment
- Change monitoring

**Competence & training management**
- Competence strategy
- Training need analysis
- As-is analysis
- Gap analysis
- Curriculum development
- Training preparation
- Training
Business Transformation Management Methodology (BTM²)
Disciplines and deliverables in detail

Orchestration of individual disciplines: Guidelines, leadership, culture, values, and communication

Envision
- Strategy Management
  - Project startup and AS-IS Data collection
  - Analysis of transformation needs and causes (80/20 rule)
- Design Business Vision
- Design Business Model
- Define integrated transformation plan

Engage
- Detailed benefit estimation
- Risk Identification
- Business process analysis
- Solution architecture
- Set up change plan
- Need, as-is and gap analysis
- Program/Project initiation

Transform
- Plan benefit realization
- Risk mitigation plan
- Process to-be design
- IT deployment plan
- Stakeholder, communic. and performance mgt.
- Training preparation
- Program/Project planning

Optimize
- Realize benefit
- Execute risk mitigation plan
- Process implementation
- IT deployment and testing
- Execute change plan
- Training Execution
- Program/Project realization

- Benefit review and evaluation
- Risk monitoring
- Process evaluation
- Plan IT operations
- Change monitoring
- Training
- Program/Project closure

Meta Management

Value Management

Risk Management

Business Process Mgt.

Transformational IT Management

Organizational Change Mgt.

Competence & Training Mgt.

Program and Project Mgt.

Strategy to be approved by decision makers
"How is your business transformation going? Fine, ... except for the people ""
The BTM² – Meta Management

Leadership and business transformation principles

Choosing the right leaders

Staffing of transformation management as a key to success:

“Our best talent was deployed to carry out the most critical parts of the transformation.”

Business Transformation Leadership Principles

- Provide vision and sense of mission, gain respect and trust
- Use symbols to focus efforts, express important purposes in simple ways
- Promote intelligence, rationality, and careful problem solving
- Give personal attention, treat each employee individually (Drawing on B.M. Bass, 1990)
- Live the transformation, “walk the talk”
- Be clear in what is accepted and what not!
- Conflicts: find fair solutions and avoid winners & loser

Interplay of three aspects

Role

Responsibility

Competences

Intersection as wide as possible

- The Role of the transformation manager must allow for sufficient responsibilities and power to manage the overall transformation
- The transformation manager must have the respective competences and capabilities for such a complex task

Business Transformation Principles

- Lean management approach
- Decisions taken by the respective management level to avoid bottlenecks
- Encourage direct responsibility (flat hierarchy), leave room for decisions,
- Solution orientated approach (instead of problem orientation)
- Realize quick wins – showing early the ability to transform
- Learn from pilots
The BTM² – Meta Management

Culture: define values and facilitate internalization

**Conditions for internalization**

- Communication principles:
  - Appreciation
  - Empathy
  - Openness

- Intrinsic basic needs:
  - Autonomy
  - Competence need
  - Sense of belonging

**Process of internalization**

- Process-oriented
- Feedback Culture
- Result-oriented

- I do it because I like to do it this way
- I do it because I think it's right
- I do it to avoid twinges of conscience
- I do it because I have to
The BTM² – Meta Management
Organisational structure as part of the Transformation Framework

<table>
<thead>
<tr>
<th>Meta Management as a Frame</th>
<th>Core Questions</th>
<th>Formal Management Roles</th>
<th>Informal Management Roles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy</td>
<td>Why?</td>
<td>Executive Steering Committee</td>
<td>Power promoter, Relationship promoter, Functional promoter</td>
</tr>
<tr>
<td>Program</td>
<td></td>
<td>Business Transformation Manager</td>
<td>Power promoter, Relationship promoter, Functional promoter</td>
</tr>
<tr>
<td>Project</td>
<td>What?</td>
<td>Program Manager</td>
<td>Functional promoter</td>
</tr>
<tr>
<td></td>
<td>How?</td>
<td>Project Manager</td>
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- **Strategy Management**
  - Strategy management provides - together with risk and value management - direction for the transformation effort; these disciplines include the creation of the case for action and the vision.

- **Processes Management**
  - Processes: business transformation implies the change of business processes and vice versa.
  - Program management serves as an overall vehicle for the transformation effort.
  - IT is an enabler for processes (change)

- **Organizational Change Management**
- **Competence & training management**
  - "People" centred disciplines facilitate necessary will (change management) and skills (competence management) of key groups.
BTM² - Strategy Management
Portfolio of strategic options

Design business model: 4 strategic options

- **Consolidation & Focus:**
  Focus on core competencies/business,
  Reduction of overcapacities

- **Strategic redirection**
  Expand core business, transfer and development

- **Overcome stakeholder crisis**
  Increase readiness through sensitization of stakeholders

- **Ongoing observation**
  Risks and opportunities
Consideration of different stages: Decreasing flexibility with increasing pressure

Transformation stages

- Stage 0: Pro-active management
- Stage 1: Lack of stakeholder commitment
- Stage 2: Lack of strategy
- Stage 3: Loss of customers
- Stage 4: Unclear operating results
- Stage 5: Capital consumption, negative cash flow

- Pressure
- Flexibility to react (time and options)

- Risk
  - Negative impacts not yet visible
  - Blockade of necessary transformation efforts
  - Sustained success
  - Lack of awareness and knowledge
  - Lack of business success
  - Lack of liquidity
  - Lack of strategy
  - Capital consumption, negative cash flow
# The BTM² – Strategy Management

**Phase 3: Analysis of Transformation Readiness (5/5)**

## Analysis of transformation readiness of IT, Processes and Organization

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Level 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IT READINESS</strong></td>
<td>Local IT applications, data not harmonized, different IT support concepts, lack of global strategy</td>
<td>Some global applications, first global reports and first data harmonized</td>
<td>Global IT strategy, local and global development, global support teams and processes, harmonized master data</td>
<td>Globally harmonized IT, global IT development, fully integrated IT systems, high reporting functionalities, outsourcing of less important tasks</td>
</tr>
<tr>
<td><strong>PROCESS READINESS</strong></td>
<td>Local processes, missing process standards, no process owners defined</td>
<td>Standards for a few global processes, first responsibilities for global processes defined</td>
<td>Global process owners, standards and tools, high process knowledge in organisation</td>
<td>Flexible global organisation, permanent improvement and innovation</td>
</tr>
<tr>
<td><strong>ORGANIZATIONAL READINESS</strong></td>
<td>Lack of global policies, local “kingdoms”, focus on local needs</td>
<td>First global concepts realized and global responsibilities; no global teams defined.</td>
<td>Global teams instead of regional “kingdoms”, well defined local-global cooperation and policies</td>
<td>&quot;Evergreen&quot; processes for documentation and optimization, quick adaption to new market requirements</td>
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</table>
The BTM² – Meta Management

Phase model and Disciplines

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- **Organizational Change Management**

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## Envision: Value Identification

### Generic Types of Benefits

#### Strategic
- Support for the organization’s strategy/vision
- Long- or short term viability of the organization
- Provide customers with unique value proposition
- Desire to be seen as innovative
- Permit new business models
- Permit new forms of organization
- Build barriers to entry
- Lock in customers
- Geographic or market expansion

#### Management
- Increased agility
- Better control through improved information
- Growing the skills of the workforce
- Meeting the highest professional standards
- Ease of operation, allowing use by less experienced staff
- Improve the quality of working live
- Existing systems have become inadequate
- Less crisis
- Flatter organizational structures

#### Operational
- More effective use of existing IT systems
- Improved quality at reduced cost
- Improved turn around time
- Reduced headcount
- Reduction in property costs
- Increased income from better quality products
- Timeliness and accessibility of data

#### Functional / Support
- Employee self services
- Improved recruitment and retention processes
- Provision of infrastructure systems
- Improved communication/collaboration opportunities
- Adoption to standards
- Compatibility with customers/suppliers systems
- Enforcement of regulatory or legal requirements
- Identification of best practices
- Implementation of metrics
- Production of standard reports
- Business continuity/disaster recovery

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Envision: Strategic Risk Assessment

Strategic Risk Map & External Risk Drivers

- Geopolitical Risk Drivers
  - North Korea
  - Latin America
  - International Terrorism
  - Middle East

- Environmental Risk Drivers
  - Environmental Pollution
  - Climate Change
  - Decline in customer loyalty
  - Loss of Reputation/Trust
  - Natural Disasters
  - Pandemics

- Customer & Competitive Risk Drivers
  - Management of customer behavior
  - Pressure on prices
  - Non-traditional entrants
  - War for talent

- Disruptive Business Models
  - Ecosystem Shifts
  - IT Vertical Integration

- Regulatory & Compliance Risk Drivers
  - Intellectual Property
  - Nationalization of Assets
  - Fraud & Corruption
  - Unexpected Regulatory Change

- Increasing burden of regulation

- Capital Market Risk Drivers
  - Vulnerability of Reputation
  - Public trust
  - Stakeholders priorities
  - Rapid innovation from niche vendors

- Competition
  - Shift from process & technology to people
  - IT "Mega Stores" Oracle Sun Merge
  - Services Strategy
  - Ecosystem strategy
  - Internal transformation strategy
  - Sustainability strategy

- Risks
  - Impact on
    - Product and technology strategy
    - Go to market strategy

- Ecosystem
  - Data Fraud / Data Loss
  - Social Software
  - Cloud Computing
  - Mobile

- Technology Risk Drivers
  - IT System Failure
  - Fiscal Crisis

- Economic Risk Drivers
  - Macroeconomic Volatility
  - Oil Price
  - Government Dept
  - Protectionism
  - Underinvestment in Infrastructure
  - Global Recession
  - Deflation/Inflation
  - Asset Price Collapse
The BTM² – Meta Management

Phase model and Disciplines

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- **Competence & training management**
The BTM² – Change Management

The psychology of change

“Factual” argumentation

Symptoms of resistances

- Lack of motivation
- Conflicts
- Illness
- Plots
- Rumours

Causes for resistances

- Fear of job loss
- Lack of abilities
- Past experiences
- Values and norms
- Routine, inflexibility
- “Not invented here” syndrome
The BTM² – Change Management

Reduction of the “valley of tears”

Without change management

With change management

Working areas

Communication
Make sure that people are informed and have the opportunity to formulate their wishes.

Motivation
Make sure that people accept the project and are willing to assist it in an active way.

Empowerment
Make sure that people are allowed to work within the project.

Qualification
Make sure that people have the qualification to work within the project and with the software.
**BTM² - Organizational Change Management**

Stakeholder analysis and actions required

<table>
<thead>
<tr>
<th>Stakeholder groups</th>
<th>Benefits perceived</th>
<th>Changes needed</th>
<th>Perceived resistance</th>
<th>Commitment (Current and Required)</th>
</tr>
</thead>
<tbody>
<tr>
<td>List of stakeholders and stakeholder groups – especially resisters and compromisers</td>
<td>Individual and organizational benefits for each stakeholder and group</td>
<td>Changes to be made by or which affect each stakeholder or group</td>
<td>Resistance of each stakeholder or group and reason for this</td>
<td>Anti</td>
</tr>
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</table>

- **Anti**: Are against the project and will attempt to stop it or hinder progress
- **None**: Are either unaware the project is going on or do not think it affects him
- **Allow it to happen**: Will comply when requested to do tasks required by the project e.g. training
- **Help it happen**: Will provide knowledge, time and resources to ensure the project meets objectives
- **Make it happen**: Will carry out changes and ensures all relevant activities are completed successfully

**C** current state of stakeholder

**R** required state of stakeholder
The BTM² – Meta Management

Phase model and Disciplines

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7. **Organizational Change Management**
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8. **Competence & training management**
BTM² - Process Management
The business process management approach

Initial situation

A company's vision and strategy are the starting points for all major decisions to optimize daily business.

SAP BPM method

The strategy is translated into processes which deliver the optimal value concerning the dimensions quality, service, and time.

Based on business processes value is generated through the implementation of IT-systems and organizational structures.

Daily business
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The BTM² – Meta Management

Involvement of Management Roles during a Transformation Effort

Business Transformation manager is involved during the whole life cycle of a Business Transformation Project.
BTM² - Program Management
Program planning and program governance

### Transformation Management
- Identifies drivers for transformation
- Supports transformation strategy development
- Analyzes transformation readiness
- Plans programs together with Program Managers
- Establishes Transformation Governance incl. guidelines and principles
- Supports and steers transformation strategy execution until strategic objectives are achieved
- Acts as trusted advisor for Senior Management
- Updates strategy if needed

### Program Management
- Builds bridge between strategy and realization
- Plans and develops the overall program plan
- Provides policy and program direction
- Aligns programs and projects with Corporate goals and objectives
- Conducts multiple year program planning and identifies annual milestones
- Establishes and justifies need for project within the program
- Supports strategic and mid-term transformation planning efforts
- Is valid until program objectives are achieved

### Project Management
- Initiates and oversees the project
- Provides the program management recommendations on requirements, costs and time schedule
- Defines the project objectives and how the project will be organized, staffed and managed
- Defines the program management approach and optimizes the procurement strategies
- Develops the project execution plan
- Understands transformation strategy and program goals and strategies
- Provides input for the program strategic plan
BTM² - Program Management
8 key questions to be answered

1) What are the schedule, the involved resources and how should they work together?

2) How do we coordinate the different projects and programs and make sure that they are aligned?

3) What are the scope and objectives of the underlying programs and projects?

4) How do we track time and costs and make sure that we are in line with the budget?

5) How do we make sure that we follow best practices in terms of quality of work and the deliverables?

6) How do we make sure that we have the right people at the right place and at the right time?

7) How do we ensure delegation to outside providers and optimize the invested capital?

8) How do we track progress and inform our stakeholders?
BTM² - Program Management

Big picture: structure of the transformation framework

- Core Questions
- Management Layers
- Formal Roles
- Informal Roles

Why?
- Strategy
- Steering Committee

What?
- Program
- Program Manager

How?
- Project
- Project Manager

Power promoter
Relationship promoter
Functional promoter

Meta-Management as a frame
Organizational Dynamics
and
P³
Alignment of BTM² & DYNM/P³

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- Holistic approach
- Balance of Process and Behavioral perspectives

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- Program Management
- Risk Management
- Portfolio Management
- Business Process Management
Mapping of Dynamics/P3 courses to BTM²

- **Meta Management**
  - **Strategy Management**
  - **Value Management**
  - **Risk Management**
- **Processes Management**
  - **IT Transformation Management**
  - **Organizational Change Management**
  - **Competence & Training Management**
  - **Program/Project Management**

**Systems Thinking**: Pourdehnad
- Complexity, Sustainability, and Systems Thinking, Barstow
- Organizational Essentials for Leadership, Choukroun
- The Art and Science of Organizational Strategy and Planning, Choukroun
- Organizational Diagnosis, Kaminstein, Zane
- Effective Entrepreneurship and Leadership, Keech
  - Is Bigger - Inevitable, Better or Worse in Organizations?, Licht
- Building Resilience in Organizational Sustainability, Barstow, Nuessle
- Organizational Ethics and Integrity, Fielder
- Managing Project Risk, Hornbacher
- Organizational Risk Management, Combrick-Graham

**Process Improvement**: Stankard
- Business Process Excellence, Kirchmer
- Managing Project Portfolios, Bayney

**Group Team Dynamics**: Kaminstein, Zane
- Coaching Others to Manage Conflict, Napier
- Organizational Culture Change, Vanderslice
- Mastering Organizational Politics and Power, Eldred
- Knowing Yourself: The Coach as an Instrument of Change, Napier
- Leader-Manager as Coach, Russo
- Stories in Organizations: Tools for Executive Development, Greco

**Organizational Project Management**, Choukroun
- Program Management, Heaslip
Discussion
Thank You!

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