



The Business Rules Tool Kit

Version 1.0

International Process and Performance Institute

Purpose of the Business Rules Tool Kit

The purpose of the **Business Rules Tool Kit** is to give you an actionable approach to identifying and optimizing the process-based behavior in your organization, thereby Increasing Revenues and Enhancing Customer service.

Rules are generally an unmanaged or mismanaged aspect of our businesses. They range from explicit rules (designed to manage decisions and control human behavior), to implied rules with no business basis for their existence.

Rules are very “sticky.” Once a rule goes into place – whether it is explicit or implied – it tends to stay there for a very long time. That’s a problem because everything else is constantly changing while many of our rules are not. Obviously no benefit comes from having rules in place that contradict, or simply do not apply to, our current business context. This is called business rule obsolescence.

It’s not hard to imagine why we aren’t getting our intended results if the business rules governing how we do things – our organizational behavior – are not aligned to our current goals or the experience we desire to deliver to our customers.

It’s also not hard to imagine the problems created from business rules in our organization that “made themselves” because sometime in the past we started “doing that, this way.” Yet this is a very common source of the implied business rules in our organizations.

The Business Rules Toolkit provides the technique we need to identify the business rules in our organizations, question their purpose, and then challenge their appropriateness in supporting our goals.

In so doing, we can take back ownership of our organizational behavior and we can craft the organizational behaviors that are explicitly aligned to achieving our organizational goals.

All organizations fall into patterns, just as all people look to simplify their lives by adopting patterns for many of the things we do. Business rules have more effect on organizational patterns and personal patterns of people in the organization than any other factor.

When we use business rules to establish beneficial patterns – those patterns that are explicitly aligned to our goals and the customer experience we desire to deliver to our customers – the results speak for themselves:

a marked increase in Revenues and in Customer Satisfaction.

Increasing Revenues and Enhancing Service by Optimizing Process Behavior

Many of the behaviors in your organization are stopping your best laid plans from producing their intended results – and you don't know why. The reason can be found in the business rules that are "in place;" and many of them are not something you ever intended to have happen!

People like to make rules and rules like to make themselves. Rules are forming the way you work, impacting every aspect of your business.

Explicit Business Rules - We create explicit business rules to enforce certain behaviors (we might require certain information to verify a person's identity or restrict employee actions). We also create explicit business rules to manage decisions; embedding expert knowledge in our processes.

While it's common for us to make these rules, it is not common for us to "challenge" them once they have been made.

People respond to rules in a very specific way. Rules are made to be followed, not broken. The word "rule" signifies obeisance even if we know the rule either doesn't apply to our situation or simply doesn't make sense.

Implied Business Rules - Other rules just... are. They exist everywhere, coming from many sources. Yet these "rules" tell us how to do our work.

Implied business rules can cover almost any behavior. Most processes are filled with implied business rules. These rules tell us "we do [it] this way."

Exposing these rules (making them explicit) does an amazing thing; it allows us to ask two questions. Why is this business rule here? Is this the right thing for us to be doing?

Identifying business rules and challenging them is how organizations eliminate obsolete behavior and align themselves to directly support organizational goals and desired customer experiences.

Control your Rules – Organizations highly aligned to their goals share a common characteristic; business rules in their processes consciously reflect desired behavior rather than inappropriate, obsolete, or non-aligned ones.

Revenue? Service? How big is the effect of business rules on these critical business factors?

*In many cases it's the difference between success and failure;
between having customers and not having them.*

Understanding and Identifying Business Rules

Business Rules are points within a process where decisions are made. Some business rules are very obvious, and may even be labeled as "Business Rules". Other times Business Rules are effectively "hidden" within processes due to the fact that they have not been explicitly defined.

Business Rules may exist for many different reasons. Some of the categories that Business Rules fit into include:

1. operational business rules
2. strategic business rules
3. regulatory business rules
4. system based business rules
5. and manual business rules

Business Rules are those things that cause our processes to behave in a particular way. Oftentimes rules are created for specific circumstances that may come to pass, circumstances that appear to require the organization to behave in a different way than it had in the past.

Sometimes rules set out to direct the activity of people or systems and having created them we forget about their existence. Sometimes rules can innocently develop from a set of behaviors and become "the way we do stuff around here."

Putting Business Rules into Perspective

Business Rules (BR) can exist for many different reasons and for many different purposes. In many cases business rules tend to aggregate over time, and this leads to increased complexity (and is another of the Causes of Work).

If we think about it, any process we are engaged in that has a substantial number of business rules within it requires us to have significant knowledge of the rules of the process in order for us to "navigate" the process to the desired outcome.

Making Business Rules Explicit

Why is it important to make business rules explicit? The fact is that many business rules exert significant influence on the shape and behavior of a

process – and therefore have significant effect on the ability (or inability) of people to engage successfully with the process.

Identifying business rules and making them explicit - i.e. documenting exactly what the rule is so that we can clearly see what effect it has on the process and on the customer – immediately produces several benefits for us.

When rules are exposed in this way (identified and made explicit) their effect on the process becomes obvious. Once the effect of rules becomes obvious, the groundwork is set for the challenging of these business rules to ensure that they are:

- a) rules that make sense (not dumb rules).
- b) rules that are relevant to the current context (it makes sense under NOW conditions).
- c) rules that are necessary – that are indeed needed in order for the process to serve its intended purpose.
- d) rules that are the best rules for the condition or circumstances that they are intended to serve.
- e) rules that are not Moments of Truth or Break Points – and if they are, then we should identify them as such.

Business Rules have a very high incidence of contextual relevancy - in fact, rules often exist to address a specific context that may only exist for a very short time.

What does that mean?

- 1) The only thing that never changes is the fact that everything is always and continuously changing (context).
- 2) Business rules are affected by context more than almost anything else in our organizations.
- 3) Business rules are the one thing that is the least likely to be reviewed and managed (against context) in our organizations.

Because Business Rules commonly seek to control process behavior based on a static “now” snapshot in time, they are highly prone to becoming obsolete in a very short time frame.

The Five Step Plan for Improving Revenue and Service

What do you need to know to put this strategy to work for you? It's simple. You are only five steps away from improving the Revenue and Service of your organization.

The Five Steps for Improving Revenue and Service

Describe your Target

The target is the "area" we are seeking to improve. Most often this would be thought of in terms of a "process" but there is no restriction on how we define the target areas we are working on.

Identify Business Rules

For the target area, all of the Business Rules that exist need to be identified. They also need to be described well enough that we (and others) can easily recognize them at any time.

Assess Current Value

Describe the value the current Rule provides to the organization (if you can't articulate this then the Rule has a high potential of being a problem area). After completing your description assess the value each rule has (in its current state) using a simple scale (++ , + , -). Consider "++" to be high value, "+" to be valuable, and "-" to be no value (or possibly negative value).

Describe your Actions

For each rule where you believe an Action should be taken, describe that Action. Describing your actions is the way you clearly identify the steps you could take to improve your target area to increase revenues and enhance customer service. Describe the value associated with the change.

Prioritize your Plan

Review your findings. What do you feel MUST be changed? In most cases there will be rules that definitely fall into this category. Mark them down as a "1" in the Priority column of the Plan. Now, what would you change next if you could? Mark them down as "2" and so on. Best practice? You shouldn't need more priority values beyond 1, 2 and 3.

Step 1 – The Target Area

Describe your Target Area, ideally in terms that are understandable to others in your organization. Your Target Area will often be a “process,” as this is one of the most common terms used in describing the work people do.

Step 2 – Identify Business Rules

For the target area, identify each of the Business Rules that exist within it (both explicit and implied) then record them in a descriptive enough way that others (and you if you come back later) will immediately know what you mean.

Note – You may struggle with this; it is not something we commonly have done in the past. Do your best to identify the Business Rules in your target Improvement plan.

Make sure you follow the instructions we’ve provided in identifying the Business Rules in the target area. Getting this right will play a very big part in determining the degree of benefit achieved.

Also, make sure you write them in a descriptive enough way that you can come back a day, a week or a month later and know what each Business Rule is...

You’ll be tempted to shortcut this – but DON’T.

Enter this information into your template.

Step 3 – Assess Current Value

This is the most important step of the toolkit so please pay attention. We need to ask ourselves two questions: Why is this business rule here? And is this the right thing for us to be doing?

Why is this business rule here?

We should be able to tell. We should be able to state very clearly what purpose each rule has, and we should know what that means.

Is the rule there to eliminate employee mistakes? If so, is it working? Does it have any unwanted effects?

Is it there because dept A has to do something before dept B can? Why is it that way? What value is created because of it? Does it impose any limitations on what your people can do?

Be persistent. What is it there for? *What benefit is it supposed to create?*

It's easy to slide over this question – but don't. Challenging the Business Rules you have identified against high standards will expose their true nature!

Record this information in your template.

Now it's time for the second question.

Is this the right thing for us to be doing?

How do we evaluate this? We care about value so we will rank each business rule, *in its current state*, by the value it creates.

Using a simple scale of three levels (++, +, -) gives us what we need. Consider “++” to be high value, “+” to be valuable, and “-” to be no value (or possibly negative value). High value, value and no value (or worse) – that gives us the assessment perspective we need. If we have challenged the Business Rule to understand ***why it exists*** then we should be able to assess its value.

Assess the rule and record this information in your template.

Step 4 – Describe your Actions

For the rules you believe need changing (the “-” is a good place to start) it's now time to determine an Action. The first thing you should consider?

Can this rule be removed?

Many Business Rules won't stand-up under the value challenge scrutiny. The Action for many of these is to simply “stop doing that.” Of course not all situations are so simple. Sometimes a rule may have a very widespread effect on people, a significant cost or asset value attached to it. Other times removal is simply not the answer. But we should be willing to judge a rule with our minds open to the possibility so that when one comes up (and it most likely will) we can recognize and eliminate it.

If this rule shouldn't be removed, how should it change?

What should the rule be if it's not adding value now? A rule that adds value, of course! Make sure to validate that any Action you propose will really produce value using the same rigor we applied to the original rule. Be wary of rules with high obsolescence as you can end up right back into the same boat if the rule loses its value.

Make sure you know the new value resulting from your Action. Can you describe it clearly? Is there something we can track to make sure we are getting our intended results?

Enter the Action and its New Value into your template.

Step 5 – Prioritize your Plan

Use the simple scale of priority 1, 2 and 3. Use a priority of 1 for the rules you feel **MUST** change.

Use a priority of 2 for rules you feel **SHOULD** be changed.

Use a priority of 3 for rules that you feel **MAY** be worth changing.

What do we base our judgment on? We have all the background information we need. We know what value each rule has, if they can be eliminated or not, what other Action we might take, and the new value that will be created. This is all the information we need to judge the priority of the rules we have identified need changing. Now all that is needed is for the plan to be put into place.

Enter this information into your template.

The Business Rules Tool Kit Template

Identify your Target Area -

Identify the Business Rules in the Target Area -

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The Revenue and Service Enhancement Plan

P r i o r i t y					
	Business Rule	Reason for Rule	Current Benefit (++, +, -)	Recommended Change (Action)	New Value

Describe your results – (optional: useful for Success Stories and validation)
