Where is your Organization on the Journey to becoming Process Based?

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Agenda

- Key Principles of Process Based Management
- Key Findings on the Journey
- A Roadmap and an Assessment
- Are you Ready for PBM?
What’s the Big Deal About Process Based Management?

Processes are how you provide products and services to their customers
In Reality…

- Most do not manage their processes,

or they manage processes in isolation
Most companies do not manage how they provide services to their customers.
Bad customer experiences:

- Changing a telephone carrier
- Resolving problems on your computer
- Fixing an error on your credit report
- Resolving a medical billing error
- Timely response to a voice mail
- Airline flight delays
- Phone tree hell
Questions for you:

- How are you involved in process efforts?
- Does your organization manage processes?
- Do you use your SOX efforts for compliance and process improvements?
- Do you have process owners for your key processes?
- Do you have a view of your organization that is different than the organization chart?
Current Pains ..
Require a Process Focus:

- Products/services don’t meet customer expectations
- Competitors are getting ahead on price/product/service.
- Downward price pressure
- Challenge of ERP and CRM to deliver
- Initiatives are poorly linked
- Compliance mandates (Sarbanes-Oxley)
What is Process Based Management?

- A holistic management approach that focuses on:
  - Promoting a process-based culture
  - Managing end-to-end business processes to continuously improve cost, time and quality of products and services delivered to customers
  - Understanding and meeting customer expectations
  - Integrating diverse initiatives into a process-oriented approach
  - Linking incentives and compensation to process performance
A holistic **management approach** that focuses on:

- **Mindset / Culture**
  - How things are done
  - Values, Rules, Practices

- **End-to-End Processes**
  - Classification
  - Portfolio
  - Structure

- **Process-based measures**
  - Process Performance
  - Incentives / Compensation

- **Initiative Integration**
  - ABC/M
  - ISO/Quality Standards
  - Baldrige
  - Six Sigma, etc

- **Voice of the Customer**
- **Customer driven Products & Services**

- **Measurement Architecture**
- **End-to-end performance**
- **Best Practices**
- **Benchmarks**

- **Awareness & Communication**
- **Executive leadership**
- **Process included in strategy**

- **Processes named**
- **Boundaries identified**
- **Standard methodology**
- **Infrastructure established**

- **Leverage existing programs**
- **Identify linkages**
- **Develop common terminology**

**Process Based Management**

A holistic **management approach** that focuses on:
PBM vs. BPM, etc

How is PBM different from other 3 letter process acronyms?
- Focused on the management approach
- Independent of any specific tool, method or software
- Is driven from the business with partnerships
- A robust assessment and roadmap to guide organizations
Process Based Management at CAM-I

- 1994-1997
  • Experiences of 7 companies heavily engaged in reengineering, with negative consequences
  • Developed an approach to becoming process based

- 1998-2004
  • 5 case studies and additional research
  • Developed the PBM Loop for evaluating implementation progress

- Collaborative research 2004-2008
  • Developed:
    • PBM Implementation Roadmap
    • Assessment Framework
Findings from PBM Case Studies and Research: Required Actions

- Mindset shift
- Integration of initiatives
- Executive engagement and commitment
- Process Governance
- Process performance measures
- “Process” for Process Based Management
- Long term perspective
Impact of Business Process Orientation:

Research results showed that within an organization:

- Greater levels of BPO reduced interfunctional conflict and improved interdepartmental “connectedness”.
- The greater the level of BPO, the greater the organizational performance.
  - 16.6% increase Leads to 19.4% performance improvement
- The greater the level of BPO, the greater the organizational esprit de corps.

Per Dr Kevin McCormack (Business Process Maturity: Theory and Application; 2007)
On the Journey ....
to become Process Based

- Assess where you are
- Develop steps to get to your objective
Why a PBM Assessment

- Evaluate progress in implementation
- Benchmark other business units
- Feedback on strengths and opportunities
- Define a path forward
Assessment Categories

Governance

Deployment & Integration

Evaluation

Process Knowledge Management

Culture & Adaptation

Strategy & Planning

Organization Profile
Why an Implementation Roadmap

➢ To address issues like these:
  • where do we start
  • we aren’t making progress
  • we’ve encountered roadblocks
  • where do we focus
  • we still act like functions
  • we do not leverage our IT Projects
  • I’m concerned this will not stick
The Roadmap to PBM

- Defined “Pathways” for moving between Stages
- Identified detail steps for each Pathway
  - What, Why, How, Who
  - Inputs & Outputs

- Institutionalize
- Optimization

Management of individual process(s)

Process Based Management
PBM – Check up and Prognosis

**Diagnosis**

- Assessment
  - Implementation of Action Plans
    - Stage of PBM
      - Gaps in implementation
        - Suggested Action plans

**Prescription**

- Roadmap
  - PBM Stages
    - Pathways to PBM
      - Pathway steps
        - Suggested Action plans
The Roadmap to PBM-Discovery
Discovery Pathway

Key Outputs:

- Readiness profile
- Inventory of methods, initiatives and tools
- PBM Implementation Plan, including the Communication Plan

Key Roles:

- Advocacy Group
- Sponsor
- Senior Leaders
PBM Assessment Overview

- **Organizational Profile**
  Provides an overview of the organization’s efforts toward Process Based Management.

- **Strategy & Planning**
  Examines how your business strategy and Process Based Management (PBM) strategy integrate. Evaluates how the organization executes its plan for implementing and continuously improving PBM.

- **Governance**
  Examines the roles, responsibilities and structure in place to oversee the implementation and management of PBM.

- **Deployment & Integration**
  Examines the extent to which PBM deployment has been achieved, your approach for cross-process integration, alignment with improvement methodologies, and stakeholder involvement.

- **Evaluation**
  Examines how measures are designed and monitored to track the implementation of PBM. Evaluates PBM implementation against leading practices.

- **Process Knowledge Management**
  Examines the structure and practices for capturing and utilizing process knowledge.

- **Culture & Adaptation**
  Examines how you communicate PBM strategy, develop and maintain PBM competencies, and adapt your culture to PBM.
## Exercise : Self-Assessment

- Score how well your organization is doing in each of the categories
- Score on scale of 0 - 10

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<thead>
<tr>
<th>Categories</th>
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<tr>
<td>Strategy &amp; Planning</td>
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**Total Score -**
The Roadmap to PBM-Foundation

Management of individual process(s)  
Process Based Management

Foundation  
Integrated  
Realized

Discovery  
Engaged  
Managed

Committed
Foundation Pathway

Key Outputs:

• Process Classification Framework
• Selection of a Process Improvement Methodology
• Establishment of a PBM Office (including budget)
• Establishment of the Process Council
• Appointment of Process Owners for Prioritized processes

Key Roles

• Process Advocacy Group/ PBM Office
• Process Council
• Process Owners
• Senior Leaders
**Classification Framework**

**Definition**
- Defines the company for itself, its customers and its investors.
  - Strongly influences how well identity processes are carried out.
  - Processes that are legally required.
  - Processes which support daily operations.

**Example**
- **Fed Ex** - Guaranteed on-time delivery
- **McDonalds** - Speedy, consistent food preparation
- **Fed Ex** - Airplane operations
- **McDonalds** - Food supply management
- Regulatory reporting
- Income tax filing
- Many administrative & overhead functions like payroll processing, accounting, office management

Adapted from: The Process Edge, Peter Keen - 1997

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Traditional View: Functional

- Traditional management structure
- Separate / distinct activities
- Minimal focus on external customer
- I report to my boss

Objective:
Maximize departmental performance
Manage budget centers
• Focus is on the Customer (I report to my customer)
• Delivery of value added products & services
• End-to-end process spans functional organizations

Objective:
• Customer satisfaction
• Manage time, cost and quality
• Competitive advantage
• Retain & attract customers

Company X

Dept A
Activity A
Activity B

Dept B
Activity C
Activity F

Dept C
Activity X
Activity Y
Activity Z

Process Classification
Management Structure
Process-based Measures
Initiative Integration
Customer
Governance Model

**Process Council**
- Process Owners
- Functional top management
  - Manage cross process issues
  - Monitor process measures
  - Link to strategy and op plan
  - Allocate resources
  - Approve process changes
  - Manage the communication plan

**Process Owners**
- Top level management
- Process & functional hats
  - Formulate vision
  - Establish targets
  - Assess performance
  - Obtain resources
  - Approve action plans
  - Integrate across processes

**Process Team Leader**
- Sub-process owner
- Full-time
  - Process design
  - Performance measurements
  - Oversee implementation

**Process Team**
- Subject matter experts
- Rotate
  - Set process goals
  - Monitor performance
  - Identify improvements

**Process Performers**

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The Roadmap to PBM-Transition

- **Aware**
- **Committed**
- **Engaged**
- **Managed**
- **Integrated**
- **Embedded**
- **Realized**

**Management of individual process(s)**

**Process Based Management**
Transition Pathway

Key Outputs:

- Documentation of the end to end processes
- Current process metrics
- The measured impact of the improvements
- Updated performance plans, based on the performance of end-to-end processes
- Prioritized process improvement projects, based on the key drivers of performance

Key Roles

- Process Owners
- Process Teams
- Process Council
- PBM Office
Reality: Path to PBM

**Management of individual process(s)**

- **Managed**
- **Transition**
- **Foundation**
- **Discovery**
- **Engaged**
  - **Committed**
  - **Aware**

**Optimization**

- **Institutionalize**
- **Embedded**
- **Integrated**
- **Realized**

**Process Based Management**
Transformation Pathway

Key Outputs:

- Process Governance
- Cross-process integration plan
- Cross-process measures and targets
- Stakeholder follow up and assessment plan

Key Roles

- Process Council
- Process Owners
- Process Teams
- PBM Office
PBM Roadmap – Stages & Milestones

Aware
- Minimal process efforts
- PBM Assessment completed

Committed
- Pockets of process success
- PBM implementation strategy
- Executive support

Engaged
- Process governance
- Classification framework
- Process teams launched

Managed
- Process teams operational
- Managing individual processes
- Goals & objectives based on process

Integrated
- Process Council assumes ownership of PBM
- Cross process integration and measurement
- PBM transformation is part of goals & objectives

Embedded
- PBM goals & objectives are part of the organization’s culture
- Alignment of integrated processes and strategy
- Process performance tied to incentives

Realized
- PBM extended externally
- Processes are primary structure supported by functions
- CI initiatives integrated, prioritized and resourced by strategy
Other Items to Consider:

- Do Not map processes just to map
  - mapping does not impact performance
  - Instead:
    - improve prioritized processes
    - Measure and manage performance

- Get people involved
  - not for them, but with them
  - Change requires involvement
Are you ready for PBM?

- Specific Conditions are in place:
  - Success with other “management” techniques
  - Support for managing and integrating cross-functional processes
  - Some process successes
  - Technology enablers in place

- Business requirements dictate:
  - Better manage customer interactions
  - Incorporate customer requirements into processes
  - Holistic view of how products and services are delivered
  - Improve cycle time
  - Preserve process knowledge
More Information

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