Insights on the Road to Implementing Process Based Management

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Agenda

- Key Principles of Process Based Management
- Key Learnings from the Case Studies
- Current Research
What’s the Big Deal About Process Based Management?

Processes are how all organizations provide products and services to their customers.

However:

Most organizations do not understand or manage their processes ......or they manage a process in isolation.
Thus.....

Most organizations do not manage how they provide products or services to their customers.
Our Premise:

The management approach of leading organizations is evolving toward a holistic approach of Process Based Management.
Current Pains that Could Benefit from a Process Focus:

- Products or services don’t meet customer expectations
- Competitors are getting ahead of us on price/product/service.
- Downward price pressure: need to manage costs
- Failure of ERP and CRM to deliver
- Initiatives that are poorly linked
- Government mandates (Sarbanes-Oxley)
What is Process Based Management?

- A 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
Process Based Management

- Leverage existing programs
- Identify linkages
- Develop common terminology
- Processes named
- Boundaries identified
- Standard methodology
- Infrastructure established

Mindset / Culture
- How things are done
- Values, Rules, Practices
- Classification
- Portfolio
- Structure

End-to-End Processes
- Measurement Architecture
- End-to-end performance
- Best Practices
- Benchmarks
- How things are done
- Values, Rules, Practices
- Classification
- Portfolio
- Structure

Customer Expectations
- Awareness & Communication
- Executive leadership
- Process included in strategy
- Process Performance
- Incentives / Compensation
- ABC/M
- ISO/Quality Standards
- Baldrige
- Six Sigma, etc

Initiative Integration
- Voice of the Customer
- Customer driven Products & Services
- Leverage existing programs
- Identify linkages
- Develop common terminology
Process Based Management at CAM-I

- 1994-97 as a CMS Interest Group
  - Experiences of 7 companies heavily engaged in reengineering, with negative consequences
  - Developed an approach to becoming process based
  - Published “The Road to Excellence: The CAM-I Process Management Guide

- 1998-2004
  - 5 case studies and additional research
  - Developed the PBM Loop for evaluating implementation progress
  - Published “Process Based Management: A Foundation for Business Excellence”

- Launched in 2004 as separate Program
  - Develop a Roadmap on how to implement Process Based Management
  - 4 initial projects
Key Learnings from Case Studies

Four Areas:

- Mindset
- Entry Points
- Migration Path
- Governance issues
Key Learning: Mindset

Mindset shift is required

- The process approach is a different way of looking at how
  - Work is performed
  - Employees are managed
  - Performance is measured
Traditional View: Functional

- Objective:
  Maximize departmental performance
  Manage budget centers

- Traditional management structure
- Separate / distinct activities
- Minimal focus on external customer

Company X

Dept A
Activity A
Activity B

Dept B
Activity C
Activity F

Dept C
Activity X
Activity Y
Activity Z

Customer
Process View for a Company

- Focus is on the Customer
- Delivery of value added products & services
- End-to-end process spans functional organizations

Objective:
- Customer satisfaction
- Reduce time & cost
- Competitive advantage
- Increase market share
- 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-based Measures Initiative Integration
Key Learning: Entry Points

There are multiple entry points to PBM

- Different initiatives tried and in place
- Many initiatives failed
- Various business conditions
## How did the Organization get to this Point?

### History of Initiatives:

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Year Implemented</th>
<th>Status</th>
<th>Employee Reaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>TQM</td>
<td>1994</td>
<td>No longer used</td>
<td>A “Quality” Fad</td>
</tr>
<tr>
<td>Re-engineering</td>
<td>1995</td>
<td>No longer used</td>
<td>Job elimination, RIF</td>
</tr>
<tr>
<td>ISO 9000</td>
<td>1992</td>
<td>Still used for certification</td>
<td>Requirement for doing business</td>
</tr>
<tr>
<td>Cost reduction</td>
<td>1998</td>
<td>Used on an ad-hoc basis</td>
<td>More work, less people</td>
</tr>
<tr>
<td>Balanced Scorecard</td>
<td>1999</td>
<td>Still used</td>
<td>No understanding of how it Affects my job</td>
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</table>
Timeline of Initiatives


- TQM
- ISO 9000
- Activity-based Management
- Customer Segmentation
- Knowledge Management
- Outsourcing
- Balanced Scorecard
- Cost reduction
- Re-engineering
- TQM
Key Learning:

Integration of initiatives is crucial

- Many diverse initiatives
  - Initiatives compete for resources
  - Baan Study: Management Tools 2001
    - Companies have on average 10 tools in place
- Alignment is how organizations move in the same direction
Bain Top 25 Management Tools:

- ABM
- Balanced Scorecard
- Benchmarking
- Core Competencies
- Corporate Venturing
- CRM
- Customer Satisfaction
- Customer Segmentation
- Cycle time reduction
- Growth strategies
- Knowledge management
- Market disruption mgmt.

- Merger Integration teams
- Mission/vision statements
- One-to-one marketing
- Outsourcing
- Pay-for-performance
- Real options analysis
- Reengineering
- Scenario planning
- Shareholder value analysis
- Strategic alliances
- Strategic planning
- Supply chain integration
- TQM
Challenge of Management tools

- Which are the right ones
- Demand push vs. demand pull
- Alignment
- Integration
- Need a framework to provide structure
Discipline Model

Philosophy

- Vision
- Mission
- Values
- Management Approach

Business Model

Strategy, Operating Plan, Initiatives

Methods

- Process Based Management
- Continuous Improvement
- Cost Management
- Brand Management

Tools

- ABC, Process Maps, SPC, Control charts, Strategy maps

Key Tools:
- ABM, CAM-I Cross, Continuous Improvement, Target Costing, ABB, Baldrige, ISO, Six Sigma, CMM, Balanced Scorecard, EVA

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Key Learning:

PBM needs to be embedded in the Strategy

- Becomes more than an initiative
- Effects the focus of the organization
Key Learning: Governance

Executive engagement and commitment is critical

- Initiatives compete for attention
- Action follows leadership
- Part of the management philosophy of the organization
Key Learning:

Process owners are required at a high level

- Key role in the process infrastructure
Management Model for Process Ownership

**Process Owners**
- Top level management
  - Process & functional hats

**Process Team Leader**
- Sub-process owner
  - Full-time

**Process Team**
- Subject matter experts
  - Rotate

**Process Performers**
- Function

- **Process Owners**
  - Formulate vision
  - Establish targets
  - Assess performance
  - Allocate resources
  - Approve action plans
  - Integrate across processes

- **Process Team Leader**
  - Process design
  - Performance measurements
  - Oversee implementation

- **Process Team**
  - Set process goals
  - Monitor performance
  - Identify improvements
Key Learning: Migration Path

Requires a “Process” for Process Based Management
Process Based Management Assessment Framework

- **Strategy**
  - Current focus
  - Integrated planning

- **Processes linked to strategy**
  - Process teams
  - Roles & responsibilities

- **Process Clarity**
  - Measurement system
  - Measures linked to processes
  - Compensation tied to measures

- **Process Awareness**
  - Owners for processes
  - Communication plan
  - Employee understanding
  - Job Descriptions

- **Process Ownership**
  - Process teams
  - Roles & responsibilities

- **Performance Measures**
  - Owners for processes
  - Communication plan
  - Employee understanding
  - Job Descriptions

- **Continuous Improvement**
  - Transition plan
  - Integration of other efforts
  - Linkage to budget

- **Migration**
  - Linked to strategy
  - Change Mgmt program
  - Integration across processes

- **Tools**
  - Standard set of tools
  - Knowledge Management
  - Use across the company

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Key Learning:

PBM Shift requires a long term perspective

- Change in how:
  - Work is performed
  - Organization will be managed
- Requires the organization to stay focused
### Process Continuum Model

**Maturity Levels**

- **1-Ad-hoc**
  - Functions understood
  - Relationship maps
  - Functional activities are the focus
  - Limited process documentation
  - Processes are not classified

- **2-Defined**
  - Processes understood
  - High level processes defined / documented
  - Focus is on processes
  - Process documentation exists
  - Process classification framework established

- **3-Repeatable**
  - Cross-process relationships understood
  - Identity and priority processes mapped in detail

- **4-Sustained**
  - Identity and priority processes are proactively managed

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<td>• Mandated and background process mapped at a high level</td>
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Key Learning:

Process performance measures are critical

- If you can’t measure it, you can’t manage it
- Tell me how you will measure my performance, I will tell you how I will behave
- Teams need to be involved in developing measures
- Measures are continually evolving as the processes mature
Process Based Management Loop

- Discipline Model
- Profile
- Process Based Management Assessment Model
- Maturity Level
- Implementation Progress
- Process Continuum Model
Where is this leading?

- The Process Based Management Loop provides a process for evaluating implementation progress.
- The philosophy of Process Based Management will continue to evolve as organizations become process-centered.
- But......how does an organization implement Process Based Management?
2 Projects Underway:

- Develop an Implementation Framework (A Roadmap) for Process Based Management

- Updating the Assessment to provide organizations a monitor on their progress
Roadmap Project:

- Milestones for 6 Stages:
  - Discovery
  - Foundation
  - Transition
  - Transformation
  - Institutionalization
  - Realization
CAM-I Member Benefits

- Cam-I Collaborative Research Approach
- Capability to ensure organization-specific concerns are addressed during Program projects
- Access to PBM best practices
- Organized networking with peers involved in PBM
- No cost for employees to attend quarterly meetings
- Integrated Assessment System software
- Accelerated development – deliverables will be available within one year
For additional information on this research program, go to CAM-I.org or contact:

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