PROCESS-BASED MANAGEMENT AT WORK IN AN ORGANIZATION

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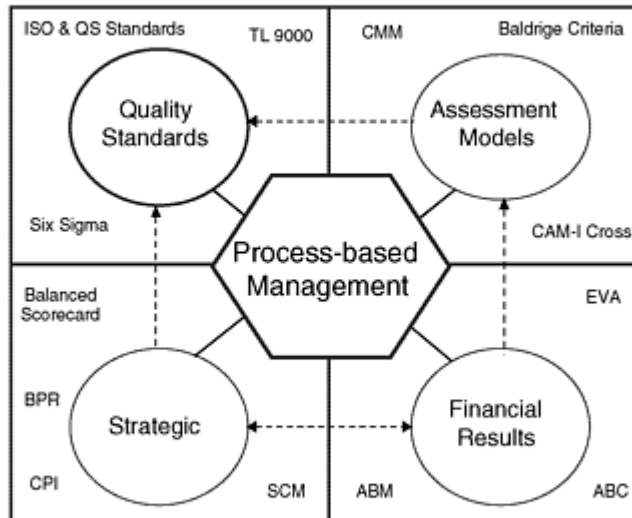
This article shows how an organization would apply the models in the Process-based Management Loop, and how the models interact and support each other.

Process-based management (PBM) is a management approach that governs the mindset and actions in an organization. It is a philosophy of how an organization manages its operations, aligned with and supported by its vision, mission, and values. PBM becomes the basis for decision making and taking action.

Process-based management has a wider scope than just managing individual processes. A process-based organization explicitly recognizes that it manages and operates all processes to balance and optimize the delivery of value to the customer. Such an organization is in effect using PBM as a strategy to differentiate itself and out-perform its competitors. However, as the strategy is updated and evolves in reaction to changes in the business environment, the process focus remains embedded in the mindset and philosophy of this organization. The organization's strategy is continually influenced and directed by this philosophy. An emerging trend in management is the convergence of different types of initiatives toward process-based management, as depicted in Exhibit 1 .

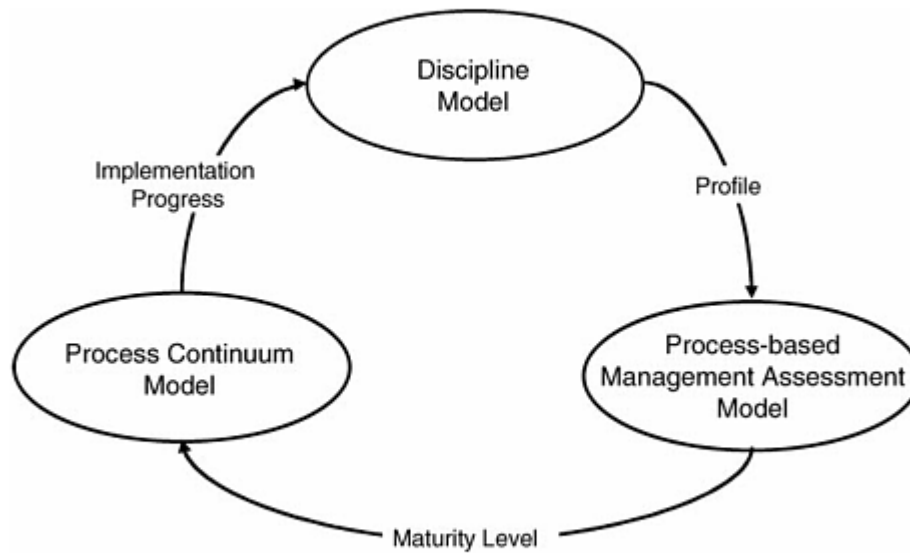**Exhibit 1.**

Convergence of Initiatives

Our research and case studies show that many organizations have no mechanism to address the convergence of initiatives from a management perspective, nor do they have a way to assess how they are doing as they progress along the journey to becoming process-based. [1] The research indicated the need for a:

- Way to communicate the strategic view of PBM
- Means to evaluate the management approach of an organization
- Method to determine the level of maturity of PBM in an organization

To address these needs, the CAM-I PBM Program developed the "Process-based Management Loop" shown in Exhibit 2 . This loop is the foundation for assessing an organization's process-based efforts and provides a conceptual structure showing how the different models interact.

Exhibit 2.
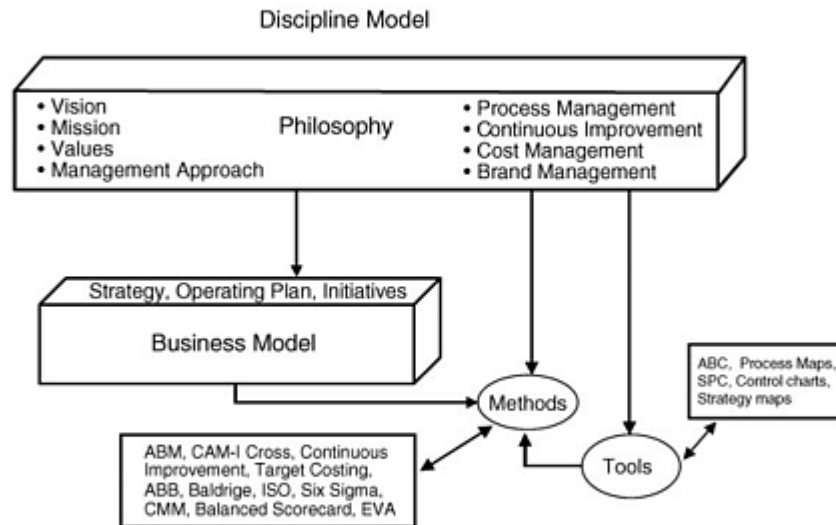
Process-based Management Loop

The three models in the Process-based Management Loop

The first model in the Loop is the *Discipline Model.* The Discipline Model is a conceptual framework that an organization uses to gain an understanding of how its tools, methods, and initiatives support the business model and its overall management philosophy. This linkage to a management philosophy will enable an organization to select and implement the appropriate methods and tools to support its specific business direction and strategy. Exhibit 3 shows the Discipline Model.

Exhibit 3.

Discipline Model

Discipline Model

Philosophy	
• Vision • Mission • Values • Management Approach	• Process Management • Continuous Improvement • Cost Management • Brand Management

Strategy, Operating Plan, Initiatives

Business Model

Methods

Tools

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

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

The four levels of the Discipline Model can be summarized as:

- Philosophy—A systematic way of thinking and doing that permeates an organization. Everything the organization does and considers is impacted by the philosophy and does not change often. The philosophy includes the vision, mission, and values of the organization.
- Business Model—Includes the strategy, operating plans, and related initiatives that are developed to implement the strategy. This is the framework for identifying how the business creates, delivers, and extracts value.
- Methods—Defines the methods used in the organization to execute the strategy and support the direction provided by the philosophy. These methods can be viewed as laying out the steps required to implement initiatives and are typically recognized methodologies that have well-developed and time-tested steps.
- Tools—Provide support for the methods. These are the specific devices used. The tools are required for the methods to be successful. *Tools are the enablers, not the drivers, of change*.
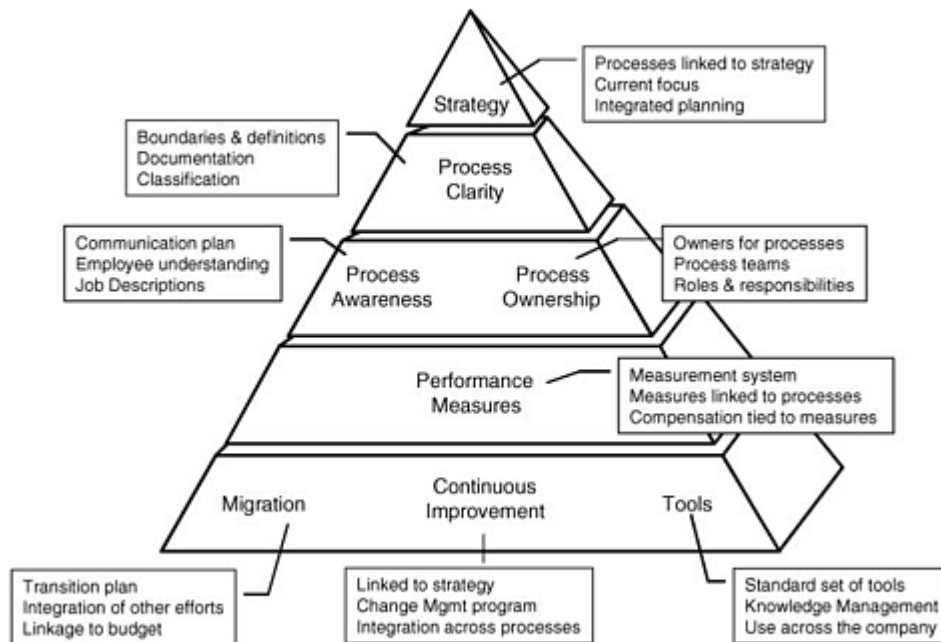
By working through the different levels in the Discipline Model, an organization can develop a profile depicting how it currently links and deploys its philosophy, business model, methods, and tools. The profile also indicates the history of these initiatives in the organization. For process-based organizations, the profile identifies the entry point for PBM in the organization, which is vital to understanding how the organization got to

where it is at a given point in time. With the profile created, the next step is to evaluate how well PBM has been implemented and identify any gaps that require additional efforts.

The second model in the PBM Loop is the Process-based Management Assessment Framework shown in Exhibit 4 . This model, which has been tested and validated through the research and case studies, provides an overall assessment of an organization's progress in implementing process-based management. Using the categories depicted in Exhibit 4 , an organization works through the assessment process to determine those areas in which it does well (its strengths) and identify the categories where additional efforts are needed (the gaps). The overall results from the assessment are then evaluated to determine the organization's maturity level in implementing PBM. The maturity level of each of the categories is then used as input into the Process Continuum Model.

Exhibit 4.

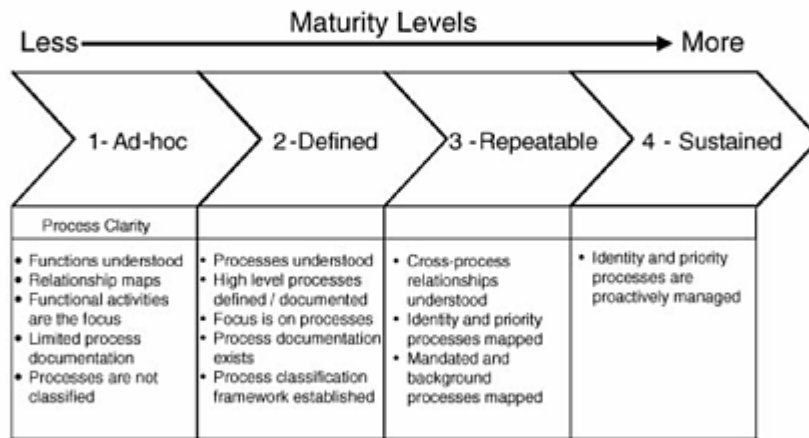**Process-based Management Assessment Framework**

The third model in the PBM Loop, the Process Continuum Model, is a conceptual model that has been developed to identify and capture the characteristics an organization should have, or needs to acquire, during the transformation to process-based management (see Exhibit 5). The output from the Assessment Framework directs an

organization to the specific maturity level in the appropriate assessment category to determine what characteristics it would expect to see based on its level of maturity. This model contains four maturity levels in the example of the characteristics for the Process Clarity category shown in Exhibit 5 .

Exhibit 5.

Process Continuum Model

Maturity Levels			
Less →			→ More
1- Ad-hoc	2-Defined	3 -Repeatable	4 - Sustained
Process Clarity			
• Functions understood • Relationship maps • Functional activities are the focus • Limited process documentation • Processes are not classified	• Processes understood • High level processes defined / documented • Focus is on processes • Process documentation exists • Process classification framework established	• Cross-process relationships understood • Identity and priority processes mapped • Mandated and background processes mapped	• Identity and priority processes are proactively managed

Using the characteristics for each category, the organization can now develop specific action plans to address any characteristics not currently demonstrated, thus addressing its gaps from the PBM Assessment Framework. The Process Continuum Model also assists an organization in progressing to the next level of maturity by identifying the characteristics of the next level, which aids in the development of specific action plans to improve its overall PBM maturity. Once action plans are developed and implemented, the organization begins the loop again by applying the Discipline Model, thus beginning the iterative process depicted in Exhibit 2 .

Although there is an implied sequence to the PBM Loop, research suggests that each of the models can provide value independently. However, the collective value of the linked loop outweighs use of the three models independently. Entry into the loop can be from any one of the three models; however, progress through the loop is typically clockwise.

These management models closely interact with each other and should be used together. The Discipline Model provides a diagnostic profile used to represent the philosophy, business model, methods, and tools that an organization has deployed and how these are linked. The profile supplies critical information to the PBM Assessment Framework Model, which is used to evaluate strengths and gaps in implementing process-based management. The results from the assessment are evaluated to determine the process maturity level of the organization, which is used as an input into the Process Continuum Model.

Using the maturity levels for each category, the Process Continuum Model identifies the attributes an organization should have, or needs to obtain, to reach its targeted maturity level as determined by senior executives. The organization then develops action plans to close the gaps. After implementing changes, the company iteratively assesses its progress towards PBM by once again applying the Discipline Model as depicted in Exhibit 2 .

An illustration: CSO begins the journey

We will use a company called CSO, Inc. to illustrate how the different models interact with one another. CSO designs, manufactures, and sells outdoor furniture through catalog and retail centers across the United States. Its annual sales are approximately $400M and are growing at a 10 percent rate. It sells several different styles of outdoor chairs and tables, which customers order from account representatives. During its twentyfive years in business, CSO has enjoyed strong customer loyalty, continued growth, and expansion.

CSO is organized in a traditional function-based management structure with vice-presidents of Marketing, Product Development, Finance, Operations, and Manufacturing, all reporting to the CEO. The past few years have seen the entry of new competitors in the outdoor furniture market with lower prices for comparable products of similar quality. CSO has also noticed a marked decline in customer satisfaction, but has not yet determined its primary causes.

The company has a vision of providing the best overall value to its targeted customers. Its mission and values are consistent with that vision. Several departments at CSO have attempted to improve their performance using a variety of programs such as Total Quality Management (TQM), International Standards Organization quality standards (ISO), Continuous Process Improvement (CPI), and Activity-Based Costing (ABC). When programs are reviewed independently, each appears successful at improving departmental performance. However, overall customer satisfaction continues to decline. From an organizational perspective, the programs are not working. In addition, CSO is planning to introduce a new line of custom-made ergonomic outdoor furniture that would be available only through a new Internet portal.

The newly appointed Director of Corporate Strategy realized that CSO needed an integrated approach to address customer satisfaction and service delivery issues. She realized that it would be critical to maximize the efficiency of CSO's processes rather than its departments for this new product line and Internet portal to be successful. The organization had been slowly transitioning from a department-based approach to a process-oriented approach. This transition was motivated by numerous management initiatives that had exhibited limited short-term success except when they affected cross-functional processes. Many managers were having difficulty understanding their roles in terms of the processes in which they participate—rather than in terms of the functional groups to which they belong. This realization led the Director of Corporate Strategy to

seriously consider the adoption and implementation of the PBM Loop. CSO's adoption of the Balanced Scorecard was also a contributing influence.

To support the effort, the Director created a pilot project to explore application of the PBM Loop. This pilot team, which consisted of managers with process management experience from marketing, manufacturing operations, product development, information technology, finance, and human resources, was responsible for developing an in-depth knowledge of the PBM Loop by trying to apply the model to CSO. If they concluded that it was useful, they would determine what was necessary to implement process-based management and to assist the organization to reach that objective.

Getting started—the Discipline Model

The first thing the PBM team did was to create a list of CSO initiatives, documenting: (1) the year implemented; (2) the status of the initiative (whether it was still in place or was no longer being used); and (3) perceived employee reaction. After analyzing the information from past initiatives, the PBM team developed a timeline of past initiatives, which they used to facilitate discussions around the various program linkage to corporate strategy included in CSO's business model.

The PBM team then evaluated whether its differentiation strategy was supported by the initiatives still being used, and if not, what "methods" would be best for implementing that strategy. The team realized some parts of its strategy had limited initiative support, and some actually conflicted with its overall strategy. For example, initiatives underway in Knowledge Management and ISO 9000 did not directly support the current strategy. >From this information, the team built a detailed profile that included key products and services, strategic challenges, current and past initiatives, key processes, and supporting methods and tools.

Analysis of the profile information indicated that CSO had an overriding management philosophy focused on customer service management, with some pockets of process-based thinking. Based on this, management determined that an assessment of their process-based efforts would be beneficial in terms of giving them direction on where to focus their action plans.
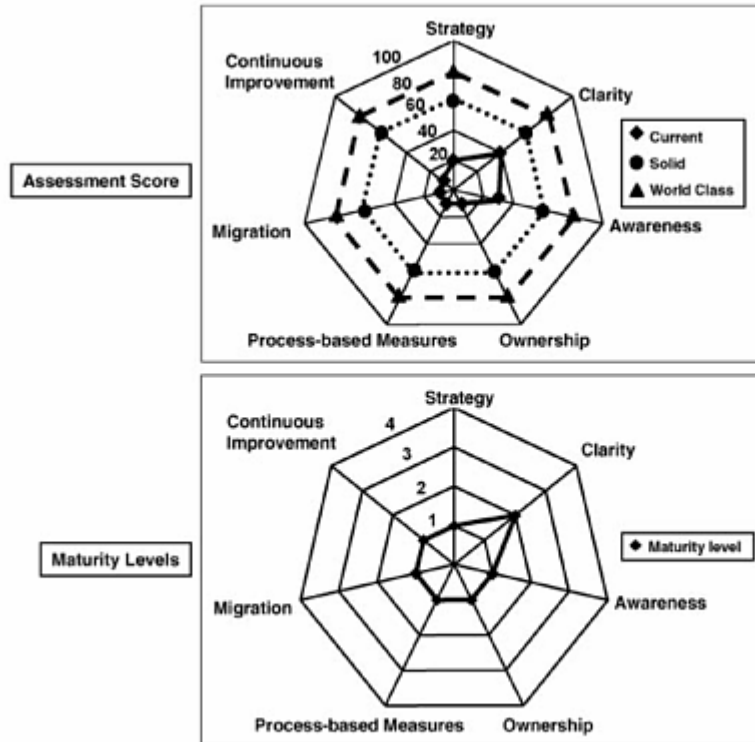
Applying the PBM Assessment Framework

To begin the assessment process, the PBM team designated a new team of four individuals who were familiar with the key components of the PBM Assessment Framework defined in Exhibit 4 . The assessment team gathered data from all parts of the organization, and provided responses to each of the criteria items identified. The PBM team reviewed all the completed responses with the team of assessors and determined that an external review would be beneficial. CSO engaged a third-party organization experienced in process-based assessments to evaluate the responses, identify existing strengths and gaps, and recommend prioritized improvement areas for CSO.

The third-party review also produced the radar chart in the upper half of Exhibit 6, which depicts the assessment of CSO's PBM efforts. These results were shared with the PBM team and all of the parties who participated in the assessment along with a feedback report detailing each of the strengths and improvement areas by category. As part of the review, the scores in the upper half of Exhibit 6 were converted into the maturity levels depicted in the lower half of the same exhibit. The maturity levels are based on the Process Continuum Model's four levels: ad-hoc, defined, repeatable and sustained. From

the maturity levels, the PBM team determined that they needed to focus short-term action plans on enhancing the process orientation of the strategy, awareness, and ownership areas as a starting point.

Exhibit 6.

Assessment of CSO Efforts

Applying the Process Continuum Model

Using the Process Continuum Model, the PBM team built short-term action plans that would enable CSO to move from maturity level 1 to level 2 for strategy, awareness, and ownership. An action plan was created to develop an overall communication plan that addressed the following key items:

- Develop a standard PBM PowerPoint presentation to be used by all executives.
- Assign each executive a division in which they will give the standard presentation and answer any questions.
- Develop a monthly newsletter to communicate the efforts of process teams.
- Give all employees easy access to process-based training materials (such as the output from all executive presentation sessions) on the corporate intranet.

Each of the action plans developed was assigned to an owner, and progress was tracked on a monthly basis. Action plans were completed and new ones developed on an ongoing basis. During ongoing strategy and operations reviews, the PBM team reevaluated their progress moving to level 2 in the strategy, awareness, and ownership categories. The long-term objective of implementing PBM as a management philosophy in the organization was reviewed through a periodic self-assessment, thus starting the review cycle over again. Based on the results and insights from the PBM Loop, the PBM team concluded that the process-based management model was feasible to implement in CSO. The challenge now was how to gain organizational buyin for an organization-wide PBM implementation.

Throughout our research and writings, the CAM-I Process Based Management Interest Group emphasizes that taking a PBM approach is the key to competitive advantage. PBM is a journey, not a destination, and the organization that continues to develop and understand its processes is best able to learn and improve customer value.

The research leading to this article led to the development of a set of prescriptive models that lead organizations to attain a competitive advantage. If you apply the PBM Loop to your organization, please let us know what you find, and where you think these models can be improved. The goal is to provide approaches and models that process-based organizations will find helpful in moving toward process-based management. Continuous improvement of these models will help us reach that goal. [2]

[1]

  Daly, D., Dowdle, P., McCarty, R., and J. Stevens, Process Based Management: A Foundation for Business Excellence, CAM-I: Burleson, Texas, 2005.

[2]

  The Process Continuum Model is an adaptation of the Metric and Maturity model developed byTexas Instruments. Metrics: A Management Guide for the Development and Deployment of Strategic Metrics, Texas Instruments Incorporated, 1997.