The Process-Based Management Loop

Pat Dowdle, Jerry Stevens, Bob McCarty, and Dennis Daly

Most organizations have realized the importance of managing processes and have deployed various initiatives to improve their processes. Most initiatives have traditionally been viewed as separate and distinct, so they have been deployed independent of one another. That is beginning to change as organizations move toward process-based management.

In today's business environment, organizations are experiencing pain they can no longer ignore. Here are some examples:

- To meet customer expectations, the delivery of products and services needs to improve continuously.
- Companies must also reduce time-to-market for both products and services.
- Process-focused initiatives are often poorly linked to one another (e.g., ISO 9000:2000, Malcolm Baldrige, Six Sigma, lean manufacturing, time-based management, scorecarding, and activity-based management).
- Customer needs and expectations require continuous improvement to the way organizations operate.
- Most companies face aggressive financial targets.
- Companies need to reduce waste and non–value-added activities to remain competitive.
- Most companies face downward price pressure.
- Often, companies face government mandates for change (e.g., the Government Performance and Results Act of 1993, Office of Management and Budget A-11 Cohen Amendment 1996, Section 404 of the Sarbanes-Oxley Act of 2002).

It is imperative that organizations challenge existing practices and evolve in ways that address these pressures. To do so, organizations need a road map on how to address these issues in a coordinated and integrated approach. They need insight into an evolving management approach that focuses on the processes in an organization in a holistic way to improve both customer service and the efficiency and effectiveness of the organization. We call that model *process-based management.*

The Process-Based Management Program at CAM-I has recently published a book (*Process-Based Management: A Foundation of Business Excellence*) that expands on the nature and benefits of process-based management and presents some fundamental models that organizations can use to identify gaps in their process-based efforts. The models provide characteristics and attributes that would be seen as an organization progresses along the road to becoming a process-based organization. But first, let us look at some background on the research and efforts that led to the development of these models.

BACKGROUND

In the 1997 book *The Road to Excellence—Becoming a Process-Based Company,*[1] the CAM-I Process Management Interest Group examined various organizations and their approaches to implementing process-based management. The different methods and approaches from these orga-

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nizations led to the development of a Process-Based Management Framework. This framework serves as the foundation for the ensuing work covered in the new book.

A key item identified in *The Road to Excellence* and the underlying research was the need for an evaluation and validation of the framework, utilizing other companies that were not part of the original work. To accomplish that objective, a case-study approach with a standard set of criteria was used to determine if the framework was valid and would apply to companies in distinctly different industries.

This case-study approach included an assessment, feedback presentation, and discussion of the next steps a company could consider to progress on the road to becoming a process-based organization. The companies were amazed at the depth of knowledge the case-study team was able to gain during the effort, which indicates that the assessment criteria are extremely comprehensive.

To ensure that the results from each case study could be compared with one another, each study was conducted using the same set of criteria, evaluated using the same scale, and followed the same process.

Five different organizations from the United States, Canada, and Europe participated in the case studies representing the following industries:

- Telecommunications,
- Government,
- Utility,
- Aerospace, and
- Petroleum.

The decision to look at only five organizations was based on the recurring themes from the initial organizations. As additional organizations were evaluated, the same pattern of findings began to emerge, leading to the conclusion that additional studies would yield similar results.

By assessing organizations at different points in the implementation of process-based management, the effort could determine if there would be significant differences in the findings. The following were the situations encountered in the case-study organizations:

> ***...long-term success is limited without an overall strategy for process-based management.***

- "Reengineering" had been completed and deemed a success, but customer service was negatively impacted.
- Design of an integrated customer inquiry process and enabling technology had been implemented, but focus on other processes had diminished.
- Extensive efforts to develop a comprehensive transition plan for activity-based management (ABM) with detailed action items had been completed, but support from top management was lacking to move the effort forward.
- A process to manage a supply chain had been implemented, and the organizations were interested in an independent evaluation of their efforts.
- A new enterprisewide software package had been implemented, but minimal effort was spent on changing the underlying business processes, resulting in a negative impact on customer service and employee morale.

As the findings showed, there are many potential business reasons to begin the journey to process-based management. However, long-term success is limited without an overall strategy for process-based management.

With the knowledge gained from the case studies and three years of additional process-based management research, additional insights and models have been developed to aid an organization's transition to process-based management. This article provides an overview of those insights, including details on the models and how to apply them.

CONVERGENCE OF INITIATIVES

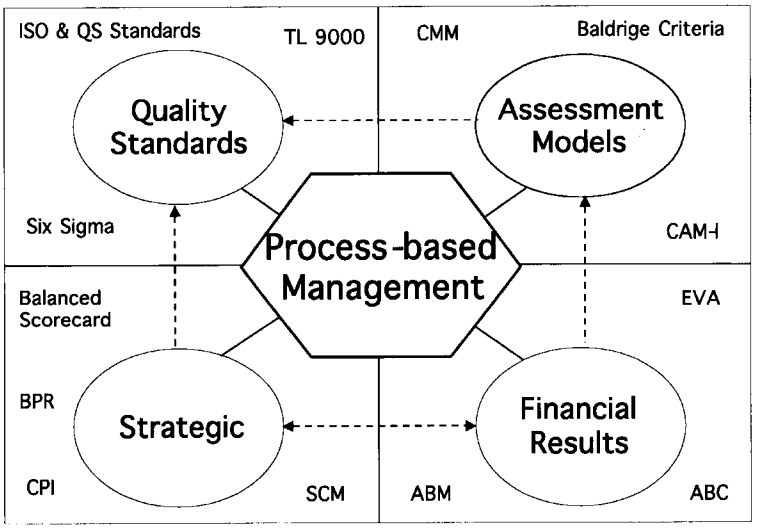
An emerging trend in management tools is the convergence of different types of initiatives around process-based management, as depicted in Exhibit 1. Most organizations have realized the importance of managing processes and have deployed various initiatives to improve their processes.

These initiatives have been viewed in the past as separate and distinct and typically have been deployed independently of one another. That is beginning to change. Look at what has taken place over the past few years:

- The ISO 9000:2000 standard has incorporated customer satisfaction, process under-

Exhibit 1

Convergence of Initiatives



standing, and an improvement/assessment approach.
- Baldrige has moved toward "value creation" processes.
- Balanced Scorecard has one perspective focused entirely on processes.
- Six Sigma has come to the forefront as a way to improve process performance.
- ABM is integrating activity-based costing with process understanding and improvement.
- Supply chain management (SCM) is seen as a critical process for organizations to manage.

To enable the integration of these initiatives, process-based management must be viewed as a long-term management strategy, not a tactical tool. While this convergence is subtle to most, we view the use of process-based management as the strategic approach to managing and integrating these initiatives, which enables an organization to focus on changing the mind-set instead of implementing independent initiatives.

MODELS FOR PROCESS-BASED MANAGEMENT

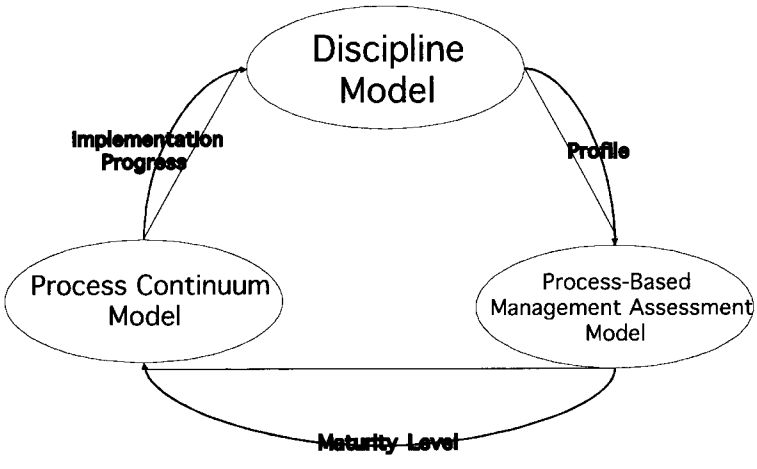
What has become apparent from our research and case studies is that many organizations have no mechanism for addressing the convergence of initiatives from a management perspective. Nor do they have a way to assess how they are doing as they progress along the journey to becoming process-based. The research indicates a need for:

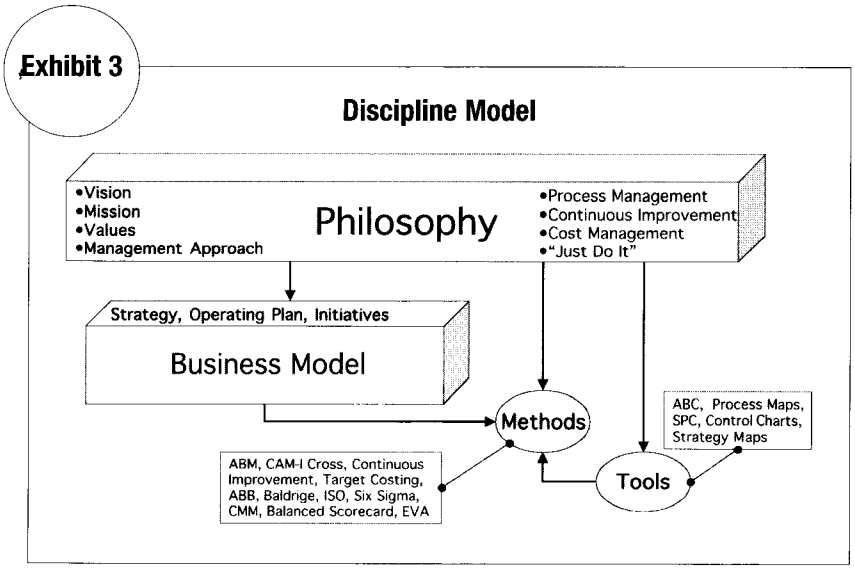
- a way to communicate the strategic view of process-based management;
- means to evaluate the management approach of an organization; and
- a method to determine the level of maturity of process-based management in an organization.

To address these needs, we developed the Process-Based Management Loop shown in Exhibit 2. This loop is the foundation for assessing an organization's process-based efforts. It provides a conceptual structure

Exhibit 2

Process-Based Management Loop





showing how the different models interact.

The first model in the Loop is the **Discipline Model,** which is a conceptual framework that an organization can use to gain an understanding of how its tools, methods, and initiatives support the business model and their overall management philosophy. This linkage to a management philosophy enables an organization to select and implement the appropriate methods and tools to support their specific business direction and strategy. Exhibit 3 provides a visual depiction of the Discipline Model.

There are four levels to the Discipline model, summarized as:

- *Philosophy*—A systematic way of thinking and doing. It permeates an organization. Everything the organization does and considers is impacted by the philosophy, which does not change often. The philosophy includes the vision, mission, values, and management approach 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 a business creates, delivers, and extracts value.
- *Methods*—Defines the methods used in an organization to execute the strategy and support the direction provided by the philosophy. These methods could 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*—Provides 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 its philosophy, business model, methods, and tools are currently linked and deployed. The profile also indicates the history of these initiatives in the organization.

For process-based organizations, the profile will identify the entry point for process-based management in an organization, which is key to understanding how the organization got to where it is now. With the profile created, the next step is to evaluate how well process-based management has been implemented and to identify any gaps that require additional efforts.

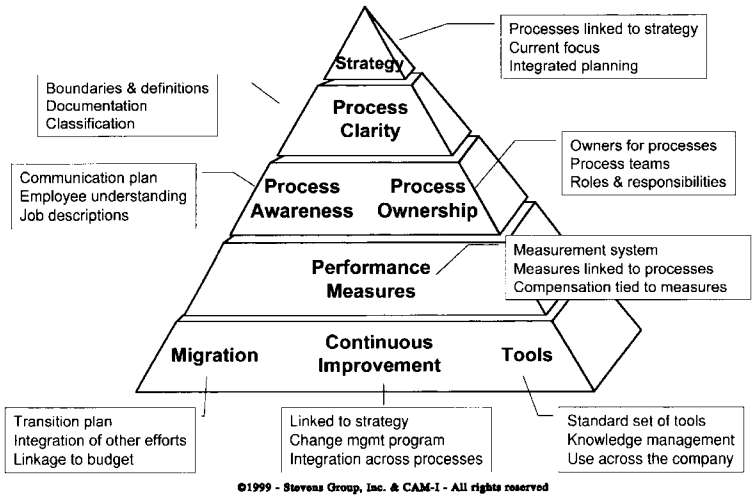
This brings us to the next model in our loop, the **Process-Based Management Assessment Model,** the framework for which is shown in Exhibit 4. This model, which has been tested and validated through our research and case studies, provides an overall assessment of an organization's progress in implementing process-based management.

Using the categories depicted in Exhibit 4, an organization would work through the assessment process to determine those areas where it does well (strengths) and identify the categories where additional efforts are needed (gaps). The overall results from the assessment are then evaluated to determine the organization's maturity level in implementing process-based management. The maturity level of each of the categories is then used as input into the Process Continuum Model.

The maturity levels lead to the final model in our loop, the **Process Continuum Model,**[2] which is shown in Exhibit 5. The Process Continuum Model is a conceptual model that identifies and captures the characteristics an organization should have, or needs to acquire, during the transformation to process-based

Exhibit 4

Process-Based Management Assessment Framework



management. The output from the Assessment Framework directs an organization to the specific maturity level in the appropriate category to determine what characteristics the organization should expect to see. This model contains four maturity levels. An example of the characteristics for the Process Clarity category is shown in Exhibit 5.

Using the characteristics for each category, the organization can develop specific action plans to address any characteristics not currently demonstrated, thus addressing gaps from the Process-Based Management Assessment Framework. The Process Continuum Model can also assist 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 their overall process-based management maturity.

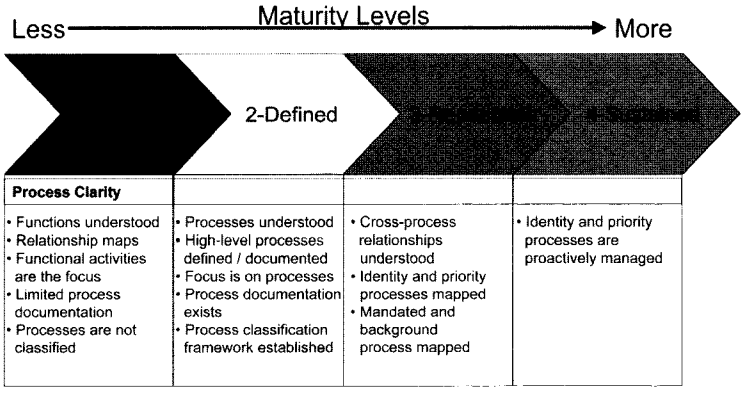
Once action plans are developed and implemented, an organization can begin the loop again by applying the Discipline Model, thus beginning the iterative process as depicted in Exhibit 2.

Although there is an implied sequence to the Process-Based Management Loop, we have found that each of the models can provide value independently. However, the collective value of the linked loop outweighs the independent use of the models. Entry into the loop can be from any one of the three models; however, progress through the loop is typically clockwise.

The Process-Based Management Loop is the foundation for assessing an organization's process-based efforts. It provides feedback on the strengths and gaps, which targets the right areas to address to move forward on the road to becoming a process-based organization.

Exhibit 5

Process Continuum Model



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 process mapped	• Identity and priority processes are proactively managed

NOTES

1. Daly, D., & Freeman, T. (1997). The road to excellence: Becoming a process-based company. Bedford, TX: Consortium for Advanced Manufacturing-International.
2. The Process Continuum Model is an adaptation of the Metric and Maturity Model developed by Texas Instruments. See *Metrics: A management guide for the development and deployment of strategic metrics.* (1997). Dallas, TX: Texas Instruments Incorporated.

Pat Dowdle and **Jerry Stevens** are the program directors of the CAM-I Process-Based Management Program. **Bob McCarty** is the comptroller for the United States Coast Guard Finance Center. **Dennis Daly** is a professor of management accounting at Metropolitan State University in Minneapolis/St. Paul, Minnesota.

The CAM-I Cost Management Systems (CMS) Program (CAM-I.org) is internationally recognized as the leading forum for the advancement of cost and resource management practices. Organized in 1986 as a coalition of leading thinkers from industry, government, and academia, the CMS Program has accomplished extensive research and development of new management methods and models. The CMS Program is acknowledged worldwide for its development of activity-based costing (ABC), activity-based management (ABM), target costing, and process-based management. An expanded Process-Based Management Program was launched by CAM-I in 2004.