

Creating a Process-Focused Organization

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A true process-focused organization cannot emerge until the company resolves the divide between technical functions such as BPM, which supports organization-wide change, and those functions that back shorter range process subsystems improvement techniques such as Lean, Six Sigma, TQM, and Quality Circles.

Your company must address the seven dominant forces that shape organizations in order to create the right strategy for integrating broad process and subsystems improvement. Your analysis of the current impact of these factors on your organization will determine its readiness for change and establish the degrees of stability and agility your organization will require.

You can design a change strategy to transform an established structure into a process-focused organization, although this is no easy task. Existing technical performance improvement tools need to be coaxed into supporting the degrees of stability and agility required.

You will face other challenges, such as optimization of processes, integration of organizational functions, better coordination of process change, and the ability to avoid focusing on processes whose improvement will make the value chain less efficient.

Seven Traditional Forces That Impact Organizational Structure

These seven forces define an organization's daily activities, culture, and business philosophy. Change strategies that accommodate organization-wide and subsystem improvement methods need to address the current impact of these traditional forces on the organization. Unless they are taken into account, they can ambush any change tactics.

1. Business Plan

All organizational changes need to reflect the current business model. The business plan defines the company's overall strategy and outlines how each function collaborates to deliver products and services to customers.

Strategies that emphasize rapid growth and highly innovative new products and services require organizational agility. Focusing on long-term market share improvement or product and service facelifts favors slow growth and stability.

Make sure that official rhetoric matches actual practice. It is common for companies to espouse innovation while remaining resistant to change. Stable organizations are often open to long-range, organization-wide system and process improvements. Business plans usually accommodate change when company performance is poor. Companies experiencing rapid growth favor techniques that quickly improve the poorest performing functions and subsystems. Long-range changes will succeed when the company exhausts short-term solutions.

2. Accounting Model

The accounting model includes the basic assumptions, principles, and procedures that govern the recording, measuring, and reporting of an entity's financial transactions. It defines how each function conducts business as a financial entity or center. Larger organizations frequently employ more than one model. The specific financial model employed can strongly determine whether a function needs stability or agility. All accounting models are most open to accommodating organizational change when the organization is in crisis.

Specific Accounting Models

Cost centers minimize all expenditures. Cost center accounting places a premium on stability. This mode is most likely to accept short-term, problem-specific quick fix improvements.

Profit centers optimize earnings. These models are open to longer-range solutions and some organization-wide innovations.

Revenue centers maximize revenue generation. These centers have high-risk tolerance, and reverse agility. Revenue centers are not interested in techniques that do not raise revenues quickly.

Return on assets centers maximize how efficiently management can generate profits from available assets. These accounting centers recognize the need for balance between agility and stability. They are open to both long-range and short-term solutions.

3. Organization Structure

There are five classic models that organizations use. Most enterprises are a hybrid of two or more.

A. Functional Type: A Functional type is organized into components made up of people with similar skills who perform the same function. Management is hierarchical. Functional organizations encourage stability. Multiple levels of management, bureaucracy, and non-porous functional silos present obstacles to building a process-focused organization. Large-scale process change is best initiated by executive directive and initiative. The best opportunity for change occurs when the organization realizes it has entered a state of inertia.

B. Project Type: In a Project type organization, the majority of people and resources are assigned to completing projects. Management is hierarchical but fewer levels are required than in the Functional type. These are agile structures. The best opportunities for process improvement are usually found in accelerating project completion with fewer people, on budget and on time.

C. Matrix Type: Matrix type enterprises are a blend of functional stability and project agility. The levels of management typically exceed those found in project type organizations. Functional entities provide resources to the project groups. Matrix structures do not normally function well when they need a long chain of consistent activities, coordinated handoffs, and highly responsive supporting functions to produce products and services. Project type firms often flirt with the matrix to add stability to project groups without compromising agility. This is a difficult balance to maintain. The best opportunity for change is when management determines that the functions are not fulfilling their supporting roles and project groups are spinning out of control.

D. Entrepreneurial Type: Entrepreneurial type organizations are the most agile firms and have the leanest management structure. They are flat and fast moving. These organizations excel at innovation and growth. Few have established disciplined approaches to performance improvement. The best opportunities to introduce a long-range short-term process-focused approach occur when growth and complexity force management to consider other forms of organization.

E. Process Type: Process-focused organizations design and manage end-to-end processes rather than tasks, measure process results rather than department efficiencies, and think in terms of the customer and related goals rather than functional goals. Process-focused structures rarely occur organization-wide and are usually subordinate to one of the other models. The level of agility and stability is therefore determined by the dominant form of organization. Enterprises dominated by their functional components require stable, process-focused entities and methods. Project and matrix type organizations are best served by a process model that provides both stability and agility. Entrepreneurial type organizations require agile processes. A growing entrepreneurial enterprise provides an excellent opportunity to create a process-dominated structure that provides both agility and stability. The ideal time to build focused entities in any organization is when management is convinced that the current form has failed badly and other non-process types are too risky to attempt.

4. Culture: Technology versus Business

Culture clashes are not inevitable. However, willing cooperation requires that both sides accommodate change. Technological people fall in love with their tools, which can result in over-elegant solutions and evangelistic application of technology. The business side will view these excesses as frustrating and wasteful. For its part, the business side is inclined to resist changes that do not produce quick wins, and it needs to accept longer-range solutions. In organizations where finance or technology dominates the culture, a top-down approach works well. Where business side cultures prevail, technological changes are best achieved by bottom-up methods.

5. Technological Process Improvement Systems and Subsystems

Organizations with strong commitments to technological support functions are most open to evolving into process-focused entities. Enterprises with large investments in business side subsystems performance improvement technologies require sustained effort to become process-focused. The strengths of both sides need to be accommodated in order for organizational change strategies to be effective.

6. Collaboration and Alliances

Interpersonal cooperation based on trust, enthusiasm, and security will produce quick wins. Large-scale organizational changes require the creation of problem-solving teams that provide the stability and agility needed to enable technology. These teams must include people with the best natural ability to produce the comprehensive solutions required to create a process-focused organization. Problem-solving supported by alliances and cooperation among groups is necessary to integrate system-wide and subsystem solutions. Counter intuitively, natural talent based teams form the strongest interpersonal alliances and collaboration networks. Problem-solving teams are better suited to support radical change than interpersonal teams.

7. Regulatory Influences

All organizations are subject to unexpected shifts in regulatory compliance demands. Staying current with regulatory compliance requirements can prevent derailing change efforts.

Is Your Organization Ready for Change?

Determine which two of the seven forces impact your organization the most. To be successful, your process-focused organization needs to accommodate the best benefits these two forces provide. Most dominant organization factors will allow change when deteriorating financial conditions force management to consider alternatives.

In spite of vastly improved efficiencies resulting from advances in technology, most organizations look the same as their predecessors did before the scientific management and digital revolutions. Converting traditional organizations to post-industrial, process-focused enterprises is not easy. Imposing change on an organization that is not ready makes the existing structure value chain less efficient.

Are You Ready for Change?

You need to be ready for change. Before starting to transform your organization, ask yourself these questions. If you answer no to two or more items, consider delaying your plans until conditions improve.

1. Are you prepared to expend the required levels of commitment and effort?
2. Do you have the cross-functional alliances to pull it off?
3. Are you prepared to allocate adequate current resources?

4. Are you prepared to acquire the necessary additional resources?

5. Do you have support from management at least two levels above your immediate supervisor?

Some Final Thoughts

When possible, build dominant force methods and structures into your process-focused model. Be ready to accommodate the demand for short-term subsystem improvement methods. Organizations are most open to radical change when they are financially challenged. Finally, the three most important determinants of successful organizational change are timing, timing, and timing.