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In September, Paul Harmon wrote a BPTrends Advisor that discussed the fact that some companies are considering a Chief Process Officer (CPO) position. In effect, a CPO is the executive responsible for the corporate business process architecture and for assuring that all of the corporate processes are defined, integrated and performed properly. While the appointment of a CPO represents a major step toward establishing a process-centric organization, most companies aren't there yet. Most, as Paul pointed out in his September BPTrends Newsletter, are still struggling with how to organize the management of specific processes.

The most popular approach to business process management is the creation of a matrix organization where any specific manager reports to two different managers. One is his or her functional manager who assures that departmental standards are being met. Thus, a specific sales manager reports to the VP of Sales who assures that he or she is managing the sales operation in the manner prescribed by the sales department. The same sales manager reports to one or more process managers who are responsible for assuring that business processes that include sales activities managed by the specific sales manager are properly integrated within an overall process and are producing measurable results. There's nothing easy about matrix management. It introduces occasional conflicts that require the process and functional managers to meet and resolve their conflicts. On the other hand, matrix management assures that all sales people are evaluated by a common set of sales criteria and that, simultaneously, sales performance is evaluated in the context of the business process it is intended to support.

A good example of the matrix approach is provided by General Motors. In the early Nineties GM outsourced its IT operations to its EDS subsidiary. Then, in 1996, GM decided to spin-off EDS and re-establish its internal IT organization.

Ralph Szygenda was hired as the GM CIO and was charged with creating an IT organization that could deal with the complex business issues facing GM. In 1997, when Szygenda began to roll out his new organization plan, it turned out to be a matrix organization. One CIO was appointed for each major line of business. Each line of business CIO reported to both the corporate CIO, and to the head of his or her respective business unit. At the same time, Szygenda hired five Process Information Officers (PIOs) to manage GM's major processes who report directly to the corporate CIO. The PIO's focus on process integration and customer satisfaction and coordinate and prioritize proposed CIO activities. (See Figure 1.)

Each individual IT manager or supervisor in this system has two bosses – the CIO for the business unit he or she is in, and the PIO who is responsible for the associated processes.

Every Friday, Szygenda chairs a six hour meeting where the CIOs and the PIOs meet to resolve their conflicts. This approach requires that CIOs and PIOs be team players, able to work together to coordinate their sometimes divergent goals and agree on common priorities.

The proof of the success of Szygenda's approach is two fold - First, in the course of the six years since the establishment of his CIO matrix organization, GM has reduced its total IT budget by some \$1 billion. In other words, GM is spending 25% less today than



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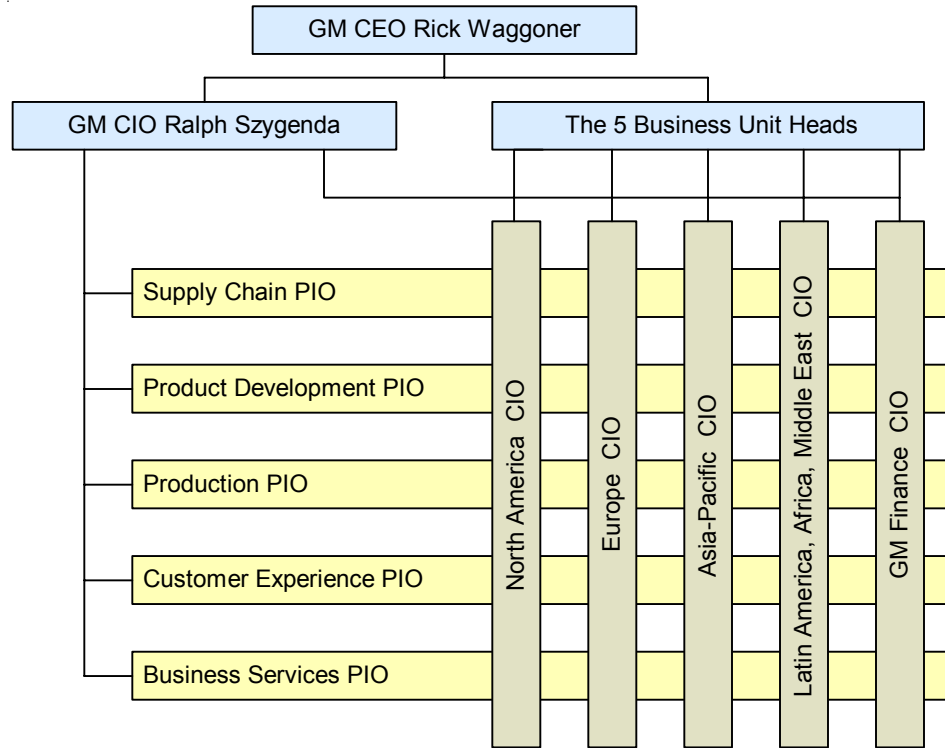


Figure 1. The organization of GM's Information Systems & Services group

it was when Szygenda took the helm, and nearly everyone agrees that IT is providing more value than it did in the past. Second, and perhaps even more impressive, is the fact that, in 1998, after observing the success of the CIO group, CEO, Rick Waggoner, established Global Process Leaders for GM's business units that parallel the roles of the PIOs in IT. In addition, two of GM's largest part manufacturers, Johnson Controls and Delphi, were so impressed with Szygenda's achievements that they implemented their own versions of the GM matrix approach.

GM's approach may not work for every organization, however, where it does work, it gives the organization a way to enjoy the advantages that come from integrating the interests and concerns of the business unit managers, as well as the process managers, who are focused on specific business processes and the customers served by those processes. General Motors has taken a major step towards creating a more process-centric organization, and is reaping significant benefits as a result.

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