

Potential Pitfalls on the Road to a Process Managed Organization (PMO) Part 2: A Road Too Much Traveled

Geary A. Rummler, Alan J. Ramias, and Richard A. Rummler

Introduction

In last month's BPTrends, we outlined our belief that organizations should be designed and managed as complex systems and asserted that the consequence of not understanding and applying this view is the explanation for many failed attempts of companies that have spent much energy and resources to become "process-centered" or "process-managed." While we applaud these goals, we think that without the Organization-As-a-System (or OAS) lens to guide such an effort, it is doomed to get off-track. This month, we will detail some of the most common pitfalls on that road to a PCO/PMO and then describe the type of journey we think will lead to success.

Most of the pitfalls encountered on the road to the process managed organization are clear violations of the structure and principles represented by the Processing System Hierarchy. Those pitfalls will be discussed in these three sections:

- I. Process Identification
- II. Process Improvement
- III. Process Management

The remaining pitfalls have to do with the structure and management of the effort and are discussed in

- IV. Effort Management

I. Process Identification

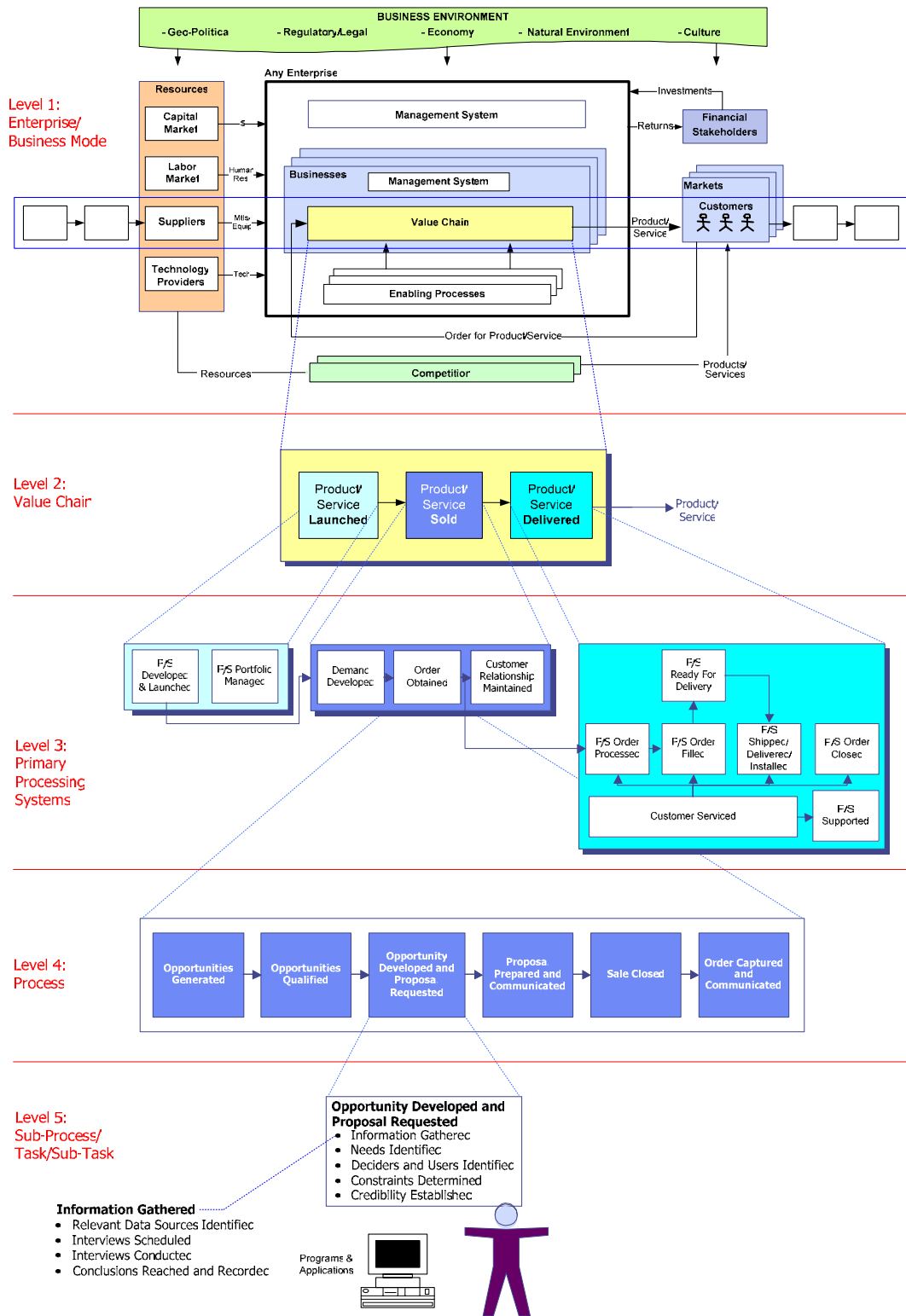
Process identification is an early step in the road to a Process Managed Organization and the most likely to be flawed, sending the remainder of the effort down a slippery slope to likely disaster. Failure to "get the processes right" is the number one flaw in PMO efforts, a failure from which there is little chance of recovery, short of "re-booting" the effort. Although initially more painful, we recommend re-booting, rather than spending years, dollars, and good will trying to build a PMO effort on a foundation of quicksand, represented by processes that don't – and never will – connect to the business.

Using the Processing System Hierarchy (Figure 1) as a guide, the critical requirements for the proper identification of processes include

- Top to bottom identification, starting with the business and then connecting to its value chain and Primary Processing Systems. This assures the critical connectivity to customer and enterprise requirements. Starting the identification of processes anywhere below the Primary Processing System level puts you squarely in the *sub-optimization zone*, with no objective link to business requirements.
- Organizing the work using the criteria of
 - Effective performance and management of the work.
 - The potential for a competitive advantage

Common pitfalls in process identification include the following:

Going outside the organization for a generic list of processes or a reference model of processes such as the SCOR model without first understanding the organization's unique internal business and value chain requirements. Although the generic list of processes may be massaged and re-named so that the processes appear to fit the organization, these



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Figure 1. Processing System Hierarchy

processes are automatically disconnected from the business and value chain requirements. While these models appear to offer a quick start to the defining of processes (providing, as they do, a set of “buckets” for types of processes), they quickly get in the way as soon as one drops into the unique ways a company does business. Generic process lists and reference models can be very helpful in testing for gaps in your process architecture and translating your process definitions for benchmarking with outsiders, but they won’t help you understand the unique characteristics of your business.

Starting inside the organization to identify processes, but

- *Not working directly with senior business management* to articulate those key processes that drive their business.
- *Starting at too low* a level in the organization, somewhere below the Primary Processing System level and deep in the sub-optimization zone, so there is no chance of being connected to business needs.
- Starting in *functional silos*. Again, there is no chance of being connected to business needs. Some organizations claim that they have arrived at their selection of processes through the use of a Business Process Architecture (usually with the assistance of the IT organization), but upon closer examination we find that most of these BPAs are functionally focused BPAs, not value-chain driven BPAs, with the same result – no connection of the processes to the business via the value chain.
- Operating *without a roadmap*, such as that provided by the Processing System Hierarchy. Without the ability to build on business and value chain requirements, the attempt to identify processes internally, without any proper model, can get ugly.

With no framework for properly tying work to business and value chain results, process identification becomes a matter of negotiation, wasting time and resources, and ending with an almost useless product. With no reference point to the contrary, and in the expediency of time, departments/functions are frequently just renamed as processes.

II. Process Improvement

Unfortunately, if processes have not been identified following the principles inherent in the Processing System Hierarchy and Value Chain levels, then they have been identified without a performance context. This means they are not connected to the business system or business results. That automatically means that process improvement efforts will, best case, have little impact on business results, and, worst case, sub-optimize the larger business system performance. Identifying processes within a major functional silo can give the illusion of being linked to business results, but the potential for sub-optimization of the Value Chain still looms large.

Given this fundamental flaw of processes not being linked to business results via the Value Chain and Primary Processing Systems, the following are six predictable problems with subsequent process improvement efforts:

1. First, the criteria for selecting processes for improvement will not be tied to specific business needs. This will cause three unfortunate results:
 - The first result will be that every improvement effort will have the potential to sub-optimize the business.
 - The second result will be missed opportunity. Here is a good example of what we’re talking about:

Figure 2 shows the classic functional view of ABC Company. The “x’s” on the graphic show the location of the process improvement efforts (mostly Six Sigma) conducted over the past two years.

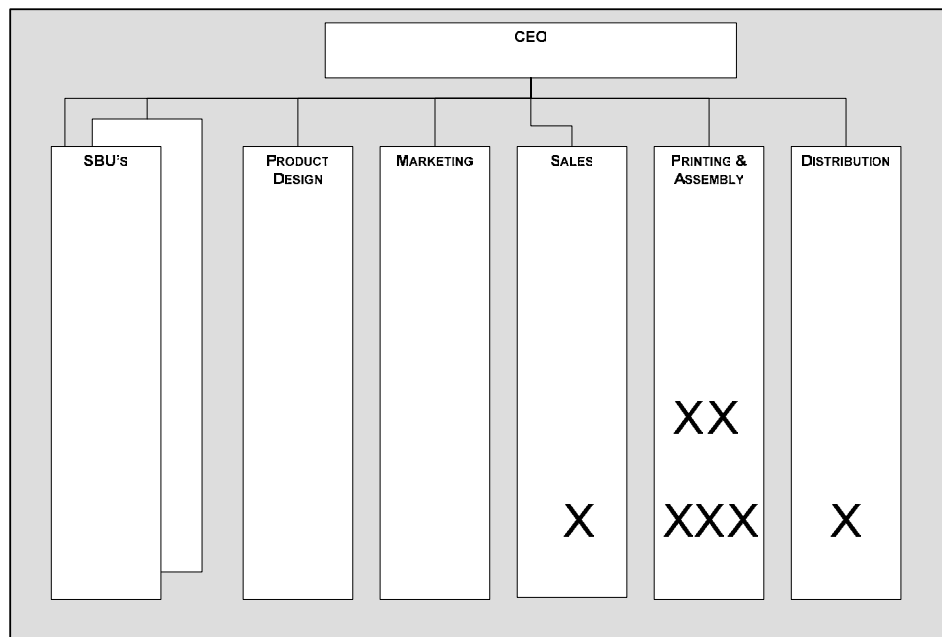


Figure 2. Classic Functional View of ABC Company

These projects had been initiated because

- There was a willing functional VP sponsor who was a Six Sigma “believer.”
- The outputs of the processes in question were relatively easy to measure.
- There had been customer complaints emanating from some of these processes.
- The projects were defined by trained Six Sigma resources seeking certification.

At approximately the same time these process improvement projects were initiated, a strategy review by the executive team concluded that the very survival of the company rested on new product development (i.e., the Product/Service Launched Primary Processing System of the Value Chain, per the Processing System Hierarchy and Figure 3) and a redirected and reenergized sales organization (i.e., the Product/Service Sold Primary Processing System).

Now look again at Figure 3, where we have overlaid what should have been the horizontal or Value Chain view of ABC company on the vertical functional view of the company. Now we can see that the process improvement efforts (indicated by the x’s) that were executed over the past two years are buried in the “Delivered” segment of the Value Chain, while, at the same time, there was lost strategic opportunity (indicated by the o’s) for process improvement in “Launched” and “Sold” – lost opportunity that could prove fatal to the company.

- The third result is the waste of time, money, and organization “good will” (i.e., the tolerance of managers and staff to give a potentially good idea a fair chance), resulting from projects that are initiated primarily because

- There is a willing sponsor (the “early adaptor” for every new fad).
- We want to demonstrate the power of this new thing by experimenting on a “safe,” but insignificant operation.
- We need a project so someone can get his or her Black Belt accreditation.

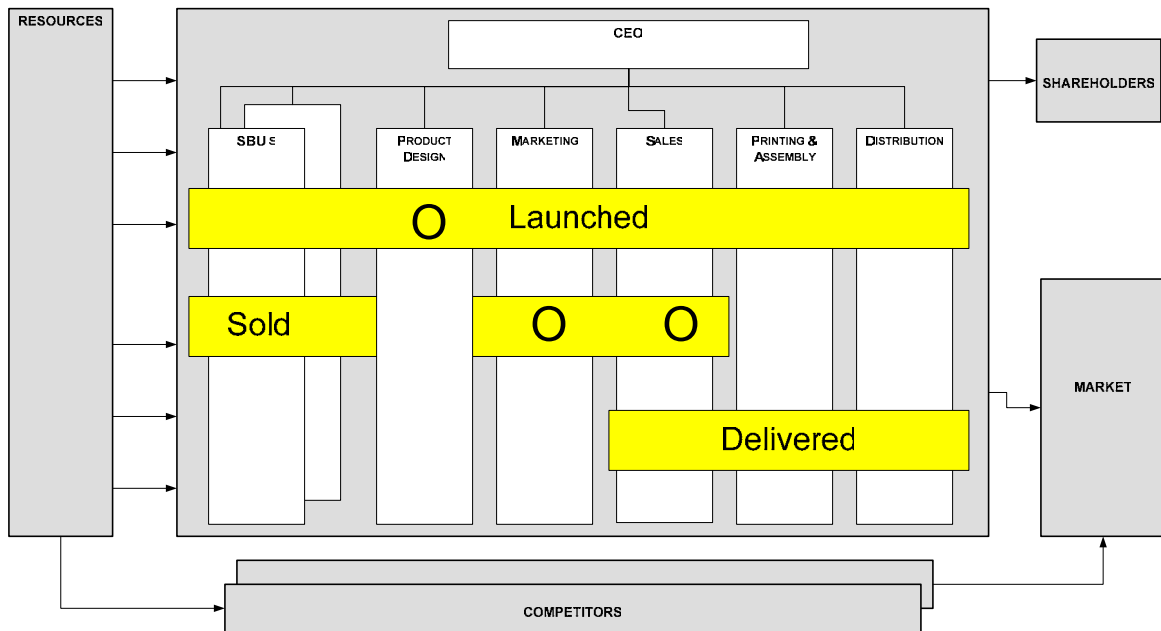


Figure 3. The Vertical and Horizontal Views of ABC Company

1. The accumulation of a few projects initiated for reasons such as those above will soon begin to undermine the PMO effort.
2. The inability to routinely link process improvement results to business results – that is to say, the chronic problem of not being able to come up with meaningful ROI figures.
3. No “natural” maintenance of process improvements that have been made because there is no obvious connection to valued business results. Process improvement projects become “look busy” projects, not projects driven by line management demanding better process performance.
4. In the absence of a connection to business results, the PMO effort gravitates toward irrelevant process improvement goals such as Maturity Model levels.
5. Competing performance/process improvement methodologies and orthodoxies. Although not necessarily the cause of such sectarian wars between various approaches to performance/process improvement, processes not linked to business results certainly provide an environment where such counter-productive nonsense can thrive. Why? Because there are no objective business results/goals against which to evaluate the relative effectiveness of the various theories and methodologies. The improvement projects tend to get identified, defined, and shaped so as to best apply and demonstrate a particular methodology. It becomes a methodology in search of a project rather than a Critical Business Issue in search of a solution.

6. With no anchor to business requirements, process focus and efforts can quickly sink into the weeds. By contrast, when we started process work at Motorola in 1984, the work was almost exclusively at the business Value Chain and Primary Processing System level. Without the benefit of either the Processing System Hierarchy or a sound Business Process Architecture, process improvement efforts in general have over the years descended into the weeds, in many cases never to return. Reasons:
 - Process = Procedure. For many manufacturing organizations, the procedural level workflow documentation required by various certification efforts, such as ISO, is what the vice president level of management thinks “process” is all about.
 - Process documentation = IT requirements documentation. In many organizations, IT requirements development efforts have generated voluminous amounts of process documentation typically at levels of detail that most business managers don’t find useful.
 - Software made it easier and was required to manage all certification and requirements documentation. This led to the delegation of process documentation to techies and clerks.
 - TQM enlisted process as a tool, taking application of the process notion to the subprocess level within functions.
 - The Six Sigma movement has contributed considerably by systematically applying a rigorous, precise, and costly analysis to frequently inconsequential problems buried deep in the organization.

In contrast to the issues identified above, if the processes in a PMO were linked to business requirements per the Processing System Hierarchy, process improvement could work as in the following:

1. A Process Management Team identifies an emerging or potential process performance problem.
2. This problem is shared upward with the appropriate Primary Processing System Management Team (“Launched,” “Sold,” or “Delivered”) or perhaps directly with the Value Chain Management Team.
3. The Management Team at the appropriate level assesses the significance of the problem identified by the Process Management Team, does a preliminary analysis to determine likely causes and the scope of the problem, and, if merited, initiates an improvement project with the Process Excellence function. All process improvement initiatives are approved by the Value Chain Management Team.
4. The Value Chain Management Team uses the cross-functional value chain map (See the partial example in Figure 4.) on their conference room wall to track the location and progress of all such performance improvement initiatives, ever vigilant for possible sub-optimization of Value Chain performance.

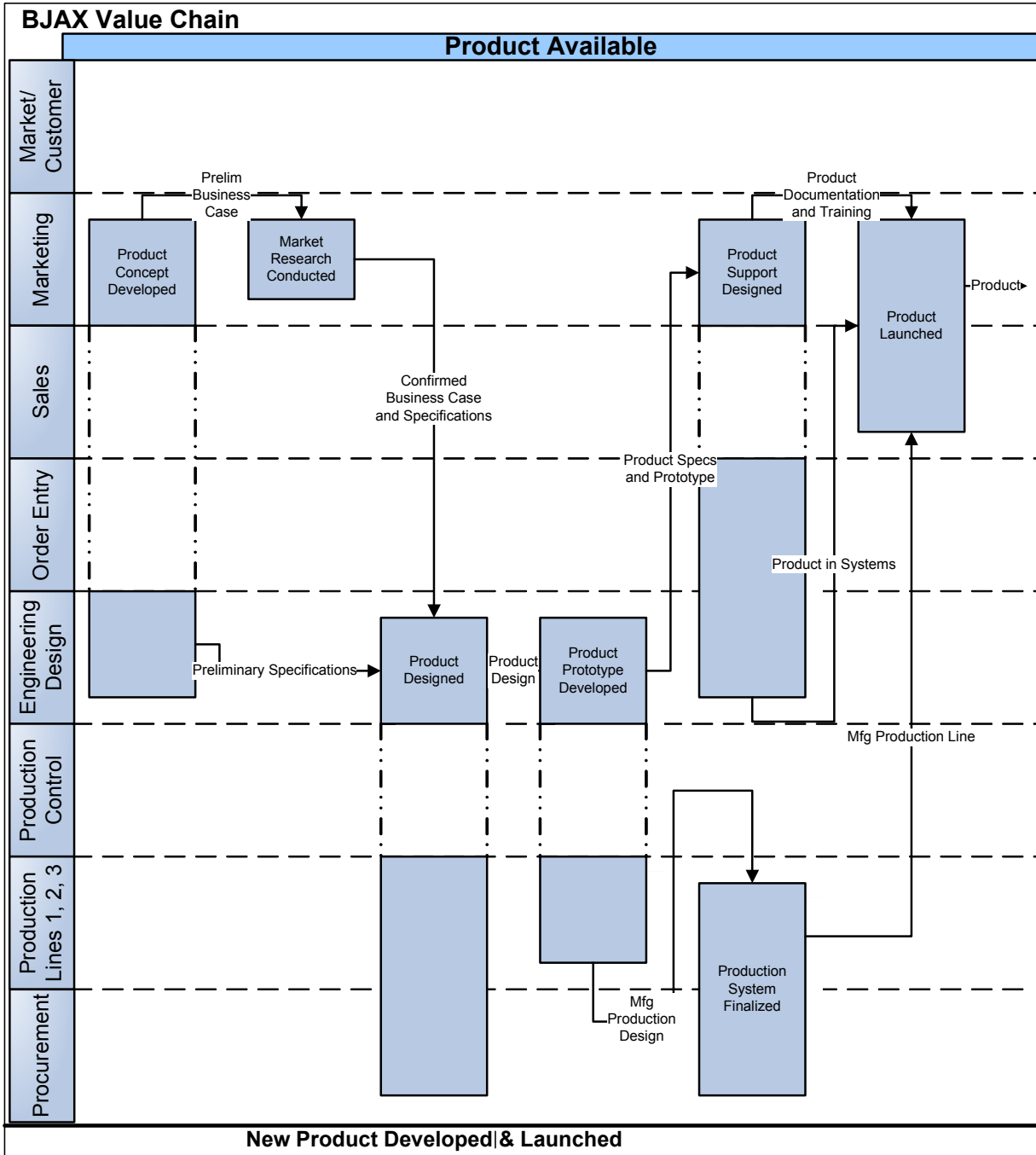


Figure 4. Cross-Functional Value Chain Map

III. Process Management

First, a little history: Before Process Management, there was Process Improvement, which showed great promise and great results in the 1980s, particularly when improvements were focused on end-to-end, cross-functional processes connected to a Critical Business Issue. At this time, we had not yet formalized our value chain thinking, but we intuitively argued that every process improvement effort started with a Critical Process Issue linked to a Critical Business Issue.

Next, any good process improver quickly realized that processes don't manage themselves. If a process is to provide sustained results in a rapidly changing world, there needs to be a robust management system in place to manage that process and someone to operate that system. Thus, Process Management for individual processes became a legitimate and necessary part of process improvement.

The next logical step for those of us who saw the power of process and process management was to take it to the next level – as a framework for managing the enterprise.

Good idea, flawed implementation strategy.

In 1993, the Rummler-Brache Group (RBG) added a “Phase V” to its four-phase process improvement and management methodology called “Managing the Organization as a System.” The idea was to see all the process work in the context of the organization as a system, the same as we are suggesting here. A basic tenet was that the management system had to start at the top and be connected top-to-bottom, the same as we are now (still) arguing. However, in 1997, RBG changed hands, Geary Rummler left the process world for several years, and Phase V was no longer pushed very hard.

In recent years, the process management idea got a second wind, and a number of organizations had the same insight: “If process management of individual processes is so great, think what we can accomplish if we manage the enterprise with these same principles!” – an echo of 1993, and still a good idea, but in many cases undermined by a flawed implementation strategy. Some of the issues have been

1. In many, many cases, the individuals driving the PMO movement from within the organization failed to make the “sale” at the top of the house and to secure the commitment that this was a *new approach to managing the business*. So from the git-go, the effort became a staff driven, bottom-up effort. Directionally, the exact opposite of the original RBG Phase V approach.
2. Frequently, the PMO sponsors mistakenly equated “education/exposure” with “commitment.” So in an effort to get “everybody on board,” there has often been a premature effort to run a vast number of managers and staff through “sheep-dip” training on the wonders of process. Frequently, in the absence of a clear PMO implementation plan, this exposure is unleashed without making the trainees aware of when and how they are likely to be engaged in process improvement or management. This leads to a deadly time gap between the initial hype and any concrete process work and results. The PMO effort begins to smell like another program of the month. (An obvious alternative is to do most of the training on a just-in-time basis.)
3. As a result of the first problem above, processes end up defined from the bottom or middle up, which fundamentally doesn't work and ensures the processes are likely to be disconnected from the business. *If you put a management system on top of disconnected processes, you are necessarily going to have a disconnected management system*. Now the organization has the potential for two management systems operating in parallel – the real management system running the business and a shadow, bolt-on, process management system, with worry about where the processes are on the CMMI maturity model scale.
4. As a result of (1) and (3) above, the implementation of process management can rapidly go from bad to worse; for instance,
 - Labeling almost everything a process
 - Appointing Process Owners for every process, whether it makes sense or not

- Failing to clarify the role and value of the Process Owner, causing confusion, frustration, suspicion and alienation, and a general lack of willingness by anyone to assume the role.
- Finally, because there is no natural link between process management and the businesses, the PMO architects begin to search for a process “governance” structure. In most cases, the search for such a governance structure is a clear admission that process management is disconnected from the business, and the PMO notion is going to die a slow and painful death (particularly for those who bet their careers on it).

But, in contrast, if the principles inherent in the Processing System Hierarchy are followed, process management could work something like this:

- The business leadership team recognizes the critical need to manage the Value Chain of the business and appoints a Value Chain Management Team consisting of the heads of all functions touching the customer. This VCMT is responsible for the performance of the business.
- A cross-functional Value Chain map is developed which identifies all the major activities/processes involved in developing, selling, and delivering the product/service to customers. Per the example in Figure 4, the map shows the critical work involved in Launched, Sold, and Delivered. More detailed cross-functional maps are developed for the three Primary Processing Systems. Subsequently, more detailed process maps are developed as appropriate.
- Based on these maps, the Value Chain Management Team identifies Primary Processing System Management Teams for Launched, Sold, and Delivered. These teams are responsible to the VCMT for the contributions of Launched, Sold, and Delivered to the Value Chain and the business. Business goals and plans link the business, Value Chain, and Launched, Sold, and Delivered.
- Process Management Teams are appointed by the Primary Processing System Management Teams for critical cross-functional process *as necessary* and linked to them and the Value Chain through goals and plans. Process Management Teams are established only where they are needed to manage critical cross-functional work.
- The role of all functions is to support the performance of the processes, Primary Processing Systems, and the Value Chain. The vertical functions are linked to the horizontal processes and Value Chain via goals and plans.

IV. Effort Management

First, let us state clearly that the objective of becoming a Process Managed Organization is a good and necessary one – kudos to all who are working in that direction. But there are some critical ingredients to success, in addition to the technical requirements inherent in the Processing System Hierarchy, already discussed. These include

- Selling the right benefits:
 - A more effective and efficient operating organization.
 - An easier organization to manage.
 - A more agile organization.
- Selling to the right buyer – e.g., the business heads.

- Getting a commitment from the business to lead the effort – e.g., a senior executive tasked with the successful implementation of the effort.
- Supporting line management with the best staff possible. Supplement good internal staff with outside expertise. (No sense reinventing every pitfall.)
- A master plan, a journey map – including critical events, a timeline, and resource requirements.

The next section summarizes what we feel are the critical success factors for a PMO journey.

Critical Success Factors for a PMO Journey

Based on considerable experience (ours and that of others), we have identified a number of Critical Success Factors for a Process Managed Organization journey.

PMO Journey Vision/Mission:

1. Clear Vision
 - Where is “there”? Why are we going “there”? What does the end of the journey to “there” look like?
 - For example, “Improved business performance as reflected in increased value for our customers and financial stakeholders.”
2. Shared Vision/Mission
 - The vision/mission must be shared by senior enterprise/business executives and the internal drivers.
3. Commitment, not sponsorship
 - Executive commitment to a different way of running the business.
 - Executive commitment to make it happen.
 - Do not want executive sponsorship, but rather an executive driver (“This is the way I want to run my business.”)

PMO Journey Design and Management

1. Journey Roles
 - Executive Team
 - 4-6 member team that has accepted accountability for successful implementation of the PMO project.
 - Will make all directional decisions regarding implementation of the journey plan.
 - Design Team
 - 6-10 member team that will be dedicated to the design and execution of the journey plan.
 - A mix of bright managers (fast track?) and good staff people.
 - This core team will call on internal and external resources for assistance, as required.
 - Guide Team
 - 2-3 member non-company consulting/advisory team with journey experience.

- This team will provide expertise on journey design, execution, and management.

Working together, these three units will do all the top level processing system design.

2. Journey Plan

- A clear, detailed, multi-year plan
- Plan developed by the Design and Guide teams and approved by the Executive Team.

Process (Work) Structure

Process Structure is about the organization of work so it can be performed effectively and efficiently; it offers the potential for a competitive advantage and can be managed effectively.

The goal is the design of an effective and efficient work infrastructure that delivers value to customers.

The identification of processes follows the Processing System Hierarchy. Effective identification starts with the businesses and is driven by its needs. All processes are identified within the performance context of the Value Chain and Primary Processing Systems, which assures the link between processing results and business results.

The final process structure is captured in a Business Process Architecture (BPA) map.

The final decision regarding process identification and configuration (as represented by the BPA) must be made by the Journey Management Executive Team.

Process Management

This journey is not about *process* management, but about *enterprise/business* management. It is about management of the work required to deliver value to customers and financial stakeholders. There will be Process Management as part of a comprehensive, top-to-bottom enterprise/business management system. The levels of this management system parallel the levels of the Processing System Hierarchy. The management system should be implemented in several phases, starting from the top of the Processing System Hierarchy and continuing to the bottom.

Summary

The graphic and table in Figure 5 provide a quick summary of the characteristics of the typical PMO effort, compared to those of the PMO effort that adheres to the principles of the Processing System Hierarchy.

The difference between the two approaches has to do with a fundamental difference in the understanding of how organizations work. The difference is summarized very clearly by the two graphics in Figure 5. On the left, the emphasis is on the functions that make up the organization (as typically represented by the organization chart). This mental model is that work occurs in organization buckets of functions and jobs and that there is little or no interdependence of work between jobs and functions. This view does not show how work is necessarily linked to produce a product or service that customers value. The result is captured graphically in the diagram – all processes working independently within organization silos.

The view of organizations underlying the Processing System Hierarchy (and Performance Design Lab) approach to the PMO effort is the Organization-As-a-System (OAS) model. This mental model recognizes that value-adding work flows horizontally across functions to result in a valued product or service for customers, with the additional notion of a Value Chain and three Primary Processing Systems connecting work to business results. As shown in the graphic on the right, this model

acknowledges the reality that most processes within a Primary Processing System cut across functional silos.

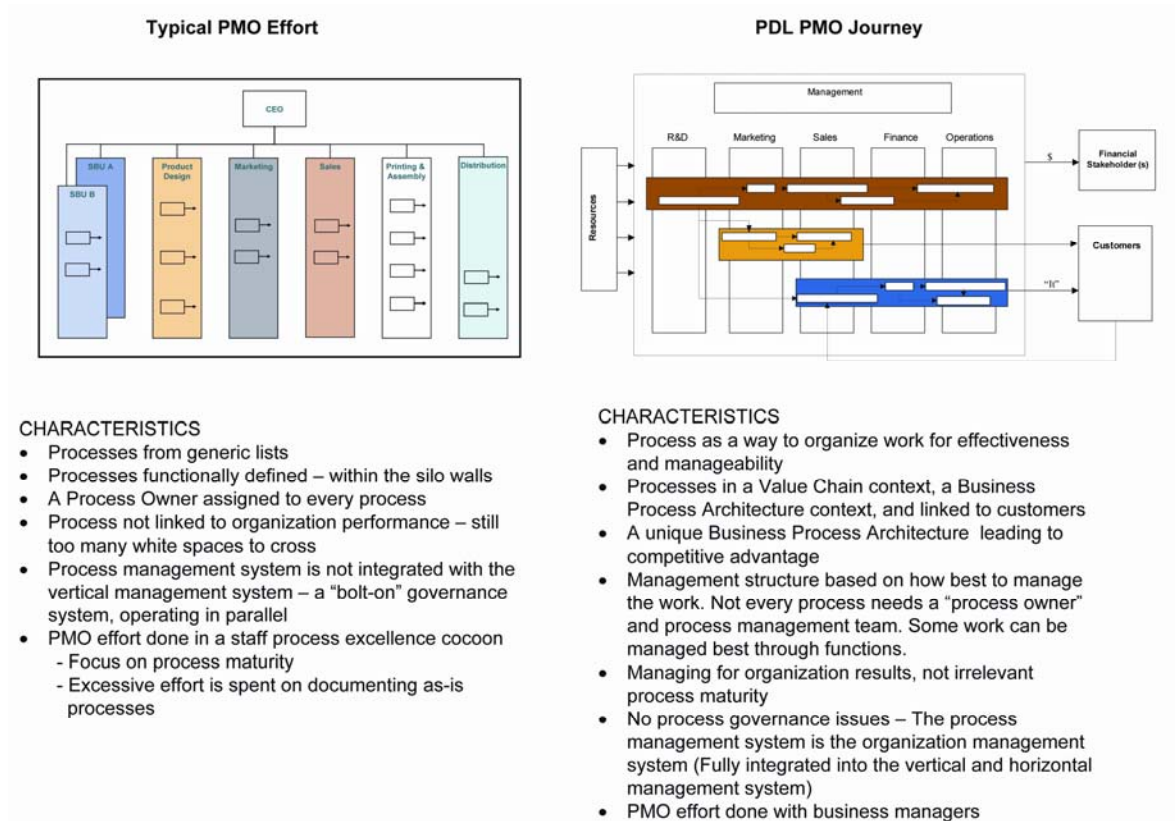


Figure 5. Comparative PMO Efforts

Starting with these two fundamentally different views of organizations, the two approaches to the PMO effort quickly diverge as shown in Figure 5. For example,

Typical Effort	PDL Effort
Processes not linked to organization results	Processes in a Value Chain context, a Business Process Architecture context, and linked to customers
Processes functionally defined	Process as a way to organize cross-functional work for effectiveness and manageability
Processes from generic lists	A unique business process architecture, leading to competitive advantage
Process management system is not integrated with the business management system – a “bolt-on” governance system, operating in parallel.	No process governance issues – The process management system is the organization management system.
PMO effort done in a staff process excellence cocoon.	PMO effort done in concert with business management.

To reiterate, we strongly subscribe to the ideal that every organization should strive to become a PMO. But we know from experience and observation that taking the wrong route to get there not only wastes

time and resources but has even more insidious effects: A failed large-scale initiative breeds distrust and cynicism, calls into question the competence of leadership, and detracts from the real business of providing value. In the urgency to “get somewhere, do something, make a difference,” the cost of proceeding carelessly is usually far larger than anyone realizes at the outset.

The good news is that there is a proven route to take, with achievable milestones, and more than reasonable payback for the effort. Best of luck in your journey.

Geary A. Rummler is co-founder of RBG, co-author of *Improving Performance*, author of *Serious Performance Consulting*, and a PDL Partner.

Alan J. Ramias is author of “The Mists of Six Sigma” and “When You Say Process...,” and a PDL Partner.

Richard A. Rummler is a PDL Partner.

They can be reached on the Web at PDL@PerformanceDesignLab.com or by telephone at (616) 881-2488.