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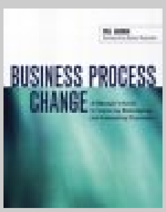

BPM Governance

One can easily distinguish between organizations that use Business Process Management as a tactic and those that embrace BPM as a strategy. The former support a variety of BPM initiatives. The latter are determined to incorporate BPM into the management practices of the company.

Companies that embrace BPM as a strategy invariably have executive officers who are focused on process. Management philosophies are driven from the top, and the executive team usually takes their cues from the CEO. If the CEO thinks in terms of processes and process outputs, the executive team will probably think in those terms as well.

If the CEO and the executive team think in terms of processes, this usually means they have defined key processes, typically the company's major value chains, and that they monitor the performance of those processes. They routinely ask questions like: Are customers happy with the products and services that result from the processes? Is data available to allow executives to monitor the major internal variables associated with the processes? Are the processes as efficient as competitor's processes? If a change needs to be made, does everyone understand the existing processes well enough to quickly identify just how the change is to be accomplished?

Senior management's focus on process is the first step. The second is well defined value chains, performance measures, and Key Performance Indicators (KPI's) that let executives monitor processes.

The heart of BPM governance, however, is how the company organizes its managers to assure that its processes meet its expectations. A company that relies entirely on a traditional departmental organization chart simply can't support a process-centric organization. There is a natural tension between a departmental approach to structuring an organization and a process focused approach. Most organizations that are process focused have moved to some kind of matrix management model. Some managers continue to be responsible for departmental or functional groups, like sales, marketing, manufacturing, and new product development however, other managers are responsible for value chains or large scale processes.

How the process and the departmental managers relate to one another varies from one company to another. In some companies only one set of managers has budgets while the other set is more focused on facilitating communication. In some companies specific individuals occupy multiple managerial roles. Thus, one individual might be both the manager of manufacturing and the manager of the widget value chain.

Several companies now have executive officers responsible for coordinating the work of all the organization's process managers. The title Chief Process Officer (CPO) has begun to emerge and some organizations have combined the functions of operations and processes and created the title COO/CPO.

Just as value chains are divided into major business processes and major business processes are divided into subprocesses, companies need a hierarchical infrastructure of process managers. Many companies treat process management as a team effort and assemble teams of managers together to discuss entire processes. In effect, the ultimate process manager is the team coordinator for the process.

However the management hierarchy is organized, one primary issue to be considered is the company's incentive program. Executives should be compensated for process success. They should identify with the complete process and the satisfaction of customers, not narrow functional goals. In the best case, a company sets performance goals for value chains or business processes and then establishes an incentive program based on achieving those goals, apportioning rewards according to some formula that assures that each manager has an ongoing interest in the success of the overall process.

There's no one right solution, but there is clearly a wrong solution. The wrong solution places all the power and control with departmental managers and creates incentives for managers based on departmental goals. This almost always results in sub-optimization of overall process improvement and corporate performance. The sales department works to achieve sales numbers, whether manufacturing can meet the delivery dates or not. Manufacturing makes changes in products to meet manufacturing goals, even if the resulting product is more difficult to sell. HR delivers the staff required on time, even if the people don't have quite the right skills. IT delivers the new application on time but without a critical feature that marketing requires.

The major reason for stressing a process-centric organizational model is to assure that everyone working on a given process thinks in terms of what will benefit the process as a whole. A process-centric focus begins with managers who identify with processes and who get rewarded for achieving process goals rather than subprocess or functional goals. This isn't trivial to achieve as it requires new ways of thinking and operating within the business. We've talked with senior executives who report that they have had to fire lots of experienced managers in order to accomplish the transition from a departmental focus to a process focus.

There is a lot of discussion about how new BPM software will help companies manage and monitor processes more efficiently. Ultimately, however, technology can only facilitate. Real management is a very human practice, and a major management strategy, like process-centric management, isn't something than can be accomplished without an ongoing commitment on the part of the human managers that run the company. At the moment, in most cases, BPM products are being used to automate or monitor mid to low-level processes. In many cases, like ERP applications installed a few years ago, automation can frequently contribute to sub-optimization . It will be years before most companies have BPM systems that encompass complete value chains. In the meantime, the important coordination tasks are going to have to be done the old fashioned way, by managers who sit down together to solve problems. The real question, then, is what kinds of problems are the managers sitting down to solve. If it's a group of sales managers sitting down to talk about sales goals, or a group of manufacturing managers sitting down to focus on some production problem, it isn't process-centric management. When a group of managers from across the enterprise sit down to figure out how to produce better products that better satisfy customers while generating more money for the company, and when those managers are willing to consider any changes that will improve the odds of achieving that goal, you are seeing process-focused management.

Some activities are more likely to drive a company towards process-centric management. Deciding to enter a new line of business and creating a team to develop the new business from scratch is very much in the spirit of process-centric management. Deciding to alter an existing process to shift the emphasis from making money on the sale of products to making money on the sale of services can lead to a more process-focused approach. Similarly, a merger that forces managers from two different companies to sit down and merge existing processes into common processes can create a process team. Outsourcing that leaves managers responsible for the outcomes of processes performed by external units can also drive managers to think more broadly about the real, ultimate value of a given process.

For better or worse, most large companies are engaged in all these activities while simultaneously working to stay ahead of increasingly fierce competition. Flexibility, agility, and the ability to change are all highly valued by most executives. Those values are strongly associated with process-oriented modes of organization and management, and they are driving a growing number of executives to embrace process governance.

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'Til next time,

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