

Getting Started on the Path to Process-Driven Enterprise Optimization

David M. Fisher

Many companies are discovering the possibilities for enhanced performance based on a movement toward a process-driven approach to business. However, many of those same companies struggle to identify a transition strategy that is appropriate for their organization—a strategy that can effectively yield tangible results in a relatively short amount of time. In this article, I will cover three specific approaches that can be used individually or in tandem to accomplish this objective.

The initial requirement for effectively becoming a process-driven organization is a top-down mandate for change from the senior levels of the organization. All of the techniques that can be described for making the transition will be useless without this kind of management support. Becoming a process-driven organization requires fundamental change, and this kind of change is rarely successful if driven from anywhere other than the very top of the org chart. So, with that in mind, let's take a look at three tangible areas in which actions can be taken to help move the organization from inefficient functional silos to a highly efficient and effective end-to-end process driven organization. These three areas can be seen in Figure 1:



Figure 1: Three Approaches to Achieving Process-Driven Enterprise Optimization

What I have found is that resistance to change comes in many forms in different organizations, therefore requiring different approaches to help facilitate that change. These three approaches can be taken individually, or in tandem, based on their receptiveness within an individual organization. As will be described, each approach will have a different kind of impact on the organization. To understand the nature of these impacts, I will reference the “basic” organization model depicted in Figure 2 that combines end-to-end processes with the functional silos that are typical in many organizations.

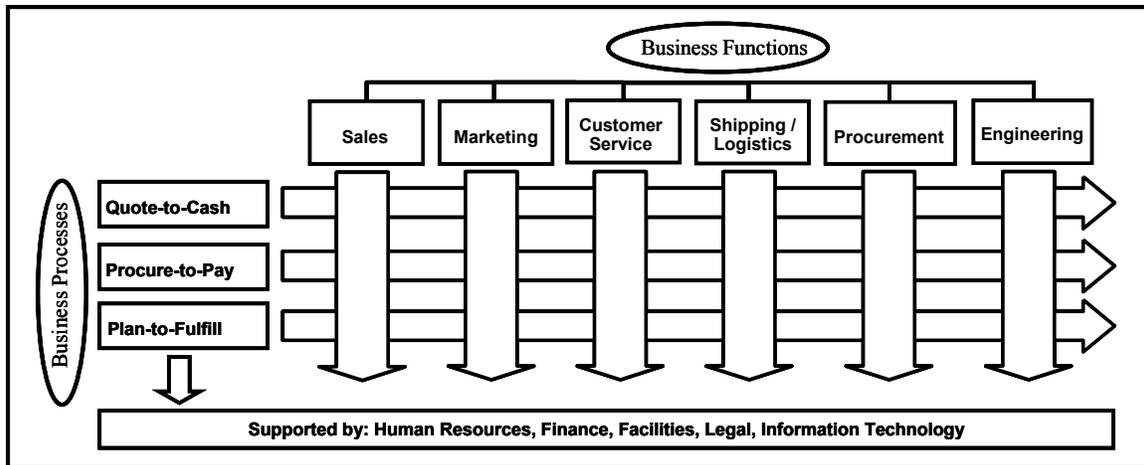
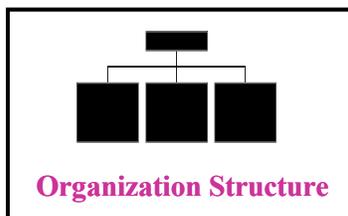


Figure 2: "Basic" Organization Model

As mentioned, each of the approaches mentioned above can be implemented individually or in tandem. First, I'll take a look at the individual approaches that may be necessary to facilitate a rapid transition, and then try to pull it all together into a comprehensive, enterprise-wide solution.



Perhaps the strongest, most immediate means in which to move toward becoming a process-driven organization is to make a fundamental shift in the control of the org chart. I am a strong advocate of this approach, but I have also found that organizational resistance to change tends to be the most extreme with this approach. People don't like to give up power, especially for areas over which they will still have responsibility but now may lack ultimate control. This resistance can be felt throughout the organization, which is why we have so many functional silos to begin with. Yet we must recognize that what is good for one functional silo may not be ideal for the organization as a whole. One of the quickest ways to alter the mindset from *local* optimization to *enterprise-wide* optimization is to institute management responsibility and accountability to a new organizational entity that is specifically charged with end-to-end process optimization.

The focus of this new entity is to fundamentally analyze the status quo, and then move forward with a rigorous and disciplined approach to designing, developing, testing, and deploying enhanced end-to-end processes. The focus is not on the improvement of an individual department. In fact, oftentimes an individual department may need to lose some level of efficiency in order for the overall process at the enterprise level to be improved. That is one of the reasons why an objective, independent team is required to lead this kind of transformation. This new entity must work in collaboration with the functional entities as the functions still have the responsibility for process execution, but, with this approach, authority rests with this new group. And with that authority comes budgetary responsibility as well, in terms of the approval and prioritization of process improvement initiatives.

In order to make sure that this new organizational entity is making the correct decisions in these areas, this group's leadership must have direct access to the senior-most members of the organization. This kind of ongoing access is the only way to ensure that there is alignment between the company's strategies and the operational design and execution of the processes required to support those strategies. Part of this role is an ongoing balancing act between the often-conflicting objectives of efficiency, effectiveness, quality, and financial impact of their decisions. They also need to objectively balance the competing interests of the different

functional units. This new entity must be chartered with independence and objectivity in balancing these often-conflicting elements of process optimization, ridding us of the traditionally endless debates amongst the impacted functional teams, and doing so with an eye on the optimization of the enterprise as a whole.

As can be seen in Figure 3, the emphasis of this organizational approach is on the horizontal processes that span the individual functions. However, it should be made clear that I am not advocating simply turning the org chart on its side and realigning the entire company around processes. While some companies have attempted to do this, adoption has been very low. The suggestion is not to create Vice Presidents of Order-to-Cash or Procure-to-Pay, but, rather, to create a senior group of empowered process professionals who will provide leadership and specific direction to the individual business functions that continue to comprise the fundamental execution components of enterprise-wide processes.

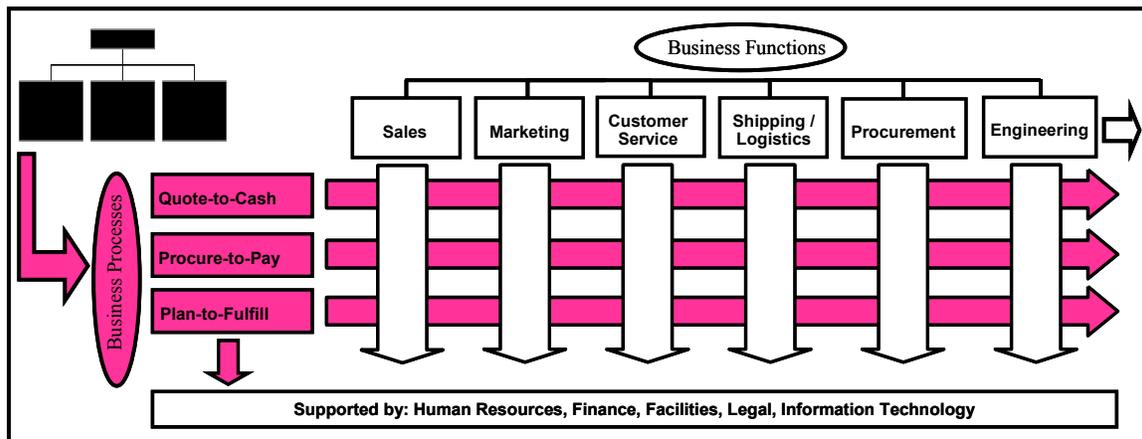


Figure 3: Horizontal Focus of the Process PMO

The next question about this approach usually involves the size and scope of this new organizational entity. My end-state vision is for companies to gravitate toward what I call the Process and Information Department, which encompasses numerous responsibilities and broad-based authority to drive fundamental process and information optimization across the organization. (For more information on the vision around the Process and Information Department, please see my article *Introducing the Chief Process and Information Officer*, which appeared in the November 2004 issue of *BPTrends*.) But this end state may not be necessary at the outset of this approach. A scaled-down “Process PMO” may be completely sufficient to initiate this kind of approach to transformation, and this group may focus only on a handful of specific processes at the beginning. The key to this approach is to commit to it at the top of the org chart and get the journey underway. You don’t need to “start big” to have an effective approach. The key is to get started, and then build upon success at the pace appropriate for your organization.

Once you get started, a bit part of the success for this organizational approach often rests in the individuals who are placed in these new roles of responsibility and the management support they receive. Make no mistake, this is not just supplying new empowerment for the typical IT organization, which by default is often the only entity focused on end-to-end processes for many companies. This kind of change requires a commitment to a *new* organizational element, staffed with business-focused leaders who have the appropriate understanding of the complex dependencies associated with end-to-end process management and execution. These individuals need to be experienced in multiple areas of the company. They need to be experienced program managers, have superior analytical capabilities, understand the balance between mandates and collaboration, and be able to effectively communicate with IT to ensure

that technology is being used in the optimal fashion to achieve the desired results. These individuals may be available within the organization, or may need to come from the outside. In either case, this team needs to be carefully selected and then appropriately empowered to get the job done. A half-hearted attempt to fill these positions with whoever is available, or not to adequately provide senior management support for this new team, will end in disaster. Fulfilling each of these critical success factors will require investment and will not be easy, especially with the natural resistance that will come from the functional units, but this kind of organizational shift can be very powerful in effectively getting an organization started down the path of process-driven enterprise optimization.



For those organizations that would struggle to introduce a formal and empowered Process PMO or full-fledged Process and Information Department, the next approach may seem more palatable. With the Governance approach, there are no changes in the org structure itself; that is, the functions maintain authority over their roles, and maintain responsibility for their portion of process execution. However, specific guidance is provided via the new governance model on how these functional organizations are to manage certain elements of their portion of the business, especially in the context of processes that span multiple functional areas. Specifically, the following areas of process-related governance should be included

with this approach:

- The definition and ongoing monitoring of the governance structure for initiatives and the management of these programs/projects;
- The chartering of a business-focused Enterprise Architecture which describes the organization in terms of its business operations, its systems, and its data, and serves as a reference model for go-forward initiatives;
- The definition and ongoing execution of the process to evaluate and fund cross-functional initiatives;
- The definition and monitoring of the standards which must be followed to ensure data accuracy and integrity across processes and systems;
- The definition and monitoring of standards for ongoing knowledge transfer related to process design and execution;
- The definition of the key performance indicators which will be used to manage and evaluate individual elements of the organization; and
- The definition and monitoring of standards related to enterprise-wide information security (including information maintained outside the confines of core information systems).

Many organizations have adopted this kind of governance structure, which gets imposed on the vertical functional units (see Figure 4) by way of a Process Steering Committee. Different from the Process PMO, which is staffed by business professionals whose full-time job is to drive the organization toward process optimization, the Process Steering Committee typically consists of senior executives from each of the major business functions in the organization who meet on a periodic basis to review proposed initiatives and monitor ongoing activities. This is not a full-time job, but rather an extension of existing line responsibility.

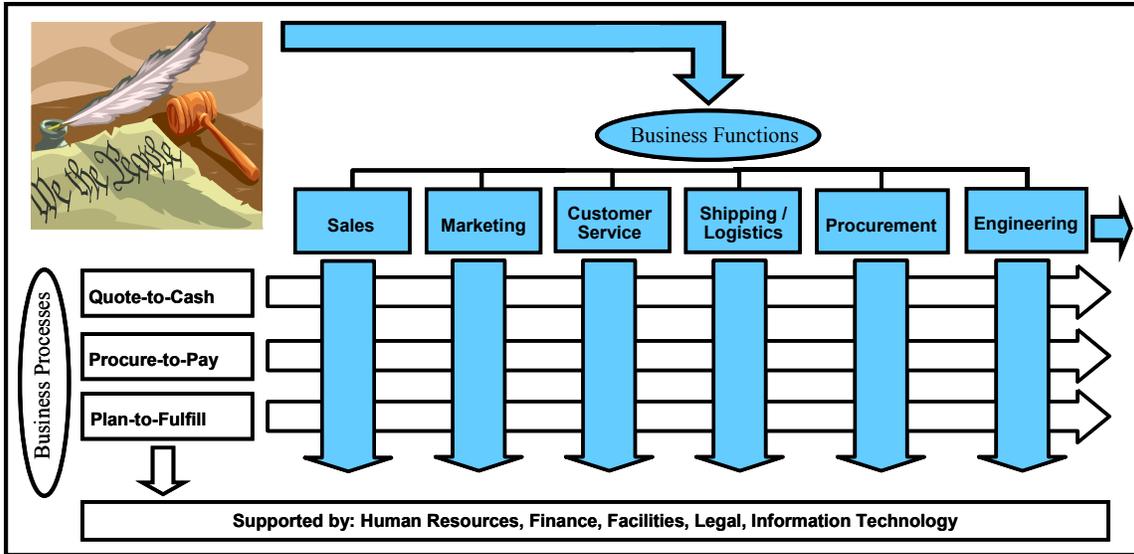


Figure 4: Vertical Focus of Process Governance

While Process Steering Committees are relatively easy to implement and can provide excellent direction for the functional teams, there are clearly issues with this approach as well. These committees tend to be consensus-driven organizations, which often can lead to analysis-paralysis and lengthy delays before adoption of specific proposals. Furthermore, enforcement becomes a major issue, as there is often no operational entity chartered with monitoring adherence to stated policy, and even when violations are reported to the committee, there is often very little this organization is empowered to do to change behavior. Moreover, the leaders assigned to these committees tend to be extremely busy and focused on their own personal part of the organization. Despite their best intentions to spend time on optimizing the company as a whole, they tend to get distracted ten minutes after each committee meeting and spend virtually no time focusing on end-to-end optimization until just before the next committee meeting rolls around.

One other common mistake that organizations make when initiating a Process Steering Committee is that they hand the reins to the IT organization. As stated earlier, IT does not have the presence in most organizations to drive fundamental process-focused change. The common perception of IT as the “technology shop” makes it ineffective in trying to build consensus across the functional leaders of the organization around business-focused issues. IT is one enabler of process-driven optimization, but it is rarely effective as the lead entity in driving this kind of transformation. IT should be represented on the committee, but not serve in a leadership capacity.

The Governance approach is appealing because it ruffles the least feathers and is easy to implement without significant cost or disruption. However, the qualities that make this approach attractive are the same qualities that often limit its effectiveness. It can represent a good start on the path toward process-driven enterprise optimization, but will quickly need the benefits of the other approaches in tandem in order to drive long-term, meaningful change.



Some organizations may balk at each of the approaches outlined above that relate to organization structure and even to the more benign enterprise-wide governance structure. However, these organizations may feel comfortable with influencing process-driven optimization by the appropriate use of metrics, including their alignment to performance evaluations and rewards. It has been commonly stated that “what gets measured, gets done.” I believe this is true, especially when these measurements are

specifically tied to individual and team evaluation criteria, and subsequently linked to the rewards process. The challenge, of course, is identifying the right metrics that will drive optimal behavior for the enterprise as a whole.

Typically, metrics used for performance evaluation are focused within a narrow band based on what's most important to specific individuals or small teams. These are the worlds in which these resources operate on a daily basis and appear to have the most direct influence, so these narrowly focused metrics appear appropriate. Unfortunately, reviews of process improvement initiatives often identify process elements that are upstream or downstream from any particular function within that process, and reveal that optimizing the entire value stream may require a negative impact on that particular function. If the evaluation criteria of these functional units are based on the traditional approach of the performance of their particular function, then they will certainly not be motivated to change their performance requirements to their detriment, even if it can be shown that the change will prove beneficial to the organization as a whole. However, identifying metrics that are *shared throughout the value chain* can be quickly utilized to encourage the appropriate focus on enterprise-wide process optimization.

Moreover, function-oriented metrics tend to yield praise or blame for individuals who may only have a small role in the outcome of an end-to-end process. Take the concept of "On-Time Deliveries." Who typically gets evaluated for this metric? Oftentimes this is deemed the responsibility of the Customer Service / Order Management organizations. But what about all the other functions involved in this end-to-end process? To what extent are on-time deliveries influenced by each of the following?

- Aggressive salespeople who promise early delivery to specific customers to win the deal, without the means to fulfill that promise;
- Constant use of the expedite process where everything becomes a "Highest Priority" order and therefore defeats the purpose of having tiered-order priorities;
- Problems in the engineering and manufacturing organizations in meeting the design, test, and build schedules per plan;
- Inaccurate forecasting on parts which results in insufficient quantities available to meet actual demand based on standard lead times;
- Inefficient use of transportation such as when product leaves the factory on time but doesn't meet the commitment for duration of delivery to the customer's door; or
- Ineffective IT systems that are incapable of providing accurate and reliable promise delivery dates.

These are just a few of the elements that can impede On-Time Deliveries, yet this metric is rarely applied to many of these functional units. Companies that can change the way in which they measure and evaluate the performance of their teams by identifying metrics that run the gamut of end-to-end processes, and then can hold each element of the process value chain responsible for the execution of that entire process, will be well-positioned to reap significant benefits. What matters to the customer is "On-Time Delivery." If that is achieved, everyone should win. If it isn't achieved, then everyone involved should share the consequences, thereby encouraging them to become actively involved in identifying the points of failure and encouraging them to work collaboratively to resolve the problem going forward. This particular metric may require enhanced discipline, communication, and even concessions, at times, during the up-front portion of the process (i.e., long before an order is entered into a system) in order to achieve the desired enterprise-wide results. Tying financial rewards to these process-oriented metrics will drive the point home that all elements of the process value chain are accountable for this execution, and that the entire value chain will succeed or fail based on the ultimate result for the customer.

This kind of approach impacts the cross-section of the horizontal processes and the vertical business functions in the organization (see Figure 5). Processes span multiple functions, and the functions need to operate as a seamless stream of activity in order to achieve optimal results.

Those results need to be measured at each step through the value chain, and across the process as a whole, in order to find areas for improvement and to reward (or punish) those entities that are involved in each element of process execution. This is a great way to quickly create an enterprise-wide focus on end-to-end process optimization, and to foster the appropriate spirit of cooperation that is necessary to meet the high demands of customers.

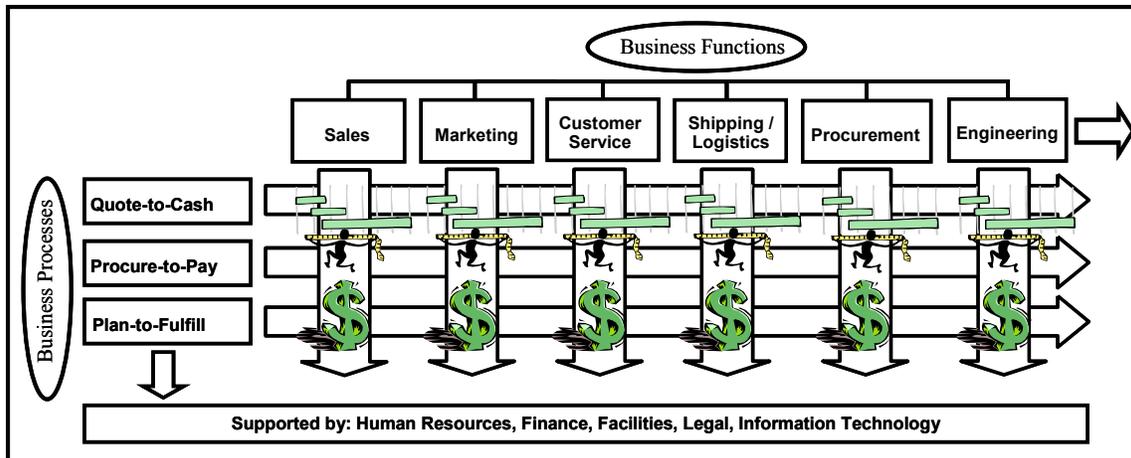


Figure 5: Intersection of Metrics / Goals Between Processes and Functions

The key to making the metric approach work in an organization is to first identify the appropriate metrics for measurement, and then how to apply those measurements across the various business functions. Which metrics should apply only at the function level, and which need to be applied across a larger value chain? How broad is too broad when designing these kinds of controls? I was at a conference recently where one company talked about one of the metrics that it used to instill the appropriate behavior towards process optimization: Perfect Orders. This company went beyond the On-Time Delivery discussion above, and extended the concept from the customer's perspective to what constituted a perfect order, who had a role in fulfilling such an order, and, therefore, who should be evaluated in terms of the company's ability to meet and exceed targets in this broad area. The biggest challenge for many companies in this regard is that no one person or function typically has clear responsibility for "Perfect Orders," another reason why it is such a good idea to utilize this metric! Perfect Orders may drive enhanced customer satisfaction and yield increased sales, but they can only be achieved based on a mutual commitment of all involved in the ultimate end-to-end execution of order fulfillment. Aligning metrics across the value chain can be an excellent way to identify shortcomings in the process; propose and implement enhancements; and, ultimately, achieve that objective in the best interests of the company as a whole.

Once again, the move to process optimization requires acceptance of change, and, in this case, change is necessary in terms of the span and control of performance evaluations. If you want individuals to behave in the best interests of the company as a whole, along the lines of enterprise-wide processes, then one could argue that you need to measure and reward people in exactly that fashion. This means that the metrics need to be clearly defined, along with individual responsibilities throughout the value chain. And you need to promote the concept that when the value chain wins, then the company wins, and therefore the individual process participants win.

In an ideal world, each of the approaches mentioned above would be used in tandem in order to quickly and effectively move companies down the path of becoming process-driven organizations, and therefore yield the benefits that come with such a transformation. As such, the ultimate representation of this approach can be seen in Figure 6 that combines all three approaches. This

tandem approach encompasses my vision of the Process and Information Department mentioned earlier.

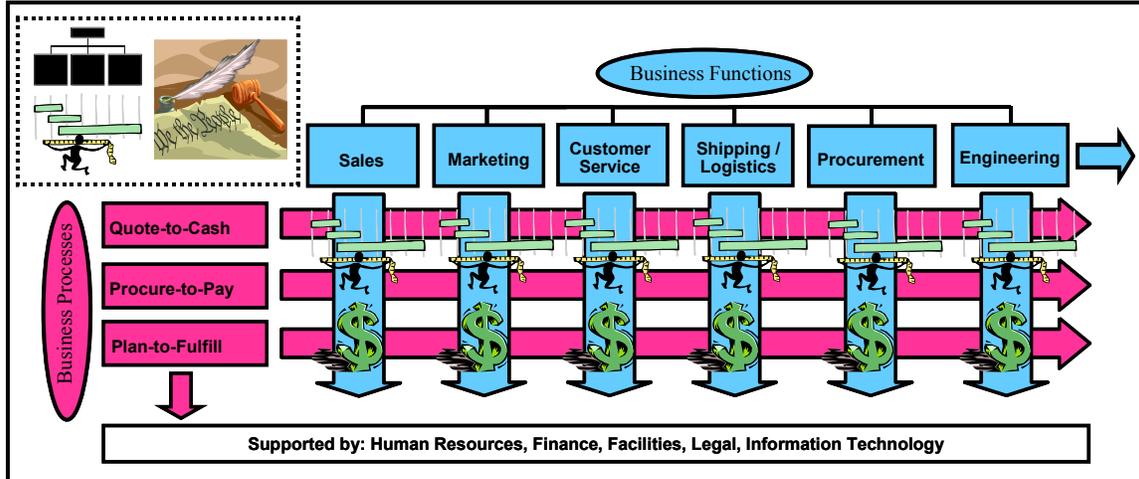


Figure 6: Combined Approaches to Process-Driven Enterprise Optimization

In fact, companies that achieve true maturity along the lines of enterprise-wide process optimization will require elements of each of the three approaches mentioned in this article, as well as other factors such as Leadership, Culture, People Skills, and IT. Each of these is involved in supporting this end-to-end vision. (See my article, *The Business Process Maturity Model*, which appeared in the September issue of *BPTrends*, for more information on enterprise alignment and organizational process maturity.) But all companies are different, and require different approaches to initiate change. This model provides various approaches that can be taken individually to provide for the ability to start down that path toward process-driven enterprise optimization. Once you get started, the other elements can fall into place. The key for now is to start the journey with a top-down management commitment, start achieving benefits, and then phase in layers of the end-state solution based on what makes sense to your organization as appropriate over time. The benefits of process-driven enterprise optimization are waiting. Often the biggest obstacle is simply picking the path on which to start the journey that is appropriate for each individual organization.

David Fisher is a Managing Director at BearingPoint, a leading global business advisor and systems integrator. He is the author of the book, *Optimize Now (or else!): How to Leverage Processes and Information to Achieve Enterprise Optimization (and avoid Enterprise Extinction)*. For more information, he can be reached at david.fisher@bearingpoint.com