



Down Under

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Practical Guidelines to Successful Implementations*

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High Performance Management through Management by Process and Leadership

Business Process Management has been focused, for too long, on just aspects of technology, improvement methodologies or modeling techniques. It is time to spend more time on business strategy execution, especially from a process-focused viewpoint. In this column we provide a simple, yet, powerful framework to align strategy, project- and process execution in order to become a high performance organization. As BPM is not a goal itself, but a means to improve organizational performance and achieve strategic objectives. However, a framework alone will not achieve the desired results without inspirational leadership.

Need for Organization High Performance

The real issue for leadership within organizations is how to respond to the greatest challenge since the Industrial Revolution – extreme competition as outlined by Peteringarⁱ: globalization and the increasing rate of change and complexity:

- “The 25% of the population in China with the highest IQs is greater than the total population of North America.
- It is estimated that 1.5 exabytes (1.5 x 10¹⁸) of unique, new information was generated worldwide in 2007. That is estimated to be more than in the previous 5,000 years.
- The USA Department of Labor estimates that today’s learner will have 10 to 14 jobs...by age 38.”
- Average time a CEO or managing director spends in the top-position is continually decreasing, from an average of more than ten years two decades ago, to two and a half years today.ⁱⁱ

Thus, just maintaining your current strategy, or even planning to be better than last year, is not enough anymore to survive. A major shift is required, but are we ready for extreme competition?

- In a recent Booz Allen Hamilton survey among 1,200 large companies, it turned out that at the 360 worst performers, 87 percent of the value destroyed, was caused by strategic missteps and operational ineffectiveness. Only 14 percent could be attributed to compliance failures or poor oversight of the company’s corporate boardsⁱⁱⁱ
- More than 50 percent of managers make decisions based on their gut feeling, not on hard facts and 36 percent have black boxes in the organization of which they know hardly anything^{iv}
- The majority of companies that get into a crisis find themselves in this situation because of internal factors, of which dysfunctional management (48 percent of the cases) and inadequate management information systems (42 percent) are the most common causes^v.

The pivotal role of processes and leadership to achieve high performance

De Waal^{vi} reviewed nearly 100 surveys, in-depth case studies and books on high performance organizations over the last 15 years and identified the key characteristics. In the table below we have listed the top 15 key characteristics which clearly show the importance of processes and leadership.

De Waal Top 15 Characteristics of High Performance Organizations (% equates to coverage in sources)	Role of process and leadership by Jeston and Nelis
Continuously strive to enhance customer value (61.1%)	Processes should be improved and managed from an end-to-end customer perspective. Leaders should drive the continuous customer focus.
Empower people and give them freedom to decide and act (56.7%)	Empowerment of people to decide and act should be embedded in the processes and managed accordingly. Leaders have to facilitate..
Create a learning organization (51.4%)	Lessons learned should be included in the processes and embedded in the “ <i>new way of working</i> ”. Learning is also a process. Leaders have to show that making mistakes is OK, as long as you learn from them.
Design a good and fair reward and incentive structure (49.2%)	The importance that processes include measures to ensure that people get rewarded for doing the right things right is imperative. Leaders have to enforce this in the organization.
Maintain and strengthen trust relationships with people on all levels (46.1%)	Leaders need to lead and not dictate.
Continuously simplify and improve all the organization’s processes (45.8%)	Process improvement can be initiated as a project or positioned as part of continuous process improvement. Leaders have to demand continuous questioning of existing processes and practices.
Live with integrity and lead by example (40.5%)	We strongly advocate the “walk the talk” by the leaders of the organization.
Maintain good and long-term relationships with all stakeholders (38.3%)	Ensuring clear roles & responsibilities in processes is crucial to ensure good working relationships. Leaders have to engage all the key stakeholders.
Measure what matters (35.8%)	You can’t manage what you don’t measure. Leaders have to demand that all decision and processes execution is done on basis of facts.
Report to everyone financial and non-financial information needed to drive improvement (32.1%)	Information on projects and processes execution need to be reported to enable executive management to assess whether the financial and strategic goals are being met.
Attract exceptional people with a can-do attitude who fit the culture (31.8%)	Process Management requires a new way of thinking, and we have found that learning new skills is easier than changing attitudes, hence the need to attract people with the right attitude.
Continuously innovate products, processes and services (31.5%)	Management by process incorporates in its precepts the idea that processes are continuously managed, monitored and improved
Monitor the environment consistently and respond adequately (31.2%)	Strategies needs to be consistently monitored and are updated on an increasingly rapid scale. Agile strategy processes are critical to ensure swift results
Stimulate cross-functional and cross-organizational collaboration (29%)	Processes are the key bridges between various functions and, increasingly, organizations.
Simplify and flatten the organization by reducing boundaries and barriers between and around units (28.3%)	Processes are increasingly becoming networks that must be seamless to ensure competitiveness, value to the customers and profits to the participants

Table 1 Top 15 characteristics of a High Performance Organization

Execution Matters

If **(Quality strategy) x (quality execution) = break through results**

Then execution can have a significant “multiplier effect”:

- You can **exceed expectations** with an **excellent execution** of an **average strategy**
- You can **miss expectations** with a **below average execution** of an **excellent strategy**

It is important to note that Kaplan and Norton in the Harvard Business Review (January, 2008) state:

“...breakdowns in a company’s management system, not managers’ lack of ability or effort, are what cause a company’s underperformance. By *management system*, we’re referring to the integrated set of processes and tools that a company uses to develop its strategy, translate it into operational actions, and monitor and improve the effectiveness of both. The failure to balance the tensions between strategy and operations is pervasive: Various studies done in the past 25 years indicate that **60% to 80% of companies fall short of the success** predicted from their new strategies.”^{vii}

Professor Cynthia A. Montgomery stated in the same Harvard Business Review:

“What we have lost sight of is that strategy is not just a plan, not just an idea; it is a way of life for a company. Strategy doesn’t just position a firm in its external landscape; it defines what a firm will be. Watching over strategy day in and day out is not only a CEO’s greatest opportunity to outwit the competition; it is also his or her greatest opportunity to shape the firm itself.”^{viii}

Bossidy and Charan (2002) addressed it extremely well from a manager’s perspective:

“A business leader’s most important job is the execution of plans, the ‘detail work’, making sure that the staff is getting results. This is the sort of responsibility that cannot be delegated. It is the leader’s primary duty to see that every member of the team is carrying out his part of the big plan to ensure the whole company’s success. There are no excuses for failure: the market will always be tough. What spells the difference between successes and failures is the ability to execute plans”^{ix}.

Execution requires management, just like business process improvement requires management:

“A process can’t be improved if it is not managed”

Hence Six Sigma without Process Management will not provide lasting results. See Paul Harmon’s recent column (2008) “BPM versus Process Improvement”^x and Jeston and Nelis (2008, January).^{xi}

Management by Process Framework

Our framework to be released in our next book^{xii} is based on the **alignment of strategy**, project execution and process execution (see figure 1). We distinguish two types of execution: project execution and process execution:

- **Project Execution** deals with the execution of projects, programs or portfolios that are distinct unique activities that contribute to well-defined pre-defined deliverables with identified resources and a definite start and end date.
- **Process Execution** deals with the operational running of the business processes, allocation of people and use of technology – it is often called operational management or ‘business as usual’. It requires a pro-active, dedicated and passionate approach. We have called this High Performance Management which relates to the management and utilization of process, people and technology.

Process Governance is required to ensure that the Strategy, Project Execution and Process Execution perform well and are aligned. Many organizations have a fragmented approach towards governance - there may be some level of governance on projects and, little to none on business processes. However, there is rarely governance on strategy and especially the interface between Strategy, Project Execution and Process Execution.

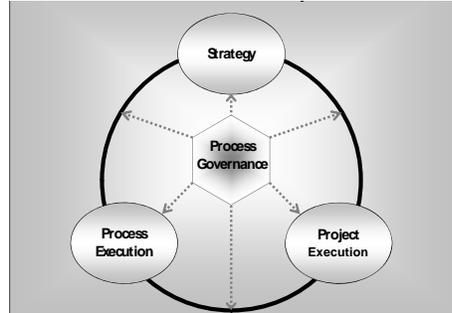


Figure 1: Management by Process Roadmap

Process, people and technology: Execution cannot take place without these three components – they are essential to the achievement of results in both areas. Process execution cannot occur to a high standard without employees, supported by technology, understanding process performance and taking relevant action. There needs to be an appropriate equilibrium between project execution and process execution for these three key elements to perform effectively. Often considerable tension arises within organizations in this area. See figure 2.



Figure 2: People, process and technology

Process Leadership: execution is not mechanical; it needs vision, inspiration and role models. All Process Management success stories have one or more true leaders who were crucial in providing motivation, identifying opportunities, mobilizing stakeholders and delivering results

Bringing all dimensions together gives us the following framework (see figure 3):



Figure 3 – Management by Process framework

To be effective with High Performance Management all of the seven dimensions highlighted in the Management by Process Framework need to be in place and executed to a high standard.

Leaders lead the way

The real issue for leadership within organizations is how to respond to the greatest challenge since the Industrial Revolution – globalization and the increasing rate of change and complexity.

Leadership is seen as something we should aspire to and yet:

“...management has been relegated to also-ran status. Yet we are surrounded on all sides by blunders and other evidence that we can't run things properly. If 'management' doesn't mean running things properly, what does it mean?”^{xiii}

Most people think leadership is about creating the 'vision' or strategy for the organization, and that is certainly part of it - the relatively easy part. The hard part is about executing or fulfilling the strategy. It is about running the organization to a high level of operational excellence. It is about putting all the necessary elements in place to enable the organization to service and satisfy its customers (to an increasing higher standard); to have the business processes running efficiently and effectively; to have an outstanding relationship with suppliers and business partners; to continually innovate; and to provide an atmosphere that offers the staff all the opportunities necessary to achieve job satisfaction.

To bring about these goals, leaders need to create an environment that will allow managers and staff to perform to a high standard and deliver upon the organization's strategy. We have called this the creation of a **high performance management** model (figure 4), and only a very few organizations have achieved this today. The framework for Project Execution is the 7FE Project Framework model as outlined in our book, *Business Process Management: Practical Guidelines for Successful implementations* (second edition, 2008).

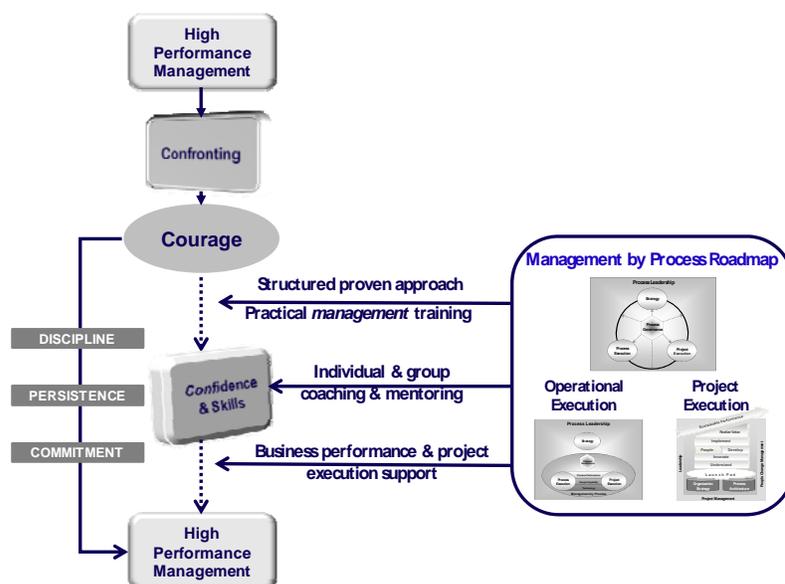


Figure 4 – High Performance Management model

To achieve this model of high performance, management needs to recognize that the way they have been operating in the past is no longer appropriate. Management needs to change their current method of managing, and change can be extremely **confrontational** to both the organization's leadership and management. Such confrontation is inevitable since in most cases managers have been executing their roles for decades using a certain set of skills and activities. Now they are being told their performance is not meeting the expected standard. They must change, but they have no clear way of understanding how to change.

No one except the leader and the leadership team can provide the **courage** to carry out the necessary changes. The leader must provide the vision for the organization—what it should look like, behave like and aspire to.

Jack Welch, the legendary former CEO of General Electric defined Leadership as follows^{xiv}

- **Energy:** leaders with tremendous personal energy
- **Energize:** those who energize teams, and don't intimidate them
- **Edge:** Someone with a competitive edge and a will to win
- **Execution.** Those leaders who have a track record of getting results

Thus, in his view a leader should be able to motivate a team rather than dominating them

The proof is in the eating

This paper is an extract from the book *Management by Process: A Roadmap to Sustainable Business Process Management* (Jeston & Nelis, May 2008)^{xv}. In this book, each of the dimensions is described in more detail and covers:

- a description of why the dimension is important
- some key trends
- the key elements
- a brief description of the ideal or visionary state
- a road map of the journey for the organization towards the visionary position

The book has **six detailed case studies** to provide context for the Management by Process framework. While the book provides guidelines for organizations striving to manage their business processes, we felt the addition of cases studies that demonstrated what successful organizations have done would enhance the value of those guidelines by making them more useful to our readers.

In our next column (June 2008) we will continue our discussion of the Management by Process Framework and the key lessons learned from the case studies.

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