

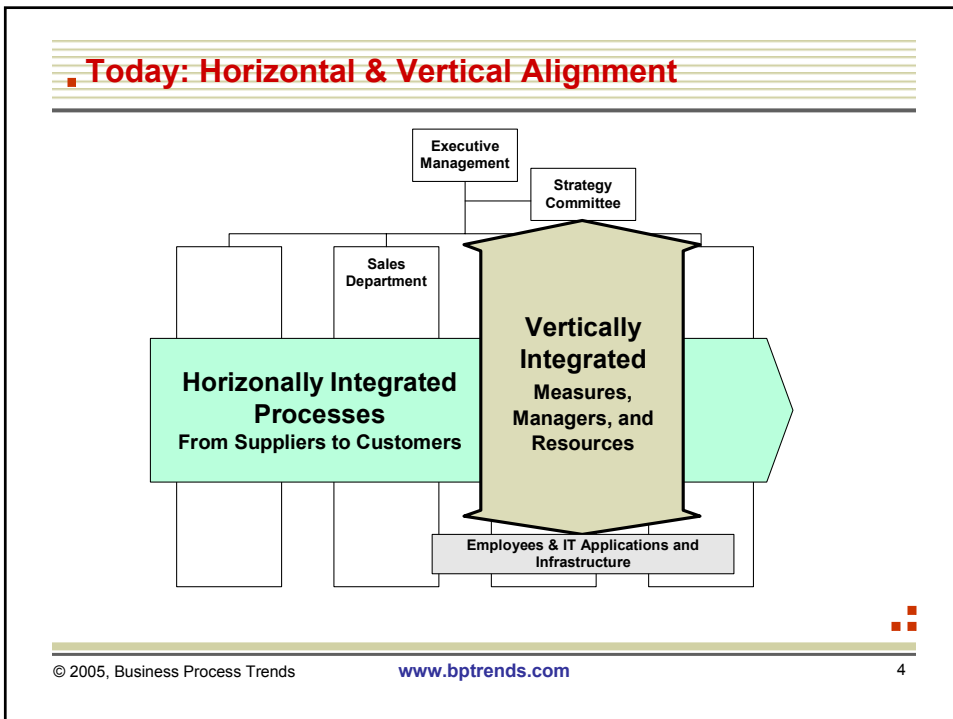
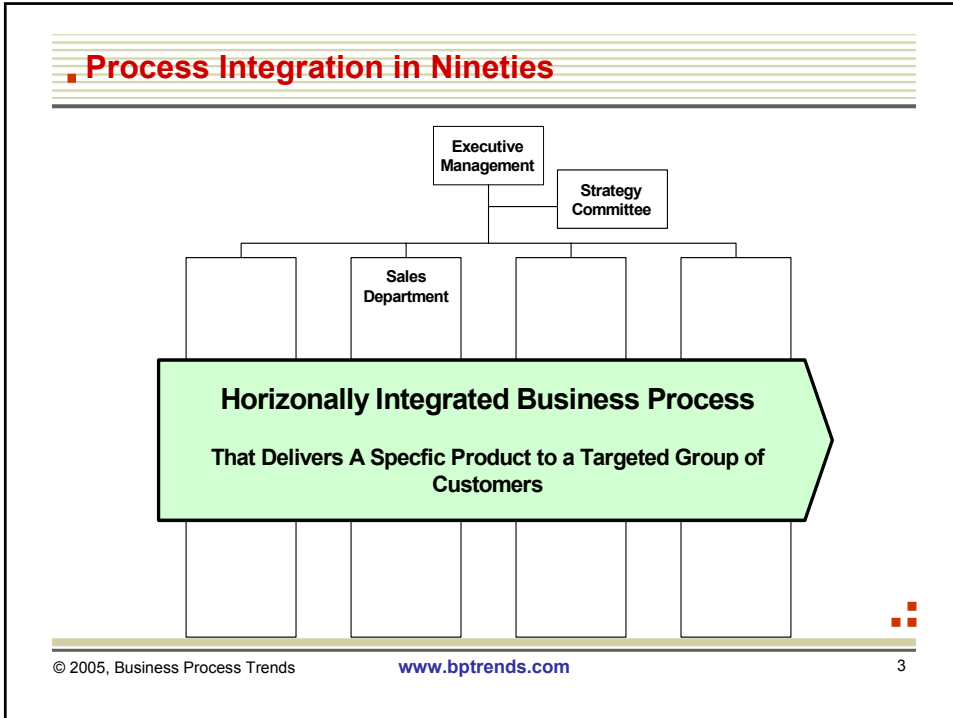
■ Best Practices in the Governance of Business Process Management

Paul Harmon

**Executive Editor
Business Process Trends**

■ The Gradual Revolution in Management Thinking

- In the aftermath of the Industrial Revolution managers followed Adam Smith, Henry Ford, and Frederick Taylor subdivided tasks to achieve productivity
- In the Seventies computers were used to reinforce departmental or functional specialization
- Starting in the Eighties, with Michael Porter, Edwards Deming, and Geary Rummler, the tide began to reverse and managers began to think in terms of value chains and processes
- In the Nineties IT gurus joined in with Business Process Reengineering, Workflow, and, more recently BPM Systems and executives like Jack Welch promoted Six Sigma
- Today we are witnessing a shift from management based on departments to management based on processes. For most companies its just begun, but its steadily gaining traction

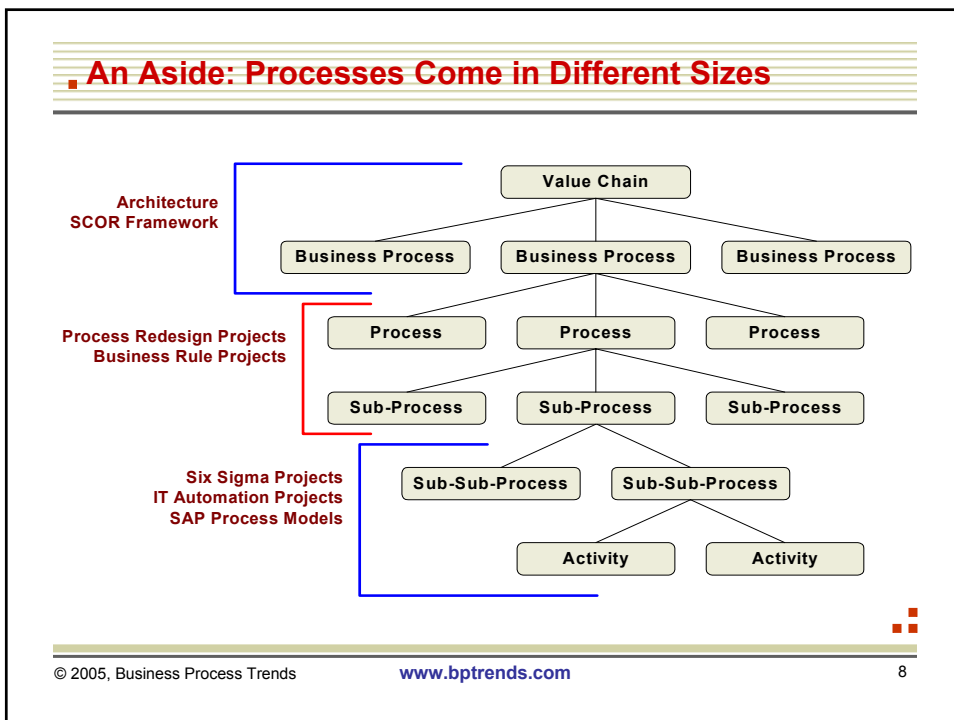
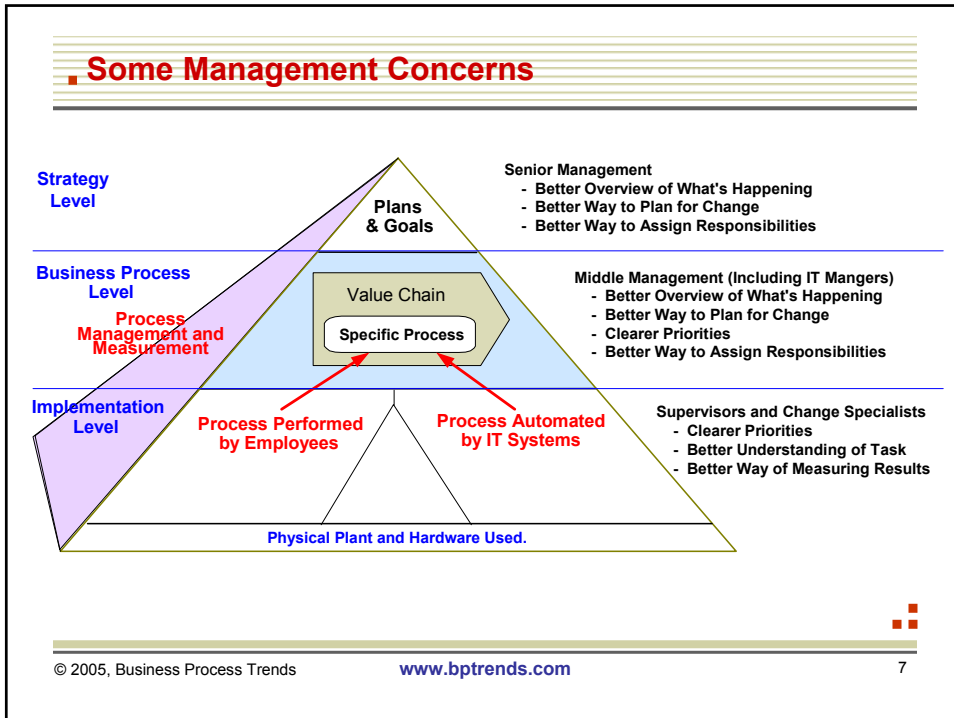


■ Process Management and Organization Management

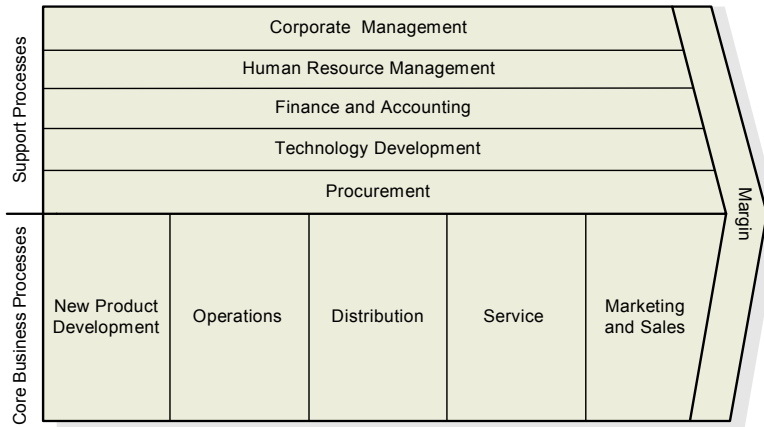
- BPM as a Management Philosophy
 - Senior Executives
 - KPIs
- BPM as a Way of Organizing the Company
 - Middle Managers
 - Reporting Relationships
 - BPM Architecture and Dashboards
- The Management of Specific Processes
 - Supervisors
 - Improving Specific Processes
 - Managing the Employees Executing the Processes

■ Three Levels of Governance

- **Executives – Organization Performance & Responsiveness**
- Line and Process Managers – Value Chain/Process Performance and Priorities for Improvement
- Process Supervisors – Efficient & Effective Organization of Subprocesses and Activities

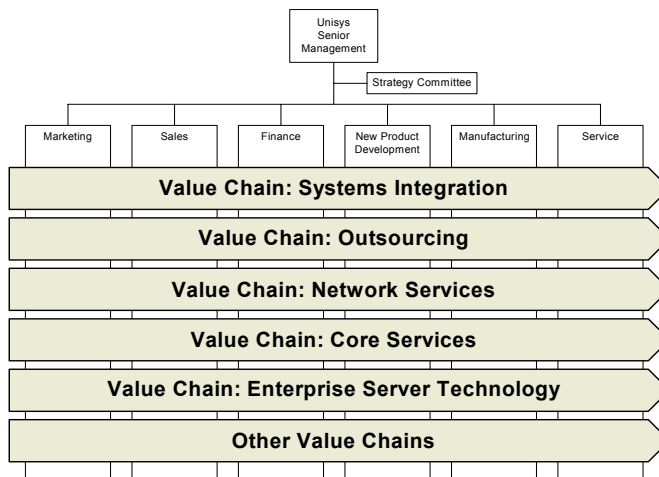


Michael Porter's Value Chain



From Michael Porter, *Competitive Advantage*, Harvard, 1985

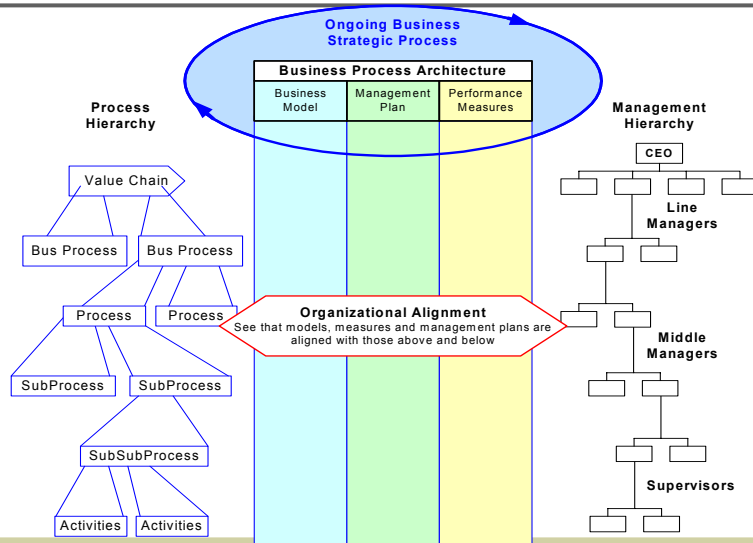
Unisys Corp. Functions and Value Chains



Defining a Business Process Architecture

- The key tool for process management
- A high-level **overview of the value chains** and key processes that make up the organization
- An **alignment** of strategic goals, value chains and key processes
- A clear-cut way to **monitor the performance of the value chains** and processes (KPIs)
- A BP Architecture is NOT an IT EA Architecture

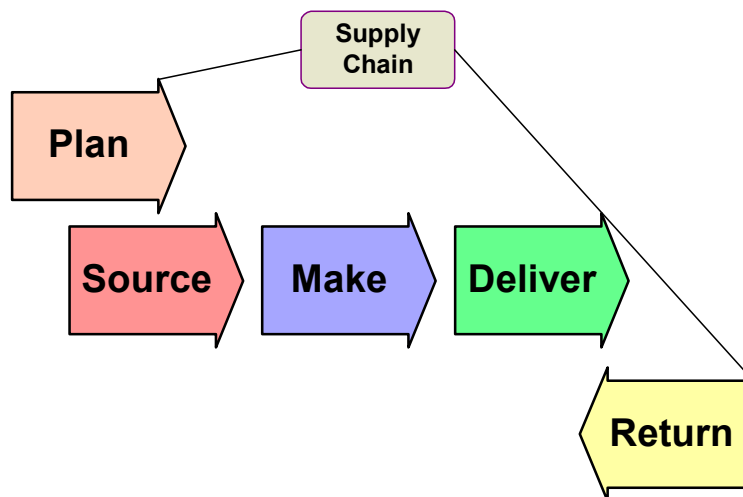
The Process Management Alignment Process



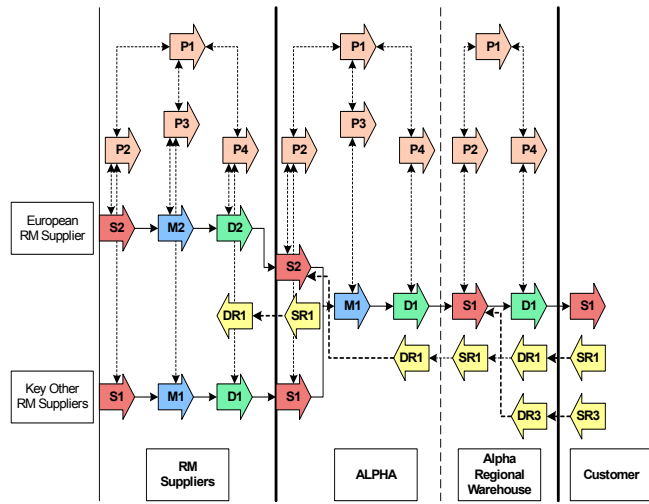
Available Business Process Frameworks

- BP Frameworks are often called Operation Reference (OR) Frameworks
- A BP or OR Framework is a template for a BP Architecture
- The Supply Chain Council's SCOR Framework
- The TeleManagement Forum's eTOM/NGOSS Framework
- Hewlett Packard's Framework Suite
- The VCOR Initiative

SCOR MODEL: Level 1



The Level 1 SCOR Notation



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SCOR's Level 1 Scorecard

	Performance Attribute	Performance Attribute Definition	Level 1 Metric
Customer Facing Attributes	Supply Chain Delivery Reliability	The performance of the supply chain in delivering: the correct product, to the correct place, at the correct time, in the correct condition and packaging, in the correct quantity, with the correct documentation, to the correct customer.	Delivery Performance
			Fill Rates
			Perfect Order Fulfillment
Customer Facing Attributes	Supply Chain Responsiveness	The velocity at which a supply chain provides products to the customer.	Order Fulfillment Lead Times
	Supply Chain Flexibility	The agility of a supply chain in responding to marketplace changes to gain or maintain competitive advantage.	Supply Chain Response Time Production Flexibility
Internal Facing Attributes	Supply Chain Costs	The costs associated with operating the supply chain.	Cost of Goods Sold
			Total Supply Chain Management Costs
			Value-Added Productivity
			Warranty / Returns Processing Costs
Internal Facing Attributes	Supply Chain Asset Management Efficiency	The effectiveness of an organization in managing assets to support demand satisfaction. This includes the management of all assets: fixed and working capital.	Cash-to-Cash Cycle Time
			Inventory Days of Supply
			Asset Turns

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SCOR Benchmarks Provide Instant ROI

Supply Chain SCORcard			Industry Benchmarks				Value from Improvements
Overview Metrics	SCOR Level 1 Metrics	Actual	Parity	Advantage	Superior		
EXTERNAL	Supply Chain Reliability	Delivery Performance to Commit Date	50%	85%	90%	95%	
		Fill Rates	63%	94%	96%	98%	
		Perfect Order Fulfillment	0%	80%	85%	90%	\$30M Revenue
	Responsiveness	Order Fulfillment Lead Times	35 days	7 days	5 days	3 days	\$30M Revenue
		Supply Chain Response Time	97 days	82 days	55 days	13 days	Key enabler to cost and asset improvements
	Flexibility	Production Flexibility	45 days	30 days	25 days	20 days	
Cost		Total SCM Management Cost	19%	13%	8%	3%	\$30M Indirect Cost
	Warranty Cost	NA	NA	NA	NA	NA	
	Value Added Employee Productivity	NA	\$156K	\$306K	\$460K	NA	
INTERNAL	Assets	Inventory Days of Supply	119 days	55 days	38 days	22 days	NA
		Cash-to-Cash Cycle Time	196 days	80 days	46 days	28 days	\$7 M Capital Charge
		Net Asset Turns (Working Capital)	2.2 turns	8 turns	12 turns	19 turns	NA

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Three Levels of Governance

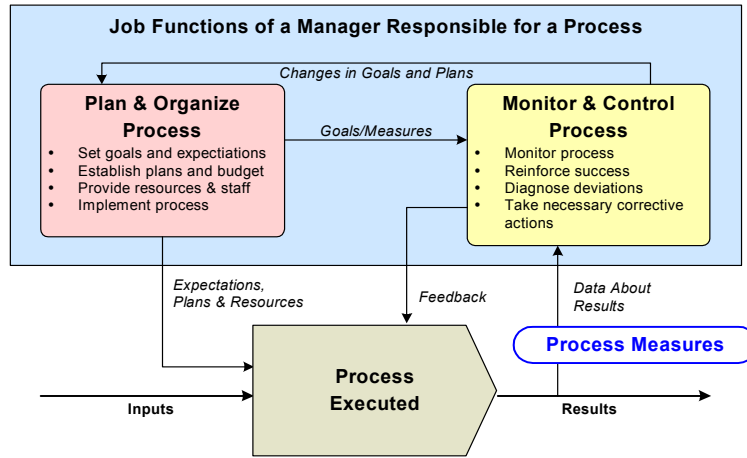
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Basic BP Management Model

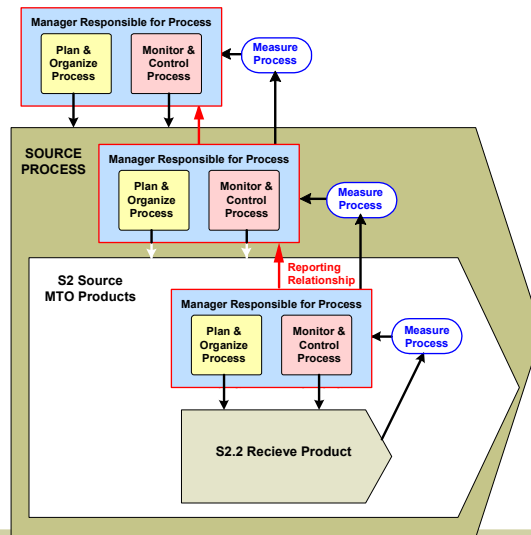


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Aligning Managers and Measures

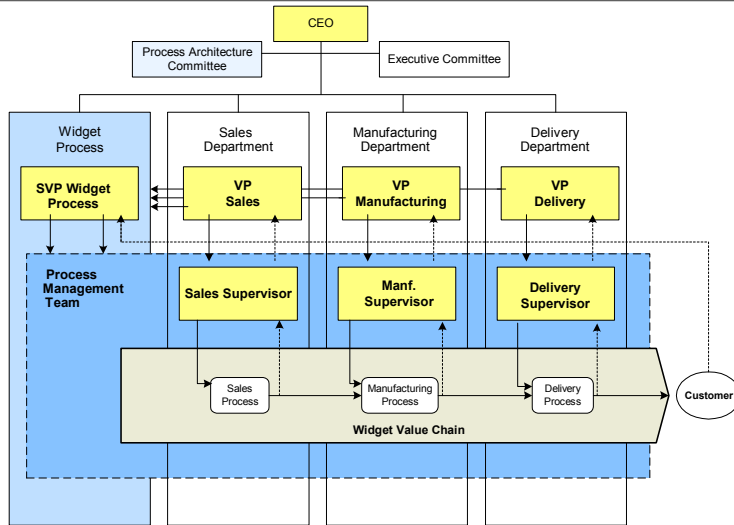


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■ Coordinating the Management of Processes



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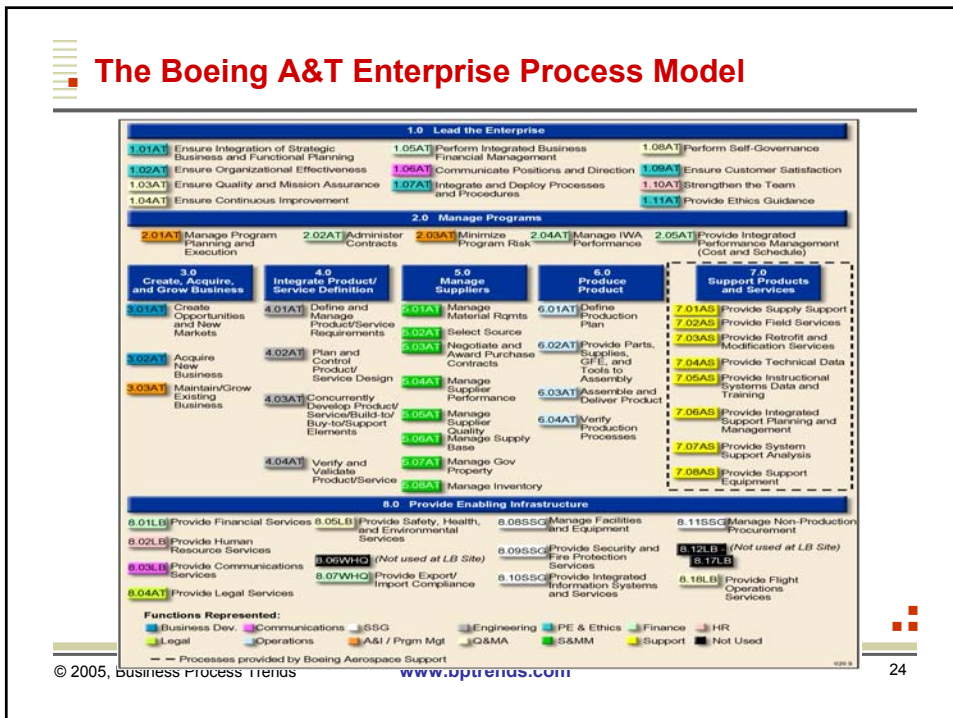
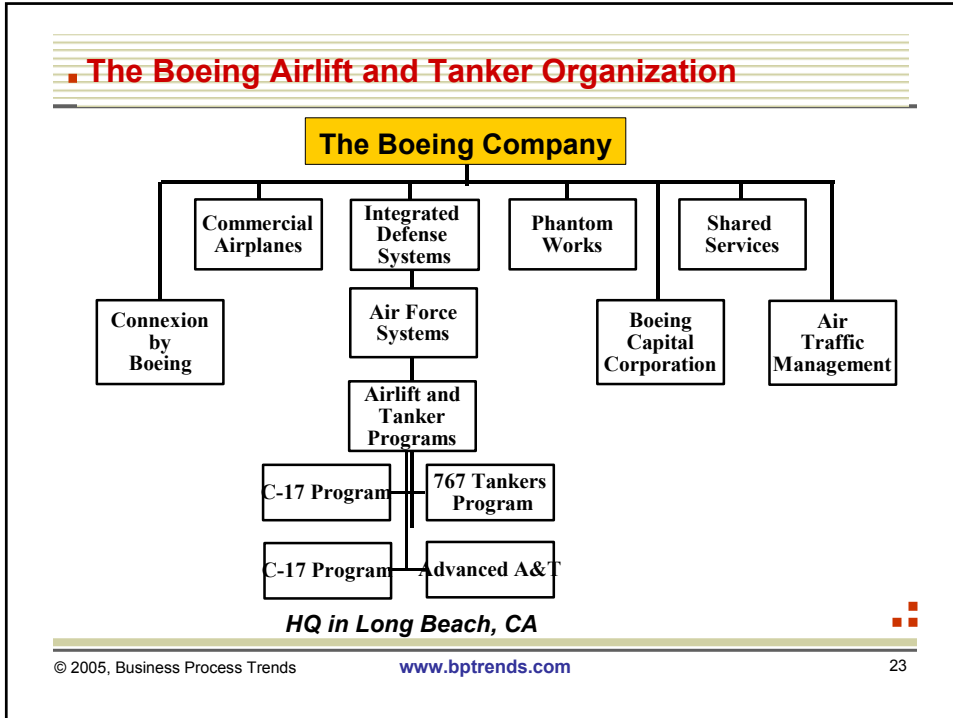
■ A Specific Example of BPM Management

Pamela Garretson
 Director, Business Excellence
 Boeing Airlift and Tanker Programs

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■ Levels of Processes

Level 0 Process 6.0

As one process level is defined, the next lower level is identified

Level 1 Process 6.02

- 6.01 _____
- 6.02 _____
- 6.03 _____
- 6.04 _____
- 6.05 _____

Level 2 Process 6.02.03

- 6.02.01 _____
- 6.02.02 _____
- 6.02.03 _____
- 6.02.04 _____
- 6.02.05 _____

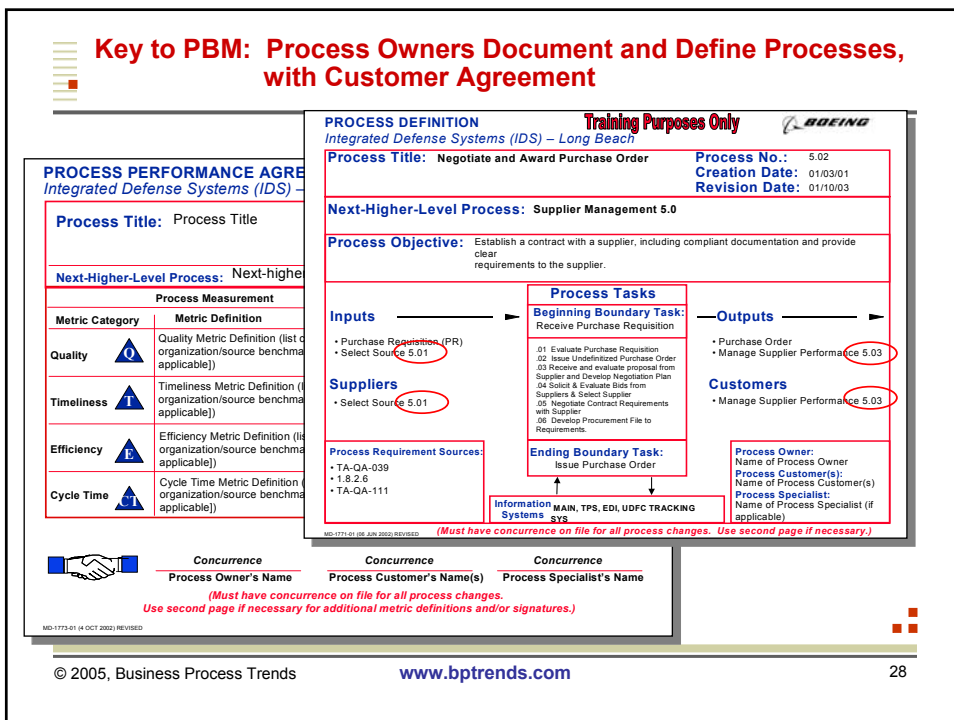
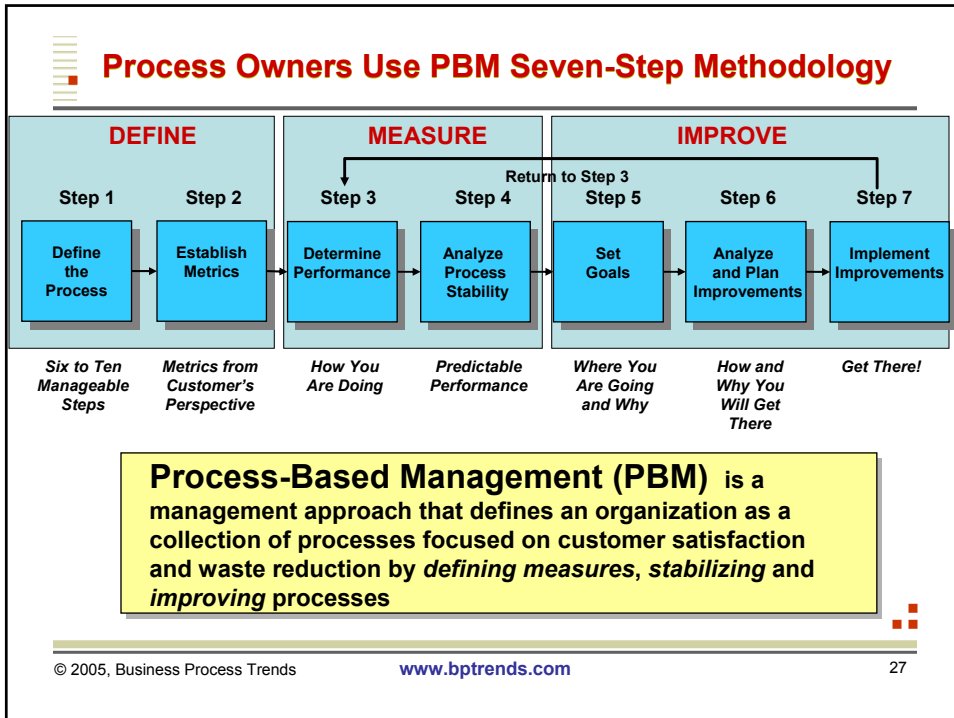
and so on...

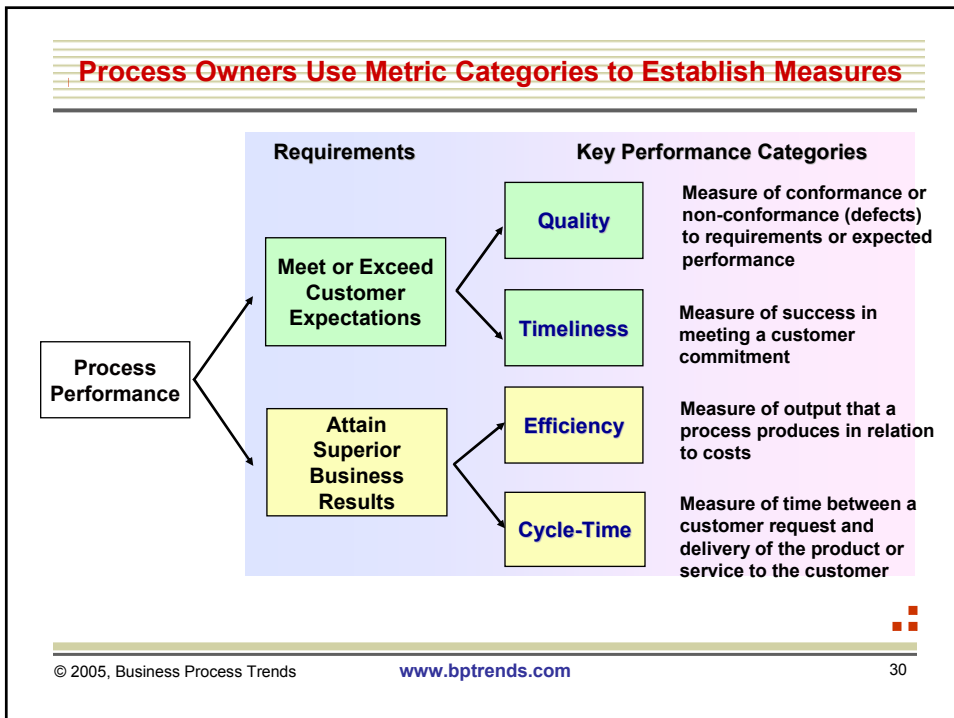
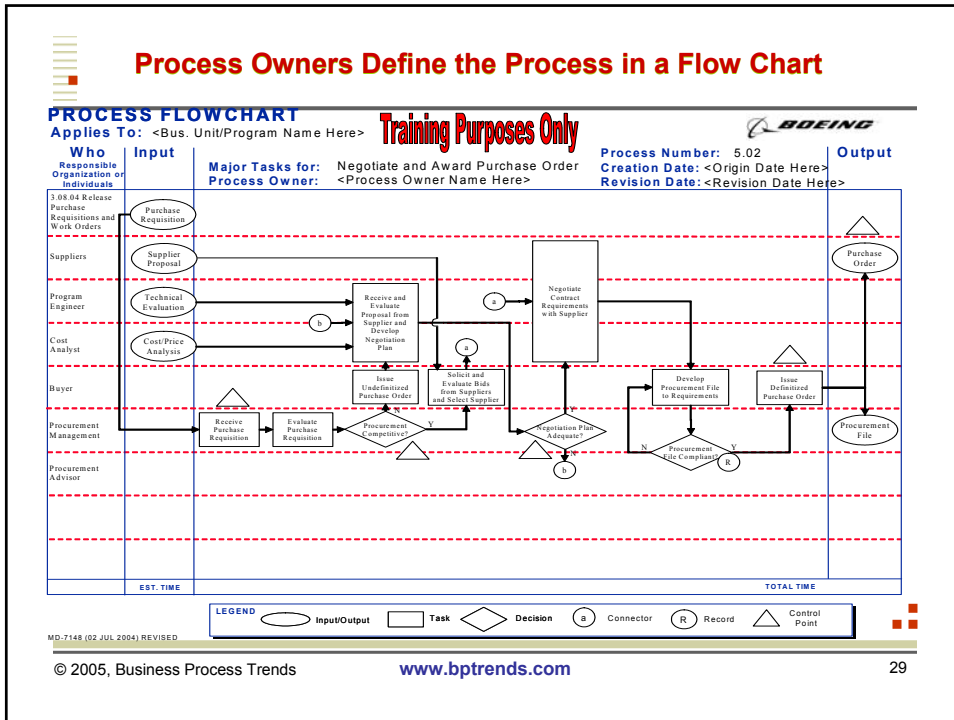
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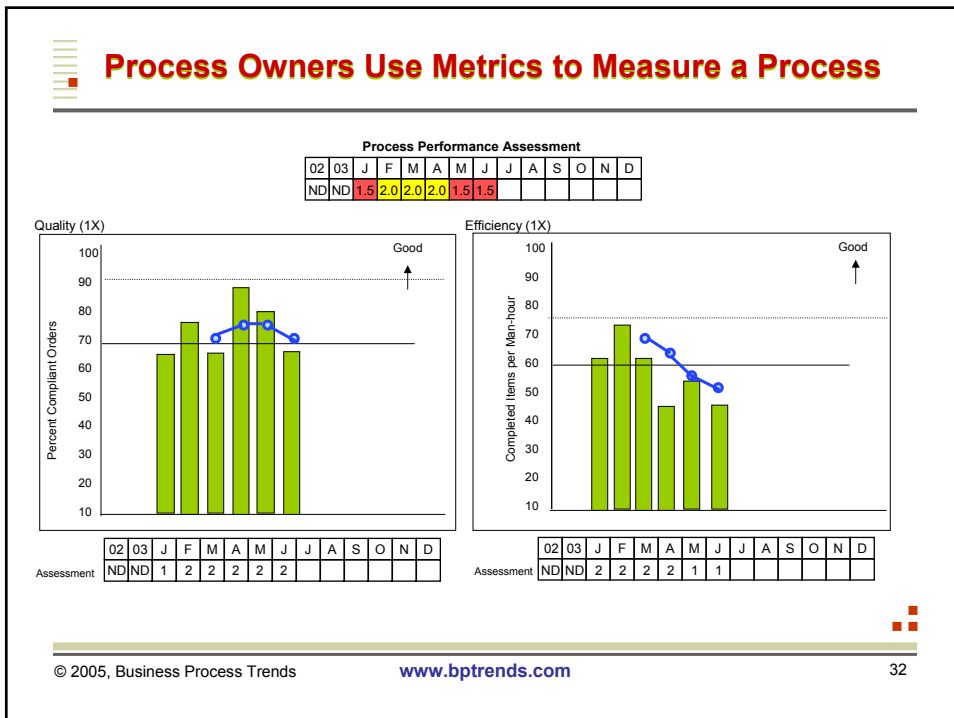
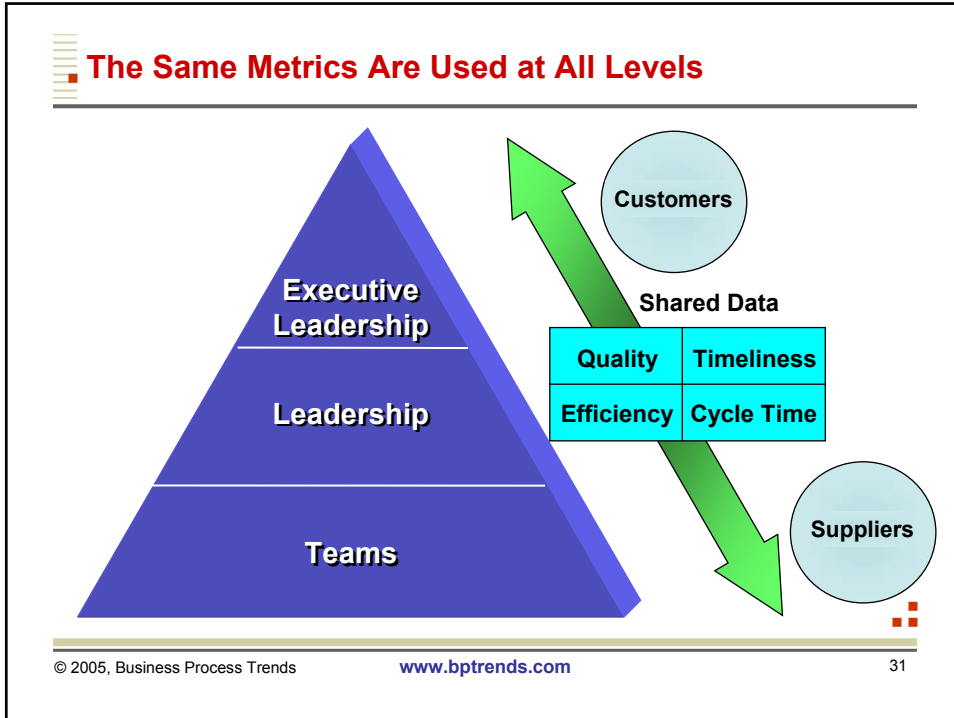
■ Process Owners: What Do They Do?

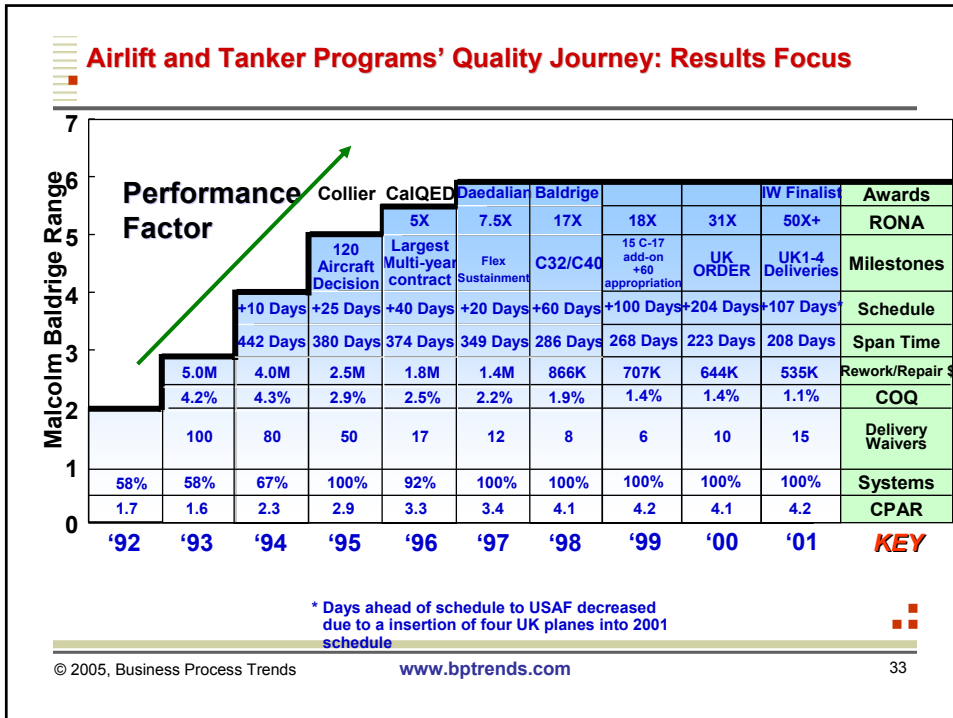
- **Responsible for:**
 - Implementing the steps of PBM
 - Documenting the process
 - Ensuring process performance
 - Ensuring both internal and external customer involvement
 - Involving suppliers of incoming processes
 - Improving the process
- For certain processes, may manage the process jointly with the Government Customer
- Must ensure associated procedures are current and are adhered to

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A BP Group and a BP Process

- Most companies that are serious have a business process group to coordinate their efforts and provide special training and mentoring
- Many companies conclude that process change is its own kind of process and develop and document

The Process Change Process
in the same way they do other processes.

Kaplan and Norton's Balanced Scorecard

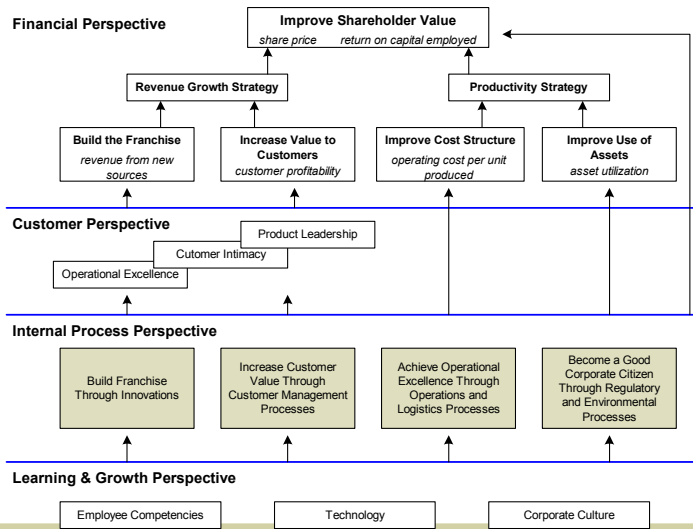
ECI's Balanced Business Scorecard			
Financial Perspective		Internal Business Perspective	
Goals	Measures	Goals	Measures
Survive	Cash flow	Technology capability	Manufacturing geometry vs. competition
Succeed	Quarterly sales growth & operating income by division	Manufacturing experience	Cycle time, Unit cost, Yield
Prosper	Increased market share and ROE	Design productivity	Silicon efficiency, Engineering efficiency
		New product introduction	Actual introduction schedule vs. plan
Innovation & Learning Perspective		Customer Perspective	
Goals	Measures	Goals	Measures
Technology leadership	Time to develop next generation	New products	Percent of sales from new products, Percent of sales from proprietary products
Manufacturing learning	Process time to maturity	Response supply	On-time delivery (defined by customer)
Product focus	Percent of products that equal 80% sales	Preferred supplier	Share of key accounts' purchases, Ranking by key accounts
Time to market	New product interdiction vs. competition	Customer partnership	Number of cooperative engineering efforts

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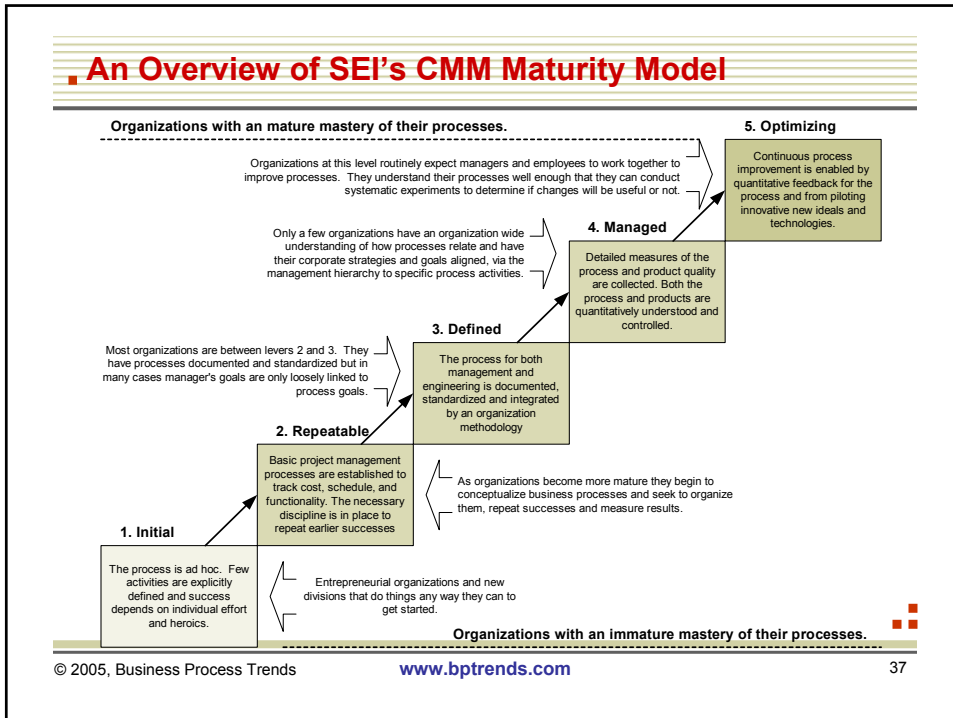
Extending It Further



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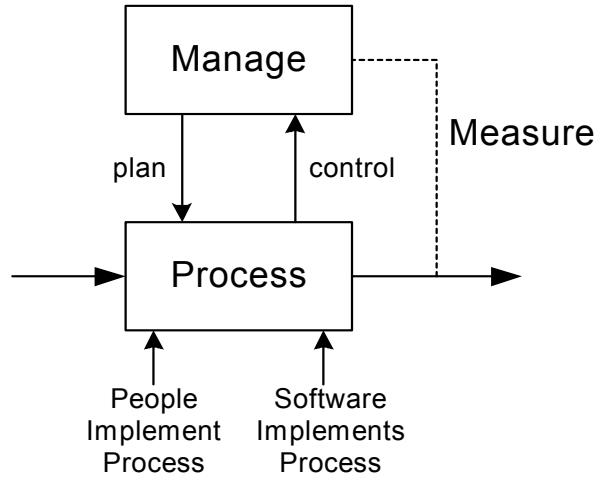
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- ## Three Levels of Governance
- Executives – Organization Performance & Responsiveness
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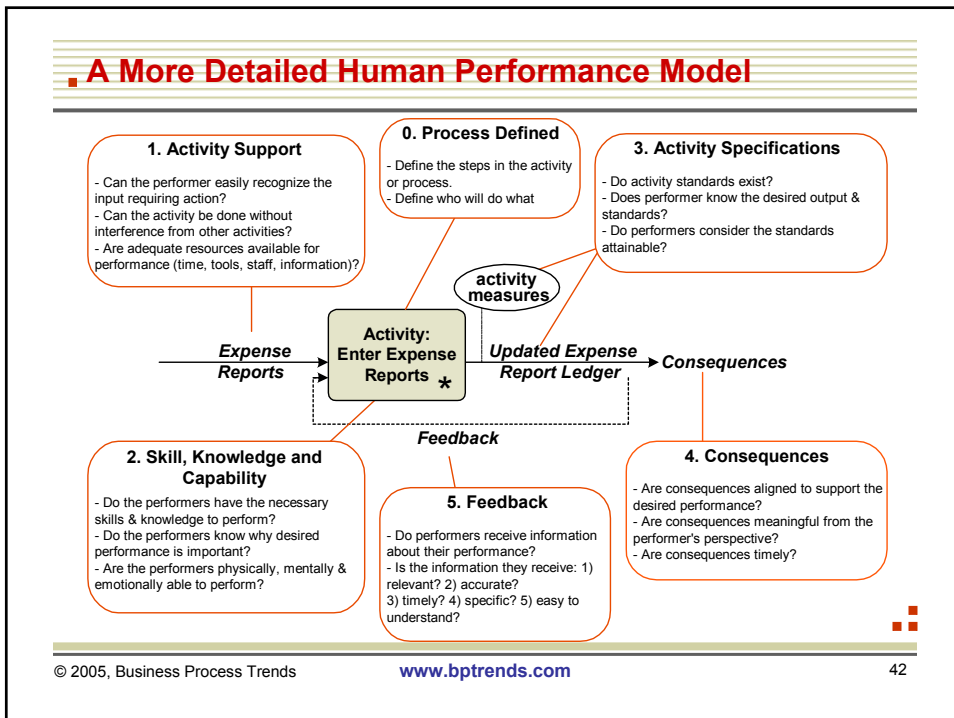
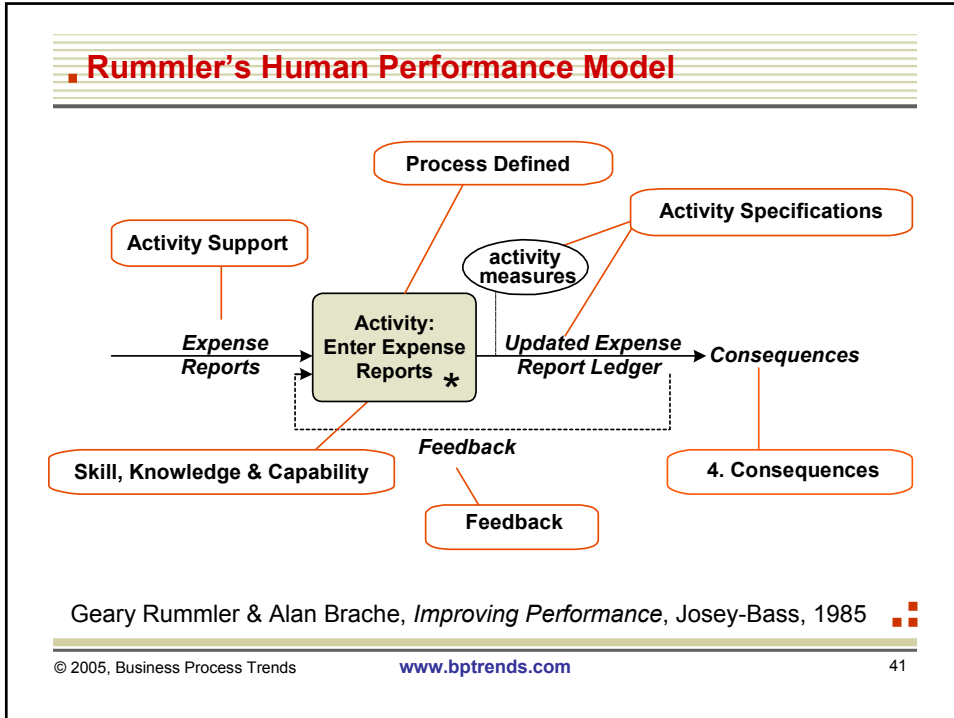
A Process Includes Its Management



One of Rummler's Rules

75% of potential improvement you can obtain from a redesigning a process will come from changing the way the process is managed

- Geary Rummler, *Serious Performance Consulting*,
 • ASTD Press, 2004



■ Rummler's Rule Applies To All Level's of Management

- The biggest problem most organizations face is that they don't align bonuses and incentives with processes
- Thus, it is common for employees, supervisors and senior managers to get rewards for behaviors that do not result in improved performance
- Aligning incentives should be a major goal of every business process change program
- Jack Welch, the CEO of GE, made 40% of every executive's bonus dependent on the success of their 6 Sigma program

■ SUMMARY

- The challenge for managers is to learn how to manage business processes
- We have too many technologies and not enough focus on why we should do BPM in the first place
- We manage processes to improve corporate performance
- Companies need to set goals, develop a strategy, and then create a business process organization that can organize and coordinate their BPM resources

■ **For More Information**

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