

Managing BPM

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When you're faced with a very complex process situation, perhaps dozens of variants on a major process and many competing owners, how do you get control? How do you establish some order, and improvement on the utilization of the process assets? How do you manage the result? How did you get there?

I calculated that in the 12 years that I worked for a large high-tech manufacturing company, I was involved in perhaps 20, or 25 reorganizations, roughly one every six months. The changes were never fun, but they were, at least, predictable for managers. Imagine the CEO leaves, which seems to happen every 3 years or so. Within 6 months to a year, the new CEO's direct staff changes, and some level or reorganization occurs. Within another 6 months, that level of VP's settles down in their organization model. There is usually a directive to handle costs better, and a layoff or reorganization comes about again – usually centralization. A new business launch spawns another change, usually decentralization, and a merger or acquisition triggers another cascade of EVP, SVP, and VP organization changes. So over 3-4 years, you can easily see 2-3 reorganizations per year. That's the driver.

Every time an organizational change occurs, many processes may split in two, or three; a centralized sales organization suddenly is split into three business-unit sales teams. Or, you may see the situation where multiple process teams are combined, and new processes created to align or manage them. That's the centralization/decentralization tug-of-war. In each case, the processes which start to have multiple owners start to vary – they're tweaked, or changed tactically, and when reorganization hits, many times processes are handed new owners, who may not be apprised of the reason why the original process is made. So, it's very easy to move from, by example, one planning process for materials, to two, to three, to... seven layers of processes - which is what I saw one day, where the owners never really understood how the whole thing worked. When you see four warehouses in a row, I would bet that process owners have moved on, with their processes, and nobody knows why there were four warehouses anymore, but they have to run them.

The problem is that with organizational change, process management is very rarely factored into the overall event. Where target process execution drives organizational design, this is not an issue – when I was with HP during the merger, the target execution model was set up prior to the business organization being settled in. It was reasonably easy to model and set-up operations not knowing exactly how the processes would be run, from an organizational point of view. Where organizational design drivers process management, the constant split/join/split/join creates fragmentation, or 'entropy' and disorganization in business processes.

In organizations where we simplified and streamlined process, we followed five simple steps for analyzing and designing process for high-utilization, best-return structures.

- **Classify** and capture process data significant to the area which you are simplifying within a single standard: in Supply-Chain, SCOR is the example. Stop at SCOR "Level 3". This is standards-based capture is critical, and



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sometimes overlooked at the detail level – organizations which have gone through split/merge/split/merge cycles have often renamed or reworked processes to be unrecognizable among many like groups. It corresponds to Level 1 in CMMi as a best practice.

- **Establish** clear criteria for change – risk, % variance allowed, cost of consolidation, process performance and so on. Without criteria for change, or simplification, the analysis and debate moves from being fact-based and objective, to political and who-knows-whom. That's a big dead end for meeting the original objectives of streamlining and stabilizing management. Process organizations which link the process performance to the criteria for adopt/consolidate are applying some ideas from Level 2 in CMMi.

- **Analyze** the captured processes against the criteria for change, and identify merged, and simplified process architecture, and the programs to drive that architecture. Once the criteria fight is over, the analysis is actually relatively simple. Sometimes it takes the form of removing nodes in the system entirely (think about those four warehouses with their own processes), while sometimes it involves selecting a single key process which will full a majority of demand. This selection and identification then turns into project specifications for change, and the collected results are the 'standard process architecture', a collection of the 'best-fit' processes the organization bases it's business around. This is a CMMI Level-3 maturity step.

- **Identify** criteria for process ownership – which lines of business have most usage, or critical customers, or appropriate geographic presence, skills, time in management. Again, you're in the political sphere, but agreeing on terms ahead of time makes the allocation process which follows relatively impartial. CMMI doesn't really address organizational design following process architecture.

- **Link** the target architecture to the appropriately identified process owners, and create the "MOBO" or "Managed on Behalf of" Organizations. Each process will have a "manager" who ensures that service levels and capabilities the process must fulfill for the many process "consumers", including themselves. The initial step of capturing and classifying all process data has created a shopping list of capabilities and metrics which target processes need. The third "analysis" step has pared down the menu somewhat to what are the minimum critical needs according to the process portfolio criteria (step four). The MOBO manager then needs to continuously adjust process performance to meet the needs of his constituents. If it varies too much, they will have a whole group of clients looking at the numbers and calling for fixes. A great 'early alert' system. This corresponds, when dynamically using metrics, to CMMI level 4.

How do you then use this for management (not just process management)? Take those nasty reorganizations. Imagine that you have a sales process which controls channel sales contracts, which is MOBO in Org A, and consumed by organizations B, C and D. A owns the process because they are 60% of channel sales, and that's the key 'ownership' criteria point. Orgs B, C and D – three different product lines, all sold through channels – may at some point become



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reclassified: Org C as it turns out deals in cosmetics, and suddenly their 'nutraceuticals' are split out into a new organization "E". Guess what: Organization E will still use the MOBO sales contract process, even though they have a new organization structure. The process architecture is set, just its use varies according to market, product, and target customer changes. You can manage the process as an asset, and avoid the split/merge/split/merge entropy and complexity through ordinary organizations.

What prevents doing this? Speed, Sponsorship, and Standard Metrics. If it takes years to gather and classify processes to re-align them to a MOBO structure, you will never be able to get any stable point to start from. Use simple structures such as SCOR-type frameworks which are line-of-business independent to quickly gather data, only to a necessary management level (typically VP, or Director). If there is not appropriate sponsorship at the right levels of organization which will force merging and simplification of processes, and force manager/consumer process control, then organizations will always claim it's too risky to lose control over certain processes, even though the company as a whole benefits. Lastly, process performance metrics should be standardized, simple, and relatively business neutral. Standard metrics, as opposed to customized, allow for easy cross-comparisons and strategies for fulfillment combining business requirements, and also allow for a possibility that instead of MOBO, you might want to outsource some processes where the MOBO organization cannot fulfil the standard.

In all cases, you should see a reduction in overall process, and infrastructure complexity and cost; a dramatic rise in process asset utilization. Better risk control for large-scale change (fewer 'moving parts'), and quicker, more adaptive process transformation. You've now gotten to Level-4 of CMMI, along the MOBO process path.

