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Business Process Change

A Guide for Business Managers and BPM and Six Sigma Professionals

Second Edition

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MCC

Business Process APQC's Ongoing Study of Process

In the early seventies, Jack Grayson, then Dean of the Business School at Southern Methodist University, was selected by the Nixon Administration to manage its brief venture with price controls. Later, Grayson became concerned with the way US companies seemed to be falling behind foreign companies in quality and productivity and worked with the Commerce Department to establish the Malcolm Baldrige National Quality Award – the highest award given to US companies demonstrating outstanding performance. In 1977, Grayson left government service and founded the American Productivity & Quality Center (APQC), a non-profit organization, headquartered in Houston Texas, that is dedicated to assisting organizations in improving productivity and quality. Many associate APQC with its well-known benchmarking program, but it offers much more.

In 1992, in an effort to help standardize the way organizations describe processes, APQC convened a group of its member organizations to establish a standard **Process Classification Framework (PCF)**. With some modifications, this framework has remained a standard ever since. (A free copy can be downloaded from the APQC website at <http://www.apqc.org/process-classification-framework>.) Since

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developing the PCF, APQC has worked to align its benchmarks with the processes described in the PCF. APQC and its partners have developed several more frameworks, including industry-specific frameworks in automotive, aerospace and defense, pharmaceuticals, and petroleum, among others.

Following its initial work with the PCF, APQC launched a series of best practices studies in the business process field. Each study begins by convening a group of organizations that are interested in best practices within a given domain. APQC identifies a small group of high-performance organizations in the target domain and sets up the study. The selected companies host on-site visits by APQC staff, SMEs and other study participants to identify and examine the characteristics of these high-performance organizations. The information gathered during these visits is reviewed and analyzed, and APQC publishes the results, including action recommendations, for organizations seeking to improve productivity and quality in the particular target domain.

I first participated in one of these studies, **Business Process Management: Using Technology to Enable Business Processes**, in late 2005 and early 2006 and was impressed by the approach and the results generated by the study. I learned a lot about the companies included in the study - Boeing Global Mobility Systems, Air Products and Chemicals, Carlson Companies, Diageo and UPS - and have continued to follow them ever since.

APQC continues to conduct these studies – which is to say that its membership has continued to remain interested in best practices in the process area. Most recently I participated in a study titled **Building Strong Process Management**



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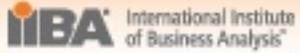


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Capabilities, a study focused on BPM Governance. The study was launched in the fall of 2011 and concluded in the spring of 2012, and the resulting report was published this month. This was the second time I have taken part in one of these studies, and found it every bit as informative as the first.

The best-practice partners in the **Building Strong Process Management Capabilities** study included Energias de Portugal (EDP), Hospira Inc., Lincoln Trust Co., National University, Northrop Grumman Corp., and the US Dept. of Veterans Affairs – Clinical Research Pharmacy Coordinating Center. Ten large US and foreign organizations participated in the study and visited each of the best-practice partners in an effort to understand how they each approached process governance.

Obviously, I cannot cover everything we discovered or provide details on the study in this Advisor, however, I can offer a few impressions of the best-practice partners.

Energias de Portugal (EDP) is a global energy provider headquartered in Portugal. They provide electricity and natural gas in Portugal, Spain, Brazil and the US, as well as other countries. In some locations their processes are very well understood, and in others they are not. In 2010, when the organization was privatized, the new management committed to a major emphasis on efficient and effective processes as a way of making EDP more productive. Senior management decided that every corporate office should have a process management office to coordinate a process-based transformation of each of the operational groups. In most areas, the process groups have been able to identify and document processes but have been less successful, to date, in standardizing methodologies and defining

performance indicators. EDP is an impressive example of a top-down approach to instituting a comprehensive process management program. Recently, it has complemented its top-down management initiative with a venture in BPMS application development.

Hospira is a global pharmaceutical company headquartered in Lake Forest, Illinois. In 2004, Hospira was spun-off from Abbott Labs as an independent corporation and decided they needed to reorganize and tighten their control over their basic processes. The effort was led by their IT group with an emphasis on BPMS applications. Project work was based on an established Six Sigma approach.

Lincoln Trust is a financial services company based in Denver, Colorado that provides self-directed IRS services to over 55,000 individuals in the United States. In 2000, as they realized they were regularly processing more than 100,000 documents per month, Lincoln launched a drive to become paperless. Initial efforts involved scanning documents, and, although a variety of initiatives were tried, none made much difference till 2008, when Lincoln committed to using BPMS to automate every step of all its document handling workflows. By 2012, Lincoln, although not yet completely paperless, has made major strides toward their goal - they have reduced staff by 40 % while still processing the same workload. Lincoln's efforts so impressed PENSICO, that they acquired Lincoln, at least in part, to acquire their process management and improvement capabilities.

Northrop Grumman Aerospace Systems (NGAS) is a major aerospace company that was faced with huge changes in its marketplace at the end of the cold war. As some of its rivals placed

a major emphasis on improving their processes, NGAS management felt that it should do the same. This new environment required that they create very flexible processes that would allow them to quickly adapt to large projects involving the integration of a wide variety of high tech capabilities in order to solve very complex and challenging technical problems. In 2001, NGAS began by establishing a Lean Council. Since then, NGAS has focused a lot of their energy on developing a governance approach called Affordability, Competitive Excellence, and Knowledge Management (ACEKM) which focuses on developing ways to rapidly bring together diverse resources and assemble them into new processes.

National University is a large nonprofit, private university system based in California. It has some 30,000 students and is very focused on providing students with practical skills and the knowledge needed to get good jobs. Courses are available in traditional classroom settings and on line. National University works hard to keep all their instruction consistent and focused on clearly established goals and has designed a flexible curriculum that allows students to work at their own pace. Students can work for two months on a course at one campus, stop, and then resume in 6 months at another campus. The committee that controls the university program is very focused on processes, and on the automation of all aspects of those processes.

Veterans Affairs Clinical Studies Program (VA CSP). This group is charged with improving the health of US veterans by conducting clinical trials and undertaking ongoing epidemiological and genomic research. During their first 18 years, the VA CSP focused primarily on regulatory compliance. In 1996, however, the VA CSP adopted a new strategy that focused on quality. It began with more

traditional quality control approaches, but soon moved to a process oriented approach in order to maintain high quality throughout all aspects of their work. A key driver in VA CSP's efforts was a commitment to getting results that would win recognition. They initially received ISO 9001 certification and, in 2009, received both ISO 15378 certification and won the Malcolm Baldrige Quality Award. Today, VA CSP is faster than ever, using fewer resources, and delivering the highest quality work it has ever done.

Each of these organizations is doing a good job of addressing process change challenges, but their approaches are so different that it's hard to draw broad general conclusions from their efforts.

In summarizing the findings in the study's final report, APQC used a "BPM Capabilities" model (they refer to the areas as "tenets") that suggests that BPM practitioners or organizations should have knowledge and skills (capabilities) in each of seven areas, including:

- Strategic Alignment
- Governance
- Process Mode
- Change Management
- Performance and Maturity
- Process Improvement
- Tools and Technology

Stepping back from the specifics, this was a study of a group of organizations that have each made significant progress in improving their organization's practices. The various organizations didn't start from any one position. Some started by emphasizing basic process redesign, some focused on new process technologies, and some launched programs to accomplish goals set by senior executives. In all cases, they acquired some capabilities and prospered by employing them. And, in all cases, they realized the limits of

their approaches and are now engaged in acquiring other, different capabilities. Business-driven programs sought to add more technology, and technology-driven initiatives sought to gain business participation. The need today is for a comprehensive approach to process work, and this study clearly underlines the importance of a broad approach that is based on a foundation that embraces all of the major process capabilities.

In addition to their work in frameworks, benchmarking, and best practice studies, APQC has also launched a business process conference for its members. I attended the 2011 conference in Houston and found it very informative. Their 2012 BPM Conference, **Block & Tackle: Leveraging Process for Results**, will take place from October 22 to 26 in Houston Texas. Information is available at <http://www.apqc.org/2012-process-conference-overview>

To obtain the APQC report, **Building Strong Process Management Capabilities** [click here](#).

Till next time,

Paul Harmon

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