Managing Business Processes

Management is a complex issue. Anyone who has tried to manage, or has tried to teach another how to manage, knows just how difficult it can be and it hasn't become easier in recent years as companies have begun to move toward more process-focused ways of organizing and managing.

Process management can be a very confusing topic. In Figure 1 we picture a business process that cuts across three departments and generates widgets which are delivered to customers. We assume the company relies on matrix management, and that it has both (1) a traditional departmental management structure and (2) an individual Widget Process Manager responsible for the entire Widget Value Chain - the yellow box in Figure 1. We also assume that the Widget Process Manager chairs a team made up of all the individual managers responsible for the subprocesses or activities that make up the Widget Value Chain.

Many discussions of process management focus on the tasks and responsibilities of the individual responsible for the entire process or value chain - in this case the SVP of Widget Process in Figure 1. Clearly this individual needs to have a broad set of skills in order to assure that the widget process is effectively implemented across all departmental boundaries.
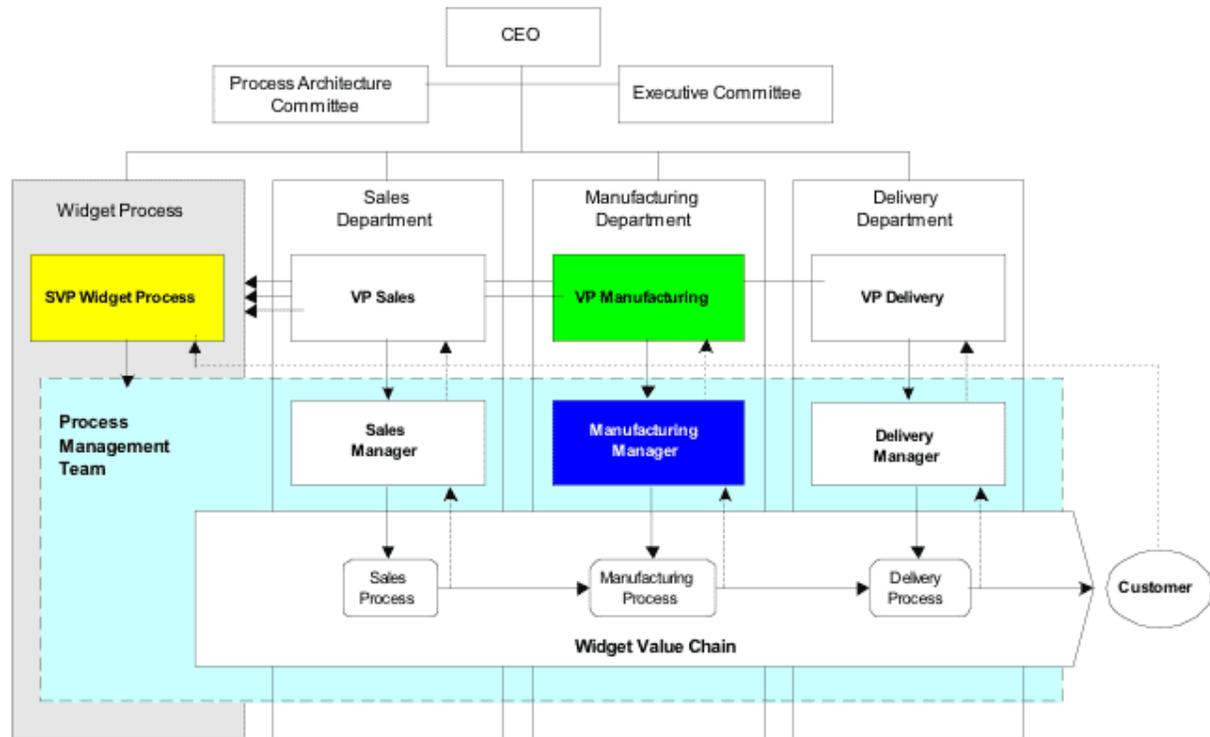

Figure 1.

In this Advisor, however, we'd like to focus on the Manufacturing Manager - the individual occupying the dark blue box in Figure 1. In a matrix management model this individual has two reporting relationships. First, he or she reports directly to the VP of Manufacturing - the individual occupying the green box - and to the Widget Value Chain SVP - the individual occupying the yellow box. The VP of Manufacturing likely controls the Manufacturing Managers budget, salary, job evaluation, and bonus plan. In the best tradition of departmental management, the VP of Manufacturing is responsible for standards and best practices. He or she evaluates subordinates in terms of their ability to implement manufacturing practices in a cost-effective manner. In the worst case, the VP of Manufacturing doesn't care about the overall results of the Widget Value Chain, but is focused almost entirely on manufacturing issues and expects the Manufacturing Manager to do the same. Again, in the worst case, the VP of Manufacturing and his or her reports are focused on manufacturing goals and are compensated based almost entirely on narrowly defined manufacturing goals and milestones.

The organization pictured in Figure 1 isn't anywhere near the worst case. The mere existence of a Widget Value Chain SVP and a Widget Process Team suggests that senior management has set up a matrix

organization to guard against the tendency of departments to optimize departmental goals at the expense of the goals of the entire Widget Value Chain.

So let's consider the Manufacturing Manager for a moment. He or she has to manage a set of activities. By the very nature of the organization pictured in Figure 1, our Manufacturing Manager probably understands that the manufacturing activities constitute a subprocess within the overall Widget Value Chain. This certainly gives the manager an edge over managers who operate in conventional organizations who probably do not have a very precise idea of exactly how what they do relates to what managers in other departments do.

Assuming our SVP for the Widget Process holds frequent Widget Process Management Team meetings, the Manufacturing Manager probably knows the managers responsible for both the upstream and the downstream processes that interface with the manufacturing process. Moreover, the Manufacturing Manager probably is aware of the latest studies of customer satisfaction and the problems in related processes that could be alleviated by adjustments to the manufacturing process. In other words, the Manufacturing Manager in a matrix organization is well-positioned to understand the issues related to the overall Widget Value Chain and to recommend and implement changes in the manufacturing process that would improve the overall widget process.

In a similar way, the Manufacturing Manager is well-positioned to evaluate the performance measures derived from the manufacturing process and to relate them to other measures derived from other Widget Value Chain measures, and to key performance indicators (KPIs) used to measure the overall efficiency of the Widget Value Chain.

The company would certainly benefit from this approach. Business success, after all, is directly related to well designed and well managed processes. The Manufacturing Manager, however, has a more complex job than most managers in traditionally organized companies. He or she has two reporting relationships and a much wider set of concerns than a traditional manager who simply focuses on managing the activities assigned according to the prevailing manufacturing best practices and standards.

Process managers, in the sense that the Manufacturing Manager is a process manager, need special training and support. They need to learn the skills required for balancing the concerns of two different managers with two somewhat different sets of concerns. They need to learn how to think of processes and how to improve them. They also need to develop a sense of shared responsibility for the value chain as a whole, and a willingness to share information and to compromise and adjust in ways that a traditional manager does not.

Organizations that have converted to a matrix-based process management structure have often lost a significant number of managers in the transition. Those lost were unable to adjust to the new structure and/or to acquire the skills necessary to manage in a matrix-based process management environment.

Process-focused management affords organizations better control and more flexibility. As organizations outsource and become more distributed and as the pace of change continues to accelerate, process-focused management is going to become more prevalent. Now is the time for organizations considering or moving toward this approach to consider the problems that will face process managers like the Manufacturing Manager pictured in Figure 1. Now is the time to begin developing process governance structures, training, and support mechanisms to assure that the transition is as effective as possible.

'Til next time,

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