

▶▶▶ Process Perspectives ◀◀◀

A publication from Process Strategy Group

Why Should an Organization Become Process Based?

Many organizations are moving beyond managing the functions in the organization, and are focusing on how products and services are delivered to the customer. The How is a result of managing the processes in the organization, and most importantly, the customer facing processes. By managing these processes, and the interactions between processes, these organizations become process-based. We call this management approach Process Based Management.

Process Based Management (PBM) is a holistic approach that focuses on managing the portfolio of processes in an organization, not just individual processes. This allows the organization to focus on customer expectations. Customers do not see individual processes; they see the result of all the processes working together. In too many instances, these interactions are not well coordinated, resulting in poor service. Only with a process based approach can an organization truly focus on the customer. Organizations good at *both* managing their entire portfolio of processes *and* managing the space between processes in an integrated manner will outperform their competitors.

Traditionally, customer needs are served as multiple functions perform their portions of one or more processes. However, functionally focused organizations are inefficient at coordinating work across functional boundaries. The goals of functional areas frequently conflict with each other and take priority over the needs of the customer. Other than those in select positions, employees often do not understand how they provide (and, equally as important, fail to provide) value to customers. Teamwork may be promoted in name, yet internal communications are silent on encouraging process performance over functional results. Employees are frequently not empowered to understand, analyze and improve processes. When they are, they compete to fund endeavors which, if successful, often improve their function while sub-optimizing performance of the overall process.

Process based enterprises have developed a unifying mindset, rooted in employees' process perspectives, which considers the entire value chain in all decisions. Process implications are discussed from the strategic level to the front lines. Employees understand how customer value is created, where improvement is needed, how to avoid sub-optimization, and how to best deploy scarce resources.

Placing the focus squarely on the customer and managing the end-to-end processes, Process Based Management provides a strategic approach to achieve a competitive advantage in the current customer-centric business environment. As we discussed in detail in the book, "Process Based Management: A Foundation for Business Excellence", organizations such as Dell, Progressive, and Yellow Freight have all followed this strategic approach to achieve their current levels of success.

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The need for a process focus to improvement has not gone unnoticed. Popular methods such as ABC/M, Baldrige, CMMI, ISO, Lean, Six Sigma and TQM are rooted in process thinking and tools, and many accomplish short-term objectives. However, these methods often serve as initiatives, are not linked to other methods, and are sustained only until replaced by the next method or program. The governance and operational frameworks of a process based enterprise integrate diverse initiatives, methods and tools, including the resources they require, with the organization's strategic intent and objectives.

ABC/M- Activity Based Costing and Management	ISO- International Standards Organization
Baldrige- Malcolm Baldrige Quality Award	TQM - Total Quality Management
CMMI- Capability Maturity Model Integrated	

Process Based Management provides different, but linked, benefits to various stakeholders and perspectives of the organization.

- The key stakeholder is the customer, without whom there is no business; they should see better service and a more targeted value proposition.
- Moving inward, operations benefits from improved focus and performance. The people who execute the processes that provide value to the customer, the employees, benefit from the understanding, control and accountability they have as process performers.
- Shareholders and debt-holders benefit from improved performance.
- Suppliers benefit from the seamless and transparent interrelationship for lowering transaction costs and improving value to the customer, and the foundation for integrated planning and strategies across the supply chain.

Each stakeholder needs to see results: from continually improving products and services to the bottom line impact of better managed and aligned processes.

Recent research from Dr Kevin McCormack (Business Process Maturity: Theory and Application; 2007) has provided some quantification of the impact of being process_based. In his research with hundreds of companies on Business Process Orientation (BPO), the results show that within an organization:

- Greater levels of BPO reduced inter-functional conflict and improved interdepartmental "connectedness"
- The greater the level of BPO, the greater the organizational performance. The research indicated that a 16.6% increase in BPO leads to a 19.4% performance improvement.
- The greater the level of BPO, the greater the organizational esprit de corps.

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