Insights on the Road to Implementing Process Based Management

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CAM-I Process Based Management Program

Process Based Management Program

Agenda

- Key Principles of Process Based Management

- Key Learnings On the Journey

- Why Should you be Process Based

What's the Big Deal About Process Based Management?

Processes are <u>how</u> all organizations provide products and services to their customers

However:

Most organizations <u>do not</u> understand or manage their processes ......or they manage a process in isolation

Thus.....

Most organizations <u>do not</u> manage how they provide products or services to their customers.

Our Premise:

The management approach of leading organizations is evolving toward a holistic approach of Process Based Management.

Current Pains that Could Benefit from a Process Focus:

- Products or services don't meet customer expectations
- Competitors are getting ahead on price/product/service.
- Downward price pressure: need to manage costs
- Challenge of ERP and CRM to deliver
- Initiatives that are poorly linked
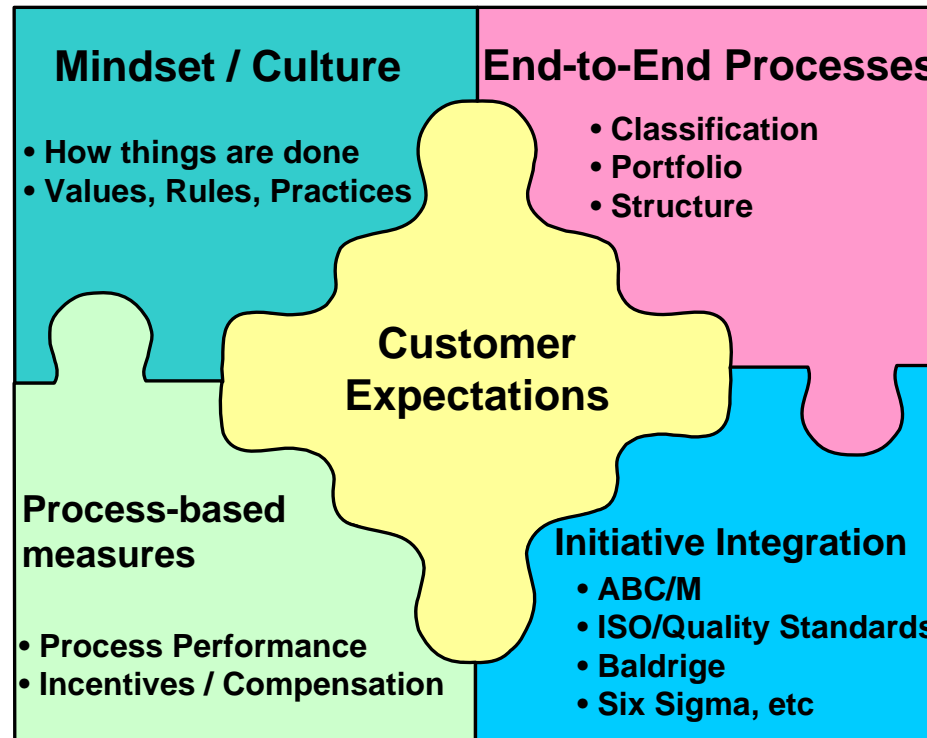- Compliance mandates (Sarbanes-Oxley)

What is Process Based Management?

- A management approach that focuses on:
  - Promoting a process-based culture
  - Managing end-to-end business processes to continuously improve cost, time and quality of products and services delivered to customers
  - Understanding and meeting customer expectations
  - Integrating diverse initiatives into a process-oriented approach
  - Linking incentives and compensation to process performance

Process Based Management

- Awareness & Communication
- Executive leadership
- Process included in strategy

Mindset / Culture

- **How things are done**
- **Values, Rules, Practices**

End-to-End Processes

- **Classification**
- **Portfolio**
- **Structure**

- Processes named
- Boundaries identified
- Standard methodology
- Infrastructure established

Customer Expectations

- Measurement Architecture
- End-to-end performance
- Best Practices
- Benchmarks

Process-based measures

- **Process Performance**
- **Incentives / Compensation**

Initiative Integration

- **ABC/M**
- **ISO/Quality Standards**
- **Baldrige**
- **Six Sigma, etc**

- Leverage existing programs
- Identify linkages
- Develop common terminology

- Voice of the Customer
- Customer driven Products & Services

Process Based Management at CAM-I
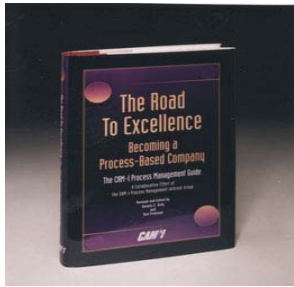
- 1994-1997
- Experiences of 7 companies heavily engaged in reengineering, with negative consequences
- Developed an approach to becoming process based

- 1998-2004
- 5 case studies and additional research
- Developed the PBM Loop for evaluating implementation progress

Process Based Management Program

- Launched in 2004 as separate Program
- Current Projects: PBM Roadmap and Assessment Framework

Key Learnings from Case Studies

Four Areas:

- Mindset
- Entry Points
- Migration Path
- Governance issues
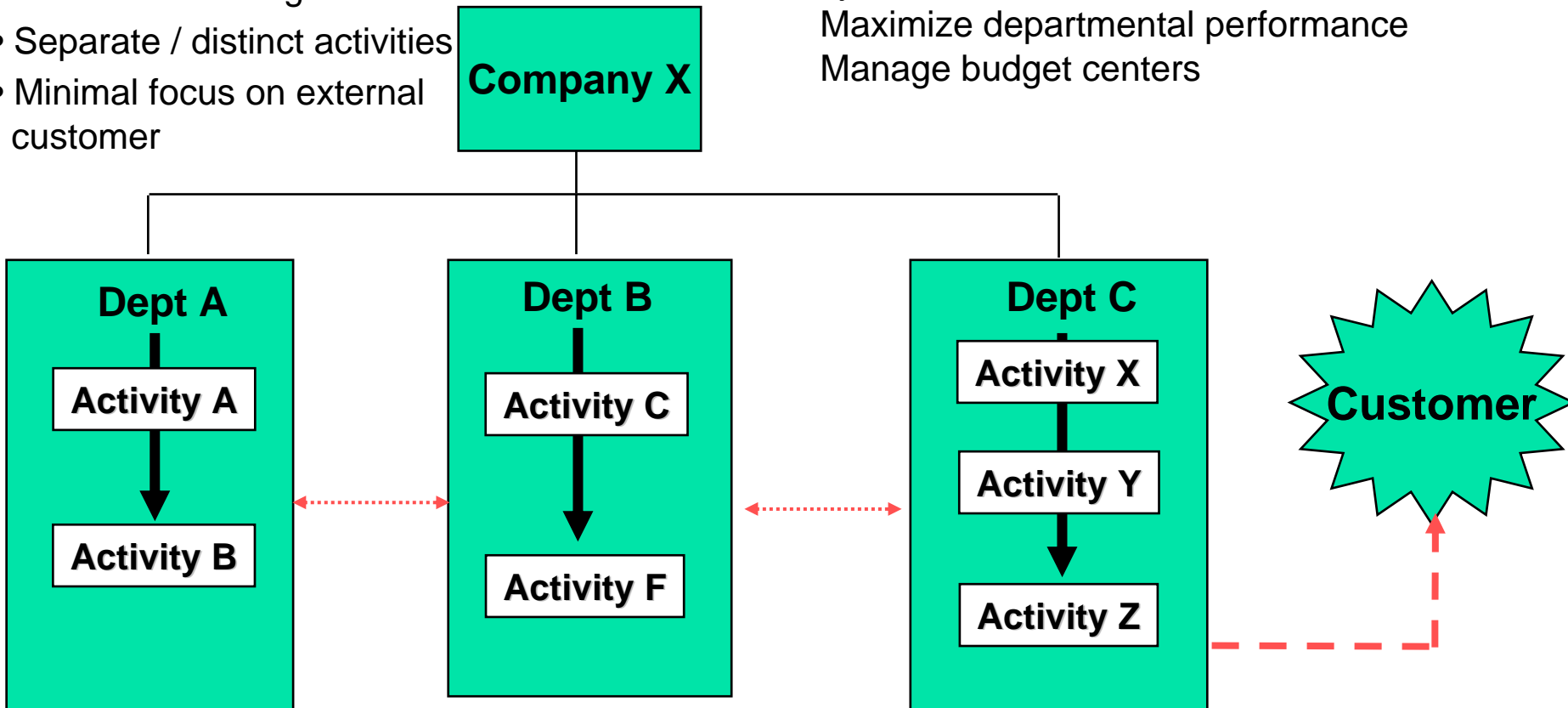
Key Learning: Mindset

Mindset shift is required

- The process approach is a different way of looking at how
    - Work is performed
    - Employees are managed
    - Performance is measured

Traditional View: Functional

- Traditional management structure
- Separate / distinct activities
- Minimal focus on external customer

• Objective:
  Maximize departmental performance
  Manage budget centers

Company X

Dept A
- Activity A
- Activity B

Dept B
- Activity C
- Activity F

Dept C
- Activity X
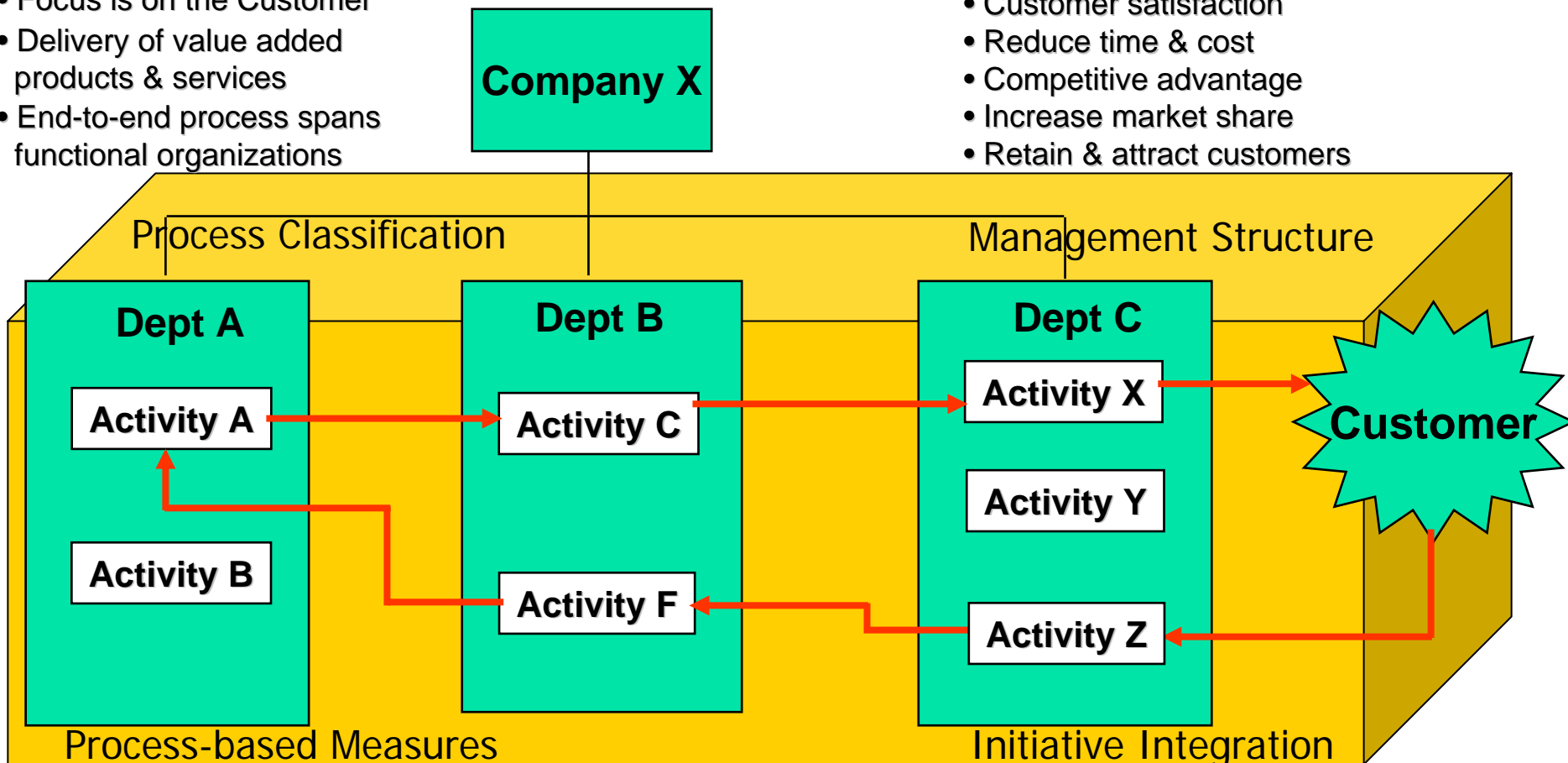- Activity Y
- Activity Z

Customer

Process View for a Company

- Focus is on the Customer
- Delivery of value added products & services
- End-to-end process spans functional organizations

Objective:
- Customer satisfaction
- Reduce time & cost
- Competitive advantage
- Increase market share
- Retain & attract customers

Company X

Process Classification

Management Structure

Dept A

Activity A

Activity B

Dept B

Activity C

Activity F

Dept C

Activity X

Activity Y

Activity Z

Customer

Process-based Measures

Initiative Integration

Key Learning: Entry Points

There are multiple entry points to PBM

- Different initiatives tried and in place
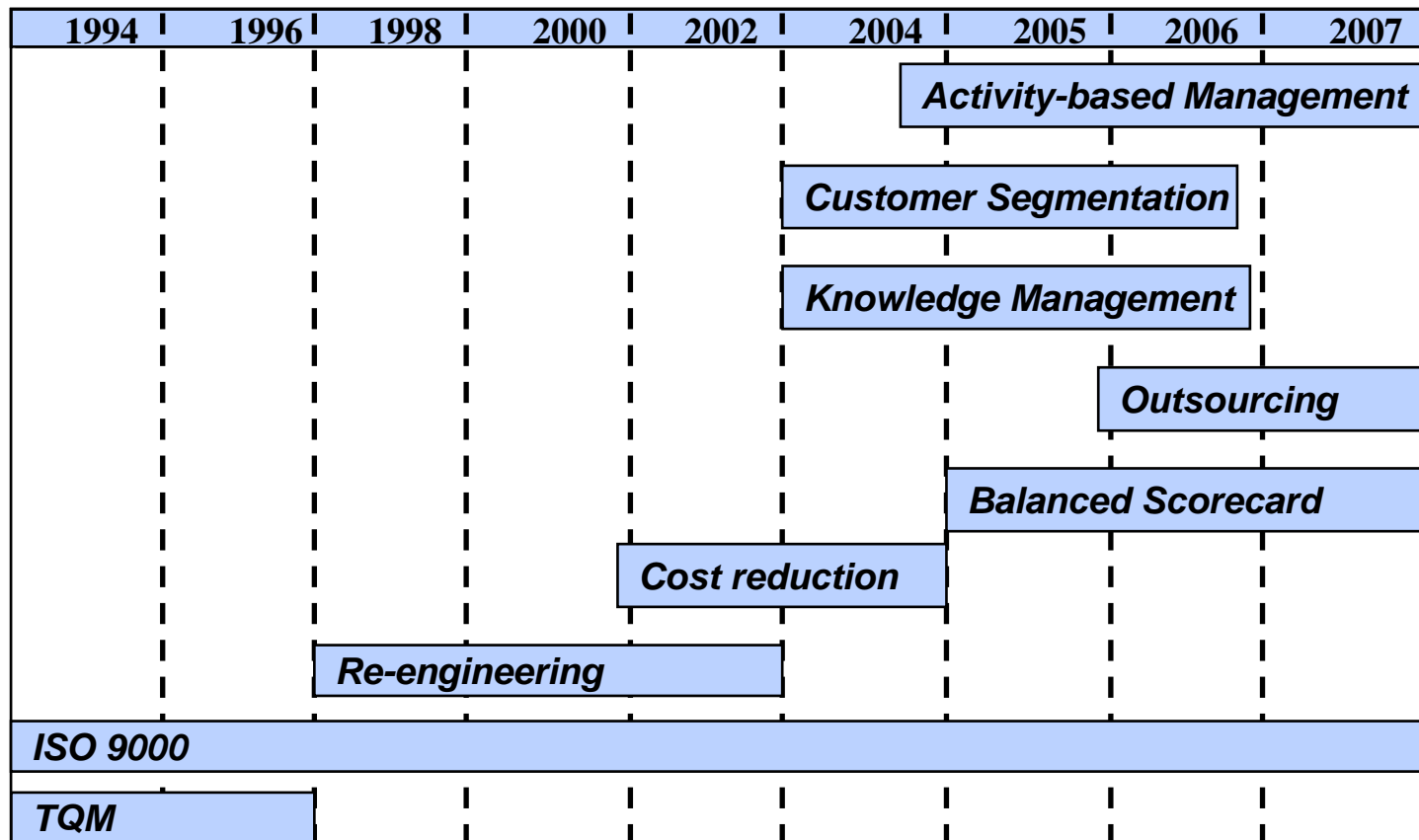- Many initiatives failed
- Various business conditions

How did the Organization get to this Point?

History of Initiatives:

Initiative	Year Implemented	Status	Employee Reaction
TQM	1997	No longer used	A "Quality" Fad
Re-engineering	1995	No longer used	Job elimination, RIF
ISO 9000	2001	Still used for certification	Requirement for doing business
Cost reduction	2003	Used on an ad-hoc basis	More work, less people
Balanced Scorecard	2004	Still used	No understanding of how it Affects my job

Timeline of Initiatives

1994	1996	1998	2000	2002	2004	2005	2006	2007

- **Activity-based Management** (2004–2007)
- **Customer Segmentation** (2004–2007)
- **Knowledge Management** (2004–2007)
- **Outsourcing** (2006–2007)
- **Balanced Scorecard** (2005–2007)
- **Cost reduction** (2001–2004)
- **Re-engineering** (1996–2002)
- **ISO 9000** (1994–2007)
- **TQM** (1994–1996)

Key Learning:

Integration of initiatives is crucial

- Many diverse initiatives
    - Initiatives compete for resources
    - Baan Study: Management Tools 2001
        - Companies have on average 10 tools in place
- Alignment is how organizations move in the same direction
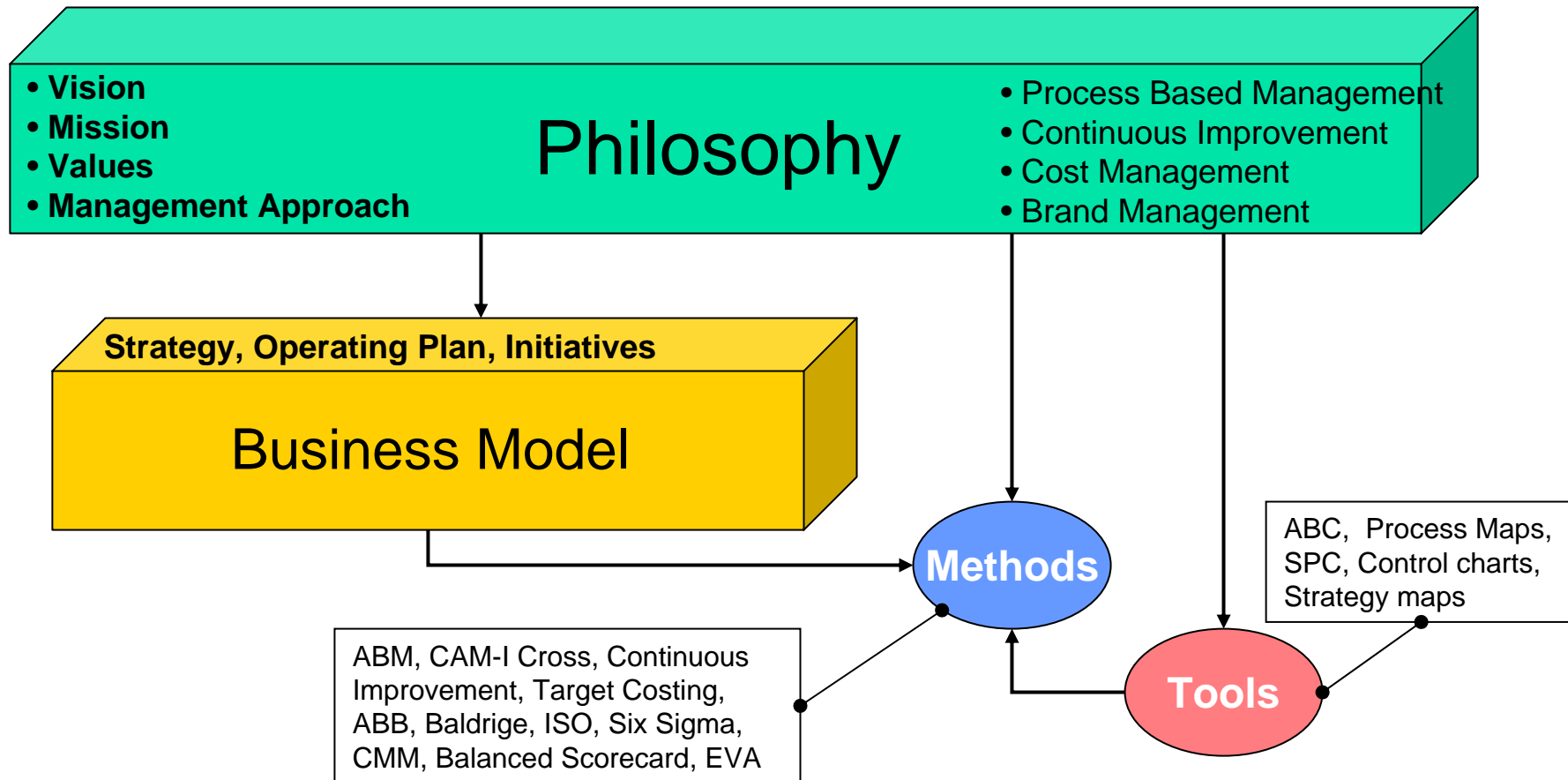
Bain Top 25 Management Tools:

- ABM
- Balanced Scorecard
- Benchmarking
- Core Competencies
- Corporate Venturing
- CRM
- Customer Satisfaction
- Customer Segmentation
- Cycle time reduction
- Growth strategies
- Knowledge management
- Market disruption mgmt.

- Merger Integration teams
- Mission/vision statements
- One-to-one marketing
- Outsourcing
- Pay-for-performance
- Real options analysis
- Reengineering
- Scenario planning
- Shareholder value analysis
- Strategic alliances
- Strategic planning
- Supply chain integration
- TQM

Challenge of Management tools

- Which are the right ones
- Demand push vs. demand pull
- Alignment
- Integration
- Need a framework to provide structure

Discipline Model

Philosophy
- Vision
- Mission
- Values
- Management Approach

- Process Based Management
- Continuous Improvement
- Cost Management
- Brand Management

Business Model

Strategy, Operating Plan, Initiatives

Methods

Tools

ABC, Process Maps, SPC, Control charts, Strategy maps

ABM, CAM-I Cross, Continuous Improvement, Target Costing, ABB, Baldrige, ISO, Six Sigma, CMM, Balanced Scorecard, EVA

Key Learning:

PBM needs to be embedded in the Strategy

- More than an initiative
- Effects the focus of the organization

Key Learning: Governance

Executive engagement and commitment is critical

- Initiatives compete for attention
- Action follows leadership
- Part of the management philosophy of the organization

Key Learning:

Process owners are required at a high level

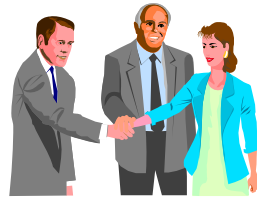- Key role in the process infrastructure

Governance Model

Process Council
- Process Owners
- Functional top management

- Manage cross process issues
- Monitor process measures
- Link to strategy and op plan

- Allocate resources
- Approve process changes
- Manage the communication plan

Process Owners
- Top level management
- Process & functional hats

- Formulate vision
- Establish targets
- Assess performance

- Obtain resources
- Approve action plans
- Integrate across processes

Process Team Leader
- Sub-process owner
- Full-time

- Process design
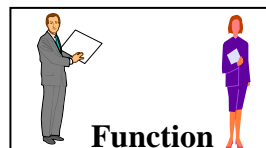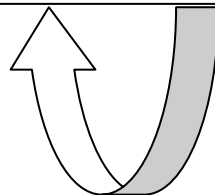- Performance measurements
- Oversee implementation

Process Team
- Subject matter experts
- Rotate

- Set process goals
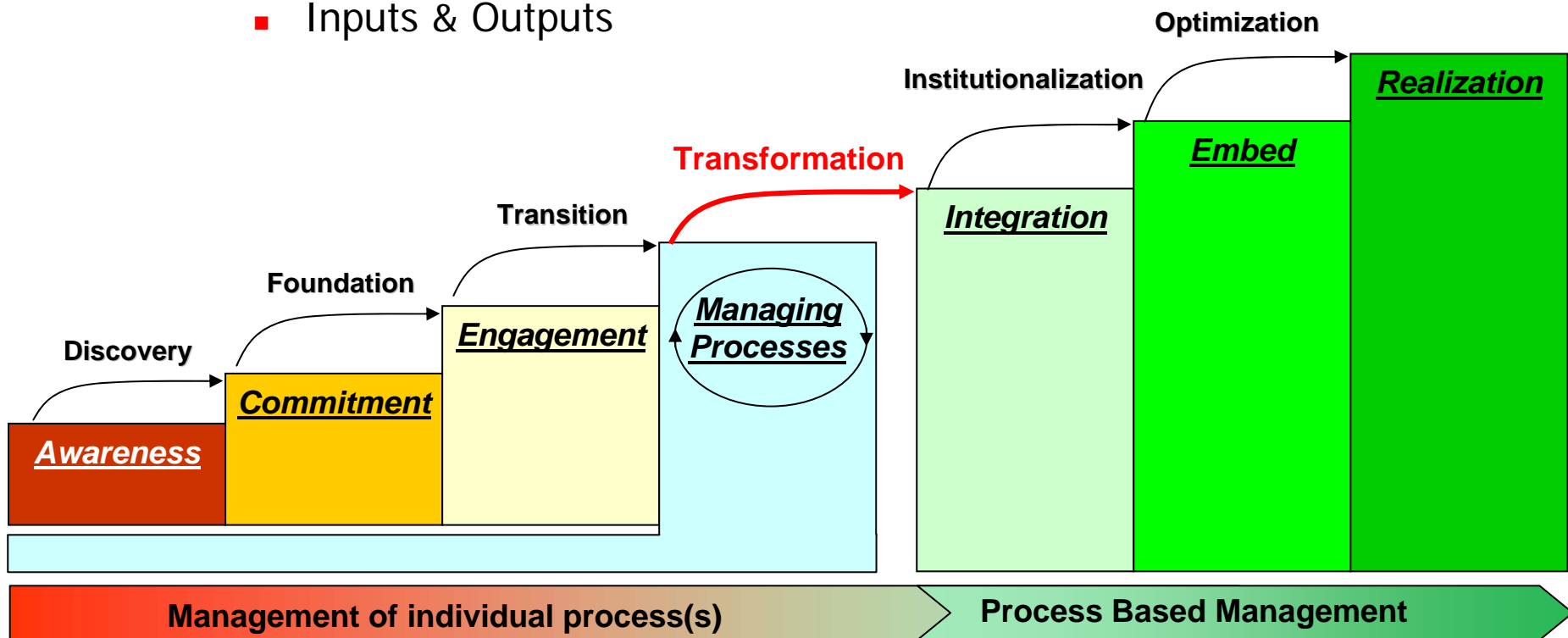- Monitor performance
- Identify improvements

Process Performers

Function   Function   Function

Process

Key Learning: Migration Path

Requires a "Process" for Process Based Management

Journey on the Roadmap to PBM

- Defined "Pathways" for moving between Stages
- Identified detail steps for each Pathway
  - What, Why, How, Who
  - Inputs & Outputs

Discovery
Foundation
Transition
Transformation
Institutionalization
Optimization

Awareness
Commitment
Engagement
Managing Processes
Integration
Embed
Realization

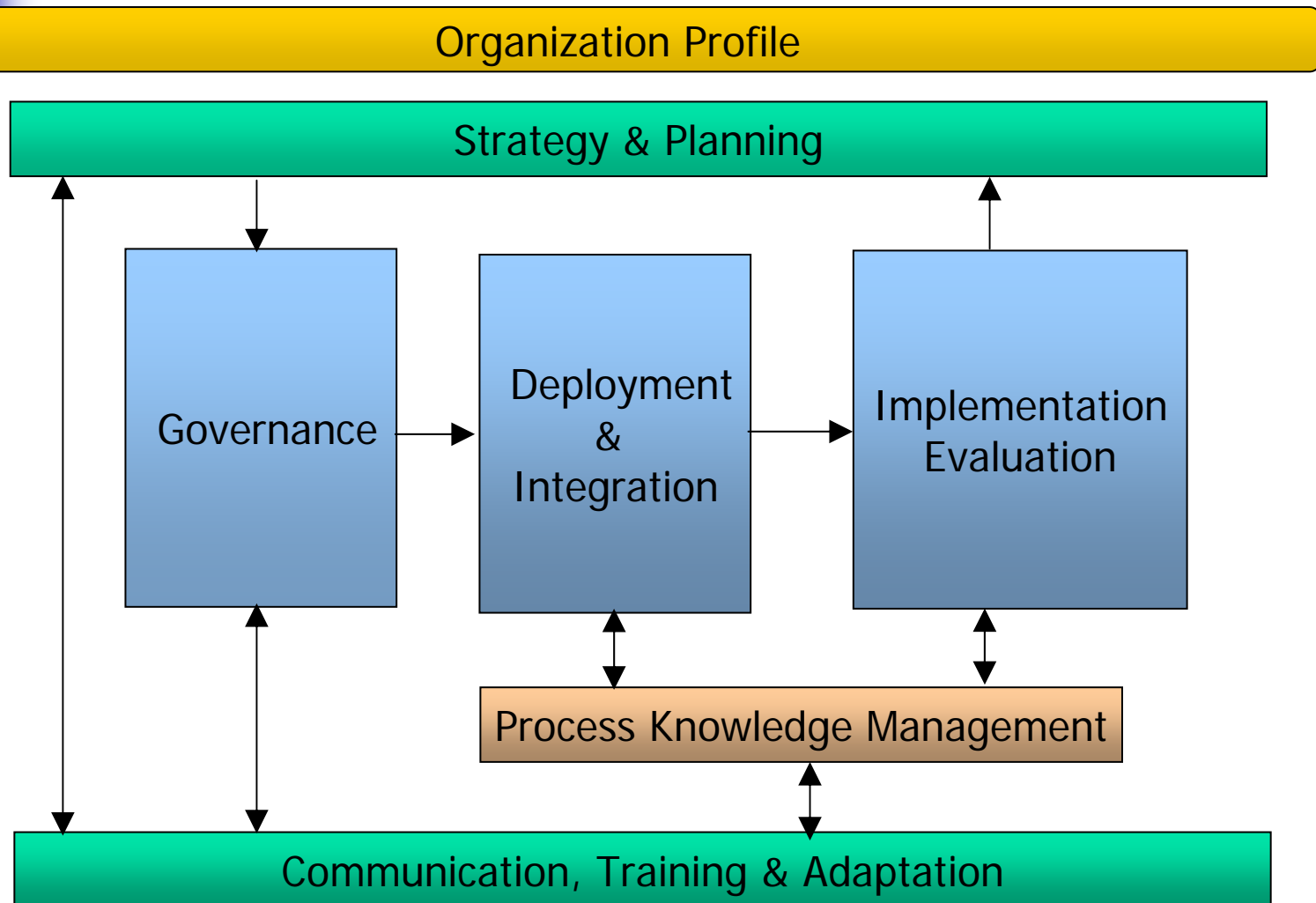**Management of individual process(s)** | **Process Based Management**

Key Learning:

PBM Shift requires a long term perspective

- Change in how:
  - Work is performed
  - Organization will be managed
- Requires the organization to stay focused

PBM Assessment Categories

Strategy & Planning

Governance

Deployment & Integration

Implementation Evaluation

Process Knowledge Management

Communication, Training & Adaptation

Key Learning:

Process performance measures are critical

- If you can't measure it, you can't manage it
- Tell me how you will measure my performance , I will tell you how I will behave
- Teams need to be involved in developing measures
- Measures are continually evolving as the processes mature

Where is this leading?

- There is an ongoing need for organizations to improve their processes

- The philosophy of Process Based Management will continue to evolve as organizations become process-centered

- But……how does an organization implement Process Based Management?

Steps to Get Started:

- Assess current environment
- Identify / Create Pockets of process success
- Identify and classify your critical cross functional processes
- Analyze and improve critical processes
- Monitor implementation and ongoing performance

Process Based Management Program

Provide member organizations access to leading techniques and practices for implementing Process Based Management (PBM)

Member Benefits

- Collaborative research approach
- Use of Program deliverables internally
- Quarterly working meetings
- Networking with peers
- Access to Best Practices
- Seat on PBM Advisory Committee
- Copy of Integrated Assessment System software
- Reduced rates for PBM training

Program Deliverables

- **Implementation Roadmap**
  – A practical "how to" guide

- **PBM Assessment Model**
  – An assessment tool to evaluate implementation progress

- **PBM Training**
  – A standard curriculum for PBM practices

- **PBM Certification**
  – A certification system for individuals and organizations

Over Three Decades of Industry-led Collaborative Research

Sponsor
ATI — Advancing Technology through Collaboration

Partner
CMA — Certified Management Accountants

Members

- Bank of America
- SAS
- Pinnacle West Capital Corporation
- Grant Thornton
- PREMIER
- International
- ON Semiconductor
- Regence

Collaborative Process

- Quarterly meetings for developing deliverables
- Use of all deliverables internally
- Multiple perspectives from members provides a richer deliverable
- Knowledge sharing from other companies that are implementing PBM

Process Based Management Program

- For additional information on this research program, go to CAM-I.org or contact:

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    - Jerry@cam-i.org