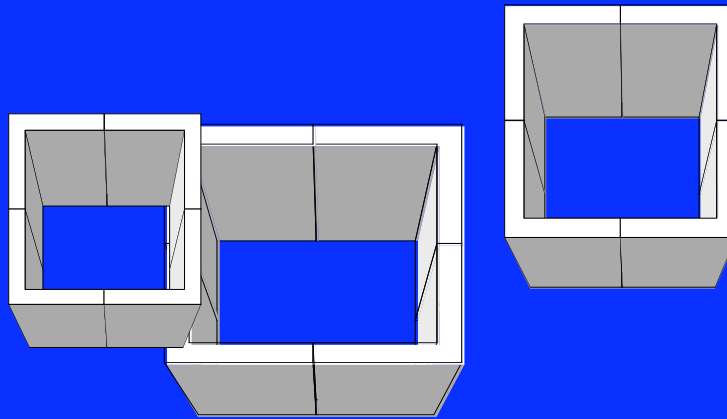


Designing the Process-Centered Organization



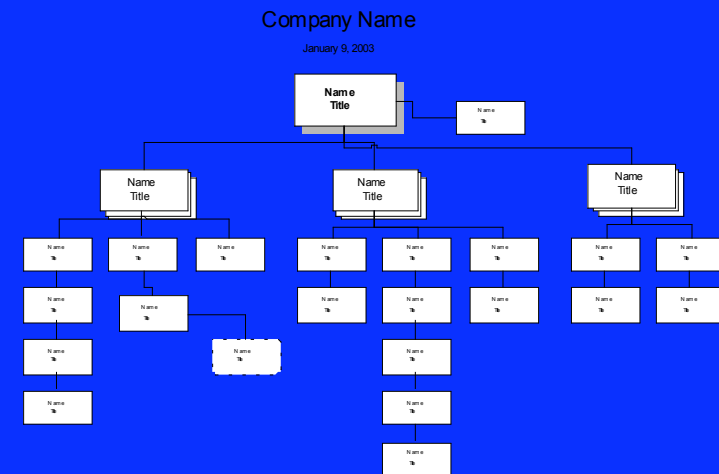
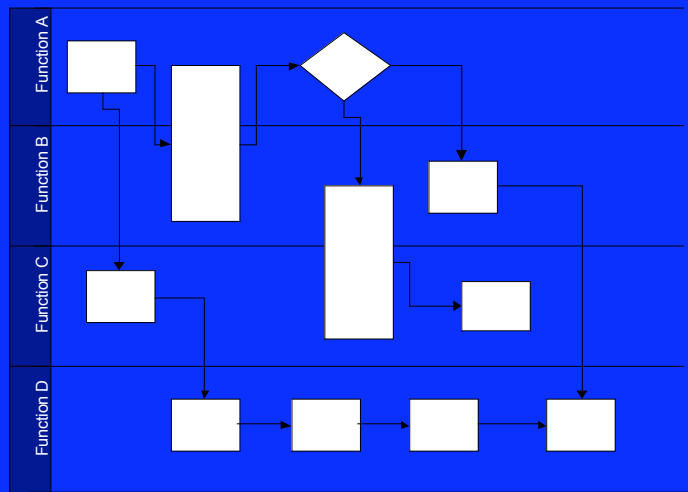
Alan Ramias
Performance Design Lab

Ray Svenson
**Ray Svenson
Consulting**

Agenda

- Why this approach
- Case example
- Tool walk-through
- Q&A

The Wall between Process & Structure



Process vs. Organization Structure Design

- Process design focuses on how work gets done (e.g., work activities, inputs & outputs, cross-functional linkages, output metrics)
- Organization structure design focuses on who does the work (e.g., functions & jobs, scope of responsibility, territories, work assignments)

The Typical Application of Process Design/Redesign

- Tends to be for improvement of large cross-functional processes
- Bits and pieces of jobs and departments may get redesigned but not whole jobs and functions
- Other key processes may go untouched
- Result can be a “process tunnel” drilled through an otherwise unchanged organization

The Classic Organization Structure Redesign

- Focuses on jobs and incumbents; work processes are invisible
- People may be moved around to different jobs but with little impact on performance
- Work processes may become fragmented and even be destroyed
- Not much gain in performance

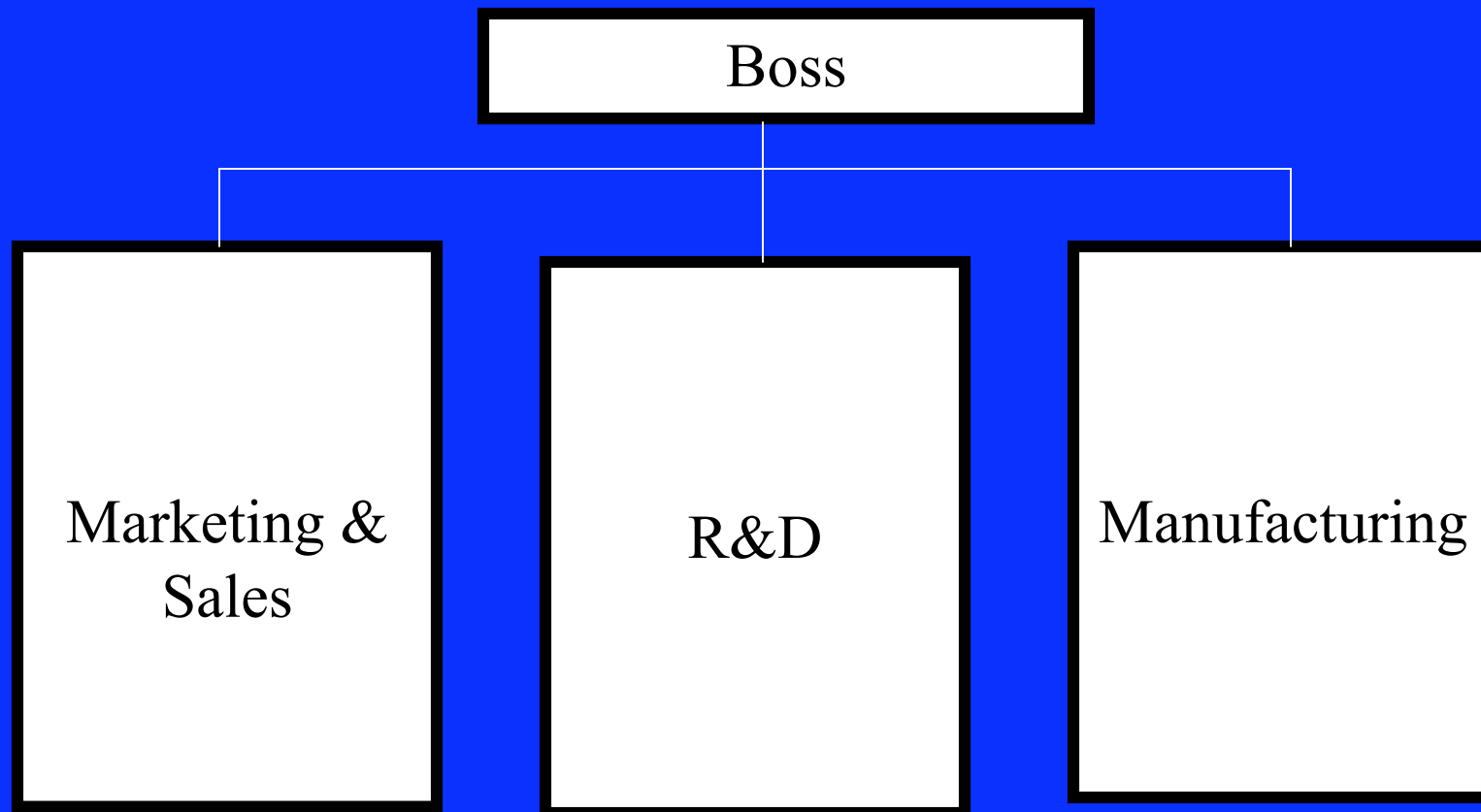
Which Approach?

- If you apply organization structure design techniques alone, you can miss the details of how work will get done, especially across different organizational units (departments, divisions, functions, territories)
- If you apply process techniques to organization design, you usually don't end up with a complete design

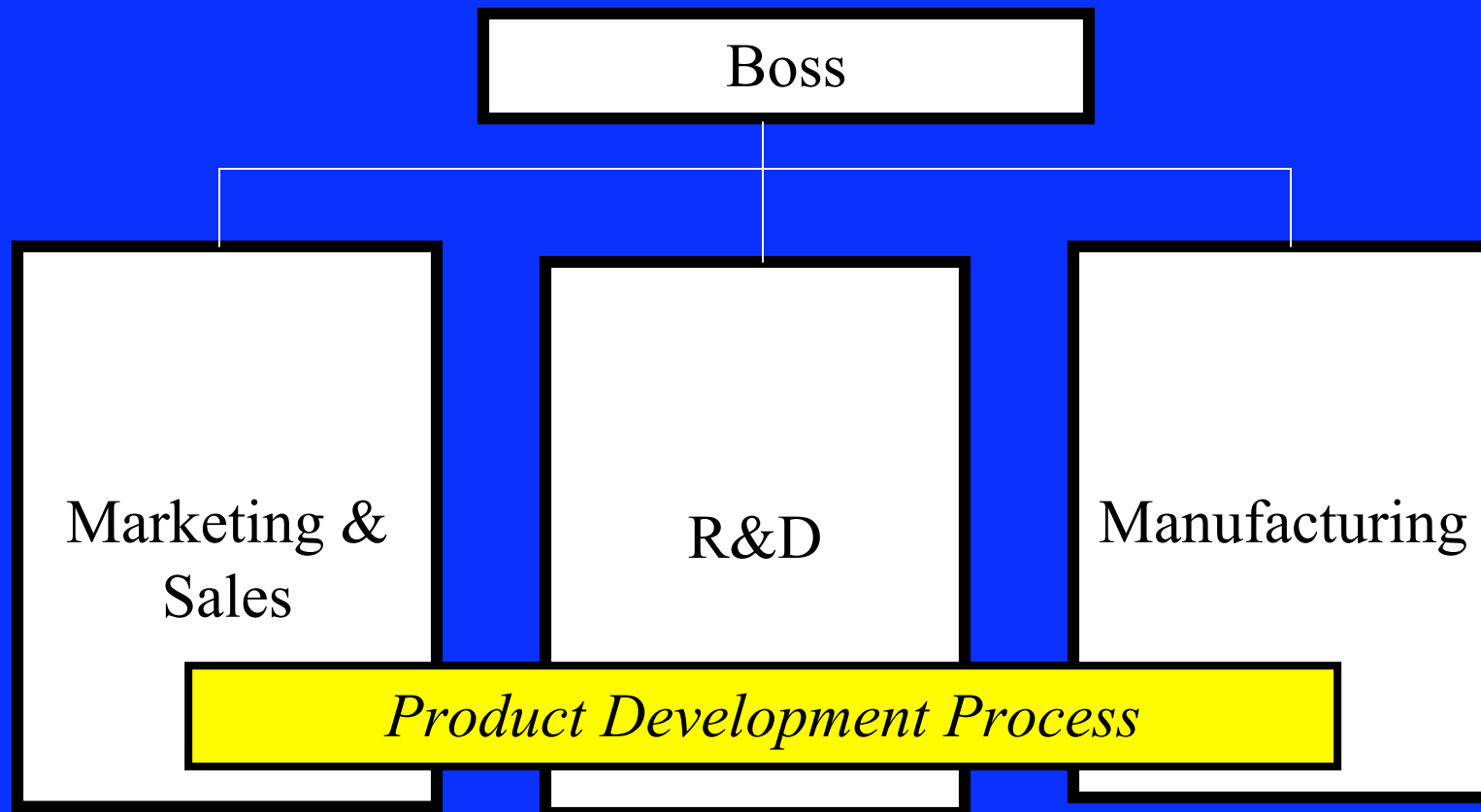
The Solution?

- It is tempting to think that the solution is to substitute processes for structure
- But that won't work...

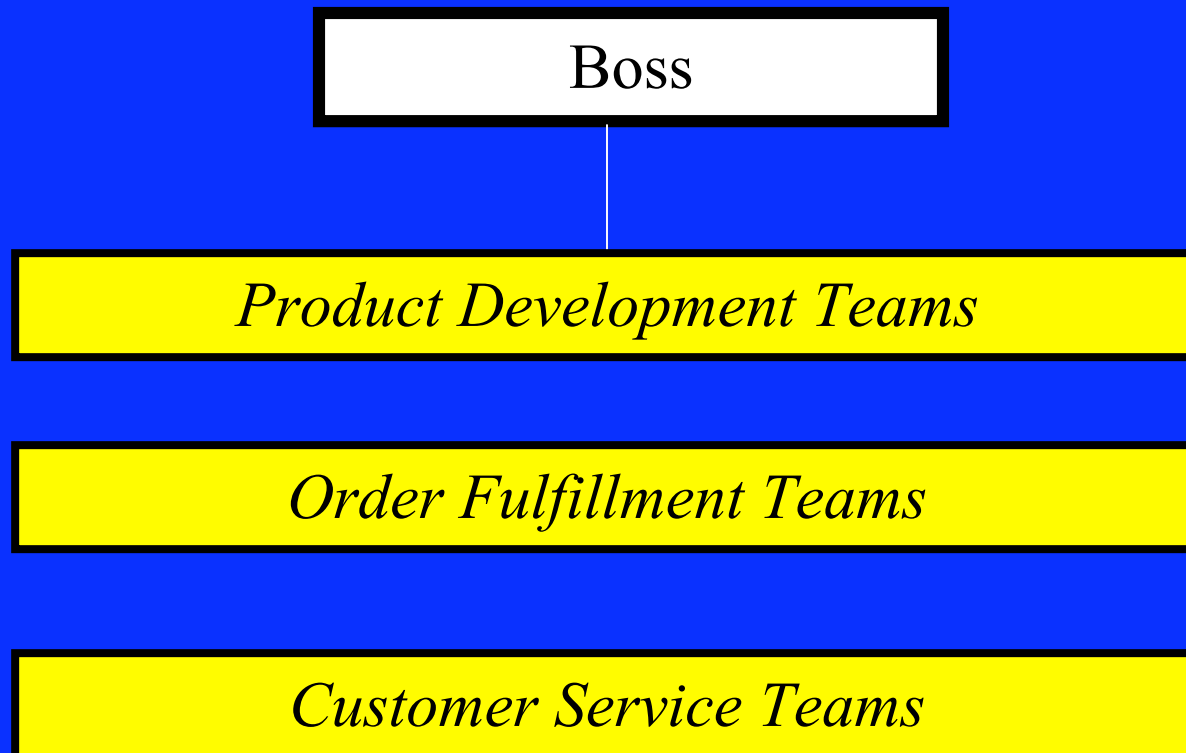
Managing the White Space on the Organization Chart (Rummler)



Process Management Addresses Some White Space Issues



But There will *Always be* White Space



The Bitter Truth

- There will always be white space
- The trick is to decide where & how you can best manage it

Possible Structural Options

Functional

Geographic

Technology

Product Line

Process

Customer/Market

The Bitter Truth II

- You can't address all structural options
- At most you can deal with 2-3
- So there will always be structural weaknesses and white space issues

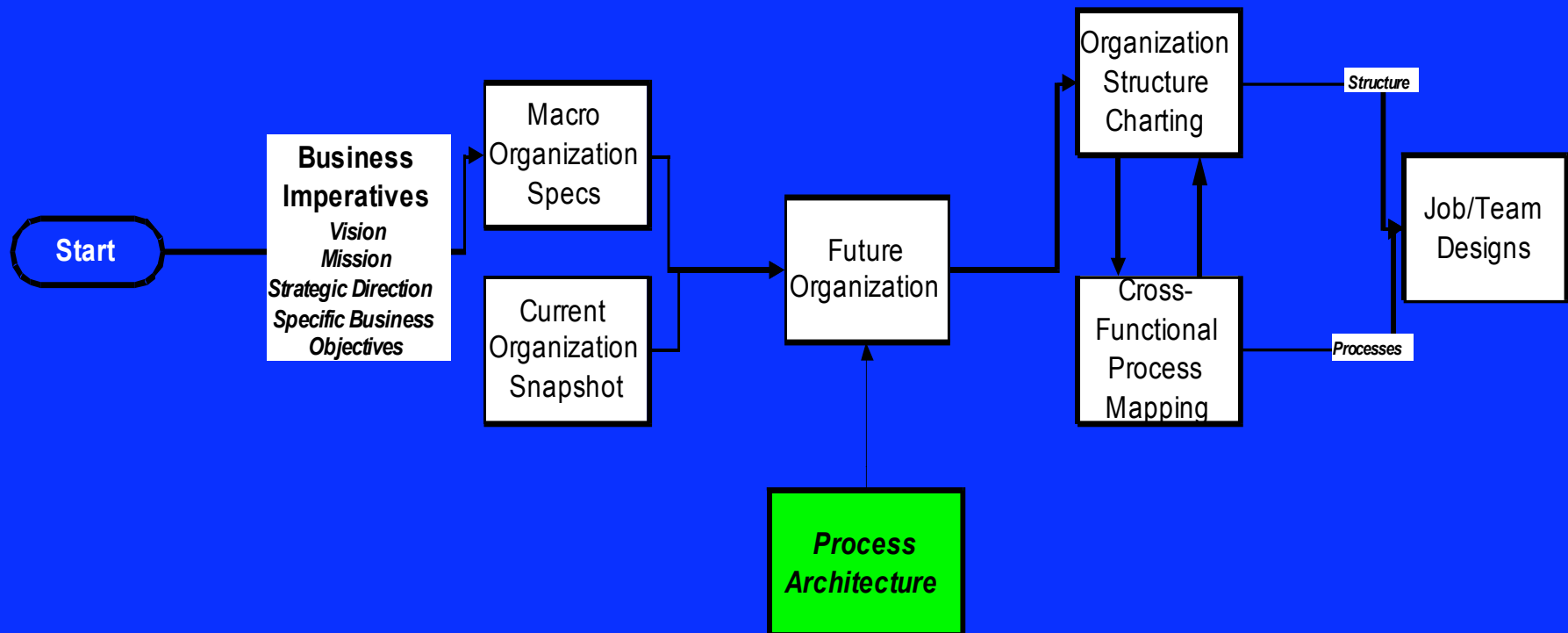
A Process-Centered Approach to Organization Design

- An organization is an instrument to transform inputs into outputs in service of business objectives
- Processes are the means of achieving the transformation of inputs into outputs
- A process-centered organizational design finds the best combination of structure & process

The Sequence We Follow

- Identify the business imperatives
- Identify organizational design implications
- Determine design requirements
- Design the most optimal solution
- Overlay compensating mechanisms to deal with structural weaknesses & white space (things that don't necessarily appear on the organization chart)
 - Teams
 - Metrics
 - Shared data, goals, resources
 - Matrix reporting
 - Defined interfaces between groups
 - Councils & other governing bodies

Organization Design Process



Case Example

Global Consumer Products, Inc.

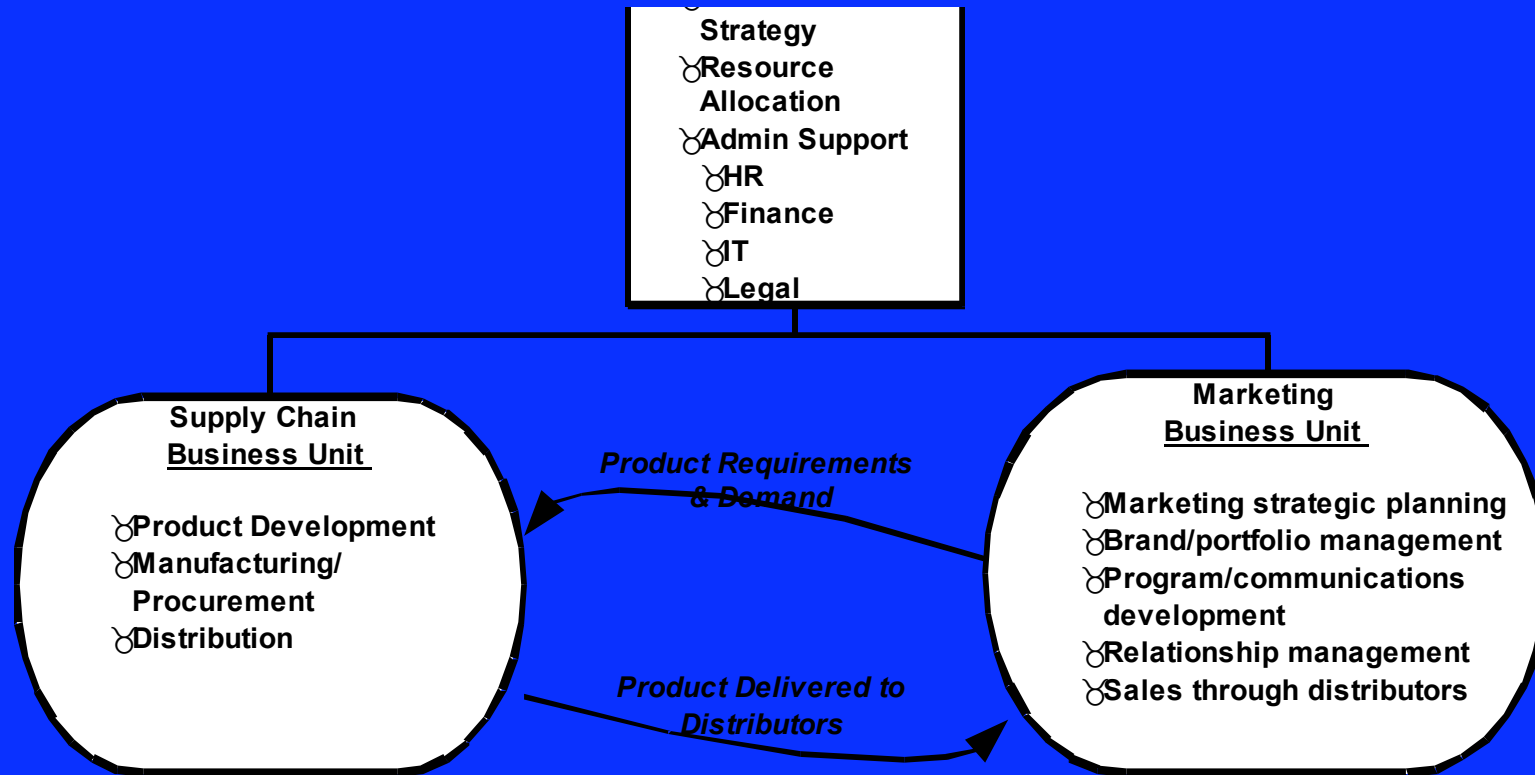
Current Situation

- Global Consumer Products Business
 - Product development & manufacturing in North America
- Each country is its own business unit
 - Product specification
 - Marketing
 - Sales (through distributors)
 - Customer service
 - Supply chain (within country)
- Central management of supply chain to country borders

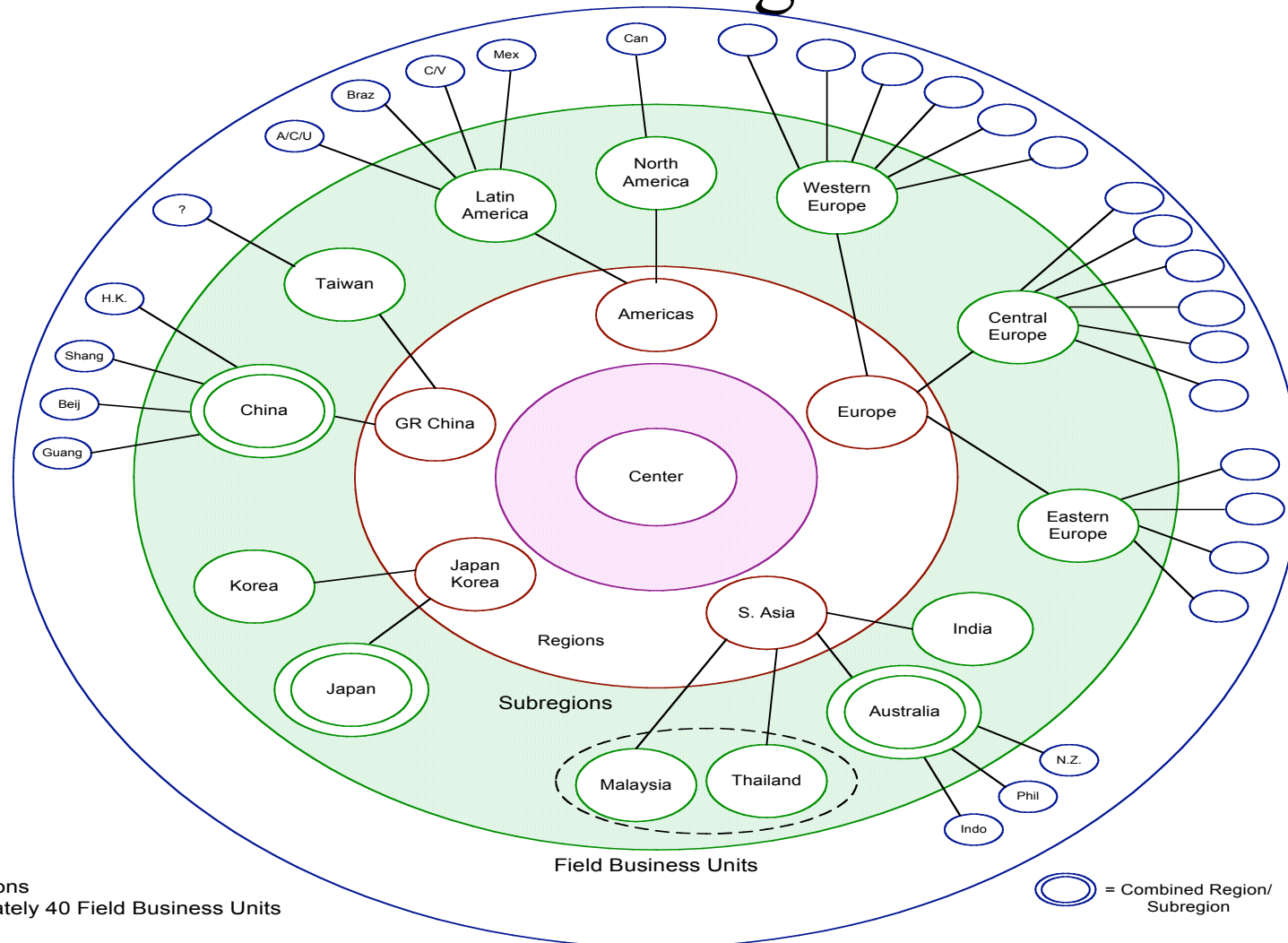
The Organization's Problems

- Too much overhead (BU's in every country)
- Major confusion about product development & product management globally
- Disjointed marketing & sales

New Macro Design



Future State Structural View Marketing BU



10/12/06

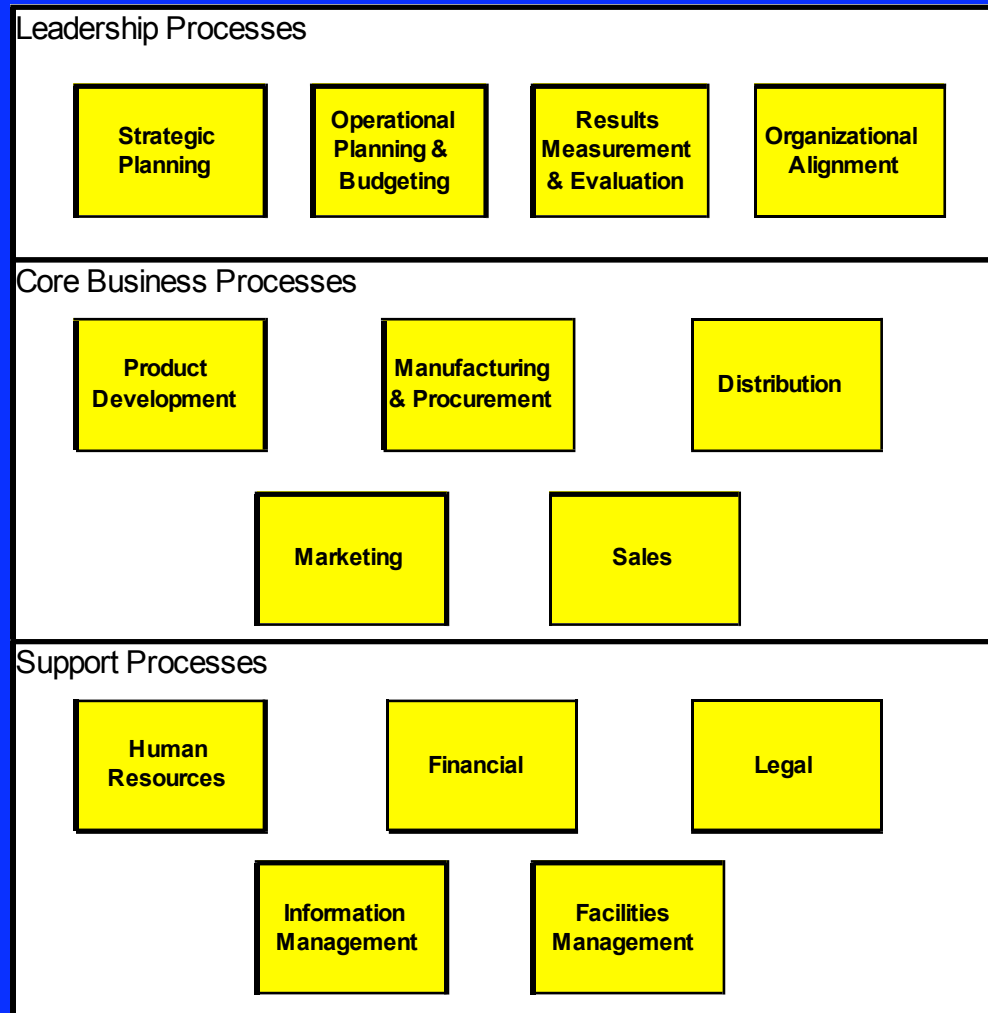
Designing the Process-Centered
Organization

22

Structural Concept

| Region | Sub-region | Field Business Unit (FBU) |
|--|--|---|
| <ul style="list-style-type: none"> • Represents the region on global governance teams • Leads a region governance team structure <ul style="list-style-type: none"> - Business leadership team - Marketing and sales strategy - Business line teams - Sales administration team - Events team - Support team • May develop marketing, merchandising and sales activities • May or may not have a region central staff | <ul style="list-style-type: none"> • Develops marketing, merchandising and sales activities • Expandable • Could be: <ul style="list-style-type: none"> - 1 country - More than 1 country - Part of a country • Backup and support for Field Business Unit • Functional capability: <ul style="list-style-type: none"> - HR - Finance - IS - Legal | <ul style="list-style-type: none"> • Varying sizes (2–50 people) • Basic front–line unit • Expandable • Could be: <ul style="list-style-type: none"> - 1 country - More than 1 country - Part of a country • P/L responsibility • 1st line of distributor contact • Implement marketing, merchandising and sales activities |

Process Architecture



Marketing Macro Organization Specs

Marketing Strategic Planning

- Global marketing strategy
- Brand/business line plans (each business line)
- Region/country sales & marketing strategic operating plan

Brand/Portfolio Management

- Portfolio management
- Launch/promotion
- Discontinuance
- Centers of excellence

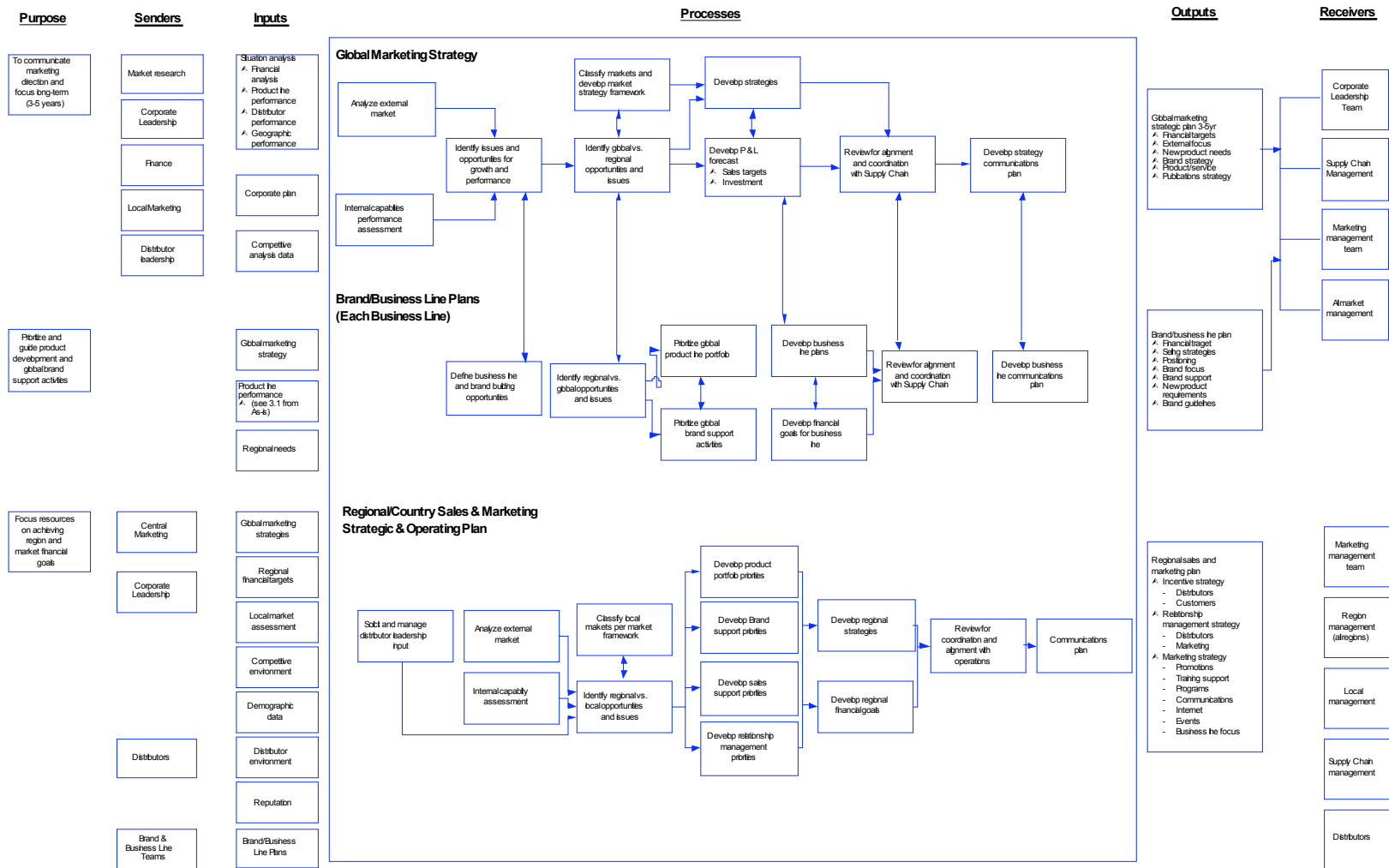
Program/Communications Development

- Product-related events
- Promotions
- Marketing communications
- Product/business training
- Internal communications from marketing

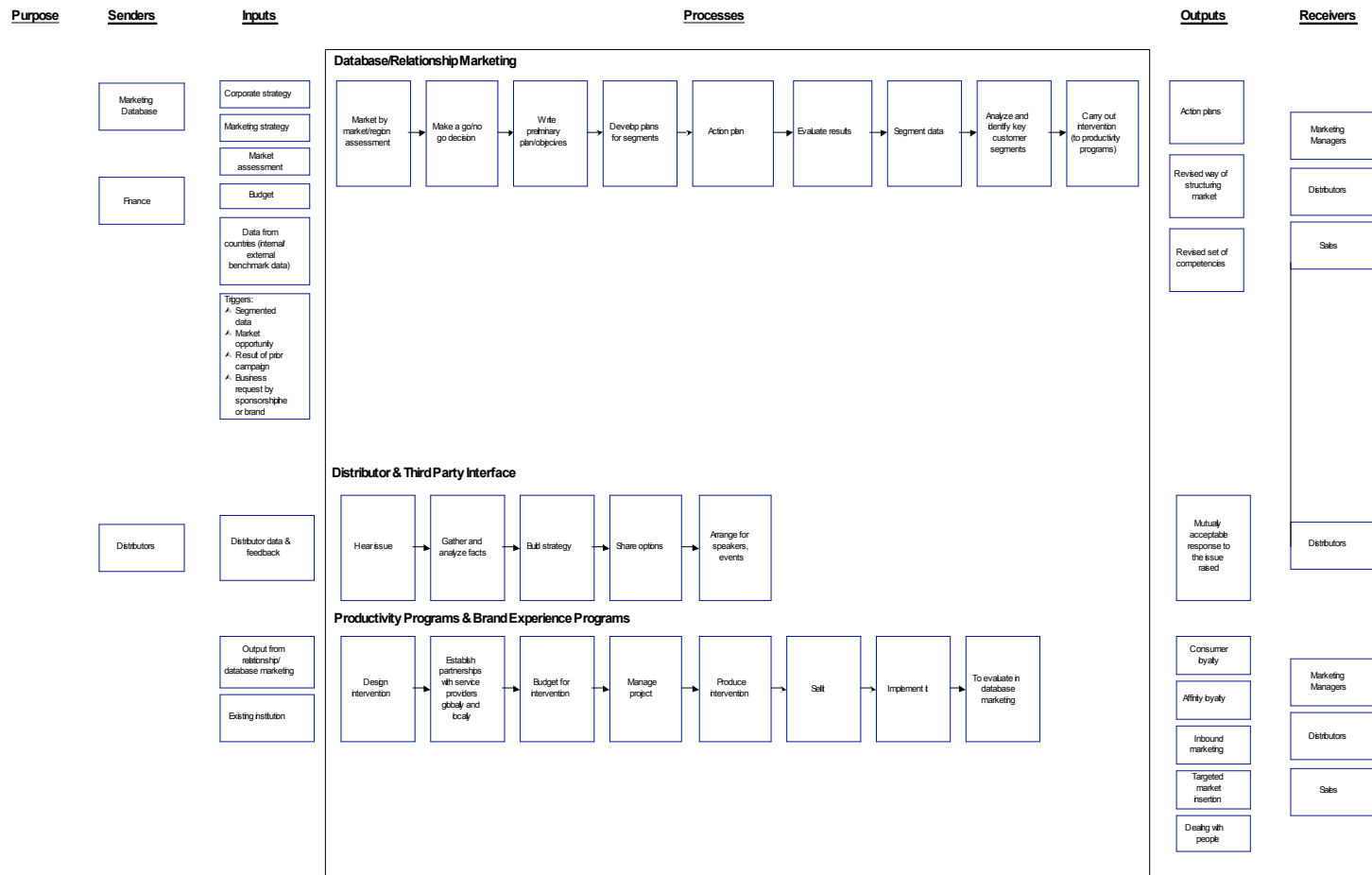
Relationship Management

- Database/relationship marketing
- Distributor and third-party interface
- Productivity program & brand experience programs

Marketing Strategic Planning Organization Frame



Marketing Relationship Management Organization Frame



Sales Organization Specs

| Sales Strategic Planning | Distributor Relationship Management | Rules Management | Sales Plan Administration | Productivity Management | Events Management |
|--------------------------|-------------------------------------|------------------|---------------------------|-------------------------|-------------------|
|--------------------------|-------------------------------------|------------------|---------------------------|-------------------------|-------------------|

- Sales global strategic planning
- Sales regional strategic planning
- Sales individual markets strategic planning

- Relationship management

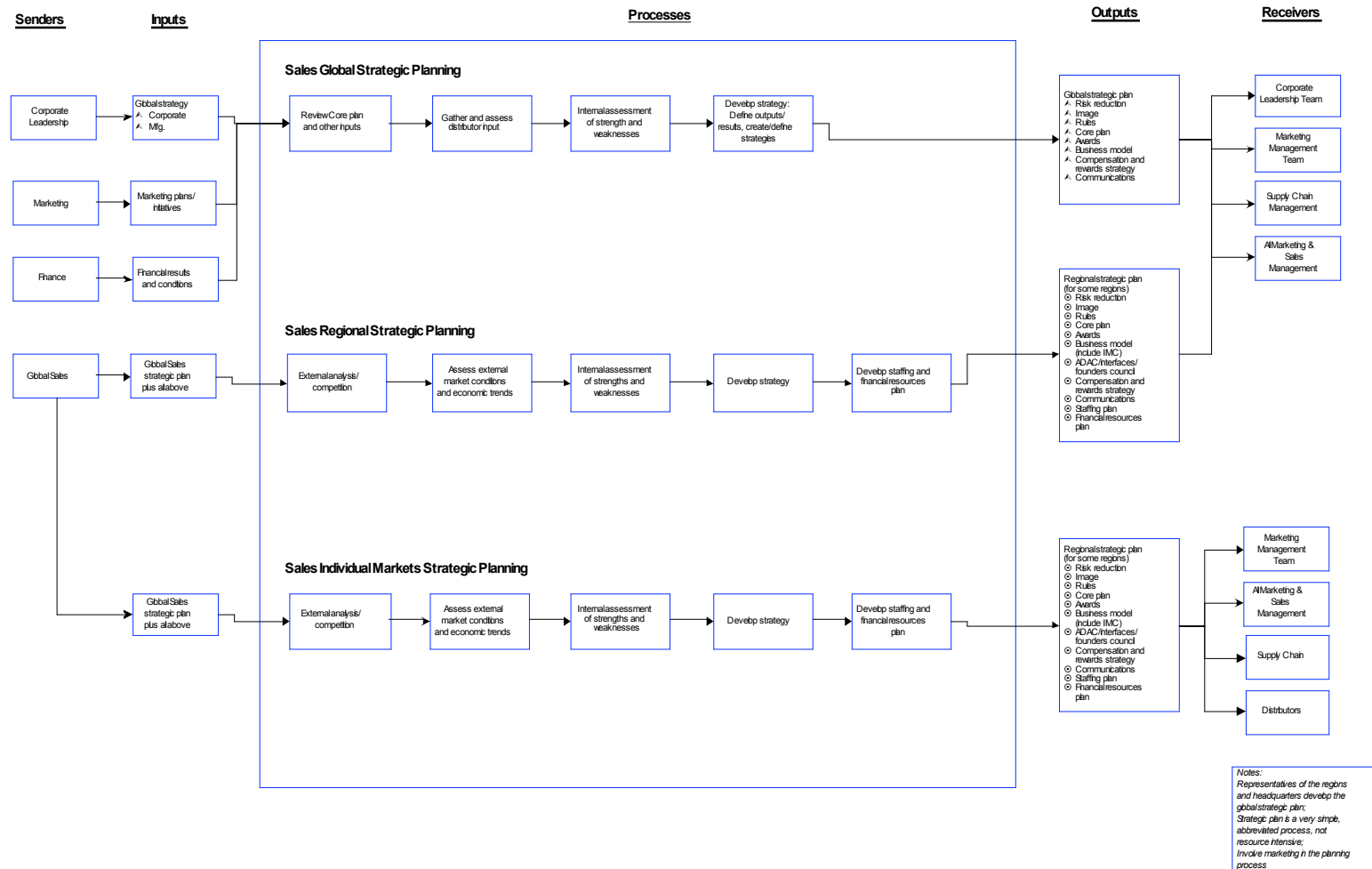
- Conduct and rules
- Business support materials (BSMs)

- Business Unit headquarters support
- Region/local

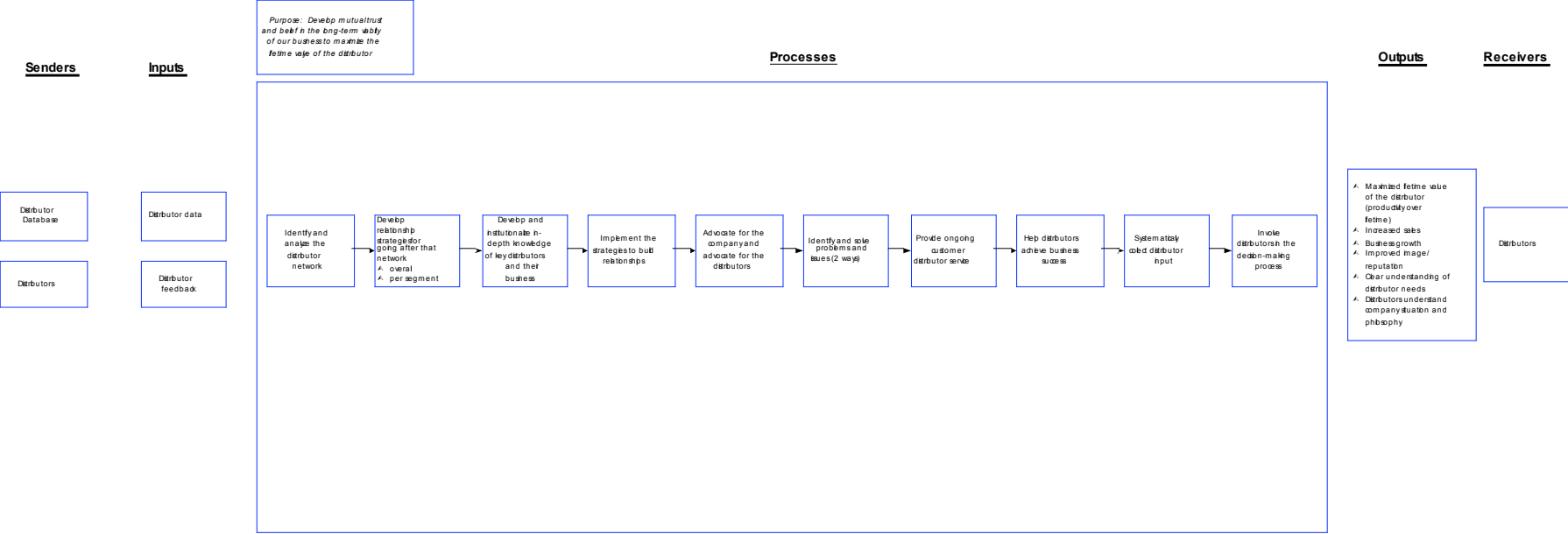
- Distributor productivity management

- Events Management

Sales Strategic Planning Organization Frame



Sales Relationship Management Organization Frame

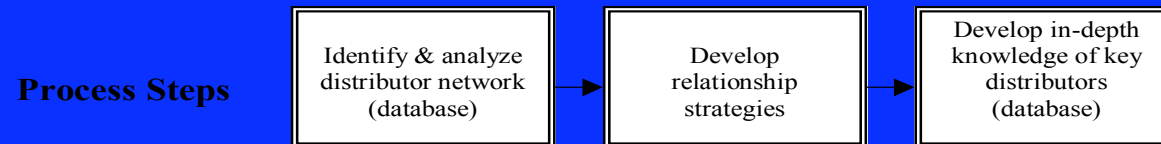


Marketing and Sales Integration Ideas/Benefits

| Integration Ideas | Benefits to Expect |
|---|---|
| Combine marketing and sales strategic planning into a total Marketing business plan | Buy -in from everybody Shared accountability for results |
| Combine relationship management and distributor relationship management processes | Speaking to distributors with one voice/one channel |
| Integrate/combine communications processes | Same message Eliminates conflicting messages and clutter Reduce overlap or redundancy |
| Integrate distributor training (product and business) | Increased sales and productivity Reduce overlap or redundancy Shared accountability Reputation |
| Integrate product promotions, marketing strategies | Alignment of sales drivers |
| Integrate planning of and participation in events | Eliminate duplication, reduce costs Align message Higher quality meetings, best practice More efficient use of distributor time/travel time Schedule coordination |

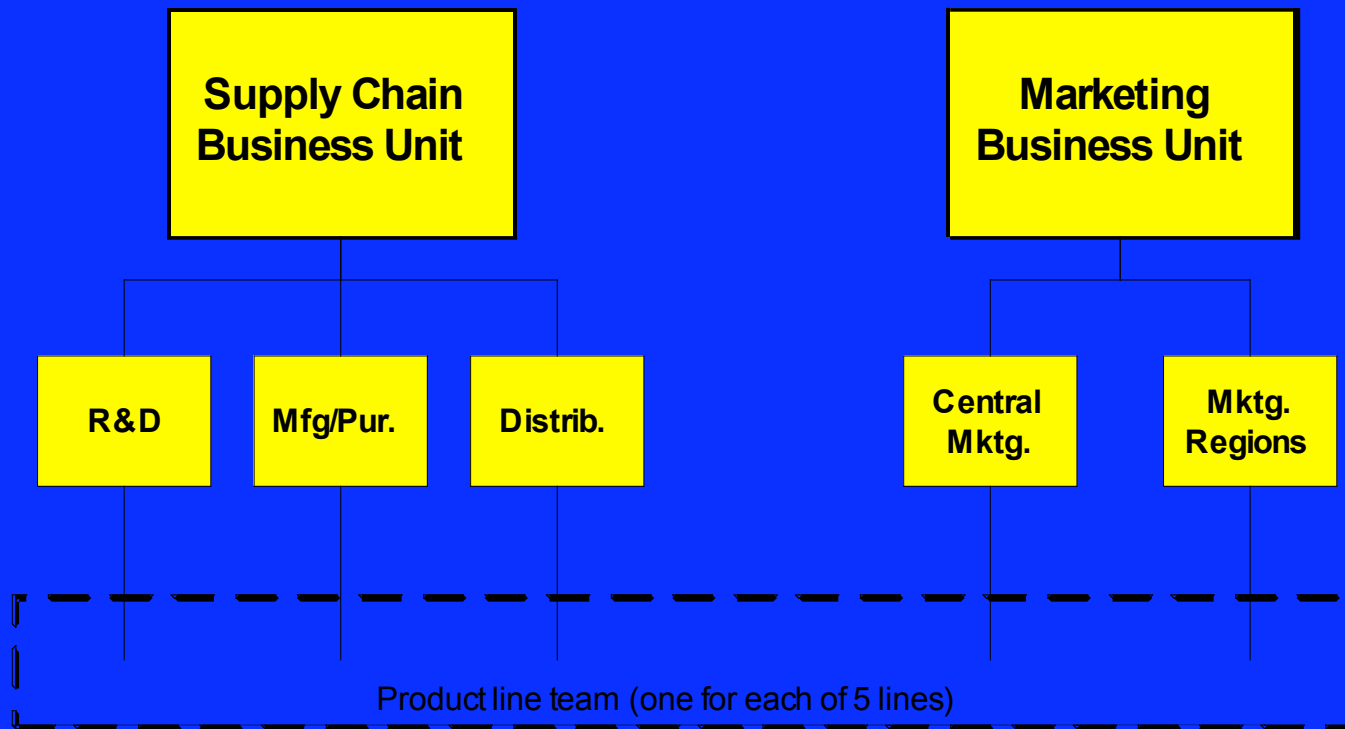
Structure/Process Matrix

Sales Relationship Management Example



| | | | |
|---------------------|---|--|--------------------------|
| Center | <ul style="list-style-type: none"> - For global distributors - Maintain global database | <ul style="list-style-type: none"> - Global strategies - Application templates | For global distributors |
| Region | <ul style="list-style-type: none"> - For regional distributors | Adapt to region | Add regional knowledge |
| Sub-Region | <ul style="list-style-type: none"> - For sub-region distributors | Adapt to sub-region | Add sub-region knowledge |
| Field Business Unit | <ul style="list-style-type: none"> - For local distributors | Adapt to local market | Add local knowledge |

Managing the White Space

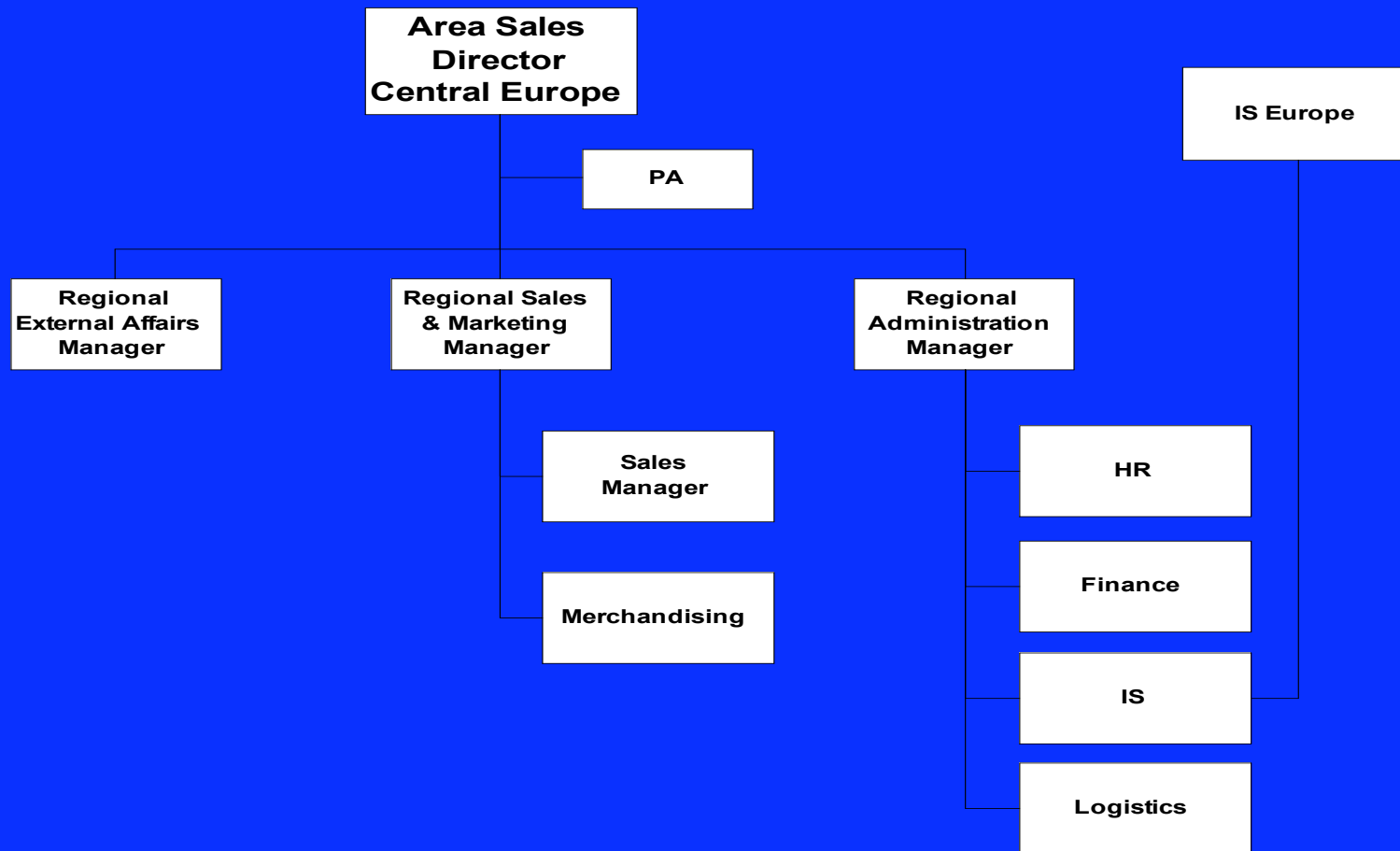


Job Design

- 63 different job models
 - Position Summary
 - Essential job responsibilities (linked directly to processes in organization frames)
 - Vertical reporting links (up & down)
 - Horizontal links (across processes)
 - Background/experience requirements
 - Knowledge, skills & abilities requirements

Example Unit Structure Chart

Europe Region: Central Europe Sub-region



Example Job Model

Regional Sales Manager

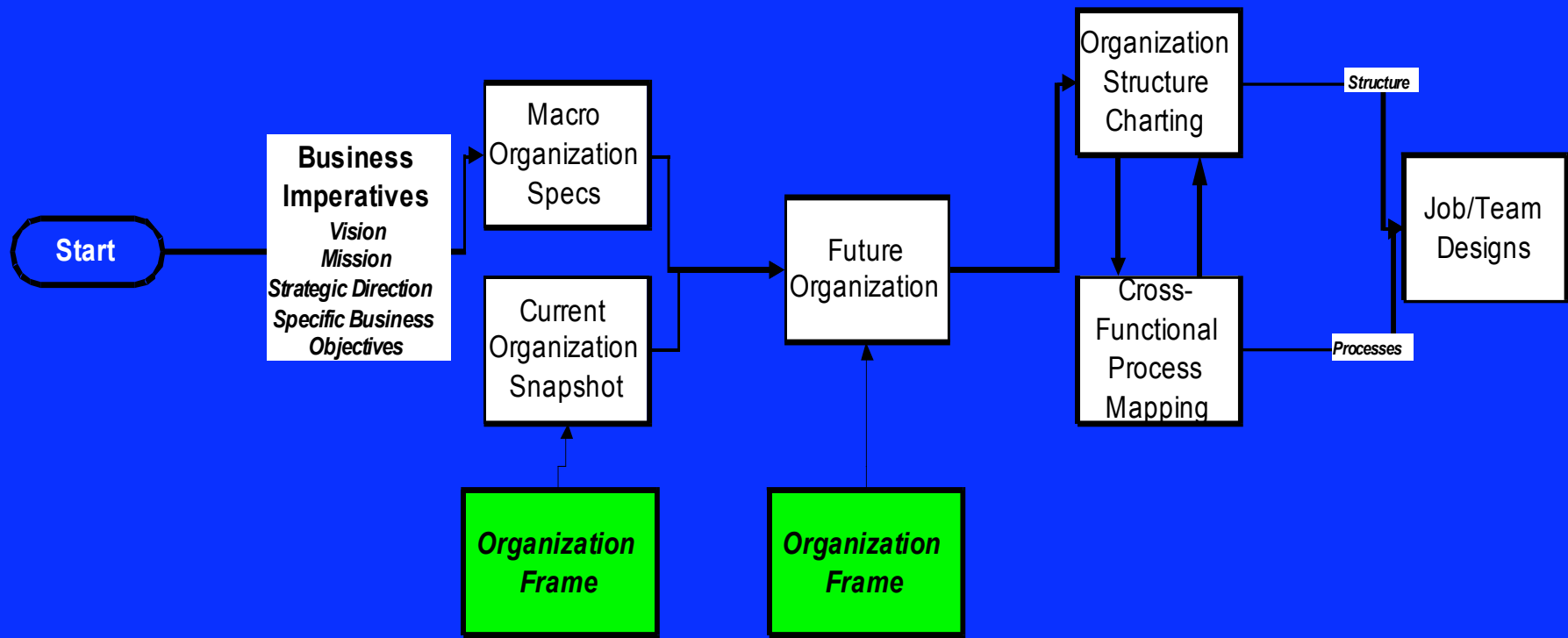
| Roles | Job Responsibilities |
|-------------------------------------|---|
| Distributor Relationship Management | ⊙ Define & analyze distributor network in region |
| | ⊙ Adjust global relationship strategies |
| | ⊙ Develop in-depth knowledge of regional distributors |

Summary Points

- An organization is an instrument to transform inputs into outputs in service of business objectives
- Processes are the means of achieving the transformation of inputs into outputs
- A process-centered organizational design finds the best combination of structure & process
- No structure/process combination will be perfect—compensating mechanisms need to be thoughtfully designed in

Tool: Organizational Frame

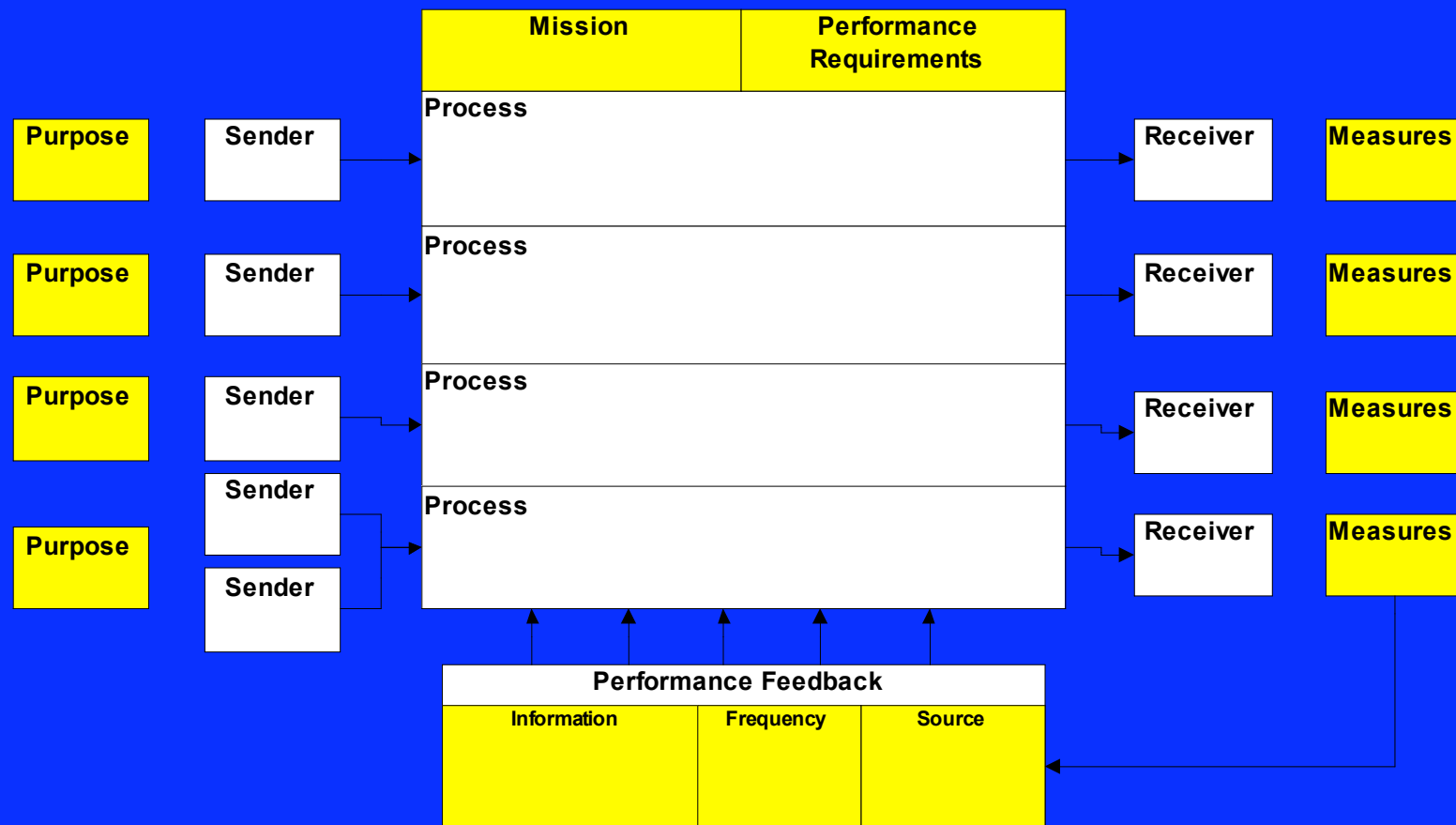
Organization Design Process



The Organization Frame

- A key tool in process-centered organization design is the Organization Frame
 - Provides a high-level view of “as-is” & “should-be” processes for a given organization
 - Enables the designer to consciously design in the processes within and across organizational units
 - Tool is applicable to any organization, any size, any business

The Organization Frame *Template*



The Organization Frame

Value

- Excellent tool for:
 - Depicting & analyzing the current organization
 - Modeling the new structure
 - Linking the structure to processes & jobs
- Moves clients from an “org. chart” view of organization structure to a systems & process-oriented view
- Typically applied to a function or department

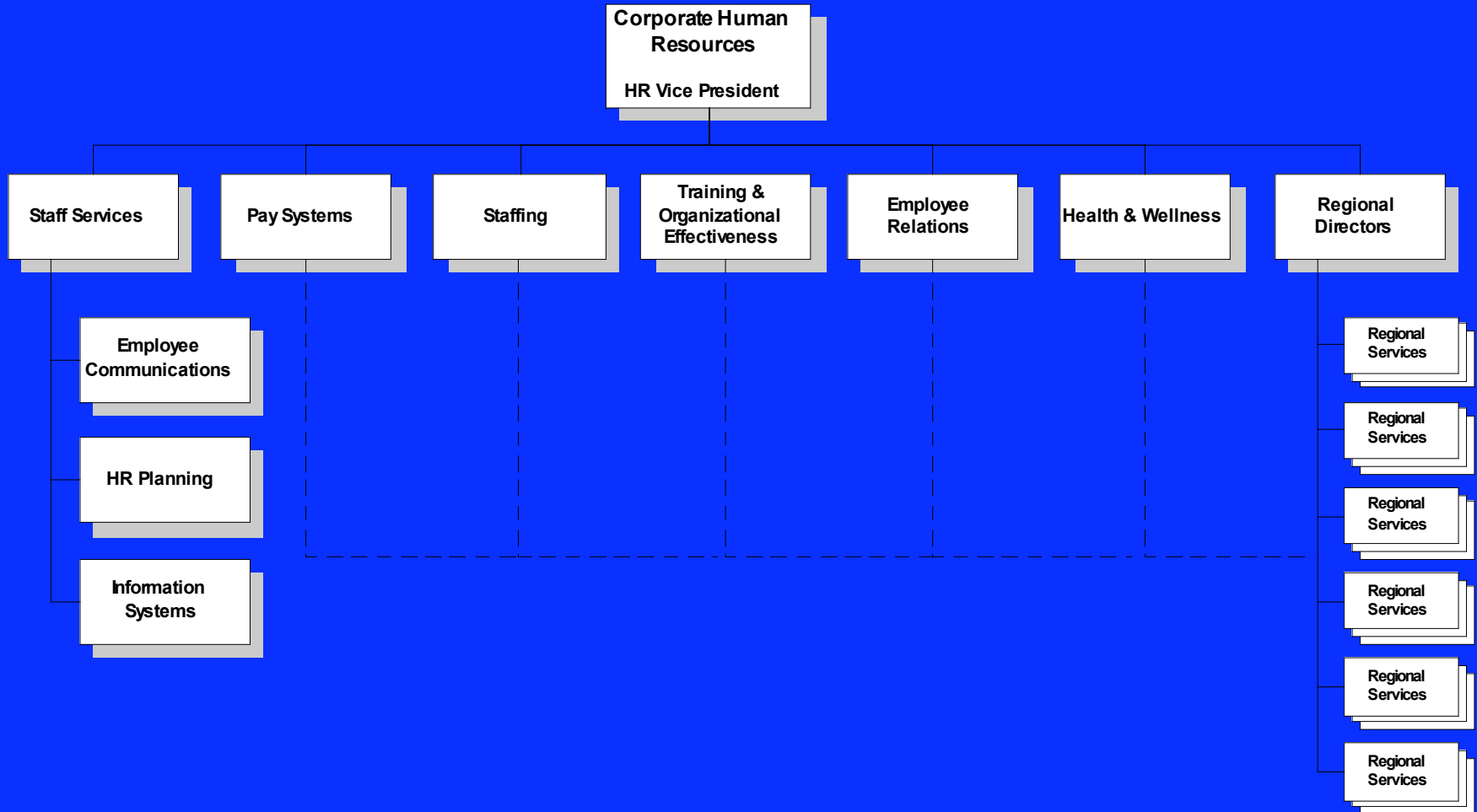
The Organization Frame

How to Build One

- Identify the organizational scope
- Identify the processes
- Build an organization frame for the selected organizational scope

Human Resources

Identify Scope



Human Resources

Derive Organizational Mission

The mission of the Pay Systems function is to design & maintain pay systems that reward and reinforce individual and team achievement, and help to retain key talent

Human Resources

Derive Performance Requirements

- **Pay equity with industry leaders...**
- **Pay & benefits cost containment...**
- **High retention ratios of key highly compensated employees**

Human Resources

Identify Process

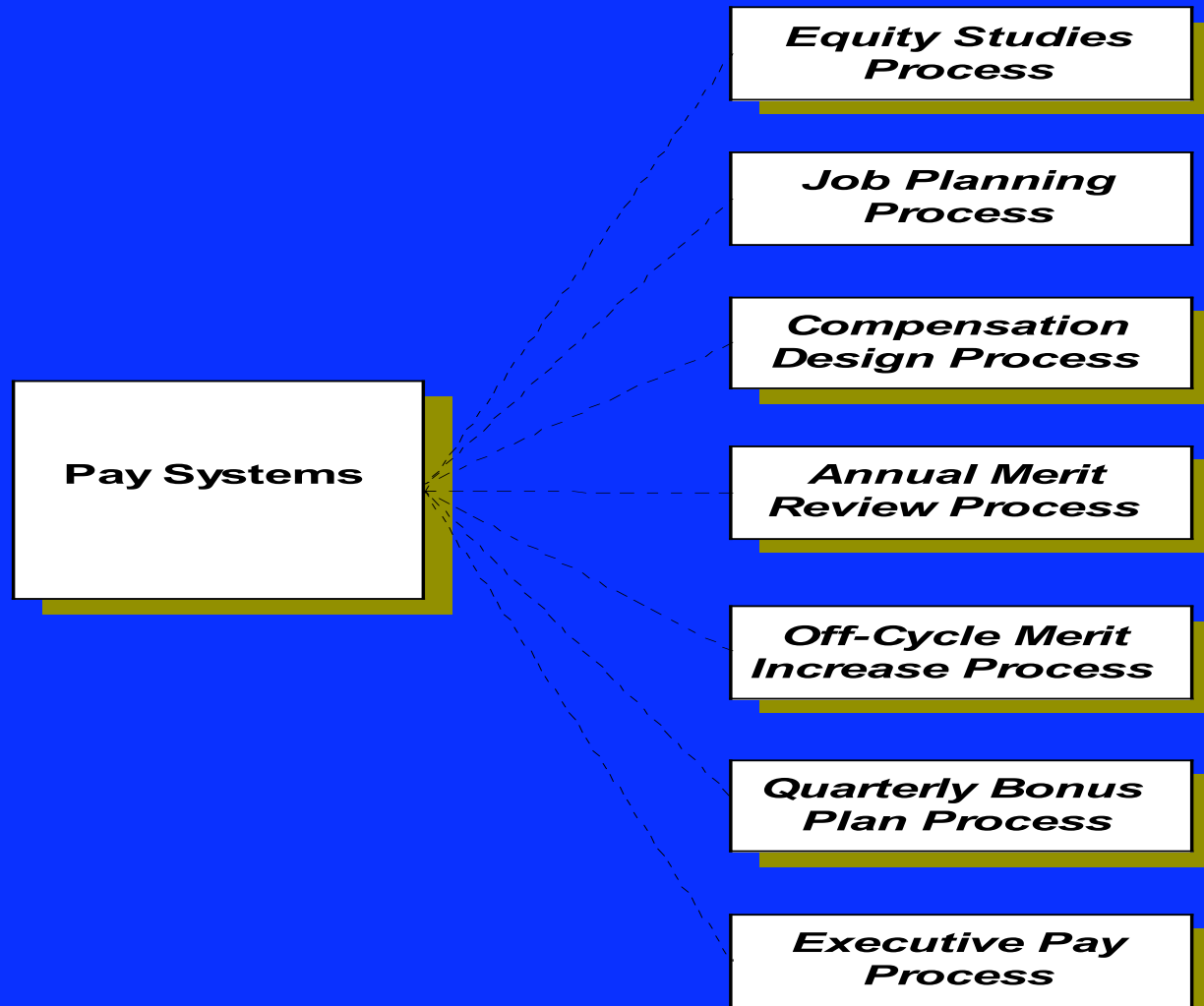
Employee-Related Services

- Recruiting
- Staffing
- Orientation
- **Direct Labor Pay Systems**
- **Indirect Compensation**
- Employee Health Services
- Lifestyle Services
- Performance Review
- Employee Discipline
- Training
- Employee Development
- Benefits Administration

Organization-Related Services

- HR Planning
- Executive Succession Planning
- Organization Design & Improvement
- HR Data Management
- Annual Organization Review
- Training & Development Planning Process

Pay Systems - Processes



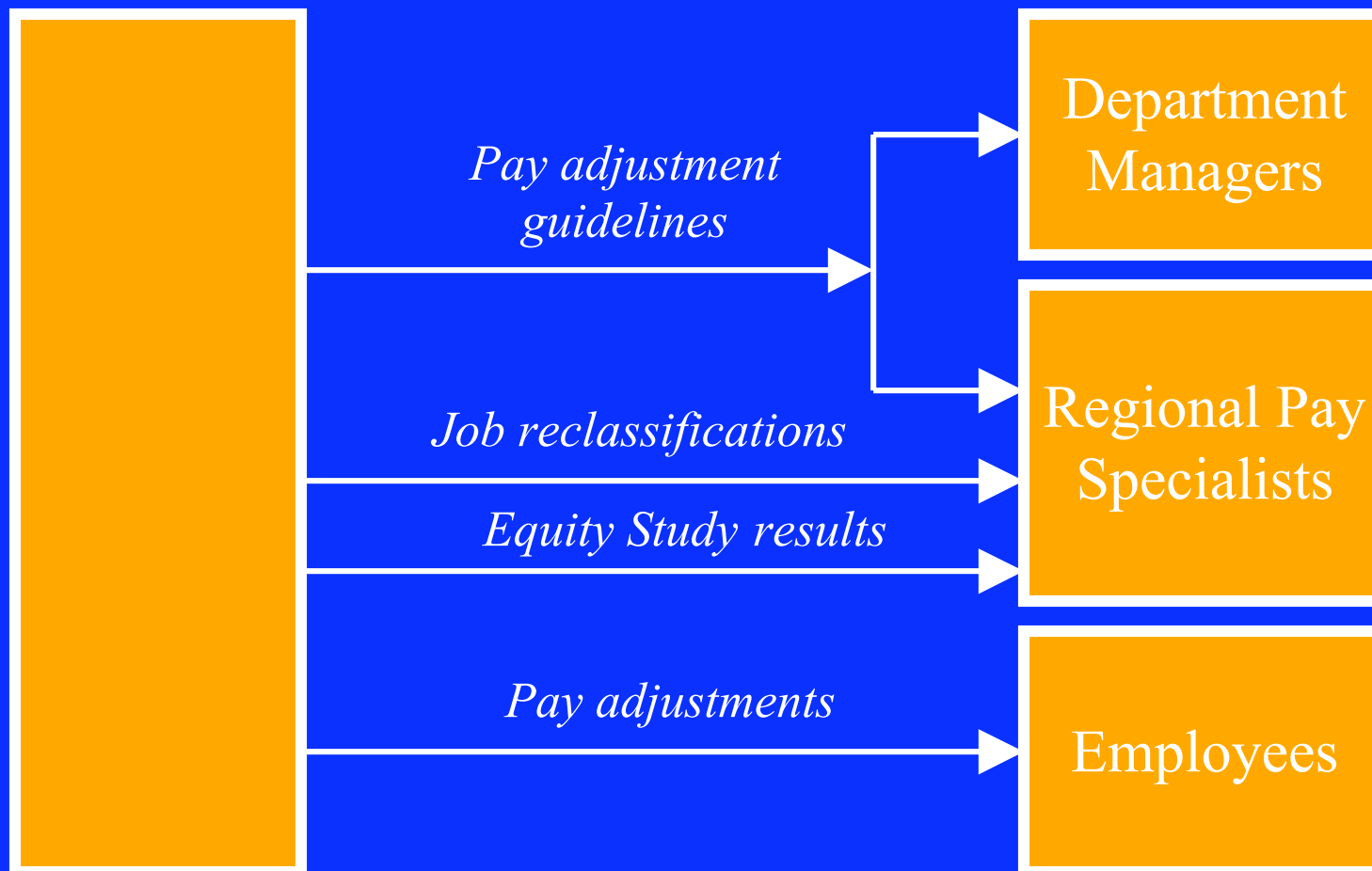
Human Resources

*Define Purpose of the Process
(i.e., Equity Studies process)*

The purpose of this process is to ensure acceptable retention ratios by periodically assessing external pay equity against regional businesses and industry leaders

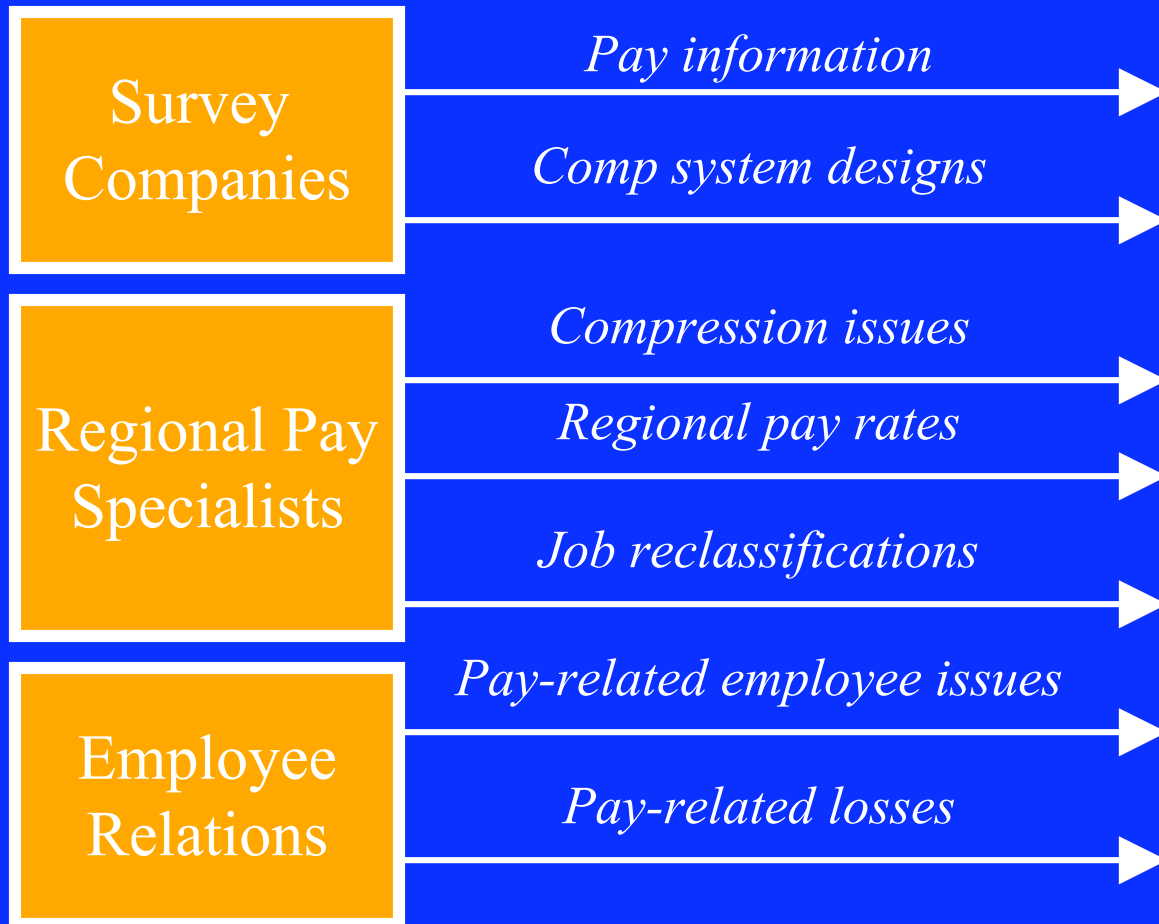
Human Resources

Identify Outputs & Receivers



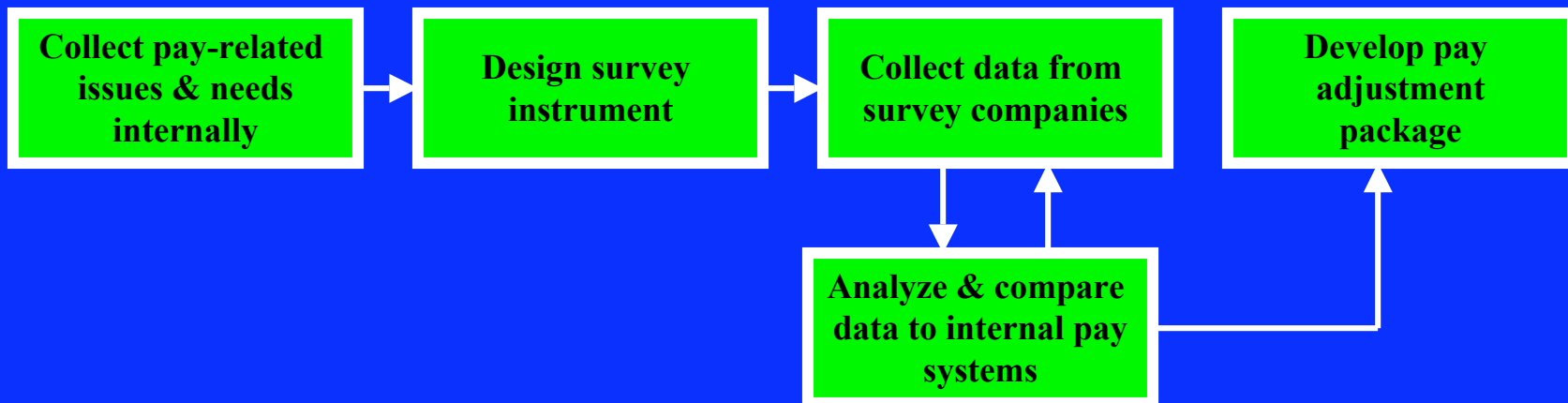
Human Resources

Identify Inputs & Senders



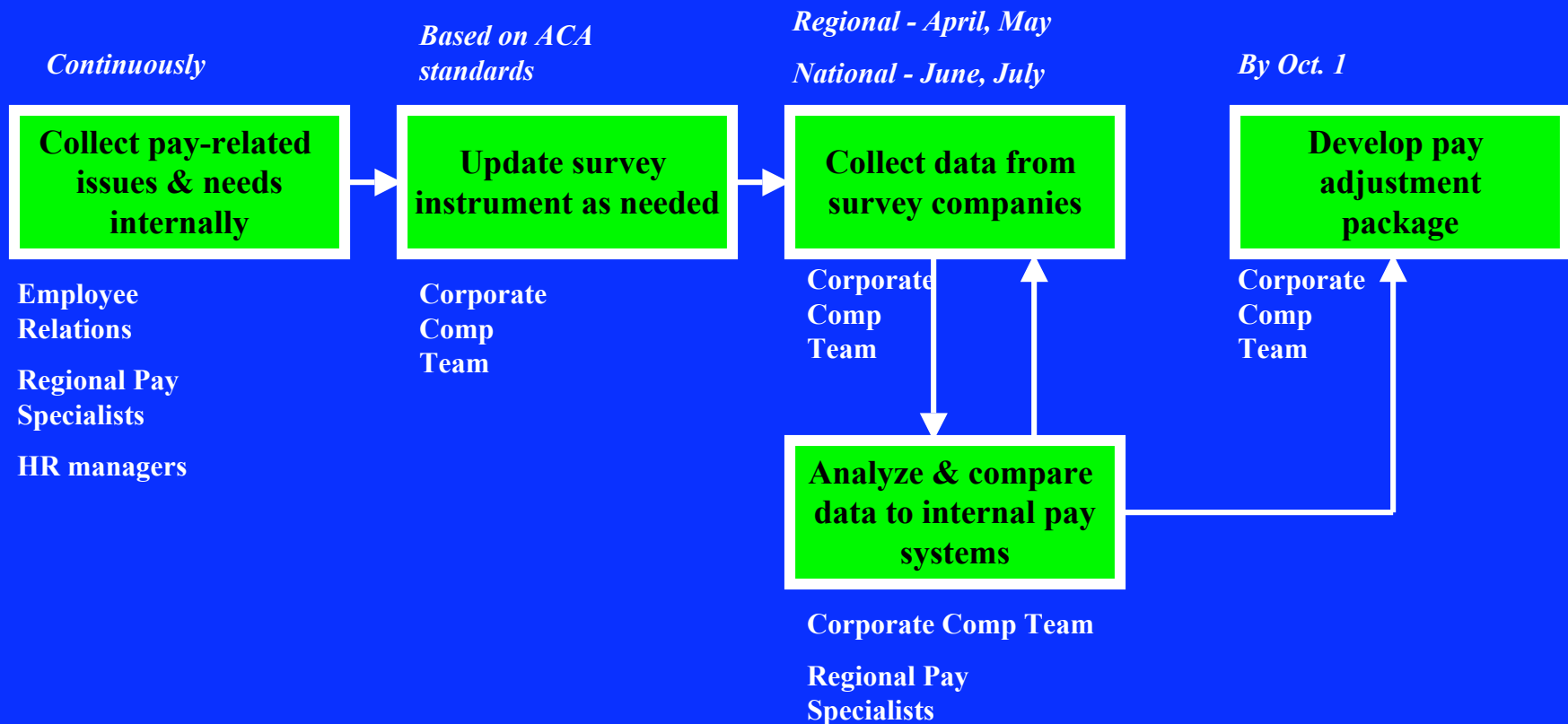
Human Resources

Define the Process Steps



Human Resources

Identify Performers; Add Supporting Information



Human Resources

Define Measures

Short-Term

- On-time completion
- Quality of survey results

Long-Term

- Maintenance of pay equity with industry leaders
- Retention rate of key employees

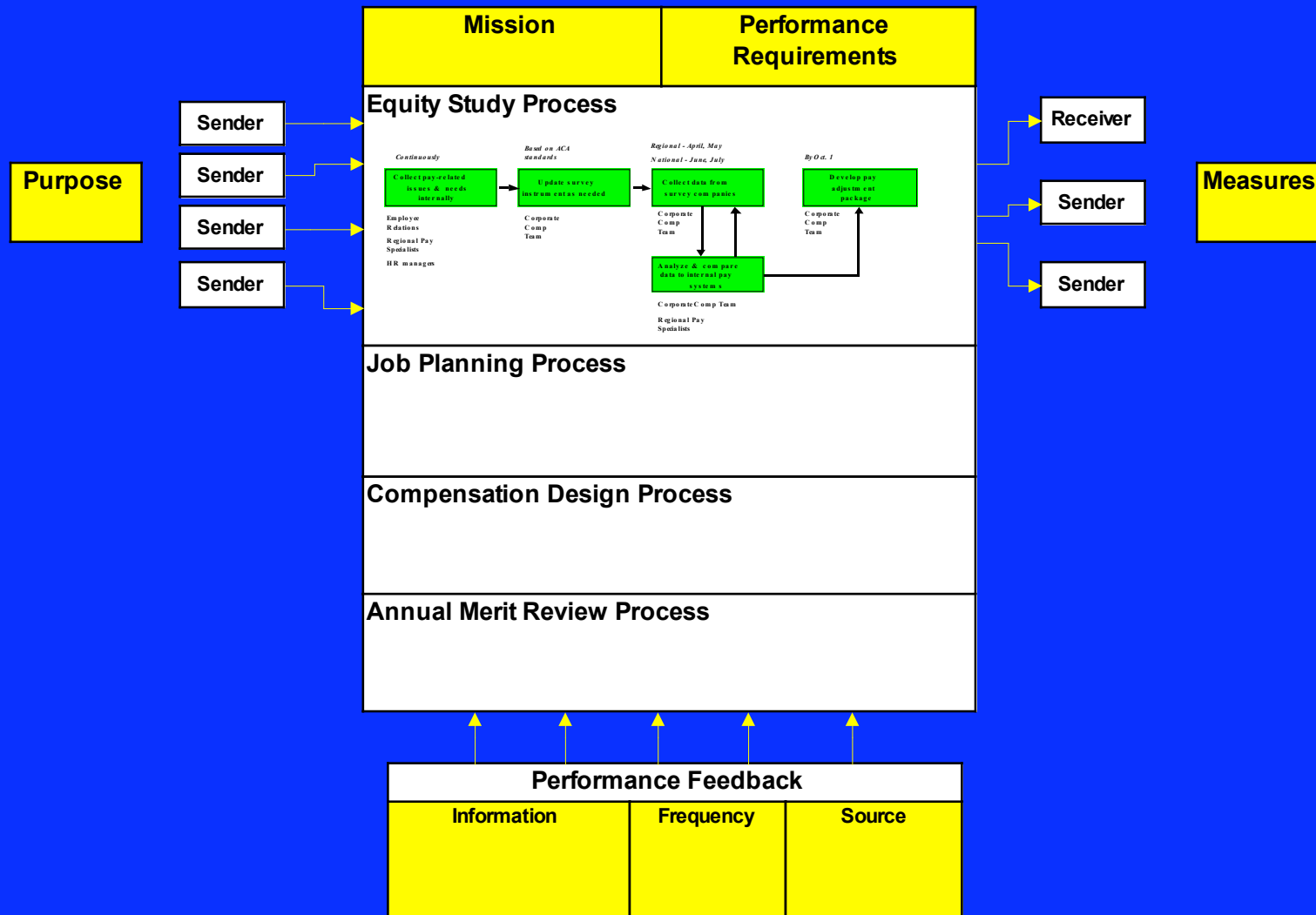
Human Resources

Define Performance Feedback

| Information | Frequency | Source |
|--|-----------|----------------------|
| •Accuracy of survey data | Annual | Survey companies |
| •Skill of survey specialists | Annual | Survey companies |
| •Quality of survey analysis | Annual | Regional specialists |
| •Effectiveness of pay adjustments | Quarterly | Employee Relations |
| •Impact on employee morale | Monthly | Employee Relations |
| •Maintenance of industry leadership in pay | Annual | ACA |

Human Resources

Complete the Frame with Other Processes



Questions?