Designing the Process-Centered Organization

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Agenda

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

- Boss
- Marketing & Sales
- R&D
- Manufacturing
Process Management Addresses Some White Space Issues

Product Development Process

Marketing & Sales
R&D
Manufacturing
But There will *Always be*
White Space

- Boss
- *Product Development Teams*
- *Order Fulfillment Teams*
- *Customer Service Teams*
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
- Technology
- Process
- Geographic
- Product Line
- 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

Start

Business Imperatives
- Vision
- Mission
- Strategic Direction
- Specific Business Objectives

Macro Organization Specs
Current Organization Snapshot

Future Organization

Organization Structure Charting
Cross-Functional Process Mapping

Processes

Structure

Job/Team Designs

Process Architecture
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

Supply Chain Business Unit
- Product Development
- Manufacturing/Procurement
- Distribution

Marketing Business Unit
- Marketing strategic planning
- Brand/Portfolio management
- Program/Communications development
- Relationship management
- Sales through distributors

Product Requirements & Demand

Product Delivered to Distributors

Strategy
- Resource Allocation
- Admin Support
- HR
- Finance
- IT
- Legal

Corporate Leadership

Business

Strategy

Resource Allocation

Admin Support

HR

Finance

IT

Legal

Supply Chain

Product Development

Manufacturing/Procurement

Distribution

Marketing

Marketing strategic planning

Brand/Portfolio management

Program/Communications development

Relationship management

Sales through distributors

Product Requirements & Demand

Product Delivered to Distributors

Business Strategy Resource Allocation Admin Support HR Finance IT Legal

Supply Chain Business Unit

Marketing Business Unit

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Designing the Process-Centered Organization

21
# Structural Concept

<table>
<thead>
<tr>
<th>Region</th>
<th>Sub-region</th>
<th>Field Business Unit (FBU)</th>
</tr>
</thead>
</table>
| • Represents the region on global governance teams  
  • Leads a region governance team structure  
  - 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 | • Develops marketing, merchandising and sales activities  
  • Expandable  
  • Could be:  
  - 1 country  
  - More than 1 country  
  - Part of a country  
  • Backup and support for Field Business Unit  
  • Functional capability:  
  - HR  
  - Finance  
  - IS  
  - Legal | • Varying sizes (2–50 people)  
• Basic front–line unit  
• Expandable  
• Could be:  
  - 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

<table>
<thead>
<tr>
<th>Leadership Processes</th>
<th>Core Business Processes</th>
<th>Support Processes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Planning</td>
<td>Manufacturing &amp; Procurement</td>
<td>Human Resources</td>
</tr>
<tr>
<td>Operational Planning &amp; Budgeting</td>
<td>Distribution</td>
<td>Financial</td>
</tr>
<tr>
<td>Results Measurement &amp; Evaluation</td>
<td></td>
<td>Legal</td>
</tr>
<tr>
<td>Organizational Alignment</td>
<td></td>
<td>Information Management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Facilities Management</td>
</tr>
<tr>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

### Strategic Planning

- Product Development
- Marketing
- Sales

### Core Business Processes

- Manufacturing & Procurement
- Distribution
- Sales

### Support Processes

- Human Resources
- Financial
- Legal
- Information Management
- Facilities Management
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

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Designing the Process-Centered Organization
Marketing Relationship Management
Organization Frame

10/12/06  Designing the Process-Centered Organization  27
# Sales Organization Specs

<table>
<thead>
<tr>
<th>Sales Strategic Planning</th>
<th>Distributor Relationship Management</th>
<th>Rules Management</th>
<th>Sales Plan Administration</th>
<th>Productivity Management</th>
<th>Events Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales global strategic planning</td>
<td>Relationship management</td>
<td>Conduct and rules</td>
<td>Business Unit headquarters support</td>
<td>Distributor productivity management</td>
<td>Events Management</td>
</tr>
<tr>
<td>Sales regional strategic planning</td>
<td></td>
<td>Business support materials (BSMs)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales individual markets strategic planning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Conduct and rules
- Business support materials (BSMs)
- Business Unit headquarters support
- Distributor productivity management
- Events Management
Sales Strategic Planning
Organization Frame

10/12/06  Designing the Process-Centered Organization
Sales Relationship Management
Organization Frame

10/12/06

Designing the Process-Centered Organization
# Marketing and Sales Integration Ideas/Benefits

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

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### Structure/Process Matrix

**Sales Relationship Management Example**

<table>
<thead>
<tr>
<th>Process Steps</th>
<th>Center</th>
<th>Region</th>
<th>Sub-Region</th>
<th>Field Business Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- For global distributors</td>
<td>- Global strategies</td>
<td>- For global distributors</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Maintain global database</td>
<td>- Application templates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Center</td>
<td>Adapt to region</td>
<td>Add regional knowledge</td>
<td>Add sub-region knowledge</td>
<td></td>
</tr>
<tr>
<td>Regional</td>
<td>- For regional distributors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-Regional</td>
<td>- Adapt to sub-region</td>
<td>Add sub-region knowledge</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Field Business Unit</td>
<td>- For local distributors</td>
<td>- Adapt to local market</td>
<td>Add local knowledge</td>
<td></td>
</tr>
</tbody>
</table>
Managing the White Space

Supply Chain Business Unit
- R&D
- Mfg/Pur.
- Distrib.

Marketing Business Unit
- Central Mktg.
- Mktg. Regions

Product line team (one for each of 5 lines)
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

Area Sales Director
Central Europe

Regional External Affairs Manager
Regional Sales & Marketing Manager
Regional Administration Manager

Sales Manager
Merchandising

PA

IS Europe

HR
Finance
IS
Logistics
# Example Job Model

**Regional Sales Manager**

<table>
<thead>
<tr>
<th>Roles</th>
<th>Job Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distributor Relationship Management</td>
<td>☐ Define &amp; analyze distributor network in region</td>
</tr>
<tr>
<td></td>
<td>☐ Adjust global relationship strategies</td>
</tr>
<tr>
<td></td>
<td>☐ Develop in-depth knowledge of regional distributors</td>
</tr>
</tbody>
</table>
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

Start

Business Imperatives
- Vision
- Mission
- Strategic Direction
- Specific Business Objectives

Macro Organization Specs

Current Organization Snapshot

Future Organization

Organization Structure Charting

Cross-Functional Process Mapping

Organization Structure

Processes

Structure

Job/Team Designs

Organization Frame

Organization Frame

Organizational Structure Charting

Start
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

Mission

Performance Requirements

Process

Sender

Receiver

Measures

Purpose

Sender

Process

Sender

Receiver

Measures

Purpose

Sender

Process

Sender

Receiver

Measures

Purpose

Sender

Process

Sender

Receiver

Measures

Purpose

Sender

Performance Feedback

Information

Frequency

Source

Sender

Feedback

Information Frequency Source
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
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

- Equity Studies Process
- Job Planning Process
- Compensation Design Process
- Annual Merit Review Process
- Off-Cycle Merit Increase Process
- Quarterly Bonus Plan Process
- Executive Pay Process
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

Pay adjustment guidelines

Job reclassifications

Equity Study results

Pay adjustments

Department Managers

Regional Pay Specialists

Employees
Human Resources

Identify Inputs & Senders

Survey Companies

- Pay information
- Comp system designs

Regional Pay Specialists

- Compression issues
- Regional pay rates
- Job reclassifications

Employee Relations

- Pay-related employee issues
- Pay-related losses

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Designing the Process-Centered Organization
Human Resources
Define the Process Steps

Collect pay-related issues & needs internally → Design survey instrument → Collect data from survey companies → Develop pay adjustment package

Analyze & compare data to internal pay systems
Human Resources

Identify Performers; Add Supporting Information

- **Collect pay-related issues & needs internally**
- **Update survey instrument as needed**
- **Collect data from survey companies**
- **Develop pay adjustment package**

**Employee Relations**
**Regional Pay Specialists**
**HR managers**

**Based on ACA standards**
**Regional - April, May**
**National - June, July**
**By Oct. 1**

**Analyze & compare data to internal pay systems**

**Corporate Comp Team**
**Regional Pay Specialists**
**Corporate Comp Team**
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**

<table>
<thead>
<tr>
<th>Information</th>
<th>Frequency</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Accuracy of survey data</td>
<td>Annual</td>
<td>Survey companies</td>
</tr>
<tr>
<td>• Skill of survey specialists</td>
<td>Annual</td>
<td>Survey companies</td>
</tr>
<tr>
<td>• Quality of survey analysis</td>
<td>Annual</td>
<td>Regional specialists</td>
</tr>
<tr>
<td>• Effectiveness of pay adjustments</td>
<td>Quarterly</td>
<td>Employee Relations</td>
</tr>
<tr>
<td>• Impact on employee morale</td>
<td>Monthly</td>
<td>Employee Relations</td>
</tr>
<tr>
<td>• Maintenance of industry leadership in pay</td>
<td>Annual</td>
<td>ACA</td>
</tr>
</tbody>
</table>
Human Resources

Complete the Frame with Other Processes

Mission

Purpose

Sender

Sender

Sender

Sender

Recevier

Sender

Sender

Measures

Performance Requirements

Equity Study Process

Job Planning Process

Compensation Design Process

Annual Merit Review Process

Performance Feedback

Information

Frequency

Source
Questions?