



Performance Improvement

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The Process-Centered Organization: Do You Know Where you're Going?

The concept of a “process-centered organization” originated with Michael Hammer in his 1996 book, *Beyond Reengineering*.¹ “To become a PCO” still seems to be the most popular description of the destination that organizations claim to be trying to reach when they embark on BPM. Because the PCO concept still resonates with so many organizations and practitioners, our Column for 2011 will be devoted to that subject. We will offer you a four-part series on the subject of a PCO, with different examples on the topic:

- In this Column we describe the characteristics of a PCO and give you a real-life example of a company that successfully reached the goal.
- In Part 2 we will give you examples of the “tortoise” approach – that is, the slow, incremental path that we have seen a number of organizations take.
- In Part 3 we will give you examples of the “hare” approach – how an organization confronts a crisis by using BPM to achieve organizational change quickly.
- In Part 4 we will give a “from-left-field” example of a company that took an approach to BPM that was significantly different from the typical path.

Characteristics of a PCO

Here are the characteristics (or components) we believe have to be in place in order for an organization to be “process-centered.” This is, of course, is our own list, derived from our experiences with organizations that have asked for our help in going down the BPM path. There may be other characteristics you would add, but we think this is the minimum list of required components.

1. A well-articulated business process architecture

An organization can't manage what it can't see. That is, an organization cannot manage its processes – much less be “process-centered” – if it doesn't understand its own processes. That means it must have a set of clear pictures of its core processes – those processes that enable it to create, sell, and deliver valued products and services as well as the key processes that enable and support the core processes. Thought leaders and consultants in the BPM business have various names for these pictures – an “architecture” being the most common label. Some would boil it down to a single high-level diagram, and others would argue that it must also include a collection of depictions of the most important processes. Our preference is the latter, because such a collection of pictures provides a comprehensive view of what we call the organization's “value dimension.” But whatever you elect to call it, a prerequisite to becoming process-centered

is a clear, complete, logical, and accurate view of how a given organization does its vital work.

2. The business process architecture is institutionalized.

The first requirement, above, may not be that much of a differentiator, as quite a few companies have defined their process architecture. And some have gone totally overboard, endlessly mapping all the processes of the organization (a trap that numerous “process excellence” groups have slipped into) with little clear purpose.

But it's a much greater achievement to have institutionalized the architecture – that is, when it is being used as a key tool for understanding the business, making decisions, and managing the daily work. The process documents are not just sitting in some archive, rarely referenced except perhaps for an audit and generally accessible only by those who created the maps.

Further, the architecture is meaningful to employees: The notion of process has spread throughout the organization, and any employee can tell you about the work they do in “process” terms. They know where they fit in the architecture, and they understand the connection of their daily contributions to the business.

3. The management system is process-centered.

It is certainly well known that if an organization is to be process-centered, it must have process management. But the attempts to put process management in place have been problematic in most organizations we've seen. Often a single manager (or a group of managers) is simply designated as process owner, with little clarity about what the role entails. In other cases, process management is a disconnected set of management roles, policies, metrics, and practices that are disconnected from the existing, actual management system.

What is required is for process management to be entirely integrated into the existing management system – integrated from enterprise level down through all levels of process in the organization's process architecture, down to functions, jobs, and tasks. In an organization with this process-centric management system, management first turns to the value-creating process view to do long and short-term planning, to identify new capability requirements, to assess the fit of new opportunities, and to make decisions about acquisitions, outsourcing, and other strategic actions. The process view is applied to all the key activities of managers, including planning, budgeting, resource allocation, monitoring, troubleshooting, and performance management. Planning and management activities form a closed-loop system linking strategy and objectives to daily work.

4. Capabilities to transform and evolve are in place

A major reason for an organization to become process-centered is to increase its agility. When new threats or opportunities arise, traditional organizations tend to respond slowly, painfully, or not at all, because it is so difficult to change internal structures and behaviors. By contrast, the process-centered organization is much better positioned to capitalize on the changing external environment because it understands its internal mechanics, and so it can pinpoint where changes have to be made and can do so quickly. And, through conducting process improvement projects, process-centered organizations have developed a capability for change. The tools and knowledge are in place to do continuous improvement or radical redesign.

Some organizations that want to be process-centered never do process improvement. They aim for process management or spend much of their time in process documentation. But they are missing much of the reason why processes became prominent in business to begin with. The process view is an effective, efficient way to make the necessary improvements to an organization's work systems that make the organization lean, competitive, and adaptive.

Yes, It's Possible

What we have described may sound like some kind of business nirvana, and you may be asking yourself if any organization has ever even gotten close. The answer is yes. As proof, we offer one client's 18-month journey and also tell you the circumstances that made this rocket-propelled journey possible.

The journey began with the CEO of a wealth management bank. He read *Improving Performance*ⁱⁱ and got excited by the concepts, especially by the section on management. He contacted us with the following plea, "Come make us into that type of organization." Over the next several months, we worked with his company to put into place the components and practices that we described earlier.

We began with the analysis and redesign of their Client Services Sales and Delivery processes. Our design team consisted of all of their executive team, augmented by a few other subject matter experts. In essence, we redesigned 80% of their value creation processes (those that deliver value to customers). But, in addition to achieving the improvement gains, we also gained deep understanding of the power of the process view of an organization. We tore down most of the organizational silos in one fell swoop. The other thing that these executives experienced in a very real way was the connection between process and strategy. They were making their decisions on the design of the new process, based not just on resolving current issues, but on what the processes need to be capable of, in order to achieve their strategy. After this part of the project, it became pull instead of push. The managers wanted to map and get insight to all of the other processes, including all of the enabling processes like the Technology and Human Resources enablers. Several other improvement projects were launched.

At the same time we were defining and redesigning processes, we got to work defining and redesigning the management system (aka the management processes). For each of the processes we developed a set of process metrics that measured process performance across the functional boundaries. We linked those metrics to enterprise metrics through a performance logic tree. Process owners and process management teams were assigned. Then we were able to redesign the planning and review processes, including meetings to accommodate process plans, both operational and improvement, being developed and used as the drivers for functional plans. This sequence of planning was piloted during the next annual planning round.

Although this work was led by us as consultants, all along the way we were also building the organization's own internal capabilities in process modeling, improvement, and management system design. In the course of this transformation, virtually everyone in the organization was involved in some way – as a member of a design team or an implementation team, as a process owner, or as a manager participating in the new planning activities. Everyone in the organization was exposed to some training on the process approach to improvement and management. Every manager used the new management system. In short, it was a profound and successful transformation to a PCO.

However, there was an extraordinary set of circumstances that came into play here to make this journey possible. First and foremost, the CEO was an extraordinary leader. He had a vision and never wavered from it in the years that we worked with him. He made it *the* priority and understood that achieving the PCO end goal was the way to achieve his strategy. He was also very engaged. He was directly involved in many of the design sessions.

Second, this was a small organization – fewer than 200 employees – so we could get it all done in 1.5 years. They still had all the same processes as a big organization, just fewer resources and less complexity.

End of story? Well, they were a very successful organization. Their PCO journey allowed them to continue their growth and success. They were subsequently bought by a larger wealth management bank that was then acquired by an investment firm that was larger yet. These larger players imposed their systems and procedures on the small company wherever they could. The parts of the operation that we had worked with were sustained as much as they could be for as long as they could. To this day they still have some of it in place.

ⁱ Hammer, Michael. *Beyond Reengineering: How the Process-Centered Organization is Changing Our Work and Our Lives*. HarperCollins Publishers, Inc., New York, 1996.

ⁱⁱ Rummler, Geary A. and Brache, Alan P., *Improving Performance: How to Manage the White Space Across the Organization Chart*, Jossey-Bass, 1990, 1995.

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