Why focusing on processes business management

Organisations that migrate to a process-driven structure can expect to enjoy glittering prizes, says Terry Richardson, managing director of Decision Focus.

In business, the quest for maximised profit and lasting success is as demanding and fraught with obstacles and perils as any quest undertaken in medieval fables by knights seeking the Holy Grail.

To win that Holy Grail today you need to run your organisation so that all your resources are focused around delivering your strategy and meeting the needs of your current customers, and are perfectly placed for meeting their future needs, too.

The Holy Grail isn't won by blindly applying one of the many management fads that surface from time to time in business schools and industry conferences. Instead, it involves following a strategy that is down-to-earth, intensely practical and intimately wedded to the very reason for your organisation's existence.

Above all, what you need to do is to orientate your entire organisation both culturally and operationally around the business processes that lie at its heart.

Your organisation's processes are the mechanisms that focus resources and activity on delivering strategy, achieving your commercial objectives, keeping your existing customers happy and eager to come back for more, and winning new customers.

The nature of process in business

In business, a process can be defined as a series of steps that produces a specified deliverable to meet a targeted customer need.

This definition is precise: the steps of activity must actually meet customer needs successfully.

A series of steps that doesn't meet customer needs can't properly be regarded as a process, or at least not an effective one. All organisations must, by definition, have at least one process if they are going to be in business at all. If they don't they won't have any customers.

Whatever the precise nature of the process or processes an organisation carries out, the very fact that process is actually defined in terms of delivering a benefit to customers leaves no doubt that process is not only at the heart of the organisation, but is the heart of the organisation. The organisation is, in fact, the sum of its processes.

All business processes must contribute to delivering products and services to customers both now and in the future. Any business strategy must impact on that delivery either by satisfying existing customers more, satisfying more customers or by doing either with fewer resources.

is the Holy Grail of

A business's processes essentially mean two things to it as an organisation. Firstly, they are the method by which it delivers to its customers whatever they require from it. Secondly, a business's processes are, almost by definition, the consumers of that business's resources.

A major consequence of these two points is that changes to a business's strategy can only happen by changing the business's processes, either because you want to change what you deliver to your customers or you want to meet their needs using fewer resources. And because you can only change something if you first understand how it works now, you can only hope to implement your strategy successfully if you understand your processes.

In fact, process is a crucial key to both implementing and developing strategy in any useful sense at all.

Not that you would believe this when you consider just how much – or how little – effort and attention most organisation's senior executives devote to understanding and managing their processes.

Indeed, in practice, an alarmingly high proportion of boards and senior managers ignore processes pretty well completely. In such organisations, if processes are managed at all they get managed by middle managers who don't play a major role in the strategic process. In effect, as far as the board is concerned, the organisation's processes are at best taken for granted, and at worst ignored.

Why boards don't value process properly
Why don't boards see that managing processes properly is the key to achieving the Holy Grail of running a business today?

Why do they overlook the overwhelming strategic importance of process?

There appear to be two main reasons
The first is that organisations often adopt the short-sighted approach that processes are nothing more important than the consequence of their strategic thinking.

To take just one example, a bank that decides to add an internet banking facility to its range of offerings might arrive at this decision because of a new strategic policy at board level to broaden the appeal of the bank to customers.

In this case, the board tends to see the process as simply the consequence of such strategic decisions, and not as a key element to be taken account of in strategy formation and particularly for strategy delivery.

In fact, as should be clear from the above, process is a key strategic variable, and changing processes is a critical element in effectively delivering a business strategy. Failing to take account of process capability and effective process management, means that a fundamentally less effective strategy will be implemented poorly – not a desirable option.

The truth of the matter is that the board must keep the organisation's processes firmly in its sight – and mind – at all times. After all, unless a strategic decision made at Board level is indeed being implemented properly and successfully embodied in the organisation's operations, the decision is really just hot air.

The second reason has to do with the way most organisations are structured. The problem here is that organisations are typically structured by function. Such a function-based structure is not friendly to the task of managing process properly, or even to being fully aware of what all the organisations' processes actually are.

This basic structural problem is often such a major obstacle to successful board-level process management that even if the board wanted to manage process, it would find it very difficult to do so. For such organisations, the Holy Grail is not so much hard to find as shattered into numerous scattered fragments.

Why? Because any process encapsulates the sum total of steps taken across the organisation to meet a particular group of customers' needs. Process is something that cuts across the entire organisation.

Developing, designing and implementing an internet banking system, for example, will involve most, if not all, of the organisation's departments. The sales, marketing, customer services, IT and even human resources departments are all likely to be involved, and probably others, too.

This is the whole point. A process will involve the whole organisation, but most organisations are structured in such a way that makes effective process management across a variety of departments difficult and sometimes impossible.

Why is this? Because most organisations have a 'silo' infrastructure based on specialised functions headed by an executive director. Each function is given targets and the primary focus of activity is to meet those targets – not to implement strategy or meet customer needs. The inevitable tendency is that the people in each function focus on their targets and line management structure rather than their customers. Unless there is a process-focused counterbalance, individual functions can focus on the furtherance of their own agenda at the expense of the process and thus the customer.

Such a centralised, target-driven approach may, in a limited way, get the job done, but it is acutely unhelpful when the overall objective is the management of the organisation's processes to achieve maximum benefits for the customer and the organisation.

Basically the functional nature of the organisation radically limits the board's ability to manage process properly and thus to direct resources to deliver the strategy and achieve the objectives. The need to be constantly focused on efficiently meeting customers' needs throughout the business, in these dynamic and competitive times, is fundamentally constrained by today's organisational structures.

The problems caused by function-based structure
What's the consequence? The consequence is that, in most organisations, process tends not, in fact, to be properly managed at a senior level at all, and therefore neither is strategic delivery.

Instead, what usually happens is that the management of process is fragmented and left to middle managers, while the board focuses (or tries to focus, if the complexities of its organisational structure permit this) on setting and monitoring functional targets.

Organisations that approach the management of process in this way and which imagine they are fulfilling their potential are like medieval knights who claim to be setting out to find the Holy Grail but get distracted from their goal, focusing on slaying dragons rather than their real quest.

The knights may gain glory but the quest for the Grail is forgotten. Similarly in organisations, people can be very busy achieving great things in their functional area, but if it is not supporting the strategic objectives of the organisation or

meeting the needs of the organisation's customers, then all the effort is at best misdirected, and at worst completely wasted.

Showing how process-driven structure is more effective than function-driven
A useful way of illustrating this is to look at points of direct comparison between the likely performance of an organisation that is primarily process-driven and one that is primarily function-driven. For the purposes of this illustration, a process-driven organisation is one which is focused on the activities that produce deliverables to meet the customer needs it exists to satisfy, whereas a functionally-driven organisation is one that is focused on the activities that enable each function to meet its targets.

A target-based system is hard to design and operate successfully. Measurement is such a powerful driver of behaviour that, if not very carefully constructed, it will push the organisation away from its intended strategic direction. A process-driven organisation has a large degree of self correction built in as, by definition, it is focused on the customer – present and future.

The various points of comparison are self-explanatory. At every single point, the process-driven organisation outscores the functionally-driven approach.

Process driven organisations compared with functionally driven ones

Silo / Functional view	Process view
Directors direct functional units and focus on functional targets	Directors direct the way the organisation works. Focus on how the business works and the business targets.
Focus on boss (understand what the boss needs)	Focus on customer (understand what the customer needs)
Internal focus – Improvement focused on functions	External focus – Improvement focused on customer
More inter-functional conflict – functional objectives can conflict	Co-operate across functions with cross-functional teams. All working on the same process to serve the same customer so objectives tend to align.
'us and them' – other functions compete for resources	'us' – other functions are customers or suppliers
Political	Collegiate
Building empires	Building the business
Directive management – Individuals unclear of customer needs and therefore need more day-to-day management direction which, if not forthcoming, will lead people to pull in different directions.	Empowering management – people understand what the customer needs and need little direction to deliver it. People tend to pull in the same direction.
Decisions deferred to management	Decisions made by the individual
People unclear how what they do contributes to delivering the strategy and meeting the business objectives	People know how what they do contributes to delivering the strategy and meeting the business objectives

Table 1: The process-driven approach to management compared with the functionally-driven approach showing the different consequences of these two approaches to managing the overall organisation.

In particular, as the Table makes clear, and as we should really expect from the discussion above, the process-driven approach yields very significant and noticeable benefits to the organisation's customers.

And this benefit is, after all, what really matters, as whether you are in business to make profit or provide a public service, meeting the targeted and identified needs of the customer is always going to be the focus of what you should be doing.

Today, the strategic concept of customer focus is more and more being used as a convenient thumbnail summary of the imperative to focus an organisation around the customer's

needs. Many organisations have attempted to become more 'customer-centric' by, for example, implementing CRM (customer relationship management) systems.

But the CRM system, like any other IT system, cannot deliver this by itself; it can only ever be an enabler. This is why so many CRM implementations can fail – if organisations rely on the technology to make them more customer-centric without a clear focus on the processes it needs to support, the implementation is likely to join the majority of system implementations that do not live up to expectations.

For all these reasons, shifting to a process-driven structure, while requiring some radical changes, is the map that leads to the Holy Grail of a customer-focused approach to business, with everyone working to deliver the strategy and fulfil the organisation's potential.

So much for the overall strategic argument. But how exactly, at a practical level, should an organisation engineer a move to being process-driven?

1. Think of your organisation as a series of end-to-end processes, even extending beyond the organisation.
2. Build a process model to capture key knowledge. Capture information on the core processes, the customers, their needs, the deliverables the process is producing and who is accountable for its performance.
3. Develop an expertise in organisational change and spread that knowledge throughout your organisation.
4. Allocate core processes to owners who will be accountable to the business for their performance – the more senior the owners the better.
5. Build a supporting process infrastructure particularly for IT and HR systems ie, ensure your IT and HR systems support the operation and improvement of the core processes.
6. Build an understanding across the organisation of the importance of process in delivering the strategy and achieving the objectives. Build enthusiasm for process management.
7. Move from command and control to leadership and influence through vision.
8. Develop a culture of teamwork across (and beyond) the organisation focused on the customer.
9. Build an understanding that change is both inevitable and desirable.
10. Make process measurement a key part of your management system.

Changing from an organisational focus to a process focus is not just a superficial change; it's a root and branch rethink of how the organisation should work. Delivering the Holy Grail of having all your resources focused on strategic delivery and on delivering effectively and efficiently to customers is the goal. The quest to find the Holy Grail will be the single most important business journey that you will ever make – and the most profitable.

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