A Roadmap to Help Your Organization Become Process-Based

Dean Creed, Dennis Daly, Pat Dowdle, and Jerry Stevens

At their September 2007 conference, the Gartner research firm stated: "Suddenly, 'process-centricity' is hot. Red hot! Why? Because enterprises that put processes front-and-center consistently outperform those that don't. They're quicker to adapt to changing business conditions. They're more responsive to their customers. And they're seizing opportunities that are lifting revenue and profitability to a whole new place."

A focus on the process dimension of work and process-centered improvement approaches has been on most organizations' radar screens since the 1993 release of Reengineering the Corporation by Michael Hammer and James Champy. Since then, we have seen a continued emphasis on many elements of Total Quality Management and the Baldrige Criteria, plus the emergence of process improvement methodologies such as Six Sigma, Lean, and Capability Maturity Model Integration (CMMI), among others.

Most organizations understand the need to improve and manage their processes. Few do so on a disciplined, ongoing basis. Quite often, projects are initiated to improve a process, and when "success fully" completed, they have suboptimized the performance of the larger system or organization. It is commendable to manage the performance of individual processes. However, the greater and longer-lasting impact comes through managing an organization's portfolio of processes in an integrated fashion: by becoming a process-based organization.

Leaders frequently get discouraged when implementing something requiring substantial change is not as easy as portrayed in the books and articles they have read. Indeed, it is a challenge to become process-based. However, many benefits and genuine value will be realized by most customers, employees, shareholders, and other stakeholders of any organization striving to become process-based. The journey to becoming fully process-based does not occur quickly. It requires commitment, time, and a comprehensive plan (with the possible exception of a new enterprise). To improve the odds of success on this journey, the CAM-I Process Based Management (PBM) program has developed an Implementation Roadmap. This roadmap will guide organizations in their pursuit of becoming process-based.
and enhance their likelihood of sustaining success.

**PROCESS BASED MANAGEMENT**

Process Based Management is a management approach that guides the actions and mind-set of an organization. PBM has a wider scope than the management of individual processes. A process-based organization explicitly recognizes that it designs, manages, and improves all processes to optimize the delivery of customer value. Process-based organizations use this as a guiding philosophy and as a strategy to differentiate itself and outperform its competitors.

PBM focuses an organization on:

- how to continually achieve success.

The Implementation Roadmap addresses these challenges. It is a detailed guide for how to install PBM as the management philosophy of an organization. The roadmap does not address the question “Why?” It answers the question “How?” The roadmap is not a maturity model. It is a guide to determine the steps an organization should take to implement Process Based Management.

**THE IMPLEMENTATION ROADMAP—AN OVERVIEW**

The roadmap can be used by all organizations—those with only a few process efforts and a single passionate advocate, those managed by a Process Council and driven by the results of integrated processes viewed in context of their entire supply chain, and those at any point in between. It also works for large multinationals as well as organizations with few individuals, for well-established firms and for start-ups; and for for-profit, non-profit, and government entities alike. Finally, it works for those who envision achieving the fullest possible deployment of PBM and for those who desire to move only a few additional steps forward.

An organization’s strategy, and the degree to which PBM supports accomplishing its strategic objectives, suggests the extent to which PBM should be implemented. Organizations may choose to undertake only a portion of the PBM journey or follow only the first two, three, or four pathways. This is entirely appropriate, and the roadmap’s structure supports doing so.

An organization can begin using the roadmap at any stage on their PBM journey, or at any stage of process maturity. Using the roadmap begins with completing the PBM Assessment. The assessment identifies the extent to which PBM is deployed, assesses the level of performance on process-related elements, and establishes a baseline. The organization then “enters” the roadmap at a point based on the assessment results. In short, the assessment identifies gaps, and the roadmap closes the gaps.

As shown in Exhibit 1, the roadmap is organized around seven stages and the six pathways connecting them. The stages represent the major levels of PBM deployment. The pathways contain the series of detailed steps an organization follows to advance to the next stage. Each step provides the what, why, who, and how of the actions prescribed, as well as the tools used and outputs generated.

The roadmap is largely prescriptive, but it is flexible. Most steps (and the detailed tasks that make up the step) are recommended as required components of a successful PBM journey. It is presented in a linear fashion, but following the roadmap is not a purely linear process. First, some steps may not be necessary or suitable for a specific organization. Second,
while many tasks have required predecessor tasks, many tasks can or must be performed concurrently. Third, some tasks can successfully be performed in a sequence other than the one presented.

The roadmap designers believe it prescribes the most comprehensive, detailed, and optimum sequence of steps an organization should take on its PBM implementation journey. Ultimately, an organization’s leadership will review, select, and fund only those steps to which they are committed. Any deviation or omission from the prescribed path should be carefully and purposefully considered, particularly with regard to the risks generated by doing so.

This first version of the roadmap (completed in June 2007) was created through a process of collaborative research, development, and validation with a group of experienced PBM practitioners. The validation process consisted of studying the efforts of companies who have and are currently successfully progressing on their PBM journey. The validation process will continue. The content will be updated as needed to reflect what is learned from organizations that use it.

THE IMPLEMENTATION ROADMAP— IN DETAIL

As mentioned above, the roadmap is organized around seven stages and the six pathways connecting them. An organization would be described by the stages as they progress along the roadmap. The six pathways represent progress between the stages. The specific steps, or efforts and tasks required to get from stage to stage, are contained in the pathways’ details. In essence, an organization pursues the detailed pathway steps to reach their desired end state.

**Discovery Pathway**

In this pathway, the organization’s readiness for PBM is assessed and a plan for implementing PBM is created and approved. The intent is to enlist and secure senior leadership’s commitment for implementing a process-focused management approach.

Key outputs of the Discovery Pathway include:

- a readiness profile, and
- the PBM implementation plan, including the communication plan.

Most organizations with some degree of organized process improvement efforts would use the Discovery Pathway to determine how to start their PBM journey. A summary of the Discovery steps is depicted in Exhibit 2.

**Foundation Pathway**

With commitment in place, the Foundation Pathway begins to create the infrastructure required to support the rollout of PBM to the entire organization. A framework to classify the organization’s processes (such as the APQC Process Classification Framework) is selected or developed and populated to provide a structure to the understanding of current processes and to help organize PBM efforts. The PBM Office is launched to support Process Teams and the governance structure. A Process Council is formed to provide governance of the PBM Implementation Plan, and Process Owners are appointed for the prioritized...
processes. Having developed the PBM policy and strategy, the senior leaders communicate and launch the PBM journey to the entire organization.

Key outputs of the Foundation Pathway include:

- the Process Classification Framework,
- agreement on the process improvement methodology to be employed,
- establishment of the PBM Office (including an operating budget),
- establishment of the Process Council, and
- the appointment of Process Owners for prioritized processes.

A summary of the Foundation steps is depicted in Exhibit 3.

**Transition Pathway**

With the organization committed to and engaged in PBM, the Transition Pathway focuses on comprehensively managing the individual processes in the organization. At a high level, Transition identifies the steps an organization would follow to improve a single process. Most organizations are managing some processes. To manage and improve them, many use Lean, Six Sigma, Workout, or other methodologies. They could also be engaged in a certification such as the International Organization for Standardization (ISO) or CMMI. For organizations on the journey to PBM, the work in this pathway initiates the change in mind-set of the organization's process performers from function to process.

In Transition, Process Teams are launched to improve the prioritized processes. The teams use the chosen improvement methodology to understand, baseline, and analyze the "As Is" processes. They perform benchmarking and identify best practices. With the analysis of the current processes, and direction from the strategy and capabilities of the organization, the teams identify the future state and the "To Be" processes. The teams then work to implement the changes to achieve the future state. As the improved process is implemented, the Process Teams and Process Owners begin to monitor the performance of the processes to make sure what was anticipated is being achieved.

Key outputs of the Transition Pathway include:

- documentation of the end-to-end processes,
- current process metrics,
- the measured impact of the improvements,
- updated performance plans, based on the performance of end-to-end processes,
Summary of Transition Pathway Steps

- prioritized process improvement projects, based on the key drivers of performance.

These outputs are captured in a process repository, which is where all process knowledge is captured for access by those throughout the organization.

A summary of the Transition steps is depicted in Exhibit 4.

Transformation Pathway

This pathway defines an organization’s progression from managing processes to Process Based Management. The steps focus on integrating processes across the organization in alignment with strategic objectives. The objective is to sustain the improvements realized in Transition, and begin to optimize organizational performance by managing across processes.

Transformation is characterized by decisive and broad changes in mind-set, governance, culture, and the measurement and reward structure. Steps in this pathway set the stage for transforming the organization so that PBM becomes its primary management approach.

Key outputs of the Transformation Pathway include:

- cross-process measures,
- a process for cross-process integration,
- a process-based governance process, and
- an integrated performance measurement and reward system.

A summary of the Transformation steps is depicted in Exhibit 5.

Institutionalize Pathway

This pathway focuses on institutionalizing the process focus in the organization. The Process Council now has primary organizational leadership and management responsibility, which is centered on process teams and process performers executing the end-to-end processes. The integrated processes (cross processes) are aligned and managed based on strategy.

All employees now have process performance as part of their performance plans, which impacts their rewards and compensation. Customers and other stakeholders are seeing the positive impact on performance of the integrated processes. The linkage of the organization’s processes and measures with external processes is understood. The organization is ready to fully extend the process view into its supply chain.

Key outputs of the Institutionalize Pathway include:
- a formalized process governance structure and governance process,
- a reward and compensation system that includes process performance,
- documented integration of internal and external processes, and
- an assessment of gaps in implementation.

A summary of the Institutionalize steps is depicted in Exhibit 6.

**Realization Pathway**

This pathway is where process becomes the primary functional expertise. The organization’s mind-set has shifted to one of process thinking.

This pathway extends PBM to the supply chain outside the organization. This also involves outreach and process education to all stakeholders, so they understand how things the organization does affect them. The organization is continuously monitoring and improving PBM. Strategy now drives improvement, and process strength drives strategy.

Key outputs of the Realization Pathway include:

- integrated process maps (across the supply chain),
- a current list of continuous improvement initiatives, including supply chain initiative.

A summary of the Realization steps is depicted in Exhibit 7.

**Impact of PBM on Accounting and Finance**

As an organization proceeds through the journey of PBM, most roles in the organization evolve. We have covered the roles that directly support PBM, such as Process Teams, Process Owners, the Process Council, and the PBM Office. But how about the traditional roles in the functional organization, such as accounting and finance?

As the organization begins to manage individual processes, there is a role on the Process Teams for accounting and finance professionals. Process measures require an understanding of process costs as activity-based costing. These professionals have a
strong understanding of controls, which is a critical part of ensuring processes are under control and improving as needed.

Many compliance activities that Accounting and Finance drive or are major contributors to will evolve as the organization becomes process-based. Sarbanes-Oxley compliance, as well as certification such as ISO and CMMI, will move from compliance activities, which are where most organizations are focused today, to improvement activities. Accounting and Finance will have a tremendous opportunity to identify and manage the controls in the processes to actually improve the organization. Doing so requires a substantially different mind-set and approach than being in “compliance.”

As the organization proceeds through the Institutionalize and Realization Pathways and PBM becomes the management approach for the organization, functions will evolve to a center of excellence (COE) approach. The COE is where employees with technical skills such as external reporting, tax return preparation, and compensation management are maintained and developed. Experts who are not part of a COE are part of a Process Team, or are Process Performers, executing and improving the organization’s processes on an ongoing basis.

The process-based organization provides Accounting and Finance the opportunity to achieve their long-stated goal of spending less time on transactions and more time on decision support activities. This transition requires that they adopt a process mind-set and become part of, if not help champion, the implementation of PBM.

Dean Creed leads the Quality and Performance Support group at Santee Cooper (dcreed@santeecooper.com). Dennis Daly is a professor of accounting at Metropolitan State University in Minneapolis/St. Paul, Minnesota (dennis.daly@metrostate.edu). Pat Dowdle (pat@cam-i.org) and Jerry Stevens (jerry@cam-i.org) are program directors for the CAM-I Process Based Management Program. They are the co-authors (along with Dennis Daly) of the book Process Based Management—A Foundation for Business Excellence (2005).