Managing the White Space – A Progress Report

Geary Rummler, Ph.D.
October 13, 2005
Today…

• Managing the White Space – I
• Process Contributions and Short Fall
• Case Study
• Organizations as Systems and White Space II
• A Process Challenge
1984 Motorola Project

- Critical business issue was unacceptable time to market for a type of product totally different from standard ("semi-custom")
- Option development process crossed multiple organizational units
- First time all these senior managers ever talked together about their goals, needs and methods
- Two weeks after the workshop, the division was moved to another group
- For 6 months, project seemed dead
- Finally convinced new GM to review results
- Turned out managers involved in workshop had continued with their improvement plans ("went underground")
- Cycle time had been cut in half (14 weeks to 7 in 9 months)
Two Views of an Organization

How to Manage the White Space on the Organization Chart

Manage the cross-functional processes that provide value to customers
1990

A Practical Guide for Managing Organizations, Processes, and Jobs

GEARY A. RUMMLER | ALAN P. BRACHE

IMPROVING PERFORMANCE

How to Manage the White Space on the Organization Chart

SECOND EDITION
Revised and Updated

Performance Design Lab
A Short History of Process Improvement in American Business

2. Process improvement and design (1984 – 94)
3. Reengineer processes (1988 ---)
4. Reengineer the corporation (1992 ---)
5. Downsizing the corporation (1994 ---)
6. Everything is a process (1996 ---)
7. We’ve already done that and we aren’t ever going there again! (2000 ---)
Popularity & Value-Add Curves

Was this our “15 minutes of fame”?
Back Stronger than Ever…

• Profits require sound operations that consistently meet the needs of consumers *and* investors alike

• Sound operations that meet these requirements depend on effective and efficient processes, which are the operational spine of any organization
The Power of Process....

Nothing provides more insight, quicker, into an organization than observing one of its primary processes. While trying to model the “is” state, you will learn about an organization’s:

- Strategy
- Understanding of their business
- Management
- Business Values and Practices
- Leadership
- Chances of survival
So Progress to date....

Improving Organization “wiring” – YES
Improving Organization Effectiveness – the Management of the White Space - DISAPPOINTING
My Perspective:

1. The general understanding that work gets done – value gets added – through cross-functional processes is potentially the greatest business management breakthrough in the past 100 years.

2. As such, *process* is the key to improving organization results.

3. However, this potential of process to assist executives in the effective management of their organizations remains largely untapped.
Case Study – Organization Structure

CEO

SBU (A)

Product Design

Marketing & Sales

Operations

Administration

SBU (B)

Multiple Product Managers

Research

Design

Development

Printing

Assembly

Distribution

Finance

IT

HR
Case Study – Organization Challenges

- Company built around SBU (A), which had an “exclusive” arrangement with a single major customer for 30 years.
  - Customer now opening business to other vendors.
  - Lower costs and improved service necessary to maintain competitive advantage.
- Company attempting to grow SBU (B), aimed at a general market.
  - Competing with organizations that have long standing relationships with customers.
  - Low cost and great service are necessary to maintain competitive parity.
Case Study – Process to the rescue

- Limited Six Sigma effort underway (Florida Power & Light Orthodoxy)
- Former HP Executive – “Process Management the way to go”.
- Adapt APQC Process Classification Framework into a “process architecture”
  - 18 Operating processes
  - 9 Enabling “processes”
    - “Perform Statistical Analysis”
- Designate Process Owners for all “processes”
- Form a unit of Process Consultants consisting of Six Sigma “belts” and process improvers.
- Embrace the CMMI Maturity Process Management System (Five point scale)
- Process Consultant unit and IT agree on a software to document process.
Case Study – Results after two years

- A number of Six Sigma driven process improvement projects started in Operations (most showing ROI)
- IT struggling to prioritize support requests from Six Sigma projects
- Process Owners not clear on roles. Some refused to “play”. The main goal of others was to “map the damn process and be done with it.”
- Searching for a process “governance” framework
- No senior executive involvement beyond initial blessing of initiative.
- Initiative hasn’t gotten traction – losing momentum
- Religious war breaking out between Six Sigma and Process Improvement believers.
- Revenues declined by 4% during the period; expenses remained the same
In Summary…

- IT, Six Sigma, and Process Management independently trying to improve performance – often at cross-purposes

- Management sitting on the sidelines
The Rummler Perspective:

The failure to realize the potential of process thinking in the past –
And the threat to realizing the potential of process thinking in the future –
Is the failure to understand processes in an organizational system context.
The *Organizations as Systems* Lens
Business As A System

Environmental Influences
- Government
- Economy
- Culture
- Health
- Climate

RESOURCES
- Capital Market
- Labor Market
- Suppliers
- Research Laboratories

Any Business
- Customer orders, Requirements, Feedback
- Earnings

Financial Stakeholders

Market
- Product/Service

Competition
- Customer orders, Requirements, Feedback
- Products

An “Adaptive” System

Capital
- human resources
- material, equipment

Technology

Human resources

Material, equipment

Technology
Business As A System

A “Processing” System

Any Business

Available → Sold → Delivered

Support Processes

Order for Product/Service

Capital Market

Financial Stakeholders

Earnings/ Returns

Consumer Market

Customers

Products/ Services

Resources

Capital

Human Resources

Materials

Technology

Resources

Competition

Business Environment

Economy

Legislation

Culture

Climate

Weather
**Level 1 - Primary Processes**  
(3-8 Step Process)

- “It” Developed and Launched
- “It” Enhanced
- “It” Sunsetted

- Demand for “It” Developed
- Order for “It” Obtained
- Customer Relationship Maintained

**Level 2 - Process View**  
(12-36 Step Process)

- Opportunities Generated
- Opportunities Qualified
- Opportunity Developed and Proposal Requested
- Proposal Prepared and Communicated
- Sale Closed
- Order Captured and Communicated

- “It” Order Processed
- “It” Order Filled
- “It” Shipped/ Delivered/ Installed
- “It” Order Closed

- “It” Customer Serviced
- “It” Supported

*Performance Design Lab*
Opportunities

Opportunities Generated → Opportunities Qualified → Opportunity Developed and Proposal Requested → Proposal Prepared and Communicated → Sale Closed → Order Captured and Communicated

Level 3 - Task View

- Information Gathered
- Needs Identified
- Deciders and Users Identified
- Constraints Determined
- Credibility Established

Level 4 - Sub-task View

Information Gathered
- Relevant Data Sources Identified
- Interviews Scheduled
- Interviews Conducted
- Conclusions Reached and Recorded

Input → Work Station → Output
What Must Be Managed
Learnings…

• Executives attempt to get business results (the Organization System Perspective) by managing at the task level

• Functions are visible – critical processes that deliver value to customers are invisible

• The Value Chain provides the greatest business results leverage point for senior executives
  ➢ Alignment of Primary Processes
  ➢ No Value Chain sub-optimization
The Vertical & Horizontal Views of a Business

- Vertical – Resource Management
- Horizontal – Value Management
- White Space – X 2 / Can't resolve this inherent conflict by reorganization
Management Role - Alignment

1. Value Chain must be *linked* to the Super-System
2. The Value Chain must be *aligned*
3. The Value Chain must not be *sub-optimized*
Processes –
The active ingredient in the organization performance formula
Processes...

The vehicle by which *value* is delivered to customers
But processes must always be understood in their internal Value Chain or Value Creation System context
Cross-Functional Value Chain Map

MARKETPLACE/ CUSTOMER

4 Promotion Received

5 Inquiry

7 Buy? Yes

13 Order Received & Instructors Trained

15 Invoice Received & Paid

MARKETING

1 New Product Ideas & Specifications Developed

2 New Product Developed

3 Promotional Materials Developed & Distributed

4 Promotion Received

5 Inquiry

6 Proposal Made

8 Order Completed

10 Instructors Trained

11 Order Printed & Shipped

12 Paper Shipped by Paper Vendor

RESEARCH & DEVELOPMENT

1 Ideas

2 New Product Developed

3 Promotional Materials Developed & Distributed

4 Promotion Received

5 Inquiry

6 Proposal Made

8 Order Completed

10 Instructors Trained

11 Order Printed & Shipped

FIELD OPERATIONS

SALES

6 Proposal Made

8 Order Completed

10 Instructors Trained

11 Order Printed & Shipped

TECH SUPPORT

11 Order Printed & Shipped

PRODUCTION

12 Paper Shipped by Paper Vendor

13 Order Received & Instructors Trained

15 Invoice Received & Paid

FINANCE

14 Customer Invoiced

16 Payment Received

ADMINISTRATION

15 Invoice Received & Paid

PERSONNEL

13 Order Received & Instructors Trained

15 Invoice Received & Paid

SUPPLIERS

12 Paper Shipped by Paper Vendor
Case Study (II)

A look through the Organization Systems Lens
Case Study – A Systems Perspective

Available

Sold

Delivered
A System Perspective - Observations

- Tactical Level
- Strategic Level
- Process Management
- Enterprise Management
Case Study – A System Perspective
Case Study – A System Perspective

• Operational/Tactical - *Observations*
  - All process improvement work focused on Operations component of the company
  - Apparently where customers express unhappiness
  - A willing client
  - But – Who sets the process performance requirements? The *Business* (i.e., the SBU) or a *function* (i.e., Operations)?
  - A number of “pinch-points” in Operation’s processes could be eliminated by design decisions upstream in Available, such as reducing the number of product platforms.
Case Study – A System Perspective

• **Strategic - Observations**
  - SBU Strategic Plans are “strategic wishes”, based on assumptions regarding:
    - New Products being developed
    - Revenue growth
  - VP of Product Design pleading for a new product development process
  - Conclusion:
    - Key to short and long-term survival is in **Available** and **Sold** components of the Value Creation System
    - Current process improvement efforts focused in the “weeds”, in **Delivered**.
Case Study – A System Perspective
Case Study – A System Perspective

- **Process Management – Observations**
  - Process decomposition (fatal flaw) – e.g.
    - 4.0 Market and sell
    - 4.1 Market to relevant customer segments
    - 4.2 Plan & Close Sales
  - Processes not linked to Organizational Results Needs
    - Which can only be done through an internal Value Chain link
  - Process Owners and Process Management disconnected from the business
  - Outside of Operations, Process Improvement efforts focused on moving up the process maturity scale.
    - The journey from (1) to (5)
  - A search for a process “governance” framework.
Case Study – A System Perspective

• Enterprise Management – *Observations*
  ➢ Classic management of the Vertical Organization
  ➢ Blind to the need to manage the Horizontal Organization
  ➢ No concept of a Value Creation System and the need to manage it
  ➢ Opportunities lost in White Space
Case Study – A System Perspective

The “net-net” contribution of the notion of *process* to this organization?
THE BPM CHALLENGE -
Connecting Process Performance to Organization Results

PERFORMANCE DESIGN LAB
You Can’t Get There from Here!

1. Identify Process Owner
2. Map the Process
3. Identify Control Points
4. ???
You Can’t Get **There** from Here!
Getting “There”

An Approach to Linking Process Performance to Organization Results

» The Basics
» The “How”
An Approach . . . The Basics

First . . .

• This is a Business Process
  ➢ Delivers Value to Customers
  ➢ Is Cross-Functional
• It is the **work** required to deliver value to the customer
• Technology enables getting this work done

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PERFORMANCE MANAGED
PERFORMANCE PLANNED

Expectations Set
Plans Set and Resources/Support Requirements Determined

Plans Operational (Resources, Structure, and Support in Place)

Performance/Behavior Monitored
Action Taken (Corrective, Preventive, Sustaining)

Deviations Analyzed, Cause Determined, and Appropriate Action Determined

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RESULTS

First . . .
An Approach . . . The Basics

Second . . .
An Approach . . . The Basics

Second . . .

- These are the components of a Business Process Management System
- This system is necessary to manage getting the work done that delivers value to customers
- In short, management of the value-adding Business Process
- Technology should enable this management process
An Enterprise Management System
The “How” to Get There

Case Study – A Third Look

PERFORMANCE DESIGN LAB
All About Managing…

• The Horizontal Organization

• The internal Value Chain or Value Creation System
Management of the VCS
(A) Prerequisites

1. Business Model
   a. SBU’s are the business
   b. SBU’s deliver value to the customer via the Value Creation System

2. Value Creation System and Process Architecture that reflects the Business Model
(A1) Value Creation System and Process Architecture
Management of the VCS
(B) Management Roles
Management of the VCS
(C) Planning and Goal Setting Sequence
Management of the VCS
(D) The Process (Management Calendar)
Annually

1. Super-System reviewed
   - Past performance reviewed
   - Corporate and Business goals proposed

2. Super-System reviewed
   - Past performance reviewed
   - Business goals reviewed
   - VC goals proposed
   - Primary process goals proposed

3. Proposed primary process goals reviewed
   - Function requirements proposed

4. Proposed requirements from all primary processes reviewed
   - Resources requirements assessed

5. Proposed requirements from all primary processes and line functions reviewed
   - Resource requirements assessed

Value Chain, Process and Functional goals and resource requirements negotiated
- Corporate and business goals, plans and budgets approved

6. Value Chain, Process and Functional goals and resource requirements negotiated

7. Value Chain goals, plans and budgets set and communicated

8. Primary process goals, plans and budgets set and communicated

9. Line function goals, plans and budgets set and communicated

10. Support function goals, plans and budgets set and communicated

Anually
12. Super-system scanned
   - Process performance reviewed
   - Issues??

13. Functional performance reviewed
    - Issues?

14. Functional performance reviewed
    - Issues?

15. Situation updated
    - Actions communicated
   - Super-system assumptions updated
   - Business performance reviewed
   - Process reviewed
   - Changes in goals and resource made as required
   - Value Chain optimization issues resolved
   - Management system reviewed and changes made
   - Changes made
   - Goals
   - Strategy
   - Resource Allocation

16. Process changes made as required

17. Function and job changes made as required

18. Functional job changes made as required

19. Functional job changes made as required
Managing the VCS
(E) Organization IQ System

The Information Necessary to Manage the Value Creation System
(E1) Performance Tracker System
(E1) Performance Tracker System

• Information network for managing the Value Creation System
• Designed bottom-up; Driven by the information necessary to manage critical variables in the Primary Processes of the VCS
• Shows links from one tracker to another, up to the vertically and horizontally integrated VCMT dashboard
• Leading and lagging indicators
• Allows for systematic troubleshooting from dashboard down to Primary Process variables
(E2) Performance Tracker:

A carefully constructed data set which provides critical information on performance. The typical Tracker contains plan/actual data on interrelated variables, over time.

✓ No single measures
✓ No snapshots in time
✓ No data on one variable in isolation
(E2) Performance Trackers

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Product Tracker

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Vendor Tracker

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Opportunity Pipeline Tracker

Current Snap Shot

Sales Region Tracker - Outcomes

External Design Firm A

Current Oppts - 30 days - 60 days - 90 days

BJAX Vendor Tracker

# Jobs in Process | 6

BJAX Product Tracker

# Jobs Reworked

Month 1 | Month 2 | Month 3

Cum Gap | 0 | 0 | 0

BJAX Opportunity Pipeline Tracker

Current Snap Shot

Opportunity Pipeline Tracker

Current Snap Shot
Summary – What it will take to Connect Process Performance to Organization Results

• Business Process Management is about managing the WORK that creates and delivers value to customers and financial stakeholders.

• This requires:
  ➢ Management of the Processing System Hierarchy (Business-Value Creation System-Process linkage)
  ➢ A performance management infrastructure as described above
  ➢ Management and IT working together as never before
  ➢ A methodology that facilitates this critical team effort