

# Cover



by Matt Rowe  
and Brent White

## In 50 Words Or Less

- Usually considered separately, process focused management and organizational development can be combined during process improvement efforts.
- By focusing on customer-centric results and the attitudes of employees toward change, organizations can ensure their improvement efforts will be successful.

# Your Bases

**Double up** your approach to guarantee **successful process improvement**

**RECENTLY, WE WERE** asked to give a presentation to a graduate-level organizational development (OD) class comparing the goals and benefits of process focused management (PFM) with those of OD. Although we are familiar with OD and fully understand the value of applying a PFM approach, we had never before been asked to provide a detailed comparison of the two disciplines.

The positive reactions of the graduate students, many of them OD professionals, led us to conclude that the complementary nature of PFM and OD is probably not well understood by many practitioners of either discipline.

PFM, which is also referred to as business process management or simply process management, is not process improvement per se. It is an integral—and often absent—part of a successful continuous process improvement effort.

Functionally oriented companies, no matter how customer focused they try to be, almost always end up driving toward internal functional metrics and goals (see Figure 1). PFM is an enterprisewide initiative intended to increase the organization's cross-functional process focus. This means business leaders, managers and associates at all levels understand and work to support the end-to-end processes that are followed to satisfy specific customer needs.

### Customer-driven process

Typically, leaders and managers attempt to influence those issues on which they have the most impact and which are most important to their immediate supervisors. Even matrix-managed organizations tend to be structured hierarchically, further encouraging management to be driven by functional goals. After all, the only difference is that matrixed managers are responsible for more than one function and answer to more than one supervisor.

In PFM, the emphasis is on what the customer needs and what the business must do to deliver that product or service, rather than on how well the individual functions operate.

For example, a car rental company would focus on the cross-functional process of providing the appropriate cars rather than on the function-oriented process

of fleet management (see Figure 2). The difference is more than simply a change in the name of the process. By calling a process what it is from the customer's perspective, the first step is taken in eliminating psychological and artificial boundaries and their functionally focused objectives.

These changes must include modifications in employee and management behavior to be successful. Customers do not care how efficient outbound calls per sale might be; they simply want the specific cars they request. Customers want to provide the necessary information, receive reasonable rates and be informed their specific type of vehicle is standing by.

Companies that manage their operations while focusing on customer-oriented processes do a much better job of putting customer needs first because process performance is measured in ways that support customer expectations. When employees are managed through the use of concrete data they can understand and influence, their behavior focuses on moving those process metrics in a positive direction.

Management guru Peter Drucker said it best: "The single most important thing to remember about any enterprise is that there are no results inside its walls. The result of a business is a satisfied customer."<sup>1</sup>

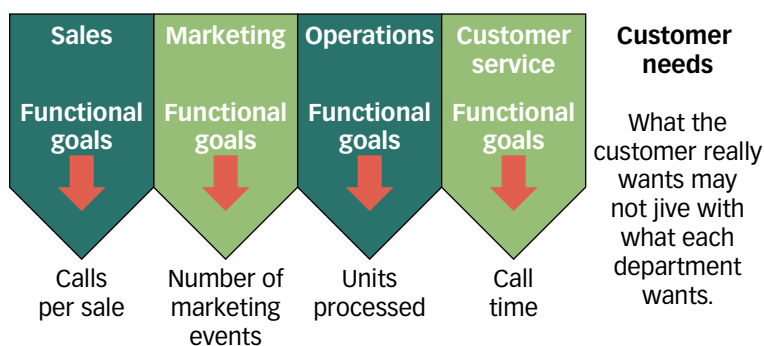
### Overlooked, underused

Unfortunately, PFM is not usually promoted as a stand-alone business concept or even given enough attention when it is mentioned. It is typically only a small portion of Six Sigma training, so its value as a solid foundation for any process improvement method is usually understated and often misunderstood.

Many organizations have learned that improving a process and then simply handing it over to a functional owner can lead to a return to functionally focused management behaviors and, eventually, the same sort of inefficiencies that led to the process improvement effort in the first place. This is why PFM must be applied across the enterprise, as well as within the specific processes designated for improvement. A system of continuous improvement must be implemented.

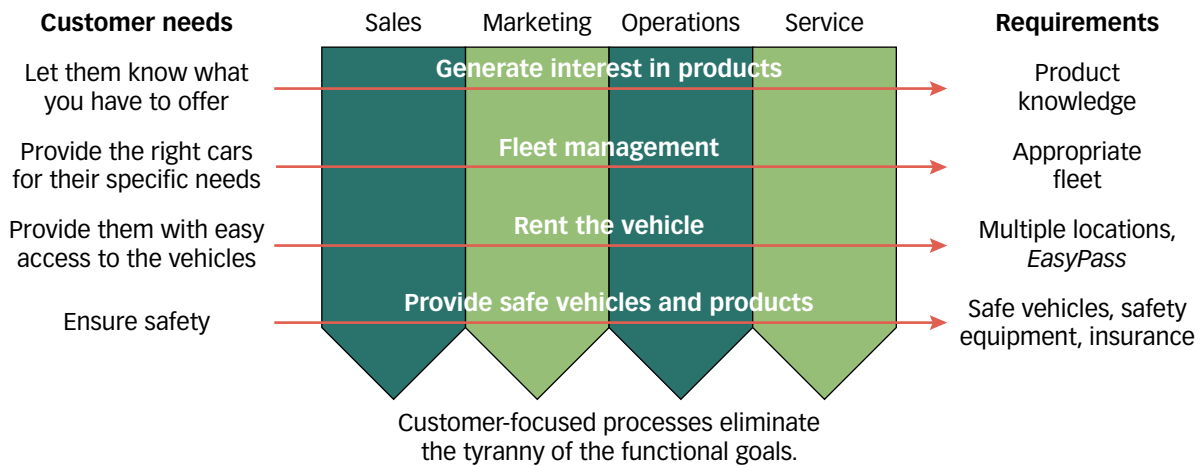
Although organizational structure and hierarchy are purposeful—and seemingly concrete in nature—they are basically the result of learned business behaviors developed over time and in reaction to the current environment. Both are organizationally and behaviorally embedded in the typical business culture.

## Functional management / FIGURE 1



Individual functional goals result in a process with gaps, overlaps, rework and other issues.

## Process focused management (car rental example) / FIGURE 2



Simply changing the formal organization of the business and creating a more process focused form of management are not necessarily enough to be successful. New manager and employee behaviors must be identified, monitored and managed. It is in this way that the success of PFM can be significantly enhanced through a link to the concepts and execution of OD.

Larry E. Greiner, professor of management and organization in the Marshall School of Business at the University of Southern California, correlates changes in management behavior to growth in company size over time (see Figure 3).<sup>2</sup>

PFM can come into play at any time, but it is likely to be needed by senior managers at the onset of the autonomy phase in which control via metrics and delegation are crucial. In general, however, PFM facilitates growth throughout the various phases and can be implemented earlier or later in the business growth cycle.

OD tools can be used during any phase to assess whether the employees and managers are prepared to cope with and behave successfully in the current environment. Combined, the two disciplines create a powerful business management approach. PFM provides a more physical, process-oriented method for the business, while OD assesses and manages the behavior of employees within that physical environment.

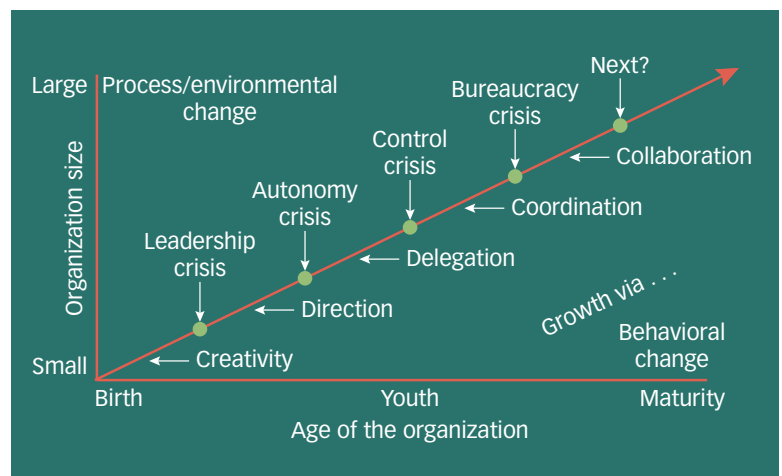
### A role to play

So, what is OD's and, by extension, HR's roles in creating and maintaining a process focused organization? It is imperative that everyone is focused on the organiza-

tion's vision. OD plays a critical role, first by ensuring this vision has been created, supported and followed at the highest levels of the organization. Second, this vision must be tied to and cascaded throughout all levels of the organization's processes.

OD must also take a lead role in establishing the process focused climate of the organization. The theory postulated by Jack Gibb is that group development is a matter of trust between workers. As trust increases, self-protective and other unproductive behaviors decrease. According to Gibb, there are four stages of group development: acceptance, data flow, goal formation/productivity and organization/control.<sup>3</sup>

## Greiner's model of organizational growth / FIGURE 3



Our premise is that PFM is an integral part of establishing this high level of trust. Let's take a look at each of these four stages and detail how OD can create and sustain a process focused organization:

#### **Stage 1: acceptance**

Trust is a key element in this stage. All stakeholders understand that the information communicated about process performance should focus on improving customer experience. Good news and bad is shared consistently, with the goal of rewarding success and improving any sources of less-than-acceptable performance.

Employees need to be involved in defining the processes in which they work. Involvement and effective two-way communication enable the gradual building of trust within and across process teams. What better than OD to help focus on these key elements?

#### **Stage 2: data flow**

The flow of information is a cornerstone of the process focused organization and is directly related to the amount of trust in the organization. When the holding of information is viewed as power, very little information is shared. Information sharing is a strong characteristic of any healthy, process focused organization.

A mind-set is established in most individuals that given solid information, good decisions will be made. Using OD, leaders can learn how and what to share, and encourage openness to the fullest extent. Trusting employees to make good decisions is vital to success, as is a reliable process data flow via solid relationships with key leaders and process owners.

#### **Stage 3: goal formation/productivity**

To be successful, process teams must have clear goals aligned with the organization and, most importantly, with the voice of the customer. OD can play a vital role ensuring goal alignment and clarity exist by tying goal generation to the actual requirements of the process from the customer perspective. Empowered by knowing what the process requires for success—and that the requirements are linked to strategic goals—day-to-day management and decision making are more effective and become powerful enablers of productivity.

#### **Stage 4: organization/control**

Once the new way of doing business is embedded in the organization, systems must be established to help maintain the gains. Establishing process focused leadership as the way to do business is the key.

Leaders must ensure standardized ways of doing work are recorded, new process flows are established

and standard procedures are integrated. Robust process metrics that include predictive input and in-process metrics, as well as meaningful output metrics, should be monitored via up-to-date, cross-functional process dashboards. Without this step, most organizations can easily revert to “the way we’ve always done it.”

### **Health assessment**

In today's complex business environment, anyone trying to make a business healthier must look at a very broad, cross-functional picture.

This is much like a holistic physician, who not only considers specific processes of the human body, but also examines and contemplates the overall behavior of the patient and the environment, both of which may affect those processes. Successful business managers are organizational physicians who must understand that a healthy business meets customer needs while maintaining efficient processes and effective employees.

According to Roland Cavanagh, managing partner of Implementation Partners LLC and co-author of *The Six Sigma Way*, “A holistic business process management initiative provides a robust set of tools and techniques, and provides the organizational physician with a baseline for the health of the business.” He adds, “Organizational development tools and techniques, as well as other solution-oriented methodologies like lean or Six Sigma, provide more advanced diagnostic tools and, ultimately, the surgical procedures required to improve the business's health.”

The primary objective of OD is to improve organizational health, which typically begins with correct alignment to overall business objectives. This means the organizational objectives must be properly aligned with the customer needs. PFM can facilitate this technical alignment, while OD's focus on organizational behavior, psychology and sociology (among other things) effectively complements the process-oriented view with a behavioral and cultural view.

The major focus of OD is on the total system, regardless of size, and includes all of its interdependent units and processes—exactly like PFM, except OD is driven by more humanistic principles. And, like PFM, OD relies on performance data to understand and diagnose the current state to determine where the organization should be. An OD practitioner then develops a plan and determines how to conduct an intervention that will facilitate the achievement of the desired change.

For maximum success in implementing and sustaining efficient business processes and organizational health, the disciplines of OD and PFM should be closely integrated and synchronized. OD professionals, functioning like doctors, assess how well the processes perform but with the very specific objective of understanding how factors such as employee behavior, outlook and job satisfaction impact business success. Process-oriented managers rely on customer-oriented PFM as a mechanism to understand the internal systems of the business and to assess how well these systems perform with respect to technical customer requirements.

When physicians collaborate, they must have a thorough understanding of each other's specific area of expertise to be most effective, and they should actively seek out opportunities to combine their skills toward a common end. Similar to how you should never look at data without also looking at the process, the health of a process should not be assessed physically without also assessing the behavior and environment of its processors.

Applying a process focus while also considering behavioral aspects in the work environment provides a more complete picture of the current state of business health and leads to much better ideas for how to properly intervene and move the business forward. **QP**

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