

Deployment of Process Management

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***Abstract:** This paper presents a concept of process management as an approach of tactical management in companies using appropriate information system. The paper also describes the problem of transformation from functional organizations into process ones. A framework for the transformation is suggested here as well.*

***Key words:** process, process management, information system, organization, transformation, change*

Information Introduction

These days we can say the information society is not unknown phenomenon already. Its consequences are almost clear as well. For this paper, it is important the information society contributes to sharper competition of companies in a big manner. Information always was an advance. That is why people in firms responsible for important decisions aim to be more and more informed. It is also known that the problem is not to find any information but to find the right information, or better to find data that is information for anyone making a decision, to use it the right way and to consider the result of the decision for other ones. Information is usually called internal or external, according to the origin of the information from the view of a company. In this article, the stress is put on the internal information, namely on the one about creating value added for customers. Having the right information and using them the right way is good. However, it is necessary to know what we need to know, how to learn it and how to profit of it.

Pragmatic Introduction

Companies survive thanks to money coming from their customers usually. A customer is not willing to pay unless he gets what he wants. In other words, he will pay for the value that a company adds to raw material and parts necessary for the final product. The value added is use to be created in small steps through basic activities. If we look at all the activities creating the total value added, for that customers pay, as on a whole, we will see a process. More precisely, it is a key process. In companies there are also processes supporting the key processes, processes formed for legislative reasons and processes for optimisation, watching and improving performance of the other ones. This paper is focused on the key processes. However, the most of the ideas can be applied (with small adjustments) to all types of processes.

Information System Based on Processes

Here, both the introduction paragraphs join together. I could write about information systems architectures. I could write about information systems based on relatively standalone modules and how inappropriate they are. This however is done in my other paper (or article) - [SLAO03-01]. For this paper it is enough to imagine an information system as equipment that enables companies to watch creating the value added for their customers. It also enables to learn the relevant information, to evaluate it and to behave according to it. The question is: "How?" Now it is necessary to move from the field of information

system to the field of the company management system. Even the best information system alone cannot be the only guarantee of success. Company management system must be built in such a way that makes it to be a true tool for value added creation management, i.e. to be based on processes. Information system then must fit the whole management system puzzle.

Value Added Management

How should be a company managed today? The answer is simple: through management of processes. Unfortunately, it is not so simple to find a common understanding what process management is. Moreover, the transformation to process organization, in spite of its positive features when compared with still classical functional orientation, is almost always seen as very difficult or even impossible to be executed. In functionally oriented organizations, people are organized according to what they are able to do best (what their specialisation is). This is not the worse yet because we can find some similar division of people also in process organizations. The main obstacle is that management runs primarily over such organization components. Every department is quite autonomous. Its manager has given a budget and aims to reach the best results concerning only his department. Management of value added creation is lost in such organizations. On the other hand, if people are organized and managed primarily according to value added creation, i.e. key processes, every process has its manager responsible for it. He as well as other employees participating in the process are interested in the process performance that mirrors customer satisfaction.

Management System

In this paragraph, the paper presents how a management system based on processes should be designed. Again, the starting point is the fact that firms exist thanks to money of their customers. Thus, the company goals should tightly follow what customers want or might want. These goals may be reached only by proper source management - process management. Every goal must be supported at least by one process that we can measure and consider its performance whether it helps to reach the goal. So, every process has defined its own goals. Reaching the process goals means reaching the company goals. Process goals are distributed to lower level - the employees. Every employee has set its own goals. By reaching his goals, an employee contributes to reaching the process goals. Every employee must know what his role in the process is. He must see that he can make a customer happy or angry and how. An appropriate monitoring information system allows to follow the development of metrics used to measure the process or employee performance, customer satisfaction etc. See FIGURE 1.

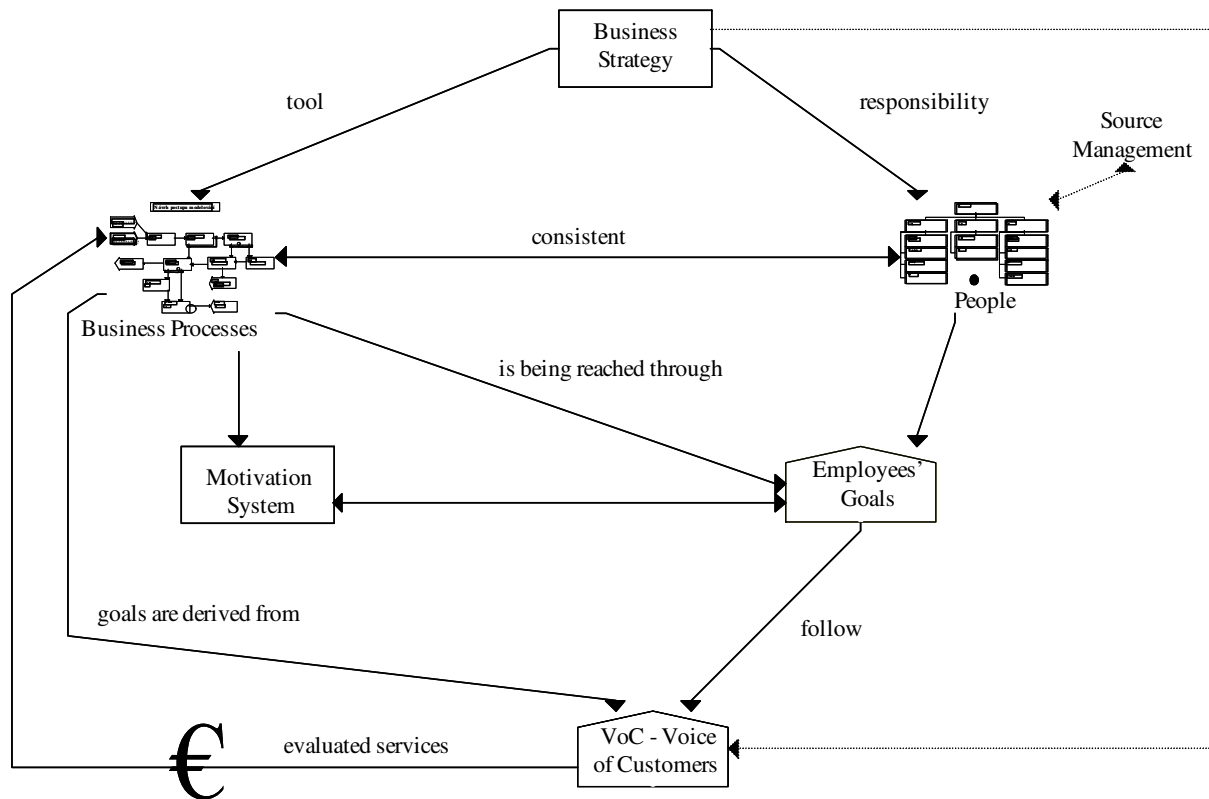


FIGURE 1 - MANAGEMENT SYSTEM BASED ON PROCESSES AND SHARING INFORMATION OF ALL LEVELS OF MANAGEMENT

The Change

All what was written above is usually accepted by companies as a good idea. The opinion however disappears when they see the project of transformation. It really is difficult and large. No surprise the top management of a firm that still seems to be without problems are afraid of the change and vote for carefulness and satisfaction with current situation. The change from functionally oriented organization into process organization consists of change management, systems integration, business process reengineering and of course source management. In my dissertation thesis, of which this paper is a brief digest, I consider also some principles of Multidimensional Management and Development of Information Systems. It is a methodology of the Department of Information Technology, University of Economics in Prague.

The main objective of the transformation project is to deploy a management system as described above. Through analysis of assumptions of existence of such a system, I have designed certain steps that need to be executed. The steps are grouped into four stages – see FIGURE 2.

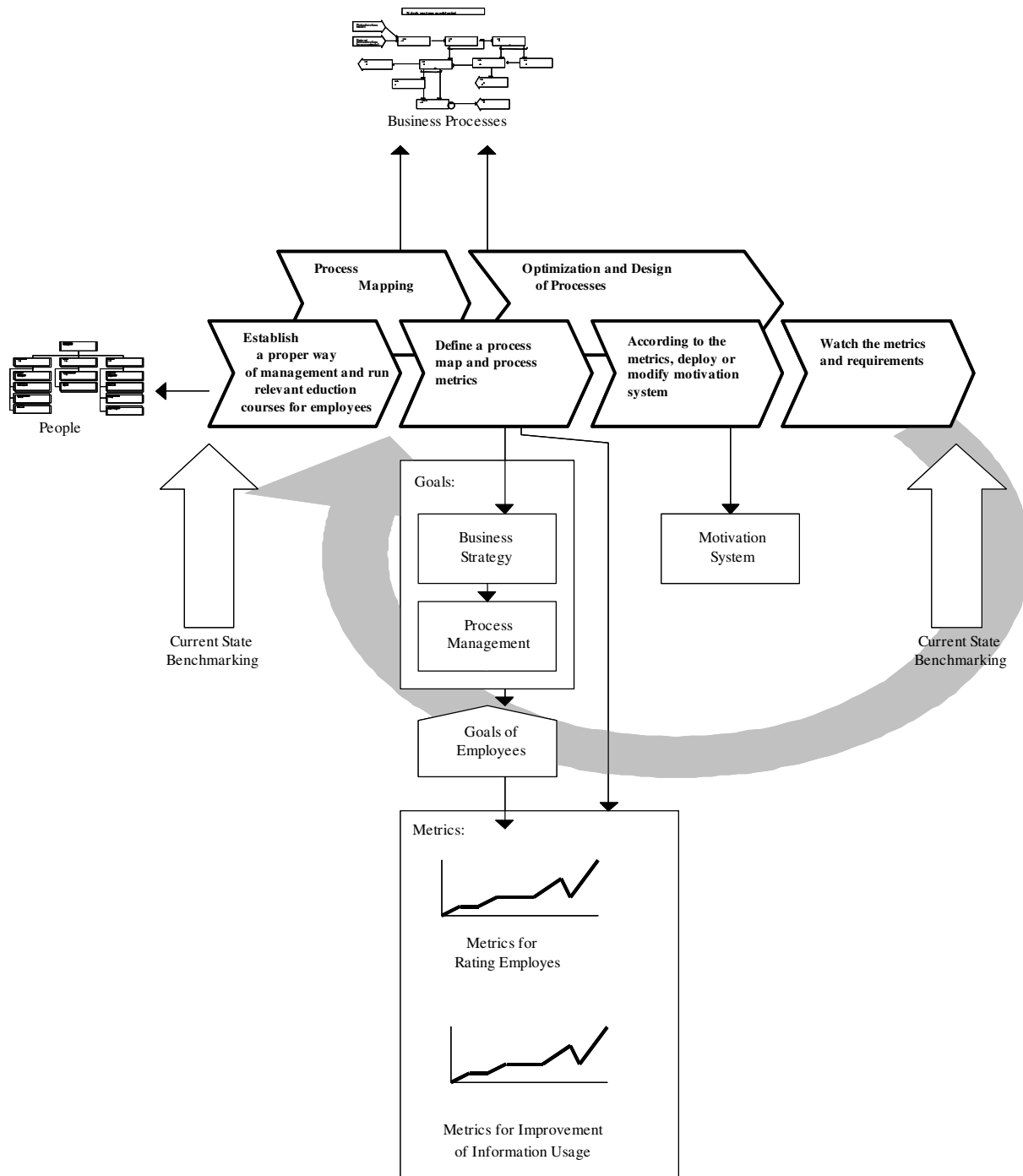


FIGURE 2 – BASIC PHASES OF THE TRANSFORMATION

This figure shows how the final state of all the components (see FIGURE 1) of the desired management system can be reached.

Starting the Transformation

The main reason for transforming an organization usually is recognition that current management system does not help to succeed in the business competition. The recognition often comes when a company has serious problems and tries to resolve them alone or with a consulting firm. Unfortunately, it is too late. Members of top management detect the need for transformation in advance very rarely. It is very hard to convince the company owners and employees the transformation is inevitable when the firm is performing very well now.

The first step of the transformation is *current state strategic analysis*. It means seeking for the causes of the problems. I recommend to hire an external consultant because such people are not influenced by the firm and so they can offer good critical view of the situation. Some methods of the analysis are based on benchmarking. Methods of self-assessment, such as EQA, BNQP, are a good example. It really is very useful to measure somehow the current state. First, some facts are generated and can be compared with competitors and/or requirements of customers. This may be good for persuading. Second, the facts are ready to be compared with the future, i.e. with the results of the same benchmarking after finishing the transformation project. Discovering the causes of current bad state gives an answer to one of important question: *“What are the main factors initiating the change? How strong they are?”*

The next step is defining the final state. This is the moment when the vision is being set up, and the question: *“What is the final state?”* is answered. It is clear this is a strategic decision about tactical and operational company management. Of course, it must be made by the top management. The people responsible for the company must know all possible alternatives with their possible consequences very precisely. Now, it is the last chance to do at least basic measurements of the company. To be fair, the top management should be able to answer the question: *“What will happen if we don't transform the company.”* They need results of the current state strategic analysis and good prediction data to do that. The answer should be of such a character that evokes vital need for change. For example: *“If we are not able to tell our customer what the state of his order is, we won't be able to accelerate it, and the customer will not come next time. Our competitors can do that. We estimate that during the next month we will loose X customers creating Y percent of our income. It means we will have to say good-bye to Z our employees by the end of the year because we won't have money to pay them for their work.”*

After measurement of company current state and considering its results and results of possibilities study, it is necessary to define future shape precisely. It means to decide which model of company organization is to be deployed. Proper metrics and milestones are designed as well. By doing this, the question *“What is the required state?”* is answered. Along with that a complete list of all fields, areas, items, components etc., which will be influenced by the company change, is being constructed. This answers the question: *“Where will the change be done? Which key areas of the company will be influenced by the change - during and after it?”* Besides typically organizational view it is necessary to consider the company's information system because also it will have to be changed.

Another thing that has to be designed are rules for running projects and other activities. Changing the organization really is global and has impact on everyone. The most important is to avoid negative impacts on customers. So, precise rules for handling customers' orders must be defined. (Answer the question *“How will the change project influence the customers?”*) Hence, current departments that are in direct contact with customers will face a hard press. After the change, people working in those departments will become actors in processes satisfying special kinds of customers and their requests. On the other hand, in some companies that operate with modern CRM information systems, the change may be mainly in the core of the firm.

The impact of the change on the customers and key processes is one of critical factors of success. I have to stress again that direct, transparent and consistent support of company top management is inevitable. This is why I recommend that the so called change agent is the general manger or at least a board member. The change agent has to select people from the whole company, from every area, to create a change managing team.

Besides the top management support, the company change must be a part of its strategy. The change project must have set some priority in order to prevent other projects to dominate. Another critical success factor is the organization's inertia. It is caused by people who have their habits and rules as well as by technical solutions (information systems, for example). The people's dimension is used to be underestimated and almost ignored. However, in this case it is one of the main problems as changing organization is about changing the way people are managed. Already during creation of the strategic analysis, a supporting project of so called *power field analysis* should be performed. The analysis answers the question: "*Who will support the change? Who will be against?*" Also special convincing and educating programmes have to be started to create common understanding and broader support for the change. Eventually, one of the critical success factors is the moment of switching to the new organization shape or running both the shapes one along with the other.

The following step is defining detailed organization change plan. Now, people know where they are and where they go. They know what the threats are, what they have to avoid. The organization change plan is a precise description of activities that change the current state to the new one. It describes sources usage for these activities as well. The plan answers the question: "*How to do the change?*" Two kinds of milestones are defined. First, the organization milestones for certain phases of the change. Second, the partial milestones for subprojects. When planning a change subproject, it is very useful to join the people who are to participate it (i.e. the people from current departments) to co-operate in defining the way how to reach the project goal. By estimating the sources used for the transformation and lost income from lost opportunities we can answer the question: "*How much will it be? How much time will it take?*"

Actually, the first step companies do is mapping activities in the firm because the top management learns of a new trend in management or they just need to know it in detail. Better case is when certain people or an external consulting firm is asked to realize the mapping. Worse case is when employees of every department are asked to make a list of activities performed in the department. Such a catalogue of activities is an example of misunderstanding of what process management can offer. It is like puzzle when there is no picture how the parts should be put together. Activities are well described in the catalogue, however a global view of the process is not available and optimization may be done only locally. Unfortunately, individual optimization of every department does not lead to total optimization. Such a catalogue may be used just as a list of activities in order not to forget any of them when mapping processes. If some forgotten activities are found, then it is necessary to decide whether they must be done at all.

Mapping processes is inevitable but it is not the destiny. The destiny is a management system based on processes that is to assure reaching strategic goals. Mapping processes is one of subprojects of the organization transformation. Its result is a process map with purpose to serve as a starting document illustrating business processes and their organization background.

On the FIGURE 1 showing also dependencies of strategic goals and goals of employees, it is possible to draw a line under processes and people. This line would present where the process management deployment can get without serious problems (assuming the top management agreement of the transformation). Processes are identified, some of them are even mapped, metrics are designed. However, source management still runs according to the rules of functional organization. The transformation is not worked out up to the end. Dependencies are not considered, the principles of process management are not understood, no study of change impacts is done. In order to enable the change, business rules must be changed. This is the right moment when the top management come into contact with the change (if they are not driving it themselves). They have to present their opinion and willingness to change now. If managing the transformation was delegated to lower levels of responsibility, the top management see real changes needed to be done. New business rules modify duties and responsibilities of all employees who participate in any process. Managers on high positions are afraid of loosing formal authority. It is the time now when the decision whether the transformation will continue or not must be transparently claimed.

Customizing

Customizing is the second basic phase of the transformation. In fact it started already with mapping processes and definition of the final shape of organization. The definition can be done successfully only when dependencies among customers, strategy, business activities and employees are well understood. Creating a goal map is a very important partial milestone. Balanced Scorecard, for example, is well applicable here. Such a goal map is a tool that transparently shows the dependencies of strategy, finance, customers' needs, processes, employees and their knowledge. This is why it is one of the most important instruments of management. By constructing the goal map, the strategic goals should be detailed on the level of processes and then on the level of employees. Then, process metrics must be designed. The metrics allow to rate employees as well as to keep everyone informed on the company events. Another fundamental product of the transformation is motivation system. Of course, also here people play the main role. The company management must clearly show them what they are expected and what they can get for that. Declaring strategic goals, their decomposition, source management and their rewarding - all this must compose a harmonic system. It is impossible without perfect information on the right place at the right time, i.e. without proper information system.

Managing the Change

At this phase of the transformation, everything should be clear. Everyone should know what to do within the transformation and how. The general manager proclaims the beginning of the transformation project. Then, it is on every change manager together with others to handle what was planned.

Managing

After reaching all goals, the general manager performs a presentation and declares the transformation to be finished. He should make statistical analysis of the project. This is followed by normal operational activities according to the new rules: managing processes, watching their progress and making optimisation. Reaching designed metrics should be assured by the new management system. Unfortunately, the reality changes. Processes must be seen by critical eyes all the time. If any process does not respond to modified requests of customers, it cannot help to reach strategic goals. It must be altered. However, continuous improvement of processes must be standardized, i.e. it must be process as well. This area is well worked out within several quality management methods (see e.g. <http://www.isixsigma.com/me>).

Some months later, it is good to run another benchmarking and compare the results with the results of the first run. This provides an answer to the question "How good the transformation is for the business." The transformation is finished. Next, it is necessary to keep the principles of process management alive. There always will be danger of functional thinking when adding new activities. Hence, also extending the organization must be a process and must consider global context.

Summary

This paper promotes process management with regard to orientation to customers. I have presented own design of a management system based on processes as well as a company transformation project changing the functionally oriented organization to process organization. My dissertation thesis is going to provide a broader description of the transformation project and a methodology for managing the transformation framework.

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