

Process Based Business Management

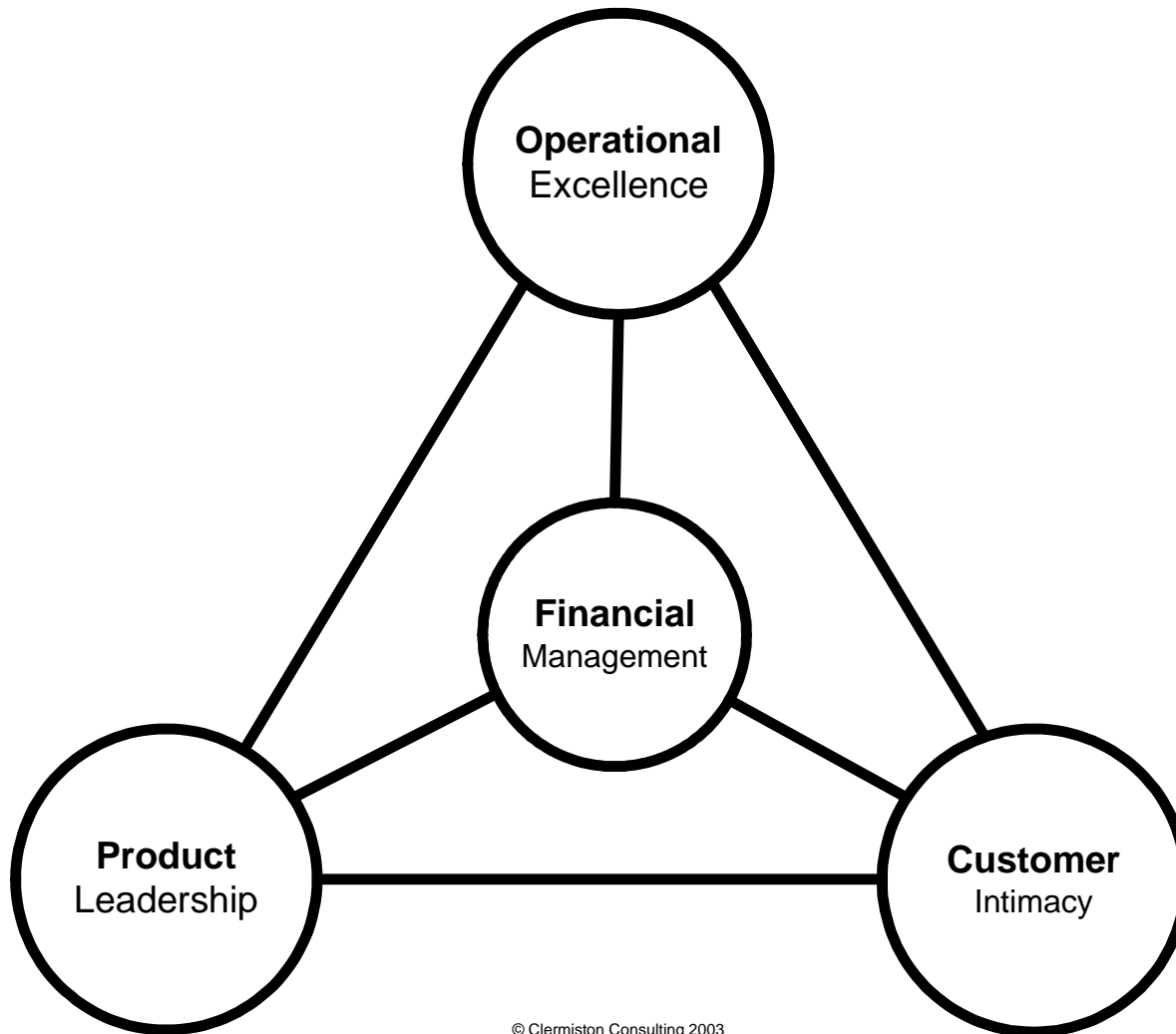
J Croker

ThoughtPower July 2003

Business Processes

- Market Leadership
- Why Sound Processes are Critical to Business Success
- Process Definitions
- Describing a Process
- Process Problem Solving (outline)

4 elements of market leadership



Market leadership needs all of these elements

The “classical” set

- Operational Excellence
 - Product Leadership
 - Customer Intimacy
- plus
- Financial Excellence to tie all together, highlighting
 - Profitability
 - Asset performance
 - Cash to sustain future growth

Most sustained benefits will come from operational excellence...

Ashton & al HBR June 2003

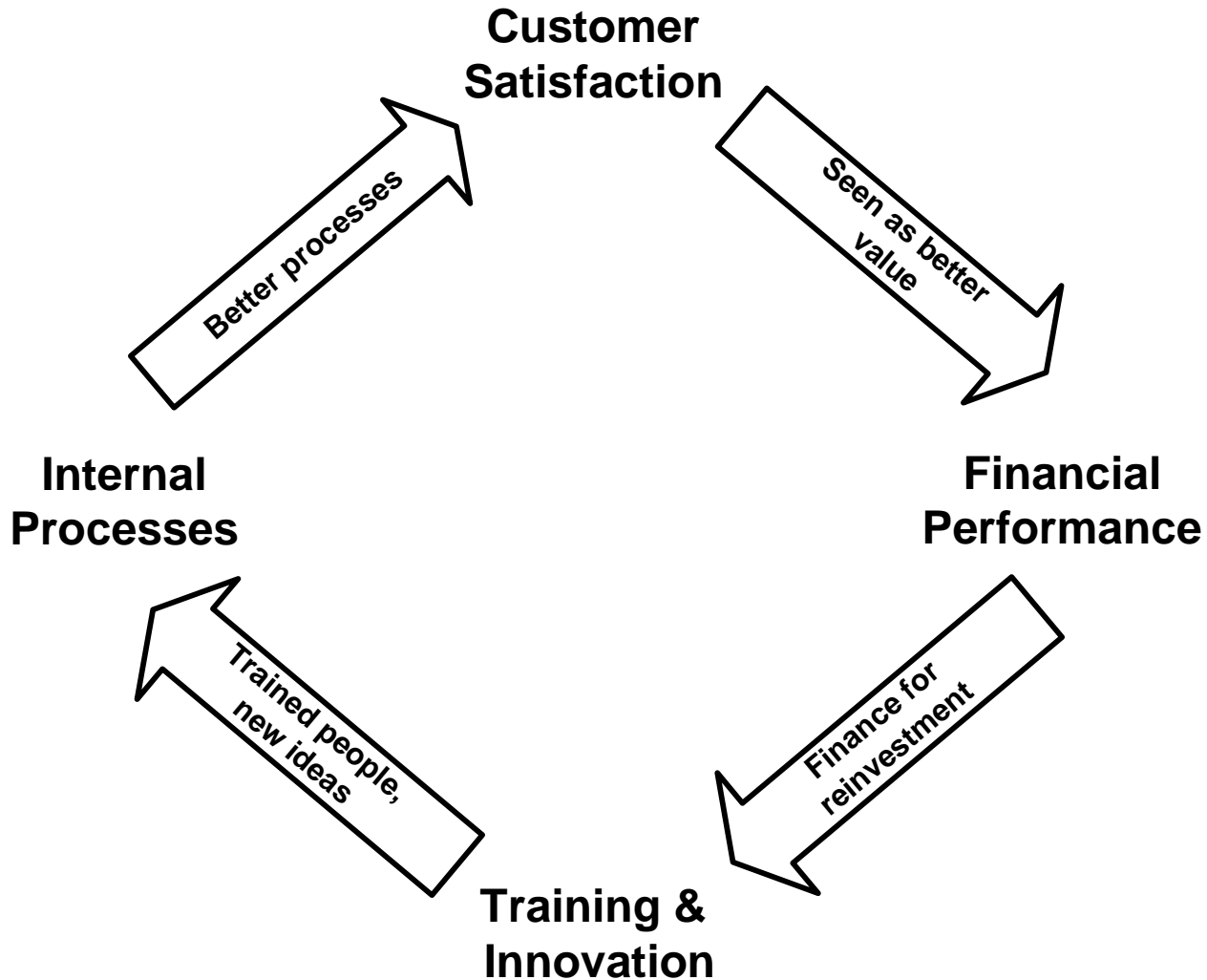
- OE Strengthens customer relationships by building links between companies, particularly supply chain linkages
- OE can expand the company's internal process capability beyond the company, into the larger marketplace.
- Most reliable, measurable performance inside the company

Improved operational excellence
will follow from improved
internal processes

- The “Balanced Score Card”
(Kaplan & Norton, HBR Jul-Aug1992)
shows the link...

The Balanced Score Card

after Kaplan & Norton, HBR 1992



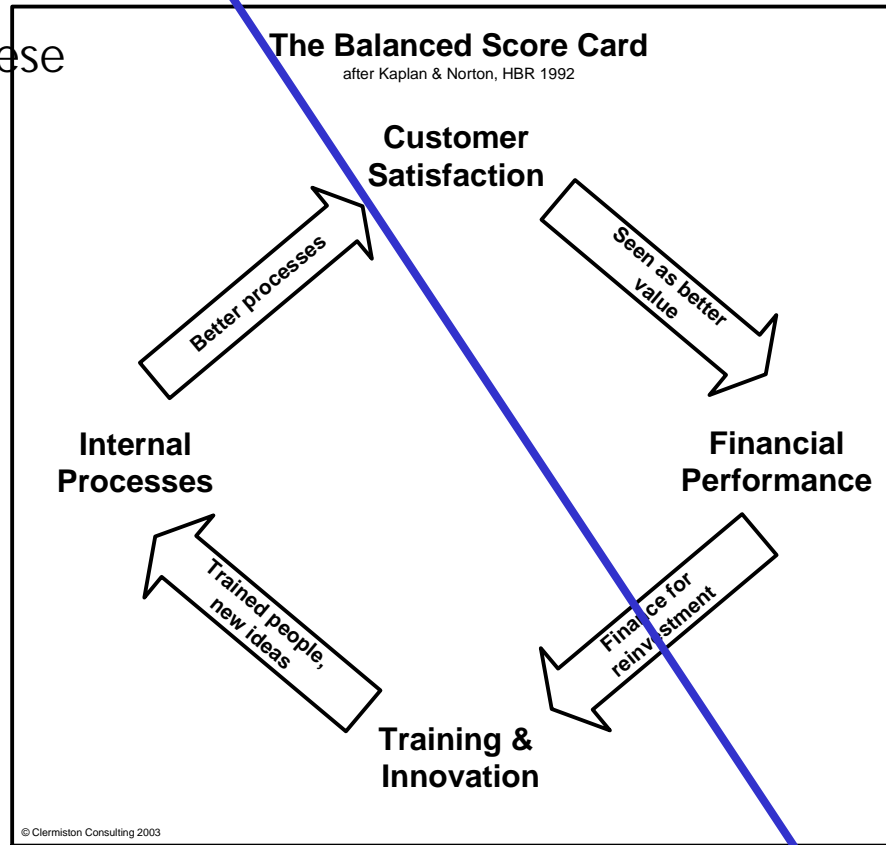
...linking via the balanced score card...

- Training yields more capable people
- More capable people can design and carry out more effective processes
- More effective processes make the company more reliable and responsive
- Customers will perceive a more reliable company to be better value and will favour it accordingly

Where should we put our efforts ?

A: where we have control.

Internal control
The company can manage issues in these areas



External control
Issues in these areas are beyond the control of the company. Control depends upon customers and shareholders

The company can control

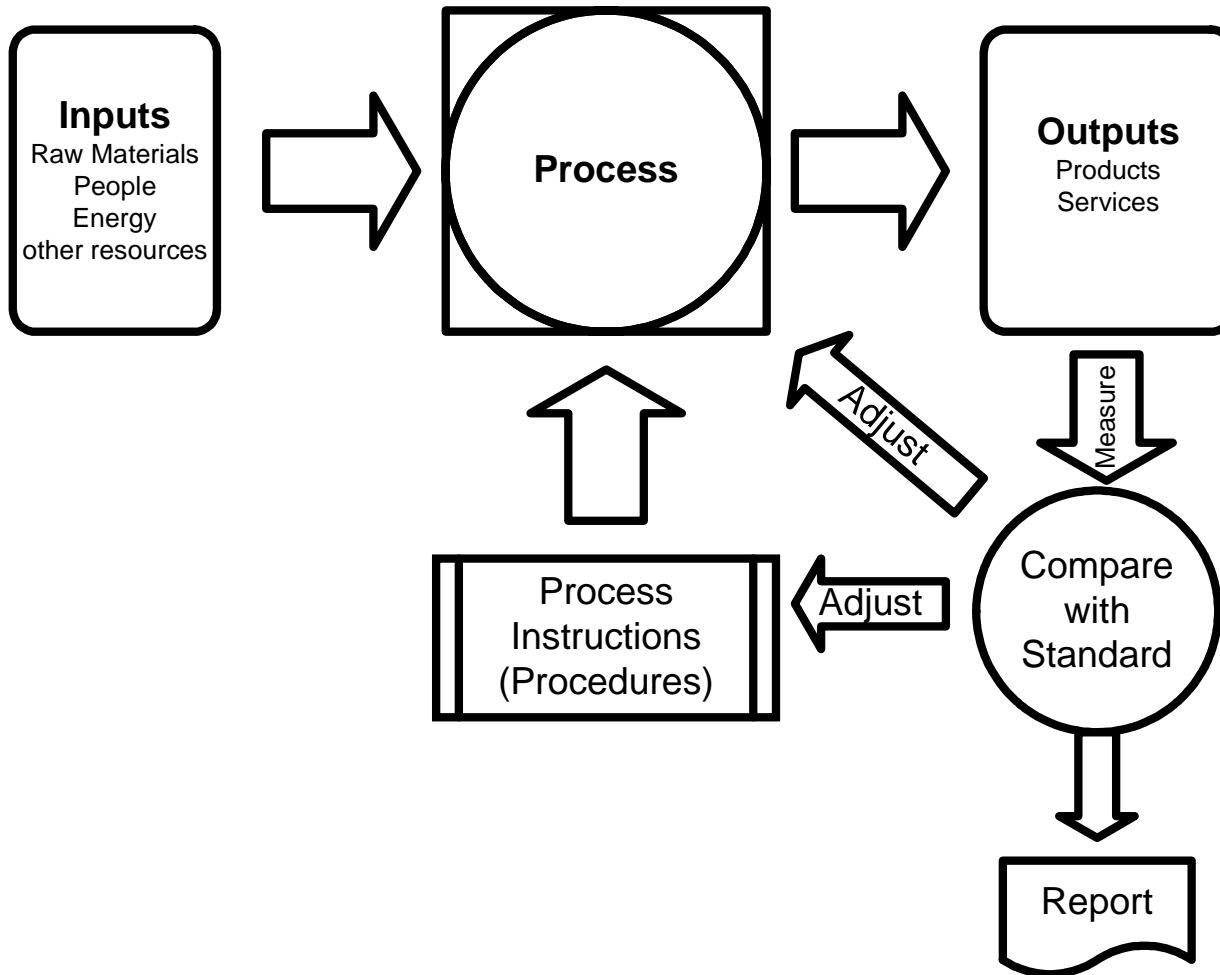
- Quality of people chosen
- Training and motivation
- Design of processes that enable the company to perform effectively:
 - **More reliably**
 - **More responsively**
 - **Be more robust**
 - **Better than the competition**
- Understanding & exploiting **business processes** is critical

What is a process ?

- Set of activities preformed upon definable inputs to give a definable outcome
- Activities can be described (eg procedures)
- Outcomes can be measured
- Improvements can be made

but only if the process is understood

General Process Components



This schematic applies to any process,
be it a technical process or a business process

Example: Core Internal Processes

- Supply Chain Management (sometimes seen as Product & Service Delivery)
- Customer Relationship Management
- Product & Process Development
- Financial Management

every business needs to understand and excel in these processes

Management Support Processes

- Executive / Board Management
- Strategic Analysis, Choice & Deployment
- Risk Management
- Human Resources Management
- Knowledge Management

ensure the capability exists to carry out the core processes

Major processes are complex

- Involve many functions within the organisation
- Need to be broken down into identifiable sub-processes to be easily understood
- eg Supply Chain comprises (at least)
 1. forecasting;
 2. procurement;
 3. manufacturing;
 4. scheduling;
 5. warehouse & inventory management;
 6. finished good delivery;
 7. customer ordering;
 8. invoicing & accounts

Process Documentation

- Functional Flowsheeting gives a clear view of activities, links & accountabilities
- Done by key process team & facilitator
- Highlights
 - critical process steps
 - redundant & non-value adding effort
 - disconnects
 - handovers between departments
- Indicates key areas for measurement of
 - Process output
 - Performance of the process itself
- Provides a framework for doing the right thing first time, doing it faster and at lower cost

IT & Processes

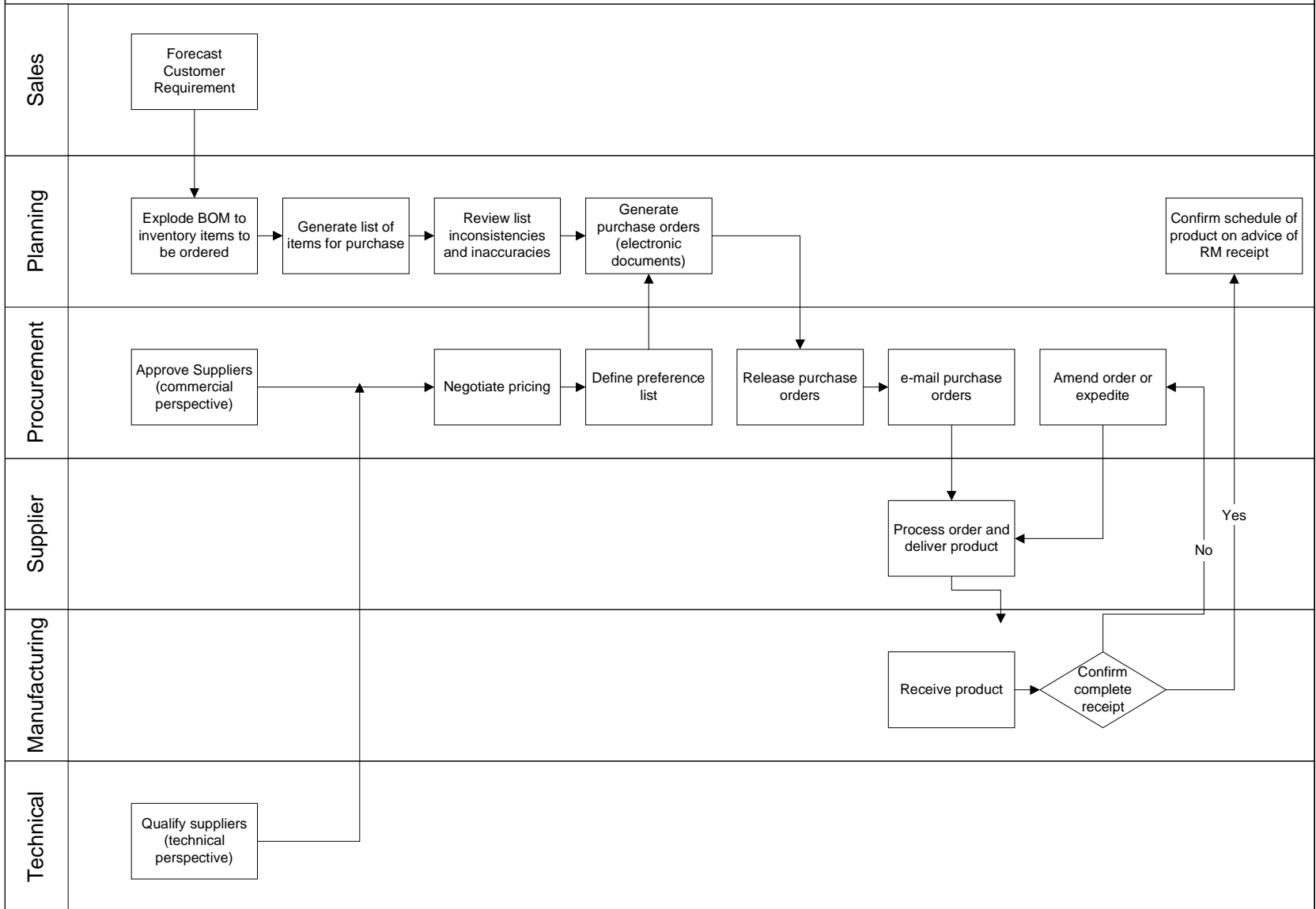
- Information technology gives visibility to processes
- Fundamental role of IT in business is to monitor the physical and transactional processes in real time
- Flowsheet documentation of the processes shows where inputs / outputs to the IT system are required
- Facilitates automated auditing of the processes

Flow Sheet Examples

- Procurement Process
a fairly simple process often requiring authorisations & other checks
- Forecasting Process
a more complex process involving critical interdepartmental work
- Project Management Process
a complex process with several measurements

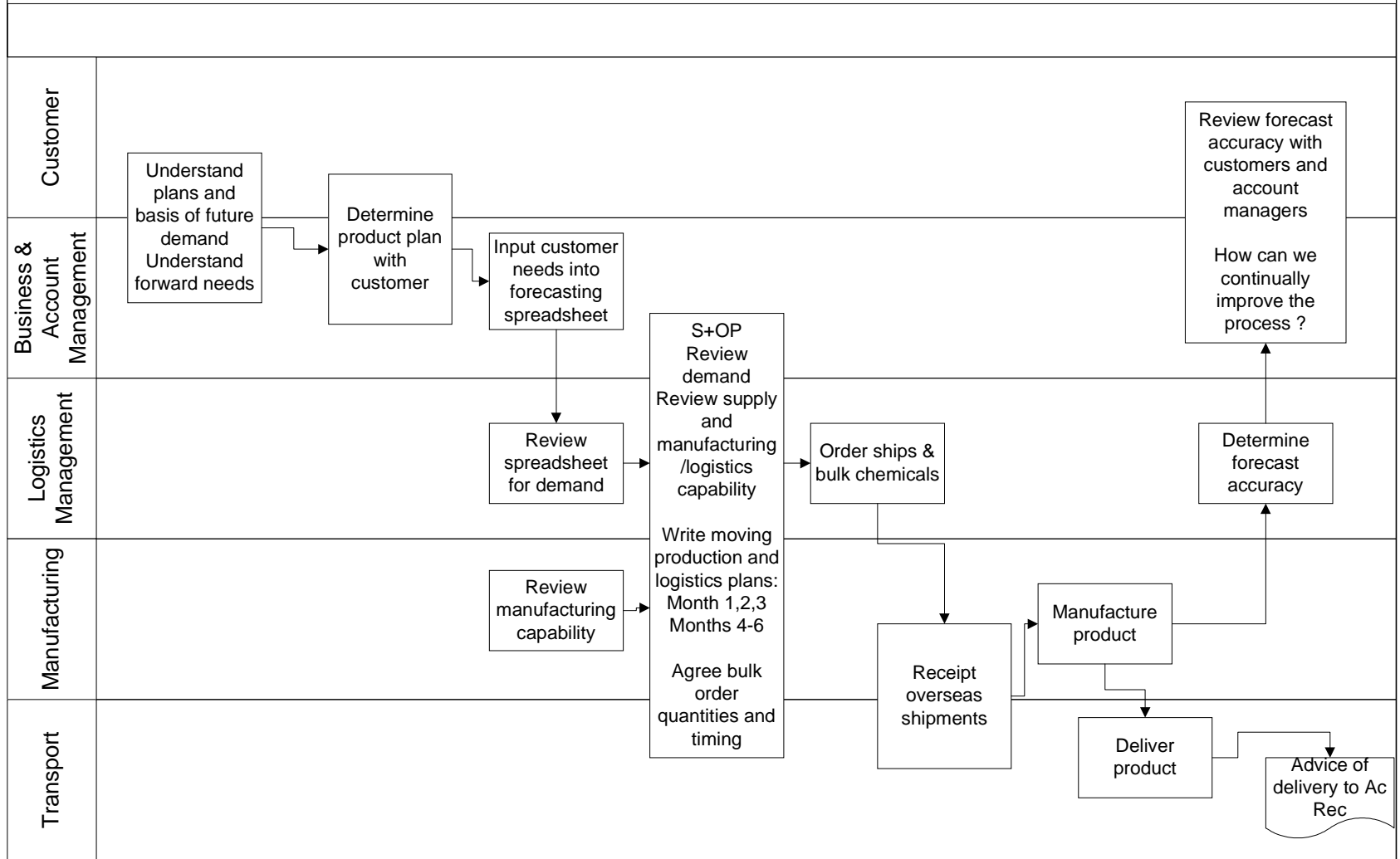
Inventory (Raw Material) Item Ordering

© Clermiston Consulting July 2003



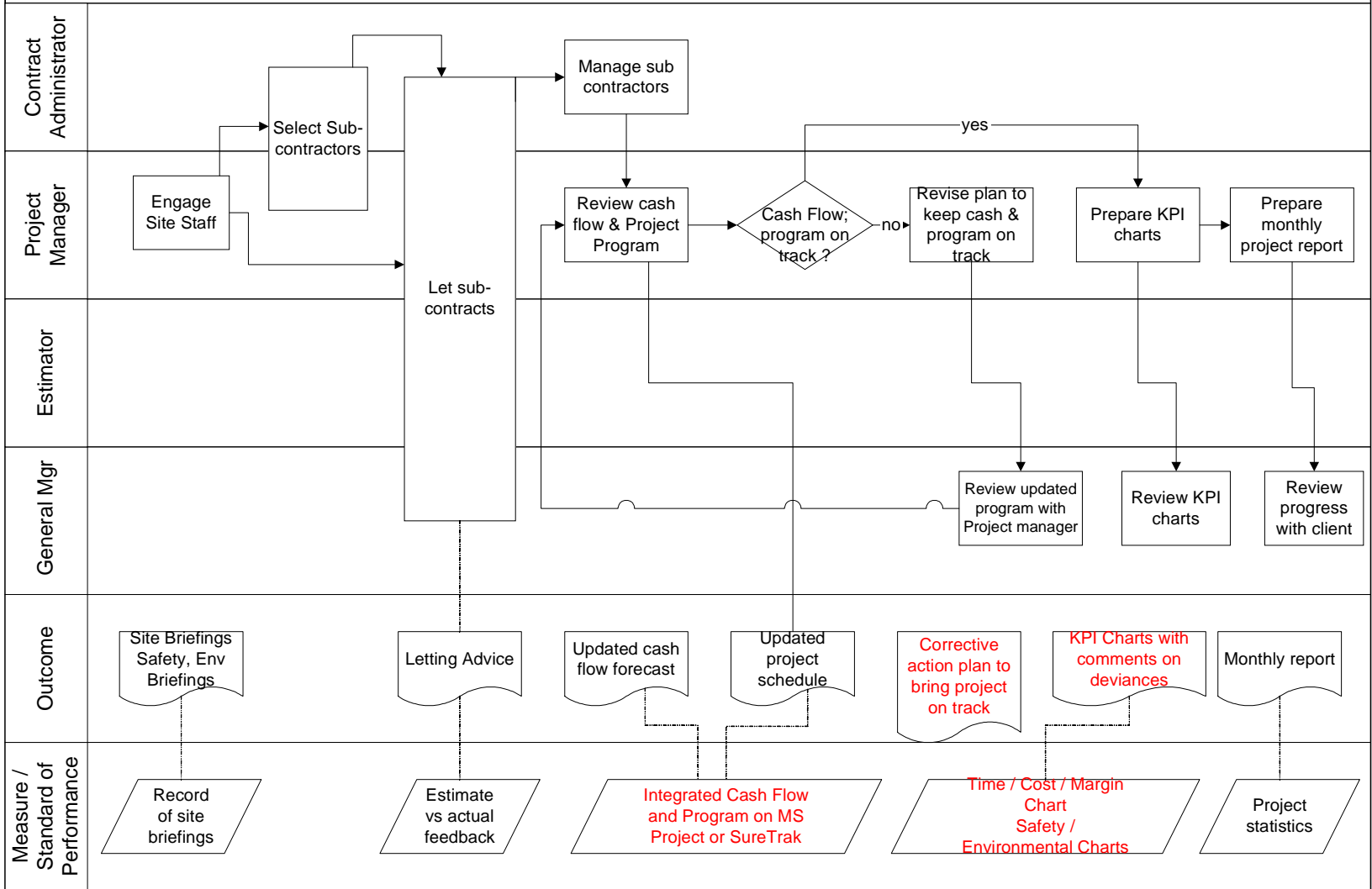
Forecasting Process (Suggested) Outline

©Clermiston Consulting July 2003



Project Execution & Monitoring Process: Generic

© Clermiston Consulting July 2002



Process Problems

- Process not understood
- Too costly
- Takes too long
- Too much variation

How do we fix these problems ?

Process Problem Solving Outline

1. Identify the Process
2. Draw the flowsheet
3. Identify Critical steps
4. Change / remove / restructure NVA (non value-adding activities)
5. Measure performance of steps (incl mean, s, control limits)
6. Root cause analysis for variation

Further Detail

- Contact ThoughtPower for a focused facilitation of your process issues, tailored to your future success.

John Croker

02 9416 4142

0418 263 795

jcroker@bigpond.net.au