Leveraging Process Frameworks to Simplify Process Management

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Objectives

Many people inherently sense the value of a process framework but struggle to realize the benefit within their organizations.

In this presentation we will discuss...

- Key principles that make frameworks effective
- Overcoming barriers to end-to-end process management
- Aligning to what leaders care about
- Accelerating your journey to higher process-based performance
What is a Process Framework?

A process framework is a list of business processes that are:

- mutually exclusive,
- collectively exhaustive, and
- hierarchically decomposed.
Process Classification Frameworks at APQC

**Operating Processes**

1.0 Develop Vision and Strategy
2.0 Develop and Manage Products and Services
3.0 Market and Sell Products and Services
4.0 Deliver Products and Services
5.0 Manage Customer Service

**Management and Support Services**

6.0 Develop and Manage Human Capital
7.0 Manage Information Technology
8.0 Manage Financial Resources
9.0 Acquire, Construct, and Manage Assets
10.0 Manage Enterprise Risk, Compliance, and Resiliency
11.0 Manage External Relationships
12.0 Develop and Manage Business Capabilities

**Industry Versions**
Aerospace & Defense
Automotive
Banking
Broadcasting
Consumer Electronics
Consumer Products
Education
Electric Utilities
Health Insurance Payer
Petroleum Downstream
Petroleum Upstream
Pharmaceutical
Retail
Telecommunications

Best practice organizations blend and tailor these to best represent their businesses.
5.0 Manage Customer Service (10006)

5.1 Develop customer care/customer service strategy (10378)
   5.1.1 Develop customer service segmentation/prioritization (e.g., tiers) (10381)
     5.1.1.1 Analyze existing customers (10384)
     5.1.1.2 Analyze feedback of customer needs (10385)
   5.1.2 Define customer service policies and procedures (10382)
   5.1.3 Establish service levels for customers (10383)

5.2 Plan and manage customer service operations (10379)
   5.2.1 Plan and manage customer service work force (10387)
     5.2.1.1 Forecast volume of customer service contacts (10390)
     5.2.1.2 Schedule customer service work force (10391)
     5.2.1.3 Track work force utilization (10392)
     5.2.1.4 Monitor and evaluate quality of customer interactions with customer service representatives (10393)

5.3 Measure and evaluate customer service operations (10380)
   5.3.1 Measure customer satisfaction with customer requests/inquiries handling (10401)
     5.3.1.1 Gather and solicit post-sale customer feedback on products and services (10404)
     5.3.1.2 Solicit post-sale customer feedback on ad effectiveness (10405)
     5.3.1.3 Analyze product and service satisfaction data and identify improvement opportunities (10406)
     5.3.1.4 Provide customer feedback to product management on products and services (10407)
   5.3.2 Measure customer satisfaction with customer-complaint handling and resolution (10402)
     5.3.2.1 Solicit customer feedback on complaint handling and resolution (11236)
     5.3.2.2 Analyze customer complaint data and identify improvement opportunities (11237)
Frameworks are Fundamental

➢ Organize your structure for process information on the front end!

➢ If you don’t...
  ▢ Process information will eventually be built in pieces by dozens of people and projects.
  ▢ You will struggle to integrate process information across your organization.
Primary Uses of Frameworks

- **Accelerate Governance**
  - Identify Process Owners

- **Align to Strategy**
  - Evaluate potential for improvement

- **Manage Content**
  - List of all processes
  - Structure

- **Benchmarking**
  - What to measure
  - Aggregate/Drill-down

- **Design & Document**
- **Monitor & Control**
- **Improve & Integrate**
- **Manage & Support**
- **Identify & Organize**

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Focus Deployment for Value

- Strategic alignment of processes
  - High-value initiative
  - High-value products
  - Processes requiring high integrity
    (i.e. where mistakes are costly)

- ‘Size of the crowd’ around any one process
  - Number of individuals/teams/processes using a specific part of the framework

- Business value is ultimate purpose of framework
Deployment Approaches

➤ Reorganize

ALIGN organizational elements to framework

- Costly and difficult—*seldom successful approach*
- Organized around functions in the process framework
- Similar to reengineering approach
  *(Exception – mergers or divestitures)*
  ➢ At most disruptive—restructures the organization chart to match process framework
  ➢ At least disruptive—changes the organization chart to resolve gaps or overlaps

➤ Overlay

MAP existing structures to framework

- Faster—*less opposition*
Cross-Functional Processes Exist...

... but when they are not managed

- Processes are ad-hoc and inconsistent
- Management is unmonitored and uncontrolled
- Management is using poor or inappropriate measurements – if measuring at all
- Process workers have little insight into upstream and downstream impacts
Defining Cross-Functional Processes

- Best practice organizations leverage frameworks to define cross-functional flow
- Refer to consistently defined and commonly used building blocks
  - Definition is based upon specific elements of process framework
  - Contextual reference is valuable to identify process gaps and overlaps
- Identify each sub-process
  - Consistent documentation
  - Accurate definition
Crucial Cross-Functional Processes Can Often Require Multiple Handoffs

1.0 Develop Vision and Strategy
2.0 Develop & Manage Products & Services
3.0 Market and Sell Products & Services
4.0 Deliver Products & Services
5.0 Manage Customer Service
6.0 Develop & Manage Human Capital
7.0 Manage Information Technology
8.0 Manage Financial Resources
9.0 Acquire, Construct, and Manage Property
10.0 Manage Environmental Health and Safety (EHS)
11.0 Manage External Relationships
12.0 Manage Knowledge, Improvement, Change

Build New Facility
Cross-Functional Process Strategies

- Thousands of cross-functional processes exist in typical organization
  - Focus on critical few
  - Identify owner early
  - Orchestrate components
  - Identify first, improve later
  - Go only as far as you need to go—make sure what you are doing is valuable
Cross-Functional Process Governance

- Each identified cross-functional process must have an owner
  - \textit{May not} perform the process themselves
  - Accountable for process results, integrity, and improvement
  - Often a functional or product manager
  - Often one of many that rely on the process
    - Act as a focal point for the process
    - Coordinate and collaborate to gain buy-in
Real World Cross-Functional Example: Order-to-Cash

Assumptions
- Marketing is complete
- Organization is ‘build to stock’ rather than ‘build to order’
- Offer terms of ‘Net 30’
- Products are in stock
- No customer order inquiries
Example: OTC – High-Level

- Which process categories are involved?
  - 3.0 Market and Sell Products and Services
  - 4.0 Deliver Products and Services
  - 8.0 Manage Financial Resources
Example:
3.0 Market & Sell Products/Services
(Take Orders & Check Availability)

3.5 Develop and manage sales plans (10105)
  3.5.1 Generate leads (10182)
    3.5.1.1 Identify potential customers (10188)
    3.5.1.2 Identify leads (10189)
  3.5.2 Manage customers and accounts (10183)
    3.5.2.1 Develop sales/key account plan (11173)
    3.5.2.2 Manage customer relationships (11174)
  3.5.3 Manage customer sales (10184)
    3.5.3.1 Perform sales calls (10190)
    3.5.3.2 Perform pre-sales activities (10191)
    3.5.3.3 Close the sale (10192)
    3.5.3.4 Record outcome of sales process (10193)
  3.5.4 Manage sales orders (10185)
    3.5.4.1 Accept and validate sales orders (10194)
    3.5.4.2 Collect and maintain customer account information (10195)
    3.5.4.3 Determine availability (10196)
    3.5.4.4 Determine fulfillment process (10197)
    3.5.4.5 Enter orders into system and identify/perform cross-sell/up-sell activity (10198)
    3.5.4.6 Process back orders and updates (10199)
    3.5.4.7 Handle order inquiries including post-order fulfillment transactions (10200)
  3.5.5 Manage sales force (10186)
    3.5.5.1 Determine sales resource allocation (10209)
    3.5.5.2 Establish sales force incentive plan (10210)
Example:
4.0 Deliver Products/Services
(Fulfill Orders, Shipping & Logistics)

4.5.3 Operate warehousing (10340)
  4.5.3.1 Track inventory deployment (10353)
  4.5.3.2 Receive, inspect, and store inbound deliveries
       (10354)
  4.5.3.3 Track product availability (10355)
  4.5.3.4 Pick, pack, and ship product for delivery (10356)
  4.5.3.5 Track inventory accuracy (10357)
  4.5.3.6 Track third-party logistics storage and shipping
       performance (10358)
  4.5.3.7 Manage physical finished goods inventory
       (10359)

4.5.4 Operate outbound transportation (10341)
  4.5.4.1 Plan, transport, and deliver outbound product
       (10360)
  4.5.4.2 Track carrier delivery performance (10361)
  4.5.4.3 Manage transportation fleet (10362)
  4.5.4.4 Process and audit carrier invoices and documents (10363)

Pick, Pack & Ship

Deliver
Example:
8.0 Manage Financial Resources
(Invoicing, Payment & Receipt)

8.2 Perform revenue accounting (10729)
8.2.1 Process customer credit (10742)
8.2.1.1 Establish credit policies (10789)
8.2.1.2 Analyze/approve new account applications (10790)
8.2.1.3 Review existing accounts (10791)
8.2.1.4 Produce credit/collection reports (10792)
8.2.1.5 Reinstate or suspend accounts based on credit policies (10793)
8.2.2 Invoice customer (10743)
8.2.2.1 Maintain customer/product master files (10794)
8.2.2.2 Generate customer billing data (10795)
8.2.2.3 Transmit billing data to customers (10796)
8.2.2.4 Post receivable entries (10797)
8.2.2.5 Resolve customer billing inquiries (10798)
8.2.3 Process accounts receivable (AR) (10744)
8.2.3.1 Establish AR policies (10799)
8.2.3.2 Receive/deposit customer payments (10800)
8.2.3.3 Apply cash remittances (10801)
8.2.3.4 Prepare AR reports (10802)
8.2.3.5 Post AR activity to the general ledger (10803)
8.2.4 Manage and process collections (10745)
8.2.4.1 Establish policies for delinquent accounts (10804)
8.2.4.2 Analyze delinquent account balances (10805)

Check Credit (part of sale?)
Invoicing
Payment & Receipt
Analyze How Pieces Fit Together

ORDER TO CASH

3.5 Develop and Manage Sales Plans
  3.5.4 Manage Sales Orders

4.5 Manage Logistics and Warehousing
  4.5.3 Operate Warehousing
  4.5.4 Operate Outbound Transportation

8.2 Perform Revenue Accounting
  8.2.1 Process Customer Credit
  8.2.2 Invoice Customer
  8.2.3 Process Accounts Receivable
Example of Cross-Functional Process
Benefits Take Effort to Realize

- Benefits may be elusive if you don’t monitor and control
  - Establish performance targets
  - Support roll-out and transition
  - Measure and evaluate effectiveness
  - Communicate and collaborate with all players

- Uncoordinated changes may break continuity
Summary

- Key principles that make frameworks effective
  - What, not how

- Overcoming barriers to end-to-end process management
  - Ownership of both framework elements and cross-functional processes
  - Focus on critical few

- Aligning to what leaders care about
  - Evaluate elements in framework for impact
  - Prioritize, select and manage improvements

- Accelerating your journey to higher process-based performance