



HOW DOES STRATEGY RELATE TO PROCESS REDESIGN?

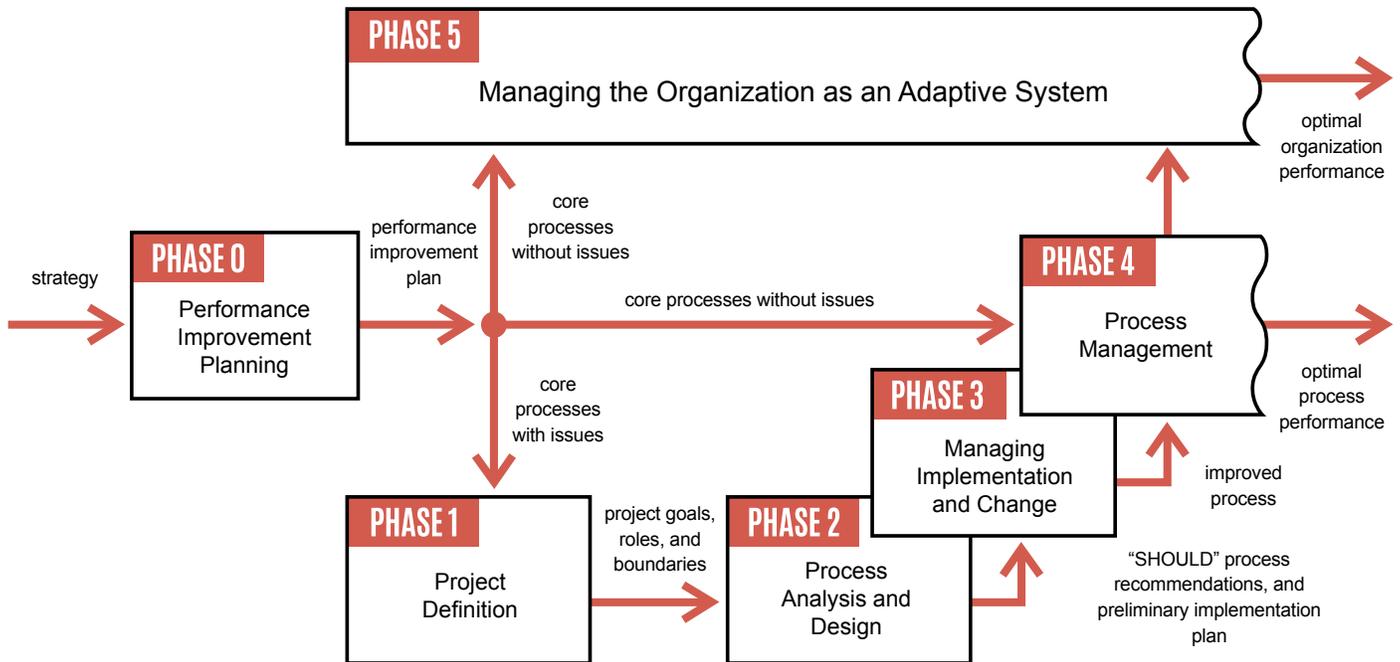
There are a wide variety of models for strategy formulation, strategy execution, and process redesign. How do all three areas link together?

THE EVOLUTION OF PROCESS REDESIGN

When the Rummler-Brache Group began first focusing on process improvement, our thrust was on the development and deployment of tools for analyzing and designing cross-functional processes such as order fulfillment, product development,

pricing, and budgeting. It didn't take us long to discover that our interventions in this area (called "Phase 2" in Figure 1) were less likely to be effective and almost certainly to be inefficient if they weren't preceded by some strong up-front planning.

Rummler-Brache™ Methodology – Figure 1



We concluded that any process design/redesign should begin with a project definition (“Phase 1”) which answers questions like:

- What critical business issue will drive this project? (How will this project help us achieve a strategic objective?)
- What are the measurable goals of this redesign effort? (What will constitute success?)
- What are the boundaries of the process to be redesigned and how does it link to other processes in the business? (Where do we start and stop?)
- Who should be involved in this project? (Which individuals oversee the process, which

individuals work in the process, and which other stakeholders should participate?)

- What are the project constraints? (What solutions are out-of-bounds?)
- How will we ready the organization for change? (What will facilitate implementation?)

We found that project success was influenced, to a great degree, by how well Phase 1 was conducted.

Over time, our understanding of the tools and infrastructure necessary for implementing redesigned processes (“Phase 3”) and for continuous improvement of redesigned processes (“Phase 4”) evolved.

THE NEED TO LINK STRATEGY AND PROCESS REDESIGN

In the early days of our consulting firm when an organization would call us for assistance, the conversation would begin with something like “We need to reduce our product development and introduction time from 36 months to less than 12” or “We need to improve our customer satisfaction with billing from 82% to 99%,” or “We need to drive \$40 million of cost out of our supply chain without sacrificing quality or safety.” We would help them fill in the gaps in Phase 1 and off we’d go.

However, we became increasingly uncomfortable with the front end. We began asking questions like:

- While this critical business issue (CBI) provides a useful link to strategy, how do we know that the CBI that’s been identified is one of the highest priority barriers to implementing the strategy, not just someone’s current feeling of pain?
- What is the strategy of this business? If we are redesigning this process to help implement the strategy, is the strategy current? Is it directive (not just charts of portfolio positions or lists of beliefs or competencies but something which drives operational decisions)? Upon what intelligence is it based? Does it represent the consensus of the top management team?
- How do we know that this process is the one that will have the most significant impact on the CBI/strategy? This process, like all processes, can be improved; however, is it the best use of precious resources?
- What’s the basis for the project goals? To what degree do customer expectations, benchmarking information, and understanding of current financial and non-financial performance serve as a foundation for the numbers?

In other words, we saw a need to “hard-wire” process redesign efforts to the strategy of the business. Out of this need was born Performance Improvement Planning, or “Phase 0,” which is the subject of the rest of this article.

PERFORMANCE IMPROVEMENT PLANNING

Phase 0 can be done at the corporation, division, strategic business unit (SBU), function, or site level. Any segment of the organization for which it makes sense to have a strategy merits a Phase 0 as part of its plan to implement that strategy. Implementing a strategy is, to a large degree, putting the business processes (which include technology and human systems) in place that can take the organization from where it is to where it wants to go.

Learning #1: *Process redesign can be the cornerstone of strategy implementation.*

As figure 1 shows, the primary input to phase 0 is the business strategy. A strategy is a document that answers, among other things, five questions:

- What is the future environment in which we will do business?
- What products and services will we offer and not offer?
- What markets (customer groups) will we serve and not serve?
- Which of our products and markets represent our top priorities?
- What competitive advantages will enable us to win in our chosen markets?

Among the first twelve organizations to hire us to perform Phase 0, nine were multi-billion dollar companies, with a substantial amount of business outside of the U.S. None were less than thirty years old and all were profitable. We assumed that

companies with this profile would have a strategy that could serve as the starting point for our performance planning efforts. Perhaps a few gaps, perhaps a need for some updates, but a strategy nonetheless.

We were naïve. While all of these companies had something called a “strategy,” few had current, specific, consensus answers to the five questions listed above. So, the first need was to get the strategy in shape.

Learning #2: *Make sure there’s a strategy worth implementing.*

One of our initial twelve Phase 0 projects was with a chemical company. Due to changing environment regulations, eighty percent of their product line would soon be illegal. Unfortunately, they did not have a strategy for dealing with the dramatic changes they would have to make. It was a little early to talk about process redesign. Which processes? Toward what end?

THE PROCESS IMPROVEMENT AND MANAGEMENT PLAN

Ideally, performance improvement planning is done before the start of process redesign projects or any movement to manage the organization by process. However, if such activities are already underway, Phase 0 provides an opportunity to validate or redirect the effort.

The Phase 0 deliverable is a multi-year plan for achieving strategic goals through the improvement and management of core processes. This process improvement and management plan contains:

- A list of *Critical Success Factors*, which are the variables that have the greatest influence on the organization’s results. They serve as the basis for identifying core processes.
- A list of *Critical Business Issues*, which are

the highest priority challenges facing the business. They serve as the basis for selecting processes for redesign.

- A *Process Inventory*, which is a list of the organization’s 20-50 business processes. The core processes will be selected from this inventory.
- A *Core Process Register*, which is a list of the 2-8 processes that are most central to the implementation of the organization’s strategy. These processes must be addressed in the plan.
- An *Action Plan for Process Improvement*, which identifies opportunities to (re)design processes, assigns responsibilities, and schedules projects. Included in this part of the plan are processes that need to be created, those that need to be radically changed, and those that need to be incrementally improved. This part of the plan sets the stage for those processes that will move to Phases 1, 2 and 3.
- An *Action Plan for Process Management*, which charts the course of continuous improvement (Phase 4). All core processes, regardless of whether they initially require an improvement project, should be addressed in this portion of the plan.

Learning #3: *An organization needs a plan for the implementation of its strategy, and a plan for the rationally, targeted deployment of process redesign. To a great degree, it’s the same plan.*

A few years ago, we met with a group of executives from a financial services firm. They were proud of the 1,142 process improvement task teams that had been formed during the past four years. When asked how the strategy/critical business issues had guided the formation of those teams and what results those teams had achieved, they got quiet. Did those teams solve some problems? Yes. Did those teams provide people with a better understanding of how and where they fit into the processes in which they work? Yes.

Did those teams provide a significant contribution to the fulfillment of the business strategy? No.

Given this organization's size, they could have had more impact with 11 (or fewer) teams during that four-year period than with their 1,142 teams. The process improvement and management plan would have provided focus for those 11 teams.

THE PERFORMANCE IMPROVEMENT PLANNING PROCESS

The approach for developing the process improvement and management plan depends on what work has already been done. The name "Phase 0" implies starting at square one, which is not necessarily the need. The goal is simply to fill in any gaps in square one before moving to square two.

Beware of assuming that you've already done the equivalent of Phase 0. We facilitated a Phase 0 for an electronics business unit. The top team's assumption was that the session would merely reaffirm the need to redesign the product development process. They were surprised to see "manufacturing" come out of the pack as the process which, if redesigned, would have the greatest influence on the unit's critical business issues.

Learning #4: *The priorities that emerge from Phase 0 may surprise you.*

An organization that has a current, directional strategy, a list of critical business issues, and a list of its core processes may only need some information-gathering followed by a half-day session in which the top management team validates what it has done to-date and develops the plan.

A company or unit that needs to fill in gaps in its strategy, identify its issues, and set priorities on its processes may need one to two days of top management time, with preliminary and interim information gathering by those who are facilitating the effort.

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If an organization has no strategy upon which to build, the top team may need anywhere from two to five additional days of work.

Learning #5: *Performance improvement planning/strategy implementation needs to be done by the top management team. It can't effectively be delegated to the Corporate Planning department, the Process Management Office, or outside consultants.*

If the top management team doesn't have the time to dedicate to a Phase 0 effort, two questions arise:

- If they don't have time to plan for the implementation of their business strategy, what do they have time to do?
- If they don't have time to plan for the investment they are/will be making in process redesign, is that investment worth making?

Learning #6: *When the strategy—process link is forged, measurement becomes an integral part of the implementation plan and metrics and goals are integrated at all levels.*

One of the objectives of process management is to ensure that shareholder value is ultimately reflected in the measures of each individual in the company. Each person will be evaluated on, and ultimately compensated for, his or her contribution to this primary indicator of organization health. This cascading of measures becomes a critical dimension of strategy implementation.

Learning #7: *Measures are a key bridge from strategy to operations. Core processes are the pylons supporting that bridge. Measures serve as the basis for continuous improvement (Phase 4).*

The desire to rationally implement process redesign leads to a clarification of strategy. There's one additional connection (Learning #8) between strategy and process.

Learning #8: *Strategy development is a process. Furthermore, it's a process that often should be higher in the redesign priorities than many line processes.*

A process is a series of steps that convert inputs to outputs. Strategy formulation fits that definition. We have had the opportunity to facilitate many projects in which the process being redesigned was strategy formulation. We found that:

- The strategy process is often as complex as order fulfillment or product development.
- Improvements in the strategy process have an effect on more parts of the business than any other process.

CONCLUSION

To answer the question posed in the opening paragraph:

- Process redesign provides a powerful vehicle for strategy implementation.
- Strategy provides the priorities and the direction that should guide the investment in process redesign.

We have found that a process improvement and management plan can serve as the bridge from strategy to process and from process to strategy.

Concepts in this paper are from the *Rummler-Brache Process Improvement Certification Workshop*.

