THE MOTHER OF ALL PROCESSES

Managing Fundamentals

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We live in a complex world and we work in complex organizations. Whether your organization is small, medium, large or huge, understanding how it all works is no small task. Regardless of its size, the simple reality is the performance of any organization is largely driven by its management system. Ironically, it is rare to see an organization even acknowledge it has a management system. However, this is the “mother of all processes,” and until an organization takes conscious control of that system, it will have little control over its performance.

A management system is a collection of processes that focuses the organization and drives it to achieve specific desired results. It creates the priorities, establishes targets, clarifies accountability, allocates and aligns all resources, reviews progress, initiates adjustments and interventions when performance is below target, and drives improvement in all routine work.

Creating a management system begins with understanding the organization’s routine work, or what in the NOW Management System vernacular we call your NOW Fundamentals. This work consumes the vast majority of your organization’s resources, yet oddly, is rarely managed in a comprehensive way.

The other body of work included in the NOW Management System is what we call the NOW Breakthroughs. These are the initiatives of the enterprise that commonly emerge from strategic planning.

An effective and disciplined management system ensures the routine work of the organization (the Fundamentals) is delivered with increasing quality and decreasing costs, and that strategic initiatives (the Breakthroughs) are effectively executed so they deliver the expected results.

The fact is, EVERY organization is run by some form of a management system, whether its existence is consciously recognized or not. But most organizations operate under an informal, evolved-over-
time, momentum-driven management system that few people, if anyone, in the organization really understand. It is common for multiple systems of management to be in place in a given organization, which ultimately creates fractures that lead to disengagement, the biggest enemy to individual and corporate performance.

And whose job is it to determine the organization’s management system? The top executive.

**FUNDAMENTALS MAP**

Deciding to map your system of management is more than a decision to participate in some esoteric exercise. It signifies a decision to intentionally cut through the complexity and bring comprehension of your business with an easy-to-grasp picture. Mapping is the first step in beginning to control your management system, rather than being controlled by it.

The reality is our organizations are incredibly complex. Few of us can get our arms around the mechanisms that actually make them work. Yet, if you ask leaders of organizations, “What is your system of management?” the question itself usually causes most to stop and ponder.

Leaders ponder because management of an organization is rarely thought of as a collection of interconnected processes (the definition of a system). In reality, not only is it a system, it is also quite literally “the mother of all processes” because everything that the organization does or does not achieve emanates from it.

As the mother of all processes, the management system’s effectiveness sets the stage for the performance (or lack of it) of all other processes within the organization. If the management system is humming, the organization hums; if not, performance is inconsistent and often falls well short of goals.
The NOW Fundamentals Map is designed to help organizations take conscious control of the reins of their businesses, which is the first step in creating extraordinary performance. It also forms the foundational architecture needed to cause employee engagement by providing a direct line-of-sight between the organization’s goals and the individual’s contribution.

The process of creating the map facilitates agreement by an organization’s management team as to exactly how it will run its organization.

The NOW Fundamentals Map is a powerful communication tool for beginning the work of connecting every employee to their part in the work of the organization. It helps turn the complexity of the enterprise into something that can be seen, understood and discussed.

If the way the business is run does NOT make sense to people, they will be reluctant to engage because they can’t understand how things work. When employees don’t understand how things work, they don’t feel safe engaging beyond the work they’ve been told to do. The map answers these questions, thus creating a foundation for engagement.

When an employee has an improvement idea but it is unclear how to put that idea into action, the natural tendency is to hold back proposing the idea. This question is answered as the entire management system is developed, explained and implemented.

The NOW Management System clarifies what the organization must get done, ensures everyone knows their part and drives engagement by making sure each contributor has what they need to effectively do their work and contribute new ideas.

In addition to connecting every single employee and setting in motion their parts of the work, the system drives continual adjustment in the face of the complex reality of execution; in the real world, nothing goes exactly as planned.
While the work of building the system begins with the Fundamentals, the NOW Management System includes two key types of work done by organizations, Fundamentals (the routine work) and Breakthroughs (the strategic initiatives).

A management system focuses on improving customer experience, driving revenue growth and reducing costs through the effective management of both routine work and strategic initiatives.

Quarterly Target Reviews create the discipline to review status of the routine work and initiatives, and to drive problem solving as needed to achieve the goals of the organization.

This creates a closed-loop system in which work is planned, implemented, checked and adjusted as a routine discipline of the organization. This PLAN, DO, CHECK, ACT cycle is a classic model known as either the Shewhart or Deming Cycle.

ALIGNING MANAGEMENT

Management teams often struggle with alignment at many levels, partially because each member of the team has a unique management philosophy and way of running things. We learn and develop our approaches to management through formal education and reading, by watching others, and by trial and error. Some approaches are very effective and others are not, a driving reason why some executives consistently outperform others: They have found a system that works.

Most managers develop a set of activities they use again and again to drive the work their department needs to accomplish. And still others ignore disciplines of management and try to rely solely on their inspirational leadership to cause employees to do the right thing.

“A well-designed management system continually adjusts resources in a way that moves the enterprise towards its goals as quickly as possible, with the least waste.”

— From Business at the Speed of Now
The system of management an organization uses is one of the most influential levers of organizational and individual performance. However, the “hows” of management are usually left to the individual manager to define.

Leaving this decision to each manager prevents cohesive management of the business, largely because the essential work of any organization crosses from one department to the next and varying management approaches end up disconnected, incongruous and confusing. There are far too many process interdependencies for a collection of ad hoc management approaches to be efficient.

This is not to say each manager should not have his or her own “style,” but it does mean the system should be common. Each manager brings a unique set of talents and experiences that range from great people skills to deep technical expertise. The management system does not stifle those unique differences; in fact, it gives them leverage by working within a common language and set of processes to understand the work and to improve the effectiveness with which it is executed.

The Mass Ingenuity System provides a set of interwoven processes driven by some overarching concepts, but the details of it are built out by the top executive working closely with his or her leadership team.

The process of building the system brings a powerful shared comprehension of the business and works to create a powerful alignment around how the business will be seen and run. It makes clear what’s important and removes any ambiguity about how things work, who owns what, what must be accomplished, how success will be measured and how the organization will respond when things are not going as planned.

Building the NOW Fundamentals Map is a very healthy process for leadership teams because it provides a structured forum and process for dealing with many sacred cows and bringing gently to light unspoken executive concerns over how the business is run. It surfaces for safe and open discussion truths about how all outcomes and processes will be measured.

Mapping the management system aligns the leadership of an organization around a common vision of how it wants to run the business, who owns what, and what success looks like in measurable terms.
BECOMING PROCESS CENTRIC

While the vast majority of organizations are set up by specialized functions (engineering, sales, marketing, accounting, service, etc.), work actually gets done through processes that have no regard whatsoever for departments. Customers could care less if “accounting” has delayed their order or if “service” is running behind schedule and can’t immediately solve their problem.

In their now-classic book, *Improving Performance: How to Manage the Whitespace in the Organization Chart*, Geary Rummler and Alan Brache, were instrumental in helping the world of business understand that the work we do is not black magic. Instead, all routine work can be readily understood as a process, a collection of activities intended to create value for the customer.

Actually, most work can be “mapped” in such a way that it can be understood by almost anyone. “Process maps” become hugely valuable in understanding why a given process breaks down, why it takes as much time as it takes, where the waste is, and why it costs as much as it does to run. Process maps are a fundamental tool in process improvement.

Don’t be confused: just because a process can be readily understood does not mean just anyone can perform that process. All processes require skill, and some processes require highly developed skill based on deep knowledge and, frequently, a good deal of talent for a given task. Yes, the process of removing a tumor from a human’s brain can be mapped and many of the possible variables reflected in the map. But that does not mean anyone can perform brain surgery.
The value of a process being understood is that it facilitates the accumulation of knowledge, it teaches people which variables they are likely to encounter (because they will) and what to do about them, and it provides a foundation for us to explore waste (steps that add no value in the eyes of the customer), inefficiencies, delays and the sources of quality problems.

Process maps, various related tools and methods such as Lean and Six Sigma give us the ability to reduce process breakdowns, drive down process costs and speed the delivery of everything an organization must get done.

Truth is, from a management system perspective, all organizations consist of a collection of core processes that drive the delivery of the organization’s outcomes. In creating a NOW Fundamentals Map, these core processes are identified along with their major sub processes/key activities. Next, process owners are assigned, measures of their effectiveness are determined and scorecards are created to monitor performance. Both the operating processes (those that create and produce the products/services and take them to the market) are identified as well as the supporting processes (those that are essential to enabling the core processes).

For a manufacturing company, the core operating processes would typically include: Developing products, marketing, selling, acquiring materials, building products, shipping and servicing. For a services company such as an insurance company it would include: Assessing market needs, designing insurance products, underwriting, selling, issuing policies, servicing policies and paying claims. For a city governmental agency, the critical processes would likely include such things as maintaining roads, ensuring public safety, creating ordinances, ensuring compliance, and so on.

Supporting processes include the activities necessary for the operating processes to function: recruiting and hiring people, managing payables, managing receivables, planning, budgeting, ensuring legal compliance, etc.

Giving visibility to core processes has many benefits. First, it pushes the organization to begin to consciously see and manage them as processes, though many of them may not have historically been managed as such. Yes, we manage our departments, but processes cross over multiple departments and no one seems to own them. And often, they function in a manner that is far less than acceptable.

As the organization begins to understand how its most important work gets done, it focuses attention on where the breakdowns occur and where the waste resides. It also provides the essential foundation for ensuring someone is truly managing the critical processes.
ESTABLISHING PROCESS OWNERSHIP

Process ownership brings a dimension of management that has a huge impact on costs and on meeting internal and external customer needs. Since most processes move across the whitespaces of the organization, inefficient handoffs are the source of a ton of waste, rework, rush costs, customer frustration and employee disengagement.

If a company has a commitment to ship orders within 24 hours of receipt, and no one is managing the process end-to-end, each department can complete its work in the time it is allowed and the product could still be shipped late. If shipping has four hours from time-of-receipt to time-out-the-door, but they get the product 23 hours after it was ordered, are they performing poorly if they don’t ship it within an hour? Obviously, the further down the process a department is in the value-creation stream, the more likely it is to be blamed for performance problems. If the average time from order to shipment is 28 hours, shouldn’t we put the heat on shipping?

Process owners monitor the process end-to-end, identify issues, advocate for problem solving (which requires resources) and, ultimately, make sure the performance of the total process is meeting company and customer needs. More and more organizations are using the process owner role to drive process management. In large organizations, it is often a full-time task, but in many smaller organizations, it is a dimension of responsibility added to an executive or manager role.

The vast majority of organizations retain their traditional functional structure as they add the process management perspective. Functional structures have their advantages primarily in the development of expertise and their sharing of common sub-processes. A marketing person needs to stay connected to other marketing people even if he or she is the sole marketing member of a product or service offering team.

Process owners are responsible for driving collaboration across all functions that touch their process. They seek to drive down the cost of the process, to increase the quality of its output and to increase on-time delivery. While the process owner is responsible for the process measures, all departments that feed into the process play a critical and visible role in performance of the process.

Come time for Quarterly Target Reviews, the organization’s leaders check in on the scorecards of all critical processes to see if things are on plan or not. When a process is not delivering the results the organization needs from it, the process owner is the one who leads action to get things back on track.

Processes that are not owned become, in the end, processes that are not managed; that are why the role of the process owner
has emerged as a new critical role.

Measurement provides the foundation for managing the organization and for managing the organization’s processes. To determine a process’s effectiveness, a process owner need only look to his or her scorecards.

**CREATING SCORECARDS**

Measures tell us how well we are doing the things we have decided matter the most, and so they are foundational to any system of management. The effectiveness of all the work we do as organizations, departments and individuals is in the end known by measuring performance against agreed-upon measures.

Measurement is the supreme driver and increases the motivation to win. Put yourself on a basketball court with the score tied and two minutes remaining and you can understand the power of measurement.

While most organizations have goals, often even enduring goals (we call them **Key Goals**), the establishment of **Outcome Measures** is an agreement by the leaders as to what will be on the organization’s ultimate scoreboard. Outcome measures not only provide essential focus, but they also give the organization the feedback it needs to decide whether its efforts are paying off.

A few examples of classic business outcome measures are: revenue, profit (often measured as EBITDA—earnings before income taxes, depreciation and amortization), customer satisfaction, cash on hand, employee engagement, inventory turns, market share, and so on. For governmental agencies, indicators such as performance to budget, customer satisfaction, on-time delivery, cost savings and many others are common.

Outcome measures can also monitor progress toward vital goals tied to mission, vision or values: Charitable contributions, energy savings, paper usage, etc. A business whose lifeblood is continual development of new products might measure “revenue from products introduced in the past 18 months.” Most outcome measures are such common sense they endure the test of time, but some are intended to drive areas of new focus.

A measure of employee engagement such as “ideas implemented per employee” or “savings per
idea implemented” would signal to the organization that it has new priorities. But overall employee engagement can be measured by providing data to inform organizational responses. (Mass Ingenuity uses a simple 10-question survey to measure the 10 dimensions of engagement).

Productivity measures can also be useful, although some organizations hesitate to use them. Ultimately, an effective management system will drive “revenue per employee” and “profit per employee” over time, as these are clear indicators of how productive an organization has become.

Establishing outcome measures that are agreed upon by management and communicated to the organization establishes the essential foundation for a well-run, execution-oriented organization. While outcome measures are essential indicators of success, by their very nature they provide after-the-fact rearview mirror feedback (lagging indicators). After-the-fact feedback can be frustrating because when we encounter a disappointing result, the best we can do is to try to do it better next time.

Shortfalls in outcome measures often fuel organizational drama and misplaced efforts to figure out whom to blame. These kinds of activities inject destructive fear into the organization and send many scrambling for cover.

**Process Measures**, on the other hand, are indicators of how things are going (leading indicators) and, like an airplane instrument panel; they are designed to let us know very quickly when we need to intervene. While outcome measures tell us how things turned out, process measures tell us how things are going—and when they are not going as planned, process measures stimulate action.

Revenue is a classic outcome measure. But what processes feed that outcome? Understanding the relationship is key because it gives the organization much greater control over its outcomes. When a process falls short, intervention is triggered. In the Mass Ingenuity System of Management, process intervention is built into an organization’s way of managing.

Understanding the processes that feed an outcome gives management and the people who perform the processes the opportunity to influence or even fully control the result. So, for example, rather than asking managers and employees to accept a revenue shortfall as a fait accompli, they are actively engaged in resolving the problem at the earliest possible moment.

Let’s say it takes 1,000 sales leads to get 100 good sales prospects to ensure 10 complete sales, which will allow us to meet our revenue target. Now say the sales leads drop to 850. The path to getting sales back on track is clear—get to work on generating more leads, NOW! If the organization does that early enough, it has a good chance of preventing a disappointing revenue result.