

Class 4

Learning Objectives

- Understand the idea of business process and be able to differentiate a process-centric organization from a function-centric organization.
- Identify managerial challenges of a process-centric organization and suggest solutions to overcome these.
- Describe organizational or managerial aspects of a successful process implementation and differentiate those for unsuccessful process implementations

Readings

The previous class focused on the concept of a business process and the advantages to be gained by implementing processes in an organization and making the organization process centric. However, it's not that easy and this class focuses on the managerial challenges in making such a change happen. As you read the articles, you'll discover there are a lot of things to think of and a lot of things that can go wrong. Specifically, the readings for this class deal with organizational change and change management. As was already alluded to in the previous readings, implementing or re-engineering business processes requires more than a simple rearranging of activities. In order to be successful, i.e. being accepted by employees as well as delivering cost savings or revenue increases, process implementations require changes to many organizational aspects.

Hammer, Michael and Stanton, Steven (1999). How Process Enterprises Really Work. Harvard Business Review, November-December 1999, pp. 108-118.

This article picks up from the earlier article and paints a fairly rosy picture about the effects of business process re-engineering, suggesting that “it has in fact done a world of good” (pg. 108) while also acknowledging the criticism that it has received as a “euphemism for mindless downsizing” (pg. 108). Here the main theme is the management and coordination of process-centric organizations. Hammer and Stanton suggest that each process needs to have a process owner, a person in charge of the process, responsible and accountable for defining and executing the process. When processes are overlaid over existing organizational units, there may be conflict in decision making or resource allocation. In such cases, Hammer and Stanton argue, explicit decision authorities and resource allocations are required, that must be accepted by all participating parties. Finally, the article addresses transitioning to a process-centric organization, i.e. change management. We will revisit change management in more detail later in the articles by Champy (2006) and Hammer (2007), but Hammer & Stanton provide an initial list of things to think about that might need adapting (they call it the “process infrastructure”, pg. 116-117).

As you read this article you might want to focus on two questions. First, why is a traditional functional or departmental organization still necessary? Hammer & Stanton suggest that “vertical units continue to play essential roles” (pg. 111) but do not provide any examples. Do they really? And if so, what might those roles be? Also consider that it is the coexistence of a process and functional structure that Hammer & Stanton argue leads to (or can lead to) conflict. Second, now that you know more about how process-centric organizations are managed, do you think this has any impact on the information technology and the role it plays in a process-centric enterprise. In other words, has your thinking about the IT role changed from the earlier article?

Review Questions:

After this class, you should be able to answer the following review questions:

- What is the role of a business process owner and why are process owners important?
- What new management principles do Hammer & Stanton (1999) propose for a process-centric organization and why?
- Name three of the five organizational “infrastructure” components that will need to be adapted to a process-centric organization and explain how they need to be adapted?

Champy, James: People and Processes. *ACM Queue*, March 2006.

This brief article by James Champy has a title that specifically focuses on the management and organizational issues of process implementations. Notice that “people” are mentioned first. When reading the article, you will notice that not much is being said about things other than people. Even information technology is mentioned only once or twice. Champy provides guidelines on how to manage a process implementation based on his own extensive experience in the field. If you read the article carefully, the overall theme might best be described as effecting employee acceptance of new processes. This shows that process implementation success is driven primarily by the willingness of employees to work with new processes, which can then be translated to financial results (e.g. as measured in the previous article). The final guideline, that process change should never end, foreshadows the idea of a business process lifecycle in the later article by Miers (2006).

Champy emphasizes the need to change the work quickly. While the argument he proposes is sound, it raises questions about providing adequate training, preparing the change and adequate employee support, which cannot be neglected. These will set limits on how soon changes can be made, and rushing into the type of dramatic changes that a process implementation involves should be avoided. The article focuses mostly on the managerial and leadership “soft skills” that are important to effective change: communication, empathy, corporate culture and values, etc. As you read the article, you might want to reflect on whether such skills can be taught (e.g. in a business school), or whether people either have these skills or don't? For example, can one teach or can one learn empathy?

Review Questions:

- Name five of the Champy's principles for managing organizational change related to process implementations