

Business Process Management Group

Article

Transforming the Traditional Functional Mindset



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BPM – Approaches & Best Practice

Transforming the traditional Functional Mindset

In far too many organizations, senior management's traditional functional mindset represents one of the most significant barriers to change. Indeed, there is reason to believe that the traditional functional paradigm has done more to impede customer focused, business performance improvement over the past two decades than almost any other factor.

This way of thinking stands in the way of executives understanding and improving the flow of cross-functional activities which create enduring value for customers and shareholders. It promotes the type of thinking that impedes the effective deployment of enabling information technology. Indeed, one could argue that it's the functional mindset which has been at the core of many rather appalling business decisions in terms of deploying information technologies such as CRM and ERP systems and has lent some credence to what would otherwise be the extraordinary claim that 'IT Doesn't Matter'.¹

What other behavior does the traditional functional mindset encourage? It promotes 'silo behavior' and turf protection, and an undue pre-occupation with organization structure. This mindset contributes to the mistaken belief that if it was somehow possible to properly define the boxes on the organization chart, and fill in the names of the "right" people in the key boxes – then the organization's performance will automatically improve. Yet, little is further from the truth.

Further, it encourages a distorted view of performance measurement and executive rewards, shifting focus away from meaningful measures such as the timeliness and quality of services provided to customers, and towards less significant measures around functional or departmental performance.

It reinforces a task focus and traditional command and control behavior, where questions such as 'What is the scope of my responsibility?' 'What tasks must I execute?' and 'Who are the key subordinates who can help me look good?' are foremost and top of mind.

Moreover, traditional functional thinking has also led to outdated management practices in the areas of goal setting and problem solving and it stifles innovation.

With respect to the development of information systems, it reinforces development efforts within functional silos, such that the information needs of downstream departments receive consideration only on a secondary basis – if at all. Understandably, automating horizontal, fact-based performance measures in this type of environment is challenging at the best of times.

How to Recognize a Truly Traditional Functional Thinker

1. More concerned about reporting relationships and authority than on the flow of work to create value for customers
2. Closely guards his or her 'big picture' view and is sometimes called 'Attila' behind his or her back.
3. Takes pride in his or her grasp of department specific issues and solution, and pleads ignorance with respect to other areas of knowledge
4. Sends subordinates to cross-group meetings with orders to 'protect our interests'
5. Clearly prefers one-on-one problem solving sessions
6. Focuses mainly on actual-to-budget metrics to assess progress
7. Insists that even minor cross-departmental issues be elevated for his or her review.
8. When confronted with problems not directly within his or her control, says 'not my problem'
9. Perceives goal setting to be a top down, unidirectional activity
10. Is visibly uncomfortable in meetings with a broad cross-department representatives

If you are interested in assessing the extent to which your business may be affected by a predominantly functional mindset, ask yourself the following questions. Do your leaders focus more on reporting relationships and protecting their domain than on the flow of activities in delivering products and services to customers? Do you find that improvement projects such as TQM, Six Sigma, Activity Based Costing and Reengineering are often defined in terms of functional boundaries, leading to duplication of effort and implementation challenges? Is there a greater focus on plan versus budget as opposed to measures of the quality, timeliness and cost of products and services provided to customers? Are your information systems projects defined in terms of functional boundaries, and do you find that various IT systems don't communicate well with one another?

If you answered with a painful YES to three or more of the above questions, then you have a serious challenge. Chances are – your organization is leaving a pile of money on the table – and it's directly due to the traditional functional mindset practiced and reinforced by senior executives.

So what to do? How can you change a way of thinking that has taken decades to mature and has been encouraged by both the academic and business communities? How can you **transform the traditional functional mindset** such that your organization is designed to make it easy for customers to do business with the company and easier for employees to better serve the company's customers?

There is increasing evidence that an effective way of transforming the traditional functional mindset is to embrace *enterprise business process* thinking and install enterprise business process management (EBPM) practices.

What does this involve? Frankly, it requires a lot of very hard work, and concepts which will make some of your executives very, very uncomfortable.

Why do it? Simply because the benefits of making this mental model transition are significant.

The case for taking the effort to transform the leadership's mental model via EBPM.

- ① business process thinking facilitates a more succinct expression of purpose and strategic direction. The relatively simple language of business process enables leaders to avoid the excessive use of jargon and to frame company purpose and strategic direction in terms which can be understood from the boardroom to the lunchroom.
- ② it places cross group linkages and interdependencies under a microscope as greater clarity is achieved in achieving a shared understanding of the cross-functional and cross-group business processes which create value for customers and shareholders.
- ③ it promotes more of a balanced view on performance measurement, with a greater focus on the timeliness and quality of key customer touching business process outputs to balance the traditional financial metrics.
- ④ it assists in framing management reward systems so as to create a more objective view on group interdependence in satisfying customer needs and wants.
- ⑤ it places the deployment of information technology in the proper perspective – which is to enable business process performance. It takes IT out of the realm of the 'big bang' and increases the perceived value of adaptability. What is more, it encourages executives to surface the technology issues iteratively as the leadership team develops a shared understanding of the enterprise-wide business processes, their current performance and the key gaps. As this iterative approach is used, senior management acquires a clearer sense of where technology will enable performance and can make more informed decisions on which IT projects should be funded, what results can be expected and what the likely payback might be.

Refuting the case for EBPM - or the 'why go there – we are alright as we are?'

1. Customers really don't know what's best for them
2. It's too hard
3. The technology isn't there yet
4. Why change, things are fine just as they are – at least for now
5. Why compromise my power base, it has taken years to earn it?
6. Why collaborate with peers and use influence? I'd rather have control
7. What – you want to change my bonus formula. You've got to be kidding?
8. Let's leave technology to the CIO and those IT people

So, how to begin the journey? One approach to consider involves the eight essential principles in implementing enterprise business process management, as outlined in ‘Business Process Management is A Team Sport.’ⁱⁱ These are;

1. Look at the business from the *outside-in*, from the customer’s perspective, as well as from the *inside-out*.
2. Tightly integrate strategy with enterprise business processes.
3. Articulate strategy to inspire, from the boardroom to the lunchroom.
4. Design enterprise business processes to deliver on strategic goals.
5. Ensure that organization design enables enterprise business process execution.
6. Deploy enabling technology based on the value added to enterprise business process performance.
7. Hard wire the enterprise performance measurement system to budgets and operating reviews.
8. Sustain focus and alignment.

But, let’s be clear. Changing the culture and mental model of the executive team is the task of the leader. This is not something that you can have ‘bubble up’. Your leadership team must be front and center in leading and guiding the organization as it implements enterprise business process management [EBPM] via these essential principles.

As the first principle states, it all begins with looking at the business from the customer’s point of view. This involves hard work in explicitly understanding and measuring what customers require and the extent to which current business process performance meets customer and company requirements. It demands that you explicitly define customer requirements, typically in terms of value, quality and timeliness. Next, it’s important to define the enterprise business processes with clarity around the inputs, outputs, major sub-steps, and the functions or departments involved for each. In combination, these definitions permit the assessment of current business process performance from both a customer and a company point of view.

The undeniable, simple truth is that work gets done through cross-functional business processes. So articulating strategy in business process terms facilitates both implementation and communication. This requires assessing the gap between current and desired performance in business process terms, and developing a business process management plan which clearly indicates the ownership of the enterprise-level business processes and the required degree of improvement for strategically critical business processes. And this will involve tough decisions in terms of executive Process Ownership assignment and the crisp definition of the critical few initiatives to be executed such that strategic goals are met.

Also, the business process view facilitates articulating the firm's strategy such that it *inspires*, from the boardroom to the lunchroom, and remains front and center throughout the year. This occurs as key strategic initiatives are expressed in business process terms, such that people can relate their individual efforts in making strategy happen. Accordingly, it's possible to replace jargon and platitudes with more meaningful statements of what the firm needs to do in order to achieve its objectives. Instead of talking about fuzzy, high-level terms such as 'operational excellence', it's possible to talk explicitly about the degree of improvement needed with respect to critical business processes such as order fulfillment and product development.

Business process thinking is also instrumental in achieving organization fit or alignment and it begins with action being taken to assure that the organization's core business processes are designed to deliver on its strategic goals. Again, work gets done via business processes. Achieving alignment involves carrying out mid-level analysis to flesh out and validate the scope of work indicated by the business process management plan. The Process Owner role is crucial in this respect, as cross-process and cross-functional issues around the design of the firm in terms of structure, measures, and rewards are identified and resolved.

Of course, it's also necessary to assess and deploy enabling technology based on the value added through enhanced business process performance. Why? If we imagine business processes as the train which delivers value to customers, then information technology are the tracks upon which the processes travel. Clearly, business process performance relies increasingly on enabling technology and process automation. Again it takes iterative work to put this principle into action and requires that the senior team take clear and direct accountability for IT investments.

It's also essential to hard wire the enterprise-wide performance measurement system to budgets and operating reviews. The potential for BPM systems to automatically "build-in" business process measures is essential in this regard. We are all creatures of habit, and the repeated and regular review of business process performance via operating reviews is necessary to fully install this mode of thinking.

The final principle is arguably the most demanding, sustaining focus and alignment. This is where the rubber hits the road. This is where leadership resolve is tested with respect to having the courage and determination to make the necessary investments in people and technology.

Also, don't be lulled into a false sense of security if you've had some success in redesign one or two of your business processes. Even those organizations that have learned to focus systematically on one or two key business processes do not necessarily know how to think about their business systemically in business process terms.

If you think that your firm might fall into this camp, where you have done well at improving one or two business processes, and want to test out whether your leadership team has 'got it' in terms of EBPM thinking, simply ask yourself these questions. Has your leadership team gone on to develop a shared understanding of the key business processes that delivered value to customers? Were these linked to the company's strategic goals using jargon-free language? Were the inputs, the key sub-

steps, and the outputs of these business processes well defined? Was there an enterprise process management plan developed? Was the ownership of the major enterprise business processes assigned to executive process owners? Was the performance of the full set of core processes measured and reported monthly? Were the major processes explicitly defined, and did they take into account the linkages with other critical processes? Did you implement standing cross-group teams, led by executive process owners with broad accountability and meaningful rewards dedicated to managing and improving those business processes?

Are you ready to take on the challenge of transforming the traditional functional mindset



Breaking down the silo's, not a job for the feint of heart

to a more contemporary model based on business process thinking? If so, beware of the numerous pitfalls in implementing EBPM. Just a few of the major pitfalls are:

- Lack of honesty and courage in terms of measuring what really counts to customers
- Working at the wrong level, diving into too much detail too soon.
- Excessive use of jargon, and failing to cascade key messages to the front line
- Jumping prematurely from strategy to structure and failing to adequately reflect on the central role of business processes
- Failing to make the investment in relevant and effective business process training for middle management
- Not installing the infrastructure for the regular dialogue between the business process management teams and the executive Process Owners
- Forgetting to modify executive compensation such that at least some component of executive bonus be predicated on business process performance
- Senior team reluctance to step up to the bar on taking accountability for technology decisions
- Failing to stick to the critical initiatives, sending mixed messages, and not remembering to communicate persistently

As you might imagine, the journey to business process thinking will be neither quick nor easy. It's a journey, not a sprint. However, it will appeal to those thoughtful leaders who recognize that the old solutions don't work as well as they once did.

ⁱ Carr, Nicholas G., 'IT Doesn't Matter', *Harvard Business Review*, May 2003, pg 41-49

ⁱⁱ Spanyi, Andrew, *Business Process Management is a Team Sport – Play It to Win!*. Anclote Press, 2003