

Process Ownership: The Overlooked Driver of Sustained BPR Success

Many companies have eagerly embraced the principles of business process reengineering (BPR) over the past decade. However, in hindsight, it is becoming clear that results are not quite as positive as they first appeared. Recent studies suggest that the BPR success rate (i.e., the frequency with which BPR initiatives achieve, sustain, and continuously improve on performance targets) may be as low as 30%. Many executives confirm that the heady early rate of savings from BPR has quickly dissipated. In short, benefits are not sustained over the long term.

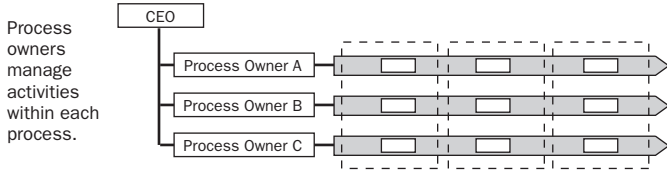
To some extent, we are now facing “the day after” in the BPR revolution. This does not mean that we must throw out the concept in favor of a new strategic management technique. BPR remains a compelling tool

for value creation, but only if we understand what has gone wrong and adapt new approaches based on these lessons learned.

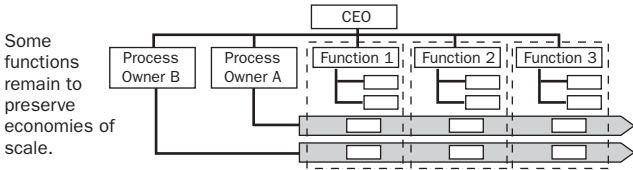
What has gone wrong? A core problem is that companies often reengineer too narrowly, viewing the issue solely as a matter of identifying and grouping related business activities, often defined through the “lens” of the internal and external customer (and the information supporting those activities). Although this approach is essential to the BPR method, if BPR benefits are to stick and continue to drive ongoing value, more is required—companies must adopt new forms of process governance that are appropriate to a new process orientation. This task requires companies to identify and empower the “process owners”—the business unit or functional managers who lead the revitalization of business processes and who will be accountable for its success.

Exhibit 1
Organization Forms Supporting Process-Based Governance Models

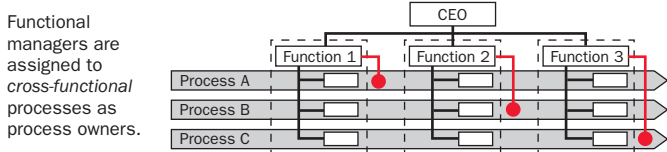
1. Structured Around Processes:
Electronic Components Manufacturer Example



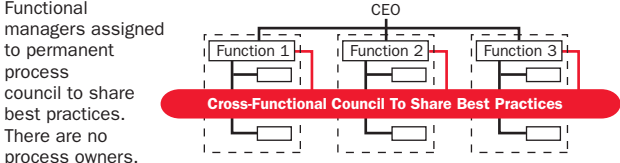
2. Structured Around Processes and Functions:
Diversified Industrial Products Company Example



3. Structured Around Functions With Process Owners:
Global Packaged Goods Company Example



4. Structured Around Functions With Process Councils:
U.S. Aerospace Company Example



Source: Booz Allen Hamilton

Companies that have achieved long-term success with BPR (e.g., 3M, BP, General Electric, HP, Honeywell, IBM, Pfizer, and Procter & Gamble) have recognized that strong process governance determines whether an organization will ultimately capture value from BPR, however innovative and efficient its process reforms may appear on paper.

Realigning the Organization

BPR always involves a new way of conducting business—focusing the organization on looking outward, collaborating across organizational silos, and executing processes that deliver end products and services valued by the customer. Once this change occurs in the business design, the organizational structure also must change. Roles, responsibilities, measures, and incentives must be realigned accordingly. Simply put, the company must adopt a different organization form, one that reflects its new process orientation.

No pat formulas exist for deciding what this new structure should look like, and process governance can take many forms (see Exhibit 1). The ultimate design depends on the extent to which process owners can displace functions, which is influenced by external and internal factors. Single line of business companies, for example, may find that the shift to a “pure play” process owner model is relatively straightforward, whereas

a diversified company may find it impossible to dismantle traditional functional structures. Sometimes organizational politics determine structure, with powerful corporate and business leaders unwilling to cede their power base to process managers. Other times, companies simply cannot identify “renaissance” process leaders who have the functional expertise, business knowledge, and customer insight required for managing an end-to-end process.

After choosing an organization form, the next step is to choose a decisionmaking model. When a company moves to a more process-focused operating model, the previous functional-based chain of command must also change to enable the shift. New decisionmaking models are a roadmap for the company moving forward, especially because they define the role, charter, and mandate of process owners. Consequently, it is important to establish and enforce clear rules regarding who has the authority to decide what is critical to the execution and long-term success of a BPR initiative.

Exhibit 2 describes the three most common decisionmaking models: Driving, Coaching, and Enabling. Each model is appropriate under certain conditions, and each is related to the organizational form previously discussed. For example, for an organization that is heavily structured around processes, such as the electronics component manufacturer shown in Exhibit 1,

Exhibit 2
Alternative Process Owner Decisionmaking Models

Organization Form	1. Structured Around Processes	2. Structured Around Both Processes and Functions	3. Structured Around Functions With Process Owners	4. Structured Around Functions With Process Councils	
Alternative Decision-making Models	“Driving”			“Coaching”	“Enabling”
Description	<ul style="list-style-type: none"> Single decisionmaker Varying need for support from others 	<ul style="list-style-type: none"> Single decisionmaker or “body” Seeks majority support from others 		<ul style="list-style-type: none"> Requires unanimous support from all members of a decisionmaking body 	
Design Implications	<ul style="list-style-type: none"> Need a clear, final decisionmaker role 	<ul style="list-style-type: none"> Need collaboration and other information gathering and sharing mechanisms Requires “rules” to determine when sufficient support exists 		<ul style="list-style-type: none"> Need collaboration and other information gathering and sharing mechanisms Requires a formal decisionmaking forum 	
Decision Rights	<ul style="list-style-type: none"> Process vision and performance objectives Decisions impacting critical process performance drivers Decisions involving standardization / customization or cross-functional tradeoffs Enterprisewide process improvement initiatives Process policies and procedures 	<ul style="list-style-type: none"> Process vision and performance objectives Decisions impacting critical process performance drivers Process policies and procedures 		<ul style="list-style-type: none"> Process vision and performance objectives Process policies and procedures 	
When Typically Appropriate	<ul style="list-style-type: none"> History and culture of mandates Sufficient knowledge exists or can be provided to decisionmakers 	<ul style="list-style-type: none"> Fragmented or specialized knowledge base requires collaboration 		<ul style="list-style-type: none"> History and culture of no mandates JV or partnership-like dynamics mean overall authority cannot be assigned 	

Source: Booz Allen Hamilton

Exhibit 3

Sample Process Owner Job Description

Responsibilities	Percent Time	Key Activities
Develops process vision, strategy, and objectives	15%	<ul style="list-style-type: none"> ▪ Sets enterprisewide vision, strategy, and performance objectives for the end-to-end process ▪ Meets with key business unit (BU) and functional leaders and other process owners to communicate strategy and objectives and collect feedback ▪ Ensures process strategy enables overall corporate strategy ▪ Actively gathers and applies external best practices and understands the impact of external requirements on the process
Develops and implements process improvement initiatives	50%	<ul style="list-style-type: none"> ▪ Develops and leads formal process to 1) identify high-impact, cross-BU and -functional improvement initiatives, 2) collect best practices and ideas from BU and functional staff, and 3) prioritize the initiatives ▪ Validates the merit and applicability of initiatives across BUs and functions, and develops a rollout plan ▪ Ensures appropriate stakeholders are part of the planning and implementation process ▪ Develops and oversees the implementation of improvement initiatives
Monitors process performance across the organization	15%	<ul style="list-style-type: none"> ▪ Defines performance metrics for the processes (cycle time, cost, capacity, etc.) ▪ Reviews process performance and intervenes accordingly ▪ Identifies performance gaps and launches remedial initiatives accordingly
Communicates to senior management	15%	<ul style="list-style-type: none"> ▪ Resolves conflicts on any process issues that involve cost/quality or other tradeoffs ▪ Communicates to senior management team on initiative progress and process performance issues
Develops and manages policies and procedures governing processes	5%	<ul style="list-style-type: none"> ▪ Manages all relevant policies and procedures related to the process ▪ Identifies gaps in existing policies and procedures and remediates accordingly ▪ Refines and develops new policies and procedures on an ongoing basis

Source: Booz Allen Hamilton

the Driving model is most appropriate. In this model, the dedicated process owners not only have strong decision rights to drive process performance, but also own the organizational resources to make that happen. On the other hand, a company that retains a basic functional orientation, such as an aerospace company, will typically use an Enabling decisionmaking model.

Role of the Process Owner

Developing effective process owners is never a simple process. It frequently means changing deeply ingrained management perspectives and behaviors. It also means spanning organizational silos and reorienting their management world view to focus on what links rather than differentiates functions. Companies often complicate this evolution because they fail to adopt incentives to motivate management behavior in line with the company's new process orientation.

Fundamental decisions about the roles and responsibilities of process owners, and who is best qualified to execute these roles, are paramount to building a strong process-based governance model and to the ultimate success of the entire reengineering initiative.

Clear process owner roles offer strong benefits to internal governance. They not only drive how decisions will be made in the future, but also identify and correct potential flaws in the company's current governance.

Exhibit 3 shows a typical job description for a process owner. In many companies, the benefits of introducing these process owner positions include more effective and efficient cross-functional decisionmaking, fewer cross-functional committees, more single-point ownership, and fewer informal channels to challenge and overturn decisions by escalating decisions to senior executives.

What is the background required for successful process owners? Our experience shows that a process owner should:

- Be an executive or senior manager who possesses organizational clout and can command, not just negotiate
- Typically be the senior-most manager whose areas of responsibility directly intersect most with the process
- Have a predisposition to oversee and work with the teams within the core business process and have significant equity across the functions in the business process
- Possess a broad understanding of the activities and challenges across the business process, with knowledge of upstream and downstream activities (e.g., suppliers and customers)
- Have the ability to do what is best for the overall performance of the process and its customers, rather than for just the functions or operations falling within the process.

Best in Class Finance at TXU— “From Analysts to Catalysts”

On January 1, 2002, the State of Texas deregulated its energy markets, instantly thrusting TXU into a high-stakes competitive environment where customer service had to be right, costs low, and all the company's processes aligned with this mission.

Senior Vice President Brenda Jackson spearheaded TXU's mission. Her goal was to take a horizontal, end-to-end look at all the company's processes. Her cross-functional team made a key early finding: TXU's total end-to-end process costs were generally higher than other companies inside and outside the industry.

However, the team's work revealed something equally important: a set of improvement themes was embedded in the very processes the team studied—themes revealing the company's “DNA.” From its process orientation, the team realized that TXU needed to simplify unnecessary complexity, streamline silo-oriented governance, and introduce more standardization into its processes.

The key to acting on those insights was establishing enterprisewide process owners to assure performance and to “own” the achievement of aggressive service and cost performance targets.

In the finance area, the process owners were Chief Financial Officer Dan Farrell, and Corporate Controller David Anderson. Farrell and Anderson coined the term “Finance Best in Class” to capture their vision of transforming TXU's financial role from accounting and analysis to strategic business partners and catalysts for change. The senior team offers some reflections regarding what is making this approach work for TXU:

“We painted the picture first...but it was a Rembrandt, not a Picasso.” Vision is important, says Anderson, but more important is clarity as to where we are headed in terms of concrete goals: best service, best cost position, best employee capabilities, right processes. In short, he prefers the clarity of Rembrandt to the abstraction of Picasso.

“We started with the basics...breaking down the silos, standardizing, and automating.” When Accounting Services Manager John Knierim first met with the Accounts Payable group, all the group could talk about was its problems with Procurement. That day, Knierim began tearing down the silos around the payables process. Since then, he and his team have reduced five systems to one, moved from manual to electronic exchange, and decreased staffing by 80% while increasing service.

“We will have one source of truth.” Gayl McMahon, the Best in Class project leader, views data management and data integrity as the essential foundation for the next wave of improvements. Once built, a more robust set of finance and planning processes will be able to challenge the performance of all that TXU does in terms of customer value.

“Build a winning team.” By pulling hundreds of managers into the transformation journey, TXU is making this an exciting, collaborative venture, where staff and management are working as a team to build processes for the future. It is a winning team in every sense of the word.

In short, a process owner is not necessarily a subject matter or technical expert, a functional specialist, or an IT-focused process specialist.

Making the Change

Making the change to a process owner model is not a simple task. This task typically takes from 12 to 18 months, requiring much more than simply “flipping a switch.” Based on our experience working with companies implementing process ownership, we have identified three key best practices:

- Watch for “Moments of Truth”—early decisions involving the senior management team. All eyes are on the

senior team; consequently, the team must demonstrate the new behavior and expectations

- Constantly demonstrate commitment through senior platforms (e.g., annual management meetings, memoranda from senior team, and all-hands meetings)
- Solicit ongoing feedback during the process (e.g., at key milestones) regarding what is and is not working well.

Although it can be a long and difficult journey, the reward—improved execution and performance—makes it worth embarking on.

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