

**INNOVATIONS: E-BUSINESS MANAGEMENT ADVISOR**

## **Can You Get More From Your Enterprise Technologies?**

**Here's how to match enterprise technologies to the way people really work: Three strategies to consider.**

**By Michael Connor**

Organizations are aggressively adopting customer-facing and back-office technologies that are relentlessly process oriented. Yet even after implementation, most organizations continue to manage by function, negating the real business advantages that enterprise-level technologies can deliver.

Short of redrawing the whole organization chart, which is rarely an option, what can you do to gain benefit from your enterprise technologies? More to the point, how can you secure tomorrow's investments in these vital technologies?

### ***How Did We Get Here?***

When information was scarce, the cost of finding and using information was high. Businesses organized by function in order to lump work together, minimizing the cost of collecting and using information.

Return to the summer of 1990: Michael Hammer declares 'don't automate, obliterate,' kicking off the process revolution. Ironically, Champy and Hammer popularized processes before the enterprise-level technologies needed to support them were industrial-strength. Companies labored in vain in these early days to create and sustain process organizations, finding too often and too late that their information technologies did not support their process-oriented structures.

Scroll forward to the mid-1990's: the widespread adoption of client-server landscapes and the advent of ERP, SCM, CRM, and later e-Business technologies meant that enterprise-level processes, supported by true enterprise-level technologies, were finally ready for prime time.

Welcome to today: The optimism of recent years has been soured by a profit recession that has changed the rules of the game. Return on investment rules, and payback periods measured in single-digits—not years—are the norm. Even worse, enterprise level investments are smeared by oft-told ERP and SCM horror stories and general disdain for everything dot.com.

What went wrong? Why are enterprise technologies increasingly suspect when they are best equipped to deliver?

### ***Taking Care of Business***

I have supported the implementation of enterprise-level technologies since the mid-1990's. I have observed time and again that the technologies are not the weak link—they work, for the most part. The real problem lies in a conflict between the way most companies are organized and the way they aspire to work.

The payback from enterprise level technologies is supposed to derive from two fundamental transformations.

- First, enterprise-level technologies are supposed to significantly enhance the organization's productivity and quality. Cost should go down, or at least hold the line, as fewer people do more things with fewer errors.
- Second, enterprise-level technologies are supposed to tighten the linkages between customers, producers, and suppliers, taking time out of processes, reducing inventory, and lowering transaction costs for all parties.

To achieve these paybacks, people across an organization must fundamentally change the way they work. They must take on new tasks—the implementation of supply chain software typically means the adoption of new picking techniques in the warehouse, for example. Even more challenging, they must stop doing much of the work they now consider core to their jobs.

Meridian Consulting has extensively analyzed how people work in enterprise environments. We find time and again that most work remains process work—that is, work devoted to moving a process along—or compensating work that exists solely to fix mistakes. Actual value-adding work, the work clients and customers pay for, claims no more than a quarter—25%!—of all the work performed.

Ironically, the promise implicit in enterprise technologies is that most of your process and compensating work will go away. Automation will eliminate the paperwork and errors that drive the organization's work, we're told. Supply chains will shorten and we'll somehow become more 'intimate' with our customers.

Yet process and compensating work do not go away in your typical organization. Rather, the organization seems hardwired by its structure, norms, and policies to continue wasteful work. 'We were just naive,' said Owens-Corning's director of information services following their ERP implementation. 'When you completely change the way people work, it's a big deal.'

### ***We Have Met The Enemy, Boss: It's You.***

Face it. Most organizations remain functional. Power, resources, and politics follow traditional, 'stove-pipe' lines.

Why? First, there is little incentive to change the way the organization is structured. Power and prestige result from successfully surmounting and managing the existing organizational structure. Once atop the pile, having successfully mastered the rules of the game, few people choose to alter the lines along which power flows.

Similarly, there seems little appetite for changing the way the organization actually works. Scant attention is paid to the detailed work of the organization. Instead, tasks are piled upon tasks, filling people's calendars and in-boxes with work that adds very little value to the organization's customers, suppliers, and partners.

Yet enterprise technologies like ERP, SCM, CRM and e-business are integrated. They relentlessly push some parts of your organization to adopt a horizontal processes.

But absent the appetite for changing the organization's form and function, these integrated processes are corporate orphans. No one 'owns' the work that spans the functional organization. Even worse, no one 'owns' the business problems that straddle organizational lines.

## ***A Spectrum of Solutions***

Leaders today desperately need new strategies for bridging the structural and political gaps that result when their organizations are at odds with the way a true enterprise works. There are no silver bullets or one size fits all solutions. There exists instead a spectrum of solutions that can be adopted. More about each option follows.

### ***Reorganize Around Process***

The most radical resolution is to re-organize around processes. This requires a comprehensive re-definition of organizational boundaries, control and reporting mechanisms, and of the underlying political landscape.

John Deere Health Plan (JDHP) is a Health Maintenance Organization with service areas in Illinois, Iowa, Tennessee, and Virginia. Incorporated in 1985, JDHP re-organized around business processes in July 1998 to sharpen its focus on members and providers. Today, core business processes such as Business Planning, Product Development, Customer Acquisition, Care Delivery Management, and Customer Service represent the heart of the business. A cadre of supporting business processes, such as Finance and Human Resources, support the core customer and provider-facing processes. JDHP is proof positive that a process-centric organization can deliver, earning the highest possible accreditation from the National Committee for Quality Assurance, the managed care industry's leading quality-assessment organization. But close examination of process-centric organizations like JDHP uncover a number of challenges, including the challenge of coordinating work across processes and the risk that headcounts rise when functional expertise is spread across the company (a risk JDHP has managed by retaining discrete support organizations). It's also important to note that it would be next to impossible to convert a division into a process-centered organization if the parent corporate remains functional. John Deere Corporation itself is in the midst of a ten-year transformation into a process-driven organization.

In sum, your processes and your technologies may be enterprise-ready, but it's important to keep the following observations in mind:

- Transforming a functional organization into a process organization will take longer than anticipated.

- The need for coordination across boundaries never goes away.

And a word of warning: unless you're 100% committed to the transformation, don't even attempt this transformation.

### ***Become A Hybrid***

The next-step in the solution spectrum is process ownership. In this hybrid structure, process owners are chartered with the development and deployment of a business process or set of business processes. At its core, these process owners are responsible for how the process is carried out, how processes interact, and how process performance is measured. They rarely, if ever, 'own' the people who populate their business process—people, resources, and budgets typically remain attached to functional leaders. To various degrees these process owners may 'own', or at a minimum champion, the technologies that support their business processes.

Interestingly, there are few good examples of hybrid structures. As Peter Keen wrote in *Every Managers Guide To Business Processes*, "The concept of process owner being relatively new, examples in practice are few."

The rocket scientists at NASA provide us with a particularly robust example of the hybrid organizational scheme. NASA consists of four 'Strategic Enterprises': Space Science, Earth Science, Aero-Space Technology, and Human Exploration and Department of Space. 'Cross-cutting processes' underpin these four Strategic Enterprises. These four processes include:

- Provide Aerospace Capabilities and Products
- Generate Knowledge
- Communicate, Transfer, and Share Information and Results
- Strategic Planning and Management

Each process is headed by a process owner who has accountability for the process and who leads the charge to improve process performance. The NASA Advisory Council, an independent body, judged that NASA's process owners achieved most of their objectives in FY 2000, but that 'many of the targets under the four cross-cutting processes are not adequately defined to measure whether their objectives are achieved.' These findings highlight one of the leading weaknesses of the hybrid structure: it is very difficult to crisply define what each process owner actually owns. Peter Keen called process owners who have high accountability but little real

authority 'Whipping Posts,' and he advised 'conferring the title without a clear statement and metrics for measuring business achievement is little more than an exercise in public relations.'

In sum, the hybrid model is especially difficult to pull off: the process owner's role is difficult to design and their process-focus can put them at cross-purposes with the agendas and actions of the leadership team. Before committing to a hybrid model, make sure that the process owners are armed and able—that they have budget authority and some level of control over the personnel who animate their business process. If functional managers are not willing to cede these elements of control, then don't go there.

### ***Commit To Process Leadership***

Another solution is to commit to process leadership. At its heart, process leadership means that the existing leadership team owns and addresses all decisions that cross functional boundaries. Additionally, the existing leadership team drives the organization to eliminate the costs and quality lapses that are created when enterprise processes and technologies are overlaid on a functional organization. The senior leadership team also owns the strategic vision for where the enterprise needs to go.

Consider a US-based firm that produces pharmaceuticals, veterinary products and chemicals. In 2000, this company successfully implemented an ERP platform that supports its manufacturing, distribution, marketing and sales, and administrative functions. Faced with the challenge of managing its new processes and technologies, the company's leadership team recast its ERP Steering Committee into a Process Leadership Team. The functional heads that guided the project to success each took on formal ownership of an enterprise-spanning business process. Process teams comprising senior line management were formed and chartered with the development of their business processes and the coordination of work and problem-resolution across business processes. Most important, personal performance measures were revised to incorporate a process perspective.

To date, the process leadership structure has worked well with one caveat. Over time, the level of commitment to process leadership naturally begins to vary across the organization. To make process leadership work, senior-level support is critical. In our pharmaceutical case, the top officer of the company is uniquely committed to the success of the process leadership structure. Even in this successful case it is an open question whether the process leadership approach would collapse under the weight of 'business as usual' without his support

In sum, the process leadership approach typically proves to be the most realistic model for companies implementing enterprise-level technologies. It builds on existing structures and nudges, rather than forces, a re-alignment of power and politics. Its light touch can be its downfall, however, leading to a final word of caution. If your top-most leaders are not absolutely committed to this structure, it won't work.

### ***So What Really Works?***

In a phase: it depends. It depends on the extent to which your organization can stomach wholesale change. It depends on your ability to really put substance into new, counter-cultural roles. And it depends to a large extent on what your top officers can support.

A hard look at whom you actually are—how power and politics play out—is the first critical step in re-casting your organization. But re-cast you must. The business advantages that enterprise-level technologies can deliver depend on it!

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