Manage Cross-Functional Business Processes Using PCF

APQC Member Meeting
4 November 2010
Agenda

- Setting the Stage
- Cross-Functional Processes
- An example – Order to Cash
- Manage and Improve
Setting the Stage

Process, BPM and Frameworks
Process – The Big Picture

➢ Process is how we do work!
  ■ Processes are enabled through people and technology
  ■ We improve performance by improving processes
APQC’s Seven Tenets of BPM

- Governance
- Process Model
- Change Management
- Performance & Maturity
- Process Improvement
- Tools and Technology

Business Process Management

Strategic Alignment
Types of Process Organizations

▶ Functionally based
  ■ Hierarchical; vertical; sub-optimizing
  ■ Huge non-value added waste
  ■ Resistance to change: turf, bureaucratic

▶ Process thinking
  ■ Conceptualizes activities as process
  ■ Understands how all could work together
  ■ Develops process documentation
  ■ Nothing to integrate people and build systems

▶ Process focused
  ■ Designs and manages processes: end to end
  ■ Processes are driven mostly by functional activities and goals
  ■ But focus shifts more to horizontal processes
  ■ Often results in a matrix management system of processes and functions

▶ Process managed
  ■ Reorganizes and manages completely around processes
  ■ Formerly functional processes are embedded in process management
  ■ Senior executives, organized as a core process management team, are responsible for total organization integration across all processes
PCF Overview

- Comprehensive model of processes
  - Classification or taxonomy
  - Structure to define and reference in a consistent manner
  - A common language
# Classification Example

## 5.0 Manage Customer Service (10006)

### 5.1 Develop customer care/customer service strategy (10378)
- **5.1.1** Develop customer service segmentation/prioritization (e.g., tiers) (10381)
  - 5.1.1.1 Analyze existing customers (10384)
  - 5.1.1.2 Analyze feedback of customer needs (10385)
- **5.1.2** Define customer service policies and procedures (10382)
- **5.1.3** Establish service levels for customers (10383)

### 5.2 Plan and manage customer service operations (10379)
- **5.2.1** Plan and manage customer service work force (10397)
  - 5.2.1.1 Forecast volume of customer service contacts (10390)
  - 5.2.1.2 Schedule customer service work force (10391)
  - 5.2.1.3 Track work force utilization (10392)
  - 5.2.1.4 Monitor and evaluate quality of customer interactions with customer service representatives (10393)

### 5.3 Measure and evaluate customer service operations (10380)
- **5.3.1** Measure customer satisfaction with customer requests/inquiries handling (10401)
  - 5.3.1.1 Gather and solicit post-sale customer feedback on products and services (10404)
  - 5.3.1.2 Solicit post-sale customer feedback on ad effectiveness (10405)
  - 5.3.1.3 Analyze product and service satisfaction data and identify improvement opportunities (10406)
  - 5.3.1.4 Provide customer feedback to product management on products and services (10407)
- **5.3.2** Measure customer satisfaction with customer complaint handling and resolution (10402)
  - 5.3.2.1 Solicit customer feedback on complaint handling and resolution (11236)
  - 5.3.2.2 Analyze customer complaint data and identify improvement opportunities (11237)
Advantages of Using the PCF

- Better Benchmarking
  - accelerates benchmarking efforts
  - Ensures relevant data for real improvement.

- Standardization and Measurement
  - Organizations beginning internal process standardization
  - PCF as a checklist to map current processes for measurement initiatives
  - Replicate processes across the enterprise for optimum efficiency.

- Governance and Accountability
  - Common structure allows managers to hold employees accountable for specific activities.
Cross-Functional Processes

Organizational vs. Framework Viewpoints
Different Types and Levels of Process Maps

- Relationship Map
- Cross Functional Process Map
- Linear Process Map
- Job/Task Process Map
Cross-Functional Processes within the PCF

1.0 Develop Vision and Strategy
2.0 Develop and Manage Products and Services
3.0 Market and Sell Products and Services
4.0 Deliver Products and Services
5.0 Manage Customer Service
6.0 Develop & Manage Human Capital
7.0 Manage Information Technology
8.0 Manage Financial Resources
9.0 Acquire, Construct, and Manage Property
10.0 Manage Environmental Health and Safety (EHS)
11.0 Manage External Relationships
12.0 Manage Knowledge, Improvement, and Change

Build New Facility
Order to Cash
When are Processes Defined

- An event triggers need to change or improve
- A project or team wants to define how they conduct work activities
- A business wants to organize, standardize, and manage work more effectively
Responding to an Event

➤ Fighting fires!

➤ Types of events that may drive process definition
  ■ Changing business objectives
  ■ Quality or performance
  ■ A crisis situation arises
  ■ Identified need to capture operational or process knowledge

➤ Often, one or more people work together to define take action
  ■ Basic process knowledge is part of identifying a solution
  ■ Process documentation may never be used by any other group after response is completed

➤ May be at the individual or work group level, up through senior and executive levels
Project/Team Level Process Definition

- A need to work and perform together
- Project/team process definition
  - Driven by an event
  - To organize and manage effort
  - To make activities repeatable and reusable
  - To work effectively with other groups
- Project/team based requires a more structured approach
  - Whether event driven or simply to organize and manage
  - Need some level of consistency in what and how process knowledge is captured
  - Often, process documentation will persist after project or team is complete
- Typically has low or middle management support
Organization Level Process Definition

- Strategic need drives initiative
  - Capture organization’s process knowledge
  - Manage core and supporting processes
  - In some cases, manage “by process”
- Standard approach is essential
  - Will be used across the organization
  - Will persist for the life of the business
  - Must support evolution and adaptability within the business
- Executive or senior management support
Example – Order to Cash

Piecing Together a Cross-Functional Process
Defining Order-to-Cash (OTC)

Assumptions
- Marketing is complete
- We are a build to stock rather than build to order organization
- We do offer net 30 terms
- The products are in stock
- No customer order inquiries
Which process categories are involved?

- 3.0 Market and Sell Products and Services
- 4.0 Deliver Products and Services
- 8.0 Manage Financial Resources
3.0 Market and Sell Products and Services – Take Orders

Take Order
Check Availability

3.5 Develop and manage sales plans (10105)
3.5.1 Generate leads (10182)
  3.5.1.1 Identify potential customers (10188)
  3.5.1.2 Identify leads (10189)
3.5.2 Manage customers and accounts (10183)
  3.5.2.1 Develop sales/key account plan (11173)
  3.5.2.2 Manage customer relationships (11174)
3.5.3 Manage customer sales (10184)
  3.5.3.1 Perform sales calls (10190)
  3.5.3.2 Perform pre-sales activities (10191)
  3.5.3.3 Close the sale (10192)
  3.5.3.4 Record outcome of sales process (10193)
3.5.4 Manage sales orders (10185)
  3.5.4.1 Accept and validate sales orders (10194)
  3.5.4.2 Collect and maintain customer account information (10195)
  3.5.4.3 Determine availability (10196)
  3.5.4.4 Determine fulfillment process (10197)
  3.5.4.5 Enter orders into system and identify/perform cross-sell/up-sell activity (10198)
  3.5.4.6 Process back orders and updates (10199)
  3.5.4.7 Handle order inquiries including post-order fulfillment transactions (10200)
3.5.5 Manage sales force (10186)
  3.5.5.1 Determine sales resource allocation (10209)
  3.5.5.2 Establish sales force incentive plan (10210)
4.0 Deliver Products and Services – Fulfill Orders, Shipping & Logistics

4.5.3 Operate warehousing (10340)
4.5.3.1 Track inventory deployment (10353)
4.5.3.2 Receive, inspect, and store inbound deliveries (10354)
4.5.3.3 Track product availability (10355)
4.5.3.4 Pick, pack, and ship product for delivery (10356)
4.5.3.5 Track inventory accuracy (10357)
4.5.3.6 Track third-party logistics storage and shipping performance (10358)
4.5.3.7 Manage physical finished goods inventory (10359)

Pick, Pack & Ship

Deliver
8.0 Manage Financial Resources – Invoicing, Payment & Receipt

8.2 Perform revenue accounting (10729)
8.2.1 Process customer credit (10742)
  8.2.1.1 Establish credit policies (10789)
  8.2.1.2 Analyze/approve new account applications (10790)
  8.2.1.3 Review existing accounts (10791)
  8.2.1.4 Produce credit/collection reports (10792)
  8.2.1.5 Reinstate or suspend accounts based on credit policies (10793)
8.2.2 Invoice customer (10743)
  8.2.2.1 Maintain customer/product master files (10794)
  8.2.2.2 Generate customer billing data (10795)
  8.2.2.3 Transmit billing data to customers (10796)
  8.2.2.4 Post receivable entries (10797)
  8.2.2.5 Resolve customer billing inquiries (10798)
8.2.3 Process accounts receivable (AR) (10744)
  8.2.3.1 Establish AR policies (10799)
  8.2.3.2 Receive/deposit customer payments (10800)
  8.2.3.3 Apply cash remittances (10801)
  8.2.3.4 Prepare AR reports (10802)
  8.2.3.5 Post AR activity to the general ledger (10803)
8.2.4 Manage and process collections (10745)
  8.2.4.1 Establish policies for delinquent accounts (10804)
  8.2.4.2 Analyze delinquent account balances (10805)

Check Credit (part of sale?)

Invoicing

Payment & Receipt
Relationship Map

Order to Cash

3.5 Develop and Manage Sales Plans
  3.5.4 Manage Sales Orders

4.5 Manage Logistics and Warehousing
  4.5.3 Operate Warehousing

8.2 Perform Revenue Accounting
  8.2.1 Process Customer Credit
  8.2.2 Invoice Customer
  8.2.3 Process Accounts Receivable

4.5.4 Operate Outbound Transportation

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Manage and Improve Cross-Functional Processes

Measure, Benchmark, Assess, Improve
Model applies to any organizational type:
• By Product
• By Region
• By Customer
• By Function
• By Process

Level 1 Process Owners are Senior Executives
Process Champions are within the lower level organization
Process Excellence Group can be within or equivalent to Supporting Groups
Our Goal is Process Efficiency and Effectiveness

Factors that influence

- Defined process not being followed
- Restrictive policies and guidelines
- Assumed policies
- Lack of training, education, and/or knowledge/experience
- Activities with experience as the only guide
- Missing connections between processes
- Cross-functional handoffs poorly defined
- Inadequate use of technology
- Parallel vs. serial activities
- Activities performed in the wrong order
- Poorly defined feedback Loops
- Inappropriate or no measurements
- Unnecessary Reporting
- Real problems are obscured
Basic Measurement System

Five key elements to effectively employing measures
- Description of Measure
- Standard
- Measurement System
- Measurement Analysis and Distribution
- Corrective Action

“Collecting data is much like collecting garbage… You must know in advance what you’re going to do with the stuff.”
A Cross-Functional Measure

- Total cost to perform the cross functional process “Order to Cash” per $1,000 revenue
- Consists of the sum of the individual total cost measures from the various component pieces

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<td>Total cost of the process &quot;enter, process and track orders&quot; per $1,000 revenue</td>
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<td>Total cost of the process &quot;operate outbound transportation&quot; per $1,000 revenue</td>
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Process Improvement

➤ BPM establishes discipline for improvement initiatives
  ■ Identified from strategy and goals
  ■ Targets of opportunity
  ■ Performance issues
  ■ Approach selected based upon need (e.g., six sigma, lean, etc.)

➤ Manage each initiative as a project
  ■ Process owner or senior management as sponsor
  ■ Follow project management practices
  ■ Planned, budgeted and staffed
  ■ Strong teaming
  ■ Oversight
  ■ Clear finish

Performance Excellence requires both Breakthrough and Continuous Improvement
Random Acts of Improvement

- Continuous Improvement
- Quality Improvement
- Six Sigma/Lean
- Systems and Tools Upgrade

GOALS

Integrated Process
Open Discussion