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Process System: Only Build with an Accurate Blueprint

The late Barry Goldwater was a political icon; he was the Republican nominee for president in 1964 and represented Arizona in the U.S. Senate for 30 years. In 1979, during the Iran hostage crisis, the Senate Foreign Relations Committee, of which Goldwater was a member, met to discuss the possibility of launching a military mission to free the American hostages. As the discussion raged, Senator Goldwater realized that several committee members were unaware of Iran's geographic location. This lack of a foundational understanding hindered the debate on the risks of destabilizing an influential player in such a volatile region of the world. Before the next committee meeting, Senator Goldwater took it upon himself to nail a world map to the wall of the conference room. His aim was to expand the committee's collective awareness of the area's geography to foster discussion on the merits and risks of a rescue attempt.

The map provided the needed clarity, allowing the committee to move forward with a shared foundation of knowledge.

The arena of politics is far from alone in its need for a foundational contextual understanding when debating options. As told in the Digital Equipment Corporation (DEC) example in the Preface, many leadership teams suffer from a fragmented understanding of their organization's capabilities. But this deficiency does not appear to minimize the zest of leaders for spinning the wheel and launching new directives. Year after year, leadership teams craft plans to drive the performance of their enterprises to new heights. Yet, strangely, the plans are launched with minimal consideration of the existing capabilities of the enterprise. In any other realm, undertaking a major endeavor without a solid baseline from which to build would seem absurd. Would any sane contractor build a skyscraper without meticulously drawn blueprints detailing the full range of internal systems and structural components? No regulatory agency would approve a building permit. No reputable subcontractors would consider working on such a project. No bank would finance it, and no insurance company would underwrite a policy on it. Yet this is exactly what happens in the business world on a daily basis. Leaders initiate aggressive agendas to take their organizations to the promised land—but without solid confirmation of their feasibility. Success on the chosen course is often only possible with the arrival of a hero to deliver the impossible and triumph over ambiguity and organizational deficiencies.

An understanding of the current environment supercharges the innovation engine. As is clear from the Goldwater example, a shared view provides clarity for planning, especially in instances where structures, processes, and organizations already exist. It provides ground zero for any debate on opportunities—allowing managers to start with the same background of knowledge and build from solid ground. Refurbishing a home is a parallel with enterprise innovation.

The blueprint delineates the existing structure and the intended addition to be built—using the existing structure as the starting point for planning. In enterprises, the intent is the same. Enterprises proficient at innovation understand their current structures and use them as a foundation from which to build improvements. Starting in a vacuum wastes time, energy, and dollars—factors that may well determine success in a competitive environment.

TOOLS FOR FOUNDATIONAL UNDERSTANDING: THE ORGANIZATIONAL CHART VERSUS A PROCESS-BASED VIEW

When questioned about how their organizations operate, most leaders today pull an organizational chart from their files and point out individuals and their responsibilities. The modern organizational structure is a grandchild of the military hierarchy that became prevalent during centuries of warfare. The typical organization structure is a cascading structure that shows the leader of each business unit and their direct reports. Titles or positions are commonly listed for each individual. Depending on the scope of the organizational chart, additional direct reports and their direct reports may be identified as well. Although loosely tied to functional structures, all the workers are not included, or they are identified in such a vague fashion as to complicate understanding of where and by whom specific activities are actually performed. Although such a chart is effective for planning leadership succession, it is a rather inefficient model to depict the intricacies of a complex business system.

Organizational charts and the functional structures they represent are inadequate foundations for improvement efforts. Not only are they based on people and not activities, but they suffer from two

glaring omissions. To start, the customer, the primary reason for the enterprise's existence, is missing from most contemporary organizational charts. Second, most organizational charts fail to specify the flow of work, including all the processes and their interdependencies. Fortunately, an alternative mechanism to depict enterprise operations is available—one based on a well-known way of organizing work activities.

Every enterprise, no matter what size or legal classification, consists of a collection of interconnected and interdependent processes. These processes and their connectivity with external stakeholders are the mechanism through which an enterprise delivers a product or service, generates information, or promotes a cause. The full strata of processes constitute a *process system*. In general, a process system is analogous to the human body. The human body consists of trillions of specialized cells grouped together to form organs and structures (i.e., muscles, bones, etc.). These specialized groupings serve to give us the ability to think, walk, talk, and perform a nearly infinite number of activities. In a similar fashion, an enterprise consists of processes, systems, and people who work together to create products and services.

Consider Olympic athletes and how they maximize their natural abilities to attain an athletic prowess that is far beyond that of an average individual. Year after year, they manage their exercise, eating, and sleeping habits to obtain peak conditioning—putting them in a position to compete at the highest possible level in their sport. In a similar way, enterprises need to plan and build their capabilities to compete in a marketplace. This brings us to the crux of managing a process system.

The challenge in a competitive marketplace is to proactively manage processes—adjusting them to produce exactly what is needed to satisfy customers and driving them to achieve performance goals. Actual performance, be it financial growth or strategic

advantage, is largely determined by the efficiency by which an enterprise improves its overall process system to deliver products/services that most closely correlate with the wants and needs of its customers.

THE ENTERPRISE PROCESS SYSTEM

An enterprise that proactively and appropriately manages not only its ongoing operations but also its future capabilities is destined to become the industry heavyweight. Building such an innovation machine requires as a first step that leaders have a clear and shared picture of their organization's capabilities, allowing them to collectively focus on what needs to change and to commit to making it happen. The question, therefore, is how to create this shared view. Fortunately, there is a construct that provides the benefits of the organizational chart, incorporates customer connections and clearly depicts the flow of work through the network of processes. This model is called the *enterprise process system*.

The enterprise process system includes all the processes in an enterprise—not roles or functions, but processes. Using processes as the base-work structure yields the simplest and most meaningful view of the actual ground-level work occurring in an enterprise. A process system segments processes into logical groupings based on their relationship to each other. In this way, a complete view of an enterprise's operations can be built. This delineation of process begins with the highest level of the process system—the *enterprise process blueprint*—and cascades down to more granular work groupings until it arrives at the lowest unit of work—the *execution of a one-step task*. A standard breakdown of the process system is as follows:

- *Enterprise process blueprint.* The first-level view of the process system is the enterprise process blueprint (also called an *enterprise process map*). The enterprise process blueprint provides a bird's-eye view of operations. As a pictorial representation, the blueprint identifies the core customer of the enterprise and depicts how the megaprocesses work together to produce outputs for a customer. Arrows showing the interaction between megaprocesses and other entities represent the general flow of work. An enterprise process blueprint is shown in Figure 5.1.

- *Megaprocesses.* The second level in the process system is the megaprocess. Megaprocesses in Figure 5.1 include "Sales," "Website," "Marketing," "Manufacturing," and "Supply Chain." With rare exception, the megaprocesses are not singular processes but groups of related processes, represented by the rectangular boxes inside the megaprocesses. When

FIGURE 5.1 Enterprise process blueprint for a manufacturing company.
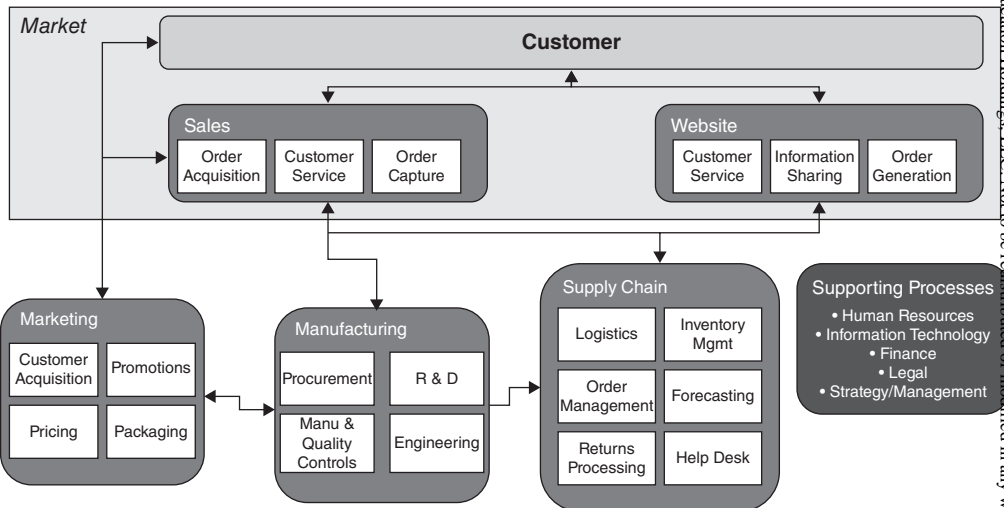
compared with the traditional organizational structure, megaprocesses are roughly equivalent to functional areas or departments. On average, a for-profit company has between 6 and 12 megaprocesses. Nonprofits and other institutions vary greatly in their number of megaprocesses. The boundaries for megaprocesses exist solely to provide management over similar processes and not to segment the design or execution of work.

- *Major processes/processes/subprocesses.* Megaprocesses can be further broken down into major and minor processes. Major processes include traditional processes such as order acquisition, order taking, order fulfillment, and a gazillion others. Many major processes may be broken down further into processes, although major processes do not always require further segmentation. The major process "Order Taking" may encompass processes that are channel dependent, such as "Online Order Taking," "Sales Force Order Taking," and "Call Center Order Taking." Processes may be further broken down into subprocesses. This further segmentation is appropriate when a process is too large to be managed by one individual or team or when the process entails a focus unique to a certain customer segment or channel. In this instance, a process owner or manager with correspondingly unique capabilities may oversee the subprocess.

- *Activities/tasks.* Activities and tasks are the lowest increment of work elements identified in most process systems. Activities are the building blocks of processes. Similarly, activities consist of one or more tasks that together serve a specific purpose. Improving the performance of an activity is accomplished by changing, adding, or eliminating tasks. By themselves, tasks are of a specificity that prevents further adjustment.

■ *Procedures.* Often a rough process exists, but because of variations in the inputs or outputs, the work activities to deliver the output vary, and therefore, the process cannot be documented accurately in a step-by-step manner. In lieu of a robust *A*-to-*B* process, procedures are general guidelines to direct the completion of work. Procedures still add value to the enterprise—the value is just tied to the flexibility in their execution. Procedures are prevalent in customer service and other front-end positions where associates customize their responses based on customer requests.

The process system is not only a representation of an enterprise's operational structure. It also identifies logical work units that can be managed and adjusted—setting up the foundational view for innovation that is lacking in most business environments. That said, it is rarely beneficial to fully design and document every process in an enterprise. The key is to identify the processes that are the primary generators of value in the enterprise. These processes are where time and investments produce the greatest value. However, no level of process should ever be completely eliminated as a candidate for improvement. It is not at all uncommon to find opportunities in seldom-used processes with investment potential that exceeds that of more salient processes. This occurs because the more prominent processes are continuously harvested for improvement opportunities, whereas seldom-used processes are neglected and therefore become fertile terrain over time. The process system's capability to be a straightforward foundation on which to base improvement efforts depends on both its accuracy and leadership's buy-in that it accurately depicts how the enterprise really operates. The first step in uniting leaders behind this shared perspective is to build an enterprise process blueprint.
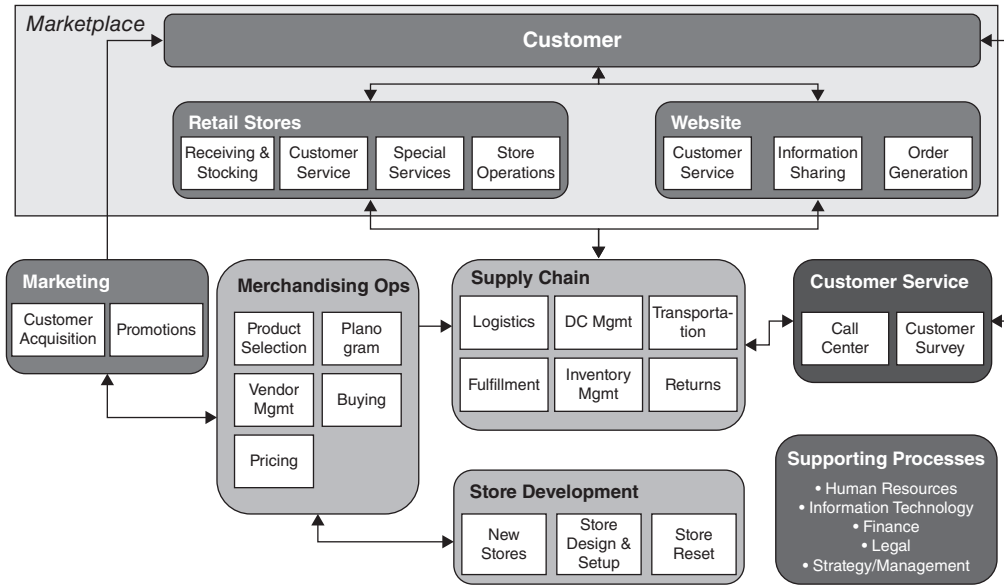
ENTERPRISE PROCESS BLUEPRINT DEFINED

As stated earlier, an enterprise process blueprint is a bird's-eye pictorial representation of a process system. It depicts operational components and includes all the major functions/processes in sufficient detail to minimize any confusion. An enterprise process blueprint is a unique view of an enterprise and is extremely useful to manage or innovate an enterprise. In short, an enterprise process blueprint

- Begins with the customer. It is *customer focused*, with identification of the serviced customer segments and the specific connections through which the enterprise interacts with customers. Because the customer is the reason why the organization exists, it is only logical to use the customer as the starting point for the organization's operations.
- Provides an *end-to-end view* of the enterprise, including connectivity with raw material suppliers, business partners, and customers participating in the value-creation process.
- Clearly *identifies the flow of work* in the enterprise. It shows the connectivity between the major functions/processes and how products and services are produced.
- Is *process focused*, with identification of megaprocesses and major processes as well as, on many enterprise process maps, identification of the process owners.
- Provides *simplicity and clarity* of an enterprise's value chain and its supporting processes—creating a model that can be used as a starting point for planning exercises.

Figure 5.2 shows the enterprise process blueprint of a well-known Fortune 100 retailer. This example includes all the major

FIGURE 5.2 Retail enterprise process blueprint example.

components of a well-developed enterprise process blueprint. It starts with the customer seated at the top of the diagram, it identifies customer touch points, it lists seven megaprocesses with their related major processes, it identifies the primary supporting processes, and it uses arrows to depict the general flow of work.

When viewing an enterprise process blueprint for the first time, many professionals are underimpressed by its simplicity and may even suggest that it is little more than common knowledge. Indeed, the process to create an enterprise process blueprint generates a collective lucidity. But do not be fooled by its simplicity. The enterprise process blueprint is one of the most powerful tools for spreading a shared operational awareness across a management team. For perhaps the first time, the workflows are not just identified but are also implicitly recognized as the avenues of productive capacity that span business units, teams, and departments. After it is fully assembled,

much like a puzzle, it is easy to see how the pieces fit. With such a clear view of operations, leaders and managers cannot help but begin to define their vision for the enterprise in terms of the blueprint.

Creating an Enterprise Process Blueprint

In stark contrast to the appearance of the end product, the process for creating an enterprise process blueprint is frequently trying and can get messy. Executives and managers are forced to put on paper what up until now has been ambiguous and vague. Misunderstandings and differences of opinion are inevitable. The process itself is one of discovery, and it requires that decisions (or commitments) be made as to how the enterprise really functions. Although there is no right answer, the end result should represent the collective opinion of the leadership team, including the major functional leaders. To reach this endpoint, the creation process always concludes with a final confirmation session—where attendees challenge the enterprise process map, driving to make it as real as possible and resolving any outstanding questions. On occasion, consensus will not be reached because entrenched opinions may end up being insurmountable. While not ideal, this is acceptable. The enterprise process blueprint can simply be labeled as a draft with the discrepancies noted. Over time, differences of opinion will fade as business-as-usual practices are further studied to conclusively resolve any remaining areas of disagreement. And, of course, as the enterprise evolves, the process blueprint will require updates, edits, and additions.

The creation process consists of five steps. Without a doubt, the greatest challenge in developing the blueprint is the forging of consensus across a wide band of leaders. Active listening and careful documentation are necessities for the team tasked with its creation. As the saying goes, the devil is in the details.

Step 1: Leadership Interviews

Building an enterprise process blueprint in anything approaching a timely fashion requires a dedicated team to go where the information resides—inside the heads of leaders, managers, and workers throughout the enterprise. Definitely leverage any previously completed process flows and organizational charts, but recognize that the intended outcome is a collective view of operations. Achieving this view entails the engagement of leaders and managers—and the extraction and accumulation of their perspectives. The knowledge gained during the process is nearly as valuable as the final deliverable.

To begin, start at the highest levels of senior leadership. From their positions atop the organizational pyramid, these individual have the broadest view of the enterprise's operations. Their viewpoint is helpful not only to get a rough outline of the operational areas but also to identify the next layer of leaders to interview. Aim to walk away from these initial discussions with a draft of the megaprocesses and loose associations of the major processes. This view will be enriched by the inclusion of the perspectives of the second tier of leaders. Because most enterprises are functionally based, odds are that the second round of interviews is with departmental leaders—usually vice presidents and directors. Their insight is critical to correctly associating major processes with the greater megaprocesses. Also be sure to include a healthy number of leaders from outlying operational units—especially those in geographically diverse locations. Operationally independent leaders often possess unique perspectives on how the enterprise operates. As the overall picture unfolds, refrain from accepting any single individual's input as gospel. Everyone is a victim of perspective to some extent. Every answer is colored by the interviewee's unique vantage point and situational circumstances. Although honestly provided, their responses are opinions. Trust but verify.

When conducting informational interviews, it is a mistake to expect anyone to fully understand his or her processes. Many

concepts that are basic to process experts are foreign to other folks. For this reason, the ability to collect the information and accurately document a process system depends on the interviewer's prowess. Because the aim is to capture information of an equivalent depth and quality from each interview, I recommend using a structured approach with a scripted set of interview questions. The following list provides sample questions to include in an interview guide:

- What are the major deliverables of your area? Are there other deliverables your team provides?
- What are the inputs to these deliverables? From where do you obtain these inputs?
- Who are the performers of the process? What percentage of their time do they spend on each process?
- Where are the outputs delivered?
- How is success measured? Metrics?
- Who are the business partners in creating the deliverables?
- Which deliverables, processes, or functions are most critical to your business function?

Although some of the answers may not make it to the page, they are helpful to pull information out of the interviewees. And there are multitudes of other questions that are applicable. Consistency is the key to crafting an accurate process system. Take the process discussions to a predetermined depth of detail. Not doing so creates the potential to misinterpret the scale and import of a particular process in relation to others.

Step 2: Initial Draft

After completing these two rounds of interviews, take that first shot at documenting a draft of the enterprise process blueprint. In this endeavor, do not let perfection be the enemy of progress. Just get the

facts on paper, and allow them to morph into form through continued investigation, discussion, and debate.

- Start with the customer(s). Draw a box to indicate the customer(s) of the enterprise. Depending on the mission of enterprise, the customer may be a student, beneficiary, or constituent.
- Identify the touch points and channels between the customer and the enterprise or the enterprise's partners (e.g., distributors, retailers, or other distribution partners). Include all customer touch points on the blueprint, even when they are not directly connected with part of the company. Any intermediary between the customer and the company is a critical component of the process system.
- For each of the touch points in the preceding step, draw a box to identify the process/team/organization interacting with the customer. The exact name is not important at this point—just a specific descriptor that leaves no question as to its identity. If there are multiple touch points, list them all. Do not be overly concerned with accuracy. This is an iterative process, and the blueprint always changes as more information becomes available.
- One caution: always remember that this enterprise process blueprint represents the current state. At this point, it is not uncommon for roles or connections to be poorly defined or not defined at all. This is one of the early benefits of creating an enterprise process blueprint—shining a light into the dark recesses of operations and identifying glaring deficiencies or inconsistencies.
- Below the customer touch points, draw out the core value chain for the enterprise. The core value chain usually includes one or more of the following processes:

- ▲ Acquire/develop customers (also may be a supporting process)
- ▲ Procure raw materials or components of the offered product/service
- ▲ Manufacture/obtain product/service
- ▲ Sell product/service to consumer
- ▲ Deliver product/service to consumer
- ▲ Service the customer after purchase

■ Draw a box or a series of boxes to identify the core value chain. When processes overlap or work in tandem to deliver value, only a single box is necessary.

■ Identify and draw the links between the core-value-chain processes and the previously identified customer connection points. Use arrows to show the general flow of work as it passes through the organization. The processes identified at this point are the initial megaprocesses.

■ Identify any other major components of the enterprise. Draw boxes to denote these groups. Draw lines to indicate their connection to other processes.

■ List the supporting processes, such as human resources, finance, accounting, and information technology. Note each of them in a single box for supporting processes. Because these functions/processes generally support the core-value-chain processes (as well as each other), connecting them to other processes would introduce an unnecessary level of complexity to the blueprint. There is an assumed linkage with the other processes/functions.

■ Take a step back, and reevaluate the boxes. Consolidate boxes that serve a common function or play a similar role in the enterprise. The remaining boxes are the megaprocesses. Most enterprises have between 6 and 12 megaprocesses, although this number will climb in diversified conglomerates.

Before publishing a draft of the enterprise process blueprint, take a moment to review the interview notes to ensure that nothing was missed. Compare the enterprise process blueprint with the enterprise's current organizational chart. Confirm that all the functional areas are accounted for directly or that they logically fit somewhere if not explicitly noted. On occasion, a process that is significant enough to warrant inclusion on the blueprint will be missed initially. If necessary, reach out to the sources of the notes to reconfirm their responses and to identify the appropriate way to include the process on the blueprint. As mentioned previously, depending on the vantage point of the interviewees, their perspectives on specific processes may differ. When the answer is not immediately available, create a list of questions and points of clarification to resolve at a later time.

Step 3: Distribute the Initial Draft and Collect Feedback

At this point, a reasonably good draft of the enterprise process blueprint is available—although there may be gaps. The next step is to share this draft with the next organizational layer—specifically individuals closer to the work. Although titles vary across enterprises, this group of interviewees includes directors, managers, process leaders, and other individuals who oversee the ongoing everyday work.

Although some enterprise process blueprints only identify the megaprocesses, fully vetting the major processes is a good method

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Special Note: Because most enterprises today operate using the traditional hierarchical organizational structure, the initial enterprise process blueprint as a current-state reflection will depict megaprocesses and other process boundaries that break end-to-end processes into functional boundaries. As an initial step, this can rarely be avoided. The key principle here is to understand the existing state of the enterprise in order to manage end-to-end customer-based goals. Over time, the enterprise can be reorganized to more closely align the core value chain with end-to-end processes. Figure 5.3 shows the enterprise process blueprint for a small savings and loan. In this enterprise, the depository, loan, and investment offerings are each overseen by megaprocess owners. However, many of the individuals engaged in the work of these megaprocesses are located in the supporting processes. For example, the print shop's employees support all the product lines in the production of customer statements.

FIGURE 5.3 Enterprise process blueprint for a small savings and loan.
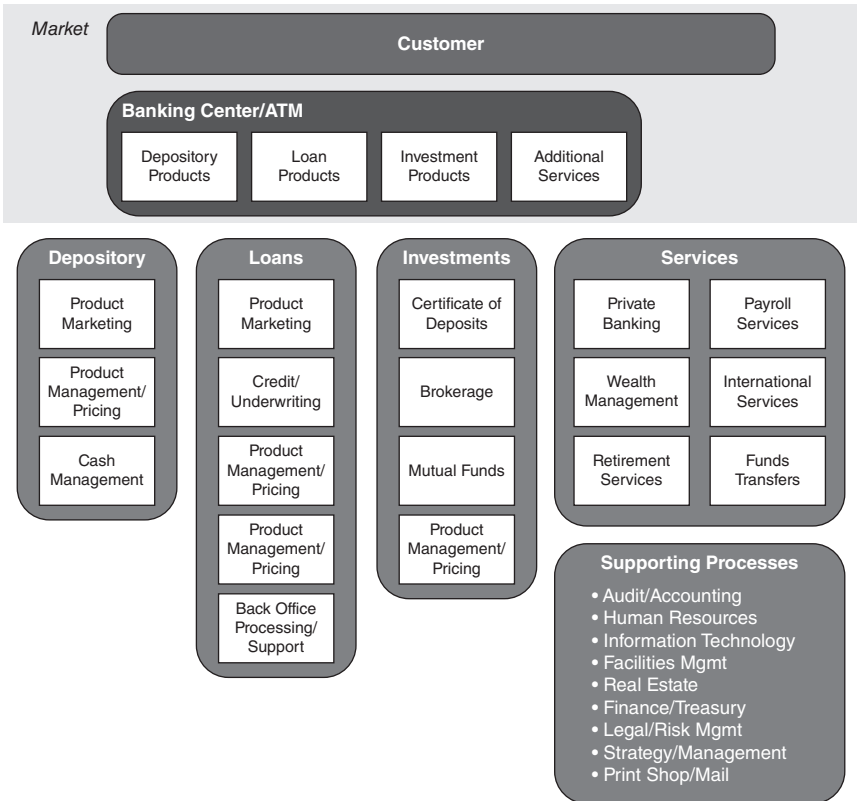
to confirm the accuracy of the megaprocesses. Every process that is performed regularly should be housed in a megaprocess or be called out as a supporting process. Frequently, the megaprocesses need to be redefined to accommodate the full assortment of processes. This round of interviews provides a forum for those closer to the ongoing work efforts to contribute their knowledge and insight to the blueprint. By doing so, they validate the previously gathered information

and plug any gaps in the awareness of senior leadership of operational details.

This second round of interviews is also a good time to ask the functional and process leaders to identify supporting processes. On rare occasions, supporting processes are part of the core-value-chain process (e.g., technology processes for a software company). When this occurs, it may be helpful to list the process twice—once in the core-value-chain process and a second time in the supporting-processes box.

As the second round of interviews is completed, return to the interview notes, and begin updating the enterprise process blueprint. Except in very rare instances, there will be differing opinions on how the enterprise operates and where specific processes operate. Add any unresolved questions to the previously created list. Once the newly gathered information is incorporated into the blueprint, distribute it to all participants along with the list of outstanding questions. And then let it sit for a while—at least a week—before holding a final confirmation session. In this interim period, many of the participants will naturally investigate and resolve the outstanding questions.

Step 4: Confirmation Session

With a solid draft in hand, it is time to conduct a final confirmation session to close the door on the outstanding questions and to obtain confirmation. Schedule a time, and invite all the senior, functional, managerial, and process leaders to review the current iteration. Be forewarned, this validation session is rarely a rubber-stamp exercise. The goal of this meeting is to conduct an exhaustive review of every part of the blueprint for accuracy and to incorporate revelations sparked by a collective review.

During the session, introduce the outstanding items for discussion and resolution. If the group fails to reach a consensus on any of the questions, move forward without complete agreement. When

disagreement lingers, appoint a small team to resolve the outstanding questions through exploratory visits to observe the process firsthand, through informational interviews with key performers, or via another discovery method. In my experience, many of the outstanding questions are naturally answered with the passage of time—simply because the team sees how the process is really performed.

Step 5: Make It Available

After the edits from the confirmation session are complete, distribute the enterprise process blueprint far and wide. Pin it on bulletin boards, and make posters of it for common areas. Share it with the full universe of employees. Make it an agenda item for staff meetings, executive retreats, and departmental meetings. The enterprise process blueprint is the foundational view of the operation. Let it become the reference point for brainstorms, discussions, and debates.

After publication, additional questions will surface that require the creation team to reconvene and create updated versions of the blueprint. Iteration is always required. It bears repeating: most leadership teams do not have a firm understanding of the operational details of their enterprises. Expecting 100 percent accuracy the first time is unrealistic.

The creation of an enterprise process blueprint is an arduous and exhausting task that requires a high degree of persistence to push through ambiguity, navigate executive egos, and motor through passive resistors. To simplify the creation, there are rules of thumb to hasten the process, make it less cumbersome, and improve the quality of the end result.

Rules of Thumb for Creating an Enterprise Process Blueprint

- When identifying the process system, avoid the use of names of current or planned departments or business units

(with the exception of supporting processes). This reduces the chance that leaders will play political games to preserve or grow their fiefdoms. Additionally, the standing names rarely convey the true function or process being performed. Start with new names, and discard the baggage associated with the current nomenclature.

■ Although it is extremely difficult to do so, resist noting owner's names on the blueprint. The people part of the enterprise comes later. An enterprise process blueprint is a view of the current state that may well differ from the current ownership. Specifying ownership at this point convolutes the creation to be about mapping the organizational chart to the process blueprint. This pollutes the logic and structure of the blueprint. For now, focus on the processes—ignore the people.

■ Recognize up front that core value processes span multiple functional departments. The goal is not to restate functional separations but to view the organization as a collection of processes. When identifying boundaries between megaprocesses or processes seems to be impossible, view the processes from the perspective of their outputs. If the processes work in tandem to create an output, this means that the processes are linked. All the steps and activities leading to the creation of this output can be grouped together.

■ Allow sufficient time for reviewers to critique the enterprise process blueprint. For most leaders, the blueprint is a radically new view of the enterprise, and it requires time for acceptance. Rushing individual reviews increases the likelihood that the end result will mimic the deficiencies and boundaries of the current functional organizational structure. This occurs because when under pressure, folks

will toss up their hands and revert to the familiar. A better approach is to set loose deadlines and maintain an active dialogue with reviewers to answer questions and move the team toward eventual adoption.

- When building an enterprise process blueprint, it is common to hear requests to build the blueprint to reflect a future state. Deny this request. Although a future-state map may be useful as a target, focusing on it as the initial exercise unnecessarily introduces confusion, turf wars, and political games. Such a process pushes leaders to define a future state without a clear understanding of the current state. Can you plan a road trip without knowing your starting point? Although a future-state view is theoretically the target, a blueprint of the current state is necessary to understand the existing structure and its capabilities and to determine the feasibility of the future state.

- Use an objective party (external consultants are a good option) to manage creation of the enterprise process blueprint. An objective and experienced team hastens the delivery and heightens the quality.

- Begin using the blueprint immediately to frame improvement discussions—even when it is still in draft form. This builds familiarity and momentum toward eventual acceptance of the blueprint as the foundational view of an enterprise's operations.

It bears repeating: developing an enterprise process blueprint is messy and frustrating. There may be heated discussions. Your hands will get dirty. Stick with it. The blueprint is the beginning of a new paradigm for managing and growing the enterprise. Although the act of creation may be frustrating and bogged down by continual challenges, the eventual benefits are manyfold. When complete, an accurate

enterprise process blueprint is a launch pad for all types of planning activities. The blueprint becomes a staple of leadership discussions—continuously referenced and carted from meeting to meeting.

Flexibility of an Enterprise Process Blueprint

Despite the name, an enterprise process blueprint does not have to depict the enterprise level. Process blueprints may be built for divisional, business unit, product/service family, or departmental levels. The approach and end result are the same. Identify the highest-level processes, and drill down to the process flow level. Likewise, the best process-focused enterprises drill down below the enterprise process blueprint to the basic process flow level.

Along the same lines, an enterprise process blueprint may depict a slice or the full scope of an enterprise's structure depending on its size and complexity. For-profit corporations fall into one of three categories: single-product-family companies, conglomerates, and diversified companies. Nonprofits and other institutions have varying structures but generally will map to the base-level enterprise process blueprint (single-product-family companies). There are exceptions, however. Some large nonprofits structurally resemble conglomerates or diversified companies. All enterprises, regardless of their legal status, can be mapped to one of the three corporate categories just identified.

Single-product-family enterprises are the easiest to understand and map. They sell a single product or group of products to a limited customer group. Their operational structure is relatively straightforward and can be depicted in a single diagram. All the different elements of the enterprise support the market strategy for a single customer group. The single product family is the base level of the

enterprise process blueprint—the view used to provide instruction on enterprise process blueprint creation.

Conglomerates and diversified companies may manufacture a multitude of products for the same customer base or multiple customer segments. Customer segments may be differentiated by product usage, customer purchasing process, or even geography. The primary difference between conglomerates and diversified companies is that conglomerates service different customer segments through stand-alone business units. Any centralized corporate structure exists only to manage the portfolio of businesses—often buying or selling business units. Diversified companies deviate from the conglomerate model in that the business units share supporting processes. The corporate structure atop a diversified company is largely shared service functions (e.g., finance, marketing, human resources, and information technology). On occasion, a diversified company merges other elements related to the servicing of a specific customer segment (e.g., merged sales force or a shared distribution network). Conglomerates and diversified companies are somewhat more challenging to depict with an enterprise process blueprint. As a general rule, an enterprise process blueprint should be created for each distinct product/service offering.

A *conglomerate* may require multiple enterprise process blueprints to represent its full scope of operations. Each map would depict a distinct business unit with its unique customer segment. Often an additional page is used to show the relatively abbreviated corporate structure—usually just executives and strategy/merger and acquisition teams.

A *diversified company* is the hardest of the three to depict in an enterprise process blueprint. Several possible depictions of this operational structure have evolved. The choice of the three depends on the leadership's intent.

The first method is to depict each business unit in the same manner as the conglomerate. This approach leads to duplicative

representations of shared functions on the blueprint for each specific business unit. If the leadership thinks of the individual businesses as components of a portfolio, this blueprint is the best choice. It allows for the leadership team to quickly identify salable businesses and the requirements to make each business self-sufficient.

A second method is to not denote the shared functions on the enterprise process blueprint for each business unit but rather to place the shared functions on their own blueprint with the business units as the customers. This method also can be used to incorporate key business partners of an enterprise. This choice is appropriate if the leadership team intends to operate the businesses independently but centralizes shared service functions to capture efficiency benefits.

A final method is to depict the business units and the shared functions in a single enterprise process blueprint—although size and complexity frequently may make this approach impractical. This method is appropriate if the enterprise is looking to connect all the unique businesses together and reengineer the overall operational structure of the enterprise.

All three methods are correct and appropriate. The best choice is to understand the perspective of the leadership team and how its members view the operational linkages between the business units. Then build the enterprise process blueprint using the approach that best represents leadership's intentions.

In an effort to make a process blueprint as user friendly as possible, formatting such as shading and colors can be used to identify core processes versus supporting processes or to identify customers, vendors, suppliers, and other partners. Other opportunities to format the enterprise process blueprint to quickly provide additional information include the following:

- Use the sizes of the boxes on the blueprint to represent head count, budget, number of managers, or another

determinant of size. An interesting exercise is to create multiple enterprise process blueprints with process boxes corresponding to elements such as head count, expenses, or budget and overlay them to see where there are inconsistencies.

■ Use different colors to denote the status of process efforts. For example, a red process may be in a critical condition and require immediate attention. Colors also may represent the current functional boundaries or where specific leaders have responsibility. In the same way, colors may be used to denote organizational boundaries between business partners, customers, and other groups.

■ Identify or list the leaders or process owners on the enterprise process blueprint. This provides a quick reference as to the individual(s) with knowledge about and responsibility for any specific component of the enterprise process blueprint. Again, always delay adding names to the blueprint until after the initial draft is completed and confirmed by the leadership.

THE HIERARCHY OF PROCESS

The enterprise process blueprint is a major step on the path to building a foundational understanding of an enterprise's operations, but the view it presents is at a high level and significantly distanced from where the proverbial rubber meets the road. The process level is where the real work gets done. Therefore, a more granular view of work activity is necessary if we want to understand the everyday performance of workers. This is important because improvement efforts require analysis, design, development, and deployment of solutions at the level where the work is performed.

For example, the supply chain is where enterprises manage the processes for receiving raw materials from suppliers and distributing finished goods to customers. When analyzing the cost structure of their operations, leaders often ask for costs to be allocated at the item level in order to price them appropriately. The standard approach is to identify all costs and allocate them to the product using activity-based costing or a similar allocation method. Unfortunately, this approach is fundamentally flawed and results in incorrectly priced products. For example, outbound delivery costs are incurred by truckload and include the costs to load, operate, and unload a truck. The truckload is the cost driver, and efforts to reduce costs must be focused on minimizing the number of truckloads or ensuring that a truck is fully cubed out (i.e., operating with the maximum allowable load). It is not logical to think of these costs as being incurred at the end-product level because this allocated cost would fluctuate widely based on the count of items in a truckload. In other words, the real cost of the item should not be affected by how full or empty the trucks are. Unless a cost is directly attributable to an item, it should not be incorporated as part of that item's cost. For the exact same reason, improvement efforts need to be focused at the appropriate level. Although it may seem like an overly simplistic rule, this mistake occurs with an astounding frequency in the corporate world.

Extrapolating from this example, making substantial improvements requires coordinated action across multiple levels of the process system. The starting point may be the enterprise process blueprint (if only to create a shared view), but real change occurs across the megaprocesses, major processes, processes, subprocesses, and even the singular activities of workers. Thus, although the enterprise process blueprint is the appropriate starting point, additional process views are needed—including digging down to the steps an employee takes to complete a simple task.

MEGAPROCESSES

Most change of a strategic nature occurs at the major process level, process level, and subprocess level. Figure 5.4 is a user-friendly depiction of a megaprocess and the relationships between the major processes associated with it. Whereas there usually 6 to 12 megaprocesses on an enterprise process blueprint, the number of major processes per megaprocess is usually less (4 to 8 major processes per megaprocess). A complete megaprocess visual includes the inputs, outputs, metrics in place, and major processes and their relationships.

This view identifies the inputs, outputs, and primary metrics for the megaprocess. Again, be wary of metrics. Functional and managerial-level metrics create a risk that improvement efforts will be focused on a part of the process system, occasionally to the detriment of the whole system. Metrics at the process level are "safe" only if the full end-to-end process exists inside the process.

FIGURE 5.4 Megaprocess example.
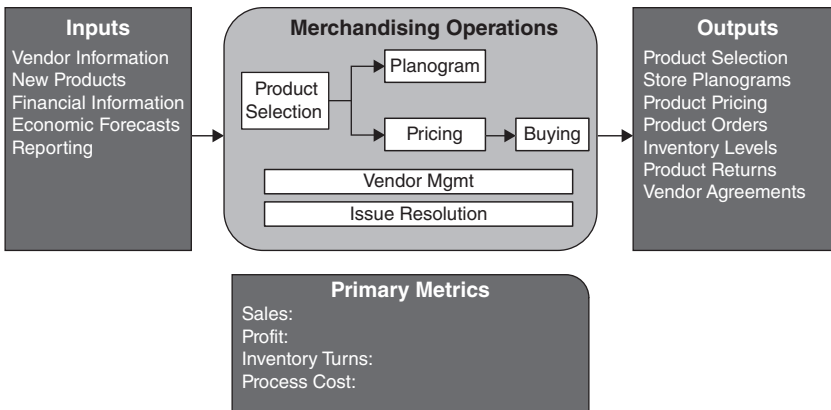
For example, the full process cost in merchandising operations is the total cost to buy a product, put it in a store, and sell it to a customer. If this metric were to include only costs from a specific area—such as the cost from the vendor—the process owner might unintentionally push costs elsewhere—such as the store. For example, a vendor may not fully assemble a product but rather deliver it to the store, for the store associates to complete the final assembly. Although this move logically lowers the merchandising costs (i.e., costs to assemble the product are removed from the supplier's cost structure), it adds store cost (i.e., the cost for associates to assemble the product). This is a cost transfer, not a cost reduction. More important, the relocation of assembly may well increase total costs because store associates are less skilled in assembling a product than the supplier's workers. And there are potential hidden costs. Assembling products distracts store associates from their primary duty of taking care of customers and may even increase the number of customer-service issues. Because the tracking of a metric spurs action (i.e., what gets tracked gets done), it is not advisable to track metrics for a limited portion of an end-to-end process.

With completion of the enterprise process blueprint, the megaprocesses are usually fairly well scratched out, although perhaps not in a form conducive to communication. The first step is to identify the processes inside the megaprocesses. This activity confirms the megaprocesses and adds further clarity to their boundaries. Start with the core-value-chain megaprocesses because they are historically the most reviewed and understood processes. If they are not identified during the process of building the blueprint, start by listing the major processes in each megaprocess. Probably the most expeditious way to identify the major processes is to interview functional leaders, especially at the director and manager levels.

When depicting megaprocesses, a good goal is to identify the major processes responsible for creating 80 to 90 percent of the

deliverables. The number of major processes/processes per megaprocess will vary widely, especially when documented the first time. As a rule of thumb, most megaprocesses should include four to eight major processes.

Once the megaprocesses and major processes are fairly well defined, a deeper dive into the major processes provides further understanding and clarity. Major processes can be deconstructed into a number of processes that are often called *minor processes* or *subprocesses*. The relationship between a major process, and a minor or subprocess varies. A process may be a subpart of a major process or related to the major process by a number of commonalities, including shared performers, scope, or functional focus. There are several reasons for breaking a major process into lower-level processes:

- Major processes that work across multiple product channels or customer segments require a different approach (e.g., subprocess) for unique channels or customers. For instance, variances of a process, may perform a similar function across customer segments but have unique elements specific to the customer.
- The major process can be too large to be managed by one individual and may require a team approach instead. This is accomplished by breaking the major process into subprocesses or minor processes.
- The major process may be so complex as to require additional owners, often with specialized skill sets. This differs from the preceding segments in that the process is not broken down into manageable chunks but rather that process responsibilities differ across the complete process. In effect, the full process is actually an aggregation of several interlocked processes.

After the major processes are identified, the next step is documentation. In my experience, process flows are the most accurate depiction of how work is completed. Although useful, the enterprise process blueprint and megaprocesses are artificial constructs created to identify the relationships between processes and to determine the appropriate oversight of the process system. By themselves, they do not represent the level where work produces value. Process flows are the base level documentation for improvement activities and are appropriate to depict major processes, processes, and subprocesses.

Process Flows

Process documentation facilitates the acquisition of knowledge around the work to accomplish a business goal, including the inputs, outputs, performers, and actual process steps. Over the years, process documentation evolved from a simple list of steps, to linear depictions of activities, to swim lanes, and for Lean practitioners, to value-stream maps. Regardless of format, a process flow models the work activities that are executed repeatedly by workers. It is the level of documentation used by reengineering and process-transformation teams to understand the current state of a process, design a future state, build it, test it, adjust it, train workers on it, and then deploy it.

To capture the information to build process flows, experienced practitioners use multiple approaches. The most commonly used practices (and arguably the most effective) are informational interviewing and direct observation. Informational interviewing is the fastest way to collect a large amount of detail from a variety sources. It targets individuals with specific knowledge in order to quickly identify the basics and then bounces the findings off individuals who provide input to the process or receive output from the process.

By aggregating these individual perspectives, the most accurate view of a process can be captured.

Informational Interviewing

To increase the likelihood of success, a team or individual with process expertise is the best resource to build process flows. However, experienced and objective process experts may be hard to find in the general workforce. When such experts are not available internally, external consultants are an alternative source to conduct interviews and document processes. To ensure consistency in the level of detail and completeness of the documentation, a simple five-step approach guides the capture and enhances the accuracy of process-flow information. The steps need not be completed in the same order as presented, although there is a bit of logic to the flow. As each step is performed, new information invariably will come to light that, in turn, requires adjustments to previously captured information. As with most process activities, iteration improves the accuracy of the documentation. For the process under investigation, the interview should accomplish the following:

1. *Identify the customers.* Start by identifying the process's customers. Do not forget that customers can be internal, external, or, in some instances, business partners that straddle the line between internal and external. Also be sure to look beyond the prominent customers and identify the less visible beneficiaries of the process. Uncovering these less obvious customers may be tricky until the process is studied step by step.

2. *Identify the outputs.* Knowing the customer jump-starts identification of the outputs. Talk with each customer or customer group, and ask what they get from the process. Is it a product, service, information, or something that is

solely a component of a much larger end product? Once the outputs are named, it always helps to dig a bit deeper to capture the key attributes of the output. In effect, identify why the customer wants the output, such as quality, cost, availability, or customization.

3. *Identify the inputs.* With the outputs clearly identified, a path—although perhaps not initially visible—leads back to the inputs of the process. At this point, the question of process scope is front and center. At what point does the process start, and where does it end? In many cases, improving a process requires the incorporation of activities outside the currently defined process boundaries and, with increasing frequency, outside the enterprise itself. As the boundaries of an improvement effort expand, the potential to achieve significant results increases, and the risk that the improvements gained are not offset by unforeseen impacts elsewhere is minimized. To identify the inputs, a good tactic is to focus on the parts of the larger process that are inside the enterprise. Follow the chain of the activities back to where the inputs were acquired. Inputs take many forms, including raw materials, knowledge, or even a signal to start the process. However, the input list often needs to be refined as further clarity around the process is gained. Iteration is again the driver of accuracy.

4. *Identify the suppliers.* With a list of inputs, the suppliers can be identified through their association with specific inputs. This step is arguably the easiest part of a process-documentation exercise. Every input has either an internal or external provider. The biggest mistake in identifying suppliers is to overlook inputs to the process, such as information and knowledge. Without knowing what to produce or when to produce it, the process might not start.

5. *Walk through the process step by step*. At this point, the process elements that were previously documented provide a foundational perspective that resembles a loose strawman of the process. However, further detail is needed. To get an actual step-by-step view of a process, go to the performers who execute the process on a daily basis. During these interviews, start with the receipt of the inputs, and walk step by step through the process until the arrival of the step to transfer the outputs to an end customer. Identify every activity, and list them in the order of their execution. At each step, ask whether the process follows the step or there are decisions or alternatives that potentially add additional steps. Use good judgment. If an alternate path rarely occurs, it might be possible to ignore it and treat future occurrences as exceptions. If the alternative path occurs with regularity, however, it needs to be documented in the process flow. Document the steps, the order in which they occur, and the major alternative courses. When this investigation is performed in a methodical and diligent manner, the results are an accurate reflection of the process.

Direct Observation

Once there is an initial draft of a process, direct observation is useful to confirm the draft and identify exceptions. What is initially built through interviews may well differ from what normally occurs. This differential exists because most individuals have limited exposure to the full scope of a process or because their responses reflect personal prejudices. Direct observation, as the name implies, entails gathering information firsthand—by either watching the process performers execute the process or by actually participating in the process.

To ensure that the process is viewed during standard execution instead of abnormal periods, multiple observations should be

conducted at different times and under different circumstances. Sub-merse yourself in the process, examining the deliverables at each step in the process and working back to the elements of work required to create each deliverable. As your observations identify adjustments and changes to the initial process documentation, circle back with other performers, functional managers, customers, and business partners to confirm and clarify. The best process documentation is the result of numerous iterations that account for all types of variables (i.e., temporal, situational, etc.).

Exceptions: Is an Initial State Appropriate?

Especially when working with startups or new business lines, the processes under discussion may not be fully operational, making it impossible to document a current state. When this occurs, forego the current state and instead move directly to an initial state. An initial state dispenses with the gaps between the true current state and delivers a complete process by assuming that the missing elements—activities, tasks, inputs, or outputs—already exist. By making this jump, an initial-state process operates as a foundation on which to base management and improvement efforts. As a general rule, the initial state should never be a stretch. Rather, it should be minimalistic and incorporate only the basic requirements of the process. It is merely a short-term replacement for the current state and represents the simplest process to produce the desired outputs using only available and easily obtained resources. However, if large gaps exist between the current state and the initial state, the initial state becomes in essence a future state. A future state, unlike an initial state, requires a significant investment in resources, time, and energy to get it up and running.

Whether the end result is the current state or an initial state, the value in documenting processes is to deepen the organizational knowledge, create a foundation for innovation, and drive consistent

performance. For core processes and the most salient processes, documentation often generates awareness of strategic differentiation opportunities. Thus, if documenting processes enables innovation and consistent performance, why not document every process in the enterprise? Forget it—it would be a tremendous waste of time and resources. Any team anointed with the responsibility to document every single process in an enterprise travels on an unending highway. The sheer number of processes is beyond count in most enterprises. The question, therefore, is, What processes should be documented? Should all processes that are actively managed be documented? If so, how do you distinguish between processes that should be managed and the rest of the field?

To Document or Not to Document?

The answer: not all processes can or should be documented. Processes with the greatest opportunity for improvement—strategic or operational—are the obvious priority for documentation. These processes usually reside in the core value chain. But do not ignore the seemingly insignificant processes because they may hide huge opportunities for improvement. And then, it is not uncommon for an "unloved" process to be core to future strategic requirements. Aside from the most frequently executed processes, only document processes when there is a benefit to doing so. That said, the lack of documentation for a process does not mean that it should not be reviewed, improved, and managed. In fact, quite the opposite is true. Any element of work that is consistently repeated demands a degree of attention at least equal to the value it generates. For many processes, though, documentation is either problematic or simply consumes more effort than it is worth. These types of processes fall into one of the following buckets:

- Processes with varied inputs, process steps, outputs, and measures of success—especially when variances in the process contribute to the value delivered. Some good examples are at the front line where associates interact with customers daily. The individuals interacting with the customers must adjust to satisfy the individual customer's needs and expectations. There are no hard and true processes to account for every type of customer interaction. In order to ensure that the associates perform in a manner agreeable to the enterprise, the associates are trained to follow general guidelines or procedures, such as basic rules for resolving customer issues. Roles lumped into this category include store associates, sales personnel, customer-service functions, and the management of those functions.

- Processes where standard operating procedures, standard practices, or work guidelines are sufficient to instruct and train the performer; these activities are not overly complicated, and some variance is acceptable. If variation in the process makes it challenging to document, take the easy route and craft procedures or guidelines. An example of this type of process is the stocking of a specific product on a shelf, packaging varied products for delivery, or transportation activities such as driving delivery routes.

- Processes that are rarely used and have low value/cost are not worth the time to document or manage. Rules are often acceptable to govern these processes. Other times, these activities are left to the performer's judgment. Examples include associate-level activities outside value-added work efforts, for example, travel around the office or disposing of office trash. When execution of these processes falls outside a reasonable norm, corrective action or procedures may need to be instituted.

■ Corporate roles that require flexibility, planning, and various forms of execution. Many leadership and corporate positions operate with significant variability on a daily basis. These positions are managed (if they are managed) through skill set and knowledge development.

For regularly executed processes that you choose not to document, it is still a good practice to routinely reexamine them to identify any deficiencies or discover latent opportunities. Many processes deserve attention and improvement only when they are executed outside of acceptable performance levels or they conflict with the enterprise's core values. The intent of process improvement is to focus enterprise resources armed with the right tools on the work activities where the most value can be created. The use of a process-improvement tool such as Six Sigma (a methodology focused on eliminating up to six standard deviations of defects) is unnecessary and wasteful when applied to a process requiring less precision in its outputs. Always use the right tool to get the desired result.

IMMEDIATE BENEFITS OF IDENTIFYING A PROCESS SYSTEM

The activities to document a process system breed widespread awareness of how an enterprise operates. It originates with the individuals who participated in the discovery process but gradually expands to a much larger audience. Employees at all levels begin talking about operational adjustments through the lens of process. As more employees grasp the process parlance, the process system becomes foundational to planning activities.

And this brings us to perhaps the most immediate benefit of a documented process system. With large-scale improvement efforts,

a traditional enterprise struggles to identify how simple changes will ripple through the interconnected processes and teams. In lieu of an operational blueprint today, project teams commonly perform a carousel of informational/sharing sessions with different business units and leaders—sharing the intent of an initiative while simultaneously gathering needed details. Many initiatives get jarred off the tracks in these sessions because the directives are open to interpretation, and session participants seek to put their imprint on the initiative's direction. For a process-focused enterprise, initiatives are communicated in process terms—framing leadership's intention in the jargon of ground-level work activity in order to minimize misinterpretations. As the process system becomes an accepted way to communicate enterprise change, it begins serving many roles, including

- Creation of a framework for communicating how the organization operates.
- Clarity as to the interconnectivity of processes.
- Identification of operational areas where knowledge and other capabilities exist.
- Creation of an operational foundation on which to base strategic and efficiency initiatives.
- Identification of opportunities for collaboration on initiatives and other improvement efforts.
- Mitigation of the risk of localized improvements having a negative impact on the overall process system.

The process system is only the beginning of a process-focused enterprise—a new way to view, discuss, and debate the operations of an enterprise. But process documentation is just paper—a collection of snazzy diagrams with descriptive titles that offer guidelines for completing work. The real energy—what sets the production wheels spinning—in any enterprise is the people who perform the processes.