

ORION CONSTELLATION

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Welcome to the inaugural issue of the **Orion Constellation**, the quarterly newsletter published by Orion Development Group.

Orion Development Group is a pioneer in strategic process management, working with clients in all industries to create distinctive process capabilities, and to leverage those capabilities for competitive advantage.

This newsletter is published as a service to our past, present and future clients in an effort to help us accomplish our mission – to help executives create more productive, profitable and successful enterprises by implementing organizational improvements that are effective and enduring.

Starting with this first issue, each edition will feature two important articles on strategic process management. Naturally, the limitations of the printed page will require some abridgement of content, so our readers are encouraged to visit www.odgroup.com for the full-length versions of the articles, along with supporting case studies and other information we hope you find valuable.

Of course, your feedback is eagerly welcomed, and we encourage you to contact us at editor@odgroup.com with suggestions, questions or comments.

On behalf of all of us at Orion Development Group, we hope that you enjoy receiving this newsletter as much as we enjoy bringing it to you, and we look forward to helping you meet your goals when you reach for the stars.

Sincerely,
Paul King
Director, Orion Development Group

Process Mapping Approach

A series of articles about visually representing the way work flows

The first article of this series, **Facilitating A Discovery Session**, will guide you in picking the right area, or process on which to focus. This article provides background to system mapping concepts and how-to tips on facilitating the session.

The next issue of this newsletter will feature the second article, **How to Assess A Process**. This article will guide you in gathering information about how your chosen process is working, and will provide guidelines for taking the first steps of process analysis, when gathering data is so critical.

The final article, **Mapping The Process**, is designed to help you select the right tools to visually represent your process, and provide guidelines for considering critical dimensions so that you can create clarity of how work is currently being done. This is scheduled to appear in the third issue of the **Orion Constellation**.

Taken together, these articles provide some solutions for focusing on the right process, with the right data using the right style of process maps.

Which Process To Explore? Facilitating A Discovery Session

If you are finding it “difficult to get work done around here,” it is probably a good time to figure out what needs fixing. This article provides background to system mapping concepts and how-to tips for facilitating a discovery session. The goal of a discovery session is to create a systemic understanding of how work is done so that root causes of performance gaps can be discovered and processes improved.

Why is a Discovery Session Useful?

Often, we know that something needs to change; the question is “what is that something? A discovery session helps to both locate a problem area(s) and effectively addresses an organization’s cross-functional areas, for example, customer service, production and delivery.

What Will Be Gained?

The Discovery Session can:

- Assure a systemic perspective
- Provide an initial diagnosis of problem root causes
- Generate organizational support (buy-in) on key issues
- Raise awareness of interdependencies, or linkages, to problems
- Maintain focus on customer-impact

Background: Gaps and SIPOC Model

Operational performance gaps are issues or problems — they exist any time an expectation is not realized. An example of this is where a customer expects a help desk to answer the phone in one ring, and it is answered in three. *(continued on page 2)*



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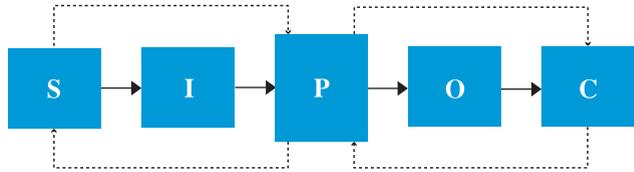
Facilitating a Discovery Session *(continued from front)*

The discovery session should uncover performance gaps and show how they play out in the system.

The SIPOC Model provides conceptual perspective of how work gets done. **SIPOC** describes an organization in terms of its Suppliers, their **I**ntputs, the **P**rocess, the **O**utputs it creates, and its **C**ustomers.

An accounts payable person might say, "The construction-site people send me the invoice packages, which I enter into the computer. Then we print checks and mail them to the vendors." The SIPOC of this is:

- S = Construction site personnel
- I = Invoice packages
- P = Accounts payable
- O = Checks
- C = Vendors



Definitions: Output Gaps, Process Gaps and Input Gaps

Using the SIPOC Model, the following gaps can be defined:

- **Output Gaps** — expectations of output versus reality. For example, a customer expects the software to work all the time, but there are bugs that occur under certain circumstances.
- **Process Gaps** — the process' potential versus actual. Delays in obtaining purchasing authorizations for materials that affect production is a familiar example.
- **Input Gaps** — the difference between what is expected and what is received. Expecting a 24-hour delivery and getting it in 72 hours is a good illustration of this.

Beware though; input gaps are not always from vendors; they can come from customers, too. For example, if a customer's order is late (the input) the process must over-react (pay overtime) to give the customer its expected output (timely delivery).

In your session, agree on these terms before you begin. Remember to consider all stakeholders in the system. The acronym **SOCER** can help you: **S**uppliers, **O**wners, **C**ustomers, **C**ommunity, **E**mployees, and **R**egulators.

How To Prepare

In preparing for a discovery session, it's important to:

1. Select the right participants — The most effective number of participants is 12 or fewer, with representatives from as many of the impacted functions as possible, including the supplier and customer.
2. Prepare the materials and the environment
 - a. Bring sticky notes (like Post-It brand), fine tip markers, masking/adhesive tape and flip chart paper. The room needs a place to tape charts adjacently, and the players need to be near each other without crowding.
 - b. Hang three sheets of flip chart paper on the wall, individually headed Input Gaps, Process Gaps and Output Gaps.
3. Expectations
 - a. Establish the "everyone writes" rule to assure buy-in.
 - b. Allow 10 minutes of silent time for everyone to think about all the gaps they can.
 - c. Assure full understanding of the concepts and definitions.

Running The Session

Begin the 60 to 90 minute session with an overview of the concepts, making sure everyone knows what a gap is. Take steps to assure everyone agrees on what the process is, and ask each to name the top four or five activities of process. Ask them to also identify what is not part of the process to assure clarity.

Then offer 10 minutes of silent time and have everyone write down gaps that they see on individual "stickies". The participants should place their stickies on one of the three labeled sheets. Allow them to place their stickies where they believe they belong and encourage affinity groupings. Help the participants "stack" the gaps directly on top of each other if they are the same, or "next to" each other if they are similar. Encourage discussion as to location. "Is that really an output or an input gap?" Work towards narrowing down the findings.

When all the gaps are identified, circle the stickies and mark a line to connect "linkages" or interdependencies of issues. Ask the participants to help — the more they are involved, the more buy-in you'll achieve.

Wrap up the session with "what does this mean?" and "lessons learned" discussions. You will find you have some next steps as well: usually in terms of "we need to gather more data around that issue." These next steps typically become the project plan for attacking the area or process.

Following Up From The Session

At the end, ask for feedback to determine what did and did not work in the session. Assuming you find linkages that represent the issues at hand, create an electronic version in Microsoft Excel or PowerPoint to facilitate communication and archive your findings. And, before you roll up the charts, be sure to tape down the stickies so that they do not come off.

Conclusion

By using a discovery session, you will find that when the question "Why is it so hard to get work done around here?" comes up, you will be ready for to provide a solution to your organization by creating a broad, systemic understanding of how work gets done so that you can begin to diagnose the root causes and pick the right processes to improve.

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Linking Processes and Strategy

Organizations frequently do not establish the link between processes and strategy, and often do not capitalize on the use of processes as key strategic drivers. This article, the first in a three-part series, describes why the process-strategy link is vital to your business, offers reasons why the link is typically not exploited, and provides mechanisms to identify which processes have strategic significance.

Why is the link between process and strategy vital?

Strategic thinking involves identifying the desired future state of an organization, and executing the tactics necessary to reach it. Processes are "how things get done" in a business—the tasks a company execute to deliver value to the customer. Enterprises that understand this bi-directional link are positioned for success.

A strategy-focused company identifies the process gaps that interfere with its mission. The company can then allocate resources to fill the gaps and improve its performance. In this sense, strategy drives process excellence.

Conversely, process excellence can generate new opportunities. For example, Wal-Mart's distribution process has been leveraged and applied to non-traditional Wal-Mart markets such as groceries, enhancing overall revenues and profits. Using strong processes for competitive advantage shows how process excellence drives strategic direction.

Why do companies fail to connect process and strategy?

This greatest barrier to establishing the process-strategy link is the work force. Executives typically advance by moving between departments and organizations. This mobility often precludes a solid understanding of processes, denying these leaders the knowledge needed to recognize the strategic potential of a process.

Further, those charged with executing processes (the practitioners) typically are untrained in strategic thinking. When asked about the processes in their organization, answers usually are negative responses related to bureaucracy and streamlining; lack of documentation and definition; and quick fixes and work-arounds.

Practitioners tend to focus on process problems which, when viewed in isolation, can be misleading. To properly link strategy and process, all opportunities must be considered to leverage positive performance.

Organizational dynamics also interfere with the process-strategy link. With thousands of processes in an organization, it can be difficult to focus on the vital few with strategic significance. Companies with poor interdepartmental communications and relationships are even more encumbered, as individual departments often feel their process needs the attention and/or the problems lie with everyone else.

To navigate through such barriers, it is helpful to categorize the processes as follows:

1. Strategic Improvement
2. Process Extension
3. Market Extension
4. Enterprise Creation

Strategic Improvement

Typically, the mechanism with which companies are most familiar, strategic improvement identifies those processes that limit the company from achieving its mission.

The order-taking process at Domino's Pizza provides a good example. It had been time-consuming to collect the information needed to fill an order, forcing customers to remain on hold so long they would often hang up, causing lost business and limiting the opportunity to cross-sell other products.

Targeting this process for strategic improvement, technology was developed that used caller-ID to identify repeat customers. This allows the salesperson to know the customer's name, address, and buying history without having to ask for it, thereby offering greater cross-selling opportunities and reducing queuing time. As a result, Domino's average sale increased by more than 12%.

Process Extension

Widening the span of process control to incorporate more links in the value chain is the purpose of process extension. This is done to solve customer problems or to create competitive advantages, or both.

General Electric appliances move through an extensive distributor network. Carrying costs were making it difficult for small distributors to inventory the entire product line. To mitigate this problem, GE established regional warehouses from which the smaller distributors were able to order, in exchange for display space for the full product line. By moving its

(continued on back).

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Linking Processes and Strategy *(continued from page 3)*

boundaries (extending its process) to include distributor stocking, distributor costs were cut while the enhanced product exposure increased GE's sales.

Enterprise Car Rental extended its process to give it a competitive advantage. The company reasoned that while the majority of rental outlets were at airports, people often needed cars for reasons other than travel, such as when their own car was in the shop. Enterprise modified its process to bring the car to the customer, and supplemented that by negotiating agreements with local body shops to ensure that when rentals were needed, Enterprise would be the first choice. Today, Enterprise is one of the largest rental car companies in the United States.

Market Extension

Leveraging process excellence developed in one niche and applying it to others is market extension. Progressive Insurance began as a carrier specializing in the high-risk end of the market, covering multiple incident drivers. The relatively few drivers in this market segment required the company to maximize the efficiency of its processes to be successful, and their underwriting and claims handling became the class of the industry. Applying this process excellence to the mainstream market segment has allowed Progressive to garner significant —and profitable — rewards.

Enterprise Creation

The most dramatic and aggressive form of strategic process leveraging involves capitalizing on process performance excellence to create a new enterprise. H&R Block's core business is providing tax services. Due to the seasonal nature of the business, the company had become quite proficient at recruiting, hiring, and training temporary workers. The company has leveraged this excellence to establish a foot-hold in the business of providing temporary employees, and H&R Block Temp Services offices are now springing up throughout the country.

Conclusion

Every organization holds opportunities to get more out of its processes. To their credit, many companies use business process improvement as a means to achieve operational excellence — reduced costs, faster cycle-times, and improved quality. However, few grasp the opportunity to achieve the larger, long-term benefits possible from leveraging their unique business processes as key strategic drivers.

While those companies that capitalize on such circumstances typically reap great rewards, it is important to note that these opportunities do not just happen. It is necessary to dedicate time to each of the four mechanisms identified above to determine which organizational processes are candidates for each. In our next article, we will discuss how to gather strategically critical information and develop a high-level strategic plan.

In the next issue of the *Orion Constellation*...

- Linking Processes and Strategy — Part II: Conducting a Strategic Assessment
- Ready to Assess a Process? Questions to Ask.

- Welcome to premier issue of *Orion Constellation*
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