

Processes, Rules, and Managerial Responsibility

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In June, the US Defense Department requested and accepted the resignations of two senior managers, the secretary of the Air Force, Michael Wynne, and the Air Force Chief of Staff, General Michael Moseley. They were relieved after an extensive investigation into an incident in which the nose cones of Minuteman nuclear warheads were erroneously shipped to Taiwan in lieu of the helicopter batteries that Taiwan had ordered. The mistake only came to light a year and a half after the erroneous shipment occurred, when the crates were opened, and that led to the investigation that resulted in the two managers being fired.

Obviously, no one thinks that Secretary Wynne or General Moseley purposely sent nuclear warhead cones to Taiwan in lieu of helicopter batteries. Clearly, there is an order fulfillment process, somewhere in the bowels of the US Air Force, that is designed to pull items from inventory and ship them to approved allies on receipt of an appropriate order. Similarly, there is undoubtedly a nuclear safety management process that is designed to assure that items like Minuteman nose cones are carefully inventoried and controlled and that all shipments are approved by the appropriate authorities. Obviously, these and other related processes failed to function correctly and these failures have cost people their jobs, and ultimately resulted in the resignations of Wynne and Moseley.

We don't know whether either Wynne or Moseley have ever looked at a process diagram. We suspect they were familiar with policy statements describing how nuclear materials should be handled, but they probably had never studied the specific business rules that govern the actual inventory procedures or the approval processes that govern the transfer of Minuteman nose cones. And, ultimately, it doesn't matter because they are business executives – in effect a division SVP and the COO of a division – and they are responsible, or accountable if you prefer, for what happens in their organization.

You can study descriptions of what managers do, and look at models that show reporting relationships, but the bottom line, in a well run organization, is that a manager is responsible for the work that he or she oversees. Process is the best way to describe how work gets done. You may prefer to think of a process as a flow of activities and study process flow diagrams to see what goes on and where decision points occur. Or, you may prefer to define policies and rely on a hierarchy of business rules to assure that events occur and decisions are made as mandated. The specific tools may vary, but the key is that managers are accountable for the processes they manage, which, in turn, means that smart managers, even at the highest reaches of the organization, need to be sure their people understand the steps to be followed, and that they faithfully implement the business rules designed to assure that decisions are made according to plan.

This point is closely related to the logic that led to Sarbanes-Oxley legislation in the US. The Sarbanes-Oxley legislation was enacted because CEOs and CFO's of large organizations told congressional committees that

they didn't know about, and weren't able to monitor, financial decisions and the flows of hundreds of millions of dollars within their organizations. In essence, the legislation requires that companies define their flows and decision points, and that this information be monitored and approved by CFOs and CEOs on a quarterly basis. While many of us found it impossible to believe that the executives who testified before congress didn't know these things already, the effect of Sarbanes-Oxley is to deny executives the right to plead ignorance of such matters in the future. In other words, Congress made it clear that US executives are accountable for the processes that occur within their organizations. Moreover, the executives are responsible for establishing a monitoring system that lets them track the processes and assure themselves that those processes are functioning in accordance with the policies and business rules established by the organization.

Few would argue that the Secretary of the US Air Force, or the CEO or CFO of Enron, for that matter, were process managers. They were senior executives who probably spent most of their time worrying about strategy, government relationships, and stock prices. In spite of their focus, however, their organizations, like every other organization, ultimately exists to perform some kind of work. Strategy and stock prices are important, but if you don't also succeed in producing products or services, day-in and day-out, and convincing customers to buy them, sooner or later, the organization will go bankrupt. Or, in the case of a government agency, the executive will be fired and someone else will be brought in who can produce the desired results. In other words, whether they call themselves process managers or not, every business executive is a process manager. They are responsible for planning, organizing, leading and controlling the value chains that generate the products or services their organization was established to produce. Moreover, they are responsible for the many subprocesses that occur within each value chain.

The competition in the world today is fierce and getting more intense every day. Too many companies are pursuing the same customers. Most of those companies will fail in the course of the next decade or two simply because they won't prove as efficient or as agile as the best company in their industry. At the same time, new technologies are revolutionizing what is possible and what customers want, and the pace of new technological introductions continues to accelerate. Thus, operations have never been more important. Keeping innovation up and costs down is imperative. Changing the business model and associated processes to assure that you do what you do best and outsource the rest is also imperative. This is not to suggest that finance or marketing aren't important. Rather, it is to insist that every executive needs to assure that he or she is on top of the operations that make up their business. They may not read process diagrams themselves, or worry about how policies are turned into business rules, but they certainly better have someone reporting to them that does, and that person had better be well positioned to assure that the processes and the policies of the organization are being properly implemented. Indeed, if they are really on top of things, the smart executive will want a Business Process Management Center of Excellence with a manager who does study process diagrams and monitors process performance on a daily basis. They will also want to assure that junior managers can read process diagrams and that their IT people are exploring BPMS applications that will make their processes and business rules more visible and much easier to monitor and change in the near future.

The future belongs to business executives who understand and can manage processes – whether they call themselves process managers or simply refer to themselves as executives. The real future belongs to those who can assemble and manage processes that span the world and integrate people and technologies around the globe. Only ignominy belongs to senior executives who end up in front of investigating committees trying to explain why they didn't know what their organizations were doing or are unable to explain how funds or warheads flowed in ways that were seemingly contrary to the established policies and procedures of their organizations.

ABOUT PAUL HARMON



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Paul is the Co-Author and Editor of the *BPTrends Product Reports*, the most widely read reports available on BPM software products and the author of the best selling book, *Business Process Change: A Manager's Guide to Improving, Redesigning and Automating Processes*. He is an acknowledged BPM thought leader and noted consultant, educator, author and market analyst concerned with applying new technologies and methodologies to real-world business problems. He is a widely respected keynote speaker and has developed and delivered executive seminars, workshops, briefings and keynote addresses on all aspects of BPM to conferences and major organizations throughout the world. BPTrends Associates is partnered with Boston University to develop and deliver the BUCEC BPM Curriculum and Certification Program.