Process and Strategy: A Crucial Connection

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Introduction

A lot is written about organizational strategy, and few would disagree that having a coherent strategy is an important factor in enabling different parts of an organization to 'pull together' in a common direction. Yet strategy is often seen as abstract, 'fluffy' and disconnected from the actual operational work undertaken in an organization. It is sometimes seen as something that is only relevant for senior and executive management, and becomes equated with 'strategic off-site planning meetings' that are held in off-site conference rooms and rarely mentioned again. If strategy is not communicated and is not seen as relevant throughout the organization, different parts of the organization can start to feel very disconnected.

When a disconnect like this emerges, it is very easy for the organization to aspire to one set of strategies, but actually act like it is pursuing a completely different—and often conflicting—set of strategies. It's crucial that there is alignment throughout the organization, and this includes a clear connection between processes and strategy. This becomes an important consideration for anyone involved with defining, refining or improving business processes. After all, our business processes are one of the ways that our strategy is enacted—and if they are not aligned to our strategy, then we have a problem.

What Is Strategy?

One of the challenges we face when talking about strategy is defining exactly what it is. There are many different definitions out there, and different authors use the word 'strategy' to mean subtly (or sometimes vastly) different things. Our colleagues and stakeholders too may use the word differently, and if we are discussing strategy it's important that we have a shared definition to work from.

One definition that I find particularly useful is the one proposed by Richard Rumelt in "Good Strategy/Bad Strategy: The Difference and Why It Matters". Rumelt describes strategy as:

> *"... a cohesive response to an important challenge. Unlike a stand-alone decision or a goal, a strategy is a coherent set of analyses, concepts, policies, arguments, and actions that respond to a high-stakes challenge."* ***(Rumelt, 2011)***

Here Rumelt talks of a high-stakes challenge—which we might interpret as a core purpose for the organization's existence, or an overall vision—and highlights the importance of cohesion and action. Some of the actions that an organization needs to take may involve progressing organizational change, as well as re-designing services and processes. Others might involve the ongoing operations of the organization—exactly the type of operations that are typically run through a set of business processes. Clearly, our processes have an important part to play in ensuring that our organizations carry out their intended strategies.

The Danger of a Strategic Disconnect

One way of illustrating the importance of having clear alignment between processes and strategy is to discuss what would happen if this coherence didn't exist. Put differently, what would happen if our processes were completely out of line with our stated strategy? We probably don't have to look very far to see this happening. Imagine the last time you had bad service from an organization as a consumer, there is a good chance this might have been (partially at least) due to a disconnect between how the organization operates (which tends to be underpinned by processes) and how it says it ought to operate (which tends to be an articulation of its strategy).

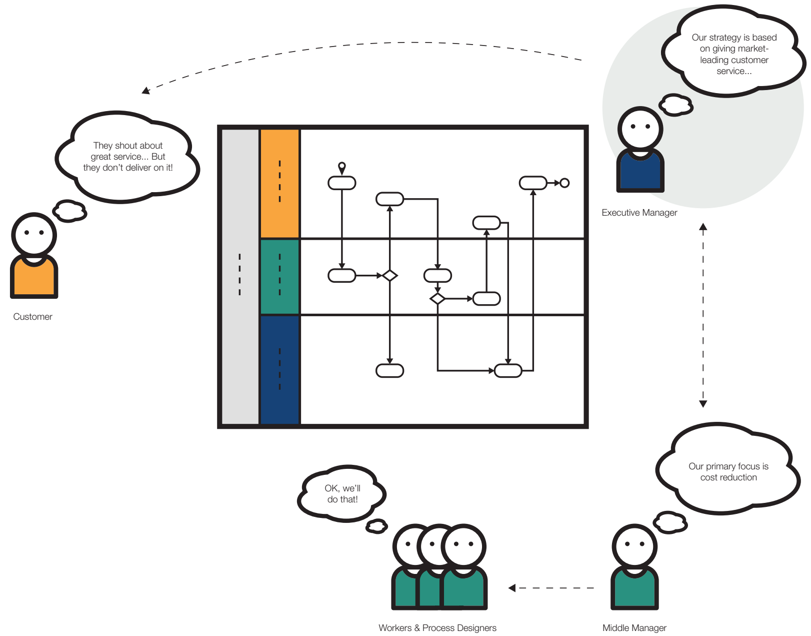

Figure 1: When an organization acts different to the way it promises, customers are upset

This might sound rather abstract, so let's take an example. Imagine you decided to go to a restaurant with a loved one for a special occasion. You choose a restaurant that prides itself on excellent service. It has a small menu, but each dish is carefully designed to 'wow' diners with a unique balance of flavors. It is an expensive experience, but it is designed to be one that is unforgettable.

Here, the organization is presumably pursuing and competing on a strategy of differentiation—providing unique, high quality food in a relaxing environment to diners that are prepared to pay for it. It is pursuing a very different strategy—and has a very different value proposition—to a fast food

The Danger of a Strategic Disconnect (cont...)

restaurant. The type of customer experience that the restaurant intends to provide, the way the underlying processes are designed, and the types of metrics that measured are very different. These differences are likely to affect operational decision making throughout the organization. A fast food restaurant may be focusing on reducing costs, so that they can keep prices low. If there needs to be some minor refurbishment work to the premises, having this done during opening hours might be considered completely acceptable (providing it does not jeopardize the safety of diners). At the more expensive and exclusive restaurant, diners are likely to be upset if they can hear a drill whirring away in the background of their romantic meal!

This is equally true of the types of decisions taken when looking to improve or redesign processes. The fast food restaurant might quite legitimately be looking to shave a few seconds off the time it takes to serve up a burger, whereas the more expensive restaurant is unlikely to see this as such a priority. Issues arise when processes are 'improved' with little regard to this type of alignment in strategy and value proposition—it is easy to inadvertently 'nibble away' at what makes the organization unique. We 'nibble away' at the value proposition, and end up being the metaphorical restaurant that charges astronomical prices for a fast-food experience. Or we end up providing inconsistent service that confuses and annoys customers.

Crossing the Silos

Organizations are often designed based on functional specializations, teams or departments. Left unchecked this can mean that 'silos' emerge that block communication. We have probably all experienced situations where one team appears to be blocking progress of another, or one team appears to be acting in a way that contradicts another. This is made even worse if the inconsistent activities and tasks are codified into formal business processes. It will appear to the customer that the organization is fighting itself—and the customer may well have to navigate their own way through apparently conflicting processes. As clichéd as it may sound, having an excellent sales team that can wow customers and generate sales is not much use if the manufacturing team have insufficient resources to produce the goods in the time promised to the customer! And if the post-sales support team are using processes that value 'closing tickets' rather than actually resolving issues, then we are sending a very confusing message to our customers. Here customers are likely to have an excellent experience pre-sale, only to be disappointed when their product doesn't arrive on time (and doubly disappointed when they cannot seem to get the issue resolved).

All of this points towards the importance of 'zooming out' and examining processes from end to end, including where they cross functional silos, and assessing not just efficiency but also effectiveness. Alignment with strategy can be one useful lens that helps us to zoom out and ask ourselves, 'how does this process align with, contribute towards, or demonstrate consistency with our stated strategy?' Other questions such as 'how aligned will the outcome or output of this process be with the value proposition that we promise to deliver to our customer?' These are not trivial questions to answer—there are often intermediary artefacts (Rumelt in his definition mentioned policies as one example)—but they certainly do focus the mind. They help get us all out of our silos, and focusing on alignment across the firm.

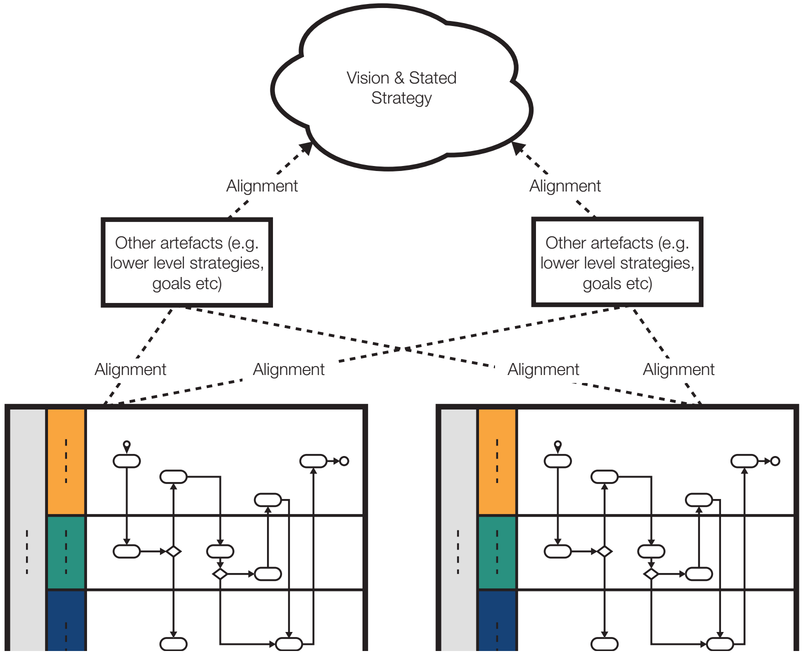

Figure 2: Organizational strategy can align business processes

These types of question help us to cultivate conversations about a process purpose. They encourage us to think about what the process does, the inputs it needs and crucially the outcomes it produces. If we are 'zoomed in' to a granular level, the outcomes and outputs might be passed to

Crossing the Silos (cont...)

another internal department—they need to be suitable for that team to carry out their work and help them achieve the ultimate value for the end customer.

It is possible to approach this systematically, using a standard set of question categories to prompt conversation for each process. This is a valuable exercise to carry out before undertaking process design or improvement work. It helps to cultivate agreement over why the process exists in the first place, and who it exists to serve. This, when coupled with a broader conversation about strategy, can help us avoid inadvertently creating troublesome gaps.

A table is compiled below, with each column representing a different consideration. This table is designed to be illustrative rather than extensive, and it's useful to add additional columns depending on the organizational context.

ID	Process Name	Trigger (Event)	Outcome/ Output	Consumer/ Beneficiary	Purpose	Success	Etc.
#	A short name for the process	What starts the process?	What does the process create?	Who received the output/ outcome? (This might be the end-customer, or an internal department receiving an interim deliverable)	Why does the process exist? What is its core aim?	What does success look like, from the perspective of the downstream consumers, beneficiaries and end-customers?	

Strategy and Process Measurement

I am sure that many managers and consultants have observed that you "get what you measure". The types of metrics that are measured, and the types of targets that are set, send a strong message to people who are involved with operating the process. This is another area where, if we are not careful, a strategic disconnect can occur.

Over time, particularly when processes are well-established, there tends to be a drift towards efficiency. This is understandable, there is a logical desire to ensure that processing is as slick and cost-effective as possible. Yet, left unchecked, this can lead to ways of working drifting away from their intended purpose—and therefore drifting from organizational strategies. Measurements can focus on ratcheting up perceived efficiency, and this can lead to unintended negative consequences. Imagine a call center that wants to increase the throughput of calls that it can take in an average day. Perhaps it starts to increase the monitoring and measurement of call center workers—and sets a 'target' for the average call handling time of (say) three minutes. If achievement of this target is rewarded—and especially if missing this target leads to admonishment—it is likely to create compliance. Yet, if a call center operator receives a whole series of complex queries, what are they to do? The target is incentivizing them to get rid of the caller so that they can focus on the next one. When targets are used in a 'blunt' way without sufficient analysis this can lead to the situation where a manager gets exactly what they've asked for—on paper at least! They end up with excellent throughput, lots of calls averaging 3 minutes or less… but probably quite a lot of 'failure demand' too (where a caller's issue isn't properly diagnosed, or they are not given the fullest of information, so they end up calling back).

There are a number of reasons why this would be a concern—there is a lot more that could be written about the practicalities and pitfalls of targets—and it is another factor which can lead to the behavior created by processes drifting away from their intended purpose. Imagine if an organization had a strategy which involved marketing and providing 'best in class customer service', and they were differentiating themselves from their competitors on this basis and as a result can charge a premium price for their services. If they then started to focus on measures and targets that inadvertently incentivized 'cutting corners', they will probably end up upsetting customers. This may sound far-fetched, but we have probably all experienced service-gaps of this type in our lives as consumers. By thinking about strategy and process purpose during process design and re-design (including the consideration of metrics, where useful and appropriate) we can help to avoid this from occurring. Consciously cultivating these conversations helps us avoid strategic disconnects, ensures our processes are aligned to strategy, and helps us 'zoom out' beyond individual silos.

Conclusion

Strategy is often portrayed as abstract and detached from the day-to-day operations of organizations. Yet, it is important that we ensure that our business processes are aligned and consistent with the overarching strategy. By 'zooming out' and considering process purpose—and thinking beyond organizational silos—we can start to encourage this alignment. When we do so, we avoid the risk of a disconnect emerging between what our organization says it will do and the types of services that its processes actually deliver. This will ensure we deliver the standard of service promised to our customer, and will avoid situations where our processes seem to conflict and 'fight' with each other. It is well worth building these considerations into our process design and re-design activities.

References and Further Reading

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