# Quick Reference Guide
# APQC Process Classification Framework v6.1.0

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David and Roderick are passionate about helping organizations understand and document their own business processes, using frameworks such as APQC's Process Classification Framework and standards such as BPMN as well as applying simple approaches to improve and simplify these business processes.

**In our recently published White Paper, Quick Reference Guide: Business Process Frameworks, we outlined the main Business Process Frameworks commonly in use.**

The APQC's Process Classification Framework (PCF) has been around for just over 20 years, with the first version created in 1992. The PCF is arguably the most well-known and possibly most commonly used Business Process Framework. The APQC PCF is published in a generic cross industry framework and 14 industry specific frameworks.

Although the PCF is so widely used, very few people actually fully understand it, how it is structured, and what other things it can be used for, such as benchmarking. These are some of the topics we cover in this Quick Reference Guide.

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# Introducing the APQC PCF

## Who are APQC?

APQC started as the American Productivity Centre (APC) in 1977 and was founded to improve productivity in the US. It became well known as a source for resources on productivity, quality, improvement methodologies, training, and advisory services. Over time, its name was changed to the American Productivity & Quality Center and then simply APQC.

The APQC has been involved in benchmarking, which lead to the development of a business taxonomy called the Process Classification Framework (PCF).

**Figure 1: APQC Home Page in May 2014**



## What is the PCF?

The PCF is one of the APQC's best known specialty areas and underpins much of their Intellectual Property.

The APQC publishes the PCF in cross-industry versions as well as 14 industry specific versions, for industries such as:

- Automotive;
- Consumer Products;
- Education;
- Electric Utilities;

- Petroleum Production; and
- Pharmaceutical.

The APQC's PCF is readily available for download in either PDF or Microsoft Excel formats. The current versions of the PCF, i.e. all 14 industry-specific and cross-industry versions, can be downloaded from http://www.apqc.org/process-classification-framework

**Figure 2: APQC's PCF home page in May 2014**



The latest version of the cross-industry version is 6.1.0 and was published in March 2014. The APQC has also published a set of Process Descriptions and Key Measures.

## How is the PCF structured?

The PCF is structured using different Levels, as shown in *Figure 3*.

**Figure 3: APQC PCF Levels Explained**



As you can see, these 4 levels are hierarchical in nature and therefore each level is a set under the level above it.

Consequently, in *Figure 4* shown below, 1.3.1 Develop strategic initiatives (10057), 1.3.2 Evaluate strategic initiatives (10058), 1.3.3 Select strategic initiatives (10059) and 1.3.4 Establish high-level measures (10060) are grouped under 1.3 Manage strategic initiatives (10016), which is itself also grouped under 1.0 Develop Vision and Strategy

**Figure 4: Example of PCF Hierarchy**



In addition to the PCF Hierarchy, the PCF also contains a unique number scheme for each Process Element. The APQC provide a brief explanation of the Process Element Number Scheme in the PCF PDF document:

**Figure 5: PCF - Process Element Number Scheme**



The Process Element Number Scheme is part of the means by which APQC use the PCF in its Benchmarking approaches. The number scheme is designed to allow you to change the name or even process hierarchy and still keep a link to the original item in the PCF. Consequently, if you are interested in or planning to undertake any Benchmarking you need to pay attention to this number and make sure that you allocate this number to your processes if you make customization changes to the PCF.

To keep up-to-date with the latest version of the PCF, you need to also understand the current version of the PCF and understand how it varies from the previous version.

To help with this, the APQC provide two items to assist in this process:

   1. PCF Version Number

The primary and key visual indicator that the APQC uses on the PCF is the version number on the PCF. The PCF Version Number is defined by the APQC as shown in *Figure 6*.

**Figure 6: PCF's Version Number Scheme**
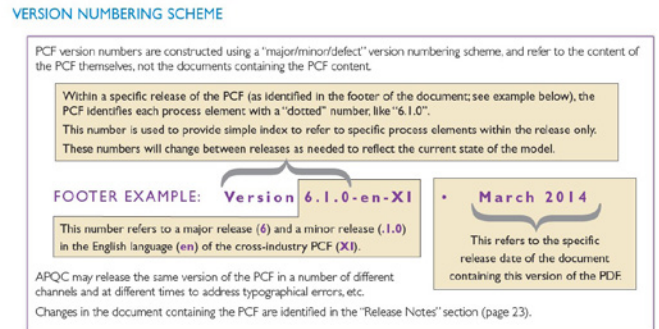


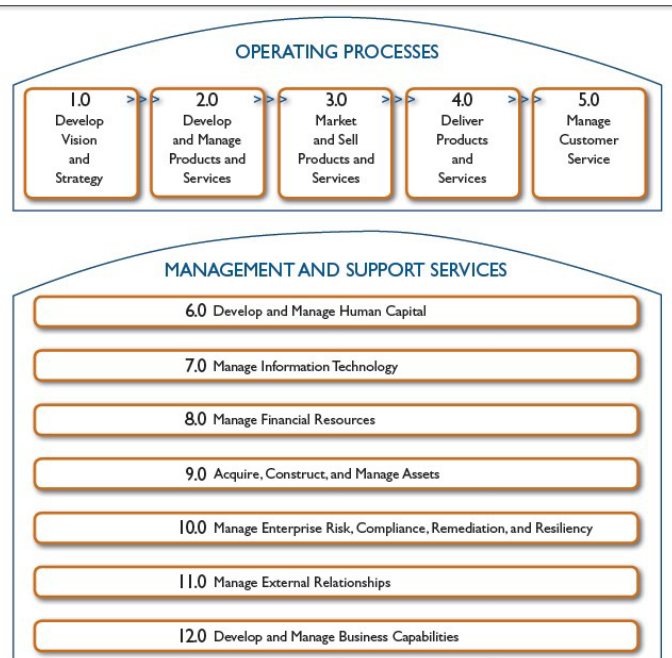## Overview

The PCF consists of a set of 12 process categories, 5 process categories covering operational areas and 7 process categories covering support areas, as shown in *Figure 7*.

**Figure 7: APQC PCF Structure for v6.1.0**



Each category consists of process groups that are further decomposed into individual processes. For example, 1.0 Develop Vision and Strategy decomposes *Figure 8*.

In addition to the PCF Release Notes shown previously, the APQC provide a number of documents to document the PCF.

The primary document is the main PCF document, which for V6.0.1 is a 28 page PDF document and provides all the basic details of how the PCF works and the full list and breakdown of the PCF hierarchy.

**Figure 8: PCF decomposition for 1.0**

The third type of document is in fact a set of documents, which are a recent introduction to the document set. These documents provide Process Description and Key Measures for each Category of the PCF. See *Figure 11*.

**Figure 10: APQC's PCF Excel spreadsheet version**



The next document *(Figure 10)* is an Excel spreadsheet version of the PCF. This is a useful format if you want to build a database of the PCF and use it for customization. Each Category of the PCF is contained in a separate work sheet.

**Figure 11: Example Definition and Key Measures**



These documents provide descriptions and explain each process within the PCF and suggested Key Measures. *Figure 12* for example.

**Figure 12: Example Category Definition and Key Measures**



# APQC PCF in Detail

## Background

The following sections contain a description of each Category and Visio drawings of each Category. These are sourced from Orbus Software's APQC PCF Accelerator, *Figure 13* below shows the same high level view of the PCF as shown in *Figure 8*:

**Figure 13: APQC PCF Overview Visio Drawing**
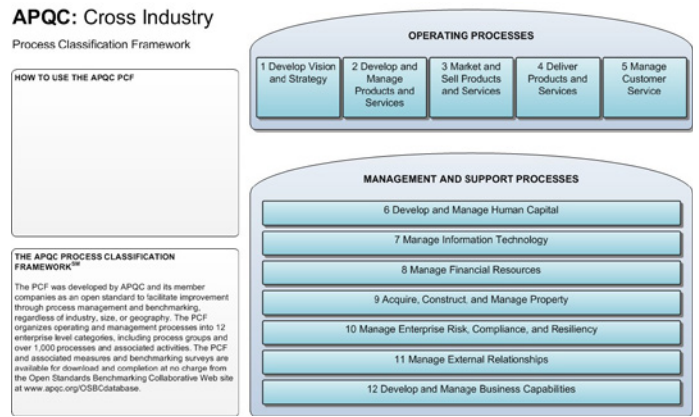


Note that the drawings used only show PCF levels 1 to 3, however Orbus also provide other versions of each diagram that contain all PCF levels.

## 1.0 Develop Vision and Strategy

Develop vision and strategy establishes a direction and vision for an organization. It involves defining the business concept and long-term vision, as well as developing the business strategy and managing strategic initiatives. Processes in this category focus on creating a vision, a mission, and strategic objectives, and culminate in creating measures to ensure that the organization is moving in the desired direction.

**Figure 14: 1.0 Develop Vision and Strategy**

## 2.0 Develop and Manage Products and Services

**Figure 15: Develop and Manage Products and Services**



Develop and Manage Products and Services involves analyzing the current portfolio against market opportunities and designing and developing products and services in response to these. Processes in this category focus on developing additions to products and services and aligning these with the corporate strategy. The development encompasses the traditional design, build evaluation through to manufacturing and final product validation. This includes identifying and managing the risk.

## 3.0 Market and Sell Products and Services

**Figure 16: Market and Sell Products & Services**



Market and sell products and services is all about an organization understanding markets and the customers, developing the appropriate marketing and sales strategy in response.

The strategy will inform the development and management of marketing and sales plans. Processes in this category include the development of specific offerings, pricing and channel strategy processes through to processes for making budgets, developing the media and putting the plans in place to manage sales on an ongoing basis.
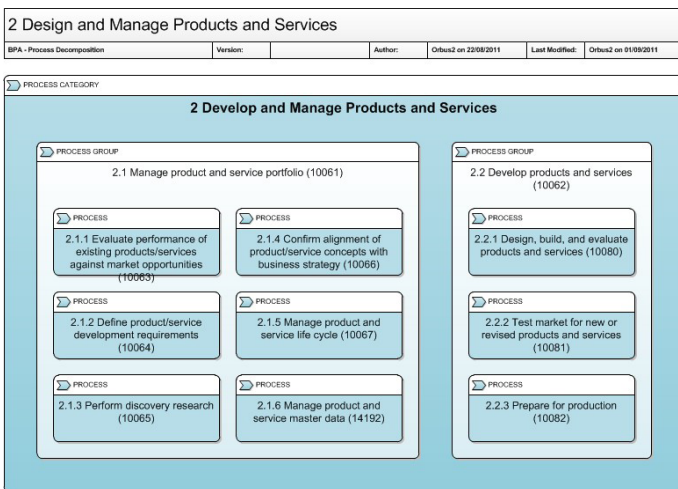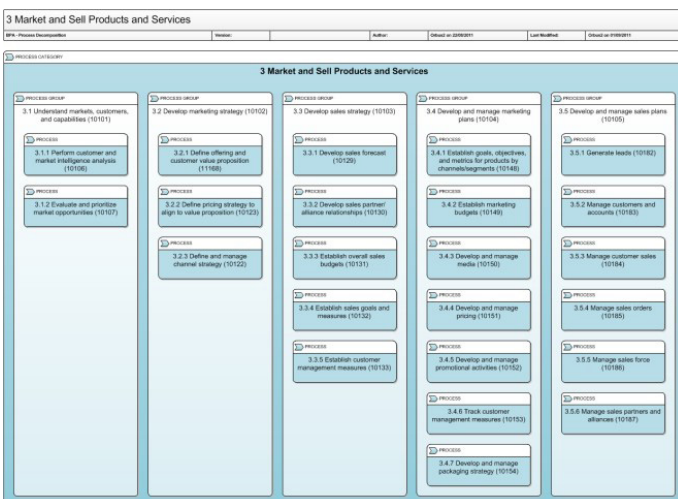
## 4.0 Deliver Products and Services

**Figure 17: Deliver Products and Services**
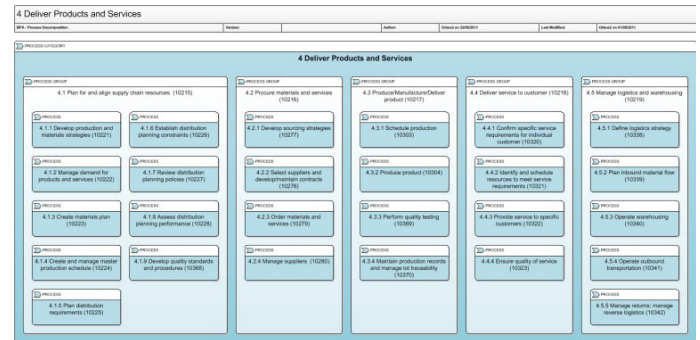


Deliver Products and Services (supply chain) describes the planning of supply chain resources, procuring the materials and services, the physical manufacturing of the product through to delivery to the customer and the management of logistics and warehousing. Processes included are those for scheduling production to meet demand, selecting suppliers and developing contracts, the scheduling of production, ensuring quality standards are met and the defining of a logistics strategy that includes inbound and outbound transportation and warehousing.

## 5.0 Manage Customer Service

**Figure 18: Manage Customer Service**
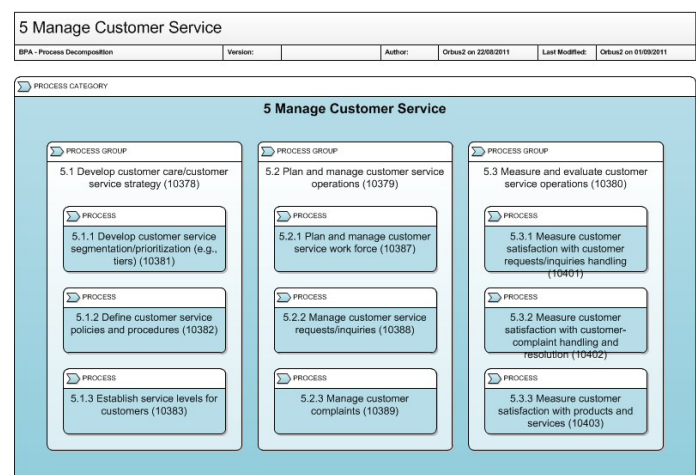


When thinking about the distinction between the delivery of a service and the "customer service" function, remember that the employee or group that

delivers an initial service to a customer (such as a restaurant server or retail store cashier) is often not the same person or group that deals with customer inquiries, requests, and complaints after the fact. Those who deal with customers before and after the delivery of a service are typically working within the category 5.0 Manage Customer Service. Those delivering the service are working within 4.0 Deliver Products and Services.

Processes included are the development of policies to govern customer service, the development of plans, the management standards for the customer service workforce and the measurement of customer's satisfaction with the service that they receive.

## 6.0 Develop and Manage Human Capital

**Figure 19: Develop and Manage Human Capital**



Develop and manage human capital describes the planning of and the policies to support HR in recruiting and rewarding employees through to t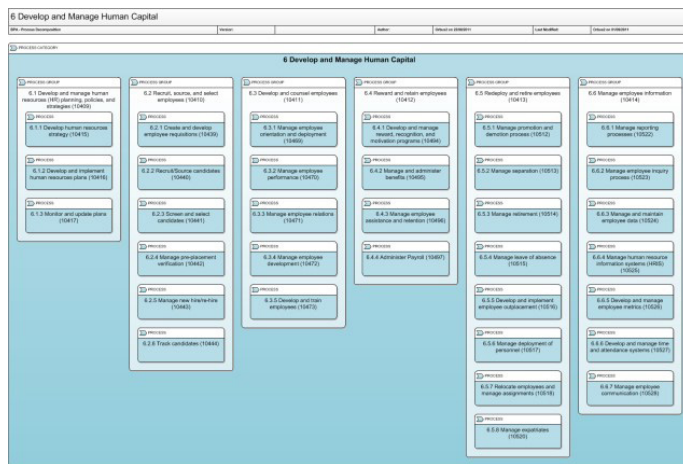he retirement of employees' as well as the management of employees personal information. Processes include monitoring and updating HR plans, the recruiting lifecycle from sourcing the candidates, through to the selection of a candidate, managing employee performance, training and development. In addition it includes processes for the redeployment, relocation and retirement of employees and finally the management and maintenance of all employee data including employee metrics.

**Figure 20: Manage Information Technology**
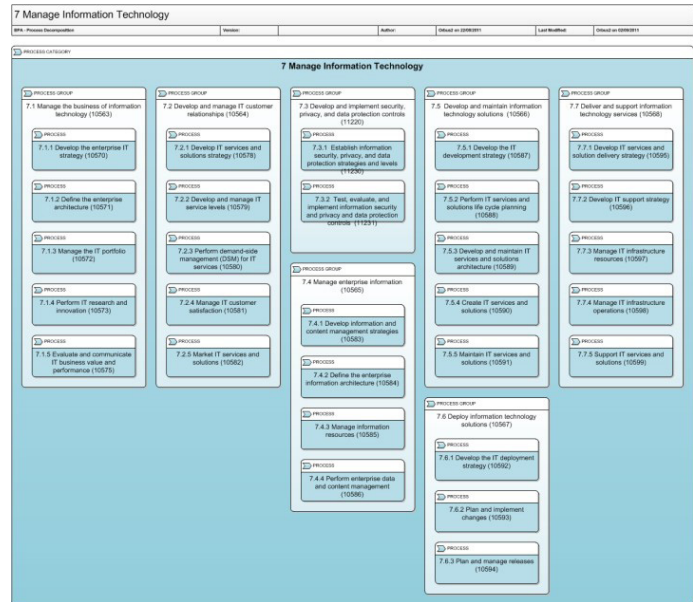


## 7.0 Manage Information Technology

Manage Information Technology describes managing the business of IT which includes developing and managing IT customer relationships and developing and implementing data protection controls. In addition it includes defining what information is important to the organization and how it is managed. To support the business of IT it includes the development of technology solutions, the deployment of those solutions and finally the ongoing support of those solutions. Processes include managing the strategic activities that help ensure attainment of IT value, designing services and solutions; and monitoring satisfaction with the development, deployment, and ongoing support of services and solutions; policies and controls that proactively prevent security intrusions externally, define and control data permissions internally, and plan for data security breaches should they arise; the developing, and testing of new and enhanced solutions; and meeting service commitments as measured by customer-defined service criteria.

# 8.0 Manage Financial Resources

**Figure 21: Manage Financial Resources**
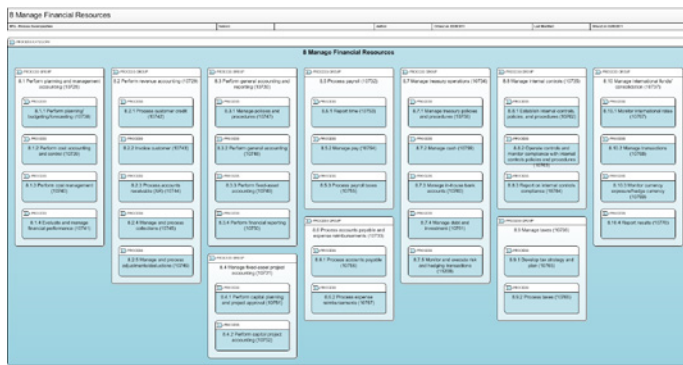


Manage Financial Resources describes the activities of financial planning and revenue accounting as well as general accounting and reporting. It also includes managing fixed assets, the managing of employees' payroll, paying the organization's bills, monitoring financial compliance and the management of tax obligations. Processes include those for preparing financial statements, maintaining the chart of accounts, depreciating fixed assets, developing policies and procedures for accounts payable and receivable through to filing of tax returns and payment of any tax liabilities.

# 9.0 Acquire, Construct and Manage Assets

**Figure 22: Acquire, Construct and Manage Assets**
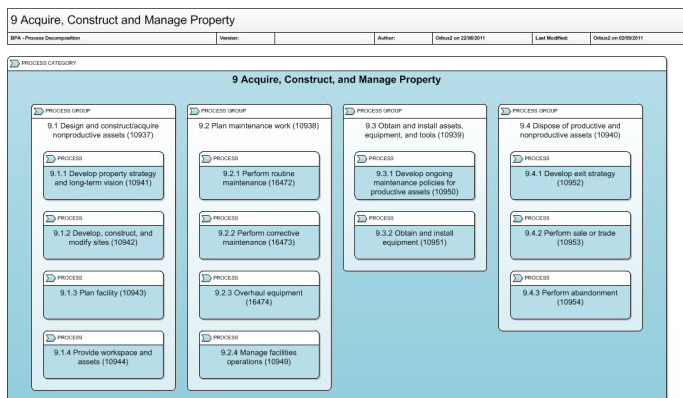


Acquire, construct and manage includes the designing and construction or the acquisition of non-productive assets and the upkeep of these assets. It also refers to ongoing acquisition and maintenance policies for productive assets and the disposal of both productive and non-productive assets. Processes in this category describe designing engineering solutions for manufacturing organizations, the testing of equipment and the process for planning how to discontinue assets at the end of its life cycle.

# 10.0 Manage Enterprise Risk, Compliance and Resiliency

**Figure 23: Manage Enterprise Risk, Compliance and Resiliency**
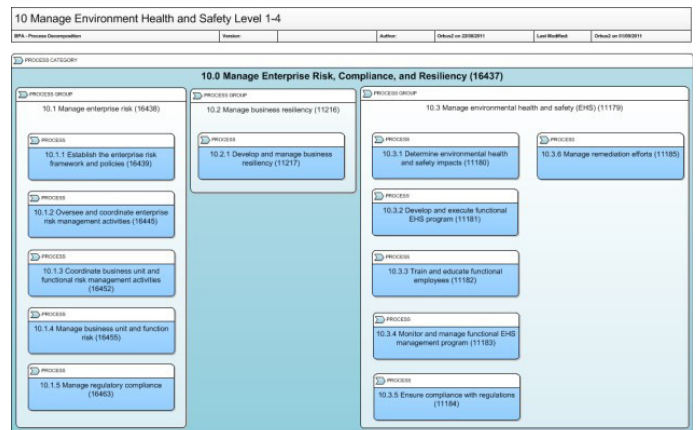


Manage Enterprise Risk, Compliance, and Resiliency includes managing enterprise risk through establishing an enterprise risk management framework and policies and managing environmental health and safety. Processes include the management of regulatory compliance and the coordination of risk management processes. It also covers monitoring and managing environmental health (EHS) and safety programs and ensuring compliance with EHS regulations.

# 11.0 Manage External Relationships

**Figure 24: Manage External Relationships**
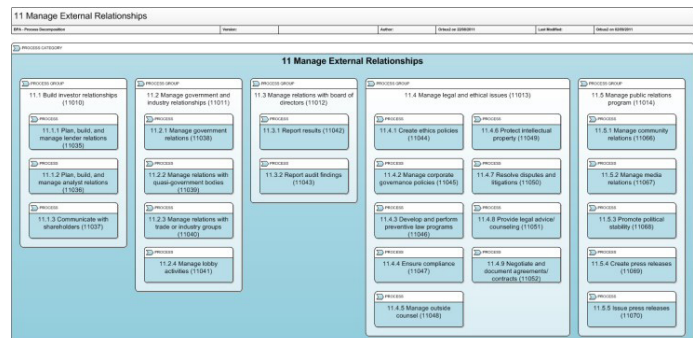


Manage external relationships encompasses building and managing relationships with lenders, external analysts and shareholders as well as government and industry bodies and public relationship programs. Processes describe the lifecycle of managing the relationships with the different bodies as well as with the board directors and include the reporting of financial earnings, operations and audits, and social responsibility programs. Any processes involved with corporate giving, volunteerism, and community partnerships would be included here as well.

## 12.0 Develop and Manage Business Capabilities

### Figure 25: Develop and Manage Business Capabilities
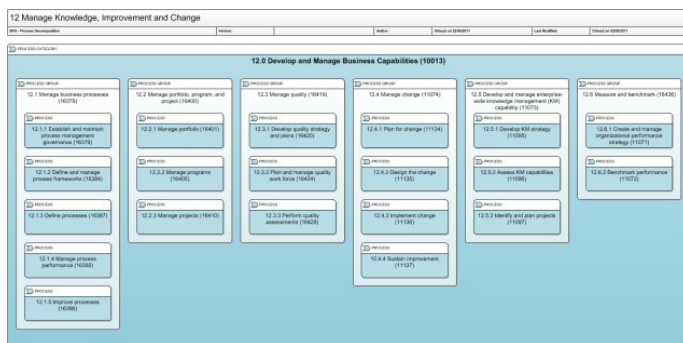


Develop and manage business capability describes an organization managing their business processes, managing projects and managing change that results from implementing project outcomes. In addition it includes the development and management of the organization's knowledge and the measuring and benchmarking of the organization. Processes include initiating, executing and closing portfolio programs and projects, overseeing quality and planning for developing, implementing and monitoring change. Knowledge management is about creating, identifying, collecting, reviewing, sharing, access of, and use knowledge.

## Conclusion

As we have discussed in several of our White Papers, Understanding the APQC Process Classification Framework, and Quick Reference Guide, Business Process Frameworks, the APQC's PCF can be utilized in many practical ways, for example the PCF can provide:

- The framework and checklist of processes to use when you are scoping Process related projects;

- The basis for structuring your process repository, whether you use a tool such as Orbus Software's iServer, SharePoint, or a simple set of folders on a shared network drive;
- The starting point for a Process Documentation Project by giving a detailed list of processes; and
- The foundation anchor for undertaking benchmarking.

The APQC is a useful source of information for finding ways of using the PCF. They are also a major source for information on bench marking. The APQC explain on their website that:

*The PCF is the world's most widely used process framework. It gives organizations standardized definitions for functions, processes, and activities independent of business model or structure. It also serves as the structure to the Open Standards Benchmarking database and assessments.*

The APQC define the Open Standards Benchmarking as:

*… a benchmarking effort created by APQC and underwritten by organizations that support the creation of common, open frameworks to measure process. These benchmarking efforts result in a database that contains more than 1,200 standardized measures spanning people, process, and technology.*

If you are interested in finding out more information on benchmarking, visit the APQC's Benchmarking Portal at http://www.apqc.org/benchmarking-portal