GENERAL MANAGEMENT
Processes and Action

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Processes and Action
Text and Cases

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To Lynn

Preface

General Management: Processes and Action (GMPA) focuses on implementation and the way that general managers get things done. Typically, they work through processes—sequences of tasks and activities that unfold over time, like strategic planning, business development, and budgeting—to move their organizations forward and achieve results. Skill at influencing the design, direction, and functioning of processes is therefore essential to effective general management, and the aim of GMPA is to develop in students a deeper understanding of these activities and their links to performance. It does so by describing a number of critical organizational and managerial processes, outlining their basic elements and operating characteristics and exploring how they are best influenced and led. Throughout, the focus is on high-level processes that are of interest to general managers; for this reason, virtually all case protagonists are division presidents or higher.

The course is divided into six parts, following the categories and frameworks described in the Introduction. Each corresponds to an essential task of general management and the associated processes for carrying it out. The first two sections deal with administrative processes—those recurrent tasks, activities, and systems that general managers use to set broad direction and goals. Module I focuses on strategic processes, while Module II examines resource allocation processes. They are closely related. Strategic processes help managers establish organizational purpose, ensure alignment across levels and functions, and provide ways for capabilities and competitive positioning to evolve over time. Cases in this section explore a range of issues, including new business creation, strategic planning, forecasting, and acquisition screening and integration. Resource allocation processes are discussed next because of their role in supporting strategy. For strategy to be effective, personnel and funds must be allocated to the appropriate businesses, products, and markets. Here, most cases focus on the development and execution of budgets—how managers set priorities, rank projects, and manage the associated interpersonal conflicts and organizational politics.

The next two modules focus on behavioral processes. Typically, these patterns of behavior become programmed into the organizational fabric; over time, they

become accepted as "the way we do things around here." Modules III and IV focus on two representative examples of these types of processes: decision making and organizational learning. Decision-making processes determine how individuals and organizations overcome conflicts, choose among alternatives, and reach agreement. A variety of approaches are possible, and the cases in this section compare the strengths and weaknesses of different modes of decision making, as well as the general manager's role in guiding them. Learning processes determine how individuals and organizations create, acquire, interpret, transfer, and retain knowledge; they also may take a variety of forms. The approaches examined in this module include experimentation, benchmarking, and learning from past successes and failures.

The final two sections of the course shift attention from the organization to individuals. Module V focuses on managerial processes—the patterns of behavior, influence, and action that general managers use to oversee the work of subordinates and ensure that goals are achieved. Here, a critical contrast is between formal and informal approaches, and between processes for managing hierarchical and lateral relations. Some managers use tightly specified control systems to monitor and direct employees; others rely on qualitative information and personal contacts. The strengths and weaknesses of these approaches are explored, as are the associated management styles. Equally significant differences exist between the challenges of managing hierarchically—down to subordinates and up to bosses—and managing laterally to peers, who are either fellow division managers or functional heads. The cases and readings in this section compare the associated management processes and required skills. Among the most critical are negotiating and selling, coaching and development, and setting agendas and direction.

Finally, the last module of the course focuses on change processes. The challenges of initiating and leading change are described in a number of settings, including rapid growth, maturity, and decline. All require new behaviors and ways of working, and all place extraordinary demands on general managers. Cases in this section describe successful managers mobilizing their organizations, unfreezing past practices, developing commitment, integrating isolated fiefdoms, and crafting new strategies. A concluding class then assesses the implications of adopting a process perspective for the role and performance of general managers.

Acknowledgments

About the Author

David A. Garvin is the Robert and Jane Cizik Professor of Business Administration at the Harvard Business School, where he teaches general management in the MBA and Advanced Management programs. He has also taught in many corporate executive programs and consulted with companies around the world on organizational learning, leadership, and strategic change. He is the author or coauthor of nine books, including *Learning in Action, Education for Judgment,* and *Managing Quality;* 25 articles, including "The Processes of Organization and Management," "Building a Learning Organization," and "Quality on the Line"; and four videotape series, including *Working Smarter* and *Putting the Learning Organization to Work.*

Garvin is a three-time winner of the McKinsey Award, given annually for the best article in the *Harvard Business Review,* and a winner of the Beckhard Prize, given annually for the best article on planned change and organizational development in the *Sloan Management Review.* From 1988–1990 he served as a member of the Board of Overseers of the Malcolm Baldrige National Quality Award, and from 1991–1992 he served on the Manufacturing Studies Board of the National Research Council.

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Introduction:

The Processes of Organization and Management

Managers today are enamored of processes. It's easy to see why. Many modern organizations are functional and hierarchical; they suffer from isolated departments, poor coordination, and limited lateral communication. All too often, work is fragmented and compartmentalized, and managers find it difficult to get things done. Scholars have faced similar problems in their research, struggling to describe organizational functioning in other than static, highly aggregated terms. For real progress to be made, the "proverbial 'black box,' the firm, has to be opened and studied from within."[1]

Processes provide a likely solution. In the broadest sense, they can be defined as collections of tasks and activities that together—and only together—transform inputs into outputs. Within organizations, these inputs and outputs can be as varied as materials, information, and people. Common examples of processes include new-product development, order fulfillment, and customer service; less obvious but equally legitimate candidates are resource allocation and decision making.

Over the years, there have been a number of process theories in the academic literature, but seldom has anyone reviewed them systematically or in an integrated way. Process theories have appeared in organization theory, strategic management, operations management, group dynamics, and studies of managerial behavior. The few scholarly efforts to tackle processes as a collective phenomenon either have been tightly focused theoretical or methodological statements or have focused primarily on a single type of process theory.[2]

[1] B. S. Chakravarthy and Y. Doz, "Strategy Process Research: Focusing on Corporate Self-Renewal," *Strategic Management Journal* 13 (special issue, Summer 1992), pp. 5–14, quote from p. 6.

[2] L. B. Mohr, *Explaining Organizational Behavior* (San Francisco: Jossey-Bass, 1982); P. R. Monge, "Theoretical and Analytical Issues in Studying Organizational Processes," *Organization Science* 1, no. 4 (1990), pp. 406–430; A. H. Van de Ven, "Suggestions for Studying Strategy Process: A Research Note," *Strategic Management Journal* 13 (special issue, Summer 1992), pp. 169–188; and A. H. Van de Ven and G. Huber, "Longitudinal Field Research Methods for Studying Processes of Organizational Change," *Organization Science* 1, no. 3 (1990), pp. 213–219.

Yet when the theories are taken together, they provide a powerful lens for understanding organizations and management:

First, processes provide a convenient, intermediate level of analysis. Because they consist of diverse, interlinked tasks, they open up the black box of the firm without exposing analysts to the "part–whole" problems that have plagued earlier research.[3] Past studies have tended to focus on either the trees (individual tasks or activities) or the forest (the organization as a whole); they have not combined the two. A process perspective gives the needed integration, ensuring that the realities of work practice are linked explicitly to the firm's overall functioning.[4]

Second, a process lens provides new insights into managerial behavior. Most studies have been straightforward descriptions of time allocation, roles, and activity streams, with few attempts to integrate activities into a coherent whole.[5] In fact, most past research has highlighted the fragmented quality of managers' jobs rather than their coherence. A process approach, by contrast, emphasizes the links among activities, showing that seemingly unrelated tasks—a telephone call, a brief hallway conversation, or an unscheduled meeting—are often part of a single, unfolding sequence. From this vantage point, managerial work becomes far more rational and orderly.

My aim here is to give a framework for thinking about processes, their impacts, and the implications for managers. I begin at the organizational level, reviewing a wide range of process theories and grouping them into categories. The discussion leads naturally to a typology of processes and a simple model of organizations as interconnected sets of processes. In the next section, I examine managerial processes; I consider them separately because they focus on individual managers and their relationships, rather than on organizations. I examine several types of managerial processes and contrast them with, and link them to, organizational processes, and identify their common elements. I conclude with a unifying framework that ties together the diverse processes and consider the implications for managers.

ORGANIZATIONAL PROCESSES

Scholars have developed three major approaches to organizational processes. They are best considered separate but related schools of thought because each focuses on a particular process and explores its distinctive characteristics and challenges. The three categories are (1) work processes, (2) behavioral processes, and (3) change processes (see the sidebar on organizational processes).

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[3]A. H. Van de Ven, "Central Problems in the Management of Innovation," *Management Science* 32, no. 5 (1986), pp. 590–606.

[4]L. R. Sayles, *Leadership: Managing in Real Organizations,* 2nd ed. (New York: McGraw-Hill, 1989).

[5]C. P. Hales, "What Do Managers Do?," *Journal of Management Studies* 23, no. 1 (1986), pp. 88–115; and H. Mintzberg, *The Nature of Managerial Work* (New York: Harper & Row, 1973).

Three Approaches to Organizational Processes

Work Processes
- "A process is thus a specific ordering of work activities across time and place, with a beginning, an end, and clearly defined inputs and outputs: a structure for action."
T.H. Davenport, *Process Innovation* (Boston: Harvard Business School Press, 1993), p. 5.
- "Process. Any activity or group of activities that takes an input, adds value to it, and provides an output to an internal or external customer."
H.J. Harrington, *Business Process Improvement* (New York: McGraw-Hill, 1991), p. 9.

- "We view processes as the direction and frequency of work and information flows linking the differentiated roles within and between departments of complex organization."
J.R. Galbraith and R.K. Kazanjian, *Strategy Implementation: Structure, Systems, and Process* (St. Paul, MN: West, 1986), p. 6.

Behavioral Processes
- "The key to understanding what makes an organization more or less effective is how it does things . . . One must understand various processes—how goals are set, how the means to be used are determined, the forms of communication used among members, their processes of problem solving and decision making, how they run meetings and groups, how superiors and subordinates relate to each other, and ultimately how leaders lead."
E.H. Schein, *Process Consultation: Its Role in Organization Development,* 2nd ed. (Reading, MA: Addison-Wesley, 1988), p. 15.

- "Decision making is an organizational process. It is shaped as much by the pattern of interaction of managers as it is by the contemplation and cognitive processes of the individual."
L.R. Sayles, *Managerial Behavior* (New York: McGraw-Hill. 1964), p. 207.

Change Processes
- "Process is a way of giving life to data by taking snapshots of action/interaction and linking them to form a sequence or series . . . Process is the analyst's way of accounting for or explaining change."
A. Strauss and J. Corbin, *Basics of Qualitative Research* (Newbury Park, CA: Sage, 1990), pp. 144, 148.

- "A good process theory describes, at least in broad outline, plausible time parameters associated with change within and between the phenomena of interest . . . At the center of all dynamic analysis is the assessment of change over time."
P.R. Monge, "Theoretical and Analytical Issues in Studying Organizational Processes," *Organization Science,* vol. 1, no. 4, 1990, pp. 408, 426.

- "Study of organizational change tends to focus on two kinds of questions. (1) What are the antecedents or consequences of change in organizational forms or administrative practices? (2) How does an organizational change emerge, develop,

grow, or terminate over time? . . . The second question requires a 'process theory' explanation of the temporal order and sequence in which a discrete set of events occurred based on a story or historical narrative."
A.H. Van de Ven and G.P. Huber, "Longitudinal Field Research Methods for Studying Processes of Organizational Change," *Organization Science,* vol. 1, no. 3, 1990, p. 213.

Work Processes

The work process approach, which has roots in industrial engineering and work measurement, focuses on accomplishing tasks. It starts with a simple but powerful idea: Organizations accomplish their work through linked chains of activities cutting across departments and functional groups. These chains are called processes and can be conveniently grouped into two categories: (1) processes that create, produce, and deliver products and services that customers want, and (2) processes that do not produce outputs that customers want, but that are still necessary for running the business. I call the first group "operational processes" and the second group "administrative processes." New-product development, manufacturing, and logistics and distribution are examples of operational processes, while strategic planning, budgeting, and performance measurement are examples of administrative processes.

Operational and administrative processes share several characteristics. Both involve sequences of linked, interdependent activities that together transform inputs into outputs. Both have beginnings and ends, with boundaries that can be defined with reasonable precision and minimal overlap. And both have customers, who may be internal or external to the organization. The primary differences between the two lie in the nature of their outputs. Typically, operational processes produce goods and services that external customers consume, while administrative processes generate information and plans that internal groups use. For this reason, the two are frequently considered independent, unrelated activities, even though they must usually be aligned and mutually supportive if the organization is to function effectively. Skilled supply chain management, for example, demands a seamless link between a company's forecasting and logistics processes, just as successful new-product development rests on well-designed strategy formation and planning processes.

The work processes approach is probably most familiar to managers. It draws heavily on the principles of the quality movement and reengineering,[6] both of

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[6]For discussions of processes in the quality literature, see H.J. Harrington, *Business Process Improvement* (New York: McGraw-Hill, 1991); E.J. Kane, "IBM's Quality Focus on the Business Process," *Quality Progress* 19 (April 1986), pp. 24–33; E.H. Melan, "Process Management: A Unifying Framework," *National Productivity Review* 8, no. 4 (1989), pp. 395–406; R.D. Moen and T.W. Nolan, "Process Improvement," *Quality Progress* 20 (September 1987), pp. 62–68; and G.D. Robson, *Continuous Process Improvement* (New York: Free Press, 1991). For discussions of processes in the reengineering literature, see T.H. Davenport, *Process Innovation* (Boston: Harvard Business School Press, 1993); M. Hammer and J. Champy, *Reengineering the Corporation* (New York: Harper Business, 1993); and T.A. Stewart, "Reengineering: The Hot New Managing Tool," *Fortune* 23 (August 1993), pp. 40–48.

which focus on the need to redesign processes to improve quality, cut costs, reduce cycle times, or otherwise enhance operating performance. Despite these shared goals, the two movements are strikingly similar on some points, but diverge on others.

The similarities begin with the belief that most existing work processes have grown unchecked, with little rationale or planning, and are therefore terribly inefficient. Hammer, for example, has observed: "Why did we design inefficient processes? In a way, we didn't. Many of our procedures were not designed at all; they just happened . . . The hodgepodge of special cases and quick fixes was passed from one generation of workers to the next."[7] The result, according to one empirical study of white-collar processes, is that value-added time (the time in which a product or service has value added to it, as opposed to waiting in a queue or being reworked to fix problems caused earlier) is typically less than 5 percent of total processing time.[8]

To eliminate inefficiencies, both movements suggest that work processes be redesigned. In fact, both implicitly equate process improvement with process management. They also suggest the use of similar tools, such as process mapping and data modeling, as well as common rules of thumb for identifying improvement opportunities.[9] First, flow charts are developed to show all the steps in a process; the process is then made more efficient by eliminating multiple approvals and checkpoints, finding opportunities to reduce waiting time, smoothing the handoffs between departments, and grouping related tasks and responsibilities.[10] At some point, "process owners" with primary responsibility for leading the improvement effort are also deemed necessary. Their role is to ensure integration and overcome traditional functional loyalties; for this reason, relatively senior managers are usually assigned the task.[11]

The differences between the two movements lie in their views about the underlying nature and sources of process change. The quality movement, for the most part, argues for incremental improvement.[12] Existing work processes are assumed to have many desirable properties; the goal is to eliminate unnecessary steps and errors while preserving the basic structure of the process. Improvements are continuous and relatively small scale. Reengineering, by contrast, calls for radical change.[13] Existing work processes are regarded as hopelessly outdated; they rely on work practices and a division of labor that take no account of modern information technology.

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[7]M. Hammer, "Reengineering Work: Don't Automate, Obliterate," *Harvard Business Review* 68 (July–August 1990), pp. 104–112.

[8]J. D. Blackburn, "Time-Based Competition: White-Collar Activities," *Business Horizons* 35 (July–August 1992), pp. 96–101.

[9]E. H. Melan, "Process Management in Service and Administrative Operations," *Quality Progress* 18 (June 1985), pp. 52–59.

[10]Davenport (1993), chap. 7; Hammer and Champy (1993), chap. 3; Harrington (1991), chap. 6; and Kane (1986).

[11]Hammer and Champy (1993), pp. 108–109; Kane (1986); and Melan (1989), p. 398.

[12]Moen and Nolan (1987); and Robson (1991).

[13]Davenport (1993), pp. 10–15; and Hammer and Champy (1993), pp. 32–34.

For example, the case management approach, in which "individuals or small teams . . . perform a series of tasks, such as the fulfillment of a customer order from beginning to end, often with the help of information systems that reach throughout the organization," was not economically viable until the arrival of powerful, inexpensive computers and innovative software.[14] For this reason, reengineering focuses less on understanding the details of current work processes and more on "inventing a future" based on fundamentally new processes.[15]

Perhaps the most dramatic difference between the two approaches lies in the importance they attach to control and measurement. Quality experts, drawing on their experience with statistical process control in manufacturing, argue that well-managed work processes must be fully documented, with clearly defined control points.[16] Managers can improve a process, they believe, only if they first measure it with accuracy and assure its stability.[17] After improvement, continuous monitoring is required to maintain the gains and ensure that the process performs as planned. Reengineering experts, on the other hand, are virtually silent about measurement and control. They draw on a different tradition, information technology, that emphasizes redesign rather than control.

Insights for Managers. The work processes perspective has led to a number of important insights for managers. It provides an especially useful framework for addressing a common organizational problem: fragmentation, or the lack of cross-functional integration. Many aspects of modern organizations make integration difficult, including complexity, highly differentiated subunits and roles, poor informal relationships, size, and physical distance.[18] Integration is often improved by the mere acknowledgment of work processes as viable units of analysis and targets of managerial action.[19] Charting horizontal work flows, for example, or following an order through the fulfillment system are convenient ways to remind employees that the activities of disparate departments and geographical units are interdependent, even if organization charts, with their vertical lines of authority, suggest otherwise.

In addition, the work processes perspective provides new targets for improvement. Rather than focusing on structures and roles, managers address the underlying

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[14]T. H. Davenport and N. Nohria, "Case Management and the Integration of Labor," *Sloan Management Review* 35 (Winter 1994), pp. 11–23, quote from p. 11.

[15]I. Price, "Aligning People and Processes during Business-Focused Change in BP Exploration," *Prism* (fourth quarter, 1993), pp. 19–31.

[16]Kane (1986); and Melan (1985) and (1989).

[17]H. Gitlow, S. Gitlow, A. Oppenheim, and R. Oppenheim, *Tools and Methods for the Improvement of Quality* (Homewood, IL: Irwin, 1989), chap. 8.

[18]P. F. Schlesinger, V. Sathe, L. A. Schlesinger, and J. P. Kotter, *Organization: Text, Cases, and Readings on the Management of Organization Design and Change* (Homewood, IL: Irwin, 1992), pp. 106–110.

[19]J. Browning, "The Power of Process Redesign," *McKinsey Quarterly* 1, no. 1 (1993), pp. 47–58; J. R. Galbraith, *Organization Design* (Reading, MA: Addison-Wesley, 1977), pp. 118–119; and B. P. Shapiro, K. Rangan, and J. J. Sviokla, "Staple Yourself to an Order," *Harvard Business Review* 70, July–August 1992, pp. 113–122.