How Process Enterprises Really Work

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Product 7893
The Idea in Brief

Texas Instruments shrank product launch time by 50%. IBM reduced time-to-market by 75%—saving more than $9 billion.

How? These companies transformed themselves into **process enterprises**. First, they streamlined their core processes—combining related activities from different departments and eliminating ones that didn’t add value. But they didn’t stop there. They took the critical next step: building management structures to support these integrated processes.

What’s the big deal about creating a process enterprise? It flies in the face of most companies, which still operate as fiefdoms. Product or functional teams jealously guard power and turf—and process integration threatens their control. A tug of war ensues: New, horizontal processes pull people in one direction. Old, vertical management structures pull them in another. Confusion and conflict reign.

Process enterprises *replace* these turf and hierarchy battles with new approaches to leadership, performance measurement, compensation, and training—all focused on customers and teamwork, and all harmonizing with integrated, streamlined processes.

Here’s how to turn your company into a process enterprise—enhancing flexibility, efficiency, and customer focus.

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The Idea in Practice

**ASSIGN PROCESS OWNERS**

Process owners are the most visible difference between a process enterprise and a traditional organization. Assign a senior manager end-to-end responsibility for each process, including authority over work and budgets. They design the process, measure its performance, and train the frontline workers who perform it—though employees still report to unit heads.

**Example:**

Facing deregulation, electric-utility firm Duke Power realized no one had direct accountability for how the company delivered value to customers. It identified five customer processes—such as "acquire and maintain customers" and "deliver products and services"—and assigned each an owner with vast authority to redesign processes and set performance targets and budgets. Duke reshaped every customer-service activity. After reorganizing warehouses, for example, installation crews got on the road in 10 minutes—versus 70 previously. Duke’s revamped scheduling process also helped it meet 98% of its commitments to building-contractor customers—versus 30%–50% previously.

**RESTRUCTURE YOUR MANAGEMENT**

Traditional vertical management styles have no place in process enterprises, where lines of authority blur. For example, process owners manage processes—but unit owners manage the people who perform them. With this split in authority, both kinds of managers must work differently with each other and with the front line. They must:

- focus on customers and teamwork
- negotiate and collaborate
- exert influence rather than authority
- coach and develop (rather than control) front-line employees.

**Example:**

Duke’s "deliver products and services" process owner designs and delivers training programs to workers, sets performance targets, updates workers on customer needs, and listens to their concerns and ideas. His job? "To convince [them] there is no greater calling . . . than to do what the customer needs . . . and that the best tool they have is the process we have given them."