

It's Not Your Process – It's Your System

Too often, when we want to improve a capability in some area of the business, we default to a one-dimensional solution. Sometimes the answer is 'it's not the right leader'. Often it's 'we need to fix the process', particularly in product development. Process is a relatively comfortable path to take because:

- you are taking action on the problem
- it is easy to find expertise, if you are willing to pay for it, since there are many resources that can help – I've hired great firms in the past to do just this
- Six Sigma, TQM and other quality methodologies have focused our attention on the benefits of improving business processes
- turning a process improvement effort into a project is a straightforward thing to do with a little executive commitment and some project leadership
- it insulates us from many of the messy, soft challenges that have to do with people (lack of leadership, culture change, values, norms, organizational ineffectiveness, talent gaps etc.)

You may very well have a need to improve your processes. You may need better planning, risk management, quality checking, design for manufacturability or any number of things which are probably prerequisite to reasonable product development performance. My personal experience as both an executive in charge of development and as someone who has been an outsider looking inside other firms is that a one dimensional, "fix the process" approach is typically only part of the answer.

Last year I was fortunate enough to spend a couple of days with the senior management of the Product Group at Dell. While Dell gets a lot of development leverage from partners, the company also does a lot of its own product development and has been first to market with innovations in many instances. Before visiting, I suspected that Dell had a strong process methodology and would leverage metrics extensively in their development efforts. They did. Despite that, I still wondered how a 4000 person product group, part of a huge company, with many partner interdependencies, could be fast and deliver high quality products, often beating much smaller competitors to market. So many companies that are a mere fraction of Dell's size seem to get bogged down by their own organizational weight and processes.

What I came to realize from speaking to the folks at Dell was that it's not just the strong process methodology that drives the high velocity and quality of their new products, it's the whole *system*. A few elements of that system that help this very large company defy normal gravitational forces are:

- A very flat organizational structure, especially at the top (no VPs reporting to VPs reporting to VPs etc.).
- A relatively narrow scope of responsibility of senior leaders so executives get into the critical details of their product development efforts (if an executive has too much breadth of responsibility, they realign the organization and bring on another to take some of it on).

- Frequent change within management responsibilities (“sideways mobility”).
- Transparent information flow at all levels (in addition to visible metrics) as a norm (don’t withhold news!).
- A disciplined respect for leadership decisions (no “infinite right of appeal” to slow things down).
- A performance-based meritocracy.
- The choice of what work is done internally versus through partners is strategic and well managed.
- Many key players are co-located.
- And yes, they have a strong development process, development team methodology and skilled program management.

How do these help a big organization gain agility and speed? Here are a few of the things I found:

- A flat organization facilitates information flow which, when combined with executives who go deep and norms around transparency, helps you get many of the information flow and rapid decision benefits of a much smaller organization.
- A flat organization also means that advancement has to come in a form other than the next rung of a ladder. With the folks I spoke to, their responsibilities had changed frequently so they were growing in breadth, learning and ability to make different, big contributions to corporate success. The leadership team adapted to new changes very quickly.
- This combination of a meritocracy, keeping executive responsibilities narrow enough to go deep, and shifting their responsibilities periodically seems to limit the politics that can sub-optimize the performance of many organizations. Executives didn’t (and couldn’t) “accumulate stuff” that could defocus them.
- Working with partners, while being thoughtful about what to do internally, helps to maximize the potential innovations that can be delivered to market quickly.

Undoubtedly there are some challenges in this model and going forward there are some trends that may make things harder for Dell. Examples might be employee retention with a stock that’s down to earth or losing some of the advantages of co-location by becoming more geographically dispersed with new design centers in Asia.

The key point is not so much that the Dell product development system should be emulated (though there are many positive elements you may want to consider), rather that it is the whole *system* that allows a \$50+B company to develop complex products with faster velocity (and better quality) than many of its competitors, not just the processes they use. Take the development process elsewhere without the transparency, performance management system, executive attention level, and strategic leveraged innovation and you might have... something like what you already have.

Undoubtedly you can improve your process, perhaps dramatically. At the end of the day, to enact change, it is people behaving differently in performing their work. Sometimes the work content itself needs to be different. In any case, process is only part of the

answer. For better or worse, that is the nature of a system, of which the product development in your firm is one.

What is a system? In his book “Re-Creating the Corporation – A Design of Organizations for the 21st Century”; Dr. Russell Ackoff uses a car analogy I’ll share to help explain. He suggests that if we collected the best example of each category of automobile parts - so we have on the floor of our garage the best engine ever built, the best transmission, the best brake system, the most aerodynamic hood and so on – and tried to assemble them, we won’t have a car that even functions, never mind one that’s the best. This is because a car is a system, and a system is defined not by its components but by the interaction of its components. If you focus on just optimizing the parts, you may actually reduce the effectiveness of the whole.

The same is true of businesses. Firms are made up of: their various organizations or the people that do work; the work they choose to apply these resources to; and the processes by which they perform all of the work functions. My experience is that when you take a systems view of significant challenges, rarely is process the most influential factor, rather it tends to be an important but complimentary one. Process does not engage leadership, make teams out of silos, create a high performing culture out of a lackadaisical one, or build a norm of transparency of information flow to enable timely, informed decisions at all levels.

Go ahead and keep optimizing that process, but rebuild that engine in the context of the performance of the whole car. When you look at it that way, you may find that what is limiting your horsepower is something very different than you thought.