



## TenStep Supplemental Paper

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### **The Perils of Fragmentation**

*Stop fragmentation before it destroys value!*

#### **Key Learnings:**

- Recognize the need to avoid fragmentation of business processes
- Question the culture of organizational silos
- Examine the types of fragmentation silo-vision could cause

Business fragmentation is a silent killer. The fact needs to be reckoned.

To understand better, picture the following:

A busy day in the office! With a host of meetings and project briefings scheduled, you are ready to start. But wait - your computer's hard drive is fragmented. All plans come to a grinding halt. Precious time and effort are required to retrieve important data, some of which might have been lost!

Consider the natural environment around us. Fragmentation of natural habitats destroys ecological systems. This makes them vulnerable to environmental changes. Is it rational to grow wheat in small patches, miles apart from each other rather than in large fields? Definitely not. Why? Genetic recombination is hampered and the population's ability to adapt to environmental changes suffers. Species thus tend to go extinct.

Likewise, when organizations are fragmented, the impact is catastrophic.

Business processes in fragmented organizations are like intricate yet haphazardly fixed plumbing systems. The organizational joints leak time, money and customer value. Core processes are pulled, pushed, disintegrated and re-integrated several times before they eventually deliver value to the end customer.

Most importantly, the ability of an organization to adapt to changes in the marketplace and customer requirements suffers. Consequently more work needs to be done to deliver value to the customer.

#### **What is business fragmentation?**

Even today, organizations have trouble with critical processes, unless managed as an integrated whole. Every transaction / job passes through an intricate series of handoffs in terms of functions and information systems. Now, each such handoff is an opportunity for errors and delays that often leads to unwarranted costs.

The problem is attributed to the absence of an integrated process management framework. Transaction value deteriorates at every hand-off and there is no unifying focus. Process variations tend to grow far apart. As a result, standardizing them to ensure best practices becomes a daunting task.

#### **Give up the 'silo' vision!**



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The 'silo' vision of organizations is reinforced by functionally oriented metrics that often have no sensible relation to overall process performance. In most organizations, team leaders/managers are rewarded for completing key projects, meeting local financial targets or optimizing work schedules within their silos. Undoubtedly, these are desirable goals. However, thinking within the 'silo' and failing to understand how such 'limited' goals impact overall organizational performance is a grave error.

Agreed, reporting relationships are structured in various ways other than being process-oriented. However, it is critical to make processes the underlying organizing principle for organizational operations. Therefore, irrespective of relationship structures in the organization chart, employees need to get out of their silos. They must then focus their attention and efforts on getting products and services out of the door as effectively and efficiently as possible.

After all, processes are an organization's direct pathways to customers, who in turn connect to revenues. All other relationships are subordinate. Silos obscure this crucial connection. This in turn increases fragmentation.

### **The 'Silo' Effect!**

'Silo' vision leads to two types of fragmentation in an organization:

**Physical fragmentation:** This is an inevitable outcome of physical separation of functions within an organization. The separation lays time restraints into every handoff. There is absolutely no value addition to a transaction/job during this time. The most catastrophic outcome of physical fragmentation is the degradation of information as work travels from one silo to another.

Do you remember the game 'passing the secret' that children play forming small circles? One child in the circle whispers a message to his neighbor and the process continues till the message circulates all around the circle and returns to the originator's ears. The originator is absolutely stunned at the extent of distortion that has occurred. This is exactly what happens to work in organizational silos.

**Cultural Fragmentation:** Though less obvious than physical fragmentation, the impact can be manifold. The main deterrent here is functionally oriented metrics that lead to lack of alignment on priorities within an organization. Work moves back and forth in queues at different silos due to differences in priorities. Thereby, work loses momentum long before reaching its ultimate destination, the paying customer.

### **When problems snowball!**

Most organizations are wholly reliant on complex systems that facilitate flow of information. A single system can support multiple business processes or vice-versa.

With continuous advancements in technology, the number of such support systems and their inter-relationships are growing exponentially. Often new systems are added haphazardly without much thought. On the other hand, specialist systems are left running even as people who have worked with them and understand them well are leaving. Such inconsistencies only increase business fragmentation.



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Absence of integrated process management is another cause of high employee turnover. With every employee exit, the proprietary knowledge about best practices and variables that impact process performance is lost. New employees find themselves in a maze. Without any process-oriented metrics to focus upon, they are unable to figure out how their work fits into the complete process.

### **To outsource or no...**

Remember, outsourcing an intact process, which is not a core competency, brings significant benefits for an organization. However, most organizations get misled by the outsourcing blitz. They give away a 'chunk' of their critical processes to external vendors. If the linkage between this crucial outsourced process and the rest of the organization is not managed efficiently, serious performance problems crop up.

Consider the case of Motorola. It outsourced digital telephony technology to Nokia, without realizing that this could evolve into a core business in future. In the process, Motorola itself gave a head start to Nokia, which not only became its principal competitor, but also the market leader.

The most damaging impact of fragmentation is the way an organization responds to performance issues. Without clarity of work processes, improvement efforts on any front prove to be futile. Often potential fixes cause more problems than they solve. Here are three simple ways to prevent business fragmentation:

1. **Focus on critical processes:** Critical processes are those that make or break a business. However, such processes that defined success in the past need not necessarily ensure success and growth in the future. Hence, organizations need to think ahead and plan strategies to redirect organizational attention whenever required.
2. **Empower process people:** Process management centers heavily on ownership. This implies every process should have an individual who is not only accountable for process performance but also has the authority to make required changes. Silos ought not to deter this owner.
3. **First manage, tweak later:** Adopt a simple yet disciplined way to define, integrate and manage processes. Before adopting any improvement initiatives, check if the basic processes are right. Improvements made out of the process context accelerate fragmentation. Clarity is essential before tweaking a process.

Reversing or preventing fragmentation would initially seem an overwhelming task. However, the steps outlined above help in achieving measurable results. The foremost issue is to understand the destruction caused by fragmentation and start de-fragmentation today!