Enterprise Process Mapping

Integrating Systems for Compliance and Business Excellence

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Integrating Systems for Compliance and Business Excellence

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Table of Contents

Preface

In February of 2003, I published *From Quality to Business Excellence—A Systems Approach to Management*.[1] That book is about a management approach for integrating any relevant quality standards, continuous improvement methodologies, and information technology into a management system designed to achieve business excellence. The benefits of this integrated approach for meeting all of these requirements are significant and include:

- More complete and more effective implementation of quality and regulatory requirements, which leads to much more effective management of business risks
- More integrated management of all quality, business, and regulatory requirements, which will lead to more effective utilization of resources
- A unifying vision of how the business works as a system, which leads to much higher levels of cross-functional collaboration and productivity
- A foundation for a systematic and proactive approach to business process improvement that will result in real and tangible improvements in cost and effectiveness

When I interviewed companies to develop the material for that book, one of the most important things I noticed was the role of systems thinking in the companies that I regarded as excellent. It is so subtle that some of the companies that were doing it were not even fully aware of its big impact. Companies that do *not* use systems thinking:

- Tend to redefine their business around whatever approach is in vogue.
- Mimic what other companies do without fully understanding what it means to their business.
- Have not fully integrated quality requirements (such as ISO 9001:2000) and other requirements (such as Sarbanes-Oxley) into the way they do business.
- Have difficulty seeing the complementary nature of different approaches.

On the other hand, companies that have a well-established, systems-thinking perspective see things differently:

- They know and understand how their business operates as a system.
- They tend to understand management approaches, quality standards, and improvement methodologies at a deeper level and understand the principles behind each approach and how it might apply to their business.
- They are able to assimilate multiple management approaches because they see them only as tools, rather than paradigms for redefining their business. As a result, they are able to use the most appropriate approach or tool for a particular problem or situation and were much more likely to be market leaders with higher returns on capital employed and higher market valuations.

Systems thinking is the fundamental principle that is essential for developing and implementing this more integrated approach. It is the ability to visualize how the business operates as a complete system at any level of complexity. Enterprise process mapping is a tool to develop that level of visualization.

WHO SHOULD READ THIS BOOK

Many books on process mapping are oriented around a traditional manufacturing process-control environment. The methodology and tools in this book are applicable to any company in any industry that is interested in developing a much more integrated, systems approach to management to dramatically improve its business.

WHAT YOU'LL GET FROM THIS BOOK

From Quality to Business Excellence explains the philosophy behind this approach. This book provides more of a how-to perspective for achieving that level of visualization. It also takes process mapping to a whole new level. Many people think of process mapping as basic flowcharting of processes. *Enterprise Process Mapping* starts from that basic level of flowcharting, but goes much further to create completely integrated models of how an entire business works as a system.

The book is specifically based on Microsoft Visio, which is probably the most widely used business graphics application in the world, and the ProcessMaps tool, which has been designed to extend the capabilities of Visio for enterprise-level process mapping. The CDs accompanying this book contain an evaluation copy of both Microsoft Visio and the ProcessMaps tool that you can actually begin using right away to put these ideas into practice. They also include a number of computer-based training lessons with videos that will help you learn how to implement these tools very quickly and easily. This book is a unique combination of theory and tools to show you how to

implement enterprise process mapping in a way that will yield significant business value for your organization.

WHY THIS BOOK IS IMPORTANT

Enterprise process mapping is a fundamental requirement for developing an integrated vision of how a business works as a system, and it provides a framework for a very proactive approach to process management and ongoing process improvement. It also has the ability to create a very powerful, unifying view of how a business works as a system that can break down organizational barriers and develop much higher levels of cross-functional synergy across the entire business.

ENDNOTE

1. Charles G. Cobb, *From Quality to Business Excellence—A Systems Approach to Management* (Milwaukee: ASQ Quality Press, 2003).

Acknowledgments

Special thanks to my partner and colleague in The Business Excellence Group, Jerry Butler, who had a significant impact on shaping the content of this book. He also spent many hours testing and validating the ProcessMaps tool that is used in this book and developing some of the demonstration models that are used to show how it works.

Other people made significant contributions to the development and testing of the ProcessMaps tool. I would like to recognize Brett Newman and Adam Lofstedt at Visimation who provided extensive help in the initial development and testing of the early version of the tool. Graham Wideman's *Visio 2003 Developer's Survival Pack* provides a vast array of tools and capabilities for developing Visio applications that were used in the development of the ProcessMaps application. Graham himself provided a great deal of his personal time with several aspects of the development effort.

I would also like to thank Idexx Laboratories, Inc., in Westbrook, Maine, for taking the pioneering step of putting many of these ideas and principles into actual practice in their business. Many people at Idexx played very important roles in implementing a major Sarbanes-Oxley initiative that is discussed as a case study in Chapter 8. Some played a leadership role in putting the ideas and tools in this book into practice. I would like to particularly recognize:

- Jon Ayers, CEO and chairman, for his vision in seeing the benefits of the approach
- Faith McLean, director of corporate quality assurance, for supporting this overall effort at Idexx
- Merilee Raines, chief financial officer, and Rob Hollenbach, internal audit manager, for boldly and aggressively leading the implementation of this effort to go beyond simply complying with Sarbanes-Oxley requirements to develop real business value for Idexx

Finally, any effort of this kind cannot be done without the support of many friends and family members. I would like to particularly thank my wife, Donna; my sister Adele and her husband, Jack; and my son, Dave, for all their support and encouragement.

1

Introduction

CHAPTER OVERVIEW

Enterprise process mapping goes well beyond basic flowcharting and enables businesses to develop a much more integrated, systems approach to management. This introductory chapter explains what enterprise-level process mapping is and discusses some of its major applications in a typical business organization.

Readers who are familiar with enterprise process mapping may wish to skip this section and move on to Chapter 2.

The term *process mapping* has a variety of different meanings. In some cases, it might mean creating a relatively simple block diagram to flowchart a business process, or it might be a much broader and more complex set of interrelated business processes. In this book, we will talk about *enterprise process mapping* as the ability to view an entire business system, including all of its core processes, graphically at any level of detail and complexity. From a high-level perspective, the company should have an understanding of how its core processes work as a complete system, cross-functionally across whatever organizations are involved, to achieve the company's business objectives.

At a more detailed level, the company should have a view of how the core processes are implemented at various levels of detail so that all organizations and individual participants in the process understand how they fit into the overall system.

The activities associated with enterprise process mapping are typically much more than simply diagramming a flowchart of how a process works, although that is a very fundamental skill that is required. To successfully map an enterprise, some level of

business systems analysis is needed to model a process at a high level. Then you must use functional decomposition to break the process into further levels of detail and develop detailed process flowcharts.

Creating an enterprise-level process map also typically requires bringing together a cross-functional group of people who may have entirely different perspectives on how a process works, and reaching consensus among them on a common definition of the process. The process map (diagram) itself is only a tool to help people understand the process and reach consensus. It becomes the common language that allows everyone to see how their roles and interests can be integrated into a single unifying vision of how the overall company operates.

If it is done correctly, enterprise process mapping can be a very powerful tool. Many enterprise-level process-mapping initiatives result in breaking down organizational barriers and achieving higher levels of cross-functional synergy simply from reaching a common understanding of how the process works at an enterprise level. There are also many situations where:

- Portions of a process are completely redundant or unnecessary.
- Processes have ambiguous or undefined roles and responsibilities.
- There is no clear understanding among the various participants of how the process works and how their roles fit together.

Those situations may have gone virtually unnoticed for years, but become very obvious for the first time once the process is mapped and documented at an enterprise level.

THE NEED FOR ENTERPRISE PROCESS MAPPING

Enterprise process mapping is the glue that connects a company's business strategy with the processes and enabling systems that are essential to implementing that strategy, as shown in Figure 1.1

In my book *From Quality to Business Excellence,* I identified how a number of trends were converging to create the need for a more integrated approach to management. These converging trends are shown in Figure 1.2. Implementing this integrated approach to management requires being able to visualize how all aspects of the business work together as a complete system, at any level of complexity. That's exactly the capability that enterprise process mapping provides.

The need for enterprise-level process mapping also is increasing rapidly and dramatically in many areas of business. Several important factors are likely to significantly accelerate this trend: new information technology, the evolution of quality management standards, and new regulatory requirements. Each of these factors and the role they play in accelerating the demand for enterprise-level process-mapping capabilities will be discussed in the following sections.

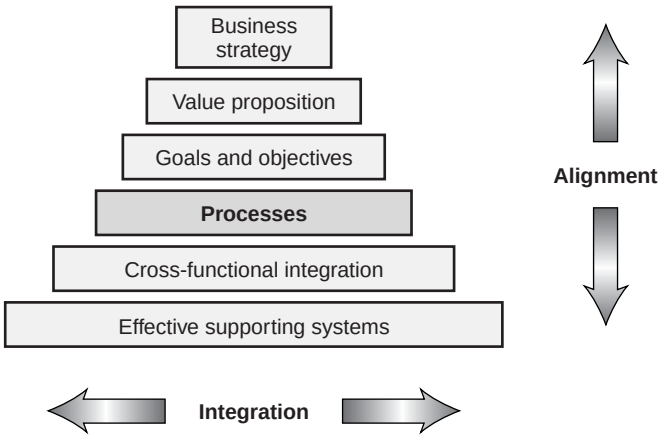

Figure 1.1 The role of enterprise process mapping: processes are the key to successfully integrating business systems.

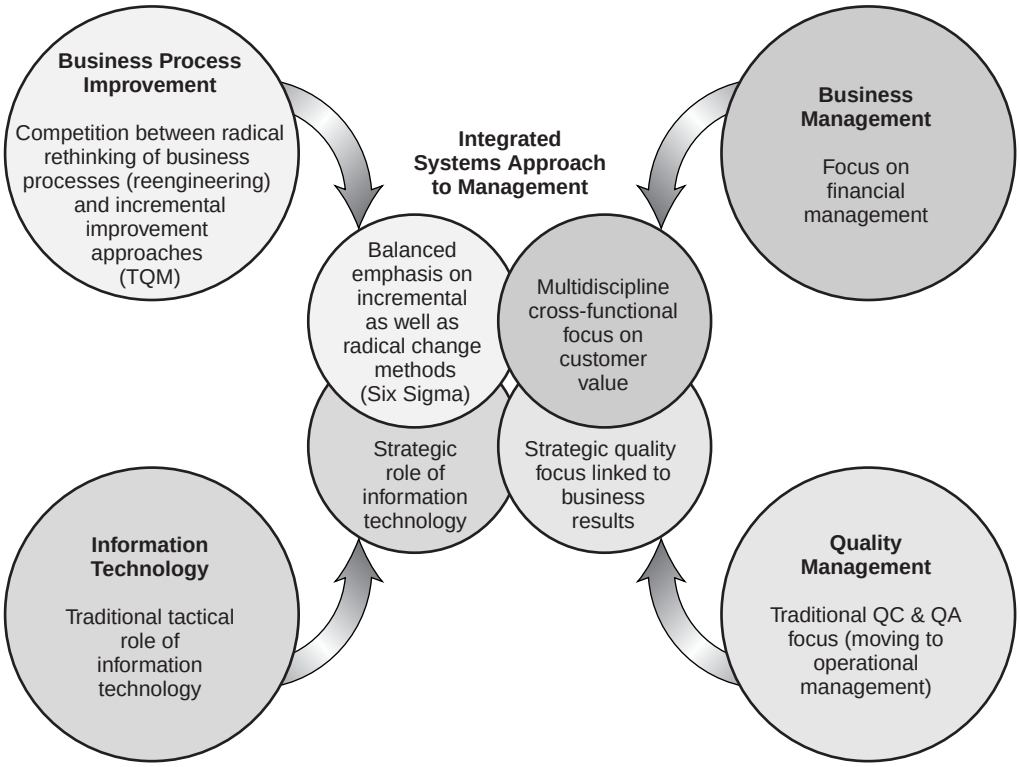

Figure 1.2 Converging trends.

The Role of Information Technology

Information systems have always played a significant role in business processes and it is becoming increasingly difficult to separate the definition of the business processes from the systems designed to support those processes.

Enterprise resource planning (ERP) systems played a significant role in helping companies adopt a more process-oriented management approach in the 1990s and early 2000s. Most ERP systems, however, come with the processes "baked in" to them and can be difficult to customize. ERP systems tend to dictate how the business processes should work, which is the exact opposite of how it should be. Systems should be designed to support the business processes and allow flexibility in how the business processes are defined.

New technology based on standards such as Microsoft .Net is rapidly evolving that allows companies to mix and match applications based on standardized interfaces and to separate the definition of the business process from the systems that implement those processes. As that technology evolves, companies will have much more flexibility in designing and implementing enterprise-level business processes to fit their business needs rather than being locked into a large, monolithic ERP system that dictates how the processes should be implemented.

The evolution of this new technology is a double-edged sword. The new technology enables companies to take an integrated approach to the design of business processes and systems that has never been available before. That integrated approach, however, is a challenge many companies have not had to face before and requires an understanding of how the business processes and supporting systems fit together.

The Evolution of Quality Management Requirements

The definition of the word *quality* is continuously taking on a much broader meaning. Historically, quality has been associated with the narrow definition of reduction of defects. The definition of *quality* in today's world typically goes well beyond that, and reduction of defects in many cases is only "table stakes" to play in the game. To be competitive in today's environment, product quality needs to go well beyond reduction of defects, and quality includes many other factors such as cost, performance, time-to-market, customer satisfaction, achieving successful business results, and so on.

In the past, when quality primarily was focused on reduction of defects, it may have been possible to delegate the quality management function to the quality control department and limit the scope of process mapping to simply implementing effective process control techniques in the manufacturing environment to reduce defects. In today's environment, a much more integrated approach is needed for achieving this broader vision of business excellence.

The business excellence approach goes beyond the quality of products and services and takes on a broader meaning of maximizing the effectiveness of the business in meeting or exceeding customer value expectations and using continuous improvement to

drive business results. It is the total quality of how the business operates as a system. Enterprise process mapping is an essential tool for achieving this new vision.

The Influence of New Regulatory Requirements

Sarbanes-Oxley is an example of new requirements that are putting pressure on businesses to improve compliance with legal and regulatory requirements. In 2002, U.S. Congress passed the Sarbanes-Oxley legislation, which came about in reaction to a number of financial scandals such as those involving WorldCom and Enron. It is designed to protect the stockholders and potential investors of publicly traded companies. It requires companies to implement much more effective financial controls to ensure that their financial reports are accurate and reliable and to eliminate improper use of financial assets. See Chapter 9 for more on Sarbanes-Oxley.

Sarbanes-Oxley is only one of many regulatory requirements companies might be required to meet. There are many others—for example, FDA, OSHA, and environmental requirements. The approach to meeting all of these requirements typically is not well implemented in many companies, and some of these requirements may pull the company in different directions. It is not uncommon to find a set of controls being developed from a financial perspective by one group of people to meet Sarbanes-Oxley and another set of controls being independently developed by others to satisfy other quality and regulatory requirements for the same business processes.

Enterprise process mapping is an essential tool for successfully integrating all these different requirements. Rather than developing a separate set of quality documents, safety documents, and so on, to show how the company deals with each of these requirements separately and independently, it is much more effective to integrate the controls into one overall process management system and simply cross-reference these requirements against the process definition. Using that approach, the same process definition can be used as a foundation for satisfying any quality and regulatory requirements. The process becomes the common language that allows all of these different groups with different and even competing interests and requirements to create an integrated vision of how the company satisfies all of these requirements.

Control versus Flexibility

A common consideration in implementing any process design is how much control is appropriate versus how much flexibility is needed in the process. The forces of control and flexibility tend to pull the process design in somewhat different directions, and some people may believe that having both control and flexibility at the same time is not possible and/or that they are mutually exclusive. The perceived conflict between these two forces has been apparent in business cycles over the past 20 to 30 years, as shown in Figure 1.3.

During the 1960s, when technology was heavily driven by the space program, it became apparent that it would be impossible to achieve levels of quality and reliability

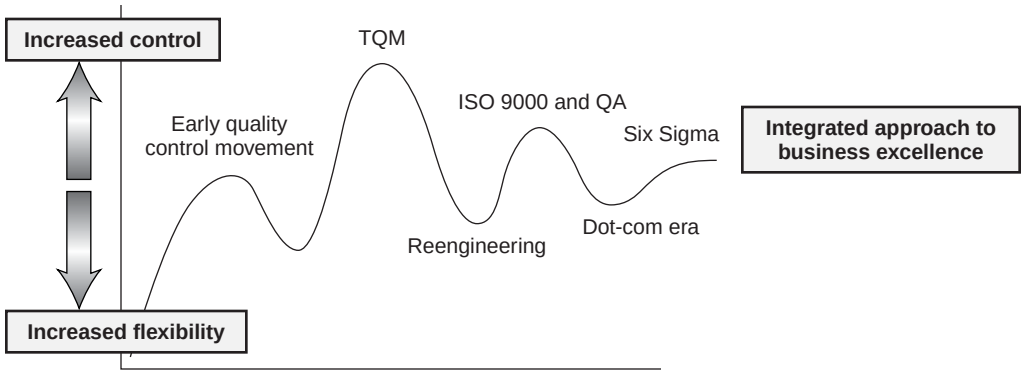

Figure 1.3 Control versus flexibility.

sufficient to get a man safely to the moon without higher levels of discipline and quality control. Cost was not as significant a factor, and it wasn't uncommon to "gold plate" something to achieve the end result. At that time, it was much more difficult to produce products that were inherently more reliable, and it wasn't uncommon to use double or triple redundancy among products and components to achieve the overall product reliability goal.

In that time, it also wasn't uncommon to have excessive layers of management associated with managing space and defense programs. Some of the methods and tools used also became fairly complex and costly to implement. For example, the IDEF standard originated in that period of time.[1] Although there are a number of good aspects of the IDEF standard, very few companies ever implement it completely because it is just too complex and expensive. The program evaluation and review technique (PERT) method for project management and scheduling was also developed by the Navy at about that time and had many of the same characteristics.[2]

Those were the days when it was common to joke about the $1000 toilet seats procured by the military. It wasn't practical in commercial industries, such as automotive. to implement many of those methods for control because cost was a more significant factor. The methods developed for high levels of quality in the space and defense programs were perceived to be in conflict with cost goals for producing an economical product in U.S. industry. As a result, there was a big gap between forces for implementing higher levels of control and quality and forces for making products economically competitive.

Shortly thereafter, the Japanese learned that it was possible to achieve both cost-effective products *and* a very high level of quality at the same time. It required a sophisticated approach called total quality management (TQM), which was based on integrating quality into the design of the processes to make the processes inherently more reliable. As the perceived gap between implementing effective control mechanisms and the costs associated with implementing those methods was reduced, U.S. industry eventually implemented many of these innovations to remain competitive.

In the early 1990s, another conflict arose between forces for reducing costs and the movement to improve product and process quality. The United States was in the grip of a very severe recession. Many companies had become burdened with excessive layers of bureaucracy and overhead that had to be cut for them to survive and remain competitive. In some cases, the radical reengineering that was needed to rapidly cut costs was in conflict with the forces of TQM, which is based on a more incremental improvement approach. The pendulum swung back in the other direction.

After the initial shock wave associated with reengineering in the early 1990s was over, U.S. industry had to do something to restore a focus on quality management. ISO 9000 became popular as a quality standard, and the pendulum once again swung back in the direction of increased control with an emphasis on defining and documenting processes. It was typically a costly process with a fair amount of overhead.

In the late 1990s, the dot-com era developed. Business plans were quickly written on the back of napkins over cocktails, and companies were moving so fast that there was little time for thinking about designing and documenting business processes. The problems of that approach quickly became apparent as many of the dot-com businesses began to fold.

These large pendulum swings are beginning to slow and it's becoming apparent that some of the perceived conflicts between the need for control and flexibility that led to these cycles are not as significant as they were perceived to be at the time. We've learned that quality and cost aren't necessarily competitive with each other if they are implemented intelligently. Control and flexibility aren't mutually exclusive either—it just takes a more sophisticated approach to do *both* at the same time.

From Quality to Business Excellence goes into much more detail about how to more effectively integrate these various management approaches, but I believe that understanding this issue of control versus flexibility is particularly important to understanding how to do process mapping effectively.

On the one hand, it's easy to err on the side of overemphasizing control and design, and document processes that are inflexible and impractical to implement. The usual result is that people will ignore how the process is defined and do it in whatever way they think makes sense, which may or may not be the right way. Anyone doing process mapping needs to be sensitive to that issue and involve the people who have to perform the process in defining it. It is also important to develop processes that are realistic to implement.

On the other extreme, some people might argue, as they did in the dot-com era, that we don't have time to define our processes, and defining our processes makes us rigid and not adaptive to changes in the marketplace. The approach we will discuss in this book provides an answer to that argument. With the ProcessMaps tool, Microsoft Visio, an LCD projector, and the right participants in a conference room, it is relatively easy to create an interactive environment for quickly and easily coming to consensus on the definition of processes and reaching agreement on any necessary process changes.

APPLICATIONS FOR ENTERPRISE PROCESS MAPPING

There are many potential applications for enterprise process mapping. A few of the more common areas will be discussed in this section.

More Effective Compliance with Quality Standards

No more than 15 to 20 years ago, the primary approach to quality management relied heavily on quality control and inspection to detect defects in products at the end of a production line. We have learned that approach is not very effective for a number of reasons:

- The inspection function requires unnecessary overhead that could be reduced or eliminated if the processes themselves were inherently more reliable.
- It results in a large amount of rework and waste from scrapping or reworking products that failed to meet inspection requirements.
- Because it is based on the reactive approach—detecting problems *after* they happen—it is very difficult to achieve very high levels of quality.

We've learned that a better approach is to design the processes with the right level of control built into them to make them inherently more reliable. Using that approach, a company can significantly reduce the need for inspection, develop much higher levels of quality in products and services, and eliminate a lot of unnecessary scrap and rework. It is a proactive approach of anticipating potential problems before they happen and designing appropriate processes and controls to prevent those problems from happening. This trend in quality management to move away from a reactive and corrective orientation toward a more proactive approach of designing effective processes is clearly indicated in a number of new quality standards such as ISO 9001:2000.

Regulatory Compliance

The same way that enterprise process mapping provides a framework for improving compliance with quality standards works for regulatory requirements as well. The Sarbanes-Oxley Act is a good example. There are many parallels between Sarbanes-Oxley and quality management systems. In some cases, companies are relying heavily on financial auditing to detect and correct problems as a primary method of complying with the Sarbanes-Oxley requirements. There are a couple of serious potential problems with that approach.

It is very similar to the old quality control approach that relied heavily on inspection to detect and correct product problems after they happen. It is far more effective to integrate the appropriate controls into the process to make the processes inherently more reliable.

Looking at this from a purely financial balance sheet perspective does not provide the full picture in many cases. The roots of some of these problems go deep into many

areas of the company's operational business processes. Preventing the problems from happening requires understanding how the financial controls fit into the company's normal operational process management scheme, and developing a more proactive approach to designing the controls into the processes.

Risk Management

The same approach discussed in the previous sections for developing more effective compliance with quality standards and other regulatory requirements can also be used for developing a proactive approach for managing risks of all kinds. The steps involved are:

1. Identify the risks to be managed and prioritize those risks by probability of happening and potential impact.
2. Identify the potential controls that could be used to eliminate or mitigate the risk.
3. Integrate the controls into the enterprise process map and make them an integral part of the company's operational management system.

The general approach is based on failure mode analysis. It basically requires anticipating what could go wrong in the process and designing appropriate activities and control points into the process to mitigate or eliminate the possibility of those problems. The following is an example for a very simple process.

Suppose that you are the owner of the local bakery and you're concerned about the risks associated with baking the cakes that the bakery produces. It is impractical to test each cake to determine that it meets quality standards, and you want to make sure that the process associated with making the cakes is as inherently reliable as possible.

The first step would be to list the most likely problems that might occur in the process. For each potential problem, design an appropriate mitigating control that could be incorporated into the process, as shown in Table 1.1.

Table 1.1 Potential sources of failure.

Potential Process Failure	Source of Failure	Mitigating Process Control
Cakes are overcooked	Cakes are left in the oven too long	Provide a timer with an audible alarm that warns the baker that the cakes are done or provide an automatically timed shutoff on the oven
	The oven temperature is incorrect	Provide a calibrated indicator of the oven temperature to verify that it is set correctly
Cakes don't taste right	The wrong ingredients are used	Provide a standard recipe and checklist to ensure that the proper ingredients are used and provide training to all bakers
	The ingredients are stale because they have exceeded their shelf life	Make sure that all perishable materials have a defined shelf life and expiration time to indicate when they can no longer be used

By progressively identifying and eliminating or mitigating the most likely causes of failure, the inherent reliability of the process can be increased. This general approach can be applied to any business process.

In most situations, you would go after the most likely causes of failure first because that would have the biggest impact on process reliability. For example, a given process fails 10 percent of the time and has an overall reliability of 90 percent (only 90 percent of the time it produces successful results). If we were to analyze the sources of failure and identify one particular source that was responsible for half of the failures, eliminating that source could increase the overall process reliability from 90 percent to 95 percent.

Another example might be a security risk. A company might be concerned about the risk of an employee accessing financial systems and performing unauthorized transactions without proper authority. The risk of that happening can be significantly reduced through an analysis of the process flows associated with performing the financial transactions and developing and implementing appropriate controls.

Business Process Improvement and Reengineering

The term *reengineering* has had a number of different meanings. In the early 1990s, it was associated with radical corporate downsizing, and many times was simply a brute force effort to cut costs and overhead. In this book, *reengineering* is the redesign of an existing business process to improve its overall effectiveness. Sometimes that might require a radical redesign and/or rethinking of how the process is implemented, or it might involve a more incremental improvement approach.

It's rare that any company will start a process reengineering effort from scratch. Most process reengineering efforts need to start with a baseline understanding of how the current process works in the as-is situation as a starting point. If there isn't a common understanding of how the current process works to start with:

- Any lessons learned from the current process may be lost, and the learning curve for implementing the new process design may be extended significantly.
- Important dependencies and interrelationships with other processes may be overlooked. All complex business systems, by their very nature, have interrelationships. If those interrelationships are not understood, fixing a problem in one area may only cause a problem in another related area.
- Achieving consensus among all the participants on how the process should work is also an important goal of any reengineering effort. If there isn't a common understanding of how the roles of various organizations fit together in the *as-is* state, it may be more difficult to reach an understanding of how the *to-be* state should work after the reengineering effort is complete.

Many companies do not have a complete understanding of how their processes fit together (especially processes that span organizational or geographic boundaries). Processes may contain duplication of efforts, inefficiencies, and wasted effort that can be easily corrected once the processes are clearly documented and understood, but people

need to reach a common understanding of how a process works in the as-is state before that becomes possible.

In process-mapping sessions in large corporations, we frequently come across situations where one organization (such as the headquarters group) thinks a process is done one way and another part of the company (such as the field organization) thinks the process is done a completely different way. It's also very common to find processes that are implemented in different ways across different field organizations with no rhyme or reason as to why the same process should be done differently. Reengineering many times involves standardizing on a common way of implementing a process as a starting point, prior to doing further process redesign.

Enterprise process mapping provides a way of documenting these processes that is easily understood by all the stakeholders and participants in the process and leads to several important benefits:

- Inefficiencies and redundancies in the process become much more readily apparent.
- The interrelationship among processes can be more easily understood.
- Developing a common vision of how the process works in the as-is state among all participants is many times an essential step before making further progress.

The primary value that enterprise process mapping plays for this kind of initiative is to provide a well-defined foundation and baseline as a starting point for any improvement or reengineering initiative. Without that kind of definition, it might be very difficult to predict what the consequences of an improvement in the process might be; and a change in one area might produce unintended consequences in another area if the interrelationship is not well understood.

Mergers and Acquisitions

Merging with another company can be a difficult experience for any company, especially if the companies have different cultures and very different ways of doing things. Many of the decisions associated with how the two companies are merged can have significant consequences to the participants, and there will be winners and losers, which often can create a very difficult political environment to overcome.

Enterprise process mapping can provide a very effective and objective way of:

- Evaluating how the processes in each company might be different in the as-is state prior to the merger
- Developing a better understanding of the advantages of any differences
- Reaching consensus on what the best practices should be in the to-be state after the merger is complete

Enterprise process mapping can provide an objective framework for making decisions and can help defuse some of the politics that might otherwise play a very strong

role in inhibiting the success of this kind of effort. If politics plays too dominant of a role, best practices might be overlooked and more inefficient processes might be implemented to satisfy political goals. Politics can make it very difficult, if not impossible, to achieve buy-in and consensus as well as commitment to the new process implementation after the merger.

The role that enterprise process mapping plays in these situations is much broader than simply documenting process flows; it can be an essential tool for facilitating a smooth transition from how the two companies worked prior to the merger to maximizing the synergy of the combined operation.

ENDNOTES

1. IDEF is short for ICAM DEFinition language. ICAM was an initiative managed by the U.S. Air Force out of Wright Patterson AFB, Materials Laboratory and was part of their Technology Modernization efforts, specifically the Computers in Manufacturing (CIM) initiative. ICAM is short for Integrated Computer-Aided Manufacturing. http://encyclopedia.thefreedictionary.com/IDEF.
2. PERT is a model for project management invented by the Department of Defense's U.S. Navy Special Projects Office in 1958. http://encyclopedia.thefreedictionary.com/pert.

Index

* *Please note that italicized page numbers refer to figures or tables*

E

F

G

H

I

J

K

L

M

O

P

Q

R

S

T

V

W