IMPROVEMENT SKILLS CONSULTING LTD.

"Simply, improvement..."



Process Management: An Introduction

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Process Management: An Introduction

'Process: It's what we used to call work, before you Consultants got involved."

What is Process Management?

All work is a process. 100% of your organisation's results are achieved by your people operating your processes. If you want to get different (usually better) results, you have to get people to design, operate and continuously improve your processes.

The European Foundation for Quality Management (EFQM) defined Process Management as "How we design, manage and improve processes in order to support our Policy and Strategy and fully satisfy, and generate increasing value for, our customers and stakeholders".

Process Improvement is therefore a sub-set of Process Management and many organisations are very familiar with how to involve teams of staff in improvement projects. What they may be less familiar with is how to create a process managed organisation and how to manage processes on a daily basis.

In our experience, organisations need three elements in place for successful process management:

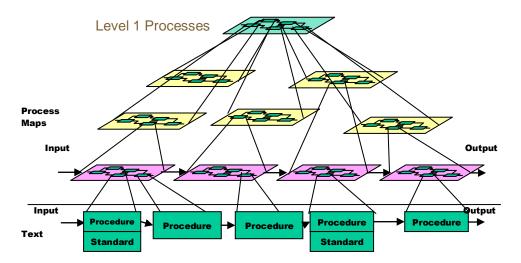
- A business process model and supporting infrastructure
- An approach for team-based process improvement
- An approach for day-to-day process management

We'll give a brief overview of each of these elements.



A Process Model and Infrastructure

All organisations can be described through a business process model. This is a hierarchical diagram developed from a high level and drilled down to lower levels of details.



The top-level diagram is typically split into customer-facing and support/enabling processes. Some organisations add a third type: management/governance processes.

- Ustomer-facing processes are those in the "value chain" that enable the organisation to add value for its external customers
 - They'd typically include:
 - Developing products and services
 - Winning business and new work from customers
 - Delivering customers' requirements
 - Providing post-delivery services (e.g. technical support)
- Support processes usually reside in the functions such as IT, HR, Finance, Procurement
- Management processes include business planning, performance management and performance improvement



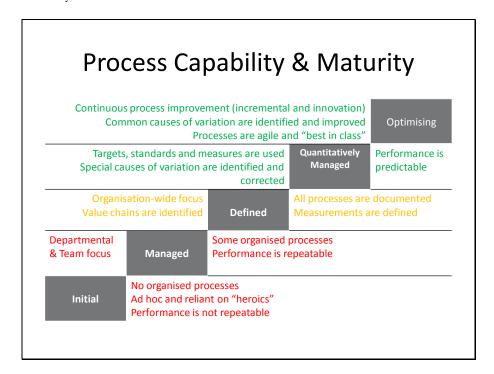
There are unlikely to be more than 8-12 processes, in total, on the top-level model (ideally, fewer than that).

The other infrastructure elements we'd expect to see put in place having developed the process model, is the role of Process Owners. They exist to be champions for end-to-end performance and improvement of their process. Each top-level process should have a single, named Process Owner.

Education for Process Owners and their teams should include:

Principles of Process Management
 Their role and responsibilities
 Tools and techniques for process definition, analysis and improvement

A useful tool for helping Process Owners to assess the health of their process is a Maturity Model:



There are several variations on this approach, but they provide a set of staged criteria to define increasing levels of process maturity and capability. Process Owners should have agreed targets for the health of their processes.



A team-based process improvement approach

Some processes are inevitably "broken". Perhaps they are prone to errors, are very expensive and slow, or simply don't deliver what their customers require.

For these, you need process improvement teams whose task is to re-design the process to overcome its deficiencies. One of the improvement approaches teams might use is DMAIC:

- Define the process, the problem and the customer's requirements
- Measure current performance
- Analyse performance to identify root causes of deficiencies
- Improve the process by re-designing it to meet customer requirements
- Control the process to ensure it continues to meet requirements

Teams might use this approach to carry out an improvement project over a period of several weeks or months; or they might adopt a Kaizen Blitz (rapid improvement project approach) to deliver benefits in a week, or less.

These teams will also need training and facilitation support in how to follow the DMAIC approach and to use a range of improvement tools and techniques relevant to the process being worked on. The tools could include those from the Lean or Six Sigma toolkits, but you should only use the ones that will really help you achieve your improvement objectives.

An approach for day-to-day process management

All processes need to be "managed"; some will need to be improved first as there is little point in stabilising an inherently broken process.

Day-to-day management is the responsibility of the local Process Owner whose task is to ensure the process operates to meet its customers' requirements. The Maturity Model described above provides a useful framework for gradually improving the capability of any process.

Day-to-day management is then likely to include performance monitoring and corrective action – checking/measuring to see that standards and targets are being met and taking appropriate action if they are not. It also means recognising when corrective action is no longer enough and initiating a process improvement project team (using DMAIC).



Other activities for the Process Owner include carrying out regular reviews to ensure any new customer requirements and performance targets are identified, understood and built into the process operating standards.

Key skills for Process Owners and staff are data collection, measurement, analysis and the use of a systematic corrective action cycle.

Where to start...

If your aim is to create a process-managed organisation, you'll need to be working at all three elements of our model. The order in which you do things will depend on your improvement priorities. If you have "broken" processes, don't wait too long before setting up process improvement teams. But, having fixed your process(es), they will then need to be managed day-in, day-out.

If you want to take a more strategic approach to process improvement, for example to consider how your processes might be re-engineered to achieve step-changes in performance, you will need a business process model. It provides the context within which all process management is done.

The potential benefits

Experience tells us that establishing a process-managed organisation does not happen as a quick fix. It takes time, planning and commitment, particularly from senior management who will have to take on initial roles as Process Owners.

The potential benefits include:

- Processes which are understood from end to end and which can demonstrably be said to be "best in class"
- A more involved and enthused workforce, who operate their processes consistently and improve them continuously
- Reduced costs through having implemented Lean processes with low variation and error rates
- Improved customer service for both internal and external customers



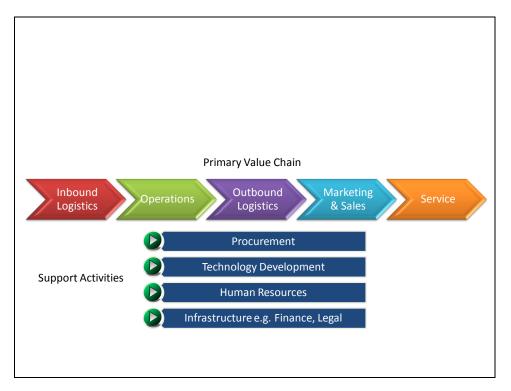
Identify value with a Business Process Model

"Processes only exist to add value to their customers." [Anon.]

Value Chains

As long ago as 1985 Michael Porter, in his book "Competitive advantage" defined the concept of the Value Chain. He was describing the ways in which an organisation could organise its activities in order to achieve competitive advantage by making it hard for others to copy.

His example of a typical Value Chain included all the organisation's external-facing processes, plus their supporting ones. He suggested that once the Value Chain had been identified, costs could be assigned to the activities. An organisation could then achieve a cost advantage by reducing the cost of individual Value Chain activities, or by re-configuring the Value Chain.



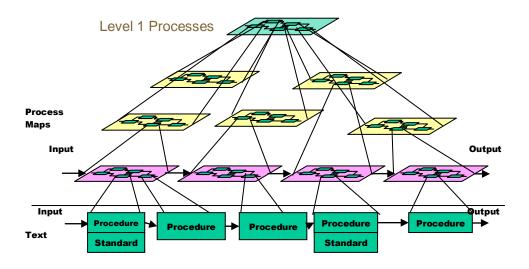
Michael Hammer and James Champy built on this idea in the 1990s with their approach to Business Process Reengineering (BPR). Here, the focus was on identifying the processes that really added value and were part of the organisation's core capability. Organisations were challenged to find radically new ways of designing their processes which achieved step-change performance in service, cost,



quality and cycle-time. Hammer and Champy usually only described customerfacing processes as being in the Value Chain, which is probably why many BPR efforts led to the outsourcing of support functions/processes that were felt to be non value-adding and non core-competence.

A Business Process Model

The development of a business process model is a fundamental starting point as it provides the "context" within which all process management and improvement is carried out. Ideas like Porter's Value Chain and those of Hammer and Champy are really useful in developing such a model.



- Ustomer-facing processes are those in the "value chain" that enable the organisation to add value for its external customers.
- Support processes usually reside in the functions such as IT, HR, Finance, Procurement
- Management processes include business planning, performance management and performance improvement

There are unlikely to be more than 8-12 processes, in total, on the top-level model (ideally, fewer than that).



Each of these top-level processes should have a single, named, senior manager designated as Process Owner. They are responsible for clear definition of the process (a SIPOC Process Definition is a good starting point) and for resolving any interface issues with other Process Owners. Part of a good Process Definition is a clear purpose statement for each process; which can then be used to help identify a balanced set of performance measurements for each process.

The value add...

Why bother with a process model? As we've said above, it provides the context for all work on processes. But, importantly, it also encourages senior managers to have conversations about their roles as Process Owners.

Engaging the senior team in developing the model usually results in:

- Greater clarity about the purpose of each process and its contribution to the organisation
- Clear definition of boundaries and dependencies between key processes
- An understanding of the need for Process Owners and Process Managers and their role in driving performance improvement
- A clear set of priorities and targets for process management

For many public sector organisations, particularly for those striving to become more competitive, an understanding of how a private sector business would define its process model can be useful. It can challenge them to think about what "product or service development" and "winning business" means to them.

Without the understanding that a process model brings, your process improvement activity can only ever be tactical. The risk is that you simply carry out a series of improvement projects without seeing the big picture and without making the connections across the processes that really add value.

The process model enables you to make a clear link between the performance improvements you are trying to achieve and the processes which contribute to that performance.

For those interested in assessing the cost of their service delivery (and support service costs), a process model also provides a robust framework for doing "bottom-up" costing and really understanding where cost and value is added. In theory, you could adopt Porter's approach and aggregate all your activity costs up into the top-level processes and make some judgements about value for money.



So, if you're serious about Process Management, develop a process model with your senior management team. The fact that they have developed it will mean it has ownership and they can readily ensure the organisation's performance improvement initiatives are properly aligned with key processes.

Finally, to return to the quote at the start of this section: "Processes only exist to add value to their customers"; so, the development of a hierarchical business process model is an essential element of identifying where value for customers is created.



Developing Process Owner Skills

"The brand of leadership we propose has a simple base of MBWA (Managing By Wandering Around)." [Tom Peters & Nancy Austin]

How do you embed Process Management?

Many organisations have implemented a variety of Process Improvement projects to address performance problems related to customer service, efficiency, flexibility and cycle-time. For example, in some organisations key targets were being missed and senior management teams saw Process Improvement as a useful way to get performance back on track. We facilitated projects in the public and private sectors that delivered service improvements, reduced costs, increased capacity and dramatically reduced cycle-times.

One of the key success factors in delivering improvements was the appointment of Process Owners: single, named individuals who had the accountability for improving "their process". Mostly, they did a great job and the project teams achieved their objectives and then disbanded.

What often didn't happen though was the transition from Process Improvement to Process Management, where there is a different role for Process Owners.

A 1996 study by the European Foundation for Quality Management (EFQM) found that in organisations that were "well progressed" with process management, 91% had appointed senior executives as Process Owners and 57% had also appointed middle managers. By contrast, only 59% of those organisations in the early stages had appointed senior executives and the same percentage had appointed middle managers. Interestingly, 57% of the "well progressed" organisations had appointed Process Owners for all their processes.

Today, more and more organisations are developing approaches to Process Management, with a range of improvement objectives: improving consistency, reducing risks and non-compliance, removing non-value-add (waste), or making processes more flexible and agile.

Process Owners are key to embedding effective Process Management and it's no longer adequate simply to appoint someone, knowing that their job will be done in a couple of months. So, what is the role of the Process Owner in helping to embed Process Management?



It includes...

- Ensuring the process is fully defined, including its interfaces with other processes
- Establishing the standards that must be applied and the performance targets that must be achieved
- Regularly reviewing performance with the staff operating the process and identify corrective actions required
- Regularly reviewing performance with other stakeholders (e.g. customers and suppliers) to identify changes and improvements
- Ensuring the process is benchmarked against relevant comparators, to stimulate step-change improvements

Process Owner Development Programmes:

Clearly, all this requires more than "process mapping skills" and in our experience an introductory development programme for Process Owners should cover:

- The process for process management
- Tools and techniques
- A process "health-check" (or capability and maturity) framework
- Leadership and change management

The "process for process management" provides an overall picture of what needs to be done, systematically, both at an organisational level and for individual processes. Tools and techniques include mapping, measurement, analysis and improvement.

A "health-check" provides a process-independent way of assessing current capability of an individual process and making comparisons with non-similar processes. It also provides a framework for setting capability improvement targets.

All the technical and process skills in the world will make no difference if the Leadership and Change Management skills are not also implemented.



Process Owners need to be able to create the vision and enthusiasm among process stakeholders for them to want to improve performance. There is also the challenge of reconciling process and functional responsibilities as the organisation moves towards a process managed environment.

We always emphasise the importance of learning by doing, so all Process Owner development should involve working on their "live" process as part of the programme. That way, they learn new skills, while improving the capability of the process for which they are responsible and, importantly, demonstrate their leadership of that process.

Such programmes are a significant investment in Process Owners' skills to ensure processes can be managed and continuously improved over a sustainable period.



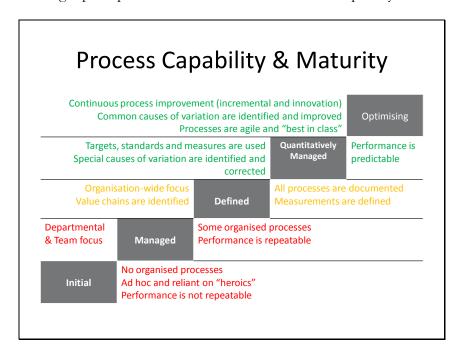
Measuring Process Performance

"People do what you inspect, not what you expect." [Anon.]

Developing capable processes

When we work with clients to help them implement Process Management we often introduce a simple "Process Capability and Maturity Model". This framework can be used to help plan what needs to be done at an organisational level, but can also be applied at the level of individual processes.

It's something that can be used by Process Owners and Managers to guide them in building capable processes. The Model has 5 levels of capability:



It's easy to get a process to the "Managed" level: this requires clear definition (the SIPOC tool helps), process mapping and identification of customers and their requirements.

Moving on to "Defined" is where many people start to struggle. They can document the "systems standards" required, but often don't know how to develop a balanced set of measurements. That's what we want to focus on in this section and then mention, briefly, how these can be used at the "Quantitatively Managed" and "Optimising" maturity levels. There's much more information on how to use the Maturity Model in our "Process Manager's Handbook".



Balanced Measurement

Every process should have a balanced set of measurements (Key Performance Indicators - KPIs) against which its performance can be tracked, communicated and improved.

There are three types of measurement required:



Internal measures enable you to assess the basic performance of the process itself. **Output** measures enable you to assess the quality of the intermediate or final outputs. Both (Internal and Output) can be measured without involving the customer(s) of the process. **Satisfaction** measures are direct assessments of the customer's view of the process and can only be gathered by asking the customer.

Here are some examples of each type:

Inte	ernal Measures	Out	put Measures	Sati	sfaction Measures
	Processing time (work		Error Rate or Accuracy		Perceptions of reliability,
	time in process steps)		(Right First Time)		assurance, tangibles,
	Cycle-time (end-to-end,		Timeliness (delivery vs.		empathy, responsiveness
	elapsed time)		deadline/requirement)		
	Delay or Waiting time (e.g.		Completeness		Any "objective" measures
	between steps)		_		gathered by customer(s) or
	Volume (input)		Conformance to Standard		stakeholder(s)
	Cost (direct cost per		Success Rate/Attrition		Compliments
	transaction)		Rate/Output Volume		-
	Overhead cost (if		Complaints		Awards
	attributable)		-		

The measurements you select should be based on the purpose of the process and what you are trying to achieve. For example, a process to recruit new staff exists to ensure you can employ the right people, in the right place, with the right skills at the right time.

So, you will almost always need to know how many people (Volume) are being recruited. The time it takes to recruit someone (cycle-time) is probably irrelevant; what's important is Timeliness – is the person available, when needed? Quality of recruit is also important – do they meet agreed criteria? Finally, you will want to measure the customer's views – Line Manager perception of the process and of the employees it supplied.



As a Process Owner, you will probably only need 4-7 KPIs in order to manage and continuously improve any process. If you have too many, it probably means you don't understand what is really important about your process' performance.

For each measurement you select, you need to define:

- what it is (a precise definition)
- how you will gather the data (including sample sizes)
- how often you will gather the data
- how often you will report and review the data (including the format in which the data will be presented)
- any targeted levels of performance (if known)
- who is responsible for measurement

Data collection tools include:

- Checksheets (Tallysheets)
- Concentration Diagrams (pictorial Checksheets)
- Traveller Time-logs
- Surveys/Questionnaires
- Interviews/Focus Groups

In many cases, we obtain data through sampling; often because it is simply not possible to measure every single item, or to log every activity, transaction or incident. The purpose of sampling is to collect an unbiased subset which will give you a manageable amount of data. When you take samples, they should be representative (statistically correct and reliable) and economic to collect (quick and cost-effective).

When designing data collection approaches, you also need to consider how you want to stratify your data. Stratification means dividing data, or information, into sub-groups according to specific criteria; for example: age, sex, ethnicity, length of service, grade, risk level, etc.



Moving beyond "Defined"

Three activities need to be carried out to achieve the "Quantitatively Managed" level of performance:

- 1. Measure Performance (gather data and analyse it)
- 2. Implement Corrective Actions (address any immediate performance gaps)
- 3. Review Performance (regularly check that the process is "fit for purpose")

One of the distinguishing criteria at the "Quantitatively Managed" level is the ability to identify and eliminate what are known as Special Causes of process variation. These are the one-off factors that cause you to take corrective action. They are things like:

- A new member of staff joining, but not being skilled enough to do the job
- A change in standards or policies which has not been reflected in the process design
- Equipment failures which cause the process to fail

Special causes arise from time to time, with an unstable and unpredictable pattern. They are however, often within the control of staff or work-teams, for example in setting up and following procedures, using the correct paperwork or information. They generally only affect a minority of people, equipment, procedures or materials. Good corrective action (problem solving) tools and techniques are needed to eliminate Special Causes.

Three activities need to be carried out to achieve the "Optimising" level:

- 1. Establish DMAIC Improvement Projects (teams to make bigger changes than from Corrective Action)
- 2. Establish Statistical Process Control (SPC)
- 3. Benchmark Externally (compare with known performance leaders)

Note that any of these activities could be carried out while the lower-level activities are also being carried out. However, they are activities you would expect to see happening systematically in any "mature" process-managed organisation. As the focus of this section is on Measurement we'll just concentrate on SPC here.

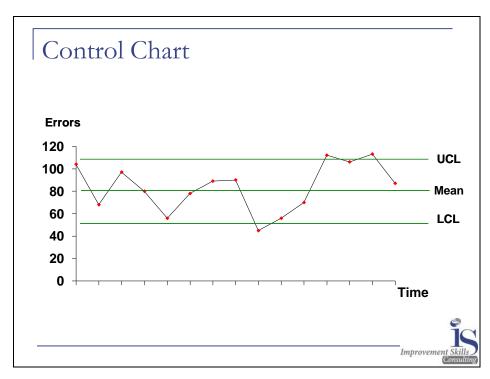


SPC enables a judgement to be made about whether or not a process is in statistical control, and therefore to determine when to make an adjustment in the process (to avoid over-adjusting the process). It is used to improve performance by reducing process variation. We've described "Special Cause" variation above. The second type is "Common Cause".

Common causes are numerous and always present. Cumulatively, they produce a stable, repeatable and predictable pattern of variation in the output of a process. The level of common causes can usually only be reduced by making major changes to the process itself; i.e. they are within the control of management. They include factors such as the capability of equipment, the level of training given to staff, and the choice and specification of paperwork/materials used in the process.

A Control Chart is the main tool used in SPC to give a visual representation of performance based on data collected from the process. It is an important tool in SPC and helps to identify statistically significant variation in the process so that improvement action can be taken.

The purpose of a control chart is to provide guidance (using the Mean and Control Limits) on to when to take action (thus avoiding the possibility of allowing errors to be produced) and when not to take action (thus avoiding the possibility of overadjusting or over-reacting).





Making progress with process maturity

Clearly, you won't be able to use Control Charts if you've not been able to identify the right set of process measurements.

Organisations that struggle to understand the basics of effective process measurement are doomed to stay at a relatively immature level of process capability.

The good news is that none of this is difficult and you don't even have to be a "Maths Whiz" to be able to apply these tools. We have numerous examples of clients who have quickly learned to "make numbers work" for them to drive continuous performance improvement.



Value for Money and Process Management

"We will be encouraging, and offering incentives to, all probation areas to apply "best value" principles in determining whether to deliver services in-house or commission them from others." [Guide to the Offender Management Act Sept. 2007]

What's the link?

I was recently asked by a senior manager to explain the relationship between Process Management and Value for Money. He was already convinced that there was a link, but needed to be able to convince other senior managers. He explained that the other senior managers were concerned about the "value for money" agenda and that they were interested in investing time and effort into that. They clearly didn't want to be diverted from that focus by "another initiative", with doubtful benefits.

- "Value for Money" is a term used to define whether or not an organisation has achieved the maximum benefit from the services it provides, using the resources it has available
- "Process Management" (as defined by the EFQM) is how an organisation designs, manages and improves processes in order to support Policy and Strategy and fully satisfy, and generate increasing value for, customers and stakeholders

"Value" is explicit in the definition of Process Management. Maximum benefit, in the VfM definition, implies "for customers and stakeholders".

VfM Projects

Many public sector organisations will have been carrying out Best Value Reviews, or running improvement projects, in order to address the VfM agenda locally.

Improvement Projects are, by definition, time-bound. Typically, a team analyses a particular process or service area, identifies improvement opportunities and then proposes changes for implementation. Hopefully, those changes get implemented and quantifiable improvements in service or value-add can be demonstrated. There is, of course, the question of whether those improvements can be sustained and how further improvements can be identified after the team has disbanded.

VfM Projects are therefore tactical responses to current improvement priorities. Process Management, by contrast takes a more strategic approach.



Process Management

Process Management provides an organisation-wide approach for understanding how performance is achieved. Starting with the identification of key business processes, it provides a framework within which all process improvement activity can take place. It therefore ensures a more strategic choice can be made over which processes to work on, rather than taking a view of what needs to be improved based on "today's pain".

Process Management includes:

- An organisation-wide view of which processes make up the valuechain for delivering services
- Day-to-day management of processes to ensure they are in control and delivering to the required standards
- Setting up projects whenever there is a need to make a performance improvement (beyond what is possible day-to-day)

For an organisation focussed on delivering value for money, the process management maturity progression, shown previously, enables improvement targets to be set across widely differing types of process.

It can therefore be used to drive improvement across multiple processes, not just a few chosen for projects. The maturity model approach, used in Process Management, helps embed continuous improvement across an organisation and therefore gives a broader focus on improving services and value for money. Process Management aims to make improvement sustainable for the long-term.

VfM and PM?

Identifying and defining an organisation's Value Chain processes are key elements of Process Management.

Defining and fully understanding processes are the starting points of process management within individual processes. This includes identifying customer requirements, supplier performance and performance indicators such as cost and cycle-time. All these are fundamental in identifying best value ways of delivering services.

By adopting an organisation-wide Process Management approach to VfM you are more likely to pick the right processes to focus on for improving service and efficiency.



Our Services

At Improvement Skills Consulting our experience of supporting improvement initiatives goes back to 1990 and includes:

- Process improvement projects in Customer-facing and Support processes across many sectors (private and public)
- Activity Costing of processes and services, both as stand-alone exercises and as part of Best Value Reviews
- Development of skills and processes to support Process Management
- Design and delivery of "excellence" workshops on topics such as
 - o Performance Measurement
 - Benchmarking
 - Project Management
 - o Process Improvement (including Lean and Six Sigma)

We have published numerous articles based on our experience of helping clients to improve service delivery and achieve Best Value, using a variety of improvement techniques. These are available at our website: www.improvement-skills.co.uk. We provide support in three main areas:

Process Improvement

Processes: "It's what we used to call "work" before you consultants got involved."

100% of an organisation's performance results are caused by its processes and there are many tools and techniques available to help improve performance.

The ones we have experience of include:

- Process Reengineering
- Process Management
- DMAIC Process Improvement
- Lean
- Six Sigma
- Root Cause Problem Solving

Performance Management

Performance Management: "If you always do what you always did, you'll always get what you always got."

Performance Management, in our view, covers everything from Strategic and Business Planning through to managing the performance of individuals.

We have provided support in:

- Developing and deploying
 Balanced Scorecards
- Designing SMART Business Plans at Organisational, Divisional and Team levels
- Developing effective performance appraisal skills and personal performance planning

Project Management

Project Management: "Plans are nothing, Planning is everything."

Projects are temporary organisations set up to achieve specific objectives, with agreed resources, in a defined timescale. Why make it more complicated?

Our support includes:

- Facilitating project teams to deliver measurable results, whilst also transferring skills
- Developing practical project approaches designed to meet specific client needs
- Action-learning workshops to develop project skills
- Project management on behalf of clients



Our track record

Our consultants have been helping organisations in the private and public sectors to manage and improve their processes for nearly two decades. We have supported European and UK Quality Award winners in their approach to process management and continuous improvement.

We have worked with many clients on individual Process Improvement Projects, Best Value Reviews, Activity Costing and Process Management.

We are not wedded to a particular methodology. We help clients identify their improvement goals and then develop an approach to achieve these; invariably ensuring their people develop the skills to make further improvements themselves.

Please contact us for more information about how we can help you to manage and improve your processes, and ensure you deliver Value for Money.



SIMPLY, IMPROVEMENT...

Process Management:An Introduction

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