

Putting Process at the Center of Business Management

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ABSTRACT

We traditionally manage organizations via the template laid out by the organization chart. Yet not one of the entities shown on the chart can deliver value to an external customer by itself. The reality is that we create, accumulate, and deliver value by collaboration across the chart. We manage resources vertically using the organization chart. We create and deliver value horizontally across the organization, and the key management artifact should be the business process architecture.

In times when most organizations are under considerable pressure to simultaneously reduce costs, enhance products and services, and be more attentive to customers, process-based management offers a practical solution. Process-based management, more commonly known as Business Process Management (BPM), refocuses management on how value is delivered to customers and other stakeholders. The focus is on the way work gets done, and what impedes it being done in the most straightforward, efficient and effective way.

This Article describes seven enablers that put process at the center of business management.

An impasse

The time has passed when improving performance can be achieved by 'simply' reducing budgets and assuming those affected will adjust to the change. After years of budget cuts and efficiency dividends, the easy changes are done; contingency resources are extinct, and further change is deep, structural and difficult. Resource scarcity dominates decision-making, and the need to 'do more with less' seems both inevitable and impossible.

The predictable results of repeated, untargeted, broad-based reductions in available resources are reduced service levels, extended delays, increased personal and team stress, and a general reduction in organizational performance. Unfocused reductions cause dysfunction, not efficiency. Short-term gains in the current financial year might mask the accumulating pain, but they can neither avoid nor remove it.

Across the spectrum of public, private, and not-for-profit sectors, many organizations are faced with the complex dilemma of effectively dealing with major operational challenges, such as radically increased customer expectations, snowballing cost pressures, shrinking budgets, mounting regulatory compliance, diminishing staff numbers, increasing operational complexity, and fragile workforce enthusiasm.

A repeated cycle of job cuts cannot provide the ultimate sustainable answer. A recent newspaper article provided a chilling insight into contemporary corporate life: "Staff in the department have been told that budget cuts inflicted by the government have made the job cuts 'an urgent task' and they have been warned of even more pain to come."¹ That comment refers to a public sector agency, but many in the private sector will find the general circumstances disturbingly familiar.

In the real world there may have to be some job cuts, but that can no longer be the only, or even main, response to the requirement to do more with less.

¹ Towell, Noel. 2013. "Public servants told 400 must go." *The Canberra Times*, August 15. Accessed August 24, 2013. <http://www.canberratimes.com.au/national/public-service/public-servants-told-400-must-go-20130814-2rx8t.html>

A government regulatory agency recently increased the number of compliance inspections it was able to achieve by 500% without any change in workforce. It achieved this by better understanding the related business processes, carefully removing unnecessary steps, redesigning to eliminate delays, enhancing stakeholder education, and automating some (but not all) activities.

There has to be a more nuanced response that focuses on doing work efficiently, removing wasted time and costs, being more vigilant in the discovery of effective change, and continuously realizing benefits. A new culture is needed.

There is a better way. Look around any organization. Are there activities that could be done more efficiently and effectively? Yes, there are, and it's time to do something about it.

So, what can we do?

This Article describes process-based management. More commonly known as Business Process Management (BPM), this approach refocuses management on the ways value is delivered to customers and other stakeholders. The focus is on how work is done, and what should be changed to remove impediments to optimum efficiency and effectiveness. BPM is not about technology; it is not an IT solution; it is a pragmatic management approach.

The approach described is proven to work in organizations irrespective of size, industry sector, and circumstance. It is not trivial to implement, but neither is it so difficult as to justify leaving it in the 'too hard basket'.

There is no technical jargon in this Article. The discussion is based on common-sense analysis of how work gets done. While the detail is left for another time, clear and practical suggestions are made as to how seven enablers of process-based management (architecture, measurement, governance, improvement, culture, capability, and support) can be achieved for significant organizational performance improvement.

There are many examples of where BPM approaches have delivered real benefits: reduced costs, improved customer satisfaction, enhanced staff morale, and decreased waste. A corporation involved in approving service change requests was receiving complaints from major customers about the time taken to assess applications. The data showed the complaints to be justified and the situation was critical. While the average approval time was four weeks, it ranged from two to 20 weeks. Careful analysis of the business process, removal of delays, changes to work allocation, and improved applicant awareness all contributed to a dramatic change. Complex applications are now completed in six weeks, simple ones in two weeks, and both with a guaranteed variability limit of +/- one week.

This is the better way.

Defining process-based management

Before moving to the substantive content of this Article, it is as well to define the terms *business process*, *process improvement* and *process management*. These are key concepts, and many different definitions, and understandings of and approaches to them can be found in the literature.

Business processes are collections of cross-functional activities. They describe the sequence of activities required to achieve some outcome. By definition, business processes are the only way any organization can deliver value to customers and other stakeholders. By themselves, the separate functional areas of an organization cannot deliver value to external parties. Test that idea: can you name an entity on your organization chart that, *by itself*, can deliver value to an external customer? I know you can't; nobody can.

An organization's resources are managed 'vertically' via the organization chart. Value is created, accumulated and delivered 'horizontally' across the organization chart.

Value is accumulated, not up and down the functional organization as represented in an organization chart, but across the organization as the various parts collaborate to create, accumulate and deliver value in the form of a desired product or service.

Business Process Management (BPM) is not a one-off project, nor an IT system; it is a management philosophy that focuses on optimizing business processes as the true value creation pathways in an organization.

It follows that an organization executes its strategy via business processes. The sequence from strategy to execution is shown in the breakout box, *From Strategy to Execution*.

In this context, where cross-functional processes are key to delivering value to customers and other stakeholders (including the organization itself), the improvement and management of processes is critical to the optimization of performance.

The definition, improvement, and management of business processes include all the resources involved in the execution of each process.

Of course, there are other internal 'management services' in an organization. These might include: strategic management, project management, change management, knowledge management, risk management and others. A process-aware organization sees process management as the central philosophy. While process management is pre-eminent, it is not alone, and must be integrated into the complete management portfolio.

How organizations can achieve even more with even less through identifying, analyzing, improving, and managing business processes is the subject of the rest of this paper.

Taking a business process view

Discovering, documenting, improving, and actively managing cross-functional business processes can expose significant opportunities for getting more work done with the same, or perhaps even fewer, resources. The power of process-based management is in understanding how work gets done then, based on that understanding, eliminating impediments, streamlining activities, and removing waste. The focus is on how the process, including all of the people and resources involved, delivers value to the customer and other stakeholders. This cross-functional focus is missing in most organizations, where it is replaced with an internal management emphasis guided by the organization chart.

There are seven elements that come together to support process-based management:

1. Discovery, understanding and documentation of the organisation's processes in a hierarchical model – *process architecture*
2. Defining process performance measures and measurement methods; collecting and reporting performance data – *process measurement*

From Strategy to Execution

Organizations exist to deliver value to customers and other stakeholders – *that's strategy*.

They do this via a series of coordinated activities across a number of functions of the organization – *that's a process*.

It is sensible to optimize these processes so they satisfy the requirements of customers and other stakeholders – *that's process improvement*.

A coordinated view of performance of all processes by which an organization delivers value, optimizes performance – *that's process management*.

Process management focuses organizations on activities that create the value delivery outcomes described by the strategy – *that's execution*.

3. Responding to the reported process measurement data by taking appropriate action to address actual or emergent performance anomalies – *process governance*
4. Continuously discovering processes that can perform better, and finding ways to close performance gaps – *process improvement*
5. Creating an environment where the organisation, its people, and their teams are always conscious of the processes in which they participate – *process-aware culture*
6. Developing the tools and skills required throughout the organisation to identify, analyse, improve, and manage business processes – *process capability*
7. Providing the support required throughout the organisation to develop, sustain and realise the benefits of process-based management – *process support*.

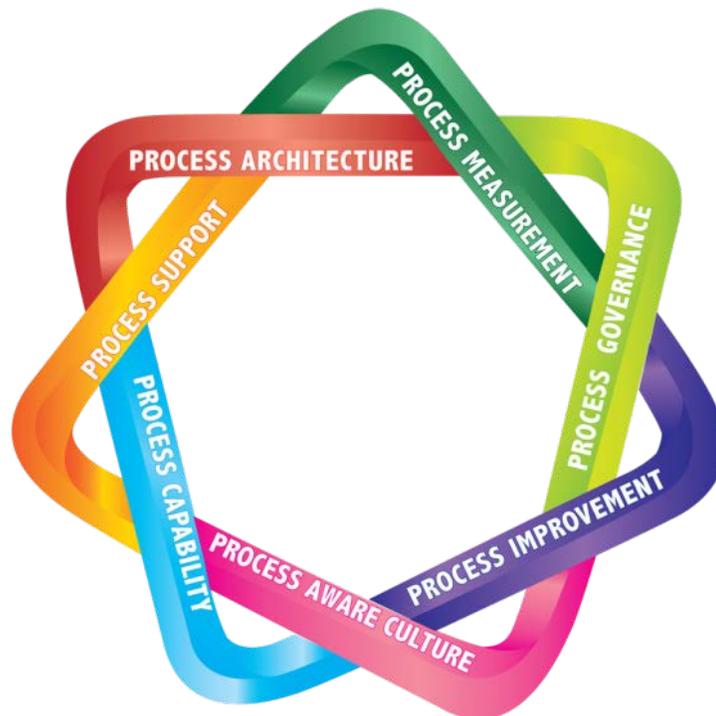


Figure 1: Seven Enablers of Process-based Management

The enablers are shown in Figure 1. A Mobius strip is used to highlight the interdependency of the elements.

The core artifact is the process architecture since documenting the key processes is the necessary first step. Once documented, processes can be measured and, once measures are available, governance arrangements must define who will respond to the performance reports. These first three enablers (architecture, measurement, governance) are the 'physical infrastructure' on which the rest is built. Continuous process improvement is the cornerstone of process-based management. Without process improvement, all else is waste. For process thinking to become ubiquitous, it must be embedded in the organization's culture. Having a centralized specialist BPM group doing all process work does not scale, and will soon impose an ironic restriction on process management and improvement work. Therefore, it is necessary to build the capability for identifying, analyzing, improving, and managing business processes throughout the organization.

An overview of each of the seven enablers of process-based management follows.

1. Process Architecture

A process architecture is a hierarchical model of the processes of an organization. Usually created, initially at least, to include the three highest levels, the process architecture provides a powerful visualization and management tool. It includes not just a hierarchical description of activities, but also the related resources, documentation, performance measures, measurement methods, and governance arrangements.

The simple, but indicative, process architecture shown in Figure 2 is an abridged version of an architecture recently developed for an IT service vendor.

Lead The Organisation



Service the Customer



Support The Organisation



Figure 2: Business Process Architecture Example

A well-formed process architecture is a powerful management and decision-making tool to:

- visualise the organisation's set of business processes
- understand how the organisation's strategic intent is executed
- communicate business process information
- concentrate organisational focus on value delivery
- understand the business process interdependencies
- prioritise process analysis and improvement activity
- coordinate process improvement project portfolio management
- provide a repository of business process information.

Process Measurement

If you don't measure process performance, you can't do process management – and you won't know if you are doing process improvement.

The only reason for doing process analysis, improvement and management is to improve organizational performance in meaningful ways. Without accompanying measurement, we don't know if there is improvement; we don't know what is meaningful.

Business processes are the way an organization delivers value to its customers. On that basis alone, the argument for measuring process performance is easily made. Are we delivering value to customers in a way that satisfies them and is sustainable for us? The plethora of measures about internal achievement – budget tracking, policy compliance, project completion, training attendance, people management, etc. – say little about value delivery. Process performance says it all.

A government organization implementing a new service did a lot of planning, created lots of process models, and had many sessions with a wide range of stakeholders. There were green lights everywhere, so the service was launched with the appropriate ‘ribbon cutting’. Two days later, everyone was relieved that the launch had gone well; two weeks later, there was a slowly rising murmur of complaint; two months later, service delivery was in virtual gridlock and the murmur had become a cacophony. One month after that, it was finally discovered that a key process in the service delivery often failed, causing significant rework and introducing inordinately long delays. Further analysis found a way to reduce these delays by 95%. After resolving the backlog, normal service delivery was resumed. Customer and staff memories of the fiasco will never be erased. It didn't need to be like that. Careful analysis of process performance expectations before launch, and appropriate measurement of process performance from launch, would have either avoided the problem, or detected and resolved it before it became a major issue.

Measuring business process performance delivers many benefits:

- factual evidence of customer service levels
- better understanding of cross-functional performance
- enable internal operational efficiency tracking
- enhanced alignment of operations with strategy
- evidence-based determination of process improvement priorities
- detection of performance trends
- better understanding of the capability range of a process
- uncovering actual and latent problems
- changing behaviour based on factual feedback
- improved control over the risks that really matter.

BPM initiatives that do not incorporate process measurement will fail. Process measurement is not always easy, but it is always possible.

Figure 3 shows the ProMeasure methodology, the Leonardo Consulting approach to detailed process performance development.

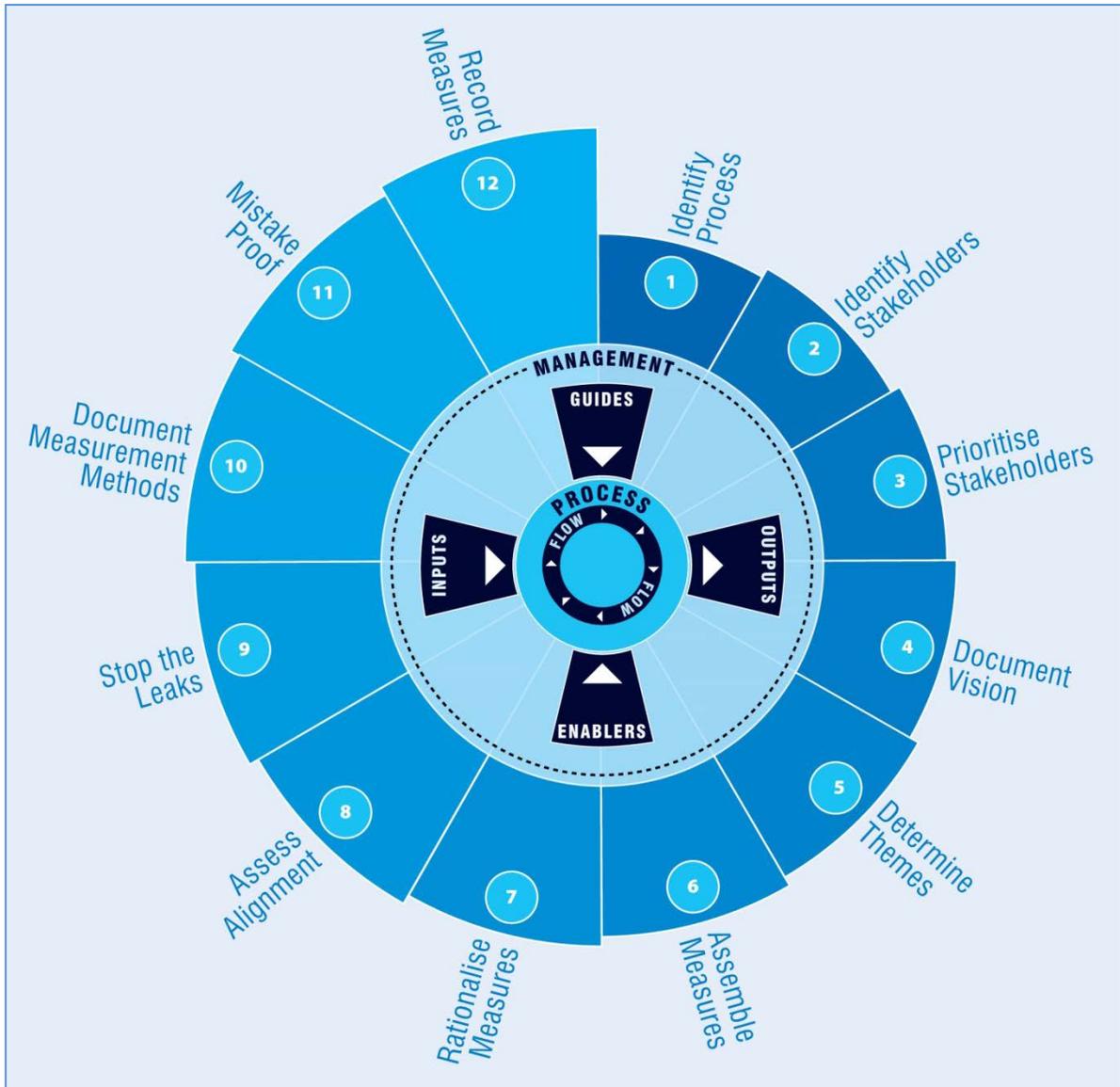


Figure 3: ProMeasure - a methodology for discovering process performance measures

Process Governance

Governance is about the 'management of process management', describing how control is exercised over processes, both individually and collectively.

The concept of process governance is often misunderstood. A common implementation mode is to appoint people as Process Owners (or similar job title) and tell them they are responsible for the performance of their processes. This is almost certainly impossible. It is not reasonable to ask a Process Owner to be responsible for the performance of something over which they have, at most, only partial control.

The key aspect of process governance is to have a plan for responding to process performance anomalies, and to have people tasked to execute such plans. Process governance is mainly about responding in an appropriate way to actual or emergent process performance anomalies. Without such a response, the measurement of process performance is meaningless. Remember, the organization chart is silent on the management of cross-functional processes.

Process Owners are accountable, not for the performance of the process, but for responding appropriately to process performance reports.

Governance mechanisms also oversee all activities and issues involved in achieving and maintaining the target performance for a process. This involves:

- control of process change
- guiding process development and promoting BPM ideas
- updating process models and other documentation
- resolving conflicts requiring trade-offs along the process.

The ultimate outcome of effective process governance is proactive, efficient management, and continuous improvement of the processes (and sub-processes) through which an organization delivers value to its customers and other stakeholders.

Process Improvement

Process improvement is at the heart of all process-based management activities. The main reason for taking a process view of an organization is to improve business processes. In discovering, modeling and monitoring business processes, the main objective is to close performance gaps where cost-benefits can be proven.

Process improvement is what makes doing 'more with less' possible. Recruitment was proving difficult for an organization whose development plans were dependent on attracting new staff with considerable experience and expertise. However, when employment offers were made, it was often found that the target of the offer had already taken another position. Over the previous 12 months, this had happened in 73% of cases, a failure rate that jeopardized an important strategic objective. Documenting the Recruit Staff process and obtaining detailed performance data showed that it was taking, on average, 12 weeks from receipt of an application to the offer of a position. No wonder the good candidates had taken other offers. The process was analyzed in detail with a focus on eliminating wasted time. As a result, the average cycle time was reduced from 12 weeks to three weeks. None of the process changes required any IT development or modification, but rather changes in the flow of paperwork, removal of unnecessary steps, streamlining of approval stages, better assessment guidelines, and enhanced communication with the applicant. In the six months following the changes, 85% of all job offers were accepted by the first-choice candidate. A welcome, if unexpected, additional consequence of the changes was that labor costs related to the recruitment process were reduced by 22%.

Process improvement should be part of everybody's job. This work cannot be assigned to a small central group, since that model will eventually mean process improvement is delayed. A well-defined methodology, as exemplified in Figure 4, which can be used by all staff, is required to give effect to continuous improvement.

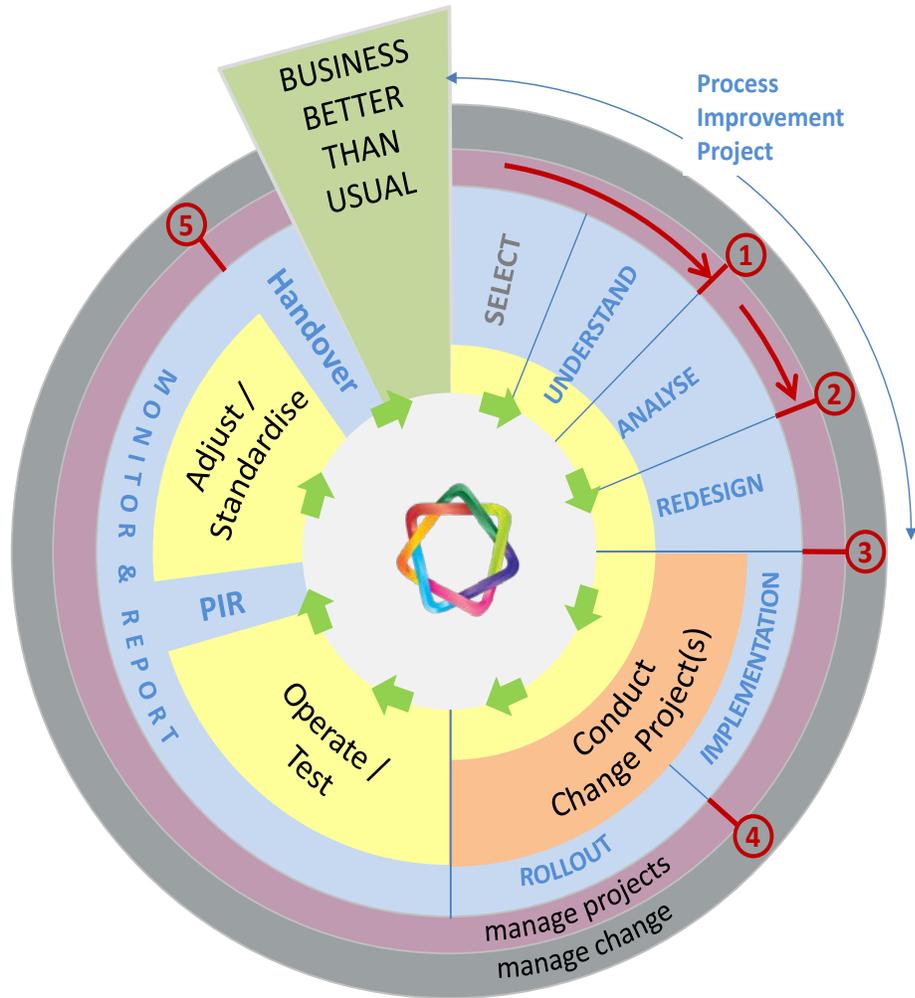


Figure 4: The Leonardo Process of Process Improvement
(incorporating the BPTrends Associates Redesign methodology)

Process-Aware Culture

High levels of BPM maturity can only be achieved and maintained if a process-aware culture is in play. Making the idea of BPM resonate within an organization requires deep engagement with the key challenges of contemporary management. If you don't *think process*, you won't *do process*.

The achievement of effective, sustained process-based management is 90% mindset and 10% toolset. Too often, we are focused on the 10% at the expense of the 90%. The tools and techniques are critically important, but they are not the main game. Having the right IT and other tools is a necessary, but nowhere near sufficient, condition for success.

It might be argued that the mindset/toolset emphasis is 80/20, or perhaps even 70/30, rather than 90/10, but it's certainly not the reverse of any of those. To create a viral spread of the idea of BPM, tools and techniques alone won't do it. Hearts and minds are also needed.

In a truly process-centric organization, an organization with a high level of BPM Maturity, all employees are conscious of their roles in the execution of a range of processes. They are able to think beyond the activities described in their own job descriptions to see their roles in the bigger picture of creating, accumulating and delivering value to customers and other stakeholders.

A process-aware organizational culture will have the following characteristics. It will be:

- measurement-friendly
- community-focused
- quality-motivated
- change-welcoming
- challenge-addicted
- action-oriented.

All six of these attributes are important, but the most important is the first, i.e. to be open to performance measurement. One of the most significant roadblocks to robust and sustainable process improvement and management is the absence of a measurement-friendly culture. In an organization where measurement is a precursor to the allocation of blame, the instinct is to measure as little as possible and to conceal the measures that are unavoidable. Where performance measures are collected to facilitate disparagement, we cannot expect enthusiasm for testing and reporting performance.

A measurement-friendly organization culture is a prerequisite for the success of process-based management.

During one process-improvement project, a strange conversation with a senior manager occurred. The project team was investigating a process with a customer satisfaction problem, and had developed three change ideas that would significantly increase customer satisfaction at a reasonable cost. Quite rightly, the team was pleased with its work. However, the senior manager pushed back and found reasons why the changes should not be made. This went on for several days, with the team dispatching each new objection as it came up. Finally, the manager took the project leader aside and explained that his real concern was that if customer satisfaction increased from 83% to 95%, he would get sacked. He was prepared to accept a new target of 85% and that, over time (perhaps a year or two) it might be "safe" to achieve the 95% mark. He was serious. This was a culture of *continuous dissembling*, not *continuous improvement*. The culture was anything but measurement-friendly, and BPM development was inevitably handicapped.

Process Capability

As described in the next section (Process Support), it is not viable to rely on a single central group to do all the work in process improvement and management. This model simply does not scale. It is inherently self-limiting in the amount of successful process improvement that can be realized.

If process analysis and improvement is to be part of every employee's role, they need to be given the opportunity to develop the capabilities to accomplish such tasks successfully. The all too-common approach of exhorting staff to engage in continuous improvement without giving them the necessary tools, and the ability to use them, will never be successful.

What capabilities are required? The following list shows the main elements that staff must understand:

- general principles of BPM
- process improvement and management methodologies
- improvement idea generation techniques
- logistics and purpose-of-process performance measurement
- process governance arrangements and accountabilities
- modelling tools and conventions
- other related systems.

This doesn't mean that hundreds, or thousands, of staff need to do extensive training courses. For many people, these capabilities can be developed to an adequate level via short briefing sessions, through published information, and participation in process improvement projects.

A BPM development plan is required to outline how the required capabilities will be formed for the various employee groupings.

Process Support

There is a requirement for a centralized support facility. However, it is not the job of any central group to do all of the process work in an organization. Effective process improvement and management is based on distributed responsibilities and activity. If a central group does all of the process analysis, improvement and management work, then, when they are successful, they will not be able to respond quickly to an increasing level of requests for assistance. The central BPM group then becomes the reason that some process improvement work is *not* done.

Supporting all stakeholders in process management and improvement, ensuring compliance with operational standards, and maintaining the central artifacts – such as the process architecture – is the proper role of a central Office of BPM (aka BPM Centre of Expertise, or Centre of Excellence). The main role of such a group is to raise the BPM capabilities of the rest of the organization.

Many organizations have a long-term goal to create a central business unit to manage, support and nurture BPM throughout the organization. Most organizations see this as an aspirational goal, only achievable once a certain level of BPM maturity has been realized. An alternative view is that the Office of BPM is a catalyst that allows faster and more certain realization of the significant benefits to be gained from a process support facility.

For many organizations, a gap persists between their aspirations for process-based management and the reality of what is achieved. They strive to get traction with the ideas of BPM, but progress is slow. Creating an Office of BPM can galvanize interest and action and provide a mechanism for effective control and support of the many process initiatives.

In Time

How long does it take to shape all seven enablers into a working BPM system? Assuming there is the required commitment and resources, there are four answers to that question: three weeks, three months, three years, and forever.

Within the first three weeks, initial training and customization of the basic methodologies is completed. This is a time of preparation, both for future project activities and to establish an embryonic, but well informed, process mindset.

Three months is enough time to get most of the enabler infrastructure in place, and to start delivering – or, at least, clearly identifying – performance improvements. A process architecture, and related methods and governance, should be available and in use. An Office of BPM, or some other form of central support and compliance management, should be operational. At least one process improvement project should be complete and offering credible performance improvements. That's a lot to achieve in three months, but the danger in taking longer to deliver tangible developments and practical benefits is that the organization will lose interest and commitment will wane.

Creating a new culture that is process-aware takes much longer. That's the three-year milestone. At that point, process awareness should be embedded in day-to-day operations and decision-making. This might seem like a long time, but genuine culture change does not happen quickly. The three-year anniversary should see: a well-developed process architecture, with organizational performance being managed based on process outcomes; all staff regularly and competently in process improvement activities; and well-designed support available to all.

In addition to the above 'rule of threes', it is useful to note that many aspects of process-based management are never complete – that's the 'continuous' bit of continuous improvement. The process architecture is never complete; there will always be changes to make to process measures, and there will always be processes to improve. The work goes on – BPM is a management philosophy, not a project.

In summary ...

To thrive, perhaps even to survive, in times when 'doing more with less' gets harder, we must find another way to think about and deliver value, and to get the right things done efficiently.

Traditionally, organizations are designed, funded and managed in a functional sense, and the key artifact is the organization chart. Consequently, the inevitable focus is on managing the entities represented by the boxes on that chart – but none of those can, by themselves, deliver value to external stakeholders.

We create, accumulate and deliver value to customers and other stakeholders by working across the organization chart. Value is created and delivered by collaboration between the functional entities (i.e. the boxes on the chart). In their important 1990 book,² Geary Rummler and Alan Brache described this evocatively as 'managing the white space' on the organization chart.

We need both the functional and the process view, but we miss the second view because the money and reporting structure are in the first view. Senior executives need to take a step back from the day-to-day functional issues and reimagine their organizations as value creation and delivery flows.

This Article has discussed seven enablers of process-based management, seven elements that will put management focus where it should be: on cross-functional value creation, accumulation, and delivery. If you accept the premise that no unit identified on an organization chart can, by itself, deliver value to an external customer or other stakeholder (and how could you not do so?), then you accept the main concept of process-based management. The inevitable consequence of that is acceptance of the certainty that processes must be identified, analyzed, improved and

² Rummler, Geary A, and AP Brache. *Improving Performance: how to manage the white space on the organization chart*. Jossey-Bass, San Francisco. 1995

managed. Since the organization chart is silent on the management of cross-functional processes, a separate, targeted, and comprehensive intervention is required to enable process-based management and realize the benefits that come from it.

At a time when the requirement to 'do more with less' seems both inevitable and impossible, process-based management delivers a practical, proven approach.

Author

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Master Class

A Master Class, *Re-Architecting the Corporation: Enabling a Process-Based Management Revolution*, will be delivered by the author at the Building Business Capability Conference in Sydney, 9–12 September 2013. This one-day class expands on the content of this paper. More details at: <http://www.buildingbusinesscapability.com/sydney>

The Master Class can also be delivered in other in-house or public modes. Contact Roger Tregear to discuss details.

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