Practical Process Roger Tregear

2 Virtuous Circles

Central to my view of BPM are two different, but closely coupled, *virtuous circles*, two repeating event chains that, with each iteration, reinforce and compound the benefits of process-based management. In this Column I describe how they define the essence of BPM as a powerful management philosophy.

As always, to be sure we are talking about the same thing, I summarize my understanding of the BPM management philosophy as follows:

> *Business processes are the collections of cross-functional activities that deliver value to an organization's external customers and other stakeholders. They are the only way that any organization can deliver such value. Individual functional areas cannot, by themselves, deliver value to external customers. It follows that an organization executes its strategic intent via its business processes. Business processes are the conduits through which value is exchanged between customers and the organization. Therefore, business processes need to be thoughtfully managed and continuously improved to maintain an unimpeded flow of value with customers and other stakeholders.*

> *An organization's resources are managed 'vertically' via the organization chart. Value is created, accumulated, and delivered 'horizontally' across that chart. Value is accumulated, not up and down the functions as represented in an organization chart, but across the organization as shown in a business process architecture. The various functions collaborate via business processes to create, accumulate, and deliver value to customers and other stakeholders in the form of a desired product, service, or some other outcome.*

The organization chart is effectively silent on the all-important issue of cross-functional process work. It is quite alarming to think that in the many organizations where there is no conscious attention being paid to the management and optimization of cross-functional business processes, nobody is responsible for the creation, accumulation and delivery of value to customers and other stakeholders. This cannot be a good idea.

Starting from that perspective, the critical elements are that we discover our processes, understand how they *should* perform, know how they *are* performing, decide what performance gaps are worth closing, and take steps to effect the required closures. And repeat, forever.

The Chasm

Drawing on the lifecycle chasm concept first described by Geoffrey Moore[1], Paul Harmon has recently spoken of a BPM maturity development chasm[2], as shown in Figure 1. Surveys of BPM Maturity, including the biennial review by BPTrends, show that most organizations that are undertaking some form of process improvement and management are between levels 2 and 3,

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[1] Geoffrey A. Moore. *Crossing the Chasm,* HarperBusiness, 1991.

[2] Paul Harmon. *The State of Business Process Management*, presentation at Building Business Capability Conference, Las Vegas, November 2013.

with many never crossing the chasm to level 3. This is a serious problem because the significant, whole-of-organization benefits are only realized at level 3 and beyond.

Most illustrations of the five-step maturity model imply a linear progression from level to level. This is misleading. The biggest step change is from level 2 to level 3. As Paul Harmon eloquently, if graphically, suggests, many don't make it across the chasm and face a difficult, perhaps impossible, climb to recover. "We might say that the level 2 team gets up a lot of momentum and then runs and jumps... but it's in the nature of things that they can never jump completely across the gap, and they hit the wall and slide into the gap – and then crawl out again on the level 2 side. There needs to be a senior executive on the level 3 side of the gap to reach out and give them a hand and pull them up."
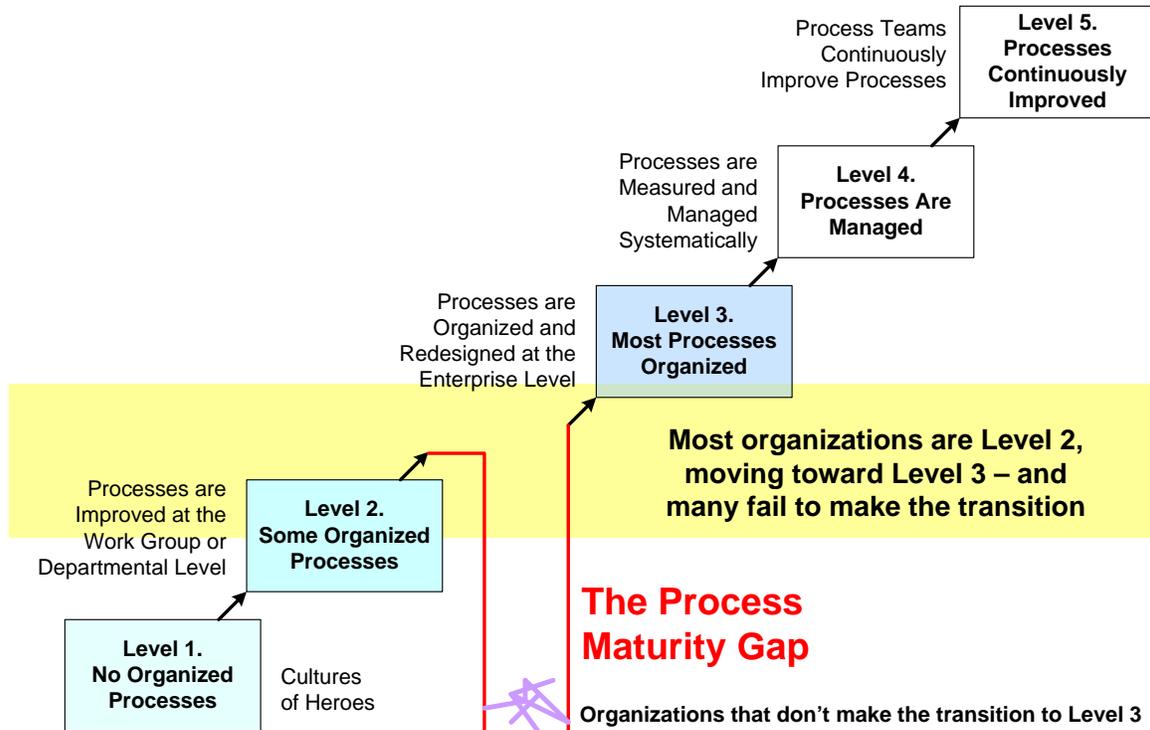

Figure 1: The Harmon BPM Maturity Chasm

At level 2, an organization has a growing acceptance of the importance of processes, some processes have been documented, and process improvement projects are becoming more common, but the process improvement scope is still quite limited and process work itself remains largely siloed. This level of BPM maturity is comparatively easy to achieve.

To achieve and sustain level 3 requires important differences. The key change is that a Business Process Architecture (BPA) has been developed and is in common use to guide management decisions, and process improvement and management. Process performance begins to be monitored and any anomalies are detected and addressed resulting in proven beneficial business outcomes. This makes the process view and resulting activities a strategic, as well as operational, imperative. At level 3, the organization is showing signs of a genuine process-aware culture.

This is not to say that crossing the chasm between these two levels is too hard or too dangerous to be attempted. The lesson is that organizations need to understand what is involved and prepare properly for the crossing.

Crossing the Chasm

To their significant benefit, many organizations cross the chasm. In the latest published data from the BPTrends State of BPM Survey[3], about 50% of respondents are at levels 3-5 with about half of those at level 3. They make it to a point where process-based management is the instinctive approach and process thinking is embedded in the organization's culture and practice. This is not to say that they have reached enlightened perfection, a process nirvana, but they have created, and increasingly entrenched, a systemic approach to continuous improvement in how they create, accumulate, and deliver value to their customers and other stakeholders.

How do they do that?

This Column describes two *virtuous circles* that define and deliver process-based management at high levels of BPM Maturity. The general concepts have been derived from projects across a range of industries and in several different countries. Implementation details will vary, but the basic structures are found to be present in all successful environments.

The two virtuous circles are the PO Circle (Process Ownership) and the PI Circle (Process Improvement) as shown in Figure 2. Key activities in the PO Circle are *Target→Measure→Respond*. In the PI Circle the key elements are *As Is→To Be→To Do*.
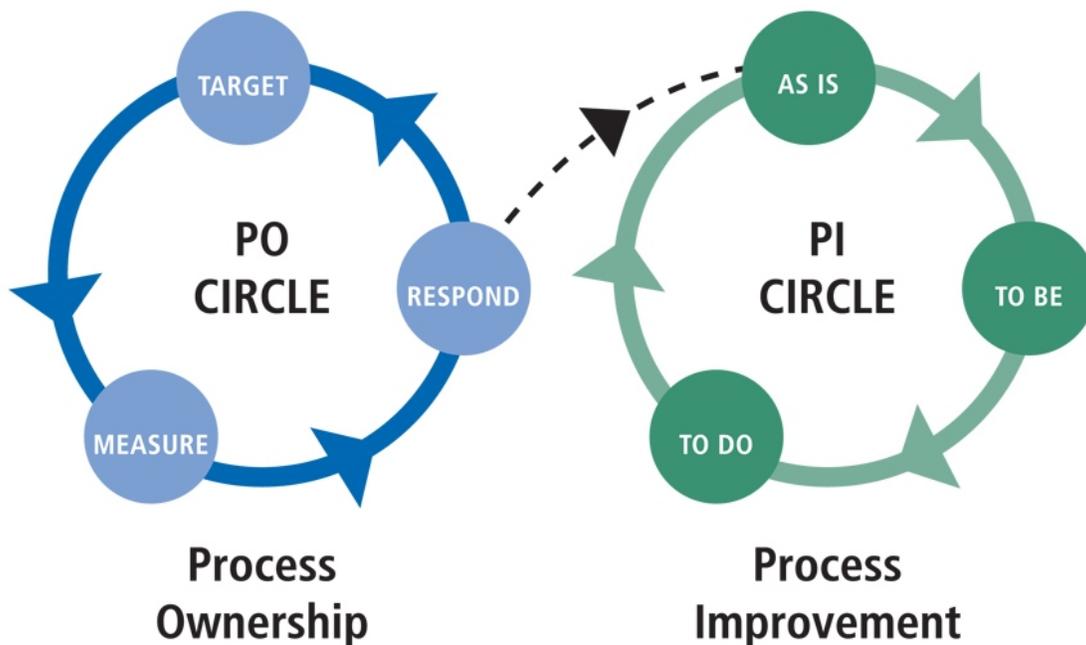

Figure 2: 2 virtuous circles

The PO circle is continuously and deliberately testing the performance of all processes to see if their actual or emergent performance gaps require a response. Set a performance target for a process, measure what is really happening, and do something if the results are not what they should be. In a process-centric organization this is the core of the Process Owner's role. This sequence of target→measure→respond ensures an unrelenting focus on the management of process, and therefore organizational, performance.

The PI circle is the process improvement cycle where we identify the current state, define the future state, and then make the required changes. Where real or potential process performance

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[3] Wolf, Celia, and Paul Harmon. 2012. The State of Business Process Management 2012. Accessed 30 November 2013. http://www.bptrends.com/members_surveys/deliver.cfm?report_id=1006&target=2012-_BPT SURVEY-3-12-12-CW-PH.pdf&return=surveys_landing.cfm

requires intervention, it is the PI circle that delivers process change. The PO circle determines if process adjustment is required in response to a current or emergent performance anomaly, and the PI circle discovers and makes the change. The PI circle creates, not a To Be, but a new As Is.

Note that the conscious process management activity starts with the PO circle. The requirement is to be continuously aware of performance gaps and making evidence-based decisions about which gaps need to be partially or completely closed, and in what order. Processes are selected for PI circle treatment because of the outcomes of PO circle analysis. Pervasive process improvement should be a deliberate act of management. Effective ongoing process improvement requires a constant search for processes that can be usefully improved. The real benefit of continuous improvement comes after the easy changes have been made and this demands, not just the PI circle to effect changes, but the PO circle to uncover the opportunities.

With these two circles consistently working well in a controlled way across the process architecture, an organization is working at the higher levels of BPM maturity. Creating the circumstance were the two circles are 'consistently working well' is not a trivial exercise, but once achieved, there is a mental and physical fly-wheel effect that is continuously optimizing process performance, i.e. continuously assessing and adjusting the organization's delivery of value to customers and other stakeholders.

Target→Measure→Respond
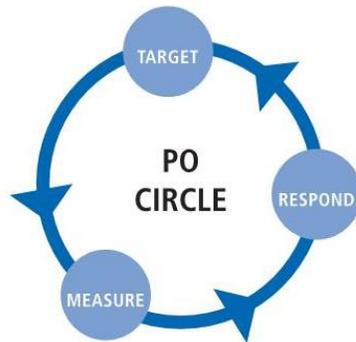
Target→measure→respond is the essential cycle of process-based management. Identify a process and set a performance target, measure what is really happening, and do something if the results are different enough from what they should be to warrant intervention. This is the main game; all process management and process improvement comes down to this. If we aren't improving processes, sometimes with radical effect, then we are wasting time.

Process-based management is both as simple and as complicated as the target→measure→respond circle. Commitment and diligence are needed to get this sequence established and self-sustaining.

For many organizations, and their people, this is a new way of thinking and working. The novelty is not in the idea of measurement and reporting, but in measuring and reporting business process performance rather than the performance of organizational units, i.e. focusing on value-creation chains from the process architecture as well as resource-management objects from the organization chart.

Target
Which process? Be clear about the boundaries of the process. What triggers its execution, and what results from that execution? Once the process-in-focus is properly identified, process performance measures can be assigned. If the process was working as well as a consensus of key stakeholders would like it to, what would it be doing? And how would we know?

Figure 3 provides an overview of ProMeasure®, the Leonardo Consulting approach to the discovery of effective process performance measures.

To measure effectively, we need to know who the stakeholders are, and what they need from the process – what value is the process supposed to deliver to each stakeholder? The performance targets need to be directly related to the expected performance.

Set the targets, and look to have the 'vital few' rather than the 'important many' (as JM Juran et al have explained).

For each performance target, it is useful to have upper and lower limits of acceptable performance; a band within which natural variation can occur and a consensus of key stakeholders would be happy.

Also, for every performance target, identify the ways in which the performance data will be collected (i.e. the measurement method). It is surprisingly easy to select a performance measure for which data collection is not practical. If you can't measure it, or can't afford to measure it, then the target is meaningless.

Measure

Having established the measures and the measurement methods, don't stop – take the actual measurements. This requires a clear allocation of tasks. Data collection cycles might be anything from real time to quarterly, or longer, and the data might come from IT systems or be gathered manually

Figure 3: ProMeasure® - defining process performance measures

(e.g. via customer surveys). The logistics of process performance measurement need to be well designed and the data gathered, analyzed, and delivered reliably.

Make the measures (i.e. collect the performance data), but also analyze and report it in a useful way. Make process performance reporting both practical and sustainable.

Be careful that this does not get so complicated and demanding as to be impractical. Across an organization, there are many processes and many more process measures; so avoid an avalanche of data and report by exception. Only report actual or emergent performance anomalies, and in an easily understood way with further detailed analysis available if required.

Wherever possible it is useful to publish the performance data – the good, the bad, and the ugly. It is not credible to declare that process performance is important to the organization and then hide the data from it. Regularly publishing process performance data will nurture a process-aware culture and may even have a process improvement effect.

The Office of BPM – aka BPM Centre of Excellence (or Expertise) – has a key role to play in performance data management.

Respond

This seems obvious, but it's a common failure point. Without an appropriate response, all measurement is a waste. The purpose of measurement is to correct problems, indeed to avoid them. In an environment where the management structure is concerned with overseeing individual functional areas, who will respond to cross-functional performance issues? This is the key role of the Process Owner.

The Process Owner, or whatever term is used, is often said to be responsible for the performance of the process – that is, we ask Process Owners to take responsibility for something over which they are unlikely to have complete, or perhaps any, control. This is nonsense; it is not viable.

A better summary of the Process Owner role is to say *they are accountable for responding when the process performance is outside of the accepted range or trending in that direction*. This is an important operational difference, not just a matter of definition.
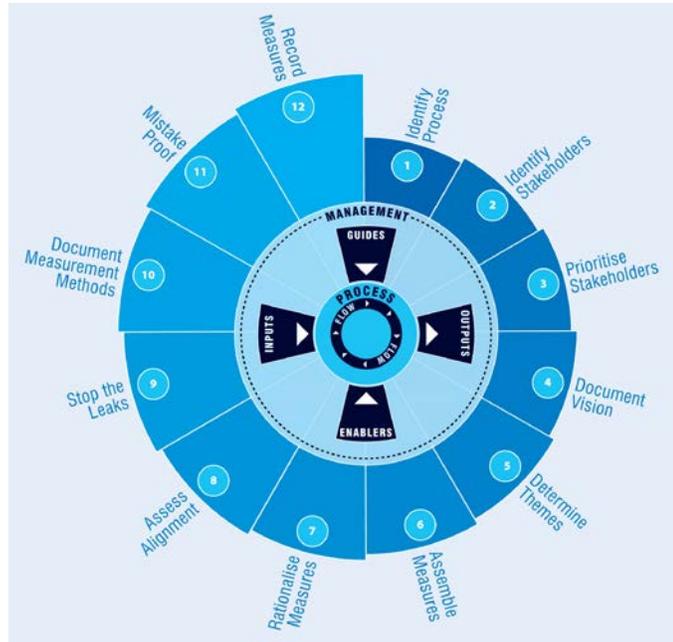
It is the Process Owner's role to *mind the gap*, to be constantly aware of the performance gap and make deliberate and informed decisions about the extent to which the gap should be closed, and the appropriate timeframe for doing so. This response to actual or emergent process performance anomalies is crucial for successful process-based management.

How should a Process Owner respond to a process performance anomaly? That will depend on the circumstances, but the options might include one or more of these:

a)   commission a process improvement project

b)   request more analysis of the underlying data

c)   collect more (or different data) to give deeper insights

d)   discuss the issues with those involved in executing key parts of the process

e)   simply go and watch the process being executed.

The Office of BPM is a life support system for Process Owners. The detail can be left to the Office and others, but strategic process leadership must come from the Owner

Embedding the PO Circle

A corporation involved in the approval of service change requests was receiving serious complaints about the time taken to process applications. These complaints were coming from major stakeholders and the situation was critical. The complaints were justified as the data showed that while the average approval time was four weeks, it ranged from two to 20 weeks.

Careful analysis and modeling of the business process, removal of delays, changes to work allocation, and improved applicant awareness all contributed to a dramatic improvement with complex applications completed in six weeks, simple ones in two weeks, and both with a guaranteed variability limit of +/- one week.

More importantly, with the processes now well understood and performance requirements agreed, systems were implemented to gather and report process performance data regularly to ensure that the new performance levels were achieved and maintained and to facilitate ongoing process management and improvement. A Process Owner was appointed to be accountable for taking action when the performance of the process was outside of the acceptable range or trending in that direction.

Problem fixed and performance maintained – permanently.

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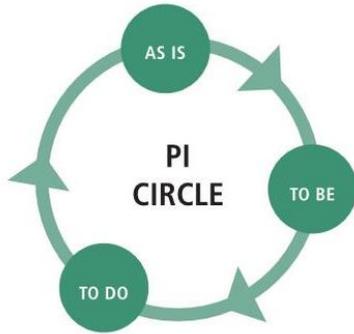
As Is→To Be→To Do

As Is→To Be→To Do is the classic process improvement cycle – understand the current situation, define the target, and design the activities required to achieve the change.

The important thing to keep in mind is that we must start and finish with As Is. The objective is not to design the To Be, nor is it enough to create the plans for change (To Do). What is required is not just a To Be or a To Do, but a new As Is.

That seems a simple enough idea, perhaps just playing with words, but the reality is that too many process improvement projects make more recommendations than changes.

Whether you use Lean, Six Sigma, BPTrends Redesign (my preference – see Figure 4), or another approach, the PI circle objective is to give effect to the response wanted by the PO circle.

There are many ways to manage the PI circle and I do not intend to canvas them all here. However, I will make brief comments about some key issues and common failure modes.

As Is

There is always an As Is, if not for you, then for your customers and other stakeholders. Anytime you are tempted to think that what your process does is uniquely new, check whether that is the case for everyone – perhaps it's just you who has not done it before?

Are you sure you understand why the process is in its current form? Processes often change for good reason. Life can sometimes be a little complex and users modify processes over time to account for the real world. The things that you have identified as anomalies in the current process might be what make it work. Or they might also be just plain silly with no redeeming features.
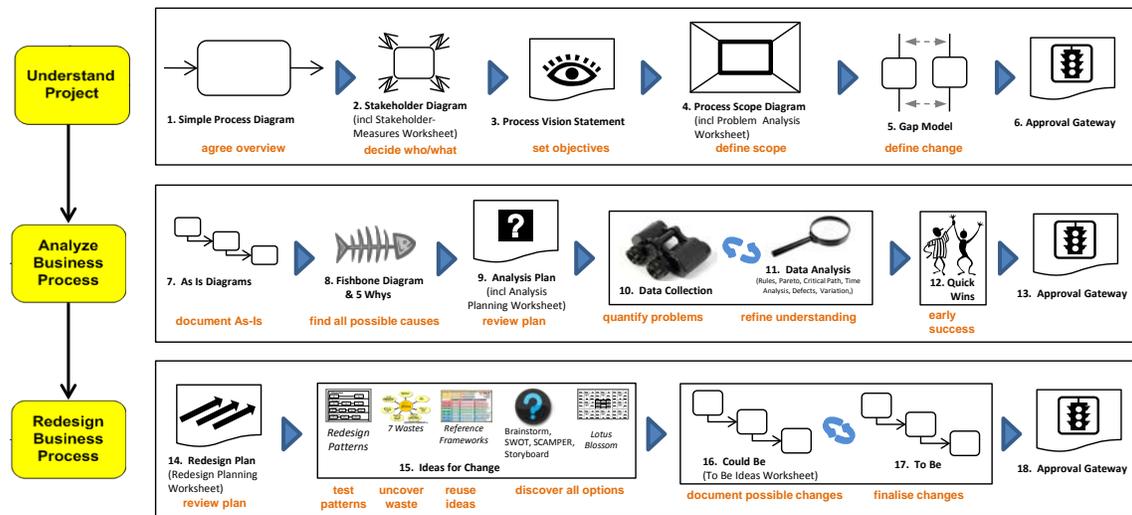

Figure 4: BPTrends Redesign methodology (diagram by Leonardo Consulting)

Analyzing the As Is can be safe and comfortable. Don't get stuck there though. Understand the problems and their causes and the opportunities and their constraints – and then move on to removing the causes and neutralizing the constraints, i.e. to creating a new As Is.

To Be

This is where process analysts really earn their money. Finding the best way to address the problems and opportunities in the current state is what it's all about.

To be credible, process improvement, via any methodology, must produce results that are qualitatively and quantitatively different from the much more generic (and common) approach of just "making things work better." This also needs to happen with big changes, not just the small stuff. We are seldom asked to make minor changes to inconsequential processes. What we are more often asked to deliver is radical improvement to mission-critical cross-functional processes.

Key to getting the best process improvement outcome is to uncover all the problems and their causes and opportunities and their constraints, and then to flush out all of the possible process change ideas. We need to cull from a long 'could-be' list of change options and avoid the possibility that we are culling from a short list that fails to identify the best options.

Process improvement is not about making lists of the obvious. It's about knowing what problems we are trying to solve, or opportunities we are trying to realize, and pushing the envelope to find all the possible change ideas, and then choosing the best. This should be a conscious, deliberate, repeatable process.

To Do

Recommendations for change to improve processes need to be realized as implementation projects. At this point many people are likely to become involved without the benefit of deep involvement in the previous process analysis activities.

In the 'handover' to implementation it is vital that the urgency and purpose of the change(s) are maintained if the proposed process performance benefits are to be achieved. Many a process transformation project fails at this hurdle.

Another disappointing development at implementation time is to have the previous process analysis work put aside and a whole new analysis pathway commenced. This not only loses the process view, but asks stakeholders to repeat their involvement.

The appointment of a Process Owner before the implementation projects commence will go a long way towards avoiding these problems. If the PO circle is in operation then the implementation of process changes in the PI circle will be closely monitored.

Realizing the Benefits

The PI circle must realize actual business benefits, and do so in a way that is demonstrable beyond doubt and objectively measureable without question. In support of ongoing PO/PI operations it is vital that the success stories are recorded and published. Hard data about process performance improvements already delivered is the best argument possible for the process-based management approach. There are many confirmed examples such as the following:

- ✓ a retail bank recorded $30 million in annual savings from PI efforts

- ✓ a public agency reduced hiring costs by 22% (and got better hires as a bonus)

- ✓ a retailer reduced the cycle time for new product readiness by 82%

- ✓ an international agency reduced the cost of delivering aid to people in need by 75% saving lives as well as money

- ✓ a regulator increased inspection rates by 500% with exactly the same resources.

Two Circles – One Objective

The two virtuous circles illustrate the simplicity and the complexity of process-based management. Working together, they achieve what many organizations struggle to achieve when focusing on just one alone. Reflecting the execution of an organization's strategy, the PO circle defines the essential role of management, i.e. to continuously uncover and resolve current and emergent performance issues. Responding to these outcomes, the PI circle seeks, finds, and effects the changes required to close the performance gaps. Once established, and when well maintained, the 'circular momentum' generated facilitates continuous improvement and offers resistance to any other influences that might otherwise act to slow it down.
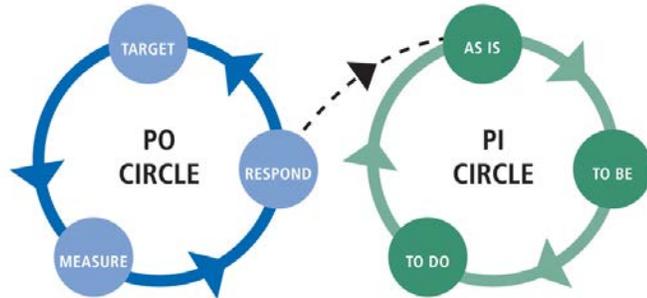
In Practice…

There are many things you might do in response to the issues discussed in this Column. Here are four of those things you might consider doing now to get started on the creation of most sustainable process-based management.

Empower Process Owners

To energize the PO/PI circles, select Process Owners so that, for the most part, they will be dealing with peers in responding to process performance anomalies, and provide them with the support to do so. To ask Process Owners to manage 'too far up' and/or 'too far over', is to set them up for failure.

Focus on Performance

To achieve and sustain effective process-based management set genuine process performance targets, and regularly collect and transparently present the performance data. Objectively measured performance data sustains the PO/PI circles, encourages process awareness, and facilitates process improvement.

Prove the Benefits

Proactively document the delivered benefits that have come from process management and improvement activities. Creating a set of well-documented success stories will greatly enhance the acceptance of the theory and practice of process-based management.

Create Momentum

Select an important cross-functional process and establish the PO/PI circles for that process – empower the Process Owner, focus on performance, and prove the benefits. Once the PO/PI circles are operational, the flywheel effect makes it easy to keep them going. Once process-

A bank had attempted to develop effective process management several times over the previous five years and had never been successful. Some benefits had been realized, but nothing of substance had ever been sustained. A further attempt was made with a renewed emphasis on effective process governance. A business process architecture was developed and Process Owners appointed to the first level of the hierarchy. These Process Owners were all members of the Executive. Process performance measures were designed and performance data reports were implemented. Each week the Process Owners received reports about their process to highlight current and forecast performance. Summary reports were also published throughout the bank. Once the measuring and reporting cycle was established, there was a great deal of sustained interest in maintaining good process performance outcomes. Bank performance was demonstrably improved in several key areas.

based management can be demonstrated and its benefits proven, keeping it going (indeed expanding it) is straightforward.

Let's continue the discussion at the [BPTrends Discussion group on LinkedIn](#).

About the author

As a Consulting Director with Leonardo Consulting, Roger Tregear delivers BPM courses and consulting assignments around the world. Based in Canberra (Australia) Roger spends his working life talking, consulting, thinking and writing about analysis, improvement and management of business processes. His work with clients is on short and long term assignments, in organizational improvement and problem solving based on BPM capability development, and business process, analysis, improvement, and management. He is available to help small and large organizations understand the potential, and realize the practical benefits, of process-