IMPROVING PERFORMANCE AND AGILITY

THE ROLE OF BUSINESS PROCESS

Embracing performance management

Johnny Gifford, Research Adviser at the CIPD – the professional body for HR and people development, gives thought to the complex factors involved in achieving performance management with purpose...

Few things are solved by a silver bullet, but performance management stands out in this regard. Even a revolver full of silver bullets wouldn't guarantee you'd got it covered.

The purpose of performance management has been described as establishing 'shared understanding about what is to be achieved and... ensure that it is achieved'.[1] Sound all encompassing and slightly nebulous? It can be. It's certainly far broader than a line manager running through an annual appraisal form, or even taking a member of staff to one side to discuss their under-performance.

Instinctively, we know this is true. We don't expect an organisation's performance to be sorted simply by virtue of a discrete manage-ment system. We need processes in place to help employees develop the right capabilities and get them to buy in to the vision of the organisation. Line managers need sufficient time and resources to support their teams and ideally, should be given the authority to ensure they are realistic. If not, performance runs the risk of being short lived, as systems crack and individuals buckle under pressure.

Performance management has a lot in common with employee engagement, an increasingly common focus of people management. The notion of engagement describes employees who are not only willing to go the extra mile, but have the physical well-being and energy to be able to do this and – equally important from a performance lens – are going the extra mile in the right direction. In other words, as the MacLeod Report[2] puts it, they see the 'line of sight' between their role and the organisation's purpose and strategy.

But while there is no simple answer for how to 'do' performance management, I would single out the following guiding principles.

The opportunity to discuss aims and targets is important not only to develop shared understanding but also to help shape them. This may be a question of avoiding unrealistic targets that set you up for failure, but equally it can be a way of stretching targets and being more ambitious. If teams and individuals are given ownership of targets by being involved in setting them, they take more responsibility for their performance and often aim higher.

FOCUS ON LEADERSHIP AT ALL LEVELS

Leadership development should not be the sole preserve of a selected few at the top of the organisation. At any level of the organisation, people managers should not be dishing out orders, so much as helping their reports live and breathe the overall aims and deliver on their personal objectives.

A HOLISTIC APPROACH

We should recognise that performance management is not an isolated activity that can be clearly delineated. The implications are far reaching, affecting our day-to-day conversations and business planning, as well as the more obvious aspects like appraisals. We also need an integrated approach, as pulling a lever in one area can affect performance elsewhere. This can be the case either negatively, with unintended consequences, or positively, taking the opportunity to build shared purpose or cross-departmental collaboration that benefits different aspects of the organisation.

Performance management systems are undoubtedly an important strand, for example, helping ensure poor performance is picked up and addressed. Well constructed systems will also include support both for line managers (for example, training on giving feedback on performance) and reports (for example, stress management courses). But no matter how good the design, we also need to recognise that performance management relies upon regular interactions, not just periodic reviews of targets.

There is a perennial temptation in performance management to fall back on what Douglas McGregor called a 'Theory X' view of the world, adopting a do/tell, command-and-control style of leadership.[3] For most employees in most situations, we are far better working to the 'Theory Y' assumption that the role of managers is to inspire and support, rather than dictate. This does not deny the existence of certain non-negotiable objectives, or the need to hold people to account. But in today's climate, employers are invariably looking to do more with less and get employees to contribute more widely to the performance of the organisation. It is hard to see how this will be done sustainably if people are treated like robots. ∎

[1] ARMSTRONG, M. and BARON, A. (2004) Managing performance: performance management in action. London: Chartered Institute of Personnel and Development.

[2] See: www.engageforsuccess.org/ideas-tools/employee-engagement-the-macleod-report/#.U2zWEdtwbow

[3] Douglas McGregor (1960) The human side of enterprise.

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IMPROVING PERFORMANCE AND AGILITY – THE ROLE OF BUSINESS PROCESSES

By Rod Horrocks and Gayatri Ramanujam

INTRODUCTION

All businesses, in whatever the state of development and maturity, will use business processes to deliver services and goods to their customers. These processes evolve over time as companies and public bodies become more mature, complex with embedded fixes for problems in the past and are conducted with implicit rules by front line staff. In the case of public bodies they are also constantly impacted by changes in government policy.

The documentation of processes is seen as painful, because it takes a long time, involves a wide variety of staff and requires a number of tools to document the outcomes. Businesses are driven to provide this documentation for certification, supporting work instructions and training materials and for some businesses it is the differentiator for winning contracts or maintaining good public services. However, senior management still consider this activity low added value.

In manufacturing it has long been recognised that viewing, reviewing and streamlining processes is the key to improving quality, customer service and reducing costs. A number of key tools and techniques have been developed around this requirement, such as TQM, Six Sigma and the 5S for example. Manufacturing processes tend to be very visible and as a result can be more easily visualised and subsequently transferred into words and diagrams. Also the use of visual aids and problem solving techniques is well understood.

Applying these sort of techniques to public bodies and back office functions, such as finance or HR, and creative functions such as engineering or project management is much more difficult. So how do we raise the value of documenting business processes in the mind of senior executives, make the exercise more fulfilling for those engaged in it and speed up the process of documentation and review?

This book addresses these questions by demonstrating to senior executives and practitioners the process of building business process models that are exciting, have built in value during their development as well as their subsequent reuse within the business. To do this we look at how the processes should be defined, who should be involved and how you manage the reuse of the work that is undertaken.

The authors will aim to convince you that this is by far the most advantageous way of capturing the knowledge from around the business so that you can support activities as diverse as organisational design all the way through to induction and training.

Whilst minimising the cost and development time and maximise the benefit... is this realistic?

WHY & WHAT IS MODELLING

So why should business managers be interested in process modelling? 'Surely this is only relevant for certifying our operations?' It is fact that most errors and inefficiencies are due to the way work is performed rather than due to the person performing it. By mapping and documenting the business process it is possible to analyse where improvements can be made, identify the correct balance of work and where to apply controls. It is also a fact that the longer the time it has been since businesses have been reviewed, the less streamlined and poor performing they are.

The statistics are that after 18 months there is 25% waste introduced into a process and within 5 years this has grown to 70%.

So how would each management level within a business use a process map? They all need different views of the business and a flat single level flow chart of the end to end business process will not provide this. For example the C band executives will require a very high level overview of the entire business showing how the Core business processes deliver the business and how they contribute to the strategy. If the Balanced Scorecard is used to articulate the strategy, then this will require targets to be set for the key business processes.

Middle management will require a more detailed drill down showing handovers between functions and how the cross-functional needs of business delivery to customers can be in conflict with departmental objectives or how poor handovers can affect down stream performance. They

also need to understand how business policy as applied to their processes impacts performance.

Front Line staff require a fully detailed step-by-step, model of the process, showing the tasks, who does the work and how it should be done and how to get to work instructions, particularly for more periodic processes that are not day to day activities.

Beginning by lifting the roof off the factory or office, each process step would be expanded out to give each of the actors, from senior executives through middle managers to front line staff the right view. This is not unlike the breakdown of a movie with the lowest level being the individual actors' script. These are aligned by the storyboard that provides the underlying orchestration of the story. This series of pictures enables the crew and actors to review and verify the achievement of the story line.

Such hierarchical mapping is crucial in understanding how a particular work process fits into the entire end to end business process, and how any particular process fits into the business delivery. By mapping this way we can ensure that all processes are continuous without gaps or missing links, across all functional disciplines. This is frequently the problem with traditional flowcharting processes, where processes are separately modelled but not all linked together. Meaning we have not validated how the process is triggered and where it is triggered from, what the inter process orchestration rules are and therefore the cross functional links are not made.
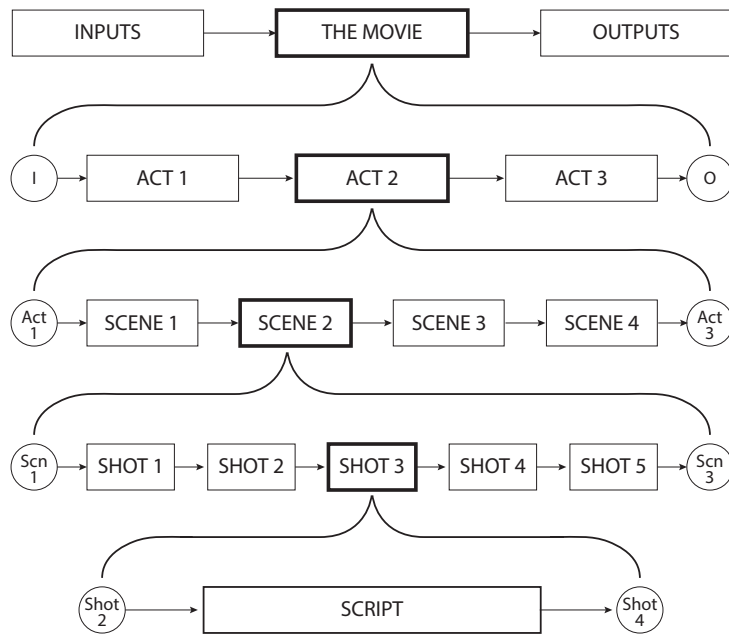
Figure 1 – (from Business Process Mapping – J. Mike Jacka, Paulette J. Keller)

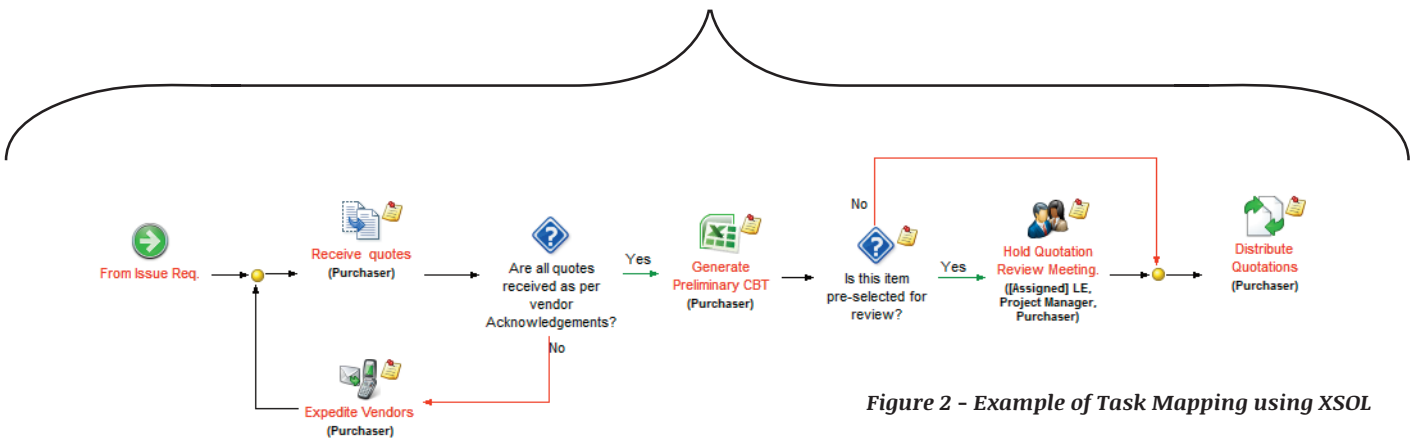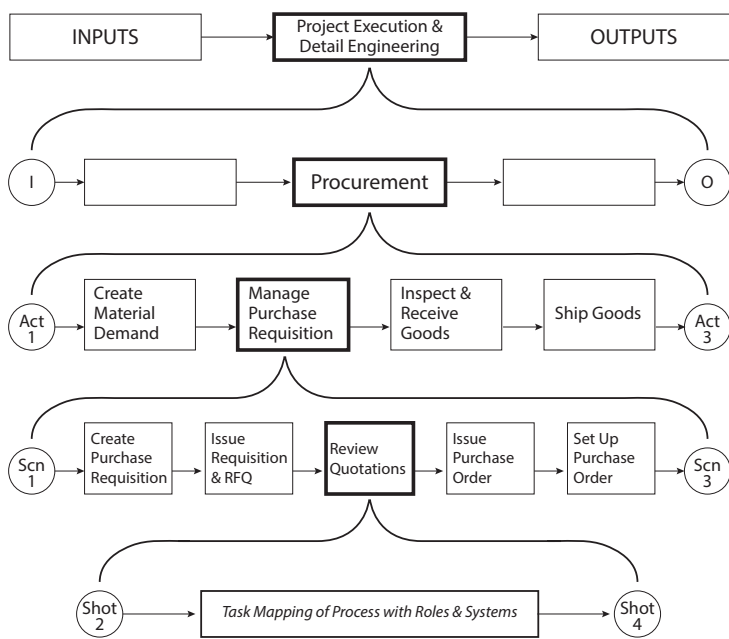Using the movie metaphor, an example of a procurement process is shown below.

Figure 2 – Example of Task Mapping using XSOL

EFFECTIVE MODELLING –

WHO AND HOW SHOULD WE GET PEOPLE INVOLVED IN MODELLING?

The first step in modelling is to agree on the use of a mapping tool.

Once that has been agreed, workshops can get under way to start modelling the processes. The first workshop should be with the C band to identify the core processes of the business. Since generally the business has come through a number of changes and everybody has a different view of what the processes are, this should be done in a group, preferably the whole C band. By using a standardized backbone for the industry, the facilitation of the design is quicker.
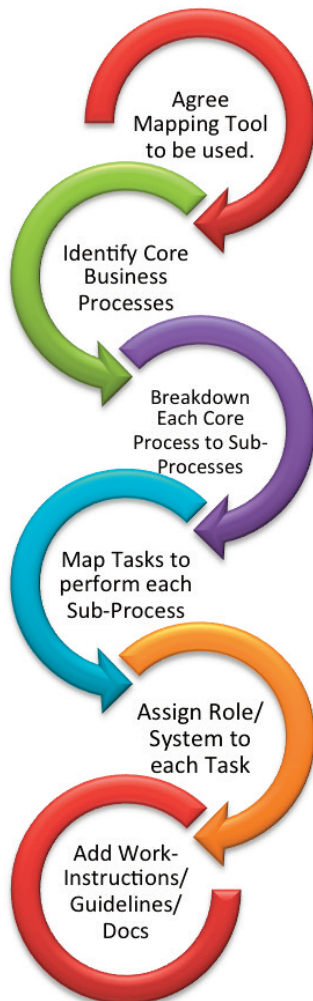
The next set of workshops will add middle management, to examine the more detailed process steps and the underlying business rules; C band executives will provide additional information regarding business policy.

Finally, there should be workshops with the front-line staff who will identify the individual tasks, who does them and how they are done; again validation of who does what will require middle management. At this level we build the detail behind each activity and task in the form of work instructions, procedures and process knowledge into the business model.

Business Process Modelling provides the opportunity to conduct effective cross-functional process workshops by engaging senior managers, including directors, as well as operatives at the front line. Processes can be examined, explored and understood from all points of view.

Select a facilitator, ideally this will be an external who does not carry any baggage and can ask the 'dumb blonde' questions. Facilitation will enable the attendees to discuss how a process is designed, how it is orchestrated and what business rules govern its delivery. Each of the individuals will have a specific perspective on the process; from a management perspective on what are the outcomes to an operator's perspective dependent on what are inputs and outputs to the process. By facilitating up to two-hour sessions and documenting the outcomes, initially on flip charts and then applying that information into a dynamic model, each of the following sessions can build on that model design:

• Reviewing the process live on the screen enables you to move around different parts of the process

• Validate and check points of discussion for control and management

• Examine who undertakes that particular part of the process now and if that is correct

Agree Mapping Tool to be used.

Identify Core Business Processes

Breakdown Each Core Process to Sub-Processes

Map Tasks to perform each Sub-Process

Assign Role/ System to each Task

Add Work-Instructions/ Guidelines/ Docs

Using a modern business process management tool will enable you to conduct this workshop in a very effective manner for sessions probably covering a significant level of detail within a business process. Subsequently following the session you can compile the output, produce a fully documented model which can be circulated via an intranet for comment and subsequent update.

It is inevitable that an overview of the business from top to bottom will not be available on day one. It is therefore much more effective to bring in a core model back-bone, either based on some form of bench marking such as APQC or a standard back-bone from industry business framework. By providing a framework that can be critiqued, progress will be quicker and contributions will be easier to be had by challenging people's perception of their own processes against the existing model.

The alternative is to take existing documentation, perhaps ISO documentation in the form of Visio diagrams and Word documents and converting them into process models within a hierarchy which enables you to see the gaps which have been previously ignored in the existing documentation. This process will also enable the process delegates to compare with best practice standards, such as APQC.

MAKING THE BUSINESS PROCESS MODEL THE CENTRE OF DAY-TO-DAY BUSINESS

Once the business model is complete, it should be deployed for access by the entire business. By deploying the model to all staff a number of objectives can be achieved including knowledge transfer, continuous process improvement and increased business agility.

Having developed a model that represents the accumulated knowledge of the whole company of probably more than 1,000 processes, the key to success will be the reuse of that work. There are many opportunities to do this namely:

• Organisational design, such as introducing new departments

• Due diligence over mergers and acquisitions

• Setting realistic process performance measures

• Identifying role requirements, supporting competency definition and resource planning

• Supporting business improvement initiatives and the application of technology

• Supporting internal audits for security and segregation of duties, and quality certification such as ISO

• Training of staff who are new hires or promotions

The following diagram shows how the process knowledge repository feeds all these initiatives.
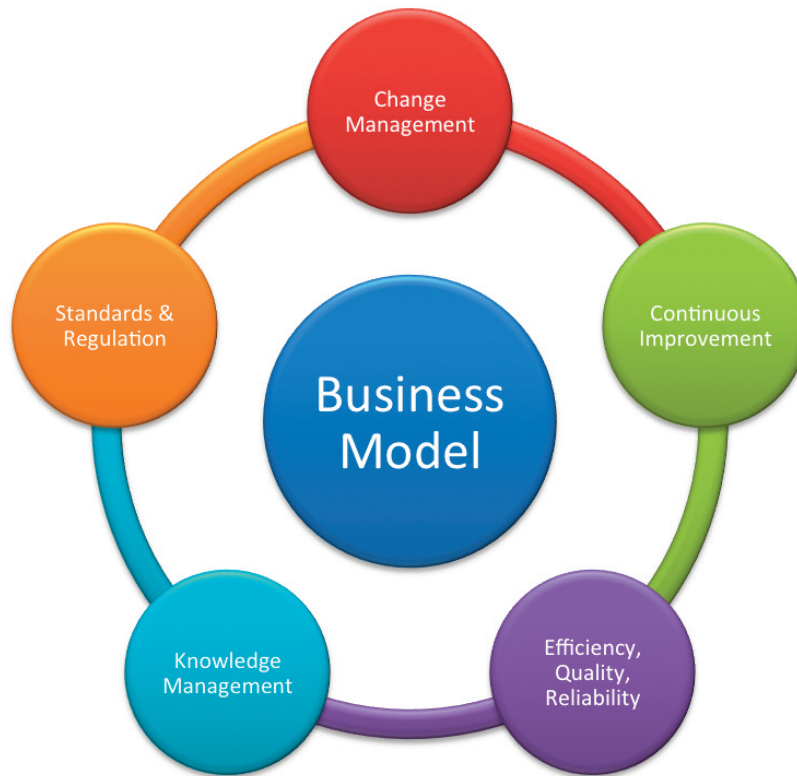
This represents a significant benefit to the business and therefore should not be missed. The key to ensuring this, is gaining ownership of the model within the senior executive and functional departmental management and demonstrating immediate benefit.

Gaining ownership will only be achieved by proving the benefit of the approach to those asked to own both processes and outcomes. To successfully achieve this, the model should be used to define process targets and therefore form part of a department's drive for improvement that in turn is part of the overall strategic plan of the business. By designing processes within the model business managers can apply time and cost so that the cost of delivery can be assessed; this might be related to rework loops and the benefit of avoiding them or skill of the person undertaking the activity. If the model is aligned to business KPI's realistic targets can be set to drive improvements and the removal of 'waste'; providing the source for 'lean' initiatives.

Managers must be trained in how to use the model to successfully facilitate process review and internal organisational redesign, i.e. such as

moving jobs between incumbents and removing jobs through the application of technology. As a pre-requisite to this, we recommended that all senior managers and process owners are taken through a process awareness course and obviously given an understanding of how the model has been developed if they have not been involved in its development. This course will also teach them how it can be used to support their decision making during regular process analysis workshops.

Making the model central to training and induction is much easier; by using the model as a 'how to' guide for each business role, enabling access through the companies intranet leading to more in depth materials such as written work instructions or SOP's, or videos of the same. Using the model to 'fire up' an application or ERP transaction giving further insight into how to perform the task can further enhance the training. Rapid analysis of roles and job scope is aided by the 'where used' report applied to the business role.

We outline some key activities in the sections on the following pages...

CHANGE MANAGEMENT
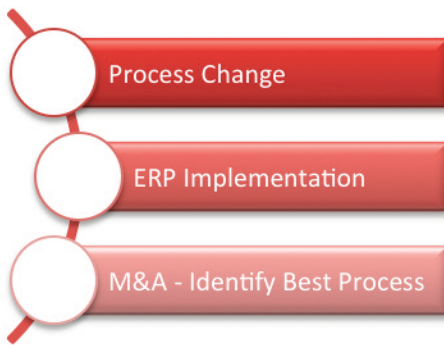
PROCESS CHANGE

It is only possible to perform change effectively when it is known what you are changing from and to; thus requiring a good description of the process before and after the change.

Using a process that is mapped end to end, with role responsibilities assigned, it is easy to evaluate the change on role workload as well as information handover.

The modelled processes also double as training vehicles and if done properly these changes will have been done with front line staff contribution.

A good ERP is more than just good software. It involves an institutional commitment to connecting people, processes and resources.
James Young

ERP IMPLEMENTATION

An ERP system is not just an IT tool. It normally fundamentally changes the way business can

deliver its the work process, through better access to wider data, new algorithms and improved roles for staff.

Once the business process is fully mapped, then the work processes, which will now be handled within the ERP, can be identified and changed. The old IT systems currently in use for specific tasks can be highlighted and process streamlining introduced to remove them and utilise the ERP functionality. Validating the business requirements of the ERP system whilst also identifying the key changes makes it easier to manage the implementation, manage risk and manage the training.

M&A – IDENTIFY BEST PROCESS

A great number of M&A projects fail because "due diligence" only really focuses on money and financial integrity; not process integrity or business culture.

This knowledge is generally tacit and informally transferred between employees. By mapping the process, the knowledge is available immediately to all employees and the on-boarding of new employees.

In the case of mergers and acquisitions, there is a vast quantity of knowledge available and probably many different processes to achieve the same objective. Process modelling allows identification of the best process, as well as a consistent method of codifying and storing the knowledge across all companies. Comparisons can be made to both 'best practice' and the practice adopted by the merging entities; identifying this gap and seeking ways to bridge it will significantly enhance the potential for success.

CONTINUOUS IMPROVEMENT

Process Measurement

Workload / Roles

Process Collaboration
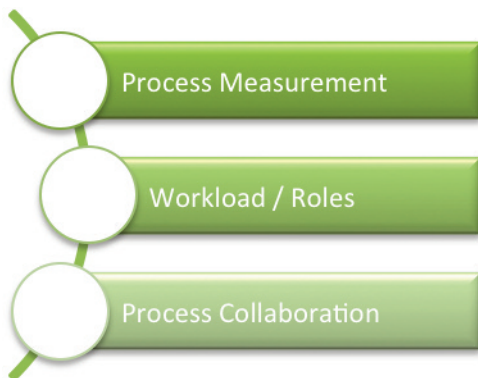
PROCESS MEASUREMENT

Measurement targets for processes are notoriously difficult to set; particularly if you want to measure the end-to-end processes. By making current work processes visible, it becomes more obvious what elements govern the performance and therefore should be measured.

They can be analysed and streamlined through just visual challenges to flow or attaching times and looking for the waste. With a hierarchical model, is then possible to roll these timings up for parts of a process and obtain a time/cost/resource required to drive the end to end process. Process models are very effective in supporting the analysis of rework loops.

It also makes it easier to target particular tasks that are causing frustration, allowing staff to quickly implement improvement activities.

Service companies go from an EBITDA of 1.3% to 37%* as they become process-driven.
SPI Services Maturity Model 2013

WORKLOAD/ROLES

As each task has a role assigned to it, it is easy to extract a list of tasks per role, allowing analysis of the role workload. It is also easier to identify who is responsible and accountable for each section of the process.

As employees gain a better understanding of their contribution to a process and the subsequent impact on the entire work process if they are not disciplined or accurate then an improved sense of purpose and behaviour can be garnered.

PROCESS COLLABORATION

A shared view of how the entire work is done provides employees the opportunity to propose improvements themselves, on how they can best collaborate on the work process. Making the model the centre of departmental meetings and performance reviews drives this and enables staff operating outside parts of a process to contribute.

Similarly when dealing with external suppliers and subcontractors, a clearer scope break and handover can be easily provided as well as a simpler way of describing the work process and their role in it.

EFFICIENCY, RELIABILITY & QUALITY

- Consistency
- Redundancy
- Skills definition
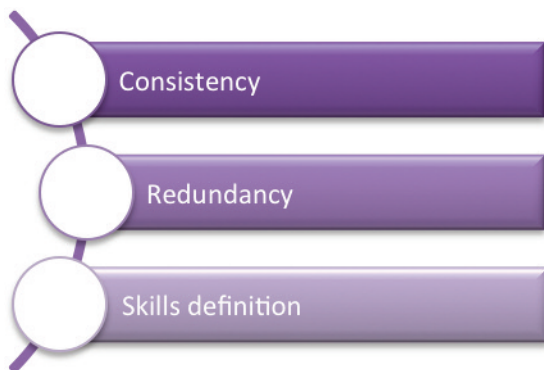
CONSISTENCY

The emphasis in industry thus far has been to increase efficiencies in terms of cost and time, rather than on improving service quality and reliability. However the main source of cost and schedule overruns is re-work due to poor quality and unreliability.

Standard, repeatable operating procedures contribute to reliable performance and prevent, or at least minimise, the chances of human errors occurring.

Employees can follow the same workflow ensuring a more consistent, reliable delivery of work if they have an easy reference and can dig for more information as they need. The model that holds all the process knowledge of the company enables this.

Doing the job right the first time is the single most important factor for minimising the cost of designing and constructing world-class facilities.
Willis & Willis

REDUNDANCY

A traditional way of improving reliability is to introduce redundancy. Redundancy is useful for both risk identification and risk mitigation.

Redundancy is provided by some combination of duplication (two roles performing the same function) or overlap (two roles with functional areas in common).

Redundancy can now be made visible in the work process and therefore controlled and monitored.

SKILLS DEFINITION

As each task is detailed and its function in the overall work processes clearly defined, the required skills of the responsible party can easily be defined for HR and a more targeted recruiting and training programme can be set up. Training programmes can be tailored to increase awareness of the complexity of the process and interactions and competency models can be built to test competence based on the agreed process model.

KNOWLEDGE MANAGEMENT

Standard, Structured Source of Knowledge

Lessons Learned / Knowledge Transfer

Business rules
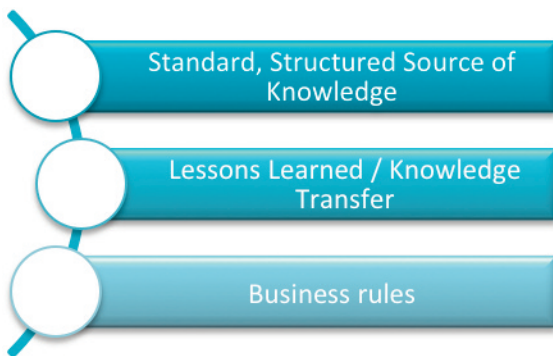
STANDARD, STRUCTURED SOURCE OF KNOWLEDGE

Each task has associated work instructions and guidelines, checklist and other information connected or coupled to it. So the relevant required information is directly to hand, so there is no time spent in trying to locate the knowledge or expertise.

Knowledge management processes are embedded into normal work processes so that they do not seem to be a burden on the individual.

> *Knowledge has to be improved, challenged and increased constantly or it disappears.*
> **Peter Drucker**

LESSONS LEARNED/KNOWLEDGE TRANSFER

Another characteristic of a high reliability organisation is constant knowledge transfer.

Any lessons learned or improvements identified can be linked with the associated task in the

model. This means that the information is available where it is needed and easily retrieved.

In business where learning about technology and organisation is continuous, remarkable flexibility in responding to unexpected events results leading to a more robust, reliable and successful business. Using the process model to capture this information means it can be used in process workshops, or lead back into service or product development for example.

BUSINESS RULES

The business rules explaining why certain tasks are done and how they are performed are frequently not documented and not easily accessed leading to people performing tasks in their own way. The business process model makes these explicit and can demonstrate their impact. Being part of the model enables them to be regularly review, challenged and improved.

STANDARDS & REGULATIONS

- Continuous Monitoring
- Segregation of duties
- Effective Auditing / Process Certification
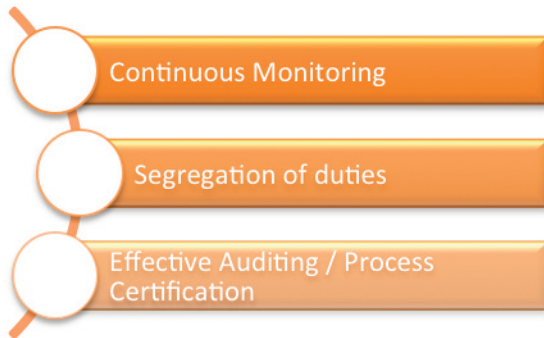
CONTINUOUS MONITORING

In most companies, the work instructions and procedures are kept in a binder and only accessed during audits or when they need to be updated.

Now each work instruction is graphically represented in the process model and should reflect how the work is actually done.

The work instruction is now "alive" and continuously monitored as people use the model.

SEGREGATION OF DUTIES

A critical factor in any control process is that there should be some segregation of duties.

With the roles and responsibilities assigned to each task, clear segregation of duties can be ensured and demonstrated.

EFFECTIVE AUDITING/PROCESS CERTIFICATION

If the procedures do not reflect the correct working processes it will result in, individuals having to risk sanction or discipline for adapting rules in order to get the work done or having parallel systems in place where everybody does it "their own way".

A fault in the interpretation of observations, seen everywhere, is to suppose that every event (defect, mistake, accident) is attributable to someone (usually the one closest at hand), or is related to some special event. The fact is that most troubles with service and production lie in the system and not the people.
Dr. W. Edwards Deming

The business model mitigates this since the working process generates the work instructions and procedures. Auditing of the work processes now becomes easier and consequential.

ISO requires clear ownership, control procedures and record keeping which are all inherent in the business model.

Facilities such as 'where used' for a particular business role or risk control can be used to develop audit checklists.

Furthermore, the work processes are easily visible and allows auditors to raise meaningful questions about the normal operations and decisions.

CONCLUSION

You should now be convinced of the value of business process modelling but is this vision realistic and has any body done it?

Yes is the answer to both though not many organisations have the maturity across the implementation of the proposed model that they can demonstrate all aspects together. As modelling tools move away from a just a diagramming capability to a 'real life' representation of processes and from an IT technical perspective to alignment with business needs then businesses can see the benefits. We use XSOL, a tool that has been specifically designed to address these needs and its track record in large and small businesses to undertake tasks from complete business management systems through ERP implementations to singular applications such as Disaster Recovery procedures is impressive.

Please contact Rod or Gayatri@enterpriseprocessmodelling.com so we can demonstrate the 'wow' factor of this approach.

Rod Horrocks

Rod has over 40 years consulting to a wide range of industries both large and small, in the public and private sectors. His role is facilitating senior management teams and their staff to align their business strategy through business processes to systems. These systems are then implemented alongside an improvement program, with robust and appropriate performance measures that ensures the systems support the business achieve its' strategic objectives.

Rod also regularly mentors management teams and directors, helping them to create robust strategic plans and his facilitation skills allow him to drive discussions and challenge thinking.

We focus on the 'people' side of change programmes.

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We'll help you innovate your organisational structure.

Taking your business to a better place

At H3 Partners, we provide Business Change Programmes using Organisational Change Management frameworks to help transform a business from within.

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