PAPER
2 Virtuous Circles of BPM
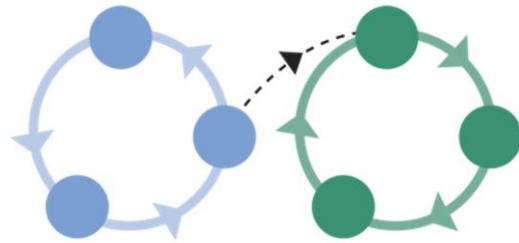
Business Process Management
Putting process at the center of business management

![leonardo consulting logo]

2 Virtuous Circles

putting process at the center of business management

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ABSTRACT

This paper discusses the pathway from strategy to execution and how this is most effectively achieved from a process-based management perspective. It begins by illustrating   the links between the development of strategy themes, determining the organization's   value propositions, and documenting the highest levels of the business process architecture.   The use of *2 Virtuous Circles* is then proposed for the ongoing management of the business   processes that create, accumulate, and deliver value to an organization's customers and   other stakeholders, and hence execute its strategy.

A fictive case study, the Whyte & Brite Laundry, is used to illustrate the process pathway to strategy execution. Practical advice is offered about the ongoing management of organizational performance with the *2 Virtuous Circles*.

CONTENTS

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Insights in Summary

The Issues

There is a disconnect, a chasm, between strategy and process, between the mission-vision statements and the business process pathways that operationalize strategy. With the strategic view 'coming down' and the process view 'going up', they can both fade to gray before meeting and the strategy loses its clarity, and process activity fails to coalesce as holistic management practice. Nice slides, love the artwork — but not much practical outcome.

The Answers

Linking strategy themes directly to process value chains makes it much more likely that the strategy will be executed and the processes will be effectively managed. Beyond the creation of the establishing artifacts, an ongoing mechanism of *2 Virtuous Circles* is proposed. The PO circle determines if process adjustment is required in response to a current or emergent performance anomaly, or a development opportunity, and the PI circle discovers, details and delivers the change.

Practical Steps

1. Define process architecture, measures, governance
2. Empower Process Owners to turn the PO circle
3. Enable all staff to be involved in turning the PI circle
4. Support with constructive and creative leadership
5. Focus on organizational process performance
6. Deliver proven benefits
7. Keep the circles turning

Practical Benefits

The PO circle continually uncovers current and emergent process performance issues and opportunities.

The PI circle seeks, finds, and effects the changes required to close the performance gaps and deliver innovation.

Together the *2 Virtuous Circles* embed a system of performance improvement, achieving much more than either alone.

'Circular momentum' advances organizational performance, resisting the influences that seek to maintain the status quo.

The Process Pathway

Organizations exist to exchange value with customers and other stakeholders - that's *strategy*. They do this via a series of coordinated activities across a number of functional elements of the organization - that's a *process*. It makes sense to optimize these processes so that they satisfy the requirements of customers and other stakeholders - that's *process improvement*. Taking a coordinated view of the performance of all of the processes by which an organization exchanges value, optimizes performance - that's *process management*. Process management allows organizations to focus on activities that create the value exchange outcomes described by the strategy - that's *execution*.

That's good theory, but the practice is often not quite so fruitful. Discovering the strategy and documenting the processes can be challenging; even more difficult though is to make them effective management tools for strategic and operational decision making. Strategy is executed via business processes. For the 'process pathway' to be effective, there must a smooth flow from strategy to day-to-day process performance management, and back.

Disconnected

For many organizations, and their teams and people, there is a significant disconnect between strategy and process, between the mission-vision-values statements or their equivalents and the business process pathways that operationalize the strategy. Strategy development is inherently a top-down activity. Business process management and improvement is often conducted in a bottom-up or middle-out fashion. With the strategic view 'coming down' and the process view 'going up', there is a real chance that both fade to gray before they meet. In the resulting 'gray zone' the strategy loses its clarity and purpose, and process activity fails to coalesce into holistic management practice.

Figure 1: The Gray Zone

Too many organizations end up with (at least) two seemingly unrelated conceptual views of the enterprise: the strategy, perhaps with strategy themes and a strategy map, and the process view shaped as
value chains, process hierarchies and detailed models. Nice PowerPoint, love the artwork — but no practical support for organizational performance improvement and
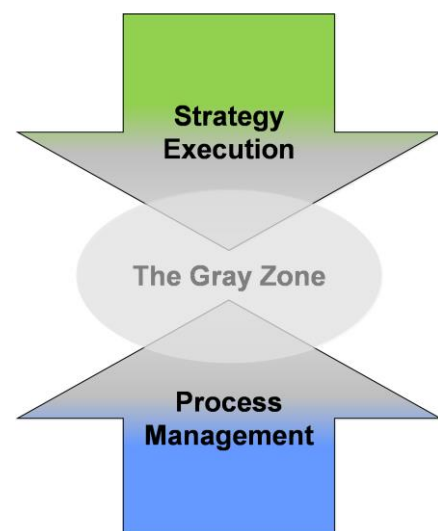
innovation   aspirations.

Developing a more coherent view of the inter-relationships between strategy and process makes it much more likely that the strategy will be executed and the processes will be effectively managed.

Developing Strategy

Without meaning to downplay the difficulty and complexity of developing statements of strategic intent (mission, vision, values etc.) it does seem that this activity is sometimes made more complex than it needs to be. Where there is disagreement amongst the stakeholders then, of course, that makes life very difficult. What need not be difficult is the general approach to facilitating and resolving those discussions.

Developing strategy is essentially about answering three challenging questions:

1. Who are we?

2. Who are our customers and other stakeholders?

3. What we do for each other?

Who are we? What do we want to achieve? What do we have to offer? What are our strengths and weaknesses? How are we different to others? How will we be perceived?

Who are our customers and other stakeholders? Who will want our offerings? Why? Why us? What is our target market? Apart from customers, who else must be satisfied?

What do we do for each other? What is our value proposition? What will customers and other stakeholders be prepared to exchange for that value?

The strategy development exercise results in artifacts such a strategy map and strategy themes or their equivalents, along with strategic objectives.

Developing strategy is not simple, but the process is essentially as described above and the best deliverable is a (deceptively) simple set of words describing a coherent strategic intent.

The Whyte & Brite Laundry (*see description box*) has been through an extensive strategy development exercise. After many sessions, some of them long and fraught, they've produced mission and vision statements, along with strategic objectives and a strategy map that highlights strategy themes. This gives a coherent view of who they are, who their customers are, why they choose them, and what they offer each other.

The Whyte & Brite Laundry has operated successfully for six years and employs 73 staff. When they first started, it was just Barbara Brite and Mike Whyte working in Mike's garage. Now they have a large purpose-built site with nearly a million dollars invested in plant and equipment to service two types of customers: commercial and personal.

Personal customers are individuals who drop off, and collect, clothes for cleaning and ironing. Barb and Mike know that the key to the personal customer business is friendly, personal service.

Commercial customers, e.g. hotels and hospitals, have large amounts of regular washing. Whyte & Brite tender for this work and the contracts detail service levels for on-time delivery of high quality service. There is no personal contact and performance is measured on contractual terms.

Whyte & Brite has four strategy themes that encapsulate its strategic intent:

- Customer Care Excellence

- Service Innovation

- Environmental Excellence

- Organizational Capital Development Excellence.

A diagram that is useful in many contexts is the *organization diagram* from the BPTrends Enterprise Certificate training course. This diagram, derived from the Rummler and Brache Relationship Map[1], can be used in many ways and becomes a form of diagrammatic repository for strategy and process information.

The example in Figure 2 shows the strategy themes for the Whyte & Brite Laundry. In this diagram the large colored box is the Whyte & Brite organization and everything outside of the box is the external environment in which it operates.

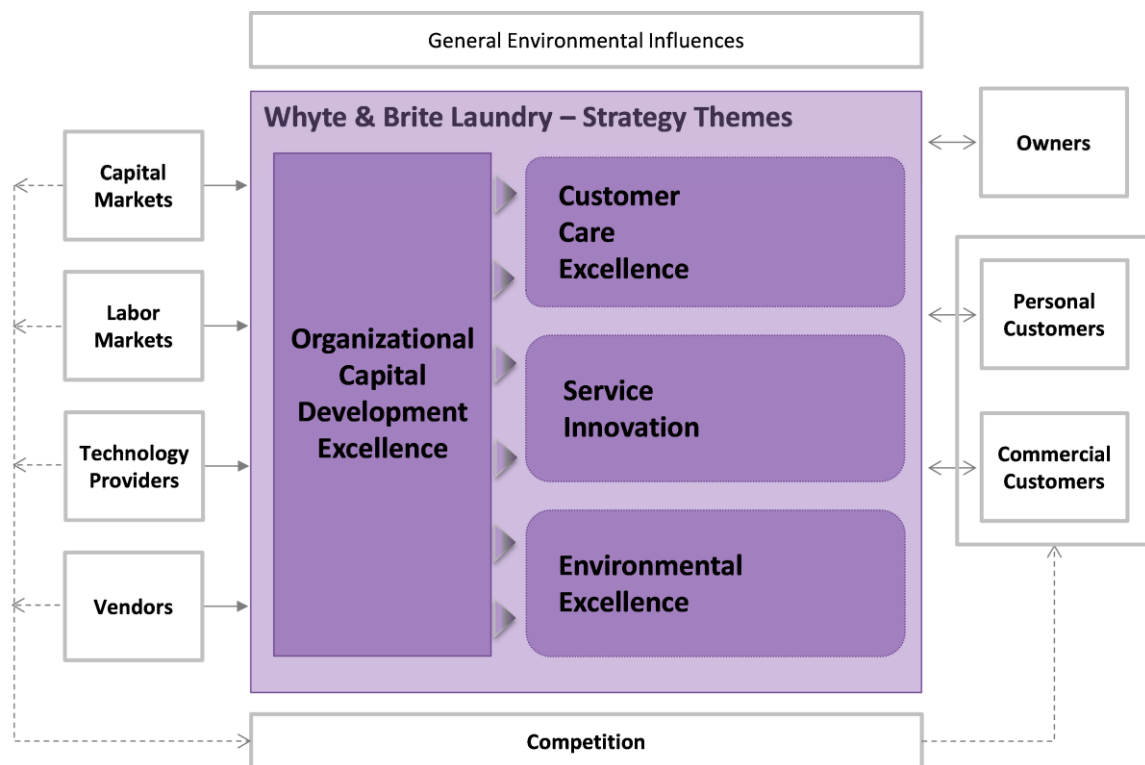**Figure 2: Whyte & Brite Laundry Organization Diagram**

We'll leave Mike and Barb at Whyte & Brite Laundry, and their strategic intentions, for now and come back after we've considered how processes will operationalize their strategy.

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[1] Rummler, A. R., and Brache, P. B. "Improving Performance: How to Manage the White Space on the Organization Chart". John Wily & Sons, San Francisco. 1995.

Managing Processes

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. Test that if you need to: can you identify a single box by itself, delivers value t can't. Nobody can.

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.
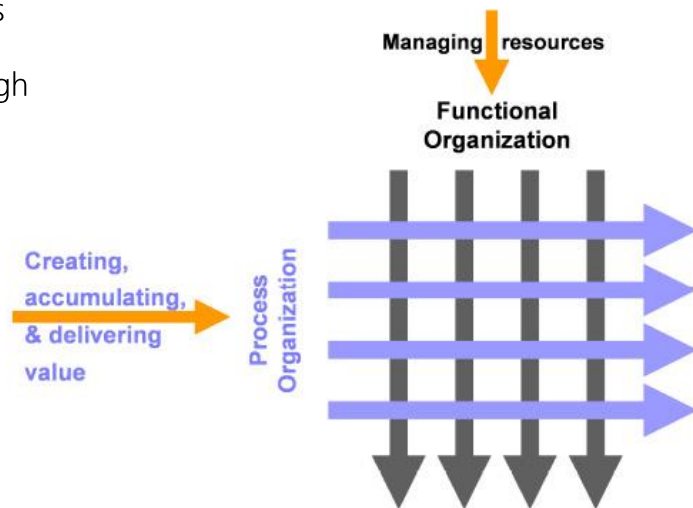
Figure 3: Functional + Process Perspectives

As illustrated in Figure 3, 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 to discover the 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 key artifact in effective process-based management is the *enterprise process architecture*. An enterprise process architecture is a hierarchical model of the processes of

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

No doubt there are many ways to shape a process architecture. The way that has proven to work well for many is to distinguish management, core and support processes.

Core processes are the ones that deliver value to the customer. Management and support (sometime called enabling) processes are there to make it possible for the core processes to work. So *Define strategy* is a management process, and *Support staff lifecycle* is a support process. Note that these are very large and significant processes, and the fact that they are   not called "core" processes says nothing about their importance. The core processes cannot   work without the management and support processes. Management processes are   generally dealing with policy and strategy; support processes are generally about operational logistics.

At the highest level, the core processes are represented by one or more *value chains* which   represent the value propositions offered by the organization to its customers. Hence the Whyte & Brite process architecture is as shown in Figure 4.

Figure 4 highlights two particular support processes because of their relevance to the strategy themes – more on that later.

The multi-layer process architecture shows all of the processes by which Whyte & Brite delivers value to all of its customers and other stakeholders. Along with process performance measures, measurement methods, and an effective way to respond to performance anomalies[2], the process architecture addresses the troubling circumstance in the traditional

Lead The Organisation

a   t   ss s

Core Value Chains

Provide Personal Laundry Service

Provide Commercial Laundry Service

Support The Organisation

Innovate Service Delivery

Control Environmental Impact

Other Support Processes

Figure 4: Whyte & Brite Process Architecture

[2] See the companion paper *Putting Process at the Center of Business Management*.
http://www.leonardo.com.au/publications.html

functional model where nobody is in charge of tracking value delivery.

Strategy + Process

Figure 5 closes the loop, by combining Figure 2 and Figure 4, showing how key processes operationalize the strategy. The link between high level processes (and their sub-processes) and key elements of the strategic intent facilitates a clear view of how the strategy is executed. Particular initiatives related to the strategy can now be seen as changes to the   related processes. Measurement and management of process performance tracks the   execution of the strategy.
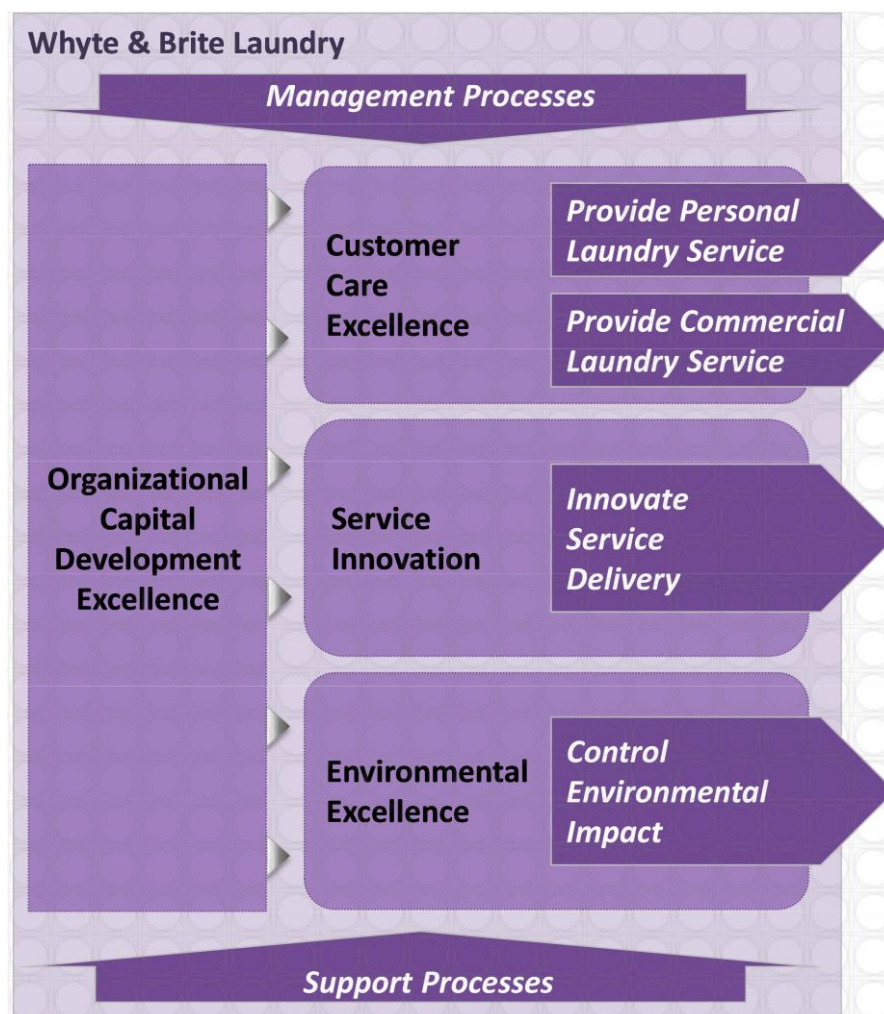

Figure 5: Strategy Themes + Processes

The Chasm

Drawing on the lifecycle chasm concept first made popular by Geoffrey Moore[3], Paul Harmon has spoken of a BPM maturity development chasm[4], as shown in Figure 6. Surveys

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

of BPM Maturity, including the biennial review by BPTrends[5], show that most organizations that are undertaking some form of process improvement and management are between levels 2 and 3, with many never crossing the chasm to level 3. This is a serious problem because the significant, whole-of-organization benefits are realized at level 3 and above.
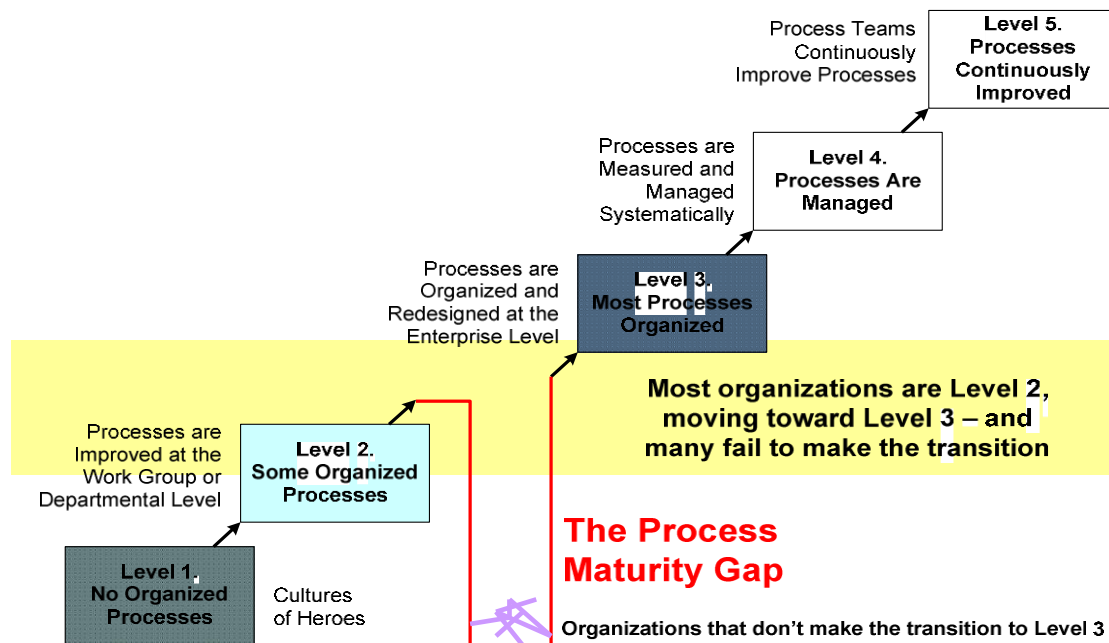

Figure 6: The Harmon BPM Maturity Chasm

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.[6]"

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.

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[4] Paul Harmon. *The State of Business Process Management*, presentation at Building Business Capability Conference, Las Vegas, November 2013.
[5] Harmon, Paul and Celia Wolf, 2014. The State of Business Process Management 2014. Accessed 23 August 2014. http://www.bptrends.com/bpt/wp-content/uploads/BPTrends-State-of-BPM-Survey-Report.pdf
[6] Personal correspondence between Paul Harmon and the author, 26 August 2014.

To achieve and sustain level 3 requires important differences. The key change is that an enterprise process architecture 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. Based on a thorough understanding of the process and its operational context, opportunities for small and large improvement can also be sought quite separate to solving performance problems. This makes the process view and resulting activities a strategic, as well as operational, imperative. At BPM maturity level 3, the organization is showing signs of a genuine process-aware culture.

For most organizations there is a significant gap between their aspirations for higher levels of BPM maturity and the lived reality. This is not to say that crossing the chasm is too hard or too

Figure 7: Reality-Aspiration Chasm

dangerous to be attempted. The lesson is that to be successful organizations need to understand what is involved and prepare properly for the crossing.
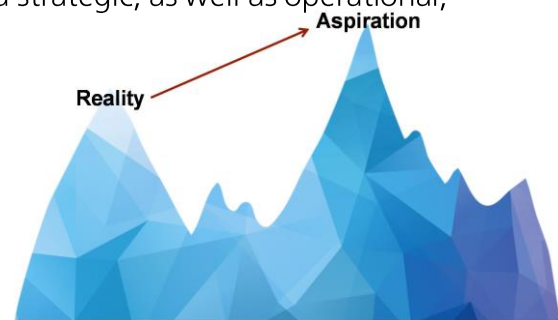
Crossing the Chasm – 2 Virtuous Circles

To their significant benefit, many organizations cross the chasm. In the latest published data from the BPTrends State of BPM Survey[7], about 38% of respondents are at levels 3-5 with approximately 60% 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 and innovation in how they create, accumulate, and deliver value to their customers and other stakeholders.

How do they do that?

Two virtuous circles facilitate and deliver process-based management at high levels of BPM maturity. The general concepts have been derived by the author from projects across a range of industries and in several different countries. Implementation details vary, but the basic structures are present in successful process-based management environments.

The two virtuous circles are the PO Circle (Process Ownership) and the PI Circle (Process Improvement) as shown in Figure 8. Key activities in the PO Circle are *Target-Measure-Respond*. In the PI Circle the key elements are *As Is-To Be-To Do*.

[7] ibid

The PO circle is continuously and deliberately testing the performance of all processes to see if their actual or emergent performance gaps or innovation opportunities 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.
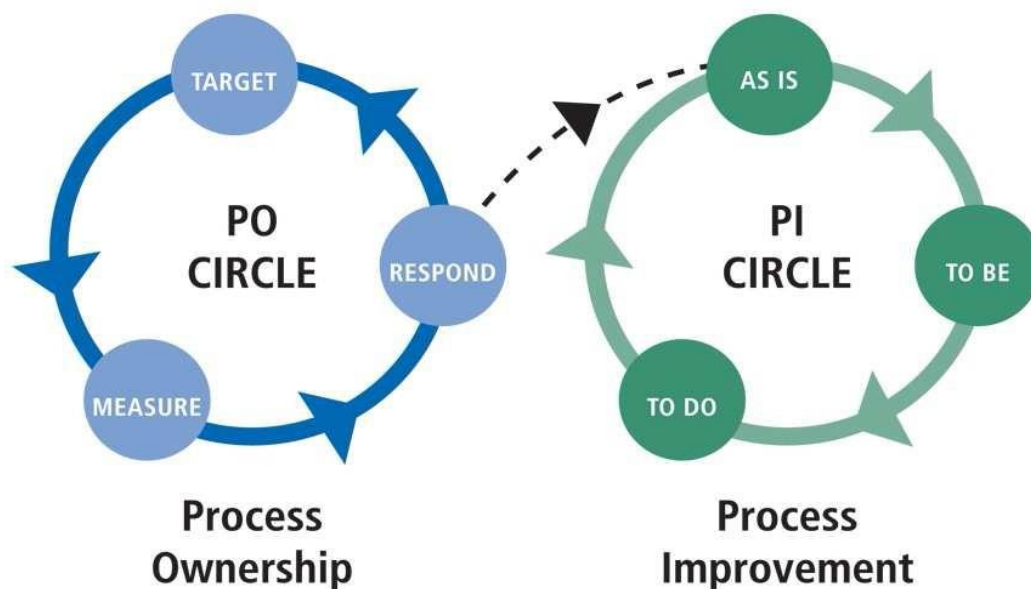

Figure 8: 2 Virtuous Circles

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 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, or a development opportunity, and the PI circle discovers, details and delivers the change.

Note that the conscious process management activity starts with the PO circle. The requirement is to be continuously aware of performance gaps or opportunities to challenge   the status quo 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 results of PO circle analysis. Pervasive process improvement should be a deliberate management act. Effective ongoing process improvement requires a constant search for processes that can be 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 continue 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
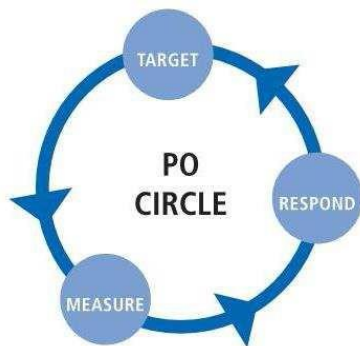
Target-measure-respond is the essential cycle of process-based management. Identify a process and set a target, measure actual performance, and respond to the results if intervention is warranted. This is the main game; all process management and process improvement comes down to this. If we aren't discovering processes to improve, 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 also measuring and reporting business process performance rather than the performance of organizational units alone, i.e. focusing on value-creation chains from the process architecture as well as resource-management objects from the organization chart.

Some practical suggestions for the target-measure-respond cycle are presented below.

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, appropriate 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? Even if a process appears to be working well, i.e. it is meeting current performance targets, could we create a new level of performance – incremental process performance improvement is the norm but occasionally we need a disruptive step-function change to avoid complacency.

Figure 9 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 enough.

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 (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.

Figure 5: ProMeasure™ - Process Performance Measures

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 and then hide the
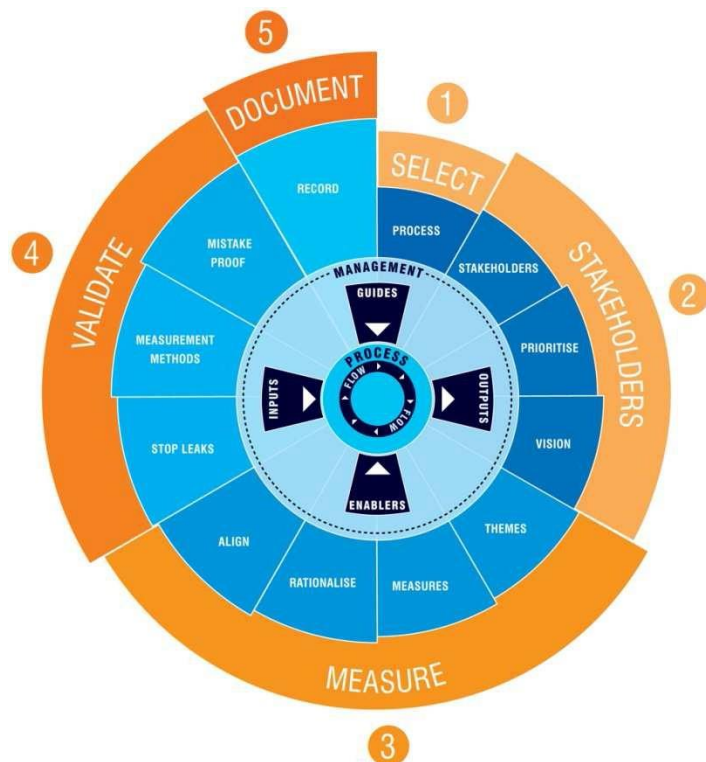
data. Regularly publishing process performance data will nurture a process-aware culture   and may even have a process improvement effect.

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 measurement is 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, or to opportunities to 'raise the bar' for process performance, 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:

- commission a Process Improvement Project (PIP)
- request more analysis of the underlying data
- collect more, or different, data to give deeper insights
- discuss the issues with those involved in executing key parts of the process
- 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 Process Owner.

> **Embedding the PO Circle**
>
> A corporation involved in the approval of regulated service change requests was receiving serious complaints about the time taken to process applications. These complaints were coming from major stakeholders; the situation was critical. The complaints were justified as the data showed that while the average approval time was six 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. Certainty was restored.
>
> 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 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.

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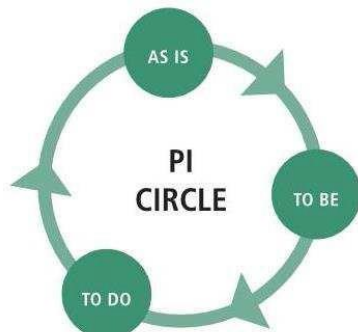
As Is-To Be-To Do is the classic process improvement cycle – understand the current situation, define the target, and design the activities required to achieve the change.

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 (see Figure 10), 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 they cannot all be canvassed in detail here. However, some comments about key issues and common failure modes are offered.

As Is

There is almost always an As Is, if not for the organization, then for its customers and other stakeholders. If the temptation is to think that what a process does is uniquely new, check whether that is the case for everyone – perhaps it's new for just this organization.

Is it clear 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 have been 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. Clearly it's important to know the difference.
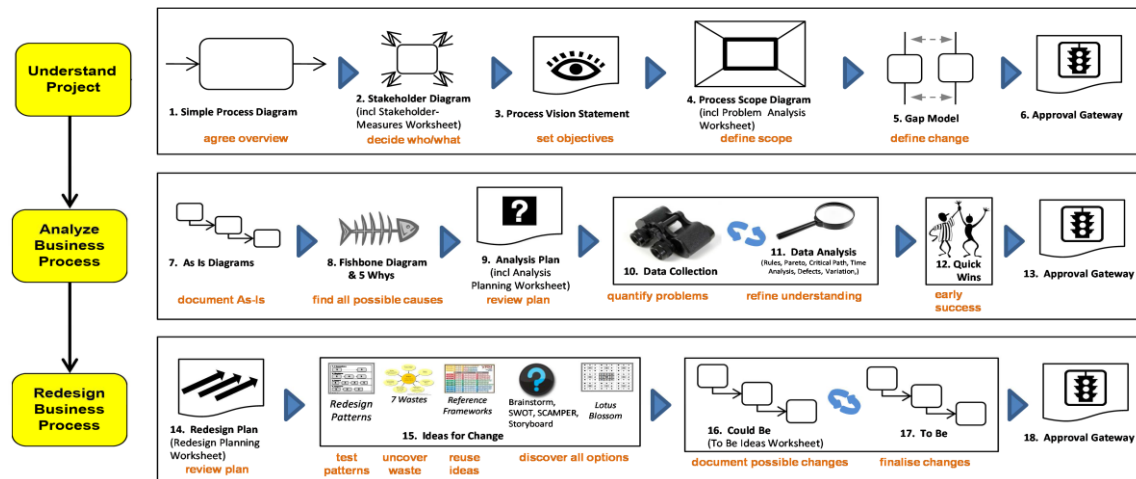

Figure 10: BPTrends Redesign (diagram by Roger Tregear, Leonardo Consulting)

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. Analysts are seldom asked to make minor changes to inconsequential processes, but rather are more often asked to deliver 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 *all* the opportunities and their constraints, and then to flush out *all* the   possible change ideas. Culling should be done from a long 'could-be' list of change options   to avoid the possibility of culling from a short list that fails to identify the best options.

The process improvement focus is too often restricted to resolving operational problems. If   the airport check-in counter queues are too long there are many things that might be analyzed: physical queuing arrangements, number of check-in staff available and their level   of efficiency, common problems that slow the process, possible IT changes, etc. … or we

could challenge the need for check-in counters, or even the need to check-in. What if a simple fingerprint scan was all that was needed to check-in? Or perhaps the arrival of the passenger's phone checks them in automatically. What queue problem? In his seminal Harvard Business Review article[8], Michael Hammer took an extreme position in this regard   advising "don't automate, obliterate".

Process improvement is not about making lists of the obvious. It's about knowing what problems need to be resolved, or which opportunities might be realized, and pushing the envelope to find all the possible change ideas, and then choosing the best. This should be a conscious, creative, 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 in the normal   course of process governance.

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 for the process-based management approach. There are many confirmed examples such as the following:

- a retail bank recorded $30 million in annual savings
- 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 agency reduced the cost of delivering aid by 75% saving lives as well as money
- a regulator increased inspection rates by 500% with exactly the same resources.

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[8] Hammer, Michael. 1990. "Reengineering Work: Don't Automate, Obliterate." *Harvard Business Review*.

PO or PI First?

Does the PO circle always come first? If an organization isn't ready for full-on process-based management, and just wants to improve a process, all that is needed is the PI circle which will 'turn' anytime for any reason. The real question is how to make the business case for process-based management, i.e. to make the case for getting both circles turning.

There are two perspectives. Where there is C-level support for the idea of process-based management, the business case reflects the compelling idea that processes deliver value and therefore must be managed. When the idea of process-based management doesn't immediately resonate, the hook needs to be more short term and practical, e.g. cost savings, shorter cycle times etc. If the idea of process-based management strikes a chord with decision makers, they will see the value of the PO circle. If the focus is on quantitative improvements to particular processes, then starting with the PI circle will make more sense. Having been round the PI circle a few times, the value of the PO circle will become apparent. Eventually everyone needs to see processes improved, it's a question of where you start.

Two Circles – One Objective

The two virtuous circles illustrate the simplicity and the complexity of process-based management.
Turning 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, and to capitalize on opportunities. Responding to these outcomes, the PI circle seeks, finds, and effects the changes required to close the performance gaps and realize the benefits.

Once established, and when well maintained, the 'circular momentum' facilitates continuous improvement and offers resistance to any other influences that might otherwise act to slow it down.

With the *2 Virtuous Circles* turning, strategy is executed through continually optimized and actively managed business processes.
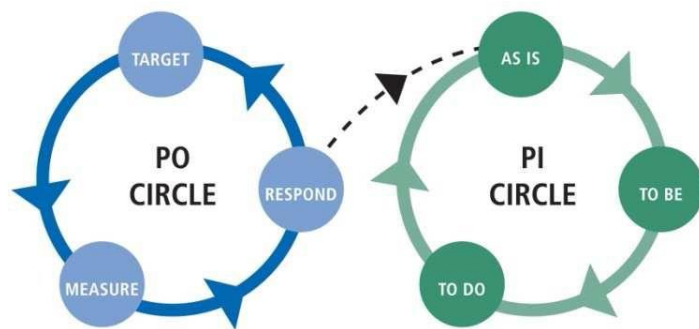
In Practice…

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

Clarify Strategy

Clarify the organization strategy making sure there is a shared understanding. Can you clearly and consistently answer the three key questions? *Who are we? Who are our customers and other stakeholders? What do we expect of each other?* Identify the strategy themes and capture them in an organization diagram.

Develop an Enterprise Process Architecture

Define the processes that create, accumulate and deliver value to your customers and other stakeholders. Understand and document the customer value propositions allowing the definition of core value chains. Link the value chains to the strategy themes.

Decompose the value chains to at least one more level.

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. An enterprise 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.

Measure the Processes

Without measurement there cannot be management, and there is no way to validate improvement. Determine process performance measures for the value chains and level 1 processes. If these processes were working to the level that the key stakeholders would like, what would they be doing and how would that be tested?

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.

Report on Performance

To achieve and sustain effective process-based management, set genuine process performance targets, and regularly collect and transparently report, the outcomes. Objective 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

Start with 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 helps to keep them going. Once process-based management can be demonstrated and its benefits proven, keeping it going (indeed expanding it) is straightforward.

--ooOoo--

2 Virtuous Circles Poster

A one-page poster summary of the 2 Virtuous Circles concept (see Figure 11) is freely available on request to r.tregear@leonardo.com.au. Please say how many copies you would like and provide a mailing address. The poster is A3 in size (297 mms X 420 mms) and folds to half of that size (A4: 210 cms X 297 cms).
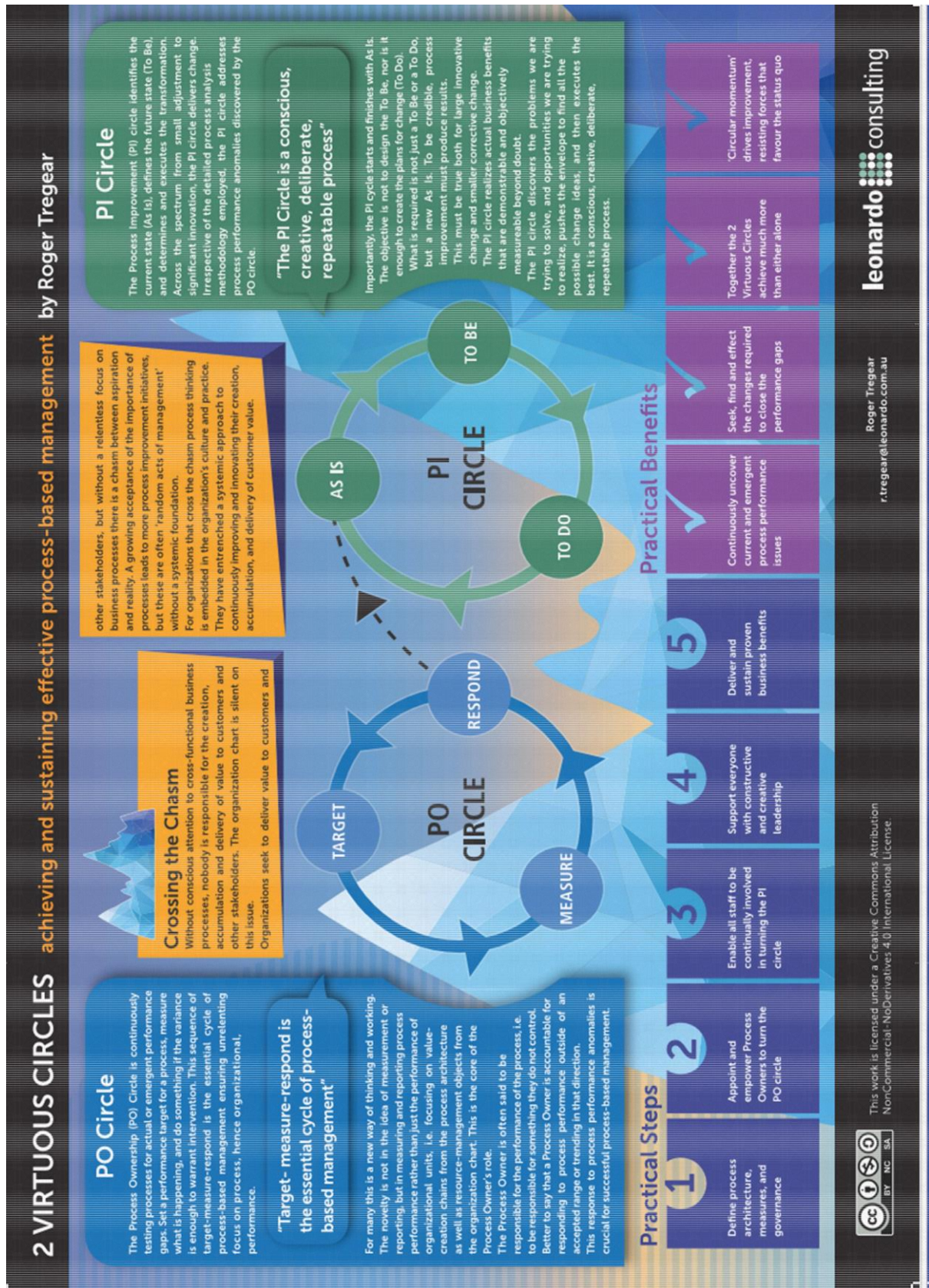
Figure 11: 2 Virtuous Circles Poster

About the Author

As a Consulting Director with Leonardo Consulting (www.leonardo.com.au) Roger Tregear delivers BPM courses and consulting assignments around the world. He has worked and presented in many countries: Australia, Bahrain, Belgium, Jordan, New Zealand, Nigeria, Saudi Arabia, South Africa, South Korea, United Kingdom,
United Arab Emirates, and the USA. Based in Canberra (Australia), Roger spends his working life talking, consulting, thinking and writing about analysis, improvement, innovation, and management of business processes. His work with clients is on short and long term assignments, in organizational improvement/innovation 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-based management.   Roger can be contacted at r.tregear@leonardo.com.au.

Leonardo Support

For 15 years Leonardo Consulting has been a trusted advisor delivering quality education, technology and consulting services across many industry sectors around the world. The Leonardo team of experienced consultants is unrelentingly focused on helping customers achieve their goals using business process-centric management approaches. The   approach is process-centric; the focus is performance-driven.

Leonardo Consulting has extensive experience, with proven methodologies and tools, to   help implement and sustain effective process-based management. Education programs,   management system design, coaching, mentoring, and implementation reviews are all   available from experienced consultants to establish and maintain contemporary business process management best practice.

Additional Reading

More information about the Leonardo approach to effective process-based management can be found on the Leonardo website: www.leonardo.com.au/publications.html.

More information on BPM and related topics can be found at the Leonardo website and at www.bptrends.com. Roger Tregear's column,
Practical Process, is published by BPTrends and all columns can be accessed at the website (enter "Tregear" in the search field). Many of the columns are also available as a single collection in the Amazon Kindle book, *Practical Process*.