



National Audit Office

Maturity of process management in central government: Cross-government findings

NAO Strategic Theme: Cost Effective Delivery

December 2010

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This output is aimed at:

- Board members accountable for continuous improvement.
- Business process owners.
- Managers and staff who work in business processes.

Why process management is important to government

- We are using the term process management to cover the principles and application of a range of approaches to running and improving business operations (for example Lean, Continuous Improvement, Kaizen, Six Sigma and Business Process Re-engineering).
- Good process management has been identified by government as one component in response to current delivery challenges.
- Good process management is a proven way to remove non value adding activity while improving service to customers and reducing costs.
- Process management helps organisations to focus effort and performance improvement on their most important activities.
- There are a number of private sector examples and emerging public sector examples of transforming business performance through strong process management.

Why process management is important to the NAO

- The NAO's role is to assess and help improve value for money in government, to identify good practice and influence government and its partners to adopt the good practice.
- Over £300 billion passed through the business processes operated by the organisations covered by this maturity assessment in 2009-10. It is important for departments to deliver good value for money from these business processes.
- Our intention is to continue to examine process management and provide analysis for government and Parliament to help improve process performance.

The basis for our maturity assessment

- Our approach applies a process perspective to how government organisations manage business operations. Our analysis provides a point in time assessment of the maturity of process management in government.
 - It assesses performance against **five interrelated areas** which represent the key elements of strong process management; strategy, information, people, process and improvement.
 - This output covers **12 government organisations**. Each assessment comprises evidence from **three operational processes** and **organisation wide enablers**.
 - It is based on an organisation's evidence against **40 questions** that focus on **how** things are done rather than **what**. Each question has an associated maturity statement which describes the characteristics of strong process management.
 - There are a number of **evidence statements** for each question that provide a **test for maturity**. A complete assessment records information against a total of **270 evidence statements**.
 - Our evidence is **data driven** and is categorised by what we **read**, what we **heard** and what we **observed**. We placed more **emphasis on what we observed** happening in practise within a process, rather than what we were told or had read.
 - We used evidence from assessments of **34 processes**, which the organisations nominated as examples of best practice, and performance against the associated **organisation wide enablers** to inform our judgements.

Summary findings

- There are some examples of good practice across government which other organisations could learn from.
- Few government organisations consistently demonstrate the characteristics of strong process management in their business operations.
- Our maturity assessment has highlighted three specific gaps in performance across government:
 1. Understanding the level and type of customer demand and implementing a planned response to changes in demand.
 2. Creating an environment where staff have an obligation to improve business process performance. Providing staff with the skills, training and support to do so.
 3. Making the case for change and proving the benefits.

Next steps

- These are the high level findings. We are looking to undertake further analysis which might cover:
 - The relationship between the maturity of organisation wide enablers and maturity of operational processes.
 - Analysis by type of process; for example responding to enquiries, decision making and direct customer service processes.
 - Further examples of best practice from across the public sector.
 - Examples of best practice from private sector organisations.
- We will also introduce elements of this approach into our Value for Money work programme where appropriate.

Overview of detailed findings





There are two levels to the presentation of our findings.

First, our assessment of performance is presented **against each of our five areas**, including:

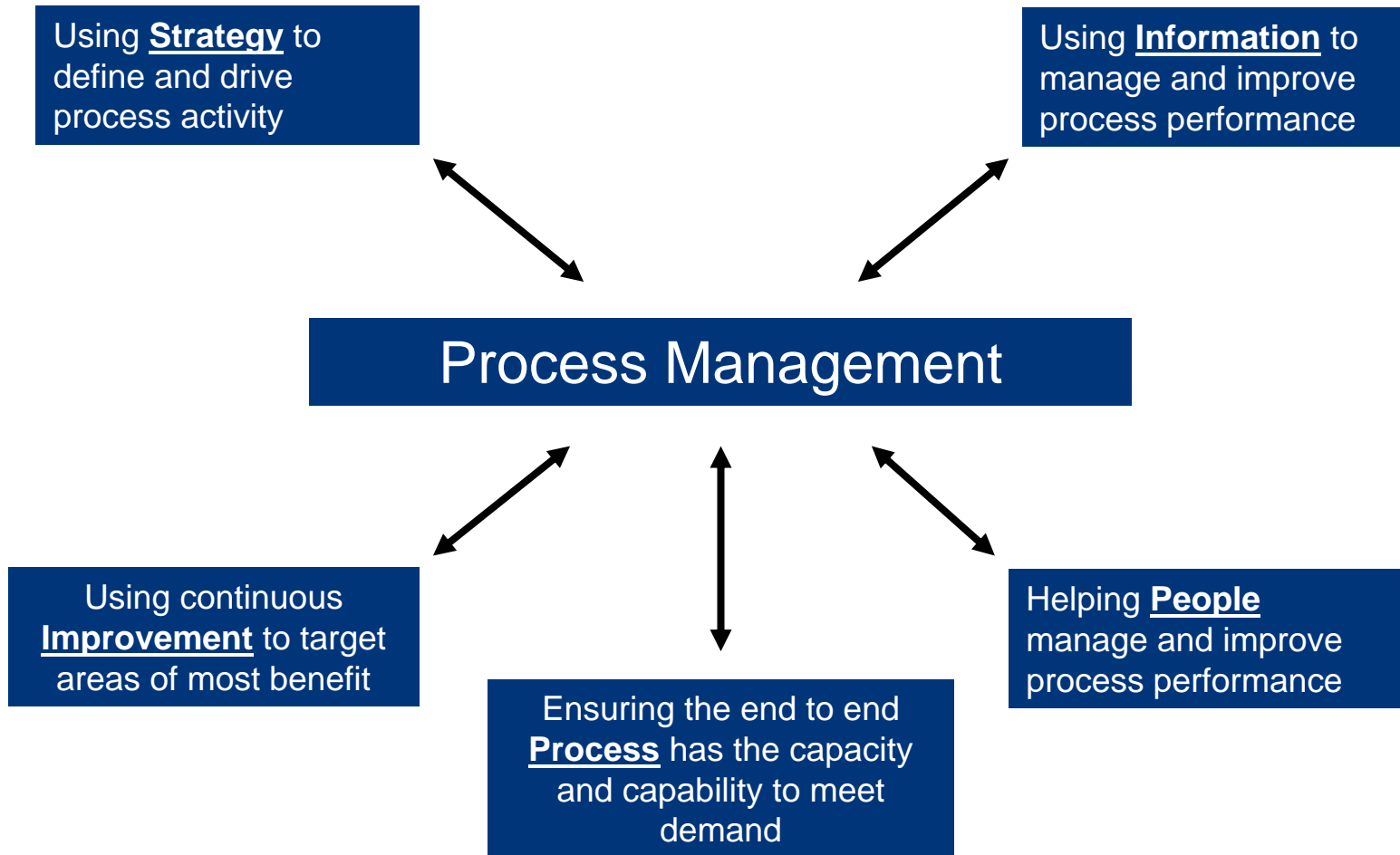
- A description of maturity for the area and why strong performance is important
- A summary analysis of strengths and opportunities
- Performance for each question in the area against our maturity ratings (see key below)
- A list of the questions within the area
- Real examples of best in class performance found during the assessment

Secondly, we summarise the three key performance gaps for government to focus on.

Key to findings

Rating		Description
Full maturity		Good evidence against partial and full criteria. Full maturity equals world class as detailed in each of the five areas
Partial maturity with a positive direction of travel		Good evidence against the partial maturity criteria and assurance that the organisation's past and current activity is likely to move the organisation towards full maturity
Partial maturity		Good evidence against the partial maturity criteria
No evidence of maturity		Limited evidence against the maturity criteria for the question

The five areas of our assessment



Using Strategy to define and drive process activity

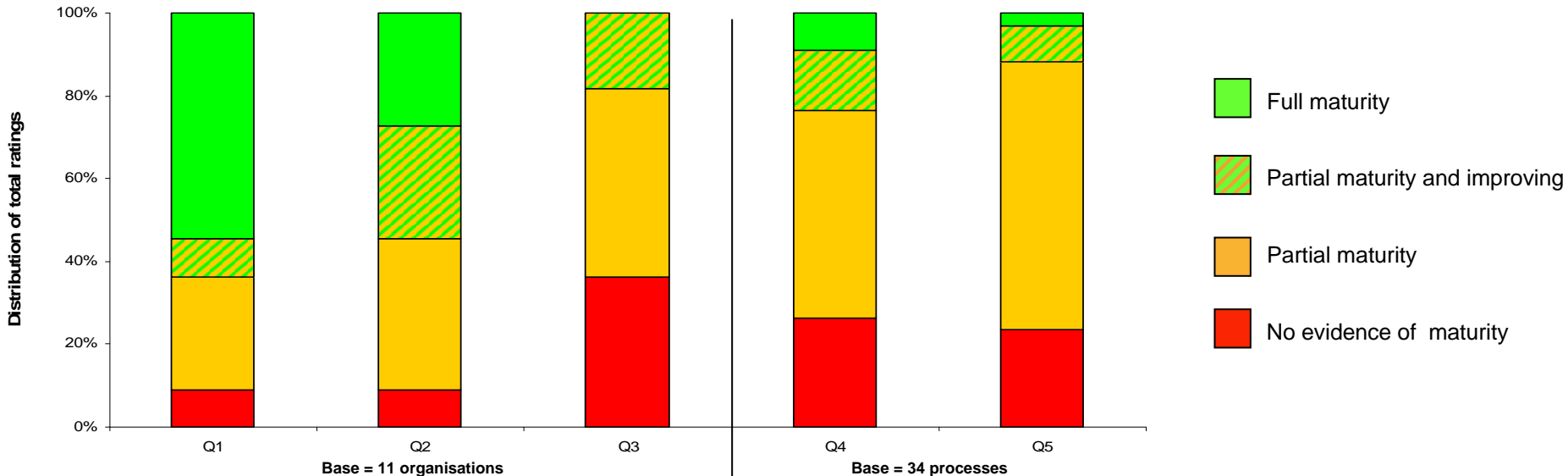
What we mean by Strategy and why maturity in this area is important

Characteristics of full maturity	Why is maturity important
<ul style="list-style-type: none">• The strategic objectives are the framework for prioritising activity and they drive all operational activity.• The organisation's strategic objectives are developed from an understanding of who the customer is and what the customer values.• The strategic objectives are well communicated and staff at all levels know how their own work contributes to the organisation's strategy.• Processes are designed with the customer's needs in mind and the associated operational targets relate directly to the organisation's strategic objectives.	<ul style="list-style-type: none">• Allows the organisation to identify the vital few activities and key performance gaps in existing processes that aim to deliver the strategic objectives or customer requirements.• Prompts a decision on whether specific business processes need to be performed in a different way or at all.• Makes for effective deployment of management time or continuous improvement resource in a constrained environment.

Cross-government performance in Strategy – high level findings

Cross-government performance

Strategy is the strongest area across government with the most examples of full maturity. More evidence of maturity for organisational level questions [Q 1-3]. Addressing customer needs is the weakest aspect at both operational and organisational level [Q3 and Q5].



Organisational questions

Q1 Does the organisation have a clear strategy and strategic objectives?

Q2 Is there a link between strategic objectives and processes?

Q3 Are customer needs considered when setting the organisation's strategic objectives?

Operational questions

Q4 Is there a link between the process and the strategic objectives?

Q5 Does the process meet customer needs?

Examples of best in class in Strategy

Examples of best in class

- The purpose and vision of the organisation is communicated to senior staff through an annual strategy conference led by the Chief Operating Officer. There is then a planned cascade from senior staff to teams. Staff objectives are updated to align with the new strategy.
- Planned cascades or updates in response to emerging priorities are communicated face to face within offices by managers. Time is provided for this activity with each office closing for an hour and calls transferred to a different office.
- The strategy is placed on the external website for the Department's stakeholders to reference. Where necessary, technical language is replaced.
- Team performance boards at process level explicitly reference the goals of process.
- The relationship between process team, business unit and the overall organisational objectives has been mapped.
- When the customer journey spans several different organisations, processing targets in each business area are designed to reflect the end to end customer requirement for the process.
- A central panel challenges business area plans by testing their alignment with the Department's strategic objectives as part of the annual budgeting process. Staff objectives are developed specifically to contribute to the business area plan.
- Strategies are drawn up by the end to end process owner for activities that span different business units. End to end objectives, underpinned by Service Level Agreements, are in place between different parts of the process.

Using Information to manage and improve process performance

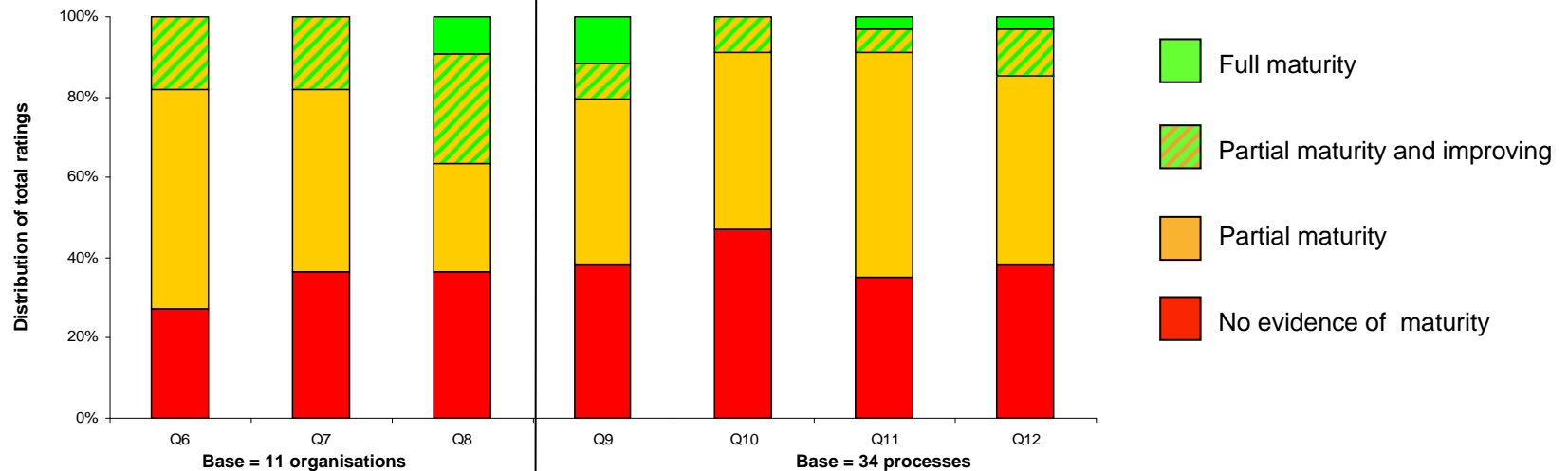
What we mean by Information and why maturity in this area is important

Characteristics of maturity	Why is maturity important
<ul style="list-style-type: none">• The organisation has a balanced set of measures from process level to board level to track delivery.• The measures align with strategic objectives.• The organisation understands how individual processes align and contribute to organisation performance.• Process metrics are visible to all staff and used to trigger containment and improvement activity if control limits are about to be breached (for example quality, delivery to the customer, cost and people measures).• Frequency of reporting is determined by the pace and risk of the process.	<ul style="list-style-type: none">• Provides visibility of the whole end to end process performance for the organisation's key activities.• Ensures the organisation is doing the right things by demonstrating the impact of operational performance on organisational results.• Makes visible the link between continuous improvement activity and results, including the cost of running the process and how that changes through process improvement.• Tracks problems in the process as they occur and triggers the appropriate response. For example common, repeated problems trigger process redesign and one-off issues trigger day to day problem solving.

Cross-government performance in Information – high level findings

Cross-government performance

Information is one of the stronger areas across government although there are few examples of full maturity. Evidence that government performs better at setting measures than linking process measures to organisation measures.



Organisational questions

Q6 Does the organisation have measures in place to assess performance against strategic objectives?

Q7 Is there evidence that management information is used regularly to monitor performance by all levels of the organisation?

Q8 Is management information used to trigger continuous improvement activity?

Operational questions

Q9 Do measures link from the organisation level to the operational level?

Q10 Are there measures to assess performance against customer expectations?

Q11 Does the organisation regularly monitor process performance?

Q12 Is management information used proactively to drive continuous improvement activity at process level?

Examples of best in class in Information

Examples of best in class

- Problem solving is part of the structure of board meetings with performance information used to identify problems across the organisation and to prioritise where to respond.
- Trend analysis is performed at intervals appropriate to the pace and risk of the process. It is used to report issues across all business units and to initiate action points against a prioritised list of key risks.
- The organisation uses the input of customers and key stakeholders to develop measures which track performance against the key strategic objectives. The measures are a split of inputs [for example, costs] and outcomes which, dependent on the objective, can be a delivery or quality metric.
- Business unit measures are designed to align with the organisation's overall performance reporting. The business unit's process measures include time, quality and delivery. The results are available to individual staff working on the process and displayed on posters around the building. Staff can run real-time management reports to track their personal progress against current demand.
- Data is collected on the performance of the overall end to end customer journey as well as the contribution made by each process step. This informs overall organisational performance reporting.
- End to end process performance measures are tested and refined. Those that do not provide information which can be used to monitor performance and inform decision making are stopped.
- The quality measure of each process step [that is, how many times that staff member completed the process correctly and right first time] is a key part of performance appraisal for staff.
- Performance meetings between teams and managers happen on a weekly basis where reporting packs are presented and used as the basis for planning improvement activity. Senior management send a weekly email to all staff that includes an analysis of performance results.

Helping People manage and improve process performance

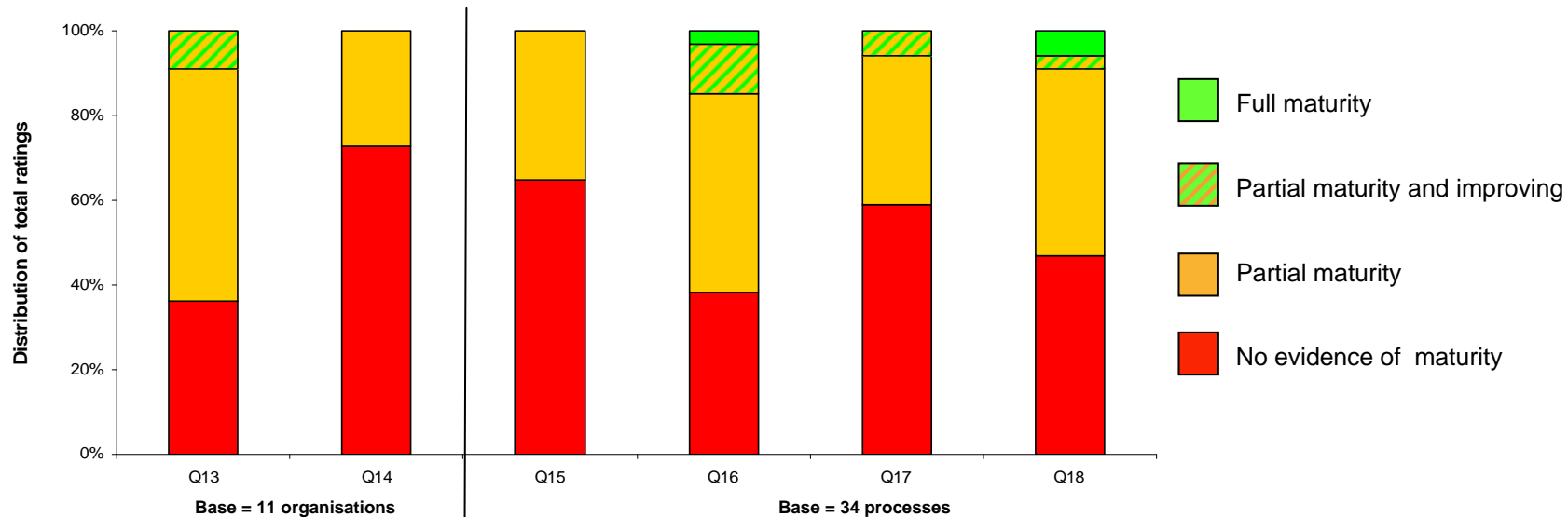
What we mean by People and why maturity in this area is important

Characteristics of maturity	Why is maturity important
<ul style="list-style-type: none">• Leaders encourage staff to highlight problems so that they can be solved rather than assign blame.• Process level staff are rewarded for identifying any impediments which prevent them from completing the process.• Teams have the authority to make changes which improve services to the customer and generate business benefits.• Teams understand the skills required to complete processes and are aware of any gaps in the skills available to the team.• Continuous improvement is rewarded as part of formal performance management.• Leaders value the long term benefits of effective process management and are continually building the capacity and capability of their organisation in these areas.	<ul style="list-style-type: none">• Staff at all levels are obliged to apply the principles of continuous improvement as part of daily operations.• The right environment is in place where staff have the skills, time, training and visible support from leaders to perform effective process management.• Teams take responsibility for owning and improving the performance of their process, with appropriate incentives in place.• Continuous improvement support and expertise is available to process teams when more specialised skills and experience is required.

Cross-government performance in People – high level findings

Cross-government performance

People is one of the weaker areas across government with few examples of full maturity. There are few organisations that invest in the skills and resources required to complete and improve business processes [Q14]. For most processes, staff had the necessary skills to complete the process [Q16]. However this characteristic is fundamental to effective delivery and the number of processes with no evidence of maturity is a concern.



Organisational questions

Q13 Do leaders create the right environment for effective process management and continuous improvement?

Q14 Do leaders invest in process management?

Operational questions

Q15 Do staff have the right environment for effective process management and continuous improvement?

Q16 Do operational staff have the necessary skills to complete the process?

Q17 Are operational staff encouraged to improve the process?

Q18 Is there a process owner with defined roles and responsibilities?

Examples of best in class in People

Examples of best in class

- There is a recognised end to end process owner with documented roles and responsibilities. These roles and responsibilities comprise line management for one business unit within the end to end process and also responsibility for encouraging collaboration between all the different business units to ensure effective end to end delivery to the customer.
- All process teams have a skills matrix which is updated monthly. The matrix details the skills required to complete the process and staff are rated as red, amber, green against these skills. Training (formal or informal) and on the job mentoring is triggered if the team does not possess the required skills or capacity. Staff sign off that they have the skills required to complete the process, and this is reviewed as part of monthly catch up performance discussions with the team leader.
- All new staff go through a standard three week induction process which includes formal training and on the job mentoring on the core skills required to complete the process. The team leader and the new staff member sign off that they are competent in the core processing skills.
- Teams are encouraged to identify anything which interferes with them completing the process on a standardised Concerns, Containments and Countermeasures strip. A daily team meeting is held to discuss performance against weekly targets and any problems which the team have raised are discussed. The team is encouraged to solve problems itself.
- The organisation has established standard training in process management which is delivered through a training academy. The courses are externally accredited. Awareness training in basic principles and techniques of process management are included as part of the induction process for new staff. The organisation has established three levels; awareness, practitioner and expert and understands the number of staff it requires at each level.
- All process staff have had awareness training of process management techniques and team leaders have practitioner level training. Both groups can escalate to a cadre of experts when the team does not have the requisite level of specialist skills.

Ensuring the end to end Process has the capacity and capability to meet demand

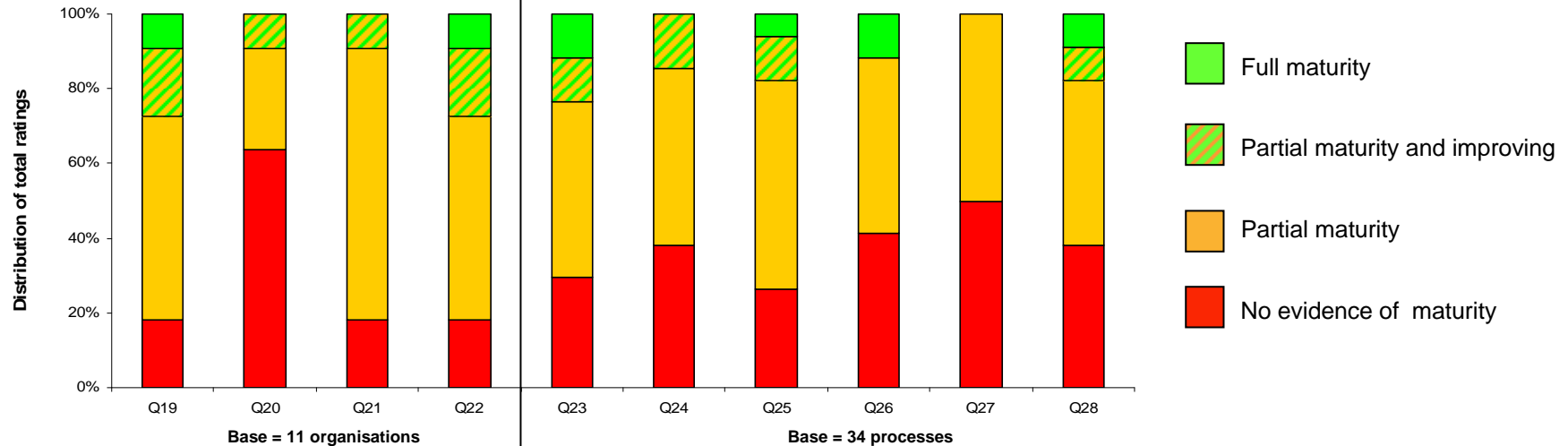
What we mean by Process and why maturity in this area is important

Characteristics of maturity	Why is maturity important
<ul style="list-style-type: none">• End to end processes are understood whether they operate within individual business areas, across several business areas or across multiple organisations.• The level and type of demand, and its relationship to capacity, is a key factor in process design.• The business' suppliers, inputs, processes, outputs and customers are understood by process teams.• Staff are trained to complete the process in a standard way, right first time.• Clear roles and responsibilities are assigned to named individuals for carrying out the process and for escalating issues.	<ul style="list-style-type: none">• Ensures the organisation understands how an action in one part of a process can cause a reaction and impact elsewhere in the end to end delivery process.• Joins processes up across different organisations. Clusters process thinking around the common needs of the customer rather than the specific service delivered by one organisation.• A standard way of working enables the organisation to plan controlled process changes and redistribute processing workload without impacting on cost, quality and delivery.

Cross-government performance in Process – high level findings

Cross-government performance

Process is one of the strongest areas across government although there are few examples of full maturity. More evidence of maturity for organisational level questions [Q 19-22]. There are only a few examples of partial maturity regarding how processes flow end to end to the customer [Q 20]. This is fundamental to effective delivery as many processes in government span different business units or even different organisations.



Organisational questions

Q19 Is it clear how the business plan links to operational activities?

Q20 Is there clarity on how operational processes flow end to end to the customer?

Q21 Does the organisation actively manage any change in operational requirement caused by changes in government priorities?

Q22 Is there clear accountability and ownership of processes?

Operational questions

Q23 Can staff articulate how their part of the process contributes to the end to end service provided to the customer?

Q24 Is there the capability (ability to meet quality of service) and capacity (to cope with volume) to meet customer demands?

Q25 Is the process documented and standardised (i.e. is the process executed the same way each time)?

Q26 Does the organisation have the necessary compliance process and audits in place to ensure documented procedures are followed?

Q27 Is there the necessary knowledge and agility to respond to changes in customer demand?

Q28 Is there an understanding of what the customer wants and when, even if their requirements change?

Examples of best in class in Process

Examples of best in class

- Reviews of compliance with the process [at work breakdown level] are undertaken by senior team members.
- Mystery shopper exercises are used to validate the process from the customers' perspective.
- Internal Audit undertake process audits and reviews of process enablers such as training, security, and induction packs.
- The results of quality checks performed by an independent assurance team are fed back to individuals via team leaders. These are noted on personal files and included in staff Personal Development Plans.
- Internal and external customers have been defined, including the characteristics of "types" of customers and their quality requirements. This has been communicated to all staff.
- Process maps define the internal and external customers. Internal customer feedback is used weekly to inform whether the quality criteria has been met. Further specific feedback from customers is triggered when the quality threshold is breached.
- All staff understand the end to end process including process steps which occur in different organisations upstream. Teams from different organisations regularly help define and improve the process, as do specialist independent suppliers to the process.
- The process has built in seeming inefficiencies within one part of process which have quality and delivery benefits upstream.
- There is an operational delivery network that involves representatives from three different business functions to bring organisational silos together. The networks' remit is to manage the risk to the customers' end to end journey. The network reviews customer complaints and takes evidence from customer representative groups.
- An understanding of demand is a key element in the design of the process with demand segmented into types [by source] and demand levels tracked at 30 minute intervals. The performance of the process is analysed against the level of demand which the normal level of staffing can satisfy. If this level of activity is likely to be breached, the team leader can call in trained resource from other teams until demand returns to normal levels.
- All staff follow the process procedures with no variation. Desk aids are visible to staff to clearly show the work breakdown that they should follow for each step in the process, including control tools such as templates, scripts and check lists.

Using continuous Improvement to target areas of most benefit

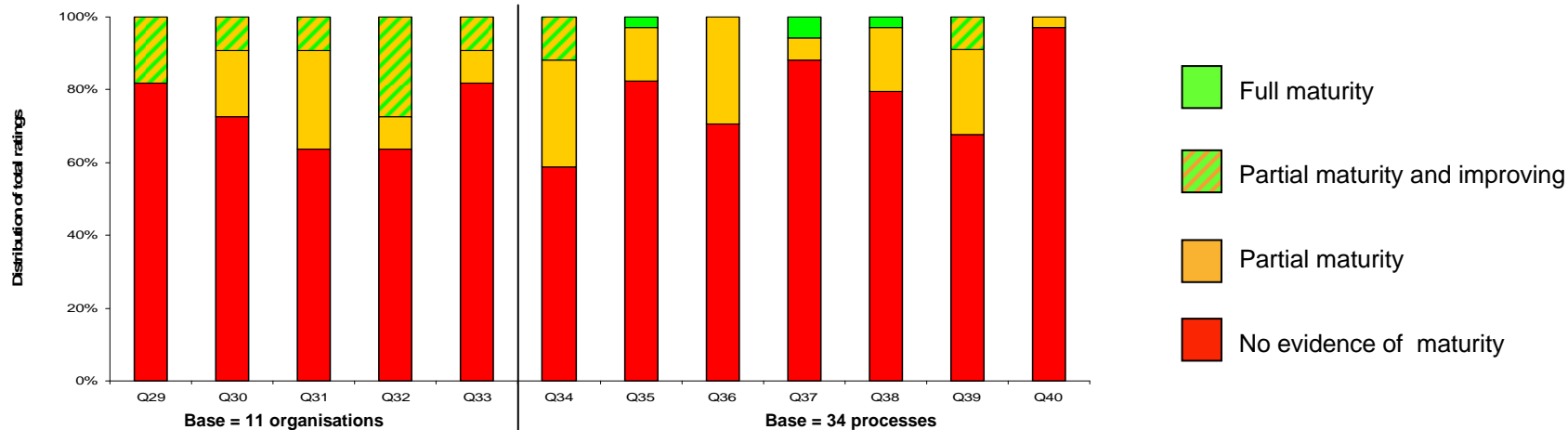
What we mean by Improvement and why maturity in this area is important

Characteristics of maturity	Why is maturity important
<ul style="list-style-type: none">• Improvement activity is prioritised based on the cost of improvement versus the benefits to the customer and the organisation.• The organisation has a consistent approach to continuous improvement which staff are trained in and use appropriately.• All staff, including senior management, have a proportion of their working time allocated for continuous improvement.• The benefits and costs of continuous improvement activity are tracked and reports show when the benefits have been realised.• Lessons, on what worked and what didn't, are shared across the organisation and used to develop standard ways of improving processes.	<ul style="list-style-type: none">• Enables the organisation to effectively deploy people and transfer knowledge on continuous improvement in any part of the business.• Continuous improvement is incorporated into normal work.• Proves the case for investing scarce resource and focuses the organisation on sustaining any improvements.• Enables the organisation to understand the value delivered from improvement activities and to inform whether to replicate the improvement activity elsewhere in the organisation.• Ensures that effort expended on improvement is targeted on priority areas.

Cross-government performance in Improvement – high level findings

Cross-government performance

Improvement is the weakest of the five areas. Although continuous improvement activity is taking place in many of the organisations, it rarely exhibits the characteristics of full maturity. The few notable examples are only present at operational level [Q35, 37 and 38]. There are examples of organisations where continuous improvement is a priority to the organisation [Q 29] and of consistent approaches to continuous improvement [Q32]. These organisations are, in the main, developing ways of working which suggest they could achieve full maturity.



Organisational questions

Q29 Does the organisation have a consistent approach to continuous improvement?

Q30 Is continuous improvement activity measured, monitored and reported?

Q31 Are the results of continuous improvement projects shared across the organisation?

Q32 Is continuous improvement activity a high priority within the organisation?

Q33 Does the organisation understand the return on investment of continuous improvement activity?

Operational questions

Q34 Has any improvement activity been undertaken on this process?

Q35 Is there a consistent approach for improving processes?

Q36 Does the organisation allocate the relevant resources and time for continuous improvement?

Q37 Does the organisation support staff to develop the necessary skills to continuously improve processes?

Q38 Is improvement measured, monitored and reported?

Q39 Are the results of continuous improvement projects shared across the organisation?

Q40 Does the process measure the costs and benefits of continuous improvement activity?

Examples of best in class in Improvement

Examples of best in class

- Each improvement project has a standard reporting pack for the key metrics to ensure consistency in reporting and these incorporate a balanced set of hard and softer measures including improvements in quality, delivery and benefits to the customer.
- All staff take part in continuous improvement activity as part of day to day activities. Ideas are put forward via the team board.
- There are courses on process improvement for staff, for example on specific tools and techniques to be used as part of improvement events. There is a system in place so that gaps in continuous improvement skills are identified through staff performance management, quality checks and process performance reporting. Training is arranged through an established continuous improvement academy.
- Being a continuous improvement practitioner is an established career path, with practitioners deployed across the organisation where their expertise is required.
- The organisation has a standard approach to continuous improvement rooted in lean principles. Staff have been trained in tools and techniques such as Value Stream Analysis and Practical Problem Solving.
- The organisation has a network of national development centres responsible for identifying and piloting improvements to specific business processes. A Continuous Improvement Steering Group contains one member from each area of the organisation to decide on the applicability of any changes identified; e.g. a local solution versus a national roll out.

The three key performance gaps across government

- Across government the evidence for **five** of the **40** questions **exhibited at best partial maturity** with no positive direction of travel. This suggests that no government organisation will move towards full maturity without a change in their approach to process management.
- The five questions highlight three key performance gaps for government to focus on:
 1. **Understanding the level and type of customer demand and implementing a planned response to changes in demand** Organisations do not have a sufficient understanding of the levels and types of demand on their processes nor use this information to forecast and plan the capacity required. This limits their ability to plan controlled process changes and redistribute effort without impacting on cost, quality and delivery in response to changes in customer demand.
 2. **Creating an environment where staff have an obligation to improve business process performance** Few organisations provide staff with the skills, training, time and support to enable them to improve processes or provide incentives for them to do so.
 3. **Making the case for change and proving the benefits** Few organisations follow up to ensure the predicted benefits from improvement activity have been realised. There is limited use of Return On Investment calculations [for example, payback periods] to inform decisions on where best to target improvement activity.
- We are planning to identify good practice in these areas either elsewhere in the public sector or in the private sector. Our aim is to disseminate this good practice in 2011.

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