

Managing business operations – what government needs to get right

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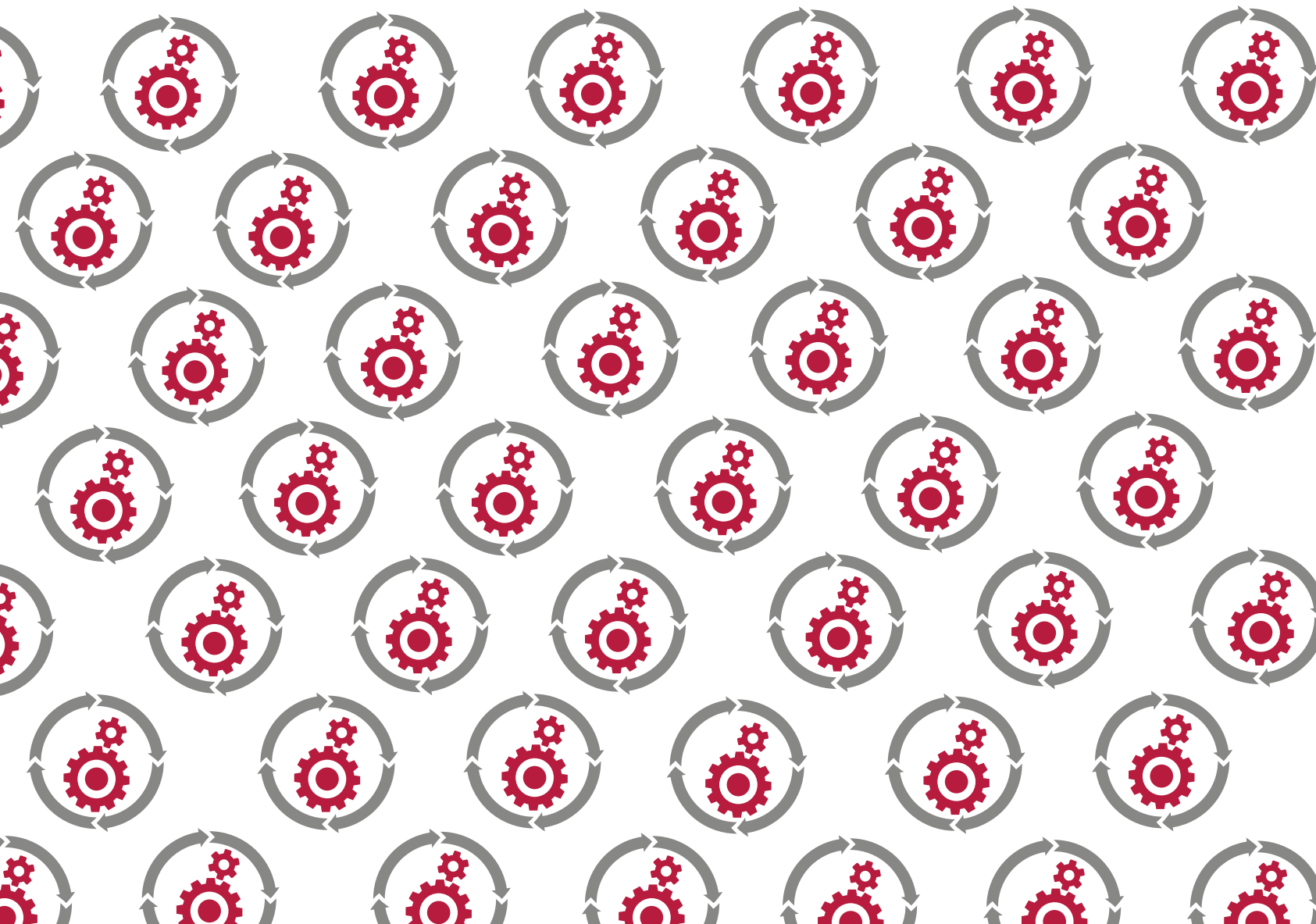
[The NAO operations and process
management practice.](#)

The authors express thanks to the numerous government and private sector organisations that helped in creating this publication and for their input in developing and supporting the practice's approach since 2008.

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Summary

Government spends around £600 billion each year on running its business operations. It is vital that government is capable in managing business operations to provide good services for users and value for money for taxpayers.

We have been applying a systematic approach to assessing government's capability in operations and process management since 2010. During this period we have examined 32 government organisations incorporating 86 operational processes. In this output we present our analysis of government capability from those assessments.

We're publishing this output to share what we're learning. It is an overview of our understanding of the problems government organisations face, the actions taken to address them and our analysis of what government needs to get right.

In a series of complementary outputs, we will present our findings with a focus on what matters most for different stakeholders, expanding on our core analysis. These outputs will provide more detail on what groups such as board members, non-executive directors, the government professions, continuous improvement communities, those running all types of operations and the centre of government need to do to improve operations management in government.

Our findings

Government has scope to significantly improve its capability in operations and process management. Most government organisations have invested significant time and money in improving capability. Some, as a consequence, are improving services and generating financial benefits but more can be done.

There are four themes from our analysis that correlate most strongly with having operations management capability:

- Having a customer focus.
- Managing from a whole system, end-to-end perspective.
- Building an effective management and leadership environment.
- Using information to improve the business.

Establishing maturity in these four areas will help government achieve value for money. In the last six years a quarter of our value-for-money studies made recommendations relating to the four themes. There is an upward trend in the occurrence of these themes in our recommendations between 2010 and 2014.

Improving capability will help government to make sound operational decisions on an ongoing basis that improve services and remove costs beyond the short term. It will help government respond to the challenges and tough decisions of spending reviews, to build organisations that manage and improve daily business better, and to manage all types of change by understanding the operational consequences and their capability to cope with it.

A whole organisation approach is required. Our work shows that organisations cannot improve operations management capability by structural changes alone or by using a tactical project by project approach.

Why government needs to get operations and process management right

Good operations and process management helps organisations improve and transform delivery

Good operations and process management is a proven way of improving services to customers while reducing costs. It's about running your whole business better, from how strategy is created and deployed to how individual services are managed. It helps people within all levels of a business by focusing their efforts on improving performance against what matters most in achieving the organisation's goals.

For organisations considering significant change, good operations and process management creates a strong platform for successful implementation and for sustaining and increasing business benefits in the longer term.

Some government organisations are consciously adapting and applying the principles of specific approaches to managing and improving operations such as systems thinking, lean and continuous improvement. Many exhibit the characteristics of good operations and process management without applying a conscious approach. It is not the approach that matters rather the benefit that it is bringing in running the business better and providing improved services.

Government faces significant challenges in managing its business operations

Government has a range of challenges in managing its operations. Many are illustrated in our back catalogue of work:

- **Financial challenges.** Austerity is continuing. Department budget cuts have been announced and more are likely over the course of this Parliament; but the easier options have gone – government needs to think more radically about how to transform service delivery in a sustainable way.
- **Customer challenges.** Demands and demographics are changing and expectations are high – the public expects government to provide services in the same way and to standards demanded in other sectors.
- **Policy challenges.** There can be tension between the desire to implement policy quickly and the need to fully consider the operational consequences, such as the capability and capacity of departments to provide new services. Our value-for-money work highlights examples where acting quickly takes precedence over producing long-term plans for the future services.
- **Structural challenges.** New delivery models require even greater thought about how to manage systems from end to end across organisational boundaries. Examples include increasing devolution, commercial and contractual relationships with the private and third sectors, collaboration between departments through implementation taskforces and delivery through autonomous bodies such as academies. Our work on financial sustainability of local authorities highlights how good decision-making requires an understanding of the situation on the ground and the knock-on effect of the various funding choices made by departments in Whitehall.
- **Capability challenge.** Departments need to ensure they have the capacity and capability to meet these challenges. This includes building expertise in areas such as operations management and commercial skills. Government needs to integrate the required operations management knowledge and capability into the areas that are making decisions that have operational consequences.

Good operations and process management can help government to address these challenges

Good operations and process management provides a solid platform for organisation change by:

- informing transformational changes with evidence of the performance gap that needs to be closed and the likely effect of those changes in the operational environment;
- supporting organisations to take a longer-term perspective that goes beyond an annual slash and burn approach to financial challenges;
- enabling organisations to understand whether changes are operating as planned;
- supporting organisations to continuously improve after implementing change; and
- reducing reliance on specific individuals by building systemic capability and capacity to manage and improve daily business.

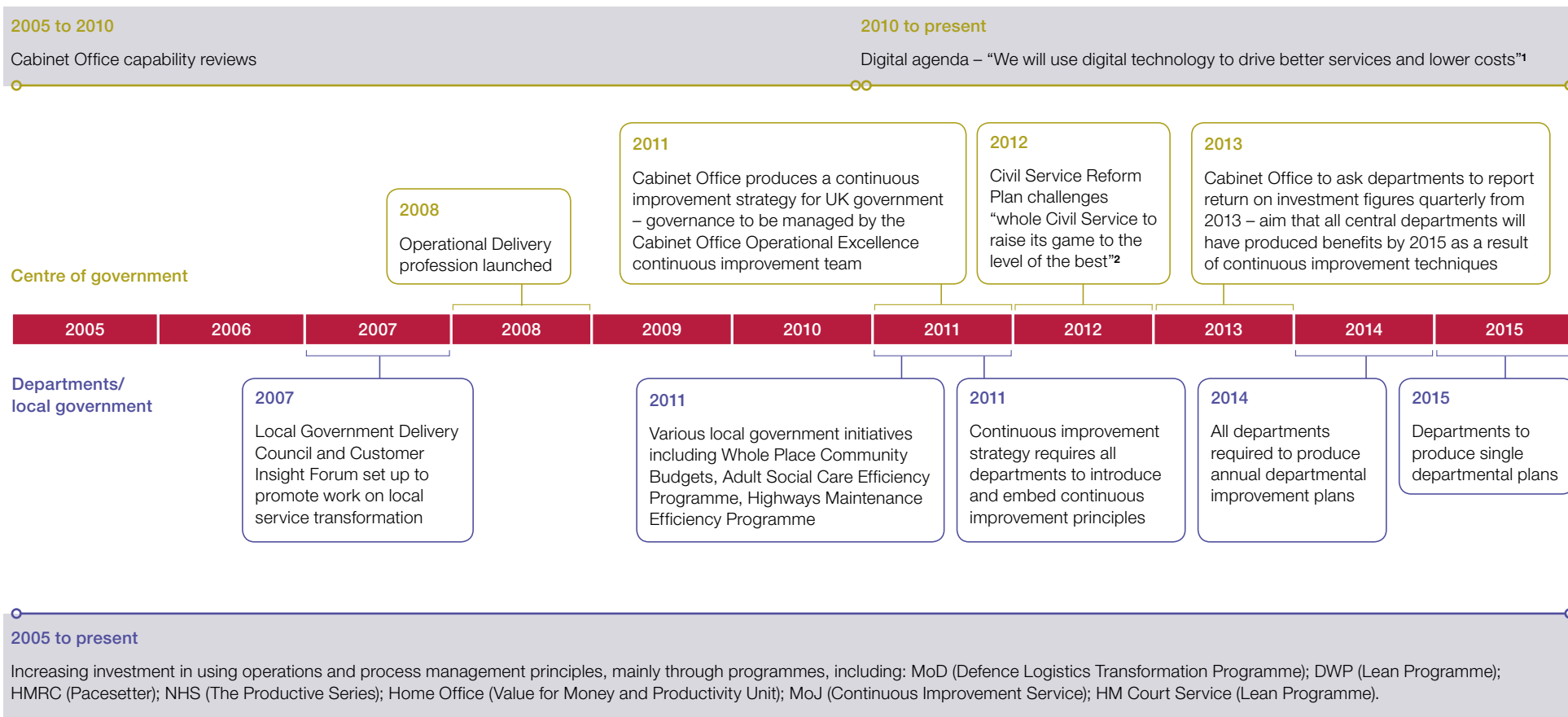
This capability helps with all types of change including:

- new initiatives driven by policy;
- step changes in the ways that services are delivered to customers, such as digital;
- changes to organisation structures or business models;
- daily changes in volumes and types of demand;
- changes in requirements from customers; and
- incremental changes to ways of working through continuous improvement.

Over the past ten years central and local government have invested significant resources in improving operational delivery

Government's investment ranges from department-specific programmes to centrally managed initiatives to strengthen the focus on operational delivery (figure 1). The Operational Delivery profession was created in 2008 and accounts for around 70% of central government staff.

Figure 1 – Government focus on operations management during the previous two Parliaments



Notes

- 1 Cabinet Office, 23 November 2010, available at: www.gov.uk/government/news/digital-by-default-proposed-for-government-services
- 2 Cabinet Office, *The Civil Service Reform Plan*, p. 3, 10 June 2012, available at: www.gov.uk/government/publications/civil-service-reform-plan

Good operations and process management brings real benefits

Government spends around £600 billion each year on running business operations. Improving operations and process management capability by just small amounts can bring substantial financial benefits. Public sector bodies in the UK and other countries have claimed significant benefits from applying the principles of good operations and process management. For example:

- New ways of working in RAF bases reduced the time it took to perform minor maintenance on aircraft by 19%, reduced turnaround times on engine repairs by 59%, and reduced the time taken to upgrade its aircraft by 43%. These new arrangements meant an extra 11 aircraft were available to the front line.¹
- The UK's Productive Ward programme aimed to empower hospital ward teams to identify ways of improving processes. A number of tangible and intangible benefits have been reported, including increased staff time spent with patients, improved staff morale, shorter length of patient stay and reduced readmission rates.²
- The Swedish Migration Board reduced waiting times by two-thirds meeting budgetary, legal, and policy constraints while under intense scrutiny and a dramatic increase in applications.³
- The City of Fort Wayne in Indiana used operations and process management principles to achieve significant cost savings while improving citizen satisfaction – for example, reducing the waiting time to fill a pothole from four days to three hours.⁴

Notes

- 1 Comptroller and Auditor General, *Transforming logistics support for fast jets*, Session 2006-07, HC 825, National Audit Office, July 2007, p. 6.
- 2 NHS Institute for Innovation and Improvement, *Rapid Impact Assessment of the Productive Ward: Releasing time to care*, January 2011. Available at: www.institute.nhs.uk/images/documents/Quality_and_value/productiveseries/Rapid%20Impact%20Assessment%20full%20report%20FINAL.pdf
- 3 McKinsey & Company, *The Lean Management Enterprise*, 2014, p. 143. Available at: www.mckinsey.com/client_service/operations/latest_thinking/lean_management
- 4 IBM Center for the Business of Government, Lally School of Management & Technology, *Improving Service Delivery in Government with Lean Six Sigma*, 2007, p. 12 and p. 15.

A case example from Washington State

Problem: Washington State is using a new approach to tracking and managing government accountability and performance. The previous performance management system worked, but it mostly focused on individual agencies rather than the whole system. It missed opportunities for collaborating with other agencies and partners on major quality-of-life goals.

Approach: The new *Results Washington* approach is bringing greater alignment between how the State measures performance and what matters to citizens. Goals are now defined based on what citizens say they value, not what agencies the State happens to have or what those agencies think they should be doing. The approach is bringing agencies together with a focus on shared goals. To facilitate collaboration, teams of agency directors are assigned to 'goal councils', each focusing on a particular area, such as education, the economy or the environment, with specific, measurable objectives. Measures are defined in conjunction with citizens, representative stakeholder groups and experts in the field. It's a participatory process producing metrics that measure the right things which are meaningful to citizens. One agency is accountable for each objective but all have clear responsibilities for contributing. The Governor meets with one of the five goal councils each month to review how the State is performing against each goal and to discuss strategies. The sessions are streamed live over the internet and posted online along with the goals, improvement strategies and current metrics.

Benefit: The approach is building more credibility for the State in how they are judging and adapting what they are doing in responding to performance. Involving citizens in discussing performance during the results reviews is providing a reality check for staff on what really matters to citizens. It is bringing benefits in all goal areas, for example in Health and Safety by increasing to 84% the number of long-term services and support clients served in home and community based settings – saving millions of dollars, compared to the cost of providing that care in a nursing facility.

Weak operations and process management can have serious consequences

From our work with government we have seen many examples of the consequences of weak operations management including:

- poor service and lack of continuity when applicants' cases are passed from one individual to another and between organisations;
- time spent responding to contact centre phone lines, correspondence or customer complaints because work is not completed right first time;
- backlogs occurring when organisations have not thought through how work flows through the process and how to ensure there is sufficient capability and capacity to meet demand;
- delays in service and inconsistent decision-making when staff are unclear on how to manage seemingly conflicting objectives – such as whether to process work in a way which will help meet business unit targets or to meet the overall objective for the service;
- low staff morale due to constant firefighting because time and resources are not given to tackling the root cause of business problems;
- teams under pressure to achieve challenging targets but lacking information on how they are performing or how to improve; and
- improvement programmes which are initiated with much enthusiasm and good intentions but are not sustainable – they often do not focus on what matters most to the organisation or address fundamental issues in how the organisation is managed.

Our assessment of government's capability

The basis for our capability assessment

We assess capability using a structured analytic. It provides a point in time assessment of an organisation's maturity in operations and process management. When applied over time the analytic enables us to see if an organisation's approach is helping to solve its operations and process management problems.

We assess performance against five interrelated areas: strategy, information, people, process and improvement (**Figure 2**). We look for capability within both organisational (typically the corporate centre or 'head office') and operational layers (where processes and services are provided) of the business. Good operations and process management requires all parts of the management system to work together. **Figure 3** overleaf shows some of the relationships across the system.

We have applied our analytic with:

- 32 government organisations incorporating 86 operational processes; and
- all types of organisations (from policymaking to service delivery-focused) and all types of contexts (including before, during and after major change).

Our emphasis when assessing capability is on what we observe happening, rather than what we read or are told. We are not looking for predetermined artefacts. Our role is to understand how organisations are trying to solve their business problems, and to ask 'so what?' – how is operations management capability helping to achieve business impact?

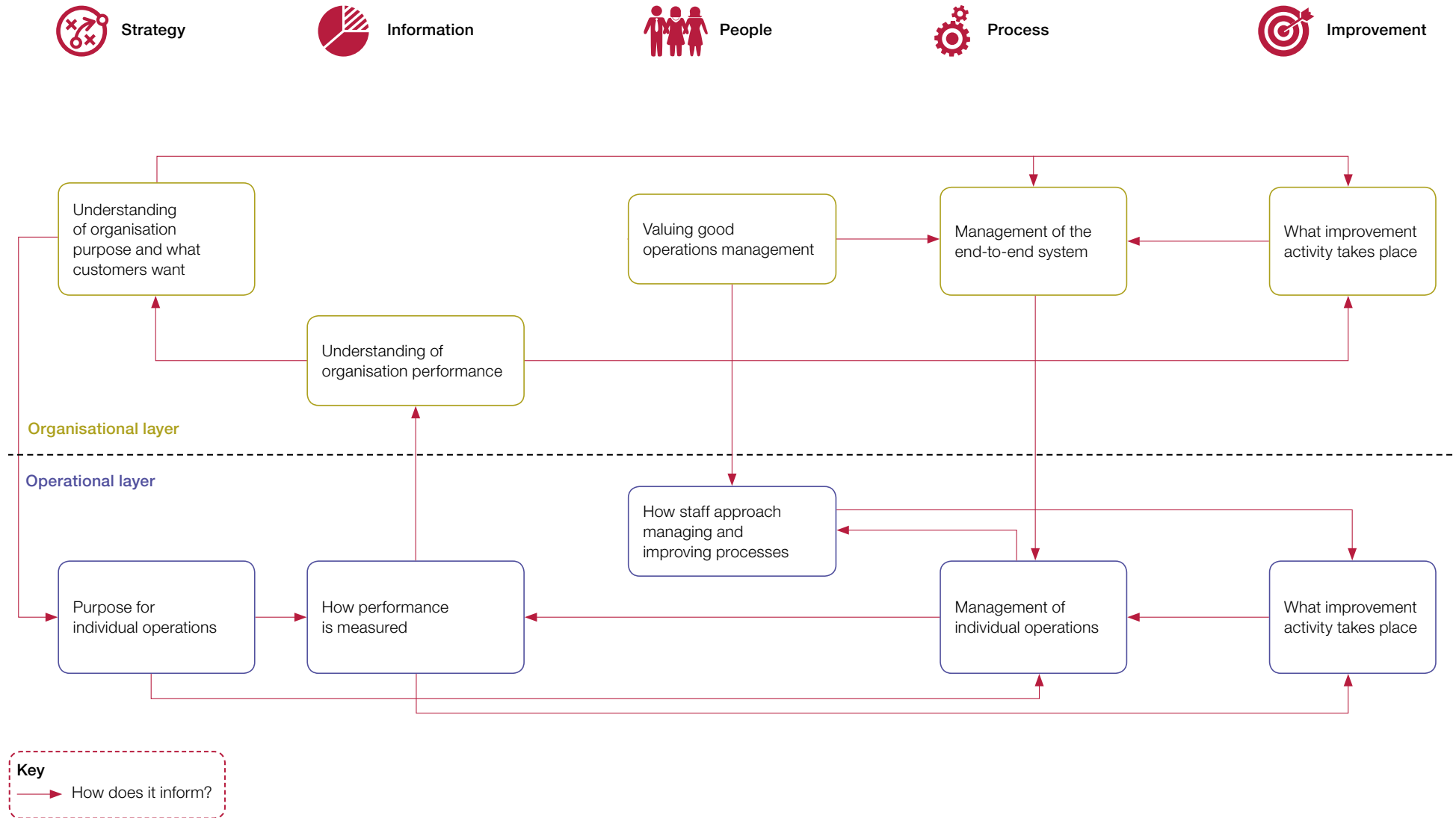
We make evidence-based judgements on 40 questions across the five areas of our assessment. The questions include a set of guiding characteristics for each question. A full assessment comprises 288 characteristics.

See our [approach to auditing capability](#), for more detail on what we test for and why maturity is important.

Figure 2 – The five areas of our analytic



Figure 3 – Example relationships between parts of the integrated management system



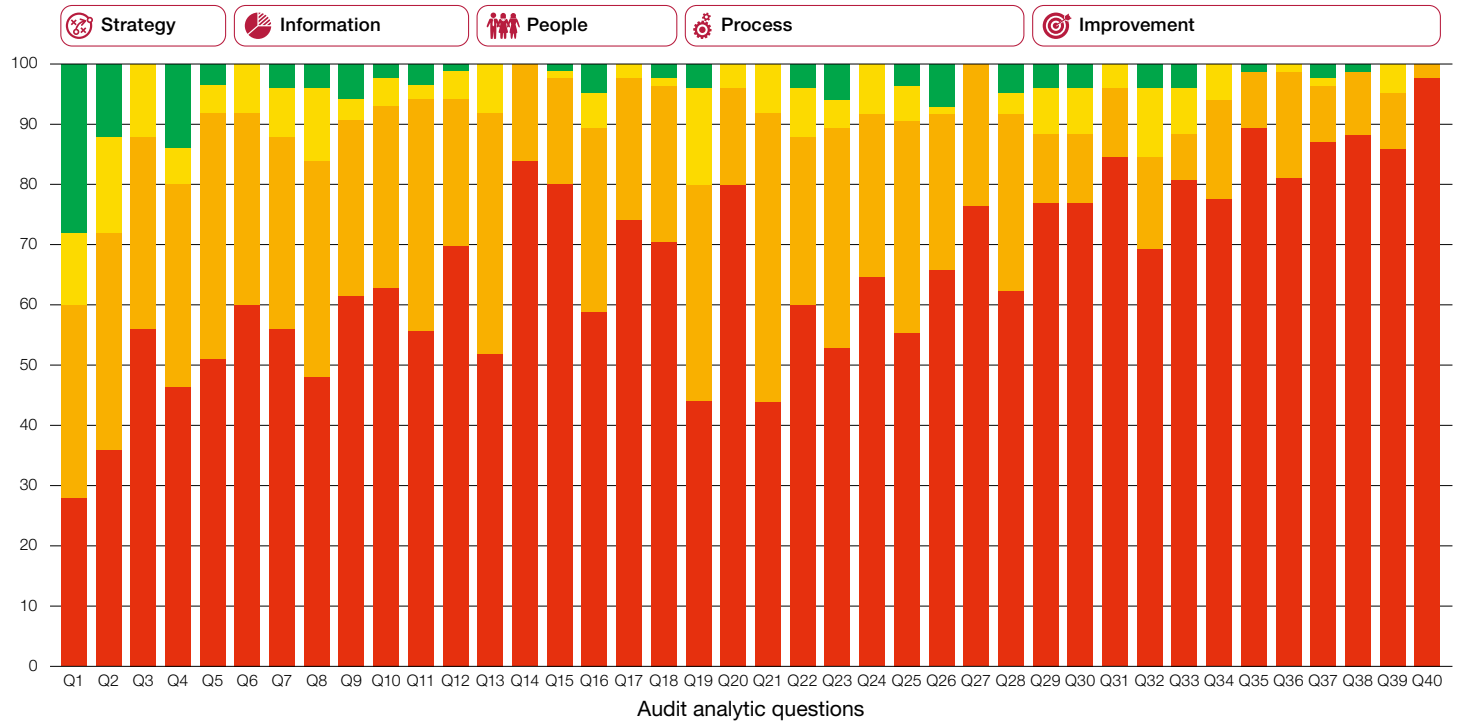
Government can significantly improve its operations and process management capability

The overall picture of government's aggregate maturity against the 40 questions of our audit analytic is similar to when we published our evidence in 2010 (Figure 4).

Overall maturity varies across the five areas of our audit analytic but there is no significant variation between types of process or organisations (we look at this in more detail in the following pages). We found relatively more instances of maturity in the strategy area and fewer instances of maturity in the improvement area. Government tends to perform better against our organisational level questions. The pattern of performance and problems are similar to what we've seen in our work with public sector organisations overseas and private sector suppliers to government.

Figure 4 – Government's aggregate maturity

Percentage of ratings within each maturity category



Rating	Description
Full maturity	Good evidence against all criteria. Full maturity equals world class operations and process management as detailed in each of the five areas
Partial maturity and improving	Good evidence against a range of 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 a range of maturity criteria
No evidence of maturity	Limited evidence against the maturity criteria for the question

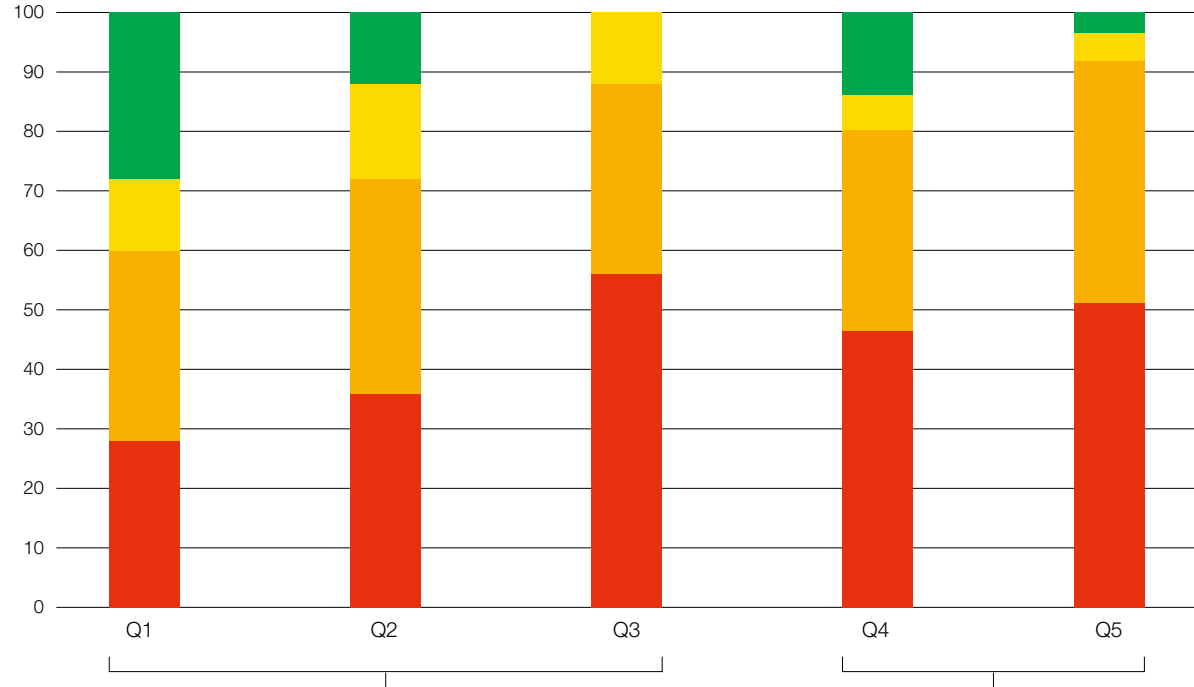


Using **strategy** to define and inform operational activity

Headline findings

The link between what the organisation is trying to achieve and the activities that contribute to those objectives is less clear within the operational layer than the organisational layer (Q1, Q2 and Q4). There is a gap in how well customers' needs are considered when setting the organisation's objectives (Q3).

Percentage of ratings within each maturity category



Organisational questions
Base = 25 assessments

Operational questions
Base = 32 assessments, 86 processes

■ No Evidence ■ Partial maturity ■ Partial maturity and improving ■ Full Maturity

Organisational questions

- Q1** How do you know that the organisation has a clear strategy and strategic objectives?
- Q2** How do you know that there is a link between strategic objectives and processes?
- Q3** How do you know that customer needs are considered when setting the organisation's strategic objectives?

Operational questions

- Q4** How do you know there is a link between the process and the strategic objectives?
- Q5** How do you know that the process meets customer needs?



Strategy: Good examples from our assessments

Alignment of objectives

The organisation's overall strategy and performance framework make clear links between headline objectives and the underlying processes.

Business units map their objectives to the overall strategy, enabling staff at all levels to understand how they are contributing to achieving the organisation's objectives.

The organisation considers the objectives of other entities when developing their own strategy to ensure that relevant interdependencies and joint priorities are captured.

Customer focus

The organisation uses knowledge of the end-to-end customer journey to develop its own processes. When the customer journey spans several different organisations, processing targets in each business area are designed to reflect what the customer needs from the end-to-end process.

The organisation gathers customer input in a number of ways when developing its strategy including focus groups, surveys, formal consultation processes and stakeholder mapping.

Customers are given tailored dashboards and charters which show how the organisation is performing against agreed aims. The information is used for discussing and investigating what the organisation needs to focus on.

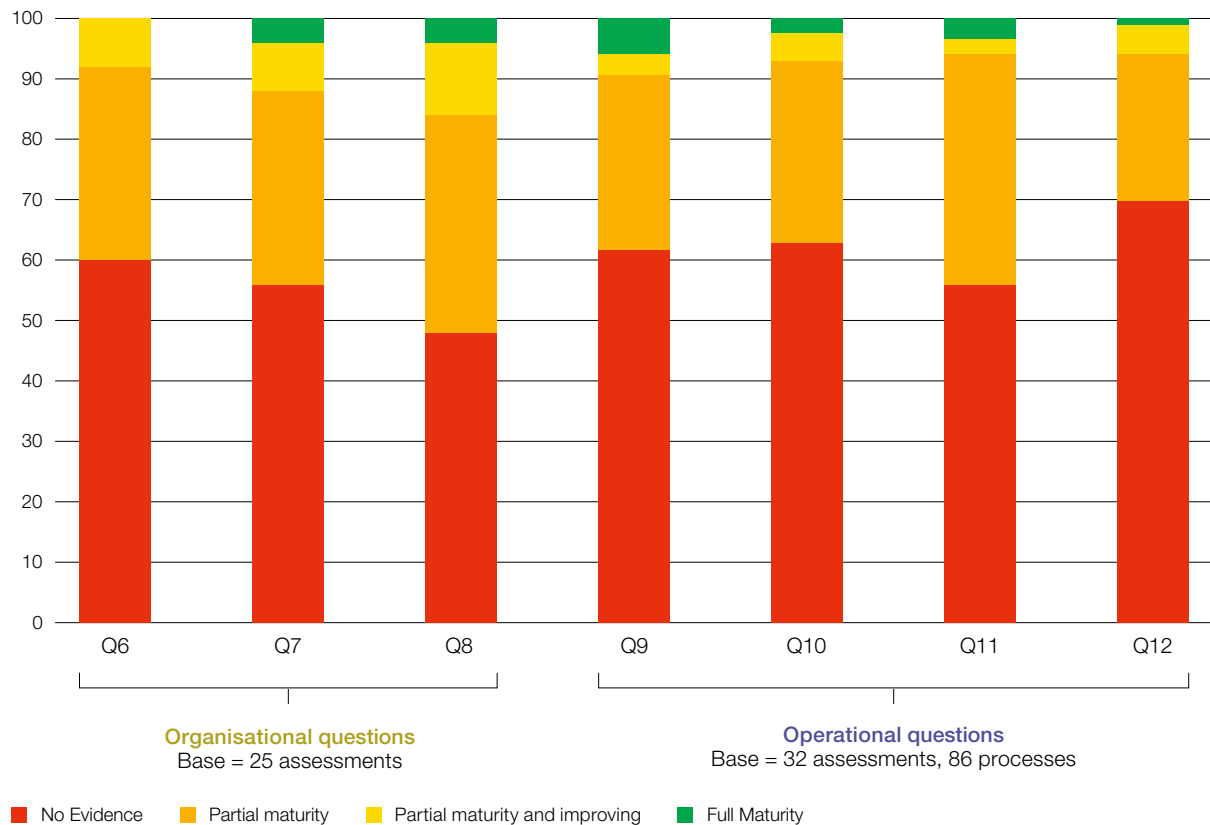


Using **information** to manage and improve process performance

Headline findings

The customer's experience is not central to assessing performance (Q10). There is a gap between understanding performance and linking to strategic objectives (Q6, Q9). Decisions on improving are being taken at organisational level (Q8) but less so at operational level (Q12). These decisions might not be informed by information that matters (Q6, Q10).

Percentage of ratings within each maturity category



Organisational questions

- Q6** How does the organisation assess performance against strategic objectives?
- Q7** How is information used to monitor performance regularly through all levels of the organisation?
- Q8** How is information used to trigger continuous improvement activity?

Operational questions

- Q9** How do you know that measures link from the organisational level to the operational level?
- Q10** How do you know that measures assess performance against customer expectations?
- Q11** How does the organisation regularly monitor process performance?
- Q12** How is management information used to trigger continuous improvement activity at process level?



Information: Good examples from our assessments

Having the right information

The information pack provided to senior management only contains the information important in managing the business, in line with the organisation's strategic aims.

Key performance indicators are reviewed and updated regularly. The organisation stops using measures that don't inform decision-making.

The board and business units are all using a balanced set of measures focusing on quality, delivery, cost and people.

The organisation demonstrates awareness of gaps in its performance information. It understands the impact of those gaps and makes conscious decisions on whether and how to close them.

Using information to improve

Problem solving is part of the structure of board meetings. The board uses performance information to identify problems across the organisation and to prioritise where to respond.

Staff running the process produce and use information on process performance. They use this information to identify problems that need to be fixed.

The organisation interrogates data on process performance to identify where there are issues in the system and the underlying causes.

Customer focus

The organisation uses customer and stakeholder input for developing measures to track performance against key strategic objectives.

The organisation collects data on whether the outcome of the process is what the customer wants as well as how each step in the process is contributing to that outcome.

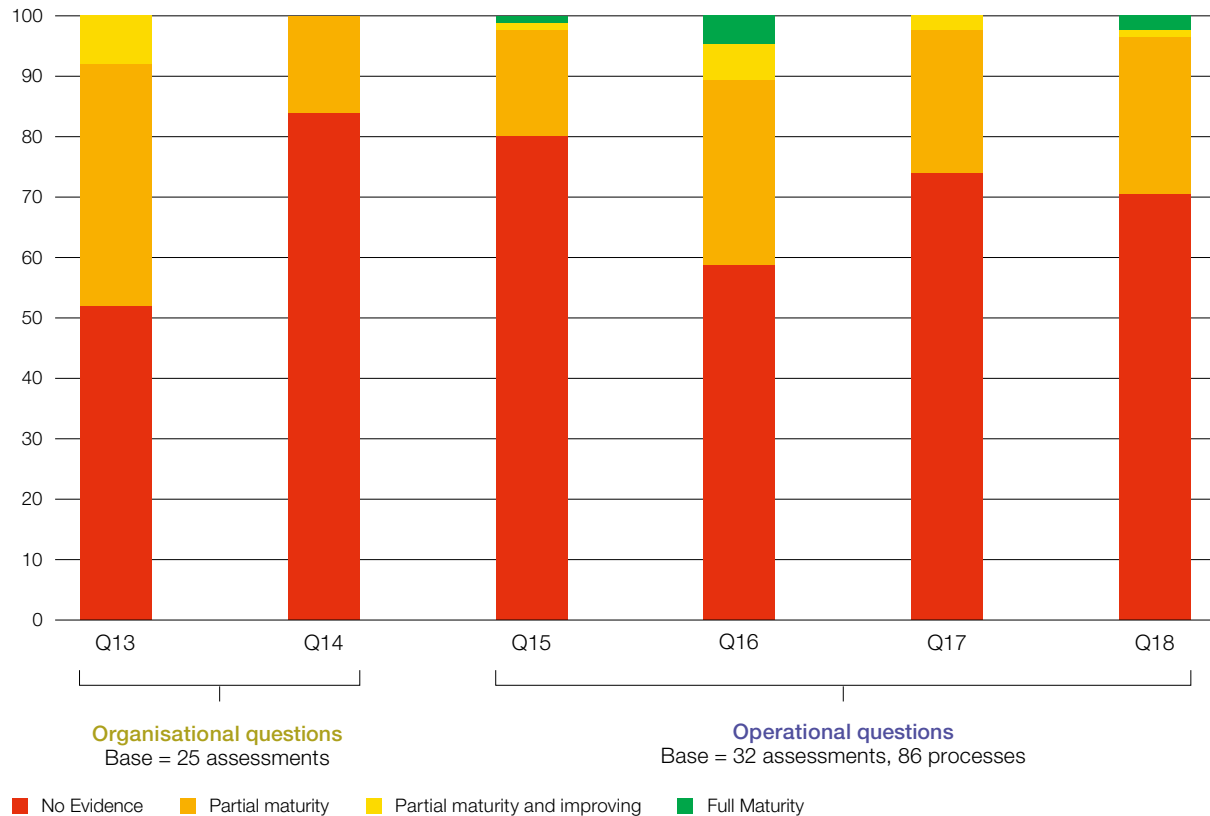


Helping **people** manage and improve process performance

Headline findings

There is a big gap in senior leadership's focus on operations and process management (Q14). Organisations are finding it difficult to create a good environment for effective operations and process management (Q13, Q15). For most operational areas, government cannot demonstrate how it knows that it has the necessary skills to complete the process (Q16). Understanding capacity and capability to do the job is crucial for informing decisions that have operational consequences, particularly where services cross between organisational boundaries.

Percentage of ratings within each maturity category



Organisational questions

- Q13** How do you know that leaders are creating the right environment for effective process management and continuous improvement?
- Q14** How do you know that leaders value good operations and process management?

Operational questions

- Q15** How do you know that staff have the right environment for effective process management and continuous improvement?
- Q16** How do you know that operational staff have the necessary skills to complete the process?
- Q17** How do you know that operational staff are encouraged to improve the process?
- Q18** How do you know that there is a process owner with defined roles and responsibilities?



People: Good examples from our assessments

Capability

There is a people strategy in place which links directly to the organisation's strategy. It prioritises supporting staff to develop the skills and capabilities they need to achieve business objectives.

A flexible resourcing model has been developed, enabling the organisation to quickly adapt to changes in business requirements.

All operational teams have a skills matrix which is updated regularly. It details the skills required to complete the process, highlights gaps, and is used for triggering activity to close those gaps, such as training or coaching.

The organisation is equipping all staff in the principles of good operations and process management. The depth of training reflects their role in the process. Support is available for teams if they do not have the necessary knowledge or capability in their immediate team.

Leadership and improvement environment

Leaders are advocates of good operations and process management. Staff in the organisation routinely hear leaders speaking about its benefits and encouraging all staff to practise the principles as part of daily work.

The team is encouraged to solve problems itself. Managers support staff in problem solving by considering and helping to prioritise ideas if they require senior input.

There is a clear owner for the end-to-end process with documented roles and responsibilities. Their responsibilities include encouraging collaboration between different business units to ensure they achieve the best results for customers.

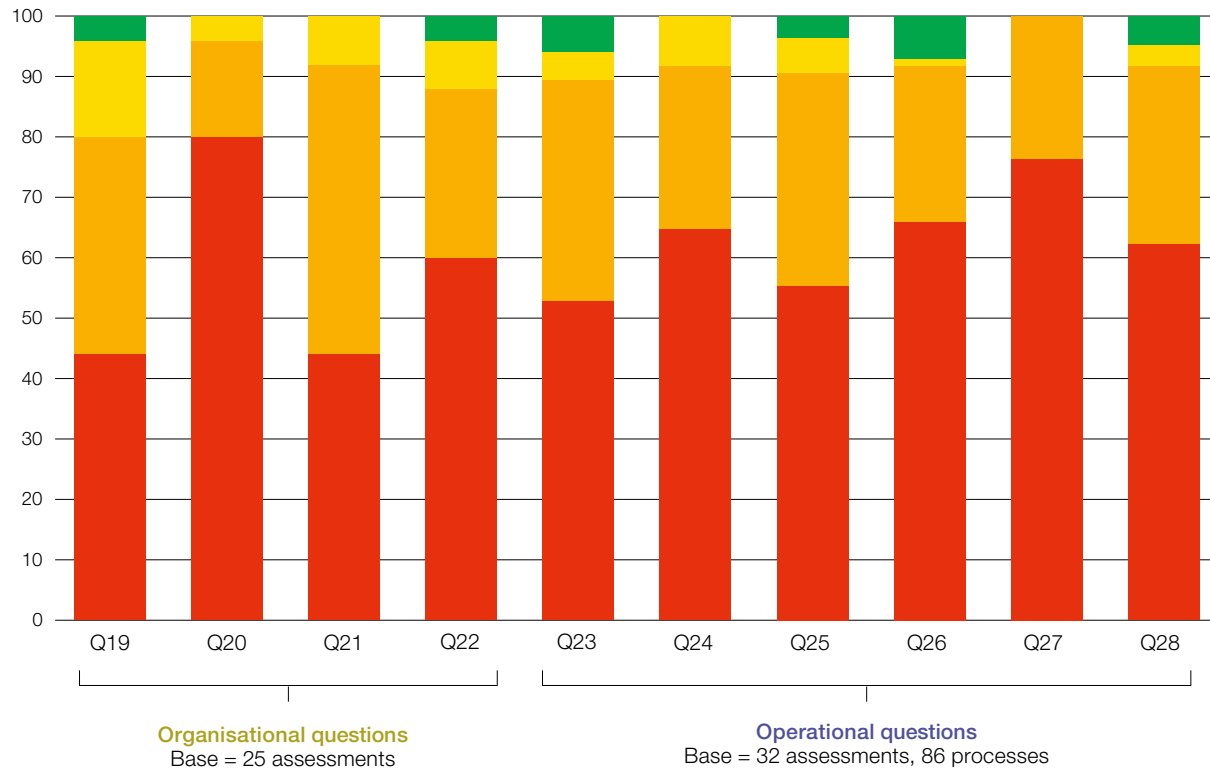


Ensuring the end-to-end **process** has the capacity and capability to meet demand

Headline findings

Few organisations have a good understanding of the full end-to-end process (Q20) or know when and how to respond to changes in customer demand (Q27). These two capabilities are particularly important when there is high variation in the demand for services and when multiple organisations, and end user inputs, are necessary in delivering the service.

Percentage of ratings within each maturity category



Organisational questions

- Q19** How do you know that business plans link to operational activities?
- Q20** How do you know there is clarity on how operational processes flow end to end to the customer?
- Q21** How does the organisation manage changes in operational requirements when government priorities change? ('demand from above')
- Q22** How do you know that there is clear accountability and ownership of end-to-end 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** How do you know that the process has the capability (ability to meet quality of service) and capacity (to cope with volume) to meet customer demands?
- Q25** How do you know that there is consistency in how the process is completed?
- Q26** How does the organisation check process compliance (ie that completing the process is producing what is expected)?
- Q27** How do you know that there is the necessary operational knowledge and agility to change processes in response to changes in customer demand?
- Q28** How do you know that operational areas understand what customers want and when their requirements change?

■ No Evidence ■ Partial maturity ■ Partial maturity and improving ■ Full Maturity



Process: Good examples from our assessments

End-to-end understanding

The organisation has identified interdependencies affecting its processes. For example, where there are parts of the process that are completed by other organisations or the service user.

There are seeming inefficiencies built in to one part of the process which have quality and delivery benefits elsewhere.

Internal and external customers have been defined, including the characteristics of types of customers and the quality they expect to receive from the service.

There are cross organisation networks, workshops and job swaps to increase staff understanding of the end-to-end process and to help in solving problems.

Meeting demand

Work is monitored as it comes in to ensure that there is capability and capacity to complete all parts of the process. Staff know with certainty what work is coming their way.

There are routine planning sessions to anticipate likely changes over coming years and how these will impact current processes. The organisation uses this knowledge to plan for likely peaks in demand.

An understanding of the type of demand is a key element in the design of the process – for example, creating consistent ways of working for more regular, repeated types of demand.

The business unit knows what capacity and capability it requires to meet different levels of demand. It measures process performance against these levels. The team leader can call in a trained resource from another area if they predict a breach in process capacity. The new resource stays with the team until demand returns to normal levels.

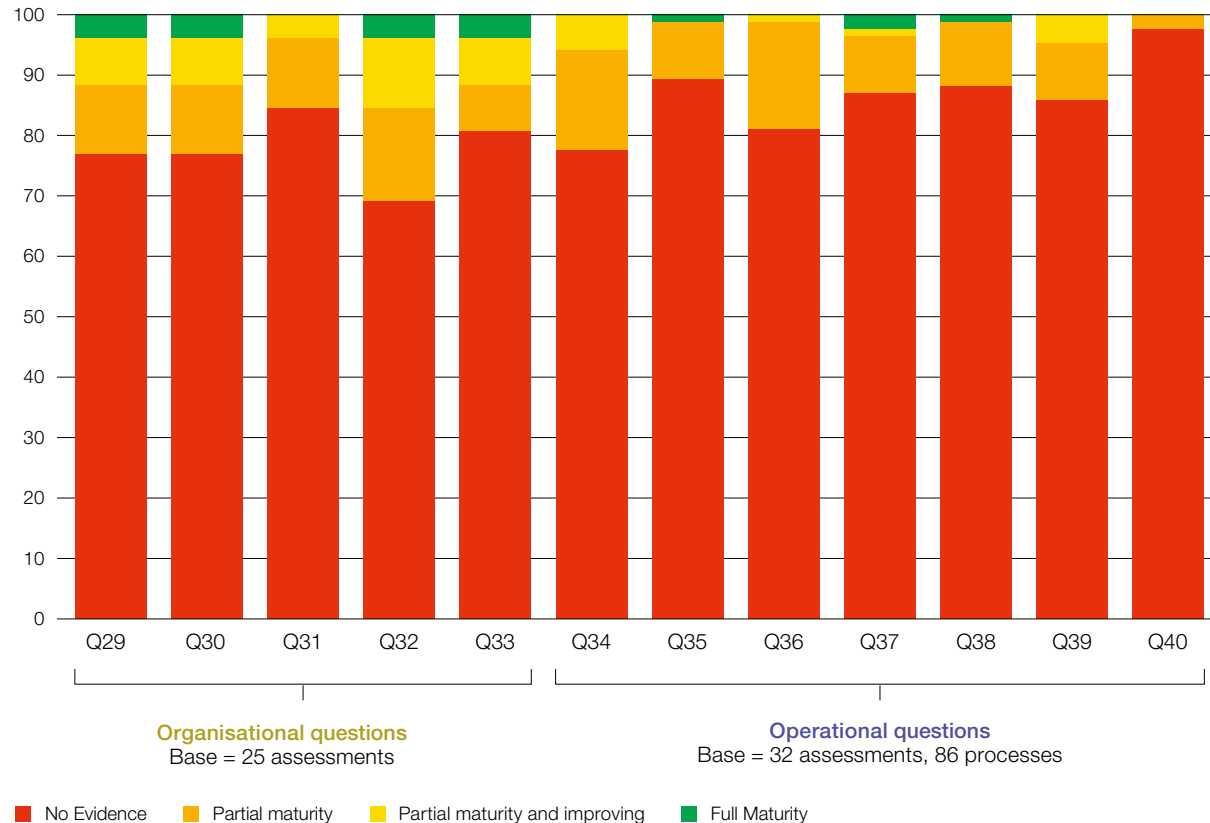


Using continuous **improvement** to target areas of most benefit

Headline findings

The profile of performance is unexpected given the investment made in continuous improvement across government. Our analysis shows that performing well in the improvement area of our analytic depends on capability elsewhere – particularly the people section – rather than simply applying improvement tools or approaches. Improvement activity is not a goal in itself and needs to be more about focusing effort on the critical performance gaps.

Percentage of ratings within each maturity category



Organisational questions

- Q29** How do you know that the organisation has a consistent approach to continuously improving?
- Q30** How does the organisation measure, monitor, report and use information from continuous improvement activity?
- Q31** How do you know that results of continuous improvement projects are shared across the organisation?
- Q32** How do you know that continuous improvement activity is a high priority within the organisation?
- Q33** How do you know that there has been a return on investment from continuous improvement activity?

Operational questions

- Q34** How has the process been improved?
- Q35** Is there a consistent approach for improving the process?
- Q36** How does the organisation allocate the relevant resources and time for continuous improvement?
- Q37** How does the organisation support staff to develop the necessary skills to continuously improve processes?
- Q38** How is improvement measured, monitored and reported?
- Q39** How do you know that the results of continuous improvement projects are shared across the organisation?
- Q40** How do you know the costs and benefits of continuous improvement activity on the process?



Improvement: Good examples from our assessments

Capability

The organisation allocates time and provides training for staff at all levels across the organisation to encourage them in practising continuous improvement.

Continuous improvement expertise is part of the capability profile within the functions of the organisation's structure rather than a separate business unit.

End-to-end understanding

Cross-functional teams are involved in problem solving, identifying how changes will affect other parts of the process, and applying a consistent set of principles for improving processes across the organisation.

Using information to improve

The organisation has established close links between strategy, customer insight, performance and continuous improvement. This ensures that improvement activity is based on evidence and focuses on the organisation's strategic objectives.

Milestones and touch points are built into all processes allowing the organisation to reflect on progress made and identify problems and examples of best practice.

Lessons learned sessions are held at the end of each project. Issues are logged centrally and by individual teams. The organisation's process methodology is updated regularly in response to any lessons learned.

Our data indicates that the principles of good operations and process management are relevant for all types of organisations and work

Some government organisations have asked whether operations and process management principles are more applicable to:

- organisations which are predominantly delivering services to citizens, not those which are creating policy;
- simple transactional processes with a linear flow rather than those that involve multiple people, require expert input or which have high levels of variation in demand; and
- front-line service processes, rather than supporting processes (such as finance and human resources).

The overall differences in maturity between these types of organisations and processes do not appear substantial. This suggests that the type of organisation or operational process is not a barrier to implementing good operations and process management. While overall differences are not substantial, the data suggests that each type of process may have strengths in some areas:

- The policymaking bodies we assessed appear to have slightly more maturity than those primarily delivering services to citizens, particularly on the people (questions 15 to 18) and process (questions 23 to 28) parts of our analytic (**Figure 5**).
- The more complex processes appear less mature in the process part of our analytic (questions 23 to 28), but more mature in the improvement section (questions 34 to 40) (**Figure 6**).
- Supporting processes appear more mature in most sections of our model, other than the improvement questions (questions 34 to 40) (**Figure 7**).

Figure 5 – Operational maturity in policy and delivery organisations

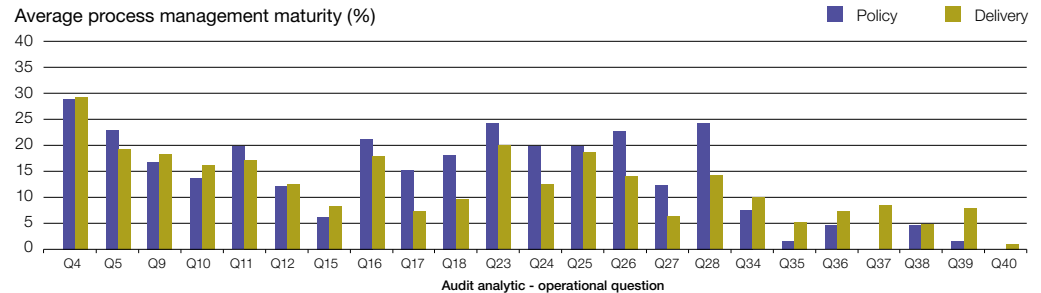


Figure 6 – Maturity in low and high complexity processes

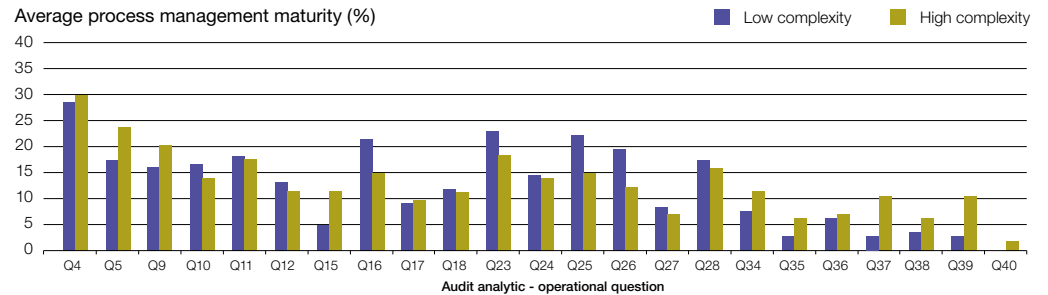
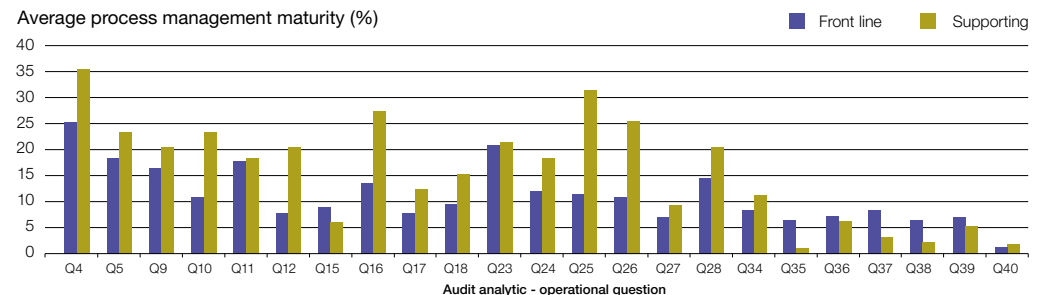


Figure 7 – Maturity in front line and supporting processes



What to focus on to improve performance

Four things matter most for improving operations and process management capability

We analysed the data collected from all our assessments of government bodies. It shows that some characteristics we test for are more closely correlated with mature operations and process management than others.

If these characteristics are present, organisations appear more likely to be mature overall in all areas of our assessment. If they are not present, organisations appear more likely to be immature.

The characteristics which appear most important can be summarised in four themes:

- Customer focus
- End-to-end perspective
- Management and leadership environment
- Using information to improve

The four themes form part of the integrated management system and are also interlinked (**Figure 8**). There is a limit to the benefit that excelling in one theme will bring to an organisation. For example a focus on customers is more valuable when it is considered in the context of the end-to-end service provided. When an organisation has an effective management and leadership environment it's more likely to benefit if it also has an end-to-end system perspective and good quality information.

We've analysed each of these four themes in detail, presenting:

- what we mean;
- the questions organisations should be asking;
- why getting this right matters; and
- what organisations need to focus on.

Figure 8 – The four most important themes



Customer focus

What we mean

An organisation with strong customer focus creates clarity of purpose for everyone in the organisation. It understands what internal and external customers want, if they are getting it and how to consistently trade off competing customer demands. The organisation is more likely to deliver what its customers want and get it right first time.

The questions organisations should be asking

The questions in our audit analytic which relate to customer focus, and which have a strong correlation with overall maturity, are:

- How do you know that the process meets customer needs?
- How do you know that measures assess performance against customer expectations?
- How do you know that operational areas understand what customers want and when their requirements change?
- How do you know that there is the necessary operational knowledge and agility to change processes in response to variation in customer demand?
- How do you know there is clarity on how operational processes flow end-to-end to the customer?

Why getting this right matters

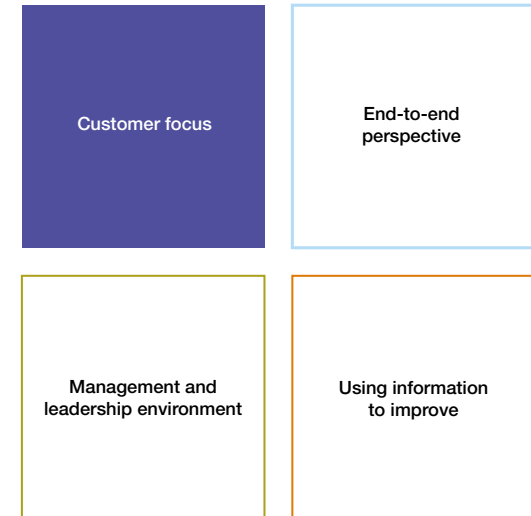
Customer focus helps organisations to be aware of and understand how to trade off conflicting priorities.

Since 2010, 46 of our recommendations for improving value for money are about customer focus. The recommendations cover eight central government departments.

Our value-for-money recommendations include improving understanding and relationships with customers to support quality decision-making and achieve buy in to new programmes.

What organisations need to focus on

- Using a strong focus on customers when creating new policy, changing or designing new services – this ensures that the organisation considers operational consequences and capability in delivering at the outset.
- Building an understanding of the true user experience and how users interact with the end-to-end service.
- Using an evidence-based approach to understanding what internal and external customers want – not a false assumption of what the organisation thinks users want.
- Establishing how customers' demands vary and are changing, and the ability of the organisation to meet those demands.
- Measuring performance of the service based on what the customer wants.



Related insights from our assessments

Having the knowledge and agility to change in response to variation in customer demand is the single question which is most correlated with overall maturity in our model.

Those organisations that perform well on having clear accountability and ownership of processes at organisational level create better clarity of purpose across the whole business.

End-to-end perspective

What we mean

An organisation with end-to-end perspective has clarity about how its processes work, how they fit together, and how they interlink with those of other bodies. Decisions are made for the benefit of the whole rather than parts of the system.

The questions organisations should be asking

The questions in our audit analytic which relate to end-to-end perspective, and which have a strong correlation with overall maturity, are:

- How do you know there is clarity on how operational processes flow end to end to the customer?
- How do you know that there is the necessary operational knowledge and agility to change processes in response to variation in customer demand?
- How do you know that there is a process owner with defined roles and responsibilities?
- How do you know that measures link from the organisational level to the operational level?

Why getting this right matters

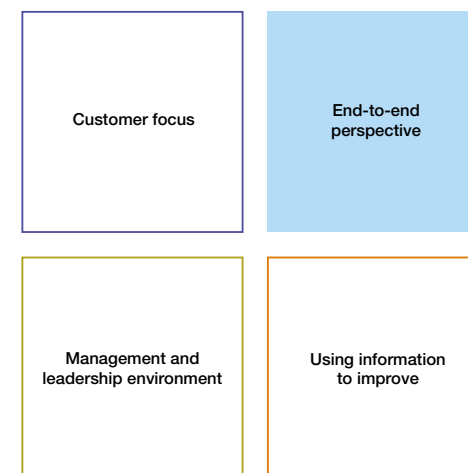
End-to-end perspective helps organisations to eliminate 'out of sight out of mind' decision-making where decisions are made without due consideration to the knock on effect elsewhere in the system.

Since 2010, 20 of our value-for-money recommendations are about improving the end-to-end system. The recommendations cover eight of the 17 central government departments.

Our value-for-money recommendations include improving information on process performance across whole end-to-end systems. This helps identify and eliminate problems earlier, rather than dealing with errors and fixing problems at a higher cost later on.

What organisations need to focus on

- Establishing accountability for end-to-end actions and outcomes for all decisions, right up to ministerial level, including the operational effect of changing policy.
- Developing a better shared understanding of how entire end-to-end systems work – including all relevant parts, whether they are performed by other departments, local government, third parties or users of services.
- Building a service-focused, end-to-end view of delivery beyond organisational boundaries – including ways of working and operational measures which support that ambition.
- Aligning objectives throughout the end-to-end system, including within all functions and across the whole organisation, to spot and deal with conflicting priorities or motivations.



Related insights from our assessments

Our analysis shows there are two factors that correlate strongly with having a good end-to-end perspective:

- leaders that demonstrate an understanding of and value good operations and process management; and
- clear accountability and ownership of processes at organisational level.

There are two areas within the organisational level that significantly influence maturity at operational level:

- clarity on how operational processes flow end to end to the customer; and
- having a process owner in place across the end-to-end system.

Management and leadership environment

What we mean

An organisation that has an effective management and leadership environment enables staff to contribute to their fullest. Leaders create an environment where everyone knows how to and is encouraged to apply the principles of good operations management.

The questions organisations should be asking

The questions in our audit analytic which relate to the health of the improvement environment, and which have a strong correlation with overall maturity, are:

- How do you know that leaders value good operations and process management?
- How do you know that staff have the right environment for effective process management and continuous improvement?
- How does the organisation allocate the relevant resources and time for continuous improvement?
- How do you know that operational areas understand what customers want and when their requirements change?
- How do you know that there is the necessary operational knowledge and agility to change processes in response to changes in customer demand?
- How do you know that there is a process owner with defined roles and responsibilities?

Why getting this right matters

The right management and leadership will create an effective learning environment and improve government's operational capability.

Since 2010, 31 of our recommendations on improving value for money, across 24 studies and 8 departments, are about management capability and the leadership environment.

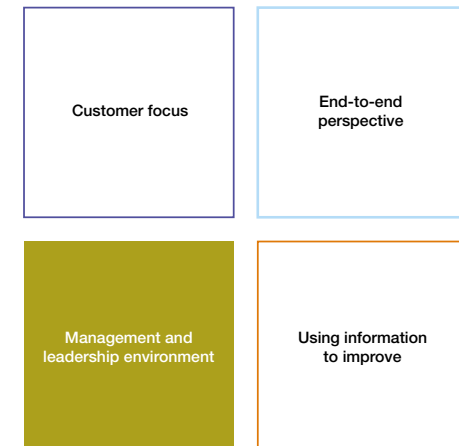
Our recommendations include: sharing knowledge and lessons; putting in place good practice with management support for it; and embedding a learning culture and continuous improvement.

There may be an association between operations and process management capability and staff views in the civil service survey. For example between 2010 and 2014 the three top performers against our framework improved 17, 11 and 9% on leadership and managing change, compared to a 6% increase in the median value.

What organisations need to focus on

- Creating an environment which encourages people to build a better, more enduring system which places as much importance on career pathways in running operations and implementing strategy as it does on creating strategy and policy.
- Getting leaders to engage with operations, making sure they know and ask the right questions of the organisation, and help create an environment for supporting improvement at all levels in the business.
- Developing and deploying staff in a way that ensures those managing the business have the operational skills and experience, as well as the time, to do it.

- Building an inclusive environment involving everyone across the system in making change happen, including ministers and permanent secretaries, front-line and support services.
- Recognising that changing the management system takes time, and committing to seeing changes through to fruition, before shifting attention to new projects or policy.



Related insights from our assessments

The effect of good leadership and the working environment that it creates should not be underestimated. Creating an organisation where people can lead and contribute to their fullest is strongly correlated with performing well in the improvement area of our model.

Of the five areas of our analytic, we found that maturity in the People section was most closely linked with overall maturity.

Our subset of questions that test the impact of good leadership across the full management system has a very strong positive correlation with overall maturity.

Using information to improve

What we mean

An organisation which uses information to trigger improvement has the right management information at all levels of the business and knows if it is going in the right direction. The organisation makes conscious informed decisions based on this information to improve its performance.

The questions organisations should be asking

The questions in our audit analytic which relate to using information to improve, and which have a strong correlation with overall maturity, are:

- How is information used to trigger continuous improvement activity at process level?
- How do you know that measures link from the organisational level to the operational level?
- How do you know that measures assess performance against customer expectations?
- How do you know that operational areas understand what customers want and when their requirements change?

Why getting this right matters

It helps organisations identify, measure and use the information that matters rather than ignoring inconvenient facts.

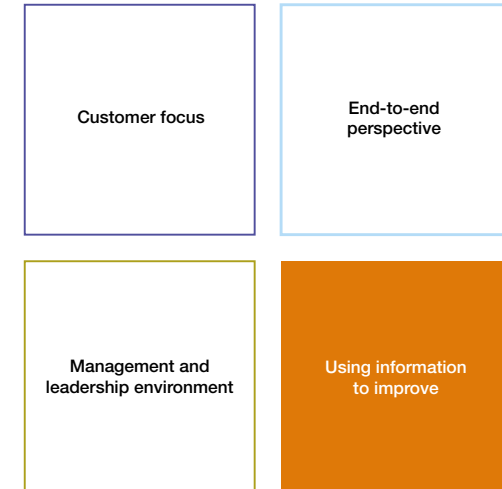
Since 2010, 19 recommendations on improving value for money are about using information for improving. The recommendations cover 17 studies and over half of central government departments including the centre, policy and operational departments.

What organisations need to focus on

Having balanced measures – the measures should cover process performance, with a focus on quality and customer perspectives, and align throughout the organisation.

Using information to enable conscious, informed decisions on changes within all levels of the business to what is done and how.

Understanding the performance gap in an organisation's operations management capability – using that knowledge to take an approach to change which breaks free from a one-off structural or point-fix tactical model.



Related insights from our assessments

Our data shows that there are two capabilities that are important foundations for using information to improve:

- having measures which assess performance against strategic objectives; and
- having clarity on how operational processes flow end to end to the customer.

In order to use information well, you must have the right information and understand it in the context of the wider system.

Government's overall capability is low against a number of the four themes' characteristics

The questions within the four themes are those from our audit analytic which are most strongly correlated with overall maturity. Our analysis has shown that government has significant capability gaps in relation to some of these questions. Addressing these gaps would be a good place for government to start in improving its capability.

Figure 9 – Government's aggregate maturity against some of the key audit analytic questions

Percentage of ratings within each maturity category

Q10. How do you know that measures assess performance against customer expectations?

Q12. How do you know that management information is used to trigger improvement at process level?

Q14. How do you know that leaders value good operations and process management?

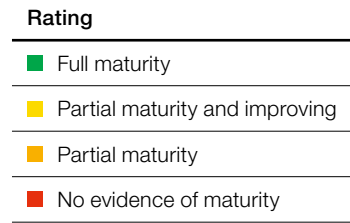
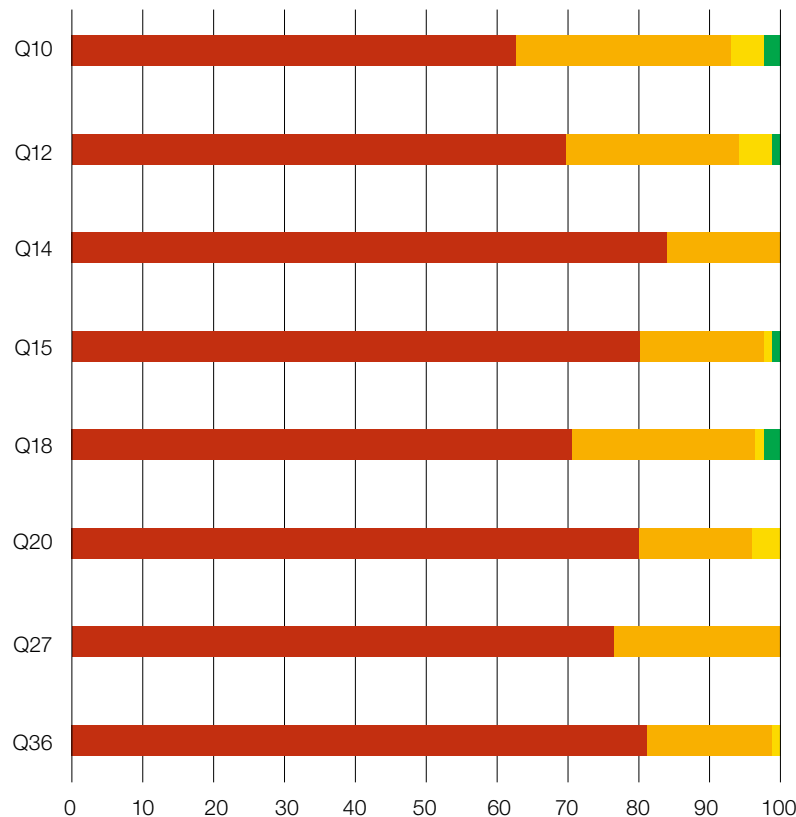
Q15. How do you know staff have the right environment for effective process management and continuous improvement?

Q18. How do you know that there is a process owner with defined roles and responsibilities?

Q20. How do you know there is clarity on how operational processes flow end to end to the customer?

Q27. How do you know there is the operational knowledge and agility to change processes in response to changes in customer demand?

Q36. How does the organisation allocate the resources and time for continuous improvement?



Organisations need to focus on the organisational and operational layers of the business to achieve transformation

Our analysis shows that having capability in the organisational or operational layer of our analytic does not automatically lead to improved capability in the other. Our core themes also include aspects from both the organisational and operational layers. Organisations need to work on building operations and process management capability from top to bottom of the organisation to transform and sustain performance. Working on the themes in isolation or on just the organisational or operational layer is not creating sustainable capability. Organisations need to embed management and leadership capability into how the whole organisation works rather than focusing on these areas in a piecemeal fashion.

A focus on the organisational layer is not impacting strongly on how work is delivered in the operational layer

Our analysis shows that there is not a strong correlation between having capability in the organisational and operational layers of the business:

- Being good at one will not automatically lead to the other. This suggests that senior leaders cannot expect to build the organisation's operational capability by delegating responsibility for it or fix problems remotely from where the work is done.
- Over the past six years we have seen examples of organisations that have focused on structural change designed in the corporate centre. The effect is uplift in maturity within the organisational layer but minimal change to how work is done, or to maturity, within the operational layer.
- We have seen parts of government where good performance against the organisation's measures is a consequence of individuals firefighting rather than an effective management system. Performance dips when those individuals leave that part of the business.

Focusing on improvement projects will only get you so far

We compared the maturity of operational areas which have been part of improvement programmes with those that have not. We found little difference in maturity, other than in the Improvement area of our model. The only difference was that organisations had an approach to improvement, were using it, and seeking to understand whether they had made a difference (**Figure 10** overleaf). A purely project based approach may achieve some short-term benefits but by itself will not ultimately change how the whole organisation works and build long-term sustainable operations management capability.

Improvement programmes often focus on point-fix improvements to existing processes, usually with the aim of generating cost savings. Rarely is much thought given to the wider management system or the end-to-end system within which the changes are made.

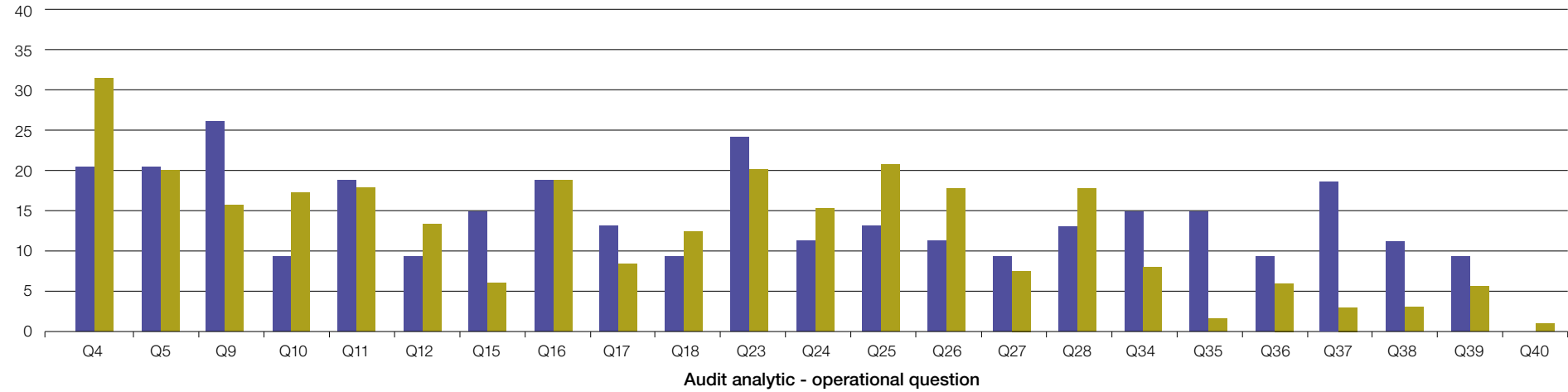
Effects of focusing just on the improvement area of the model include:

- wasting resources by changing processes which do not need to exist;
- incorrect assumptions about service user needs resulting in complaints;
- not understanding if changes have resulted in improved performance;
- being unable to identify and fix any problems generated by new ways of working;
- not knowing whether the organisation has the capacity or capability to operate the new process; and
- not understanding the effect of the change on earlier or later parts of the end-to-end system.

Figure 10 – Improvement programmes have limited impact on maturity

Average process management maturity

Percentage (%)



- Improvement programme
- No improvement programme

Appendix: Our approach to auditing capability

How we audit government's capability in operations and process management

We built a systematic approach for assessing government's capability in managing and improving its business operations. Our analytic:

- assesses capability against five interrelated areas which represent the key elements of strong operations and process management: strategy, information, people, process and improvement (**Figure 11**);
- provides a point in time assessment of capability – it is relevant during business as usual or when organisations are transforming; and
- is applicable whether or not an organisation is using a conscious approach for managing and improving their business (eg lean, six sigma, systems thinking, operational excellence).

We gather evidence of how good operations and process management is helping an organisation to manage and improve its business rather than check a pre-specified list of documents or other artefacts.

We are using what we learn from the evidence base to better understand government's priority business problems and inform how to achieve sustainable improvement. Our framework is for understanding organisations and behaviour – it is not a benchmarking exercise.

How we built our audit analytic

We built our analytic by:

- reviewing existing models and approaches for assessing an organisation's capability;
- drawing on our own experience and that of world experts, other public and private sector organisations and academia;
- establishing a test for 'world class' operations and process management – not just 'good for government';
- piloting our approach with government organisations – applying learning on the reasonableness of our 'world class' test, how we apply the approach and our own capability for undertaking the assessment; and
- using lessons from applying our analytic to continually improve how we use it with government – this ensures rigour in how we apply the test and how we interpret the findings.

Figure 11 – The five areas of our analytic



1 Strategy

Using strategy to define and inform operational activity



4 Process

Ensuring the end-to-end process has the capacity and capability to meet demand



2 Information

Using information to manage and improve process performance



5 Improvement

Using continuous improvement to target areas of most benefit



3 People

Helping people manage and improve process performance

Our approach to auditing the 'management system'

We assess whole organisation capability by applying our test across the full management system. By that we mean looking for characteristics of good operations and process management within both organisational (typically the corporate centre or 'head office') and operational (where services or processes are provided) layers of the business. We can then assess if there is an effective, integrated management system in place (Figure 12).

Using this approach provides scalability. When applying our analytic, the two layers of our test can comprise one or more organisations that are part of the whole system. We can also apply our analytic to each layer in isolation.

The importance of having an integrated management system

Good operations and process management requires all parts of the management system to work together. Capability in one area is only fully effective if it informs and is used in other parts of the system.

An organisation may excel in some areas but needs to understand how capability has consequences on effectiveness elsewhere in the system. Figure 13 shows some of the relationships across different parts of the system but there are many more.

Figure 12 – The management system

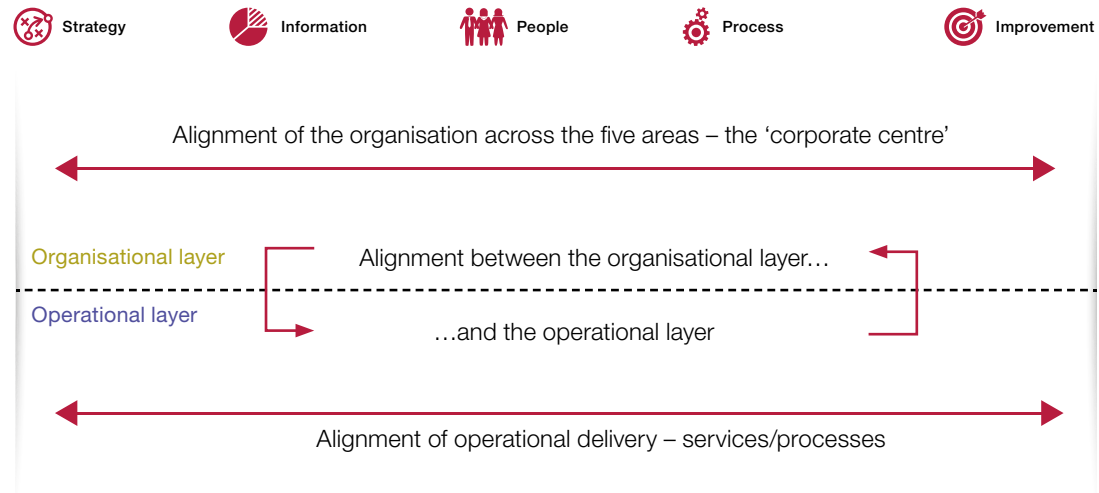
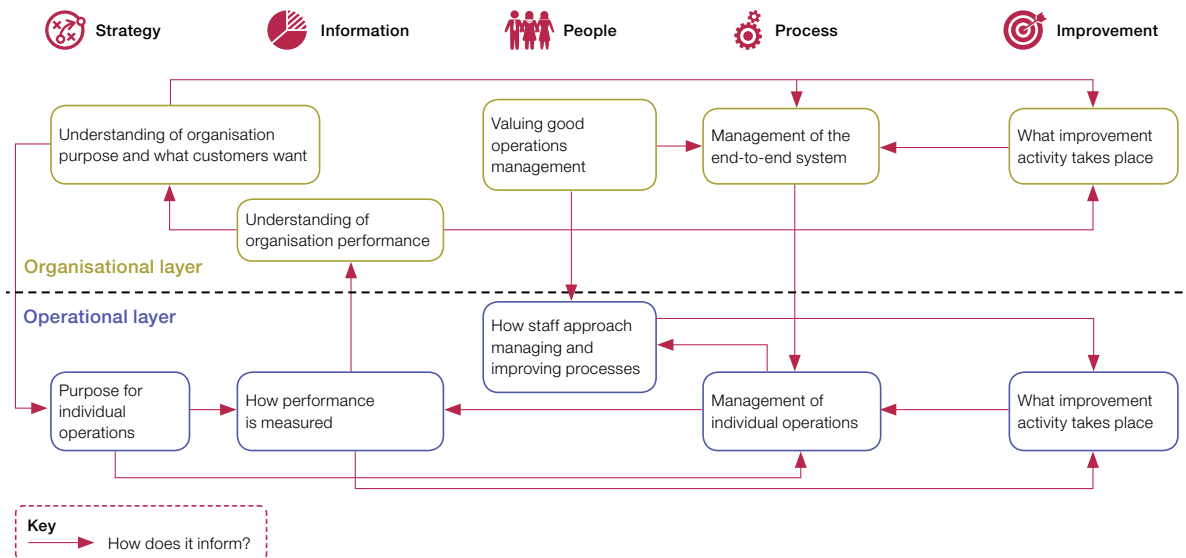


Figure 13 – Example relationships between parts of the integrated management system



Our evidence base for assessing government's capability

We have applied our analytic with 32 government organisations and to 86 operational processes. Our data includes organisations that focus on policy and those that are providing services to users. It covers a wide variety of processes, from creating policy to repairing potholes and dealing with service requests.

We have assessed organisations in all types of contexts (including before, during and after major change), organisations that are working on daily continuous improvement, and others that consider themselves running 'business as usual'.

We have assessed some organisations multiple times. This has allowed us to understand the impact of their approach to operations management, how it is building capability and the impact of maturity on performance.

Our assessments are based on visiting the workplace, focusing on how things are done rather than what is done. We share our questions and ask organisations to tell us what we need to read, who we should talk with and what we need to see.

We place more emphasis on what we observe happening in practice, rather than what we read or are told. We ask 'how do you know?' rather than check a list of artefacts. For example, we are more interested in how people work and if they have everything they need to do a good job than checking if process maps exist detailing how the organisation thinks it is providing services. We test the impact of having capability by asking 'so what?' – how is having the capability helping to achieve business benefit?

We look for evidence to help us make judgements on 40 questions across the five areas of our assessment – 17 questions at the organisational level and 23 for each operational area. Each question has an associated maturity statement which describes the characteristics of strong operations and process management and why it is important. (Figure 14 overleaf)

Our judgements are driven by evidence. We test for maturity by assessing a set of guiding evidence statements for each question. A full assessment comprises 288 evidence statements.

We use our specialist statistics team to analyse all of our assessments. Their analysis informs us of the correlations between characteristics in our data.

Figure 14: Characteristics of maturity and why they are important

Area	Sample characteristics of maturity – what we mean	Why it is important
Strategy	<p>The organisation's strategic objectives inform all its operational activity, and are the framework for prioritising what is done.</p> <p>The organisation's strategic objectives are developed from an understanding of who its customers are (they could be defined as a service user, another part of government, the taxpayer more generally or a combination of these) and what those customers value.</p> <p>The strategic objectives are well communicated. All staff know how their own work contributes to the organisation's strategy.</p> <p>Processes are designed with the customer's needs in mind and the associated operational aims relate directly to the organisation's strategic objectives.</p>	<p>It allows the organisation to identify the vital few activities and key performance gaps in existing processes that are delivering the strategic objectives or customer requirements.</p> <p>It enables staff to identify ways to improve their work, helping the organisation achieve better outcomes.</p> <p>It prompts a decision on whether specific business processes need to be performed in a different way or at all – this is particularly important when making transformative change.</p> <p>It prioritises use of management time or continuous improvement resources so that they are focused on the most beneficial activities.</p>
Information	<p>The organisation uses a balanced set of measures (for example quality, delivery to the customer, cost and people measures) from process level to board level to track progress.</p> <p>These measures align with the organisation's strategic objectives.</p> <p>The organisation understands how individual processes align with and contribute to organisation performance.</p> <p>Process performance information is visible to all staff and used to trigger remedial action if it indicates that something is about to go wrong.</p> <p>Frequency of reporting is determined by the pace and risk of the process; there is no reporting for reporting's sake.</p>	<p>Good information provides an understanding of the whole end-to-end process performance for the organisation's key activities.</p> <p>A focus on quality reduces 'failure demand' by reducing the level of rework and wasted effort, ultimately reducing costs.</p> <p>It ensures the organisation is doing the right things by demonstrating the impact of operational performance on organisational results.</p> <p>It makes visible the link between change (whether transformative or iterative) and results, identifies whether the desired impact is being achieved, and allows corrective action to be taken where it is not.</p> <p>It 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.</p>
People	<p>Teams understand the skills and numbers of staff required to complete processes, are aware of any gaps, and have a plan to address them.</p> <p>Leaders value the long-term benefits of having staff with operations and process management skills, and are continually building the capacity and capability of their organisation in these areas.</p> <p>Leaders encourage staff to highlight problems so that they can be solved rather than assign blame.</p> <p>Staff working on the process identify any impediments which prevent them from completing the process, and take part in continuous improvement activity.</p> <p>Teams have the authority to make changes which improve services for the customer and generate business benefits.</p>	<p>The right environment is in place where staff have the skills, time, training and visible support from leaders to do their jobs well.</p> <p>It ensures that the implications for capacity and capability of making changes to the process are understood (as part of business transformation or continuous improvement).</p> <p>Staff development and recruitment activities are directed at priority business skills.</p> <p>Teams take responsibility for owning and improving the performance of their process, with appropriate incentives in place.</p> <p>Continuous improvement support and expertise is available to process teams when more specialised skills and experience are required.</p>

Figure 14: Characteristics of maturity and why they are important *continued*

Area	Sample characteristics of maturity – what we mean	Why it is important
Process	<p>There is a good understanding of how the process works from end to end, whether it operates within an individual business area, across several business areas or across multiple organisations.</p> <p>The level and type of demand for a process, and its relationship to organisational capacity, is a key factor in how the process is designed.</p> <p>The organisation's suppliers, inputs, processes, outputs and customers are understood by process teams – for example, staff know what the next person in the process needs from them in order to do their job well.</p> <p>Staff are trained to complete the process in a consistent way, right first time, every time.</p> <p>Clear roles and responsibilities are assigned to named individuals for carrying out the process, escalating issues, and making changes to the process.</p>	<p>It ensures understanding of how an action in one part of a process can cause a reaction and impact elsewhere in the end-to-end process.</p> <p>It avoids unintended effects caused by process or organisational level changes.</p> <p>It supports thinking about the benefit for the customer rather than for individual teams, business units or organisations.</p> <p>It enables the organisation to plan for and meet peaks in demand, such as by redeploying staff across parts of the process, or by switching to a different way of working in a controlled manner.</p> <p>It helps the organisation make controlled incremental improvements to a process with a positive impact on cost, quality and delivery.</p>
Improvement	<p>Improvement activity is prioritised based on the cost of improvement versus the benefits to the customer and the organisation.</p> <p>The organisation has a consistent approach to continuous improvement which staff are trained in and use appropriately.</p> <p>All staff, including senior management, have a proportion of their working time allocated for continuous improvement.</p> <p>The results of continuous improvement activity are tracked to ensure that the benefits have been realised.</p> <p>Lessons, on what worked and what didn't, are shared across the organisation and used to develop standard ways of improving processes.</p>	<p>To enable the organisation to make planned and reactive changes in order to more effectively meet its strategic objectives.</p> <p>The people who know the process best, and who are closest to the customer, have the largest role in making improvements.</p> <p>It ensures that effort expended on improvement is targeted on priority areas.</p> <p>It enables the organisation to understand the benefit delivered from changes, to inform whether corrective action is needed, or whether to replicate the improvement activity elsewhere in the organisation.</p> <p>It enables the organisation to effectively deploy people and transfer knowledge on continuous improvement in any part of the business.</p>