

Improving Operational Performance
By Becoming A
Process-Focused Organization

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Organizational Performance Challenges


Assertion ... We are continuously challenged to improve and/or sustain organizational performance along several dimensions ... including ...

1. **Quality** - of products and services to customers (internal and external)
2. **Speed** - of product and service delivery
3. **Waste** - non value adding work, resource waste, time waste
4. **Alignment** - where components work together synergistically
5. **Adaptability** - ability to accommodate variation in inputs
6. **Manageability** - ability to control processes and outcomes



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Programs, Programs, Programs



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Assessment

Reflections

- Each of these programs builds from a commendable central idea
- Results have been mixed
- Most have or will follow similar patterns
- Not because of poor execution, because our solutions are incomplete



*Our solutions are missing something . . .
. . . something very fundamental*

Including ...

- how we build organizations (organizational structures & systems)
- how we manage organizations (deploy goals & manage performance)
- how we judge organizational success (efficiency vs. value)
- how we understand performance issues (local vs. systems)

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Core Principles

Addressing these challenges begins with Core Principles ...

1. Customer Value

- ✓ The business of business is Value Creation
- ✓ Efficient value creation is the ultimate scorecard



2. Process

- ✓ Value is created by Business Processes (which begin with customer need and end with fulfilled customer need)
- ✓ Value creating business processes are key enterprise assets

3. Organizational Alignment

- ✓ Organizational structures and systems must be connected to and aligned with our value creating business processes

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Principle # 1
Customer Value

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Clarifying Customer Value – What we Know

Group Brainstorm #1

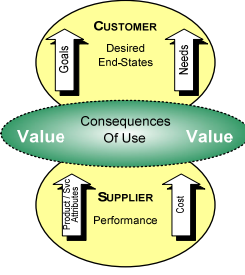
- How would you define “value”?
- Who determines value?
- Is value important and why?



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Customer Value – What is it ?

- Value is a perception that is shaped by the consequences of using a product or service.
- To the degree that these consequences are aligned with a customers' goals and needs, a product or service possesses value.
- The degree of value present is as closely related to the customer's intended use of the product or service as it is to the attributes of the product or service



Woodruff & Gardial
Know Your Customer, 1996


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Customer Value – So What ?

“Value, more than any other single factor, has been shown to be the best predictor of customer loyalty, and the best leading indicator of market share and competitiveness”.

Bradley T. Gale, Managing Customer Value – Creating Quality and Service That Customers Can See, Free Press, 1994

Therefore ... a key to achieving sustainable improvements in performance is by building sustainable improvements in value delivered



 A satisfied customer might leave you for better value elsewhere

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Customer Value – Who are our Customers ?

Group Exercise 1

If we agree that Customer Value is important, it's important to know who our customers are ... and what value they receive from us.

So, to bring the "theory" closer to home lets work through a couple of examples that reflect our real-world work situations

- Let's begin by identifying the key customers for our organizations.
- We will build on this list as we move forward.

Organization	Customers
Hospital	Patient

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**Principle # 2
Process**

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Clarifying "Process" – What we Know

Group Brainstorm #2

- How would you define "process"?
- What are the characteristics of a good process?
- How do we know if our processes are effective?

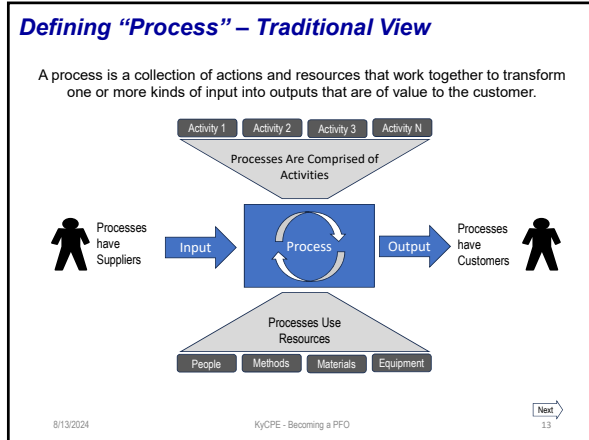


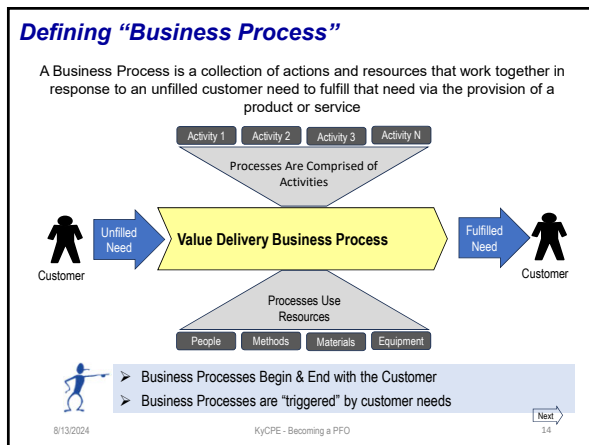
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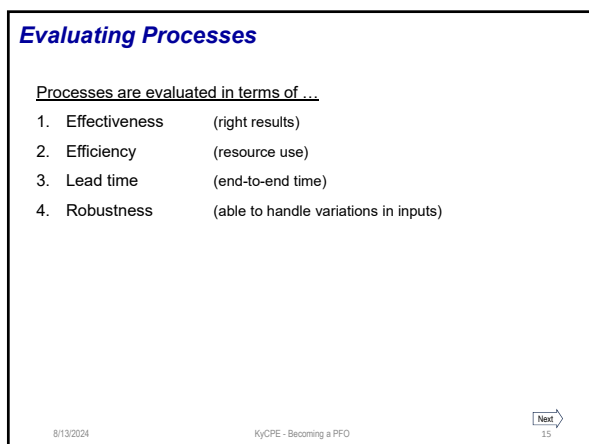
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2024 Kentucky Association for Healthcare Quality (KAHQ) Conference: September 13, 2024

"Becoming A Process-Focused Organization"

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Differentiating "Process" – Part 1

While the basic rules of process are the same, the types of processes are not

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Differentiating "Process" – Part 2

- > These "macro" level processes are composed of Work Processes which are linked together to achieve process goals
- > Work Processes are the "micro" processes we generally think of as operational process
- > The level we document, assign and train to
- > Work processes exist to serve the higher level process

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Business Process – Bob's Case

Customer Need – Pacemaker Insertion

- ❖ Question – What factors colored Bobs' perception of "Value"?
- ❖ Question – Was the end-to-end process measured or managed in any way?

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Business Process Organizational Overlay

When examined from the organizational perspective, business processes

- > Frequently cross organizational boundaries
- > Largely unseen & unmanaged
- > Frequently fragmented

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Current Process Paradigm

Prevailing process paradigms tend to ...

- ✓ View processes as cost pools (not as key enterprise assets that must be managed strategically)
- ✓ Focus on narrow solution spaces (reductionism)
- ✓ Measure locally (not at system level)
- ✓ Respond to issues (not capability generation – reactive vs proactive)
- ✓ Ignore organizational systems
- ✓ Disengage leadership from solutions

Sub-Optimization – is a common occurrence when process improvement is performed under this paradigm

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A New Process Paradigm

A more complete process paradigm would view business processes as key enterprise assets that ...

- ✓ Create customer value and enhance revenue
- ✓ Bring organizational competencies to life
- ✓ Serve as organizational glue (that binds and aligns organizational components)
- ✓ Translate strategy to action
- ✓ Serve as a primary lever to managing performance (i.e., customer loyalty, profitability)

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Defining Our Business Processes

Group Exercise 2

Working from our previous list of customers lets ...

- 1) Pick a customer
- 2) Identify a couple business processes that serve that customer

Remember ...

- we're talking about customer to customer value streams
- It may be helpful to think in terms of the beginning & ending states

Customer	Beginning State (Unfulfilled Need)	Process	Ending State (Fulfilled Need)	Customer
Bob	Pacemaker Needed	Pacemaker Insertion	Pacemaker Operational	Bob

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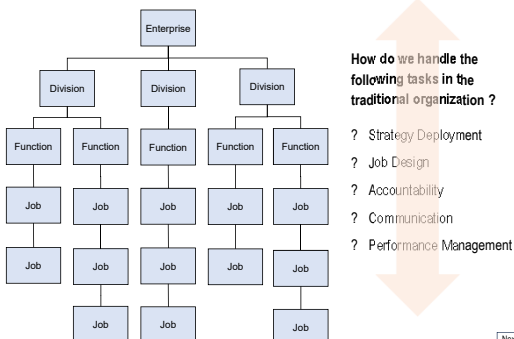
Principle # 3
Organizational Alignment

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Design Characteristics of Traditional Organizations

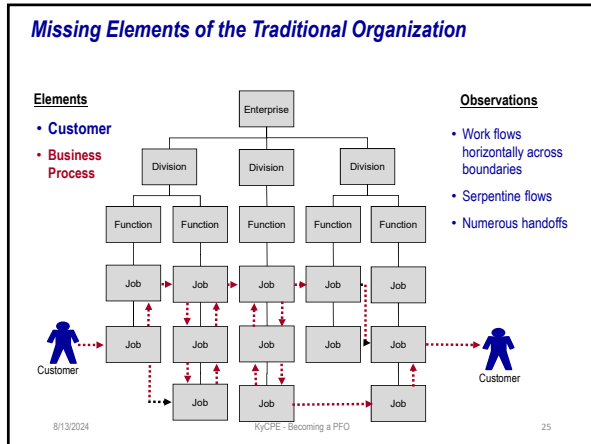


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- Performance Characteristics of the Traditional Organization**
- > Job Focus
 - narrow, task focus
 - accountable to supervisors, not customers
 - > Communications
 - vertical, going up to go over, delayed, distorted
 - > Performance Evaluations
 - via local functional goals
 - > Performance Culture
 - checking and rechecking at handoffs
 - rework, NVA
 - competitive, accountable to my boss, turf, "not my problem"
 - > Strategy
 - deployed to jobs via functions
- Cross-functional business processes will under-perform in a traditional organization*
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Introducing the Process-Focused Organization

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Introducing the Process-Focused Organization (PFO)

- > The Process-Focused organization differs from the traditional organization in several key ways ...
 - 1st - it manages end-to-end business processes rather than functions and tasks,
 - 2nd - it measures process level results instead of departmental efficiencies and
 - 3rd - it thinks in terms of customer and enterprise goals instead of localized functional goals.
- > These differences combine to create an organization that is more focused on, aligned with and responsive to the needs of its customers and value creating processes.

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How does the PFO Connect Process and Organization?

3rd - Include Process Owners as part of the Management Team

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Defining the Process Owner

The Process Owner is a key enabler to the PFO
 Therefore, it's essential to know what the PO does and doesn't do

Key Responsibilities ...

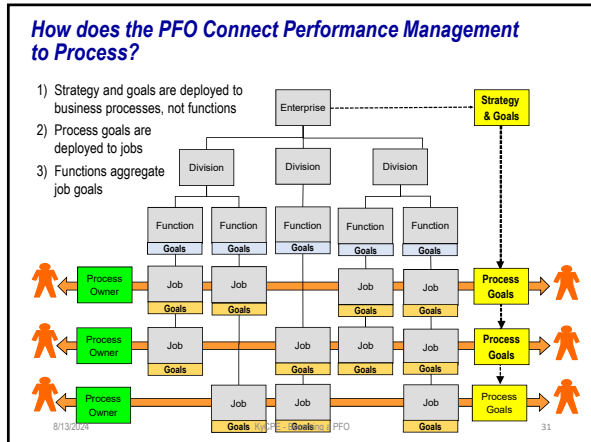
1. Define the business process
2. Clarify process requirements and setting process goals
3. Establish process design (and own the design going forward)
4. Establish and maintain performance measurement
5. Develop and maintain documentation and training
6. Confirm compliance to process design

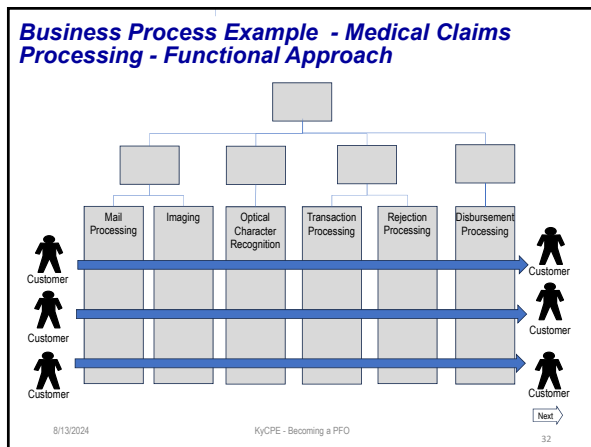
The Owner owns the design but not operational execution

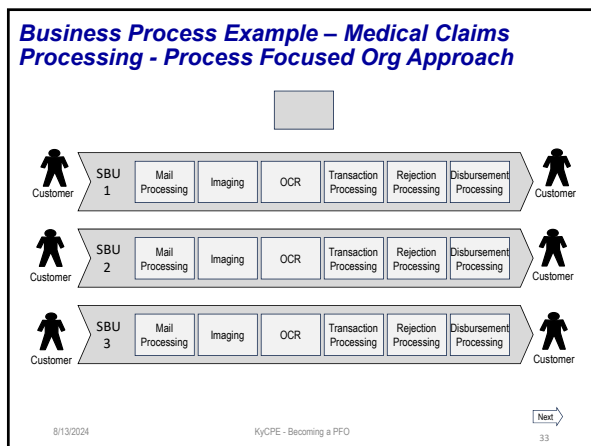
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Organizational Alignment Recap

Organizations are generally functionally managed ...

- The Functional Organization has inherent problems – including:
 - ✓ fragmented flow of work (adding delays, defects, costs)
 - ✓ focus on tasks (sub-optimization)
 - ✓ no horizontal accountability (along value stream)
 - ✓ etc.
- The Process Focused Organization seeks to ...
 - ✓ reconnect the flow of work (manage end-to-end flow of value creation, instead of functional tasks)
 - ✓ measure process-level results (not local efficiencies)
 - ✓ connect to jobs to process goals (instead of silo goals)
 - ✓ align structures & systems to support value creating processes
- Key Enabler to PFO
 - ✓ Business Process
 - ✓ Process Owner

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**Managing
Business Processes**


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Process Management & Improvement

Points to consider ...

1. Process management and improvement are not just about deploying a set of tools "one and done"
2. Process improvement work is evolutionary – where you systematically build capability
3. Process improvement is not enough. Processes must be proactively managed on an ongoing basis to sustain performance

 What frequently happens after a process is improved?
Why?

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Managing Business Processes

Keys to Managing Business Processes ...

- 1. Process Performance Indicators**
 - ✓ Tell us about key performance outcomes
 - ✓ Reactive
- 2. Process Performance Drivers**
 - ✓ Tell us about the factors that determine performance outcomes
 - ✓ Predictive
- 3. Process Management Framework**
 - ✓ A management system that integrates the methods, tools and information required to manage processes
- 4. Process Improvement Roadmap**
 - ✓ A "pathway" for driving and sustaining process improvements
 - ✓ Builds the Process Management Framework

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Process Performance Indicators

- Process Key Performance Indicators (KPIs) tell us about key process outcomes
 - ✓ Lagging indicators
 - ✓ Measuring these factors tell us if all is well across the performance dimensions (i.e., effectiveness, efficiency, timeliness, robustness), but not why
- Examples might include
 - ✓ Delivered quality (free from defects)
 - ✓ Labor hours consumed
 - ✓ Service delivery lead time
- How to use
 - ✓ Defect tracking
 - ✓ Satisfaction measurement
 - ✓ Time-series data tracking (looking for trends that signal potential problems)

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Process Performance Drivers

- Process Drivers are the factors that determine or predict process results
 - ✓ Leading indicators
 - ✓ Managing these factors "prevent" problems (better than detect & correct)
- Examples might include
 - ✓ Data completeness, accuracy and timeliness
 - ✓ Workforce availability, skills
 - ✓ Equipment availability and status
 - ✓ Sanitation
- How to use
 - ✓ Pre-flight checklists
 - ✓ Time-series data tracking (looking for trends that signal potential problems)

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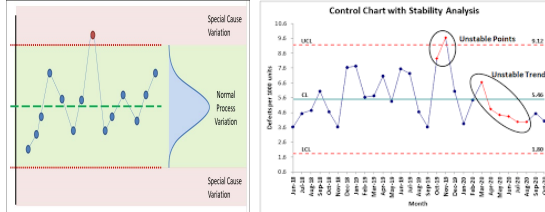
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Using Data to Manage Processes

- ❑ It's important to use data to track process performance
- ❑ Time-series data tells us when its time to react to fluctuations in our process data



- ❑ Making changes to our processes too quickly can result in "tampering" which actually makes our processes worse

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Process Management Framework (Abbreviated)

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Process Management Framework

Ongoing process management can be enabled by adopting a Process Management Framework

- ❑ Framework comprised of five levels where each level ...
 - ✓ Addresses a specific process management need
 - ✓ Builds on lower levels
 - ✓ Drives improvement
- ❑ Framework levels are:

1. Standards Management	<u>addresses ...</u> (repeatability)
2. Controls Management	(capability)
3. Quality Management	(compliance)
4. Customer Satisfaction Management	(alignment)
5. System Management	(sustainability)

Adopting the framework is a step toward Standardization

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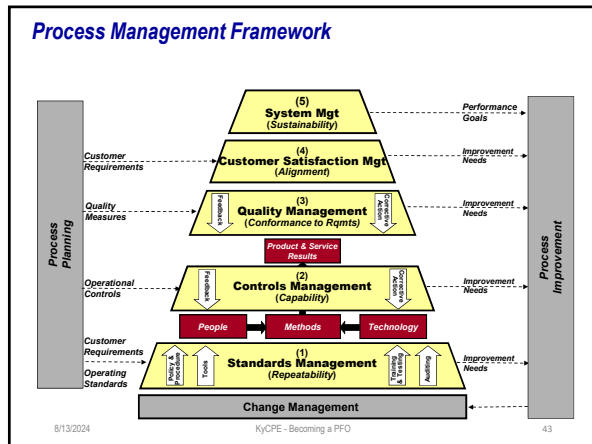
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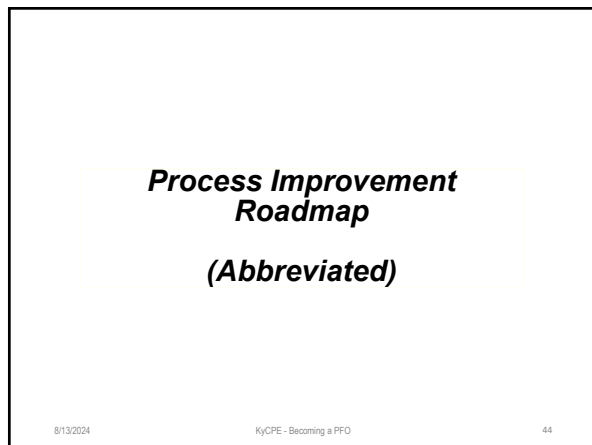


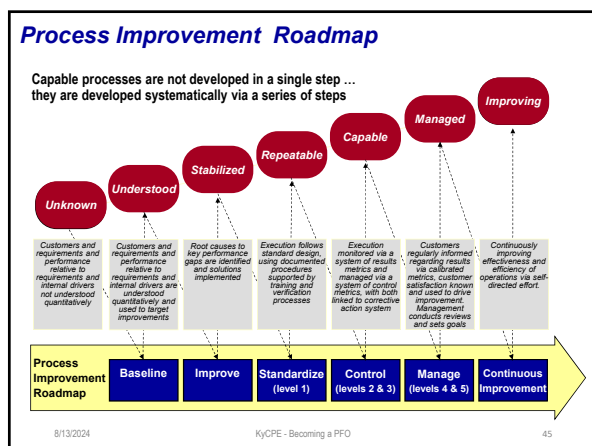
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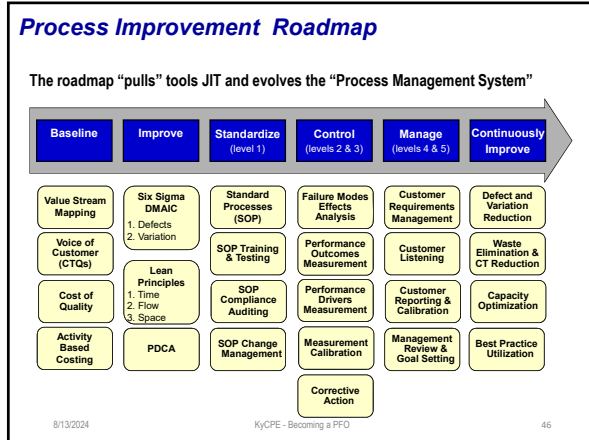
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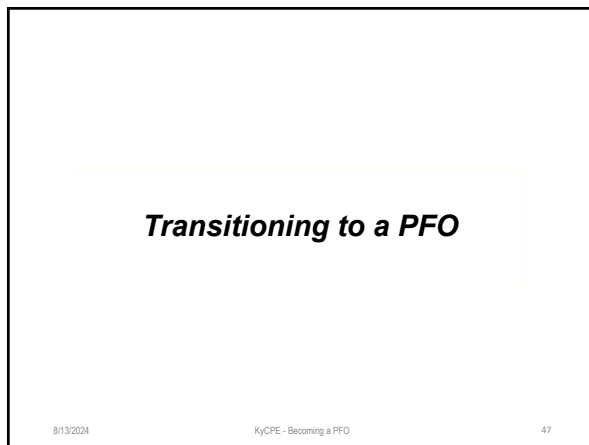
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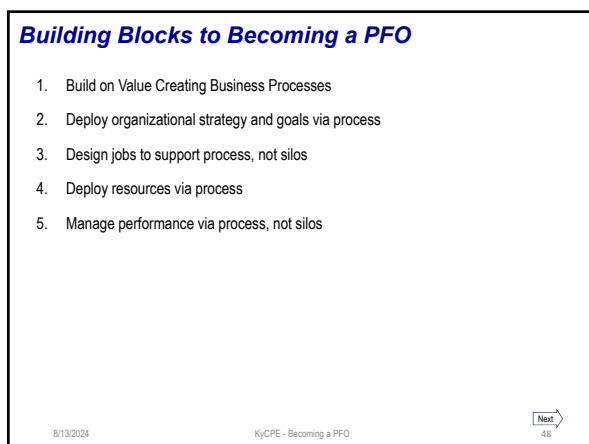













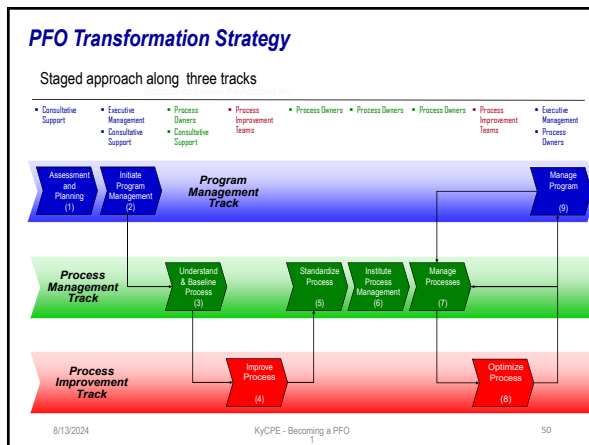
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PFO Transformation Strategy


- ❑ The PFO Transformation Strategy provides a roadmap for planning and adopting the practices required to manage your key business processes.
- ❑ The strategy is built on three tracks that run concurrently
 - ✓ Program Management – Senior Mgt, Process Owners, Consultative Support
 - ✓ Process Management – Process Owners, Consultative Support
 - ✓ Process Improvement – Process Improvement Teams
- ❑ Today we are only taking a high-level view of the strategy. Additional detail is available if desired.


 Key Point = Transitioning is a “phased” approach, not “big bang” approach

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Resolving Focus

 Business processes provide the greatest leverage for meaningful performance improvement results

Focus first on the Business Processes that are highly relevant and underachieving 

Relevance to:

- Strategy
- Regulatory
- Value Creation

Health:

- Customer Issues
- Business Goal Attainment
- Maturity

		Health	
		Low	High
Relevance	High	1	3
	Low	2	4

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Recap

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Recap

- Customer-to-customer "Business Processes" are key organization assets that deliver value to customers and drive revenue and profit.
- "Cross-functional Business Processes commonly underperform in a hierarchically managed organization
- Business Processes must be managed from end-to-end
- Process Owners are the key enablers to planning and managing Business Processes
- The PFO Transition Strategy identifies and positions the key steps required assimilate the key elements of the PFO

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What and So What ? – Part 1

Article by Caitlin Owens, Axios
Hospitals Forced To Revamp Business Models Or Risk Losing Patients

- Hospitals' business models are being upended by fundamental changes within the health care system, including one that presents a pretty existential challenge: People have far more options to get their care elsewhere these days.
- Regarding Consolidations
 - "I think the hospitals have sort of said ... 'We can keep doing things the same way and we can just merge and get higher markups,'" said Yale economist Zack Cooper. "That push to consolidate is saying, 'Let's not move forward, let's dig in.'"
 - And there's a [growing body of research](#) showing that when hospitals consolidate, costs go up.
 - "They've protected their portfolio, and that's added to the cost of health care," said Johns Hopkins professor Gerard Anderson.

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What and So What ? – Part 2

Article by Caitlin Owens, Axios
Hospitals Forced To Revamp Business Models Or Risk Losing Patients

- Regarding Outpatient Care
 - Many of the services that are shifting toward outpatient settings — like oncology, diagnostics and orthopedic care — are the ones that typically make hospitals the most money and effectively subsidize less profitable departments.
 - A big bonus of outpatient care is that it's supposed to be cheaper. But when hospitals [charge more for care](#) than an independent physician's office would have, or they tack on facility fees, costs don't go down.
 - When hospitals lose these higher-margin services, "you're starving the system that needs profits to provide services that we all might need, but particularly uninsured or underinsured people might need," said UCLA professor Jill Horwitz.

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Now What ?

- There is evidence that Healthcare organizations are being challenged along multiple fronts ...
.... and that clear solution strategies are needed
- Question - Does the Process-focused Organization offer any advantages that may be helpful in meeting these challenges?
- If the answer is yes (in full or in part), KyCPE can provide additional coaching support or reference materials

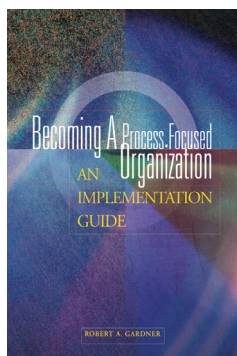
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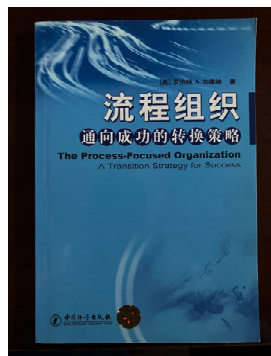
Reference Material



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Reference Material

Roadmap to Process Focus
(A Transition Strategy to Becoming a Process Focused Organization)

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And Finally ...

Thank You for your Time and Attention

If interested in continuing the discussion, or in receiving the support materials, please contact us via email at ...

- BobGardner@Kycpe.org
- JohnSimson@Kycpe.org

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Last Slide

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Appendix

The following slides provide additional detail regarding the steps that comprise the PFO transformation strategy

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1. Assessment & Planning

1.1 Understand Enterprise Value

- √ Value Proposition
- √ Value Streams

1.2 Understand Enterprise Performance

- √ Identify Enterprise CSFs
- √ Evaluate Performance to CSFs

1.3 Identify & Grade Business Processes

- √ Inventory Processes
- √ Grade Process Relevance & Health

1.4 Develop Program Support

- √ Business Case
- √ Stakeholder Analysis
- √ Guiding Coalition
- √ Approval

1.5 Prepare Program Infrastructure

- √ Roles & Structures
- √ Training

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2. Initiate Program Management

2.1 Establish Process Council

- √ Identify Council Members
- √ Train Council Members

2.2 Set Priority Processes

- √ Identify Priority Processes (high relevance, low health)

2.3 Set Priority Process Goals

- √ Customer Focused Goals
- √ Business Focused Goals

2.3 Set Process Owners

- √ Identify & Train Process Owners
- √ Charter Process Owners

2.4 Deploy Communication Plan

2.5 Initiate Performance Dashboard

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3. Understand & Baseline Processes

- 3.1 Form & Train Process Management Team**
 - ✓ Value Proposition
 - ✓ Value Streams
- 3.2 Define Process**
 - ✓ Scope & Composition
 - ✓ Customer & Suppliers
- 3.3 Baseline Process Performance**
 - ✓ Validate Process Goals
 - ✓ Operationalize Metrics
 - ✓ Translate Goals into Metrics
 - ✓ Establish Baselines
- 3.4 Analyze Process Design**
 - ✓ Map Workflow
 - ✓ Evaluate Value Contribution of Work
 - ✓ Inventory Artifacts & Systems
 - ✓ Evaluate Use of Time
- 3.5 Analyze Process Costs**
 - ✓ ABC Diagnostic
- 3.6 Set Improvement Priorities**

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4. Improve Process

- 4.1 Define Problem**
 - ✓ Scoping & Chartering
 - ✓ Problem Measures & Targets
- 4.2 Measure Problem**
 - ✓ Performance Measurement
 - ✓ Problem Measurement
- 4.3 Analyze Causes**
 - ✓ Identify & Select Causes
 - ✓ Validate Causes
- 4.4 Identify Solutions**
 - ✓ Evaluation Criteria
 - ✓ Select &
- 4.5 Validate Solutions**
 - ✓ Pilot
 - ✓ Proposal
 - ✓ Deployment Plan
- 4.6 Implement Solutions**
 - ✓ Documentation
 - ✓ Execute Deployment Plan
- 4.7 Control Solutions**

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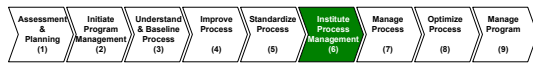
5. Standardize Process

- 5.1 Analyze Process**
 - ✓ Understand Design & Performance
 - ✓ Identify Constraints & Waste
- 5.2 Design Standardized Process**
 - ✓ Design Goals (QFD)
 - ✓ Validate Design / (Failure Modes Analysis)
 - ✓ High Level Design
 - ✓ Workflow Maps
- 5.3 Document Standardized Process**
 - ✓ Process Manual
 - ✓ Training Program (and records)
 - ✓ Operating Procedures
 - ✓ Verification Program (and records)
- 5.4 Implement Standardized Process**
 - ✓ Deployment & Control Plans
 - ✓ Conduct Deployment
 - ✓ Repository & Change Control
 - ✓ Transfer Ownership
- 5.5 Control Standardized Process**
 - ✓ Manage Documentation, Verification and Training Programs

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CE Provider: Dept. for Behavior Health, Developmental and Intellectual Disabilities
 KBN Provider-Training Number: 5-0051-0126-753

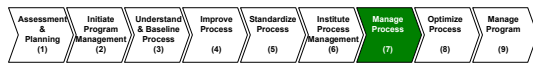
6. Institute Process Management



- Outcome Metrics**
- 6.1 Design
 - 6.2 Implement
 - 6.3 Manage
 - 6.4 Monitor
- } Institute Outcome Based Performance Metrics to Understand Process Performance
- Driver Metrics**
- 6.5 Design
 - 6.6 Implement
 - 6.7 Manage
 - 6.8 Monitor
- } Institute Internal Driver Metrics to Manage Process Performance

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7. Manage Process



Continue managing the systems and results – while driving improvement

- 7.1 **Manage & Align Performance Management System**
 - ✓ Process Performance Metrics
 - ✓ Enterprise Performance Dashboard
- 7.2 **Monitor Process Performance**
 - ✓ Driver Stability
 - ✓ Driver Capability
- 7.3 **Manage Process Documentation & Training Programs**
 - ✓ Documentation
 - ✓ Records & Results
- 7.4 **Manage Process Review Programs**
 - ✓ Documentation
 - ✓ Records & Results
- 7.5 **Understand Best Practices**
- 7.6 **Plan & Manage Improvement Projects**

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8. Optimize Process

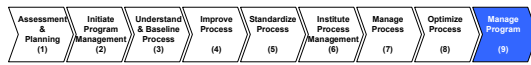


Continue seeking improvements in process outcomes and capabilities

- 8.1 **Define Problem**
 - ✓ Scoping & Chartering
 - ✓ Problem Measures & Targets
- 8.2 **Measure Problem**
 - ✓ Performance Measurement
 - ✓ Problem Measurement
- 8.3 **Analyze Problem Causes**
 - ✓ Identify & Select Causes
 - ✓ Validate Causes
- 8.4 **Identify Solutions**
 - ✓ Evaluation Criteria
 - ✓ Select &
- 8.5 **Validate Solutions**
 - ✓ Pilot
 - ✓ Proposal
 - ✓ Deployment Plan
- 8.6 **Implement Solutions**
 - ✓ Documentation
 - ✓ Execute Deployment Plan
- 8.7 **Control Solutions**

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9. Manage Program



Continue managing the program and priority processes

9.1 Oversee Priority Processes

- √ Scoping & Chartering
- √ Problem Measures & Targets

9.2 Maintain Organizational Alignment

- √ Strategy Deployment
- √ Budgeting & Financial Mgt
- √ Structures & Systems
- √ Human Resource (performance mgt, compensation)

9.3 Manage Performance Goals

- √ Enterprise Performance Goals
- √ Priority Process Performance Goals

9.4 Manage Enterprise Performance Dashboard

9.5 Communicate

- √ Vision
- √ Plans
- √ Results

9.6 Integrate Additional Business Processes

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PFO Transformation Strategy

Staged approach along three tracks



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