Beehive

A Guide for Agile Business Management

Version 1.2

Beehive

A Guide for Agile Business Management

There is nothing permanent except change.

- Heraclitus of Ephesus

The Beehive Guide

Beehive is a framework for agile business management. This guide defines Beehive and provides an explanation of the concepts on which it is founded. Agile approaches have been successfully used in the creation and enhancement of products and services. Typically, this is undertaken within the scope of a project, a temporary endeavour with a definite beginning and end. While project management tools and techniques present ways to create and enhance products and services, Beehive concerns the ongoing and repeating activities that occur in all organisations. In doing so, it advocates that improved profitability is not solely dependent on growth but can also be achieved by greater efficiency in existing business practices.

Beehive promotes establishing a culture of incremental improvement driven by experience and information gained in the environment in which business transformation takes place. It asserts that the success of an organisation is dependent on the underlying processes and if these are efficient, then optimal outcomes can be achieved. It also proposes that organisations can become more effective by empowering teams and individuals with the responsibility and authority to adapt the processes that guide their ways of working. It suggests that those most directly impacted by organisational inefficiencies are the best people to rectify them.

Beehive Philosophy

Beehive is founded on the following principles:

Process over Outcome

Efficient and effective processes deliver the best outcome. Focus on improving and simplifying processes rather than fixating on desired outcomes. Aspirational targets, if unattainable, can lead to demotivation and disengagement. The efficient operation of effective processes will create the best outcome and it is this that should be used to set expectations.

Responsibility and Authority over Bureaucracy

Empower people to adapt ways of working without the need to negotiate change with multiple stakeholders. Let those most impacted by inefficiencies actively participate in corrective actions. Use the confidence gained from improved transparency to distribute authority and responsibility throughout the organisation.

Agility over Risk Aversion

Acceptance that mistakes will happen fosters agility. Mistakes are viewed as preferable to indecision and inaction that may result from attempts to avoid them. The only failure is the one you don't learn from. The learning gained from changes that don't produce the expected outcome provides valuable information that informs future decisions.

Empiricism over Supposition

Decisions based on knowledge gained in context are more likely to have a positive effect than those based on assumptions and hypotheses. Information regarding events occurring in the business environment, including their frequency and impact, provides valuable insights.

Transparency over Unwritten Lore

Definition and documentation of processes enhance understanding of organisational operations. This ensures critical knowledge is not confined to a few individuals. The resulting transparency also increases confidence for those not directly involved.

Incremental Improvement over Large-Scale Change

Perform business transformation through incremental improvement and smaller, more frequent changes. This results in steady and more predictable change. Small changes are easier to reverse if the anticipated improvements are not realised.

Risk Management over Issue Resolution

Active risk management, including consideration of risk mitigation strategies, reduces the impact when risks manifest as issues. Expending less effort on issue resolution allows more time to be directed to core business activities.

Cadence over Stagnation

Periodic reviews of key aspects of the organisation, facilitated by controls, ensures effective and efficient operation is maintained.

Note: "Over" in these principles implies prioritisation rather than exclusion.

Incremental Process Improvement

Beehive is founded on empiricism and the idea that learning comes from experience and observations. It advocates that the development of best practices requires learning acquired in the environment where these practices operate. Beehive highlights the importance of transparency in incremental improvement and the removal of the fear of failure.

Beehive proposes that all processes executed by the organisation must have a control applied to them, and these controls must have an owner. A control owner is responsible for ongoing reviews of the control, using empirical information to investigate inefficiencies and identify opportunities for incremental improvement. The control owner ensures processes are operating at their optimum.

The overall goal is to keep things simple (and no simpler). The control owner should strive to ensure this by keeping reviews simple and low-effort to encourage their occurrence and add benefit. However, reviews must have sufficient priority and attention to allow opportunities for improvement to be identified. Finding a balance is crucial.

Operating Models

The creation of operating models to describe and transform businesses is not a new concept. In Beehive, operating models are also used in day-to-day business management and the ongoing operation of the organisation. Embedding the operating model into the operation of the organisation helps keep the model current. This results in a living model that stays in step with the organisation as it transforms. Operating models improve transparency and provide a single source of truth for how the organisation should operate. As described later, operating models can also facilitate risk management by highlighting which aspects of the organisation are most exposed to risk.

An operating model sits at the core of Beehive. Ideally, the scope of this would extend to the entire organisation. In practice, it is advisable to focus on a localised area and extend from there. This allows understanding gained from the use of Beehive in the organisational context to be applied as the model is developed.

The decision of where to start will differ from organisation to organisation. Examples of considerations that can influence this decision include:

- What are the organisation's critical core functions?
- Where is the greatest potential for improvement?
- Where is the organisation most exposed to risk?
- Where does the organisation lack transparency?

It's worth highlighting that a lack of transparency is, in itself, a risk.

The use of living models serves to maximise the benefit gained from the investment in business process analysis and helps prevent an entropic return to the inefficient processes and lack of predictability that the business transformation was undertaken to address.

Model Entities

The operating models used in Beehive are built from three entity types: Departments represent the organisational structure, functions define the services provided by each department, and processes show how the function is delivered.

Departments

Departments illustrate how the organisation breaks down into the areas that perform the work. They may mirror the actual structure of the organisation or provide logical groupings of the work undertaken. In smaller companies, the organisational structure can be more fluid, with people fulfilling roles across a number of departments. In larger organisations, departments can be broken down into sub-departments or teams to form another layer in the hierarchy.

The breakdown of an organisation into departments will differ with its size and the business area in which it operates. Some example departments include:

- Executive Management
- Production
- Marketing
- Sales
- Operations
- Customer Service
- Talent Management
- Finance

- Legal

Functions

Functions describe the services a department delivers. They can serve clients or customers internal or external to the organisation. In larger organisations, functions may be broken down into sub-functions to form another layer in the hierarchy.

Processes

Processes describe how the services provided by the functions are delivered. The level of detail used to document a process depends on the process and the environment in which it is executed. Processes should be broken down to a level of complexity that can be understood and controlled. The services delivered by a function are likely to use many processes.

A process can be expressed as a simple list of steps or a more complex representation, including decision logic to show how the process is executed in different situations. Processes can be chained together, with one process becoming the predecessor of another. It is not advisable for processes to span functions. If processes are contained within a function, it will facilitate the operation of a pull system, where the outputs delivered by predecessor processes are consumed by a successor process when capacity becomes available.

Ideally, no process should include more than 12 steps, and by exception, a maximum of 25. Larger processes should be broken down. Breaking processes down into bite-sized chunks makes them easier to understand and promotes agility. In the majority of cases, it's easier, cheaper and less disruptive to replace or upgrade a small component than a large one. Similarly, if a process is changed and the anticipated results don't match the observed ones, the change is easier to reverse.

Assigning a time/effort estimate to a process makes it possible to plan how many times it can be executed. Additionally, an understanding of the cost of executing a process and the value it generates can aid financial assessments and forecasting. Beehive does not prescribe how a process should be presented. Many ways of defining processes already exist, including those that use graphical notations.

Company Assets

Company assets are the inputs to and outputs from processes. When processes are chained together, the output from one process can be the input to another. The consideration of company assets is an important aspect of understanding how an organisation operates. Company assets are grouped into five classifications:

People Assets

The skills possessed by team members within the organisation required for the execution of processes. An individual can possess multiple skills and be involved in the execution of more than one process. Appreciating that people perform multiple roles allows planners to optimise workloads and better understand restraints.

Physical Assets

Physical items, equipment or machinery needed to execute the process. These can include the area in which the process is executed, such as a desk, meeting room or workshop. Unlike material assets (described next) these are reusable across process executions. They can, therefore, present a limitation on how many times a process can be executed concurrently.

Material Assets

Items consumed or produced and therefore transformed by processes. They can be tangible (wood transformed into a chair leg) or intangible (digital documents). Tangible assets need to be in stock for the process to run, while intangible ones, such as documents and images, would not be an inventory item.

Information Assets

Guides for process execution, including regulations, standards, manuals, guidance notes or templates. They can be physical or digital and are not transformed by the process. In the example where a process produces a new version of a standard or template, this artefact would be classified as a material asset until the new version is published and becomes an information asset.

Partner Assets

Skills provided by external organisations, similar to people assets but requiring additional planning due to their external nature

Operational Control

Controls are what turn an operating model, describing how the business should work, into a living model used in the ongoing management and operation of the organisation. Each control must have a dedicated owner with authority to manage and adapt the aspect of the organisation to which the control relates. Controls can be applied to all operating model entities (departments, functions, processes), asset types (people, physical, material, information, partner), and risks. A control is mandatory for both processes and risks.

Controls are reviewed periodically to identify opportunities for incremental improvement and to ensure they remain relevant and effective.

Risk Management

Any aspect of an organisation can be exposed to risks. These risks can manifest as issues, adversely impacting the organisation's performance and jeopardising its success. In Beehive, risks can be assigned to both the operating model entities and the company assets. Every risk must be assigned one or more controls. Risk controls include a strategy for how the risk is to be managed. A standard TAME (transfer/accept/mitigate/eliminate) approach can be used to define the response to the risk. In addition to this, the extent to which the control mitigates the probability and/or impact of the risk can also be considered. This will allow the determination of the residual risk that remains after the controls are applied.

Actions

Action documents information related to a control and, therefore, the aspect of the organisation to which the control is applied.

There are three types of actions:

- **Event Actions:** Incidents relating to the control. This could be positive, negative or neutral feedback. For risk controls, this could be the manifestation of the risk as an issue. Event actions record the empirical evidence used to inform the decisions that lead to incremental improvement.
- **Work Actions:** Tasks required to implement incremental improvements, remedial actions, risk mitigations and responses when risks manifest as issues.

- **Approval Actions:** Periodic confirmations that the control is actively managed, effective and relevant. They ensure consideration of improvement opportunities and recording of any resulting work actions.

R^3, The Record-Review-Rework Cycle

Each control is subject to the R^3 (Record-Review-Rework) cycle. This mechanism involves collecting and analysing empirical information to identify opportunities for incremental improvement. The R^3 cycle operates perpetually, with each iteration building upon the last, and drives the translation of insights into actions that propel the organisation forward.

Record

The record stage of the R^3 cycle gives Beehive its transparency. It involves gathering and documenting the information used in the review stage that follows. Initially, this will involve developing the organisation's operating model. Once the operating model is established, the record will comprise information gathered during business operations, recorded against controls as event actions.

The Initial Record

The utilisation of Beehive requires the definition of an operating model. This sits at the core of the Beehive framework. Initially, the operating model serves as an analysis tool used to improve the transparency and understanding of how the business operates. The initial record will establish how the organisation is structured into departments, list the functions provided by each department and define the processes used by a function.

The definition of an operating model will require investment in terms of the effort required to analyse and document how the business operates. How the business operates in practice may differ from how it is understood to work. The effort required in the record step will be reduced in subsequent R^3 cycles, which will focus on the event actions recorded against controls.

It is not expected that organisations adopting Beehive will fully define their operating model and all the processes they execute at the outset. As with many business decisions, consideration should be given to the costs involved and the resulting benefits. Although the focus should be on the processes, different strategies can be taken. One organisation might focus on processes critical to their operation, another might look to the processes with the potential to deliver the most savings. The former will serve to de-risk, the latter to drive financial improvements. With

either approach, you can start from a core from which you build on. Keeping the scope tight, with respect to the number of processes included, can result in the benefits being seen sooner.

The inference here is that the first version of the operating model must include at least one process. This will provide the control used in the R^3 cycle. Subsequent versions of the operating model can add processes and extend the number of departments and functions that encapsulate them. The sophistication and usefulness of the operating model can be improved further with the addition of risks and company assets. The extension and modification of the operating model are undertaken in the rework stage.

Given that the R^3 cycle is driven by controls, a prompt to consider whether the operating model needs extending requires a control to be applied to a model entity in the higher levels of the model hierarchy. For example, a control applied to a department will prompt consideration of whether additional functions should be added. It is, therefore, useful for the first version of the operating model to include an approximation of the departments the organisation comprises and for each department to have a control. These controls will not only encourage the development of the operating model but will provide a placeholder for assigning event actions that relate to parts of the organisation that have not been fully modelled. These event actions can also aid the decision of which parts of the organisation to model next.

The Ongoing Record

The ongoing record is a list of all the actions recorded against a control. The event actions are used to record information relating to the aspect of the organisation the control is applied to. They give Beehive its empiricism by gathering learning from experience and observations. This information is key to identifying opportunities to refine the operating model and incrementally improve the business.

Event actions can be recorded by any or all stakeholders within the organisation. The information gathered will be richer if it is gained from differing viewpoints. Event actions can also relate to feedback received from people outside the organisation. These may be customers, clients, business partners, industry experts or external consultants.

Review

The review stage of the R^3 cycle is used to inspect the information gathered in the record stage and identify the work actions that will deliver incremental improvements. Ideally, these work

actions will be prioritised, given a completion date and assigned to someone to undertake the work.

It is not expected that a separate review is held for each control. Controls can be bundled into groups and reviewed within the same session. This will require R^3 cycles of the controls being reviewed to be synchronised. The only person required to participate in the review is the control owner (described later). At their discretion, the control owner can include other stakeholders in the review.

Control Review

The control review is an appraisal of the event actions recorded in the record stage of the R^3 cycle. Given that event actions can relate to positive, negative or neutral feedback, the control review may not result in any work actions being created. If something is working well, there is no reason to change it. With respect to process controls, it is beneficial to include those involved in executing the process in the control review.

In Beehive, all risks must have a control. The control review, therefore, provides a periodic assessment of the risks that the organisation is exposed to and an assessment of the effectiveness of the controls used to mitigate these risks

Model Review

The model review provides an opportunity to refine the operating model over and above the improvements driven by event actions. This can include extending the operation model to cover additional aspects of the organisation.

The questions asked in the model review are as follows:

- Does the operating model provide an accurate representation of how the organisation is operating?
- Would it be beneficial to extend the operating model to include additional aspects of the business's operation?
- Have all critical risks been identified and recorded?
- Are the existing controls relevant, sufficient and effective?

Changes to the operating model are applied using work actions.

Meta Review

Finally, the review should include consideration of the review itself. The following questions should be considered:

- Is the review frequency appropriate?
- Are the event actions recording useful information at the right level of detail?
- Are the correct stakeholders involved in the review?

Rework

The rework stage is where the work actions created in the review stage are undertaken. It may be that there aren't any. Ideally, all the work actions would be completed before the R^3 cycle restarts; however, a level of pragmatism can be employed. Beehive promotes incremental improvement and there is a realisation that some adaptations take time. Agreed completion dates may, therefore, fall outside the current cycle. As a rule of thumb, the goal should be to complete a minimum of three work actions within each R^3 cycle. Maintaining this discipline will ensure that incremental improvement takes place.

The rework stage ends with the control owner registering an approval action against each of the controls included in the review. This indicates that the control owner is happy that the completed work actions have been undertaken correctly and the outstanding work actions are carried forwards to the next R^3 cycle.

The Control Owner

Beehive defines only one role: the control owner. The control owner manages the aspect of the organisation to which the control is applied and has the responsibility and authority to make changes. The control owner approves the work required for incremental improvements or confirms when no work is needed. When there is no work to do, the control owner uses an approval action to provide explicit confirmation that the R^3 cycle has taken place. Every control must have a control owner. Not having a control owner reduces the likelihood of the review and rework stages of the R^3 cycle occurring and weakens the effectiveness of the control.

A control owner can be an individual or a team of people. It is crucial that ownership is maintained and reassigned when control owners move or leave the organisation. When a team is assigned as the control owner, the team leader will have responsibility and authority for the control.

The control owner is responsible for:

- Ensuring that relevant stakeholders are involved in the review stage of the R^3 (Record-Review-Rework) cycle. Control owners can conduct reviews without the involvement of other stakeholders; however, this is not recommended for process control reviews.
- Ensuring that the work actions included in the rework stage of the R^3 cycle are assigned the correct priority and completed within the agreed timescales.
- Ensuring the R^3 cycle is performed at the agreed interval and providing explicit confirmation that the cycle has completed and the control is relevant and effective.

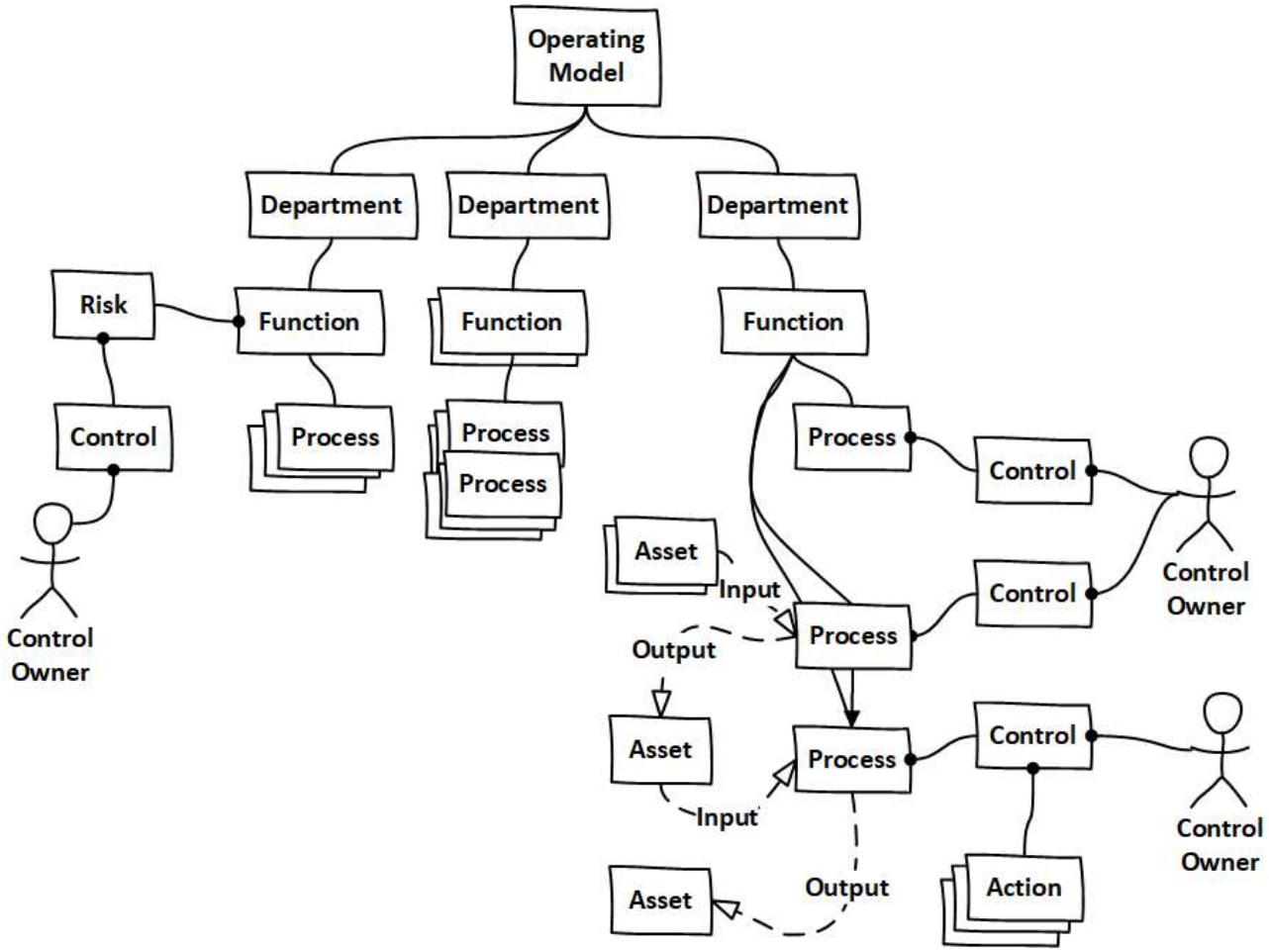
The inclusion of other stakeholders in the review may be required to provide additional knowledge and insight. This informs the decisions that result in the creation of work actions. The inclusion of other stakeholders does not dilute the control owner's responsibility and authority.

The control owner is empowered to change aspects of the model they are responsible for and can implement ad hoc adaptations outside the rework stage of the R3 cycle. It is advisable for this to be done in consultation with impacted stakeholders. Ad hoc changes will be considered in the review stage of the next R^3 cycle.

The best control owners are those actively involved in the aspect of the organisation to which the control relates. These individuals will be most impacted by inefficiencies and well-positioned to implement corrective actions. This may require more delegation of authority and responsibility than is usual in some organisations; however, the transparency provided by Beehive provides senior management confidence that the resulting adaptations are beneficial to the organisation.

Beehive Structure

The following diagram provides a simplified view of how the concepts of Beehive are structured. To enhance clarity, certain elements have been collapsed. For instance, not all processes are depicted with controls, which are mandatory in Beehive



Uses of Beehive

Some practical applications of the Beehive framework follow.

Business Case Support

The improved transparency provided by Beehive will demonstrate that consideration has been given to how an organisation will operate and how risks will be actively managed. This will provide increased confidence to investors looking to fund the creation or scaling of the business.

Operational Management

The application of controls to an operating model creates the living model that can be used in the day-to-day operation and management of the organisation. Starting with some key processes, this model can be built up to become a comprehensive reference of how the organisation operates. The recording of the event actions against controls provides control owners with real-time feedback on how the business is performing. Beehive empowers control owners to react to events and implement improvements.

Business Transformation

The R^3 cycle identifies opportunities for incremental improvement. This ensures the organisation stays current and does not evolve into a situation where costly large-scale transformation is required. Large transformation projects can result in changes to aspects of the organisations that are working well. If the brief is to implement wholesale change, the changes will be made regardless of whether or not they are required. The empirical nature of Beehive, in which transformation is driven by learning gained in the environment in which the change is implemented, promotes agility and fluidity. A test and learn approach can be utilised, and if a change does not result in the expected improvement, it can be reversed. Incremental improvement favours evolution over revolution and avoids the resulting upheaval.

Key Performance Indicators

The event actions recorded in the record stage of R^3 cycles can be categorised to demonstrate performance against key performance indicators (KPIs). KPIs can be as simple as the number of event actions recorded with a particular category within a defined period. Alternatively, the event actions can be given a numeric value such as a rating, an amount or a financial value.

Examples of KPIs include:

Organisational Health

- How are our staff engagement levels?
- What level of staff absenteeism do we have?
- Is our staff attrition rate reasonable?
- What have we spent on recognition and reward?
- What have we spent on training?
- What health and safety issues have we had?

Relationship Management

- How do customers/clients rate us?
- How many complaints have we received?
- How effective are we at resolving customer issues?
- Are our partner organisations effective?
- Do we have any supply issues?

Financial Assessments

- How are costs tracking against the operation plan?
- Are we generating the planned income?
- What are the most profitable areas of the organisation?
- Where is the organisation generating losses?
- What have we spent on maintenance and overheads?
- What is the forecast for profit and loss?

Quality Management

- How much unplanned outage has occurred?
- What quality issues have been identified?
- What has been spent on rectifying quality issues?
- What quality issues have we seen with third-party products?

Note: Events may be summarised to represent more than one occurrence, such as a week or a month-end total.

Operating Plans

Understanding the customer assets forming the inputs to processes provides insights into the assets required for a single process execution. Estimating how often these processes are executed over a period will provide a profile of what is required to undertake the planned work. Profiling people assets will show what skills are required at what times and may highlight capacity shortfalls. Similarly, it might be that physical assets may present restraints that need to be addressed. Profiling of the tangible material assets that are input to the processes will be useful in inventory management and facilitate just-in-time management of stock levels. Finally, If the cost of the process inputs is known along with the income generated from the process outputs, it will be possible to estimate the profit (or loss) generated by the plan.

Enterprise-wide Risk Management

Enterprise-wide risk assessment and management results in a more resilient organisation. In Beehive, every risk must have controls to actively mitigate potential issues. Risks can be assigned to all entities of the operating model and company assets, before the operating model is fully recorded. Initially assigned to a department or function, risks can later be reassigned to a specific process once details are established. Considering risks in the review stage may influence process design. Early risk assessment ensures their active management from the outset, fostering a culture of embedded risk management in the organisation. Risks can be categorised to provide holistic insight into the types the organisation is exposed to, such as strategic, operational, financial, people, regulatory and governance.

Management Information

Along with the key performance indicators mentioned earlier, the information collected with Beehive provides transparency into how the organisation is operating. This can be presented as a real-time dashboard/information radiator that provides an executive summary highlighting where adjustments may be required. Candidates for presentation on a dashboard include:

Operating Plan Actuals

- Are we undertaking the amount of work we planned to do?
- How are we operating against capacity?
- Are we meeting the anticipated efficiency levels?

Risk Assessments

- In what areas is the organisation most exposed to risk?

- What risks are manifesting as issues?
- Is risk exposure increasing or decreasing?

Staffing Levels

- Does the organisation have the correct blend of skills?
- Are there any skill bottlenecks?
- Do we have a good mix of permanent and temporary staff?

Operating Model Health Checks

- Are mandatory controls for processes and risks assigned?
- Are any control reviews overdue?
- Are all controls assigned control owners?

Knowledge Management

The documentation of processes supports the ongoing operation of the organisation by building a repository defining how the organisation works. This means that key information regarding how the organisation works is not concentrated in a few individuals. By doing so, it serves to de-risk critical aspects of the organisation's operation by removing points of failure.

A knowledge repository will also be useful when the organisation scales and more people are introduced. It will facilitate the training of new recruits and aid succession and the transfer of a role from one person to another.

Work Scheduling

If a process is represented as a list of tasks, then this will act as a checklist, which can be used when the process is executed. These work schedules will provide explicit confirmation that the steps in the process have been completed. If processes are chained together, it will be possible to implement a Kanban system to manage how work flows through the organisation.

Conclusion

Beehive creates a culture of ongoing adaptation based on empirical information gathered in the business environment where transformation takes place. The use of controls transforms operating models into living models used for the continuous operation and management of the organisation. In Beehive, operating models are not viewed as single-use targets for large-scale business transformation. Living models adapt with the organisation, remain relevant and optimise the benefits of their creation.

Utilising company assets to define process inputs and outputs provides additional insight into how processes work, helping identify more opportunities for improvement. The effectiveness of a process is highly dependent on its inputs—'rubbish in, rubbish out.' Considering a process's effectiveness involves assessing the skills, information, materials, and tooling required for its operation, increasing the potential for improved efficiency.

Incremental improvement delivered through multiple small changes implemented at regular intervals, rather than large-scale transformation, enhances agility. Changes are more easily implemented and reversible if the outcome is not as anticipated. This fosters a culture of experimentation and creates an environment where opportunities can be explored without the paralysis caused by the fear of failure. Failure in the pursuit of success is acceptable; the only failures are those from which nothing is learned. Beehive's actions ensure valuable information is captured.

Beehive empowers those most impacted by inefficiencies to actively participate in corrective actions. Spreading authority and responsibility throughout the organisation results in a greater sense of ownership and improved engagement at all levels. Improved transparency encourages a culture of trust, fostering confidence that people are working for the collective good of the organisation.

Finally, an integrated approach to risk management ensures the identification and effective management of more risks. While unforeseen events may still occur, better management and improved efficiency across the organisation enhance resilience and increase the capacity to accommodate the unexpected.

Thank you for sticking with this guide until its conclusion. If you would like to discuss any aspect of this guide or the implementation of Beehive, contact us at **contact@kdensity.com**.

Glossary

Action: A Record of an event relating to control or the work needed for issue resolution and incremental improvement to an aspect of the organisation. Types include event actions, work actions and approval actions.

Company Asset: An input and/or output to a process, classified into five types: People assets, physical assets, material assets, information assets and partner assets.

Control: The link between an organisational aspect and the control owner accountable for it. All actions are documented against a control and each control must have a designated control owner.

Control Owner: An individual or team, with a team leader, responsible for an aspect of the organisation. They hold the authority to drive and approve incremental improvements related to their assigned control.

Department: An entity in the operating model representing the physical or logical structure of the organisation.

Function: An operating model entity denoting a service provided by a department.

Operating Model: A representation of the organisation comprising departments, functions, and processes.

Process: An operating model entity explaining how organisational activities are performed. All processes must be assigned a control.

R^3 Cycle: The Record-Review-Rework cycle, collecting and analysing empirical data for identifying opportunities for incremental improvement.

Risk: A potential event with the capacity to adversely impact the company's effective operation and goal achievement. All risks must be assigned a control.