

## Optimizing Organization Performance

### PART 3: Measuring & Managing Processes

- Why measure?
- A system of measurement
- Types of measures
- Key issues in measurement
- A future of measurement
- Common failure modes

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## Why measure business process performance?



## Reasons for measuring processes:

- understand cross-functional performance
- determine priorities
- drive improvement
- early detection of performance trends
- determine process capability range
- monitor & control (uncover problems)
- achieve strategic alignment
- shock & unfreeze organizations
- change behaviour (+<sup>ve</sup> & -<sup>ve</sup>)
- control risk
- sell the idea of BPM

## Why Measure Process Performance?

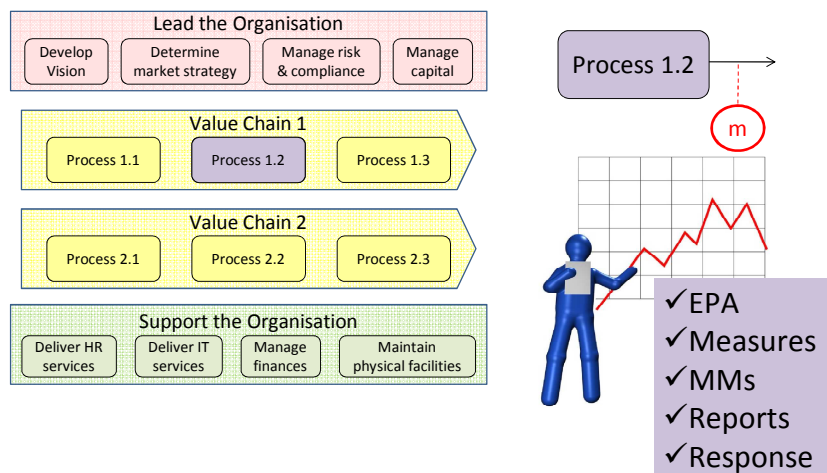
- ▶ Processes are the only way any organization delivers value to its customers/stakeholders
- ▶ No functional entity, by itself, can deliver value to an external customer
- ▶ Organizations execute their strategic intent via their business processes

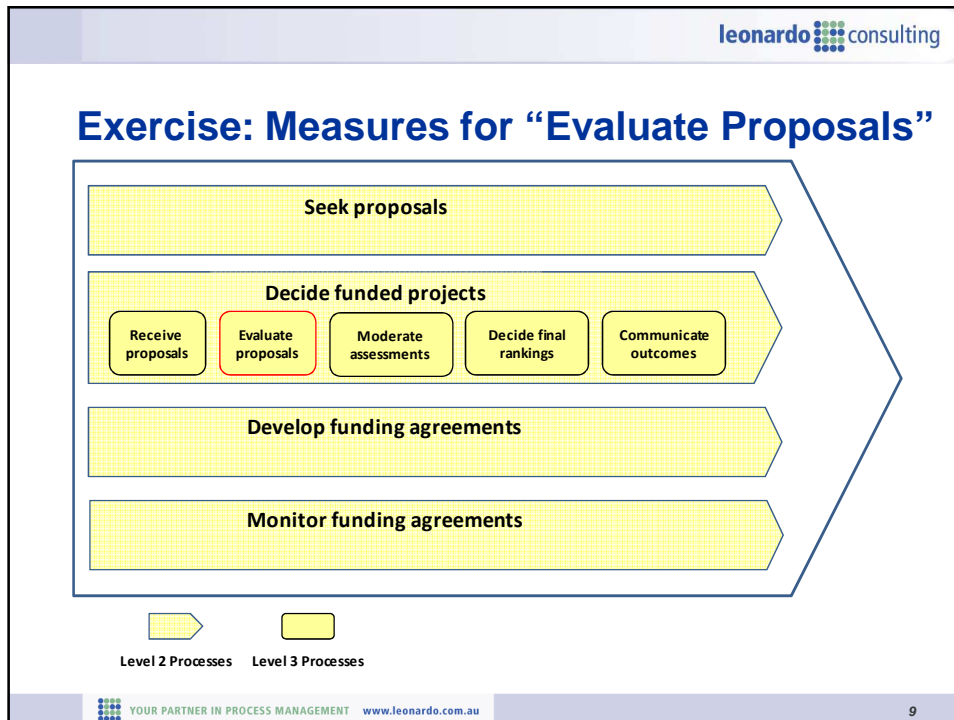
***Why wouldn't you measure business process performance?!***

A well measured, well managed, process-centric organization has:

- an **Enterprise Process Architecture** with
- **agreed measures** for each process and
- practical **measurement methods**,
- good **reporting**, and
- A well developed ability to **respond** effectively to the measures

## A System of Measurement





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## Measure What?

**Airline Announcement:**  
*“XYZAir regrets to announce that Flight YZ265 will now depart at 1:00 PM due the late arrival of the operating aircraft”*

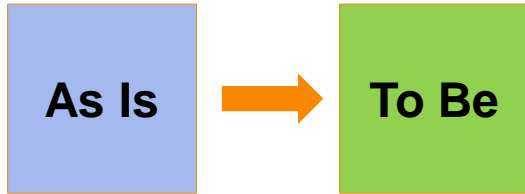
**Passenger Perspective:**  
*“My flight was 2 hours late. I missed my connection and waited 3 hours for the next flight. I missed my child’s university graduation.”*

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## Measuring Gaps From As Is & To Be

- ▶ Focus
- ▶ Evaluation criteria
- ▶ Degree of difficulty
- ▶ Extent of change



As Is → To Be

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## A Balance of Measures

- ▶ Internal /External
- ▶ Lead/Lag
- ▶ Quantitative/Qualitative
- ▶ Atomic/Aggregated
- ▶ Positive/Negative


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## Measurement Themes

- ▶ Customer Satisfaction
- ▶ Stakeholder Satisfaction

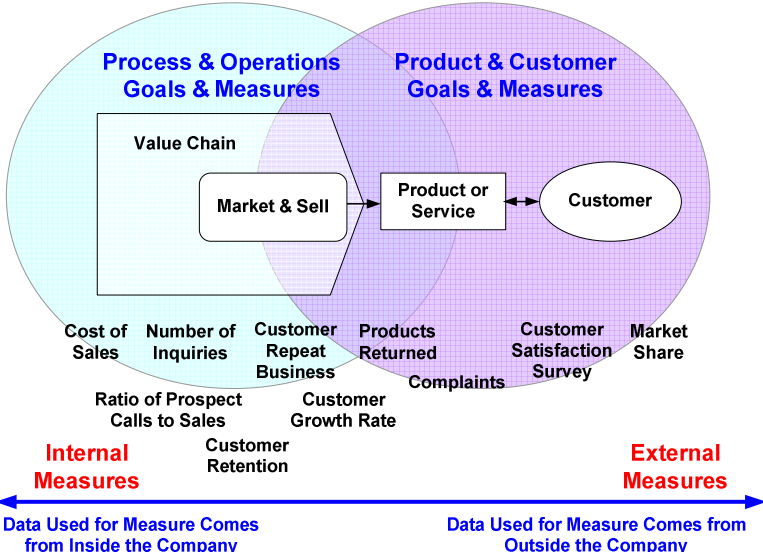
▶ Time	▶ Compliance	▶ Consistency
▶ Cost	▶ Accuracy	▶ Sustainability
▶ Quality	▶ Flexibility	
▶ Risk	▶ Capacity	



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Source: BPTrends Associates

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## Good process measures ...

- ▶ help managers manage
- ▶ stimulate good behaviour
- ▶ expose problems
- ▶ create urgency
- ▶ encourage improvement
- ▶ deliver insights
- ▶ predict outcomes
- ▶ inspire commitment

## Example Process Measures

- ▶ Percentage error in planning estimates
- ▶ Time from idea to maturity
- ▶ Cost of engineering changes/month/change
- ▶ Inquiries per \$10,000 of advertising
- ▶ % of purchase orders approved electronically
- ▶ Total costs of the HR function per employee
- ▶ Lost time for injuries per total hours worked
- ▶ Ratio of complaints to compliments
- ▶ Cost of non-quality

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OPERATING PROCESSES

1.0  
Develop  
Vision  
and  
Strategy

➔

2.0  
Develop  
and Manage  
Products and  
Services

➔

3.0  
Market  
and Sell  
Products and  
Services

➔

4.0  
Deliver  
Products and  
Services

➔

5.0  
Manage  
Customer  
Service

MANAGEMENT AND SUPPORT PROCESSES

6.0	Develop and Manage Human Capital
7.0	Manage Information Technology
8.0	Manage Financial Resources
9.0	Acquire, Construct, and Manage Infrastructure
10.0	Manage Environmental Health and Safety
11.0	Manage External Relationships
12.0	Manage Knowledge, Improvement and Innovation

**Summary of Process Measures**

**1.0 Develop Vision and Strategy**

- Number of full-time corporate planners per <\$1 billion> revenue
- Number of iterations of strategic plan per year
- Percentage error in planning estimates
- Strategic planning operating budget per <\$1,000> revenue

**2.0 Design and Develop Products and Services**

- Total cost of new product development per <\$1,000> revenue
- Total cost of the process "generate new product/service ideas" per <\$1,000> revenue

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## Too hard to measure?

Eratosthenes of Cyrene  
276 BC – 195 BC

- First measurement of the circumference of the earth – a well, a stick, and a long walk
- Everything can be measured
- A “question mark” is not a measure!

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**The purpose of  
measurement is to  
learn, not to punish.**

**Each measure can  
bring unintended  
consequences.**

**Effective process measurement requires a Business Process Architecture.**

**Without agreed process measures BPM governance is meaningless.**

**Design the  
measurement  
methods as well as  
the measures.**

**We should be more  
interested in things  
that go wrong than in  
things that go right.**

## A Future of Measurement

- ▶ Instrumented, Interconnected & Intelligent – the supply chain of the future
- ▶ *Central Nervous System for the Earth (CeNSE)* – HP Labs
  - a new information ecosystem
  - 1 trillion nanoscale sensors and actuators embedded in the environment and connected via an array of networks
- ▶ RFID+Accelerometer+Chip-Batteries = *Smart Dust*
- ▶ The Internet of Things
- ▶ Massively distributed wireless sensors

## Common Failure Modes

- ▶ No measures
- ▶ Wrong measures
- ▶ No data
- ▶ Inaccurate data
- ▶ Expensive collection
- ▶ Lack of accountability
- ▶ Unclear measures
- ▶ Too many measures
- ▶ Subjective measurement
- ▶ Disconnected from reality

- ▶ Effective BPM demands measurement
- ▶ Systemic, coherent measurement
- ▶ Measurement facilitates improvement
- ▶ Internal + external measures
- ▶ Need practical measurement methods
- ▶ Instrumented, interconnected, intelligent future



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## Optimizing Organisation Performance

- ✓ PART 1: The Process-driven Organization
- ✓ PART 2: Improving Processes
- ✓ PART 3: Measuring & Managing Processes
- PART 4: Establishing the Office of BPM

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## Optimizing Organisation Performance

### PART 4: Establishing the Office of BPM

- OBPM success
- Scoping the Office
- Locating & integrating the Office
- Resourcing the Office
- Funding the Office
- Development accelerators

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Roger Tregear  
Leonardo Consulting

t: +61 419 220 280  
s: rtregear  
e: r.tregear@leonardo.com.au  
w: www.leonardo.com.au


















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## A Network of Thought Leaders



**Dr Michael zur Muehlen**  
Associate Professor,  
Stevens Institute of  
Technology



**Prof Thomas R Gullede**  
President, Enterprise Integration,  
Professor Emeritus, GMU



**Dr Richard Soley**  
CEO, OMG



**Gladys Lam**  
Principal,  
Business Rules  
Solutions



**Celia Wolf**  
Managing Director  
BPTrends Associates



**Michael Rosemann**  
Professor, QUT



**Andrew Spanyi**  
Managing Director,  
Spanyi International



**Paul Harmon**  
Chief Methodologist  
BPTrends Associates



**Ronald G Ross**  
Principal,  
Business Rules Solutions



**Roger Burlton**  
Chief Consultant  
BPTrends Associates



**Bassam AlKharashi**  
CEO, ES Consulting



**Leandro Jesus**  
Partner, ELO Group Auxiliary Professor, University  
of Rio de Janeiro Vice President, ABPMP Brazil



**Alec Sharp**  
Principal, Clariteq Systems



**Prof Thomas H Davenport**  
President's Distinguished Professor of IT &  
Management, Babson College

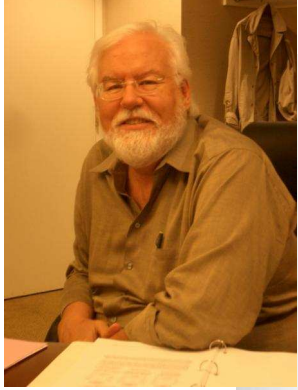
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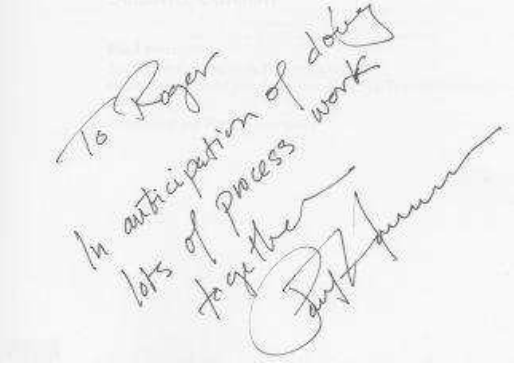
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## Paul Harmon

Chief Methodologist, BPTrends Associates  
Executive Editor, BPTrends




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**Prof Michael Rosemann**  
*Professor*  
*Head of Information Systems Discipline*  
*Co-Leader of the BPM Group*  
*Queensland University of Technology*

I highly recommend Leonardo Consulting as the leading provider of BPM services related to consulting, training and process improvement and implementation.

Best regards



Prof. Michael Rosemann, PhD



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## Adding Value

- ▶ 10 years of high quality service delivery
- ▶ Uniquely placed to deliver process-centric enterprise architecture services
- ▶ Solid track-record with large enterprises
- ▶ Extensive partnerships
- ▶ Experienced expert consultants
- ▶ Strong focus on methodologies
- ▶ Commitment to build capability

*education – consulting - software*

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