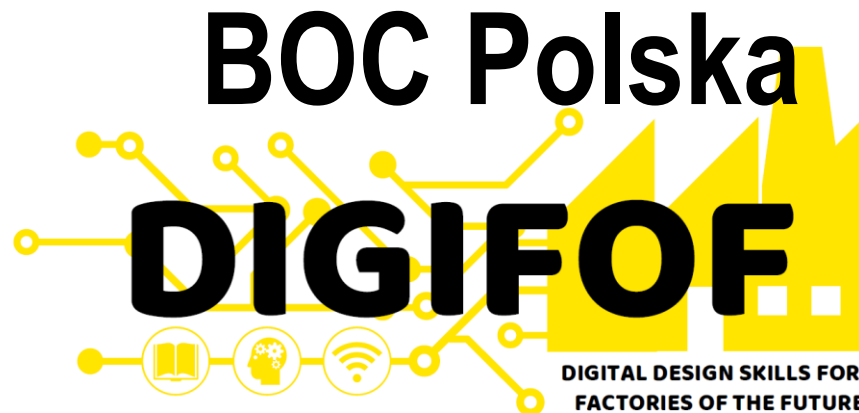


Process-oriented topic: Process performance monitoring



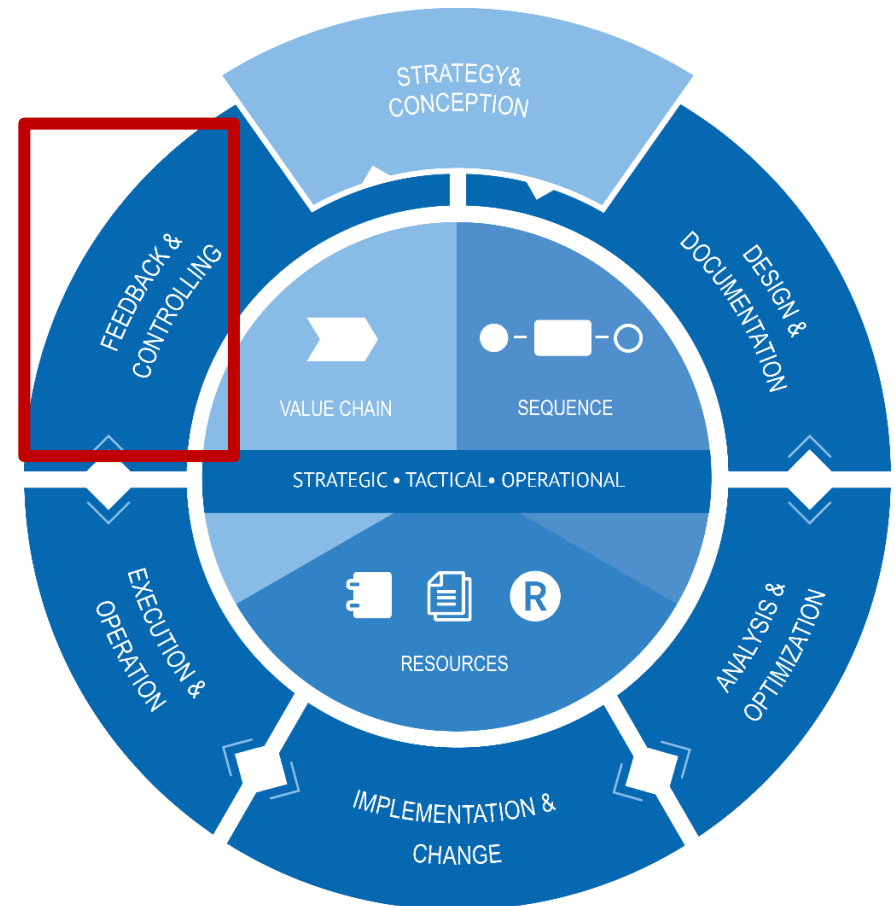
Agenda



- ▶ **Process management life-cycle**
- ▶ How to define process KPIs
- ▶ Designing process performance monitoring

Process management life cycle

- ▶ Process management life cycle requires measuring processes, so that results of the implemented change as well as overall process „health” can be assessed
- ▶ KPI measurements can be also valuable input for the following cycles e.g. influencing the strategy



Agenda



- ▶ Process management life-cycle
- ▶ **How to define process KPIs**
- ▶ Designing process performance monitoring

Measuring process performance with KPIs



- ▶ Process performance can be measured by so called Key Performance Indicators (KPIs)
- ▶ They help measure whether process goal was reached or not and help operationalize the strategy
- ▶ This makes them one of the main tools of process management!
- ▶ KPIs are often visualized using so called traffic light coding where green shows correct state and red signifies that goal was not met

Measuring process performance with KPIs



- ▶ KPIs can be either internal or external

- ▶ Internal KPIs represent the voice of business – they measure productivity of organisation. Example KPIs:
 - ▶ Production costs
 - ▶ Efficiency of a process

- ▶ External KPIs represent the voice of the customer – they measure impact of the processes on the environment, often taking the point of view of stakeholders. Example KPIs:
 - ▶ Revenue
 - ▶ Customer satisfaction

- ▶ Both types are important!

How to make sure KPIs are correct?



SMART or SMARTER:

- ▶ Specific
- ▶ Measurable
- ▶ Achievable
- ▶ Relevant
- ▶ Time-related

- ▶ Exciting
- ▶ Recorded

Performance monitoring influences people!



As Hawthorne effect shows, even the fact of measuring influences how people behave. Therefore it is worth checking:

- ▶ Does the KPI influence employees in a proper way
- ▶ Does it promote expected behaviors
- ▶ Will it help the organization mid and long term (watch out for KPIs which promote short term thinking which hinders long term growth)

Features of a good KPI



- ▶ Connection with a process goal
- ▶ Can be measured without excessive costs and efforts
- ▶ Shows process outcomes and impact on the environment

- ▶ It is better to have few important KPIs than many irrelevant!

- ▶ KPIs should take into account perspectives of various stakeholders and come from various categories

KPI parameters



- ▶ Name
- ▶ Interpretation
- ▶ Measuring algorithm
- ▶ Data source
- ▶ Measurement frequency
- ▶ Responsibilities

Step by step procedure for defining KPIs



- ▶ Verify the process goal
- ▶ Identify KPIs relevant for stakeholders
- ▶ Create a list of potential KPIs
- ▶ Select the KPIs
- ▶ Document

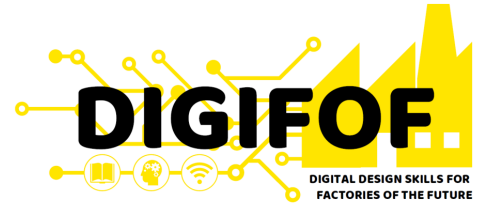
Step by step procedure for defining KPIs - 1



Verify the process goal

- ▶ Check the process scope
- ▶ What is the process goal
- ▶ Does it fit the goal of higher level process and/or strategy?

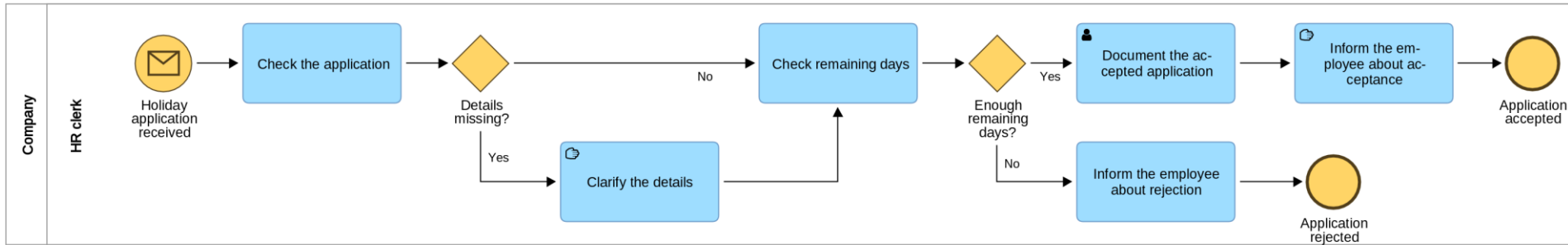
Step by step procedure for defining KPIs - 2



Identify KPIs relevant for stakeholders

- ▶ Which KPIs would our process stakeholders pick?
- ▶ Which one are aligned with a strategy
- ▶ Remove KPIs which do not fit

Exercise



- Use the holiday application process created during BPMN training and:
 - Identify the stakeholders
 - What are their expectations and how would they measure it?
 - Which KPIs could be used?

Step by step procedure for defining KPIs - 3



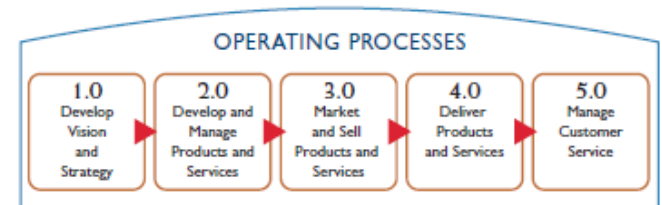
Create a list of potential KPIs

- ▶ Make sure your list does not omit anything important
 - ▶ KPI libraries or KPI classifications can be helpful
- ▶ Check if there are no gaps e.g. in comparison with other related processes
- ▶ Check if all aspects important for organisation are covered

KPI libraries



- ▶ KPIs can be based on KPI libraries
- ▶ One of the most commonly used is provided by APQC along with the APQC PCF (process framework)
- ▶ More information and free download at apqc.org/pcf



Benchmarking



- ▶ Process benchmarking allows comparing our results with others
- ▶ Benchmarking can be internal or external (e.g. using benchmarking data from APQC)
- ▶ Such comparisons help establish best practices, inspire and help identify areas where initiatives which will deliver improvement are needed

KPI categories



Categorizations of KPIs can also be helpful. Example categories are:

1. Internal vs External (already mentioned)
2. Quantitative (time, cost, efficiency, quality)
3. Focus (efficiency, effectiveness, agility)
4. Time (past-related vs forward looking)

Step by step procedure for defining KPIs - 4



Select the KPIs

- ▶ Remove duplicates, not important, not practical KPIs as well as those without clear connection with goals
- ▶ Reduce too expensive/cumbersome to measure KPIs

Step by step procedure for defining KPIs - 5



Document

- ▶ Document the purpose of a KPI and validity time for a KPI
- ▶ Define people responsible for gathering data and communicating results
- ▶ Link the KPIs with change management and decision making

Avoid the common errors!



- ▶ Too many KPIs
- ▶ Too few KPIs
 - ▶ No KPIs which measure process goals
 - ▶ No agility KPIs
 - ▶ No KPIs measuring process itself (as opposed from KPIs for functional units)
- ▶ Lack of information about the data source (e.g. system)
- ▶ No control over costs of performance measurement
- ▶ No connection with higher level process/strategy goals
- ▶ Lack of mechanism of KPI reviews
- ▶ No connection with daily decision making and change management

Agenda

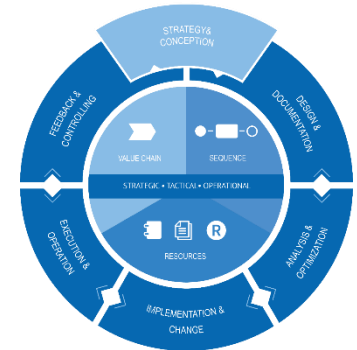


- ▶ Process management life-cycle
- ▶ How to define process KPIs
- ▶ **Designing process performance monitoring**

Process performance monitoring system



- ▶ As the process management life cycle suggests results of a process performance measurement should influence the following stages
- ▶ For example – if the KPI results show that process goals are not met organization can either change the expectations (strategy stage) or plan some change to improve the process performance (analysis and optimization stage)



Process performance monitoring system

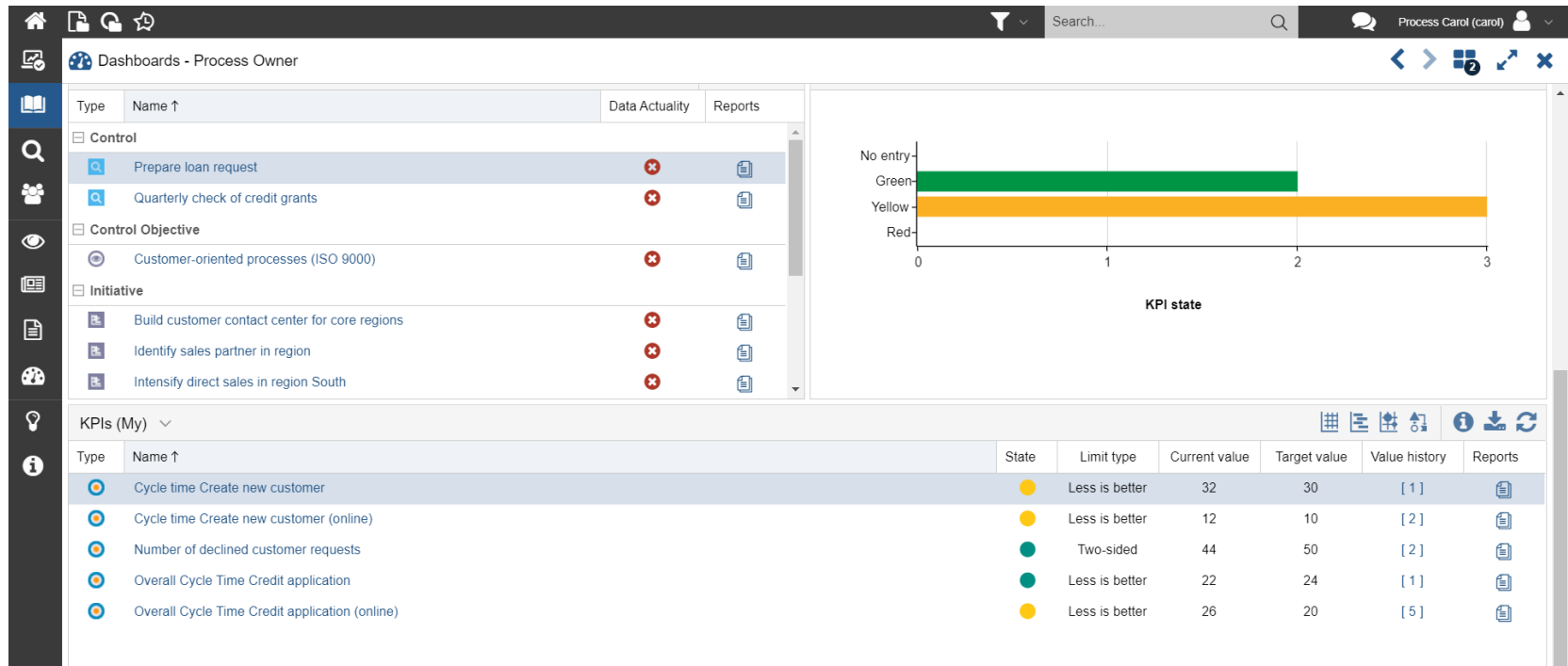


- ▶ To make sure process performance management is useful several roles are needed including
- ▶ Process owner who makes final decisions about the process goals and KPIs and decides about the improvement actions
- ▶ Process manager who monitors the process daily and informs owner about problems and opportunities
- ▶ Responsible for KPI who gathers the data and makes sure they are available to interested parties

Process performance monitoring system



- ▶ Process performance data is commonly presented in a form of (process) dashboards



- ▶ This guarantees easy access to data and helps make KPIs useful for decision making in organization as well as early identification of problems which require improvement initiatives

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