



Managing and Measuring Business Processes

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Business Process Reengineering

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Outline

- ◆ Representing Management Processes
 - ◆ The Process Management Process
 - Plan Work
 - Organize Work
 - Communicate
 - Control Work
 - ◆ Evaluating the Performance of the Process Manager
 - ◆ Continuous Measurement and Improvement
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Representing Management Processes

- ◆ if management seems like something we should focus upon -and it usually is- we can go back and represent management processes.
- ◆ In an actual company, some of the processes might be managed by the same person.

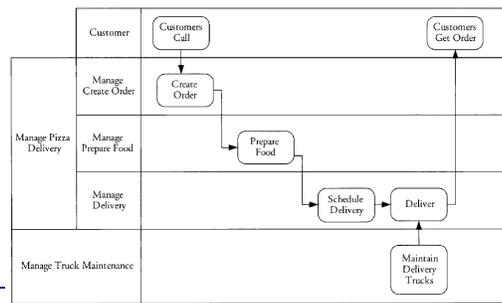


Figure 11.3 A swimlane diagram with management processes listed at the left.

The Process Management Process

- ◆ The process management process is made up of four major sub-processes:
 - Plan Work,
 - Organize Work,
 - Communicate, and
 - Control Work

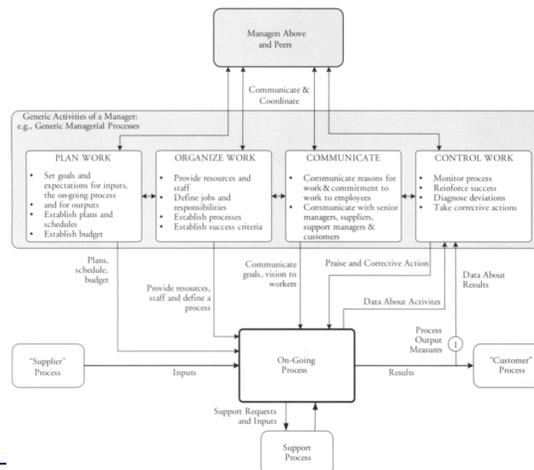


Figure 11.4 The basic subprocesses of the day-to-day process management process.

Plan Work

- ◆ Every basic introduction to management has sections on setting goals, planning, establishing schedules and establishing a budget.
- ◆ If you are on a project redesign team and are asked to analyze a process, you will usually begin by figuring out the basic activities or steps that make up the process.
- ◆ Assuming the process has been performed for some time, you can assume that goals, plans, schedules and a budget are in place.
- ◆ If the organization you are analyzing takes processes seriously, it may require the process manager to maintain "contracts" with his or her "customers" and "suppliers."

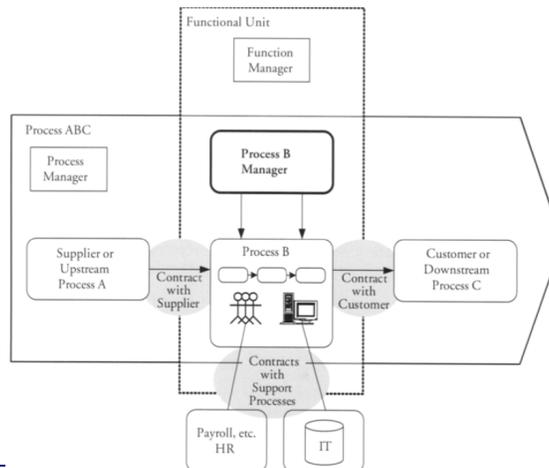


Figure 11.8 Contracts that a process manager ought to negotiate.

Organize Work

- ◆ Plans and schedules may assume resources, but then the manager needs to proceed and organize the resources.
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 - The steps in the process need to be defined. Jobs and roles need to be defined.
 - Needed equipment and technical resources need to be put in place and coordinated.
- ◆ There are two guiding principles that the process manager will want to pursue.
 - to be successful the process must meet the output requirements reflected in the contract negotiated with the downstream process.
 - the first goal of any organizational effort will be to assure the process is organized in a manner that assures that the output requirements can be achieved.
 - once the output requirements are being achieved, the process manager should focus on improving the efficiency of the process itself.
 - If the output requirements can still be met as a result of a process reorganization that reduces the number of employees, or increases the productivity of existing employees, or consumes less resources, that is invariably desirable.
 - This is the time to look for waste and eliminate unnecessary activities.
 - Since a major source of waste is rework, this is also a time to consider how the consistency of the output can be improved.

Communicate

- ◆ We simply use the term "communicate" to refer to all of the activities that a process manager must undertake to assure that the process runs smoothly and achieves its objectives.
 - The process manager needs to communicate with the managers of the upstream and downstream processes and with the managers and employees of key support processes.
 - The process manager needs to communicate with his or her functional or unit manager and with any process manager with responsibilities for a value stream that includes process B.
 - Finally, the process manager needs to communicate with the employees of process B.
 - The process manager needs to communicate reasons for the process work and, to the degree possible, communicate commitment to achieving the goals of the process
- ◆ The process manager not only needs to identify opportunities for change, he or she needs to be sure the change will really result in a benefit to the organization, and then he or she needs to sell the change to the employees who will be affected by the change

Control Work 1

- ◆ At final, it is measurement and the work a process manager must do to assure that goals are met.
- ◆ Obviously, monitoring and control are related to the goals set in the Plan Work process
- ◆ The Control process relies on the external measures to define internal process measures.
 - the external measures focus on the quality, quantity, and timeliness outputs,
 - the internal measures focus on the cost and the efficiency of the activities, and, in some cases, on the ability of the process to make changes in the internal process to ramp up output or reduce output in appropriate circumstances

Control Work 2

- ◆ One way to develop an overview of the kinds of measures that a process manager might consider is to divide the process into subprocesses and activities and consider where one might derive measures

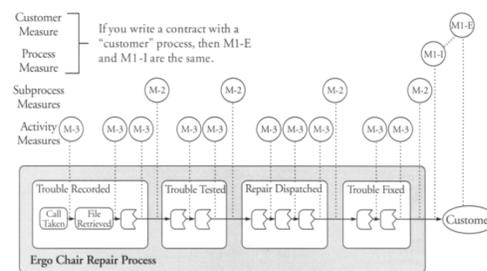


Figure 11.6 Measures for processes, subprocesses and activities.

Evaluating the Performance of the Process Manager

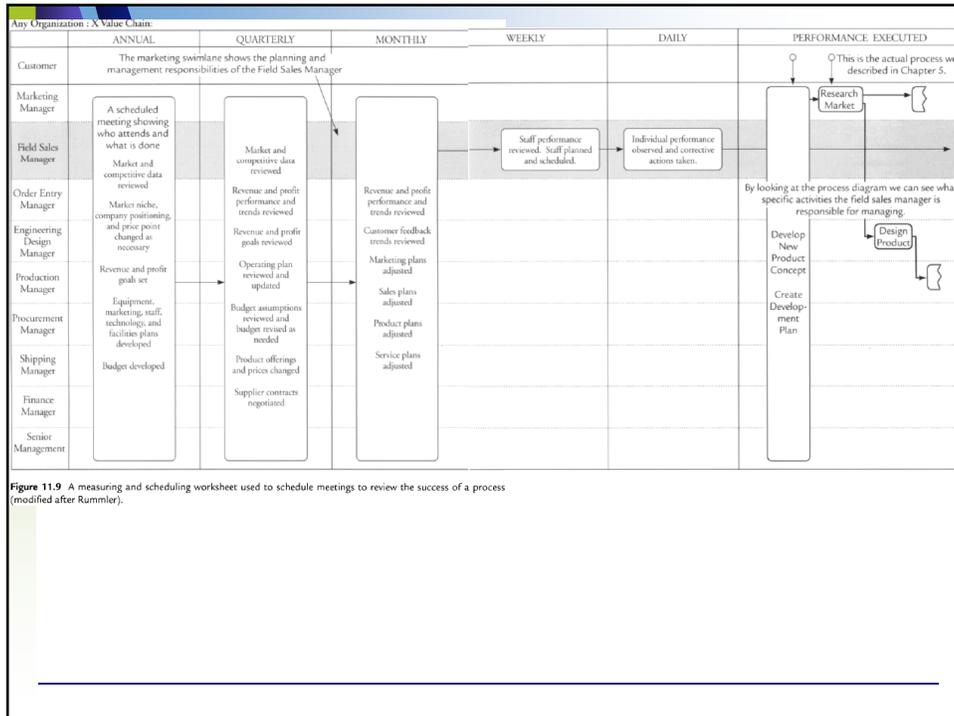
- ◆ process manager ought to be held responsible for achieving
 - 1) the output specified, directly or indirectly, with a real customer or with a downstream "customer" process,
 - This ought to be expected and mandatory.
 - 2) process improvements that, over the course of time, render the process more efficient and effective.
 - This should be negotiated between the process manager and his or her boss.
- ◆ the same manager may report to a functional or unit manager and may be responsible for implementing functional goals and policies and for achieving agreed-upon measures required by the functional supervisor.

Department or function	Typical departmental measures	Typical process measures
Sales department	<ul style="list-style-type: none"> • Cost of sales • Revenue (\$) 	<ul style="list-style-type: none"> • Timely and accurate submission of orders • Timely and accurate entry of new orders • Cost of processing orders
Production department	<ul style="list-style-type: none"> • Cost of inventory • Cost of labor • Cost of materials • Cost of shipping 	<ul style="list-style-type: none"> • Timely order scheduling • Timely and accurate production of orders • Timely shipment of orders • Cost of unit production and shipping costs
Finance department	<ul style="list-style-type: none"> • Percent of bad debt • Mean labor budget 	<ul style="list-style-type: none"> • Timely and accurate invoice preparation • Timely and accurate credit checks for new accounts • Cost of processing an invoice
External organizational measures	<ul style="list-style-type: none"> • Gross revenue • Cost of sales • Growth of customer base • Price of stock 	<ul style="list-style-type: none"> • Percent of on-time delivery • Percent of rejects • Customer satisfaction as measured on survey or index

Figure 11.8 A comparison of some functional and process measures.

Continuous Measurement and Improvement

- ◆ If an organization establishes process measures that extend from the process to the activity, and if managers continuously check these measures and take actions when there are deviations, then process improvement becomes a part of every manager's job.
- ◆ In effect, measures determine how the activity should be performed.
- ◆ Higher-level measures determine that the outputs of the activities are resulting in the desired task, subprocess, or process outcomes.
- ◆ If any outputs deviate, the appropriate managers should take action.



Questions?