Performance Management

Closing the loop in the continuous cycle of Business Process Management

Enabling Process Excellence”
Executive Summary


Business Process Management (BPM) is the confluence of Performance Management, Process Implementation, and Process Excellence. It is an integrated approach that allows organizations to not only understand and improve their processes, but to simultaneously understand the people, process, and technology that may impact process performance. As a result, it enables a laser focus of precious resources (people, time, capital) towards efforts most likely to have the highest impact on the business.

Performance Management, Process Implementation and Process Excellence can be introduced and carried out in an organization as separate initiatives. Most organizations already have indeed invested time and money to one or all of them, however, it is frequently done in a non-integrated manner that perpetuates short-term, silo thinking and does not maximize efficiencies.

Each of the individual components has independent value, but when combined in an organized BPM initiative, the whole is GREATER than the sum of its parts.
Performance Management
Performance Management is the understanding, by an organization, of how well it is performing across its functional and geographical boundaries; and then having the ability to improve or manage that performance.

Performance Management is enhanced by understanding the people, process, and technology involved in a value chain before taking steps to improve performance.

Process Implementation
In BPM, Process Implementation is where a significant amount of time and effort is focused. The details of who is doing what with which resources, what systems will implement or support the process, and what interfaces, constraints and requirements the process has, are defined. These activities may be driven by Process Excellence activities or other business transformation activities such as merger and acquisition activities. Quite often, this change involves significant investment in information technology, outside consultants, vast amounts of training, and significant culture change. These “transformative” investments can involve implementing “best practices” defined in a software application. These best practices may be appropriate, but their depiction is often focused solely on the “automated” tasks, leaving out the interface to important human tasks that are upstream and downstream. This narrow view provided by automation systems can lead to significant deployment problems which can be avoided with an integrated BPM approach.

Process Implementation is more easily accomplished when a holistic enterprise view includes people, process, and technology, and is monitored for performance, so that there is a common understanding and “buy in” from Business, IT, and Compliance groups.

Process Excellence
Process Excellence is the continuous pursuit of making your business processes faster, better and cheaper. It is supported by methodologies such as Six Sigma and Lean. Process Excellence is an outstanding goal. “Anything worth doing is worth doing right”, a quote from Hunter S. Thompson, certainly cannot be argued with, can it? But, because each organization has limited resources, it must selectively pursue being excellent in areas that deliver competitive advantage. Understanding where to put your Process Excellence efforts is a key success factor.

Process excellence efforts are more focused when key performance indicators are identified and aligned to the strategies and goals of the enterprise.

The Key: Performance Management
Performance Management is a critical component that takes the effectiveness of the other components of a BPM solution to a new level. The value of each is multiplied by integrating performance management to measure existing process performance baselines before applying changes and monitoring results. In turn, performance management benefits from a defined structure and context in which to consume, understand and analyze results.

Performance Management is the key to a successful BPM program, as a critical part of the holistic approach that will reap the following benefits:

- Increased organizational knowledge about what impacts performance
- Ability to align performance objectives to Resources (people, technology) and Risks
- Role-based Dashboards or Scorecards of performance indicators or Risks
- Ability to align people, process, and technology into one common environment
- Improved change management through an increased understanding of all process interactions
- Improved prioritization of process improvements
- Predictive analytics for fact-based decisions
- Transparency into all the processes that involve resources, which will improve feasibility of recommendations
- Improved governance and consistency in process models to increase “process thinking”
- Culture change by providing appropriate capabilities and transparency enterprise-wide

Once performance management is included in an integrated BPM program, it enables continuous improvement thinking and methodologies to become more ingrained and successful, so that existing processes can be managed.
Planning for Performance Management

A well-run integrated BPM program including Performance Management, with a culture that supports that program, is a journey with milestones and obstacles. The journey itself helps to enable the supporting culture by bringing more people into the collaborative efforts and increasing organizational knowledge of how people, process, and technology work together.

Because each organization is unique, with different markets, goals, and competencies, it may find itself at different stages of process maturity within different business units or different processes. The 5-stage maturity model depicted below serves as a key tool in planning a BPM program and assessing it over time. Achieving stage 4-5 across the majority of its processes, and including Performance Management, is a worthwhile goal that will deliver competitive advantage if properly planned.

Figure 1. iGrafx Maturity Model
Measuring Performance (Strategy Model)

A good exercise before starting, revamping, or reinvigorating a Performance Management program is to ask the following questions of your organization or customers:

- Why do customers buy our products and services, rather than those of a competitor? (i.e., where do we lead, and where must we maintain a competitive advantage?)
- Where are we noticeably falling short of our competitors or our customers’ expectations? (i.e., where can we improve?)
- Are there certain areas that if we do not improve, we risk losing customers no matter how good we are in other areas? (i.e., what must we improve immediately?)

Answers to the above questions, along with analysis and benchmarking, will determine which Key Performance Indicators (KPIs) to measure and what ranges of performance are good, acceptable, or unacceptable. These answers can also help determine important short-term and long-term milestones; and the priority of implementing various functions within the enabling technology.

Painting the Process Landscape

A process landscape is a means of describing and viewing organizational processes. Creating these landscapes often starts with the question, “What are the core processes to a customer value chain?” For example, the core processes of a software company are: software development; product marketing; marketing; selling products and services; fulfillment; and customer service. There are also secondary processes like strategic planning, human resource management, facility management, and more. These processes can be defined and decomposed from scratch or through workshops, or an organization can adopt a publicly available process landscape (or framework). Examples of publicly available process landscapes include the Process Classification Framework (PCF) from APQC (www.apqc.org).

The type of processes discussed thus far would generally be part of an operational process landscape. An organization may want to demonstrate alignment to one or more reference landscapes, such as Information Technology Service Management (ITSM) for its IT processes; or Sarbanes-Oxley (SOX) for financial regulatory compliance. These are just two examples of reference landscapes, but there are many others that apply to different industries, methodologies, or regulatory environments. There also is the concept of a support landscape, which might describe a subset of the operational processes that are automated or enabled by a particular IT application (e.g. SAP).

The operational process landscape should be the primary lens through which the entire business views and communicates about their processes. The reference and support landscapes can then be aligned to the operational landscape so that gaps and/or impact can be easily identified.

The operational process landscape begins with a 30,000 foot view of what an organization does, and then drills down another 2-3 levels as needed (into supporting and enabling processes). It is important to note that process landscapes can be defined, without ever creating a flowchart or process model. The process landscape is an organization’s hierarchical acknowledgement of its processes, which can then be used to prioritize the creation of process flows or models. Once the landscape is in place, then we can begin to align other elements of the enterprise (measures, risks, people, technology, etc.) to the process landscape. The resulting enterprise model provides many matrices and diagrams to help understand organizational relationships, and provides the context for Performance Management.
Establishing Accountability (Resource Model)

Once KPIs have been documented with appropriate ranges, someone must be accountable for monitoring the KPI performance. That person (or organizational role), with the support of his or her team, have the following responsibilities:

- Identifying unacceptable KPIs, initiating corrective action (e.g., process improvement project, training programs), and actual improvement of the KPIs back into the acceptable or good range
- Monitoring trends in KPIs in order to proactively correct issues that will eventually lead to unacceptable performance
- Periodically benchmarking and revisiting what are appropriate ranges of good, acceptable, and unacceptable performance for each KPI

In addition to defining accountability so that the performance is monitored and managed by the appropriate roles or individuals, it is also important to define the other resource elements that support RACI (Responsible, Accountable, Consulted, or Informed) and SB (Supported By) matrices. A person may have multiple roles; a role may be responsible for a process or activity, in which case the role would be the name of a swimlane if a process diagram has been defined. An application may support a business process, but also be supported by a database, which is supported by a server. Defining these relationships within a resource model helps an organization understand indirect relationships.

Mitigating Risk (Risk Model)

If a KPI is important enough to document, measure, assign accountability, and align to one or more processes, it is also important to understand what risks exist that may negatively impact performance. For example, fluctuations in global currencies can negatively impact revenue and profit; reductions in supplier quality can impact on-time deliveries and customer satisfaction. Risks may vary in both impact and likelihood, across value streams and geographies. Controls or control plans can be put in place to mitigate risks or react when a risk occurs or increases in likelihood. Risks, like KPIs, require accountability in order to be properly managed. A risk can be aligned bi-directionally to elements of the process landscape, strategy model, and resource model.

In documenting risks, a cross-functional team should be involved that may include business, compliance, finance, IT, legal, regulatory affairs, and more. Many organizations take a “hurry up, we have an audit” approach to risk management. If so, the resultant spreadsheets or maps can likely be leveraged as the basis for a more efficient and better maintained risk management solution as part of BPM.

Enterprise Modeling vs. Process Modeling

The efforts discussed up to this point—which include the definition and alignment of: KPIs (or measures); Process Landscapes; Risks and Controls; and Resources (people and technology)—are part of an Enterprise Modeling effort.

Process Modeling is the creation, storage, associations, and structure of one or more process diagrams. These process diagrams can be just a flow (no properties defined ‘under’ shapes), or a detailed model used for documentation, analysis and improvement; that is decomposed many levels and is linked to supporting documentation via hyperlinks or other applications. A process model can be used as the basis for predictive analysis and process optimization.

Some organizations choose to pursue Enterprise Modeling and Process Modeling as separate initiatives, and this is a viable option for an initial approach. Enterprise Modeling, by itself, can be leveraged as the basis for Performance Management and enterprise architecture. Process Modeling can be leveraged as the vehicle for process excellence by making processes more efficient.
Once process diagrams are created and stored in a process repository, either an entire diagram or a shape within that diagram can “describe” an element of the process landscape within the enterprise model. This “describes” relationship enables many elements of an enterprise model (KPIs, Risks, RACI, SB, etc.) to be “inherited” at a process, activity, or task level of a process diagram. This greatly increases organizational knowledge of how people, process, and technology work together to deliver customer value. As a by-product of integrating enterprise modeling and process modeling, a body of work is established that treats process as assets that can be accessed, understood, and reported upon. This integration of Enterprise Modeling and Process Modeling enables more powerful Performance Management.

**Enterprise Modeling**

- Risk Model
- Resource Model
- Process Landscape
- Strategy Model

**Process Modeling**

- Process Repository
- Process Flows
- Supporting Links
- Supporting Documents

**Supporting Links**

- Lean Processes
- Reduce Variation
- Predict Outcomes
- Leverage Standards

**Supporting Documents**

- Manage Performance
- Manage Risk
- Focus Investments
- Understand Relationships
- Analyze Impact of Change

_Figure 6. Solution Architecture of Enterprise Modeling and Process Modeling_
Executing Performance Management

The results of the Performance Management planning activities are documents, ideas, and plans that will allow an organization to move forward with both enterprise modeling and process modeling initiatives, in a strategic fashion rather than ad-hoc. Enterprise Modeling and Process Modeling are the necessary initiatives that enable Performance Management, Process Implementation, and Process Excellence—collectively referred to as BPM.

It is important to note that an organization does not have to pursue all facets of a Performance Management strategy initially or simultaneously, in order to have long-term success. For example, an organization may want to pilot the performance aspect within a business group before going enterprise-wide, while defining a more thorough process landscape and resource model that can be leveraged immediately; or make risk management a stage 2 effort because the organization is not ready now. These trade-offs should be discussed so that an appropriate plan can be developed to meet organizational needs.

This section will detail the prescribed sequence of efforts and details of those efforts in order to successfully execute and sustain a Performance Management program.
Foundational Elements of Performance Management Architecture

Process Landscape
The Process Landscape is a foundation for Performance Management for the following reasons:

- The primary goal is to improve performance, as measured through KPIs. KPIs are aligned to processes that are part of the process landscape.
- It is a primary conduit to the process repository, where process diagrams or models are stored.
- It is also the primary conduit through which other elements of the enterprise model connect to the process diagrams or models.

Even though the process landscape is a foundational element, it does not need to be exhaustively defined up front. It can be defined at the highest level, and then decomposed based on efforts with various business groups or value chains. As mentioned earlier, it may make sense for an organization to leverage commercially available process frameworks such as the Process Classification Framework or ITSM.

The creation of the process landscape should ideally be championed by a leader of a Process Excellence group that supports the entire organization, with support from Business Leaders of key business units as well as Business or IT leaders responsible for a particular work stream or value chain. As this process landscape aligns to risks, risk management or compliance groups should be involved; as it aligns to the IT infrastructure those groups should be involved also.

Process Repository
The process repository is comprised of process flows or models, and other files and links that support processes or activities; these files may be work instructions or videos. The links may be forms to input information into a web application, or a link to a document stored in another repository or content management system. The process repository is not meant to replace other document or content management systems, as it can easily connect to them. It is an essential part of the iGrafx solution in that it is pre-configured to allow for common threads or metadata to be woven throughout all processes. The resultant relationships lead to the common understanding of people, process, and technology and relationship reporting that enables competitive advantage. Critical steps in configuring the process repository include:

- Determining what diagramming templates will be used and for what purpose. Swimlane or BPMN diagrams are often the primary way of viewing process flows and other analysis methods (VSM, Fishbone, FMEA) are used as needed
- Adjusting standard templates to organization needs if necessary
- Documenting the governance standards for each diagram type
- Communicating the governance model to the organization

Resource Model
The resource model details the people and technology that are integral to a process. People are generally defined by roles, as one person can have multiple roles. The resource model is a foundation for Performance Management for the following reasons:

- In order for a KPI to appear in a personalized dashboard, it needs to be aligned to a role within the resource model. Without roles, there is no accountability for a KPI, a risk, or an underperforming process.
- Roles within the resource model can be used as swimlane names with process models and BPMN models. This yields tremendous efficiencies when the names or hierarchy of an organizational (swimlane) structure change, as it can be changed once centrally and changes will propagate throughout appropriate processes diagrams within the repository.

Even though the resource model is a foundational element, it can be gradually deployed. Some guidelines to consider are the following:

- Performance Management requires alignment of KPIs to roles; the resource model will require the roles defined for those managers who are accountable for those KPIs.
- If the initial focus is on process excellence projects, and performance management is a longer-term goal, then projects should dictate which roles are defined first within the resource model.
- If business transformation is an initial focus, then care should be taken to detail both the current and future elements of the IT architecture within the resource model. The roles are just as important also.
Value Realized from Implementation of Foundational Elements

Additional value or capabilities realized by properly planning and implementing the process landscape, process repository, and resource model elements to support Performance Management is as follows:

- Basis for rapid achievement of Stage 3 in the iGrafx Maturity Model, as depicted in Figure 1
- Solid governance so that all process models follow the organizational standards and are easily understood
- Process transparency throughout the organization, serving as a basis for collaboration
- Standardized hierarchical swimlane structure leveraged throughout all process models for standardization and relationship reporting
- Sharing of common child processes (flows) into multiple parent processes
- Cycle Management—process reviews, approvals, endorsements, and scheduled cycles to ensure processes are periodically reviewed and updated
- Process Subscriptions, which notify: owners when a comment is made about their process; upstream or downstream process owners when a supporting process changes; performers when a process has changed; etc.
- RACI reports
- Architectural Diagrams and Reports that show how applications and IT infrastructure support business processes
- Impact & Gap analysis capabilities

Figure 8. Web-based process portal provides appropriate mix of security and transparency
Secondary Elements of Performance Management Architecture

Once the foundational items have been implemented, the organization may proceed down singular or simultaneous paths, depending on the business issues that need to be addressed. These elements can enable stage 4-5 of the iGrafx Maturity Model to be achieved.

Process Flows

Performance Management can be accomplished without any process flows, right up until the time that a KPI is no longer acceptable. At that point, it becomes valuable to understand the flow of the process and how people and technology enable value to the customers. The current state flows should have been “approved” within the process repository where a process owner can “check out” the flow in order to collaboratively improve the process with a cross-functional project team. As the flow is modified it is checked in as a new version that is not yet approved but reviewed, with comments, as needed. Until it is approved again, it is not visible to certain groups that can only view approved processes. Finally, as the improved process is implemented, it should be “approved” so that there is a common understanding throughout the organization of the new as-is process.
As these flows are modified or created, and checked into the process repository, they are reviewed or approved from multiple perspectives:

- Is the flow correct?
- Is volume and service level being tracked? Are there other important KPIs that should be tracked?
- Is there waste that can be removed from the process design without adversely affecting acceptable service targets?
- How robust or agile is the process for future planned volumes?
- Does the flow meet organizational governance standards?
- Is there proper alignment to the process landscape and other elements of the enterprise model?

It is rarely a good idea to start defining flows for every single process in an organization. These efforts should be targeted based on the performance management aspect of the PPM solution, or from other management-led initiatives to improve certain KPIs.

**Strategy Model**

The strategy model consists of strategies which have underlying goals, and underlying measurement templates (or KPIs). The strategy model can be classified by the balanced scorecard approach, by business unit, or other methods. KPI results can be manually entered, or aligned to the appropriate data source, to ensure accuracy and timeliness of data.

The goal of creating a strategy model is to have a role-based performance dashboard accessible to one or more members of a management team. This dashboard is made possible by the following steps:

- Creation of a strategy, goal, and KPIs within the strategy model
- Alignment of the KPIs to one or more processes in the process landscape
- Alignment of the KPIs to a role within the resource model
- Pointing the KPIs to a data source (spreadsheet, data warehouse, etc.)

Figure 10. Necessary Relationships to Enable Role-Based KPI Dashboards
Risk Model
The risk model is comprised of a series of risks, which can be classified by type, business unit, or other means. Risks should have controls or control plans in place to mitigate risks. Risks have both an impact and likelihood, which can vary at different points in the process landscape.

The goal in creating a risk model may be to identify risks and controls in a process to pass an audit, or to do more thorough risk scoring, management, and mitigation. In the latter case, risk scores may exist in data sources in the same way that KPIs are shown in Figure 10.

The steps necessary to create a risk model are:

- Create a risk in the risk model
- Align controls or control plans to the risk
- Apply the risk to one or more elements of the process landscape
- At each element of the process landscape, assign an impact of likelihood of the risk occurring
- If appropriate, point to an existing data source for the risk score, rather than modifying impact/likelihood
- As a process flow is being built or aligned, ensure appropriate alignment the process landscape and risk model

Value Realized from Robust BPM Implementation
By implementing all elements supporting Performance Management, (appropriate for a given organization and its goals), the organization can expect to gain the following value or capabilities:

- Basis for achievement of Stage 5 in the iGrafx Maturity Model, as depicted in Figure 1
- Role-based Performance Management
- Role-based Risk Management
- Decomposition of KPIs or Risks, so that its components can be assigned accountability based on geographical or functional boundaries

Figure 11. Example iGrafx Dashboard, Showing a Variety of Methods to Present Information
Figure 12. Process Measurements Summary Report

**Market Share (USA)**

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**Current Value**

- Order Fulfillment Costs %: 2.5
- Order Fulfillment Cycle Time (Days) (USA): 5.8
- Order Fulfillment Lead Time: 0.8
- Order Management Costs %, Order Specific: 1.2
- Orders, Damage Shipments %: 0.18
- Orders, Delivered Errors %: 0.15
- Orders, Invoice Errors %: 0.1
- Orders, Total Orders Entered: 10,000

**History**

![Market Share (USA) Graph]

Figure 13. KPI Trends
Performance Management

White Paper

Risk Map

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Figure 14. Risk Map Showing Impact and Likelihood of Risk Impacting Performance of Certain Processes

Sustaining Integrated Business Process Management

Sustaining the success of a BPM program is a challenge. Meeting this challenge means that an organization is pursuing Performance Management, Process Implementation, and Process Excellence in one integrated approach. Performance Management leverages efforts made in enterprise and process modeling, and closes the loop in continuous cycle of BPM. The organization resultantly understands:

- How it performing against goals
- How those goals tie to organizational strategies
- Where it should target its precious resources towards improving performance
- Who is accountable for each KPI
- How to bring cross-functional teams together in a collaborative process lifecycle and continuous improvement culture

The planning detailed herein is certainly a very important factor in success. Another important factor is ensuring the workforce is trained and prepared to support the initiative, and understands the organizational and personal benefits to program success. There needs to be incentives for both successfully performing the process, as well as making suggestions for improvement. Individual processes should be monitored and continuously improved through a consistent methodology.

To sustain the benefits from a successful BPM program, an organization must periodically assess its program and adjust its plans based on market conditions, industry trends, and how the program is progressing towards its BPM goals. Business Performance Management is an ongoing journey towards excellence.

Next Steps

If the concepts outlined in this whitepaper are of interest and you would like to discuss them further or have your BPM program assessed, contact iGrafx by visiting www.igrafx.com or calling 1.503.404.6050.
About iGrafx

iGrafx is a leading provider of process management solutions that help organizations achieve competitive advantage through process excellence. The iGrafx solutions enable organizations to improve quality, increase customer satisfaction, reduce costs, and increase utilization, allocation and deployment of resources through understanding, analyzing and optimizing processes. Process-centric organizations can bridge the gaps between the three major process constituencies: IT departments, business analysts and process initiative practitioners, by creating a team-based collaborative process visualization and analysis environment. iGrafx effectively links process initiatives with the implementation environment for measurable productivity improvements.