Managing performance under continuous business process engineering

Avoiding Bad Choices

Rainer Thome and Andreas Hufgard detail how business measurement concepts should be implemented for the continuous improvement of business processes.

Business performance management is viewed as a new approach to designing and improving business processes by using analytical and monitoring tools to measure the performance of key influencing factors. The classic controlling approach to decision making tends to stress the quantitative/monetary aspects. Business performance management is seen as adding quantitative/non-monetary values (such as processing time and service levels) and purely qualitative and informational aspects (for example, customers, partners, and products) to assist decision making.

The argument advocates that the associated approach – pure business process orientation – should now be applied across company boundaries. There is a degree of hype in that. However, role-based or organizational performance management should not be ignored.

Business process optimization does not exist. It was a mystery to us how management consultants on business reengineering projects in the nineties could promise to optimize business processes with a flip chart. An optimum is, after all, the best possible (that is, unimprovable) solution. Defining an optimum requires a solution space with precise boundaries and a clearly defined function blueprint. This is impossible with business processes. Worse than cheating the customers, is the creation of false sense of having the best solution. The customer believes that, with an optimized business process, it has found a long-term solution – which is illusory, because the ever-changing market demands an ever-changing solution.

Practical methods of reorganization exist, such as increased personal responsibility, case management, shortening of the process chain, personal development, cost transparency, and job evaluation. However, the real new challenges and motivation came chiefly from developments in the market (globalization) or new information technology (e-business). In reality, SAP projects first identified processes, then adapted them, and finally stabilized them or pushed them in a more holistic direction. Improvements maximized the new potential of integrated data processing and efficiency gains from standardization. Since 1996, we have been cheerfully referring to this as the discovery of business software as an organizational tool.

Where should we start?

Many business process management publications state, "You can only manage what you can measure." This is not surprising from a scientific viewpoint. The problem, however, lies with the measurement concept, which should ideally be designed to address continuous improvement. A highly recommendable approach is to first examine as-is process use in order to form a transparent overview of all processes as they are used in practice. This regularly brings surprises. Who, after all, really knows their business's process structure? Unknown quantities often include the numbers of participants in process chains, rates of use, and application statistics of processes and business transactions.

With a special performance tool, such as Reverse Business Engineer, it is possible to analyze the functions and business economics in live SAP systems (back to SAP R/3 3.0F) at any time. Transaction use, extensions, customizing, and process data can be identified and evaluated against reference

structures. If reorganization is needed in addition to the situation analysis, a modeling tool is helpful.

What has to be measured?
After the processes have been identified, parallel business intelligence analysis tools should be adapted to synchronize the business measurements up to and including a balanced score card. Which values will change in a process? What are the costs, added value, profits, etc.?

From a design point of view, further quantitative/non-monetary data is needed in order to identify and improve the business performance of processes. For example:

Effectiveness:
Are we doing the right thing?
Processes
- Quantity structures of business processes and transactions
- Deviation from standards or conceptual designs

Document processing
- Transaction calls
- Number of documents and items according to business type

Time elapsed
- Trends, effects of change of organization

Organizational variants
- Processes, locations, departments

Performance indicators
- By month, according to business type
- By department/role

Efficiency:
How can we minimize expenditure?
Processes
- Processing times and percentage of changes and cancellations

Document processing
- Creation, document, and booking data, etc.
- Dialog steps, alterations, cancellations according to business type
- Use of automatic functions or manual intervention

Document flow
- Created from template or by reference
- Working and idle time
- Use of mass transactions
- Exception handling

Finally, it must be determined how much an SAP-based process deviates from the standard: Which modifications, enhancements, and other adjustments were carried out? These are often unnecessary or, if alterations are required, can hide long-term cost drivers or create barriers.

Small deviations, few exceptions
The continuous improvement of company processes must be the goal. However, pure business performance management can only provide the methods and tools to analyze and influence business process performance. The factors that should really be measured, and which approaches would prove to be economically or practically good or bad, are somewhat different for each company.

Goal planning and strategies determine the measurement concept for business performance management. For example, reducing processing time can be the perfect answer in one case. In another business context, if quality or reliability is more important, it can prove counterproductive. These differences make it difficult to work with rigid concepts. An information logistics view of the entire network of processes, in the form of business process measurement, is always necessary to disclose the appropriate orientation and adjustment.

In addition to classic business performance management methods, we recommend focusing special attention on the exceptions in process handling. These exceptions are deviations from or interruptions of the normal processing cycle. Interruptions are errors, canceled processes, rejections, or other manual interventions. They must be reduced as much as possible or at least identified, isolated, and followed up. For deviations and special cases, attention should be placed more on the efficiency of process organization. Does it make sense to implement a business transaction carried out only five times a month in the same form as one which is used 80 percent of the time? Measurement of these exceptions must be treated separately from the outset.

Measured values will not always receive the same interpretation. Therefore, to assure that each different situation can be properly interpreted, the necessary sensors in the software should be intelligent and adaptable. Even in a comparatively simple technical mechanism such as an automobile, some instruments are necessary and even mandatory. In order to use the engine properly, we install a tachometer in plain view. Only if we keep checking and comparing the readings are we alerted to the need for action – in cars as in companies. We do not claim that this is easy; however, with the right instruments it can at least be simplified.

In summary, a dependable diagnosis cannot be made only from external appearance. With the help of the correct instruments, the internal values of the organism must be continuously measured to derive a suitable course of action: performance management through continuous process engineering.

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For more information, see
www.ibis-thome.de/rbeplus

Further reading:
Thome, R.; Hufgard, A.: Continuous System Engineering, Würzburg 1996

Strategic View on Business Process Management
www.sap.info/en/go/26835/

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IBIS Prof. Thome AG is a think tank and business information system development institute in Würzburg, Germany. It creates methods and tools within the SAP environment for innovative, practical organization integration and information processing solutions. Its status as an SAP content partner for its RBE Plus products and services worldwide reflects its proficiency as a developer, specifically of business and analytical content in and for SAP solutions. Since 1995, SAP and IBIS Prof. Thome have worked together on research, evaluation, and development projects.
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