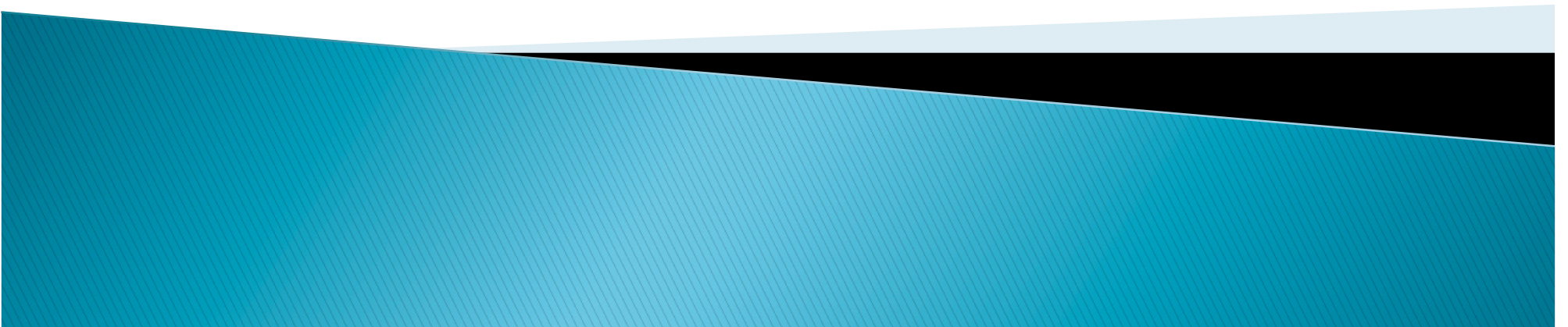
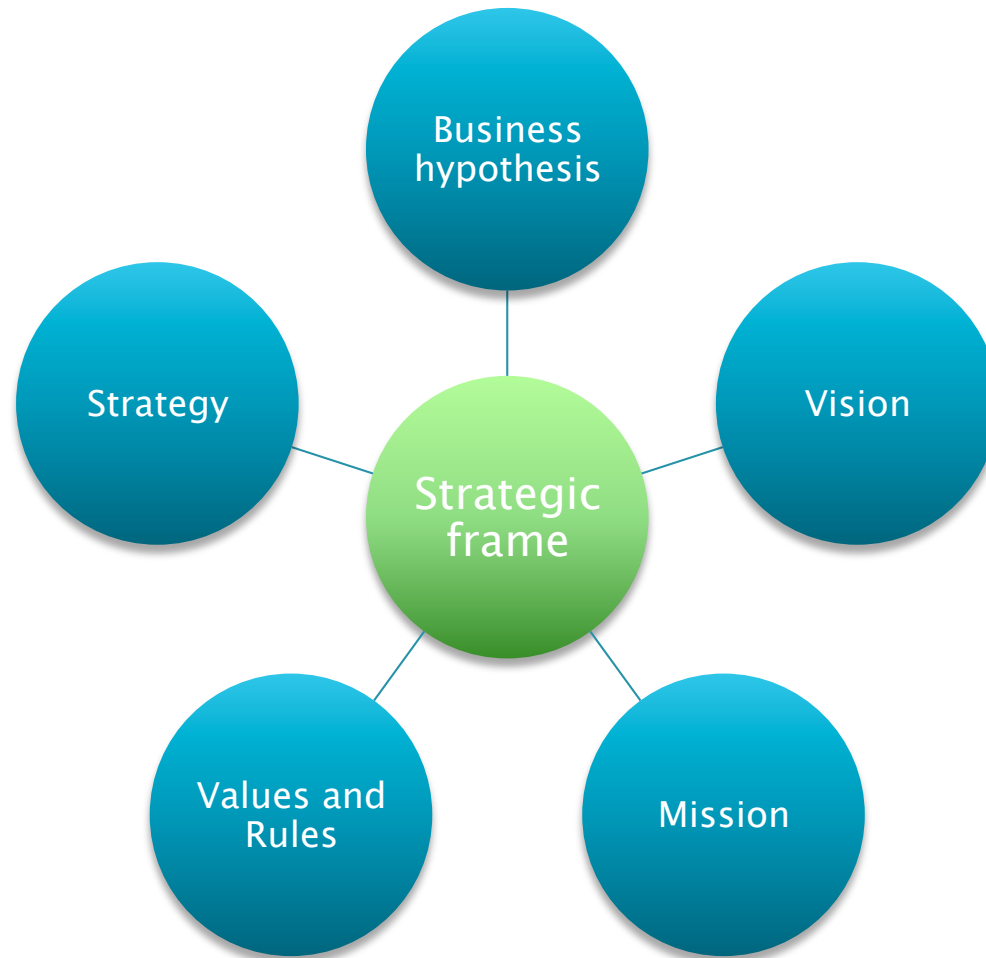


Management by Competencies

Process management



Previously on MbC



(C) J. Plamínek

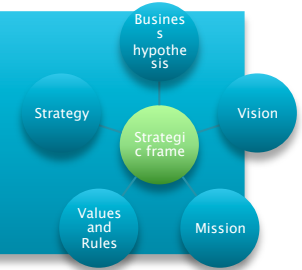
Agenda

- ▶ Change Vector
 - Performance Indicators
- ▶ Balance Scorecard
- ▶ Key Performance Indicators
- ▶ Processes and Projects

System of corporate ideas



Strategic Frame

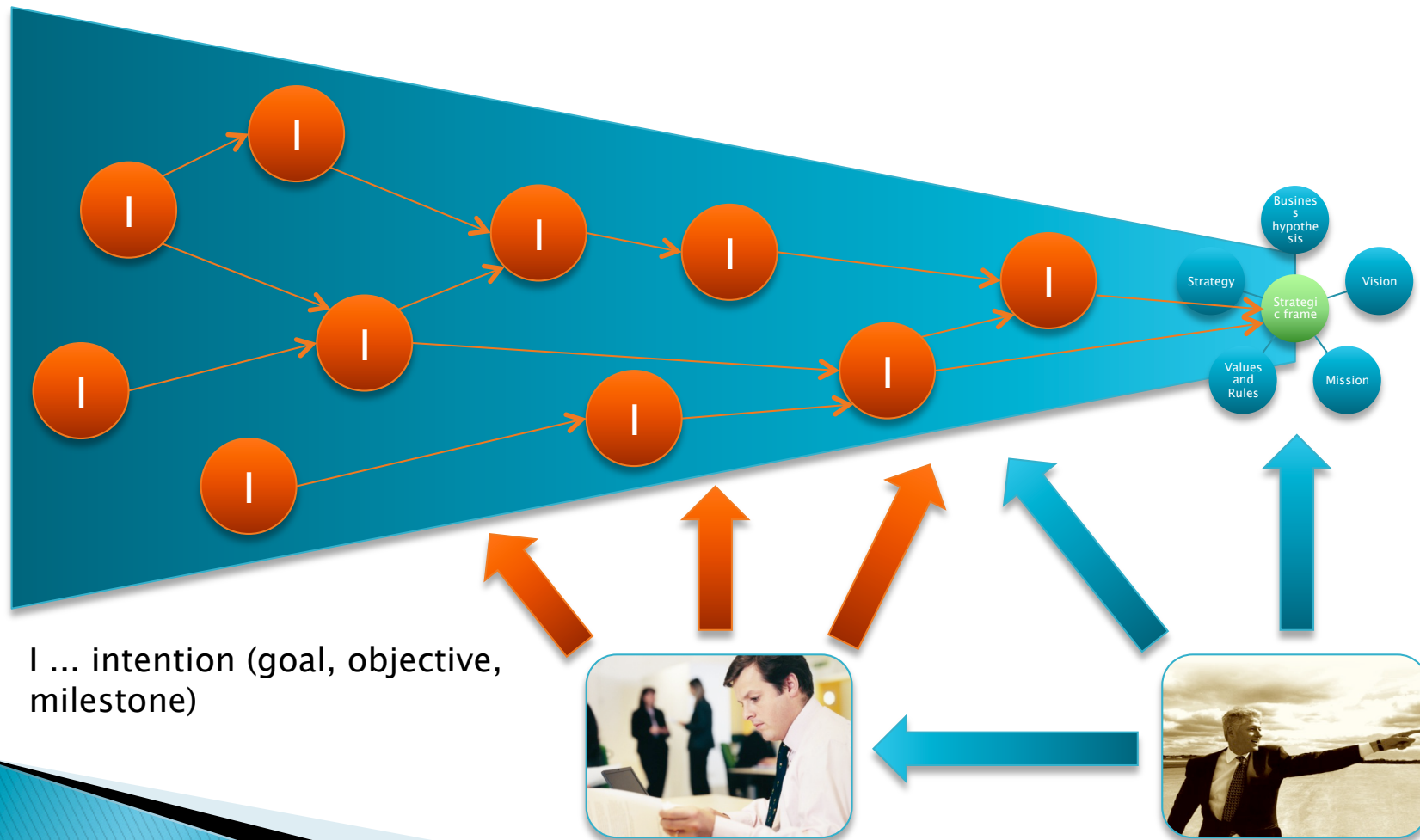


Goals & Objectives

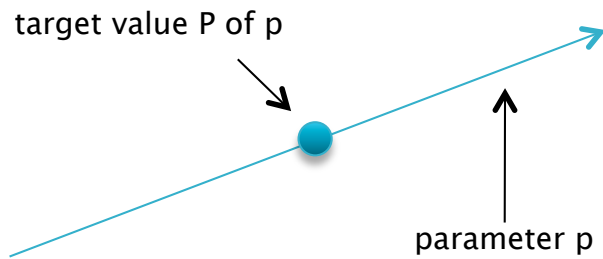


Products, Services, **Processes & Projects**, Resources, Tasks, Competencies, Feedbacks, Feedforwards, HR development, ...

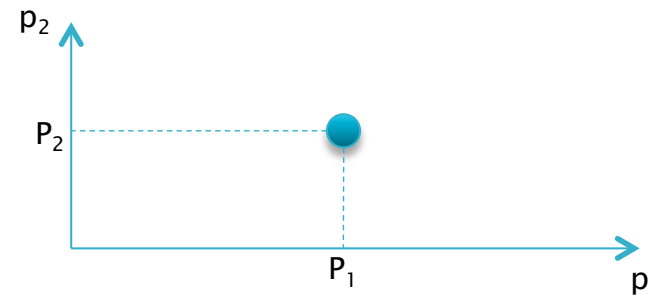
Strategic Frame from the management perspective



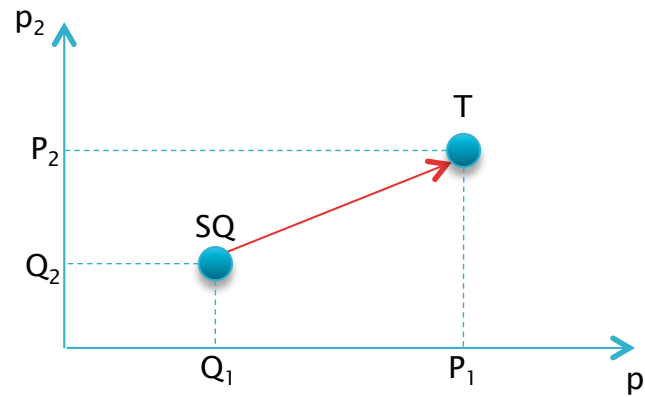
Definition of change vector



a) difference between parameter and target value



b) target definition



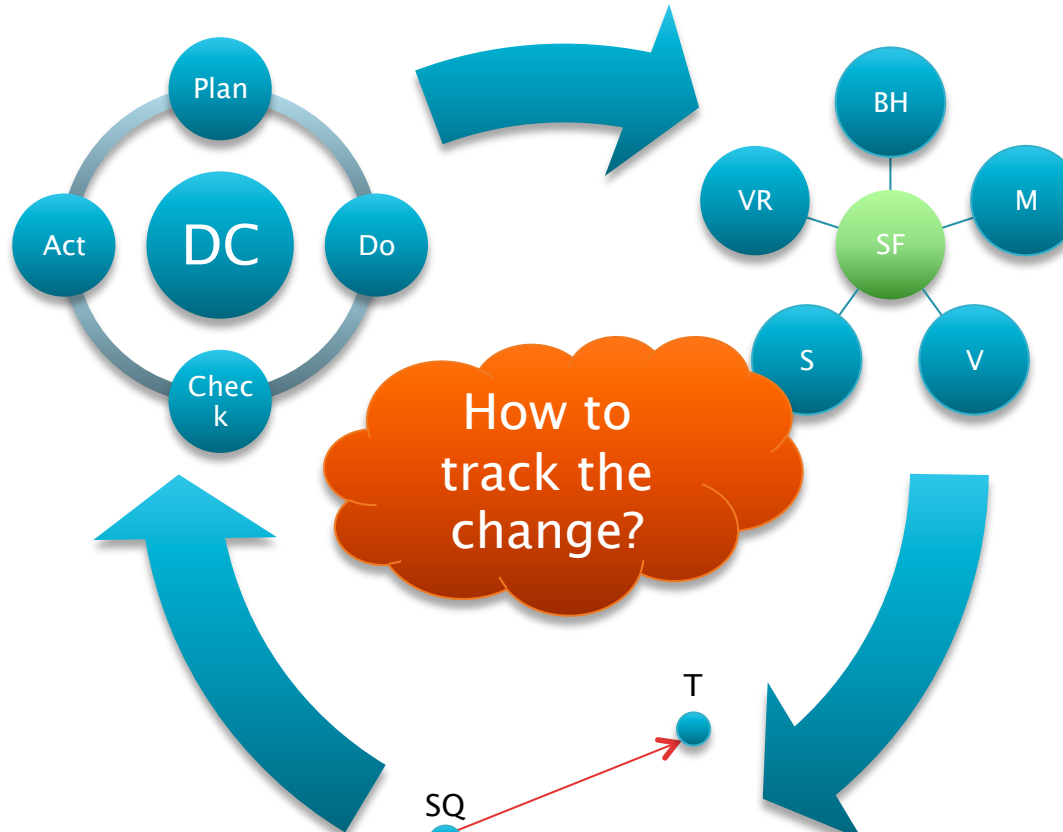
SQ ... status quo
T ... target

c) change vector definition

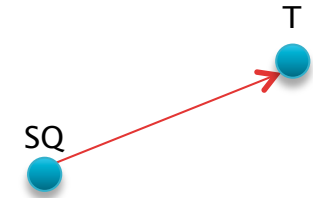
Change achieving



DC...Deming Cycle



Definition of Performance Indicators

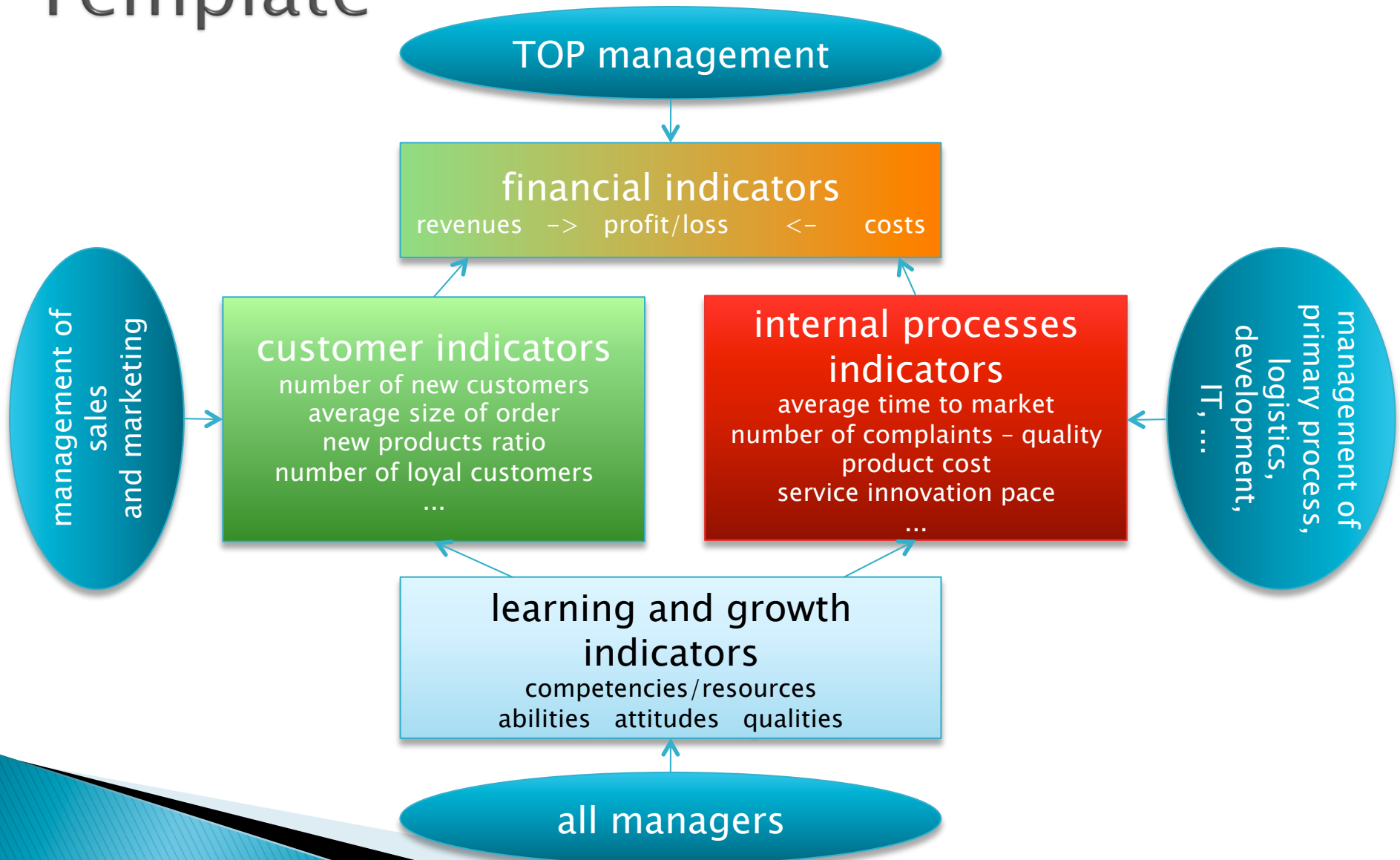


- ▶ To know WHAT to do is not enough
- ▶ It is important to know WHETHER and HOW we are doing
- ▶ Therefore MbC operates with system of indicators on every level of management
 - in accordance with development of company and people, the target values for indicators are determined that enable continuous monitoring and management of improvement
- ▶ Balanced Score Card utilization

Balanced Score Card Motivation

- ▶ **Balanced Score Card (BSC)**
 - introduced in 1990's by Robert Kaplan and David Norton
 - reaction to popular cost-cutting projects
- ▶ **Cost-cutting Projects substantially improved cost-related financial indicators in fiscal year**
 - and consultancy companies made well getting good profit share
- ▶ **However, in next years cost-cut companies**
 - have seen a huge drop in their performance
 - loose much of their ability to react to changes (stability)
 - become less vital, i.e. able to continuously succeed
- ▶ **Therefore BSC**
 - introduced new kinds of indicators to existing ones to connect corporate strategy with all operational areas of within the enterprise

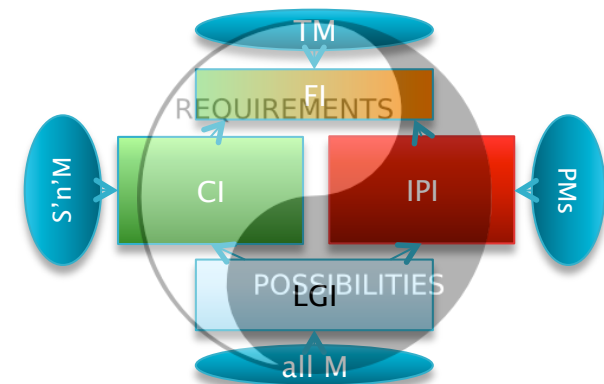
Balanced Score Card Example Template



Balance Score Card and MbC

Learning and grow indicator are of the big importance

- focuses on competences that employees must have to successfully fulfill financial, customer, process or others
- these indicators focus the happening in the world of possibilities whereas the others the world of requirements



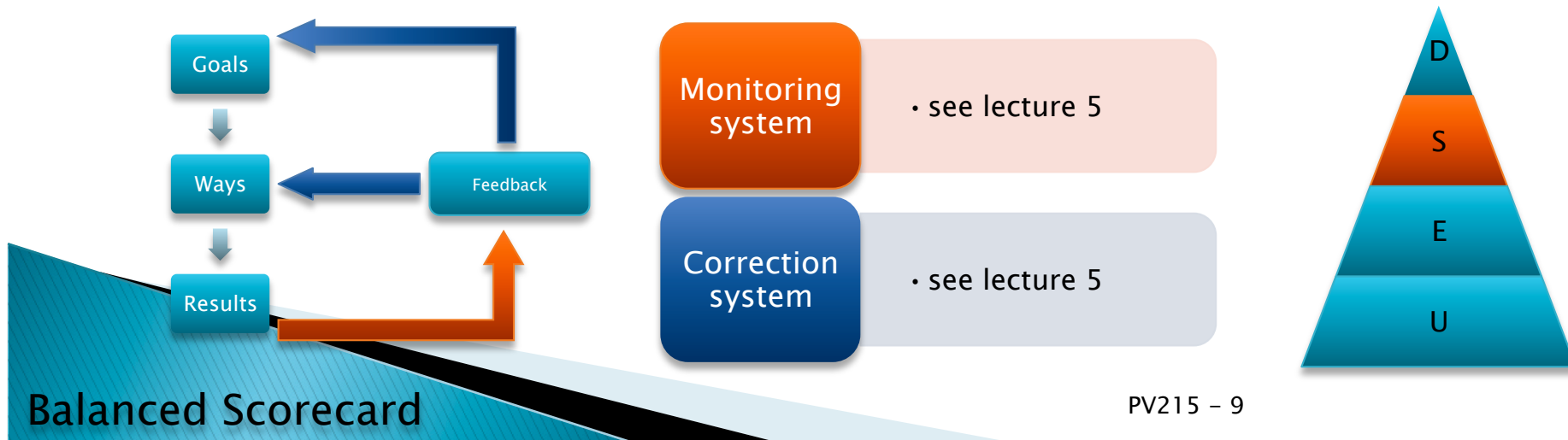
Balance Score Card and MbC (cont'd)

- ▶ BSC is tool primarily for managers
 - but also communication mean with leaders, owners, shareholders

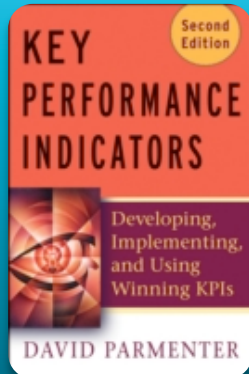


shareholders, owners, ...

- ▶ BSC may be foundation of monitoring system

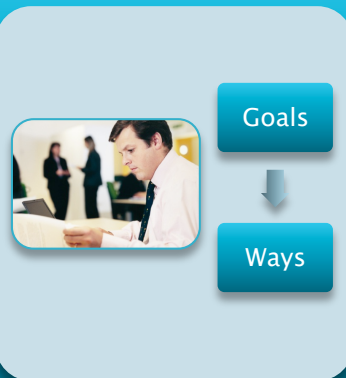


Performance measures



Book by David Parmenter

- “*Key Performance Indicators: Developing, Implementing and Using Winning KPIs*”, 2010, 2nd edition
- provides the missing link between the BSC work and the reality of implementation of performance measures in organizations

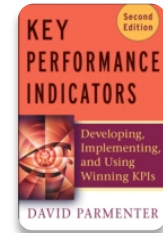


Performance measures

- indicators used by management to measure, report, and improve performance
- aimed to help organization align daily activities to strategic objectives

Four types of Performance Measures

by D. Parmenter



Key Result Indicators (KRIs)

- tell you how you had done in a perspective of critical success factor

Result Indicators (RIs)

- tell you what you have done

Performance Indicators (PIs)

- tell you what to do

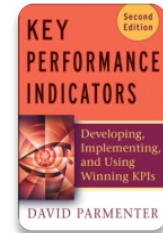
Key Performance Indicators (KPIs)

- tell you what to do to increase performance dramatically

Many performance measures in practice are an inappropriate mix of these four types!

KRIs ~ Key Result Indicators Characteristics

by D. Parmenter



Values are results of many actions

Give a clear picture of whether you are traveling in the right direction

However, they do not tell you what you need to do to improve these results

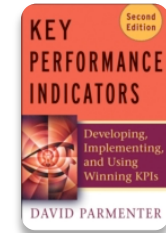
Cover a longer period of time (months, quarter)

Ideal for the board

• i.e. people who are not involved in day-to-day management

From KRIs to KPIs

by D. Parmenter



KRIs include

- Customer satisfactions
- Net profit before tax
- Profitability of customers
- Employees satisfaction
- Return on capital employed

RIs include

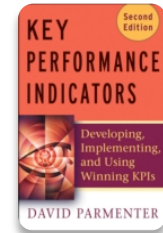
- Net profit on key product lines
- Sales made yesterday
- Customer complaints from key customers

PIs include

- Percentage increase in sales with top 10% of customers
- Customer complaints from key customers
- Late deliveries to key

RIs and PIs Characteristics

by D. Parmenter



They are important but not key for the business

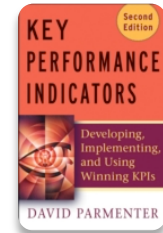
The PIs help teams to align themselves with their organization's strategy

The RIs summarize activity, and all financial performance measures are RIs

- it is a result of the efforts of many teams

KPIs ~ Key Performance Indicators

by D. Parmenter

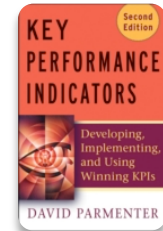


“Represents a set of measures focusing on those aspects of organizational performance that are the most critical for the current and future success of the organization.”

Note that, current and future organization success corresponds to concept of vitality introduced by MbC!

Example: Late Airplanes KPI

by D. Parmenter



Context

“This example concerns a senior British Airways (BA) official, who set about turning BA around in 1980s by reportedly concentrating on one KPI.

Measurement

He was notified, wherever he was in the world, if a BA plane was delayed.

Action & Behaviour

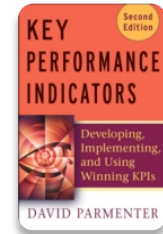
The BA manager at the relevant airport knew that if a plane was delayed beyond a certain threshold, they would receive a personal call from the BA official.

Improvement

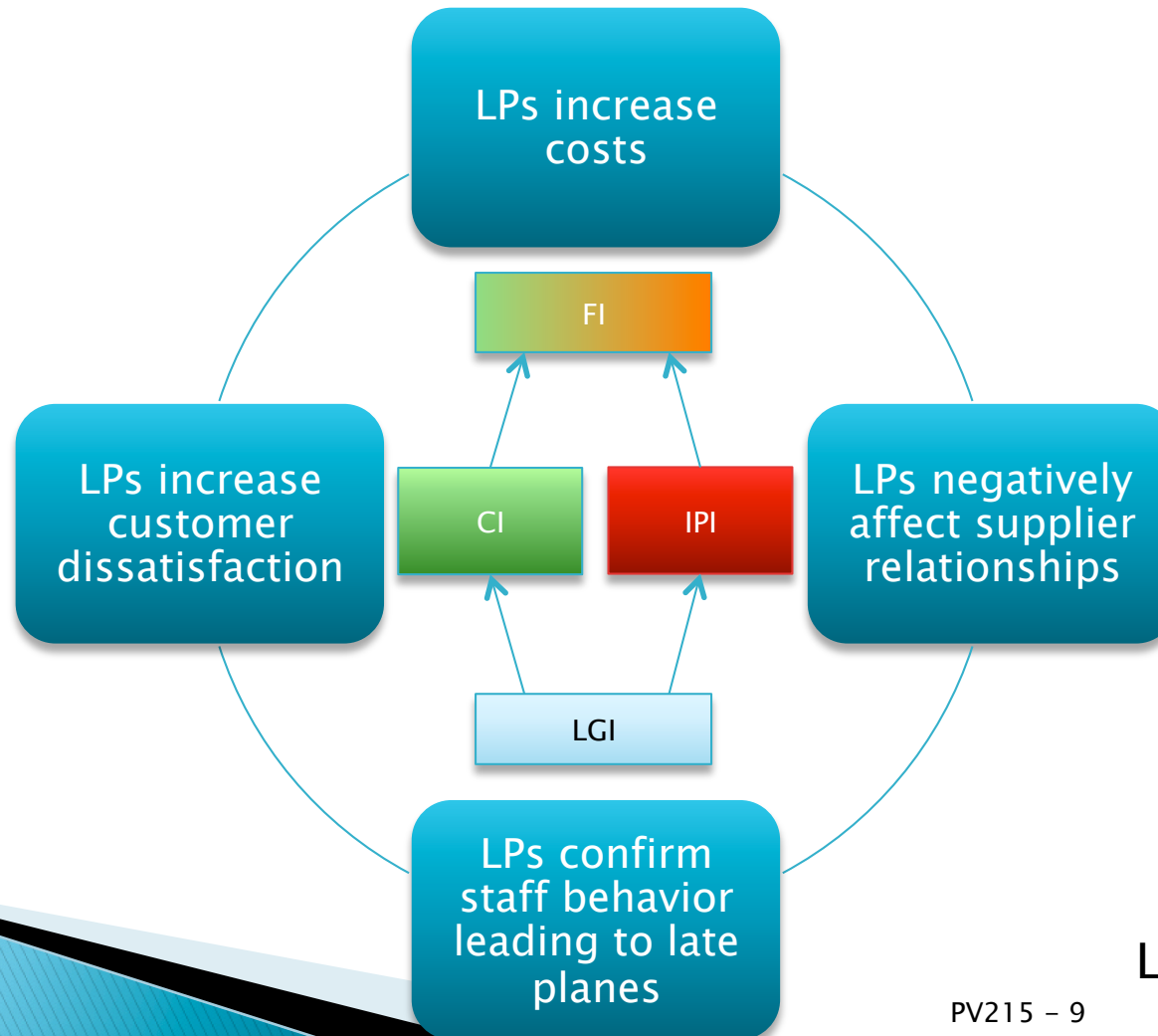
It was not long before BA plans had reputation for leaving on time.”

Example: Late Airplanes KPI

by D. Parmenter

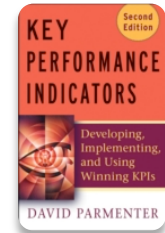


- ▶ The KPI affected all of BSC perspectives.



Seven characteristics of KPIs

by D. Parmenter



Non-financial measures

Measured frequently (24/7, daily, weekly)

- enabling “immediate” action

Acted on by CEO and senior management staff

Clearly indicate what action is required by staff

- staff can understand the measure and know what to fix

Tie responsibility down to the team or individuals

- superiors can call subordinates and ask why?

Have a significant impact

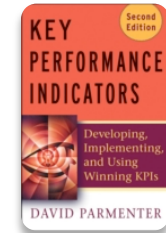
- e.g. affects more than one BSC perspective

Encourage appropriate action

- need to be tested to ensure it creates the desired behavioral outcome

Differences between KRIs and KPIs

by D. Parmenter



KRIs

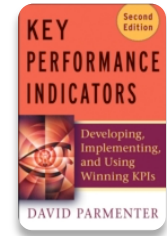
- Can be financial
- Monthly, quarterly measurements
- Summary of progress reported to board
- It does not say what to do
- Commonly, the only responsible person is CEO
- Summarize activity within one CSF
- Usually reported as a trend graph covering at least the last 15 month of activity

KPIs

- Non-financial
- 24/7, daily, weekly measurements
- Acted on by CEO and senior management team
- All staff understand the measure and know the corrective action
- Significant impact
- Normally reported by way of an intranet screen indicating activity, person responsible, and past history

Management Models having profound impact on KPIs

by D. Parmenter

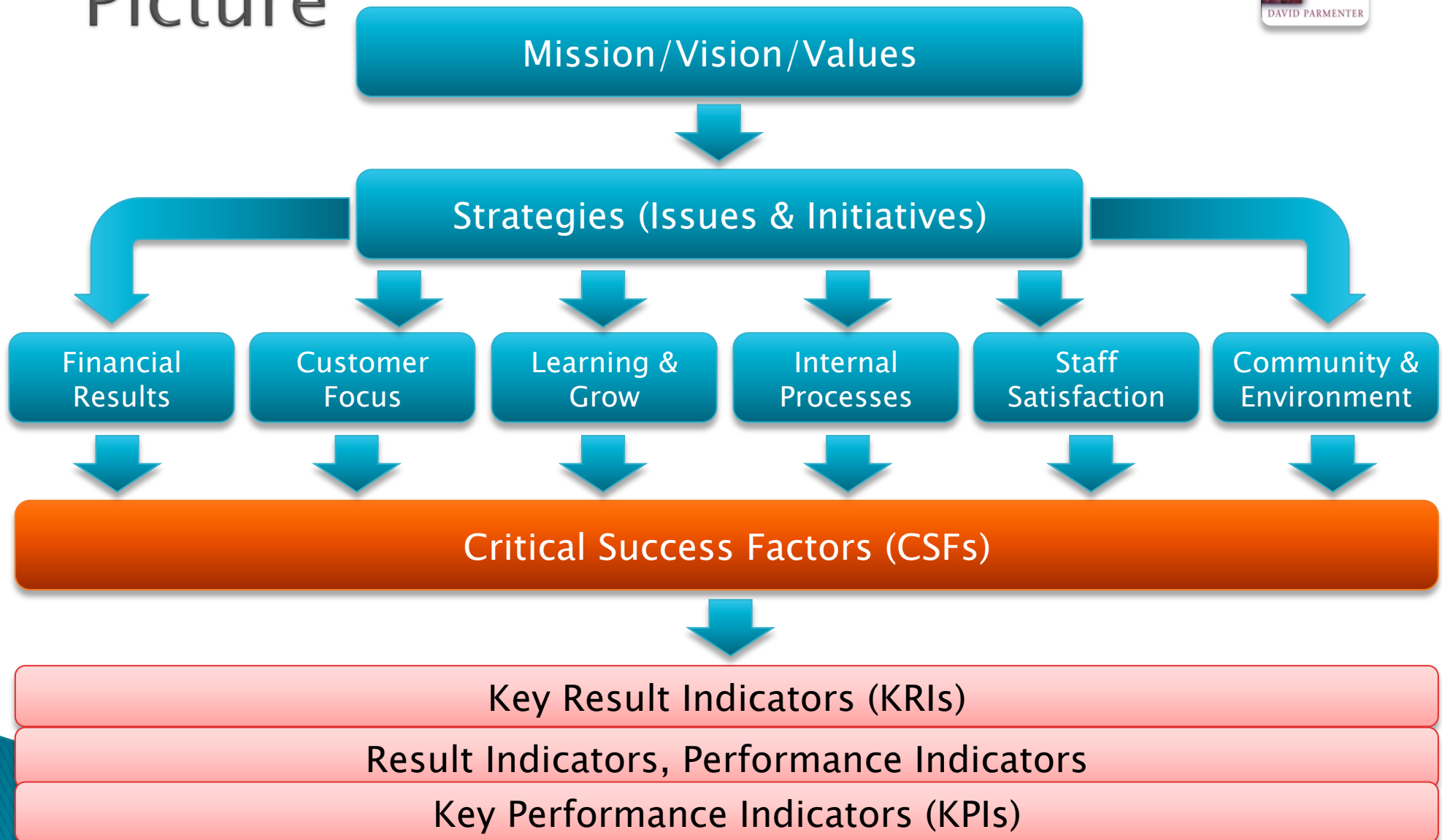
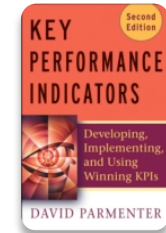


▶ Balance Score Card

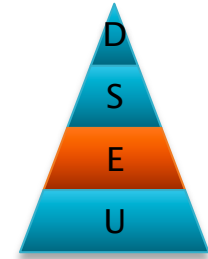
- Parmenter recommends to add two more perspective to four basic ones
 - Employee satisfaction focusing positive company culture, retention of key staff, increased recognition
 - helps retain current employees
 - Environment/Community supporting company prestige in other context than primary business, e.g. green initiatives, voluntary work in community
 - community is the source of current and future employees and customers

▶ Hoshin Kanri Business Methodology

Strategic Frame, BSC, KPIs: Big Picture

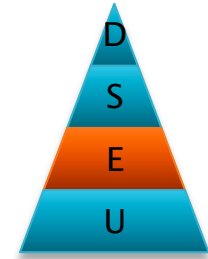


Processes definition and management



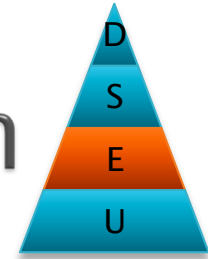
- ▶ **Processes and projects**
 - defined sets of procedures, activities or actions transforming inputs to outputs
- ▶ **Processes**
 - repeatable, easy to monitor, subject of continual improvement
 - deterministic, predictable
 - focused on outputs
- ▶ **Projects**
 - unique, have to be attentively planned and executed, continuously monitored and managed
 - uncertain
 - focused on impact, benefits and goals of its outputs

Synergy of process and project management



- ▶ How can projects benefit from process management?
 - projects may involve processes; for partial design of project the process design techniques may be utilized
- ▶ How can processes benefit from project management?
 - process definition may be extended to define desired impact of process outputs; then performance indicators may be defined more appropriately

Best practices in process design



Reasonable process specification granularity

Structure as a consequence of process specification

Top-down approach

Suitable tools

Process domain reflection

Continuous improvement

Summary

- ▶ Performance Indicators are necessary to know WHERE we are and WHERE are we going
- ▶ Balance Scorecard is an strategic performance tool working with complete set of indicators
 - financial, customer, processes, learn and growth
- ▶ Processes and projects are two kinds of what can happen in companies

Coming soon

- ▶ Experience intermezzo nr. 2: Processes in Mycroft Mind