Balanced Scorecard development with Lean Management Practices

Remember to call the conference line to hear the audio
(605) 772-3434, access code 366-696-820
Introduction

QBPM™ Framework: Gail Raynus, Share Dynamics

Software demonstration: Maija Erkheikki, QPR Software

Quotes: John Wooden, the famous basketball coach

– "When you are through learning, you are through"
"Take what’s available and make the most of it"
QBPM™ is an original methodology of establishing quantitative measures to strategically manage and continuously improve business processes at all levels of organization.
The key objective of QBPM™ is to provide a comprehensive framework that helps organizations:

- Monitor and control process performance
- Achieve alignment of organizational goals and objectives with operational processes
- Drive improvements
- Maximize the effectiveness of improvement effort
- Improve cross-functional collaboration
QBPM™ Components

Strategic

Balanced Scorecard

Goal Question Metric

Quantitative Process Modeling

Operational

Lean Sigma

EDB
Balanced Scorecard

- Links strategy and customer needs to the improvement efforts
- Measurements based on strategy is an ideal way to evaluate performance
- Executive scorecards linked to detailed scorecards based on strategy
- Results are measured, monitored, and shared with all parties involved
Measure Business Process Performance

Production Line (Dentorex Group Processes / 2. Research & Development / Production)

Graph

- Input Data to Production System
- Plan Production
- Prepare Materials
- Assemble Product
- Re-Assemble
- Deliver Product
- Logistics (external)

Production Downtime
(Cumulative from year begin, Q2 2007)

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Balancing Act

Flexible Measurable Processes

Outside Environment

Rapid Change, Declining Resources, Increased Competition, Globalization
Steps to Efficient Performance Measurement

- Establish clear strategy, goals and targets
- Establish relationship between internal goals and environmental inputs
  - influence of outside environment
- Set quantitative measurement goals to compare with actual results
- Construct KPI’s to achieve and maintain stability in dynamic internal and external environment
Don’t just measure at the top
Share information and collaborate across all levels
The purpose of measurements is to guide, forewarn, and inform:
- "in flight" course corrections
- Advance warning of potential problems (e.g. trends, process variances)
- Process progress (e.g. process transparency for cross-functional teams)

Measures are the key elements to achieve maximum business performance if they are:
- Driven by business requirements and organizational objectives in the areas
  - Productivity, resource management, quality, and customer service
- Quantifiable and easy to redefine to meet changing needs of the organization
- Mapped to the individual goal and meaningful to all people involved
Common Measurement Mistakes

- Piles of numbers – use BSC to identify the vital few
- Inaccurate, late or unreliable data
- Trying to meet a target versus understand the process
- Measurements that are too broad or too specific
- Punishing people instead of fixing the process

“Never mistake activity for achievement”
Measurement Definition Process

**Business Goals**

1. What do we want to achieve?
2. What do we want to know?
3. Sub-goals

**Process Model**

- Receives
- Process Steps
- Delivers
- Entities
- Attributes

**Measurement Goals**

1. Questions
2. Indicators
3. Measures
4. Definitions

**Definition checklist**

- Identify Actions
- Prepare Plan

**Process Steps**

1. G1
2. G2
3. Q1
4. Q2
5. Q3
6. I1
7. I2
8. I3
9. I4
10. M1
11. M2
12. M3
13. Definitions
14. Prepare Plan

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Lean Six Sigma

Lean Six Sigma is a harmonious “marriage” between Six Sigma, which fixes individual processes, and Lean Management Practices, which is looking at the connections among processes.

Six Sigma measurement tools are used to analyze waste, re-work and variation of each process.

Key performance measurement tools used by Lean Six Sigma are:
- Line graph – to measure customer quality requirements
- Pareto chart – to focus the root cause analysis
- Fishbone diagram – to analyze the problem root causes
Scorecard and Lean Integration

Balanced Scorecard Definitions

1. Financial
   - KPA: Increase Customers, Increase Order Size, Increase Sales
   - KPI: Number of Customers, Order Size per Region, Sales Growth per Region
   - Metrics: Customer Distribution, Order Size
   - Measures: Customers, Order Size

2. Customer
   - Customer Satisfaction, Customer Referrals
   - Satisfaction Index, Referral Rate
   - Metrics: Number of Complainants, Number of Referrals
   - Measures: Complaints, Referrals

3. Internal Processes
   - Reduce Cycle Time, Reduce Cost of Rework
   - Cycle Time, Time per Customer
   - Metrics: Time per Order, Number of Reworks
   - Measures: Amount of Rework

4. Organization
   - Increase Core Skills, Employees Trained
   - Metrics: Training, Employees
   - Measures: 

Process Metrics & Variance Indicators

Lean Sigma Analysis

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QBPM™ Methodology Summary

- Delivers important information for the business decision making
- Gives managers control over business direction
- Increase process awareness
- Enables collaboration and process transparency
- Provides managers with tools to assess and analyze process performance and identify process improvement opportunities.

![Diagram showing QBPM methodology](chart.png)
Live QPR Demo

- Developing your strategy map/ balanced scorecard foundation in QPR ScoreCard
- Using Goal-Question-Metric as a template to ensure that a basic set of measures is used for each scorecard
- Mapping processes with QPR ProcessGuide
- Linking measures to process steps
- Analyzing data with QPR FactView
“Hard work is the difference. Very hard work”
Questions?

Submit your questions using GoToWebinar control panel

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