



## Performance Improvement

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## Who is Responsible for Process Performance?

This is the third and final Column in our series on process performance measurement. In the first Column we described some of the complications we have encountered in helping organizations install effective process performance measurement systems and then offered some principles for accomplishing this important work successfully. In the second Column we provided a tool – the measures chain – for identifying appropriate process metrics linked to both customer and business requirements.

But once you have the metrics identified, what do you do with them? Who uses these metrics to monitor performance? How often is data collected and reviewed? Who makes decisions about corrective actions, and who takes those actions? Metrics not being used to guide and improve performance are worse than useless – they can get in the way of understanding the performance taking place, they can clutter the landscape with irrelevant data; they can create the appearance of control where it doesn't exist. It may be hard to believe but we've seen a good number of organizations in just this situation – where they have created a “chaos of metrics” but have not put it into use for a variety of reasons. So this final article in our series is about the most important step in creating process metrics...and that is figuring out the “who, when, why, and how.”

### A Management Model

Our approach to determining who's watching performance and taking corrective action is based on the management model shown in Figure 1. This model separates the major activities of performance management into “Performance Planned” and “Performance Managed.” (“Performance Executed” is shown in Figure 1 but is actually the actions of performers inside the organization who are doing work and achieving results.) In “Performance Planned,” the organization's leaders are setting goals, establishing budgets and action plans, gathering and assigning resources, and setting the plans into motion. In “Performance Managed,” the leaders are monitoring performance as it takes place, identifying deviations in actual performance versus the established goals, determining what corrective actions are required, and taking those actions to get performance back on track. Metrics are, of course, the key component in use during performance monitoring and variation identification and analysis.

This is a simple enough model in concept, yet it's applicable to even the most complex of organizations in determining who is responsible for performance at any level. Our use of the model for creating *process* metrics is to figure out who should be responsible for that particular set of performance indicators.

### The Management Domain Matrix

To put the management model into use, we apply a tool called the management domain matrix.

Shown in Figure 2, it shows management responsibilities for planning and managing performance. (It could be called a “role/responsibility chart,” but that term is used commonly for job responsibilities, and our chart is going to contain something a bit different – not just single job responsibilities but collective responsibilities of management teams.) In this particular case, we will demonstrate the application of the domain matrix to a process measurement and management system. We will use it to determine the role (if any) for each level of management regarding a given process. A completed example of this application is shown in Figure 4. But the tool is scalable up to an entire enterprise management system.

Using the measures chain described in our last article (Figure 3), process metrics have been identified for an order fulfillment process. Some metrics are for the entire process (e.g., total cycle time, percent shipped on time), and others are applicable to specific steps inside the process (e.g., number of order entry errors). Now comes the question of who should be responsible for these metrics? What is the logic for assignments of responsibility?

The management domain matrix is organized by level of management. For the sake of illustration, let's have four layers of management, each of which is a “domain” on the chart. There is Business Management (or management of the entire line of business), Region Management, Process Management (or management of this given process), and Function Management (which consists of the managers of all the functional departments that participate in this process).

To fill out the management domain matrix, we take each domain and fill out the cells by answering these questions:

1. **Mission/Value Add:** What is the value of managing at this level in regards to this particular process? What can this level of management do that the others can't? For example, the executive team may be the only level that can look at global process performance. The Region Managers can only look at regional process performance. And an individual plant manager can only look at the process performance in his/her plant.
2. **Planning:** What planning are they responsible for regarding this process? Which goals should they set? What resources do they specify or approve?
3. **Performance Monitored:** Which of the measures should management at this level be monitoring? What indicators of performance do they need to fulfill the mission? It is useful to also add the frequency of monitoring (weekly, quarterly etc.) What would be leading indicators to predict performance?
4. **Looking for....:** What deviations are they watching for? Are they looking for trends? What variables are they tracking?
5. **Corrective Actions:** What corrective actions should they take based on what they are looking for? Should they initiate a resource change? A process improvement?

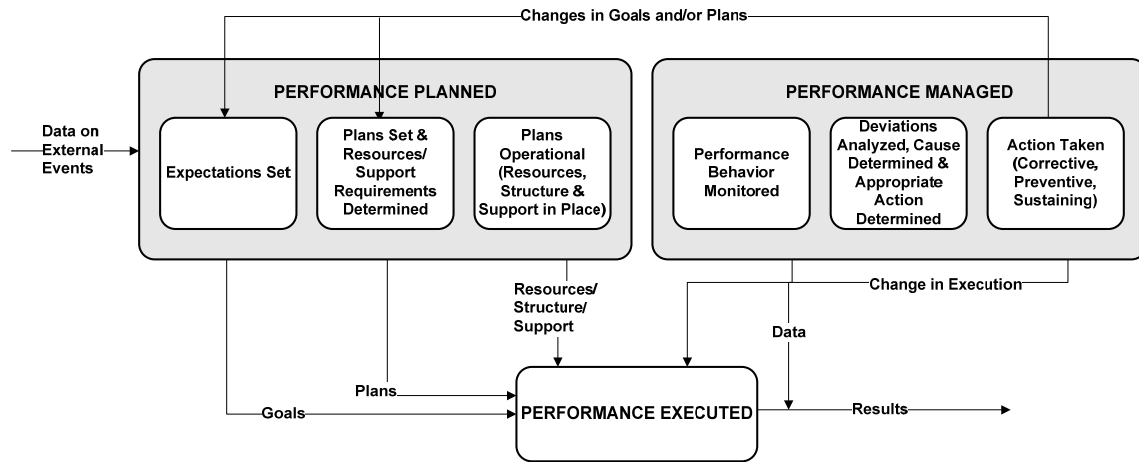
In our experience, this tool has been extremely helpful in clearing up much of the reigning confusion about process management:

- To start with, it aligns performance planning with ongoing management. Goals are set and resources are allocated in Performance Planned, but as things happen unexpectedly during the performance period, rational adjustments in expectations, resources, or actions can be made, and it is clear who should be making the decisions.
- Identifying responsibilities for planning, measuring, and taking corrective action by management level has been very helpful in getting away from some of the very disruptive management practices that we have seen, with managers from all levels jumping in to put out fires and with nobody practicing fire prevention.
- This tool also helps managers distinguish between managing process performance and managing individual performance. Process management has failed in some companies because there seemed to be little difference between it and what had always gone on, which was generic performance management of individuals. But process management is a different entity, involving the collaborative achievement of people in teams across departments, regions, and whole businesses. The domain matrix makes this kind of

responsibility concrete, because a domain may need to be managed by a team whose members are being held jointly accountable for process performance.

With the use of the measures chain and the management domain matrix, we have been able to overcome many of the pitfalls of process management systems that we described in the first article of this series. These two essential tools help create a balanced and logical set of metrics that enable managers at all levels to get insight in critical performance and take action to keep on track. It is process management in the proper context of organization management.

**Figure 1.**  
Management Model



**Figure 2.**  
Management Domain Matrix (format)

Domain	Mission/Value Add	Performance Planned	Performance Monitored	Looking for...	Corrective Actions
What is the domain and who is accountable?	What is the mission of this and value-add of this domain regarding this process?	What planning should be done for this process by this domain?	What should be monitored?	What are the indicators of performance this domain is looking for (trends?, spikes?, which variables?)	What is the appropriate set of corrective actions at this level?

**Figure 3.**  
Measures Chain Table

Process: Order Fulfillment						
	Process Phase 1	Process Phase 2	Process Phase 3	Process Phase 4	Internal End of Process	External End of Process
	Order Entered	Order Assembled	Final Inspection Conducted	Order Shipped		
<b>Inputs</b>	<b>Outputs</b>	<b>Outputs</b>	<b>Outputs</b>	<b>Outputs</b>	<b>Final Outputs</b>	<b>Inputs</b>
<ul style="list-style-type: none"> <li>▪ Customer order</li> <li>▪ Product specs</li> <li>▪ Schedule</li> </ul>	<ul style="list-style-type: none"> <li>▪ Order</li> </ul>	<ul style="list-style-type: none"> <li>▪ Product</li> <li>▪ Shipping instructions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Inspected product</li> <li>▪ Inspected invoice</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sealed Product</li> <li>▪ Invoice</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sealed Product</li> <li>▪ Invoice</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sealed Product</li> <li>▪ Invoice</li> </ul>
Economics Metrics						
% orders priced within standard costs	Processing cost per order	Manufacturing cost per order	Cost of inspection per order	Shipping costs per order	Total cost per order	Price per product
				Packaging costs per order	Cost of reworked orders	
					Product profitability (revenue minus cost)	
Timeliness Metrics						
	Cycle time of subprocess	Cycle time of subprocess	Cycle time of subprocess	Cycle time of subprocess	Total cycle time of process	% received on time
% orders received within standard delivery time	% entered per standard time	% assembled per standard throughput time	% inspected per standard throughput time	% picked up from dock on time	% shipped to standard schedule	
Quality Metrics						
% complete & accurate customer orders	# of order entry errors	# of production defects	# errors caught in inspection vs. by customer	# of shipping errors	% orders with errors identified in inspection	# of complaints
% complete & accurate product specs		% with shipping instructions included	% inspected according to sampling rules	% packaged per customer order	% orders reworked	# of returns

**Figure 4.**  
Management Domain Matrix (completed example)

Domain	Mission/ Value-Add	Performance Planned	Performance Monitored	Looking for...	Corrective Actions
Business Management  <i>Executive Team</i>	<ul style="list-style-type: none"> <li>• Set direction and strategy: which markets, which offering, competitive advantage</li> <li>• Determine the optimal organization structure</li> <li>• Final arbitrator of company leverage opportunities (efficiencies of scale vs. unique <i>value creation</i> opportunities (effectiveness in market/for customer).</li> </ul>	<ul style="list-style-type: none"> <li>• Business Strategy translated into process requirements</li> <li>• Business goals translated into process goals – total and by region</li> <li>• Strategic Initiatives related to this process</li> </ul>	<ul style="list-style-type: none"> <li>• Process Performance plan to actual across all regions                             <ul style="list-style-type: none"> <li>○ Total cost per order</li> <li>○ % and cost of rework orders</li> <li>○ Product profitability</li> <li>○ % received on time</li> <li>○ Complaints</li> <li>○ Returns</li> </ul> </li> <li>• Function performance to plan to actual</li> <li>• External trends</li> <li>• Strategic Initiatives performance plan to actual (milestones and results)</li> <li>• Leading Indicators:                             <ul style="list-style-type: none"> <li>○ # of production defects</li> <li>○ % complete &amp; accurate customer orders</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Trends across Regions, Functions that indicate a systemic issue/misalignment</li> <li>• Trends that indicate that this process is misaligned with the upstream and downstream processes</li> <li>• External trends that signal the need for the organization to adapt</li> <li>• Initiatives and projects that are off plan</li> </ul>	<ul style="list-style-type: none"> <li>• Adjust Company, Process &amp; Function goals and plans</li> <li>• Adjust Resource and Asset Allocation across Functions, and strategic Initiatives</li> <li>• Acquire additional capital</li> <li>• Restructure the business</li> <li>• Initiate process improvements</li> </ul>
Region Management  <i>4 Regional Managers</i>	<ul style="list-style-type: none"> <li>• Optimize region performance</li> <li>• Understand regions unique requirements</li> <li>• Manage performance and development regional employees</li> </ul>	<ul style="list-style-type: none"> <li>• Region Plans to meet business and process goals</li> <li>• Region employee development plans to support goals</li> </ul>	<ul style="list-style-type: none"> <li>• Regional process performance to goal                             <ul style="list-style-type: none"> <li>○ Total cost per order</li> <li>○ % and cost of rework orders</li> <li>○ Product profitability</li> <li>○ % received on time</li> <li>○ Complaints</li> <li>○ Returns</li> </ul> </li> <li>• Regional function performance to goal</li> <li>• Development plan to actual</li> </ul>	<ul style="list-style-type: none"> <li>• Process issues in the region – trends and spikes</li> <li>• Functional Support deficiencies</li> </ul>	<ul style="list-style-type: none"> <li>• Initiate Region improvements (coordinate with business-wide efforts)</li> <li>• Individual performer changes/improvements interventions</li> </ul>
Process Management  <i>Process Management Team consisting of</i>	<ul style="list-style-type: none"> <li>• Optimize process performance</li> <li>• Ensure process meets business requirements and critical region requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Process Plan to meet business goals</li> <li>• Process Improvement Plan</li> <li>• Function support rqmts/goals</li> </ul>	<ul style="list-style-type: none"> <li>• Process performance plan to actual                             <ul style="list-style-type: none"> <li>○ All end of process metrics, all end of subprocess metrics and all input metrics –</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Trends across products and/or regions - Indications that the "is" process is not capable of meeting the goals</li> <li>• Improvement Project issues –</li> </ul>	<ul style="list-style-type: none"> <li>• Initiate business-wide process improvements</li> <li>• Reallocate resources across the projects</li> </ul>

<p>3 Function VP's &amp; 1 Region Mgr</p>			<p>global and by region</p> <ul style="list-style-type: none"> <li>• External trends that will impact the process</li> <li>• Process improvement projects plan to actual</li> </ul>	<p>Roadblocks or resource issues</p>	
<p>Function Management (for those functions participating in this process)</p> <p>3 Function VPs</p>	<ul style="list-style-type: none"> <li>• Build/Maintain capacity and functional excellence in their disciplines</li> <li>• Identify leverage opportunities across the regional organization.</li> <li>• Identify and propose leverage opportunities for process across the regions.</li> <li>• Manage performance and development functional employees</li> </ul>	<ul style="list-style-type: none"> <li>• Function Plan and expense budget to meet goals</li> <li>• Functional Initiative plans</li> </ul>	<ul style="list-style-type: none"> <li>• Function performance to plan to actual                             <ul style="list-style-type: none"> <li>◦ All end of subprocess metrics</li> </ul> </li> <li>• Region functional performance plan to actual                             <ul style="list-style-type: none"> <li>◦ All end of subprocess metrics by region</li> </ul> </li> <li>• Function improvement projects plan to actual</li> </ul>	<ul style="list-style-type: none"> <li>• Indications that Function is not or will not meet its process commitments for this process</li> <li>• Function execution issues, resource issues, HPS issues</li> <li>• Improvement Project issues – Roadblocks or resource issues</li> </ul>	<ul style="list-style-type: none"> <li>• Reallocate resources across process activities</li> <li>• Initiate function improvements</li> <li>• Reallocate resources across the projects</li> </ul>

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