

Quantity, Quality, Cycle Time and Cost are Table Stakes

Performance Management Needs to Move up the Measurement Maturity Curve

Just when you finally figure out what to measure, how many, how fast and at what price, someone comes along and says “that is just not enough!”. That someone is, or should be, your customer/client.



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With the traction that shared services and outsourcing relationships are getting, it is paramount that performance management and measurement move up the value and maturity curve. This is not to say that volumes, quality, cost and delivery of services are not important. Quite *contraire*, as they actually mark the foundation for data mining and analytics, which aid in the customer’s continuous improvement journey. It is quickly becoming apparent that if the shared service center or service provider cannot provide these basic, fundamental measures, then the partnership is in for a long, tough haul. Volumes, speed, cost and performance excellence are the “bare minimum” metrics to manage a business effectively; and therein lies the crux of the problem. Once the business unit, or buyer of transactional services, entrusts the shared services center or services provider with the work, they no longer have as much control over the data. They must, therefore, set an expectation for the provider of services to mine the data to drive intelligent business decisions. Throwing your transaction work over the fence and being content with the yearly consumption report, quality dashboard and billing statement breeds complacency and fosters mediocrity. Organizations that truly adhere to a continuous improvement philosophy have learned the

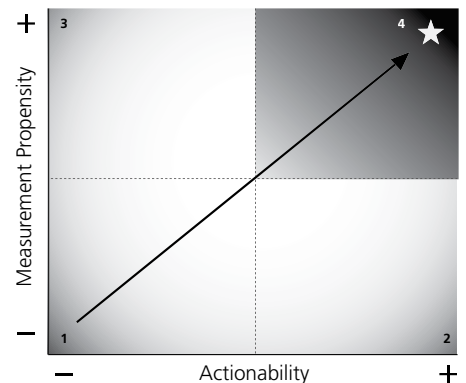
value of data mining and analytics. They have added value to the organizations they serve by turning data into information and providing actionable and substantive knowledge. The future of service delivery will require that performance management move beyond meeting current service level agreement targets. It will be critical that they provide more value by moving up the Measurement Maturity curve (see Figure 1).



Measurement Propensity (y-axis) - This is the ability of an organization to clearly set a performance strategy that links with and aligns to customers’ needs and goals. The reason to measure is to improve! Aligning and communicating with stakeholders, and measuring the *right* things, is a core foundation of measurement maturity. It is not an exercise in “he who measures the most, wins;” rather, it means being “data rich” in measuring the right things: the drivers to successfully meeting the goals of the organization.

Actionability (x-axis) - This is the ability of an organization to act upon the data and measures being collected. It represents the proactive approach of reducing variation and improving quality by mining data and operational measures. It’s the application of quality tools and creative ideas from the employees – and ultimately a management style that rewards the endless pursuit of continuous improvement.

Figure 1. Measurement Maturity Curve *



* Reference unknown

Neither axis, independent of the other, will result in sustainable, ever-improving, successful performance.



As Figure 2 illustrates, a quadrant 4 learning organization strives to build excellence over time by utilizing time-tested quality tools, standard work, documented processes, communication and the constant pursuit of learning and improving. Knowledge transfer is key, and was well-articulated in a graph by Dr. Brian L. Joiner (see Figure 3).

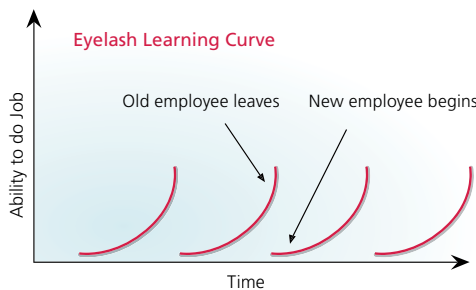
Figure 2.

Quadrant Extreme	Descriptor	Characteristic
1	Dazed & Confused	Lack of leadership and energy. Data poor and lack of any formalized infrastructure to support change and drive improvement. Complacent and resting on their laurels. No strategy is in place and change is cumbersome and slow
2	Swirler	These folks are dressed for the party but don't know what house it is at. They have capable people but do not have information or data in which to drive business decisions. Evidence that no strategic policy deployment is in existence. No leadership or a filtering management style that does not allow the doers to understand the "voice of the customer". Needs exist but are not communicated throughout the team.
3	Numerosis Paralysis	These people measure everything and anything. Dashboards, scorecards, dials, gauges, graphs and charts. They often run out of industry standard metrics and start creating their own company specific measures. Frequent "program of the month" initiatives and programs that frequently start and stop are evident in extreme instances of paralysis. Data rich but no ability to drive sustainable business results.
4	Trailblazer	These are the folks that have an insatiable appetite for continuous improvement. Key characteristic is that all employees understand their role and how their job creates value to the clients in which they serve. They create an organization that continually learns and not only does benchmarking but strives to be the benchmark or best practice. Evident with action not just talk.

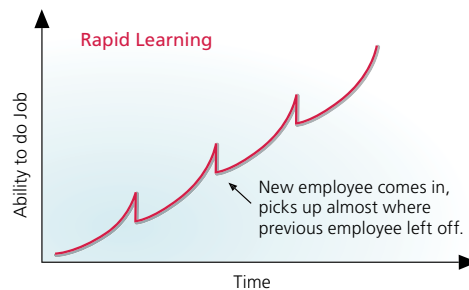
Figure 3. We want to avoid the eyelash learning curve!

"Eyelash" Learning Curve vs. Rapid Learning Curve

Dr. Brian L. Joiner, "Fourth Generation Management", McGraw-Hill, Inc.



- No "organizational memory" to allow people to build on best methods
- Individuals learn but the organization does not



- Document best known methods
- Establish "standard work"... continually improve
- Manage & transfer knowledge

The examples below illustrate the difference between providing data and the ability to mine operational data in order to provide actionable information. It marks the difference between just reporting metrics and being a “trailblazer” and advocate for continuous improvement.

1. CRM EXAMPLE – Customer Relationship Management (Call Center)

Client Request – “My management isn’t thrilled with our Customer Satisfaction scores, so I want you to increase the SLA on Telephone Service Factor, (TSF) from 70% of calls answered within 120 secs to 90% of calls answered in 90 secs”.

Service Center of Old Answer – OK, to do that... we need to add five agents at a cost of \$142,000 to get the calls effectively answered in that new timeline.

More Mature Center Answer – We can do that at a cost, but when we analyzed the historic data, we found that there was no correlation between Customer Satisfaction and TSF (see chart below: 0.07). We did, however, uncover a very strong, statistically significant relationship between First Call Resolution and Customer Satisfaction (see chart below: 0.69). Therefore, throwing more agents at the problem will not get the desired result. We recommend updating the training of current agents and improving their scripts regarding the XYZ process. The pareto analysis we performed indicated that 75% of the calls *not answered the first time* could be rectified by these improvements. This will cost \$8,000 versus \$142,000 to implement.

2. Travel & Entertainment EXAMPLE

Client Request – “Please provide me with our Quarterly Report”.

Service Center of Old Answer – Your employees took 400 domestic and 120 international flights, at an average net cost / mile of 16 cents and 12 cents, respectively.

More Mature Center Answer – Your employees took 400 domestic and 120 international flights, at an average net cost/ mile of 16 cents and 12 cents, respectively. Furthermore, 67% of your organization’s airline purchases were booked only seven days or less prior to departure. Benchmarked organizations of this size have >48% adherence to 14 days’ advanced purchase sale. If you could drive behaviors in your unit to be at benchmark, that would result in an estimated savings of \$187,000/year. Moving to 90% compliance to policy would result in over \$230,000/year. Here are some additional opportunities that could improve quality and cost:

- 27% of the bookings were done ignoring the online recommended flight
- 19% of the bookings were done utilizing agents instead of the self-serve tool
- A listing of non-compliance activity will be provided

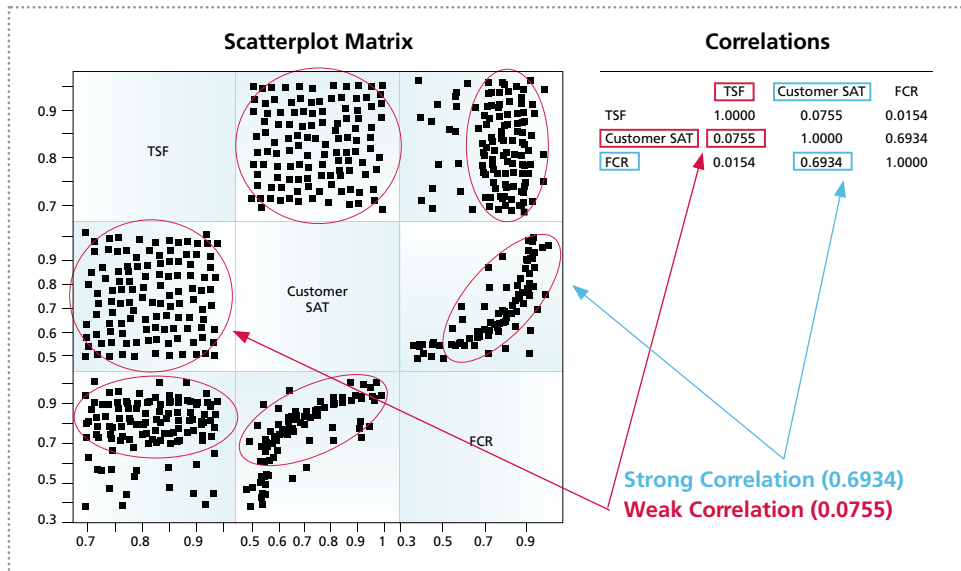
“Throwing your transaction work over the fence and being content with the yearly consumption report, quality dashboard and billing statement, breeds complacency and fosters mediocrity. Organizations that truly adhere to a continuous improvement philosophy have learned the value of data mining and analytics.”

3. Accounts Payable EXAMPLE

Client Request – “Please provide me with our Quarterly Report”.

Service Center of Old Answer – We processed 220,000 invoices with a turnaround time of five days and a cost per invoice of \$5.64.

More Mature Center Answer – 220,000 invoices broken down into 20,000 electronic and 200,000 manual invoice requisitions. The cost of a manual invoice is \$6, whereas an electronic invoice is 1/3 of that, or \$2. If you could drive 50% of the current manual to electronic... the resulting savings could be \$400,000/quarter. We also believe the cycle time would improve to <3 days from the current five. Best practices would also recommend that we start a “p-card” program for smaller purchases, which would drive some costs down below \$1/transaction. Your xyz organization is still not utilizing e-catalogs, like the rest of the company. Your help in encouraging e-catalog usage will help provide cost savings and future pricing leverage. >>>



Conclusion

The companies that will survive are the ones that embrace the ever-changing pursuit of excellence and create a culture whereby discovery of errors and variation are rewarded. Organizations also need to support the infrastructure and processes to aggressively attack and improve on these imperfections. Remember, all activity is a process and all processes have variation. The differentiator is the “actionability” of the organization to turn measures into information. If you are a service provider to an internal or external client, and you are not moving toward quadrant 4, you may still be in the game but the cards are stacked against you and it’s only a matter of time before you don’t have any more chips to play. What was good enough yesterday is currently just *status quo*. Soon, tomorrow comes and you’ll find that expectations, targets and requirements have all risen.

It’s time to up the ante!

About the Author

Prior to joining DATROSE, **Tim Schmandt** spent 26 years at the Eastman Kodak Company working in various roles including quality, cost management, finance and procurement. He recently helped Kodak establish a Global Shared Services model and has experience and expertise in benchmarking, dashboards and performance management.

Tim is a Master Black Belt in Lean Six Sigma and a Certified Outsourcing Professional (IAOP). He has worked with teams that were responsible for driving significant dollars out of cost structures, and has taught cost management strategies, statistical process control, and process capability classes in the U.S. and in more than 10 other countries. Tim’s current role is to provide leadership and drive continuous improvement efforts at DATROSE, which is a 30+ year old minority and veteran owned BPO firm specializing in FAO and HR solutions.

Tim is on the Advisory Board of Shared Services News.