On Improving the Visibility of Hard-Measurable Process Performance

Tim Pidun, Freiberg University of Mining and Technology, Germany
Carsten Felden, Freiberg University of Mining and Technology, Germany

ABSTRACT

Performance measurement systems (PMS) are necessary to ensure adequate information supply to management, but an information gap exists between process analysis and execution. PMS predominantly rely on countable, objective measures, but are also designed to deliver additional viewpoints to foster necessary explanations to measurements. Still, there is no definition of how well these approaches work in delivering sufficient explanatory information. The introduced concept of visibility of performance explains how the explicating of process performance information leads to additional interpretation possibilities in performance measurement to deliver embedded and rich knowledge. It is tested on a business case, in which additional subjective information could be explicated through the application of a suitable Performance Assessment Model. The result of the explicating of this knowledge is an enhanced comprehension of performance that bridges the information gap between operative and strategic level.

Keywords: Assessment, Business Process Management (BPM), Business Processes, Indicator, Knowledge, Performance Measurement Systems (PMS), Visibility

1. INTRODUCTION

Improving the performance of business activities requires appropriate information to identify, analyze, and redesign business processes. Getting such information is essential to reduce uncertainty and to take appropriate decisions (Power, 1997). Measurement is the key to offer information to the management, to reduce uncertainty and to take appropriate decisions (Bose, 2006); one of the key demands of Business Process Management (BPM) is that performance of processes has to be measured (e.g., Kueng & Wettstein, 2003; Schmelzer & Sesselmann, 2008; Gonzalez, Rubio, Gonzalez, & Velthuis, 2010), because measures are usually supposed to be objective in sense that they can be counted and compared (Deloitte, 2004; Broadbent, 2007). Other qualitative, rather descriptive and subjective performance aspects of process performance that are well known in process management like complexity, roles or relations cannot easily be assessed in this way. Hence, objective performance aspects seem to be more visible to PMS than others that cannot easily be counted (Broadbent, 2007; Schmelzer...
With performance being also defined as the degree of stakeholder satisfaction (Kueng & Wettstein, 2003), satisfaction can only be tested when performance is visible to the stakeholders at all. In contrary, empirical studies reveal a gap between process analysis, implementation, and execution (Pingel & Schmitt, 2007; Palmer, 2007) as well as a gap between controlling and process management (Schmelzer & Sesselmann, 2008). The goal of this paper is to introduce the concept of visibility of performance to indicate improvements in process performance information supply, which are suitable to overcome these gaps.

PMS prefer quantitative, numeric key figures (Key Performance Indicators, KPIs) (Deloitte, 2007; Zigon, 2011) to measure processes, because “if it can’t be measured, it can’t be evaluated” (Polovina & Hill, 2009). Numbers are supposed to be more objective than other qualitative, subjective aspects of performance (Power, 1997). But especially support processes like, e.g., Human Resources or Public Relations, which are related to qualitative outcomes, are not easily direct measureable (Bierbusse & Siesfeld, 1997; Kueng & Krahn, 1999; Ittner & Larcker, 2003), through KPIs. PMS Designers have tried to solve this problem by introducing broader perspectives to gain additional insights on performance problems. Lynch and Cross (1991), e.g., provide different perspectives within a Performance Pyramid by combining non-monetary and customer viewpoints. The Performance Prism of Neely, Adams, and Kennerly (2002) considers strategy, capabilities, and stakeholder views. Finally, Kaplan and Norton (1996) introduced the Balanced Scorecard (BSC) including different perspectives like finance, customer, development potential and process perspective. Few approaches exist that incorporate also verbal subjective indicators like goals, roles and relations, like the Process Performance Measurement System (PPM) by Kueng and Krahn (1999), the concept of the generic Performance Indicators (PI) by Popova and Sharpanskykh (2009) or the Four-Box Performance Assessment System (PAS) by Pidun, Buder, and Felden (2011), which is designed to explicate additional subjective information to performance. Though, the impact of PMS towards a better comprehension of poorly visible performance has not been investigated, yet.

The contribution of this paper is an Operationalization and proof of the concept of visibility of performance through the application of the Four-Box-PAS to a business case.

The remainder of this paper is as follows: Section 2 explains the problem statement with status quo, theoretical background and approach, leading to the research questions. Section 3 depicts the research design and the settings of the case study. Section 4 consists of the investigation of the case and the findings related to the application of the model. The final Section 5 summarizes the results, explains the benefits of the contribution and gives a future outlook.

2. PROBLEM STATEMENT

In practice, performance measurement is not as successful as it should be (Gonzalez et al., 2010). Empirical studies reveal a gap between process analysis, implementation, and execution (Pingel & Schmitt, 2007). The need to conduct BPM with alignment to strategy is also emphasized by various empirical studies (e.g., Deloitte, 2007), but only a minority of the surveyed companies is aware of a correspondence between strategy and BPM (Palmer, 2007). One reason is the lack of methodological guidance of PMS due to a strong orientation to numeric, objective indicators (Wisner & Fawcett, 1991; Zigon, 2011).

Processes that feature complex qualitative performance problems are often reduced to single measures (e.g., Ittner & Larcker, 2003). But performance measures can also be considered as social constructs (Lebas & Euske, 2007) and hence, subjective to some extent. Through judgment, interpretation, and personal dialogue (Neely, Richards, Mills, Platts, & Bourne, 1997; Fried, 2010), they need to be reasonably compared and compiled (Ahrens, 1996), to be converted and translated to usable information (Davenport, 1997; Lucey, 1997;
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