



Combining Balanced Scorecard
and Process Management:
**Business Activity
Monitoring**

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Executive summary

This document is intended to introduce senior-level decision makers in your organization to Business Activity Monitoring as a solution to create sustainable competitive advantage for your business. Sustainable competitive advantage can be gained only by running the current operations effectively and by enabling fast adaptation to the ever-changing business environment.

Have you ever wondered how your competitor is able to provide a better service or product with faster delivery time and higher quality? And can drop their prices every quarter or can revolutionize the market by introducing a new product or service out of nowhere? Maybe it is because they are a step closer to fully implementing a new emerging methodology called Business Activity Monitoring.

Business Activity Monitoring is in essence an enhancement to the combination of two well-established methodologies: Business Process Management and Balanced Scorecard.

Business Process Management (BPM) provides a solid and widely implemented framework for defining and managing your operations as business processes. Among the core ideas of BPM are mapping and communicating business processes, implementing best practice processes throughout the whole organization, involving and empowering the employees to manage the every-day operations and continuously improving the processes.

Balanced Scorecard (BSC) is a globally accepted methodology for putting strategy into action. Through various implementations Balanced Scorecards have been used both for strategic purposes ('how should we change') as well as with more tactical focus for current performance measurement ('how are we doing'). In Business Activity Monitoring context, BSC can be used to ensure real-time monitoring of the performance of the business processes as well as providing the crucial linkage to the strategy to enable follow-up of the implementation of the current strategy. BSC can also help in fine-tuning or even re-engineering the chosen strategy.

In summary, Business Activity Monitoring can be used to make your current operations more effective and efficient and to guarantee your company's success in the longer term by creating agility to respond fast to the changes in your business environment. Gartner Group states that every business should seriously consider implementing a Business Process Analysis solution at late 2002 in order to stay competitive (Gartner Group 2002). Now would be a great time to have a closer look on what Business Activity Monitoring has to offer for you and your company.

1. Efficient and Agile. I want them both.

To hold all the strings of a company's activities in the ever-changing business environment, management must be capable of doing rapid decisions based on high-quality information. On today's marketplace, there is no chance of succeeding without being efficient both in internal and external operations. Optimal use of resources and reliable delivery processes are the cornerstones of any successful business. In global competition, average performance is no longer enough to fulfill customers' requirements. If you want to run your processes up to 100% efficiency and keep them that way, Business Activity Monitoring is the tool for you.

It is not enough to focus only on making plans and decisions about optimal resource utilization. As the market changes continuously, management must be agile to react – or even preact - in order to strengthen the company's position in its competitive environment. Business Activity Monitoring will facilitate high level of agility and adaptability in your organization. When you know where you stand today and where you want to be tomorrow, it is easier to face the future challenges.

Business Activity Monitoring gives you detailed information about the status of your key operations and processes. The BAM solution also works as an indicator of your organization's performance down to transaction level. You can instantly identify the critical problem areas in business processes, and thereby concentrate on your valuable time on the essential issues.

Shorter delivery time always leads to more satisfied customers but it's not enough; the quality of your products must be excellent as well. By using a Business Activity Monitoring system, you can achieve perfectly functioning internal processes producing excellent quality products, delivered in time to fully satisfied customers.

Your future is in your own hands. You can be the one who gathers the best profits by entering the next level of business maturity by using Business Activity Monitoring.

2. What is Business Activity Monitoring

Business Activity Monitoring (BAM) is a Gartner Group term that defines the concept of providing access to real-time critical business performance indicators to improve the effectiveness and response times of business operations. In essence, BAM is an enhancement of a combination of two well-established methodologies: Business Process Management and Balanced Scorecard.

There is much more in Business Activity Monitoring (BAM) than just reacting to alerts and fixing problems; it is about understanding and developing business processes. Managing the key processes efficiently is critical to the success of the company. BAM's enterprise-wide mission is to eliminate delays, bottlenecks and inefficient use of materials and workforce, while providing updated financial and performance data for decision makers, allowing them to make critical decisions at the right time. BAM is an analytical tool that enterprises must wield in order to gain cost-effective and error-free business processes

In first place, BAM benefits operational business management. This does not mean that BAM has less strategic value to organizations. BAM monitors can be too transient or short-term focused to help strategy directly, but it does affect the execution of strategy. For example, BAM can help you in meeting strategic objectives, such as making the organizations more agile and responsive, enabling the zero-latency enterprise.

BAM should not be about reacting and correcting; it should be focused on problem prevention and adaptation to changes. Becoming a real-time enterprise and adopting the real-time performance monitoring system can be very challenging. Information overload and overreactions are the most obvious risks. A much more slender risk is that an organization's management may focus mainly on tactical issues and ignore long-term

strategic goals. However, BAM does not replace planning, forecasting or strategy. Monitoring typically addresses the short-term, operational management issues, not the long-term, planning and strategic issues.

In summary, Business Activity Monitoring (BAM) is an automated process management system including the provision of real time access to critical business performance indicators. By using BAM system based on Balanced Scorecard concept, you get alerts and short-period summaries of business operations and metrics having strategic value close to real time. BAM offers enterprises the ability to increase the efficiency of their business processes and increase customer satisfaction by improving the continuity and quality of relationships.

3. How to become an Agile Organization in Real Life

What actually are Business Process Management or Balanced Scorecard in practice? How can they be integrated so that a dynamic Business Activity Monitoring System is implemented effectively? How your organization can become efficient and agile?

Your business processes and their output is your real interface with your customers. Modeling and analyzing your business processes enables you to make your organization customer-focused and improve its effectiveness and quality of work. Managing the key processes efficiently is critical to the success of the company. QPR ProcessGuide is a fully customizable tool for Business Activity Monitoring. By using QPR ProcessGuide, you can communicate and manage your processes effectively throughout the organization.

In the BAM context, Balanced Scorecard (BSC) is a concept helping you to put a real-time performance monitoring system into action. BSC provides management with a comprehensive picture of the status of your business operations – an overview with drill-down capabilities - and a methodology that facilitates the communication and understanding of business goals and strategic objectives at all levels of your organization. QPR ScoreCard helps you automate and communicate your performance measures.

These two solutions, QPR ProcessGuide and QPR ScoreCard, create together an outstanding integrated management software suite. In the real-time web environment, all parts of your Business Activity Monitoring system can be fully personalized. Versatile modeling features, an automatic alerting system and easy-to-use user interfaces facilitate the creation of a robust management system, which benefits the whole organization from day one.

Designing a Business Activity Monitoring System with QPR management software can be your path to more successful business. You can plan and implement the system rapidly based on your core business activities and performance measures. The BAM system works as a nervous system for the organization's management. Every actor has personalized access to the relevant management information and therefore committing people on common objectives becomes easier. Business Activity Monitoring powered by QPR ProcessGuide and QPR ScoreCard is the engine for future success stories.

Conclusions

To succeed in today's business environment, your business needs to have:

1. Cost-effective and error-free business processes
2. Agility to quickly adapt your strategy and processes to changes

Business processes should be controlled by an automated process management system including a real-time performance monitoring solution based on the Balanced Scorecard concept. The agility to quickly adapt your strategy and business processes to changes in business environment can be gained by ensuring the linkage between the performance measures and your strategy and having a Virtual Enterprise 'playground' for what-if simulations.

Business Activity Monitoring ensures that you are always aware of the current status of your business and have the ability to implement the right changes in your operations fast and effectively. This should be something on top of every modern manager's shopping list. Think about it the next time you visit your local Kmart, Tesco or Carrefour for your weekend groceries. They might have done it already.

References:

Gatner Group (2002): The BPA Market Catches Another Major Updraft

