

Performance Measures and Service Level Agreements

Results Based Management Workshop

Inter-American Development Bank

INCAE Business School

Montefresco, Nicaragua

October 26, 2011

Instructor: John A. Miller

Welcome and Introductions

- Ground Rules
- Agenda/Session Overview
- Instructor
- Example SLA Projects

Ground Rules

- Open, free flowing discussion is welcome and encouraged
- Ask questions and share concerns
- Challenge instructor and each other
- Bring in your experience
- Have fun

Agenda

October 26, 2011

Session	Topic	Time	Objective/Deliverable
1	Introduction to Performance Measurements and Service Level Agreements <ul style="list-style-type: none"> • Definitions • Terminology • Benefits 	50	Participants understand the basic principles, terminology, and steps to implement PM and SLA
2	Workshop to develop and document activities and services	50	List of key activities and services provided
3	Performance management and measurement <ul style="list-style-type: none"> • Types of measures • Products/Services provided • Implementation requirements • Data gathering and collection techniques 	45	Participants understand the overall steps, process, and requirements, for performance and measurement
4	Workshop to develop performance measures and Service Level Agreements for selected activities and services	45	List of performance measurements for selected activities and services
5	Summary and next steps	20	Action plan to move forward

Agenda Overview

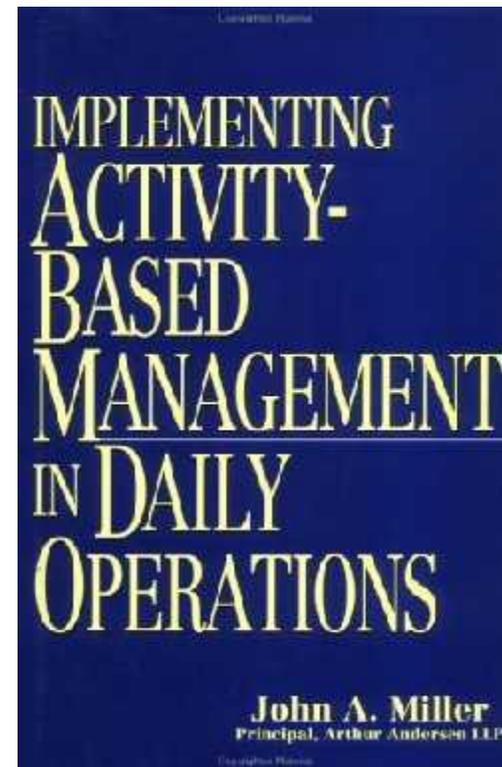
- Three hours 20 minutes
- Content 50% to instruction and 50% for workshops
- Customized program. All workshop materials, work product, and workshop deliverables are specific to IDB
- Each workshop is designed to produce a deliverable (work product)
- Work product captured in electronic format
- Work in department teams (4-6 people). Team based assignments in each workshop

Training Deliverables

- Preliminary list of activities and services for each department of IDB attending the session
- Identification of performance measurement for selected activities and services
- Identification of methods for assigning resources to activities and services

John A. Miller

- Recognized expert in cost, process, and performance management
- Author of Implementing Activity-Based Management in Daily Operations
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- Program Director for CAM-I and Consultant Adjunct with the American Productivity & Quality Center (APQC)



SLA Projects

- Amoco
- Union Pacific Resources Corporation
- Al Ain Municipality (Abu Dhabi)
- SEMATECH
- Private Mortgage Insurance Inc.
- FT DIX
- Regence (Blue Cross/Blue Shield)
- Dallas/Fort Worth Airport
- U.S. Department of Fish and Wildlife (HR)
- National Semiconductor

Typical Departments

- Human Resources
- Facilities Maintenance
- Legal
- Public relations
- Accounting
- Planning and Budgeting
- Finance
- Investor relations
- Information Technology
- Treasury

Typical Revelations

- Cost of internal services are unknown. Cost of the activities required to perform the service are unknown
- In many cases internal services have never been defined or communicated with internal services
- Significant differences in the cost-to-serve internal customers
- Significant opportunities to improve services, processes, and activities
- 25-35% of activities don't contribute to departmental goals or service delivery
- 60% of costs are consumed by 20% of the activities/services

SLA'S--Requirements

- Define service offering
- Define the customers (internal and external) for services provided
- Quantify the cost of services provided
- Define the activities required to deliver the services
- Quantity the cost of activities used to deliver the services

SLA'S--Requirements

- Define performance measures
- Focus on continuous improvement
- Build overall organizational goals and objectives into service offering
- Seek feedback and comment from customers
- Account for projects and one time requirements

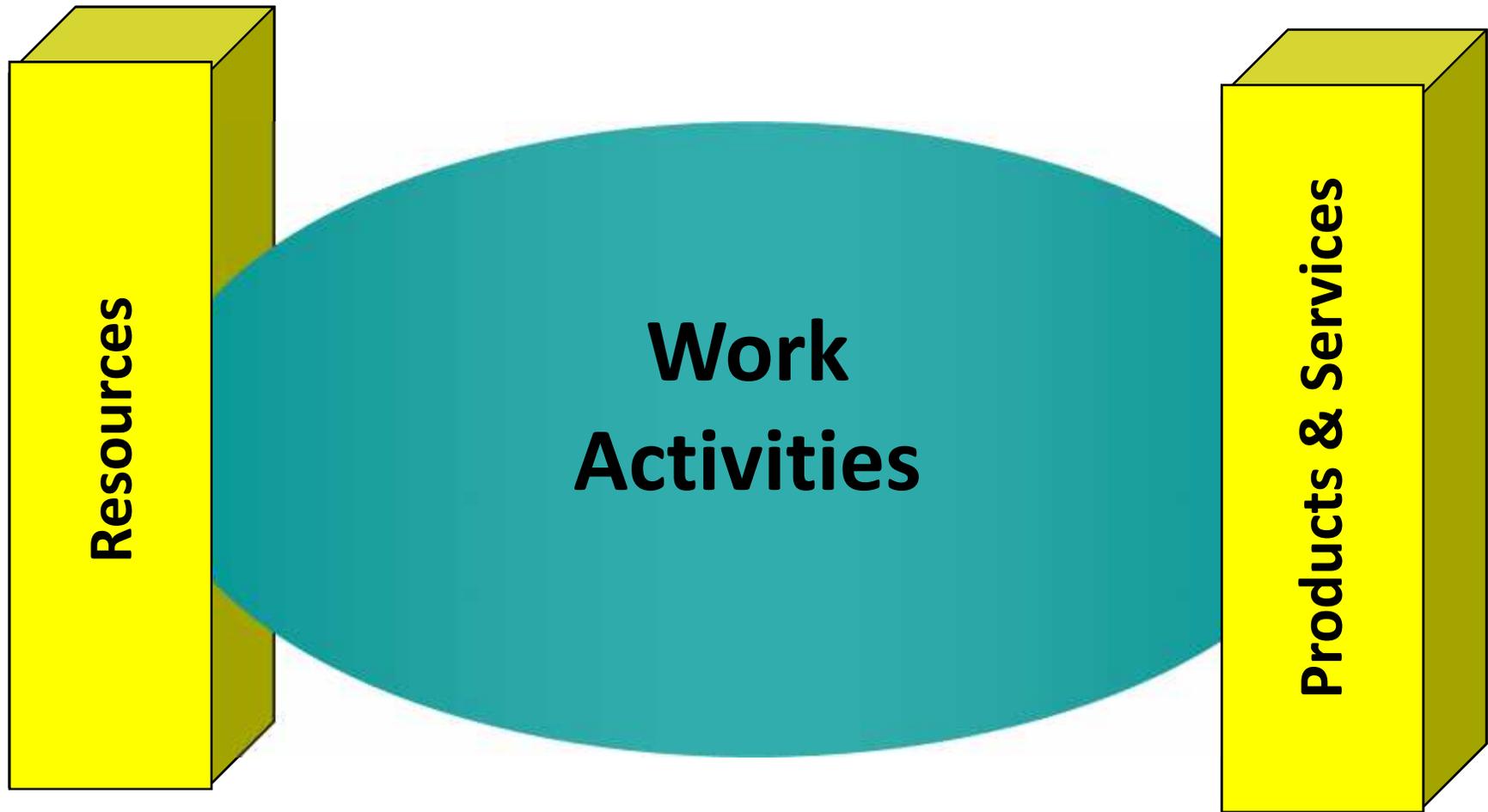
SLA'S--Requirements

- Service charge back to customers (not always)
- Communication, team work, and sharing with other support departments

Benefits

- Better alternative than traditional methods for cost determination and analysis
- Information for effective decision-making
- Information to continuously improve processes and reduce costs
- A relationship between organizational cost and organizational value
- Methods to measure performance with accountability

Basic Mission



Session 2

- Workshop to define resources, activities, and services for each support department
- Presentation by attendees
- Instructor Feedback

Workshop #1

- Break into department groups
- Define services
- Define activities required to deliver each service defined
 - Use verb and noun to describe activity
 - Adjective may be required
- One flip chart for each service/activities defined
- Think key and significant

Session # 3

Performance management and measurement

- Definitions
- Traditional performance measurement
- PM Characteristics
- PM requirements
- Service performance

Definitions

- Performance Measures
 - Activities
 - Quality
 - Time (cycle time)
 - Productivity (cost or units)
 - Customer service measures (internal and external)
 - Quality
 - Time (cycle time)
 - Productivity (cost)
- Service Level Agreements
 - Written and documented agreements between service providers and users
 - Defines services provided
 - Service level
 - Performance measurements

Traditional Performance Measurement

- Output only
- Short-term
- Lack of integration
- Historical
- Isolated and remote
- Too complex
- Not connected to the customer

PM Characteristics

- Alignment with strategy
- Focus on key organizational capabilities
- Translate the objectives of the organization into action
- Generate bottom-up information based on top-down guidance and provide drill-down capability
- Integrate organizational capabilities, processes and enablers
- Provide periodic performance evaluations and visibility
- Promote performance improvement and learning

Remember, what gets measured gets done.

Performance Measures

Use performance measures to:	Type of measure
Quantify cost/unit of activity output	Productivity
Measure the time to complete an activity or process	Cycle-time
Measure the quality of activity outputs	Quality

Performance Measures

Indicators of the work performed and the results achieved in an activity, process, service or organizational unit.

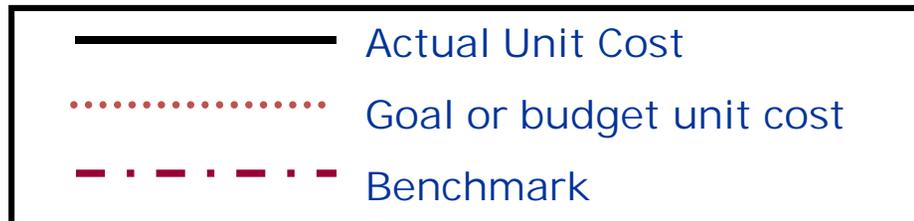
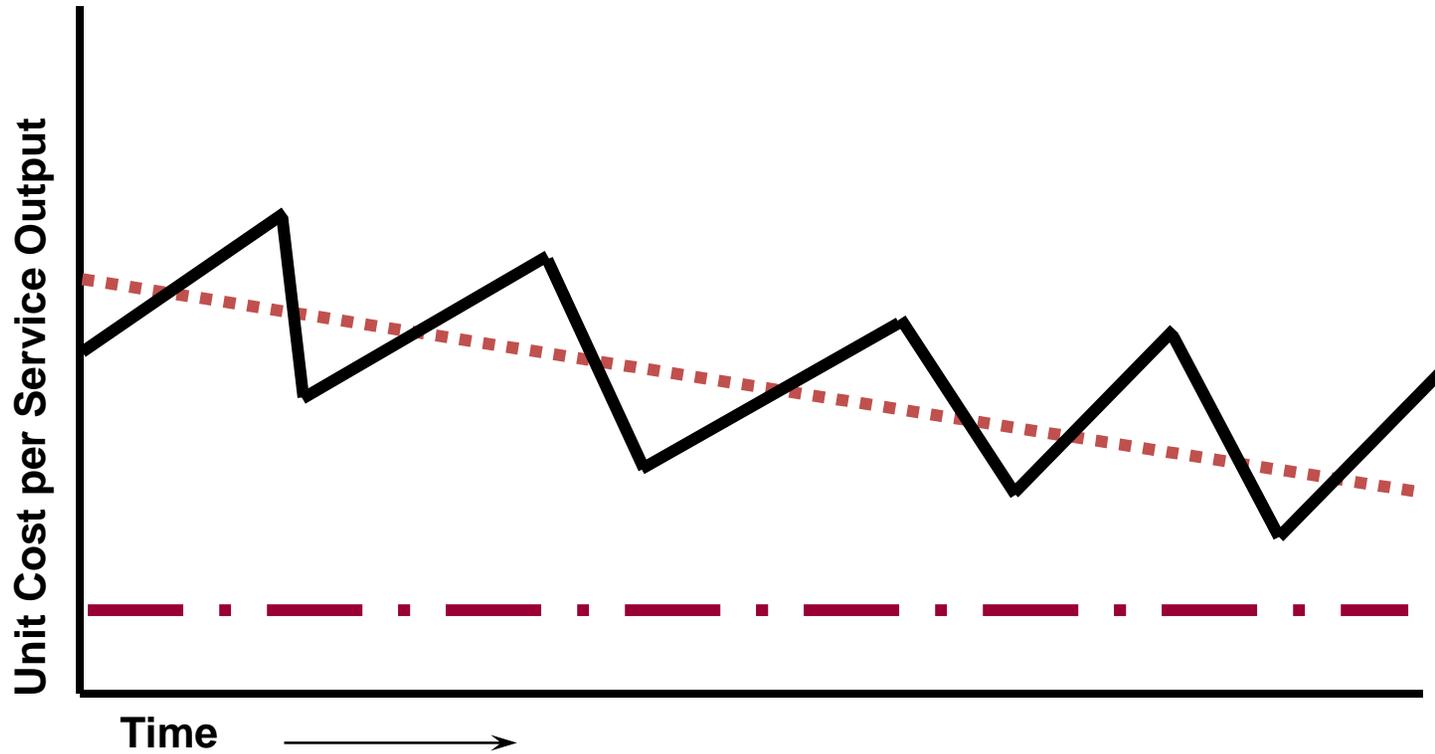
How well do we perform the activity?

Adapted from The CAM-I Glossary of Activity-Based Management, Edited by Norm Raffish and Peter B.B. Turney, (Arlington: CAM-I, 1991.)

Performance Measurement Should Be...

- Measure the right things at the right time for the right people
- Simple, but not simplistic
- Accurate and credible
- Balanced
- Flexible
- Linked to strategy
- Controllable
- Integrated
- Comparable to something
- Cost effective to produce and maintain
- Drive improvement
- Actionable
- Realistic

Service Performance



Session 4

- This workshop builds on Workshop #1, Identify and document department activities and services
- Groups remain the same
- Each group will identify performance measurements for selected activities and services
- Presentation to workshop attendees
- Feedback from instructor

Workshop #2

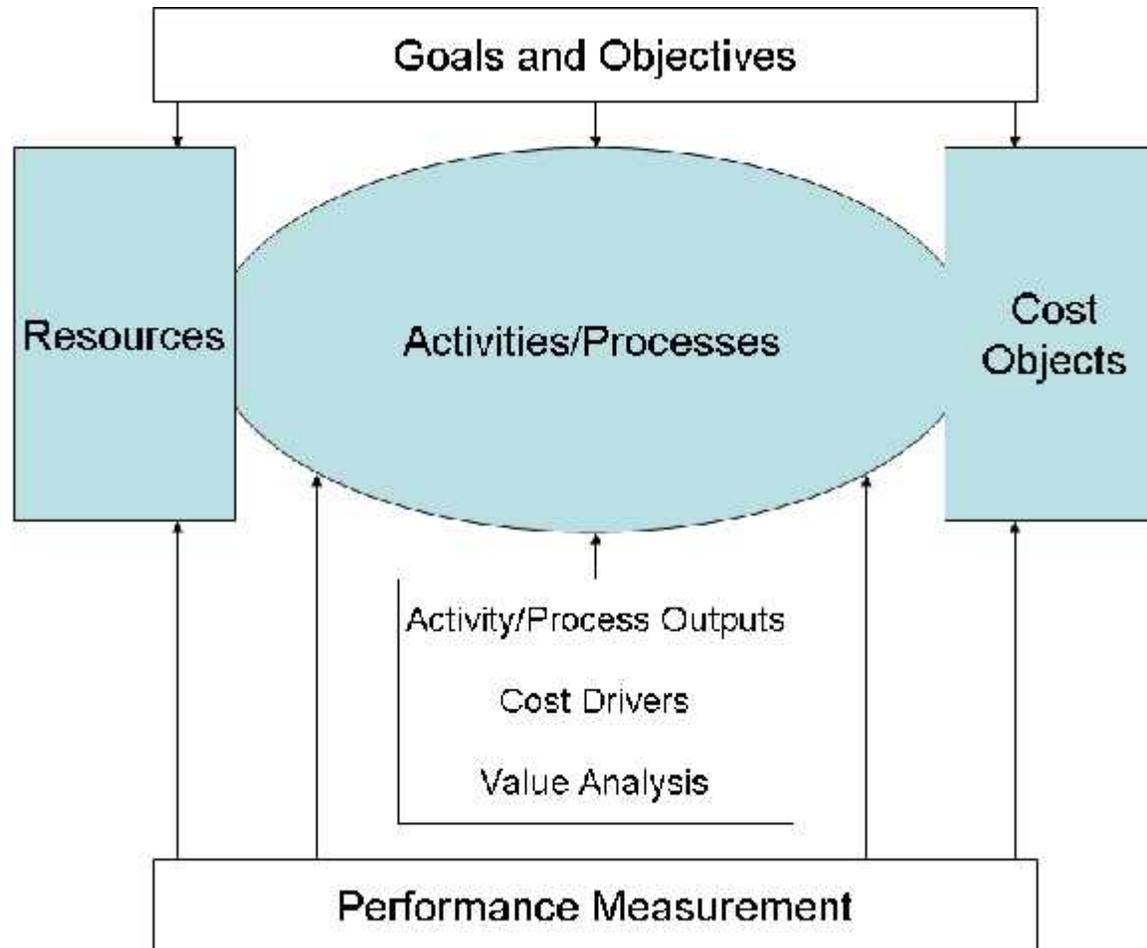
- Select several services and activities. One flip chart for each service and activity defined
- Develop a quality, time, and quality for each service and activity selected
- Document best estimate of the current service and activity performance
 - Quality
 - Time
 - Productivity
- Indicate ideal service and activity performance
 - Quality
 - Time
 - Productivity

Session 5

Summary and next steps

- Leverage the information to improve service performance
- Link to improvement initiatives
- Link to goals and objectives
- Eliminate waste and duplication
- Prioritize services for improvement
- Share information with customers. Seek feedback and comment

Expanded Basic Mission



Link Information to Everything

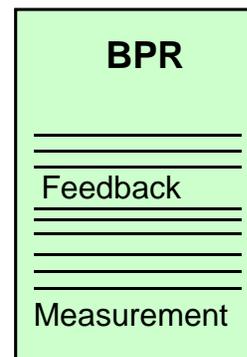
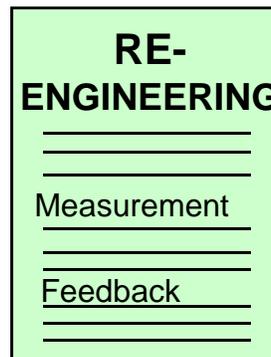
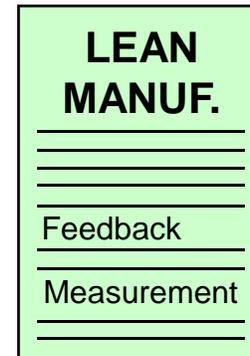
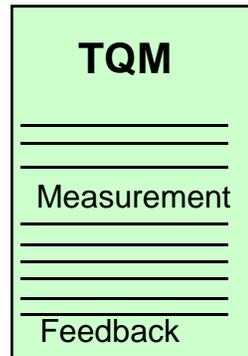
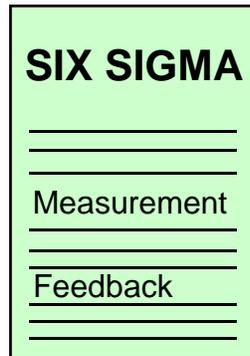
- Process improvement initiatives
- Performance measurement
- Strategic planning
- Operations planning
- Goals and objectives
- Compensation and rewards
- Capital justification
- Product/Service pricing and pricing models
- Cost estimation
- Capacity utilization
- Budgeting
- Management control systems

Supports

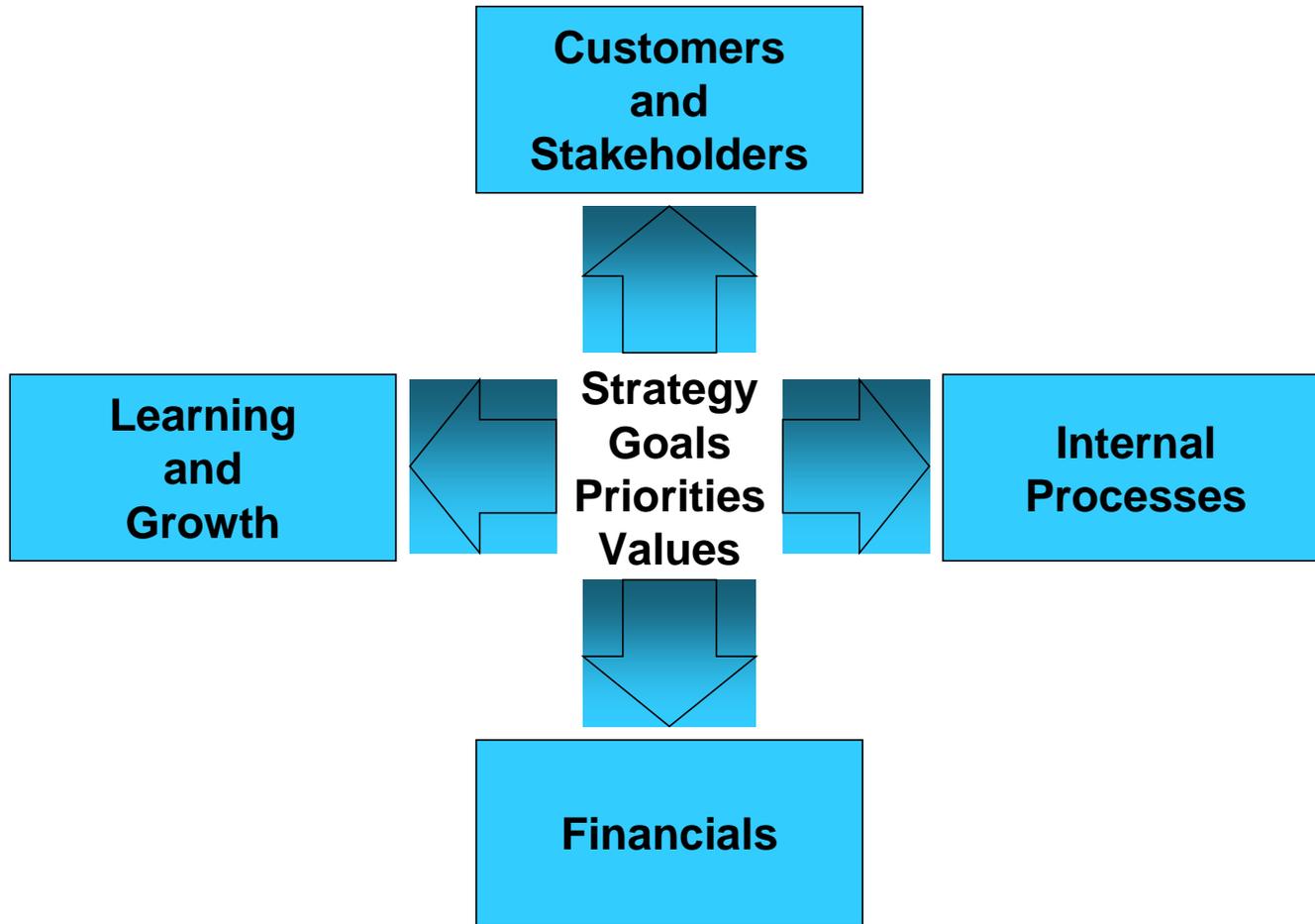
Continuous Improvement

- Points to areas to improve
- Identifies causes of cost
- Provides feedback to monitor improvement efforts
- Provides information for comparing activities (benchmarking)
- Tells managers what to fix
- Set priorities for improvement

Link to Improvement Initiatives



Link to Balanced Scorecard



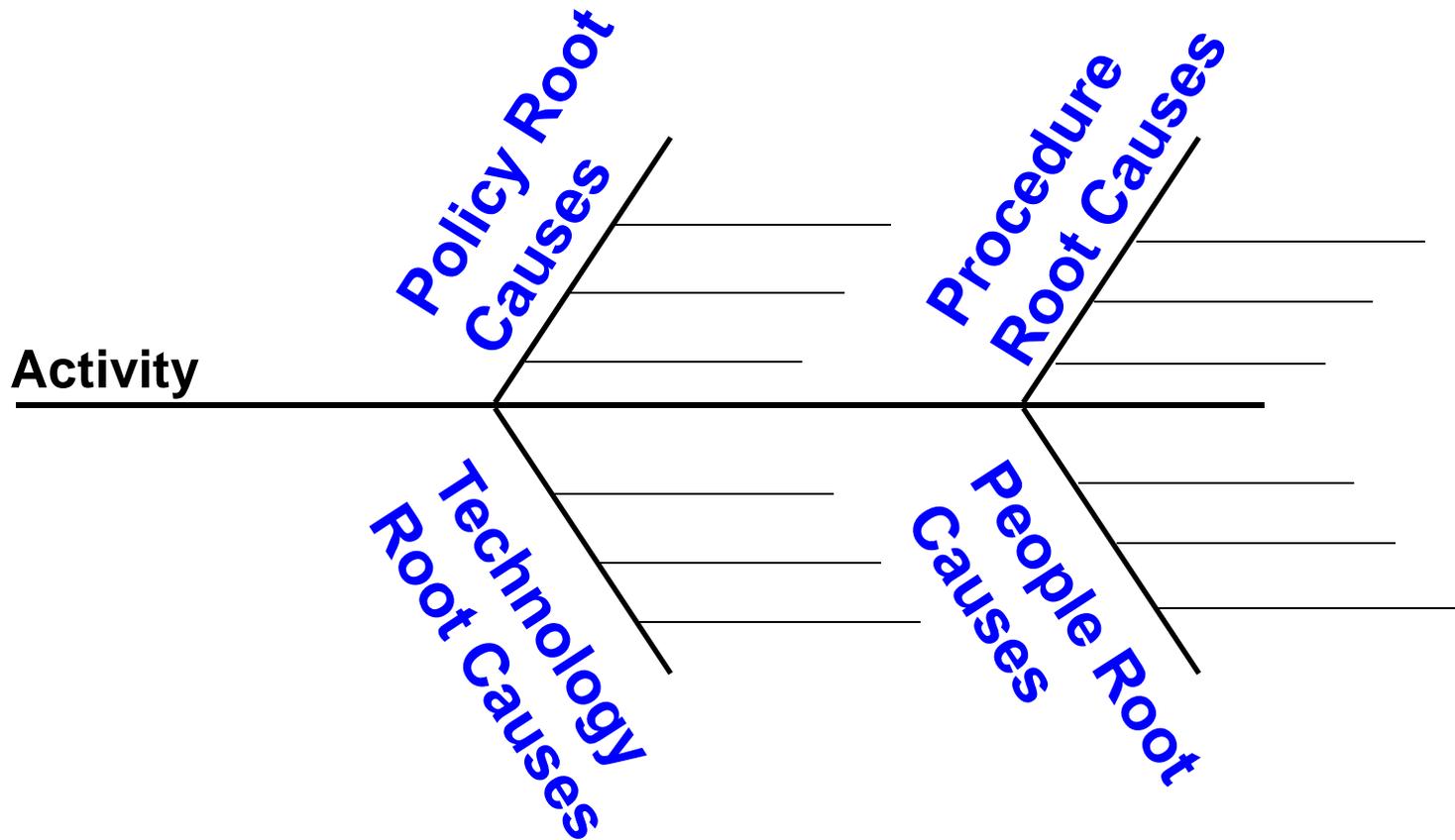
Link Performance Measures and Goals

	Goal 1	Goal 2	Goal 3	Goal 4	Goal N
PM 1	H	H	L	H	H
PM 2	L	L	L	L	L
PM 3	L	L	L	H	H
PM 4	L	H	L	L	L
PM N	L	M	L	M	M

Link to Goals

	Goal 1	Goal 2	Goal 3	Goal 4	Goal N
Service 1	H	H	L	H	H
Service 2	L	L	L	L	L
Service 3	L	L	L	H	H
Service 4	L	H	L	L	L
Service N	L	M	L	M	M

Root Cause of Cost



Prioritizing Services for Improvement

Total Cost *Potential to Improve* *Contribution to Strategy* *Importance to Customer* *Impact on Organization* *Impact on Key Performance*

Service 1	High	High	High	High	Med	Med
Service 2	High	Med	Low	Med	Med	Med
Service 3	Low	Med	Low	Low	Low	Low

Summary and Feedback

- Observations
- Findings
- Conclusions
- Recommendations
- Next Steps
- Summary and wrap-up