AVALON Consulting

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Process Health Index – A Dynamic Tool for The Agile World

THE AVALON PERSPECTIVE

Introduction

Rapid technological disruptions, increased competitiveness, and volatility in market especially after pandemic, compelled businesses to focus on improving their process health by reducing the clutters. **As the response time is coming down with an ever-increasing need of agility, having suboptimal processes can be very problematic for businesses**. That is why it is imperative for a business to subject its processes under continual monitoring and gain an overall understanding of process performance.

There are multiple processes associated with every function of a business value chain. **Identification of right set of processes, creating maximum impact to the business and improving the same in a defined timeframe are often rendered as a highly complex task**. Moreover, delays incurred in such initiatives attenuate the process outcome and thereby affecting the business at large.

In any industry, all the players have similar processes. One of the ways that helps a business to achieve the leadership position in the market is by making its processes more efficient than the competitors. The processes that are critical are some key hygiene processes and some processes that form the core of the value proposition for the business. For example, response time for Domino's Pizza, Quality for Toyota, Innovation and Product Launch for 3M, etc. Such process excellence can only be achieved with an in-depth understanding of improvement areas – **this is where a business should consider a flexible and structured approach** like Criticality Assessment and Health Index measure of processes.

In this paper, Avalon Consulting presents a holistic approach of achieving process excellence by **identification of critical processes in a business value chain** and **measuring Process Health Index** – an efficient metric devised to quantitively assess the condition of any organizational process.

Journey towards achieving process excellence

As per a survey conducted by Tolero Solutions in 2020, an overwhelming 60% of employees highlighted poor process performance as the key issue impacting their performance and job satisfaction. **For any business to become successful, '60%' is not a number to be unaddressed.**

To ensure the processes are performing at an optimum level, businesses need to resolve the embedded challenges and enhance the performance. But the difficulties arise when it comes to identifying right set of critical processes and the implementation of corrective actions to enhance process performance.

Typically, the journey of achieving optimum process performance entails primarily 4 phases as described in the figure below. The activities in respective phases till Phase 3 normally takes around **5 to 8 weeks**, depending upon the number of processes to be dealt with. Time requirement for implementation depends upon the complexity and nature of corrective actions recommended.

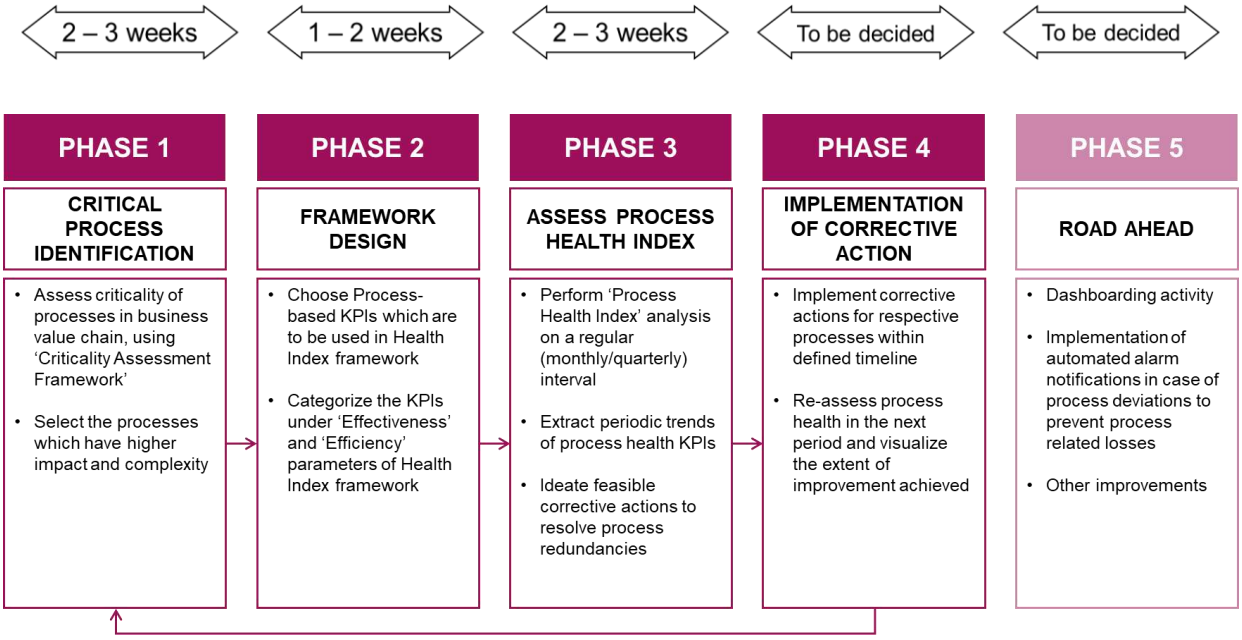

Figure 1: End-to-end journey towards achieving process excellence

**The timeline suggested is possible in a scenario where processes are already measured, and adequate time stamped data is available in workflow. Else, Phase 3 may require setting up for measurement of the critical process parameters and would take a longer time*

Phase 1: Critical Process identification

Improving process performance is an important strategic objective for the management. It is worthwhile to mention that taking a well-structured approach to focus valuable efforts and time to **prioritize certain processes** for performance enhancement would ensure achievement of tangible benefits faster.

To identify the critical ones from the process pool, Avalon's **Criticality Assessment Framework** measures the extent of process impact and process complexity.

The KPIs considered under Impact and Complexity categories can be customized as per business requirement. The outcome of this criticality assessment helps to identify the key processes which are having higher impact and complexity. And thus, enable businesses to prioritize and focus their efforts to improve performance of such processes.

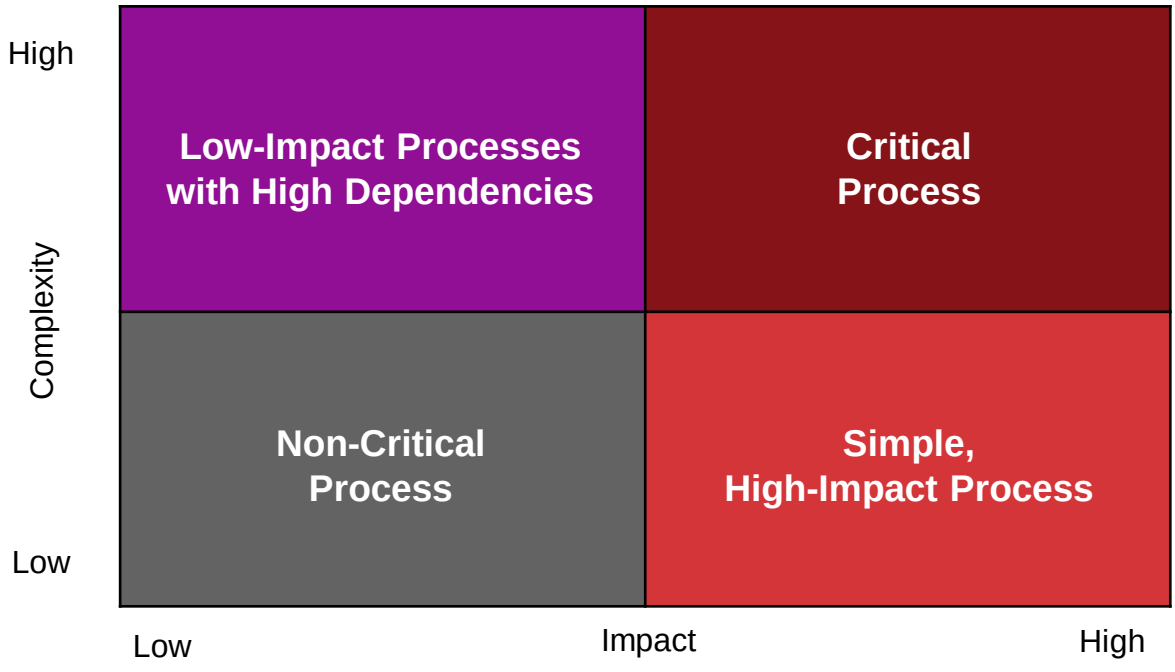

Figure 2: Framework for criticality assessment

Phase 2: Design process based KPIs

In the next phase, an important exercise of shortlisting process KPIs are done. Consideration of desired process KPIs (to be used for designing Health Index framework) primarily depends upon the nature of business and the respective business function in the value chain.

As per Avalon's framework of Health Index Measure, all the desired KPIs are bucketed under **Effectiveness** and **Efficiency** categories. **These are two pillars under which multiple KPIs can be considered as suited for different business scenarios.**

The Process Health Index framework can be modified across industries such as Manufacturing, Sales, Telecommunication etc. by tweaking the parameters and KPIs as suited for the industry and nature of processes.

Parameters	KPI	Weight	Explanation	High	Med	Low
Efficiency	A	30%	..	..	..	..
	B	30%	..	..	..	..
	C	40%	..	..	..	..
Effectiveness	D	40%	..	..	..	..
	E	40%	..	..	..	..
	F	20%	..	..	..	..

Figure 3: Illustrative example of Health Index Framework

Phase 3: Assess Process Health Index

After designing the Health Index framework with desired KPIs under its Efficiency and Effectiveness parameters with respective weightages, the selected critical processes are then scored as per pre-defined conditions mentioned for each KPI. Calculation of Health Index are done in 3 steps:

- Individual KPI scores are multiplied with respective weightages and summed up to calculate parameter scores (*Efficiency and Effectiveness scores on a scale of 9*)
- The parameter scores are extrapolated on a scale of 100 and multiplied with their weightages (*Efficiency and Effectiveness scores on a scale of 100*)
- Final parameter scores thus obtained are summed up to arrive at the process Health Index score (*Health index score*)

As per the framework, **a higher score in Efficiency parameter (indicates optimum KPI values) and Effectiveness (indicates minimum process clutter) ensure a better process health**.

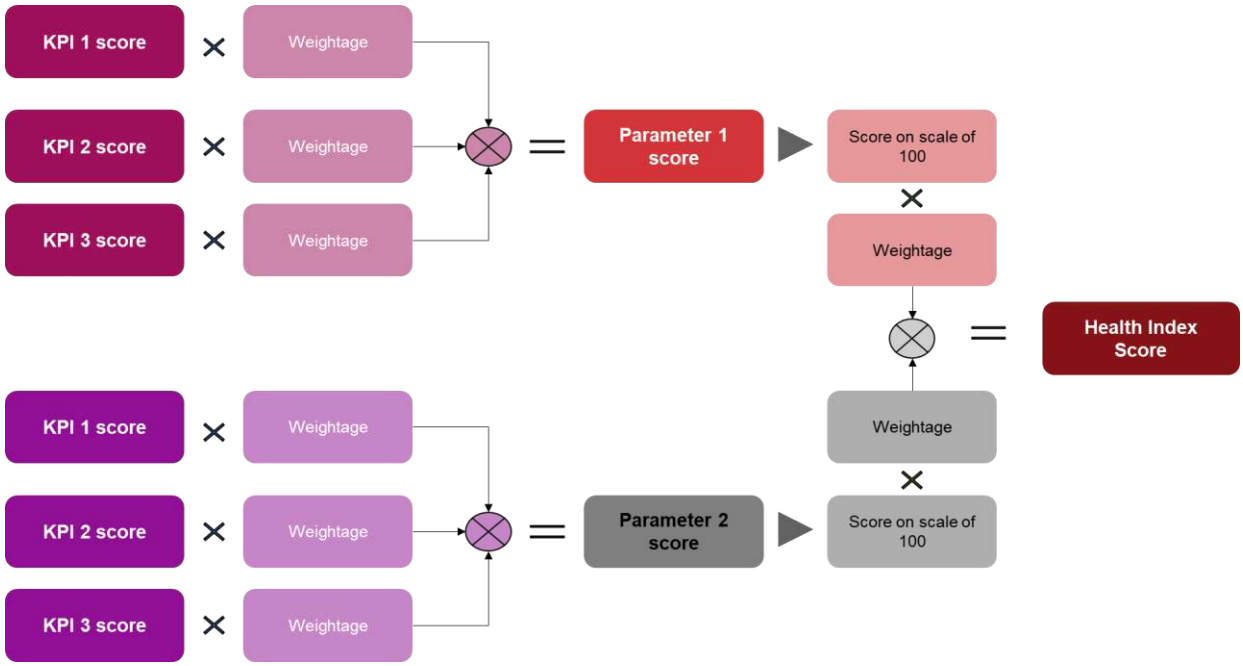

Figure 4: Health Index calculation methodology

Monitoring and measuring Process Health Index is advised to be conducted on a monthly or quarterly frequency. So that it not only provides insight on the process health but also the suggested duration is suitable for visualizing considerable changes in process performance.

Phase 4: Implementation of corrective action

Trend of the process health along with the key insights on change in performance (improvement/deterioration) enable businesses to address process related challenges and help to make effective decisions. For highly critical parameter such as lower Efficiency score due to poor cycle time, in the above example gives a clear indication towards identification of the root causes behind increased time requirement and address the embedded concerns with feasible improvement actions.

Implementation of corrective actions such as Robotic Process Automation, parallelization of actions, flat authority approval matrix, rationalization of OLA/SLA etc., provides benefits such as decluttered workflow, improved cycle-time, maximized throughput. **The corrective actions recommended undergo feasibility check and stakeholder approval before initiating implementation. As per the best practice, a separate action charter, escalation matrix, RACI and progress tracker** are managed at time of implementing corrective actions to overcome the embedded difficulties and accomplish improvement activities in a stipulated timeframe.

Rapid process monitoring and continual improvements helps achieve startling benefits. Avalon's previous engagement with a Technology Service provider enabled customer to achieve an improvement in Cash-to-Cash cycle due to cycle time reduction from 51 days to 35 days by process improvement through corrective actions.

Phase 5: Road ahead

In the long-term businesses can think of creating **Dashboards for Process Health Index** measure once the framework and its KPIs are standardized as suited to business purpose. As a benefit, this will help a business to enhance other capabilities such as **Training, Automation and Technology**. Moreover, an automated Dashboard would make **Management's decision making easier on enhancement opportunities as well outsourcing activities**.

In addition to Dashboard creation, further **proactive** measure such as **implementation of automated alarm** can also be deployed in system which will send notification to pre-defined stakeholders in case of critical deviations.

These long-term initiatives of creating advanced capabilities **transform a business from being reactive to proactive** and thereby provides a scope of preventing losses incurred from process failure or deviations.

Benefits of using Process Health Index

Process improvement is a strategic planning methodology aimed at identifying operations or business processes that can be improved upon to encourage smoother operation, more efficient workflow, and overall business growth. One of the efficient ways of assessing process performance is through measuring its **Health Index** periodically.

It is important primarily because of three reasons:

- **To monitor process performance:** The Health Index helps assess critical processes in a structured and streamlined manner
- **To understand process roadblocks:** Health Index Scores can be used as a lead indicator to point out possible failures
- **To benchmark organizational processes:** Health Index helps in benchmarking different processes across the value chain to focus efforts on performance improvements

For any business to achieve a promising growth in the VUCA (Volatile, Uncertain, Complex, Ambiguous) world, it is imperative to keep their process health under continuous monitoring. This will help businesses to make strategic decisions on improving upon their processes well in advance to avoid any choke in growth of business. It is not a question of whether you should use a health index to monitor process health, but which processes are critical for you to keep monitoring the way you do your health.

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