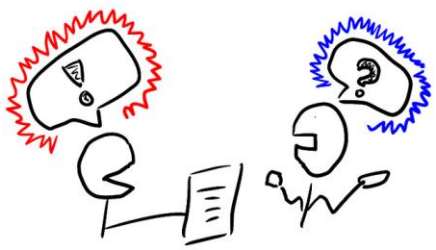
Transformation Target - Management by Exception



There have been several surveys that claim that one of the significant management wastes is the time looking for, or arguing over, information. The articles discuss the various ways that time is used to find, or determine the validity of, information. Going through reams of paper, or accessing lots of online reports, to glean those precious nuggets of data is a waste of time, money and resources. Another waste is the time spent 'discussing' how the information from accounting is different from the spreadsheet from operations.

Depending upon the survey, the wasted time ranges from 4% to 7%. For this article, I am going to use a conservative 5% to illustrate the cost of not having information available at management's fingertips. Let's take the example of a mid-size organization that has a C-level management structure of CEO, CFO, COO and CMO. The CEO has a remuneration package that costs the organization $300,000 annually. The other "C"-types have packages that cost the organization a total of $700,000 for a grand total of $1,000,000. At a 5% waste factor, the cost to the organization is $50,000. It doesn't take much effort to calculate the cost to the organization when you apply the same logic to other people in the organization that depend upon information to manage their functions. Then add the lost opportunity costs, and impact to organizational culture, of not being able to maintain value-add Lean projects with good CIMs (Continuous Improvement Metrics).

Management By Exception (MBE) is the methodology used to eliminate much of the wasted time, effort and cost of detailed analysis.

Technology to the rescue?

Although there is still a long way for many organizations to go regarding accuracy and speed of data input, several advances in technology have come into their own since the year 2000. First, the continuing integration of functions and adherence to SPOE (Single Point of Entry) principles for data entry has helped organizations tighten up the reliability of data. Secondly, the pace of available processing space and power in all levels of computer technology, and the continuing expansion of bandwidth in various communication vehicles, is allowing data to be accumulated, processed and distributed faster.

One of the more prevalent features of enterprise solutions lately has been the advances in "Management Scorecards" and "Digital Dashboards". What these features do is not new. However, how they do it, the speed at which they do it and the representation of the output has come a long way from the old Executive Information Systems (EIS).

Essentially, these features allow an organization to graphically represent their information so that a user can make instantaneous decisions to correct a negative trend in a metric or indicator.

Both Scorecards and Dashboards, depending upon the software vendor, are typically shown in a graphical manner with either bars (for totals) or lines (for trends) representing the data that has been accumulated and calculated for presentation.

Process Management & Automation

Depending on the type of process management solution the organization is using, and how that solution works in automation mode, dashboard technology is going to be almost mandatory to reduce the time, effort, cost and risk related to managing exceptions or warnings.

Exception Example

An employee is scheduled to begin work at 10:00am but the manager calls that person in for 8:00am. The organization uses an employee scheduling system that is integrated into an employee time clock system. However, the employee schedule is locked in for the week, and the manager cannot change it. With the integration, the employee is unable to clock in two hours early. Therefore, to keep payroll in order, the manager needs to go into the system and spend nearly 10 minutes making the necessary adjustments required.

Management by Exception process and technology would do the following:

1. Allow the employee to clock in, ask them to verify an exception, and then allow the employee to clock out later. At the time of clock out, the system prompts the employee with an appropriate message and clocks them out.
2. The manager gets an exception message regarding the timing and accepts the variation to schedule. There may be a reason code requirement for analysis purposes. This would take less than one minute to complete.

Process Warning Requirements

Processes have various performance attributes that should be monitored during the execution of any business or operational process. Depending on the risk factor associated with the attribute being monitored, a properly set up process management system will alert the right people at the right time to act on a result that's outside of a defined boundary. That person will need a dashboard with drill down capabilities to take corrective action.

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