Internal Business Process Performance

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Why Internal Business Process Performance?

- Internal Process performance will drive financial performance and customer performance
- Business performance will determine your company sustainability (customer) and potential profit (financial)
- This things can be managed by using ABM concept.
- Activities and Effects (potential loss or potential profit)
The Iceberg of Performance

The Visible of Internal Failures

Activity 1

Activity 2

Activity n

Activity 3
### Innovation

<table>
<thead>
<tr>
<th>OBJECTIVES</th>
<th>MEASURES</th>
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<tbody>
<tr>
<td>Increase the number of new products</td>
<td>Percentage revenue from new product</td>
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<tr>
<td>Increase proprietary products</td>
<td>Percentage revenue from proprietary products</td>
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<tr>
<td>Decrease new product development time</td>
<td>Time to market (from start to finish)</td>
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# Operations

<table>
<thead>
<tr>
<th>OBJECTIVES</th>
<th>MEASURES</th>
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<tbody>
<tr>
<td>Increase process quality</td>
<td>Quality costs</td>
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<tr>
<td></td>
<td>Percentage of defective units</td>
</tr>
<tr>
<td></td>
<td>Output yields</td>
</tr>
<tr>
<td>Increase process efficiency</td>
<td>Unit cost trends</td>
</tr>
<tr>
<td></td>
<td>Output/input(s)</td>
</tr>
<tr>
<td>Decrease process time</td>
<td>Cycle time and velocity</td>
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<td>Manufacturing Cycle Efficiency</td>
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Business Process Performance Model

What You Expect?

Your Company Result
Business Process Performance Model

- Gap in Activity Performance
- Value Chain Analysis
- Non Value Added Analysis
- Create Value for stakeholders
- Non VA but required?
- Check
Value Chain Analysis: what is your core competencies?

- Examine various activities involved in producing your product or services?
- Examine the value and cost in each activities. Profit Margin can be reached only if the company create value added more than costs
Value Chain Analysis: what is your core competencies?

- Check efficiency and effectiveness in your company process activity
- Efficiency focuses on the denominator (output divide by input)
- Effectiveness asks a simpler question: Should I be doing this work, or activity, at all?
- Waste permanently reduces available resource, and creates profit potential
Value Chain Model
How to increase your potential profit? (Value Added Activities)
How to increase your potential profit? (Value Added Activities)

Manufacturing Cycle Time (MCT) = Value Added Activities + NON Value Added Activities

Value Added Activities:
- Processing Time
- Inspection Time

NON Value Added Activities:
- Material Handling Time
- Waiting Time

Constraints are activities that slow a product’s total cycle time
How to reduce your potential cost? (Non Value Added Activities)

- Using lean system
- JIT System
- Total Quality Management
- Value Engineering
- etc
How to reduce your potential cost? (Non Value Added Activities)
The circled observations are unacceptable, that is, they suggest an out-of-control process. Management may want to investigate the underlying causes of these observations and take appropriate corrective action.
Cause-and Effect Diagram

Machine
- Improper calibration
- Timer
- Wrong liqueur

Materials
- Egg size
- Low quality chocolate

Methods
- Improper calibration
- Not following instructions

Manpower
- New workers

20% Rejection Rate
Thank you for your attention!

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