

SALIENT FOR ACTIVITY BASED MANAGEMENT



Salient ABM

Activity Based Management



Salient Delivers:

1. A fully integrated decision support system for special purpose areas or enterprise-wide
2. An application that enables a manager to shape their own intelligence

The Salient, Modernized Approach

Salient's approach is very different from the classic form, but very much the same in its ultimate purpose, which is to drive awareness of the value added by activity into the business process in order to maximize efficiency. Ultimately, Salient's ABM method is based on continuous (iterative) self monitoring, review, experimentation with and refinement of process behaviors. A richer understanding of value productivity will provide proportionately greater precision in managerial decision making.

“Those who look deeply into the process of activity-based management will find that it is an area of management that will empower them with the solid information about their organizations that enables them to exercise leadership and wisdom in decision making...”

– Stephen R. Covey, author

In Contrast with Other Approaches:

There are many methodologies that share the same purpose: Six Sigma, Lean, TQM and Balanced Scorecard are examples. These and all of their variants, please note, share a heavy reliance on special expertise, particularly in statistical method. Salient's approach, unlike any of these, is non-inferential. Rather, it begins with an exhaustive computer model of the economic relationships among people, places and things as they are driven by transactions (activities) and affected by environment (conditions, causes and constraints). It is a "value network" model, which itself is an exposition of the linkages and operations (events / transactions) of multiple value chains.

Finally, Salient democratizes access and exploitation of value data by introducing a new, demand driven 'visual data mining' (VDM) paradigm for everyday users. VDM (see below) is an internal approach to institutionalization that is entirely different from the externally (analysis) focused instruments of classic ABM.

The 3 Main Problem Areas (and solutions) of Traditional ABM

Advantages of the Salient ABM Solution

Salient attacks these three barriers head-on; to deliver an automated durable monitor of performance; with comprehensive detail around productivity, that is usable by managers for measuring and improving the many inter-dependent processes in any organization.

Disadvantages of Classic ABM/ABC

ABM reached high popularity in the '90's, but has faded in popularity because it presents several disadvantages:

The 3 Problems Areas

- 1. Expense**
- 2. Lack of Completeness**
- 3. Institutionalization**

1. Expense

ABC tables, the product of surveys, interviews and such, cost hundreds or thousands of consulting hours to complete. Changes in organization structures, job flows, etc., require further consulting to re-calculate the impact of change on cost.

1. Overcoming the Expense

The “Value Network Model” Blueprint:

Salient Principal Advisory captures from interviews with organization leaders the discrete measures of value by job role, typically from the bottom up. The advisor’s primary tool for this purpose is Salient’s Value Scoring Framework™, which allows consultants to quickly build a process model of value-creation linkages. The framework is exhaustive and entirely generic, which means that scoring is comprehensive, from a single entity up to the whole enterprise.

The result is a report of the value drivers at a corporate and individual level for the area(s) being tracked. It contains:

- The organization’s mission / strategy objectives, enablers, constraints, opportunities, threats and conditions (typically 5 year outlook)
- The people, places and things (“value objects”) that make up the value network model structure
- The discrete measures of value contribution that are the product of process activity (transactions)
- The sources of unstructured intelligence to be used in support of the mission

The report of value drivers provides basic input for application engineers who, in turn, will map from stored data repositories to the Salient data mart. The report also captures the meanings of terms that may be unique descriptors of structure or processes included in the model. Finally, the report provides input for Salient consultants to assemble role specific training in the use of Salient’s Visual Data Mining system to improve process outcomes.

2. Overcoming Lack of Completeness

The Automatic Value Scoring Process

Salient's value scoring capability, called **Universal Exchange Technology, UXT®**, connects directly, hub and spoke style, to the stored records of process automation systems, financial / ERP, data warehouses, third party syndicates and even the internet (for such things as census and weather information).

From these, UXT builds the comprehensive value network model that reflects business value performance from all points and levels: attributes of people places and things, measures of value, frequency and duration of events, physical, human and financial constraints.

Exception: Not all activities are computerized, in which case the traditional ABC methodology will be necessary. However, Salient UXT draws from ABC spreadsheets and automatically allocates their assumptions accordingly.

3. Institutionalization

*"... The (visual data mining) approach integrates the human mind's exploration abilities with the enormous processing power of computers to form a powerful knowledge discovery environment that capitalizes on the best of both worlds ... The methodology is based on both functionality that characterizes structures and displays data and human capabilities that perceive patterns, exceptions, trends and relationships ..."**

Pak Chung Wong

Computer Graphics and Applications, IEEE

VDM technology is the means for everyday managers, executives and knowledge workers to mine the value chains within the network, to interrogate cause and effect down to the root and ultimately to determine courses of action.

A unique combination of VDM attributes eliminates the singular barrier to successful exploitation of value network data to understand and improve business processes, time. These attributes are:

- **Simplicity** in use (eliminates technical literacy barrier)
- **Unrestricted flexibility** in exploration (freedom from dependency on third parties)
- **Speed-of-thought processing** (eliminates latency barrier)
- **Specificity**: information is "situational", in other words, specific to the people, places, things and events that comprise the momentary situation of the user (eliminates the "appropriateness" barrier)

2. Lack of Completeness

The typical ABC calculation does not consider net value added, that is, in addition to process cost information:

- Opportunity cost
- Variable revenues, variable operating profit,
- Volume growth
- Temporal information (duration / frequency)
- Causality, conditional and constraints information

3. Institutionalization

Getting non-expert managers, executives and knowledge workers to use information technology or to learn the analytical techniques necessary to leverage ABC information.

Visual Data Mining solves the “institutionalization” conundrum that is common to ABM projects: IT and Analysts are not responsible for business outcomes, while those who are responsible for outcomes don’t have time, or technology expertise.

Salient’s automated Activity Based Valuation computation eliminates the need for non-technical professionals to master any specialty outside of the logic of their own job function. It organizes activity data according to the ordinary and well understood associations of persons, places, things and events that comprise individual users’ value network, which makes it easier to learn and exploit.

Salient ABM Summary

The labor intensive, activity based costing (ABC) methodology gives way to automatic and continuous measurement of actual cost, revenue, growth and temporal efficiency. The old static intelligence “push paradigm” gives way to localized, dynamic, value-add intelligence on-demand that enables managers to focus resources where they will create the greatest value.

Exquisitely-detailed value-add scoring, together with easy, immediate and continuous monitoring capability through all organizational levels, enables large and complex enterprises to break down the problems of informational coherency, organizational alignment and process controllability.

Anomalies and outliers, value drivers, trade-offs and root causes become visible.

Visibility reduces risk, while business processes become subject to control through experimentation, iteration and continuous refinement of business levers.

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About Salient

Salient Management Company offers business and government a new solution for efficient management. Drawing on diverse data from multiple sources, Salient technology measures how business activity creates value, quality, financial efficiency, productivity, while the user interface eliminates barriers to using this knowledge for continuous process improvement.

Salient's technology platform is a super scalable, in-memory, system for automated scoring of value added by business activity. The user interface provides a graphical toolbox for interactive, stream-of-thought data mining, visualization, and root cause analysis. Overall, the technology enables people to evaluate process behaviors rapidly, eliminate waste, and continuously optimize outcomes.

Founded in 1986, Salient today serves more than 35,000 users in 53 countries. For more information, visit www.salient.com.