

# A Quick Primer on BPM: Business Process Management

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The concept of business process management (BPM for short) has been around for a number of years now, but just what does it entail? What are the major activities and decisions surrounding BPM? And where can an interested reader go to get more information on related topics?

The purpose of this article is to provide readers with a quick introduction to the domain of BPM and to point out some excellent readings on BPM and related topics.

## What is (BPM) Business Process Management?

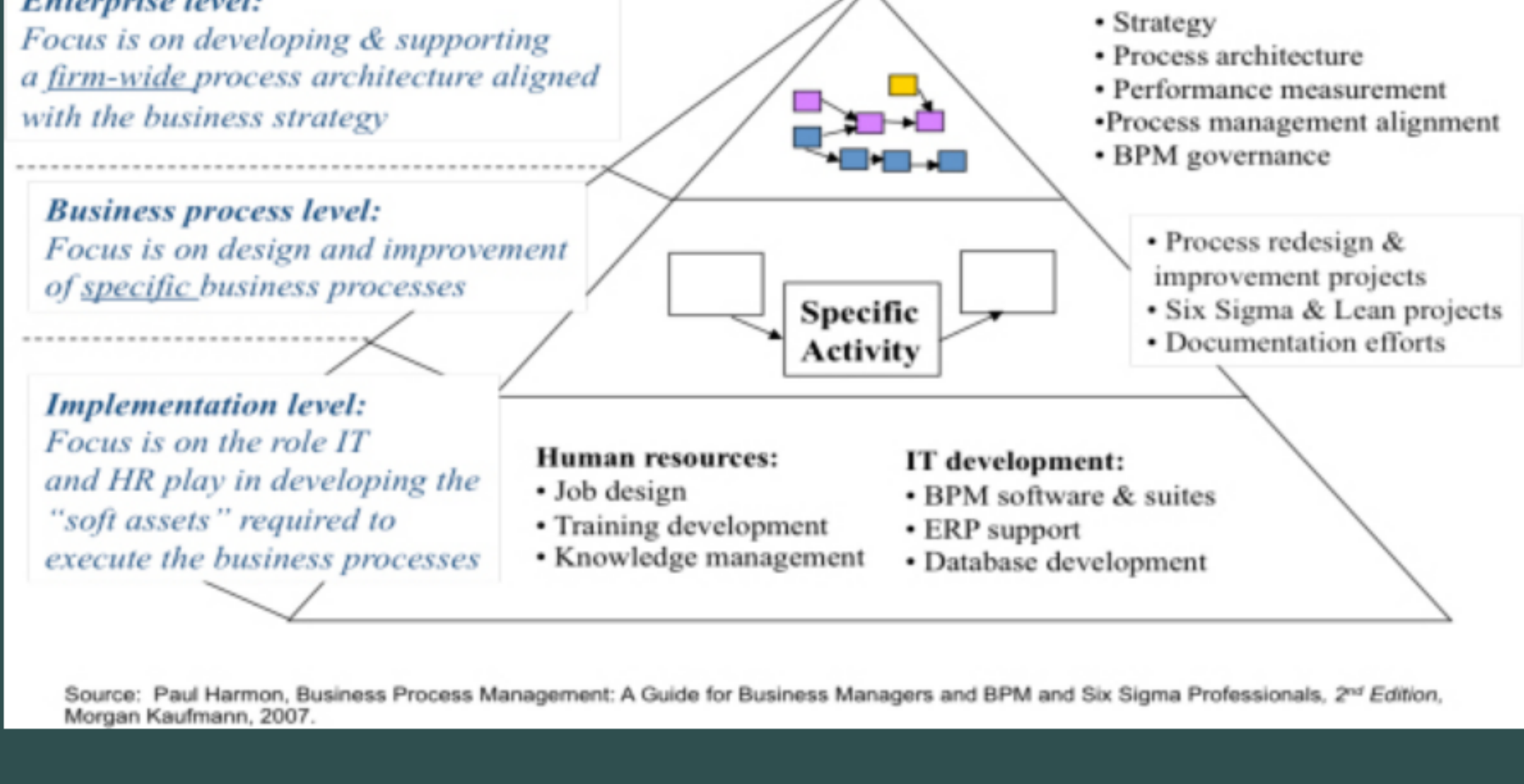
BPM involves the design, implementation and management of the business processes that carry out an organization’s work. APICS defines business processes as “logically related tasks or activities performed to achieve a desired outcome.” What makes BPM so challenging is that, in many cases, the activities that make up a business process cross traditional functional boundaries in an organization.

## Lenovo BPM Example

Consider, for example, what takes place when a customer uses the Web to order a laptop computer from Lenovo. Lenovo’s website (“sales”) takes the customer’s order information and sends it to production, which fills a production slot with the order and updates components’ inventory levels. At the same time, the accounting system takes the customer’s credit card information, verifies that sufficient credit exists, and charges the customer the correct amount. When production of the laptop is complete, production notifies logistics (handled by a third-party firm), who picks up and delivers the computer. Note how this business process crosses at least four functional areas.

In his book, “Business Process Change: A Guide for Business Managers and BPM and Six Sigma Professionals,” Paul Harmon divides business process management into three levels of concern (Figure 1).

Figure 1: BPM Levels



<sup>1</sup> Blackstone, J., APICS Dictionary

The business process level is the one most operations and supply chain professionals are familiar with. Here the focus is on designing and implementing specific business processes. When individual business processes need to be modified to improve their performance, Six Sigma or Lean methodologies are used. When more substantial changes are needed, business process redesign efforts may be undertaken.

In contrast, the enterprise level is not concerned with any individual business process per se, but with how the organization’s collection of business processes (or process architecture) works to support the organization’s strategy.

## Netflix BPM Example

As an example of the enterprise level, consider Netflix. Netflix’s traditional supply chain strategy has centered on three major pieces:

1. A Web-based ordering system that gently guides subscribers toward available DVDs.
2. A network of distribution centers (DCs) located to provide one-day delivery to most customers.
1. The US Postal Service, through which the DVDs are mailed.

Each of these pieces contains literally hundreds of processes, sub-processes, and activities. Netflix has succeeded because these pieces were carefully designed to work together seamlessly. For example, Netflix’s Web-based ordering system provides the DCs with information on what DVDs to pick and where to stage DVD inventory, and the DCs pre-sort outgoing shipments by zip code to speed up handling by the USPS.

Today, as Netflix redesigns its supply chain to stream content directly to subscribers’ electronic devices, management will have to reconsider how the business processes interface with key first-tier “suppliers” (i.e., content providers) and “distributors” (cable companies, satellite network providers, and electronic device manufacturers).

A final note on this level: Decision-makers at the enterprise level must take the lead in prioritizing improvement efforts, such as Six Sigma or Lean projects. Otherwise, an organization can be overrun with well-intentioned, but unfocused, improvement projects that may or may not have a lasting impact.

The third level of BPM is the implementation level. This level explicitly recognizes that carrying out the organization’s processes requires investments in the right people and information technologies. Activities at this level can include training programs, recruitment efforts, and targeted IT development efforts.

Of course, decisions are being made simultaneously at all three levels, and decisions at one level can directly impact actions at another. As Harmon (2007, p. xxvi) describes one scenario:

Thus, for example, an enterprise level BPM group might decide that a company supply chain is operating inefficiently. The BPM group initiates a supply chain process redesign effort. The supply chain process redesign team undertakes a study of the supply chain, considers options, and concludes that a number of different changes should be made. Once the process level project team’s recommendations are approved by senior management, IT launches an implementation level project to acquire new ERP software to support some of the changes in the supply chain. At the same time, Training creates new job descriptions and launches a separate implementation level project to develop a new training course to provide new employees with the skills they will need to implement the new supply chain process.

## Key Readings to Learn More about the BPM

As the above discussion suggests, there is a lot more to BPM than just mapping processes and Six Sigma projects. The readings below focus on various aspects of interest to BPM professionals or decision-makers:

- Paul Harmon, “Business Process Change: A Guide for Business Managers and BPM and Six Sigma Professionals,” 2nd edition. Morgan Kaufmann, 2007. This is an excellent, practical introduction to BPM. A must-read for decision makers who want to understand how the pieces fit together, with particular emphasis on enterprise-level concerns.
- Jay Galbraith, “Designing Organizations: An Executive Guide to Strategy, Structure, and Process,” Jossey-Bass, 2002. BPM often requires a business to adopt non-traditional organization structures, such as process-based departments or cross-functional project teams. Galbraith is a leading expert in organization design issues. This book is a concise introduction to the fundamentals of organization design, and at less than 200 pages, it’s a must-read.
- David Parmenter, “Key Performance Indicators: Developing, Implementing and Using Winning KPIs,” John Wiley & Sons, 2007.

Part of the challenge in a BPM environment is to develop an effective, yet parsimonious performance measurement system (Hint: If your organization’s current system has 20+ key performance indicators, it’s probably not parsimonious or effective!). While Harmon briefly discusses performance measurement, Parmenter’s book provides a useful how-to guide for decision makers who are responsible for implementing a performance system. The second half of the book includes some generic worksheets that can be adapted for a KPI implementation effort.

J. H. Blackstone, ed. /APICS Dictionary/. 13th ed. Falls Church, VA: APICS, 2010.

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