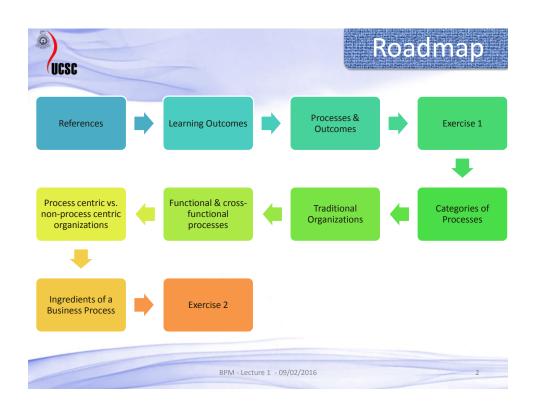
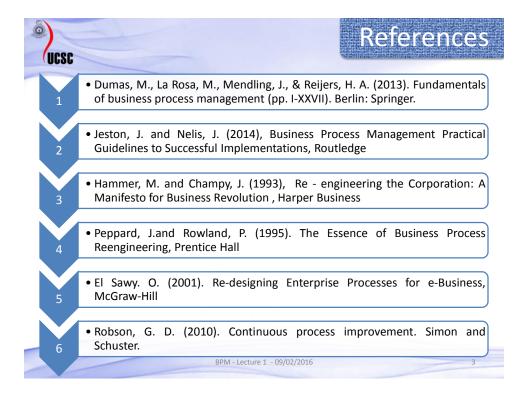


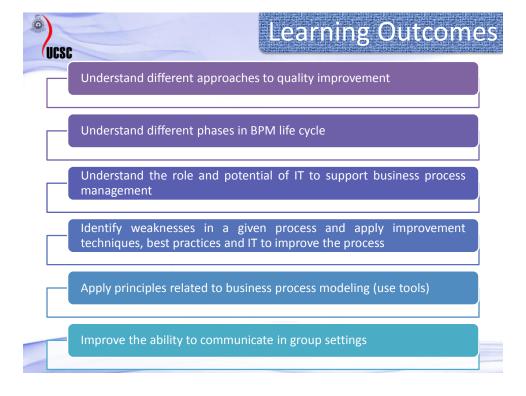
IS 2006 Business Process Management

Lecture 1
Introduction to BPM

University of Colombo School of Computing 2016





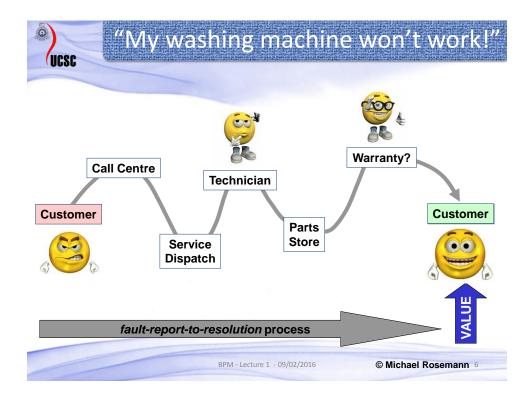


What is a (Business) Process?

- Collection of related events, activities and decisions, that involve a number of actors and resources, and that collectively lead to an outcome that is of <u>value</u> to an organization or its <u>customers</u>.
- Davenport and Short (1990) define business processes as:
 - A set of logically related tasks performed to achieve defined business outcome
 - Processes have customers and cross organizational boundaries

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E.g. •Order-to-Cash •Claim-to-Settlement
•Procure-to-Pay •Application-to-Approval
•Fault-to-Approval(Issue-to-Resolution)





Every Process leads to one or several outcomes, positive or negative

- > Positive outcomes deliver value
- ➤ Negative outcomes reduce value

E.g. Possible outcomes of fault-report-to-resolution process

- · Fault repaired without technician intervention
- · Fault repaired with minor technician intervention
- Fault repaired and fully covered by warranty
- Fault repaired and partly covered by warranty
- Fault repaired but not covered by warranty
- Fault not repaired (customer withdrew request)

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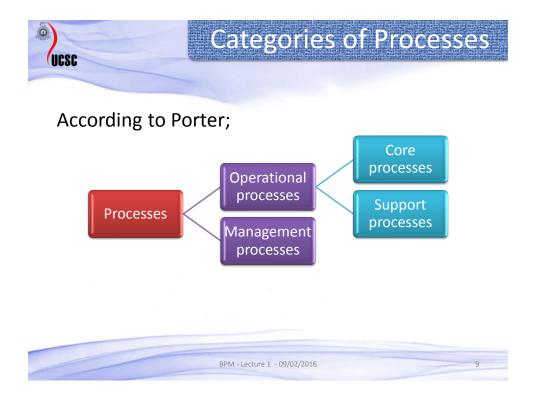
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Exercise 1

Recall your company visit at first year for the course, IS 1003 – Information Systems Concepts and identify one of the major processes of the selected company.

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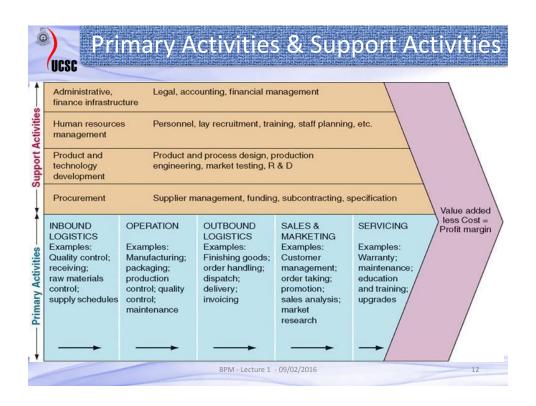
- > The processes central to business functioning
- ➤ Typically primary value-chain activities and relate directly to external customers
- ➤ The generic example The order fulfillment process
- ➤ Notable example in the literature Xerox

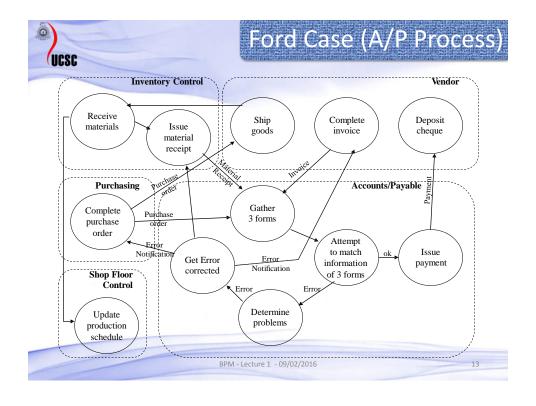
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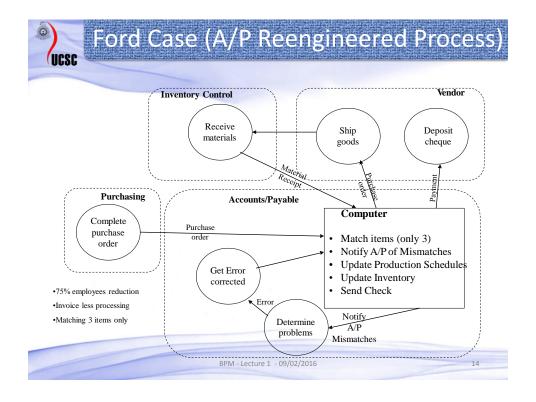


- Back office processes which underpin the core processes
- Typically secondary value-chain activities and relate more to internal customers
- Example in the literature Ford's redesign of the accounts payable process











- Processes through which firms plan, organize and control resources
- ➤ Involves redesigning the organization and its roles along business process lines





- ➤ Extend beyond the boundaries of the organization into other organizations such as e.g.?
- ➤ The basic principle here is to create symbiotic partnerships, thus redefining the business scope.
- ➤ E.g. The virtual company concept between Apple, IBM and Motorola

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Traditional Organizations

- ➤ 'Functional specializations' Each department is responsible for undertaking one part of a larger whole.
- ➤ The advantages?
- > 'Levels' of seniority evolve within these functions to perform the organizational hierarchy.
- ➤ This model is rarely questioned??

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History of Functional Organizations

Frederick W. Taylor (1856 – 1915) proposed a set of principles known as scientific management

Emergence of managers resulted in creation of functional units of people with similar focus.



Taylors ideas led to a formation of new class of professionals, known as managers.



During second industrial revolution the degree of specialization of the workers shifted further towards a form of pure specialization

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Functional Business Processes

Functional Area	Marketing & Sales	Procurement & Distribution	Accounting & Finance	Human Resources
Business Functions	Marketing Research	Purchasing of Raw Materials	Credit Issuance	Hiring & Training
	Launching Promotional Campaigns	Transporting Products to Warehouse	Cost Allocations	Payroll Management
	Customer Relationship Management	Packaging and Logistics	Budget Planning	Appraisal Handling
	Sales Forecasting	Direct Delivery	Asset Management	Attendance Management

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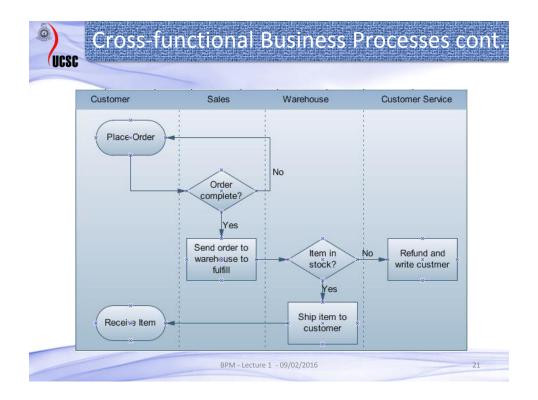


Cross-functional Business Processes

- Order processing: Defines how customer orders are received, entered, manufactured (or assembled), shipped and invoiced
- Loan processing: Defines how a bank processes loan applications and the rules and approvals that must be obtained
- Purchase order processing: Defines rules and paperwork that must be processed in order to control the acquisition of goods/services
- > Other:
 - Claim processing defines how an insurance company receives, reviews and processes claims
 - Customers complaint processing defines the mechanisms an organization uses to handle complaints issued by customers

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UCSC Process-centric organization Non-process-centric organization Understands that processes add value to Does not fully value the contribution of the organization the processes to the realization of organizational strategy Incorporate BPM into management Management of processes is not a practices primary focus Embraces BPM strategy Supports various BPM initiatives Senior leadership focuses on processes Understands that processes must be important because of the problems they cause (quality, backlogs, etc.) Has a clear understanding of their May have some processes modeled. But models are not linked or related processes

Process centric vs. non-process centric organizations

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Understands the impact of processes

upon each other

3/9/2016



Process centric vs. non-process centric organizations

Process-centric organization	Non-process-centric organization		
Organizational Structure reflects its process understanding (designed around a process, or has a matrix reporting of process and functional responsibilities)	Organizational structure is based upon functional departments		
Has appointed senior executives as responsible for processes	Functionally based with no cross-departmental responsibilities		
Rewards and measures linked to process outcomes	Rewards and measures linked to functional departmental outcomes (silo effect)		
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Ingredients of a Business Process

- Sub-processes
 - Parts of a process that are processes in their own right because they are well defined, have a beginning and end, and have inputs and outputs.
- Events
 - Things that happen automatically
 - They have no duration
 - May trigger execution of series of activities
 - E.g. arrival of an equipment at a construction site
- Activities
 - Work initiated by an event
 - E.g. when a new equipment arrives the site engineer inspects it
- Task
 - Single unit of work

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· Decision Points

- Points in time when a decision is made that affects the way the process is executed.
 - . E.g. as a result of inspection the site engineer may accept or reject the equipment

Actors

- A particular person or sometimes a system that operates in a business process.
 - · Human actors
 - · Organizations
 - · Software systems

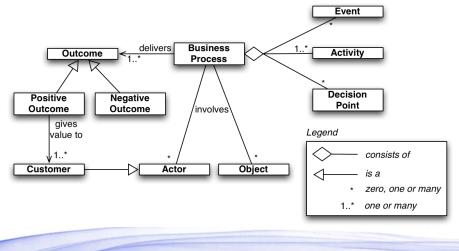
Outcomes

- Execution of the process leads to an outcome
- Ideally an outcome should deliver values to the actors involved in the process, however in some cases the value is not achieved or partially achieved.
 - Negative Outcome
 - Positive Outcome

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Case study: Purchasing Process at Ford

Every purchase that Ford would make needed to go through the purchasing department. On deciding that a particular quantity of products needed had to be purchased, this department sent out an order to vendor in question. It would also send a copy of that order to accounts payable. When the vendor followed up, the ordered goods will be delivered at Ford's receiving warehouse. Along with the goods comes a shipping notice, which was passed on to the accounts payable. The vendor would also send out an invoice to accounts payable directly.

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Questions

- 1. Who are the actors in this process?
- 2. Which actors can be considered to be the customer (or customers) in this process?
- 3. What value does the process deliver to its customer(s)?
- 4. What are the possible outcomes of this process?
- 5. Try to understand a sub process in the scenario.

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