Lecture 03 - Strategy and Governance in BPM
MPH_ACMS Business Process Management

Michal Krčál

Department of Corporate Economics

30. 9. 2013

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- Michael Porter's lecture (first 30 minutes)

Content of other courses

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- Other interesting video about strategy

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- Other interesting video about strategy
- Information strategy - more about how to align ICT with overall strategy but contains some useful remarks and ideas

Porter's Value Chain I

- 1985: Porter came with the idea based on the process view of organization, that we can identify two kinds of activities.
  - Primary Activities = Inbound logistics, operations, outbound logistics, marketing and sales, service
  - Support Activities = Procurement, HR, technological development, infrastructure

Source

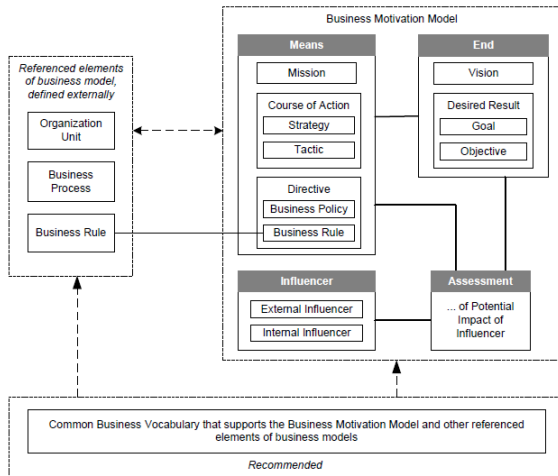# Porter's Value Chain II
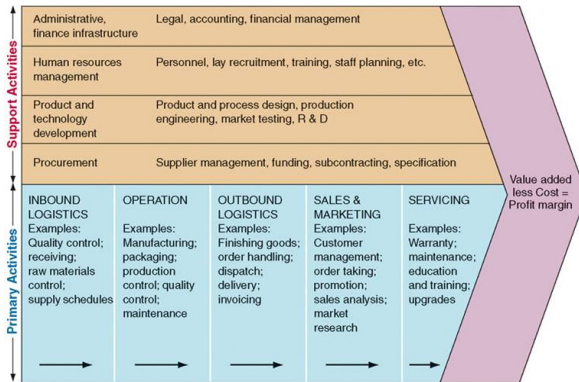
Source

Business Motivation Model

Figure 7.1 - BMM Overview

BMM specification

- Ends = are about what an enterprise wants to be
  - Vision = overall image of what the organization wants to be or become
  - Desired results
    - Goal = long, more qualitative
    - Objective = step along the way towards a Goal (end date, criteria - if accomplished)

BPM - Means

- Means = are about what an enterprise has decided to do in order to become what it wants to be
  - Mission = indicates the ongoing operational activity of the enterprise
  - Course of Action = defines what has to be done, not how well it has to be done (see Objectives)
    - ⋆ Strategies = long term, broad in scope
    - ⋆ Tactics = implementation of (more than one) strategy
  - Directive
    - ⋆ Business Policies = exist to govern; that is, control, guide, and shape the Strategies and Tactics. They define what can be done and what must not be done, and may indicate how, or set limits on how, it should be done.
    - ⋆ Business Rules = are not directly actionable. Actionable Directives are Business Rules, and they need to be defined as such, and managed for consistency and completeness. Business Rules are derived from Business Policies.

Influencers

- Influencer
  - Internal
  - External

One way how to align strategy with BPM

- Burlton's Methodology:
    1. Understand the Enterprise
        1. Validate Strategic Direction
        2. Determine Stakeholder Relationships
        3. Consolidate Strategic Criteria
    2. Architect and Align
        1. Architect Business Processes
        2. Identify Measures of Performance
        3. Align Process Governance
        4. Prioritize Processes
        5. Align Process Capabilities
        6. Establish Enterprise Transformation Portfolio

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- PEST, SWOT, BSC etc.

- You have to know who you are dealing with!

Determine Stakeholder Relationships

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- Start with customers (consumers) -> owners -> staff -> suppliers -> community -> competitors -> enterprise -> others

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- The are needs for decision-making and this has to be solved in advance of future decisions

- What is important to those for whom we do it

- Each process has performance indicators that are associated with objectives and stakeholder needs

- Responsibility
    - process lead = responsible for completion of specific process instance for a specific customer from start to the end
    - process manager = plans, directs, and monitors defined sets of processes, instances, and resources
    - process steward = responsible for the designs of a related enterprise process; plans and sponsors their development and deployment
    - process executive = governs a logical group of enterprise processes at the value stream or value chain (top level)

- What is important and what is less important for success, improvement etc.

Align Process Capabilities

- Find what is needed to know

- Is what we are doing aligned with strategy?

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- And what does it mean in practice?
  - Type of organizational structure and related problems

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- Solution of problems regarding decision-making, reporting, managing...

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- Criteria for dividing company into autonomous business units:
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  - Regions (Customers)
  - Products
- What do they have in common (remember first lecture)?

- Hierarchy - take it to the heavy weight
- Lateral relations - small 'çhaos' (business process governance)
- New organizational units - somebody will focus on the cross-cutting issues (process organizations)

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What should be added?

- Everything has its price!
- You can't focus only on strategy or governance.
- Operational effective (well governed) company that does not follow its strategy is doomed to failure.
- If the company follows its strategy but is not able to govern the processes well... dtto

Next week

- People and Culture (last 'boring' lecture and only two lectures left)
- Reading:
  - Ulrike Baumoel: Cultural Change in Process Management (HoBPM vol. 2, p. 487)
  - Kokkonen and Bandara: Expertise in Business Process Management (HoBPM vol. 2, p. 401)