

Economic aspects of BPM

PV207 Business Process Management

Michal Krčál

Department of Corporate Economics

22. 5. 2017

Today's content

- 1 Getting to know each others
- 2 BPM evolution and business management context
- 3 Nowadays economy and enterprises
- 4 Business Processes
- 5 Break
- 6 BPM is more than IT
 - BPM Life-cycle
 - Six Core Elements
- 7 Beyond BAM
 - Corporate Performance Management
 - Business Proces Optimization
- 8 Summary

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- Assistant lecturer at the Department of Corporate Economics, Faculty of Economics and Administration
- Master degrees
 - ▶ Applied Informatics (specialization: Information Systems)
 - ▶ Business Administration
- Main teacher of Management Information System (Business Informatics) master programme
- Research: business value of information systems, reverse logistics, knowledge management

My 10 years relationship with BPM

- Met BPM at FI
- Participated on few seminars (and webinars) and workshops abroad
- Consulted and graded modeling projects for 8 years and lectured BPM for 6 years
- Did some non-commercial small business analysis projects
- Doing one large commercial process analysis optimization project at Honeywell

Your background

- Do you know what business strategy is?

Your background

- Do you know what business strategy is?
- Is dealing with business people easy?

Your background

- Do you know what business strategy is?
- Is dealing with business people easy?
- How would you define BPM?

Your background

- Do you know what business strategy is?
- Is dealing with business people easy?
- How would you define BPM?
- Who is usually right? Customer, consultant, coder... God?

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Three waves of BPM

- First wave of BPM - F. Taylor's theory of management, 1920s
- Second wave of BPM - ERP systems, workflow, 1990s
- BPR - Don't automate, obliterate!
 - ▶ Micheal Hammer: Reengineering Work: Don't Automate, Obliterate, Harvard Business Review, vol. 68, is. 4, 1990.
- Third wave of BPM - today's BPM - [article](#)
- Question - what is difference between supporting processes by ERP and by BPMS?

Three BPM traditions

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P. Harmon

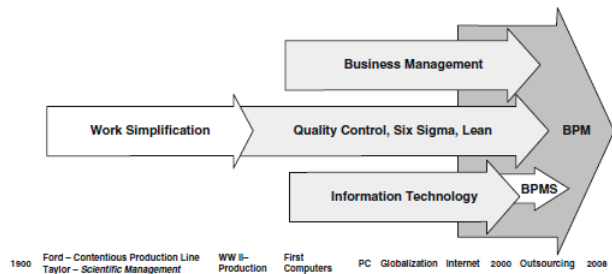


Fig. 1 An overview of approaches to business process change

Management Tradition - business thing

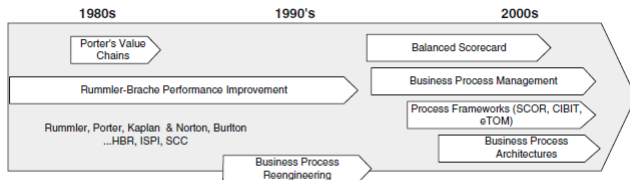


Fig. 6 The management tradition

The Scope and Evolution of Business Process Management

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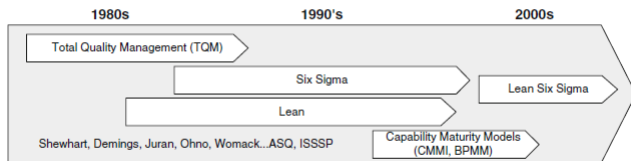


Fig. 2 The quality control tradition

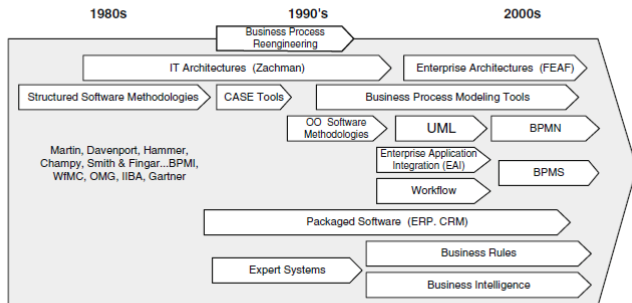


Fig. 7 The information technology tradition

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What's important about today's economy?

- Try brainstorming in groups of 4. Write as many features, characteristics and capabilities that are typical and important in nowadays economy.

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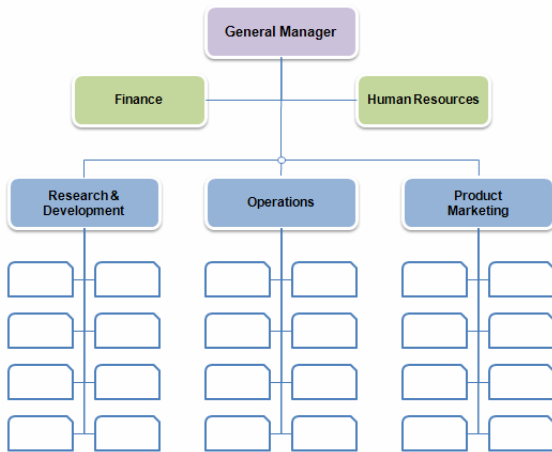
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 - ▶ Globalization (on production and customer side)
 - ▶ Entirely new business models (social networks, IoT, Industry 4.0)
 - ▶ Customer (super)centric
 - ▶ Knowledge management
 - ▶ Design - one purpose, short time
 - ▶ Quality vs. fast innovation
 - ▶ Frequency of innovations (competition - China, restless customers)

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- How to manage this?
- How to gain competitive advantage?

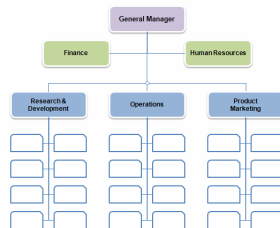
Typical (old) view of the company

Functional Organizational Structure



Is it OK?

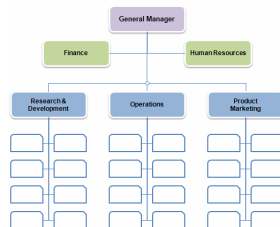
Functional Organizational Structure



- Does this structure make sense?

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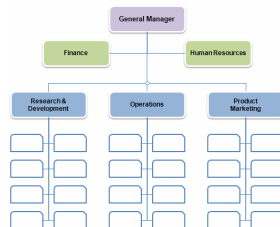
Functional Organizational Structure



- Does this structure make sense? Yes, but...

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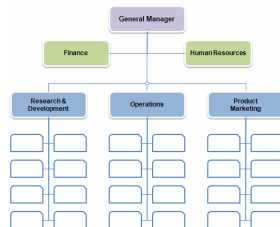
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- Does this structure make sense? Yes, but...
- No interconnections between departments
- No customer focus, no added value focus,

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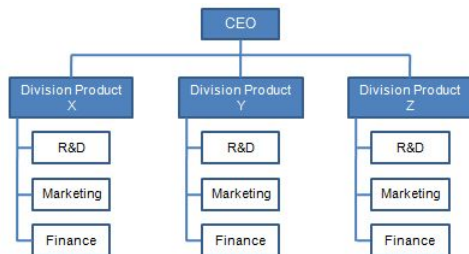
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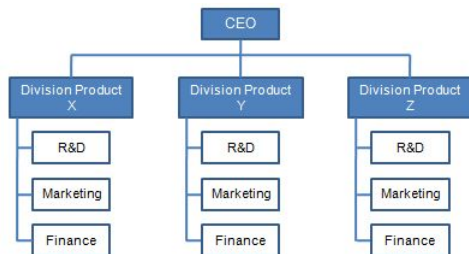
- Does this structure make sense? Yes, but...
- No interconnections between departments
- No customer focus, no added value focus,
- Typical approach: cut, cut, cut (expenses) and locally increase productivity



Process view on the company



Process view on the company



- Is this a solution?

Why not?

Why not?

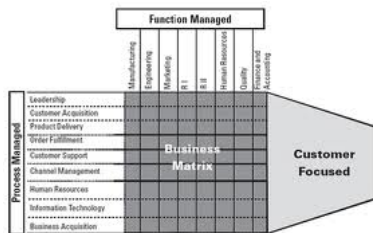
- double activities

Why not?

- double activities
- fighting between process (product) departments

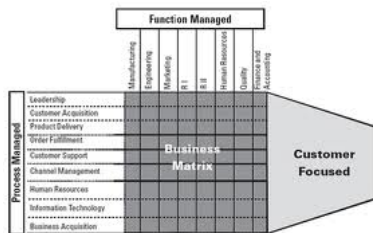


Solution is in balance



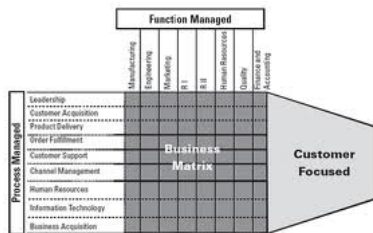
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- No extreme is usually good.
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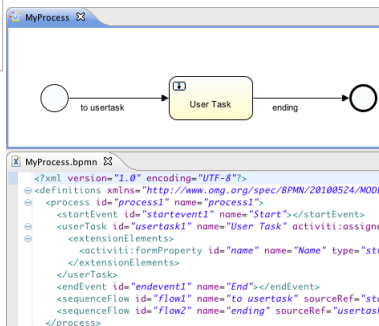
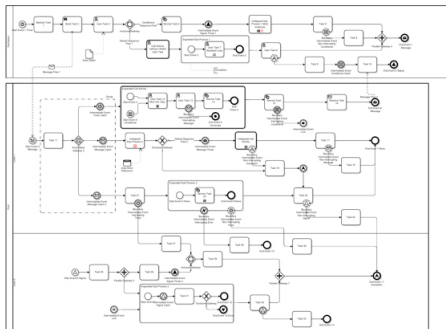


- No extreme is usually good.
- Any problems with this?
- Business Process Management is the way how to make the matrix work!

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BPM and IT

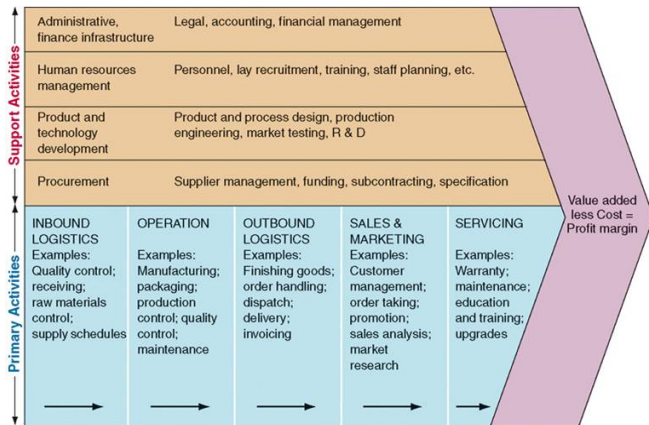


```
MyProcess.bpmn
<?xml version="1.0" encoding="UTF-8"?>
<definitions xmlns="http://www.omg.org/spec/BPMN/20100524/MODE"
  <process id="process1" name="process1">
    <startEvent id="startevent1" name="Start"></startEvent>
    <userTask id="usertask1" name="User Task" activiti:assignee
      <extensionElements>
        <activiti:formProperty id="name" name="Name" type="str"
      </extensionElements>
    </userTask>
    <endEvent id="endevent1" name="End"></endEvent>
    <sequenceFlow id="flow1" name="to usertask" sourceRef="sta
    <sequenceFlow id="flow2" name="ending" sourceRef="usertask
  </process>
```



BPM and business

- order-to-cash; quote-to-order; procure-to-pay; issue-to-resolution; application-to-approval



Clash of the worlds

- Business people usually don't care about technology
- IT people usually don't care about business value of technology

Clash of the worlds

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Clash of the worlds

- Business people usually don't care about technology
- IT people usually don't care about business value of technology
- They should know about the other one's world
- You need a facilitator -> process analyst = bridge between IT and business

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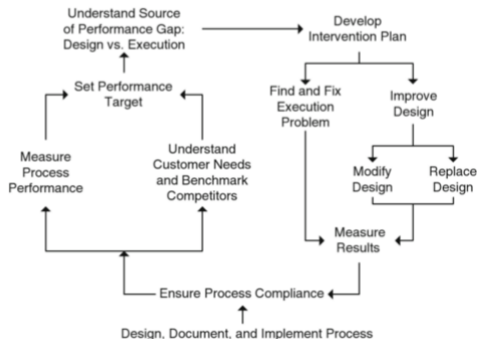
- 15 minutes for coffee or discussion, your choice 😊

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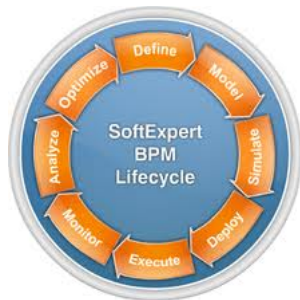
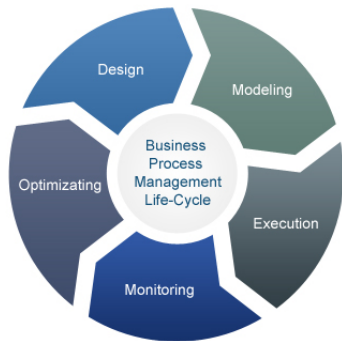
Where is your place?

What is Business Process Management?



Zdroj: (Brocke and Rosemann 2014).

Another Life-cycles



Design/Model

- First step - to identify processes or to design them.
 - ▶ learn about the reality (company)
 - ▶ establish the scope of the project
 - ▶ establish common understanding

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 - ▶ You need to persuade (show) them that process analysis is for their benefit.

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- Your thing!

- You need data about processes - in BPM the source is BPMS
- Usually Key Performance Indicators (KPIs) and various metrics are defined and monitored.
 - ▶ If you cannot measure it, you cannot manage it...
- Examples of KPIs or metrics?

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- Examples of KPIs or metrics?
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- Analyze and management exceptions and process efficiency.

Optimize/Improve

- When you have data, you know, if something is wrong and needs fixing.
- Monitor/Control phase generates the input for optimizing.

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- What is the most valuable sources (what kind of processes) for process optimization?
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- Economical and operational impacts of different scenarios are assessed.

The Six Core Elements of Business Process Management

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- 1 Strategic Alignment
 - 2 Governance
 - 3 Methods
 - 4 Information Technology
 - 5 People
 - 6 Culture
- The framework to be identified has to comprehensively structure those elements of BPM that need to be addressed when following a holistic understanding of BPM, i.e., BPM as an organizational capability and not just as the execution of the tasks along a process lifecycle (identify, model, analyze, improve, implement, execute, monitor, and change).

Capability Areas

| Strategic Alignment | Governance | Methods | Information Technology | People | Culture | Factors |
|---------------------------------------|---------------------------------------|--------------------------------------|--------------------------------------|------------------------------|------------------------------------|------------------|
| Process Improvement Planning | Process Management Decision Making | Process Design & Modelling | Process Design & Modelling | Process Skills & Expertise | Responsiveness to Process Change | Capability Areas |
| Strategy & Process Capability Linkage | Process Roles and Responsibilities | Process Implementation & Execution | Process Implementation & Execution | Process Management Knowledge | Process Values & Beliefs | |
| Enterprise Process Architecture | Process Metrics & Performance Linkage | Process Monitoring & Control | Process Monitoring & Control | Process Education | Process Attitudes & Behaviors | |
| Process Measures | Process Related Standards | Process Improvement & Innovation | Process Improvement & Innovation | Process Collaboration | Leadership Attention to Process | |
| Process Customers & Stakeholders | Process Management Compliance | Process Program & Project Management | Process Program & Project Management | Process Management Leaders | Process Management Social Networks | |

The Six Core Elements of Business Process Management - in detail

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2 Governance

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- ▶ 'Day-to-day' work on BPM = operative decision-making perspective.

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- ▶ People are the core element of BPM.

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- ▶ The 'softest' part of BPM (management in general).

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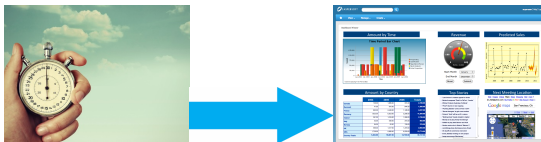
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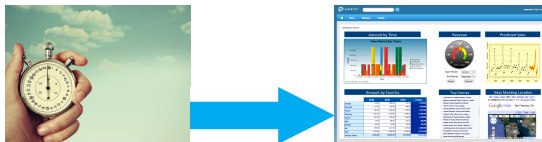
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What Business Activity Monitoring is for?



- Any ideas?

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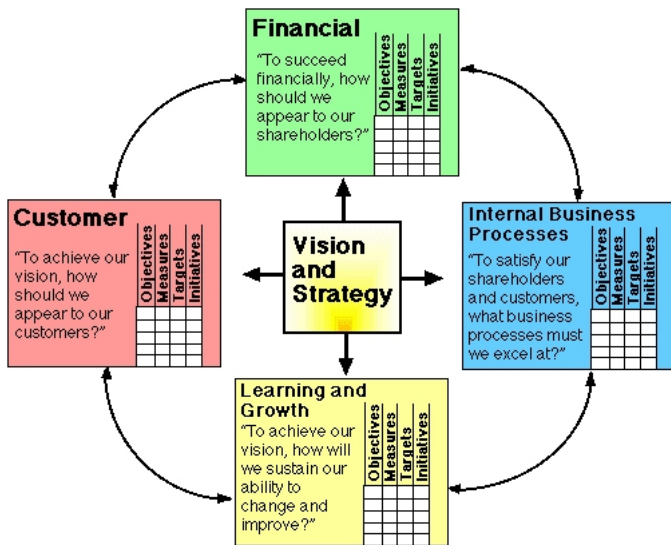
- Any ideas?
- Management is about control and making decisions
- BAM can be used for
 - ▶ Corporate Performance Management - BSC, ABC
 - ▶ Process Optimization - (Lean) Six Sigma, TOC

Activity-based costing

- Costs are divided into activities
- We know what does business process cost
- Useful for optimization
- BPMS or another part of IS should enable this

Balance Scorecard

- Strategic framework for KPI

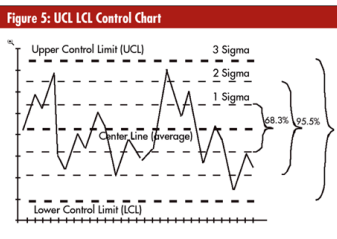
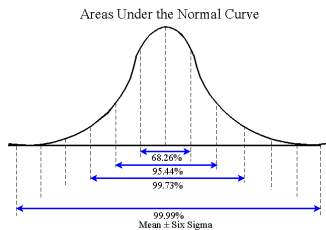


Lean Six Sigma

- DMAIC = define, measure, analyze, improve, control

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- TOC in nutshell

Theory of Constraints

- TOC in nutshell
- The system is as strong as the weakest link in chain

- TOC in nutshell
- The system is as strong as the weakest link in chain
- The flow of the system is based on the bottom neck

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 - ▶ At some point, you will probably have to face business people
 - ▶ It could be studied as regular study programme (University of Lichtenstein)
- More about business process analysis MPH_BUPM Business Process Management (autumn semester).

