

Economic aspects of BPM

PV207 Business Process Management

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Today's content

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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 11 years relationship with BPM

- Met BPM at FI
- Participated in few seminars (and webinars) and workshops abroad
- Consulted and graded modeling projects for 9 years and lectured (business) BPM for 7 years
- Did some non-commercial small business analysis projects
- Did one large commercial process analysis optimization project at Honeywell

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?
 - ▶ code vs. model
 - ▶ programmer vs. administrator

Three BPM traditions

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P. Harmon

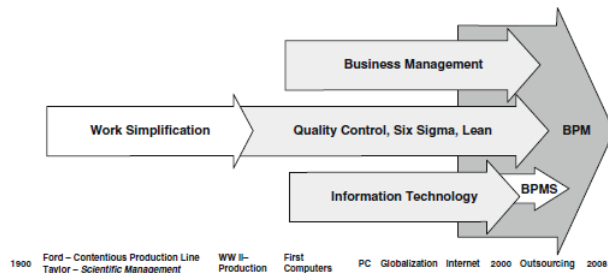


Fig. 1 An overview of approaches to business process change

Management Tradition - business thing

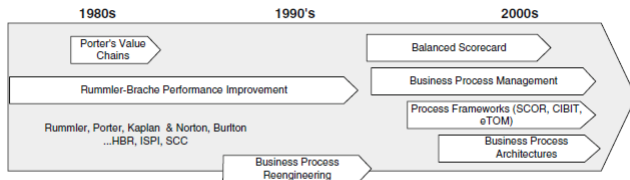


Fig. 6 The management tradition

The Scope and Evolution of Business Process Management

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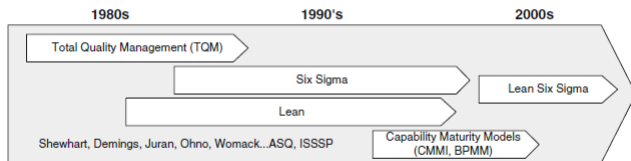


Fig. 2 The quality control tradition

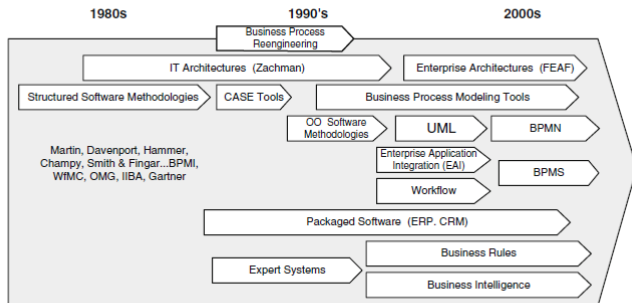


Fig. 7 The information technology tradition

How much was it about business and how much
about IT?
Business rulez!

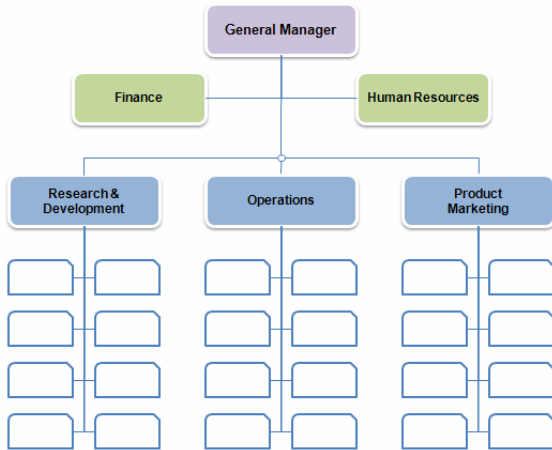
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What's important about today's economy?

- Try brainstorming in groups of 4. Write as many features, characteristics and capabilities that are typical and important in nowadays economy.
 - ▶ 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)
- How to manage this?
- How to gain a competitive advantage in/from this?

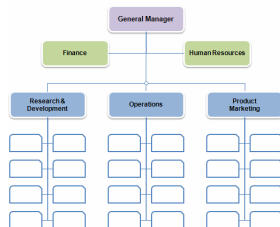
Typical (old) view of the company

Functional Organizational Structure



Is it OK?

Functional Organizational Structure

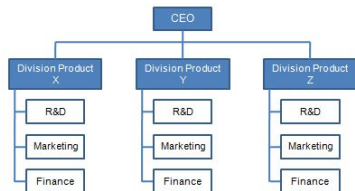


- Does this structure make a sense? Yes, but...
- No interconnections between departments
- No customer focus, no added value focus,
- Typical approach: overemphasis on cutting expenses and local increase of productivity



Process view on the company

- Is this a solution?

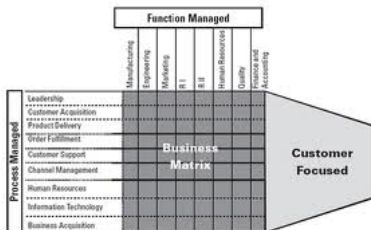


- double activities
- fighting between process (product) departments



Solution is in balance

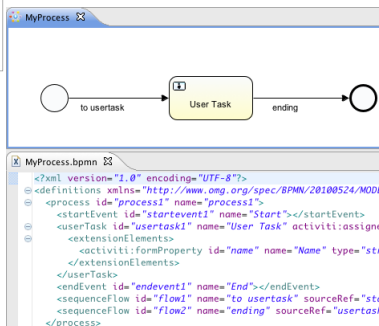
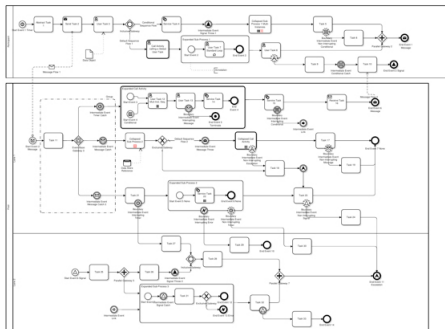
- Matrix structure



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

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BPM and IT

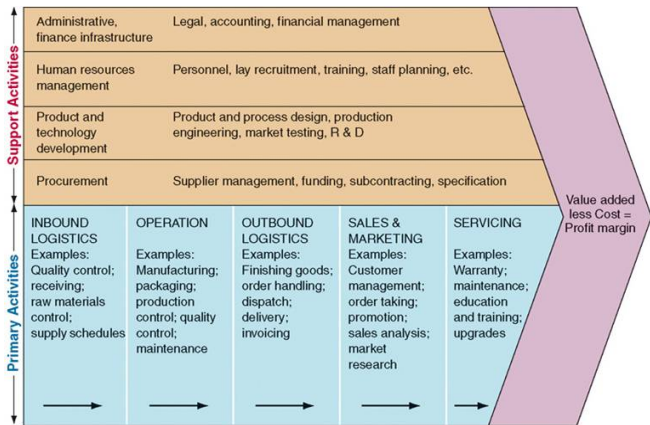


```
MyProcess.bpmn
<?xml version="1.0" encoding="UTF-8"?>
<definitions xmlns="http://www.omg.org/spec/BPMN/20100524/MODE"
  <process id="process1" name="process1">
    <startEvent id="startevent1" name="Start"></startEvent>
    <userTask id="usertask1" name="User Task" activiti:assignee
      <extensionElements>
        <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 processes

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



Source

Clash of the worlds



Source

- 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

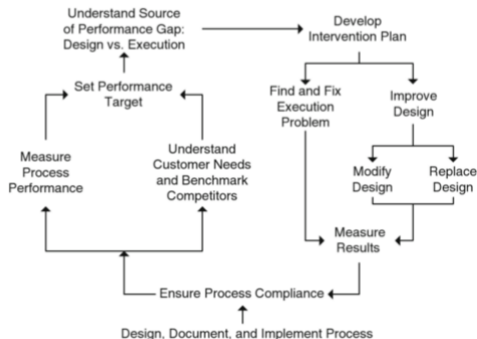
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- 15 minutes for coffee or discussion, your choice 😊

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Where is your place?

What is Business Process Management?



Zdroj: (Brocke and Rosemann 2014).

Weske's Business Process Lifecycle

12 1 Introduction

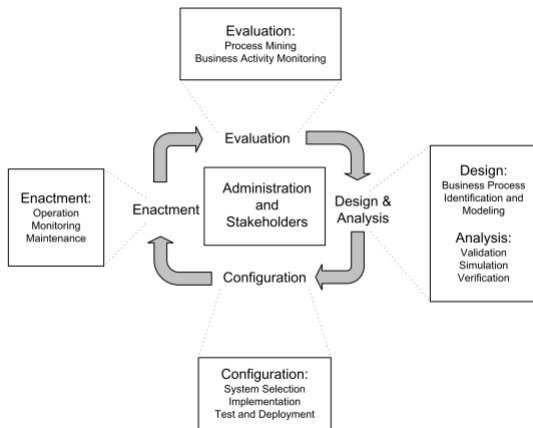
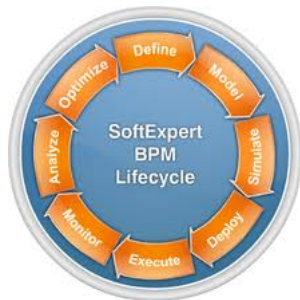
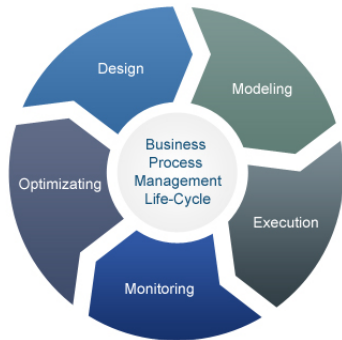


Fig. 1.5. Business process lifecycle

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
- In order to gather data about processes you have to
 - ▶ Interview people
 - ▶ Observe
 - ▶ Study documents etc.
- Business people (from customer side) heavily involved.
 - ▶ You need to persuade (show) them that process analysis is for their benefit.
 - ▶ Or at least to “give a damn”

- 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?
- Making reports about process performance.
- Analyze and management exceptions and process efficiency.

- When you have data, you know, if something is wrong and needs fixing.
- Monitor/Control phase generates the input for optimizing.
- What is the most valuable sources (what kind of processes) for process optimization?
- Different scenarios are simulated and business rules are changed.
- Economical and operational impacts of different scenarios are assessed.

The Six Core Elements of Business Process Management

- 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

1 Strategic Alignment

- ▶ When something does not fit the strategy, it is wrong.
- ▶ Which processes to improve should be derived from strategy.
- ▶ Enterprise Process Architecture and Strategy Maps.
- ▶ Stakeholders of BPM (processes) are very important.

2 Governance

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

3 Methods

- ▶ Tools and techniques to make things work.
- ▶ 'Compatible with lifecycle'

4 Information Technology

5 People

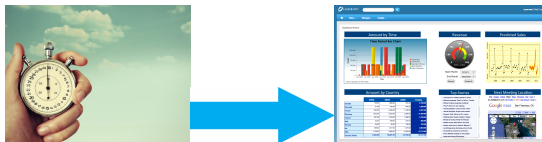
- ▶ People are the core element of BPM.

6 Culture

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

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What Business Activity Monitoring is for?



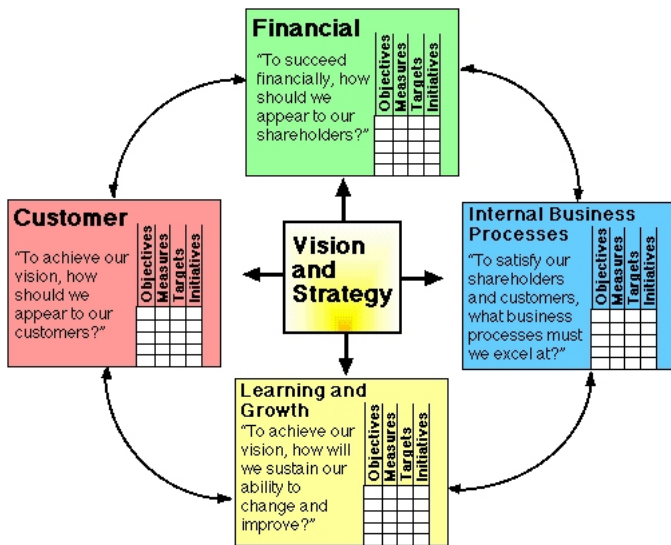
- Any ideas?
- Management is about control and making decisions
- BAM can be used for
 - ▶ Corporate Performance Management - BSC, ABC
 - ▶ Process Optimization - (Lean) Six Sigma, TOC

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

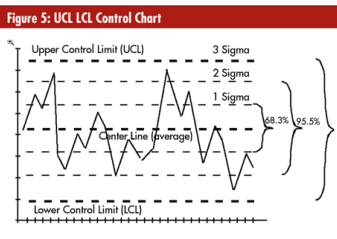
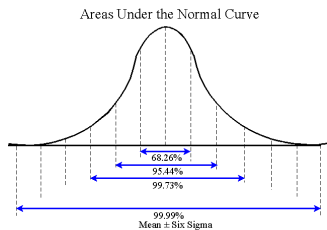
Balance Scorecard

- Strategic framework for KPI

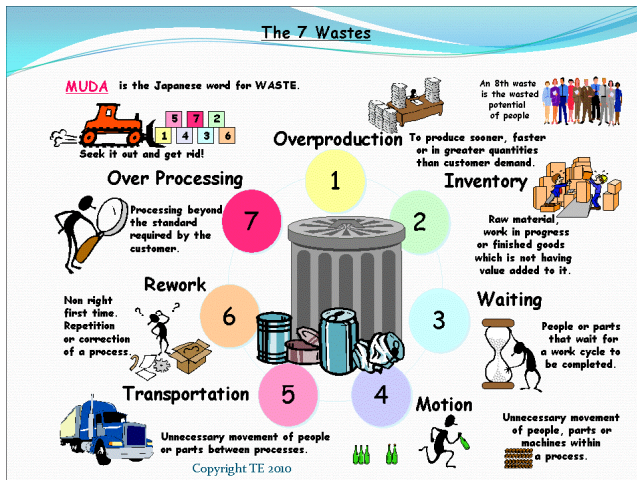


Lean Six Sigma

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



Lean - 7 wastes



Source: <<http://leanmanufacturingtools.org/77/the-seven-wastes-7-mudas/>>

- 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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- What to take from today
 - ▶ BPM is not only IT, although it exists because of IT
 - ▶ 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).

Q&A