



Introduction

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Business Process Reengineering

What is BPM?

◆ Process

- The act of taking something through an established ... set of procedures to convert it from one form to another, as a manufacturing or administrative procedure.¹

◆ Business Process

- At its most generic, any set of activities performed by a business that is initiated by an event, transforms information, materials or business commitments, and produces an output.²

◆ Business Process Management

- Aligning processes with the organization's strategic goals, designing and implementing process architectures, establishing process measurement systems that align with organizational goals, and educating and organizing managers so that they will manage processes effectively.²
- A holistic management approach that promotes business effectiveness and efficiency while striving for innovation, flexibility, and integration with technology. Business process management attempts to improve processes continuously. It could therefore be described as a "process optimization process."¹

1 www.wikipedia.com website, January 2010.

2 www.bptrends.com website, January 2008.

Why Undertake BPM?

- ◆ **An organization is only as good as its processes**
- ◆ **Failure to improve process performance results in failure to improve organizational performance**
- ◆ **Failure to effectively manage processes is failure to effectively manage the business**

Improving Performance: How to Manage the White Space in the Organization Chart (1995) by Geary Rummler and Alan Brache.

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Business Case for BPM

- ◆ **Improve quality of products and services – achieve large savings by reducing rework and returns, which increases customer satisfaction**
- ◆ **Spend more time making money – improve productivity and work satisfaction by eliminating confusing and ineffective processes, and focusing resources on high value processes**
- ◆ **Improve organizational teamwork – improve the level of teamwork through the use of cross-functional teams to document and improve processes**
- ◆ **Retain knowledge – capturing currently implicit knowledge, improved knowledge transfer to new hires (i.e., those who will replace retiring Baby Boomers)**
- ◆ **Achieve world-class safety performance, increase risk management – increase safety and health of the workforce, improve compliance with internal policies and external regulations**

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Questions

- ◆ **It is clear that BPM is an important foundation for improving business performance**
- ◆ **Two questions:**
 - Do business leaders agree that BPM is critical to organizational success?
 - If so, what is the status of BPM implementation within these organizations?

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Status of BPM Implementation

- ◆ **A study of 274 respondents resulted in the following information:**
 - 50% of organizations surveyed said they had a significant or major commitment to multiple BPM projects
 - 56% said one primary driver for focusing on process change was the need to reduce cost and/or improve productivity
 - 15% said business processes were usually* documented and kept up to date; 55% said processes were only occasionally documented
 - 19% said similar processes across business units were usually standardized
 - 22% said major value chains were usually documented in process models
 - 16% said performance measures were usually defined for evaluating the success of major processes and sub-processes
 - 18% said the skills needed to perform the tasks in major processes were usually defined and documented
 - 12% said managers were usually trained to analyze, design, and manage business processes

"The State of Business Process Management" (2008), by Paul Harmon and Celia Wolf. Business Process Trends, bptrends.com

*Usually: those respondents who answered "always" or "most times"

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Status of BPM (Cont'd.)

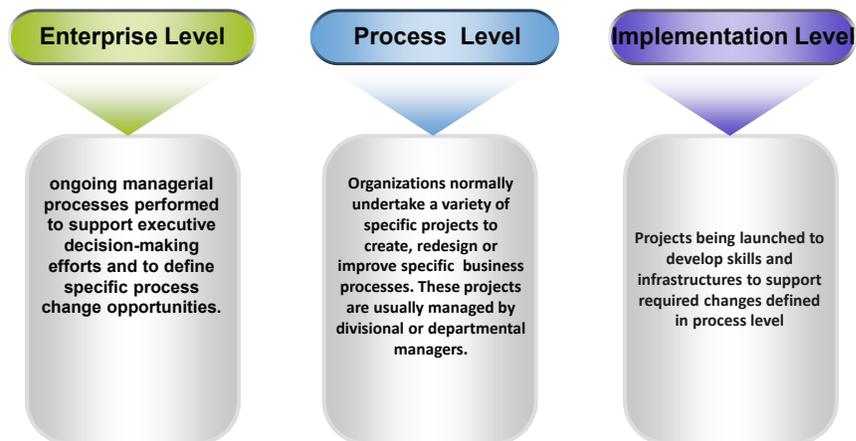
◆ A smaller study of BPM implementation found:

- 68% had implemented BPM within the past 2 years
- 43% said the focus of BPM was the organization's operations
- Most said they used a methodology:
 - 30% said they used Lean or Six Sigma
 - 48% said they used an in-house methodology
- Only 19% said they had a dedicated BPM group

http://bpmbusiness.typepad.com/business_of_bpm/2007/05/aps_benchmarkin.html

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Levels of Concern



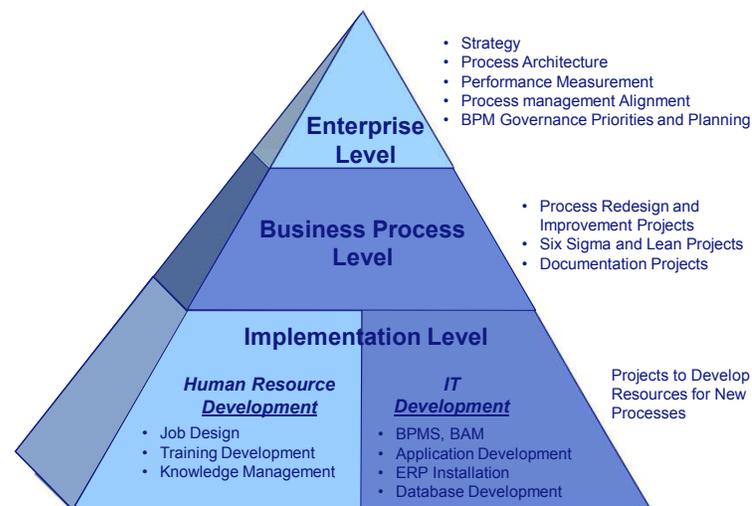
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An Example

- ◆ 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 process redesign project 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.

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BPM Pyramid



BA 563: Business Process Management

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Business Process Change and Management

- ◆ **Every company wants to improve the way it does business, to produce things more efficiently, and to make greater profits.**
 - Nonprofit organizations are also concerned with efficiency, productivity, and with achieving the goals they set for themselves.
- ◆ **Ford Story**
 - Radical Change
- ◆ **Can you say more example?**

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Business Process Redesign Projects

- ◆ **There are other times, however, when a crash program is too far reaching and a gradual improvement effort wouldn't be enough.**
- ◆ **They implement a significant change without redesigning the entire process.**
- ◆ **Many projects that automate a portion of an existing process fall in this category.**
- ◆ **In some cases, redesign takes place in a series of steps in order to minimize disruption.**
- ◆ **A series of modules, for example, could be installed over the course of several months, one after another, with enough time between each change to assure that the employees can adjust as the changes are made.**

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The Variety of Options

- ◆ **There are many different types of business process change problems.**
- ◆ **They vary by**
 - the organization's level of concern,
 - by industry, and
 - by the nature of the environmental change that needs to be accommodated.
- ◆ **Some changes**
 - are undertaken to provide executives with the tools they need to manage a process-centric organization.
 - only require modest improvements in existing processes.
 - require the complete redesign of an existing process or the creation of a new process.
 - focus on changes in how people perform,
 - involve the use of software applications to automate a process.
 - In some cases a software application can be purchased, and
 - in other cases it must be developed and tailored for your specific needs.

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The Variety of Solutions I

- ◆ ***Process improvement*** refers to relatively minor, specific changes that one makes in an existing business process.
- ◆ Every manager responsible for a process should always be considering process improvements.
- ◆ In addition, on occasion, special process improvement efforts are required to get everyone focused on improving a specific process.
- ◆ Six Sigma is a good example of a popular approach to process improvement.

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The Variety of Solutions II

- ◆ **Process design or redesign** refers to a major effort that is undertaken to significantly improve an existing process or to create a new business process.
- ◆ Process redesign considers every aspect of a process and often results in changes in the sequence in which the process is done, in employee jobs, and in the introduction of automation.
- ◆ Business Process Reengineering, the BPTrends Process Redesign methodology, and the Supply Chain Council's SCOR methodology are all good examples of popular approaches to process redesign.

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The Variety of Solutions III

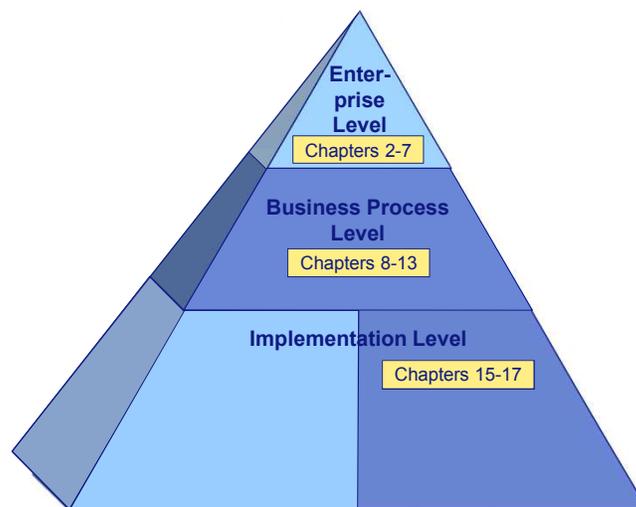
- ◆ **Process automation** refers to the use of computers and software applications to assist employees or to replace employees in the performance of a business process.
- ◆ The use of BPMS tools, workflow systems, or XML business process languages are ways to automate the management of processes or activities.
- ◆ The use of off-the-shelf ERP and CRM applications are also examples of automation.
- ◆ Similarly, software development methodologies like Rational Software's Unified Process or the Object Management Group's Model Driven Architecture are other examples of popular approaches to process automation.

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- ◆ Many authors use the term **business process management (BPM)** to refer to process automation efforts.
- ◆ It is used to refer to the fact that, once processes are automated, the day-to-day execution of the process can be managed by means of software tools.
- ◆ Business executives, however, often use the term **business process management** in a more generic sense to refer to efforts on the part of business executives to organize and improve the human management of business processes.
- ◆ On the corporate level, **business process management** is also used to refer to the development and maintenance of a business process architecture.

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Course Model



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Course Content

◆ In chapter 1

- we consider how companies develop strategies and define goals.
- This introduction to the strategic process will necessarily be rather general, but it will establish important themes, including
 - ideas such as strategic positioning,
 - value chains,
 - and the importance of well-integrated processes for companies that want to achieve a competitive advantage.

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Enterprise Level

◆ In Chapter 2

- We will discuss organization goals and strategies and how they can be tied to processes and to competitive advantage.

◆ In Chapter 3

- we will present an overview of the BPTrends Enterprise Methodology, one approach to defining and implementing the tools and practices needed to manage processes at the enterprise level.
- We will also consider what's involved in understanding an enterprise and defining its major value chains and key business processes.

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Enterprise Level

◆ In Chapter 4

- we will consider the idea of a business process architecture. A process architecture defines the major processes in a value chain, establishes their relationships, defines their performance measures, determines who manages each process, and describes how the processes are aligned to other organizational resources, including, for example, goals and policies, business rules, IT resources, training programs and knowledge-management systems.

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Enterprise Level

◆ We consider process management in Chapter 5 and process measurement in Chapter 6.

◆ In chapter 5

- How companies organize their managers to assure that the organization's processes are accomplished.
- How management processes might be represented in a company's business process architecture.

◆ In Chapter 6

- This chapter focuses on process performance measurement
- What is measurement?
- Balanced Score Card (BSC)
- Deriving Measures from Business Process Frameworks

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Enterprise Level

- ◆ **In Chapter 7 we conclude our discussion of enterprise-level concerns by considering how a BPM group-or BPM Center of Excellence-can be used to maintain the business process architecture, provide executives with timely reports, and support the on-going process activities of an organization.**
- ◆ **We will also look at a case study in Chapter 7 to see how one organization has managed to implement all of the enterprise- level tools we have discussed in Part I.**

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PROCESS LEVEL

- ◆ **In Chapter 8,**
 - by discussing the nature of business process problems and discussing how a process redesign or improvement team can begin to understand and scope a new process problem.
- ◆ **In Chapter 9**
 - we will consider basic business process flow diagrams. We will introduce a general approach to flow diagramming that is based on a combination of Rummler-Brache, UML Activity Diagrams, and BPMN and consider how flow diagrams can be used by process analysts.

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PROCESS LEVEL

◆ In Chapter 11

- we will describe the role that managers play in the day-to-day success of business processes and consider what's involved in analyzing and improving the managerial activities associated with problem processes.

◆ In Chapter 12

- we will describe the methodology that Six Sigma practitioners apply to the improvement of business processes.

◆ In Chapter 13

- we will step through the activities defined by the B PTrends Process Redesign Methodology that synthesizes many different techniques while also emphasizing the importance of process management, information gathering, communication, and change management for any successful project.

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IMPLEMENTATION LEVEL

◆ We discuss about the software

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