Business Process Change

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International and National Business Analysis

In this chapter

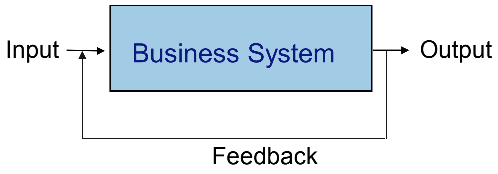
- we consider how companies develop strategies and define goals.
- This introduction to the strategic process will necessarily be rather general, but it will establish important themes, including
    - ideas such as strategic positioning,
    - value chains,
    - and the importance of well-integrated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

What is Systems Thinking?

- Systems thinking is a holistic approach to analysis that focuses on the way that a system's constituent parts interrelate and how systems work over time and within the context of larger systems. The systems thinking approach contrasts with traditional analysis, which studies systems by breaking them down into their separate elements. (SearchCIO)
- Systems thinking is a way of understanding reality that emphasizes the relationships among a system's parts, rather than the parts themselves. (Pegasus Communications)

Organizations as Systems

- Systems thinking stresses linkages and relationships and flows
- It emphasizes that any given employee or unit or activity is part of a larger entity and that ultimately those entities, working together, are justified by the results they produce.

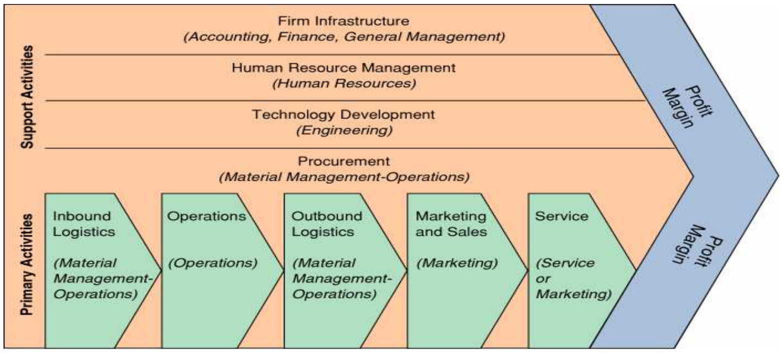


Systems and Value Chains

- The initial purpose of the value chain model was to analyze the internal operations of a corporation, in order to increase its efficiency, effectiveness, and competitiveness.
- The value chain model, views activities in organizations as either primary (*reflecting the flow of goods and services*) or secondary (*supporting the primary activities*). The organizational structure of firms is intended to support both of these types of activities.
- Unlike the primary activities, which directly add value to the product or service, the support activities are operations that support the creation of value (primary activities)
  - The firm's infrastructure (accounting, finance, management)
  - Human resources management
  - Technology development (R&D)
  - Procurement

Value Chain 1

- What's important to Porter's concept is that every function involved in the production of the product, and all of the support services, from information technology to accounting, should be included in a single value chain.
- It's only by including all of the activities involved in producing the product that a company is in position to determine exactly what the product is costing and what margin the firm achieves when it sells the product.



Support Activities

Firm Infrastructure
(Accounting, Finance, General Management)

Human Resource Management
(Human Resources)

Technology Development
(Engineering)

Procurement
(Material Management-Operations)

Primary Activities

Inbound Logistics
(Material Management-Operations)

Operations
(Operations)

Outbound Logistics
(Material Management-Operations)

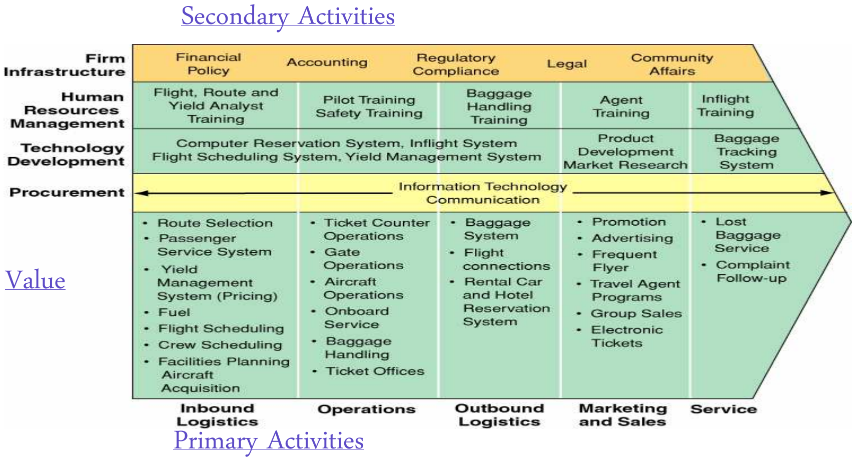
Marketing and Sales
(Marketing)

Service
(Service or Marketing)

Profit Margin

Profit Margin

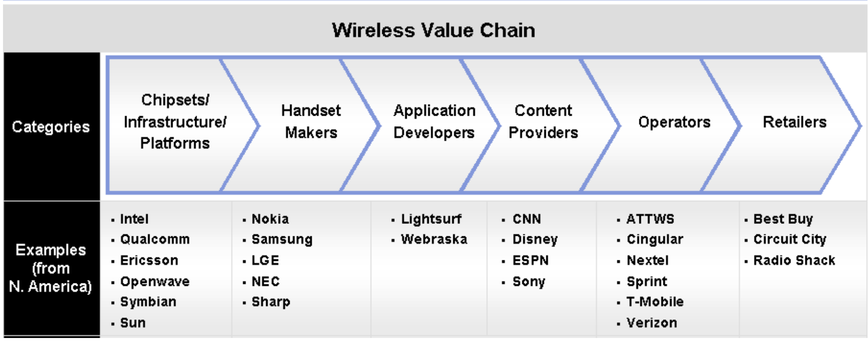
Value Chain 2



	Inbound Logistics	Operations	Outbound Logistics	Marketing and Sales	Service
Firm Infrastructure	Financial Policy	Accounting	Regulatory Compliance	Legal	Community Affairs
Human Resources Management	Flight, Route and Yield Analyst Training	Pilot Training Safety Training	Baggage Handling Training	Agent Training	Inflight Training
Technology Development	Computer Reservation System, Inflight System Flight Scheduling System, Yield Management System			Product Development Market Research	Baggage Tracking System
Procurement	Information Technology Communication				
	• Route Selection • Passenger Service System • Yield Management System (Pricing) • Fuel • Flight Scheduling • Crew Scheduling • Facilities Planning Aircraft Acquisition	• Ticket Counter Operations • Gate Operations • Aircraft Operations • Onboard Service • Baggage Handling • Ticket Offices	• Baggage System • Flight connections • Rental Car and Hotel Reservation System	• Promotion • Advertising • Frequent Flyer • Travel Agent Programs • Group Sales • Electronic Tickets	• Lost Baggage Service • Complaint Follow-up

Example Value Chain: Wireless Phones

- When focusing on a particular organization, the generic primary activities are made specific to the organization's products or services. This may also change the number of categories, as shown below:

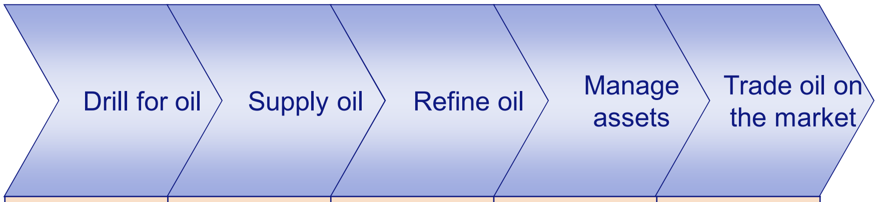


Wireless Value Chain

Categories	Chipsets/ Infrastructure/ Platforms	Handset Makers	Application Developers	Content Providers	Operators	Retailers
Examples (from N. America)	• Intel • Qualcomm • Ericsson • Openwave • Symbian • Sun	• Nokia • Samsung • LGE • NEC • Sharp	• Lightsurf • Webraska	• CNN • Disney • ESPN • Sony	• ATTWS • Cingular • Nextel • Sprint • T-Mobile • Verizon	• Best Buy • Circuit City • Radio Shack

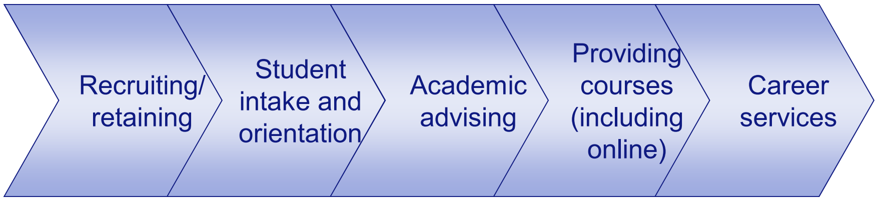
http://www.immr.org/1/Slides/P2.2_Wireless%20Value%20Chain.png, accessed on 16 March 2010.

Example Value Chain: Oil and Gas Company



Drill for oil	Supply oil	Refine oil	Manage assets	Trade oil on the market
- Identify opportunities - Perform analysis - Conduct studies - Schedule drilling - Conduct drilling operations - Transport product	- Develop market view - Manage customer - Manage demand - Plan sales and operations - Manage replenishment	- Manage refinery scheduling - Manage blending - Manage refinery operations - Maintain refinery models - Conduct reporting	- Maintain long-range business plan - Maintain strategic plan	- Develop new business - Trade oil and commodities - Schedule movements - Manage credit - Manage contracts

Example Value Chain: University



Recruiting/ retaining

Student intake and orientation

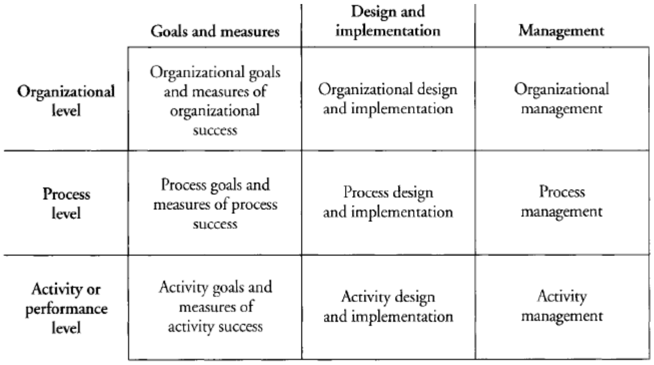
Academic advising

Providing courses (including online)

Career services

A performance framework

- It identifies nine different concerns that anyone trying to change processes in an organization must consider.
- Approaches that focus only on processes or on performance level measures or on process management are limited perspectives



	Goals and measures	Design and implementation	Management
Organizational level	Organizational goals and measures of organizational success	Organizational design and implementation	Organizational management
Process level	Process goals and measures of process success	Process design and implementation	Process management
Activity or performance level	Activity goals and measures of activity success	Activity design and implementation	Activity management

Figure 1.4 A performance framework (modified after a figure in Rummler and Brache's *Improving Performance*).

Discussion

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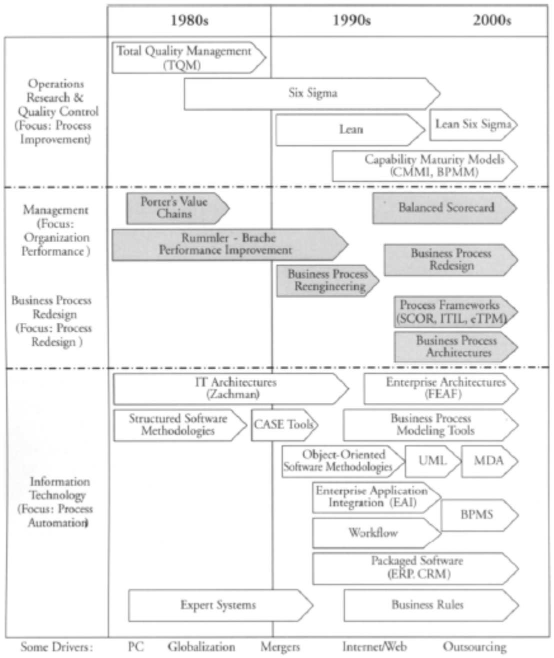
1980s
1990s
2000s
Operations Research & Quality Control (Focus: Process Improvement)
Total Quality Management (TQM)
Six Sigma
Lean
Lean Six Sigma
Capability Maturity Models (CMMI, BPMM)
Management (Focus: Organization Performance)
Porter's Value Chains
Balanced Scorecard
Rummler - Brache Performance Improvement
Business Process Redesign
Business Process Reengineering
Business Process Redesign (Focus: Process Redesign)
Process Frameworks (SCOR, ITIL, eTPM)
Business Process Architectures
IT Architectures (Zachman)
Enterprise Architectures (FEAF)
Structured Software Methodologies
CASE Tools
Business Process Modeling Tools
Object-Oriented Software Methodologies
UML
MDA
Information Technology (Focus: Process Automation)
Enterprise Application Integration (EAI)
BPMS
Workflow
Packaged Software (ERP, CRM)
Expert Systems
Business Rules
Some Drivers:
PC
Globalization
Mergers
Internet/Web
Outsourcing

Figure 1.5 Some key ideas and groups that are part of the business process management movement.

What Drives Business Process Change?

- In economically bad times, when money is tight, companies seek to make their processes more efficient.
- In economically good times, when money is more available, companies seek to expand, to ramp up production and to enter new markets.
- They improve processes to offer better products and services in hopes of attracting new customers or taking customers away from competitors.

Questions?