



Understanding the Enterprise

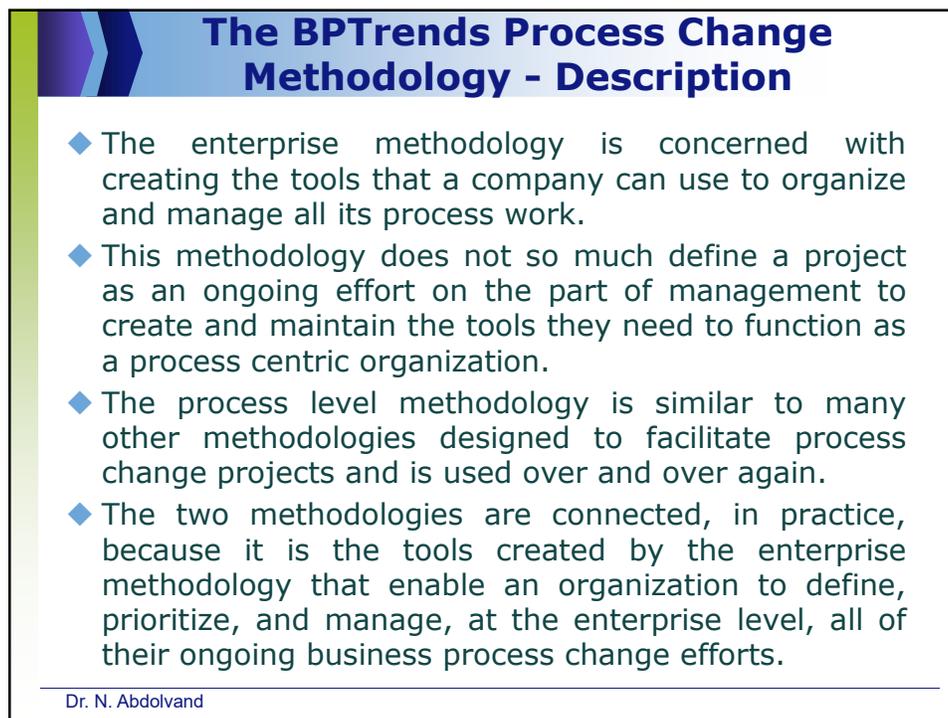
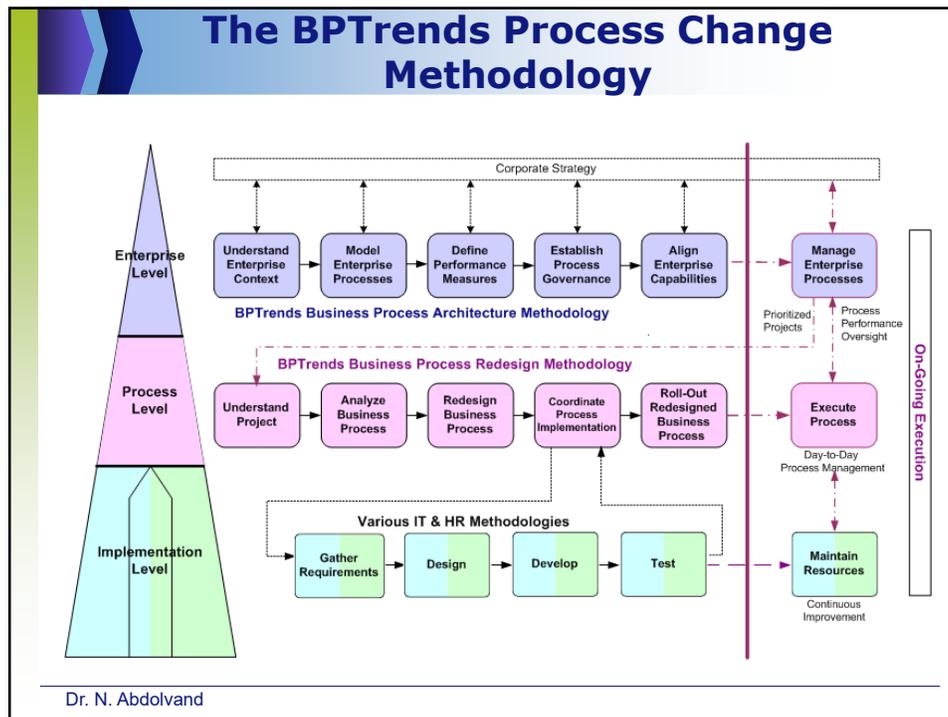
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Business Process Reengineering

Outline

◆ In This Chapter

- 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.



Understanding the Enterprise

- ◆ This phase often involves the executive committee and the senior executives of the company.
- ◆ This phase begins with the creation of a series of organization diagrams that define the business and its key relationships and gradually refine everyone's understanding of the organization and its stakeholders, including stockholders, customers, suppliers, distributors, and various governmental entities.
- ◆ As a result of this phase, everyone agrees on the basic value chains and the organization is in a position to proceed to define architectures for each value chain.

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Defining a Business Process Architecture

- ◆ Phase II begins with the selection of a specific value chain and the commitment to create a business process architecture for that value chain.
- ◆ At a minimum, each value chain is defined by elucidating the core business processes and subprocesses in the value chain.
- ◆ Then, using the business processes defined in the architecture, the team proceeds to define how each process will be monitored and measured.
- ◆ Depending on the needs of the organization, resources can then be aligned to the processes in the process architecture.
- ◆ Some companies will want to align policies and business rules with their processes.
 - Some will want to align IT resources, like software applications and databases.
 - Others will want to align human resources, including jobs, skill requirements, training programs, and knowledge management programs.

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Defining a Business Process Architecture 2

- ◆ There are different approaches to the creation of a business process architecture.
- ◆ Historically, the most popular way to define a company's processes has been to put a group of managers in a room and discuss how things get done.
- ◆ Usually, following a lot of discussion, the group arrives at a high-level overview of the company's major processes.
- ◆ Today that activity, and the associated activity of defining process measures, can be considerably accelerated by using a business process framework.
- ◆ The BPTrends enterprise methodology usually relies on using the extended version of a business process framework to help managers develop a basic business process architecture and measurement system with a minimum fuss.

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Refine Process Governance

- ◆ Once the business process architecture is in place and measures are defined for each of the major processes, the team should move on to the development of a plan to manage their organization's business processes.
- ◆ Different organizations take various approaches.
 - Some rely primarily on a functional (departmental) organization.
 - A few rely on a process-oriented management organization.
 - Most end up with some kind of matrix that includes both functional and process managers.
- ◆ At the same time the enterprise process team will want to consider how to measure and monitor the performance of process managers.
- ◆ Many companies rely on a Balanced Scorecard-oriented approach,
 - either using a portion of each manager's scorecard to track his or her performance as a process manager, or
 - creating a dual scorecard system with one set of scorecards monitoring process work and another monitoring functional responsibilities.

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Refine Process Governance

- ◆ During this same phase the team will probably also create a BPM Group (or BPM Center of Excellence) to provide the staff to help senior executives monitor processes, maintain the architecture tools, and to undertake ongoing responsibilities such as prioritizing project change projects.
- ◆ Keep in mind that these phases will need to be adjusted to the individual organization.
- ◆ One organization, for example, might already have an existing BPM Center of Excellence.
 - In this case, it would probably be the BPM Center of Excellence that creates the architecture.
 - In other cases an ad hoc group will be established to create the architecture and then to create the BPM group to maintain it.
 - When attempting to change the way things are organized at the enterprise level, one always starts with what is already in place and moves forward from there.

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The Day-to-Day Management of Enterprise Processes

- ◆ The BPTrends enterprise methodology focuses on helping an organization develop the basic tools needed to create and manage a process-centric organization.
- ◆ Once the basic tools are in place and a BPM Group is established, the on-going maintenance and use of the tools becomes a matter of execution.
- ◆ We will discuss what the day-to-day governance of a process-centric organization entails and provide a case study to show how a process centric organization functions.

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Strategy and Enterprise BPM

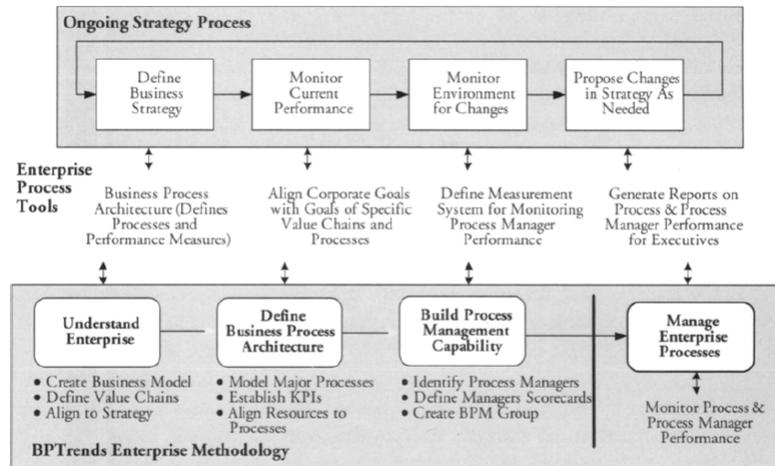


Figure 3.2 Enterprise process managers and those in strategy need a common set of tools.

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The Traditional View of an Organization's Structure

- ◆ an organization chart doesn't show the customers
- ◆ The departments or functional groups within a department are referred to as "silos"
- ◆ When managers conceptualize their organizations as vertical organizations, they tend to manage in a vertical manner.
 - They focus on who reports to whom, and set goals for each group independent of the others.
- ◆ At the same time, *silo thinking leads managers to focus on making their departments as efficient as possible, without much regard to what's going on in other silos*

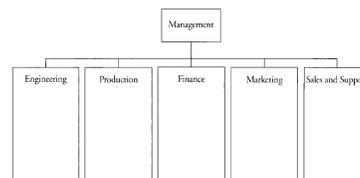
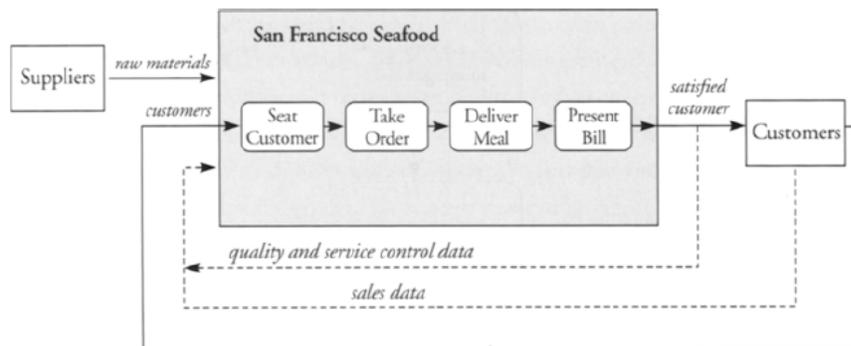


Figure 3.3 A traditional organization chart.

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The Systems View of an Organization

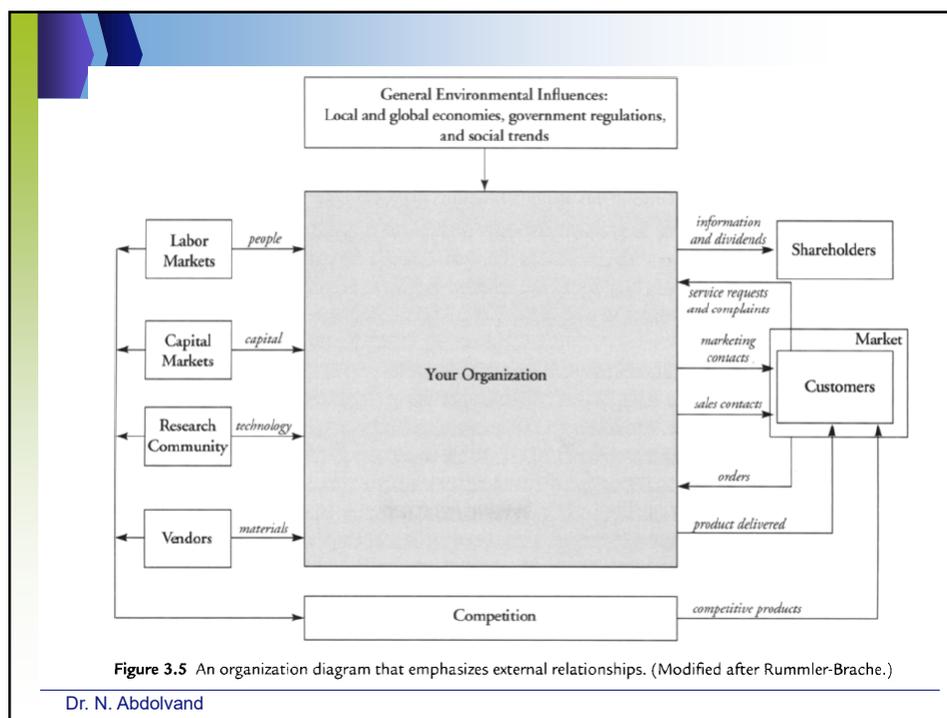
- ◆ Imagine an organization as a system is often referred to as a *horizontal or systems view* of the organization.
- ◆ A systems view emphasizes process and connections, and ultimately adaptation.



Dr. | **Figure 3.4** A systems view of the SF Seafood company.

Organization Diagrams

- ◆ an extension of systems diagrams that are modified so that they can be used to describe
 - the basic structure of an organization, the relationship of the organization to its external environment, and
 - the relationships among the departmental units within the organization
 - basic processes used by the organization and how those processes relate to the basic departmental units.
- ◆ **Figure 3.5: supersystem diagram**
 - to emphasize that it focuses on what happens outside the organization rather than on what occurs inside
 - Kind of diagram a strategy committee might use to picture the relationships between your organization and those it depends upon



Organizations and Value Chains 1

- ◆ “lumpers” vs. “Splitters”: consider General Motors
 - each line of cars represents a different value chain with a different group of customers
 - all cars are very similar and represent one value chain, while trucks are rather different and represent a second value chain
 - one is a manufacturing value chain while the other is a financial value chain
 - even GM's financial group is a process within a broader autos value chain
- ◆ The goal of a value chain analysis is to assure that all of the processes involved in the creation of a product line are all considered together
- ◆ There is no right answer. The answer usually emerges from a discussion among senior managers.

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Example 1

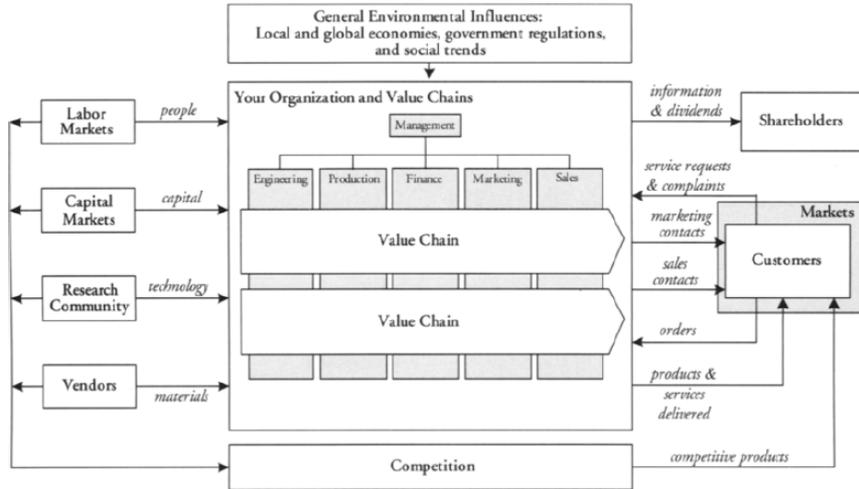


Figure 3.7 An organization diagram of a company with two value chains.

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Example 1: in more detail

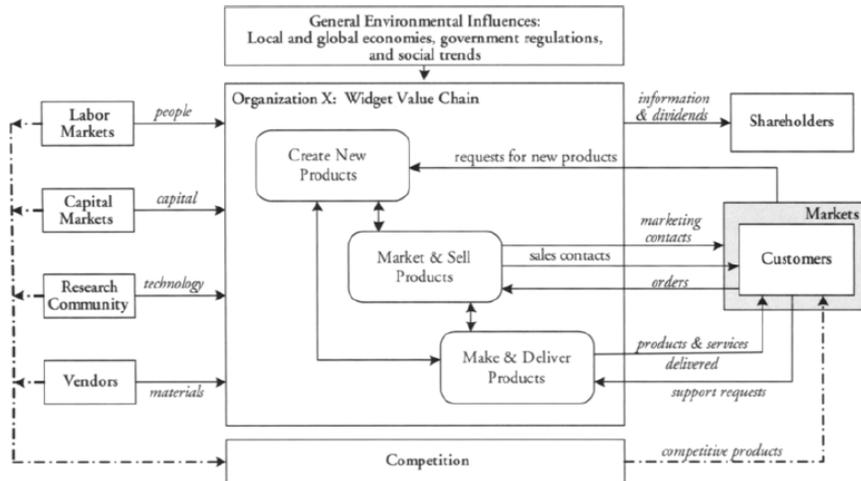


Figure 3.8 An organization diagram for a specific value chain with three core processes identified.

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Organizations and Value Chains 2

◆ Outsourcing

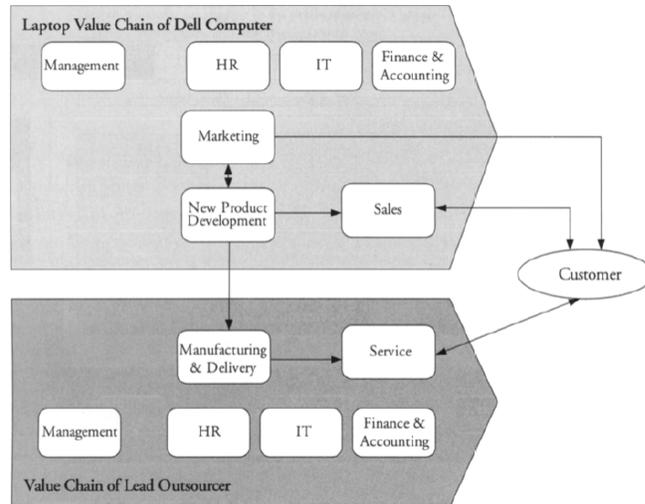


Figure 3.6 The Dell laptop value chain.

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System thinking vs. Process thinking

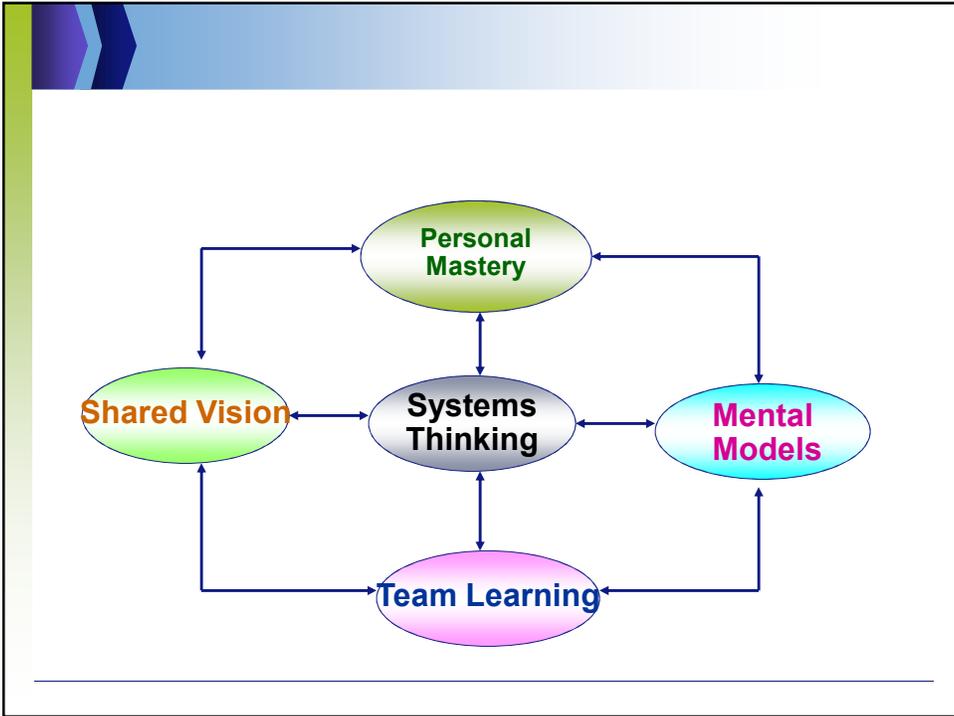
System thinking

- ◆ emphasis on understanding the organization as a whole
 - "Personal mastery"
 - "Mental Models"
 - "Shared Vision"
 - "Team Learning"
 - "System Thinking"

Process thinking

- ◆ just a subset of systems thinking
- ◆ thinking about a portion of the system that produces a specific set of results
- ◆ to think of the entire process, to understand how a specific process fits within the larger process and ultimately within the value chain

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Questions?