Economic aspects of BPM

PV207 Business Process Management

Michal Krčál

Department of Corporate Economics

25. 4. 2019

Today's content

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



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Introduction

- Assistant professor at the Department of Corporate Economics, Faculty of Economics and Administration
- Ph.D. research: Information Business Value (of Corporate portals)
- 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 12 years relationship with BPM

- Met BPM at FI
- Participated in few seminars (and webinars) and workshops abroad
- Consulted and graded modeling projects for 10 years and lectured (business) BPM for 8 years
- Did some non-commercial small business analysis projects
- Did one large commercial process analysis optimization project at Honeywell

Do you know what business strategy is?

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

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- How would you define BPM?

- 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?

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 - code vs. model
 - programmer vs. administrator

Three BPM traditions

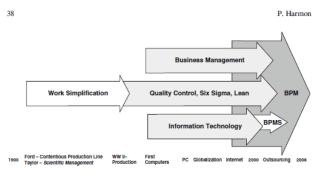


Fig. 1 An overview of approaches to business process change

Management Tradition - business thing

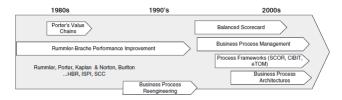


Fig. 6 The management tradition

Quality Tradition - business thing

The Scope and Evolution of Business Process Management



Fig. 2 The quality control tradition

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IT Tradition - IT and business thing

50 P. Harmon

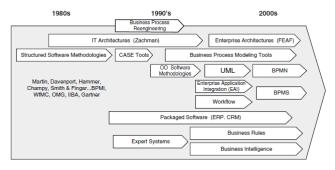


Fig. 7 The information technology tradition

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Main point

How much was it about business and how much about IT?

Main point

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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.

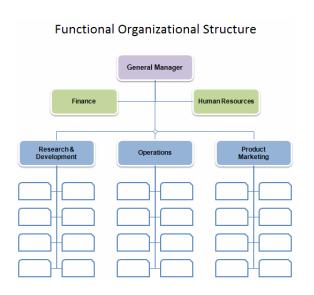
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 - Customer (super)centric
 - Knowledge management
 - Design one purpose, short time
 - Quality vs. fast innovation
 - Frequency of innovations (competition China, restless customers)

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- How to manage this?
- How to gain a competitive advantage in/from this?

Typical (old) view of the company





Does this structure make a sense?



• Does this structure make a sense? Yes, but...



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

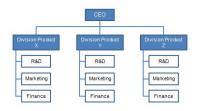


- Does this structure make a sense? Yes, but...
- No interconnections between departments
- No customer focus, no added value focus,
- Typical approach: overemphasis on cutting expenses and local increase of productivity



Process view on the company

Is this a solution?



Process view on the company

Is this a solution?



double activities

Process view on the company

Is this a solution?

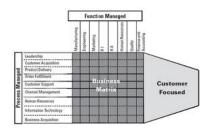


- double activities
- fighting between process (product) departments



Solution is in balance

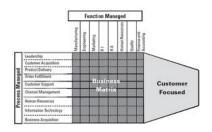
Matrix structure



No extreme is usually good.

Solution is in balance

Matrix structure



- No extreme is usually good.
- Any problems with this?

Solution is in balance

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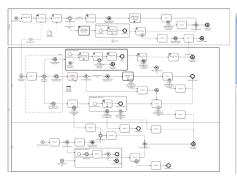
- No extreme is usually good.
- Any problems with this?
- BPM shows the way how to make the matrix work!

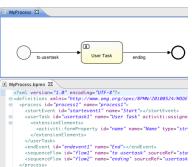
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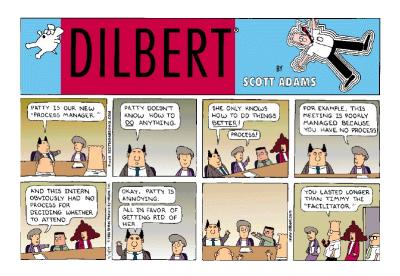


BPM and IT



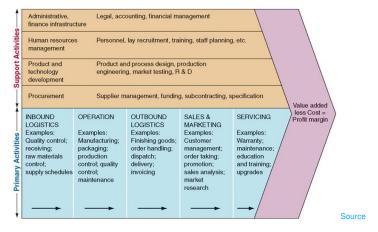


BPM and business



BPM and business processes

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





Source



Source

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



Source

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- They should know about the other one's world



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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Q&A and discussion

• 15 minutes for coffee or discussion, your choice ©

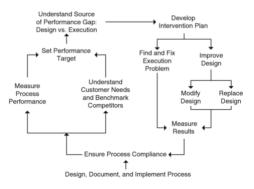
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Where is your place?

What is Business Process Management?



Zdroj: (Brocke and Rosemann 2014).

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Weske's Business Process Lifecycle

12 1 Introduction Evaluation: Process Mining Business Activity Monitoring Evaluation Design: Business Process Administration Enactment: Identification and Design & and Enactment Modeling Operation Analysis Stakeholders Monitorina Analysis: Maintenance Validation Simulation Configuration Verification Configuration: System Selection Implementation Test and Deployment

Fig. 1.5. Business process lifecycle

Another Life-cycles





- 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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Implement/Execute

Your thing!

Monitor/Control/Analyse

- 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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- Analyze and management exceptions and process efficiency.

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- 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.

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The Six Core Elements of Business Process Management

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- Strategic Alignment
- @ Governance
- Methods
- Information Technology
- People
- 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	
Strategy & Process Capability Linkage	Process Roles and Responsibilities	Process Implementation & Execution	Process Implementation & Execution	Process Management Knowledge	Process Values & Beliefs	Cap
Enterprise Process Architecture	Process Metrics & Performance Linkage	Process Monitoring & Control	Process Monitoring & Control	Process Education	Process Attitudes & Behaviors	apability A
Process Measures	Process Related Standards	Process Improvement & Innovation	Process Improvement & Innovation	Process Collaboration	Leadership Attention to Process	Areas
Process Customers & Stakeholders	Process Management Compliance	Process Program & Project Management	Process Program & Project Management	Process Management Leaders	Process Management Social Networks	

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• 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

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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

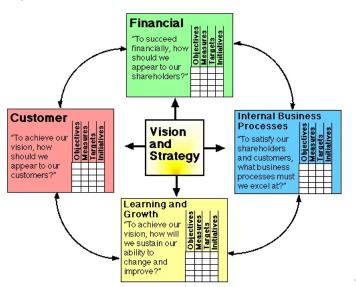


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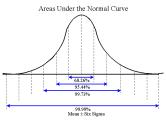


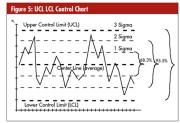
Lean Six Sigma

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

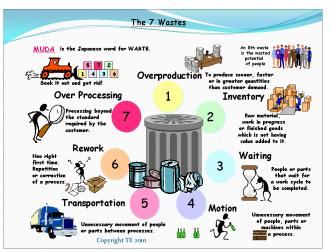
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Lean - 7 wastes



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

Theory of Constraints

TOC in nutshell

Theory of Constraints

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

Theory of Constraints

- 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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 - You will be welcome ;-)

Q&A