THEME 1. THE ESSENCE OF THE PROCESS APPROACH TO MANAGEMENT TRADE ENTERPRISE

Lecture 1. The concept of process management

Lecture plan
1. The essence of business process management.
2. Basic foundations of process oriented management.
3. Difference BPM technology from existing technologies.
4. Purpose of the business processes.

1. The essence of business process management

Process management or business process management (BPM), both the software and the management theory and practice, provides the ability to model, manage, and optimize processes.

It is about the continuous comprehension and management of enterprise processes that interact with people and systems, both within and across enterprise.
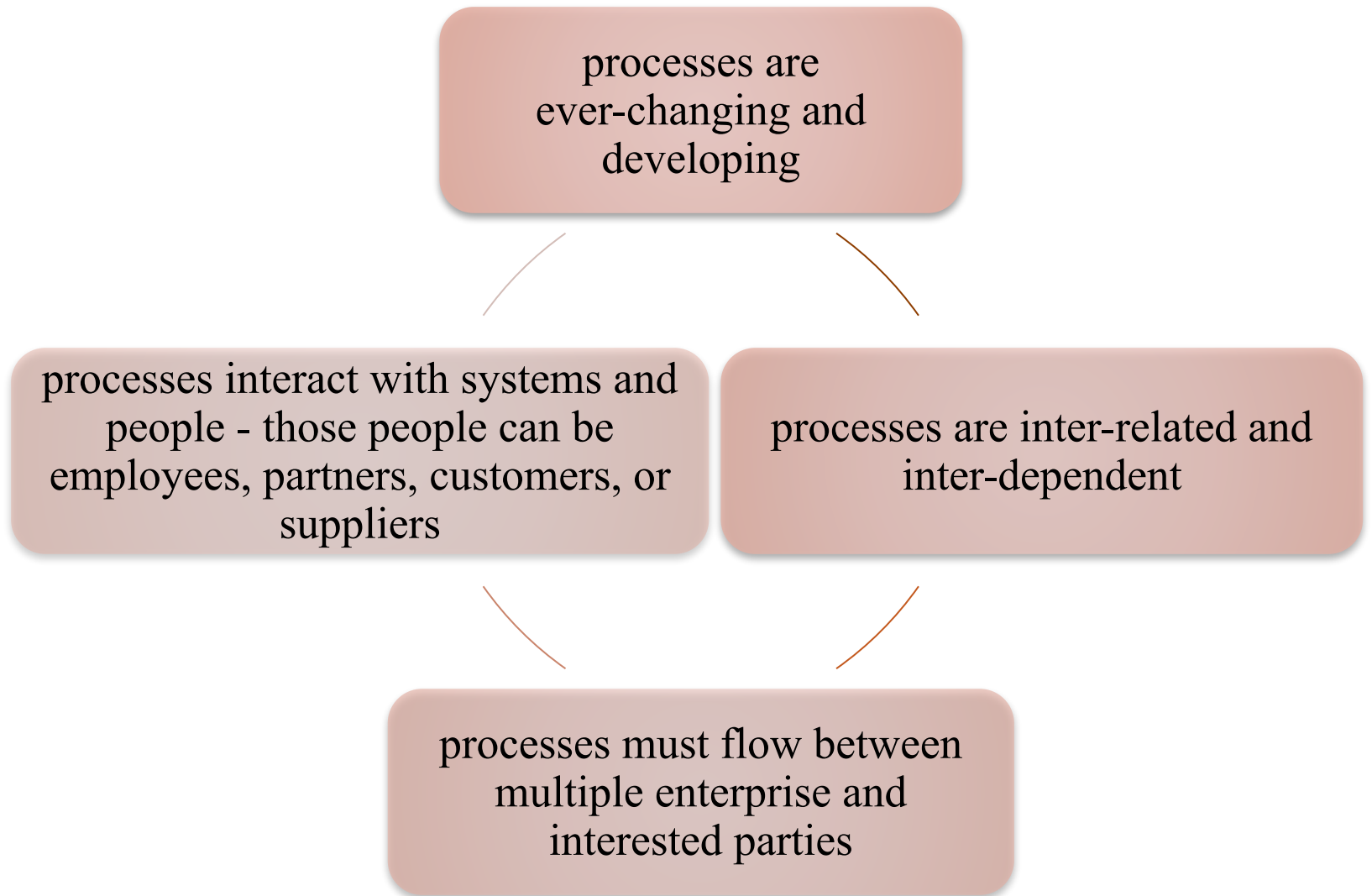
Fig. Assumptions of BMP

Successful deployment of a process management, particularly BPM, can benefit both lines of business and the IT department. For the enterprise as a whole, BPM can ensure business process transparency and visibility, which can lead to higher productivity, reduced errors, and tighter relevance to organizational and environmental requirements.

This particularly directly impacts an organization's ability to adapt to changes in the marketplace (e.g. introduce new products), reduce operational costs, and improve customer service.

The effects of process-oriented management in business practice have been analyzed since the beginning of BPM implementations. Positive effects and strengths of this approach are clearly more often reported than negative effects and weaknesses.

For example, in a recent random survey of TIBCO BPM customers, conducted by independent agency Intercai Mondiale, the process management concept implementation in enterprises is successful and positive one – the majority of the respondents reported an organizational improvement:

*100% of organizations reported increased productivity,
* 95% of organizations improved quality of service,
* 82% of organizations reduced operating costs,
* 82% of organizations saw faster process cycle times.

<u>The most important areas that companies need to address to be efficient in BPM implementations are:</u>

* a close relation between business strategy and business processes and an integration of BPM into long-term business objectives,

* a utilization of management methods to support the better fit between strategy and allowing a continuous improvement of processes,

* an appropriate process oriented management structure, for example a nomination of an executive manager having both: IT and business knowledge (CPO – chief process officer), and a process team, including all necessary roles as process owner, CPO, process controller, process auditor,

* controlling of process risks in order to pose threats to efficient execution of processes and consideration of new legal requirements,

* process oriented IT applications to be selected and implemented in line with business processes and strategy.

For the IT department in an enterprise, BPM can connect disparate systems, particularly by getting more value out of current investments. BPM allows IT to future-proof infrastructure so that additions or changes to the system do not require reinvention or significant changes to the business processes.

The service-oriented nature of such an infrastructure allows quick development and deployment of new applications and processes. This allows IT to be more responsive to the changing environment and requirements of the enterprise.

2. Basic foundations of process oriented management

The origin and basic foundations of the process oriented management approach in the enterprise can be found in the atomization of the enterprise as the decomposition of work into small elements.

The result of the first atomization by functions was a functional structure, which is still used very often in organizations, but it leads to many management problems.

The process management is the way of the approach to the management, focusing on sequences of works undertaken in the enterprise and beyond with relations among them, due to the aim of the achievement of commonly accepted intentional results.

The process orientation recommends general (systems) thinking about processes, as related with each other actions - every enterprise can be recognized as the set of interrelated processes. The process identification allows for a better understanding of creating the value, and it enlarges improvement capabilities, e.g. in the efficiency of organization functioning and in the degree of internal and external customers satisfaction.

The process oriented approach by integrating time and quality, allows time performance and lowering costs and also, what is much more important, the achievement of multidimensional strategic effects – an increase of flexibility and competitive superiority, and finally it leads to growth of the value of enterprise.

However all these positive consequences do not mean that the process oriented approach is the only management solution and we should remember about its defects and failures while pushing and forcing the implementation of this management concept uncritically quite often.

Processes observed in business organizations are usually the object of interest in a process management theory and practice.

The most important areas of enterprise functioning, where the process knowledge is necessary are:
❑   customer relationship management,
❑   product/service management,
❑   design and product/service development,
❑   logistics management.

Process orientation has following results:

- ❖ Organizational engagement
- ❖ Organization management
- ❖ Customer focus and value focus
- ❖ Process transparency
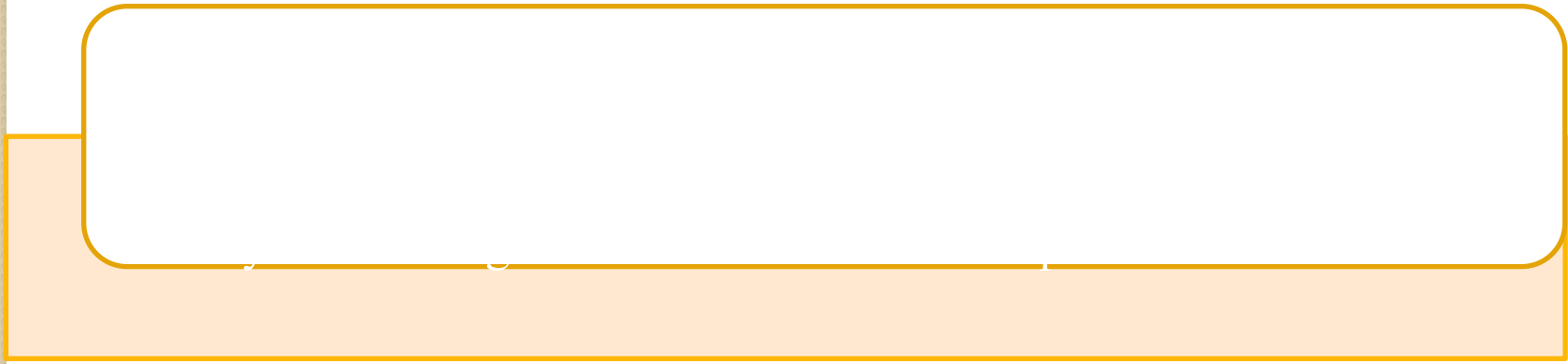- ❖ Process integration
- ❖ Process efficiency

Fig. Features of process oriented approach

All these positive consequences do not mean that the process oriented approach is the only management solution and we should remember about its defects and failures while pushing and forcing the implementation of this management concept uncritically quite often.

The process orientation relates to material processes (product), and also to immaterial processes (information). The last one type, about the service character, as the processing of information, exists in all functional areas of the trade enterprise. The concept of business process reengineering, as the first one, truly perceived and put the process in the center of the manager's attention.

3. Difference BPM technology from existing technologies

Viewed from a purely technical perspective, BPM is a convergence of a number of existing approaches, methods, tools and technologies. Its primary roots are in the process management capabilities of workflow tools but it also includes capabilities that derive from process modeling, application integration, process analytics, rules management, and collaboration portals.

In the ISO 9001:2008 standard "review input" is a requirement and the standard lists the following items as input to the management review process:

• results of audits

• customer feedback

• process performance and product conformity

• status of preventive and corrective actions

• follow-up actions from previous management reviews

• changes that could affect the quality-management system

BPM promotes a process-centric view of IT where the management of end-to-end processes is separated from the underlying applications, their connections, and the data.

It involves the creation of an independent process layer as an aspect to be described. This layer contains a complete view of all the activities necessary to execute a particular business process and it can manage the flow of these activities whether they involve different applications, people, resources and information or a combination of all.

As with the definition of BPM itself technologies should be included under this heading. There's broad consensus that the essentials include the following:

- Technologies for defining and executing human workflows, which are processes that connect people. Providing automated support for human-oriented processes is a fundamental aspect of BPM, as are the graphical tools used to define those processes.

- Technologies for defining and executing system workflows, which are processes that connect software. Supporting these automated interactions among applications is another fundamental part of BPM, and it includes graphical tools to define those interactions.

- Business rules engines (BREs). If decisions made by a business process can be expressed as a set of rules, a BRE can frequently be used to make those decisions in software. Doing this can help decision making be faster, cheaper, and more consistent.
- Business activity monitoring (BAM). The people who rely on a business process can often benefit from visibility into currently running instances of that process. BAM provides this visibility, exposing relevant information about running processes in terms that are meaningful to the information workers who use it.
- Process description tools: Having a clear understanding of a business process commonly starts with a picture of that process. Graphical tools for illustrating the actions and relationships in a process are useful for creating this picture.

A BPM suite or package is not just a sum of these parts. It brings together all these technology elements into a single platform that manages the lifecycle of a process starting from definition, through deployment, execution, measurement, change, and re-deployment. More significantly, it involves a fundamental change in the way that we think about the structure of IT systems, applications, and infrastructure.

4. Purpose of the business processes

Business activity in trade enterprise must focus on value and customer expectations and requirements.

It must be a value added activity, with the following assumptions:

❑ business activity provides goods and services for consumers,

❑ business activity should make a positive difference between revenue and expenses: net income must be positive one,

❑ in business activity a net income is used for improvement of the business or it is given to the 'owner',

❑ business activity in nonprofit organizations is not creating a 'profit for the owner'; it is just to create a quality of the service.
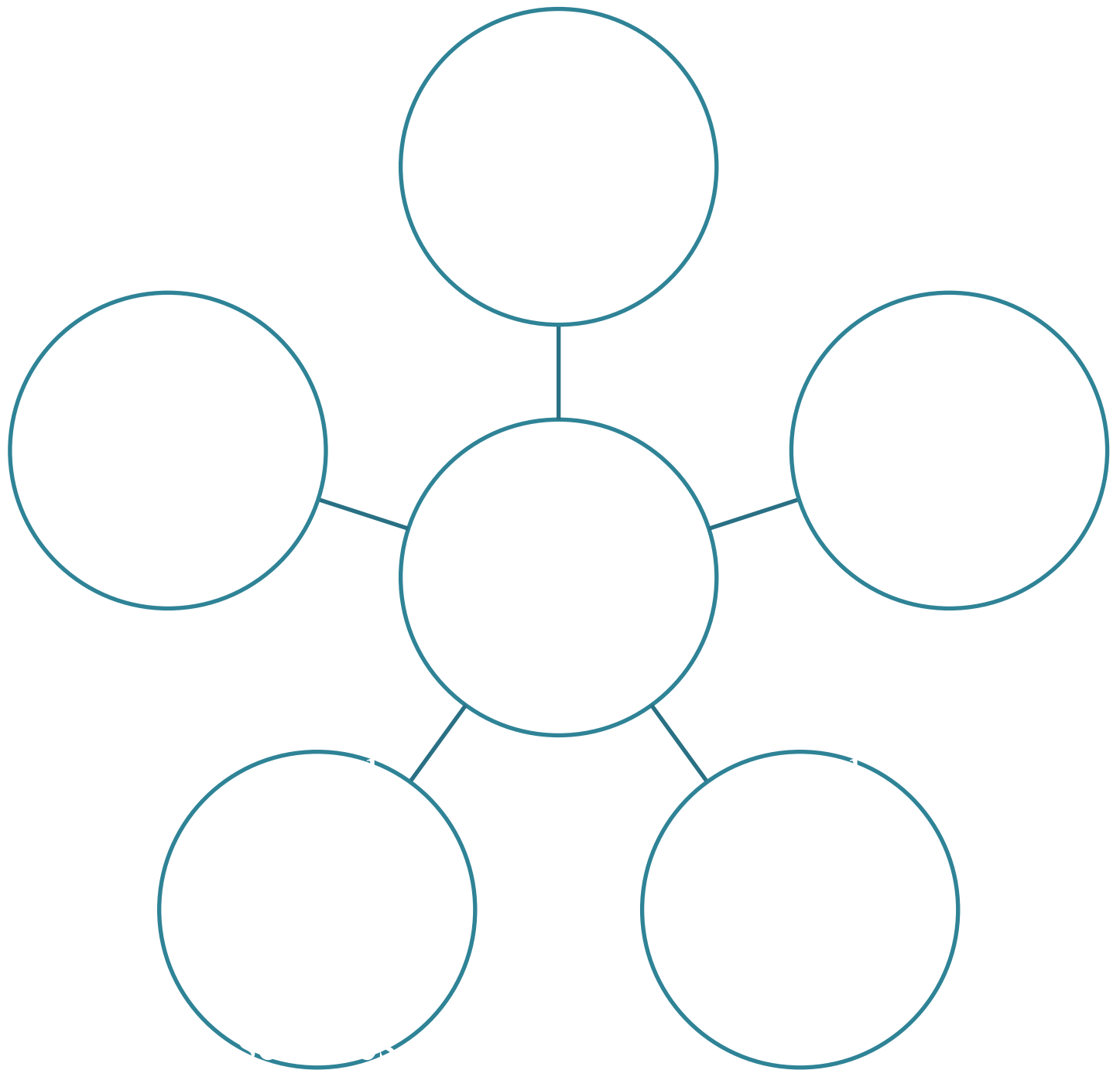
Basic business information processes and outputs are as follows:

❖ entering customer orders,
❖ billing customers,
❖ collection customer payments,
❖ keeping track of inventory,
❖ purchasing stock and materials,
❖ paying bills/employees,
❖ reporting financial information.

The particular features of the business processes are:

- important functions in businesses are: accounting, financing, marketing, production/manufacturing or service delivering, and human resources

- business provides goods or services for enterprise profit or existence

- enterprise functions are modeled by an organization static structure with diagramming (e.g. an organigram)

- processes are modelled (e.g. by ARIS, IDEF, iGrafx modelling packages)

- producing good companies types are: manufacturer, distributor, retailer, service provider

- information flows between departments as process must flow

- information on documents/screens is for designing, decision making, monitoring and controlling

- documents 'tell' what data is interesting enough for collecting in IT systems

Companies today are rushing headlong to become more digital.

But what does digital really mean?

For some executives, it's about technology. For others, digital is a new way of engaging with customers. And for others still, it represents an entirely new way of doing business. None of these definitions is necessarily incorrect. But such diverse perspectives often trip up leadership teams because they reflect a lack of alignment and common vision about where the business needs to go. This often results in piecemeal initiatives or misguided efforts that lead to missed opportunities, sluggish performance, or false starts.

To help make this definition more concrete, we've broken it down into three attributes: creating value at the new frontiers of the business world, creating value in the processes that execute a vision of customer experiences, and building foundational capabilities that support the entire structure.

1. Creating value at new frontiers

Being digital requires being open to reexamining your entire way of doing business and understanding where the new frontiers of value are. For some companies, capturing new frontiers may be about developing entirely new businesses in adjacent categories; for others, it may be about identifying and going after new value pools in existing sectors.

Unlocking value from emerging growth sectors requires a commitment to understanding the implications of developments in the marketplace and evaluating how they may present opportunities or threats. The Internet of Things, for example, is starting to open opportunities for disrupters to use unprecedented levels of data precision to identify flaws in existing value chains. In the logistics industry, the use of sensors, big data, and analytics has enabled companies to improve the efficiency of their supply-chain operations.

At the same time, being digital means being closely attuned to how customer decision journeys are evolving in the broadest sense. That means understanding how customer behaviors and expectations are developing inside and outside your business, as well as outside your sector, which is crucial to getting ahead of trends that can deliver or destroy value.

2. Creating value in core businesses

Digital's next element is rethinking how to use new capabilities to improve how customers are served. This is grounded in an obsession with understanding each step of a customer's purchasing journey—regardless of channel—and thinking about how digital capabilities can design and deliver the best possible experience, across all parts of the business. For example, the supply chain is critical to developing the flexibility, efficiency, and speed to deliver the right product efficiently in a way the customer wants. By the same token, data and metrics can focus on delivering insights about customers that in turn drive marketing and sales decisions.

Digital isn't about just working to deliver a one-off customer journey. It's about implementing a cyclical dynamic where processes and capabilities are constantly evolving based on inputs from the customer, fostering ongoing product or service loyalty. Making this happen requires an interconnected set of four core capabilities:

2.1. Proactive decision making.

Relevance is the currency of the digital age. This requires making decisions, based on intelligence, that deliver content and experiences that are personalized and relevant to the customer. Remembering customer preferences is a basic example of this capability, but it also extends to personalizing and optimizing the next step in the customer's journey. Data providers such as ClickFox, for example, blend data from multiple channels into one view of what customers are doing and what happens as a result. In the back office, analytics and intelligence provide near-real-time insights into customer needs and behaviors that then determine the types of messages and offers to deliver to the customer.

2.2. Contextual interactivity.

This means analyzing how a consumer is interacting with a brand and modifying those interactions to improve the customer experience. For example, the content and experience may adapt as a customer shifts from a mobile phone to a laptop or from evaluating a brand to making a purchasing decision. The rising number of customer interactions generates a stream of intelligence that allows brands to make better decisions about what their customers want. And the rapid rise of wearable technology and the Internet of Things represents the latest wave of touchpoints that will enable companies to blend digital and physical experiences even more.

2. 3. Real-time automation.

To support this cyclical give-and-take dynamic with customers and help them complete a task now requires extensive automation. Automation of customer interactions can boost the number of self-service options that help resolve problems quickly, personalize communications to be more relevant, and deliver consistent customer journeys no matter the channel, time, or device. Automating the supply chain and core business processes can drive down costs, but it's also crucial to providing companies with more flexibility to respond to and anticipate customer demand.

2.4. Journey-focused innovation.

Serving customers well gives companies permission to be innovative in how they interact with and sell to them. That may include, for example, expanding existing customer journeys into new businesses and services that extend the relationship with the customer, ideally to the benefit of both parties. These innovations in turn fuel more interactions, create more information, and increase the value of the customer-brand relationship.

3. Building foundational digital capabilities

The final element of our definition of digital is about the technological and organizational processes that allow an enterprise to be agile and fast. This foundation is made up of two elements:

3.1. Mind-sets.

Being digital is about using data to make better and faster decisions, devolving decision making to smaller teams, and developing much more iterative and rapid ways of doing things. Thinking in this way shouldn't be limited to just a handful of functions. It should incorporate a broad swath of how companies operate, including creatively partnering with external companies to extend necessary capabilities. A digital mind-set institutionalizes cross-functional collaboration, flattens hierarchies, and builds environments to encourage the generation of new ideas. Incentives and metrics are developed to support such decision-making agility.

3. 2. System and data architecture.

Digital in the context of IT is focused on creating a two-part environment that decouples legacy systems—which support critical functions and run at a slower pace—from those that support fast-moving, often customer-facing interactions. A key feature of digitized IT is the commitment to building networks that connect devices, objects, and people. This approach is embodied in a continuous-delivery model where cross-functional IT teams automate systems and optimize processes to be able to release and iterate on software quickly.