

Business Process Management Study Guide

How to systematically improve quality, decrease costs, and simultaneously improve customer satisfaction. A discussion of business processes, business process management and getting started on the path of continuous business improvement.



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Business Process Management Introduction

What are Business Processes? What is Business Process Management?

Business Processes are the collection of structured and related tasks or activities that aim to produce a specific goal or outcome. Businesses usually have many processes in execution simultaneously that have typically evolved over time towards the goal of effectively meeting customer needs.

Business Process Management is a systematic approach to understanding, documenting, analyzing and improving business processes. It has been found that although some businesses can operate without formalizing their processes, becoming more rigorous in this area is a stepping stone to higher performance.

Certainly large businesses have critical needs to understand how their business runs and how to optimize their internal operations so that they become more efficient and effective in meeting customer needs. And businesses that are growing will find that there comes a time where relying on the individuals in your organization to keep things in order is no longer sufficient. As complexity and size outstrip the informal processes that have been effective to date, it becomes wise to invest in understanding how the business functions, writing these function down, understanding where inefficiencies lie and where errors are occurring, and investing in changes to continuously improve quality, reduce costs and simultaneously improve customer satisfaction.

Welcome to Business Process Management...

SHARPER COUNSEL currently has five articles on Business Process Management:

- 1) Business Process Tutorial -- an overview of business processes and business process management to provide a general introduction and to introduce key vocabulary.
- 2) Getting Started with Business Process Management -- a discussion of the need for a clear management stance to pursue business process management and the need to accomplish a "Business Process Inventory" to understand what is in place already.

3) Understanding Your Business Processes -- a discussion that moves from the requirement of a Business Process Inventory to be organized into a "Business Process Architecture" suitable for the type of business under consideration as a key enabler for follow on detail work.

4) Enhancing Your Business Capabilities -- once the business process inventory is organized into a suitable architecture, it is important to attach "Key Process Indicators" to the processes/architecture so that follow on results are measurable in terms of factors important to the business and to serve to identify appropriate start points for detail process work solving real process issues.

5) The Consultant's Role in Business Process Management -- a description of the role consultant can provide when pursuing Business Process Management that extends from leading the inventory, selection of an architecture, identification and mapping of key process indicators, and facilitating the work to solve real business issues.

We have also included three worksheets usable for your own efforts in pursuing Business Process Management:

- Business Process Inventory Worksheet
- Business Process Architecture Worksheet
- Key Process Indicators Worksheet

These should be good starting tools to use and if you need support, don't hesitate to call us:

800.280.2452



Business Process Tutorial

Let's define Business Processes with a copy/paste from two web-searches:

From searchcio.com...

“A business process is an activity or set of activities that will accomplish a specific organizational goal. Business process management (BPM) is a systematic approach to improving those processes.”

From Wikipedia...

“A business process comprises a ‘series or network of value-added activities, performed by their relevant roles or collaborators, to purposefully achieve the common business goal.’

These processes are critical to any organization: they may generate revenue and often represent a significant proportion of costs. As a managerial approach, BPM considers processes to be strategic assets of an organization that must be understood, managed, and improved to deliver value added products and services to clients.”

Business Processes – Diving Deeper

Business Processes are the collection of structured and related tasks or activities that aim to produce a specific goal or outcome. Businesses usually have many processes in execution simultaneously that have typically evolved over time towards the goal of effectively meeting customer needs. It has been found that although some businesses can operate without formalizing their processes, becoming more rigorous in this area is a stepping stone to higher performance.

Business processes come in many forms and fashions and generally stratify into two types:

- 1) physical processes, which yield a physical, tangible result, and
- 2) information processes, which convey thought and meaning and typically yield a report.

Another way of looking at business processes is through a time-based definition:

- 1) planning processes for things to be done in the future,
- 2) execution processes for things being done at present, and
- 3) reporting processes for things that have already been done.

To tie these two views together, planning and reporting processes are typically information processes and yield reports for managerial review and approval. Execution processes may have information aspects, e.g. progress reports, but execution processes are typically physical processes and drive the basic revenues of most product related businesses.

Let's look at the time-based categorization of business processes a bit more deeply.

Planning Processes can be as simple as a staff meeting check-in for goal alignment between two groups and can be as complicated as multi-month business planning project that involves dozens of people. A basic tenant of effective planning processes is to ensure that objectives of the business are divided into workable pieces across the structure of the organization.

Execution Processes are used to guide and monitor the progress of the plan towards objectives and facilitate understanding and resolving discrepancies between the plan and reality. Effective use of execution processes allow a business to make adjustments to its resources, its approach and its expectations to optimize progress towards objectives.

Reporting Processes provide the business specific measureable results and communicate those results to those of interest, e.g. ownership, the management team, the employees and the public. These reporting systems are typically based on a set of metrics that are important to the stakeholders and provide feedback to the business regarding business results.

Complex business processes can be decomposed into sub-processes. These sub-processes have their unique attributes, yet they also contribute to attaining the super-process' goal. Analysis of these business processes usually includes process mapping down to the activity level. Organizations that are process-oriented break down all barriers faced by structural departments and attempt to avoid functional silos. Business processes are usually visualized using a flow chart that emphasizes the work flow or sequence of important activities.

Practical aspects of Business Processes:

It can be useful to divide business processes into groups of activities that are related and drive on basic business concerns. For example, how does a company find customers and get them to place an order? Once the order is received, how is it processed to fulfill that customer order? How are the products listed in the customer order manufactured? How are next generation products identified and developed? How is the business performing from a financial perspective? How is the business performing from the customer's perspective?

These are all valid business concerns and process-based businesses will have repeatable steps they execute to address the various concerns. As a business starts, it typically does not focus on business process management. Small groups of people can communicate well enough to accomplish a business goal without much process overhead. As the business grows and matures, size and pace and new people introduce complexities not faced by a start-up business and at some point it becomes worthwhile to write down the "recipes" that have made for business success to date and ensure that the recipes are followed to achieve business goals.

The first forays into business process management by a company will typically be driven from the need for management information, in particular periodic financial results. Owners and investors will want to understand what a business has done. They demand accurate and repeatable reports and control return on investment to drive business decision making.

The next waves of business process management will typically be driven from an operations viewpoint in that product quality and cost are very visible business concerns and directly connected to company success. Stabilized and repeatable physical processes help manage what a business is doing and are required to achieve the periodic business goals highlighted by the financial reporting from the first wave of business processes.

Eventually, a business discovers that the planning and successful execution of those plans lay the foundation for an ongoing healthy business and another wave of processes are installed to ensure that what a business will be doing is as managed as what a business is doing.

When a business has installed a healthy and functioning set of planning, execution, and reporting processes across the gamut of their business concerns, it achieves stability and maturity not possible without a business process management mentality.

What is Business Process Management (BPM) about?

BPM is the top-down holistic management approach that gives emphasis on optimizing business operations for achieving business goals and maximizing the customer satisfaction. With stress placed on constant process improvement, business process management gives companies the flexibility of quickly responding to any instance of change management in a competitive landscape.

Characteristics of Business Process Management

- **Process-centric:** Business process management involves business assessment and organizing the firm around well documented and defined process as well as managing the lifecycle of the process.
- **Multidimensional:** Business process management also involves defining as well as managing relationships not only across the process, but across departments as well for complicated tasks and can even define relationships and interfaces between people and IT systems.
- **Promotes continuous improvement of the process:** BPM monitors the performance of the process for identifying and eliminating any inefficiency. The lifecycle of the business process pertains to process management's cyclical phases. The moment the process has been designed and set up, these will be improved and monitored continuously.

In order to ensure that a business improves on its success and business objectives are attained, business processes should be properly designed and implemented. If the work flow follows a distorted path, costs are driven up, things take longer to accomplish and there is increased probability of quality issues. Processes should be designed for adding value to customers and should minimize unnecessary activities.

When the business process is well designed, and the organization has a healthy amount of business process mentality, business effectiveness will increase, customer benefits are enhanced, and cost of running the business is reduced.

Getting Started With Business Process Management

In today's business environment it is important to continuously improve the way the business meets customer needs. It is necessary to make your business stand out from the competition and improve effectiveness over time. Competition is not constant -- it is innovating, evolving and adopting with the times, creating tremendous pressure on an organization to stay ahead of the game. A good way to ensure you are meeting customer needs and improving internal performance is by adopting business process management to deliver rapid revolution consistently.

Business process management is a decision

Even though business process management (BPM) can help in addressing all the competitive pressures on a company, it is not something that can be taken for granted. Adopting a BPM methodology is a specific decision that management needs to make and may need to be accompanied with changes in business philosophy. Many times businesses develop agility through informal practices and individual discretion in their work. This is not such a bad thing, but as businesses grow in size and complexity there comes a time where standardizing on work methods becomes the best way to ensure customer needs are met while at the same time improving business performance.

Business process management provides the fundamentals on how a business can deliver the right customer value, while also rewarding stakeholders with higher effectiveness, and creating a better place to work for staff. Successful process management provides information on how people work together to deliver on customer needs and how information technology integrates with people and business operations. Business process management also helps an organization get to peak performance and helps determine how to best deliver on business objectives.

Step one: Business Process Inventory

A team that has made the decision to add BPM to its capabilities has to find a place to start. It is a certainty that even though methods being used to meet customer need may not all be written down, they do exist and are what has made the business successful to date. A great first step is to develop a list of all the critical activities underway in the business and organize it in some fashion. Through accomplishing this “business process inventory”, a company starts the process of formalizing its work and begins to get a better handle on the complexities inside their operations.

At this stage of the game, it is not necessary to detail the processes themselves, simply identify areas of critical work, identify an owner and keep it granular enough so that the organization does not get lost in too much detail. A business is rarely successful in jumping in and defining all processes that are running and doing all of the detail work at the same time. A better practice is to get a high level view of the business, define and organize in some workable fashion, and then pick one or more critical business issues to tackle by employing business process management methods.

Here is a high level example of what a business process inventory might look like:

<u>Business Process Category</u>	<u>Process Name</u>	<u>Process Owner(s)</u>
Business Planning	Business Plan Development Budget Commitment	President & COO CFO
Demand Generation	Product Planning Marketing Communications Funnel Management	VP Marketing MARCOM Director VP Sales
Order Fulfillment	Customer Order Processing Purchase Order Management Production Supply Chain Logistics	Inside Sale Director Procurement Director VP Operations VP Operations
Product Generation	Product Development Regulatory Compliance	VP Engineering QA Director
Financial Reporting	Revenue Forecasting Periodic Reporting Tax Management	VP Marketing Controller CFO

Through accomplishing this major step in moving towards a business process mindset, a business starts to wrap its arms around the variety of activities required to make a business operate, and starts to organize itself around getting into the details required to define and optimize day-to-day practices.

Through applying business process management in carefully selected areas and growing the improvement program over time, you can expect gradual increases in business continuity. Problems and costs will be reduced, decisions will be made faster, quality will go up and with these effects, a business will gain significant profit improvement as well as enhanced customer satisfaction.

Understanding your Business Processes

Business processes are simply described as business activities which are expected to produce a specific result. Most significantly, it pertains to activities aimed at accomplishing determined organizational goals. The business process is concerned in fulfilling customer needs by the delivery of goods or services. Business processes in each company or business varies. They are largely dependent on the business approach used, corporate structure, size of the company, etc. Nevertheless, there are steps to go through with business processes which are best practices and move a company in the direction of higher performance.

As a company forms and grows, business processes are put in place to help the business meet customer needs and solve specific business issues. Initially, these processes are not really documented or managed formally. They are simply defined and executed by the people that work at the company – “Let’s do that this way...” There comes a time where the business becomes large enough or complicated enough or “We’re bringing in new people that need to know how we do things around here...” and putting some definition and rigor around business processes becomes wise.

For a company that is successfully meeting customer needs and wants to build more formality around how their business works, a first step is to perform a business process inventory—what are the types of processes in execution already and how can they be organized so that a business can have intelligent discussion on how to improve their situation. Creating a business process inventory is essential as a baseline and should consist of a minimum of a process name and an owner. Another good piece of information to assess is “process status”, i.e. what is the maturity level of the process itself – undocumented?, written down but not followed?, well-defined and well-executed? It is also wise to roughly organize the inventory into groups of related items, for example – customer facing activities, financial activities, sales activities, etc.

Through developing a business process inventory, the organization can link business problems and irregularities to specific areas of the inventory. Most often, the business knows of these issues, “It’s not working very well in this area...” and these issues are many times the trigger for deciding to get more formal with business processes in the first place.

After completing a business process inventory, a good next step is to stand back from the inventory details and use good business judgment to develop an appropriate “business process architecture”. This is basically an overall design of important functions for the business and becomes a map for business process activities. A business process architecture can be defined for the entire company or only a portion of it and will vary due to the nature of the business. A manufacturing business will have a different business process architecture than a restaurant or an on-line retail store.

Here are examples of process architectures that vary due to the nature of the business:

Business #1: Product Manufacturing	Business #2: Electronic Manufacturing Services
<u>Business Process Architecture:</u> Business Planning Demand Generation Order Fulfillment Product Generation Financial Reporting	<u>Business Process Architecture:</u> Customer Acquisition Design Specification and Delivery Prototyping and Test Staff Skill Development Financial Planning and Reporting

Once the business process architecture is defined, it is wise to reorganize the business process inventory into the newly defined or adopted architecture. This allows intelligent grouping of various work activities and sets the stage for decisions to be made on the best areas for downstream process development work.

Through accomplishing a business process inventory and then organizing it into a well thought out business process architecture, essential groundwork is laid for effective process work at the detail level. Continuous diligence towards business process management will gradually bring about real and measureable improvements in costs, quality and customer satisfaction.

Enhancing your Business Capabilities

Customer satisfaction is achieved and business profit is increased through the use of appropriate business practices. One of the trusted approaches when it comes to improving businesses is business process management (BPM). Through this methodology, companies can easily organize their business operations into understandable and executable pieces and help ensure that they are continuously improving business performance.

Some of the more obvious benefits of healthy business process management are better coordination, communication and evaluation/improvement of the myriad of activities it takes to deliver on customer requirements. BPM makes the business more effective by stabilizing activities around understood best practices and reduces the time consumed for repetitive work. BPM also increases productivity by eradicating defects and mistakes from all business levels.

Business Process Management has several stages

The first requirement for a successful BPM program is a clear and steady decision on the part of business leadership to devote the time and energy into the BPM effort. It is not easy to move from an informal, ad hoc workplace to one that is more regimented and repeatable and it doesn't happen overnight. Management must be convinced and stay convinced that BPM will improve business effectiveness and achieve customer satisfaction.

A next step for BPM is to perform a business process inventory that identifies at modest detail levels a host of business activities that occur regularly. This inventory is simply a list with owners and a few details that are organized in some fashion to help the team wrap its arms around the various work required to meet customer needs.

The business process inventory then needs to be "architected", or designed into a structure that makes sense for the type of business at hand. A manufacturing business has different characteristics than, say, a restaurant or an on-line retail store and these differences need to be established into a business process architecture that describes major flows across the business and between departments in the pursuit of meeting customer needs.

An important complement to the business process architecture is a healthy list of important business measures that should be tracked for ensuring healthy business operations. A successful business probably has many, many metrics in play at any one time and it is wise to attach a really important few high level measures to the various pieces of the architecture. Sometimes these are called Key Process Indicators, or KPI's, and by having these identified/developed at the business architecture level, it helps the business install measuring and reporting systems that are balanced across the business.

Key process indicator selection plays an important role in enhancing business capabilities. They are a tool used to determine whether the business is performing well or not and help management and stakeholders understand areas needing improvement. KPI measurement, reporting, and improvement is an effective tool in helping the team understand what is truly important about the business and influences their actions and behaviors. Good KPI selection and steady measurement and review will make it easier to meet business objectives and achieve customer satisfaction.

In KPI selection, it is essential to consider the following tips. Prior to KPI selection process, review previous business data, business strategies, performance reports, and other business related information. Make the KPI selection an interactive discussion. You'll get more information and support for future plans by interacting well with stakeholders and employees. In KPI selection, consider the existing business activities, group maturity, and direction of the business in the future. Make sure to facilitate understanding of the KPI in relation to the process or activity concerned. Be cautious in selecting the measures themselves; there are things which are difficult to measure, and too many measures will lead to wasted time and energy gathering information that does not drive effective action.

Make a crisp decision to adopt business management as a methodology and stay the course. Take an inventory of what processes you use regularly and organize them into an intelligent architecture that makes sense for your business. Attach key process indicators to the architecture and measure/report and review those metrics regularly. After these steps you're well on the way to developing a healthy and effective business process management environment and reaping the benefits of achieving increased customer satisfaction and ever-improving business performance.

The Consultant's Role in Business Process Management

A consultant is a professional adviser to a business. Consultants give advice about aspects of running a business on subjects like inventory control, business performance & finance, accounting, sales & marketing, the integration of technology, legal aspect of business and business process management, amongst other things. Some consultants are generalists and have a broad business background, while some are more specific in nature, bringing deep expertise on a narrower set of topics. A consultant's role is of great importance and must be matched to the needs of the organization.

Business process management is a specific area of knowledge where it might be wise to bring in a consultant. Developing a process mentality can take years to become proficient and having someone available with the right experiences can save a company a lot of time and headache. Consultants specializing in business process management will typically have an operations or quality background and have spent years in companies developing, managing and/or overseeing various business process initiatives.

Consultants assigned to a business process management task will conduct a series of evaluations, study the present organizational structure, and develop an understanding of current business issues faced by the client. Depending on the needs of the business, other follow on activities can include detailed work around designing procedures and work specifications, selecting and designing new systems or business approaches, and process re-engineering for streamlining and work simplification. All these adjustments are carefully studied and made to materialize in order to make the business operation more effective and efficient.

If the client business has very little experience with business process methodologies, a thorough consultant will ensure as a starting point that there is a good baseline of existing processes written down. Every business has many, many work processes in execution all the time and these should be identified and inventoried so that the organization develops a very solid understanding of what exists, the complexities of the business itself, and where things are working well enough and where there is need of improvement. The result of this step is called a "business process inventory".

A task that follows the development of a proper business process inventory takes this loosely organized list and superimposes a “business process architecture” that is appropriate for the nature of the business under study. A manufacturing business will have different business requirements than a restaurant or an on-line retail store. These different requirements drive differences in how the business needs to run and result in various architectural configurations. Selecting the architecture that is appropriate for the business is a critical step as is identifying appropriate measures, sometimes called key process indicators (KPI), that reflect the general health of the business over time.

Once there is a reasonable understanding of an appropriate business process architecture and KPIs and the inventory of business processes has been attached to the various architectural elements, then it is time to determine areas of focus. Most organizations do not have the bandwidth, the wherewithal, or the need to pursue business process management for everything at once. Much wiser is a more focused approach in a few areas where the needs for business improvements are obvious and impacts of the methodology can be felt in quick fashion.

The selection of areas needing detailed work unleashes a myriad of activities such as process flow chart development, understanding roles and responsibilities, cross-department handoffs, discovery of IT connections to the process and to the people and a variety of documentation and training activities. As the results of these detailed studies are completed and brought to bear, businesses can see effective improvement of business results and customer satisfaction and then move onto the next area(s) that need work.

Whether the client business is just beginning to study business process management, or has various elements of a program already in place, a consultant can be a useful addition to the program. Through bringing in the right types of experience, consultants can speed up the client’s activities, identify critical gaps that need to be addressed or even attack certain problems that need resolution. Typically an assignment will have all of these aspects. And along the way, the right consultant can also serve as the company’s agent of change, facilitator, business coach and mentor.

Business Process Architecture Worksheet

Organize the processes identified in the Business Process Inventory into groups that make sense to you. They might be organized by department, or by customer deliverable, or because they are connected to one another. It should make sense to be in the same category.

Architecture Category	Process Name	Process Owner	Process Status
category one			
category two			
category three			

Key Process Indicators Worksheet

For each Architecture Category, or grouping of processes, identify and connect important measures for the business. They typically will stratify into Business Measures that make sense at an architectural level, and Key Process Indicators that make sense at the process level.

Architecture Category	Process Name	Process Owner	Key Process Indicator
category title			
Business Measure 1: <hr/> Business Measure 2: <hr/>			KPI 1: KPI 2:
			KPI 1: KPI 2:
			KPI 1: KPI 2:
			KPI 1: KPI 2:

