

# Chapter 1

## Introduction to Business Process Management

*Ab ovo usque ad mala.*  
Horace (65 BCE–8 BCE)

Business Process Management (BPM) is the art and science of overseeing how work is performed in an organization to ensure consistent outcomes and to take advantage of improvement opportunities. In this context, the term “improvement” may take different meanings depending on the objectives of the organization. Typical examples of improvement objectives include reducing costs, reducing execution times and reducing error rates. Improvement initiatives may be one-off, but also display a more continuous nature. Importantly, BPM is not about improving the way individual activities are performed. Rather, it is about managing entire chains of events, activities and decisions that ultimately add value to the organization and its customers. These “chains of events, activities and decisions” are called *processes*.

In this chapter, we introduce a few essential concepts behind BPM. We will start with a description of typical processes that are found in contemporary organizations. Next, we discuss the basic ingredients of a business process and we provide a definition for the concept as well as of BPM. In order to place BPM in a broader perspective, we then provide a historical overview of the BPM discipline. Finally, we discuss how a BPM initiative in an organization typically unfolds. This discussion leads us to the definition of a BPM lifecycle around which the book is structured.

### 1.1 Processes Everywhere

Every organization—be it a governmental body, a non-profit organization, or an enterprise—has to manage a number of processes. Typical examples of processes that can be found in most organizations include:

- *Order-to-cash*: This is a type of process performed by a vendor, which starts when a customer submits an order to purchase a product or a service and ends when the product or service in question has been delivered to the customer and the customer has made the corresponding payment. An order-to-cash process encompasses activities related to purchase order verification, shipment (in the case of physical products), delivery, invoicing, payment receipt and acknowledgment.

- *Quote-to-order*: This type of process typically precedes an order-to-cash process. It starts from the point when a supplier receives a “Request for Quote” (RFQ) from a customer and ends when the customer in question places a purchase order based on the received quote. The order-to-cash process takes the relay from that point on. The combination of a quote-to-order and the corresponding order-to-cash process is called a *quote-to-cash* process.
- *Procure-to-pay*: This type of process starts when someone in an organization determines that a given product or service needs to be purchased. It ends when the product or service has been delivered and paid for. A procure-to-pay process includes activities such as obtaining quotes, approving the purchase, selecting a supplier, issuing a purchase order, receiving the goods (or consuming the service), checking and paying the invoice. A procure-to-pay process can be seen as the dual of quote-to-cash process in the context of business-to-business interactions. For every procure-to-pay process there is a corresponding quote-to-cash process on the supplier’s side.
- *Issue-to-resolution*. This type of process starts when a customer raises a problem or issue, such as a complaint related to a defect in a product or an issue encountered when consuming a service. The process continues until the customer, the supplier, or preferably both of them, agree that the issue has been resolved. A variant of this process can be found in insurance companies that have to deal with “insurance claims”. This variant is often called *claim-to-resolution*.
- *Application-to-approval*. This type of process starts when someone applies for a benefit or privilege and ends when the benefit or privilege in question is either granted or denied. This type of process is common in government agencies, for example when a citizen applies for a building permit or when a businessman applies for a permit to open a business (e.g. a restaurant). Another process that falls into this category is the admissions process in a university, which starts when a student applies for admission into a degree. Yet another example is the process for approval of vacation or special leave requests in a company.

As the above examples illustrate, business processes are what companies do whenever they deliver a service or a product to customers. The way processes are designed and performed affects both the “quality of service” that customers perceive and the efficiency with which services are delivered. An organization can outperform another organization offering similar kinds of service if it has better processes and executes them better. This is true not only of customer-facing processes, but also of internal processes such as the procure-to-pay process, which is performed for the purpose of fulfilling an internal need.

As we go along this book, we will use a concrete example of a procure-to-pay process for renting construction equipment, as described below.

### *Example 1.1* Procure-to-pay process at BuildIT.

BuildIT is a construction company specialized in public works (roads, bridges, pipelines, tunnels, railroads, etc.). Within BuildIT, it often happens that engineers working at a construction site (called *site engineers*) need a piece of equipment, such as a truck, an excavator,

a bulldozer, a water pump, etc. BuildIT owns very little equipment and instead it rents most of its equipment from specialized suppliers.

The existing business process for renting equipment goes as follows. When site engineers need to rent a piece of equipment, they fill in a form called “Equipment Rental Request” and send this request by e-mail to one of the clerks at the company’s depot. The clerk at the depot receives the request and, after consulting the catalogs of the equipment suppliers, selects the most cost-effective equipment that complies with the request. Next, the clerk checks the availability of the selected equipment with the supplier via phone or e-mail. Sometimes the selected option is not available and the clerk has to select an alternative piece of equipment and check its availability with the corresponding supplier.

Once the clerk has found a suitable piece of equipment available for rental, the clerk adds the details of the selected equipment to the rental request. Every rental request has to be approved by a works engineer, who also works at the depot. In some cases, the works engineer rejects the equipment rental request. Some rejections lead to the cancellation of the request (no equipment is rented at all). Other rejections are resolved by replacing the selected equipment with another equipment—such as a cheaper piece of equipment or a more appropriate piece of equipment for the job. In the latter case, the clerk needs to perform another availability enquiry.

When a works engineer approves a rental request, the clerk sends a confirmation to the supplier. This confirmation includes a Purchase Order (PO) for renting the equipment. The PO is produced by BuildIT’s financial information system using information entered by the clerk. The clerk also records the engagement of the equipment in a spreadsheet that is maintained for the purpose of tracking all equipment rentals.

In the meantime, the site engineer may decide that the equipment is no longer needed. In this case, the engineer asks the clerk to cancel the request for renting the equipment.

In due time, the supplier delivers the rented equipment to the construction site. The site engineer then inspects the equipment. If everything is in order, the engineer accepts the engagement and the equipment is put into use. In some cases, the equipment is sent back because it does not comply with the requirements of the site engineer. In this case, the site engineer has to start the rental process all over again.

When the rental period expires, the supplier comes to pick up the equipment. Sometimes, the site engineer asks for an extension of the rental period by contacting the supplier via e-mail or phone 1–2 days before pick-up. The supplier may accept or reject this request.

A few days after the equipment is picked up, the equipment’s supplier sends an invoice to the clerk by e-mail. At this point, the clerk asks the site engineer to confirm that the equipment was indeed rented for the period indicated in the invoice. The clerk also checks if the rental prices indicated in the invoice are in accordance with those in the PO. After these checks, the clerk forwards the invoice to the financial department and the finance department eventually pays the invoice.

## 1.2 Ingredients of a Business Process

The above example shows that a business process encompasses a number of *events* and *activities*. Events correspond to things that happen atomically, meaning that they have no duration. The arrival of an equipment at a construction site is an event. This event may trigger the execution of series of activities. For example, when a piece of equipment arrives, the site engineer inspects it. This inspection is an activity, in the sense that it takes time.

When an activity is rather simple and can be seen as one single unit of work, we call it a *task*. For example, if the inspection that the site engineer performs is quite

simple—e.g. just checking that the equipment received corresponds to what was ordered—we can say that the equipment inspection is a task. If on the other hand the equipment inspection requires many steps—such as checking that the equipment fulfills the specification included in the purchase order, checking that the equipment is in working order, and checking the equipment comes with all the required accessories and safety devices—we will call it an activity.

In addition to events and activities, a typical process involves *decision points*, that is, points in time when a decision is made that affects the way the process is executed. For example, as a result of the inspection, the site engineer may decide that the equipment should be returned or that the equipment should be accepted. This decision affects what happens later in the process.

A process also involves a number of actors (human actors, organizations, or software systems acting on behalf of human actors or organizations), physical objects (equipment, materials, products, paper documents) and immaterial objects (electronic documents and electronic records). For example, the equipment rental process involves three types of human actor (clerk, site engineer and works engineer) and two types of organizational actor (BuildIT and the equipment suppliers). The process also involves physical objects (the rented equipment), electronic documents (equipment rental requests, POs, invoices) and electronic records (equipment engagement records maintained in a spreadsheet).

Finally, the execution of a process leads to one or several *outcomes*. For example, the equipment rental process leads to an equipment being used by BuildIT, as well as a payment being made to the equipment's supplier. Ideally, an outcome should deliver value to the actors involved in the process, which in this example are BuildIT and the supplier. In some cases, this value is not achieved or is only partially achieved. For example, when an equipment is returned, no value is gained, neither by BuildIT nor by the supplier. This corresponds to a *negative outcome*, as opposed to a *positive outcome* that delivers value to the actors involved.

Among the actors involved in a process, the one who consumes the output of the process plays a special role, namely the role of the *customer*. For example, in the above process, the customer is the site engineer, since it is the site engineer who puts the rented equipment to use. It is also the site engineer who will most likely be dissatisfied if the outcome of the process is unsatisfactory (negative outcome) or if the execution of the process is delayed. In this example, the customer is internal to BuildIT, meaning that the customer is an employee of the organization. In other processes, such as an order-to-cash process, the customer is external to the organization. Sometimes, there are multiple customers in a process. For example, in a process for selling a house, there is a buyer, a seller, a real estate agent, one or multiple mortgage providers, and at least one notary. The outcome of the process is a sales transaction. This outcome provides value both to the buyer who gets the house and to the seller who monetizes the house. Therefore, both the buyer and the seller can be seen as customers in this process, while the remaining actors provide various services.

**Exercise 1.1** Consider the following process for the admission of graduate students at a university.

In order to apply for admission, students first fill in an online form. Online applications are recorded in an information system to which all staff members involved in the admissions process have access to. After a student has submitted the online form, a PDF document is generated and the student is requested to download it, sign it, and send it by post together with the required documents, which include:

- Certified copies of previous degree and academic transcripts.
- Results of English language test.
- Curriculum vitae.

When these documents are received by the admissions office, an officer checks the completeness of the documents. If any document is missing, an e-mail is sent to the student. The student has to send the missing documents by post. Assuming the application is complete, the admissions office sends the certified copies of the degrees to an academic recognition agency, which checks the degrees and gives an assessment of their validity and equivalence in terms of local education standards. This agency requires that all documents be sent to it by post, and all documents must be certified copies of the originals. The agency sends back its assessment to the university by post as well. Assuming the degree verification is successful, the English language test results are then checked online by an officer at the admissions office. If the validity of the English language test results cannot be verified, the application is rejected (such notifications of rejection are sent by e-mail).

Once all documents of a given student have been validated, the admission office forwards these documents by internal mail to the corresponding academic committee responsible for deciding whether to offer admission or not. The committee makes its decision based on the academic transcripts and the CV. The committee meets once every 2 to 3 weeks and examines all applications that are ready for academic assessment at the time of the meeting. At the end of the committee meeting, the chair of the committee notifies the admissions office of the selection outcomes. This notification includes a list of admitted and rejected candidates. A few days later, the admission office notifies the outcome to each candidate via e-mail. Additionally, successful candidates are sent a confirmation letter by post.

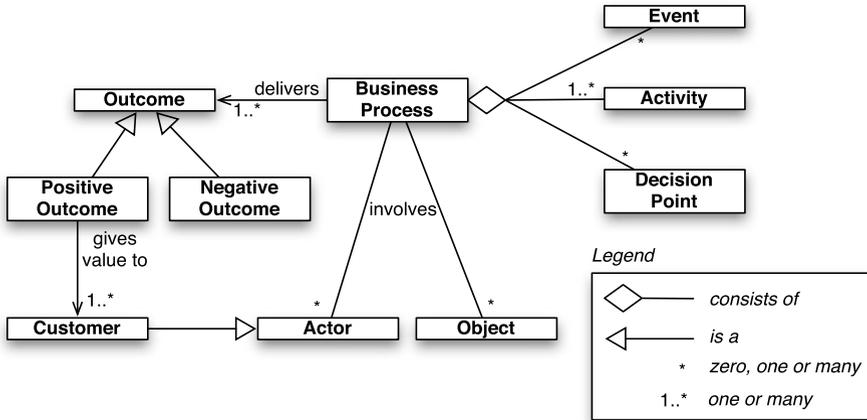
With respect to the above process, consider the following questions:

1. Who are the actors in this process?
2. Which actors can be considered to be the customer (or customers) in this process?
3. What value does the process deliver to its customer(s)?
4. What are the possible outcomes of this process?

In light of the above, we define a business process as *a collection of inter-related events, activities and decision points that involve a number of actors and objects, and that collectively lead to an outcome that is of value to at least one customer*. Figure 1.1 depicts the ingredients of this definition and their relations.

Armed with this definition of a business process, we define BPM as *a body of methods, techniques and tools to discover, analyze, redesign, execute and monitor business processes*. This definition reflects the fact that business processes are the focal point of BPM, and also the fact that BPM involves different phases and activities in the lifecycle of business processes, as we will discuss later in this chapter.

Other disciplines besides BPM deal with business processes in different ways as explained in the box “Related Disciplines”. One of the features commonly associated to BPM is its emphasis on the use of process models throughout the lifecycle of business processes. Accordingly, process models are present in one way or an-



**Fig. 1.1** Ingredients of a business process

other in virtually all chapters of this book and two chapters are dedicated to process modeling.

In any case, while it is useful to know that multiple disciplines share the aim of improving business processes, we should remain pragmatic and not pitch one discipline against the other as if they were competitors. Instead, we should embrace any technique that helps us to improve business processes, whether or not this technique is perceived as being part of the BPM discipline (in the strict sense) and regardless of whether or not the technique in question uses process models.

## RELATED DISCIPLINES

BPM is by no means the only discipline that is concerned with improving the operational performance of organizations. Below, we briefly introduce some related disciplines and identify key relations and differences between these disciplines and BPM.

**Total Quality Management (TQM)** is an approach that both historically preceded and inspired BPM. The focus of TQM is on continuously improving and sustaining the quality of products, and by extension also of services. In this way, it is similar to BPM in its emphasis on the necessity of *ongoing* improvement efforts. But where TQM puts the emphasis on the products and services themselves, the view behind BPM is that the quality of products and services can best be achieved by focusing on the improvement of the processes that create these products and services. It should be admitted that this view is somewhat controversial, as contemporary TQM adepts would rather see BPM as one of the various practices that are commonly found within a TQM program. Not so much a theoretical distinction but an empir-

ical one is that applications of TQM are primarily found in manufacturing domains—where the products are tangible—while BPM is more oriented to service organizations.

**Operations Management** is a field concerned with managing the *physical* and *technical* functions of a firm or organization, particularly those relating to production and manufacturing. Probability theory, queuing theory, decision analysis, mathematical modeling, and simulation are all important techniques for optimizing the efficiency of operations from this perspective. As will be discussed in Chap. 7, such techniques are also useful in the context of BPM initiatives. What is rather different between operations management and BPM is that operations management is generally concerned with controlling an existing process without necessarily changing it, while BPM is often concerned with making changes to an existing process in order to improve it.

**Lean** is a management discipline that originates from the manufacturing industry, in particular the engineering philosophy of Toyota. One of the main principles of Lean is the *elimination of waste*, i.e. activities that do not add value to the customer as we will discuss in Chap. 6. The customer orientation of Lean is similar to that of BPM and many of the principles behind Lean have been absorbed by BPM. In that sense, BPM can be seen as a more encompassing discipline than Lean. Another difference is that BPM puts more emphasis on the use of information technology as a tool to improve business processes and to make them more consistent and repeatable.

**Six Sigma** is another set of practices that originate from manufacturing, in particular from engineering and production practices at Motorola. The main characteristic of Six Sigma is its focus on the minimization of defects (errors). Six Sigma places a strong emphasis on measuring the output of processes or activities, especially in terms of quality. Six Sigma encourages managers to systematically compare the effects of improvement initiatives on the outputs. In practice, Six Sigma is not necessarily applied alone, but in conjunction with other approaches. In particular, a popular approach is to blend the philosophy of Lean with the techniques of Six Sigma, leading to an approach known as *Lean Six Sigma*. Nowadays, many of the techniques of Six Sigma are commonly applied in BPM as well. In Chap. 6, we will introduce a few business process analysis techniques that are shared by Six Sigma and BPM.

In summary, we can say that BPM inherits from the continuous improvement philosophy of TQM, embraces the principles and techniques of operations management, Lean and Six Sigma, and combines them with the capabilities offered by modern information technology, in order to optimally align business processes with the performance objectives of an organization.

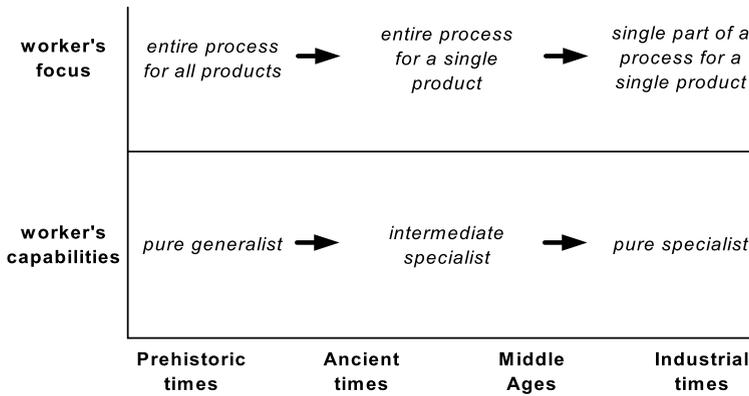


Fig. 1.2 How the process moved out of focus through the ages

## 1.3 Origins and History of BPM

To better understand why organizations engage in BPM and what benefits it brings to them, it is worth looking at the reasons why BPM has emerged and evolved over time. Below we look into the drivers of the BPM discipline from a historical perspective. We start with the emergence of functional organizations, continue with the introduction of process thinking, towards the innovations and failures of business process re-engineering. This discussion provides the basis for the definition of the BPM lifecycle afterwards.

### 1.3.1 The Functional Organization

The key idea of BPM is to focus on processes when organizing and managing work in an organization. This idea may seem intuitive and straightforward at first glance. Indeed, if one is concerned with the quality of a particular product or service and the speed of its delivery to a customer, why not consider the very steps that are necessary to produce it? Even though intuitive, it took several evolutionary steps before this idea became integral part of the work structures of organizations. Figure 1.2 provides an overview of some historical developments relevant to BPM.

In prehistoric times, humans mostly supported themselves or the small groups they lived in by producing their own food, tools, and other items. In such early societies, the consumers and producers of a given good were often the same persons. In industrial terms, people carried out their own production processes. As a result, they had knowledge of how to produce many different things. In other words, they were generalists.

In ancient times, in parallel with the rise of cities and city states, this work structure based on generalists started to evolve towards what can be characterized as an *intermediate level of specialism*. People started to specialize in the art of delivering

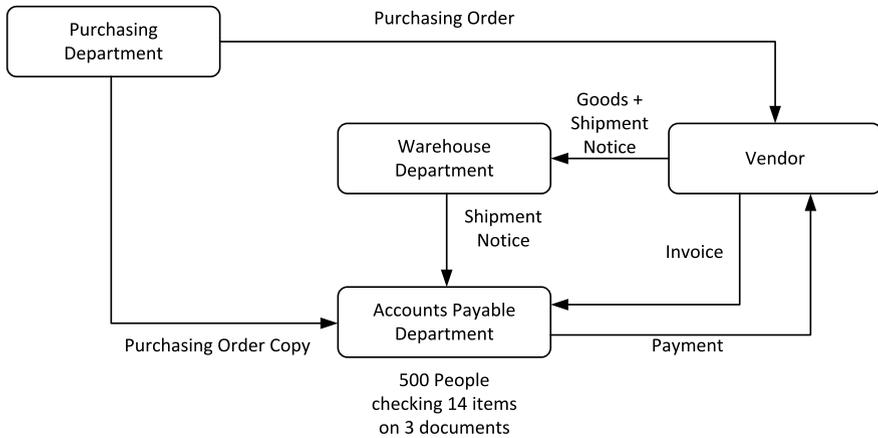
one specific type of goods, such as pottery, or providing one particular type of services, such as lodging for travelers. This widespread development towards a higher level of specialism of the workforce culminated in the guilds of the craftsmen during the Middle Ages. These guilds were essentially groups of merchants and artisans concerned with the same economic activity, such as barbers, shoemakers, masons, surgeons, and sculptors. Workers in this time would have a good understanding of an entire process that they were involved in, but not so much about the processes that produced the goods or services they obtained from others.

This higher degree of specialization of the medieval worker shifted further towards a form of pure specialization during the Second Industrial Revolution, between the second half of the 19th century and the First World War. A name that is inseparably linked to it is that of Frederick W. Taylor (1856–1915), who proposed a set of principles known as *scientific management*. A key element in Taylor's approach was an extreme form of labor division. By meticulously studying labor activities, such as the individual steps that were required to handle pig iron in steel mills, Taylor developed very specific work instructions for laborers. Laborers would only be involved with carrying out one of the many steps in the production process. Not only in industry, but also in administrative settings, such as government organizations, the concept of division of labor became the most dominant form of organizing work. The upshot of this development was that workers became pure specialists who would be concerned with only a single part of one business process.

A side-effect of the ideas of Taylor and his contemporaries was the emergence of an altogether new class of professionals, that of *managers*. After all, someone needed to oversee the productivity of groups of workers concerned with the same part of a production process. Managers were responsible for pinning down the productivity goals for individual workers and making sure that such goals were met. In contrast to the masters of the medieval guilds, who could only attain such a rank on the basis of a masterpiece produced by themselves, managers are not necessarily experts in carrying out the job they oversee. Their main interest is to optimize how a job is done with the resources under their supervision.

After the emergence of managers, organizations became structured along the principles of labor division. A next and obvious challenge arose then: How to differentiate between the responsibilities of all these managers? The solution was to create functional units in which people with a similar focus on part of the production process were grouped together. These units were overseen by managers with different responsibilities. Moreover, the units and their managers were structured hierarchically: for example, groups are under departments, departments are under business units, etc. What we see here is the root of the functional units that are familiar to us today when we think about organizations: purchasing, sales, warehousing, finance, marketing, human resource management, etc.

The *functional organization* that emerged from the mindset of the Second Industrial Revolution, dominated the corporate landscape for the greatest part of the 19th and 20th centuries. Towards the end of the 1980s, however, major American companies such as IBM, Ford, and Bell Atlantic (now Verizon) came to realize that their emphasis on functional optimization was creating inefficiencies in their operations that were affecting their competitiveness. Costly projects that introduced



**Fig. 1.3** Purchasing process at Ford at the initial stage

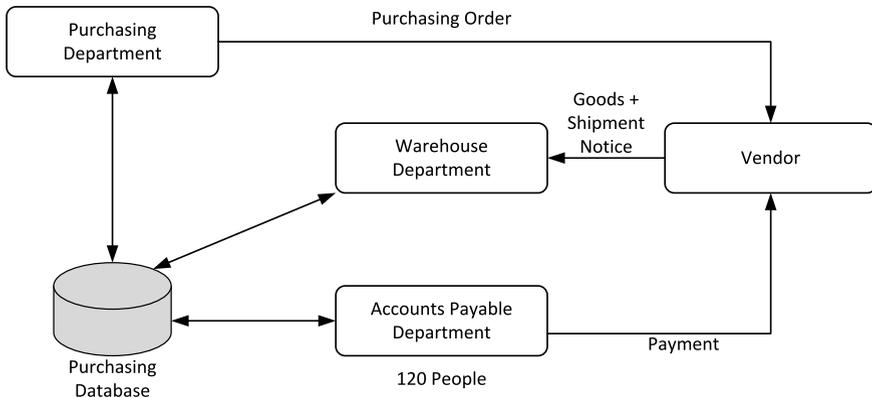
new IT systems or reorganized work within a functional department with the aim of improving its efficiency, were not notably helping these companies to become more competitive. It seemed as if customers remained oblivious to these efforts and continued to take their business elsewhere, for example to Japanese competitors.

### 1.3.2 *The Birth of Process Thinking*

One of the breakthrough events for the development of BPM was Ford's acquisition of a big financial stake in Mazda during the 1980s. When visiting Mazda's plants, one of the things that observant Ford executives noticed was that units within Mazda seemed considerably understaffed in comparison with comparable units within Ford, yet operated normally. A famous case study illustrating this phenomenon, first narrated by Michael Hammer [26] and subsequently analyzed by many others, deals with Ford's purchasing process. Figure 1.3 depicts the way purchasing was done within Ford at the time.

Every purchase that Ford would make needed to go through the purchasing department. On deciding that a particular quantity of products indeed had to be purchased, this department sent out an order to the vendor in question. It would also send a copy of that order to accounts payable. When the vendor followed up, the ordered goods would be delivered at Ford's receiving warehouse. Along with the goods came a shipping notice, which was passed on to accounts payable. The vendor would also send out an invoice to accounts payable directly.

Against this background, it becomes clear that the main task of accounts payable was to check the consistency between three different documents (purchase order copy, shipping notice, invoice), where each document consists of roughly 14 data items (type of product, quantity, price, etc.). Not surprisingly, various types of discrepancy were discovered every day and sorting out these discrepancies occupied



**Fig. 1.4** Purchasing process at Ford after redesign

several hundred people within Ford. In contrast, at Mazda only five people worked at this department, while Mazda was not 100 times smaller than Ford in any relevant measure. Fundamentally, the problem is that Ford was detecting and resolving with problems (in this case discrepancies) one by one, while Mazda instead was avoiding the discrepancies in the first place. After a more detailed comparison with Mazda, Ford carried out several changes in its own purchasing process, leading to the redesigned process depicted in Fig. 1.4.

First of all, a central database was developed to store information on purchases. This database was used by the purchasing department to store all the information on purchase orders. This database replaced one of the original paper streams. Secondly, new computer terminals were installed at the warehouse department which gave direct access to that database. When goods arrived, the warehouse personnel could immediately check whether the delivery actually matched what was originally purchased. If this was not the case, the goods were simply not accepted: this put the onus on the vendor to ensure that what was delivered was what was requested and nothing else. In cases where a match was found between the delivered goods and the recorded purchase order, the acceptance of the goods was registered. So, the only thing left to do for accounts payable was to pay what was agreed upon in the original purchase order. Following this new set-up, Ford managed to bring down their workforce in accounts payable from roughly 500 people down to 120 people (a 76 % reduction).

**Exercise 1.2** Consider the purchasing process at Ford.

1. Who are the actors in this process?
2. Which actors can be considered to be the customer (or customers) in this process?
3. What value does the process deliver to its customer(s)?
4. What are the possible outcomes of this process?

A key element in this case study is that a problematic performance issue (i.e. an excessive amount of time and resources spent on checking documents in accounts payable) is approached by considering an entire process. In this case, the accounts payable department plays an important role in the overall purchasing process, but the process also involves tasks by staff at the purchasing department, the warehouse, and by the vendor. Regardless of these barriers, changes are made across the process and these changes are multi-pronged: They include informational changes (information exchanges), technological changes (database, terminals), and structural changes (checks, policies).

This characteristic view on how to look at organizational performance was put forward in a seminal article by Tom Davenport and James Short [11]. In this article, the authors urged managers to look at entire processes when trying to improve the operations of their business, instead of looking at one particular task or business function. Various cases were discussed where indeed this particular approach proved to be successful. In the same paper, the important role of IT was emphasized as an enabler to come up with a redesign of existing business processes. Indeed, when looking at the Ford–Mazda example it would seem difficult to change the traditional procedure without the specific qualities of IT, which in general allows access to information in a way that is independent of time and place.

### ***1.3.3 The Rise and Fall of BPR***

The work by Davenport and Short, as well as that of others, triggered the emergence and widespread adoption of a management concept that was referred to as *Business Process Redesign* or *Business Process Re-engineering*, often conveniently abbreviated to *BPR*. Numerous white papers, articles, and books appeared on the topic throughout the 1990s and companies all over the world assembled BPR teams to review and redesign their processes.

The enthusiasm for BPR faded down, however, by the late 1990s. Many companies terminated their BPR projects and stopped supporting further BPR initiatives. What had happened? In a retrospective analysis, a number of factors can be distinguished:

1. **Concept misuse:** In some organizations, about every change program or improvement project was labeled BPR even when business processes were not the core of these projects. During the 1990s, many corporations initiated considerable reductions of their workforce (downsizing) which, since they were often packaged as process redesign projects, triggered intense resentment among operational staff and middle management against BPR. After all, it was not at all clear that operational improvement was really driving such initiatives.
2. **Over-radicalism:** Some early proponents of BPR, including Michael Hammer, emphasized from the very start that redesign had to be radical, in the sense that a new design for a business process had to overhaul the way the process was initially organized. A telling indication is one of Michael Hammer's early papers

on this subject which bore the subtitle: “Don’t automate, Obliterate”. While a radical approach may be justified in some situations, it is clear that many other situations require a much more gradual (incremental) approach.

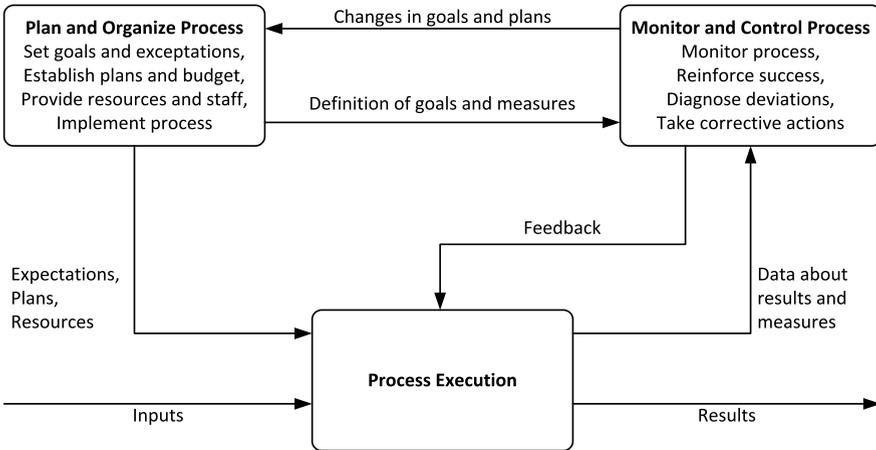
3. Support immaturity: Even in projects that were process-centered from the start and took a more gradual approach to improving the business process in question, people ran into the problem that the necessary tools and technologies to implement such a new design were not available or sufficiently powerful. One particular issue centered around the fact that much logic on how processes had to unfold were hard-coded in the supporting IT applications of the time. Understandably, people grew frustrated when they noted that their efforts on redesigning a process were thwarted by a rigid infrastructure.

Subsequently, two key events revived some of the ideas behind BPR and laid the foundation for the emergence of BPM. First of all, empirical studies appeared showing that organizations that were process-oriented—that is, organizations that sought to improve processes as a basis for gaining efficiency and satisfying their customers—factually did better than non-process-oriented organizations. While the initial BPR guru’s provided compelling case studies, such as the one on Ford–Mazda, it remained unclear to many whether these were exceptions rather than the rule. In one of the first empirical studies on this topic, Kevin McCormack [49] investigated a sample of 100 US manufacturing organizations and found that process-oriented organizations showed better overall performance, tended to have a better esprit de corps in the workplace, and suffered less from inter-functional conflicts. Follow-up studies confirmed this picture, giving renewed credibility to process thinking.

A second important development was technological in nature. Different types of IT system emerged, most notably Enterprise Resource Planning (ERP) systems and Workflow Management Systems (WfMSs). ERP systems are essentially systems that store all data related to the business operations of a company in a consistent manner, so that all stakeholders who need access to these data can gain such access. This idea of a single shared and centralized database enables the optimization of information usage and information exchanges, which is a key enabler of process improvement (cf. Chap. 8).<sup>1</sup> WfMSs on the other hand are systems that distribute work to various actors in a company on the basis of process models. By doing so, a WfMS make it easier to implement changes to business processes (e.g. to change the order in which steps are performed) because the changes made in the process model can be put into execution with relative ease, compared to the situation where the rules for executing the process are hard-coded inside complex software systems and buried inside tens of thousands of lines of code. Also, a WfMS very closely supports the idea of working in a process-centered manner.

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<sup>1</sup>In reality, ERP systems are much more than a shared database. They also incorporate numerous modules to support typical functions of an organization such as accounting, inventory management, production planning, logistics, etc. However, from the perspective of process improvement, the shared database concept behind ERP systems is a major enabler.



**Fig. 1.5** Job functions of a manager responsible for a process (a.k.a. process owner)

Originally, WfMSs were concerned mainly with routing work between human actors. Later on, these systems were little by little extended with modules to monitor and analyze the execution of business processes. In parallel, the emergence of Web services made it easier to connect a WfMS with other systems, in particular ERP systems. As WfMSs became more sophisticated and better integrated with other enterprise systems, they became known as Business Process Management Systems (BPMSs). The functionality of BPMSs and their role in the automation of business processes will be discussed in Chap. 9.

The above historical view suggests that BPM is a revival of BPR, as indeed BPM adopts the process-centered view on organizations. Some caution is due though when BPR and BPM are being equated. The relation is much better understood on the basis of Fig. 1.5.

This figure shows that a manager that is responsible for a business process—also called the *process owner*—is concerned with planning and organizing the process on the one hand and monitoring the process on the other. The figure allows us to explain the differences in *scope* between BPR and BPM. While both approaches take the business process as a starting point, BPR is primarily concerned with planning and organizing the process. By contrast, BPM provides concepts, methods, techniques, and tools that cover all aspects of managing a process—plan, organize, monitor, control—as well as its actual execution. In other words, BPR should be seen as a subset of techniques that can be used in the context of BPM.

This discussion highlights that BPM encompasses the entire lifecycle of business processes. Accordingly, the next section provides an overview of the concepts, methods, techniques, and tools that compose the BPM discipline through the lens of the *BPM lifecycle*. This lens provides a structured view of how a given process can be managed.

## 1.4 The BPM Lifecycle

In general, the first question that a team embarking on a BPM initiative needs to clarify is “what business processes are we intending to improve”? Right at the outset and before the possibility of applying BPM is put on the table, there will probably already be an idea of what operational problems the team has to address and what business processes are posing those operational problems. In other words, the team will not start from scratch. For example, if the problem is that site engineers complain that their job is being hampered by difficulties in securing construction equipment when needed, and knowing that this equipment is to a large extent rented, it is clear that this problem should be addressed by looking at the equipment rental process. Still, one has to delimit this process. In particular, one has to answer questions such as: Does the process start right from the moment when rental suppliers are selected? Does it end when the rented equipment is delivered to the construction site or does it end when the equipment is returned back to the supplier, or does it continue until the fee for equipment rental has been paid to the supplier?

These questions might be easy or hard to answer depending on how much *process thinking* has taken place in the organization beforehand. If the organization has engaged in BPM initiatives before, it is likely that an inventory of business processes is available and that the scope of these processes has been defined, at least to some extent. In organizations that have not engaged in BPM before, the BPM team has to start by at least identifying the processes that are relevant to the problem on the table, delimiting the scope of these processes, and identifying relations between these processes, such as for example part-of relations (i.e. one process being part of another process). This initial phase of a BPM initiative is termed *process identification*. This phase leads to a so-called *process architecture*, which typically takes the form of a collection of processes and links between these processes representing different types of relation.

In general, the purpose of engaging in a BPM initiative is to ensure that the business processes covered by the BPM initiative lead to consistently positive outcomes and deliver maximum value to the organization in servicing its clients. Measuring the *value* delivered by a process is a crucial step in BPM. As renowned software engineer, Tom DeMarco, once famously put it: “You can’t control what you can’t measure”. So before starting to analyze any process in detail, it is important to clearly define the *process performance measures* (also called *process performance metrics*) that will be used to determine whether a process is in “good shape” or in “bad shape”.

Cost-related measures are a recurrent class of measures in the context of BPM. For example, coming back to the equipment rental process, a possible performance measure is the total cost of all equipment rented by BuildIT per time interval (e.g. per month). Another broad and recurrent class of measures are those related to time. An example is the average amount of time elapsed between the moment an equipment rental request is submitted by a site engineer and the delivery of the equipment to the construction site. This measure is generally called *cycle time*. Finally, a third class of recurrent measures are those related to quality, and specifically error rates.

Error rate is the percentage of times that an execution of the process ends up in a negative outcome. In the case of the equipment rental process, one such measure is the number of pieces of equipment returned because they are unsuitable, or due to defects in the delivered equipment. The identification of such performance measures (and associated performance objectives) is crucial in any BPM initiative. This identification is generally seen as part of the process identification phase, although in some cases it may be postponed until later phases.

**Exercise 1.3** Consider the student admission process described in Exercise 1.1. Taking the perspective of the customer, identify at least two performance measures that can be attached to this process.

Once a BPM team has identified which processes they are dealing with and which performance measures should be used, the next phase for the team is to understand the business process in detail. We call this phase *process discovery*. Typically, one of the outcomes of this phase is one or several *as-is* process models. These as-is process models should reflect the understanding that people in the organization have about how work is done. Process models are meant to facilitate communication between stakeholders involved in a BPM initiative. Therefore, they have to be easy to understand. In principle, we could model a business process by means of textual descriptions, like the textual description in Example 1.1. However, such textual descriptions are cumbersome to read and easy to misinterpret because of the ambiguity inherent in free-form text. This is why it is common practice to use diagrams in order to model business processes. Diagrams allow us to more easily comprehend the process. Also, if the diagram is made using a notation that is understood by all stakeholders, there is less room for any misunderstanding. Note that these diagrams may still be complemented with textual descriptions in fact it is common to see analysts documenting a process using a combination of diagrams and text.

There are many languages for modeling business processes diagrammatically. Perhaps one of the oldest ones are *flowcharts*. In their most basic form, flowcharts consist of rectangles, representing activities, and diamonds, representing points in the process where a decision is made. More generally, we can say that regardless of the specific notation used, a diagrammatic process model typically consists of two types of node: activity nodes and control nodes. Activity nodes describe units of work that may be performed by humans or software applications, or a combination thereof. Control nodes capture the flow of execution between activities. Although not all process modeling languages support it, a third important type of element in process models are event nodes. An event node tells us that something may or must happen, within the process or in the environment of the process, that requires a reaction, like for example the arrival of a message from a customer asking to cancel their purchase order. Other types of node may appear in a process model, but we can say that activity nodes, event nodes and control nodes are the most basic ones.

Several extensions of flowcharts exist, like cross-organizational flowcharts, where the flowchart is divided into so-called *swimlanes* that denote different organizational units (e.g. different departments in a company). If you are familiar with the

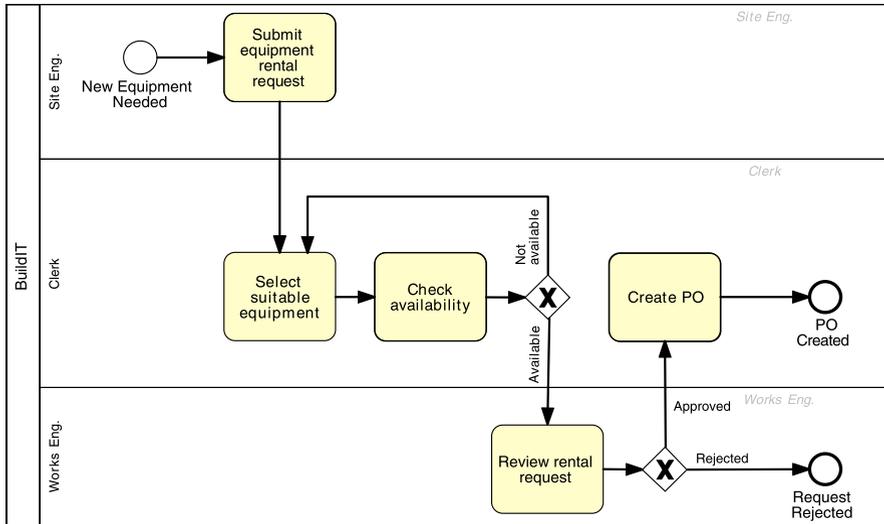


Fig. 1.6 Process model for an initial fragment of the equipment rental process

Unified Modeling Language (UML), you probably will have come across *UML Activity Diagrams*. At their core, UML Activity Diagrams are cross-organizational flowcharts. However, UML Activity Diagrams go beyond cross-organizational flowcharts by providing symbols to capture data objects, signals and parallelism among other aspects. Yet another language for process modeling are *Event-driven Process Chains (EPCs)*. EPCs have some similarities with flowcharts but they differ from flowcharts in that they treat events as first-class citizens. Other languages used for process modeling include data-flow diagrams and *IDEF3*, just to name two.

It would be mind-boggling to try to learn all these languages at once. Fortunately, nowadays there is a widely used standard for process modeling, namely the Business Process Model and Notation (BPMN). The latest version of BPMN is BPMN 2.0. It was released as a standard by the Object Management Group (OMG) in 2011. In BPMN, activities are represented as rounded rectangles. Control nodes (called *gateways*) are represented using diamond shapes. Activities and control nodes are connected by means of arcs (called flows) that determine the order in which the process is executed. Figure 1.6 provides a model representing an initial fragment of the equipment rental process, up to the point where the works engineer accepts or rejects the equipment rental request. This process model shows two decision points. In the first one, the process takes one of two paths depending on whether the equipment is available or not. In the second, the equipment rental request is either approved or rejected. The model also shows the process participants involved in this fragment of the process, namely the site engineer, the clerk and the works engineer. Each of these participants is shown as a separate *lane* containing the activities performed by the participant in question.

The process model in Fig. 1.6 is captured at a high level of abstraction. At best, it can serve to give to an external person a summary of what happens in this process. In some cases, however, the model needs more details for it to be useful. Which additional details should be included in a process model depends on the purpose. Oftentimes, process models are intended to serve as documentation of the way an organization works. In this case, the key characteristics of process models are simplicity and understandability. Accordingly, additional text annotations might be added to the process model to clarify the meaning of certain activities or events, but beyond such annotations, not much additional detail would be added. In other cases, process models are intended to be analyzed in detail, for example in order to measure process performance. In this case, further details may be required such as how much time each task takes (on average). Finally, in a few cases, process models are intended to be deployed into a BPMS for the purpose of coordinating the execution of the process (cf. Sect. 1.3.3). In the latter case, the model needs to be extended with a significant amount of details regarding the inputs and outputs of the process and each its activities.

Having understood the as-is process in detail, the next step is to identify and analyze the issues in this process. One potential issue in BuildIT's equipment rental process is that the cycle time is too high. As a result, site engineers do not manage to get the required equipment on time. This may cause delays in various construction tasks, which may ripple down into delays in the construction projects. In order to analyze these issues, an analyst would need to collect information about the time spent in each task of the process, including both the amount of time that process participants spend actually doing work and the amount of idle time, meaning the amount of time when the equipment request is blocked, waiting for something to happen. This idle time is also called *waiting time*. Also, the analyst would need to gather information regarding the amount of rework that takes place in the process. Here, rework means that one or several tasks are repeated because something went wrong. For example, when the clerk identifies a suitable piece of equipment in a supplier's catalog, but later finds out that the piece of equipment is not available on the required dates, the clerk might need to search again for an alternative piece of equipment from another supplier. Valuable time is spent by the clerk going back and forth between consulting the catalogs and contacting the suppliers to check the availability of plants. In order to analyze this issue, the analyst would need to find out in what percentage of cases the availability check fails and thus how often the clerk needs to do some rework in order to identify alternative pieces of equipment and check for their availability. Given this information, a process analyst can employ various techniques to be discussed throughout this book, in order to trace down the cause(s) of long cycle times and to identify ways of changing the process in order to reduce the cycle time.

Another potential issue in BuildIT's equipment rental process is that sometimes the equipment delivered at the construction site is unsuitable, and the site engineer has to reject it. This is an example of a negative outcome. To analyze this issue, an analyst would need to find out how often such negative outcomes are occurring. Secondly, the analysts would need to obtain information that would allow them to understand why such negative outcomes are happening. In other words, where

did things go wrong in the first place? Sometimes, this negative outcome might stem from miscommunication, for example between the site engineer and the clerk. Otherwise it might come from inaccurate data (e.g. errors in the description of the equipment) or from an error on the supplier's side. Only by identifying, classifying and ultimately understanding the main causes of such negative outcomes can an analyst find out what would be the most suitable way of addressing this issue. The identification and assessment of issues and opportunities for process improvement is hereby called the *process analysis* phase.

We observe that the two issues discussed above are tightly related to performance measures. For example, the first issue above is tied to cycle time and waiting time, both of which are typical performance measures of a process. Similarly, the second issue is tied to the “percentage of equipment rejections”, which is essentially an error rate—another typical performance measure. Thus, assessing the issues of a process often goes hand-in-hand with measuring the current state of the process with respect to certain performance measures.

**Exercise 1.4** Consider again the student admission process described in Exercise 1.1. Taking the perspective of the customer, think of at least two issues that this process might have.

Once issues in a process have been analyzed and possibly quantified, the next phase is to identify and analyze potential remedies for these issues. At this point, the analyst will consider multiple possible options for addressing a problem. In doing so, the analyst needs to keep in mind that a change in a process to address one issue may potentially cause other issues down the road. For example, in order to speed-up the equipment rental process, one might think of removing the approval steps involving the works engineer. If pushed to the extreme, however, this change would mean that the rented equipment might sometimes not be optimal since the works engineer viewpoint is not taken into account. The works engineer has a global view on the construction projects and may be able to propose alternative ways of addressing the equipment needs of a construction project in a more effective manner.

Changing a process is not as easy as it sounds. People are used to work in a certain way and might resist changes. Furthermore, if the change implies modifying the information system(s) underpinning the process, the change may be costly or may require changes not only in the organization that coordinates the process, but also in other organizations. For example, one way to eliminate the rework that the clerk has to do when checking for availability of equipment, would be that the suppliers provide information regarding the availability of plants. This way, the clerk would use the same interface to search for suitable equipment and to check the availability of the equipment for the required period of time. However, this change in the process would require that the suppliers change their information system, so that their system exposes up-to-date equipment availability information to BuildIT. This change is at least partially outside the control of BuildIT. Assuming that suppliers would be able to make such changes, a more radical solution that could be considered would be to provide mobile devices and Internet connection to the site engineers, so

that they can consult the catalog of equipment (including availability information) anytime and anywhere. This way, the clerk would not need to be involved in the process during the equipment search phase, therefore avoiding miscommunications between the site engineer and the clerk. Whether or not this more radical change is viable would require an in-depth analysis of the cost of changing the process in this way versus the benefits that such change would provide.

**Exercise 1.5** Given the issues in the admissions process identified in Exercise 1.4, what possible changes do you think could be made to this process in order to address these issues?

Equipped with an understanding of one or several issues in a process and a candidate set of potential remedies, analysts can propose a redesigned version of the process, in other words a *to-be* process which would address the issues identified in the as-is process. This to-be process is the main output of the *process redesign phase*. Here, it is important to keep in mind that analysis and redesign are intricately related. There may be multiple redesign options and each of these options needs to be analyzed, so that an informed choice can be made as to which option should be chosen.

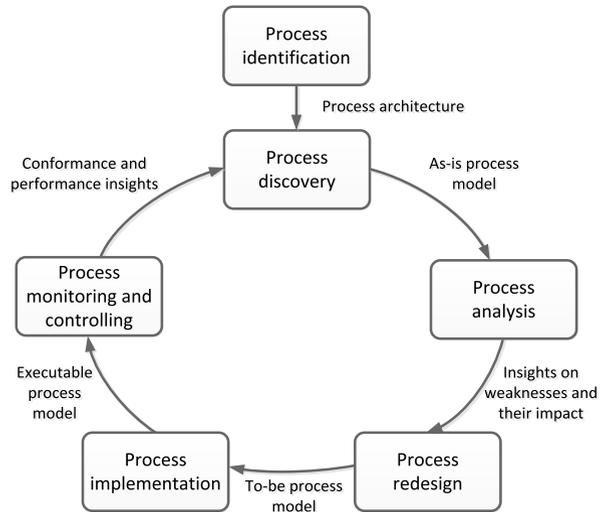
Once redesigned, the necessary changes in the ways of working and the IT systems of the organization should be implemented so that the to-be process can eventually be put into execution. This phase is called *process implementation*. In the case of the equipment rental process, the process implementation phase would mean putting in place an information system to record and to track equipment rental requests, POs associated to approved requests and invoices associated to these POs. Deploying such an information system means not only developing the IT components of this system. It would also relate to training the process participants so that they perform their work in the spirit of the redesigned process and make the best use of the IT components of the system.

More generally, process implementation may involve two complementary facets: *organizational change management* and *process automation*. Organizational change management refers to the set of activities required to change the way of working of all participants involved in the process. These activities include:

- Explaining the changes to the process participants to the point that they understand both what changes are being introduced and why these changes are beneficial to the company.
- Putting in place a change management plan so that stakeholders know when will the changes be put into effect and what transitional arrangements will be employed to address problems during the transition to the to-be process.
- Training users to the new way of working and monitoring the changes in order to ensure a smooth transition to the to-be process.

On the other hand, process automation involves the configuration or implementation of an IT system (or the re-configuration of an existing IT system) to support the “to-be” process. This system should support process participants in the performance

Fig. 1.7 BPM lifecycle



of the tasks of the process. This may include assigning tasks to process participants, helping process participants to prioritize their work, providing process participants with the information they need to perform a task, and performing automated cross-checks and other automated tasks where possible. There are several ways to implement such an IT system. This book focuses on one particular approach, which consists of extending the to-be process model obtained from the process redesign phase in order to make it executable by a BPMS (cf. Sect. 1.3.3).

Over time, some adjustments might be required because the implemented business process does not meet expectations. To this end, the process needs to be monitored and analysts ought to scrutinize the data collected by monitoring the process in order to identify needed adjustments to better control the execution of the process. These activities are encompassed by the *process monitoring and controlling* phase. This phase is important because addressing one or a handful of issues in a process is not the end of the story. Instead, managing a process requires a continuous effort. Lack of continuous monitoring and improvement of a process leads to degradation. As Michael Hammer once put it: “every good process eventually becomes a bad process”, unless continuously adapted and improved to keep up with the ever-changing landscape of customer needs, technology and competition. This is why the phases in the BPM lifecycle should be seen as being circular: the output of monitoring and controlling feeds back into the discovery, analysis and redesign phases.

To sum up, we can view BPM as continuous cycle comprising the following phases (see Fig. 1.7):

- *Process identification.* In this phase, a business problem is posed, processes relevant to the problem being addressed are identified, delimited and related to each other. The outcome of process identification is a new or updated process architecture that provides an overall view of the processes in an organization and their relationships. In some cases, process identification is done in parallel with per-

formance measure identification. In this book, however, we will associate performance measure identification with the process analysis phase, given that performance measures are often used for process analysis.

- *Process discovery (also called as-is process modeling)*. Here, the current state of each of the relevant processes is documented, typically in the form of one or several as-is process models.<sup>2</sup>
- *Process analysis*. In this phase, issues associated to the as-is process are identified, documented and whenever possible quantified using performance measures. The output of this phase is a structured collection of issues. These issues are typically prioritized in terms of their impact, and sometimes also in terms of the estimated effort required to resolve them.
- *Process redesign (also called process improvement)*. The goal of this phase is to identify changes to the process that would help to address the issues identified in the previous phase and allow the organization to meet its performance objectives. To this end, multiple change options are analyzed and compared in terms of the chosen performance measures. This entails that process redesign and process analysis go hand-in-hand: As new change options are proposed, they are analyzed using process analysis techniques. Eventually, the most promising change options are combined, leading to a redesigned process. The output of this phase is typically a to-be process model, which serves as a basis for the next phase.
- *Process implementation*. In this phase, the changes required to move from the as-is process to the to-be process are prepared and performed. Process implementation covers two aspects: organizational change management and process automation. Organizational change management refers to the set of activities required to change the way of working of all participants involved in the process. Process automation on the other hand refers to the development and deployment of IT systems (or enhanced versions of existing IT systems) that support the to-be process. In this book, our focus with respect to process implementation is on process automation, as organizational change management is an altogether separate field. More specifically, the book presents one approach to process automation wherein an executable process model is derived from the to-be process model and this executable model is deployed in a BPMS.
- *Process monitoring and controlling*. Once the redesigned process is running, relevant data are collected and analyzed to determine how well is the process performing with respect to its performance measures and performance objectives. Bottlenecks, recurrent errors or deviations with respect to the intended behavior are identified and corrective actions are undertaken. New issues may then arise, in the same or in other processes, requiring the cycle to be repeated on a continuous basis.

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<sup>2</sup>This phase is also called *process design* in the literature. However, process discovery is arguably a more appropriate term since the process already exists, at least implicitly in the heads of the actors who perform it. The goal of this phase is generally to discover the process rather than to design it. In rare cases (e.g. new companies) no process is yet in place so the discovery and analysis phases are not required and the process has to be designed for the first time rather than redesigned.

The BPM lifecycle helps to understand the role of technology in BPM. Technology in general, and especially Information Technology (IT), is a key instrument to improve business processes. Not surprisingly, IT specialists such as system engineers often play a significant role in BPM initiatives. However, to achieve maximum efficacy, system engineers need to be aware that technology is just one instrument for managing and executing processes. System engineers need to work together with process analysts in order to understand what the main issues affecting a given process, and how to best address these issues, be it by means of automation or by other means. As a renowned technology businessman, Bill Gates, once famously put it: “The first rule in any technology used in a business is that automation applied to an efficient operation will magnify the efficiency. The second is that automation applied to an inefficient operation will magnify the inefficiency”. This means that learning how to design and improve processes—and not only how to build an IT system to automate a narrow part of a business process—is a fundamental skill that should be in the hands of any IT graduate. Reciprocally, business graduates need to understand how technology, and particularly IT, can be used to optimize the execution of business processes. This book aims at bridging these two viewpoints by presenting an integrated viewpoint covering the whole BPM lifecycle.

A complementary viewpoint on the BPM lifecycle is given by the box “Stakeholders in the BPM lifecycle”. This box summarizes the roles in a company that are directly or indirectly involved in BPM initiatives.<sup>3</sup> The list of roles described in the box highlights the fact that BPM is inter-disciplinary. A typical BPM initiative involves managers at different levels in the organization, administrative and field workers (called process participants in the box), business and system analysts and IT teams. Accordingly, the book aims at giving a balanced view of techniques both from management science and IT, as they pertain to BPM.

### STAKEHOLDERS IN THE BPM LIFECYCLE

There are different stakeholders involved with a business process throughout its lifecycle. Among them we can distinguish the following individuals and groups.

- *Management Team.* Depending on how the management of a company is organized, one might find the following positions. The *Chief Executive Officer (CEO)* is responsible for the overall business success of the company. The *Chief Operations Officer (COO)* is responsible for defining the way operations are set-up. In some companies, the COO is also responsible for process performance, while in other companies, there is a dedicated posi-

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<sup>3</sup>The role of the customer is not listed in the box as this role is already discussed in previous sections.

tion of *Chief Process Officer (CPO)* for this purpose. The *Chief Information Officer (CIO)* is responsible for the efficient and effective operation of the information system infrastructure. In some organizations, process redesign projects are driven by the CIO. The *Chief Financial Officer (CFO)* is responsible for the overall financial performance of the company. The CFO may also be responsible for certain business processes, particularly those that have a direct impact on financial performance. Other management positions that have a stake in the lifecycle of processes include the *Human Resources (HR) director*. The HR director and their team play a key role in processes that involve significant numbers of process participants. In any case, the management team is responsible for overseeing all processes, initiating process redesign initiatives, and providing resources and strategic guidance to stakeholders involved in all phases of the business process lifecycle.

- *Process Owners.* A process owner is responsible for the efficient and effective operation of a given process. As discussed in the context of Fig. 1.5, a process owner is responsible on the one hand for planning and organizing, and on the other hand for monitoring and controlling the process. In their planning and organizing role, the process owner is responsible for defining performance measures and objectives as well as initiating and leading improvement projects related to their process. They are also responsible for securing resources so that the process runs smoothly on a daily basis. In their monitoring and controlling role, process owners are responsible for ensuring that the performance objectives of the process are met and taking corrective actions in case they are not met. Process owners also provide guidance to process participants on how to resolve exceptions and errors that occur during the execution of the process. Thus, the process owner is involved in process modeling, analysis, redesign, implementation and monitoring. Note that the same individual could well be responsible for multiple processes. For example, in a small company, a single manager might be responsible both for the company's order-to-cash process and for the after-sales customer service process.
- *Process Participants.* Process participants are human actors who perform the activities of a business process on a day-to-day basis. They conduct routine work according to the standards and guidelines of the company. Process participants are coordinated by the process owner, who is responsible to deal with non-routine aspects of the process. Process participants are also involved as domain experts during process discovery and process analysis. They support redesign activities and implementation efforts.
- *Process Analysts.* Process analysts conduct process identification, discovery (in particular modeling), analysis and redesign activities. They coordinate process implementation as well as process monitoring and controlling. They report to management and process owners and closely interact

with process participants. Process analysts typically have one of two backgrounds. Process analysts concerned with organizational requirements, performance, and change management have a business background. Meanwhile, process analysts concerned with process automation have an IT background.

- *System Engineers*. System engineers are involved in process redesign and implementation. They interact with process analysts to capture system requirements. They translate requirements into a system design and they are responsible for the implementation, testing and deployment of this system. System engineers also liaise with the process owner and process participants to ensure that the developed system supports their work in an effective manner. Oftentimes, system implementation, testing and deployment are outsourced to external providers, in which case the system engineering team will at least partially consist of contractors.
- The *BPM Group* (also called *BPM Centre of Excellence*). Large organizations that have been engaged in BPM for several years would normally have accumulated valuable knowledge on how to plan and execute BPM projects as well as substantial amounts of process documentation. The BPM Group is responsible for preserving this knowledge and documentation and ensuring that they are used to meet the organization's strategic goals. Specifically, the BPM group is responsible for maintaining the process architecture, prioritizing process redesign projects, giving support to the process owners and process analysts, and ensuring that the process documentation is maintained in a consistent manner and that the process monitoring systems are working effectively. In other words, the BPM group is responsible for maintaining a BPM culture and ensuring that this BPM culture is supporting the strategic goals of the organization. Not all organizations have a dedicated BPM Group. BPM Groups are most common in large organizations with years of BPM experience.

In the rest of the book, we will dive consecutively into each of the phases of the BPM lifecycle. Chapter 2 deals with the process identification phase. Chapters 3–4 provide an introduction to process modeling, which serves as background for subsequent phases in the BPM lifecycle. Chapter 5 deals with the process discovery phase. Chapters 6–7 present a number of process analysis techniques. We classify these techniques into qualitative (Chap. 6) and quantitative (Chap. 7) ones. A quantitative technique is one that takes raw data or measurements as input (e.g. performance measures at the level of tasks) and produces aggregated measurements and quantitative summaries as output. On the other hand, a qualitative technique involves human judgment, for example in order to classify tasks or issues according to subjective criteria. Note that qualitative techniques may involve quantitative assessment in addition to human judgment, as these two sources of insights often serve complementary purposes. Next, Chap. 8 gives an overview of process redesign techniques,

while Chap. 9 discusses process implementation with a focus on automation aspects. Finally, Chap. 10 introduces process intelligence tools and techniques, which form the backbone of modern process monitoring practices.

## 1.5 Recap

We should retain from this chapter that a process is a collection of events, activities and decisions that collectively lead to an outcome that brings value to an organization's customers. Every organization has processes. Understanding and managing these processes in order to ensure that they consistently produce value is a key ingredient for the effectiveness and competitiveness of organizations. Through its focus on processes, organizations are managing those assets that are most important to serve their customers well.

If we wanted to capture BPM in a nutshell, we could say that BPM is a body of principles, methods and tools to design, analyze, execute and monitor business processes. We have also seen that process models and performance measures can be seen as foundational pillars for managing processes. It is on top of them that much of the art and science of BPM builds upon. The provided definition encompasses the main phases of the BPM lifecycle and the various related disciplines that complement BPM, such as Lean, Six Sigma and Total Quality Management. The aim of this chapter was to give a "sneak peek" of the activities and stakeholders involved in each of these phases. The rest of the book aims to shed light onto many of the principles and methods that are used in each of these phases.

## 1.6 Solutions to Exercises

### Solution 1.1

1. Admissions officer, applicant, academic recognition agency and academic committee. The admissions office as an organizational unit can also be recognized as a separate actor.
2. The applicant.
3. One can argue that the *value* that the process provides to the applicant is the assessment of the application and the subsequent decision to accept or reject. In this case, the process delivers value both if the applicant is accepted or rejected, provided that the application is processed in due order. Another viewpoint would be to say that the process only gives value to the applicant only if the applicant is accepted, and not if the applicant is rejected. Arguments can be put forward in favor of either of these two viewpoints.
4. Applicant rejected due to incomplete documents; Applicant rejected due to English language test results; Applicant rejected due to assessment of academic recognition agency; Applicant rejected due to academic committee decision;

Applicant accepted. A more in-depth analysis could reveal other possible outcomes such as “Application withdrawn by applicant” or “Applicant conditionally accepted subject to providing additional documents”. However, there are not enough elements in the description of the process to determine if these latter outcomes are possible.

**Solution 1.2**

1. The unit with a purchasing need, purchasing department, the vendor, the warehouse, and the accounts payable department.
2. The unit with a purchasing need.
3. The *value* that the process provides to the unit with a purchasing need is the timely, accurate, and cost-efficient provision of a particular purchasing item. In this case, the process delivers value both if the need for purchasing item is satisfied by an timely, accurate, and cost-efficient shipment of a vendor, accompanied with an accurate payment procedure.
4. The shipment of goods can be accepted if accurate, leading to a corresponding payment, or they can be rejected if the amount or type of shipment is not correct.

**Solution 1.3** Possible measures include:

1. Average time between the moment an application is received and the moment it is accepted or rejected (cycle time). Note that if the University advertises a pre-defined deadline for notifying acceptance/rejection, an alternative performance measure would be the percentage of times that this deadline is met.
2. Percentage of applications rejected due to incomplete documents. Here we could distinguish between two variants of this measure: one that counts all cases where applications are initially rejected due to incomplete documents, and another one that counts the number of cases where applications are rejected due to incomplete documents and where the applicant does not re-submit the completed application, for example because the deadline for applications has expired before the applicant gathers the required documents.
3. Percentage of applications rejected due to expired, invalid or low English language test results.
4. Percentage of applications rejected due to advice from academic recognition.
5. Percentage of accepted applications.

Note that the cost incurred by the University per application is not a measure that is relevant from the perspective of the applicant, but it may be relevant from the perspective of the University.

**Solution 1.4** Possible issues include:

1. Long execution times
2. Inconvenience of gathering and submitting all required documents.
3. Potentially: mishandled applications due to handovers of paper documents between process participants.

## Solution 1.5

To reduce cycle time as well as mishandled applications, applications could be shared in electronic format between admissions office and academic committee. To reduce inconvenience of submission, applications could be evaluated in two stages. The first stage would involve purely electronically submitted documents (e.g. scanned copies instead of physical copies). Only applicants accepted by the academic committee would then need to go through the process of submitting certified copies of degrees by post for verification by the academic recognition agency.

## 1.7 Further Exercises

**Exercise 1.6** Consider the following process at a pharmacy.

Customers drop off their prescriptions either in the drive-through counter or in the front counter of the pharmacy. Customers can request that their prescription be filled immediately. In this case, they have to wait between 15 minutes and one hour depending on the current workload. Most customers are not willing to wait that long, so they opt to nominate a pick-up time at a later point during the day. Generally, customers drop their prescriptions in the morning before going to work (or at lunchtime) and they come back to pick up the drugs after work, typically between 5pm and 6pm. When dropping their prescription, a technician asks the customer for the pick-up time and puts the prescription in a box labeled with the hour preceding the pick-up time. For example, if the customer asks to have the prescription be ready at 5pm, the technician will drop it in the box with the label 4pm (there is one box for each hour of the day).

Every hour, one of the pharmacy technicians picks up the prescriptions due to be filled in the current hour. The technician then enters the details of each prescription (e.g. doctor details, patient details and medication details) into the pharmacy system. As soon as the details of a prescription are entered, the pharmacy system performs an automated check called *Drug Utilization Review* (DUR). This check is meant to determine if the prescription contains any drugs that may be incompatible with other drugs that had been dispensed to the same customer in the past, or drugs that may be inappropriate for the customer taking into account the customer data maintained in the system (e.g. age).

Any alarms raised during the automated DUR are reviewed by a pharmacist who performs a more thorough check. In some cases, the pharmacist even has to call the doctor who issued the prescription in order to confirm it.

After the DUR, the system performs an insurance check in order to determine whether the customer's insurance policy will pay for part or for the whole cost of the drugs. In most cases, the output of this check is that the insurance company would pay for a certain percentage of the costs, while the customer has to pay for the remaining part (also called the *co-payment*). The rules for determining how much the insurance company will pay and how much the customer has to pay are very complicated. Every insurance company has different rules. In some cases, the insurance policy does not cover one or several drugs in a prescription, but the drug in question can be replaced by another drug that is covered by the insurance policy. When such cases are detected, the pharmacist generally calls the doctor and/or the patient to determine if it is possible to perform the drug replacement.

Once the prescription passes the insurance check, it is assigned to a technician who collects the drugs from the shelves and puts them in a bag with the prescription stapled to it. After the technician has filled a given prescription, the bag is passed to the pharmacist who

double-checks that the prescription has been filled correctly. After this quality check, the pharmacist seals the bag and puts it in the pick-up area. When a customer arrives to pick up a prescription, a technician retrieves the prescription and asks the customer for payment in case the drugs in the prescription are not (fully) covered by the customer's insurance.

With respect to the above process, consider the following questions:

1. What type of process is the above one: order-to-cash, procure-to-pay or issue-to-resolution?
2. Who are the actors in this process?
3. What value does the process deliver to its customer(s)?
4. What are the possible outcomes of this process?
5. Taking the perspective of the customer, what performance measures can be attached to this process?
6. What potential issues do you foresee this process might have? What information would you need to collect in order to analyze these issues?
7. What possible changes do you think could be made to this process in order to address the above issues?

*Acknowledgement* This exercise is partly inspired by Andrew McAfee: “*Pharmacy Service Improvement at CVS (A)*”. Harvard Business Publishing, 2005.

**Exercise 1.7** Consider the following process at a company of around 800 employees.

A purchase request is initiated when an employee at the company fills in and signs a form on paper. The purchase request includes information about the good to be purchased, the quantity, the desired delivery date, the approximate cost. The employee can also nominate a specific vendor. Employees often request quotes from vendors in order to get the required information. Completing the entire form can take a few days as the requestor often does not have the required data. The quote is attached to the purchase request. This completed request is signed by two supervisors. One supervisor has to provide a *financial approval*, while the other supervisor has to approve the necessity of the purchase and its conformance with company's policy (e.g. does a requested software form part of the standard operating environment?). Collecting the signatures from the two supervisors takes on average five days. If it is urgent, the employee can hand-deliver the form, otherwise it is circulated via internal mail. A rejected purchase request is returned to the employee. Some employees make some minor modifications and try in a second attempt other supervisors in order to get approval.

Once a purchase request is approved, it is returned to the employee who initiated the purchase requisition. The employee then forwards the form to the Purchasing Department. Many employees make a copy of the form for their own record, in case the form gets lost. The central purchasing Department checks the completeness of the purchase request and returns it to the employee if it is incomplete.

Based on attached quotes and other information, the purchasing Department enters the approved purchase request into the company's Enterprise System. If the employee has not nominated any vendors, a clerk at the purchasing Department will select one based either on the quotes attached to the purchase requisition, or based on the list of vendors (also called *Master Vendor List*) available in the company's Enterprise System.

Sometimes the initial quote attached to the request has expired in the meantime. In this case, updated quote is requested from the corresponding vendor. In other cases, the vendor

who submitted the quote is not recorded in the company's Enterprise System. In this case, the purchasing Department should give preference to other vendors who are registered in the Enterprise System. If no such vendors are available or if the registered vendors offer higher prices than the one in the submitted quote, the purchasing Department can add the new vendor into the Enterprise System.

When a vendor is selected, a purchase order is automatically generated by the Enterprise System. Then, a fax is generated and sent to the vendor. A copy of the purchase order is sent to Accounts Payable Office, which is part of the Financial Department, which uses an accounting system that is not integrated with the Enterprise System.

The goods are always delivered to the Goods Receipt Department. When a good is received, a clerk at this Department selects the corresponding purchase order in the Enterprise System. The clerk checks the quantity and quality and (in the positive case) generates a document called *goods receipt form* from the purchase order stored in the Enterprise System. The goods are then forwarded to the employee who initiated the purchase requisition. A print-out of the goods receipt form is sent to the Accounts Payable Office. If there are any issues with the good, it is returned to the vendor and a paper-based note is sent to the Purchasing Department and to the Accounts Payable Office.

The vendor eventually sends the invoice directly to the Accounts Payable Office. A clerk at this office compares the purchase order, the goods receipt and the invoice—a task that is usually called “three-way matching”. Three-way matching can be quite time-consuming. If there are any discrepancies as it has to be investigated, if it was an error of the vendor or a data entry error. The duration of the payment process unfortunately takes sometimes so long that the discount for paying in a certain period expires.

A bank transfer is finally triggered and a payment notice is sent to the vendor. Some vendors explicitly indicate in their invoice the bank account number where they want the transfer to occur. It may happen that the bank account number and name indicated in the invoice differs from the one recorded in the vendor database. Sometimes payments bounce back, in which case the vendor is contacted by phone, e-mail or postal mail. If new bank details are given, the transfer is attempted again. If the issue is still not resolved, the Accounts Payable Office has to contact again the vendor in order to trace the cause of the bounced payment.

1. What type of process is the above one: order-to-cash, procure-to-pay or issue-to-resolution?
2. Who are the actors in this process? Who is/are the customer(s)?
3. What value does the process deliver to its customer(s)?
4. What are the possible outcomes of this process?
5. Taking the perspective of the customer, what performance measures can be attached to this process?
6. What potential issues do you foresee this process might have? What information would you need to collect in order to analyze these issues?
7. What possible changes do you think could be made to this process in order to address the above issues?

*Acknowledgement* This exercise is adapted from a similar exercise developed by Michael Rosemann, Queensland University of Technology.

**Exercise 1.8** Consider the phases of the BPM lifecycle. Which of these phases are no included in a business process re-engineering project?

## 1.8 Further Reading

Geary Rummler is considered one of the earliest advocates of process thinking as an approach to address the shortcomings of purely functional organizations. His work on process thinking, developed during the 1970s and 1980s, was popularized by a book co-authored with Alan Brache: “Improving Performance: How to Manage the White Space on the Organizational Chart” [80]. A paper published two decades later by Rummler and Ramias [81] gives a condensed summary of Rummler’s methodology for structuring organizations around processes.

Two key articles that popularized process thinking as a management concept are those of Hammer [26] and Davenport and Short [11] as discussed in this chapter. While Rummler’s work deals more broadly with structuring organizations based on processes, Hammer, Davenport and Short focus on how to redesign individual business processes to increase their performance.

A comprehensive and consolidated treatment of BPM from a business management perspective is provided by Paul Harmon in his book *Business Process Change* [31]. Harmon’s book presents the so-called BPTrends methodology for BPM. Harmon is also editor of the BPTrends newsletter and portal (<http://www.bptrends.com>) which features numerous articles and resources related to BPM. A good overview of the field is also provided in books by Becker et al. [6] and by Rosemann and vom Brocke [102, 103].

As mentioned in this chapter, BPM is related to several other fields, including TQM and Six Sigma. In this respect, Elzinga et al. [15] discuss the relation between BPM and TQM, while the application of Six Sigma techniques in the context of BPM is discussed by Harmon [31, Chap. 12], Laguna and Marklund [43, Chap. 2] and Conger [8].