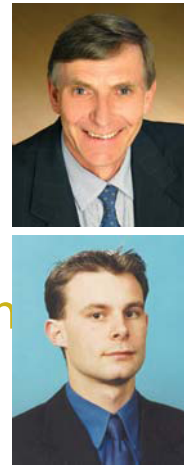


A new era in managing organisations

Ernest Glad and Matthew Hill outline the benefits of focusing on business process rather than role-based management



Ernest Glad (top) and Matthew Hill are Directors of Cortell NZ Ltd

BUSINESS process management about ensuring that processes such as return on inventory. Processes thus (BPM) can be heralded as introducing a procurement, supply chain or after-sales have clearly defined outcomes and new era in management. For centuries, services are able to meet the specific measurement of the outcome can be business, governmental and even cultural needs of the new market segment. clearly linked to organisational objectives. organisations have been organised around personalities, functions or roles, organisational objectives. An objective format than the classical hierarchical such as the sales manager, finance manager, director of social services, or inventory utilisation. This may involve identifying all the resources across the even popes, cardinals and others similarly the combination of activities such as whole organisation that are required to titled "executives". procurement, warehousing, sales or deliver required outputs. It also requires

A decade of intense focus on organisational structures has led many organisations to believe that role-based organisation structures are less suitable for managing modern organisations than process-based structures.

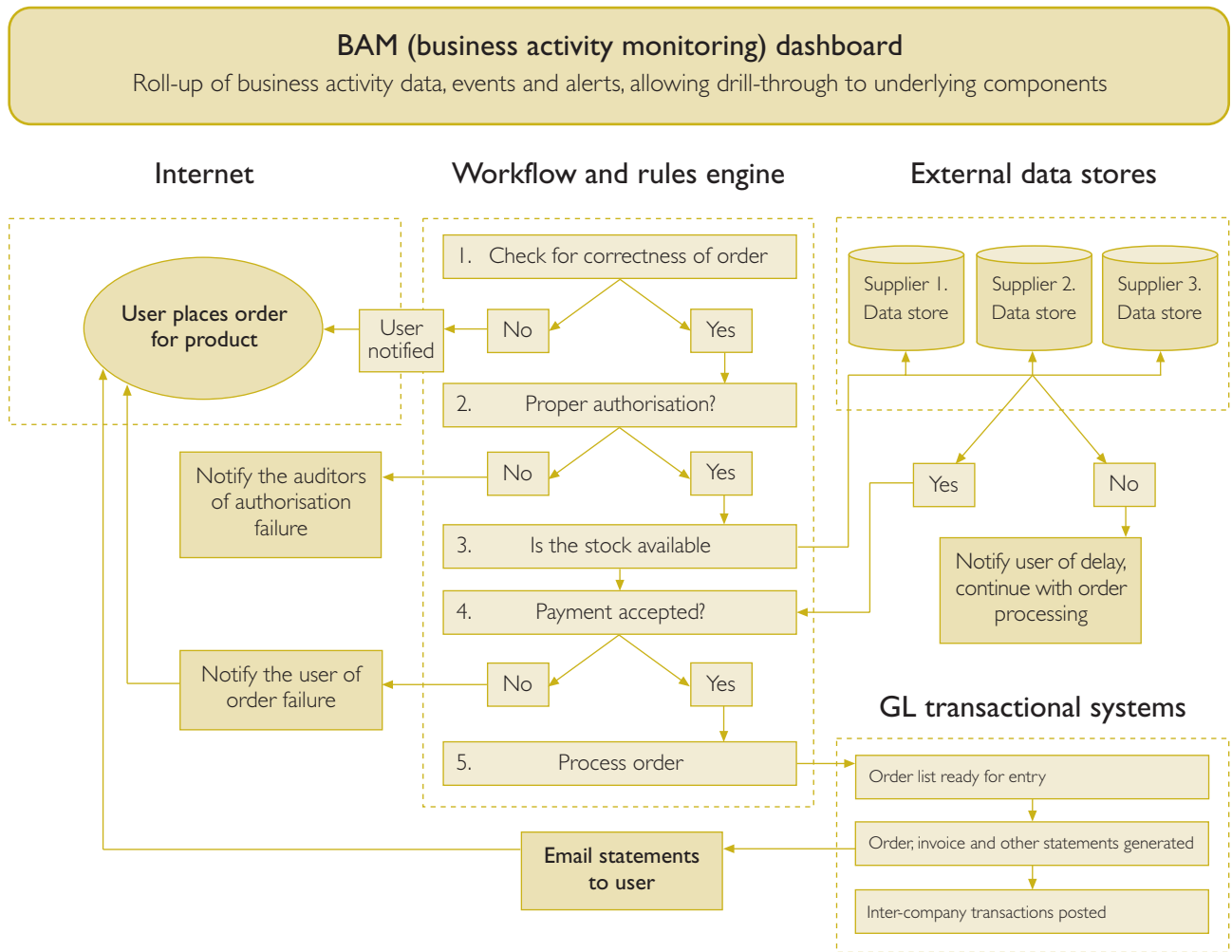
Many deficiencies have been identified in role-based organisations, such as:

- Creating silos in organisations with poor communication across boundaries
- Development of structures in organisations that purely serves the egos of executives
- Poor focus on meeting organisational strategies and outcomes

Process-based organisations are designed to support and meet organisational strategies. As strategies change, this may also require business processes to change and adapt to meet new strategic directions. A strategy, such as exploring a new market segment, is much more than putting together a sales team in a new territory. It is also

even return handling to have a positive effect on this objective. The objective may be expressed as an increase in the stock-turn ratio or an increase in the performance metrics are not met.▶

Figure 1



Fortunately, process-management technologies have been developed (and matured) in the past decade to meet the challenges of BPM. These technologies can greatly assist in managing processes more effectively. Understanding the components of a BPM system gives an indication of what can be achieved with this type of technology.

Typical components of a BPM solution include the following.

Workflow

Work conducted in the business process is traced using workflow software to record events, time and other metrics.

Event scheduler

The event scheduler reacts to triggers and responses from the process environment. An example would be where a user enquires about the availability of a certain product and the event scheduler

automatically kicks-off the process of retrieving information about the product from the suppliers' data stores.

Rules engine

The rules engine "interprets" events, and uses its logic engine to find appropriate solutions or send signals to related people for action. In Figure 1, the rules engine could feed off large orders (those over \$1,000) and email these to an approved purchase manager to handle personally. Orders that are under this value are automatically processed with no user intervention, except possibly checking whether budget is available. This would eliminate the requirements for purchasing personnel to manage all orders.

Content management

Being able to manage content (such as documentation and links to other systems) improves the effectiveness of

the process operators by providing easy access to relevant content. When management wants to view information (eg, sales processed last week), they will be able to use this financial data and drill right down to an individual order document. Email correspondence, phone calls, letters and any associated information are also available.

Simulator

Most BPM software also has a simulator to evaluate alternative process methods or to visually screen the impacts of different capacity loadings on the process.

Business intelligence/analytics engine

This uses business intelligence technologies to provide analytical capabilities on processes to ascertain trends and alert users about issues or events/actions in an easy-to-use interface. The business intelligence engine can also be used for

modelling your processes in an easy-to-use environment. Numerous scenarios can be evaluated and the results can be viewed through an intuitive interface.

Portal

The BPM solution typically provides for a portal to access underlying systems and interfaces, and to provide end-users with a single point of entry to the BPM environment.

BPM solutions also incorporate a semantic layer containing elements such as performance metrics, activity-based costing solutions, balanced scorecard views or even business activity monitoring (BAM) dashboards. The BAM dashboards use the business intelligence solutions to inform users of performance metrics and trend analysis, as well as alerting them to actions required because of the occurrence of specific events. As all information is available, the dashboards allow users to drill right down into an individual order, and view all related tasks and activities around this process.

An example

As shown in Figure 1 the process of placing an order involves many different components of what ultimately forms the BPM solution. Each instance of this process is detailed in the various components. Time and cost information is also pulled together to give a complete picture of the individual activities.

To make meaningful decisions based on this information, management is now able to view information through the dashboard, including:

- The number of instances this process occurs (number of purchases made), eg, per day, week
- Number of queries made, down to the individual query
- Supplier response times and associated cost information
- Stock details, high/low movers

- Drill right down to the “nth” level on all information, eg, the individual order raised, invoice and user profile

With this information and the dashboard view, decisions can be made on reviewing the process, making changes and in some instances even completely removing it. It is this power to make the necessary changes based on the processes that will ultimately drive profitability.

This is only an example. There are numerous other processes that can be tied in. For example, the business rules engine could check authorisation levels for the order and if found to be incorrect, to inform the auditors or CFO of this “infringement”, thus strengthening internal controls and compliance in the organisation.

The business process is also typically supported by an activity-based costing

engine to measure process costs and other metrics, facilitating good cost and performance management. Certain components of BPM products also have a cost and process simulator to evaluate alternative methods in the process.

Full complexity modelling with all elements can be used, but a model would take time to develop and would need to be flexible enough to allow for any possible process re-engineering of an area of the business where more analysis around the processes involved (inputs and outputs) is required.

Organisations should therefore consider the overall picture of their business, focusing on the actual processes that take place and putting emphasis on those that regularly create alerts. Process-smart managers use BPM solutions to regain a level of visibility and control over systems, people and organisation.

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