

White Paper

Business Functions to Business Process Centric

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As a management discipline the focus of business process management (BPM) is two fold, (i) on integrating the strategy of an organization with its operations; (ii) on delivering operational excellence with the end-to-end business processes of an organization to meet the expectation and needs of customers¹.

However most process improvement projects fall within the boundaries of a business function and not beyond the silo of the business function. Many BPM projects also hold on to this functional perspective when implementing solutions for the business processes. This paper attempts to look at the difference between focusing on a business function view versus that of an end-to-end business process view and the business transformation needed for a sustained improvement.

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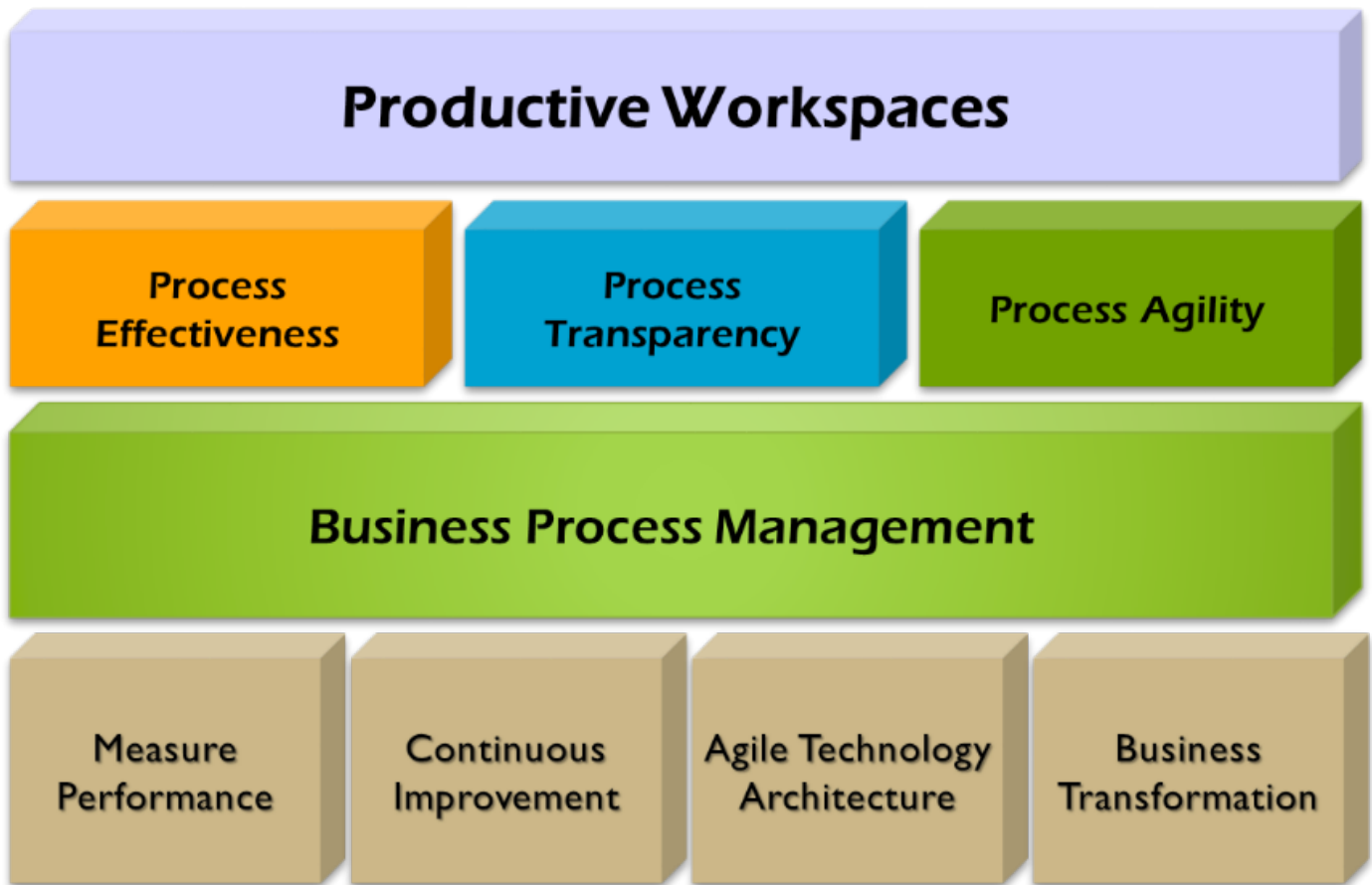


Figure 1: Four Building Blocks in Business Process Management

Note:

In management discipline, a business function is a work unit, i.e. a group of workers having the specialized skills. In the view of information technology and enterprise architecture, the term 'business function' is not inclusive with its workers but only the specialization.

Business Function from Management Discipline View

A business function is the most basic organizational component which is made up of managers and team members who specialize in specific work activities². As a work unit, commonly known as division or business unit, business function utilizes the organization's resources and most importantly is accountable for outputs and performance standards.

Work units are structured according to functional areas for several reasons:

- Specialization achieved by grouping of activities matching to the skills of workers;
- Reduced diffusion of workers' attention caused from switching between diversified activities performed by workers;
- Economies of scale and scope such as shared corporate services – efficiency through standardization;
- Segregation of duties as required for internal control and/or meeting regulatory compliance.

Organizational Structure Based on Business Functions

In general, most medium and large businesses have a functional structure.

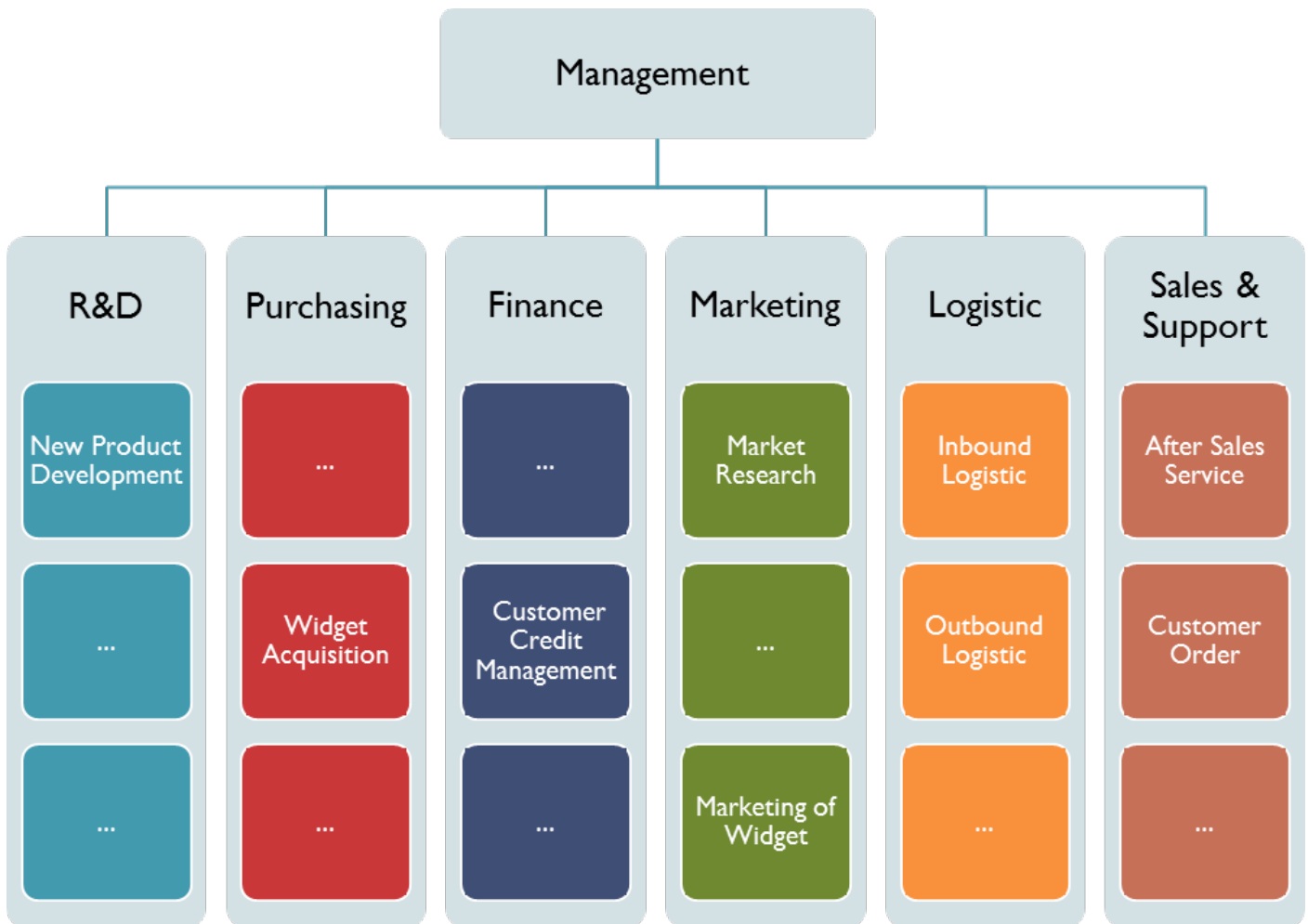


Figure 2: Example of Business Functions

Note:

With advancement in information technology, much has been attempted to close the white spaces between business applications with integrations at the technology level – Enterprise Applications Integration (EAI) and Service Oriented Architecture (SOA).

With the main focus on functional specialization to achieve economies of scale and scope in the industries for the past few decades, it is not surprising that the business information systems (BIS) have been built and evolved to support the various specialized business functions.

These specialized business applications which are independent to each other have reinforced

further demarcation between the business functions and widen the gaps between business functions.

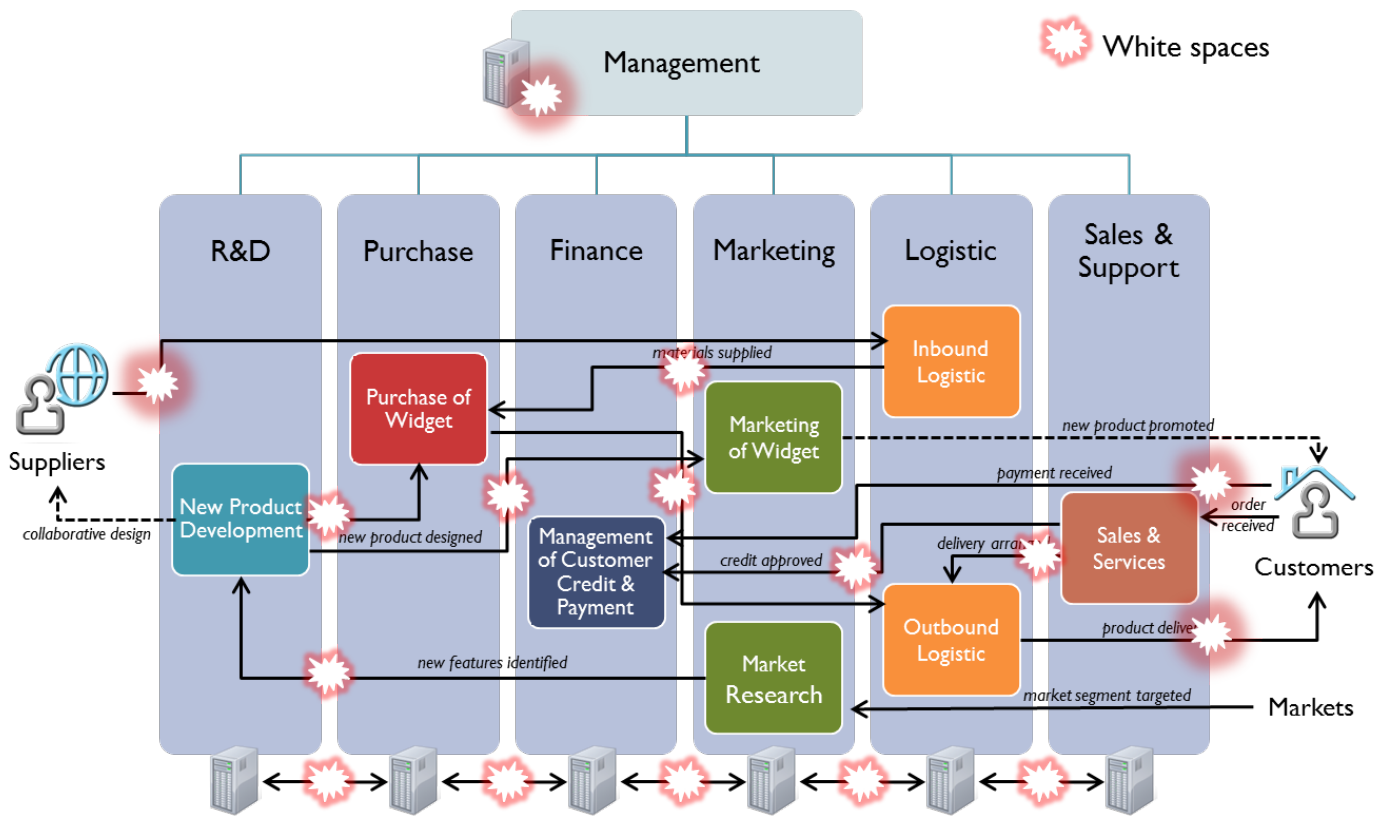


Figure 3: White Spaces (Gaps) between Business Functions and Applications

Organizational Structure Based on Market Focus

In addition to a functional - based structure, an organizational structure may be based on market focus – by product, by customer or by geography³. Consequently a hybrid of functional then market focus structure or market focus then functional structure. A market focus based structure brings the benefits of a high responsiveness to the market, its customers and competitors.

Having an organizational structure which is market centric, particularly by product or customer, is not that new. Hence moving to a process centric organizational structure is not starting from scratch but an extension from the market centric organizational structure.

Whatever an organizational structure is, at its lowest operational level, activities are always grouped by functional specialization. At the same time, a business at its highest level when viewed as a whole is always a market focus organization.

The challenge is then sitting somewhere in the middle management whether to achieve specialization or high responsiveness. Or even better having a business process centric structure to achieve both specialization and high responsiveness – focusing on the management of the end-to-end business processes.

Before dwelling further into the importance of managing the end-to-end business processes, let's take a step back and see what could potentially go wrong in projects focused within functional silos.

From Business Function to Business Process

Apart from the term 'business function', there are a number of other terms used outside management discipline to describe other views of business functions, including 'business capabilities', 'business services' and also 'sub process in business processes'.

Since work unit performs 'specialized' activities within its business function, utilizing its business applications. This is another source of confusion, as within the process modeling practice, any collection of activities to achieve specific business objectives is considered to be a business process. Consequently the scope of a business process could be from a single business function to that of the entire enterprise across multiple business functions.

It would then be logically more feasible that the collective activities performed within a business function is referred to as functional (business) process. In a functional process, the functional process owner is therefore the manager of the business function. This is a contrast to an end-to-end cross functional business process discussed later.

What Could Happen in Functional Focused Projects?

There are almost endless examples of functional focused projects in both process improvement and BPM where there is lack of an overarching view of the end-to-end business processes. In this section, I will share some examples and the outcomes of these projects. It is up to you the reader to make a judgement of whether the outcomes are what the business anticipated. Although they are presented as individual cases, they are related to each other.

Case 1: Automation of Functional Processes

All too often, you heard about implementation of process automation, either with the use of workflow engine or process engine within a business division and the argument on the benefits realisation. From the IT or automation perspective, this type of project does achieve what it was meant to achieve – automating the functional processes.

However, the focus on functional process raised several issues mentioned earlier. Firstly, a business function focused application would reinforce the functional silo mentality. It is no different to the case of building a business application for specific business unit, unless it is part and parcel of a bigger program to serve an end-to-end business process management effort. Secondly, not only the concept of “garbage in, garbage out” applies here, with the automation its magnitude would be multi folded, particularly for the subsequent functional process over the fence.

Case 2: Fragmented Functional Processes – Out of Sight Out of Mind

Another common shortcoming of process improvement project with functional focus is pushing the issue over the fence, either upstream or downstream, to other business units (BU). For example BU1, BU2 and BU3 are three business units that are part of the end-to-end business process. However, in a functional process improvement project, BU2 identified some of its activities as a non-value adding and decided to remove them. It was only later that those activities became a burden to BU3, requiring more resource to deal with them. An end-to-end business process approach would potentially identify the best BU to handle those activities is BU1. However this better solution would never be discovered in the siloed approach of most projects.

Case 3: Solving the Wrong Problem

Another interesting case where a customer support BU is overwhelmed by customer complaints about overcharging on the monthly bills. A quick patch focusing on the functional silo was proposed – putting in place more resources to handle the increased demand. The logic seemed right – increase supply to meet higher demand. Interestingly the proposed solution did not go ahead as the BU was running out of physical space for the additional resources.

On further investigation across the end-to-end business process, it was reviewed that the source of the increased demand in customer support was some data entry errors during the recording of the periodic customers’ usage of the service provided. Had it not due to the fact of the limited physical space, the customer support unit would have been growing indefinitely to meet continuous increasing in customer complaints.

Case 4: Who is the Business Process Owner?

Another drawback to a project that focuses on functional process is that the process owners identified are the managers of the functional units. Hence it does not have any motivation for these process owners to meet the performance expectation of the overall end-to-end business process. Consequently the challenge lies in the ability of identifying and appointing a process owner for the end-to-end business process – not only during the project life span but in business-as-usual operation – to be responsible and accountable for meeting customer needs and expectation.

End-to-End Business Process

A business at its highest level when viewed as a whole – a value chain – is always a market focus organization which is driven by its strategy to meet customer expectation. In other words, the success of customer fulfilment of an organization relies on the interdependencies and interactions between the various business functions in response to the market conditions.

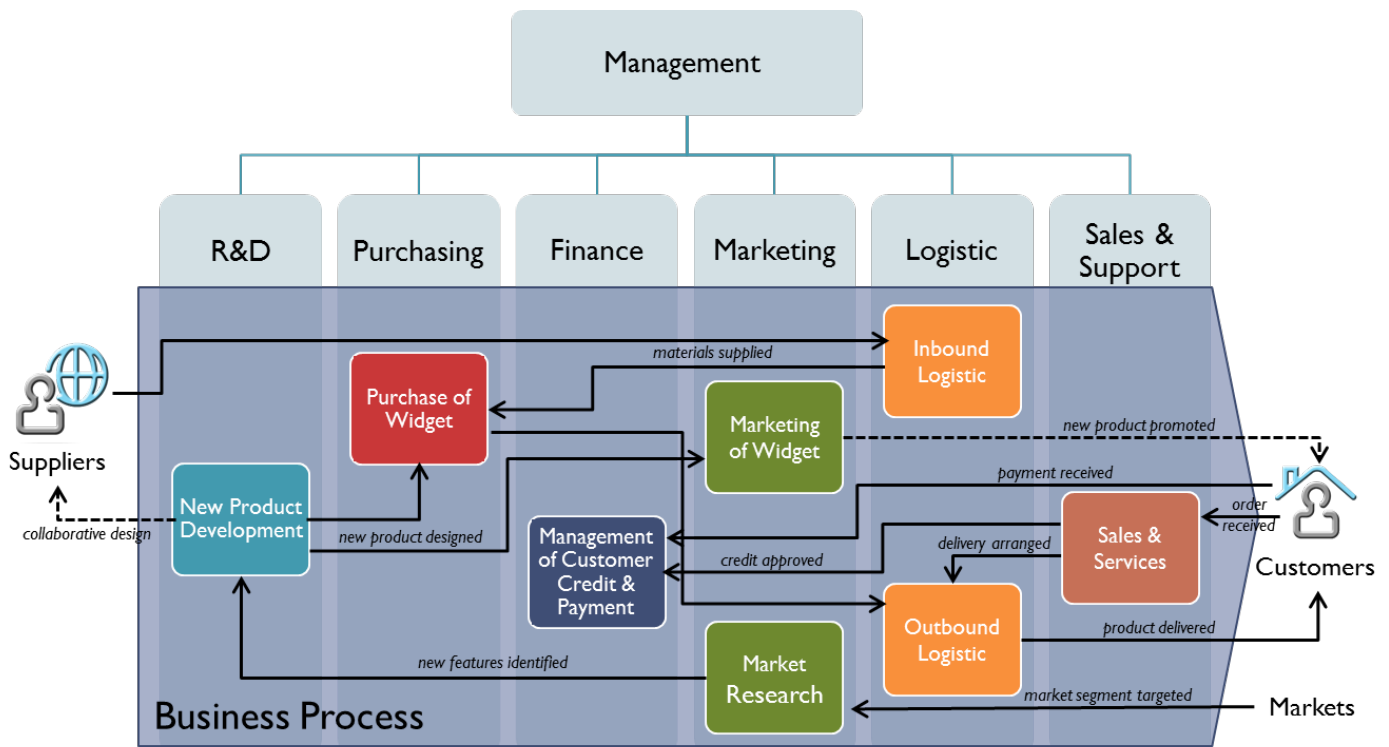


Figure 4: An End-to-End Business Process

Note:

In Lean Six Sigma practice, the term value stream is used to describe an end-to-end business process. Another term used is enterprise business process which is widely adopted in ERP practice.

An understanding of the end-to-end business process is critical not only to provide coordination but also the motivation for workers to integrate better across functions.

At the technology level, an enterprise business process encompasses seamless combinations of the different types of processes – processes that sit in business applications; systems integration processes; and human centric processes – across the business functions.

The aim of managing the end-to-end business process from both the business operation and the technology levels is to achieve an agile enterprise – an organization that is responsive to the market and at the same time enabling specialization on its activities.

Business Process Centric

From strategic perspective, the challenge of many businesses today is not purely a balance between cost leadership by being efficient and differentiation by being responsive but reaching for the next level of competitive advantage by operational excellence in achieving efficiency while maintaining market responsiveness with agile end-to-end business processes. In short transforming into an agile enterprise.

Business Process Culture

The culture of embracing end-to-end business process helps workers understand how their activities fit into the larger picture, outside their own business functions, in delivering value to customers. At operational level, the awareness of end-to-end business process provides the motivation to workers in the cross functional interaction and integration at the business process level. This transparency also leads to managers taking a better viewpoint from the end-to-end business processes – how different functional processes fit together and their interdependencies in achieving the organizational outcome.

Business Process Centric Structure

Adapting a business process centric structure is a must if an organization is adopting BPM as the core practice of its operation management. Of course, you can't leave the strategy out, but that is for another topic.

There are many forms of process centric organizational structure being developed and adopted, such as those adapted from market focus structure. A common transitional practice is moving from a pure functional structure to a matrix structure with executives accountable for end-to-end business processes, i.e. business process owners at enterprise level, charged with the responsibility for improving the end-to-end business process and accountability of delivering outcome and meeting performance standards.

Business Process Architecture

Develop a business process architecture and create a roadmap to align the organizational structure to the business process architecture where each end-to-end business process has an executive owner and fully accountable on its performance.

Implication to Process Improvement / BPM projects

Business process centric means having a top-down approach with the organization strategy and enterprise business processes driving the improvement or changes. It also means that projects should always consider the impacts on the end-to-end business process while solving problems – rather solving for just a business function using a quick fix, solve the issues from the end-to-end business process view. Finally the organization is a managed value chain when business and projects tackle the white spaces in between the business functions and not trying to overlook them and sweep them under the carpet.

With all the white spaces, it is a challenge for any organization to work as a chain, not to mention delivering value to its customers.

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¹ ABPMP. (2013)

² Simons, R. (2000)

³ Simons, R. (2000)

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