



Module: Business Processes

Unit: Process Design

Lesson: Introduction to process design

© 2012 Resource Development International Ltd. All rights reserved.

Resource Development International Limited reserves all rights of copyright and all other intellectual property rights in these learning materials. No part of any learning materials may be reproduced, stored in a retrieval system or transmitted in any form or by any means, including without limitation electronic, mechanical, photocopying, recording or otherwise, without the prior written consent of Resource Development International Limited.

Introduction to process design

Introduction

Much of this unit will be concerned with processes within organisations and how those processes should be designed, operated and controlled.

Beckford (2002) states that an awareness of processes is fundamental to any quality initiative. According to him, process identification and mapping can importantly identify processes involved in producing a given output and thus show where quality problems are located. Process analysis and critical examination can then, according to Beckford, help generate improvements as responses to the quality problems that have been identified. In this unit we will examine such activities in more detail.

Processes and process based management

As Beckford notes, the focus that was already being placed upon process based management received a boost in 2000. ISO incorporated it into its new audit and certification requirements in its modification of the ISO 9000 series of standards that year. From that point on, ISO recommended organisations to adopt a process based view of their operations and their own management as well as their interactions with suppliers and customers (Beckford 2002).

In the light of what we have just said it is important to explain exactly what a process is. Hoyle (2007) presents a range of definitions as follows:

ISO 9000 defines a process quite simply as 'a set of interrelated or interacting activities, which transforms inputs into outputs'.

Juran (1992) defines a process as a systematic series of actions directed to the achievement of a goal, while Hammer and Champy (1993) define it as a collection of activities that takes one or more kinds of inputs and creates an output that is of value to the customer. This last definition identifies customer orientation as a criterion of an effective process. Later in this unit we will discuss the customers of processes in more detail and will recognise that customers may be external or internal i.e. outside or inside the organisation in which a given process is located.

However, for now we widen our focus considerably and look at the overall purpose and objectives of organisations in which processes are likely to reside. This takes us into the study of concepts like organisational mission and vision. You will encounter these concepts elsewhere in your studies, notably in areas such as strategic management and strategic marketing. However, it is also important to consider them in this unit, as business processes will only be effective if they are fully consistent with and contributing to the mission and purpose of the organisation in which they occur.

Mission and Objectives

All organisations need to clearly set out their mission and objectives. Indeed, with new enterprises or start up businesses, the mission statement and objectives are normally formulated at the time the initial business plan is drawn up and funding is secured. Even in more mature organisations, mission and objectives should be regularly reviewed and revised so that they are current and reflect organisational priorities in their current context.

think about it

So what is a mission statement?

feedback

The mission statement of an organisation is essentially a statement of what the organisation seeks to accomplish. It is a short, written description of the aims of the business and the principles and values of the organisation. It should contain a clear statement of what it is and where it is going often set in the context of its relationships with its customers, suppliers, employees and other stakeholders.

Stakeholders

The stakeholders of an organisation are all the groups who have an interest in its activities.

Examples of stakeholders include:

- Owners or shareholders
- Managers
- Employees
- Customers
- Government
- Suppliers
- Community

Objectives

Objectives are the specific results the organisation expects to achieve by means of its actions. For example:

- What products and services does the business intend to market?
- What market are they aimed at?

Objectives should exist at the strategic and the tactical levels.

- *Strategic* implies objectives concerned with policies that have a long-term effect on an organisation
- *Tactical* means short or medium-term activities used to implement strategic decisions.

The mission statement, together with the organisation's objectives, should strike a balance between the visionary aspirations and the realistic achievements open to the organisation.

Mission statement

- A mission statement sets out the principles, values and the broad strategic aims of the organisation.
- A mission statement is set in the context of its customers, suppliers, employees and other stakeholders.
- Objectives are the results the organisation intends to achieve as it pursues its mission.

research activity

Explore a range of mission statements which can be found at:

<http://www.missionstatements.com/>

For three of these mission statements, comment on the effectiveness and impact of the statement; post your views on the group learning space on Ilearn.

To assist you we have downloaded and reproduced three example statements. However, if you can do visit the website, look at some of the vast range of statements on view there and post your views on three of them; it would be good to post the mission statement as well as your views when you do this.

It is the Mission of Advance Auto Parts to provide personal vehicle owners and enthusiasts with the vehicle related products and knowledge that fulfil their wants and needs at the right price. Our friendly, knowledgeable and professional staff will help inspire, educate and problem-solve for our customers.

Our mission is to be the leading global innovator, developer and provider of cleaning, sanitation and maintenance products, systems, and services. As a team, we will achieve aggressive

growth and fair return for our shareholders. We will accomplish this by exceeding the expectations of our customers, while conserving resources and preserving the quality of the environment.

To help our clients achieve their financial objectives by serving as their tax and financial partner. As the world's largest tax services company, H & R Block has one-to-one relationships with millions of clients, helping them benefit from all of the deductions and credits available to them and build a better financial future. It is the only major company that offers a full range of software, online and in-office tax solutions, combined with financial information and suggestions that enable clients to consider how they could achieve their financial objectives. This advice - the H & R Block Advantage - includes suggestions about retirement savings, home ownership, saving for their children's college education, eligibility for government programs and other alternatives. When clients request in-depth financial plans and investment advice, their H & R Block tax professional refers them to H & R Block Financial Advisors Inc., which can assist them with a detailed investment plan and investment services. H & R Block Financial Advisors, a member NYSE, SIPC, employs more than 1,000 financial advisors serving clients in more than 150 offices in the U.S. H & R Block inc. Is not a registered broker-dealer. Clients who request information about home mortgages are referred to H & R block Mortgage Corp., which offers a full range of retail mortgage products. Our research shows that our H & R Block Advantage advice package along with related financial services increased client satisfaction with H & R Block's tax services. H & R Block has long been a trusted tax partner to millions of taxpayers. Now we are enhancing the value of our tax services by helping clients as their tax and financial partner.

Also, read the material about mission statements and visions to be found at :

http://www.mindtools.com/pages/article/newLDR_90.htm

You will find there that the site distinguishes between mission and vision statements with material about principles and values being placed in a vision statement. This is not unusual even though we had previously said that a mission statement could encompass issues both of purpose and values/principles. Although it can be frustrating at first you will find that it is quite common for writers on business generally and on mission statements in particular to take different approaches when defining basic terms. It is something of which you will need to take account in your reading and study and to decide which approach you want to take, for example when writing an assignment.

(N.B. This discussion of mission and vision statements makes some good points although one does need to be a little bit careful with sites like Mindtools, which are excellent for eg. templates of models but you should always cross check the accuracy of the models they use with other more academic sources. Similarly it is important to not rely on such sources in academic assignments but use references from well respected academic sources as well.)

You should also try and watch the brief video at . <http://www.youtube.com/watch?v=XtyCt83JLNY> about writing mission statements.

The Uses of Mission Statements and Objectives

Communication Tool

Mission statements and objectives are effective tools for communication, both internally and externally for an organisation. They can be important vehicles for marketing a business and for communicating the business purpose and strategy to customers. They can also be used to communicate to employees within the organisation. By setting out and emphasising its mission, aims and objectives, the organisation can foster unity in direction and purpose. The success of any organisation is dependent on its people, and it is important to get the 'buy in' of all employees. Research has shown that mission statements contribute to this through the adoption of a participative approach. In this way, the organisation is better able to meet its objectives and succeed.

Measuring and Monitoring Progress

Mission statements and objectives are also useful in measuring the progress of the organisation at regular intervals. It is important to revisit mission statements at critical milestones and assess how the business is doing against mission statements and corresponding objectives. Typical questions that can be asked in this context are:

How is the business performing in terms of the market share it set out to achieve?

How are revenue and profit margins measuring up against the goals set out for them?

How is the organisation performing in terms of customer satisfaction?

group learning activity.....

Now based on what you have learned so far, answer these questions:

What is the mission of your organisation, or one with which you are familiar?

How are mission statements and objectives used in your organisation?

Of course it is possible that your organisation may use a variety of statements - e.g. mission and vision or possibly call them by slightly different terms than those we have used here. Whatever the case post your findings in the group learning space.

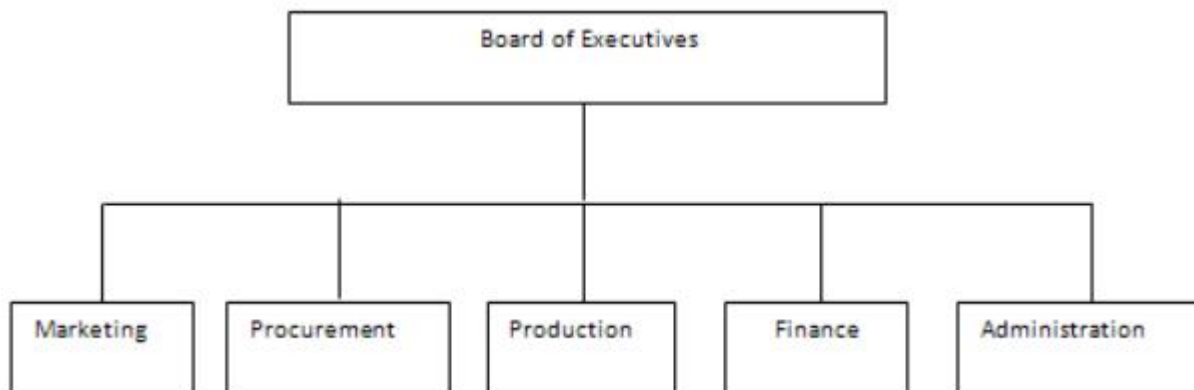
Often a mission statement is used as the basis of setting more focused goals and objectives for an organisation. These objectives aim to contribute to the achievement of the mission. Read more about setting SMART aims and objectives at:

<http://www.projectsmart.co.uk/how-to-write-a-smart-goal.html>

Benefits of a focus on process

Much of the rationale for moving to a process based view of an organisation when designing and controlling its activities stems from inefficiencies in how traditionally structured organisations operate. Although we will not discuss different organisational structures in detail here, we can illustrate the problems faced when a conventional organisation produces output for customers without taking a process based view of its activities.

Probably the most traditional, conventional organisation structure for a medium sized organisation is the functional structure. Here an organisation is arranged and grouped according to different functions e.g. production, procurement, marketing, finance etc. in a hierarchical structure. A simple functional structure is shown below.



The key issue that a process based approach recognises is that activities to generate value added for a customer occur in many different functional areas of the organisation. For example the customer may have been contacted by someone from the marketing department who identified their needs, the product to be supplied to them was produced in the production department and invoicing and delivery might have been handled by the administration department etc. etc.

Hoyle (2007) states that having to involve different departments or functions in serving a single customer causes "bottlenecks, conflicts and sub-optimization." As Hoyle says, specific functions tend to pursue their own objectives, which often conflict with the objectives of other functions. For example, a purchasing department may seek to minimise costs by selecting low cost suppliers of parts and raw materials. However, while that helps meet the purchasing function's objectives, it makes it difficult for the production department to produce output consistent with its quality standards. Similarly, the finance department may aim to optimise the company's cash flow by delaying payments to suppliers but that causes delays and disruption in deliveries from those suppliers, again causing problems for the production department.

Vertical and horizontal communication

In addition functional organisations tend to be good at vertical communication within functions as information, reporting etc. flow up and down the management hierarchy. For example, finance staff report to their superiors within the finance function and receive information from them within the normal hierarchical chain of command. However, such organisations are typically not very good at horizontal communication i.e. communication between different functions e.g. between the finance and production departments or between marketing and finance. Such 'cross functional' communication cuts across normal lines of communication and the resulting poor or non-existent communication leads to delays, mistakes, bottlenecks etc. that reduce the quality of the output and/or service received by the final customer.

To a considerable extent the above is something of a simplification for a variety of reasons, such as:

1. Many organisations have moved beyond functional structures to e.g. divisionalised or matrix structures. You will encounter these two alternative structures elsewhere in the course. However, while they do address some of the weaknesses of functional structures, they by no means eliminate all problems of 'bottlenecks, conflicts and sub-optimisation' that we identified above.
2. Hierarchical organisations have for some time now recognised that they are not as good at horizontal communication as they are at vertical. As a result many now try and overcome that by assembling 'multi-functional teams' that draw upon all relevant functions in a particular activity and seek to coordinate activities better. However, adopting a process based approach can still yield benefits. Basically such an approach involves designing a process while ignoring any functional, department or hierarchical boundaries that the process crosses. One focuses upon all the activities that are involved in producing a particular output by using various inputs. It is believed that such a focus on just identifying the relevant process irrespective of the parts of the organisation that contribute to it can yield significant benefits.

To reinforce some of the ideas we have introduced in this lesson you should watch the short video clip on process management accessible at:

<http://www.youtube.com/watch?v=r6ZV9g7myxo>

This also introduces the concept of mapping processes that we will examine in detail in the next lesson.

Before we finish this lesson let us return to the idea that we introduced earlier that there can be both internal and external customers.

Internal and External Customers

Customers can be internal or external customers.

For those staff engaged in activities that have direct interaction with the external recipient of the product or services supplied by the organisation, the answer is obvious. It is the external recipient, or the recipient's organisation. But what about those parts of the organisation that provide an internal function (e.g. support activities such as an HR function or IT infrastructure support) and who have little or no interaction with the external recipient? To answer this question, it is helpful to understand that whatever the process carried out within the organisation, there is always an output from that process. The recipient (or recipient organisation - internal or external) of the output is the customer. So for example, in the context of a hotel, the hotel's cleaning staff may not have contact

with the final customer, but their output (a clean room) is a deliverable to the Housekeeper. Therefore the customer of the cleaning staff is the Housekeeper, an internal customer.

All staff, whether they have internal customers or external customers, should be customer-focused and appreciate that they operate in a customer-supplier relationship. The customers they have to satisfy are the customer of the outputs of their process. The business of the organisation is accomplished by a chain of inter-related processes. Thus, by delivering customer satisfaction in one process, you are contributing to the entire chain of processes that deliver goods and services to the final customer.

top tips

- Every process has a customer.
- Each employee is in a customer/supplier relationship.
- The customer may be an internal customer or an external customer.

my learning space activity

How do you determine who your customer is?

feedback

The customer is determined by examining the process performed, and considering its outputs. The recipient(s) of the outputs are the customers. As we have said, the customer may be internal or external to the organisation in which the process (or most of it) is located.

research activity

Read more about internal customers and internal customer service at:

<http://www.donnaearltraining.com/Articles/InternalCustomerService.html>

The following link is specific to a particular organisation. Read the material provided and then think about the internal and external customers of an organisation with which you are familiar:

http://www.thehanley.co.uk/internal-and-external-customers_6506.html

Post your responses to the group learning space.