

INNOVATION IN BUSINESS MODELS

Chapter 5. The Essentials of Process Innovation

- The Drivers of Process Innovation
- Business Process Management
- Business Process Mapping
- Management of Change

1. Drivers of Process Innovation

We find that ICT investment and usage are important drivers of innovation in both manufacturing and services. Doing more R&D has a positive effect on product innovation in manufacturing. The strongest productivity effects are derived from organizational innovation. We find positive effects of product and process innovation when combined with an organizational innovation. There is evidence that organizational innovation is complementary to process innovation.

Process innovation – Drivers of change

Factors Necessitating Change in Process Design / Process Redesign

- For controlling and reducing process wastage
- For improving quality of output
- For controlling and reducing work in process inventories
- For reducing processing time
- For reducing processing costs
- For improving process efficiency
- For improving productivity
- For improving ease in manufacturing
- For ensuring timely deliveries
- For reducing health hazards and improving safety of workforce
- May be thrust upon / forced by
- Changes in product design
- Overall technological advancement / progress
- Gaining competitive edge
- Sustaining competitiveness

Also refer to Page 7 of Chapter 4.

2. Business Process Management

BPM (Business Process Management) is a business solution approach which views a business as a set of processes or [workflows](#). [BPM Software](#) is software which enables businesses to model, implement, execute, monitor and optimize their processes.

Watch a Video: What is BPM?

The following 3 minute video explains the main concepts behind BPM and intelligent BPM software, using an example of a Customer Self Service application:

<https://www.youtube.com/watch?v=cAlxQ1E1YSM>

BPM Types:

- **BPMS:** A Business Process Management Suite. A software suite which enables a business/organisation to implement BPM solutions.
- **Intelligent BPM:** A Gartner concept, which describes the next generation of BPM suites. These are BPM suites which include intelligent features such as adaptive analytics, mobility, social collaboration, ad hoc processes, and cloud deployment.
- **iBPMS:** An Intelligent Business Process Management Suite (as defined by Gartner in their Magic Quadrant for iBPMS 2012).
- **Predictive BPM:** BPM which enables predicting the outcome of processes by extrapolating analytics in real time.
- **Adaptive BPM:** A framework which enables processes to be adapted as they are run in production based on dynamically changing conditions.

BPM Features and Deployments:

- **Mobile BPM:** Management/operation of business processes via mobile devices
- **Social BPM:** Social process features, such as Questions and Answers, Comments, Process Wall, etc.
- **Cloud BPM:** A business process solution that is deployed over the cloud. Companies are opting for cloud BPM more and more frequently as it provides fast time-to-solution with low infrastructure costs.
- **On-premises BPM:** A BPM solution that is deployed on premises.

BPM Solutions:

- **Horizontal BPM solutions:** BPM solutions that can be applied across several industries.
- **Vertical BPM solutions:** BPM solutions that are specific to a particular industry or type of process.

BPM Concepts and Terms:

- **BPMN:** A graphical representation for specifying business processes in a business process model. It was previously known as *Business Process Modeling Notation*.
- **BPM ROI:** The return on investment from implementing a BPM solution.
- **BPM with SOA:** A BPM solution which implements a SOA (Software as a Service) model.
- **BPM for Enterprise:** A BPMS which is robust and scalable enough to provide a viable solution for a larger enterprise.
- **BPM for SME:** A BPMS which is appropriate for SMEs in its scope and scalability.
- **Iterative BPM:** A BPM model for improvement whereby processes are optimised in an iterative fashion.
- **Case Management:** A parallel discipline to BPM (overlapping in some cases) whereby each instance of the solution focuses on solving a particular case. A knowledge worker solves each case, employing unstructured processes and other resources. Learn more about case management and [case management software](#)
- **Intelligent Analytics:** Analytics which can be plugged back into the BPM process to optimize its performance/flow over time. Intelligent Analytics are an integral part of Intelligent BPM.

BPM Methodologies and Tools:

- **BPM Lifecycle/ BPM Cycle of Improvement:** the cyclical lifecycle of a BPM project which includes: Modelling, Implementation, Monitoring, Improvement
- **BPM Methodology:** A methodology which promotes the above-mentioned life cycle of improvement and other BPM best practises.
- **Collaborative BPM:** A BPM methodology which promotes social features and collaboration between stakeholders to improve process performance.
- **BPEL:** Business Process Execution Language for Web Services.
- **Business Intelligence (BI):** Software systems and tools that extract practical conclusions from accumulated data.
- **Business Analytics:** Accumulated and organised data on business processes that enable stakeholders to monitor and analyze process metrics, and respond to changes.
- **BPM Process Discovery:** A system whereby areas of operation which could benefit from a BPM solution are discovered.
- **BPM Simulation:** A method of simulating process execution before or during development.
- **Business Process Modeling (BPM) Tool:** A software tool that enables Business Analysts, Managers, Architects to create business process diagrams.

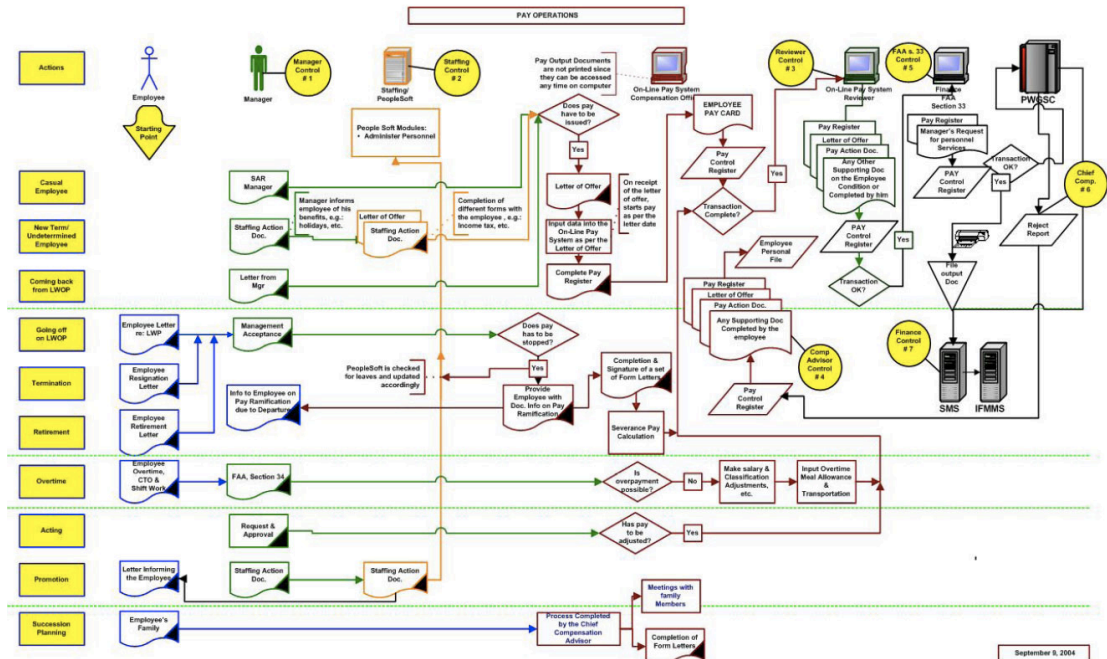
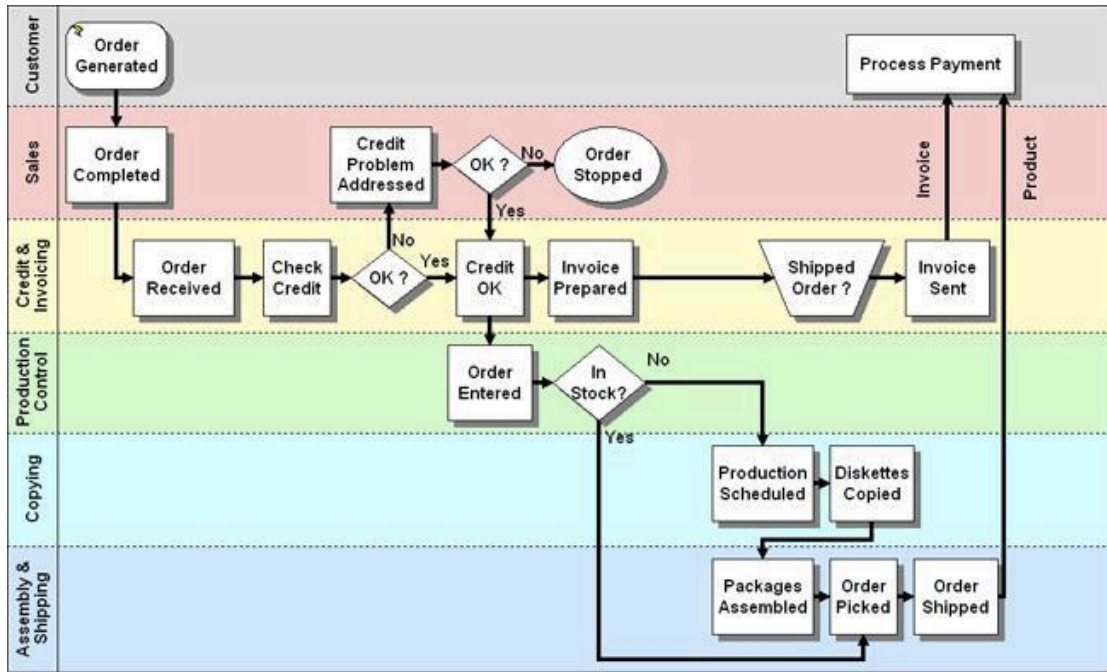


3. Business Process Mapping

Business process mapping refers to activities involved in defining what a **business** entity does, who is responsible, to what standard a **business process** should be completed, and how the success of a **business process** can be determined.

Examples:

Business Process Map – Beverage							SAP
Business Areas	01. Research & Develop	02. Planning	03. Purchasing	04 Production in Quality	05. Marketing	06. Sales	07. Storage & Distribution
Process Groups	01.01 Idea Collection & Evaluation	02.01 Budget Planning	03.01 Det. of Purchasing Strategy	04.01 Detailed Production Planning	05.01 Brand Planning	06.01 Order Management	07.01 Goods Receiptment
	01.02 Concept Processing	02.02 Demand & Promotion Plan.	03.02 Analysis of Procurement Market	04.02 Raw Material Preparation	05.02 Product Launch	06.02 Contract Management	07.02 Repackaging & Picking/Packing
	01.03 Project Execution	02.03 S&OP Planning	03.03 Supplier Selection	04.03 Finished Product Mfg	05.03 Consumer Marketing	06.03 Channel Sales	07.03 Embles Management
	01.04 Product Development	02.04 Optimizing Inventory Objectives	03.04 Contract Management	04.04 Production Control	05.04 Trade Promotion Mgmt	06.04 Key Account Mgmt	07.04 Route Sales & Direct Store Del.
		02.05 Supply Source Planning (Make or Buy)	03.05 Trading Business	04.05 Quality Management	05.05 Category Management	06.05 Consumer Care	07.05 Delivery Plan. & Processing
		02.06 Supply Network Planning	03.06 Procurement				07.06 Transport Plan. & Processing
		02.07 Distribution Planning	03.07 Supplier Settlement				07.07 Warehouse Control
Business Areas	08. Master Data Management						
	09. Batch Tracking						
	10. Processing of Foreign Trade, Tax and Customer Transactions						
	11. Production Plant Management						
	12. Analysis & Reporting						
	13. Patents & Contract Operations (trademark rights)						
14. Finance & Controlling							
15. Human Resources							
16. IT Services							



4. Management of Change

Change Management (CM) refers to any approach to transitioning individuals, teams, and organizations using methods intended to re-direct the use of resources, business **process**, budget allocations, or other modes of operation that significantly reshape a company or organization.



John P Kotter's 'eight steps to successful change'

American John P Kotter (b 1947) is a Harvard Business School professor and leading thinker and author on organizational change management. Kotter's highly regarded books 'Leading Change' (1995) and the follow-up 'The Heart Of Change' (2002) describe a helpful model for understanding and managing change. Each stage acknowledges a key principle identified by Kotter relating to people's response and approach to change, in which people **see**, **feel** and then **change**.

Kotter's eight step change model can be summarised as:

1. **Increase urgency** - inspire people to move, make objectives real and relevant.
2. **Build the guiding team** - get the right people in place with the right emotional commitment, and the right mix of skills and levels.
3. **Get the vision right** - get the team to establish a simple vision and strategy, focus on emotional and creative aspects necessary to drive service and efficiency.
4. **Communicate for buy-in** - Involve as many people as possible, communicate the essentials, simply, and to appeal and respond to people's needs. De-clutter communications - make technology work for you rather than against.
5. **Empower action** - Remove obstacles, enable constructive feedback and lots of support from leaders - reward and recognise progress and achievements.
6. **Create short-term wins** - Set aims that are easy to achieve - in bite-size chunks. Manageable numbers of initiatives. Finish current stages before starting new ones.
7. **Don't let up** - Foster and encourage determination and persistence - ongoing change - encourage ongoing progress reporting - highlight achieved and future milestones.
8. **Make change stick** - Reinforce the value of successful change via recruitment, promotion, new change leaders. Weave change into culture.

Kotter's eight step model is explained more fully on his website www.kotterinternational.com.

END OF CHAPTER 4
