Methods for the specification and verification of business processes

MPB (6 cfu, 295AA)

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02 - Business processes
Digression...

Exercises: find Eulerian path/circuits in the graphs above or prove that they cannot exist.
Digression...

A childish puzzle
Classes

Wednesday: 16:00-18:00, room A1
Friday: 14:00-16:00, room L1

Today:
Ch.1 of Workflow Management: Models, Methods, and Systems
Ch.1 of Business Process Management: Concepts, Languages, Architectures
Terminology

Generic terms, widely applicable to different working situations and companies

We fix preferred terms when possible, but allow synonyms interchangeably
Issues

☐ Role of work in the society
☐ Organizational structures
☐ Principal-contractor relationship
☐ Processes and distribution of work
☐ Process management
Work

People work to live
(or do they live to work?)

We need **products** to live our lives
(food, clothing, house, transportation, fun, health)

We are not capable to produce all we need
(or all we want, or that we are induced to want)
because we cannot be skilled enough

We buy products we cannot make ourselves
Business units

People organize specialized business units

They know how to do some specific product (limited range of products, highly efficient)
Market

Products are supplied to people via markets (distribution in exchange of money)
New services

Other work emerge, that would not exist (trading, banks, advertising, transportation, regulations, insurance companies, eCommerce)

There are services and products necessary to keep the organization operating (not making a direct contribution to keep us alive)
Complexity

Modern society is too complex for people to see how their work fits in the overall scheme (alienation can become a major social problem)

The same scheme applies to large companies:
  high degree of work specialization
  cause big picture be lost by employees
(why do they have to do the things they are told to do?)
Paradigm shift

Alienation from work can have negative effects on (human life and) productivity

Companies can allow employees to know they are working for a particular customer (increase motivation, self-esteem, productivity)

Shift:
from supply-driven economy (scarce means of production) to demand-driven economy (customers are scarce)
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Organizational structure

An *organizational structure* establishes how the work, authorities and responsibilities are divided up amongst its staff (roles and functions)

A single person can fulfill several roles, at the same time or at different times
Task force to reduce bureaucracy
Most relevant forms of organizational structure

Hierarchical:
structured as a tree,
internal nodes are individual roles or functions,
leaves are staff or departments,
branches are authority relationships
(independent of cases)
Hierarchical structure
Most relevant forms of organizational structure

Matrix:
add (dynamic) functional dimension
(each person can have one or more functional bosses, known as project leaders)
Matrix structure
Most relevant forms of organizational structure

Network:
autonomous actors collaborate to supply products or services
Network structure
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Most people’s work is assigned or outsourced to them by other people: their **principals** (they can be company departments or firms)

We can divide principals in two forms: **boss** and **customer**

Assignments ordered by bosses are often related to work for customers
Contractors

A person who is assigned a task is called contractor, or also resource
(assignments can be carried out by machines and computer applications as well as people)
An **actor** can be a principal or a contractor, or play both roles at the same time (contractors may redirect work to third parties)
Contract

A contract exists between a principal and a contractor about the case to be performed (deadline for completion, price to be paid)

A communication protocol can be established between a principal and a contractor to exchange information
Protocol example

Principal

Contractor

specification

quote

assignment

confirmation

order

completion
Contract tree example

Principal

Contractor

Principal

Contractor

Contractor

transport from A to Z

transport from A to Q

transport from A to D

transport from Q to Z

transport from D to Q
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Case

Many different types of work exist (baking bread, making furniture, design a building, collect surveys to compile a statistic)

They have in common the case: one tangible thing produced or modified (bread, furniture, house, diagram) but more abstract cases are also possible (a lawsuit, an insurance claim, digital data)

**Synonyms:** work, job, product, service, item
Procedure

Working on a case is typically discrete in nature

Every case has a beginning and an end

Each case can be distinguished from any other case

Each case involves a procedure being performed: the tasks to be carried out and the conditions that determine the order of the tasks

**Synonyms:** process, project
Task

A **task** is a logical unit of work that is carried out as a single whole.
Example: Make a Pizza

1. Check ingredients
2. Check tools
3. Make the dough balls
4. Prepare toppings (while dough rises)
5. Shape dough balls into pizza
6. Top it
7. Cook it

Tasks?
Procedures?
Cases?
Knowledge

Some tasks can be performed by a computer without human intervention

Executing some tasks may require human intelligence: a judgement or a decision (a bank employee decides about a loan request)

Persons need knowledge to execute tasks (their past experience, company guidelines)
A resource is the generic name for a person, machine or group of persons or machines that is responsible for a task.
Activity

An activity is
the performance of a task by a resource

Various cases may share the same procedure, but each case may involve different activities to be carried out, depending on case attributes (one insurance claim may involve objections and another one may not)
Example: Make a Pizza

1. Check ingredients
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Knowledge?  
Resources?  
Activities?
Example: Make a Pizza

Knowing the procedure is essential, but

Not all recipes are the same

Not all pizzas taste the same

Execution is important

Training is important
Cases vs procedures

The number of procedures in a company is (generally) finite and far smaller than the number of cases to be handled

**Example**: it is easier to make one hundred skirts with the same pattern than one hundred skirts using different patterns

**Example**: off-the-rack is cheaper than made-to-measure
Economy of scale

The cost per case falls as the number of cases increases

**Strategy**: keep the number of procedures small and make the number of cases that each can perform as high as possible

Profit, after all, is the ultimate objective (not necessarily the best one)
Example

Insurance companies want to keep the number of claims as low as possible, but this is generally a factor they cannot control.

They can try to keep low the number of procedures, but the risk is to make them too much complex (a unique procedure to handle all cases is possible in principle, but inefficient in practice).

Ideal situation:

a small number of good procedures, with a lot of cases to be handled by each of them.
Counter-examples?

What about tailor-made suits? one case per process?

What about architects and houses? each case designed from scratch?
Not so different?

Tailors and architects can exploit standard approaches for each case

Tailor process:
  take customer’s measurement,
  show a number of patterns,
  modify the chosen pattern,
  choose the fabric,
  draw the pattern

Observation:
  tasks can be highly dependent on cases
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☐  Process management
What is all about

Each product that a company provides to the market is the outcome of a number of tasks performed.

Business processes are about understanding, correlation, organization and improvement.
Awareness

Process management systems support and encourage communication between employees and make their activities more controllable.
Process orientation roots (1990’s)

Seminal book advocating the radical redesign of the business process of a company (as opposed to evolutionary improvements)

A business process is a collection of activities that take one or more kinds of input and create an output that is of value to the customer

- Hammer & Champy (1993)
How vs What

The main innovation is the shift of focus on the business logic of the process (how work is done), instead of the product perspective (what is done)
Keywords

Hammer & Champy: collection, input, output
Process orientation roots (1990’s)

The transformation that occurs in the process should add value to the input and create an output that is more useful and effective to the recipient.

A process is a set of linked activities that take an input and transform it to create an output.

- Johansson et al. (1993)
Keywords

*Hammer & Champy*: collection, input, output

*Johansson et al.*, recipient, linked
Processes as **structured** sets of activities designed to produce a specific output for a particular market.

A process is a specific **ordering** of work activities across **time** and **space**, with a **beginning** and an **end**.

- *Davenport (1993)*
More from Davenport

Unless designers or participants can agree on the way work is and should be structured, it will be very difficult to systematically improve, or effect innovation in, that work.

Following a structured process is generally a good thing, and there is nothing inherently slow or inefficient about acting along process lines.
Keywords

Hammer & Champy: collection, input, output

Johansson et al.: recipient, linked

Davenport: structure, ordering, time, space, begin, end
More from Davenport

Processes that are clearly structured are amenable to measurement in a variety of dimensions have cost, time, output quality, and customer satisfaction.

When we reduce cost or increase customer satisfaction, we have bettered the process itself.
ROI = Return on Investment

CUSTOMER SATISFACTION

CUSTOMER
Predict Customer Behavior based on demographics and purchasing habits

PRODUCT
Improve product positioning, identify product associations for promotions, and plan shelf positioning

CHANNEL
Campaign Management, Analysis and Design for different channels

TECHNOLOGY as an enabler to
1. Reaching the pinnacle of customer service
2. Achieving high success rates in adoption of new products
3. Exceeding planned ROI’s on every campaign through accurate targeting
Processes also need clearly defined **owners** to be responsible for design and execution.

Ownership must be seen as an additional or alternative dimension of the organizational structure.

During periods of radical process change, ownership takes precedence over other organizational structures. Otherwise, process owners will not have the power or legitimacy needed to implement process designs that violate organizational charts and norms.
More from Davenport

In service industries it is nearly impossible to distinguish between innovative new services offered to the customers and the **innovative processes** that enable them
Keywords

Hammer & Champy: collection, input, output

Johansson et al.: recipient, linked

Davenport: structure, ordering, time, space, begin, end, measurement, ownership, innovation enabling
Process orientation roots (1990’s)

Some processes result in a product or service that is received by an organization's external customer. We call these *production* processes.

Other processes produce products that are invisible to the external customer but essential to the effective management of the business.

- Rummler & Brache (1995)
Primary process

Produce company’s products (production processes)

Customer-oriented, even if sometimes the customer is not known in advance

Generate income for the company

Examples: raw materials purchase, service sale, design and engineering, distribution
Secondary process

Support primary processes
(support processes)

Examples: machinery purchase and maintenance, personnel management (recruitment and selection, training, work appraisal, payrolls, dismissal), financial administration, marketing
Tertiary process

Direct and coordinate primary and secondary ones (managerial processes)

Fix objectives, allocated resources and preconditions for the managers of other processes

Examples: maintenance of contracts with financiers and other stakeholders
production

support

managerial

orders, components, raw materials
provide resources
return resources after use
resources
disposal of resources

products, services
assignments, purchasing budgets
income reports
means to buy resources

objectives, capital
performance, profit

income reports
Keywords

Hammer & Champy: collection, input, output

Johansson et al.: recipient, linked

Davenport: structure, ordering, time, space, begin, end, measurement, ownership, innovation enabling

Rummler & Brache: production, support, managerial
Summing up
Definability

Processes must have clearly defined boundaries, input and output
Structured

Processes wrap up a collection of tasks
Ordered

Process tasks are ordered according to their position in time and space
Linked

Process activities are linked along a value-added chain
Example

\[ S = \{a, b, c, d, e, f\} \]

\[ a \subseteq b \subseteq d \subseteq f \quad a \subseteq c \subseteq e \subseteq f \quad c \subseteq d \]

Which of the following are correct sequences?

- abcdef
- abcedf
- abdcef
- acebdf
- acbedf
- acefbd
Customer

The process output has a recipient
Measurability

The process output can be evaluated
Ownership

There is one responsible for the performance and continuous improvement of the process
Cross-functionality

A process can span several functions within and across the organizational structure
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Some definitions
Business process

Definition: a **business process** consists of a set of activities that are performed in coordination in an organizational and technical environment.

These activities jointly realize a business goal.

Each business process is enacted by a single organization, but it may interact with business processes performed by other organizations.

- Weske
Definition: **business process management** includes concepts, methods, and techniques to support the design, administration, configuration, enactment, and analysis of business processes.

- Weske
Business process management

The basis of business process management is the explicit representation of business processes with their activities and the execution constraints between them.

Business processes can then be subject to analysis, improvement, and enactment.
Definition: **business process management system** is a generic software system that is driven by explicit process representations to coordinate the enactment of business processes.

- Weske
Business process model

**Definition:** business process model consists of a set of activity models and execution constraints between them.

- Weske
Business process instance

Definition: **business process instance** represents a concrete case in the operational business of a company, consisting of activity instances.

- Weske
Model and instances

Each activity model acts as a blueprint for a set of activity instances

Each business process model acts as a blueprint for a set of business process instances
Abuse of notation

If no confusion is possible, the term activity is used to refer to activity models as well as activity instances.

Analogously, the term process is used to refer to business process models as well as business process instances.
Business process models are the main artifact for implementing business processes. This implementation can be done by organizational rules and policies, but it can also be done by business process management (software) system. In this case the software system is driven by explicit process representations (models).
Process representations

**Visual representations:** diagrams and charts
understandable by humans
(few conventions, intuitive, BPMN, EPC, BPEL)

**Languages:** precise syntax
understandable by machines
(process dialects, XML schemes)

**Models:** precise semantics
understandable by scientists
(automata, Petri nets, workflow nets, YAWL)
Narrowing the gap

Organizational business aspects

Information technology
Reference framework

Fix the business management context (organization)

Model and analyze processes

Process management systems (IT support)