

Goals. In this Chapter the following questions and themes are explored:

- The meaning of business
- Type of businesses
- Functional organization of a company
- Functional areas and their roles within an organization
- What is a business function
- Understanding a process-oriented view of an organization
- The meaning of a business process
- Structure of a business process
- The role of a business in the functioning of an organization
- What is a work process
- What is an activity and a task
- Understanding the functioning of the company as a whole

2.1 Business

It is important to begin this Chapter by introducing in a brief way how a company works in order to make business, and how the company or organization is structured into connected organizational units that operate as a whole to form the organization or enterprise.

The purpose of this introduction is to enable readers, particularly students, to understand what business is, how to look at a company or organization from a business process point of view, and what role the business process plays within the company or other kinds of organization.

The term business is understood by many authors as the performance of some kind of work that brings profit to its owners. It is also accepted that by the term business we usually understand a company, firm, or enterprise.

Business covers all activities within an organization, such as planning, organizing, and producing marketable products or services at a required level of

quality, and selling at competitive prices. All these factors contribute a great deal to creating a better climate and possibilities for bringing profit to the company. Since the reason for doing business is normally earning a profit, which is essential for the owners to extend their working area, improve their existing products, and increase their wealth.

Business is defined by Burlton (2001) as: “A business is any organization whose aim is to create results of value for someone who cares about those results”. The author explains that the purpose of any business entity is to act as a transformation mechanism. When an appropriate event and conditions trigger action, customer requirements and consumable resources – such as raw materials, money and information are transformed into goods, services, and business outcomes for the customers’ benefit. These results can have a physical component, such as a tangible product, as well as an informational or knowledge-based one, such as a report, book, or expertise provided.

Therefore, from Burlton’s definition, we may conclude that the term business covers the work carried out by the company including the work performed within the framework of the company to produce the desired product or service, as well as the work of the company that is aimed at building good relationships with customers and suppliers.

In addition to companies, there are also other organizations that provide important services, such as governmental or civil organizations, which organize business as non-profitable work to perform different administrative processes and procedures in order to serve people’s requirements. Such organizations run different kinds of necessary administrative functions that are essential for people’s daily needs in society.

Laguna and Marklund (2005) define business as: “An organizational entity that deploys resources to provide customers with desired products or services”. This definition actually covers both kinds of organizations; i.e. both companies that tend to maximize their profit, i.e. profit-maximizing type of companies, and non-profit making civil and governmental organizations.

Understanding the term business could be generalized as creating an organization that develops a needed and marketable product or service that satisfies customers, creates a certain profit for its owners, and provides earnings to it employers.

Business ownership can take a number of different kinds or forms depending on the type of the company. Thus, ownership could be a sole proprietorship, a partnership or a corporation. These types are introduced very shortly, as follows:

- A sole (single) proprietorship means that the business is owned by one person, who is responsible for the business and also has to carry a personal liability for the debts which may be created by the business;
- A partnership means that the business is owned by a group of people who carry responsibility for the business and also have personal liability for any debts that may be created by the business;

- A corporation means that the business is owned by a number of shareholders and controlled by a board of directors that hires a staff of managers to lead the corporation; and
- There are businesses, which are owned by their employees, such as the co-operative organizations, or e.g. in the UK, the John Lewis Partnership.

We may differentiate between different types of companies depending on their mission and the kind of business that they are established for. These types include manufacturing, information, financial, real estate, retail-trade, service companies, and others:

- A manufacturing company purchases the needed components or raw materials from suppliers; the components are then used and manufactured to produce predetermined and planned products, which are delivered to the market through the company's network or other retail-trade companies.
- An information company usually develops various administrative, business software packages, or technical software products whose purpose is to support the functioning of different processes or procedures within companies or organizations. An information company also deals with marketing and selling software packages of other specialized information companies, or establishes an educational center that offers and teaches different IT courses.
- A financial company deals with the fields of financial management and financial risk management. Such a company carries out different kinds of financial operations such as funds, investment, etc.
- A real estate company carries out its business by selling or renting houses and other buildings for private or business purposes.
- A retail-trade company purchases products from manufacturers and other suppliers and sells them on the market.
- A service company is usually specialized in offering particular specialized service(s) and charges customers for the work done.

A company must establish very good relationships with its partners which tend toward achieving the satisfaction of all parties. Creating such relationships is essential for planning, organizing, and preparing a needed working environment, and providing everything necessary for the business to operate properly in order to produce and deliver its outputs.

The company works in a prescribed manner by starting with purchasing essential inputs, such as raw materials, components, and other inputs from suppliers. The purchased inputs then go through different processing or manufacturing procedures in order to transform them into the desired outputs that in the end are offered as products or services on the market to customers.

As was mentioned before, the purpose of businesses is obvious; this is to sell their products or services and to create the profit needed to continue their work, improve the quality of their outputs, increase and extend their work, and increase their wealth. All operations in a company are planned, organized, lead, and controlled by the management of the company.

The company is led by management at different levels; these are the strategic, business, and operational levels. A strong and appropriate linkage should be

established between the different levels of management in order to ensure that the organization is functioning as one body in which each part accomplishes its specialized kind of work. Such a linkage or relationship is essential to put into reality the implementation of the organization's goals and objectives.

At the strategic level, top management focuses on determining the organization's values, such as defining its vision and mission, determining strategic goals and objectives, and developing a strategic plan. The role of top management is also to ensure that strategic goals and objectives are transferred into reality and implemented at lower levels of the company.

The responsibility of the management at the business level of the organization is to carefully analyze the market environment and investigate real possibilities of transferring the strategic goals and objectives defined by the management at the strategic level into realistic business plan, goals and objectives that can be transformed into reality.

The role of business management is to determine the target market and customers to enable the company to achieve the accomplishment of its business plan, goals and objectives. This level of management is also responsible for meeting customer's needs, requirements and expectations, and for developing appropriate relationships with business partners, such as customers, suppliers, and others.

The management at operational level of the organization is responsible for translating the business goals and objective into operational or action plans. The role of this level of management is to define operational goals and objectives in accordance with the business goals and objectives and develop necessary action plans, such as the working process, budget, resources procurement, quality control, and other plans. These plans enable the company to anticipate, lead, and control the accomplishment of its operational goals within the time scheduled, the budget estimated, and the expected level of quality of the outputs produced.

In addition to this, the operational management is responsible for determining, recruiting and purchasing the resources needed for performing the work organized within different departments in accordance with the operational plans. Furthermore, the role of this level of the management is to ensure that the work is done in accordance with the planned and expected performance and at a defined level of quality.

2.2 Functional Areas

Organizations for the most part today are structured into functions and hierarchies and most people have been brought up with the belief not only that this is the most natural and efficient way of organizing, but that it is the only way of organizing. This has been the case ever since organizations began to be studied in a coherent way in the late nineteenth century (Robson and Ullah 1996).

Almost every company is organized into a group of departments or units, which are called functional areas. Each functional area is specialized in accomplishing a particular and specialized kind of work that is usually connected to the work

performed within the framework of other functional areas. Some of these functional areas are the following: Marketing and Sales, Production and Material Management, Research and Development, Human Resources, Finance and Accounts, Customer Service, and Administration/IT Support.

To understand the functioning of a company and how it makes a business or other organization and how it conducts work, we have to understand how it is organized into a number of units or functional areas.

A functional area represents a certain organizational unit or department within the company or organization, where a set of tightly connected business functions and activities are carried out in order to accomplish a particular kind of work in accordance with the specialization of the functional area.

In the framework of each of these functional areas are a number of business functions and activities that perform a specific kind of work in which the functional area is specialized. The work performed within the functional area is usually carried out by a group of specifically educated, specialized, and experienced employees.

The work accomplished within the framework of a determined functional area is usually tightly related to and needed by work performed within one or more other functional areas. Therefore, the work started within a certain functional area is usually continued and completed by performing a set of tasks within other functional areas.

In the literature, it is possible to find different classifications of functional areas for various categories of companies. In the following, typical functional areas of a production company are briefly presented.

Marketing and Sales. This functional area is usually divided into Marketing and Sales branches. The responsibility of the Marketing branch is to carry out marketing analysis that enables the people in the branch to develop a good promotional plan for the products and service of the company, which is created on the basis of a realistic analysis of the market. Marketing is also involved in calculating and suggesting the best possible prices of the company's products and services in comparison with the prices of other competitive products.

The main role of the Sales branch is receiving customer orders, archiving and forwarding them to other functional areas, and ensuring that they are processed properly. This branch may receive customer orders in different ways; for example customers usually send them via ordinary mail to this functional area, generate and place them via the web application of the company, fax them, or use other possible routs of communication.

Marketing and Sales is connected to other different functional areas, such as Production and Materials Management, Human Resources and so on. For example, a copy of the customer orders is sent to Production and Materials Management to produce the ordered products and deliver them. Marketing and Sales is related to Human Resources by sending requirements for recruiting specifically educated personnel, and also for organizing other operations for their employees, such as trainings and so on needed to improve their capabilities.

Marketing and Sales is connected with the company's information system, where it stores sales orders in the system's database in order to carry out sales analyses and reports, which are essential for the management staff to develop suitable marketing and sales plans. Such analyses may play an important role in carrying out necessary changes and improvements for developing better or new products and determining competitive product prices in comparison to similar products of other companies. There are many business functions and activities, which are performed within the framework of this functional area, such as:

- Performing marketing research,
- Carrying out marketing analysis,
- Developing a marketing plan,
- Calculating products prices,
- Developing a sales forecast,
- Processing sales orders, and
- Carrying out sales analysis.

Production and Material Management. The role of this functional area is to develop a product manufacturing plan based on information gained from the sales plan and other sales analyses prepared by Marketing and Sales, the material purchasing plan created on the basis of the production plan, and the quality plan that the ensures manufacturing of products of a high level of quality.

The Material Management branch supports the production process by purchasing appropriate quality raw materials and other components needed for manufacturing company's products in accordance with the purchasing plan. In addition to this, Material Management deals with determining faster and safer ways to deliver shipments of the products ordered to the customers.

The Production and Material Management functional area is connected to a number of other functional areas. From Marketing and Sales it gets sales plans, sales analyses, and sales orders. And in the opposite direction the Production and Material Management provides Marketing and Sales with information about product availability and sales order fulfillments.

This functional area provides Finance and Accounts with purchasing and manufacturing data based on purchasing orders and the products produced. Such data is needed in Finance and Accounts to register purchasing transactions and to calculate manufacturing expenses. This functional area is also connected to Human Resources concerning recruiting of needed professional employees.

Production and Material Management may play an important role in increasing customer satisfaction by manufacturing high-level quality products and providing production on time and prompt delivery of the products to customers.

There are a number of business functions and activities performed within this functional area, such as:

- Developing a production plan,
- Developing a purchasing plan,
- Developing a quality plan,
- Monitoring the production process,

- Planning and controlling the budget,
- Controlling quality,
- Purchasing raw materials and other components, and
- Determining effective shipment approaches.

Research and Development. The Research and Development functional area is responsible for researching possibilities and finding solutions for developing marketable and profitable quality products at reasonable prices. The role of this functional area is essential in leading the company toward being a competitive and successful organization.

The work in this functional area depends on information obtained from the organization's environment as well as from other functional areas within the company, such as Marketing and Sales, Production and Material Management, Finance and Accounts, and Human Resources.

Development of a new product or making improvements to an existing product is done on the basis of information gained from Marketing and Sales, such as marketing analysis, sales analysis, and feedback information received from customers. Following new developments in the field of concern, in addition to the mentioned analyses enable the management and professional staffs in Research and Development to carry out comparative analyses with other competitive products and conduct experimental tests in order to develop a new product or improve their existing one. Taking into account new developments in the market and customer satisfaction as a priority, then using feedback information may contribute a great deal in achieving the desired success of the company.

Research and Development is linked to Production and Material Management by providing information about the development of new products or changing ideas for improvement of the existing ones. This functional area is also connected with Finance and Account by getting information about the budget planned for it. Human Resources hires needed professionals in accordance with requirements issued from this functional area.

Research and Development performs many functions and activities, including some of the following:

- Researching the possibility of new product development,
- Experimenting with ideas for new product development,
- Developing new products,
- Testing newly developed products,
- Experimenting with ideas for product improvement,
- Carrying out the improvement of existing products, and
- Testing improved products.

Human Resources. The Human Resources functional area hires people by following prescribed procedures for recruiting employees and experts with the required education and experience in accordance with the employment plan and corresponding to requirements gained from other functional areas.

This functional area takes care of organizing proper training of the recruited employees and that they are paid in accordance with the regulations of the company. It also plays an important role in implementing procedures for promotion of employees.

The Human Resources department is also responsible for storing and updating data in the company's database about employees, jobs, skills required for each job, and payment for every job.

In the framework of this functional area a number of business functions and activities are performed, some of which are:

- Taking care of recruitment,
- Organizing employee training,
- Providing health care insurance for employees,
- Carrying out retention, resignation, retirement and dismissal procedures,
- Following promotion procedures.

Finance and Accounts. Finance and Accounts plays the main role in connecting all the functional areas together by storing all business transactions in the company's database. These are financial transactions and events caused by the sale of the company's products or services, receiving payments from customers, getting tenders and invoices, and also sending payments to suppliers after purchasing raw materials and other components needed for the production function of the company.

This functional area prepares financial analyses and reports for management about the financial state of the company. Such analyses and reports are made on the basis of data stored in the database about the transactions registered.

As was mentioned before, the Finance and Accounts obtains data from other functional areas. Marketing and Sales provides data about sales orders, Production and Material Management provides data about product manufacturing, Human Resources gives information about employees, and Research and Development delivers information about the budget needed to accomplish their plan.

Finance and Accounts also carries out development of the financial plan of the organization and deals with finding capital and resources essential for expanding and improving the company's work.

In the framework of this functional area, a number of business functions and activities are carried out, including the following:

- Registering accounts receivable transactions,
- Registering accounts payable transactions,
- Preparing salaries,
- Preparing financial analyses and reports,
- Developing the financial plan of the organization, and
- Providing capital and resources.

Customer Service. The main goal of the Customer Service functional area is to establish good relationships between the company and its customers by defining effective ways to support them, searching for better solutions to existing problems,

and providing them with the information and advice needed in order to fulfill their needs and expectations.

The main goal of Customer Service is to ensure customer satisfaction, which consequently is to make sure customers return and remain satisfied customers of the company's products or services.

Therefore, this functional area has the essential responsibility of how to achieving the goal of customer satisfaction, which represents a necessary factor for the success of the company in today's competitive and dynamic business climate.

Within Customer Service many activities and business functions are executed, including:

- Providing customers with information,
- Giving advice needed,
- Conducting customer support,
- Helping in solving customer claims, and
- Providing after-sales support.

Administration and IT Support. Administration is responsible for all administrative work throughout the company or organization, and which is done by the administration staff. It is also responsible for other tasks, such as cleaning, security, and maintenance, which are usually done by other contracted companies.

IT Support is usually represented by a separate department, whose main role is to integrate all the functional areas together by developing an integrated and effective information system, enabling employees and customers to perform electronic transactions using special web applications of the company.

This functional area comprises different business functions and activities, including the following:

- Preparing meetings and reports,
- Reception work,
- Organizing and recording mail,
- Providing software and hardware support,
- Developing and maintaining the company's information system, and
- Taking care of network communications.

2.3 Business Process

At the beginning of the current section, let us emphasize that the purpose of the present chapter is to explore what a business process is, the meaning of business processes for understanding the functioning of an organization as a whole, and the advantages of a process-oriented organization in comparison with a functional organization.

By a business process we mean the different processes conducted within various types of organizations whose purpose is creating outputs that are produced to serve customers' needs. Such processes are:

- Processes performed within companies that serve customers requirements;
- Administrative processes carried out by governmental organizations that serve the needs of people; and
- Healthcare processes executed in hospitals, clinics and infirmaries that serve patients' healthcare.

From the previous sections, we may conclude that an organization is usually structured vertically into a group of units called functional areas. Furthermore, there are a number of business functions and activities that are executed within the framework of each of the functional areas on a daily basis.

This means that different inputs enter a certain functional area from the organization's environment or other functional areas within the organization and cause the execution of its business functions and activities, which result in the creation of outputs that may enter other activities within the functional area as inputs. Such a process is continued following the process flow until the final outputs of the functional area are completed, which then may enter either another functional area as new inputs or leave the border of the functional area as the company's or organization's final products.

If the company is organized into functional areas, it is called a vertical or functional organization. This actually means that the company is divided into specialized organizational units in order to carry out specific kinds of work operations lead by differently educated groups of employees.

Consequently, such a kind of organization leads to the fact that the work conducted within the framework of a certain functional area (unit or department) is practically almost isolated from the work performed within other functional areas. So, a functional type of organization causes the creation of an artificial boundary around each functional area or department, which then becomes almost an independent organizational unit within the company with its particular rules and procedures.

Such a functional organization can be the reason for the creation of different problems and disadvantages, such as:

- Higher level managers are unable to follow the flow of work started by one of the functional areas, continued, and accomplished throughout some other areas;
- Functional managers become uninterested in the work performed in other functional areas and concentrate only on the work conducted within their own functional areas;
- Work isolated within department boundaries could increase the possibility for devising more complicated work procedures and bureaucracy because employees are unable to see the organization's work as a whole.

Robson and Ullah (1996) point out that a functional organization has a number of difficulties, such as:

- Different departments often take a very parochial view, and are uninterested in issues that do not appear to affect them directly;
- Destructive competition between departments seems often to be pursued more vigorously than the competition with outside competitors;

- Communications are also often slowed down by over-strict adherence to the bureaucratic requirement to pass messages to the head of the department before they can be passed to another department.

In recent years, the understanding of organizations has changed and looking at the organization from the business process point of view has become a more popular and acceptable way of organizing business compared to a functional organization. This is because of the problems caused by the functional type of organization, which induces functional managers and employees in a certain department to care only about the work accomplished within their own department and not to think broadly about the work done within other departments and the organization as a whole.

For example, many academics have witnessed even in schools and colleges cases of wasting time and energy by waiting for the approval of a simple application to be issued, because such an approval needs to be controlled and signed by the managers of different departments. For example, submitting an application for attending an international conference needs to go through at least three departments, whose managers need to control, approve, and sign it. What is amazing is that whenever enquiries are made about the application, the answer is that there is something that has not yet arrived from another department or the manager of a certain department is not available. Even this simple procedure, which could be solved by one person within one single day or even within an hour or two, is so complicated because of the division of the organization by artificial walls, where the administrative procedures are so rigid with very low performance, and the low level managers what to prove that they are the people in-charge.

It is very clear that such an organization needs more resources and time to function compared to a process-oriented organization and consequently we usually find in this kind of an organization a lot of bureaucracy and overstaffing with employees for different and mainly useless purposes.

The process view actually could be understood as looking at the functioning of the company from the customer's perspective, which requires following the flow of work procedures and their accomplishment throughout different functional areas of the company or organization.

This means that a process-oriented organization creates a linkage that connects different business functions executed within the framework of various functional areas in order for the company to function as a whole.

In addition to this, a process-oriented organization requires the creation of a special kind of manager, who are responsible for taking care of the process and following the work flow throughout different functional areas. Consequently, this means increasing the power of business managers or business process owners in order to create tight linkages between the various departments.

The process-oriented organization has a number of advantages compared with the functional one, such as:

- Determining the process owner for each business process; this is the process manager responsible for the business process;

- Making it possible for process managers to follow the work flow across different functional areas;
- Helping in removing the boundaries between departments totally or at least partially;
- Minimizing conflicts and misunderstandings between employees of different departments; and
- Encouraging cooperation between employees of various departments and teaching them to understand the work from the customer's perspective.

A process-oriented view may, however, cause coordination problems and conflicts of interest between the functional and process managers. This difficulty should be solved at the highest level of management by supporting and encouraging the new kind of organization, which in addition to improving work performance and quality, may in the end lead to achieving a number of necessary changes in the working culture of the organization.

However, each business process actually exists within determined boundaries, which play the role of drawing the process size and differentiating it from other business processes. Process boundaries are defined by its inputs and outputs. The inputs enter the process in different stages of its functioning, beginning with the one(s) that starts the process. The outputs leave the process in various stages of its functioning, ending with the one(s) that ends the process.

In any organization two types of processes exist; these are core and support processes. Robson and Ullah (1996) defined these processes as follow:

- The core processes are the operational processes of the business and result in the production of the outputs that are required by the external customer; and
- The support processes are those that enable the core processes to exist.

Ould (1995) identified three types of process: core, support, and management.

- Core processes concentrate on satisfying external customers;
- Support processes concentrate on satisfying internal customers; and
- Management processes concern themselves with managing the core processes or the support processes, or they concern themselves with planning at the business level.

There are many outstanding authors who made very important contributions to exploring the field of business processes and their meaning for improving the functioning of a company or organization. The ideas expressed by these authors about business processes are very valuable and worth our attention and understanding. And therefore, it is important to introduce some of them in what follows.

The business process is defined by Brady et al. (2001) as: "A business process is a collection of activities that takes one or more kinds of input and creates an output that is of value to the customer" (Fig. 2.1).

Robson and Ullah (1996) defined a business process as: "A flow of work passing from one person to the next, and for larger processes probably from one department to the next".

An important contribution was made by Harrington et. al. (1997), where interesting definitions were given for a process, major process, subprocess, activity, and task:

Fig. 2.1 A business process

- A process is a logical, related, sequential (connected) set of activities that takes an input from a supplier, adds value to it, and produces an output to a customer;
- A major process is one that usually involves more than one function within the organizational structure, and its operation has a significant impact on the way the organization functions;
- A subprocess is a portion of a major process that accomplishes a specific objective in support of the major process;
- Activities are things that go on within a process or subprocess; they are usually performed by units of one (one person or one department);
- Tasks are individual elements and/or subsets of an activity; tasks relate to how an item performs a specific assignment.

The definitions made by Harrington et al. (1997) are important because they determine an easy and practical specification for a major process by saying: “When a major process is too complex to be flowcharted at the activity level, it is often divided into subprocesses”. Such a specification could be very useful as a rule or practical guide for practitioners and students. The authors go on to define a differentiation between an activity and a task by emphasizing that an activity is performed by units of one, which means that an activity includes a few tightly related tasks, whereas a task is an elementary work. We may imagine an activity is a group of instructions and a single instruction is a task. Figure 2.2 shows a business process hierarchy.

An interesting contribution was made by Burlton (2001) that explores business process from another point of view called the outside-in perspective: “A true process comprises all the things we do to provide someone who cares with what they expect to receive”.

The author emphasizes that a true process starts with the first event that initiates a course of actions and isn’t complete until the last aspect of the final outcome is satisfied from the point of view of the stakeholder, who initiated the first event or triggered it. The process is characterized by the following:

- Inputs of all types, such as raw materials, information, knowledge, commitments, and status are transformed into outputs and results;
- Transformation occurs according to process guidance, such as policies, standards, procedures, rules, and individual knowledge; and
- Reusable resources are employed to enable the change to happen, such as facilities, equipment, technologies, and people.

Laguna and Marklund (2005) present an interesting idea that characterizes processes into three types:

- Individual processes, which are carried out by separate individuals, such as: Order Receiving – an individual process within the Marketing and Sales department;

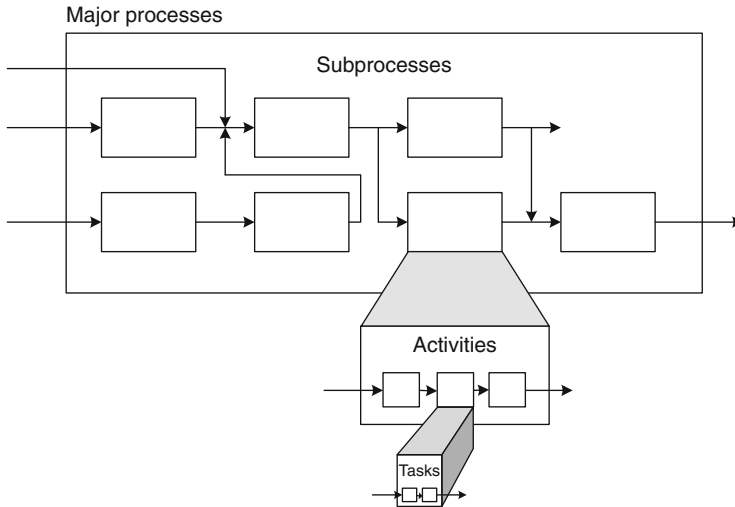


Fig. 2.2 A business process hierarchy (Source: Harrington et al. 1997)

- Vertical or functional processes, which are contained within a certain functional area or department, for example: Production Planning – a functional process within the Production Department; and
- Horizontal or cross-functional processes, which cut across several functional areas, for example: Order Fulfilled – a horizontal process, which goes through the departments Sales, Production, and Accounts.

The authors stated that between the three process types exists a hierarchy in the sense that a cross-functional process can be decomposed into a number of connected functional processes, which consist of a number of individual processes. Furthermore, any process can be broken down into one or more activities and an activity may comprise a number of tasks. For example, receiving an order is an activity, which comprises tasks, such as answering the phone, talking to the customer, and verifying necessary information. Assuming that the activity is performed by one employee, it is then an individual process.

The structure of the process was characterized by Laguna and Marklund (2005) in five components and elements: inputs and outputs, flow units, network of activities and buffers, resources, and information structure; see Fig. 2.3.

(a) Inputs and outputs

To understand a process, is important to identify its boundaries; this is its entry and exit point. Identifying the input is necessary for the process in order to produce the desired output. Inputs and outputs can be tangible (such as raw materials) or intangible (such as information).

(b) Flow units

A flow unit can be defined as a job or an entity that proceeds through various activities and finally exits the process as a accomplished output. The flow unit can be a unit of input (e.g., raw material), a unit of one or several intermediate

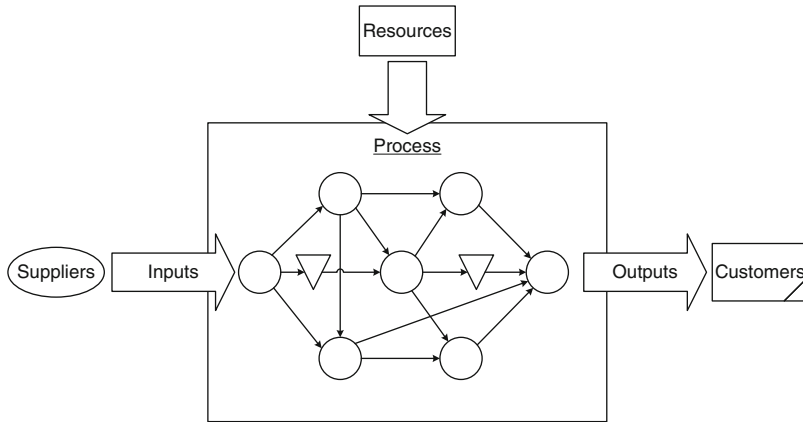


Fig. 2.3 A process structure (Source: Laguna and Marklund 2005)

products or components (e.g., the frame in a bicycle-assembly process), or a unit of output (e.g., a finished product).

(c) Network of activities and buffers

A process is composed of activities and buffers through which the flow units have to pass in order to be transformed from inputs into outputs. Buffers are also included in most processes between the activities. Real examples of buffers are waiting rooms in hospitals or the waiting that occurs between the end of a predecessor and the start of a successor activity.

(d) Resources

Resources are tangible assets that are necessary to perform activities within a process. Resources are often divided into two categories: capital assets (e.g., real estate, machinery, equipment, and computer systems) and labor (e.g., employees).

(e) Information structure

The information structure specifies which information is required and which is available in order to make the decisions necessary for performing activities in a process.

Based on the process hierarchies and process structure, Laguna and Marklund (2005) give a more comprehensive and complete definition of a business process: “A business process is a network of connected activities and buffers with well-defined boundaries and precedence relationships, which utilize resources to transform inputs into outputs for the purpose of satisfying customer requirements”.

After introducing the above very interesting ideas developed by outstanding researchers, and after studying other views of well-known authors in the field of business process, who will be mentioned later in the following sections, it is time to introduce our own view and understanding of an organization’s functioning. Such a view is based on looking at the organization from the process point of view or what is known as a process-oriented organization. And for this reason, let us temporarily

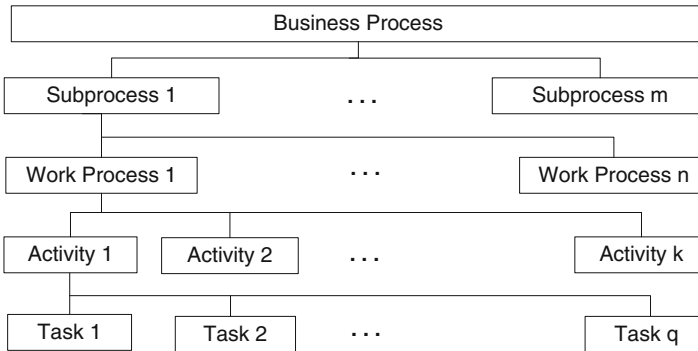


Fig. 2.4 Structure of a major business process

ignore the functional organization and functional areas into which the organization is structured.

In reality, the core functioning of an organization is actually carried out by different horizontal cross-functional processes rather than the functional areas into which the organization is partitioned. The purpose of a functional organization is to group employees with similar expertise together in order to perform similar kinds of work that concern a specific working area, where particular rules and regulations, related to this working area, are implemented.

Therefore, the role of each functional area is to perform a specific kind of work in which the area is specialized within the framework of wider business processes. In other words, the departments of an organization are responsible for performing various segments of cross-departmental business processes. Thus, the fact of looking at the organization from the process point of view is essential to obtain the whole picture about the organization's functioning from the starting inputs that enter the system to the delivering of final outputs to the customers.

Figure 2.4 shows the structure of a major cross-functional business process. In reality, such a process is usually complex. In such a case and in order to overcome its complexity, the process should be decomposed into a number of subprocesses. A business process or subprocess, depending on the process complexity, is partitioned further into a set of work processes. Furthermore, each work process contains a group of activities. Every activity may contain a number of tasks each of which represents an elementary work.

A process-oriented organization shows that every company consists of a set of business processes. A major business process represents a linkage that comprises a number of different work processes and activities. These terms are compatible with the terms of functional processes and individual processes used by Laguna and Marklund (2005).

Transforming the structure of the major business process shown in Fig. 2.4 into the reality of a functional organization in which most companies are organized is presented in Fig. 2.5. This is done by showing work processes, which are actually segments of bigger business processes, as rectangles that are placed in the frames of

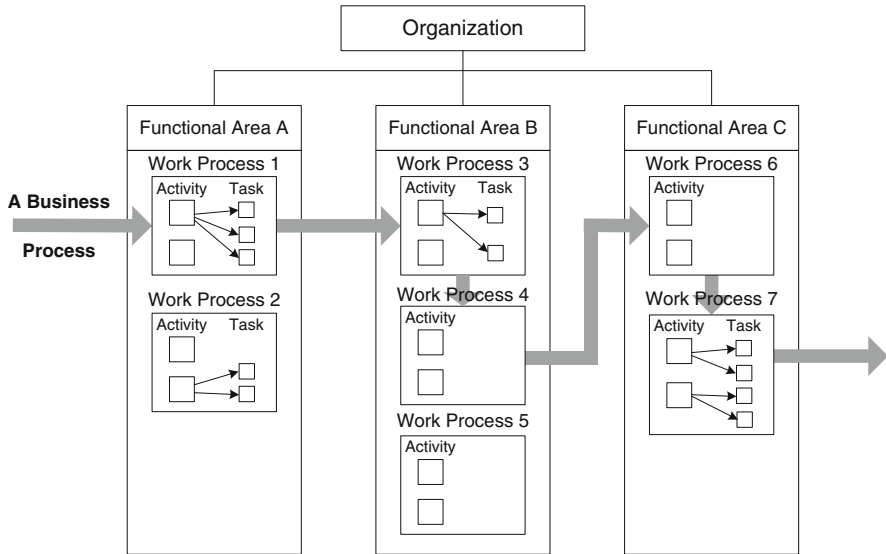


Fig. 2.5 The reality of a major business process

functional area boxes but are linked together within cross-functional business processes. Thus, to show the whole business process, a cross-functional arrow is drawn that links together a number of work processes within different functional areas of the organization in the determined sequence order in which they are performed.

Figure 2.5 introduces a business process view shown within the reality of the functional organization of the company. From this figure the following conclusions could be drawn:

- A business process is a horizontal process, which represents the linkage between a number of work processes performed within a number of the organization's functional areas. A business process starts with an input(s) that enters it from the environment of the organization and causes the execution of a set of groups of activities, which consist of different work processes, in a determined sequence order in order to develop a desired output(s) that leaves the process to the environment.
- A complex business process could be decomposed into different subprocesses in accordance with the partitioning of the process into specific parts that tackle specific kinds of problems.
- A work process represents a group of successive activities using a number of paths in order to carry out a specific joint work. This starts with an input(s) that enters the first activity of the process, continues in such a way that each predecessor activity creates an output that as an input enters its successor activity, and ends by an output(s) that leaves the last activity of the process.

- An activity is a simple microprocess that consists of one or more tasks and represents a well-defined work performed by one person, such as creating a document. An activity may also be understood as a simple algorithm that contains a few instructions. The activity starts with an input(s) or an event that triggers the execution of one or several successive elementary works, and ends by creating an output(s).
- A task could be understood as an elementary work within an activity or a part of an algorithm that represents the execution of an activity, for example printing a document or signing a document.

Each business process is owned by a person called the process owner. This person is responsible for taking every action necessary to keep the process as effective as expected concerning its performance, cost, and quality. The business process owner is responsible for following and controlling the work accomplished within the work processes that form the business process within the framework of different functional areas. To achieve this, the business process owner has to take action and discuss with operational managers any problems that appear in connection with those work processes that are executed within their departments, so as to ensure that proper action is taken to solve the problem(s) at the right time.

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