

Chapter 1: Introduction to Business Process

Learning Objectives

After completing this chapter you will be able to:

1. Define the functional organizational structure, and explain why this structure creates problems for modern businesses
2. Describe key business processes in an organization
3. Identify the main integration points between and among processes
4. Understand the cross-functional nature of processes and their relationship to organizational areas
5. Adopt and apply an integrated perspective to business processes
6. Describe GBI's organizational structure
7. Explain how the SAP system promotes an integrated approach to business processes

Chapter Outline and Teaching Suggestions

1. The Functional Organizational Structure
 - a. The Silo Effect
 - b. Enterprise Systems

Discuss how companies are organized, and explain that the functional structure is the most common organizational structure. You can use a university or company or a business school department that you are familiar with as an example. Point out that processes are cross-functional. Ask the question: Why is the functional structure so common? Figure 1-1 will assist you in explaining the cross-functional nature of business processes.

Explain the silo effect and its negative implications for modern business organizations. You can give an example such as creating a sales order in sales and marketing with no integration or communication with inventory management or production.

Point out that the nature of the functional organizational structure and the cross-functional nature of processes directly conflict with each other.

Explain the benefits of an enterprise system (ES) (i.e., supports end-to-end processes, productivity, competitive edge, monitoring and changing of business processes, etc.).

2. Business Processes

- a. Procurement - Buy
- b. Production - Make
- c. Fulfillment - Sell
- d. Material Planning - Plan
- e. Inventory and Warehouse Management - Store
- f. Lifecycle Data Management - Design
- g. Asset Management and Customer Service - Service
- h. Human Capital Management - People
- i. Project Management - Projects
- j. Financial Accounting - Track for External Reporting
- k. Management Accounting - Track for Internal Reporting

Define and explain a business process. Point out that organizations use many processes to achieve their objectives and they employ specific terms to identify the processes. Processes can be directly related or closely related to creating and delivering goods and services. Use Figure 1-2 to illustrate a process that is executed in response to a need (trigger). The process is carried out through a sequence of steps and results in an output. You can use an example such as ordering supplies.

Processes can be supported by other processes and can have numerous sub-processes. Point out that communication and coordination of tasks are very important. Figure 1-3 can assist you in explaining this point. Ask students to identify some other processes that they are familiar with.

Describe and give examples of the business processes (A - K). Figures 1-4 through 1-10 will assist you.

3. Global Bicycle, Incorporated (GBI)

Explain that Global Bicycle, Incorporated (GBI) is a fictional company that is used to illustrate the important concepts, processes, and techniques discussed in the textbook. Figure 1-11 will assist you in explaining GBI's organizational structure.

Call up the SAP University Alliance Community (UAC) website <http://uac.sap.com>, and demonstrate the functionality and services available for students. Also instruct students to read the GBI Background Document on the UAC to understand GBI's history, products and operations.

4. How To Use This Book

- a. Chapter Structure
- b. SAP Software and Certification
- c. WileyPLUS

Explain the four key sections in most of the process chapters. Provide a brief background on the origins of SAP and the problems it initially solved.

Explain that most SAP consultants are not programmers and have mastered the material presented in this book.

Explain the three levels of SAP Certification and the value added of becoming a SAP-certified consultant.

Point out that the importance of the WileyPLUS online supplements and the value added to passing the SAP Certification exam. Reinforce the point that using this textbook and the ancillary materials can substitute for taking a formal TERP 10 course.

Review questions

1. Question:

Describe the functional organizational structure. Why do you think this structure is so common?

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Answer:

The functional organization structure is divided into functions, or departments, each of which is responsible for a set of closely related activities. This type of organizational structure is widely used because it spreads the responsibility across an organization instead of locating it in one particular person or group. In addition, it enables people to specialize in terms of skills and knowledge.

2. Question:

What is the silo effect? Why does it exist? How can an organization reduce or eliminate the silo effect?

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Answer:

The silo effect refers to an organizational structure in which workers complete their tasks in their functional “silos” without regard to the consequences for the other functions in the process. This situation exists because each department within a functional organization works independently and focuses on its objectives. This tendency can be reduced by thinking sideways or viewing the business across functional boundaries and focusing on the end-to-end nature of the process and its intended outcomes.

3. Question:

What is a business processes? Why is a process view of organizations essential to becoming a successful manager?

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Answer:

A business process is a set of tasks or activities that produce desired outcomes. Every process is triggered by some event, such as receiving a customer order or recognizing the need to purchase something. A process view can liberate managers from the silo effect. Managers must

have a solid understanding of the processes that their company uses so that they can meet their company's and customer's satisfaction.

4. Question:

Briefly describe the key business processes included in this chapter in terms of their key steps.

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Answer:

The key business processes discussed in this chapter are the procurement process (buy), the production process (make), and the fulfillment process (sell). The procurement process refers to all of the activities involved in buying or acquiring the materials used by the organization, such as the raw materials needed to make products. The production process involves the actual creation of the products within the organization. The fulfillment process consists of all the steps involved in selling and delivering the products to the organization's customers.

5. Question:

Explain the interrelationships among the key processes discussed in this chapter. Why are these interrelationships important?

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Answer:

This chapter discusses many interrelationships among the various processes found within an organization. These various processes must be coordinated in order to be performed successfully. For example, the asset management and customer service processes are closely integrated with production and sales processes. This interrelationship is important to producing quality products, maintenance of production equipment, repairs of products sold to customers, and providing customer satisfaction.

Exercises

Exercises for this chapter are available on the Wiley student companion website at <http://www.wiley.com/college/magal/>.

Test Questions

Three types of test questions are provided – True/False, Multiple-choice (one right answer), and multiple answer (at least two right answers). These are provided in MS word format as well as in a format that can be imported as a test in blackboard.

The files are:

Chapter01 Test Questions True False.docx

Chapter01 Test Questions Multiple-choice.docx

Chapter01 Test Questions Multiple-answer.docx

Blackboard versions of these files are also provided. These versions end with the word Blackboard. Remember that these are zipped files that should be uploaded to Blackboard as they are, without unzipping. Your Blackboard administrator can help you with any problems you encounter in uploading these files to your course on Blackboard.

If you include all three types of questions, the following grading suggestion is offered.

T/F questions 1 point each

Multiple-choice questions 2 points each

Multiple-Answer questions 3 (or 4) points each.

All of the correct answers must be chosen in order to receive credit for Multiple-Answer questions. We suggest you do not offer partial credit.