

UNIT III

TYPICAL BUSINESSSS PROCESSES

Syllabus

- Core processes,
- product control,
- sales order processing,
- purchase,
- administrative process,
- human resource,
- finance support processes,
- marketing,
- strategic planning,
- research & development
- Problems in traditional functional view.

CORE PROCESSES

- Core processes are the fundamental activities or group of activities that are so critical to an organization's success, that failure to perform them will result in deterioration of the organization.
- These are typically processes that directly touch the organization's customers, reflect the major cost drivers in the organization.

There are three types of business processes:

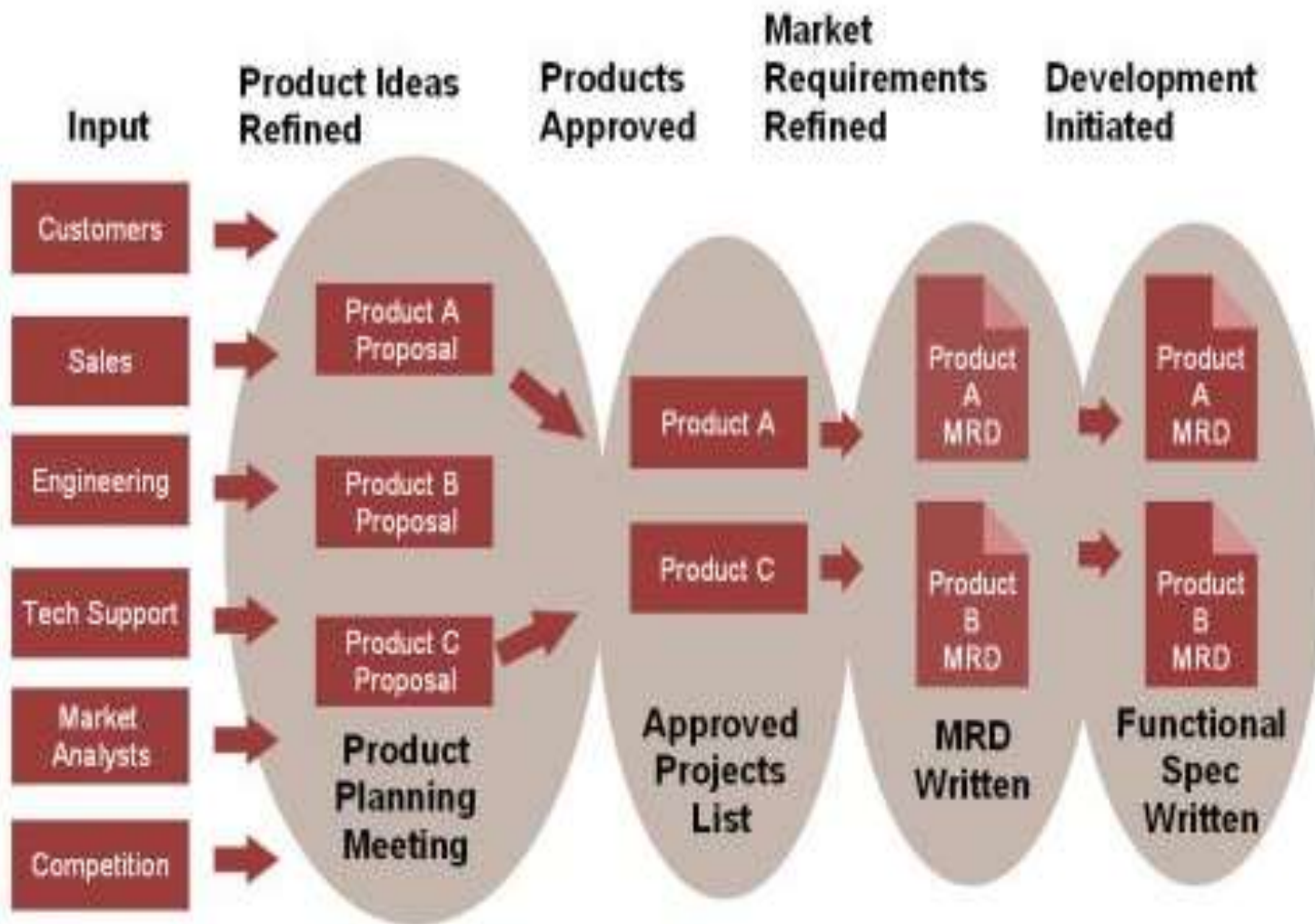
- **Management processes**, the processes that govern the operation of a system. Typical management processes include "Corporate Governance" and "Strategic Management" (financial, personnel, legal).
- **Operational processes**, processes that constitute the core business and create the primary value stream. Typical operational processes are Purchasing, Manufacturing, Marketing, and Sales.
- **Supporting processes**, which support the core processes. Examples include Accounting, Recruitment, and IT-support.

Characteristics for a business process

- **Definability:** It must have clearly defined boundaries, input and output.
- **Order:** It must consist of activities that are ordered according to their position in time and space.
- **Customer:** There must be a recipient of the process' outcome, a customer.
- **Value-adding:** The transformation taking place within the process must add value to the recipient, either upstream or downstream.

PRODUCT CONTROL

- **Product Planning** is the ongoing process of identifying market requirements that define a product's feature set.
- Product planning is performed by the Product Planner.



PURCHASE

- **Purchasing** refers to a business or organization attempting to acquire goods or services to accomplish the goals of the enterprise.
- Purchasing is a very important component of the materials management module.
- The materials management module is fully integrated with other modules in the system.

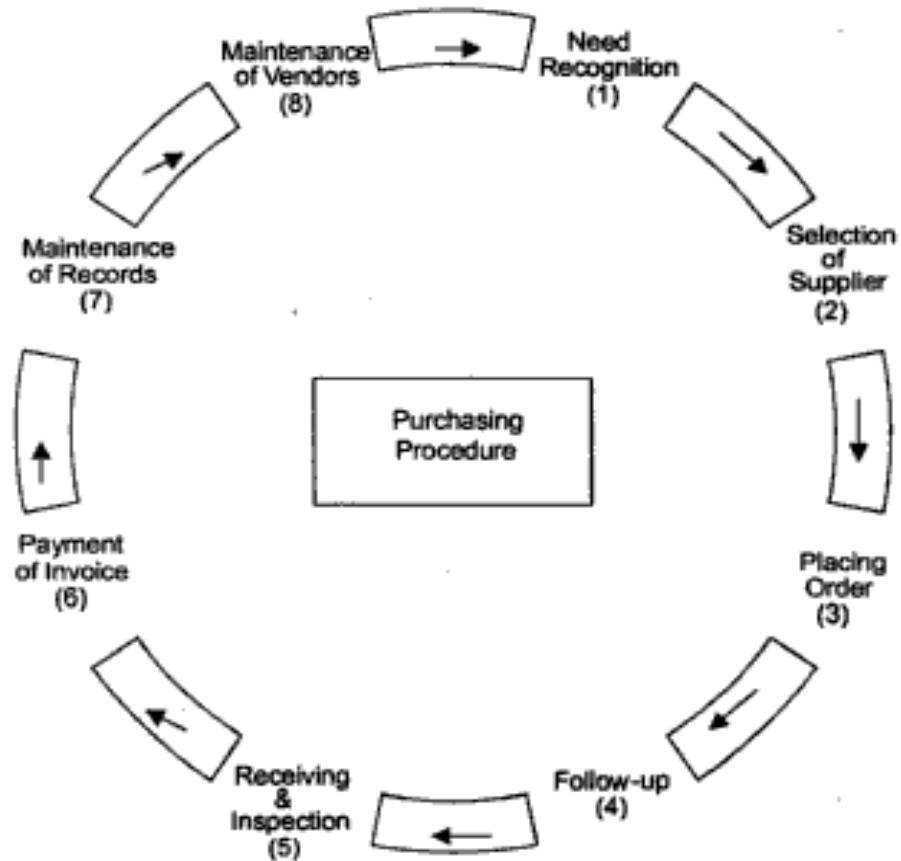
Parameters of purchasing



Parameters of purchasing are:

- RIGHT ATTITUDE (SWOT analysis)
- RIGHT MATERIAL (value analysis standardization)
- RIGHT QUALITY (rejections and specifications)
- RIGHT QUANTITY (EOQ and inventory models)
- RIGHT PRICE (negotiation and learning curves)
- RIGHT TIME (reorder point, lead time analysis)
- RIGHT TRANSPORTATION (cost analysis, transportation and logistics)
- RIGHT CONTRACTS (legal aspects and modes)
- RIGHT SOURCES (vendor rating and purchase)
- RIGHT PLACE OF DELIVERY (price and communication)

Purchasing procedure



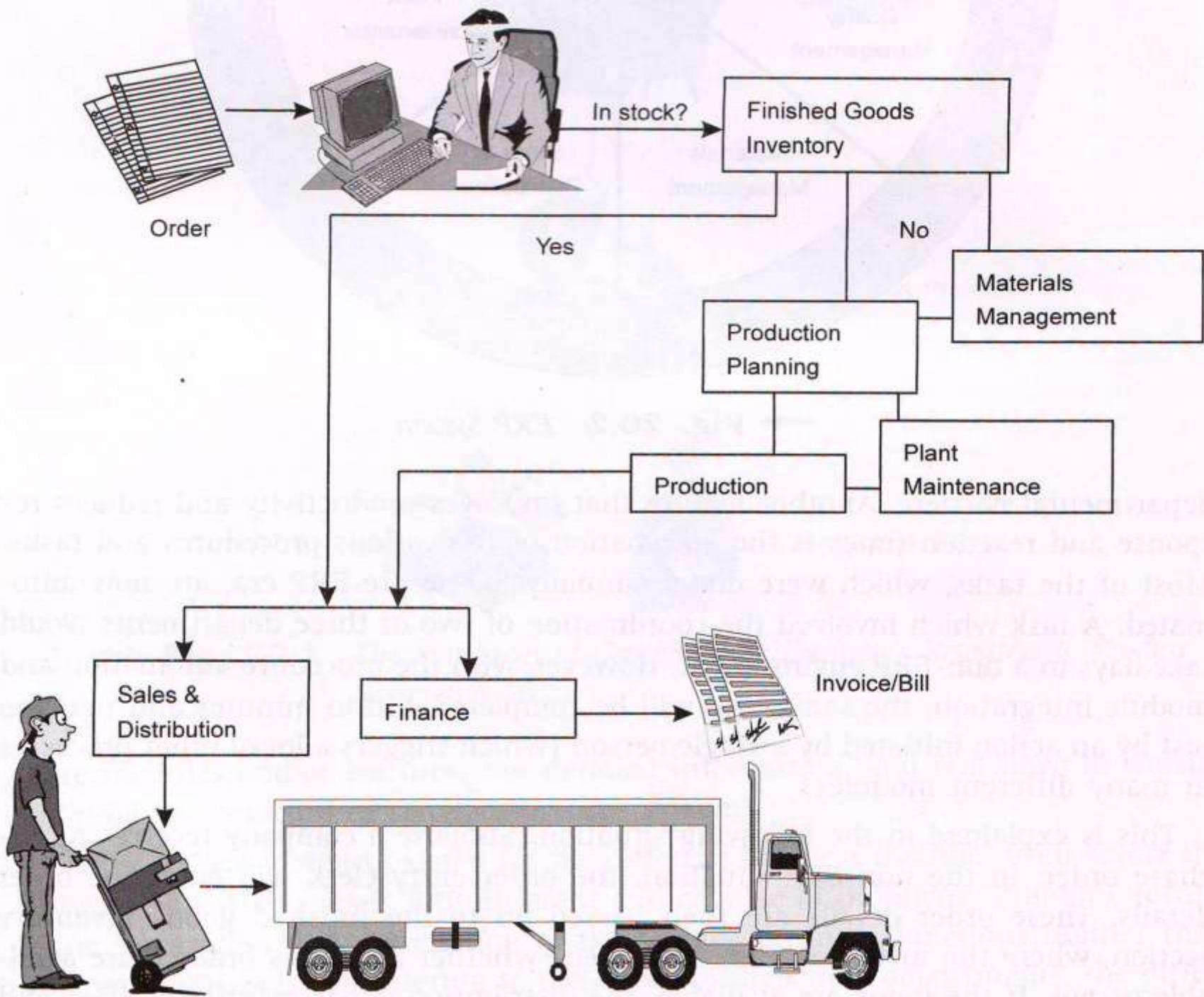
Purchasing procedure includes:

- Need recognition
- Selection of supplier
- Placing orders
- Follow-up
- Receiving and inspection
- Payment of invoice
- Maintenance of records
- Maintenance of vendors

SALES ORDER PROCESSING

- it is the complete process from point of sales inquiry to delivery of a product to the customer.

Manual Sales Order Processing



Manual Sales Order Processing

- A company receives a purchase order.
- The order entry clerk will enter the order details.
- These order details are then passed on to the finished goods inventory section where the inventory clerk will check whether the items are available or not.
- If the items are available, the distribution department is notified and they will pack the items and sent it to the customers.
- The accounts department is also notified, where the invoice/bill will be prepared and sent to the customer.

Continued.....

- If the item is not in stock, then the production planning department is notified, which in turn schedules the item for production.
- The manufacturing or production department receives the production plan and checks whether all the items required to make the item are in the inventory.
- If not, the purchasing department is notified, and the procedure for purchasing the raw material is sent into motion.
- If the materials are available, then the production department in association with the plant maintenance department sets up the machines for production.
- Some machines may be under repair and the production might get delayed.

Using ERP

- Order entry clerk enters the order into the system, the system checks the inventory records and find out whether the item is available or not.
- If the item is available, procedures are triggered automatically that will inform the people in the sales and distribution department and the finance department.
- The information will contain the details of the items to be shipped, the most economic route to the customer.
- Also, the system will trigger procedures in the financial module so that the invoices are sent to the customers.
- The information is transferred electronically through EDI and payments are received electronically through EFT.

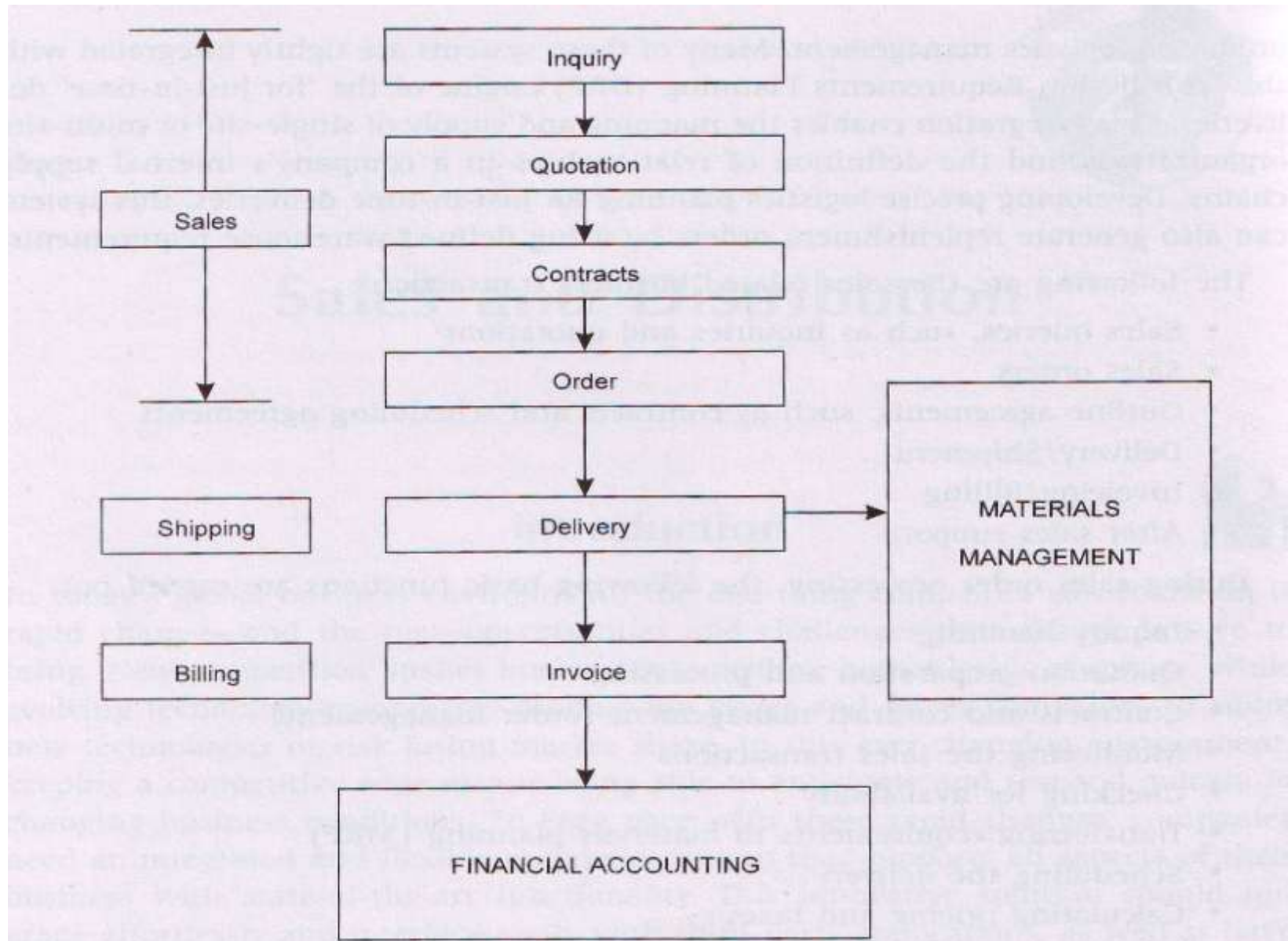
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- If the items are not available, then the production planning makes a production schedule, which is made available to the production, material management and plant maintenance module so that everybody is prepared to start production as per the production schedule.
- The material requirement planning is done and any item that is not in stock is ordered.
- If the supplier is connected to the company, the ordering happens electronically.

Continued.....

- The plant maintenance gets the list of machines required and ensures that all of them are available.
- After the order is received, the goods are on their way to the customer within a short period of time.
- If the goods are not readily available, the customer is informed about it and given the delivery schedule, this become possible because of ERP.
- All data is stored in a central database and this database is updated by all the modules in a real-time basis.

Sales and distribution module



sales related business transactions

- Sales queries, such as inquiries and quotations
- Sales order
- Outline agreements such as contracts and scheduling agreements
- Delivery/shipment
- Invoicing /billing
- After sales support

Basic functions carried out during the sales order processing are as follows:

- Inquiry handling
- Quotation preparation and processing
- Contracts and contract management
- Monitoring the sales transactions
- Checking for availability
- Transferring requirements to materials planning

ADMINISTRATIVE PROCESS

- Administrative process is the act or process of administering, especially the management of a government or large institution.

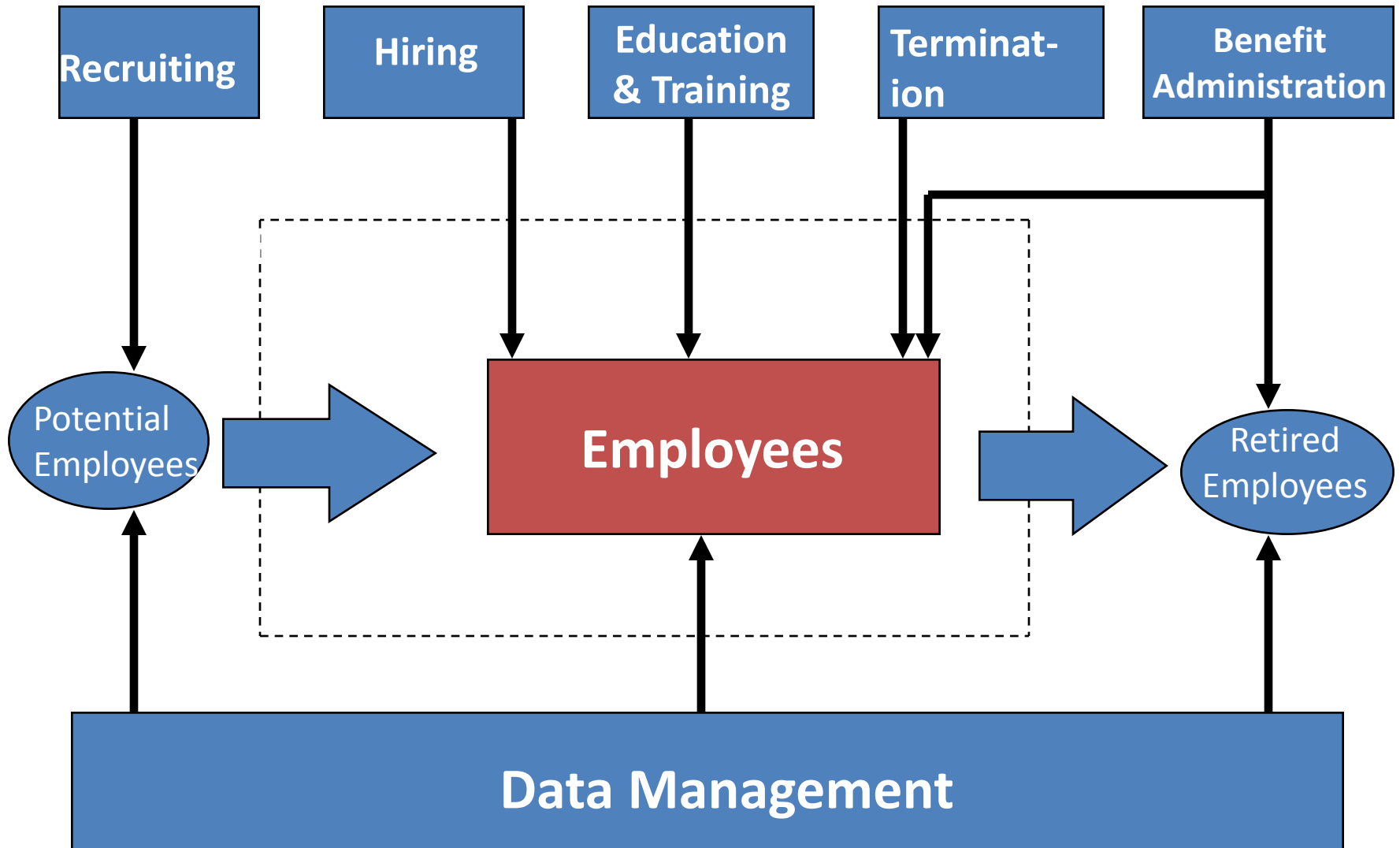
Administrative process consists of

- Financial
- Personnel
- Legal issues

HUMAN RESOURCE

- Human resource department manages the personnel resource in an organization.
- The term HR director is use to describe the person in charge of HR.
- It is the responsibility of HR director to conduct the activities in an effective, legal and consistent manner.
- Human resource management is an essential factor of any successful business.

HR Functions



Recruiting and hiring

- HR helps bring new employees into the firm by running
 - Advertisements in newspaper
 - Providing position requests to both government and private employment agencies
 - holding screening interviews on college campuses
 - administering employment tests

Education and training

- During a person's period of employment, HR can administer educational and training programs that are required to cultivate the employees' job-related knowledge and skills.

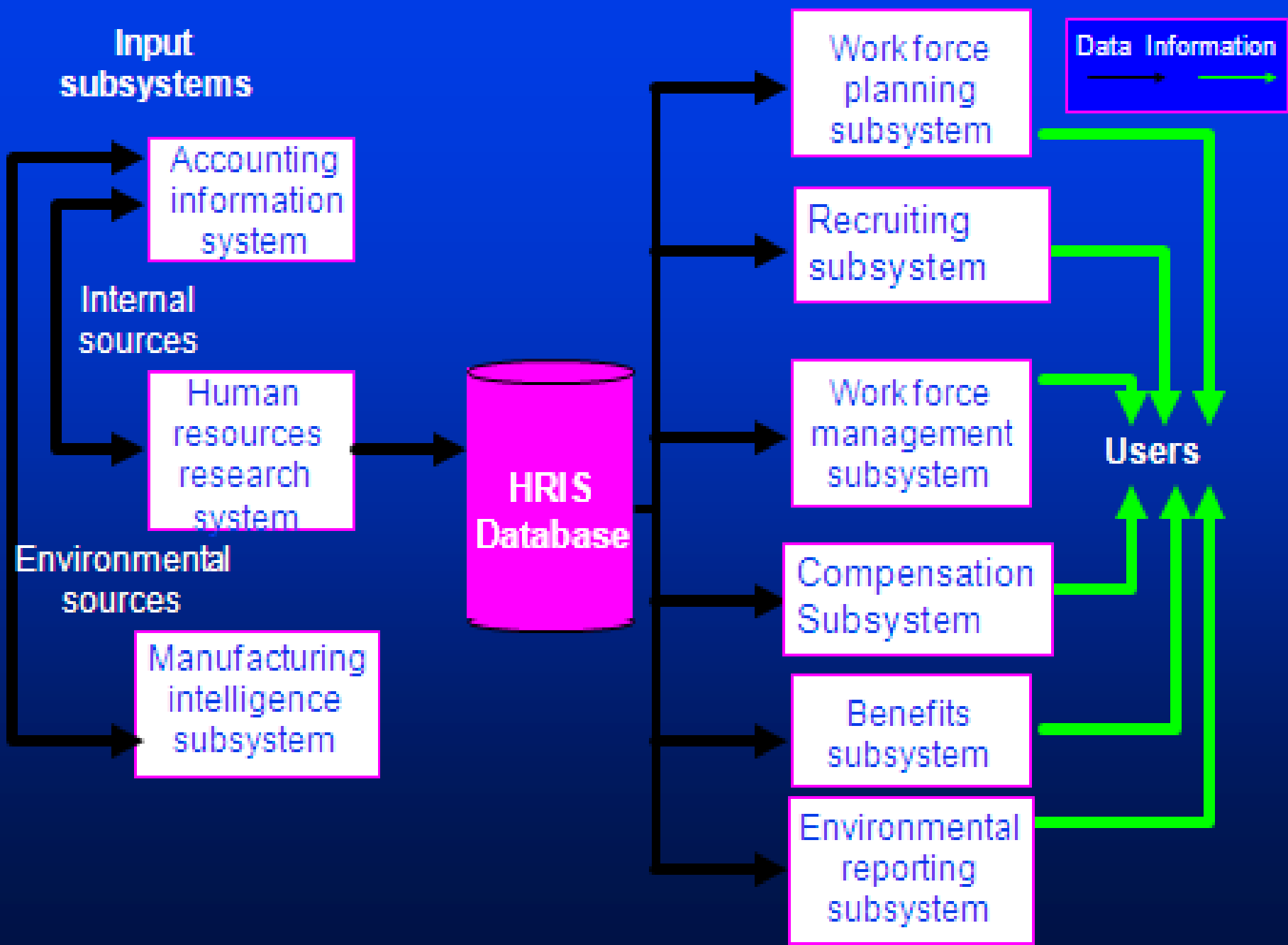
Data management

- HR maintains a data base of employee-related data, and processes that data to meet user's information needs.

Termination and benefit administration

- Hospitalization,
- Dental insurance,
- Profit sharing

HRIS Model



Accounting Information Subsystem

Two main types of data

1. Personnel -- name, birth date, sex, marital status, education, skills, etc.
2. Accounting -- hourly rate or monthly salary, taxes, insurance deductions, etc.

Human Resources Research Subsystem

- Examples:
 - Job analyses and evaluations
 - Succession studies
- This research can generate new data for the database (job analyses)
- And it can use existing database contents (succession studies)

Human Resources Intelligence Subsystem

HR has the responsibility for interfacing with the most environmental elements of any functional area.

- Government -- stay current on legislation. File reports.
- Suppliers -- employment services
- Labor unions,
- Local community,
- Competitors -- sources of employees
- Financial community -- employee planning
- Competitor intelligence

Environmental Human Resources Databases

- University databases
- Employment agency databases
- Public access databases
- Corporate job banks

The HRIS Database

Type of data:

1. Employee

82.5% of the firms maintain only employee data

2. Nonemployee

8% of the firms

mainly organizations external to the firm

Work Force Planning Subsystem

Enable manager to identify future personnel needs

- Organization charting
- Salary forecasting
- Job analysis/evaluation
- Planning
- Work force modeling

Recruiting Subsystem

- Applicant tracking
- Internal search

Work Force Management Subsystem

- Performance appraisal
- Training
- Position control -- ensuring that headcount does not exceed budgeted limits.
- Relocation
- Skills/competency
- Succession
- Disciplinary

Compensation Subsystem

Most systems in use

- Merit increases
- Payroll
- Executive compensation
- Bonus incentives
- Attendance

Benefits Subsystem

- Defined contribution
- Defined benefits
- Benefit statements
- Flexible benefits
- Stock purchase
- Claims processing

Environmental Reporting Subsystem

Reporting firm's personnel policies and practices to the government

FINANCE SUPPORT PROCESS

Financial accounting: the objective of a good financial accounting system is to provide company-wide control and integration of financial information that is essential to strategic decision making.

- **General ledger**
- **Accounts Receivable and Payable**
- **Asset Accounting**
- **Legal Consolidation**

- **Investment management** Investment management is the professional management of various securities (shares, bonds etc) assets (e.g. real estate), to meet specified investment goals for the benefit of the investors. Investors may be institutions (insurance companies, pension funds, corporations etc.) or private investors (both directly via investment contracts and more commonly via collective investment schemes e.g. mutual funds).

Controlling: the controlling system gathers the functions required for effective internal cost accounting. It offers a versatile information system, with standard reports and analysis paths for the most common questions. In addition, there are features for creating custom reports to supplement standard reports.

- **Overhead Cost Controlling**
- **Cost Center Accounting**
- **Overhead Orders**
- **Activity-Based Costing**
- **Product Cost Controlling**
- **Cost Object Controlling**
- **Profitability Analysis**

Treasury: A treasury is any place where the currency or items of high monetary value are kept. The head of a Treasury is typically known as a Treasurer. The treasury component provides you with a basis for effective liquidity, portfolio and risk management.

- **Cash Management**
- **Treasury Management**
- **Market Risk Management**
- **Funds Management**
- **Enterprise Controlling**
- **Executive Information System**
- **Business Planning and Budgeting**
- **Profit Centre Accounting**

MARKETING

- Marketing “consists of individual and organizational activities that facilitate and expedite satisfying exchange relationships in a dynamic environment through the creation, distribution, promotion and pricing of goods, services and ideas.”

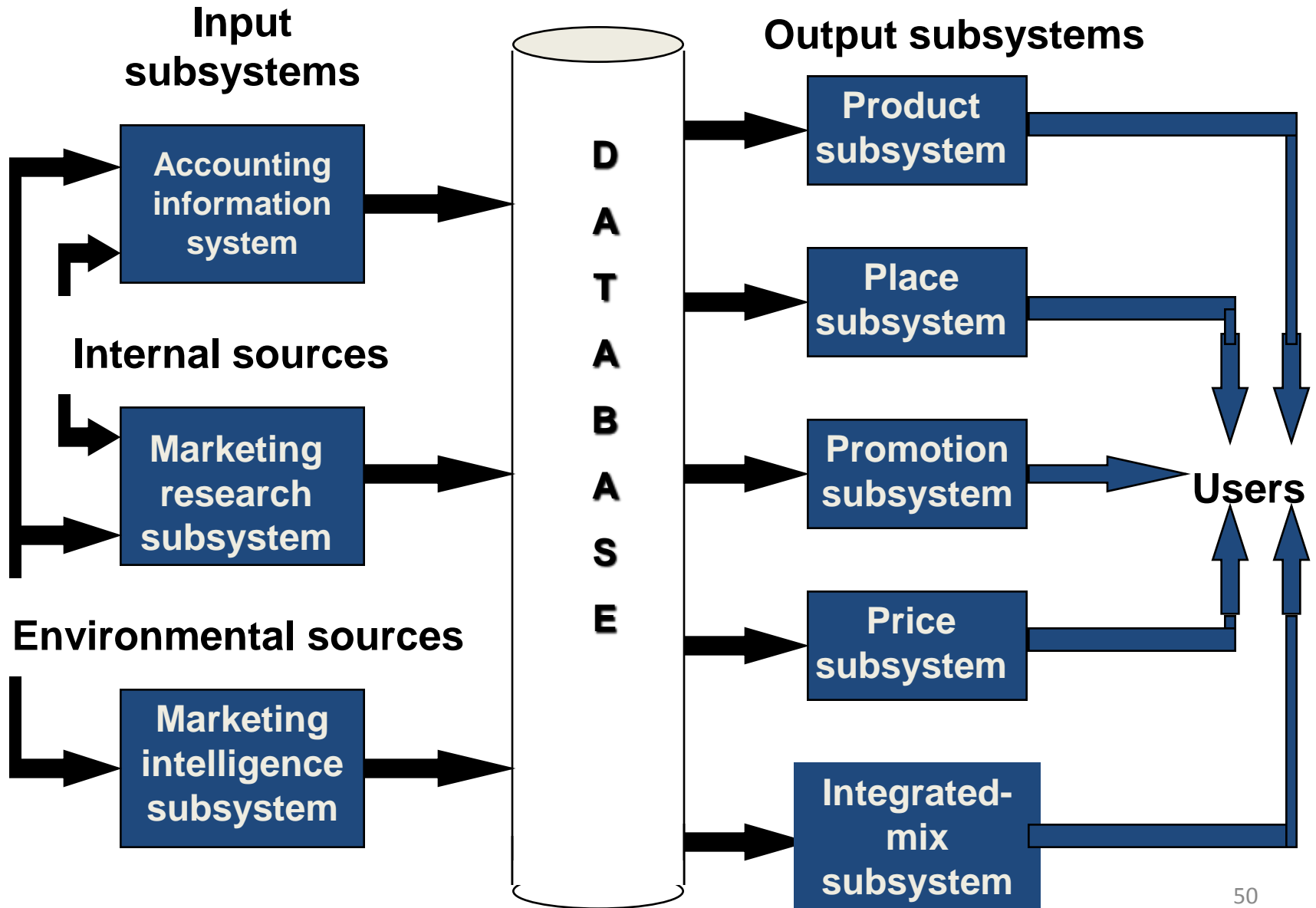
Marketing mix

- **Product:** is what the customer buys to satisfy a perceived want or need. A product can be a physical good, some type of services or ideas.
- **Promotion:** is concerned with all the means of encouraging the sale of the product, including advertising and personal setting.
- **Place:** deals with the means of physically distributing the product to the customer through a channel of distribution.
- **Price:** consists of all the elements relating to what the customers pays for the product.

Marketing Information System (MKIS)

- Marketing information system as a computer based system that works in conjunction with other functional information systems to support the firm's management in solving problems that relate to marketing the firm's products.

Marketing Information System Model



Accounting Information System

- Marketing provides sales order data that is input to the AIS.
- AIS provides data to prepare information in the form of
 - Periodic reports: example sales-by-product, sales-by-salesperson
 - Special reports: example accidental reports
 - Mathematical models and knowledge-based models

SALES BY PRODUCT FOR THE MONTH OF JUNE

PRODUCT NUMBER	PRODUCT NAME	CURRENT MONTH SALES	YEAR-TO-DATE SALES
129875	GASKET CENTER CASE	\$ 5,090.23	\$ 31,764.00
087235	MAINSHAFT	4,760.01	29,329.45
118320	1ST MOTION SHAFT	1,789.45	28,243.59
250067	OIL SEAL REAR	11,560.24	23,450.07
228203	LAYGEAR	8,369.34	14,709.03
576000	HUB 5TH	.00	13,623.68
516012	SHIFT FORK 1-2	450.95	12,634.44
090407	SYNCHRO RING 2ND	2,243.27	9,963.58
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282130	BUSH SHIFT LEVER	.00	490.00
576301	OIL SLINGER	.00	11.50

SALES BY SALESPERSON REPORT FOR THE MONTH ENDING MARCH 31

SALESPERSON		CURRENT-MONTH			YEAR-TO-DATE		
NO.	NAME	QUOTA	ACTUAL	VARIANCE	QUOTA	ACTUAL	VARIANCE
0120	JOHN NELSON	1200	1083	-117	3600	3505	-95
10469	LYNN SHERRY	1000	1162	+162	3000	3320	+320
19261	DARVIN UPSHAW	800	1090	+290	2400	2510	+110
20234	JANIE EVANS	1500	1305	-195	4500	4110	-390
61604	TRAVIS BURKE	2000	2333	+333	6000	6712	+712
62083	CATHY HAGER	1000	990	-10	3000	2319	-681
63049	STEVE JENNER	1100	1250	+150	3300	2416	-884
64040	SAM MOSELY	1050	985	-65	3150	3020	-130
	TOTALS	9650	10198	548	28950	27912	-1028

Marketing Research Subsystem

- Two types of data are gathered
- primary
- secondary.

Primary data

- It is collected through marketing research.
- Survey
- In-depth interview
- Observation

Secondary data

- Secondary data that has been collected by someone else.
 - Mailing lists
 - Retail sales statistics
 - Video retrieval systems

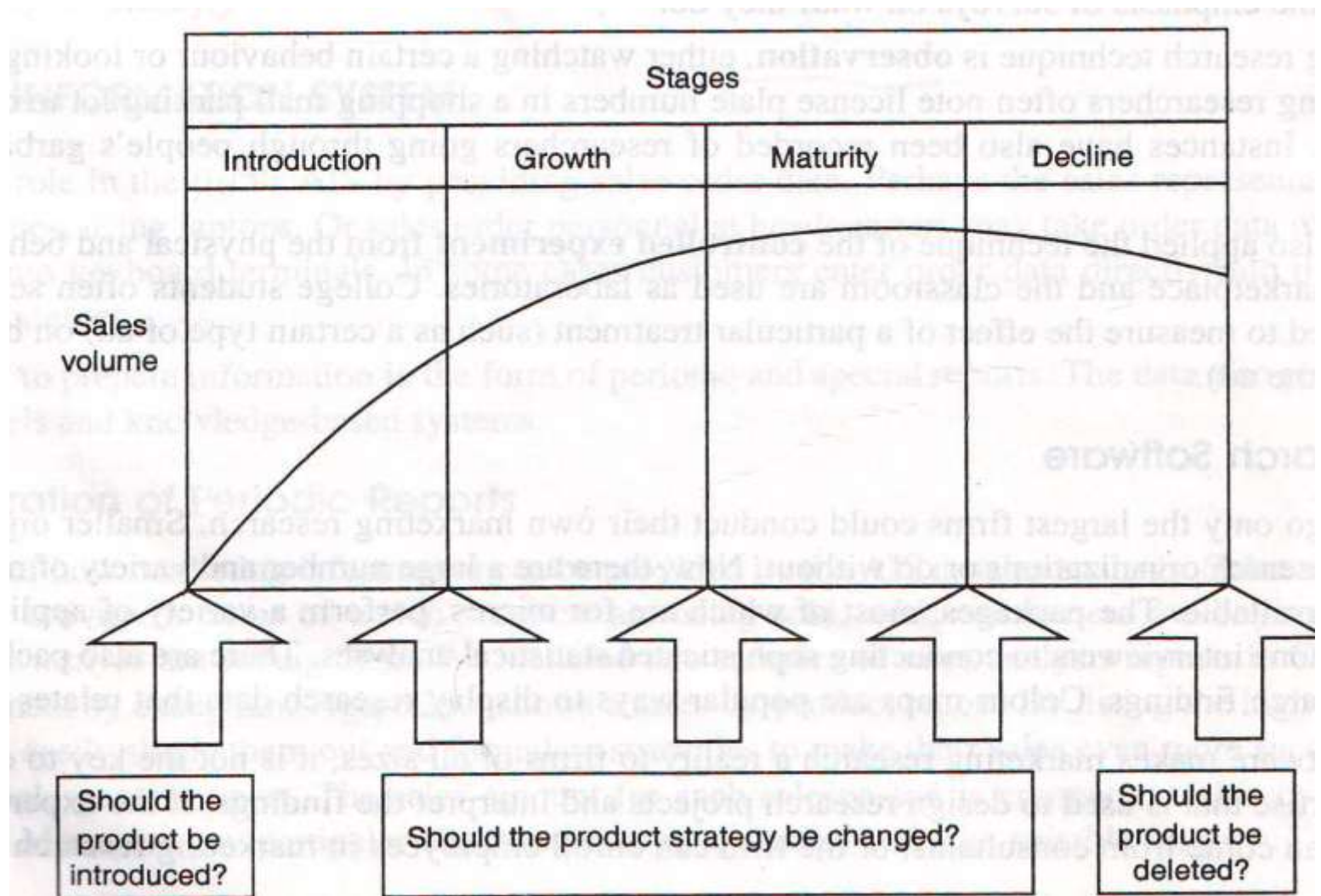
Marketing Intelligence Subsystem

- The AIS gathers customer data, and the marketing intelligence subsystem gathers competitor's data.
- Marketing intelligence refers to the ethical activities aimed at gathering information about competitors.

Product Subsystem

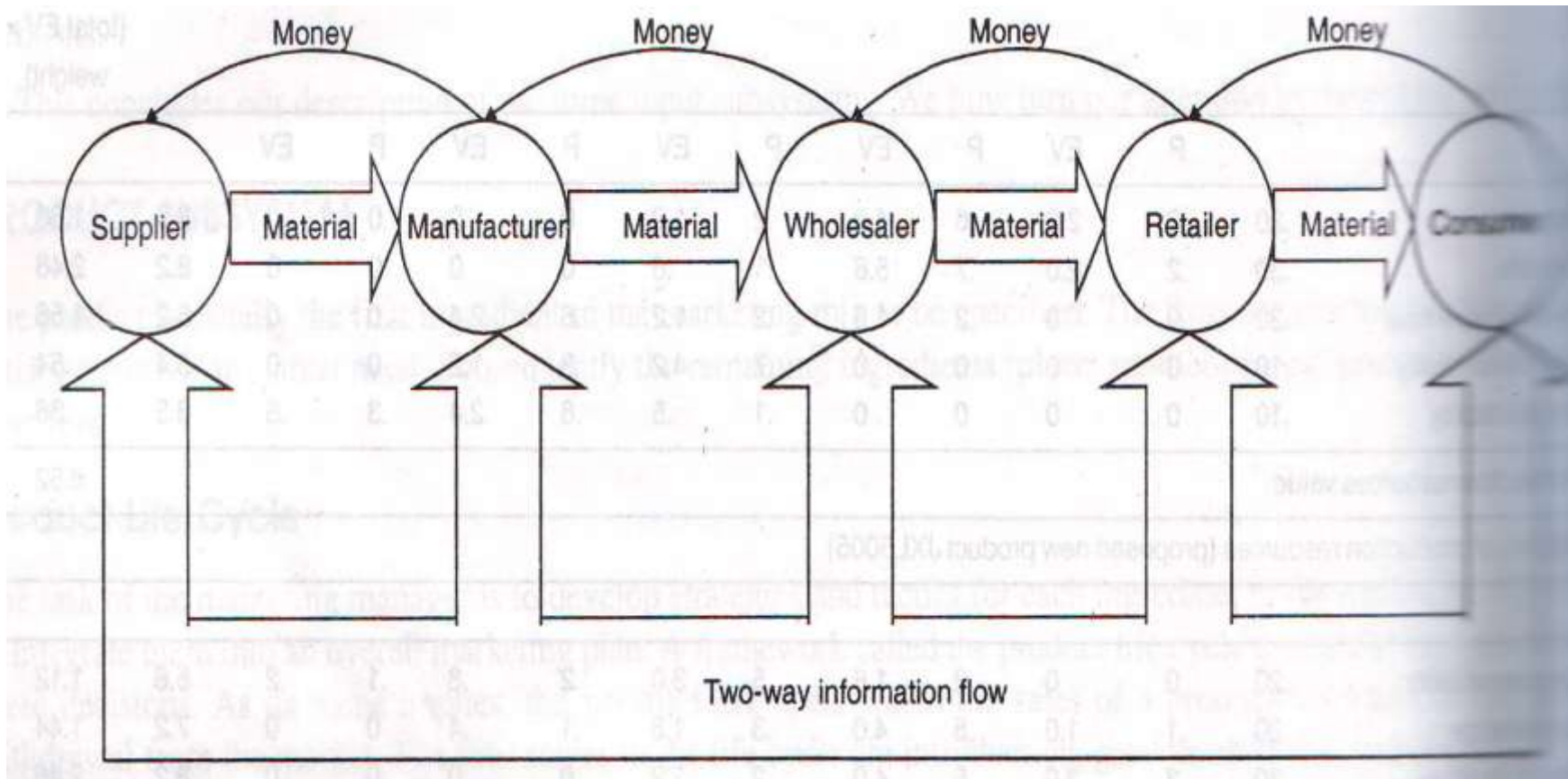
- It is used to satisfy a particular market need.
- Product life cycle
 - introduction
 - growth
 - maturity
 - decline

Product life cycle



Place Subsystem

- The channels of distribution that a firm uses to get its products to the consumer constitute the place ingredient in the marketing mix.



Promotion Subsystem

- It is the difficult area to computerize.
- One promotional area where the computer can be applied is salesperson communications.

Pricing Subsystem

- Two Basic Approaches
 - 1. Cost based
 - 2. Demand-based

Integrated-Mix Subsystem

- The integrated-mix subsystem supports the manager as the ingredients of the marketing mix are combined to form a particular strategy.
- This goal is accomplished by projecting outcomes of various mixes.

Strategic Planning is about ...

- Where your organization is
- Where your organization wants to go
- How to get there

STRATEGIC PLANNING

- **Strategic planning** is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy, including its capital and people.

Benefits to strategic planning

- Increased effectiveness
- Increased efficiency
- Improved understanding of situation
- Better decision making
- Enhanced organizational capabilities
- Improved community & public relations
- Increased organizational and community support

A ten step strategic planning process

- Many governments and non-profits use the strategy change model
 - Other models are possible
 - Really all strategic planning is based on earlier business models
 - Introduce ten step model, steps can be changed – remember it's only worthwhile if it works

Step 1: Prepare for Planning

– Decisions to make

- Who will be involved
- Purposes of the effort
- Desired outcomes of the effort
- Expectations of participants
- Resources needed to complete the effort
- A process timeline

Step 2: Identify Organizational Mandates

- Mandates describe what must or should be done under the organization's charter and policies, as well as under federal, state, and local laws, codes, and regulations.
- A mandate can be expressed formally or informally through elections, community expectations, legislation, policy, procedures, and budget policies.

Step 3: Stakeholder Analysis and Mission Assessment

- A stakeholder is any person, group or organization that can place a claim on the organization's resources, attention, or output, or is affected by its output.
- A mission statement is a definition of the organization's reason for existence – its true purpose.

Step 4: Assess the Environment

- An internal and external look at your
 - **Strengths:** internal capabilities that help an organization accomplish its mission
 - **Weaknesses:** internal deficiencies that hinder an organization in accomplishing its mission
 - **Opportunities:** external factors that affect an organization positively
 - **Challenges:** external factors that affect an organization negatively

Step 5: Identify Strategic Issues

- A strategic issue is a fundamental challenge affecting an organization's mandates, mission, product or service level mix, clients or users, costs, financing, organization, or management.
- Key challenges or questions facing an organization

Step 6: Strategies and Action Plans

- To create a set of strategies (actions) that the organization can take to address the strategic issues identified
- This is action planning – it develops responsible parties and timelines for each action.

Step 7: Review & Adopt Plan

- Gain formal approval of plan and permission to work on implementation (may come in stages)

Step 8: Establish an Organizational Vision for the Future

- Outline the organization's vision of what it should look like as it successfully implements the strategies.
 - This can also occur much sooner

Step 9: Overall Implementation Process

- Design a process to ensure work is done and progress is gauged.

Step 10: Reassess the Strategies and Process

- This is finding how the planning worked, pluses, and minuses. Consider future efforts in light of findings. Basically, having an evaluation and monitoring system.

RESEARCH AND DEVELOPMENT

- "creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture and society, and the use of this stock of knowledge to devise new applications".
- In general, **R&D** activities are conducted by specialized units or centers belonging to companies, universities and state agencies.

PROBLEMS IN TRADITIONAL FUNCTIONAL VIEW

- In traditional approach the organization is divided into different units based on the functions they perform— finance, manufacturing, production planning, purchasing, sales and distribution, R&D, HR, etc.
- The various departments have their own goals. The different departments function in isolation and have their own data collection & analysis systems.
- The result is that, instead of taking the organization towards the common goal the various departments end up pulling it in different directions as one department does not know what the other does and for what purpose.
- So unless all the departments know what the others are doing and for what purpose, the inter-departmental conflicts will arise thus disrupting the normal functioning of the organization.
- The solution is to have a centralized information storage and management facility.