Chapter 1
Introduction to Business Process Management

Ab ovo usque ad mala.
Horace (65 BCE–8 BCE)

Business Process Management (BPM) is the art and science of overseeing how work is performed in an organization to ensure consistent outcomes and to take advantage of improvement opportunities. In this context, the term "improvement" may take different meanings depending on the objectives of the organization. Typical examples of improvement objectives include reducing costs, reducing execution times and reducing error rates. Improvement initiatives may be one-off, but also display a more continuous nature. Importantly, BPM is not about improving the way individual activities are performed. Rather, it is about managing entire chains of events, activities and decisions that ultimately add value to the organization and its customers. These "chains of events, activities and decisions" are called *processes*.

In this chapter, we introduce a few essential concepts behind BPM. We will start with a description of typical processes that are found in contemporary organizations. Next, we discuss the basic ingredients of a business process and we provide a definition for the concept as well as of BPM. In order to place BPM in a broader perspective, we then provide a historical overview of the BPM discipline. Finally, we discuss how a BPM initiative in an organization typically unfolds. This discussion leads us to the definition of a BPM lifecycle around which the book is structured.

1.1 Processes Everywhere

Every organization—be it a governmental body, a non-profit organization, or an enterprise—has to manage a number of processes. Typical examples of processes that can be found in most organizations include:

- *Order-to-cash*: This is a type of process performed by a vendor, which starts when a customer submits an order to purchase a product or a service and ends when the product or service in question has been delivered to the customer and the customer has made the corresponding payment. An order-to-cash process encompasses activities related to purchase order verification, shipment (in the case of physical products), delivery, invoicing, payment receipt and acknowledgment.

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- *Quote-to-order*: This type of process typically precedes an order-to-cash process. It starts from the point when a supplier receives a "Request for Quote" (RFQ) from a customer and ends when the customer in question places a purchase order based on the received quote. The order-to-cash process takes the relay from that point on. The combination of a quote-to-order and the corresponding order-to-cash process is called a *quote-to-cash* process.
- *Procure-to-pay*: This type of process starts when someone in an organization determines that a given product or service needs to be purchased. It ends when the product or service has been delivered and paid for. A procure-to-pay process includes activities such as obtaining quotes, approving the purchase, selecting a supplier, issuing a purchase order, receiving the goods (or consuming the service), checking and paying the invoice. A procure-to-pay process can be seen as the dual of quote-to-cash process in the context of business-to-business interactions. For every procure-to-pay process there is a corresponding quote-to-cash process on the supplier's side.
- *Issue-to-resolution*. This type of process starts when a customer raises a problem or issue, such as a complaint related to a defect in a product or an issue encountered when consuming a service. The process continues until the customer, the supplier, or preferably both of them, agree that the issue has been resolved. A variant of this process can be found in insurance companies that have to deal with "insurance claims". This variant is often called *claim-to-resolution*.
- *Application-to-approval*. This type of process starts when someone applies for a benefit or privilege and ends when the benefit or privilege in question is either granted or denied. This type of process is common in government agencies, for example when a citizen applies for a building permit or when a businessman applies for a permit to open a business (e.g. a restaurant). Another process that falls into this category is the admissions process in a university, which starts when a student applies for admission into a degree. Yet another example is the process for approval of vacation or special leave requests in a company.

As the above examples illustrate, business processes are what companies do whenever they deliver a service or a product to customers. The way processes are designed and performed affects both the "quality of service" that customers perceive and the efficiency with which services are delivered. An organization can outperform another organization offering similar kinds of service if it has better processes and executes them better. This is true not only of customer-facing processes, but also of internal processes such as the procure-to-pay process, which is performed for the purpose of fulfilling an internal need.

As we go along this book, we will use a concrete example of a procure-to-pay process for renting construction equipment, as described below.

Example 1.1 Procure-to-pay process at BuildIT.

BuildIT is a construction company specialized in public works (roads, bridges, pipelines, tunnels, railroads, etc.). Within BuildIT, it often happens that engineers working at a construction site (called *site engineers*) need a piece of equipment, such as a truck, an excavator,