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14259

Business Process Engineering

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Mid-term Assignment

- **Attempt all questions.**
- **Marks will be given as per the DEPTH of the answer, not LENGTH.**

Question No: 01

(5+5)

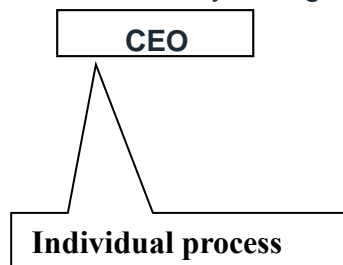
- a) What is a Business Process? Briefly explain different process types and illustrate it using figure. Name any 5 process improvement programs.

Business Process:

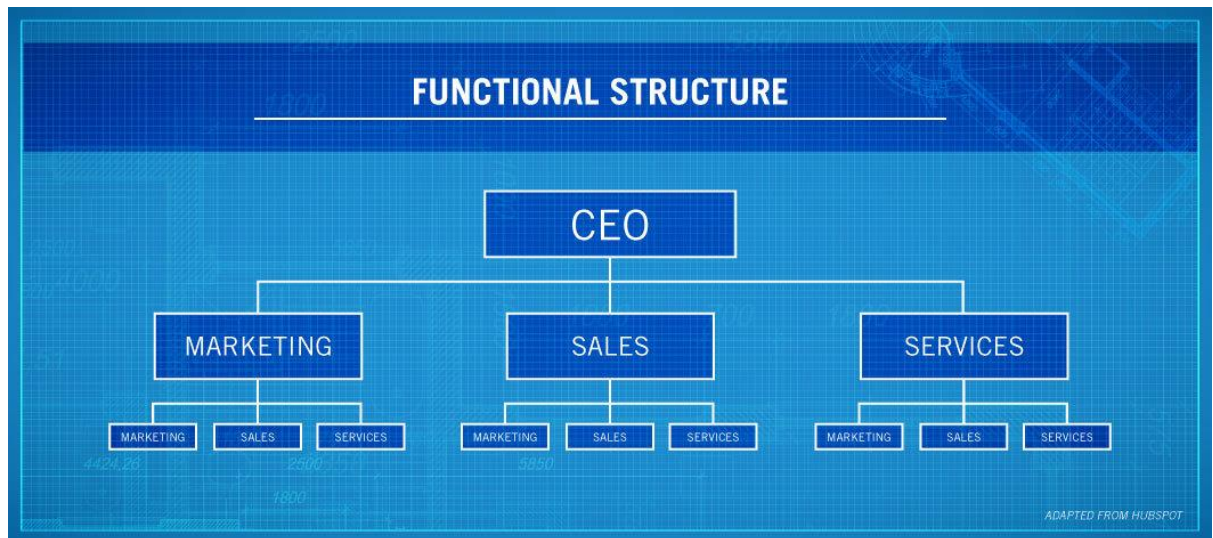
A business process has been defined as a set of activities and tasks that, once completed, will accomplish an organizational goal. Each step in a business process denotes a task that is assigned to a participant. It is the fundamental building block for several related ideas such as business process management, process automation.

Process Types:

1. **Individual processes:** Carried out by a single individual.

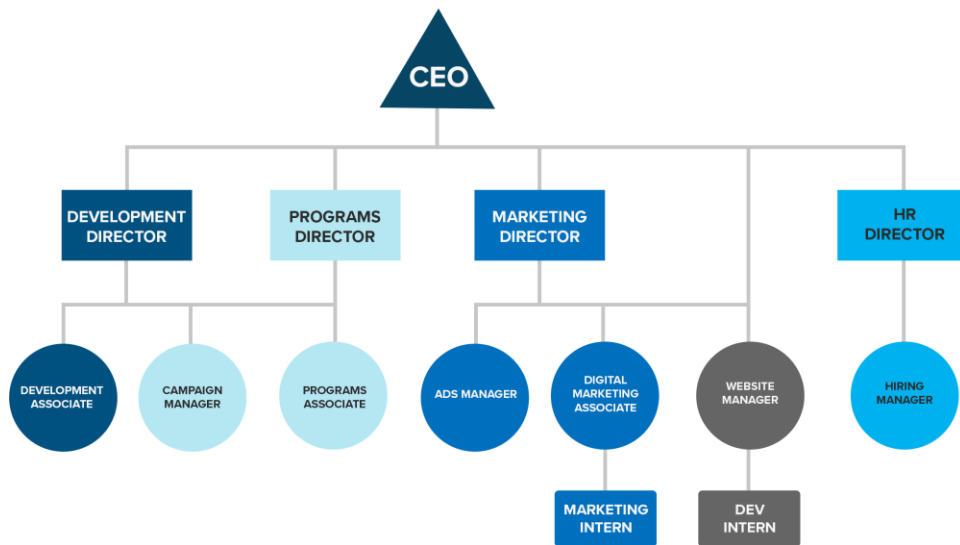


2. **Functional processes:** Contained within one functional unit or department.



3. **Cross Functional processes:** Spans several functional units, departments or companies.

CROSS-FUNCTION ORG CHART



Process Improvement Program:

1. Lean Manufacturing
2. Process Mapping
3. SIPOC Analysis
4. Simulation
5. Six Sigma

b) Explain the difference among value added, non-value added and control activities with example.

Value added activity:

A value-added activity is any action taken that increases the benefit of a good or service to a customer. A business can vastly increase its profitability by recognizing which activities increase value and which do not, and stripping away the non-value-added activities

non-value added activity:

A non-value added activity is an action taken that does not increase the worth of what is delivered to the customer. A process improvement study looks for and tries to eliminate these activities. By doing so, a business can reduce its costs while at the same time increasing the speed of its processes.

Example a process might include a review or approval step that does not add value to the end product; if this step can be redesigned or eliminated, the efficiency of the organization is enhanced. Non value added activities can comprise a significant proportion of the work processes of an organization.

Control Activity:

Control activities are the policies, procedures, techniques, and mechanisms that help ensure that management's response to reduce risks identified during the risk assessment process is carried out.

Example: Establishment and review of performance measures and indicators

Question No: 02

(10)

Below is the example of Claim Handling in a Large Insurance Company, Figure 1 is for the existing design and Figure 2 is for new recommended design, identify the procedural and structural changes with the new recommended design.

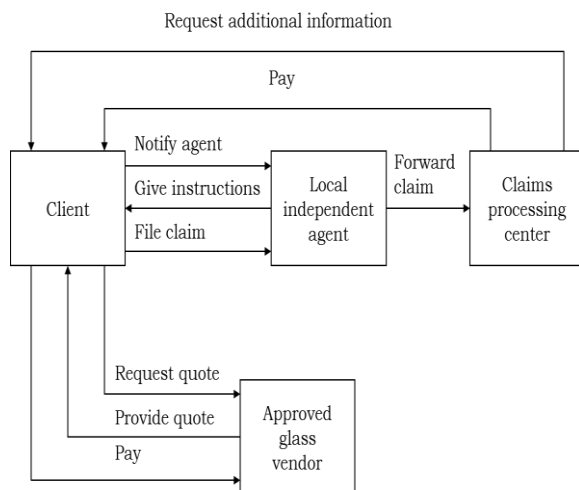


Figure 1

Answer Figure 1:

1. Client notifies a local agent that he/she wishes to file a claim. She is given a claims form and is told to obtain a cost estimate from a local glass vendor.
2. When the claims form is completed the local agent verifies the information and forwards the claim to a regional processing center.
3. The processing center logs the date and time of the claim's arrival. The data is entered into a computer-based system (for record keeping only) by a clerk. The claim is then placed in a hard copy file and passed on to a claims representative.
 - a. If the claims representative is satisfied with the claim it is passed along to several others in the processing chain and eventually a check is issued and sent to the client.
 - b. If there are problems with the claim the representative mails it back to the client for necessary corrections.
4. When the client receives the check she can go to the local glass vendor and replace the glass.

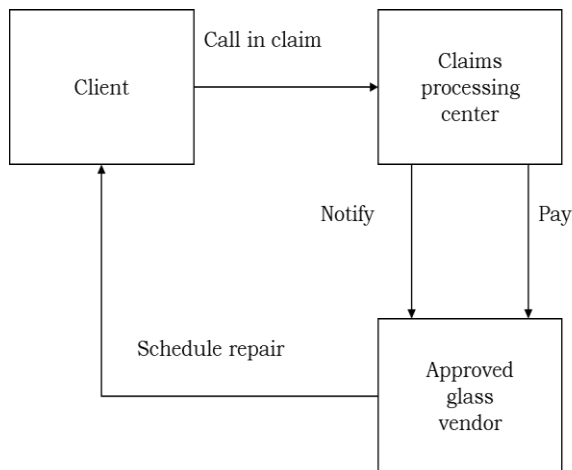


Figure 2

Answer figure 2:

Procedural changes:

1. The Claims representative is given final authority to approve the claim.
2. Long term relationships with a limited number of glass vendors enable the insurance company to leverage its purchase power to pre-negotiate low prices.
 - Clients no longer have to collect estimates.
 - Vendors are certified for quality, price, reliability, etc.
3. The Client now contacts the claims representative directly instead of going via a local agent

Structural changes:

1. A new 24 hour hotline enables the client to speak directly to a claims representative at the regional processing center.
2. The claims representative gathers data over the phone, enters the data into the computer and resolves any issues on the spot. He tells the client to expect a phone call from a certain glass vendor to arrange the replacement.
3. The claims information is immediately available for accounting via a LAN system and they can start processing the check and send it to the vendor.

Question No: 03

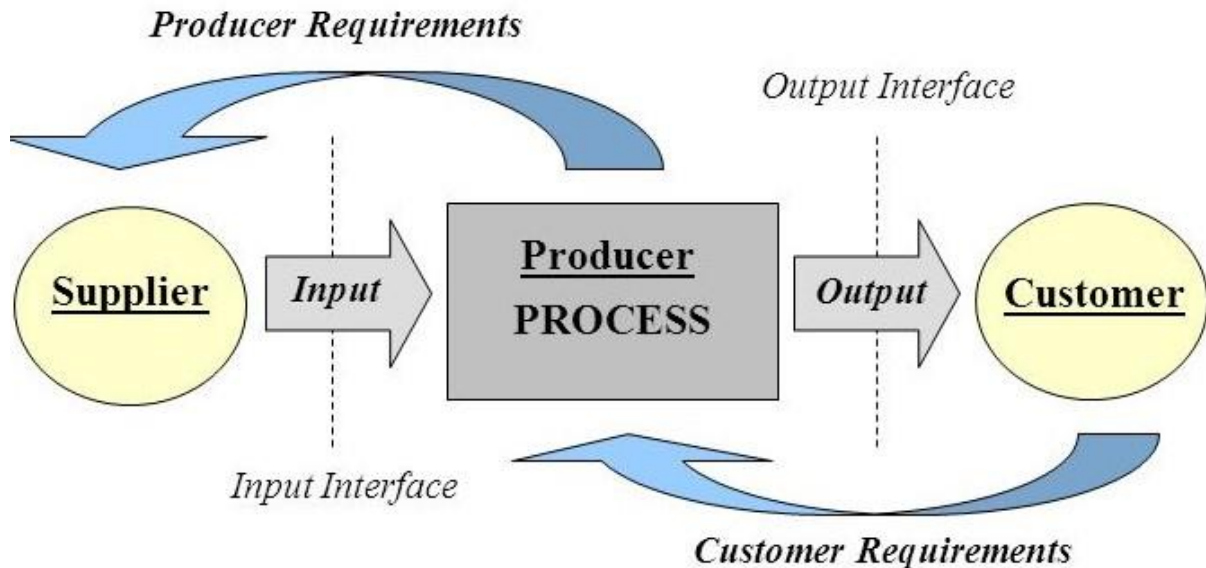
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a) Explain CPS model with figure and why we use it?

CPS Model:

- CPS stands for Customer-Producer-Supplier (CPS) model.
- Useful approach for resolving interface related problems.

- Applying the CPS model to all critical interfaces adopt a view of the process as a chain of customers.
- Coordination achieved by understanding internal & external customers.
- Involves negotiation and agreement between all parts.



b) What and when it is needed to re-engineer Business Process Re-engineering?

Business Process Re-engineering:

Business process re-engineering is the radical redesign of business processes to achieve dramatic improvements in critical aspects like quality, output, cost, service, and speed. Business Process Reengineering (BPR) aims at cutting down enterprise costs and process redundancies, but unlike other process management techniques, it does so on a much broader scale. Business Process Re-engineering (BPR) is also known as process innovation and core process redesign - attempts to restructure.

Focus on core competencies or value adding business processes. The goal is to achieve dramatic improvement through rapid and radical redesign and implementation. Projects that yield only marginal improvement and drag out over time are failures from a reengineering perspective