MARKET- AND PRODUCT-ORIENTED DESIGN OF BUSINESS PROCESSES
Mathias KIRCHMER
IDS Scheer, Inc.

Abstract

The starting point of successful business reengineering projects is a market- and product-oriented definition of the business processes. The approach presented describes the market and the products of a company using a market and product model. Company-specific business processes can be derived from such a model.

This method for defining business processes has been used successfully in various consulting projects. It helps to keep all design and implementation activities, e.g., a process-oriented SAP-R/3 implementation, consistent with a company’s market and product needs.

The Need for a Market- and Product-Oriented Design of Business Processes

Companies must confront an increasingly tough competitive environment with lean, flexible, and well-defined structures. To accomplish this, businesses are being fundamentally reorganized within the scope of business reengineering projects. A central element in this is the alignment of the organizational structure with the business processes of the company [(Scheer, 1994); (Hammer and Champy, 1994)]. As a result, the definition and the design of a company’s processes becomes a critical component of reengineering projects.
This article will demonstrate why business process definition and design must be market- and product-oriented and how this design philosophy can be implemented (Kirchmer, 1995).

The Need for a Market-Oriented Design

The process-oriented modeling of organizational structures is not an end in itself; its purpose is rather to give a company much greater ability to operate in the marketplace in accordance with its goals. Thus, business processes must be oriented to market demands. They allow the company to respond to customers' changing needs. A goal-oriented operation in a competitive environment is made possible: new competitors, alternative products, bargaining power of customers and suppliers, and rivalry between existing competitors (Porter, 1989) must all be considered.

Because of this, market-oriented definition and design of business processes is necessary. This holds true for the supply as well as for the sales market. The sales market is particularly significant, however, since the position of the customer in the customer/supplier relationship is dominant in many lines of business (Hammer and Champy, 1994).

The considerable dynamism of the markets requires a continuous monitoring of processes and, if necessary, a redesign. Market-oriented business process definition should therefore be included in a company’s continuous process improvement.

The Need for a Product-Oriented Design

In the final analysis, the actions of a company in the marketplace serve the profit-producing sale of goods or services, i.e., of products. Thus, products represent central objects which shape the business processes of a company (Gröner, 1991). The business processes must be structured in such a way that they can optimally fulfill the tasks resulting from the existing or planned product spectrum within the parameters of the company's goals.

This requires a product-oriented definition and design of business processes. One prerequisite for such a product-oriented design of the processes, however, is a product spectrum based on customer needs and therefore, on market needs.

Consequently, the products develop according to the dynamics of the market. This course of events is accelerated by technological innovations which require or allow alteration of the product spectrum. For this reason, the product-oriented definition and design of the business processes must also be continuously monitored and corrected if necessary (Warnecke, 1993).