

DECISION AND PROCESSES: VALUE DRIVEN BUSINESS

2 CHAPTER

Decision making and problem solving encompass large-scale, opportunity-oriented, strategically focused solutions. Students today must possess decision-making and problem-solving abilities to compete in the ebusiness world. Organizations today can no longer use a “cook book” approach to decision making. This chapter focuses on technology to help make decisions, solve problems, and find new innovative opportunities including:

- Transaction processing system
- Decision support systems
- Executive information systems
- Artificial intelligence (AI)
- Business process modeling
- Business process management
- Business process improvement
- Business process reengineering

SECTION 2.1 – DECISION SUPPORT SYSTEMS

- Making Business Decisions
- Metrics: Measuring Success
- Support: Enhancing Decision Making with MIS
- The Future: Artificial Intelligence

SECTION 2.2 – BUSINESS PROCESSES

- Evaluating Business Processes
- Metrics: Measuring Performance
- Support: Enhancing Business Processes with MIS
- The Future: Business Process Management

SECTION 2.1

DECISION SUPPORT SYSTEMS

What is the value of information? The answer to this important question varies depending on how the information is used. Two people looking at the exact same pieces of information could extract completely different value from the information depending on the tools they are using to look at the information. This chapter discusses technologies that people can use to help make decisions and solve problems.

LEARNING OUTCOMES

Learning Outcome 2.1: Explain the importance of decision making for managers at each of the three primary organization levels along with the associated decision characteristics.

Decision-making skills are essential for all business professionals, at every company level, who make decisions that run the business. At the operational level, employees develop, control, and maintain core business activities required to run the day-to-day operations. Operational decisions are considered structured decisions, which arise in situations where established processes offer potential solutions. Structured decisions are made frequently and are almost repetitive in nature; they affect short-term business strategies.

At the managerial level, employees are continuously evaluating company operations to hone the firm's abilities to identify, adapt to, and leverage change. Managerial decisions cover short- and medium-range plans, schedules, and budgets along with policies, procedures, and business objectives for the firm. These types of decisions are considered semistructured decisions; they occur in situations in which a few established processes help to evaluate potential solutions, but not enough to lead to a definite recommended decision.

At the strategic level, managers develop overall business strategies, goals, and objectives as part of the company's strategic plan. They also monitor the strategic performance of the organization and its overall direction in the political, economic, and competitive business environment. Strategic decisions are highly unstructured decisions, occurring in situations in which no procedures or rules exist to guide decision makers toward the correct choice. They are infrequent, extremely important, and typically related to long-term business strategy.

Learning Outcome 2.2: Define critical success factors (CSFs) and key performance indicators (KPIs), and explain how managers use them to measure the success of MIS projects.

Metrics are measurements that evaluate results to determine whether a project is meeting its goals. Two core metrics are critical success factors and key performance indicators. CSFs are the crucial steps companies perform to achieve their goals and objectives and implement their strategies and include creating high-quality products, retaining competitive advantages, and reducing product costs. KPIs are the quantifiable metrics a company uses to evaluate progress toward critical success factors. KPIs are far more specific than CSFs; examples include turnover rates of employees, percentage of help-desk calls answered in the first minute, and number of products returned.

It is important to understand the relationship between critical success factors and key performance indicators. CSFs are elements crucial for a business strategy's success. KPIs measure the progress of CSFs with quantifiable measurements, and one CSF can have several KPIs. Of course, both categories will vary by company and industry. Imagine improved graduation rates as a CSF for a college.

Learning Outcome 2.3: Classify the different operational support systems, managerial support systems, and strategic support systems, and explain how managers can use these systems to make decisions and gain competitive advantages.

Being able to sort, calculate, analyze, and slice-and-dice information is critical to an organization's success.

Without knowing what is occurring throughout the organization there is no way that managers and executives can make solid decisions to support the business. The different operational, managerial, and strategic support systems include:

- Operational: A transaction processing system (TPS) is the basic business system that serves the operational level (analysts) in an organization. The most common example of a TPS is an operational accounting system such as a payroll system or an order-entry system.
- Managerial: A decision support system (DSS) models information to support managers and business professionals during the decision-making process.
- Strategic: An executive information system (EIS) is a specialized DSS that supports senior level executives within the organization.

Learning Outcome 2.4: Describe artificial intelligence and identify its five main types.

Artificial intelligence (AI) simulates human thinking and behavior, such as the ability to reason and learn. The five most common categories of AI are:

1. Expert systems—computerized advisory programs that imitate the reasoning processes of experts in solving difficult problems.
2. Neural networks—attempts to emulate the way the human brain works.
3. Genetic algorithm—a system that mimics the evolutionary, survival-of-the-fittest process to generate increasingly better solutions to a problem.
4. Intelligent agents—a special-purpose knowledge-based information system that accomplishes specific tasks on behalf of its users.
5. Virtual reality—a computer-simulated environment that can be a simulation of the real world or an imaginary world.

CLASSROOM OPENER

GREAT BUSINESS DECISIONS – Walt Disney Decides to Call His Mouse Cartoon Character Mickey, not Mortimer

Sunday, November 18, 1928, is a historic moment in time since it is the day that the premier of *Steamboat Willie* debuted, a cinematic epic of seven minutes in length. This was the first cartoon that synchronized sound and action.

Like all great inventions, Mickey Mouse began his life in a garage. After going bankrupt with the failure of his Laugh O Gram Company, Walt Disney decided to rent a camera, assemble an animation stand, and set up a studio in his uncle's garage. At the age of 21, Walt and his older brother Roy launched the Disney Company in 1923. The company had a rocky start. Its first film, *Alice*, hardly made enough money to keep the company in business. His second film, *Oswald the Rabbit*, was released in 1927 with small fanfare. Then Disney's luck changed and in 1928 he released his seven minute film about a small mouse named Mickey. Disney never looked back.

The truth is Mickey Mouse began life as Mortimer Mouse. Walt Disney's wife, Lilly, did not like the name and suggested Mickey instead. Walt Disney has often been heard to say, "I hope we never lose sight of one fact – that this was all started by a mouse."

Would Mortimer have been as successful as Mickey? Would Mortimer have been more successful than Mickey? How could Walt Disney have used technology to help support his all-important decision to name his primary character? There are many new technologies helping to drive decision support systems, however it is important to note that some decisions, such as the name of a mouse, are made by the most complex decision support system available - the human brain.

CLASSROOM EXERCISE

Second Life: Succeeding in Virtual Times

Second Life is a new venue for collaboration, training, distance learning, new media studies and marketing. Hold a virtual meeting with your sales managers located in Europe and Asia. You can present the new sales initiatives and discuss them with your team real-time.

<http://www.secondlife.com/>

The best way to kick start this discussion is to have your students interact with SecondLife. Ask your students to create an Avatar in SecondLife or create one yourself and show the class. If you have a large lecture you can build an avatar and fly around SecondLife during your lecture to your students.

Classroom Exercise

I show my students a quick demo of Second Life and then break them into groups and ask them to create a strategy for a new virtual business for Second Life. They have great ideas including:

- Private Detective
- Retailer
- Sales Force Team
- Music distributor
- Architect
- Tutor
- Coffee Shop
- Hair Dresser

Avatar Repairman

CLASSROOM EXERCISE

Building Artificial Intelligence

The idea of robots and artificial intelligence is something that has captured people's attention for years. From the robots in Star Wars to the surreal computer world in the Matrix, everyone seems to be fascinated with the idea of robots.

Break your students into groups and challenge them to build a robot. The robot can perform any function or activity they choose. The robot must contain a digital dashboard and enable decision support capabilities for its owner. Have the students draw a prototype of their robot and present their robot to the class. Have your entire class vote on which robot they would invest in if they were a venture capital firm.

CLASSROOM EXERCISE

Great Example of DSS

The Analyst™ is a diagnostic tool, now accessible online, that fills the gap between what you need and what busy, human doctors can offer. With less and less time to address a patient's individual needs and yet more and more research and other information to digest, incorrect and incomplete diagnoses are frequently made. On this site they have a great diagram that compares The Analyst to a Doctor.

<http://www.diagnose-me.com/?page=dizz&gclid=ClbdzaP785ECFQwcawodfCXpxA>

CLASSROOM EXERCISE

Hod Lipson Demonstrates Cool Little Robots

Hod Lipson demonstrates a few of his cool little robots, which have the ability to learn, understand themselves and even self-replicate. At the root of this uncanny demo is a deep inquiry into the nature of how humans and living beings learn and evolve, and how we might harness these processes to make things that learn and evolve.

Hod Lipson works at the intersection of engineering and biology, studying robots and the way they "behave" and evolve. His work has exciting implications for design and manufacturing -- and serves as a window to understand our own behavior and evolution.

<http://www.ted.com/index.php/talks/view/id/165>

CLASSROOM EXERCISE

Take a Drive or a Walk

This is an interesting website where you can view yourself walking or driving down street in San Francisco or Seattle. I use this as a decision support tool to use to map a tour if I was planning a trip to one of these cities.

<http://preview.local.live.com/>

CLASSROOM VIDEO

Something to Get Their Attention

Great clip to show student's the power of AI.

http://www.metacafe.com/watch/445498/robotic_beer_launching_refrigerator

Sheena Lyengar did her thesis work on "how people make decisions." Great Ted.com to show your students. http://www.ted.com/talks/sheena_iyengar_on_the_art_of_choosing.html

CLASSROOM EXERCISE

Peter Drucker Teaches Enterprise 2.0

Funny slideshow demonstrating how Peter Drucker would tackle "Enterprise 2.0 Strategies using screen shots from recent television shows.

<http://www.slideshare.net/fidelman/what-if-peter-drucker-taught-enterprise-20>

CLASSROOM EXERCISE

DSS Everywhere!

- Break your students into groups and ask them to compare sensitivity analysis, what-if analysis, and goal-seeking analysis and to provide a business example of when they would use each type?

- Sensitivity analysis – studies the impact on a single change in a current model. For example – if we continually change the amount of inventory we carry, how low can our inventories go before issues start occurring in other parts of the supply chain? This would require changing the inventory level and watching the model to see “how sensitive” it is to inventory levels.
- What-if analysis – determines the impact of change on an assumption or an input. For example – if the economic condition improves, how will it affect our sales?
- Goal-seeking analysis – solves for a desired goal. For example – we want to improve revenues by 30 percent, how much does sales have to increase and costs have to decrease to meet this goal?
- Can you name a few different situations when you would use consolidation, drill-down, and slice-and-dice?
- Consolidation would occur when grouping multiple store sales together to get a total for the company
- Drill-down would occur when digging into the numbers on the balance sheet or income statement, such as revenues broken down into individual product revenues for each store during different dates and times
- Slice-and-dice would occur when users begin looking at information with different dimensions, similar to the cubes of information

CORE MATERIAL

The core chapter material is covered in detail in the PowerPoint slides. Each slide contains detailed teaching notes including exercises, class activities, questions, and examples. Please review the PowerPoint slides for detailed notes on how to teach and enhance the core chapter material.

VIDEO MATERIALS

Use these videos to jump-start a case discussion and get your students thinking about how they are going to apply the concepts they are learning in real-business and real-world situations.

BUSINESS DRIVEN DISCUSSION – DRIVING DECISIONS

TEN WORST DRIVES EVER CAUGHT ON Video

Great way to kick off a discussion on how decisions impact business. People have accidents. That’s not what this post is about. People also do stupid, reckless things. But we’re not focusing on that now either. This is about people that obviously lack the requisite skills to operate a motor vehicle – who were also unfortunate enough to have the evidence caught on film.

<http://onemansblog.com/2007/02/07/10-worst-drivers-ever-caught-on-video/>

BUSINESS DRIVEN MIS – STREAMLINING YOUR EMAIL

IBM Business Processes – Video

http://www-01.ibm.com/software/plm/learnmore/resources/end-to-end_plm_business_process_video.html

Business Process Outsourcing Accenture - Video

<http://www.accenture.com/us-en/Pages/success-bpo-learning-telstra-video-summary.aspx>

Oracle Business Process Management - Video

<http://www.oracle.com/us/technologies/bpm/index.html>

BUSINESS DRIVEN ETHICS AND SECURITY – THE CRIMINAL IN THE CUBE NEXT DOOR

CERIAS Security Seminar Video - Detecting Insider Theft of Trade Secrets-Video

Trusted insiders who misuse their privileges to gather and steal sensitive information represent a potent threat to businesses. Applying access controls to protect sensitive information can reduce the threat but has significant limitations. Even if access controls are set properly, they don't protect against rogue employees who legitimately need to access sensitive information. Since 2002, researchers at MITRE have investigated methods for detecting insiders who misuse their legitimate access to steal information. A three-year, internally funded research effort developed and evaluated a research prototype of a system called Elicit (Exploit Latent Information to Counter Insider Threats) to help analysts identify insider threats. Work on Elicit prompted a team of engineers and social scientists to experimentally explore how malicious insiders use information differently from a benign baseline group. This talk presents results from the research prototype evaluation, discusses preliminary results from the double-blind study of malicious insiders, and offers some essential aspects for detecting insider threats gleaned from these efforts.

http://www.cerias.purdue.edu/news_and_events/events/security_seminar/details/index/qqr5s1l6vs9mpnnd40godn33d8

(You can download the video from this site)

BUSINESS DRIVEN GLOBALIZATION – IYOGI HELP DESK SUPPORT

iYogi Customer Review Videos

Our Customers Know Best

Learn more about experiences with iYogi, by browsing thousands of reviews from customers around the world.

<http://www.iyogi.net/customerreviews/>

BUSINESS DRIVEN INNOVATION – BUILDING ROBOTS

Robot Violinist - Video

<http://www.youtube.com/watch?v=EzjkBwZtxp4>

Robot Emotions

The emotional robot Science correspondent Alok Jha visits the University of Hertfordshire to meet an android developed to show emotions

<http://www.guardian.co.uk/technology/video/2010/aug/09/emotional-robot-university-hertfordshire>

Robot Babies

The State Department readies new Internet freedom policies, the FAA may lift the ban on cell phones during air travel, and Japanese researchers are working on robot babies.

http://news.cnet.com/1606-2_3-50100306.html

BUSINESS DRIVEN DEBATE – EDUCATION PROCESSES

Father Guido Sarducci's Five Minute University

This is a great video to get your students engaged in educational processes.

<http://www.youtube.com/watch?v=kO8x8eoU3L4>

BUSINESS DRIVEN START-UP – DIGITAL DASHBOARD FOR TRACKING JUNK

How To Setup A Digital Dashboard in Microsoft Excel

<http://www.youtube.com/watch?v=V9GMCS-WjyI>

Business Dashboards

<http://www.microstrategy.com/dashboards/>

Ford Reinvents the Car with a New Digital Dashboard

http://www.metacafe.com/watch/3989728/ces_2010_ford_reinvents_the_car_with_digital_dashboard_tekzilla_daily_tip/

SECTION 2.2 BUSINESS PROCESSES

LEARNING OUTCOMES

Learning Outcome 2.5: Explain the value of business processes for a company, and differentiate between customer-facing and business-facing process.

A business process is a standardized set of activities that accomplish a specific task, such as processing a customer's order. Business processes transform a set of inputs into a set of outputs (goods or services) for another person or process by using people and tools. Without processes, organizations would not be able to complete activities. Customer-facing processes result in a product or service that is received by an organization's external customer. Business-facing processes are invisible to the external customer but essential to the effective management of the business.

Learning Outcome 2.6: Demonstrate the value of business process modeling, and compare As-Is and To-Be models.

Business process modeling (or mapping) is the activity of creating a detailed flowchart or process map of a work process showing its inputs, tasks, and activities, in a structured sequence. A business process model is a graphic description of a process, showing the sequence of process tasks, which is developed for a specific purpose and from a selected viewpoint.

Business process modeling usually begins with a functional process representation of what the process problem is, or an As-Is process model. As-Is process models represent the current state of the operation that has been mapped, without any specific improvements or changes to existing processes. The next step is to build a To-Be process model that displays how the process problem will be solved or implemented. To-Be process models show the results of applying change improvement opportunities to the current (As-Is) process model. This approach ensures that the process is fully and clearly understood before the details of a process solution are decided upon.

Learning Outcome 2.7: Differentiate between business process improvements, streamlining, and reengineering.

Business process improvement attempts to understand and measure the current process and make performance improvements accordingly. Streamlining improves business process efficiencies by simplifying or eliminating unnecessary steps. Bottlenecks occur when resources reach full capacity and cannot handle any additional demands; they limit throughput and impede operations. Streamlining removes bottlenecks, an important step if the efficiency and capacity of a business process are being increased. Business process reengineering (BPR) is the analysis and redesign of workflow within and between enterprises and occurs at the systems level or companywide level and the end-to-end view of a process.

Learning Outcome 2.8: Describe business process management and its value to an organization.

Business process management (BPM) systems focus on evaluating and improving processes that include both person-to-person workflow and system-to-system communications. BPM systems include advanced features such as enhanced process modeling, simulation, execution, and monitoring, providing a high level of flexibility while reducing costs.

CLASSROOM OPENER

Cable Ready

A current cable subscriber calls up to change the date for activating the service at a new address from Feb. 22 to March 1. The subscriber is successful and hangs up the phone happy. However, on February 22nd the cable at the current home is disconnected and the customer is no longer happy. The customer service representative forgot to change the date of the disconnection and only changed the date of the activation.

Practically speaking, these two events will almost always be linked - and the system probably should have prompted the customer service representative to ask if they were. The point: In focusing on business process, it is important to facilitate real-world tasks that are, by nature, "integrated."

CLASSROOM EXERCISE

Examining And Reengineering A College Business Process

Ask your students to discuss issues they have encountered around the college due to an inefficient or ineffective process. Choose one of the processes, break your students into groups, and ask them to reengineer the process. How would they change it to make it more effective or more efficient? Would they add a new technology device to help with the process such as a scanner, PDA, or RFID? Be sure to have them diagram the As-Is process and the To-Be process. Have them present their reengineered processes to the class.

CLASSROOM EXERCISE

Reengineering a Process

There is nothing more frustrated than a broken process. Ask your students to break into groups and discuss examples of broken processes that are currently causing them pain. The process can be a university process, mail-order process, Internet-order process, return merchandise process, etc. Ask your students to agree on one of the broken processes and to reengineer the process. Students should diagram the "As-Is" process and then diagram their "To-Be" process. Bring in a large roll of brown package wrapping paper and masking tape. Give each group two large pieces of the paper and ask them to tape the paper to the wall. These make for great "As-Is" and "To-Be" process maps.

CLASSROOM EXERCISE

Additional Columbia Sportswear Case Study

Here is a great case study on BPM. I use the Columbia Sportswear case study

<http://www.microsoft.com/business/peopleready/business/operations/default.aspx>. This is actually a great site for all kinds of BPM information.

CLASSROOM EXERCISE

Videos on BPM

Microsoft's business and industry offers a surprisingly good introduction to people driving business success through business process.

http://www.microsoft.com/business/peopleready/operations/default.aspx?WT.mc_id=KWF

Here are some good client videos on BPM. Gives a nice real world perspective: K2 and Siemens.

<http://www.microsoft.com/biztalk/solutions/bpm/default.aspx>

Funny video to kick-off your process modeling lecture.

<http://www.youtube.com/watch?v=S-Mbr31f2dg>

CLASSROOM EXERCISE

Staple Yourself to an Order

This is an HBR classic. If you are covering Business Process in your course you might want to include this case.

The case can be found at:

http://harvardbusinessonline.hbsp.harvard.edu/b02/en/common/item_detail.jhtml;jsessionid=02C12X2YLVQ1GAKRGWDR5VQBKE0YIISW?id=2963

CLASSROOM EXERCISE

How's My Driving – Just Ask My Car?

Using gadgets while you're driving can be a very bad thing, but an expert on automotive distractions says using a gadget that watches you while you're driving can be a very good thing. More than 40,000 people die every year in motor vehicle crashes, and research indicates that failures of attention - including distractions or drowsiness - probably played a role in most of those crashes.

Meiji Zhang tries to use a cell phone while she's behind the wheel in a driving simulator that's designed to work like a Chevy Malibu. The University of Iowa's National Advanced Driving Simulator was used to study the effects of driving distractions.

In one case he studied, a driver looked away from the road for 6 seconds to tap out a text message on her phone, slipped out of her lane and came to attention only when the tires hit the curb. "When she actually saw the video from the perspective of the camera, she was shocked to learn that she almost hit a telephone pole at 40 miles per hour," Lee said.

Ask your students to read the article and answer the following:

<http://www.msnbc.msn.com/id/30254458/>

How many of your student's text, dial cell phones, etc. while driving?

Would this type of technology benefit your student drivers?

Break your students into groups and ask them to create a product that could help drivers pay greater attention to driving and less attention to gadgets.

CLASSROOM EXERCISE

Honda Develops Brain Interface for Robot Control

The research wing of Honda Motor has co-developed a brain machine interface (BMI) system that allows a person to control a robot through thought alone.

Ask your students to read the following article

<http://www.networkworld.com/news/2009/033109-honda-develops-brain-interface-for.html>

Break your students into groups and have them develop two businesses uses for this type of technology that includes a DSS or EIS

Ask your students to discuss AI and what other types of inventions could they build that could benefit business

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