

BUSI 2710

Class 4 Handout

This exercise is intended to demonstrate (in a very simple way) one aspect of the relationship between processes (and their process owners) and departments (and their managers) that was described by Hammer & Stanton (1999). Specifically, it shows how the process owners receive a budget with which they purchase resources/time/services from the department. As you work through the exercises, you will notice some conflicts over budget which require negotiation among the participants.

In the accounts payable process, there are the following steps carried out by the corresponding departments:

Task	Department	Time required
Enter invoice	Mail room	30 minutes
Analyze and code invoice	Accounting	30 minutes
Set-up vendor (required 20%)	Purchasing	30 minutes
Approve invoice (required 20%)	Functional departments	15 minutes
Request cheque	Accounting	15 minutes
Issue cheque	Finance	15 minutes

In the accounts receivables process, there are the following steps carried out by the corresponding department:

Task	Department	Time required
Set-up customer (required 20%)	Sales	30 minutes
Prepare invoice	Accounting	60 minutes
Approve invoice (required 20%)	Sales	15 minutes
Issue invoice	Accounting	15 minutes
Reconcile payment (required 90%) <u>or</u>	Finance	30 minutes
Begin collection process (required 10%)	Finance	60 minutes

Note that some steps are only required for a certain percentage of process executions, as indicated.

The company expects to execute the accounts payables process 10 times per day and the accounts receivables process 15 times per day. Assume that the regular work day has 8 hours.

The company has allocated a daily amount of \$500 to the process owner of accounts payable (for an annual budget of \$100,000), and \$1200 to the process owner of accounts receivables (for an annual budget of \$240,000). Assume that staff in accounting and finance is paid \$30 per hour, and staff in all other departments is paid \$40 per hour.

Questions:

1. **How many staff should each department head make available to handle this process volume.**
2. **Do the process owners have sufficient budget to execute the expected process volume?** Assume that the department managers charge the process owners at the same hourly rates they are paying their employees.
3. **How much should the accounting department manager charge to each process owner?** Assume that accounting staff is only involved in these two processes and employees are paid for full working days (no part-time work)