

IDENTIFYING THE BPM SWEET SPOTS

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Abstract

Justifying any investment is a challenge in the current economic environment - the key is to select the right battles to fight. This paper takes a contemporary look at BPM (Business Process Management), identifying some of the critical value areas and how these can be achieved. The result is a set of BPM scenarios, or sweet spots, that each fit particularly well in today's financially constrained circumstances.

Keywords

BPM, Justification, Benefit Analysis, Process Optimization.

Executive Summary

BPM (Business Process Management) has been around in concept for many years, even though the term only moved into more general usage recently. In essence, business process management is all about streamlining processes; making them more efficient, more productive, more effective and hence more profitable. Nowadays, BPM refers specifically to the IT-related aspects of process management and improvement, and there is no shortage of software vendors selling BPM solutions with the promise of gains in efficiency, cost-effectiveness and business-oriented visibility and control. Two common images associated with BPM are a business analyst sitting in front of a process flowchart and making changes which then magically get enacted in the operational IT systems, and an executive studying a dashboard display showing real-time status of business operations in terms of key indicator performance.

However, in today's economic downturn a laser-beam focus is required on any investments and associated returns. Business cases that appear strong are being put aside because the benefits will take too long to flow, or the implementation required is too extensive or complex. Risk assessment has come very much to the fore in assessing justifications for new initiatives and projects. So how should companies that are keen to get the process efficiencies promised by BPM proceed? Should BPM be put onto the back burner, to be brought back onto the table when times are better?

In fact, BPM can prove a useful tool in responding to the recent economic upheavals. Better process efficiency and automation introduces the possibilities of substantial reductions in the cost base of the business, while increased business agility and service quality improves competitiveness and raises customer service levels. The key question often turns out to be about how to start realizing BPM benefits while remaining within current fiscal and operational constraints.

Lustratus has been researching the area of BPM implementations, and has come up with a set of five different scenarios, or 'Sweet Spots', that each fit differently within a set of operational priorities – how easy will it be to implement, when will returns start to flow and how big could the potential benefits be. The idea is to try to point users to a BPM approach that will fit best with their own objectives and constraints.

BPM Background

Pre-dating computers, processes were always about people – what different responsibilities and roles were, and how work flowed between them. Once computing was established as the prime driver of business operations, this focus on people came to the fore again with the emergence of workflow software that was designed to control and automate the flow of human activities, usually as end users interacted with IT systems. The general focus was on such things as task lists, forms and routing rules. However, in the 1990s the EAI (Enterprise Application Integration) software segment emerged, providing system software that made it possible to link different applications and programs running on different systems automatically, at a program-to-program level. Suddenly, this unlocked the potential of applying the same sort of process streamlining and efficiency measures to interacting IT programs as had previously been applied to people activities. Where a process was implemented through linked packages and programs, then the newly-termed BPM software made it possible to manipulate and control the process implementation to increase automation and improve process performance.

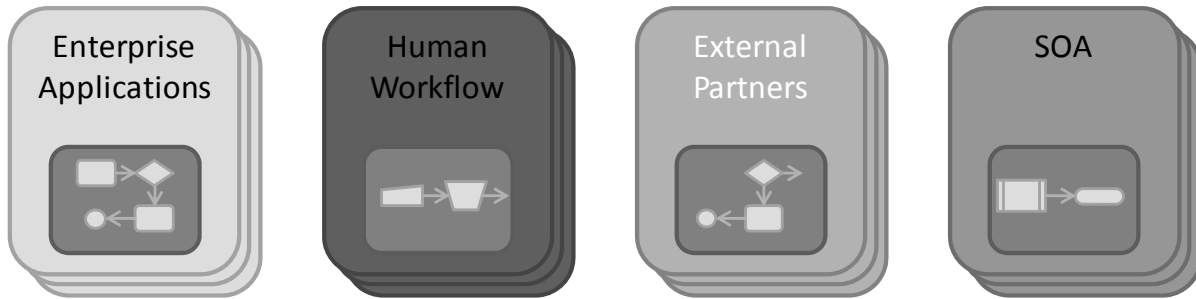


Figure 1: Process implementation today sees pieces of process embedded in process participants

At first there was considerable confusion when these two concepts clashed – workflow vendors claimed to be handling process management needs, and so did BPM vendors. However, eventually the market made itself heard, and quite reasonably pointed out that business processes are usually a combination of people and programs, and therefore what was needed was a combined approach. As a result, the market categories of BPM and Workflow software tend to be used interchangeably today, but usage has gradually gravitated to BPM as the collective term describing all aspects of process design, implementation, control and refinement.

This process might be working fine, but the problem is the process definition is tangled up with the implementation. Figure 1 shows how pieces of the process have become embedded in the different process participant areas. Each participant knows what he, she or it is doing, but this is not visible or controllable at the business level. How can the process be changed?

The root of the problem

As businesses have evolved, business processes have become broken up into various different pieces of implementation. A business process today might be implemented across

- Enterprise applications (eg CRM, ERP)
- Custom-built programs (accessed, for example, through a service-oriented architecture (SOA))
- A number of people, each of whom knows what they have to do
- Business partners

How can business analysts even see how the process works today – a key step before trying to streamline or optimize it? The key to BPM's value is that it offers a way to extract the process specification from the different process participants and use it as the blueprint governing subsequent process execution, as indicated below in Figure 2.

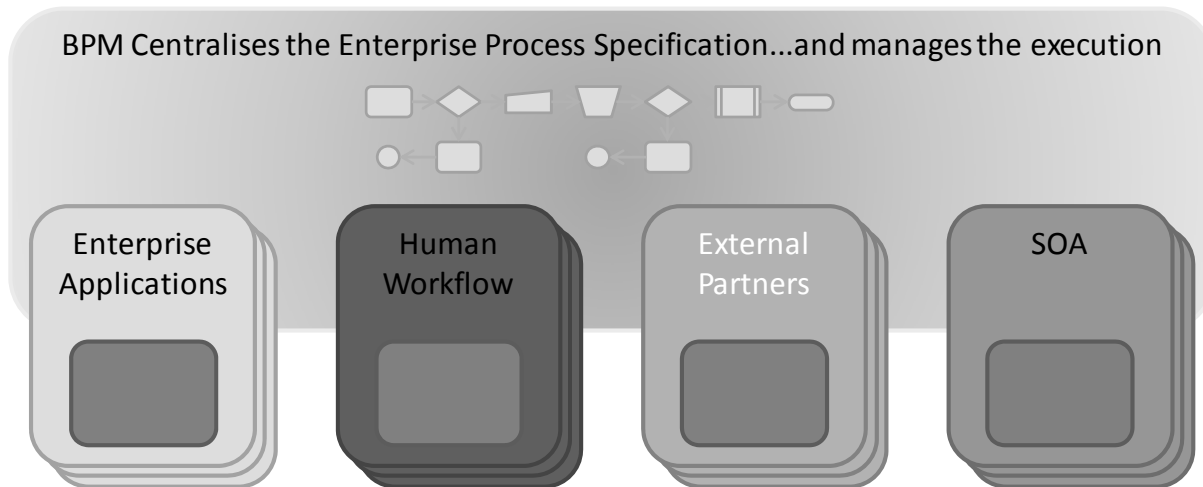


Figure 2: BPM extracts the process specification and then controls execution accordingly

BPM Implications

Pulling out the process specification and using it as the driver of process execution using BPM technology has major implications. For a start, because the process is defined in one place, it is much easier to validate, maintain and govern. Also, because it has been extracted from implementation choices, it is more accessible to business-skilled people such as business analysts and more easily changed. However, there is another powerful benefit of this process specification-driven approach to operations – it is far easier to get technology to track process execution across the different process steps, and this opens the door to understanding process performance, measuring the effects of process change and building a closed-loop process improvement cycle. Finally, since the process is now clearly understood it becomes easier to align operational execution with business objectives.

BPM from an IT Perspective

Before moving on to discuss the various different ways of deploying BPM, it is worth spending a few moments on what BPM requires from an IT perspective. Obviously, some sort of process specification language is required to depict process flows, and this must cover the requirements of the system side of the process, that is applications and programs, the human side of the process and document handling and flow. Then, technology will be required to handle the interaction of people participants in the process, typically encompassing areas such as task lists, forms handling and routing rules to specify where the work goes next. It is important that the interfaces offered to the end user are easy to use and that they correctly translate the process specification into the tasks required of the individual. Forms are often an ideal way of achieving this aim. Document handling may also be needed to convert paper documents such as insurance claims forms into digital images and then factor them into the overall business process.

On the IT infrastructure side the required technology components are naturally more extensive, since BPM is about using the power of IT to increase the value delivered by processes. Tools will be needed to define and model process specifications and changes, as well as to analyse process performance both in terms of simulation and runtime data analysis. A process engine is also required, to manage the execution of the process specification in the execution-time environment, and an integration infrastructure will be necessary to enable the different IT components to interoperate, probably based around SOA principles. Process performance

measurement and feedback is achieved through monitoring and events management software.

Justifying BPM investment

Having set the scene, the issue facing many companies today, particularly with the global economic downturn, is how to justify the BPM investment. Many companies agree that one way through the current economic malaise is to make processes more efficient and effective, simultaneously reducing costs and improving customer service and competitiveness. However, BPM can be approached from many different angles, each with a different set of expectations and costs. Investment has to be justified by balancing the investment costs and potential disruption to operations against the benefits the particular BPM approach will bring. These benefits might be related to individual project delivery, ongoing savings or returns, or strategic benefits.

For example, because BPM captures process specifications and records them in an understandable form, it makes it much easier for developers to see how to implement new changes and carry them out, speeding time to market and reducing project costs. In addition, clarity over how implementation maps to different business activities within the process makes it possible to reduce redundancy and reuse common process step implementations, reducing ongoing maintenance costs and improving quality. From a business operations perspective, the biggest gains come from the business-oriented visibility into IT-based business operations offered by BPM. Because business activities can be identified and measured more easily, risk and compliance management is enhanced and process performance can be monitored, analysed and continuously improved.

So, justification becomes a task of identifying particular BPM opportunities that offer a blend of investment, project-based and ongoing returns and strategic benefits that satisfies corporate objectives and investment policy. While embarking on full-scale, enterprise-wide BPM could deliver major increases across many aspects of business performance, it might also take a number of years and require more investment than is currently available. In order to justify BPM, the trick is to choose the BPM approach that best fits individual enterprise needs. Lustratus has identified a number of 'BPM Sweet Spots' that provide examples of different BPM approaches and their associated benefit and cost implications.

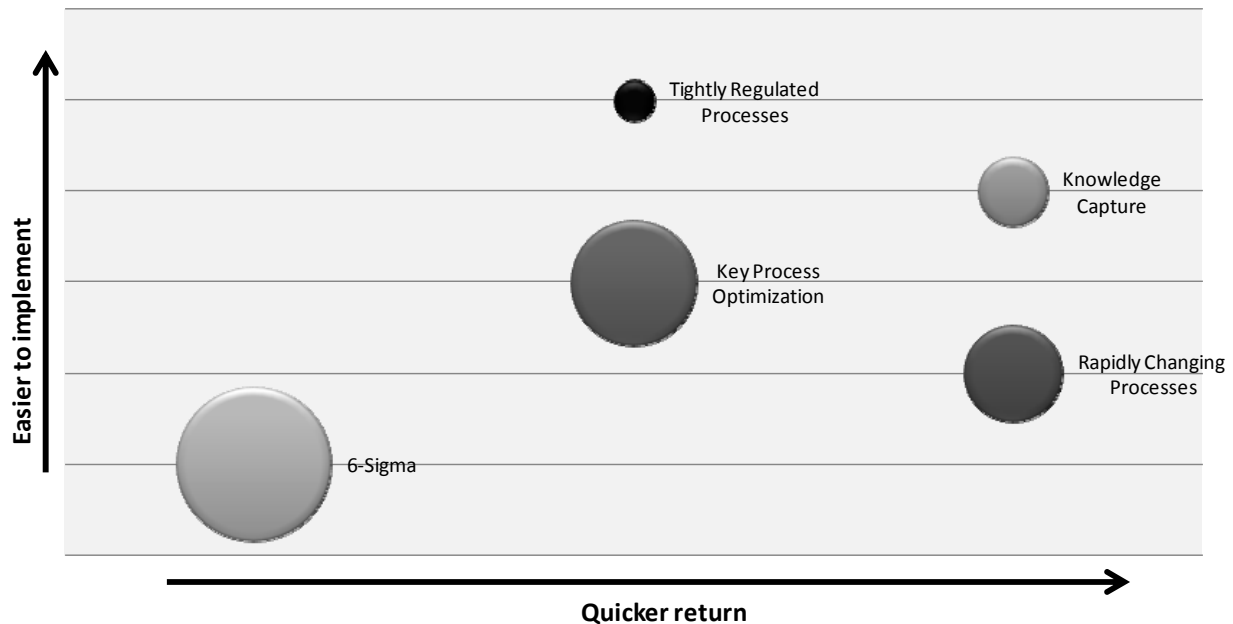


Figure 3: The five BPM sweet spots, arranged relative to implementation ease, speed of return and overall potential benefit

BPM Sweet Spots

In order to provide a spread of potential costs, payback times and size of returns, Lustratus has selected five different approaches to BPM prioritization and deployment. Each will be discussed in more detail, but in summary the five BPM sweet spots are

- Tightly regulated processes
- Knowledge capture priorities
- Key process optimization
- Rapidly changing processes
- Enterprise-wide process re-engineering

Some of these scenarios focus primarily on delivering returns quickly, for companies demanding speedy proof that the money is being well spent. Others appeal based on the ease of implementation, making minimal demands on skills, resources and costs. However, each approach varies in terms of the potential benefits to be delivered over time. Unsurprisingly, the biggest returns come from the more difficult and extensive approaches, but that does not mean to say that others are not interesting – in tight economic times, priorities are likely to differ markedly across individual businesses. The bubble chart in Figure 3 is not intended to be a scientific depiction of these scenarios, but rather a relative positioning based on ease of implementation

and speed of return, with overall returns potential indicated by the size of the bubble.

Tightly regulated processes

Some processes are rigidly controlled, either externally by industry bodies or legislation, or through internal policy. One problem these processes tend to face is that in situations like the current economic climate, regulations are coming thick and fast. Keeping up with these changes is becoming harder and harder, and the associated costs of maintaining compliance are climbing rapidly. On top of this, since processes are often difficult to follow due to the way the process specification is broken up and embedded in many different process participants, demonstrating compliance is problematic at best.

Implementing these processes in the BPM model immediately makes them more flexible and cost-effective to change and easier to validate against compliance requirements. In addition, because these processes are tightly controlled by regulation the *intended* process specification is likely to be well understood, even if implementation has not always followed this intention closely enough. Therefore little process discovery work is required, making implementation and validation relatively

straightforward. However, the corresponding returns will be limited to being able to accommodate regulatory change more productively and the less tangible benefit of compliance risk mitigation.

Knowledge capture priorities

Most companies have a wide range of process implementations that have evolved over time. Often, due to employee attrition and complex implementations with bits of process embedded in programs or people's brains, some processes can become an increasingly serious risk due to the fact that if change is required, there are only a small number of key skills that understand current implementation details. Not only does this make change difficult, slow and expensive, but retaining the relevant skills becomes more and more costly and a growing exposure over time.

Because BPM is a way of extracting the process details from the implementation, keeping them separate, it is an ideal way to capture knowledge of the process and its implementation in a form that is easily accessible to less specialized skills. This reduces the skills exposure and dependence on critical skills while at the same time making it easier to understand, measure and therefore improve the process. The key part of the BPM implementation for this scenario is the information gathering to discover how the process is currently designed and implemented – once this has been achieved, implementing the changes is reasonably straightforward and the benefits flow quickly. In terms of overall benefit potential, the reduction of exposure to critical skills represents a significant mitigation of risk and reduction in costs.

Key process optimization

Another BPM approach is to identify the key processes for the business, and then focus on mapping these to the BPM model. Clearly there is an increased risk here – great care must be taken not to disrupt existing operations, since by definition the selected process is either used frequently or is of particular impact. The method with this scenario involves identifying the candidate processes, capturing and documenting knowledge of the current process design and implementation, moving control of the process to the BPM solution and then starting to measure and analyse it. This enables the process performance and effectiveness to be optimized over time, and since a key process was selected this will have significant benefits. It also makes changing the process more cost-effective, faster and safer. The end goal is to

continuously improve the process until it aligns as closely as possible to business objectives.

Benefits of this approach can be considerable, but implementation time has to encompass additional care and testing to make absolutely sure there will be no impact to these critical contributors to business operations. The process discovery phase can also be time-consuming.

Rapidly changing processes

This BPM approach focuses on those processes that undergo a high degree of churn. Perhaps they are having to be frequently adjusted due to rapidly shifting market needs or competitive activity, but for whatever reason the problem is that the high rate of change is proving costly, too slow and may be impacting service quality.

The biggest difference with this BPM approach to others is that often, because of the speed of change, it can be exceptionally difficult to pin down exactly what the current process implementation is. Usually, more churn results in a poorer level of documentation. Therefore, a major part of the effort in moving one of these processes to BPM is in the discovery phase. Once this is done, implementation is straightforward as long as process changes can be frozen for long enough to allow control to be moved to the BPM solution before any more changes are applied. The big benefit in this scenario tends to be the fact that once moved to the BPM model, the process becomes easier and more cost-effective to change, improving business responsiveness and agility.

Enterprise-wide process re-engineering

This is the scenario most BPM vendors will focus on. The message is that if all your processes are defined clearly in the BPM repository, are implemented in lock step with these process specifications and offer business visibility into real-time operations, then this can result in dramatic business returns. Change becomes easier and quicker, costs drop, the business becomes more agile and processes can be streamlined and automated to make them the most efficient, productive and effective in the industry.

While there may be a lot of truth in this analysis, the fact is that enterprise-wide process re-engineering is a massive task, requiring a lot of investment in terms of people, resources and money. However, there is certainly something to be said for keeping this as a long-term goal, even if current economic conditions make it difficult to justify this approach immediately. In the end, judicious progress through the other BPM

sweet spots already discussed may be a more pragmatic way to approach this final goal.

Summary

A BPM world would be a wonderful place. Business experts and analysts would be able to quickly model and implement changes to process definitions and IT staff would be able to implement these changes productively and effectively. Process performance would be continually monitored in real time, enabling accurate compliance management and feeding a continuous process improvement cycle that would deliver world class processes over time. But no-one is starting with a clean sheet of paper or an unlimited

bank account. Instead, companies have to find the tactical BPM approach that will be acceptable to current business policy and constraints, but which nevertheless will be a step along the road to strategic BPM deployment. The five Lustratus BPM sweet spots represent a set of alternatives that can help companies select the most appropriate approach for their ongoing success.

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