BPM: Driving Business Performance

By Derek Miers
CEO Enix Consulting

Abstract
This paper explores the relationship between Business Performance Management and Business Process Management (BPM). It describes the core role that business processes play in enabling the firm to achieve its Key Business Objectives. It outlines the need for a high-level philosophy for BPM and how the technology of BPM helps managers and employees as they evolve operational processes. The paper provides a short overview of the challenges in developing appropriate process standards and considers the essential components of BPM Suites.

Introduction
In the current business climate, executives are under real pressure — pressure to avoid commoditization and differentiate the firm’s offerings from those of the competition. Constant pressure to seek enhanced performance throughout the organization (do more with less, more quickly); to make the firm easier to do business with and more agile, yet still ensure compliance and reduce operational risk.

Firms have to do this in an environment where rivals are evolving, innovating and adapting ever more quickly. At the same time, the market demands new forms of compliance, transparency and accountability on what firms do, how they act, and how decisions are made through every level of the business. With this transparency comes increased risk. Any misstep in execution is caught by an ever-watchful government, press and investment community with a potentially massive impact on the brand and/or the firm’s share price.

For example, not so long ago, a leading cell phone manufacturer dropped the ball on the New Product Creation process (their product portfolio was criticized by analysts as the firm missed the trend to clam-shell phones). The result was a multi-billion dollar drop in market cap. While some might see this as a failure in marketing, ultimately it was a failure in the business process and managerial oversight. In another example, I am sure that the chairman of one of the world’s largest oil companies was more than just embarrassed when reporting that the company had overstated its oil reserves. As a result of poor compliance processes, the penalties imposed were significant (£17m to the UK regulators and $120m to the US SEC). And they are not the only ones to suffer as a result of broken processes. In the 10 years between 1993 and 2003, “more than one third of Fortune 1000 companies – only a fraction of which were in volatile high technology industries – lost at least 60% of their value in a single year.”1 While all of these might not be attributable to bad business process management, the majority reflects situations where managers lost the plot, took their eye off the ball, or just failed to sense the evolving needs of customers and actions of competitors.

But it goes deeper than that. In the cutthroat business world of today, the dynamics of the game are rapidly changing. Indeed, in the quicksand of corporate competition, doing nothing is just not an option. Often, other players can quickly copy any new market innovation. What is needed is a reliable approach that delivers that capability to rapidly evolve, developing new ways of doing

1 From “Countering the Biggest Risk of All,” Slywotzky & Drizk, Harvard Business Review, April 2005
things that are better, faster and cheaper than rivals. Constantly reducing operating costs is one side of the equation; increasing agility and responsiveness is the other.

This is not just as a competitive response; it is a way of achieving competitive advantage. If the firm can develop the ability to create and optimize products and services much more quickly and more cheaply than their competitors, then they have a way of ensuring that competitive advantage is built and sustained – an advantage that the competition just cannot match.

At a personal level, even the most gifted Line Of Business (LOB) Manager is challenged by directives such as: reduce costs by 20 percent this year, or improve productivity by 30 percent; increase revenue by 25 percent through more effective customer service; or even, integrate this new business into your operations (that we have just acquired). In a wide variety of vertical markets, consolidation driven by M&A activity has caused real problems when the firms have later tried to merge the operations of the firms.

And the CIO/CTO has some comparable challenges – how do you support the ever evolving needs of the business, enabling the firm to turn on a dime; yet keep technological complexity, development costs and time to market down to a minimum? How can we best drive operational efficiency and yet enable rapid value innovation? How can we capture, store and access the context of decisions to support the slew of new compliance regulations?

Balancing all these seemingly conflicting objectives to maximize business performance is extremely difficult. On the one hand, we have the endless search for reducing costs, while on the other hand; we have the need to deliver an adaptable and effective service infrastructure.

**BPM as a Philosophy**

The answer, apart from hard work, is the successful deployment of Business Process Management (BPM). That hard work involves a laser-like focus on the real needs of customers and driving effective organizational change. BPM should be thought of primarily as a management philosophy that is driven from the very top of the organization.

This philosophy recognizes that businesses processes — and how they are managed— are the key mechanisms that allow the firm to deliver value to its customers, and ultimately, its shareholders and stakeholders. It is a way of thinking that governs the structure of the business and drives its overall performance. It is about people, the way they work together, the technology they use and the performance objectives that these processes underpin.

Like all management strategies, the philosophy of BPM is more akin to a journey than a destination. What's more, it is a journey that is never complete. Continuously innovating in the area of business operations is a core management discipline that cannot be outsourced.

Some see BPM purely as a way of standardizing business operations — in the belief that reducing variation is a viable strategy. While this approach can be effective in the short term for some types of businesses, as a rule, it tends to stifle innovation. Others understand it as a way of squeezing cost out, following the Business Process Re-engineering theories made popular during the 90s. But making either of these the center of attention misses the vital need for the firm to adapt and evolve. The heart of BPM is about achieving a delicate balance between ruthless efficiency, effective service and organizational agility. It implies thinking at the level of business design (its business and operational models), the related key business performance objectives and the processes that support them. These two levels of thinking are inextricably linked.

But it is not change for its own sake. Michael Hammer eloquently re-stated the challenge in his most recent Harvard Business Review article (April 2004):

"Breakthrough innovations in operations-not just steady improvement-can destroy competitors and shake up industries. ... Excellence in execution can win a close game, but it can't break a game wide open and turn it into a rout ... Operational innovation may
appear unglamorous or unfamiliar to many executives, but it is the only lasting basis for superior performance.”

To put some numbers around those excerpts, a typical BPM initiative can increase operating efficiency by as much as 50 percent. Furthermore, more efficient and effective processes also drive higher revenue as more customers respond to best in class capabilities. Overall, these twin effects drive much higher levels of profitability, allowing the firm to leave its competitors in the dust.

One analogy worthy of consideration is to look at the cost/value equation over time. Regardless of what a firm does, it takes time and cost to bring products and services into production and to market them (see Figure 1). Sooner or later, they start to return value as a result of the investments and effort put in up front. BPM programs can reduce the cost and time needed to get to the point of value. But more importantly, they allow the firm to enhance the product or service by enabling rapid evolution to business operations, ensuring that the maximum value is derived by customers. As a result of this focus on how value is developed and delivered, BPM programs extend the life of the product or service. Finally, they can help by reducing the cost of product withdrawal.

Figure 1 - How BPM can radically transform operational programs

Another critical aspect of BPM as a philosophy is the central role of process thinking in the way in which the business is managed. Whether formalized or not, at the highest level, the strategy of the firm is based on a set of business models that encapsulate how the business adds value (from its supply chain into its customer base). In large firms, different business units (representing different Lines of Business) implement these business models. In the past, these units have been responsible for managing all aspects of their own business, including how their processes work and are resourced. At this level, the word “process” usually means “process as purpose.”

In multi-national firms, these high-level processes pop up in many places right across the organization and in different geographies. For instance, the “Customer Relationship Process” is
about managing customers in an effective manner. It is interpreted differently by different parts of the organization and at different levels. While information about customers might be stored in a central place, the way in which these different business units interact with customers (their Customer Relationship Process) will probably vary significantly. Each discrete entity will have particular needs that are distinct from those of even their closest geographic neighbors. Yet at the same time, the firm needs a way of managing and integrating their activities to deliver a consistent customer experience. Other illustrative processes are those of budgeting or sales reporting. From the point of view of the center, all business units need to provide their figures as part of a single coherent reporting process. Yet the budgeting and sales processes are unlikely to be the same in Taiwan, New Zealand and the US.

When thinking about the processes that support the business and its operational models, firms should plan on developing a flexible and dynamic set of process components that deliver the desired levels of localization, flexibility and efficiency. Customers now expect operational excellence, lower costs and integrated service offerings. But endlessly focusing on standardized metrics and operational efficiency tends to assume that one approach will suit all parts of the business. As a result, this can suppress the ability of different divisions to operate effectively and will certainly inhibit innovation. In the end, differentiation relies on the ability to innovate. And innovation implies flexibility in how things are carried out, with options to adapt the process as needed.

From an organizational structure perspective, most firms that have embraced process management have adopted a hybrid or matrix-style approach. It’s not that the functional silos of the past are going to disappear over night. LOB managers will still run their operations, but for important processes, especially those that cross organizational boundaries, a “Process Owner” is usually appointed who is responsible for the way in which the process operates in each different business unit. While different business units may need different flavors of the Customer Relationship Process, ensuring that they are delivering a consistent customer experience and utilizing many of the same components has obvious advantages. Moreover, the Process Owner can ensure that these different flavors still operate efficiently within the overall process architecture of the firm.

An effective BPM philosophy will also need to describe the relationships between executives, LOB owners and those who are developing and deploying processes – Process Owners, Process Architects and Process Developers. These defined relationships will help clarify a coordinated approach to corporate governance and reporting. Defining who is responsible for what, what sort of metrics will be used, and the firm’s Key Process Indicators (KPIs) will help it realize its Key Business Objectives (KBOs).

Moreover, these relationships will help ensure that when the inevitable conflicts appear, they are resolved at the appropriate level. For example, where the interests of different functions appear to be divergent, priorities are set at the executive level rather than between process developers.

In the end, moving to an effective process-based organization will entail looking at the behaviors that the firm needs to encourage amongst its employees. For most organizations, this means that a significant degree of cultural change is required. The fortitude and stamina necessary to undertake this journey cannot be underestimated as such changes will likely span several years (taking it well outside of the usual planning horizon of most project-related initiatives). Moreover, encouraging the right behaviors will also entail a reassessment of the reward mechanisms used within the firm. It is no good streamlining your pan-organizational processes if your bonus system still encourages silo-oriented self optimization.

In summary, the philosophy of BPM is a core managerial discipline that ensures the process architecture of the firm (its business architecture) enables the achievement of its key business performance objectives. From the boardroom to the employees at the front line, it represents an endless quest for better customer service combined with best-in-class operational efficiency and
the ability to turn on a dime.

Successfully combining these traits will allow the firm to outperform its competitors. But this is a delicate balance that demands a certain degree of local variation (specialization) and opportunities for operational innovation. Inevitably, it will involve a review of corporate governance, significant cultural change and a reassessment of the reward mechanisms of the firm. Clearly, achieving these sorts of goals requires the endorsement and active participation of the executive team.

**BPM as a Technology**

Underpinning the philosophy of BPM, BPM technology provides the infrastructure that will allow the firm to translate strategic choices into concrete plans of action, driving performance and allowing visibility into day-to-day operations. Distinct from the various workflow implementations of the past, true BPM initiatives cross the entire corporation (rather than being limited to departmental implementations). Moreover, modern BPM products incorporate sophisticated monitoring and process analysis features, allowing the firm to rapidly optimize the end-to-end processes right across the enterprise, rather than merely route work and documents between employees.

However, while this paper is predominantly about technology, it is worthwhile remembering that the human issues of organizational and cultural change are equally significant. Rather than thinking they should be developing software (I've seen too many failed projects where IT people thought the challenge was to build their own process engines), technologists should be focused upon finessing the process architecture of the firm, enabling it to achieve desired levels of efficiency and service, yet turn on a dime.

In our research, when we examine why firms are adopting BPM, it comes down to a few core objectives:

- Ensuring better customer service (doing things faster and more effectively) and thereby, driving increased revenue.
- Reducing costs, focusing on the achievement of business efficiency and the effective use of all available resources.
- Unbundling and distributing the process, allowing the firm to focus on its core capabilities and outsourcing the rest (even to customers).
- Fixing broken processes through the effective integration of disparate application systems, reducing complexity and rationalizing the supporting skills required.
- Enabling better, and more effective compliance, yet still providing a basis for a more nimble and adaptable organization.

Through a spiral implementation methodology (optimizing, enhancing and adapting what is there already), BPM technology delivers a sort of *controlled evolution*. This aspect significantly lowers operational risk. Rather than having to implement organizational change in massive chunks, it offers the ability to introduce change in bite-sized pieces. If processes are architected and designed properly (using the integrated modeling tool), then the other components of the BPM Suite can significantly reduce the time to market for new products and services, re-using existing processes and applications as needed. When that modeling tool is effectively integrated with the ability to monitor processes and gather metrics, it directly enables managers and process owners to affect how the work is carried out, optimizing operational processes.

But perhaps most importantly, BPM technology provides the critical capability to turn better business intelligence into focused action. Rather than being made aware of issues when they are already firmly established as problems, BPM technology allows the firm to become more
proactive. With real time visibility into the operational level of work, managers can then anticipate problems and opportunities, reacting more effectively and faster than was otherwise possible.

Having sensed an opportunity, it is the speed of reaction and ability to quickly redeploy resources that will allow the firm to accelerate away from its competitors. This reaction time can be a critical differentiator between firms. Without a direct path to execution (i.e., avoiding the need to write suitable programs), the opportunity could well have passed by as a competitor got to market first.

On the other hand, it is when things go wrong that business weaknesses are exposed (or when they happen in a way that is not easily handled by the current “system”). In most firms, the majority of processes are already supported by packaged systems. Indeed, these applications were developed to support the core process and the vast majority of cases of work follow the preordained path. Usually the way that the process operates is actually embedded within these point solutions. But given this backdrop of automation and technology support, the vast majority of the work and resources go into handling the exceptions.

Figure 2 - Differentiation and profitability are driven by how the firm handles exceptions

Competitive advantage derives from the ability to adapt and evolve the operating procedures of the firm as it responds to these exceptions. This is especially true in customer-centric/customer-facing processes. BPM technology provides the means for ensuring that any exceptions are handled quickly, in a consistent and cost effective manner. If the majority of processes are automated (and in most large businesses they are in some way), it is how exceptions are handled that is a primary driver of business cost, service differentiation, customer perceptions of the organization and overall business performance.

Put simply, it is just not possible to automate all aspects of most core business processes (the aim of so-called “Straight Through Processing”). The requirements of the processes themselves just do not lend themselves to standardization. For example, in healthcare or financial services situations, the need is to facilitate and support employees as they carry out the work, automating and retrieving information where possible. In these sorts of situations, the most effective approach is usually to have a generic process maintaining the case in hand, supported by any number of supporting processes that are bound to the parent – as determined by the judgment of
user and the needs of the work.

BPM technology sits in the middle, supporting the BPM philosophy by enabling all the various components to work together. Without it, there is no way that managers can successfully influence performance. It provides the ultimate engine of business performance and change, allowing the firm to sense and react more quickly, accelerating away from competitors.

The Role of Business Performance Management

Having evaluated and compared and contrasted products since the early 90s, and more recently, the leading BPM Suites (see The 2005 BPM Suites Report), I was struck by the jockeying of the vendors and how they attempted to scope the domain to include only the features that their product delivered. The workflow vendors are busy re-branding themselves, trying to position any workflow/document routing capability as BPM. At the same time, I found others trying to put their own spin on the BPM acronym – moving away from the notion of Business Process Management, twisting it into Business Performance Management – as though performance is, somehow, superior to process. They attempt to position operational reporting as more important than the operational process.

Some of the platform players who are pushing Business Performance Management use the term as an umbrella, catchall phrase around which they then describe an “architecture” (using it to position all other process-related technologies). The emphasis on performance is an attempt by them to engage the executive and LOB manager, while they hide the fact that they do not have an integrated proposition that really works, seeing the domain as a set of disconnected parts. Others proponents talk of “actionable information on every manager’s desktop” and “predictive analytics.” They describe their products as the next step in superior Business Intelligence, designed to support more effective planning and decision-making.

While effective management information is a necessary input for planning and decision-making, the reality is that all business performance is driven by the way that the processes of the firm operate. Value is generated through the organization’s processes and how they are executed in the operational arena – i.e. BPM technology has a crucial role to play in generating value. It allows the firm to prepare for different scenarios and make the right changes immediately, more adeptly and effectively than the competition.

Delivering on the promise of enhanced business performance is about enabling the firm to set appropriate deadlines, thresholds, and goals such as Service Level Agreements (SLAs) and Key Process Indicators (KPIs), against defined business processes. The set of metrics used in a given organization will always be unique to that firm, reflecting their overall business philosophy, position in the value chain, objectives of the firm, etc.

Some of these metrics relate to a single case of work. For example, making sure that a customer’s order is handled effectively within 24 hours relates to a single process instance. Others relate to trends over time or a large number of cases. Consider the need to assess resource utilization within a busy customer service department and redeploy employees to handle an unanticipated peak in demand for a particular service.

But purely monitoring processes is not enough. To really drive business performance requires the ability to respond to alerts and exceptions, in real time. Responding appropriately usually means taking action, and changing the way the business operates – i.e. expediting a work item or changing the business processes and/or the way resources are allocated. Achieving the sort of performance improvements described earlier requires more than a few fancy dashboards and some pretty reports designed for executives. Yes, Business Intelligence (BI) and Business Activity Monitoring (BAM) facilities are entirely necessary. But they are complimentary to the underlying capabilities of the process support environment.

BPM technology is, itself, evolving, focusing more on the performance aspects. In a recent white
paper, “BPM – Too Much BP, Not Enough of the M”. I pointed to the way first line managers should apply more effective scheduling techniques to drive performance. Getting the most out of your employees means measuring, planning, communicating and allocating work. Then, to drive performance improvements, managers need to monitor, analyze, and improve the process.

For example, an internationally famous financial services brand, through a laser-like focus on the way it managed its people, achieved an additional 20 percent productivity improvement, over and above the 20 percent productivity improvement they derived from the introduction of their core BPM engine. And with a couple of thousand employees, that focus on the way people were managed equated to 400 man years of extra capacity.

This sort of example has put the spotlight on business performance features within BPM products generally. It is reflected in the capabilities of some of the leading products to provide better visibility into operational processes and ways of sensing changes in the prevailing business climate. Alongside the analytics capabilities, we also find that leaders are now incorporating integrated simulation facilities.

The integration of sophisticated simulation capabilities within the BPM environment has delivered a whole new capability that wasn’t previously available. Going back a few years, simulation tools tended to be stand-alone products. Models were constructed by specialists and a lot of time and effort was required to gather data that was used to validate models. It was very difficult to keep these models in sync with the real world, ensuring they were limited to some relatively specialized situations. That has all changed now with the simulation facilities linked directly to the process model of the BPM engine and integrated the product’s analytics features. With simulation, vendors are delivering a way of better understanding the implications of change. Managers can now explore the potential impact of changes before applying them to the working environment. This allows them to ensure that the changes they are planning are really going to deliver the benefits sought.

Simulation has now become a strategic tool that allows the firm to develop processes that are ready to fly, allowing them to respond quickly to some external change. For example, an insurance company might have a range of pre-tested process models to help them cope with the next tornado to hit Florida. A finance house could develop contingency plans to deal with an unexpected interest rate drop. An airline might develop a new outsourcing relationship with a third party and want to make sure that the interfaces are working smoothly before cutting over to the new way of doing things.

BPM products are also playing a crucial role in underpinning corporate and regulatory compliance. In all business processes, exceptions happen. The BPM environment naturally provides methods of ensuring they are dealt with in an appropriate way, routing work to those most qualified to handle it. They provide a natural audit trail for auditors to come back afterwards and assess who did what, when. But just as importantly, they also enable the system to capture the context of the decision, linking to the transactional data and associated documents. This highlights another fundamental requirement – to capture the status of both the business processes and LOB data (content) together, in context. Together, process and content are the foundations of better, more informed decisions.

For example, for a consumer loan, the context would include such items as the Loan ID, amount, term, date and interest rate. It would also contain transaction details relating to LOB applications and updates to the credit system; customer details; relationship information such as agent or brokers involved; loan documentation such as credit reports, etc. The related process would need to reflect loan lifecycle management options for origination, closing, loan approval, servicing, closing and exception handling; event definitions to trigger interactions and appropriate escalation procedures; and the rules to support decision making based on the nature of the product offering and the associated content such as the credit scoring reports, customer history, etc.
Content should not be viewed merely as a useful add-on to some special class of business processes. Data, related to the case of work in hand, in its broadest interpretation, provides the context of the process instance. It should be managed in an integrated fashion within the process – i.e. for effective business performance management, you need to think about managing both process related content and the processes together. A business transaction is effectively a combination of the point in the process and the data to which it relates.

Summing up, effective Business Performance Management will always require a comprehensive operational BPM platform at its heart. And that operational BPM platform will need to provide a few core capabilities. Visibility into the end-to-end business processes is part of the equation – without it, ongoing optimization is just not possible. But visibility on its own does not enable better business performance – you need to have the means to take this insight and knowledge and put it directly into action.

**So What Are The Essential Components?**

When we strip away all the hype and spin surrounding the use of acronyms, and look at the needs of the underpinning technology, we discover that there are a number of common elements (see Figure 3).

In order to drive costs ever lower and reduce cycle time, the BPM environment must incorporate some sort of process “engine” – a software server that manages the state of individual work items, moving them along to the next task. Tasks are assigned to humans or software systems, all performing their part in accordance to the process model guiding the case.

Of course, this also implies the ability to model the process and reflect the way in which work needs to move around the business. The system should also facilitate the re-use of those models. Process models can then be used to coordinate and choreograph the actions of employees, customers, suppliers and software systems. But most importantly, they can provide the basis for the firm to change the way it does things. The model drives the process engine. Change the model and you change the way work happens. As implied earlier, the most effective structure relies on a **loose coupling** of processes, where individual process models are instantiated and bound together as needed. This allows the firm to evolve the way one part of the business operates without affecting others.

The process engine itself also needs to have ready and accessible mechanisms to support the integration of those third party applications. Firms want to easily re-use their existing IT assets without having to write a lot of custom programs. In the past, when workflow products were used, IT developers had to hard code links to third party applications at every point an application was needed. This embedding of integration scripts (i.e. code), peppering it throughout every process model, is a recipe for disaster – the total cost of ownership and complexity increases dramatically. This issue has been overcome in recent years through the use of Adapters and Component-style interfaces, especially leveraging emerging Web Services protocols.
Subtly different is the need to manage the substance of those applications (the LOB data in all of its guises – transactions, structured content, documents, etc.). This is the data and information that describes the context of cases of work, supporting better decision-making and more comprehensive audit and compliance. The key requirement is that events relating to changes in the state of the content (i.e. as objects are created, modified or deleted, etc.) should automatically trigger the appropriate processes to deal with the change. Otherwise, it is back to humans to remember to respond.

For example, once a customer’s mortgage application is created in the system, the process for managing that application instance should be immediately created and executed. If the mortgage is subsequently modified (say by raising the amount to be borrowed), then this event should automatically invoke the appropriate review process for that case. Supporting this requirement is a real challenge for many vendors. The content management and process engines need to be tightly welded to the integration components such that all process-relevant data and information is accessible.

Indeed, this example also points to the active role that the BPM environment needs to provide. Having detected an important event, the system should drive action rather than merely presenting it. For example, it is not enough to know that a case of work is going to fail to meet its SLA targets. Once alerted, the supervisor or manager needs the ability to expedite the item to ensure it falls within acceptable limits. To drive overall business performance and optimize the process over time, managers also need the ability to evaluate operational execution in real-time across all the cases in a given category, assessing performance of individuals and teams against trends, goals and other KPIs. Further, providing proactive support to the planning process requires the
ability to gather this data automatically and use that to assess various what-if scenarios.

Most BPM environments have also included some form of business rules to support complex decisions. But the use of business rules can also simplify process development, allowing apparently different problems to share common processes (with the business rules component handling the variation). For example, a combined BPM Business Rules implementation within a Fortune 10 level company enabled the firm to simplify its core accounting process. The business rules component allowed one generic process to support interfaces to 60 different sales processes, each handling hundreds of products across 30 different operating companies. By extracting sophisticated rules into a responsive business rules component, the system can then more effectively support business change, straight through processing and compliance.

While all process engines imply support for business rules to a certain extent (conditional routing at a decision point in the process is one form of business rule), certain applications need the capability to execute more sophisticated rules criteria and evaluate business policies. To do this, BPM Suites normally either integrate with third party rules engines or incorporate some capability internally. Often, those firms with a need for more sophisticated business rules already have an existing business rules engine in place (or already imbedded in a specialized application) and therefore, the BPM engine should snap in to the current environment re-using this functionality. Again, the use of Web Services will continue to make this type of integration much more straightforward and standardized.

Clearly, across all of these different dimensions, flexibility and user accessibility are critical to success. In order for the business to adapt and evolve, as it accelerates away from floundering competitors, it is imperative that managers have the ability to optimize their business processes. Having visibility into the real-time operations of the business is a good start, but managers also need the ability to analyze performance against the key objectives and metrics of the firm. They need mechanisms to monitor their business processes at a departmental level and right across the enterprise (even up and down the value chain), sensing important changes in the market or other external events that may influence efficiency. When making changes, the ability to assess their impact and efficacy is another component that is needed to complete the “round-trip” optimization picture.

There are other components that one could include, but in my opinion, the core set are the process engine along with its attendant content repository, integrated modeling tool, superior integration mechanisms for third-party applications, advanced analytics and simulation. Together, these elements (i.e., a comprehensive BPM platform) give managers both the vehicle and the levers for effective business performance optimization, allowing them to adapt and evolve more adroitly than competitors using traditional approaches.

The Role Of Standards

The assumption of many of the technology vendors is that customers will want to buy disparate bits and sew them together themselves. In the past, this has been the only option as each implementation of BPM technology has necessarily required bespoke systems integration (and along with it multiple vendor interactions, conflicting agendas, etc). The other option has been to buy an integrated tool set that delivers the essential components. Building your own is just not an option – the work involved in the development of a flexible BPM Engine is of the order of 200 man years.

In the meantime, a big effort is underway to develop “open standards” for business processes. As recent standards events/symposiums such as the BPM Think Tank can attest, the standards landscape is far from clear and there are still some very real issues to resolve. Some vendors

---

2 See Bruce Silver’s Article “Standards and the Process Lifecycle” for a summary of the issues.
are describing these standards making efforts (related to business processes generally) as though effective interfaces are just around the corner (hiding the fact that they do not have a ready solution). But the truth is that there is still a lot of hard work required before customers can easily mix-and-match the different elements together.

For example, while Web Services are now fairly well established as the appropriate mechanism to integrate disparate applications together, using Business Process Execution Language for Web Services (BPEL) to support human interaction is less clear. In BPEL, participant roles and other details of human interaction are embedded in “services” and are external to the process model – i.e. at this point in time, BPEL does not readily support human related processes. Yet BPEL is a very effective mechanism for embedding services, building composite applications and ensuring that system-to-system applications are easy to develop and maintain. While the Service Oriented Architecture (SOA) principles show a lot of potential, they cater to a different problem set from those wishing to automate the end-to-end business process – or at least the process that business people would understand.

This example is just one of the challenges that must be resolved in the business process landscape. But having said that, standards work is extremely important and firms should certainly track the various standards making efforts. Indeed, active participation by the major end-users is the most effective way of ensuring that they are developed.

For the moment, the best approach for most firms is to choose an integrated solution – one that provides the critical components. As this is an enterprise-wide layer, the infrastructure must provide high performance and scalability. This should allow the CIO/CTO to simplify the broad range of vendor relationships and develop a coherent set of skills internally that can support the firm in delivering against its aspirations of ever better business performance. Firms should look for a supplier that has the strength and depth in all of these areas, with a strong commitment to business process standards (both in their development and use).

Of those that I reviewed for the BPM Suites Report, FileNet seemed best positioned to hit all the bases. Their highly scalable process engine and robust integration capabilities are combined with an integrated content/object repository and advanced analytics/simulation to provide a solid basis for driving business performance. Moreover, the “publish and subscribe” event-based model at the core of the content management environment enables the tight binding of changes in process-relevant data to the processes that are designed to support them. From a Business Rules point of view, FileNet has partnered with vendors such as ILOG, Fair Isaac and Corticon where this is required. This allows customers to leverage their existing investments in Business Rules technology, enabling the BPM environment to snap-in to the current architecture.

**Conclusion**

To deliver on the promise of Business Performance Management, it is essential to have a robust and effective Business Process Management environment underpinning the initiative. Rather than competing, these concepts (BPM and Business Performance Management) are complimentary. Indeed, most of the BPM Suites we see today are focused very clearly on enhancing Business Performance (and I would expect to see more emphasis in this area in the future).

BPM is fundamentally a management philosophy underpinned by a comprehensive process-oriented infrastructure. If approached properly, it provides a powerful weapon for achieving and sustaining competitive advantage. Instead of always playing catch-up, BPM technology provides not only the vehicle but the throttle and levers to really drive performance.

Rather than managing via the rear view mirror (looking at what happened in the past), the real requirement is for visibility into day-to-day operations and, where necessary, the ability to take action, intervening in real time and forecast impacts. This means changing the way a case is handled or redeploying resources to deal with the problem. To do that implies a process engine, a
content repository, appropriate integration mechanisms, sophisticated alerts and escalation mechanisms, and robust analytics.

Process Management has now become the most important trend in modern business. It is often dressed up as many other things, but in the end, how the business delivers value is dependent on the operational effectiveness of its processes. These processes include not only those that create customer value, but also those supporting processes and governing processes that are used to manage the organization. Success requires the ability to set the right balance between efficiency and flexibility, control and adaptability, compliance and nimbleness. While the human change issues cannot be ignored, effective BPM technology enables the firm to adopt a more flexible and agile stance, evolving its technology infrastructure and business processes as they develop winning business capabilities. These new capabilities will be based on new processes that deliver reduced cost, faster time to market while also ensuring a consistent customer experience and more effective regulatory compliance.

It is not a question of if your firm will employ BPM technology – it is just a question of when. If approached correctly, BPM allows the firm to truly close the gap between strategy and operational innovation.

Derek Miers is a well-known, independent industry analyst, technology strategist and consultant. He is Co-Chairman of BPMi. He has recently completed the most comprehensive review of BPM environments currently available – the BPM Suites Report (published via BP Trends). He can be reached via email at miers@enix.co.uk or by telephone on +44-20-8742 8500 (Skype number +44-20-8816 8458).