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Business Process Trends

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Business Process Trends in 2004 - A Practical Perspective

In the first Advisor in 2004 we tried to put the coming year in perspective and urged BP managers to work with their organizations to put a strategic plan in place to assure a more coordinated BP effort. There is, currently, a lot of interest in business process and that makes it a good time to rally management behind a strategic effort.

On the other hand, we realize that most BP managers aren't in a position to define their company's list of strategic priorities. For most, 2004 will be a year in which a variety of largely uncoordinated BP initiatives will be undertaken. Some will be more broadly conceived, but most will be tactical responses to immediate needs - as when a merger takes place, or in response to a business process that isn't functioning properly. Thus, in this Advisor, we want to offer some more practical advice on what can be done in 2004. We'll follow our BP pyramid and go from processes to implementation.

Processes. Architecture is a hot topic at most companies. If you don't have a group in your organization responsible for the organization's business process architecture, creating one would be very beneficial. This ought to be an initiative led by business managers. As we suggested in this month's BPTrends Newsletter, too many companies speak of enterprise architectures and mean IT-centric architectures. They mention business processes only to suggest that someone should identify requirements prior to a software development effort. When we speak of a business process architecture, we refer to a detailed overview of the processes the company relies on, defined to two or three levels of detail, with associated measures, a management system, and a definition of the HR and IT resources used to implement each process.

Our model for a BP-Centric Enterprise Architecture is the Supply Chain Council's SCOR reference architecture. If your company's supply chain executives aren't members of the Supply Chain Council, they should consider joining. (www.supply-chain.org). Similarly, your new product development and marketing and sales executives ought to consider signing up for the newly created Design Chain Council (www.design-chain.org) and the Customer Chain Council (www.customer-chain.org). There's no better way to gain insight into the power of a business process

architecture.

Your company ought to know your CMM level for each major division or group in your organization and have a plan in place to move from your current level to a higher level. Perhaps some organizations shouldn't strive for Level 5, but every organization ought to strive for Level 3.5, where all processes are defined and managers use process measures to assure the processes perform to support corporate goals.

If your company's processes aren't defined in a business process modeling tool and stored in a repository, they should be. Paper diagrams or descriptions of processes are too difficult to update. They work well enough for redesign projects, but then they rapidly fall into disuse. Process models stored in software modeling tools can be rapidly updated, can be augmented with process information, can be used to identify links between processes, and form a much firmer basis for a comprehensive BP architecture. With the right tool, process models can be simulated, can drive workflow or BPMS systems, and can be used as the basis for an automated process monitoring system (BAM).

Processes ought to be measured with metrics that are tightly aligned with the company's financial statements. Process measures ought to be aligned with managerial objectives and coordinated through a balanced scorecard system.

Good process modeling should precede any effort to outsource a process. Similarly, the management of any BPO project should only be undertaken based on a clear understanding of how the outsourced process fits within your overall BP architecture and only after you have well-established process metrics in place so you can judge the outsourcer's performance.

Manual Implementation. Most processes at most companies are implemented by people. There are a variety of initiatives that can support improvements in this area. Job descriptions should be tightly tied to process descriptions. Job models that define not only what the person should do, but define the kind of feedback and support required, are also needed. Similarly, training and education programs should be reviewed to see if they are really supporting business processes. If your HR people aren't already doing this, consider signing them up for membership in the International Society for Performance and Instruction (www.ispi.org).

Similarly, people involved in processes should be involved in improving them. This is what Six Sigma programs are designed to deliver. Your company should probably be using Six Sigma with all its mature business processes. If you aren't, consider starting. Six Sigma is a mature technology that can be rapidly implemented and will produce predictable improvements.

Managers need training too. Too many managers don't understand that their job is ultimately to manage processes. Managerial goals and measures should be organized into a hierarchy to assure that lower-level managers are working to achieve results that ultimately support desired process outputs and strategic goals. A balanced scorecard initiative can be a powerful tool if it is coordinated with a more comprehensive business process measurement effort.

IT Automation. There is a significant role for IT in process change. In an ideal company, IT investments should be conceptualized and driven by business processes. In too many organizations, IT is given the burden of automating processes that business managers have not thoroughly understood or defined. Problems arise when IT develops technical solutions without really understanding the business impact. In way too many cases, companies have spent too much money implementing technical innovations that the improved business process will never justify. On the other hand, too many business managers have failed to invest time and money developing an enterprise-wide business process infrastructure. New IT BP initiatives, ranging from BPEL to MDA, will require more communication on the part of both business and IT managers. Getting a dialog going would be a useful goal for 2004.

Most organizations are heavily invested in packaged applications and will spend a lot more in the years ahead to improve and integrate their SAP, PeopleSoft or Oracle ERP systems. At the same time, new IT systems, like the OMG's Model Driven Architecture (MDA), or the recently proposed XML business process languages (e.g. BPEL) will make it possible to create agile networks of best-of-breed applications and components. Deciding how to allocate resources between traditional packaged applications and newer techniques will be a challenge and will need to be solved on a company by company basis.

Both ERP and newer technologies are going to be heavily promoted in conjunction with Web Services, on demand computing and process virtualization. There will be lots of experimentation with Web Services in 2004, but 2004 is not the year that most companies should attempt to install a major Web Services, MDA, or BPMS system. These technologies are too new and unproven. It is, however, a year in which adventurous companies can do experimentation and position themselves to take advantage of these technologies in the near future.

More promising technologies for point solutions in 2004 will be the newly improved workflow products being offered by a variety of vendors, often accompanied by rule-based systems that can offer quite a bit of flexibility. Similarly, if you already have ERP systems, Enterprise Application Integration (EAI) products, or a data warehouse and a Business Intelligence (BI)

suite that are adding BAM monitoring capabilities, this would be a good year to explore how to create management systems that can provide more accurate information.

There are many other possibilities I haven't had time to consider. Some companies are more technically sophisticated or more inclined to risk and will be willing to attempt things others would be better advised to avoid. Most companies will be moving from cost reduction to a modest expansion. They will be reassessing how to use the Internet and the Web, and looking at their business processes to see what opportunities for significant improvements are available. This is a good year to put the emphasis on being sure you understand your current processes and on planning for where you want to go next.

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Till next time,

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