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BPM and ERP

This month, Spotlight looks at some of the Articles that BPTrends has published on ERP applications and considers the relationship between ERP and BPM. (For the purpose of this Spotlight, I'm using ERP very broadly to include CRM and SCM and any of the variations on the basic idea of off-the-shelf application suites.) In the Eighties, most large companies developed their own software applications – mostly designed to run on mainframes. Most of these large applications had their own dedicated databases and were initially developed for specific departments in the organization. Accounting had a database for accounting data. Sales had a suite of applications and a database for customer data, etc. Most of these applications had been developed independent of each other and weren't designed to share data.

In the Nineties, as companies began to move off mainframes to client-server machines, companies like Oracle and SAP created suites of applications that were designed to work together and to use a common database. By using these applications companies could arrange to have all of their data available for a variety of different uses. By the end of the Nineties, large numbers of companies had adopted ERP and replaced their previous software applications with suites of integrated software.

At the same time, Tom Davenport wrote a book, *Mission Critical: Realizing the Promise of Enterprise Systems* (HBS,

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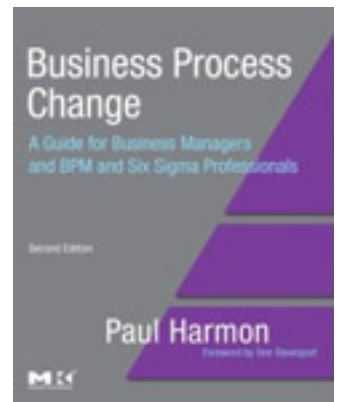
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2000). Following his work on Business Process Reengineering, Davenport hailed ERP as a way to drive business process standardization in companies. The ERP vendors also emphasized that ERP software supported processes although, in fact, most ERP was not designed to support explicit process models. Hopes that ERP software could be tailored to support individual processes at different companies has proven a nightmare at most companies, and efforts to develop highly tailored ERP applications has cost millions of dollars and led to costly failures. Most large companies are still committed to the use of ERP applications, but with the wisdom of hindsight, most try to tailor the software as little as possible. This, of course, results in making it very difficult for companies to design, implement and maintain unique core processes that would provide them with a competitive advantage.

For a time, it was common to find that those advocating ERP systems and those advocating redesigning business processes to create unique competitive advantage were in opposition to each other. That opposition began to ease in the early Zeros, as companies began to realize that they could use Internet protocols to create Business Process Management Systems (BPMS) that would be much easier to tailor. By actually creating the software from an underlying business process model, and using an interpreter (engine) to regenerate the code as they needed to make changes, companies began to discover that they could realize the goals that they had originally hoped to obtain from the client-server ERP systems.

As the interest in BPMS began to pick up in 2003-2005, the leading ERP vendors began to consider how they could reengineer their software to incorporate BPMS ideas. That process is now well underway at Oracle and SAP, although



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reengineering complex applications written in older computer languages isn't something that can be done quickly. Indeed, many believe that there is a contest developing between vendors who provide organizations with generic BPMS products (e.g. IBM) and those who seek to incorporate BPMS functionality into existing ERP applications. We don't know who will win the contest, but we suspect that most companies that already have SAP or Oracle software will stick with it and acquire the latest versions of those products that incorporate BPMS elements. This process will undoubtedly take a decade or so, but it is already easier to create, tailor and modify mySAP (Netweaver) applications than it is with older SAP applications, and we expect that trend to accelerate.

Over the years, we have published quite a number of Articles that illustrate the range of perspectives on ERP. Some take the claim that ERP makes it difficult to adapt processes to changing business situations. Some represent the new, BPMS focus that the ERP vendors are adopting. Some simply describe some of the benefits that ERP delivers, including the ability to get data from a number of different silos and combine it to support cross-departmental value chains.

The coming decade will be a period of rapid change as different organizations try to determine whether ERP with BPMS or stand alone BPMS is a better path for them. Any way you look at it, process people need to remain aware of ERP and the changes taking place in ERP technology.

Here are a few good Articles to get you started. You can use the search box on www.bptrends.com to locate more information on ERP.

[Business Performance Modeling for ERP](#)



[Projects](#) Joseph DeFee - January 04, 2011

In this Article, Joseph DeFee provides detailed information and examples of how business process modeling and simulation is used to support enterprise resource planning (ERP) with commercial off the shelf (COTS) projects. He posits that understanding how the COTS/ERP business applications and rules will perform and how well they will integrate with external business processes in your organization is critical to avoiding a potentially significant implementation failure.

[Business Performance Modeling for ERP Projects, Part 2](#) Joseph DeFee - February 01, 2011

In Part 2 of this two-part series, Joseph DeFee provides additional detail on how business process modeling and simulation is used to support enterprise resource planning (ERP) in commercial off the shelf (COTS) projects. The author argues that the use of simulation models is key to gaining buy-in from the functional users and that the techniques described in his Article will remove significant risk in all aspects and phases of ERP projects.

[The Self-Organizing Supply Chain](#) Tom Bellinson - December 07, 2010

In a departure from his customary topic of ERP Software analysis, Tom Bellinson offers a thought-provoking essay in which he proposes that technology offers the best solution—perhaps the only solution—to accommodating the ever-changing business environment. He contends that organizations will increasingly remove humans from their supply chain loop and replace them with faster, better, more reliable and less expensive technology solutions.

[MDA Journal: New Dimensions in Business Applications](#) David Frankel - December 07, 2010

In his September 2010 installment of the

MDA Journal, David Frankel discussed some new dimensions of cloud computing and mobile devices that present opportunities and challenges for enterprise-class business applications. In this Column, he explores additional new dimensions that impact business applications, providing added value but also creating increased complexity. Read David's compelling take on the new wave of enterprise software.

[ERP Systems: Unlock the Hidden Value](#)

Tom Sonde - July 06, 2010

If you believe that your ERP system hasn't lived up to expectations, don't despair. Tom Sonde has some practical advice to help you unlock the hidden value, "marry process with technology, and apply best practices." Easier said than done, you say. Read Tom's Article for the details.

[Business Process Transformation](#)

[Framework](#) Rick Burris - April 06, 2010

Given the number of well-publicized failed Enterprise Resource Planning system implementations, most will agree that there is a strong case for the need to improve process implementation. In this, the first of three Articles, Rick Burris and Robert Howard introduce an emerging process improvement technology called Business Process Transformation Framework (BPTF). The authors suggest that BPTF addresses many root causes of ERP system failures and ensures a balance among the key drivers of business transformation success throughout the design process.

[The State of ERP Software: BPMS](#)

[Integration](#) Tom Bellinson - December 01, 2009

Acknowledging the importance of BPM, ERP vendors are adopting a variety of approaches to incorporating BPMS capabilities in their software. In this well-researched and insightful Article, Tom

Bellinson reviews and analyzes the components of these approaches and provides a partial list of ERP vendors and the components they have implemented in their software solutions.

[The ERP Software Promise](#) Tom Bellinson - July 07, 2009

After reading Paul Harmon's May 26 Advisor, Porter, ERP and BPMS, Tom Bellinson had some thoughts of his own on the subject and asked if he might express them in an Article for BPTrends. We agreed and are pleased to present them here.

[Porter, ERP and BPMS](#) Paul Harmon - May 26, 2009

For years, ERP systems have been defying Porter's dictums on strategy. BPMS seems likely to remedy that in the coming decade. In this Advisor, we look at the relationship between competitive advantage, standard ERP processes, and BPMS.

[mySAP ERP Roadmap: Business Processes, Capabilities, and Complete Upgrade Strategy](#) by Frank Forndron et. al. Paul Harmon - July 03, 2007

This book provides an overview of SAP's mySAP ERP offering, describes how mySAP and NetWeaver can provide companies with a Business Process Management capability, and considers what's involved in transitioning to mySAP. Given the massive investment in SAP ERP applications, every IT manager ought to at least evaluate the potential benefits of making this transition.

[A Single Instance of ERP](#) Paul Harmon - April 25, 2006

In recent discussions with business people engaged in business process work, the goal of standardizing ERP continues to play a major role in many discussions. Most companies use ERP, and most have

different versions to support different processes in different locations. Getting the processes standardized so that the company's ERP software can be simplified is a major driver of many business process projects.

[SAP's NetWeaver is an Enterprise](#)

[Integration Platform](#) Jason Matthews -

January 03, 2006

In this article, Jason Matthews and Scott Campbell describe how NetWeaver serves to facilitate the development and execution of business process management applications.

[ERP, CRM, and BPM](#) Paul Harmon -

October 25, 2005

There have been a number of interesting developments, this year, in the ERP and CRM markets. In this Advisor we consider just how close ERP and CRM are to the current BPM movement, and then speculate on what might happen in the future.

Til Next Time,

Paul Harmon

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