

The Third Wave

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Following a presentation about Business Process Management Systems (BPMS), a member of the audience asked for a follow up meeting and suggested we meet for lunch. We agreed immediately, regarding him as a potential customer. He is a “process improvement manager” from the banking division of a financial services firm. We met the next day in a pleasant restaurant in downtown Johannesburg.

“Look,” he said, “I heard your presentation yesterday, and it appeared to be about technology. But my ‘BPM’ problem is not about technology; it’s about people, change and culture.” We listened intently. Elaborating, he said, “But you intrigued me when you talked about a ‘third wave’ of BPM. It seemed to have something to do with my role (I’m re-designing processes for the firm’s front office), but I could not connect what you said to my day-to-day issues. Perhaps if I explain my work in more detail, you might be able to explain how your BPM would help?” We agreed we could try.

Our potential customer, let’s call him Michael, began by restating that his problem was certainly not about technology. So, we asked him to describe the problem as he saw it. We were delighted when Michael began to draw a *process diagram*. Using a napkin from the restaurant table, he drew the current “As Is” state of his business operations, and began to explain it to us. (See Figure 1.)

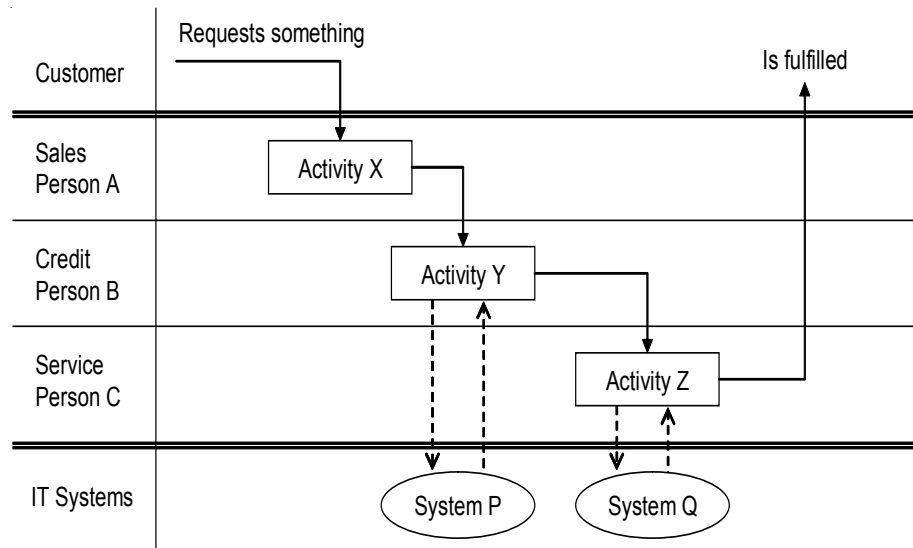


Figure 1 – “As Is” napkin process diagram for “Opening A Checking Account.”

After he had finished drawing the diagram, there was a gestating pause. He seemed pleased with what he had drawn, and he looked at us as if to say, “So, do you have a solution?” He was clearly expecting us to have understood what his problem was. But it was far from obvious to us, so we replied, “What is the problem, Michael?” You had to be there to see the surprise on his face. His expression said, “Surely that’s obvious just by looking at the diagram.” After another gestating moment, he blurted out, “Look here, the processes are broken; there are all kinds of problems,” and he went on to list the following:

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- “There is too much paper.”
- “The cycle time is too long.”
- “We have dissatisfied customers.”
- “The process is too labor intensive.”

Leading him, we said, “Yes, we understand that; it’s the current state of your business, but what’s the problem?” This time, his surprise tipped over into frustration, and he blurted out, “I want to change the current processes and replace them with better processes.” We had him right where we wanted him. So as he didn’t notice, we slipped in, “OK, so what are you going to do about it?” Silence. So we put it more clearly. “What are you going to do, in practical terms, to change those processes to some new processes?” we asked.

He was clearly frustrated by our answering questions with questions and replied, “Really, I thought YOU were going to tell me that!” We answered, “No, first we’d like to hear from you what you were going to do about it, that is, assuming you had never come across us or our crazy ‘third wave’ ideas.”

He agreed to play our little game and said, “Well, we’ve been thinking about this, and we have come up with a plan of our own. One thing we’ll need to do is to integrate some of our systems.” We stopped him right there. We pointed out that it was he who had been very clear that his problem was not about technology, that it was about “people, culture, and change.” He admitted that some aspects might involve technology, but that technology was not the whole answer by any means. So we asked if he had identified other things the business needed to do to change the processes and solve his list of problems (cycle time, labor cost, etc.). “Yes,” he said, “we decided that we would need to provide a new user interface for the new case workers so that they could access all the information they needed in order to execute the new processes.”

“Anything else?” we asked, not wanting to point out that this second solution (the process portal) was also about IT. “Yes,” he said. “We worked out that we will need to automate some of the tasks and activities we already do manually; otherwise, the new case workers will be overloaded.” He then stopped, realizing that all three of the items he had identified so far were, in fact, requirements for new IT systems. Growing in confidence, we asked him if there was anything else the business had identified as necessary. Here is the list of items Michael identified that rounded out his solution to the problem:

- Integrate some existing systems.
- Automate some existing tasks.
- Provide a new user interface (portal) for new case workers.
- Measure flows in tasks and activities to drive process improvement.
- Escalate or re-direct tasks in exception cases or case worker overload.

We pointed out that all the items on this list were about technology. He admitted that, but stated that this “systems development work” would be accompanied by “organizational change” (consolidation of roles and tasks) and “case worker training” (in new systems), so the “people and culture issues could not be ignored.”



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We agreed they could not be ignored, but we made a strong case that unless the new work regime (the new process) was supported by effective IT systems, the introduction of new roles and tasks would be seriously impeded. It would be like swimming against the current of a powerful river.

What happened next surprised Michael even more than our previous questioning. We simply asked, "So, you appear to know what the solution is ... What is stopping you doing it? What's the real problem?" While he might have been tempted to reply, "I've told you what the problem is," he stopped for a moment or two and then said, "While I made it sound easy, it's not. IT is telling me that the changes to the existing systems are complex. There is a lot of legacy involved, and 'stovepipe' applications, with little integration capability. The new applications we need are going to be expensive to develop, and it's hard to develop a business justification for them. After all, customers are still opening checking accounts, even if some of them find us *Difficult To Do Business With*. And head office has this corporate plan to replace all the legacy systems with ERP, and to consolidate other ERP applications from across the company. We are dealing with many parallel ongoing improvement activities in different areas of the business, and it is difficult to prioritize investments. No one can get the attention of the CIO for their improvement projects, and everything seems stalled waiting on everything else. Changes in processes need new systems to support them, and new systems development needs a business case based on the new processes in order to be justified by the IT Project Prioritization Review Board."

Finally! So this was his *real problem*.

"Michael," we said, "from what you have told us, the 'solution' you have identified (the list of five items plus organizational change) is really a mixture of reengineering (inventing new processes) and systems development (providing the infrastructure in which new case workers can execute new processes). Would you be interested in hearing about an alternative approach?" "Yes," he said.

We explained that the solutions his business had been focusing on ignored the potential of new Business Process Management Systems (BPMSs). He was immediately, and deeply, suspicious, fearing a proposal to solve this problem, magically, using some new-fangled IT approach. So we asked him to think about the requirements for integration, automation, a new user interface, measurement, tracking, and escalation not in terms of new systems development, but in terms of a description of new "to be" processes. He said he could imagine that. He thought of it as the flows of information and interactions between IT systems, between people, and between both. So we put the solution to him this way, "What if we could show you a way to draw those new processes, not on a napkin, but on a computer?" He said, "Yes, some people in the business used Visio for that."

We said, "No, not Visio, but something new, something called a BPMS." He said, "OK, so what's the point?" We replied, "Well, what if the BPMS could make those processes happen, without the need to develop any software, or change any existing systems, and could generate its own user interface for the case workers? And what if the business units, like the front office, were empowered



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to do those things themselves? And what if it were really easy, with ten, a hundredfold, or more reduction in the time and resources from Process Design to Process Deployment?”

Michael thought about this for a moment and said, “What you are proposing is just a new way to develop the IT systems that support the new processes. That’s just an IT issue. If there is a better way, a better, faster, cheaper way to get new functionality, then let’s tell the CIO about that.” We agreed to tell him later, but we went on to explain that there was more he needed to understand. “What we are proposing is that instead of IT doing systems development, the business should do business process management (BPM).” Michael asked how that would be different. We explained:

- BPM leverages, not replaces, the current “As Is” processes and IT systems, and allows for the specification of new “To Be” processes and IT user interfaces. Legacy systems renewal can proceed in parallel, but the business is not hindered by IT timescales.
- BPM specifications are not just diagrams. Think of them as *actionable diagrams*, specifications that really do things for the business people involved.
- Unlike software applications, BPM processes can be conceived, deployed, and changed by business people. The BPMS is the *new IT* that makes this possible.
- The IT function makes the BPMS available to the business, providing a BPM Service. IT is deeply involved, but less so in the processes than in the era of ERP.
- The BPMS takes future change off the critical path. Instead of developing new systems to reflect “To Be” processes that are then cast in software, the BPMS supports ongoing process change. Measurement, tracking and process improvement are built into the way the BPMS works. Change-related obstacles are taken off the critical path.
- The user interface to new BPM processes is provided by the BPMS. Much of it is automatically generated from the process diagrams.
- In ERP and “second wave” automation projects, systems development is the consequence of a reengineering requirement. In BPMS and “third wave” projects, process diagrams express both the reengineering and systems development concepts, not as two very different things, but, rather, as one “third wave” process. Think of the BPMS as performing a translation between “As Is” processes toward “To Be” processes. It does so in a way that simultaneously produces a new system for the caseworkers that will be involved in the new process.

Michael listened carefully. “So the bottom line,” he said, “is that your proposed ‘solution’ relies upon me going to IT and persuading them to invest in and deploy a BPMS. What kind of a solution is that?” We said, “Yes, that is indeed what our “third wave” solution requires you to do. Michael was flabbergasted, “Guys, do you really think IT is going to do that? ERP is their strategy. And they have been burnt before by software salesmen who sold silver bullets in exchange for real dollars.” The only reply we had to that was, “Do you think it would be worth your time and that of your CIO to find out?”



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As the meeting fizzled out, Michael's last comment to us was, "What about the training, organizational change, and new reward systems? Can the BPMS do that too?" We laughed along with him. We then said, "The BPMS sure helps people change if they see immediate results from their reengineering efforts and see that there are IT systems that reflect their needs, undistorted by IT developers or the compromise of packaged software selection." Michael left the table, hurrying to his next "reengineering" meeting. We had no doubt that by mid afternoon he would be drawing more napkin, Visio, and whiteboard process diagrams. (See Figure 2.)

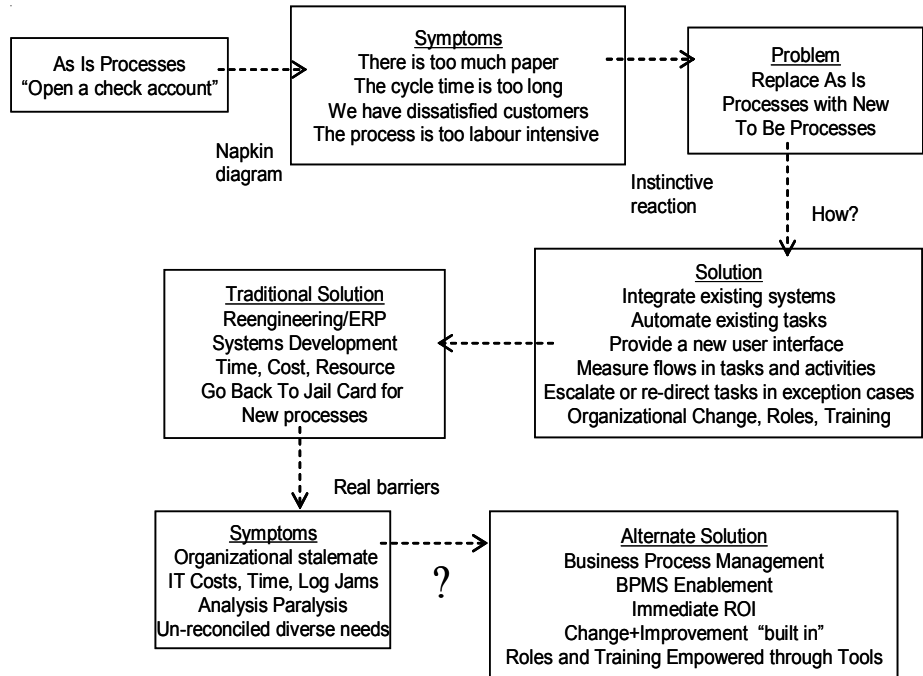


Figure 2 – Alternate paths to a BPM solution: Reengineering and systems development, or BPMS?

Why was Michael so convinced that his role (process improvement manager) and the problems he was struggling with were not about technology? Until our lunch appointment, he was simply unaware that any technology existed that could help him, other than Visio! For another analogy, imagine someone setting out to plan and implement a new financial accounting procedure. They too would claim that their task was not about technology, but we are also sure they would choose to use a spreadsheet package if they had seen the productivity advantages others had found by using them. (See Figure 3.)

We don't know yet whether Michael will become a real change agent in his firm. Will he continue to change one process for another, using napkins and Visio diagrams, and remain dependent on IT systems development, or will he chose to empower those around him to reengineer in practice, using the BPMS breakthrough. Michael will surely need the support of the CIO for that. So perhaps Michael was right after all. Perhaps BPM is all about people, culture and change—change in the way IT delivers business services using a BPMS. The opportunity



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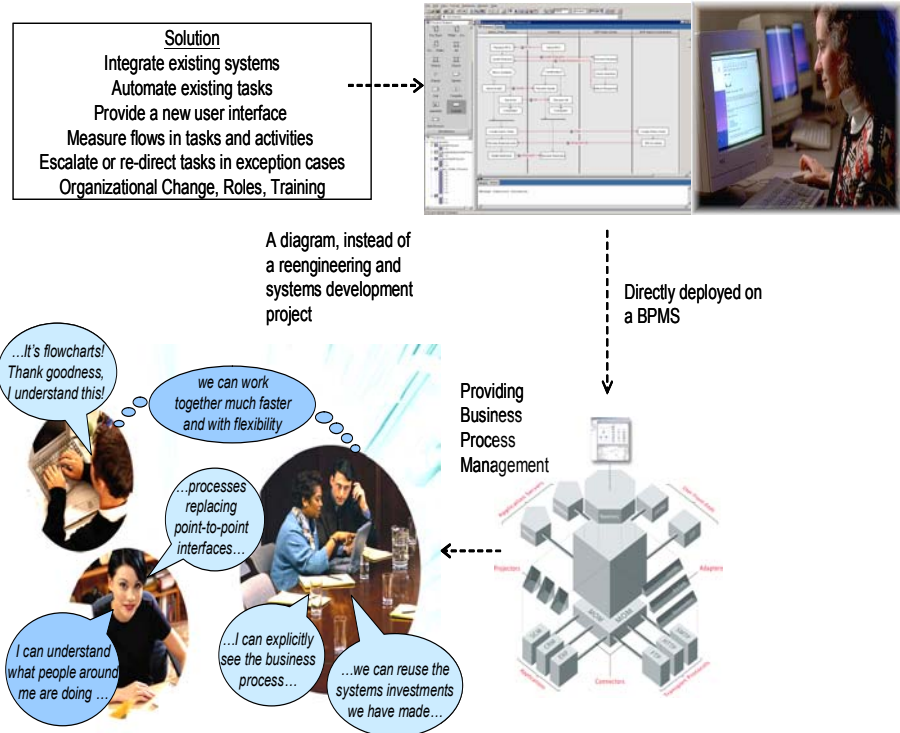


Figure 3 – The New Reengineering

for Michael, and countless others like him, tasked with the progressive improvement of business operations, is to create an intuitive and immediate *shared language* between business and IT, and to empower process improvement teams to progressively close the gap between strategy, business design, and execution. (See Figure 4.)

We achieved one thing in our conversation with Michael. We introduced him to the business process equivalent of the spreadsheet. Such tools support *work with processes, and work in processes*. If Michael comes to understand that, he might be able to make a lasting change, that is, the capability to change, over and over again. BPM is about giving business people tools, not just to automate their role in processes, but also to help them improve the way they work in teams, with customers and with partners. Only they know how to do that improvement, which is why they need *direct control* of their own business processes. We believe that business people are standing ready and waiting to manage their own business processes, for 80% of what the IT industry today calls “applications” are, in fact, relatively simple business processes when stripped of their technological complexity. Remember COBOL programs before spreadsheets?

What if the world’s most common excuse—“The IT department says it will take 18 months to implement”—was no longer to be heard? Agility has been on the agenda of companies for quite some time, but inflexible technology and the lack



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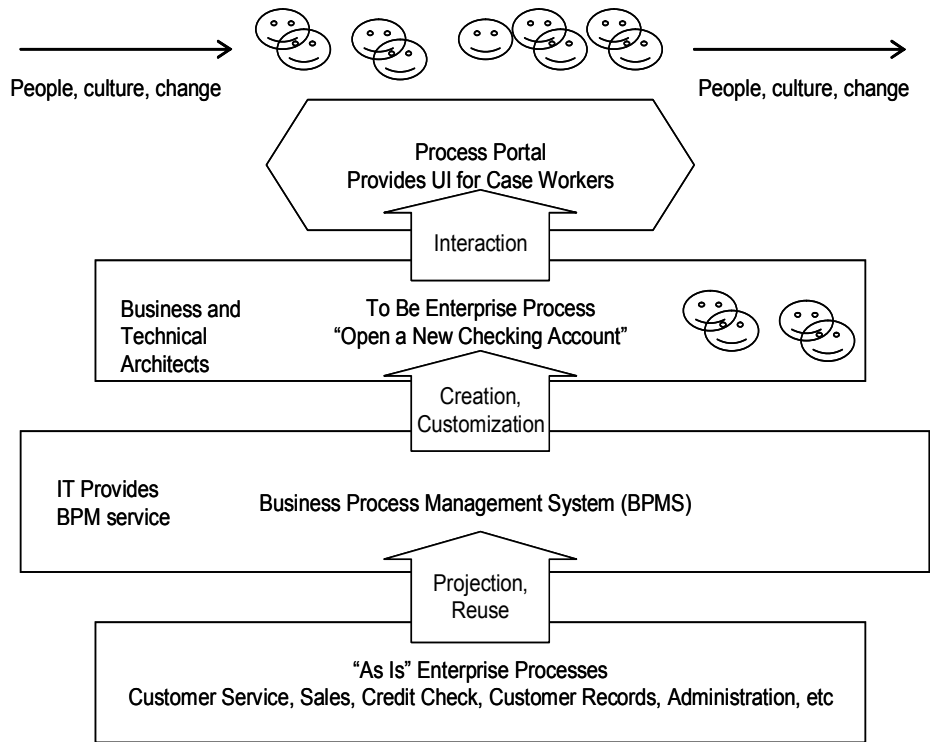


Figure 4 – How People, Culture, and Change is facilitated by BPMS

of a capability to manage business processes has hampered efforts to achieve it. Now, however, it's time to remember the venerable proverb, "Be careful what you wish for, because you just might get it." Up until the BPMS breakthrough, the business-IT divide was a comfortable excuse for not implementing change. Because the BPMS places processes and their underlying IT systems firmly in the control of the business, the naked organization itself is all that lies between business change and innovation. For IT, it's time to change *your* culture, and extend a BPM *capability* to the business.

