The Discipline of
Business Modeling

Steve Baker and Cedric Tyler

Introduction

Since the inception of modern commerce, we have continuously endeavored to understand and improve the way businesses operated. Originally, these efforts included strategic, tactical and operational planning, informal process improvement efforts and even the invention of accounting.

Along the road, we invented division of labor, industrialization, time and motion studies, computing, TQM and operations research – all aimed at improving business performance.

Today, we have improvement methodologies and technologies (e.g., Six Sigma); Information Technology (e.g., Enterprise Resource Planning (ERP) and Business Process Management (BPM)); regulatory compliance (e.g., Sarbanes Oxley); and frameworks (e.g., SCOR and ITIL), to name but a few.

In fact, it appears the *quantity* of corporate initiatives in this category is increasing exponentially.

All of these current initiatives have one thing in common: they are all attempting to operate on the same patient – the business. And, they **all have a different** understanding of what the business does. This difference in understanding ranges from minor, but critical, to "not in the same galaxy".

What if all of these corporate initiatives had the **same explicit and accurate** understanding of the business? And, what if the "results" of these initiatives were retained in a "common language" so they could be reused for the next one?

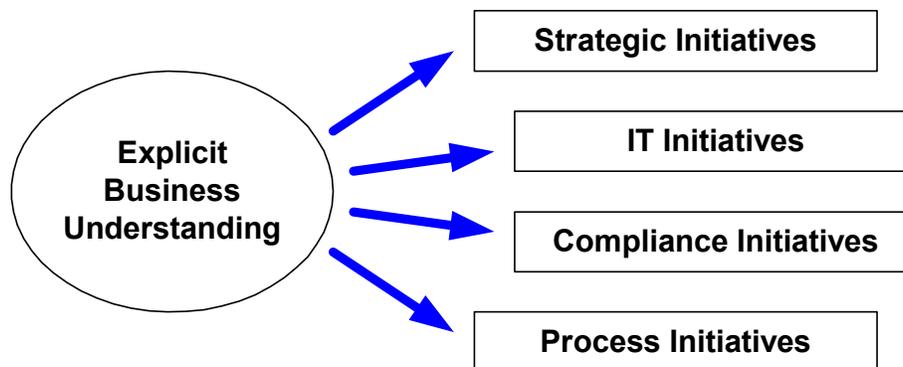Can you imagine the quantum gain in productivity?

Figure 1.

We believe that the time is upon us to create a disciplined **science** which allows us to explicitly, rapidly, rigorously and repeatably describe business; a science that can describe the operations, strategies, product and services, compliance and technology requirements of a business.

We need to create a **discipline of business modeling.**

Myriad of Symptoms

In corporations around the world, we have spent countless hours *(days, weeks, months, and years)* of effort describing "how the business operates". Whether you call it "process flows", "process modeling", "process mapping", Six Sigma, TQM, lean, "gathering business requirements", or "Sarbanes Oxley", organizations are simply describing how they operate for different uses. Worse than that, all of them are describing **exactly the same business operation** in **as many ways** as there are people performing the work. The result…a **major waste of resources**.

We have all spent innumerable hours in discussions with the sole purpose, discovered only after the fact, of clarifying the meaning of a particular word or set of words. Our informal research estimates that, on the low end, 10-20% of all corporate effort is expended "clarifying" corporate language. We all use the phrase "if you mean *this…*" by *that…*" several times a week, if not many times a day. A great deal of valuable time is spent simply *defining* the terms to be used in the meeting.

Other symptoms include:
- Management and operational reports vary month to month
- We ask the same question of our organization and get:
    - different answer(s) at different times
    - different answer(s) from every organization/person
- Technology investments yield low (or negative) ROI
- Lack of operational or process clarity - i.e., pronouns, fluff words, multiple terms, etc.
- Substantial manual effort to support "automated" processes
- Strategic and operational misalignment

We, the authors, Steve Baker and Cedric Tyler, have been researching and practicing the precursors to business modeling for over 25 years. Over the past five years we have performed business modeling for many Fortune 500 organizations in many industries, including manufacturing, services, entertainment, telecommunications, and distribution. In all of our engagements, we see examples of previous efforts resulting in yet a new form of "artwork", being passed off as a "description" of how the business operates. In whole, we find that today's "business modeling" is more an **art than science,** much like cartography was in the 15th century.
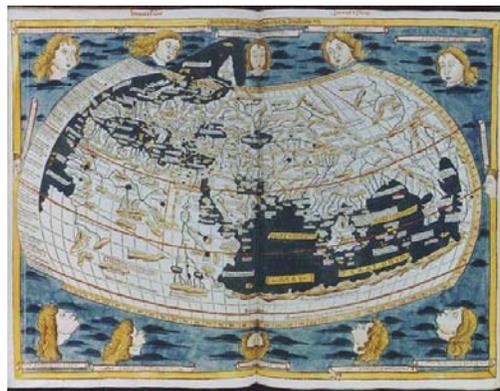

Figure 2.

In addition, there is also a substantial lack of organizational involvement in the creation of and use of these models. So, the very people for whom we are building these models could care less.

In many instances, they (the business representative) view creating such models worse than a **root canal**!

Same Root Causes

Corporations are spending, either directly or indirectly, large sums of money documenting their processes with inconsistent documentation standards. In all of our work we find the same root cause for the symptoms described above: organizations do not have a way of **consistently and explicitly describing** how they operate. It's really that simple.

We believe that these experiences in the corporate community, as well as the other more obvious non value-added activities (e.g., multiple reports about the same information and multiple entry of the same information), can be **substantially mitigated** with the creation of a **discipline of Business Modeling**.

And, by our assessment, we are at the beginning of this journey – i.e., things are only going to get worse. As organizations become more complex, interrelated and global the symptoms will only be exacerbated. Further, as industry value chains become more interactive and interrelated, the need to "**speak the same language**" will become paramount.

Consider the following:

- What if organizations as a whole understood how they explicitly operate?
- What if they could convert the "art and the prose" to scientifically-derived models that could be understood by people at all levels of the organization?
- What if those models could be used time and again for each business issue, both new and old?
- And, what if those models were more visual than verbal so that people could spend less time stuck in the interpretation of complex sentences?

What to Do?

So how do we create this discipline?

We propose that the discipline is comprised of the following four pillars – i.e., areas of study:

1) **A Business Modeling Language:** A "language" to describe the elements (elemental information components) of a business. The language must be complete, simple, and rule-based. It must have a syntax and semantics. It must be easily understood by a majority of the business.

2) **Information Gathering/ Knowledge Harvesting Methods:** A set of methods that describes how to leverage the plethora of existing corporate information (including explicit, implicit and tacit), and convert or extract the elemental business information into the business modeling language.

3) **Language Application (or Re-use) Methods:** A set of methods for using these business information models for all corporate initiatives. Whether it is a strategy, a product, process improvement, Sarbanes-Oxley compliance, or a new IT system – all corporate initiatives must operate from the same elemental understanding of the business as described in the business modeling language.

4) **Business Modeling Suite (Automation):** Finally, to truly leverage the complexity and interrelatedness of the business information, we need to employ advanced technology to capture, store, analyze and use it.
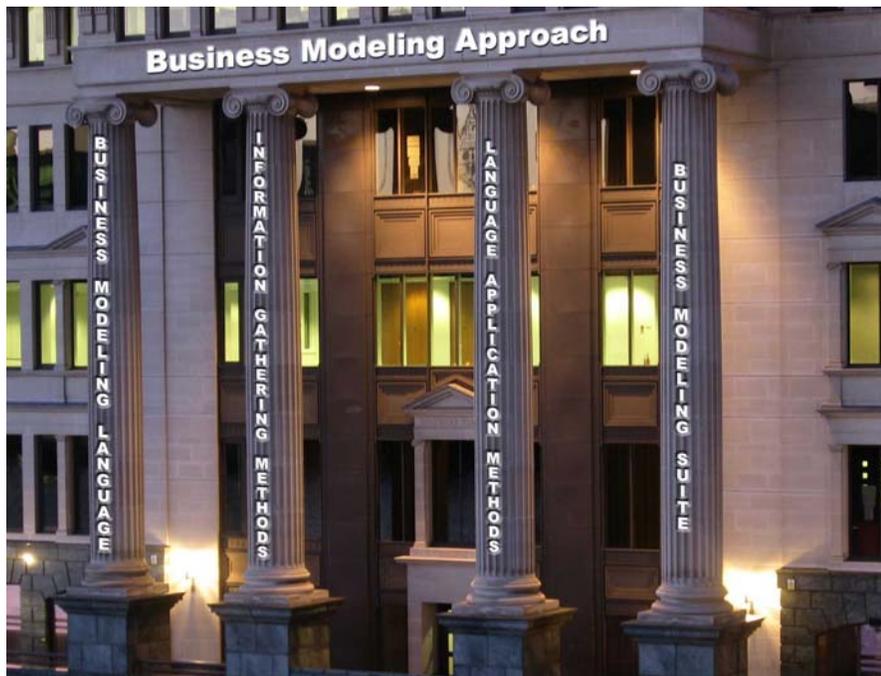
Figure 3.

The information gathering techniques and methods must be simple and understandable to the business community as a whole. These techniques and methods, coupled with the modeling language, must be complete and robust allowing for rapid organization of all pertinent operational business information.

And, it goes without saying that the application of this discipline must produce an initiative that is faster, better and more cost effective than the same initiative without its use.

Finally, as a discipline, education and training must be available to allow for the rapid dissemination of the knowledge within the business community at large.

Conclusion

BusinessGenetics® has developed what we believe is the first generation, comprehensive business modeling approach that includes methods, a language, and automation tools that can be used as a foundation or starting point for the discipline. The core of this approach is the **eXtended Business Modeling Language™ (xBML™)**, which provides a very rich, yet simple way to capture the necessary and sufficient elemental business information.

We have deployed this approach across multiple industries, multiple business areas and multiple initiatives.

We have also presented and defended the approach to academics and industry analysts with success. Most importantly though, we have built a viable and rapidly growing business based solely on providing this service to Corporate America.

If you have questions, comments or would like more information, please contact Steve Baker (steve.baker@businessgenetics.net) or Cedric Tyler (cedric.tyler@businessgenetics.net) at BusinessGenetics®. BusinessGenetics will be hosting a Webinar in the coming weeks to further discuss its discipline. If you would like to be notified of the date/time, please send an email to webinar@businessgenetics.net.

Steve Baker

Steve Baker is an industry expert in Business Modeling, CRM and Knowledge Management. For the past decade, Steve has focused on improving the operational efficiency of and communication within and among businesses. Steve has extensive business and I/T strategy preparation and alignment expertise across the entire corporate value chain. He consults and provides education to a broad range of both Fortune 500 and smaller organizations in many diverse capacities, including business process design, system requirements definition, organizational design, and value chain analysis. Steve also conducts management seminars and executive briefings in his various fields of expertise and was an Adjunct Professor Daniels School of Business University of Denver.

With Cedric Tyler, Steve Baker co-founded Affinity Solutions, the incubator for a very successful group of business service and software companies - BusinessGenetics®, xBML™ Innovations, and Momentum Resourcing – headquartered in Colorado. All of these companies have grown substantially; two have been recently acknowledged as the "fastest growing" companies in Colorado.

Cedric G. Tyler

Cedric is a leading, worldwide expert in the fields of Business Modeling, Business Process and Information Technology. He entered the IT field as an applied researcher for IBM, at IBM's "Showcase" development facility in the U.K. Subsequently, he launched INFOMET, (Pty) LTD, and pioneered an innovative and practical methodology for IT System Development and Requirement Engineering. Internationally, Cedric successfully launched Infomet Pty (LTD) and Infolab, two companies specializing in the Business-to-Information Technology interface. He created the innovative Infomet SDLC Methodology, which was successfully marketed to over 100 global companies.

Cedric is the principle inventor of the "breakthrough" BusinessGenetics® xBML™ (eXtended Business Modeling Language) methodology, a rule-based, synoptic and formal language for describing business. The xBML™ methodology provides a unique capability to develop and leverage business models across a multitude of corporate initiatives, ranging from business improvement, IT Requirements definition, Sarbanes-Oxley compliance, regulatory compliance, to outsourcing, mergers and acquisitions.