

Do You Have A Business-Oriented Architecture?

Rod Favaron

In today's business climate, companies of all sizes need a better way of managing and executing their core processes. This article describes Business Process Management (BPM) as a *business-oriented* architecture that allows process owners to set improvement goals and orchestrate actions across the company to achieve those goals. They recognize that the most important difference in BPM is its *business-orientation* – and that is why the use of BPM tools and architecture is fast becoming one of the most sought-after technologies.

Business process improvement was the top priority for most CIOs in 2006, according to a recent Gartner report. I hear this echoed globally as I talk to top executives among our customers and prospects. Companies increasingly recognize core processes as their levers for transforming how they do business.

These people recognize that they need a better way of managing and executing processes. Today, core processes are often siloed by organization, product line, and transactional system. It is difficult to understand end-to-end process performance – even for the most critical processes like procurement, order management, and claims management. The promise of Business Process Management (BPM) – as both a discipline and technology – is that it can remove the traditional barriers to process improvement and give companies a basis for differentiation by focusing on the performance of a process. Not just the execution.

Why BPM?

BPM's roots are in workflow, but it differs in a couple of significant ways from the workflow that you have built into many of your corporate applications today. First, it focuses on the end-to-end execution of the process – no matter how many organizational or system boundaries are passed along the way. Second, end-to-end visibility of the process delivers unprecedented insight into how that process is performing. This type of process control and analysis is virtually impossible for most companies to do today because of the system and organizational boundaries. Third, great BPM solutions were built to support change because processes are always changing – for competitive, organizational, and regulatory reasons.

So, BPM gives process owners great flexibility in describing, executing, analyzing, and improving processes. It provides a *business-oriented* architecture that allows process owners to set improvement goals and orchestrate actions across the company to achieve those goals. The results can be dramatic – and quickly achieved. One of our insurance customers eliminated 80% of the manual work in their process in the first version. Another customer – a health care provider – saved 21,000 administration hours in the first year in on-boarding nursing and support staff in their hospitals. Finally, one of the largest telecommunication service providers in the world saved \$3M in the first quarter of deployment by better processing of disputed bills.

Another acronym?

No. I have neither capitalized *business-oriented architecture*, nor do I suggest you add “BOA” to your acronym list. It is merely italicized for emphasis. However, thinking of BPM as your business-oriented architecture is helpful for a couple of reasons. First, business-orientation is what makes BPM different from *services-oriented architecture* (SOA). SOA helps IT groups better deliver on the changing needs of the business. But its focus is on the technology of the business. Its goal is to unlock value from existing systems and simplify how information and discrete functions are accessed by the business, but it does not describe the business itself. For a business person, the chief value of a SOA is that it removes the need to understand the complex application infrastructure of the company today; this simplifies the conversation – and returns the discussion of process improvement to a business orientation.

Second, BPM does provide an architecture – and a set of tools – focused on business users. It is important to recognize that the tools needed for process improvement are different than the tools needed for service implementation and management. This is where people can get confused. Many of the development environments and applications environments today offer some form of “process tools.” That does not make them BPM. Rather, the ability to quickly and flexibly define end-to-end processes, identify performance goals, and then manage to those goals is what sets BPM apart. Like never before, BPM puts tools in the hands of the business teams to drive process improvement. Of course, IT teams continue to play a key role – and their technical tools must complement the business-oriented tools. But the difference is more control – and more responsibility for the outcome is placed in the hands of business teams than ever before.

Should I Wait?

Many prospects ask me if they need a SOA in place to do BPM. The answer is no – despite what you may read from IBM and Oracle. The truth is that having a SOA in place gives you maximum flexibility for driving improvement – but lack of a SOA is not a barrier and is certainly not a pre-requisite to success with BPM.

SOA and BPM are initiatives that all of our customers are undertaking in parallel because they complement each other. BPM drives business-oriented requirements down to the SOA layer. Bottlenecks and inefficiencies found by a BPM solution can point to opportunities for re-organization, consolidation, and outsourcing. All of these things work together – and are made stronger by getting requirements from each other. But the absence of one does not block progress on the others.

One of our oldest customers got started with BPM in 2002. They made the decision at that time to outsource 100% of their manufacturing to Asia. And they knew that they needed to better manage their procurement processes to enable this. After implementing BPM, they realized a \$250 million decrease in working capital, and a 250% productivity improvement with their existing Product Planning group – even though they were communicating with more external vendors than ever before. All without having a formal SOA in place.

Of course, having a SOA in place adds to flexibility and can simplify deployment. A leading insurance company uses our BPM software to complement their extensive SOA investment. The benefit to our BPM projects is that we are able to access critical data, events, and functions without understanding the complex legacy applications on which they run their business. But none of these were critical aspects of driving process improvement for the invoice reconciliation process this customer implemented. Rather, better management of human work has been the key to improvement so far. The existing SOA framework had little to do with achieving the business objectives of the process – eliminating manual routing and processing by 80%.

The Time is Now for BPM

Leading companies have recognized that BPM is a critical tool for the business to gain competitive advantage through process. They recognize that the most important difference in BPM is its *business-orientation* – and that is why they are adding BPM to their tools and architecture.

Author

Rod Favoron is President & CEO, Lombardi Software