.BPTrends
BUSINESS PROCESS TRENDS
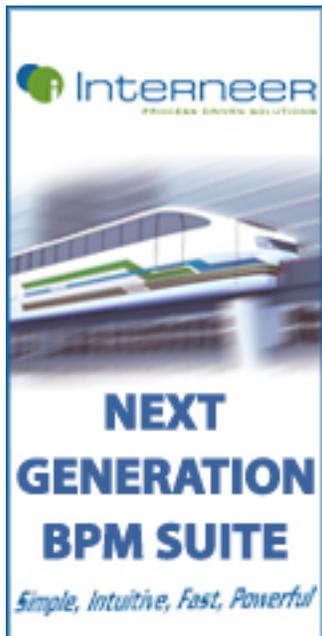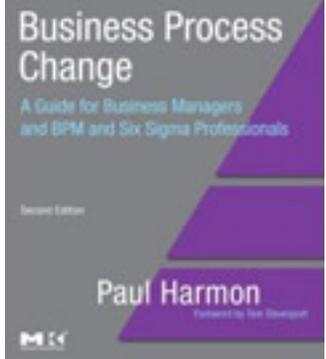
IT and BPM

I am often asked about the relationship between IT and BPM. And, of course, there is no one correct answer. I have worked with BPM groups located within IT that were independent of IT in their philosophy and very focused on the business issues. And, I have worked with BPM groups located outside IT that are very focused on the IT issues. Let's agree, at the outset, that we are not talking about one correct solution - solutions will vary from organization to organization. Instead, we are talking about broad-based principles and approaches that work well in most organizations.

Let's agree on a basic assumption - Business Process Management is about developing and managing an ongoing process improvement capability across the organization. It is about coordinating, managing and implementing a variety of approaches such as Lean, Six Sigma, BPR, or an IT or HR process group, and any other effort designed to improve the performance of the organization. BPM isn't a single specific approach – it is an ongoing commitment to a holistic approach to managing the organization's business processes, applying the most appropriate tools and techniques in order to create the optimum solution.

As a generalization, it is difficult to manage all of the process interests of an organization from within IT. It isn't simply a matter of hammers always seeing everything as nails, although many IT process groups do seem to assume that

their only job is to automate processes. It's also a matter of politics.

For example, consider the Supply Chain Council's SCOR framework. SCC is a 500+ member consortium of senior supply chain managers. These people are SVPs in charge of supply chains in their respective organizations. They have worked together to develop a process template, measures, and a standard vocabulary to help assemble and manage large supply chains. They are often engaged in coordinating a supply chain that involves multiple companies and that stretches around the world. If you look at the documentation for SCOR, you find sections on best practices that focus primarily on management and human performance issues, not on software that might be used to automate steps in the supply chain. The council has specifically focused on the big picture and left the lower level details to the organization's IT people. It's hard to imagine that an SVP of an organization's supply chain will pay much attention to a project manager from within the IT department. Organizational politics will tend to suggest that the head of the BPM group will have to report to the COO or the CEO if he or she is going to be able to work effectively with the head of the organization's supply chain.

The SCOR approach also underlines another key point - business people are quite capable of architecting an efficient process. Henry Ford managed to revolutionize the auto industry without any help from IT architects. One of my favorite books on Sales and Marketing is a book by Michael Webb (*Sales and Marketing the Six Sigma Way*, Kaplan, 2006) that provides a wealth of information about how to structure and measure sales and marketing processes. There is hardly a word in that book about IT. We all know business executives who are focused entirely on financials who have no sense of process flows. But,

there are other business executives who are just as analytic as any IT architect, who take a more comprehensive approach that incorporates customer metrics and human activities, as will as automation concerns.

I believe that business managers should be responsible for defining what they want to do and how they want to organize to accomplish their goals. I believe that the high level statements of the value chain, its major processes, and the major subprocesses of each of those processes, should be defined by business people, and that everyone else in the organization ought to base their efforts on that core business process model.

A different way of saying this is that an organization should not let its IT group define its core business architecture – or its business model, if you prefer. Business executives ought to define the core processes of the organization and IT should focus on supporting those processes. Any alternative to this approach is exactly what creates the gap between business managers and IT practitioners. In the worst case, IT becomes an isolated entity working to support its self-selected goals.

If an organization wants an effective BPM group, it should locate that group high up in the organization hierarchy. Moreover, the BPM group should be headed by a business executive who can speak to other key executives as a peer. The Six Sigma people usually suggest that the head should be a manager already on the executive fast track who is assigned to BPM in order to provide the operational perspective. I believe that makes excellent sense.

Now, let's shift a bit from a BPM group to a process redesign project. In *Reengineering the Organization*, Michael

Hammer famously suggested that the team assembled to redesign a major process should not include any IT representatives. Hammer suggested that the IT representatives would spend their time telling the business managers what they couldn't do, rather than trying to come up with ways to revolutionize how the process could be optimized. I believe that was a mistake, and one reason why many of the early BPR projects failed. The existing IT infrastructure in any organization really does constrain what the organization can do, and no design team should propose designs that simply ignore those constraints and the huge costs involved in changing the existing infrastructure. In most instances, it is best to evolve the redesign of large processes rather than redesigning them from scratch. Also, many of the technologies that are available to help revolutionize organizations derive from IT, and having an IT person's insight during redesign is a huge plus.

IT representatives should be key players in any major BPM undertaking. But the ultimate responsibility for the structure of major business processes has to rest with the managers who are responsible for their execution. They are the individuals who should monitor processes on a day-by-day basis, get bonuses when the processes succeed in meeting the organization's goals, or get reprimands when the processes fail to produce the desired results.

I also believe that a major business process redesign effort ought to be headed by a business executive. I assume it will include IT representatives just as it will include the employees who currently implement the existing process. I assume that the team will consider all aspects of the process - how the process is managed, how employees perform, how well the employees are trained to perform their jobs, how the activities are

sequenced, how the employees interact with customers, the quality of outputs, and the support provided by IT. It is only after a redesign is completed, however, that I expect the process team to consider developing requirements for software changes. That is the point at which an IT team ought to be assembled to support the process team in the development of new software resources that can be used to implement the new solution.

This approach is especially important if an organization is considering an ERP implementation. In way too many cases business managers have hired ERP vendors and, by default, allowed them to redefine the processes of the organization. In effect, the organization has agreed to change its own processes to conform to software applications that the ERP vendor is selling. This, in turn, has lead to horrible chaos as the implications of mismatched software and business practice works itself out. No company should undertake an ERP effort without first having defined its own business processes. More important, no company should undertake an ERP effort without first having its business managers define its processes. IT teams can work out the lower level activity descriptions, but they must be guided by the high level descriptions of the work the business is trying to accomplish. The alternative is to have one of the numerous disasters that have resulted from organizations that have tried to install ERP applications that are not, in fact, designed to support their way of doing work.

One of the major themes of recent BPMS projects is the standardization of processes in order to standardize and simplify the interface between the work the organization is trying to accomplish and the ERP the organization uses. In the best cases, the process standardization effort is undertaken prior to the

installation of the ERP. In the messier cases, the organization is trying to recover from finding itself with hundred of instances of ERP, by simply revising their current ERP system. The basic conclusion, however, is simple: ERP should support the company's processes – not just automate them. If you don't have your processes properly defined and they aren't more or less efficient now, installing ERP will make things worse.

Once again, as a generalization, I support ERP – for most companies it can be a major step forward in the way the organization's software is organized. In effect, ERP can solve problems that were created by piecemeal IT efforts over the past 30 years. In a similar way, I believe that BPMS software will usher in a new generation of more efficient processes that will enable company managers to make better decisions and more rapidly respond to changes. But ERP and BPMS are good things only if they follow a serious business process effort. And that effort will be truly valuable only if it is undertaken by business managers who are responsible for the actual execution of the processes in question.

I believe that BPM is the key management tool for any business executive. The process approach provides a manager with a particularly effective way to view, arrange and manage the work of the organization. IT can help business executives as they work to make the processes they manage more effective and efficient, but IT should not try to take (or allow itself to be given) the responsibility for doing what is, in the end, the business manager's job – defining how the organization produces value.

Till next time,

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