

# **“How management of Processes can deliver Actionable Performance Management”**

**By David S Chassels**

## **Background**

Some 25 years ago, as computerisation became endemic, so businesses and their people had to conform more and more to the way the system worked. Some of the fundamentals as to how the business worked best were lost, but perhaps we received compensation by the speed of processing data. It was during this period that the IT specialist emerged, who talked a different language to the business executives resulting in that business person losing control as to what the IT system would provide. In addition, the early “dream” of the paperless office just never materialised; in fact it probably became worse!

In the eighties and nineties, many of the business gurus, Michael Hammer and James Champy in particular, started to push the message about the importance of improving business processes to maximise efficiency and remain competitive. This became the business process reengineering (BPR) initiative and was all good advice, but the difficulty was that it was often seen to “battle” against the rigid computerisation, which was emerging. ERP systems almost administered the death knell to any hope of significant advance in achieving these performance-orientated goals.

At the start of this century once the over hyped and expensive trauma of Y2K had come and gone a new wave in technology started to surface. Another three-letter acronym emerged “BPM” – Business Process Management. Sounds familiar, yes, it is the recognition that businesses actual function through people and their processes and for the first time signs that technology might just be able deliver on this.

## **BPM – Confusion Reigns!**

A new dawn of a delivery of process focused solutions, the way business works, seemed all too good but as with all things in software confusion soon set in. Whilst all industry Gurus acknowledged that “process” was the future none were able to articulate how it was all going to actually happen.

To some organisations, BPM means the documenting of their processes; to some it means that they use modelling and simulation tools; to some it means they use simplification and reengineering methodologies. To some BPM means the formal analysis of their business processes, although this is more usually referred to as BPA (Business Process Analysis), but the BPA acronym is also used by other organisations to mean the people who perform this analysis (Business Process Analyst) and to yet others it means Business Process Automation.

Unfortunately, BPM is a phrase that, over time, has been used to represent any or all of concepts, initiatives, tools and technologies, and so confusion reigns supreme. Many organisations will say that they are committed to BPM, yet their definition of what it is will vary tremendously, as will their demonstration of that commitment.

To add further confusion BPM to many was “Business Performance Management”. A believer in conspiracy theories would have suggested this confusion was a deliberate strategy by a range of vested interests – not of course that I am for one minute suggesting that!

This Performance movement was the simple recognition that organisations now had to focus on using the wealth of information to optimise the business and empower everyone

to make the right decisions and take actions to improve performance. Soon we saw suppliers in the Business Intelligence ("BI") space pushing the Performance Management message through data extraction and use of Dash Boards and analytics in Balanced Score Cards.

In the Process camp those that had glimpsed the power that "process" thinking could deliver were indeed using strong language - David Butler of CSC Research Services "Most technologies have only an incremental effect on the way we do business. But once in a while, a new technology creates a fundamental change. The Internet was one. We believe that BPM is another". Delphi in their report BPM2002 describe BPM as an "on the cusp of revolution" and "is quickly emerging as the moniker for the next Killer App in enterprise software".

What these two BPM initiatives had in common was the overriding objective to respond to the business issues as to how can it become more efficient, more flexible, more reactive and, above all, more responsive to changing customer needs, the changing marketplace and increasing competition.

## **Performance Management**

Ventana Research in Silicon Valley has emerged as a leading proponent in highlighting the delivery of Performance Management. In fact they see "the "next big thing" in enterprise technology is more about process than product. The investment in transactional and data centric business systems has been made, at great cost, and demand is now in decline. They see Performance Management is now "the key driver for global organizations and it is causing them to make the most important business and IT decision of the decade."

Ventana's definition of Performance Management is "the businesses strategy and methodological process to effectively manage execution of an organisation to a common set of goals and stakeholder objectives".

Ventana goes on to describe the Business Drivers.

- Efficiency – Optimise actions of individuals and management
- Quality – Improve quality of relationships, processes, products or services
- Value – Leverage assets and resources to maximise ROI

It is becoming obvious that a corner stone of effective and actionable Performance Management is that people and their processes need to be brought together through process-centric technology.

What is interesting is that Business Intelligence ("BI") suppliers have been pushing into Performance Management but few have really addressed the link to Process centric applications. Indeed there are views being expressed by the analysts (Martin Butler in particular in his TECHwatch May 2003) that a "top down" approach with an understanding and focus on "the value creation process in the business" is likely to be more effective than the traditional data warehousing and data mining applications which "tend to deliver all kinds of spurious, random analyses".

There is a natural logic of BI applications to being aligned with the process applications as described and should therefore be an offering along side a process application. This view also supported by Mark Smith of Ventana Research "BI and business process management technologies are converging to create value beyond the sum of their parts". As a result BI could take on a new dimension – real time information on the performance and activity of the business as people and machines work.

## **Process Environment**

It is clear that to deliver on Performance Improvement there is a need to bring People and their Processes together in process-centric applications. Again the simplicity of this

statement makes it obvious but of course it is not just the actions of people it is the rules under which they are required to work and be able to create knowledge management as an operational asset. This is where BProcessM claims ability to deliver.

IT managers who have for last decade and more have had so many new initiatives that promised much but often fell way short of often basic requirements are understandable just a bit cynical. It is they, after all, that end up taking the flak when their business colleagues do not receive the expected benefits. The confusion previously referred to is making recognition of the power behind "process thinking" slow to be recognised. But the success stories and more informed views are slowly emerging.

A book by Howard Smith and Peter Fingar "Business Process Management: The Third Wave" from which the following is extracted and puts into a context

"Think of the most complex thing you do in your business. Think about how to describe this process. Write it all down, in one place. Pick it up and look at it. Can't see everything? Stand back. Too much detail? Zoom in. Something wrong? Reach in and change it Using tools that are radically different from traditional IT systems, leading companies are building digital models of their business processes that allow them to do all these things. They have begun to realize that their time is best spent, not in writing computer software, but in executing computer-based simulations of their business, finding faults, correcting them there and then, and putting those changes directly into live operation. You have just glimpsed the world of business process management. The third wave doesn't bridge the business-IT divide--it obliterates it."

However the real issue is how can this be delivered quickly and simply without another expensive investment. Unfortunately this is exactly the area where the BProcessM has been delivering a confused message. Before we look at how to deliver it is worth looking at how this sector has emerged.

## Components

This is split into 3 areas:

- Modelling – this enables processes to be defined and modelled in a graphical form. It is a valuable way for the larger organisation to "understand" their processes.
- Simulation – this takes modelling a stage further to do theoretical "what if" scenarios to seek optimisation and again in larger organisations identify possible knock on effects.
- Delivery – is the software implementation to bring these processes to life in the organisation.

## Methodologies to deliver solutions

There appear to have been 4 different approaches

- EAI – In the early days Gartner thought that these suppliers would drive the market. Not surprisingly this did not happen, as the complexity in a "bottom up" from a complex architecture to deliver simple processes to people was just not achievable.
- Workflow – this was an existing market, which acknowledged the relevance of the distribution of work which in early days was heavily document driven. This entailed an embedded hard coded "middle ware" solution but the logic was strong that such suppliers would see process delivery as a natural extension.
- Rules engine – some early suppliers of this rules capability recognised process was a natural fit.
- Pure Play Process – this represents the relatively new players who tackled the issue from the "top down" i.e. what people or machines where required to do at the right place and time

It is little wonder that the analysts struggled to see how all this would pan out but recently with more focus and being better informed the visionary statements are now emerging. These are not only identifying the winning features but recognising the need for clarity in that delivery is now a priority.

## Recent analysts' quotes

A useful Gartner Research commentary on 5 December 2002, which concluded: "BPM provides significant benefits alone; however, when combined with business rules engines (BREs), it provides a great opportunity to gain and maintain favourable return on investment and value of investment under a number of business scenarios. Although BPM and BRE have productive futures separately Gartner expects the convergence of these technology streams to begin in 2003."

The Aberdeen Group market view August 2002 which concluded: "That BPM will control larger and larger aspects of an organisation's operations once a platform has been selected and deployed, and selecting a platform that can extend and scale from a process orientation is key. Business processes that reside in their own management system where they can be used to determine the best way to conduct business will be the most powerful solutions going forward".

Forrester's title for one of their "WholeView TechStrategy Research" papers published in December 2002 speaks volumes "SCM Processes Replace Apps: 2003 To 2008". Their view of tomorrow sees changes in solution delivery

	Today	Tomorrow
Duration of each project	1 to 2 years	Less than six months
Time-to-value	Years	Weeks or months
Vendor expectation	Process must adapt to app	App must adapt to process
Major component of service fees	Packaged app implementation	Process consulting and apps integration
Post-sale vendor support	Minimal	Ongoing
Pricing	Up-front	Pay as you go

Source: Forrester Research, Inc.

Ventana Research goes even further with the provocative title in a research paper "The Next Big Innovation In Software Is Not Software - Performance Management will bring more process than product to optimise organizations"

These views now set a scene with very significant implications for the next generation business software. Delivery of Performance Management at the operational level will be through Process centric solutions so I would advocate BProcessM is a vital component of BPerformanceM.

## Process Delivery Delivers Performance Management

The "modelling" and "simulation" tools are of limited value as they only represent a "what if" and the maturing market now wants Process Delivery; "what is"! Most in this delivery sector tend to be able to quickly create a "process layer" but thereafter requires to either custom build or integrate into an existing application to actually do anything.

The winners that are emerging are those with "pure play" process focus that seamlessly can deliver the Process Application. The ability to create via a Graphical designer people and machines working with their processes, incorporating the rules under which they or the organisation must work both retaining and imparting "knowledge" must be the future. To be able to do this these "process engines" will have incorporated within their own management system a database. The significance of this is that as people work so real

time reports can be readily produced from which informed decisions can be taken. Thus Performance Management comes to reality at operational level where, at the end of the day, the difference is actually delivered.

A key issue to this is that the Process Application not only works with people but also with the organisation's legacy systems. The ability to call these systems to use, retrieve information or input information is only a task within a process. Bringing the application of rules to this function and maybe investing in an expensive Enterprise Application Integration ("EAI") layer may not be required (but use EAI layer if you have it). It is all too easy to underestimate the issues in using these legacy systems but there are emerging specialist integrators that are building up libraries of connectors to facilitate the delivery of the right information as part of the process

The key driver to deliver improvement must be the ability for the supporting software to be capable of rapid change. Indeed I would go further that continuous improvement will become the norm and particularly if the people themselves contribute to "just doing things better". This connectivity and thus involvement with people will be a refreshing change to the old ways. As Ventana Research put it "Business Effectiveness can only be achieved through driving efficiency into the people and process improvement"

The result is we are going to see a new generation of tool emerge to deliver these process centric applications – a "Process Application Platform" – a new rulebook for application building with at its core people and their process working to defined purpose and result. These new technologies will remove complexity and bring simpler and adaptable solutions working in horizontal way across the organisation.

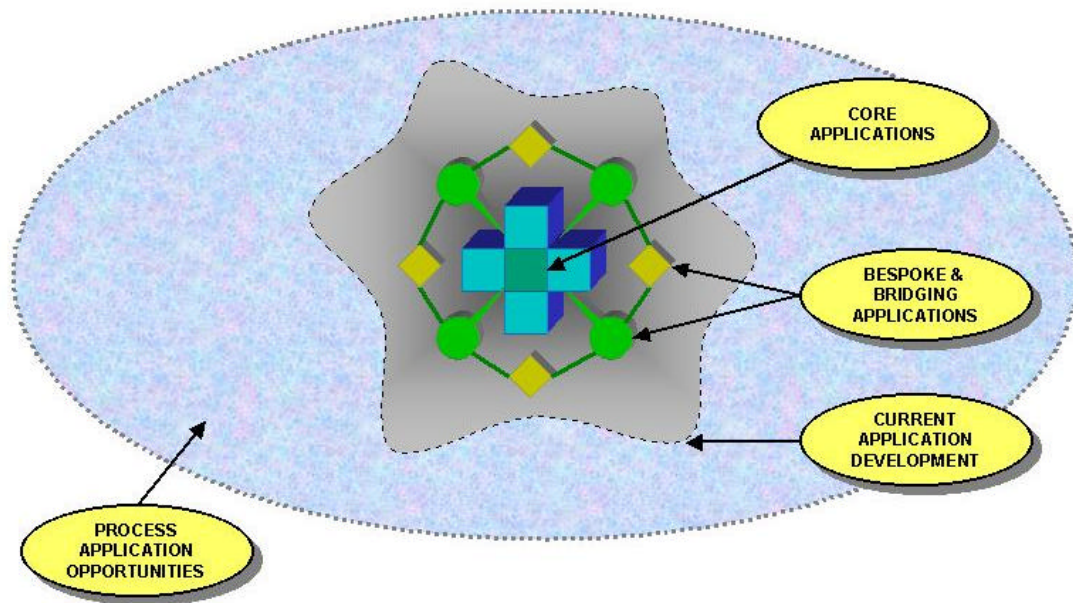
## **Process Application Platform**

This Process Application Platform approach overcomes the biggest fear that CIOs have of "opening up" their transactional and by nature data centric applications. As one CIO put it "I don't need an excuse to spend another Million £ with my ERP supplier!" Well the good news is he does not have to, as the delivery of process centric applications working with people and existing systems supports incremental development, is very quick and not expensive. It is early days but expect a significant increase in ROI and a lowering of TCO of software ownership.

This Process Application layer must be capable of dynamic change as business decisions are made. Implementation of the reworked process should "on the fly" i.e. no disruption. A significant side benefit is the people are isolated from the transactional legacy systems which could allow planned programme of rationalisation of such systems with no operational disruption.

As previously stated this new wave of technology supports incrementalism and can be carefully and logical implemented over a period. The key here is to focus on the areas and processes that make a difference and as new priorities are identified so the performance improvement of people and the relevant processes can be target for maximum impact. This will be a significant market as the pressure grows to deliver on continuous Performance Management

## The World of Process Application Opportunity



This ability to prioritise and improve process is subject that is worthy of a paper in its own right and one of the best reads is "The Process Edge" by Peter Keen. It is therefore not surprising that one of Forrester's view of tomorrow is that "Process consulting and Apps integration" will be an important component of service fees.

### **Compliance is Process Driven**

The whole issue of compliance is now high up the executive agenda. In the US Sarbanes Oxely is causing Main Board Directors to seek comfort that the organisation is "under control" and the pressure is such that a failure in an area of critical importance will see a "go to jail" card being dealt with the CEO first in line! The feeling on this in the US is that it is not if but a question of when and who!

In the Banking sector Basel11 brings management of risk to the fore. The list of industries that are seeing their own rules emerging just continues to grow. Likewise the "rules" will just inevitable grow and be ever changing.

Bringing people and their processes together as described in the Process Application will be a corner stone to ensuring that the organisation will be able to demonstrate to their regulators and auditors they are compliant

Most organisations see compliance as the necessary cost of doing business. However, in reality this concept can be turned on its head by adoption of Process Applications bringing recognition that "good" processes are assets. The organisations that use this opportunity to fully map their processes bring them to life and understand the costs involved in running those processes can in essence re-engineer and automate these processes. This will bring increased efficiency and true cost savings, which in turn will assist in managing risk across the organisation.

Regrettably, history has shown it is people not systems that bring angst to organisations in breaches of compliance. There will always be the "rogue trader" and whilst the rules may be broken there should be that ability to spot it quickly to trigger immediate action – so often the high profile scandals involve a series of unauthorised activity. The adherence to a predefined process and rules with record of who did what when, combined with real time reporting can greatly enhance the management of such risk yet can also bring empowerment.

## **This is just the start!**

Without doubt this is truly a new paradigm in delivery of solutions for organisations. The focus is now to sweat the investment already made in systems. Delivery of continuous improvement will be demanded by management and simultaneously the comfort that their people and processes are “compliant”. For the first time software can deliver exactly what management and their advisors want or need their people to work.

The consequences are profound and all contribute to improving efficiency

- No more big budget software spend
- A new pricing model working in partnership with supplier
- The suppliers of software will have to acquire new business focused skills in understanding “process”
- Technical resources better utilised
- The “management” of rationalisation of duplicated information by planned shut down of old systems
- The specification of new software projects will be greatly simplified should become part of the process to improve the ways the organisation works
- Processes will become recognised as an asset and contributing to remaining competitive and where required ensuring compliance

The power the Process Application delivery brings will bring new innovative ways to work. The Adaptive Enterprise becomes a reality where every business decision can be supported by the underlying process-centric technology. Capturing information early in the cycle and seamlessly driving it by “process” through the organisation will see the “predictive” capability evolve. Accurate forecasts and adherence to rules, self imposed or regulatory are not optional “nice to have” they are both at the top of the agenda for Directors and their relationship with stakeholders.

Just as in the early days of word processing which spawned the start of a change in the delivery of very powerful capability and sophistication into the hands of the desk top user so the Process Application Platform will bring to business the same to the creation of solutions with flexibility for delivery of effective Performance Management.

I will leave you with a visual image that Ventana Research produced that should be in your mind as you plan delivery of your contribution to your organisation’s Business Performance Management – in Action

