



Business Process Management The “Must Have” Enterprise Solution for the New Century

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Introduction

The next “must have” application for business in the 21st century is Business Process Management (BPM). BPM solutions enable organizations to improve both the efficiency and the effectiveness of the processes that drive business operations. The emergence of BPM is driven by three major factors:

- i. Logical Evolution - The use of desktop computing technologies continues to evolve from supporting individuals, to supporting departments, to supporting entire organizations.
- ii. Rapid Response Requirements – Competitive pressures continue to force companies to find ways to work faster, adapt quickly, and reduce errors.
- iii. Embedded Workflow Failures – Process automation efforts that have relied on embedded workflow capabilities in applications like CRM, ERP, and document management have not addressed the requirements of enterprise processes.

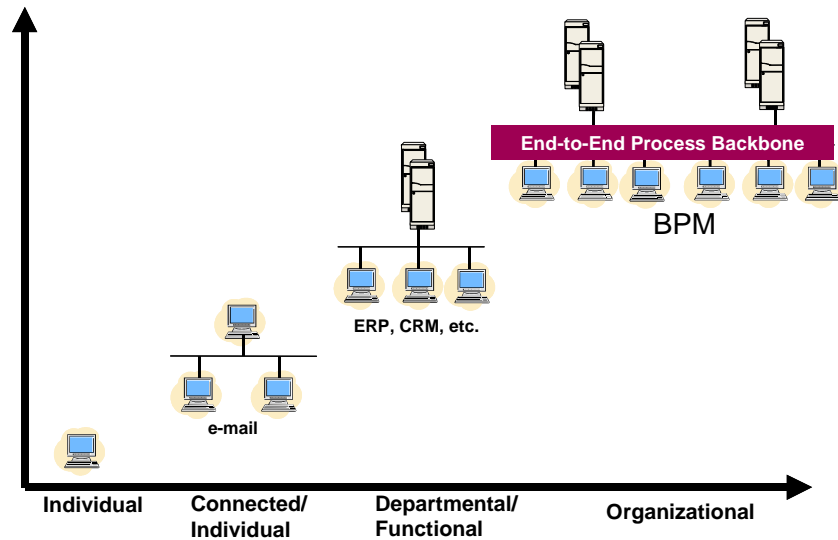
This paper will explore the business drivers behind each of these factors and how BPM solutions have become a “must have” by effectively addressing these three categories.

Logical Evolution

Since the introduction of desktop computing in the 1980’s, we have seen companies continue to seek new ways to maximize the value that they provide to their organizations. Initially, the focus of desktop computing was solely on personal productivity through applications like word processing and spreadsheets. The next phase of computing introduced LANs and WANs, with e-mail and groupware (primarily focused on small teams) gaining prominence.

While this was occurring, traditional business applications began to move off of the mainframe to client/server environments, again to leverage the power and presentation of desktop computers. The focus of these business applications—whether financial, manufacturing (like ERP), or sales and service oriented (CRM)—was on improving the productivity of a particular functional area or department.

The Internet is driving the latest phase of evolution. With customers in more control, functional silos are no longer acceptable. The next phase of software needs to focus not on individuals or departments, but on tying them together in an organized fashion to drive organizational productivity improvements. These improvements will break down the walls between departments—cutting cycle times, reducing costs, and improving service for internal and external customers.



Building Responsive Organizations

The Internet is forcing companies to share more information quickly and be more responsive. This is not as easy as putting up a Web site or letting customers order online. Instead there must be a focus on end to end business processes. Within every business process that operates without the aid of automation and management, there exists significant opportunities for valuable improvements.

Years of research have shown that most business processes follow the 80/20 Rule. That is, 80% of the total time consumed to complete a typical business process is “lag time.” This is the time tasks are waiting in the in-baskets or queues of the performers, in transit, or consumed in tracking status. It is dead time that does not add any value to the business. Only 20% of the total process time is consumed by “task time,” the time performers actually spend working on the tasks.



Typical Business Process

Lag Time: 80% Task Time: 20%



Task Time Focus

**50% Reduction in Task Time Drives
10% Reduction in Process Time**

Most software, in particular personal productivity applications, ERP, and CRM solutions focus on reducing task time. While this is important to improve quality and simplify task execution, it is often not enough to truly improve overall process efficiency. Even if task time is reduced by 50%, the overall impact on the process time is only 10%.



Lag Time Focus

**50% Reduction in Lag Time Drives
40% Reduction in Process Time**

To get significant productivity gains, the focus must be not just on task time, but on reducing the lag time as processes flow across the organization. Workflow routing is designed to attack that lag time or dead time. If lag time is reduced by 50%, the overall process time is reduced by 40%!

Many companies have already seen these results with departmental workflow solutions or workflow capabilities that are embedded in their business applications. At the same time, these solutions have not been able to cost effectively drive the same type of results for processes that cross the organization, flowing in and out of a variety of user populations and applications.

Embedded Workflow Can't Drive Organizational Computing

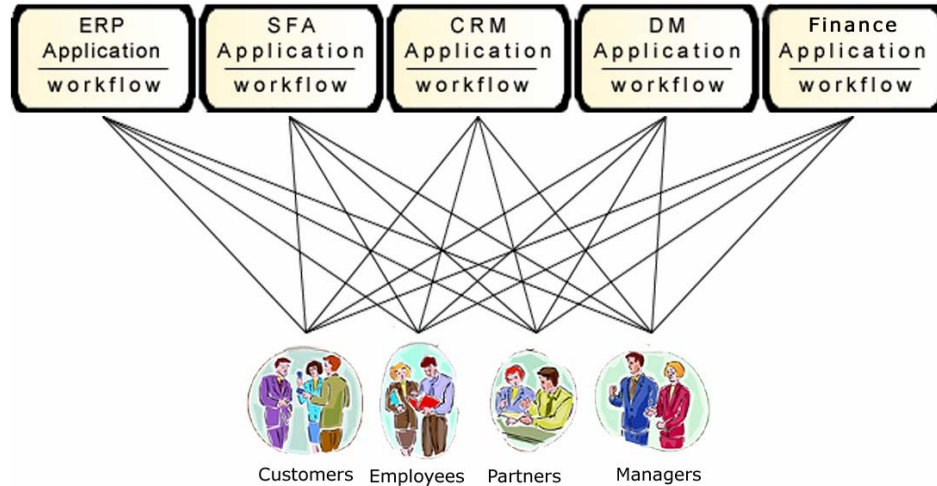
As described earlier, most business applications, like CRM and ERP, continue to build on the functional silo approach to information technology that has been going on for years, albeit with newer technology that delivers better results for that department. Many of these applications now have workflow capabilities to automate routing of tasks to the different types of people within their primary user base. The introduction of these capabilities has helped these solutions drive some significant departmental productivity gains.

When business needs require access outside of the main user base or sharing information with other applications, costs and technical challenges increase. From a workflow perspective, this requires integrating new users and other applications into the environment. This is more than a technology challenge—it is a business challenge since the core application was not designed for this type of use. In most cases, these solutions have failed due to significantly higher than expected implementation costs or major user experience issues.

Another approach to tackle this problem is Enterprise Application Integration (EAI). Most EAI deployments provide a way to move data between various applications, but they don't link these applications in a broader process context—other than having an internal process drive the timing of the data exchange. Once the data has been moved, the applications continue to run as functional silos. Additionally, the EAI approach is not suitable for handling exceptions that often require manual intervention.

Departmental applications simply were not designed to address processes that cross departments, applications, and users. The problems of these embedded solutions are magnified when the typical heterogeneous computing environment is considered. It is extremely rare, if it ever occurs at all, for a company to have all of its back office

computing in one application system. If organizations try to leverage the workflow features of their functional applications, they may have 2, 3, 4 or more systems running automated processes that are specific to those applications. As mentioned above, this may be fine for constrained processes, but presents real management challenges when the process needs to extend outside of that application. It is very easy to picture an IT environment that looks like an IT manager's worst nightmare—multiple design environments, multiple management environments, multiple user interfaces, etc.



The experiences that organizations have seen from trying to implement embedded workflow solutions and the need for more responsive organizations is driving companies to look for a new type of solution. By considering the way technology use has evolved over the years, that new type of solution needs to drive organizational productivity. The good news is it exists now.

It is called Business Process Management (BPM).

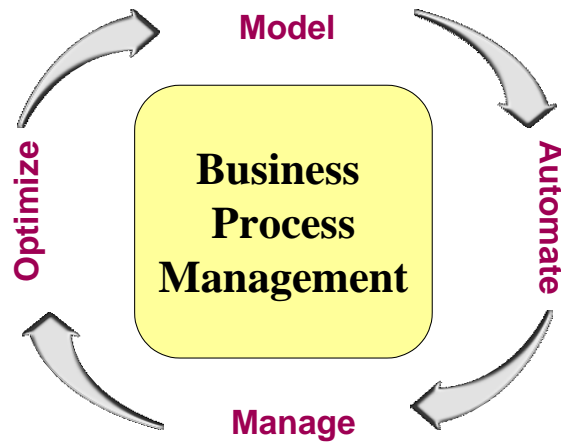
What is BPM?

BPM, like CRM, defines both a corporate strategy and a software segment. The focus is managing the efficiency and effectiveness of business processes throughout the organization, by modeling, automating, managing and optimizing any business process. By addressing end-to-end business processes, BPM cuts across departments, applications, and users. It runs inside and outside corporations, touching not just employees but customers, partners, and suppliers. At the same time, the application of BPM within companies immediately delivers not just ROI, but new levels of visibility, accountability, and predictability for the business. With this foundation, everything happens faster and easier with less wasted time and money.

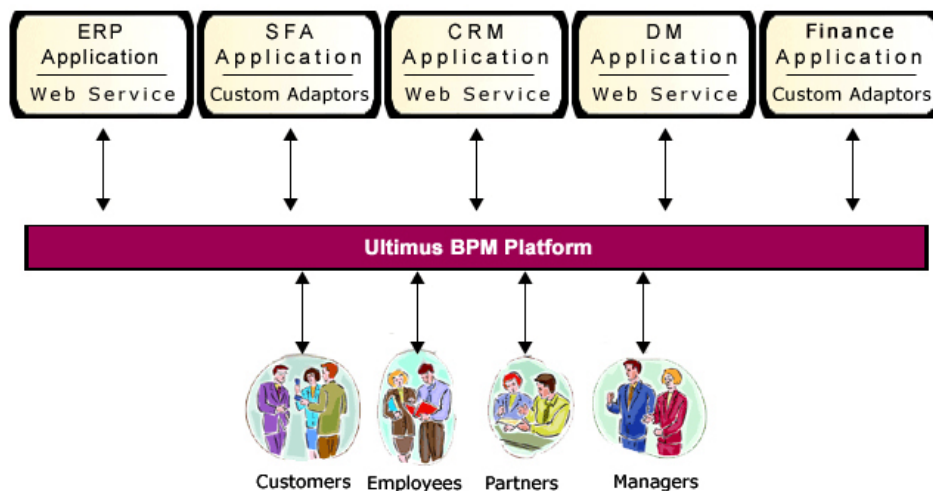
The BPM market has evolved from the convergence of four market sub-segments that have each addressed a part of the BPM problem:

- **Workflow Automation** – which has been focused on automating human-centric processes.
- **Enterprise Application Integration** – which is focused on the exchange of information between heterogeneous systems.
- **Business Process Modeling and Analysis** – which is focused on gaining a detailed understanding of business processes and the potential impact of changes to those processes.
- **Business Activity Monitoring** – which is focused on analyzing the efficiency and effectiveness of business processes and activities.

A complete BPM solution must provide capabilities in all of these areas.



With BPM, the organization of process management and workflow can be much cleaner. Instead of a myriad of point-to-point connections with unique interfaces, implementation models, and management environments, BPM provides a unified layer that unites applications and users in a process driven context.



From an architectural standpoint, this view of BPM fits in perfectly with the new service oriented architecture (SOA) concepts that are gaining in popularity. The basic idea behind SOA is to leverage Web Services to expose key functionality within applications as callable services. The goal is to make companies more agile by enabling them to mix and match these services into dynamic solutions at much lower costs than ever before.

SOA is a great concept that needs BPM to succeed. This is for three reasons:

- i. In order to take advantage of services, organizations must understand their business processes in detail. BPM provides the ability to gain that understanding.
- ii. Without BPM, the interconnection of services between applications will look like spaghetti, creating management challenges and making it difficult to introduce changes quickly, like our embedded workflow example from earlier.
- iii. Finally, most BPM solutions lend themselves to faster, lower cost deployments (when compared to departmental applications). It is easy to focus on a few processes, get them implemented, then add more as needed.

The combination of BPM and a SOA approach reduces delays, time, and costs not only in process execution, but also in automated process development and maintenance.

A Process Example

It's safe to say that the Internet has caused more change than any other technology cycle the IT industry has experienced. From a technology level, the change is all about incredible levels of access---people can be connected anytime, anywhere. From a business level, it simply means customers know more, expect more, and want everything faster. Customers don't care about functional silos or organizational models. They care about getting the product they want, when they want, the way they want it.

For example, a customer of a manufacturing company needs an enclosure custom built for a new product they are developing. In the functional world, the customer may be able to create a request online, or the sales rep will do it for them. This will be stored in the CRM system. It will be updated when the company has determined if it can build the item and how much they want to charge for it. Finally, that will be communicated to the customer and they will place an order (or not).

This sounds pretty good on the surface, but several things are missing:

- The determination of the ability to build the item and how much it will cost, and how long it will take requires involvement of several other departments (design, manufacturing, testing) that are not part of the process as defined by the CRM system.

- The steps to determine a price using the cost information are not part of the CRM process.
- The ability of the customer, or the sales representative, to find out the real status of their request is non-existent. It is nearly impossible to find out which department has completed their tasks and which ones haven't.
- Outside the CRM system, there is no visibility or accountability for any other department involved in the process. From a CRM perspective, the visibility is limited.

When looked at from this perspective, the best-case scenario is all of this happens correctly and quickly and the customer is satisfied. Most scenarios lead to frustration and dissatisfaction for both customers and employees.

The BPM Approach

With BPM, the approach is different. Instead of looking at the process from the perspective of a single department, the entire process is addressed. Here is how the process above will change:

- When the request is made, by the customer or sales representative, the BPM system will determine which departments need to be involved to compile the information (cost, delivery date, and pricing) for the quote.
- The BPM system will assign time limits for each task to be completed and notify appropriate parties in each department about their deadlines.
- If other systems need to be used to develop the quote, the BPM system can drive the integration to both feed information into the system and get information back out of it.
- The BPM system will enable the customer or sales representative to monitor the status of their request, finding out exactly who has completed their work (and who hasn't). This improved visibility drives more accountability for each department.

With BPM, we have seen typical cycle times for this type of process reduced as much as 90%, with the quote being delivered back to the customer in 2 days rather than 20. In addition, errors were reduced, pricing was more accurate, and customers and employees were more satisfied.

The other important benefit that has been cited is the new levels of cooperation and business understanding that results among the different departments. With BPM, departmental involvement no longer occurs in a vacuum—everyone has a shared context of the reason for their work and the role it places in the entire process. Organizational computing and productivity has arrived.

Summary

BPM is the natural choice to be the next “must have” software category. As with CRM and ERP, it takes advantage of enhancements to the computing infrastructure to address real business problems. Unlike CRM and ERP, it moves beyond the functional silo approach to enable businesses to work across departmental, user, and organizational boundaries. It builds on the gains we have already achieved in individual user and departmental productivity, extending them into an organizational context.

This approach is being mandated by today’s business climate. Customers won’t tolerate slow response times, bad service, or incomplete information. Businesses can’t afford system deployments that take years to implement and years to deliver results. At the same time, organizations have learned more about their customers and processes than ever before. They’ve learned the challenges of implementing workflow and integration solutions in stovepipes with limited process awareness. This combination of business needs and implementation experience sets the stage perfectly for BPM.

By helping companies model, automate, manage, and optimize their business processes, BPM provides the framework for sustainable competitive advantage. Picture the impact of being able to respond to customers in days rather than weeks—and respond with more complete, more accurate information, while spending less than your competitors. That is exactly what BPM delivers.