Chapter 1

Understanding BPM

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Better processes produce lower cost, higher revenues, motivated employees, and happier customers. Business Process Management (BPM) is an approach that’s designed to produce better processes. BPM is a collaborative effort between business units and the IT world, and this effort fosters a new paradigm of efficient and logical business processes.

In this chapter, you get an introduction to BPM and see how it can benefit your business. You also see why now is a good time to implement BPM and why your existing tools just won’t do the job.

BPM: The New, Agile Business Model

In today’s dynamic business environment, organizations need to be agile so they’re ready to respond to whatever challenges come their way. BPM provides that agility by giving you more direct control over your operational processes. You can make better use of technology and your entire enterprise becomes far more responsive, helping you meet your goals.

BPM helps create value for the enterprise through growth, improved performance, better productivity, higher staff
effectiveness, and better customer service. All of these improvements result directly from improved processes.

BPM can help your organization become more agile in a number of different ways:

- **Increased productivity:** In today’s economy you need to do more with fewer resources. Applying BPM principles helps your enterprise increase its productivity.

- **Speed to market:** When a new idea or product comes along, effective BPM helps you be one of the leaders, not one of the followers who were too late to take advantage of the new market.

- **Reaching the global market:** BPM can help you streamline your supply chain operations, so you can take advantage of opportunities no matter where they may exist.

- **Achieving compliance:** Keeping up with complex compliance, regulatory, and corporate governance requirements can be very costly and time-consuming. Using BPM, you can keep these costs under control.

- **Accelerating innovation:** You need a business environment where innovation isn’t only encouraged but also where innovation is a normal part of daily operation. Here, too, BPM can help make that possible.

The agile and flexible organization has the ability to meet the needs of the customer and be the winner at the end of the day.

Practices such as Six Sigma and Lean Six Sigma as well as the work of quality control experts such as Deming are fully incorporated in BPM methodology. BPM actually enables you to leverage these practices to provide even greater benefits to your enterprise. For more information on Six Sigma, check out its full retail title, *Six Sigma For Dummies*.

**Understanding How BPM Benefits Your Business**

The basic operational value proposition of BPM is the ability to process more with less effort and higher quality. As a
result, BPM has become a cornerstone discipline for companies that want to grow revenues quickly while controlling resource costs.

Business processes are pervasive in any organization. These processes represent all the activities that organizations in all industries undertake. Some processes are highly structured, such as high-volume manufacturing processes, while others, such as medical care that must be tailored to specific patients’ needs, are more unstructured.

You may not think of the activities performed within your organization as business processes, but that’s exactly what they are. As you try to improve your operations, you’re engaging in a process improvement project. Clearly, you want to leverage advanced methodologies and technologies to deliver consistent, repeatable, and more efficient outcomes as you work on this improvement project. BPM helps you define and manage your business processes so you can reach your desired goals.

Making faster decisions

Speed and agility are very important factors in the success of any business. Take the fast-food restaurant business as an example. Look at any fast-food restaurant on the corner during lunchtime. They serve many times the number of lunches of the typical sit down restaurant simply because the industry is fast. People typically have a limited amount of time for lunch, and they know that the fast-food restaurant will serve them quickly. Customers don’t like to wait for products or answers.

This example is excellent for seeing how managing a business process effectively can greatly improve the speed of an operation. By using BPM, your managers have unimpeded access to data as well as well-defined systems to help them make decisions quickly.

Typically, when organizations thought about process improvement, they focused on the orchestration of the various tasks that comprise the end-to-end process. But the decisions that take place in the process are equally important. BPM can help you automate high-volume operational decisions so they can be made more quickly and in a highly
repeatable manner. In this way, managers gain the tools they need to more easily make important decisions quickly.

**Making better decisions**

Because BPM can help make sure that your managers have complete information, they’re able to make better decisions. In addition, by helping you automate many decision-making processes, by using BPM, you can be sure that most decisions are made in a much more consistent manner. Because these decisions are based on solidly defined rules, they’re likely to be more in line with the goals of your organization.

BPM also enables you to see your processes in action and to see how decisions affect your bottom line. As a result, you’re able to do more than simply react; you can alter the process to better manage new opportunities or looming threats. BPM gives you the tools to improve the processes and decisions proactively. This process improvement ultimately means that decisions aren’t only made faster, but also better decisions are made.

**Making financially sound decisions**

In addition to fast and better decisions, your company may absolutely require that any decisions be financially sound. No company can stay afloat for very long if it’s throwing away money. Virtually every decision made within an organization affects the bottom line.

BPM helps you create processes that can be quantified in terms of financial results. By using BPM, the decisions that are made can help maximize the financial returns by minimizing time spent, maximizing the use of resources, and reducing waste to an absolute minimum. Through the use of BPM, management is no longer in the dark when it comes to making important financial decisions. Rather, it’s able to see the big picture so it can make fiscally responsible decisions for the enterprise.

BPM helps you automate the decision-making process by using a business rules approach. Because your business rules
are defined based on financially sound foundations, those automated decisions automatically are based on financially sound foundations also.

The bottom line is that BPM can help improve your decision-making process by making it faster, more intelligent, and by making it return decisions that are financially responsible.

**Why Changing to BPM Now Makes Sense**

Every organization has a number of processes in place, but there is also likely to be a certain amount of inertia because people are used to doing things certain ways. Sure, people may agree that some improvement may be possible, but without seeing the big picture they don’t see the need for change.

Unfortunately, burying your head in the sand simply fills your nostrils with a bunch of gritty sand while leaving the most vulnerable parts of your body exposed. Organizations that ignore the need for change are doing the equivalent of burying their head in the sand. Not only will the problems not go away, but the competition will rush ahead and win the business race.

At its core, BPM takes rigid, independent processes and transforms them into flexible, choreographed business services that work together to create substantial business value. This transformation can help the organization to adapt to an ever faster changing business climate and global economic challenge.

**It’s a tough market out there**

Rarely, companies have an entire market all to themselves. Indeed, most enterprises are facing ever-increasing challenges just trying to hold onto their market share. In fact, in most cases companies are dealing with more and more competition every day.

You simply can’t afford to sit still and hope for the best. If you take this approach, you’ll soon find that your competitors are taking away all your business.
What do you need to do to be competitive in tough markets? Here are a few very important items:

- **Improve productivity:** To compete and win, you need to be profitable. One of the best ways to improve profitability is by improving your productivity. If you can improve your productivity so your product or service costs you less to deliver, it’s much easier to compete against low-cost competitors.

- **Improve decision-making:** Automating the decision-making process leads to faster, better, and more fiscally responsible decisions based on business rules. Of course, automating the decision-making process also has positive effects on productivity.

- **Improve flexibility:** Market demands seem to change almost overnight making flexibility and agility one of the primary keys to success today. If you can’t deliver what the customers want tomorrow, you may as well be in the buggy whip business — there isn’t a lot of demand, but you have the market cornered on obsolete products no one wants.

**Waiting won’t improve things**

There’s no question that people have been living through some tough economic times. Many people and organizations see a poor economy as a reason to sit on the sidelines and wait for things to improve before making any decisions. Their rationale seems to be that doing nothing costs nothing. On the surface, this rationale may seem correct but only if you ignore the fact that doing nothing creates a large opportunity for your competition. While you’re busy doing nothing, you can bet that your competition is trying to become more productive, more flexible, and more profitable.

Waiting for improvement to happen on its own is almost a sure path to failure. There’s no better time than when conditions are challenging to make positive improvements in your business processes. After all, the people within your organization are almost certainly aware of the current business conditions, and they know that you need to remain competitive.
Take advantage of the opportunities

Difficult times create excellent opportunities for those people and organizations that are willing to invest in the future. While everyone else is sitting around complaining, you can begin the planning and implement changes that ensure a long and profitable future for your organization.

By using BPM, you not only improve your current processes, but also you build and deploy new capabilities and improve your Return on Investment (ROI). In fact, by implementing BPM now, you’ll be able to make the necessary improvements faster, at a much lower cost, and you’ll be able to better leverage your existing resources, thus having an even more positive effect on ROI.

With BPM, the benefits go beyond what you may expect. For example, your customers are likely to see improved customer service and satisfaction while your partners and suppliers will experience improved communications, faster response, and an organization that’s generally easier to do business with.

These changes position your company to take advantage of new opportunities in ways that simply aren’t possible now. Whether you choose to optimize current operations or develop new processes and applications, BPM can help.

Why Existing Tools Just Won’t Do

If you have been reading the chapter through to this point, by now it may be pretty clear that BPM can offer some very important benefits to your organization. But even so, you may encounter some opposition from people who believe that your existing tools should be more than adequate. In this section, you take a look at the alternatives to see why they’re not up to the job.
Buying a packaged application

In many cases, you can buy a packaged application that’s supposed to be designed to address the needs of a particular process or function. Unfortunately, packaged applications are rarely a good solution because four issues with buying applications exist:

- **Time to value:** Additionally, most applications require organizations to start with the application’s core data model and base functionality. A great amount of time could be spent implementing capabilities that aren’t directly relevant to your process problem but are required for the proper execution of the application. No such start-up costs for working with BPM exist because you’re starting with your current processes.

  According to Forrester Research, at one point the industry average for installing new applications was 14.5 months — and 36 percent of the projects were delivered late. When compared with typical BPM installations, many BPM deployments would have three or four versions of a process deployed in that time — each generating significant business value.

- **Risk of adoption:** Users often resist having to learn an entirely new application. Worse still, if the application’s capabilities don’t match users’ needs, then the application won’t be used and process efficiency can get worse.

  In contrast, leading BPM solutions can bring the process into the tools that users are familiar with today — like Microsoft Outlook. Using familiar tools virtually eliminates training and adoption hurdles. Furthermore, BPM allows project teams to focus on the specific capabilities needed by participants in the process — and no more. No time is lost identifying which application capabilities won’t be used or need to be customized.

- **Responding to change:** After the packaged application has been installed, organizations are often faced with difficulties keeping the application synchronized with the changing priorities of the business processes. Applications typically aren’t designed to accommodate frequent change — they’re focused on standardizing actions and processes. In fact, customizing a standard
application often introduces additional problems and costs.

✔ **Expanding scope:** Process improvement requirements can come from all parts of the organization. While the first problem may be in bringing new employees into the process, the next could be in managing shipment logistics. Buying specific applications for each of these process problems wouldn’t be practical. In contrast, a BPM suite (BPMS) can be used to improve any process.

**Extending an existing application**

Most organizations already have existing applications which they use in their business processes. Obviously, making use of that existing application gets major consideration. If an existing application is in place, some companies evaluate extending that application to help drive improvement in key process areas.

When taking this path, you run into problems:

✔ **Cost:** The cost of purchasing additional modules and the development tools required to customize the existing application can often be extensive — more costly than adopting BPM. In addition, extending the applications often requires unique, expensive skills. Often, applications must be extended by using proprietary application-specific languages. Contracting with consultants who possess this knowledge can be expensive. In contrast, leading BPM solutions are standards based, and many consultants have been trained in the core skills and technologies required for deployment.

✔ **Complexity:** Extending packaged applications generally makes future upgrades more complex — sometimes significantly more complex or virtually impossible. Most application vendors advise clients not to extend or customize their applications. They suggest a “vanilla” implementation (one that isn’t customized) in order to make future upgrades possible.

In addition, extending a transactional application to support process management capabilities often means that companies have to custom develop capabilities, such as workflow and reporting, which exposes development
teams to the greatest possible risk — they’re constrained by the existing application on things like data model, user interaction, yet they must also custom develop complex new capabilities specific to process management. In addition, if you extend a packaged application, the application vendor may no longer be willing or able to support the application.

**Immaturity**: While many application providers are adding process to their applications and platforms, their offerings are still immature. The process management capabilities offered by the large application vendors can’t presently drive process improvement to the same degree and speed as mature BPMSs.

**Traditional application development**

One option is to develop a completely new application in house. After all, you probably have some sort of IT staff, right? In fact, most companies have the capability to develop applications in house. So, it isn’t uncommon for these companies to evaluate whether they can use their traditional application development instead of using a BPMS.

Traditional application development is a poor fit for driving process improvement in two different areas:

**Requirements**: In one study, Forrester Research reported that 57 percent of traditional application development projects were poorly scoped and 30 percent had unattainable requirements. These same percentages — or worse — can be expected using traditional application development for process improvement. In contrast, BPM project success rates — over 90 percent — suggest that BPM is a superior technology for getting process improvement requirement right.

**Time to market**: BPM projects tend to be delivered faster, cheaper, and more reliably than most application development projects. How much faster? Based on IBM’s research with customers that have existing application development capabilities (for example, Java-based development), BPM delivers productivity gains in virtually every phase of the project delivery.
The BPM advantage

BPM provides you with productivity improvements compared to other solutions for number of reasons:

- **Built-in functionality**: The tools you need to define process improvements and implementation, such as modeling, workflow, simulation, and so on, are typically built into a BPM suite.

- **Cohesive development environment**: Because the tools you need are integrated into the BPM suite, those tools are designed to work together, which simplifies implementation and change management.

- **Graphical development tools**: Leading BPM suites support graphical development of process solutions instead of requiring complex and highly technical coding. This speeds development and reduces the technical skills necessary to deploy BPM.

BPM simply lets companies create a platform for process improvement easier and faster. Often, however, you can encounter a challenge in justifying the BPM investment as opposed to following the traditional paths, such as buying or building a custom application. BPM offers a high ROI, rapid development, and the tools to drive process improvement. In addition, BPM can help your organization become more agile and able to face the challenges of the future.