

Commentary

Drivers for BPM: 11 Money-Relevant Reasons to Start

Because they're in the critical path of progressive business change, business processes are coming under intense scrutiny. The need for process understanding will create significant business process management activity.

In late 2000, Gartner predicted that business process management (BPM) would become the next big phenomenon. The "thought leadership" expressed then has been reflected in the current popularity of business modeling. We have seen demand grow from 15 percent of our client base (which primarily involved businesses with planning cultures) to more than 35 percent of our client base across all businesses, regardless of their cultural tendencies.

We see this as a rising tide that will drive a growing business modeling market, which includes such services and technologies as business process analysis (BPA) and enterprise architecture. Here, we explore the drivers for business modeling and the typical uses we see on the horizon as precursors for improved technology-assisted business processes through agile BPM suites (see "Predicts 2004: Agile BPM Suites Are Ready to Take Off").

1. Build Better New Processes Faster

During the mid-1990s, business process "gurus" asserted that enterprises needed to break their established processes and start over. They believed that creating new processes was the primary reason to perform modeling exercises. Although these gurus, who were active during the business process re-engineering (BPR) era, almost killed business modeling as viable activity, designing new business models is still a major activity. This is especially true for new products and services. During up economic cycles, this is a common way of understanding and simulating the kinds of processes that need to be put into place to support progressive new offerings.

2. Know What You're Doing (Right or Wrong) Through Current Process Understanding

Although it's not common knowledge, most enterprises don't really understand the depth and breadth of their business processes, if they haven't had a recent business modeling effort. This isn't intentional; however, processes that were designed years ago have been adapted for volume changes, exceptions, managerial regime changes and additional regional activities. Processes tend to become costly and burdensome as a result of process entropy (what nonengineering types call "decay"). During down

economic times, the modeling of processes shows opportunities for cost savings that enterprises thirst for during tough times. We believe that this is an ongoing opportunity, but enterprises tend to forget this when new opportunities burgeon in an up economy.

3. Avoid Friction During Mergers and Acquisitions

Mergers and acquisitions are common during all economic activities and are great opportunities to normalize and standardize processes across combined organizational entities immediately or in the future. Some dominant acquirers insist on using proven business processes; however, modeling the acquired entity's processes will be crucial in building a transition plan. Other acquirers look to pick the best-of-breed business processes, and comparing business models is a proven technique for success. Some acquiring enterprises exhibit different behaviors on a case-by-case basis, but models can play an important role in multiple approaches.

4. Get Someone Else to Do the Dull Stuff With Business Process Outsourcing

Business process outsourcing (BPO) activities require enterprises to document their current processes, so they can ensure that the BPO provider will handle their processes properly. The business models will also be crucial in identifying opportunities for crafting service-level agreements (SLAs). The side benefit to the BPO provider will be a road map for accurate servicing of the business process. Everybody wins with an accurate business model done at the appropriate level of detail. If the BPO provider identifies an industry best practice, a business model will be a strong way to communicate the effect on constituency relationships. No enterprise wants to lose clients because of a bad process fit.

5. Buy Software and Implement Packages Better

There are many examples of the effects of failing to understand the implied business model contained in the package and the effects of taking that model directly in an organization without understanding the long-term impact on the organization, the constituencies and the employees. Although a "force fit" may work, the amount of pain and cost is sometimes so high that it takes years for an organization to regain momentum. Understanding the potential "pain points" and corresponding customization necessary to implement packages is a natural application of business modeling. An increasing number of organizations are attempting this process match activity with great success. There is emerging availability of vertical and technology models. Patterns and frameworks are becoming available as package alternatives, and they are best evaluated through BPM and BPA (which are quicker, less expensive and more standardized).

6. Get Control of Parallel Processes by Consolidating to Core Processes

Enterprises often create separate, but similar, business processes to enter new markets for anticipated revenue lifts. This usually includes copying a process at a point in time and enabling the copied process to evolve into something that has a life of its own. Although this lifts the careers of the revenue gleaners who cloned the process, the total cost of ownership (TCO) tends to eat away at overall profitability. It's hard to reconcile these system variants without some business process reference model to help normalize them back into a core process with local variations for product type or region.

7. Get Idiot Work Away From People Through the Automation of Manual Processes

When deciding what processes should go into a "human to human" or "system to system" process flow, business models can be analyzed for candidates. We believe that business models will start momentum

toward automating the management of human activities through facilities found in BPM suites. These are normally processes visible to humans (above the water line), but the models can also illustrate processes captured in computing systems (below the water line) and identify tasks that would economically move from human hands to system components or service-oriented business activities.

8. Value/Supply Chain Creation/Maintenance and Other Process Fusion

This is much like new process creation, but the model serves as a crucial input to the partner negotiation process. Through methods that are "swim-lane oriented," it becomes which partner is responsible for what portion of the process. BPA tools can also simulate interactions and outcomes for value chain behavior under unanticipated conditions. There are even system dynamic models available for supply chain design and management. The models can be used to plan and manage partner impacts implied in pending changes. Much the same processes can be applied to internal process fusion, but the internal organization negotiates roles among the human and systematized processes. Modeling can also be the gateway for the fusion between the business process and the supporting technical infrastructure.

9. Do Things Better With Optimized Processes

Processes can easily be managed for optimized cost, time to market, resource loading, risk and quality through the use of models for initial design and ongoing improvements. This can work in conjunction with methods such as six-sigma and round-trip engineering. Models are no longer just logical/theoretical representations. They can accept near-real-time input from the real process flows and be resimulated for incremental improvements.

10. Stay Out of Trouble by Staying Ahead of Compliance

Process models can be helpful for instrumenting processes with compliance controls. As the costs of remaining compliant go up, and as governing boards and societies require more-responsible behavior, modeling changes in compliance with the business process will increase in importance.

11. Stay Hungry: Move Faster Through Scenario Building for Agility and Policy Management

Models can be used to create reactions to opportunistic and threatening scenarios. Obvious process strengths can be applied in a model to different business, market and geopolitical conditions. The same would apply to obvious or subtle weaknesses. The accepted planning scenarios could be waiting for out-of-tolerance conditions or threat markers, with associated policies linked to ready-to-implement and pretested packages of rules that can be plugged into business processes.

Gartner believes that 70 percent of enterprises will have conducted business process efforts by YE05. These initiatives will serve as the foundation for these enterprises' improved capabilities to cut costs and boost competitive advantage.

Bottom Line: Eleven reasons to model your processes serve as triggers that will enable enterprises to grasp revenue enhancement and cost control opportunities through the effective application of IT. Enterprises that grasp any single reason will find they can exploit at least several more, amortizing the costs and multiplying the benefits. The list for process model use is expanding. Business process modeling is rapidly proliferating, and we expect anticipated and active business changes to drive the need for more business modeling. These models will become major contributors to anticipating and directing the business changes needed to keep current in a dynamic business world.