# BPM: Transforming the Organization

## BPM is more things to more people today as a range of providers offer solutions of varying stripes.

*By Marcia Jedd*

Business process management (BPM) is coming of age. Its objective, in theory, is to manage processes from initial creation through continuous improvement. According to one online FAQ, BPM encompasses any means of identifying, documenting, monitoring, improving, and automating a business process using IT.

Examples of key business processes include procurement, product development, production, order delivery, distribution, and customer support. If done right, BPM assists in improving overall quality and reducing errors, resulting in internal efficiencies, cost reduction, and much-coveted customer satisfaction.

To be sure, BPM constitutes much of the behind-the-scenes order and brains behind many an empire, in part, because it folds in business rules. Within the financial services, insurance, government, and a host of other regulated or service environments, activities like claims processing, expense processing, asset and knowledge management, and compliance depend on BPM in one form or another.

Bruce Silver, an independent analyst with BPMS Watch, emphasizes that BPM isn't a system of records, but rather the framework around processes and activities. "It still uses your SAP system, for example, or other existing systems to perform the work. It may even hold data on a temporary basis." Ultimately, Silver believes BPM typically manages these areas:

- basic workflow: forms routing, for example
- production workflow: shared cues, advanced rules of assigning work to people

*In order to get the benefits of BPM, analysis, execution, and monitoring need to be performed at peak efficiency.*

- collaborative processes: around unstructured processes, but not necessarily high volume (areas like new-product introductions)
- case management: mortgage loan processing, life insurance underwriting, for instance
- straight-through processes: automated processes wherein only exceptions are worked on by humans.

According to Silver, BPM helps with the gap of "hand-offs between these stovetops," or disparate departments and functions where companies often lose efficiencies. "An easy way to get started is to model your core business processes," Silver says, which is more effective with process-modeling tools. This modeling is typically performed by business analysts and can go deeper with simulation analysis, one area where BPM tools are particularly invaluable.

## Basic Structure

Silver recommends that enterprises consider a BPM solution based on the level and extent that the business side of an organization and the IT side will work together on the implementation. "What will drive you to work with one set of vendors or another is whether you favor the programmer-oriented approach versus something that is more model driven."

Indeed, depending on how an enterprise incorporates BPM into their actual business processes and their IT in relation to process modeling, Silver suggests there's a diversity in offerings to address these differences. "It differs greatly from product to product," he says. He notes solutions such as those from IBM maintain very distinct roles between the business end and IT with "clean hand-offs" between the business and IT versus other solutions that are very collaborative in how they perform process modeling, such as Lombardi.

Silver suggests it really boils down to how an organization wants its business processes and IT to work together. "Some of these tools are very IT programmable towards Java developers. The trend is toward zero or very little code now," he says.

## Focus On People

While BPM manages human-to-human, human-to-system, and system-to-system workflow, perhaps the greatest gains come in the human element. "Organizations receiving the greatest ROI from BPM tools are those that are focused on people-to-people tools such as in the coordination of work. That's where the greatest efficiency gains are," says Michael Melenovsky, director of research for BPM at Gartner Inc., a research and advisory firm.

When initially consulting with clients on starting the process of thinking about BPM tools, Melenovsky advises a review of six critical success factors:

1. Alignment of strategy around key processes: senior-level executives need to recognize the improvement of processes is critical. IT implementations need to be made around processes.
2. Culture and leadership: Does the enterprise recognize that continuous improvement is of value to the organization and employees? Provide employees with specific actions.
3. Skills: What skills do people have to define a process? How do you go about running simulations as well as measuring and analyzing processes? Organizations focused toward continuous improvement will be looking toward a revision cycle of a process.
4. Governance structure: What procedures are in place to guide decisions around process?
5. Methodologies: What are the methods required to embrace a process during its lifecycle? Examples include value-stream mapping, voice of the customer, six sigma, "lean" methods, etc.
6. Technology: Only after an assessment of the above factors can the best solution be applied.

"One of the first questions we ask is if the business is interested in continuous improvement or if they're just looking for some tools to do a project. That will influence whether you need a BPM suite or point solutions," Melenovsky says. Business activity monitoring (BAM) tools support activities

*The focus on continuous improvement is an overriding reason for adopting BPM solutions.*

and set metrics while data is analyzed through business process analysis (BPA) tools. Analysis comes from BPA tools and Melenovsky notes a number of point-solution providers offer modeling tools, such as IDS Scheer and Proforma.

Enterprises use these BPM tools to change existing processes or increase process performance, such as claims processing. "You need to collect a metric on the performance of the process," Melenovsky says. "After you've defined what, specifically, to change, process modeling or mapping is used to reach the desired state. There are all sorts of simulation software for this. Then decide how you are going to optimize the process."

The focus on continuous improvement is an overriding reason for adopting BPM solutions. That was one finding of a survey by *Business Process Trends* magazine and Transforma tation+Innovation, a BPM consultancy, that polled about 300 companies across a diverse range of industries and sizes in 2005. Respondents reported overwhelmingly that improving existing processes is a key objective of their current BPM initiative. The survey also found these leading reasons for taking on BPM initiatives:

- redesigning a major business process;
- performing enterprise-wide process modeling;
- measuring organizational performance;
- using a BPM suite to obtain process automation; and
- delivering process performance data to senior executives.

The survey reported the leading business functions using BPM include customer service, back-office operations, order entry and billing, compliance management, and manufacturing and fulfillment.

The eye on improvement is prevalent, says Nathaniel Palmer, president of Transformation+Innovation, as organizations have more to manage including risk. "Workflow is certainly more sophisticated today in looking to manage uncertainty around organizations." He notes the evolution of two BPM-specific standards, BPMN (Business Process Modeling Notation) and XPDL (XML Process Definition Language), have helped facilitate this, while assisting organizations to take advantage of SOA (service-oriented architecture).

"With the reality of SOA and standards-based integration, the integration can be increasingly less of an issue. Establishing the connection points no longer requires the cost it once did. Yet defining the process is the part that is costly," Palmer says. His recommendation is that enterprises take advantage of process models usable at a system level and readable at a business level, like those built around standards such as BPMN and XPDL.

Enterprises certainly have many options when it comes to BPM. Recently, both ECM and middleware provider camps have entered the picture. "Organizations will develop BPM applications but they aren't necessarily going to a stand-alone BPM vendor anymore," notes Bill Chambers, vice president of consulting services at Doculabs, a technology-consulting firm with a focus on ECM strategy.

## More Players

Chambers outlines two trends within the maturing BPM space that influence how the enterprise views and subsequently incorporates BPM tools:

- BPM functionality has been absorbed into the offerings by big-name application development/middleware providers like IBM and BEA as well as vendors who provide other portions of IT infrastructure such as Tibco; and
- A number of ECM vendors have bought into or have developed their own BPM environments. These include FileNet and Documentum, among others.

Chambers says down the road very few pure BPM vendors may survive outside of real specific application providers like Pegasystems and Savvion. "BPM functionality is becoming more absorbed into other application development solutions, not a separate product." He's observed less of a focus by many organizations on pure BPM applications and more toward developing ECM strategies that incorporate BPM.

The push toward SOA seen in the IT environment during the

last few years, Chambers says, will continue to influence how BPM is used. While the business side of the enterprise dictates BPM, the IT side of the enterprise is increasingly going toward the SOA environment.

Silver adds, "BPM is just now starting to make concrete connections to SOA. IT is working on these services with registries and other ways to connect them." He notes vendors like IBM, BEA, Oracle, Tibco, and Web Methods are examples of vendors offering BPM and SOA.

No matter the standards used and IT infrastructure, experts suggest that in order to get the benefits of BPM, analysis, execution, and monitoring needs to be performed at peak efficiency. Moreover, as Melenovsky and others suggest, sometimes BPM efforts are too focused on simply automating processes or on individual projects.

Melenovsky compares the situation to a Catch 22. While businesses are heavily investing in continuous improvement, IT organizations aren't designed around such a model. "By and large, organizations are still focused on project work. We've seen, though, small to medium-sized companies becoming more effective at adopting these BPM tools than Fortune 500s." Obviously larger enterprises can't turn on a dime. Melenovsky says the agility of smaller enterprises is conducive to the paradigm shift versus the daunting change in culture that's required of larger organizations.

For enterprises that are at least on the path toward making decisions around BPM, whether for suite technology or point solutions, consultant Bruce Silver offers information. For a no-cost overview report on the BPM suite as well as specific product reports, see http://www.bpminstitute.org/bpmsreport.html.

*Marcia Jedd is president of MJ & Associates (www.marciajedd.com), a marketing communications and research consultancy in Minneapolis.*

## The Expanding BPM Macrocosm

BPM is a relatively young industry that is only starting to come of age, say analysts. In fact, Gartner didn't officially recognize it as its own market until several years ago. Pure-play BPM players emerged around 2002 out of the collaborative workflow space, suggests Michael Melenovsky of Gartner.

As BPM matures, the market space is expanding. "Gartner has identified more than 180 vendors worldwide that aspire to BPM," Melenovsky says. However, Gartner seriously tracks about eighteen of the leading competitors. The alignment of processes and the stretch toward continuous improvement isn't cheap. Melenovsky estimates that point solutions such as modeling and BAM (business activity monitoring) tools can run an enterprise up to $50,000 in licensing fees. "Pricing in these products may be going down over time as the market continues to mature and consolidate," he says.

Conversely, those enterprises requiring robust solutions toward full BPM suites might expect to shell out up to $200,000 to address a few areas of operation. "If you start to go enterprise-wide, depending on the size of the organization, these implementations can run in the millions of dollars," Melenovsky says.

"As we look at the growth of the revenues of BPM suite product providers, the sizes of deals are getting larger and larger. Customers are beyond the pilot stage, in many cases, moving enterprise-wide at Fortune 1000 companies and in the government sector," Melenovsky says.

Training is another issue, though relatively contained, suggests Bill Chambers of Doculabs, except around some of the more sophisticated modeling and simulation tools. "A lot of solutions, such as those by Lombardi, Savvion, and Pegasystems have such sophisticated graphic design and modeling environments that a lot of training is required. Training processes around these areas has to be much more dynamic."

All told, Gartner estimated the global BPM market at $930 million in 2006, clipping along at a more than 18 percent annual growth rate. Gartner estimates the market will reach $2 billion by 2010.

*—M.J.*