



Business Process Management ***for Dummies***

The next big thing in business, BPM can turn a slew of suppliers into a cohesive whole by automating just about everything a company does.

In cooperation with: **BPMI.org**

It is a well-worn maxim these days that no company is an island, but the cliché leaves unanswered questions on how to connect them with bridges of business—or at least regularly scheduled ferries of commerce. The simple truth is that no firm can afford to go it alone today with its own raw materials, in-house production process, and exclusive distribution system. With partners and suppliers spread out over the four corners of the earth, most large companies—and not a few smaller ones—find themselves with global design, supply, and logistics chains stretched to the breaking point. Business process management, or BPM, is the link that can connect these isolated islands to make the world a smaller place.

If the object of the 19th-century robber barons was to build vertical monopolies and control entire industries, and the 20th century spawned diversified horizontal conglomerates, then the start of the 21st century is the age of the scattered corporation. With in-house operations, an assortment of partners, and an army of suppliers often separated by thousands of miles, what's a poor CEO to do? "BPM provides the glue to bind it all together,"

Business process management saves U.S. firms \$117 billion a year on inventory costs alone.

explains Eric Austvold, research director at AMR Research. "It provides a unified system for business."

This new and exciting technology has the power to integrate and optimize a company's sprawling functions by automating much of what it does. Depending on how it's counted, BPM sales range from \$8 billion to

\$19 billion a year, and are growing at about 20% to 25% annually. The results speak for themselves, with BPM routinely cutting costs by between 7% and 8%, saving U.S. businesses \$117 billion dollars a year on inventory costs alone, according to The Yankee Group. Defense contractor Lockheed Martin recently used a BPM system to resolve the differences among hundreds of businesses that it acquired, unifying them into a whole and saving \$50 million per year by making better use of existing resources and data.

Still, only about one in eight companies uses a running BPM system, while one-third are either in the planning or building stages. Oddly, nearly 20% are either not interested or don't think this technology applies to them. "Our most significant hurdle in the market," muses Anthony Parkinson, president and CEO of Insession Technologies, a provider of BPM software, "is convincing this segment that BPM should be a high priority, due to the significant return on investment. After our clients install our WorkPoint solution, we usually hear, 'How could I ever have gotten by without this?'"

The Adaptive Enterprise

Sure, BPM cuts the costs of doing business, but it goes beyond that to make the company flexible in a changing world, creating the closest thing to an adaptive enterprise. If, say, a typhoon off the coast of the Philippines threatens freight shipments in and out of your factory, a well-thought-through BPM system can reschedule production runs, reroute deliveries, or even shift the work to a plant out of harm's way.

BPM is the key to the success of corporate high-flyers such as Wal-Mart and Dell, which collect, digest, and utilize all sorts of production, sales, and shipping data to continually hone their operations. When a Dell system is ordered online, rather than waiting for a human to get the ball rolling, a flurry of electronic traffic flows back and forth between

suppliers to make sure every part arrives within a few hours and that the computer's assembly, as well as software loading and testing, are scheduled. The production scheme runs like a well-oiled clock, so customers get their computers quickly and Dell can bill them on shipment.

Considering the alphabet soup of available data—including business intelligence (BI), enterprise resource planning (ERP), customer relationship management (CRM), and other systems—"There's no shortage of information," advises Jeanne Baker, director and chair of the industry support group Business Process Management Initiative (BPMI), and vice president of technology at Sterling Commerce. "In fact, companies are flooded with information," she continues. "The challenge is to make sense of it all. How you leverage the value chain is the true competitive advantage in the 21st century."

Setting up a BPM infrastructure in a FORTUNE 500 company can keep it a step ahead of the competition, cost a total of several million dollars, and take the better part of six months to implement. When it works, every participant—human, mechanical, or electronic—has a role to play in a finely scripted operational ballet choreographed by the BPM system. It all starts with defining how the "business does business," as BPMI's Jeanne Baker puts it. "If a company doesn't know where it is, it can't move forward. It's impossible to predict the future if you can't see the present."

Once analyzed, documented, and coded in BPM software, a company's processes can start becoming optimized. "You want to architect BPM so that it is not just answering today's business process problems, but can grow," offers Sam Starr, CEO at Sterling Commerce, a Business Process Integration vendor owned by SBC Communications. "We're in an era of opportunity where growth is back on the CEO's agenda." Cost cutting and lay-offs are giving way to business collaboration. "Eight of the top ten initiatives on CEOs' plates

occur outside of the four walls of the enterprise," Starr adds. "Software that cuts across the complexity of multiple vendors and channels enhances the business."

Take Leica Microsystems, for example. The billion-dollar maker of precision optical systems may have had its own house in order, but it didn't work well with outsiders. All incoming documents had to be manually entered into Leica's SAP system to be processed, slowing orders to a crawl and all too often adding errors to the process. More than just the lost time and money to make it right, every mistake risks losing a customer to a more nimble and accurate competitor. Sterling's Gentran Integration Suite helped Leica reduce processing time from days to hours by automating entry, but the real payoff is that the final product is exactly what the customer ordered.

The key was Sterling's MESA (multi-enterprise services architecture) approach that chews through data from a variety of sources in a variety of formats in real time. "Leica was looking for a tighter relationship with its partners," adds Sterling's Starr. "Gentran allows greater and greater levels of collaboration and orchestration."

Breaking the Language Barrier

In addition to being able to work securely with a multitude of suppliers, business process management needs to rely on the use of accepted tools, components, and languages—like BPML, EDI, and RosettaNet—under the surface in order to architect process management. "Without a common language to do business, we might as well be talking past each other instead of to each other," observes BPMI's Baker. In an ideal world, the machines whirl along, grabbing data from here and there, while analyzing the firm's current status and forecasting its near-term prospects.

Continued on page S6

The Meaning of Management

Making sense of these top BPM terms is essential to understanding how things work, and making them more efficient.

BPM—Business process management is the ability to define how a business, including all its partners, operates. It draws on data from a variety of sources to streamline operations.

BPEL—Pronounced "Bee Pell," BPEL is a standard language for defining business processes so that they can be automated and exchanged between business.

BPML—Business process modeling language is an XML-based Web-page language that tries to standardize how businesses operate and interact with each other.

EDI—Electronic data interchange allows computers to talk directly with each other and share relevant data, like invoices and orders.

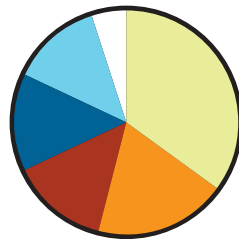
RosettaNet—Named after the Rosetta stone that helped French linguists decipher Egyptian hieroglyphics, this consortium of the top IT companies has created a series of translators so that different machines and software can efficiently interact.

Value Chain—Sometimes called a supply chain, it is the partnerships and collaborations needed to design, build, and ship a product to a customer without having to do it all by yourself. It generally involves many companies separated by hundreds or thousands of miles.

XML—Short for extensible markup language, this web-based protocol allows a wide variety of data to be transmitted between computers.

This exciting technology is the glue that binds a far-flung enterprise.

BPM: Who Has It and Who Wants It?



- 35%—*Exploration phase*
- 19%—*Planning & design phase*
- 14%—*Construction phase*
- 13%—*Deployed*
- 14%—*No plans*
- 5%—*Does not apply*

Source: The Data Warehousing Institute

Continued from page S3

With the help of RosettaNet, a consortium of 500 of the top IT companies, the barriers of language can be broken down, creating the closest thing to BPM Esperanto. Named for the Rosetta stone that was instrumental in translating Egyptian hieroglyphics, each potential miscommunication has what the group calls a partner interface process, or PIP. These PIPs convert each transaction into a Web-centric XML-based conversation that both computers can understand and use.

Using the Web to work better with its suppliers helped a FOR-TUNE 500 transportation company get out from under a billion-dollar mountain of paperwork. The firm, which has \$12 billion in annual revenues, used thousands of companies to repair track, supply food, and perform environmental cleanup, but every job previously required a stack of documents to authorize the work, spell out the requirements, and arrange payment.

Drowning in paperwork, the company's contract services department turned to Insession to automate the company's Byzantine contracting process with a unified web interface.

Rather than communicating by fax, phone, and the mail, contractors now go to a secure website to see what the company wants done, bid for jobs, schedule the work, and get paid. By spelling out in advance what is required, the program integrates outsiders into the company's operations, making for a more cohesive operation. "WorkPoint allowed them to rationalize its contractors and make the most of what they could do for the company," says Mike Sander, director of WorkPoint operations at Insession. "The contracting process is now streamlined." Since the BPM system was installed, contracting at the company has doubled to over \$2 billion, yet the contracting department has a smaller staff, and has already saved the company over \$15 million.

With a tight grip on how modern firms operate, what could possibly be next? Taken to its extreme, the next development in business process management philosophy could be the creation of virtual extended enterprises. These companies take outsourcing to an extreme—they won't directly design, make, sell, or ship anything as much as organize and orchestrate others to bring a product to market quickly at a reasonable price. In this coming age of the virtual corporation, all it will take is a good idea, the right partners, and an advanced BPM system to make it work. "It is a logical evolution of BPM," concludes Baker.

—Brian Nadel