BPM: Two Out of Three Ain't Bad

Howard Smith and Peter Fingar
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What if, at the conclusion of a meeting between the senior executives of two companies, the new alliance they had just formed could be implemented within days after each side returned to their respective offices? What if the world's most common excuse—"The IT department says it will take 18 months to implement"—was no longer to be heard? Agility has been on the agenda of companies for quite some time, but inflexible technology and the lack of an ability to manage business processes has hampered efforts to achieve it. Now, however, it's time to remember the venerable proverb: "Be careful what you wish for, because you just might get it." Until the third wave of BPM, the business-IT divide was a comfortable excuse for not implementing change. Until the third wave of BPM, companies could not manage their business processes. Because the third wave of BPM places technology and business processes firmly in the control of the organization, the naked organization itself is all that lies between business change and innovation.

Process, organization and technology combine to form the inseparable triad of business change. Alter the balance, and chaos and waste are sure to follow. For example, companies recently pumped indecent amounts of money into technology, trying to renew and reinvigorate their businesses by technological means alone. Forrester Research calculates the technology overspend in the years 1998 to 2000 at $65 billion in the U.S. alone, as large companies engaged in a historic tech orgy. Forrester's CEO, George Colony described the result: "Bewildered CEOs and CFOs who felt burned by the dollars lost (and who are now slowing capital spending to a trickle), lost credibility for IT, lost stature for vendors, hardware for sale on eBay at 10 cents on the dollar, and pressure on operating margins. Oh, and by the way, you also get one toxic technology recession."[i]

But now, the third wave of BPM allows companies to master technology and process management, leaving the organizational factor as the primary determinant of successful change and competitive advantage. With two of the three factors driving business change taken off the critical path, the options that organizations have for structuring work to conduct business has become the overriding management issue. As Colony explained, "Whether it's the stirrup, the PC, or electricity, technology has always required change in the way humans work. You don't farm the same way with a hoe as you did with a plow. General Motors didn't organize its robotically driven Saturn production line the way Rolls-Royce structured its hand-built assembly process."

Learning new ways of doing work poses an immense challenge, however, involving not just the individual company but what organization theorists call the “organizational ecology”—the entire industry value chain through which the effects of change cascade. The concept of organizational ecology traces its origins to a 1977 paper coauthored by sociologists Michael Hannan and John Freeman.[ii] While we defer to the experts on this organizational theory, we will summarize works in this field as these relate to the assimilation of business process management. In addition to organizational ecology, critical factors for success involve systems thinking, building learning organizations and developing practical guidelines for assimilating BPM.

The key word is *assimilation*, for, over time, BPM will pervade the entire extended enterprise. BPM is not a single “big bang” event. It’s a framework for corporate evolution. Its guiding principle is “do no harm” as it implements the new and phases out the old. What it calls for is a sustained approach—exemplified by GE’s Digitization Initiative—that minimizes the impact of change on current operations, while incrementally moving aside the old in deference to the new.

Business processes are best managed as a portfolio, and high-value processes will no doubt yield greater returns on investments. Winning companies will prioritize and manage their process portfolios using an analysis of return on equity. Early projects and initiatives will require only a subset of all the possible features of a business process management system. The BPM infrastructure should then grow in step with the growing number and sophistication of processes brought into the process management framework. Companies should research a little, implement a little and watch their process portfolio grow, for BPM is an *incremental revolution.* The impact and enhancement of capabilities is huge, but the path to execution is, and must be, incremental and nondisruptive.

Process improvement and process management now apply to all of a company’s processes. Point solutions to process components, rather than whole processes, can and should be avoided. In previous reengineering and improvement activities, individual processes were typically treated symptomatically—that is, individually and piecemeal. Each improvement effort was usually accompanied by its own change program and its own IT systems implementation project. This approach added to the total cost of ownership of each process and left many potential improvement initiatives on the shelf, lacking sponsorship. Critical analysis of such approaches will demonstrate the enormous advantages of a holistic approach to the management of all processes that comprise the business, for processes are what a business does: They are the business.

Once brought into the BPM infrastructure, no one process deserves more attention than any other: Process management becomes everyone’s business. Each process can be discovered, continuously monitored, optimized and analyzed. The third wave of process management allows the company to treat all processes equally, in terms of their representation in computer systems and their subsequent management. This new foundation allows businesses to implement the process systems needed to manage all business processes on a continuous basis. Implementing BPM allows companies to avoid implementation of point solutions that solve only immediate points of pain in individual processes or sub-processes. Process management provides a unified foundation for the entire organization, covering its information systems, its people and its business processes—as well as those of its trading partners.

In a less competitive economic climate, a business could simply watch and wait for early adopters to experiment with the third wave of process management. They could then develop their action plans and business cases by extrapolating from the results achieved by those who tried it first. This strategy had much to recommend it when change involved a major initiative such as ERP deployment, but today's economy requires a more proactive approach. Fortunately BPM fosters incremental change and leverages past investments in technology. Existing applications are preserved. Existing processes are preserved. In short, all existing assets can be reused and adapted.

When BPM is implemented, a more immediate and proactive approach can be taken to the business issues facing the company. Some unscrupulous consultants will no doubt seek to cash in on the fear, uncertainty and doubt (FUD) that surround any advanced breakthrough, and yet there is really nothing new about BPM—though it will no doubt change the world. BPM is merely a synthesis of business best practice and process collaboration technologies that removes many of the obstacles blocking execution of management intent. Thus, transitioning to a process-managed enterprise requires that a company trust what it already knows and avoid being mesmerized by IT industry hype. BPM simply makes it possible for companies to do what they have wanted to do all along—manage their business processes with great agility. With two out of the three variables of the change triad firmly grasped in the hands of BPM, companies can now become laser focused on the organizational dimension of business innovation.

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[i] Colony, George F., "Naked Technology," http://www.forrester.com/Info/0,1503,287,FF.html

[ii] Cherian George, "Change, Easier Said than Done," *HBS Working Knowledge*, August 2002.