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Business Process Re-engineering 2.0 – Mastering Business Agility

Business process management delivers local agility, while master data management ensures horizontal consistency. The combined approach is BPR 2.0

BPM Trends Series

This paper is one of a series, Capgemini BPM Trends, which shares insights into how to resolve today's most pressing business challenges using the latest Business Process Management tools and methodologies

People matter, results count.

Summary

Traditional Business Process Re-engineering (BPR) attempted to impose end-to-end processes across entire organizations. These did not always achieve data consistency, and had the disadvantage of limiting agility, both at organizational level and within individual business units and functions. BPR 2.0 resolves the tension between consistency and agility. It provides enterprise-wide data consistency through Master Data Management, and allows local agility via Business Process Management.

Introduction: the challenge of consistent agility

The demands on a business to be agile are increasing in line with the pace of innovation and change in the marketplace. The success of the organization therefore depends on its ability to be agile and to adapt as a business. As organizations shift from linear processes to complex federated value networks, they need to take a new approach to business and technology, both to deliver today and provide the foundation for tomorrow.

The challenge, however, is multiplied, as it is not good enough to be agile in one department but unable to link together operations in various parts of the business. If an innovation in the sales process means a product can't be shipped to the customer, then innovation, no matter how good locally, is not working for the business as a whole. To avoid disconnects like this, businesses need consistent information to be available organization-wide.

Traditional Business Process Re-engineering (BPR) approaches tried to tackle the challenge of consistency, but did so via a horizontal, process-oriented approach to the business – one that tried to break down organizational silos. Today, those organizational silos remain entrenched; indeed, it is within them that innovation happens. This means that traditional BPR has failed, and it will continue to fail in today's complex networked world.

We therefore need a new approach: one that we call BPR 2.0. This approach addresses the question of consistency and also delivers the agility required. It aims to provide the company board with the horizontal view it needs, while enabling local business units and functions to retain their agility. It should not matter if a sales process is fluid, even manual, while the finance process works in a strict adherence to steps and is fully automated. What matters is that the customer who is sold to is the same customer who is invoiced, and that the product that is bought is the product that is shipped.

The challenge of consistent agility is actually three discrete challenges:

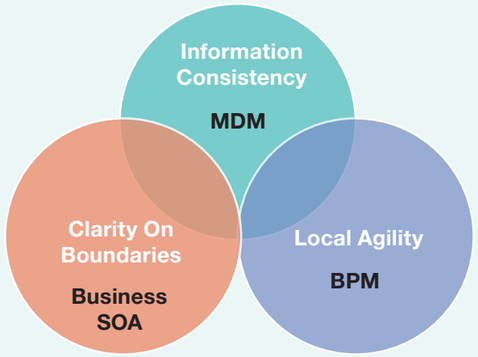
- Provide a mechanism via which agility can be realized within an organizational boundary
- Provide a consistent information framework across the enterprise to ensure that all processes are acting on the right information
- Provide clarity on the boundaries between business domains

The first is the challenge that business process management (BPM) addresses, the second is resolved by master data management (MDM), and the third can be achieved by a business service oriented architecture (SOA) approach. Together, these three elements add up to BPR 2.0.

This paper will focus on BPM and MDM, but we will briefly explain the role of business SOA first. SOA defines the services that an organizational unit (for example HR, finance, or logistics) will use to perform a recurrent task (for example "hire employee", "invoice customer", or "ship goods").

The framework of services provided by SOA can also be seen as defining a set of organizational boundaries. BPM then defines the capabilities within those boundaries that use the services to meet the business objectives of the organizational units (such as to on-board employees, to close the books in a timely manner, or to dispatch goods as agreed).

Figure 1. The foundations of BPR 2.0



Horizontal processes drive stagnation

"The only time I knew that our processes were wrong was when IT hard-coded them." **We heard this comment recently from a new Capgemini client. In step with BPR thinking, and backed by a software vendor centric approach, the organization had attempted to develop end-to-end solutions for the major business processes such as order to cash (O2C). The problem was that these new rigid processes were fine for finance, but crippling for sales and distribution. Before a process could be changed, everyone had to agree, as the change would mean that everyone had to retest. The result was approval gridlock.**

Why horizontal IT processes don't work

The biggest reason why horizontal processes – and the original philosophy behind BPR – don't work is that today we are living in a Value Network[1] world, where simple value chain thinking doesn't apply. In this world, the goal is not for a single managed process to operate, but for the business to be able to track, manage, and adapt, based on how information is flowing through the organization. These processes, therefore, are not hard-coded elements but simply measurements of interactions between business domains to assess the success or challenges of the business.

Taking a Value Network approach means understanding the value that each business area gives, and the boundaries of each business domain. This means giving control to the organizational domains, and not trying to fight against them by imposing end-to-end process rules. Instead, the Value Network approach requires the domains to adopt a standard set of practices with regard to the core information pieces in the enterprise. These practices are supported by a core set of enabling business services, and by business processes that allow employees to access those services in order to provide value to end-customers.

There are three more reasons why a horizontal process approach doesn't work:

- Hard-coded horizontal processes require more change management – more approvals and retesting – than local processes do
- Different views on information are required in different parts of the business, so making everyone have "everything" adds complexity
- Businesses need to change, but hard-coded horizontal processes act as a barrier to change

Data privacy is a final argument against horizontal processes. Customer information, in particular, should not be passed in bulk. If processes have to have access to all the customer information, and to pass this information as a package, then the risk of privacy breaches is increased.

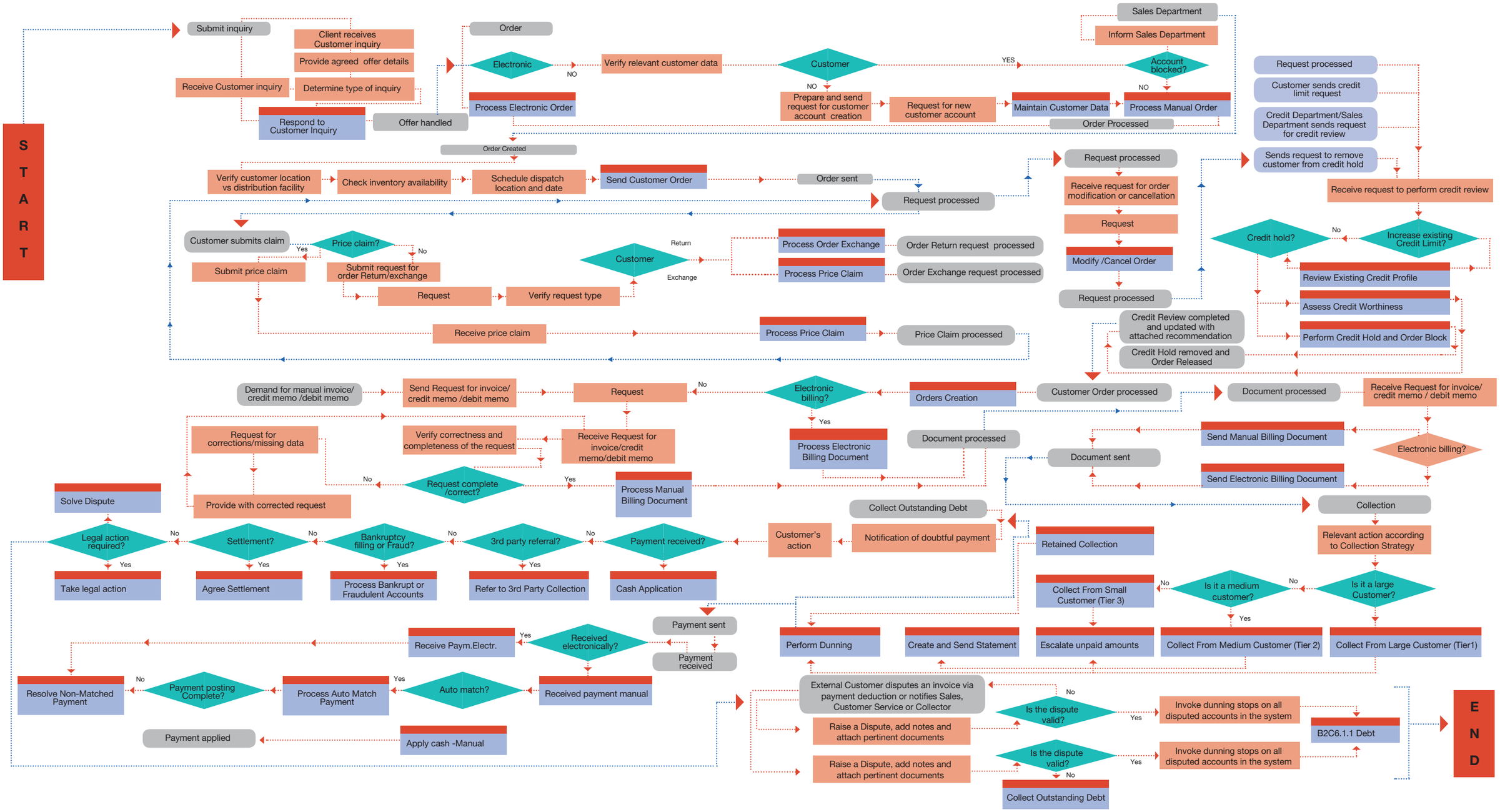
Because of increased data privacy legislation, one of our current clients now requires a special dispensation to move customer data from one system to another within the same department – let alone across departmental boundaries.

Master Data Management

Master data – data about products, customers, locations, and other key items – has a lifecycle separate from that of standard transactional processing. Master data is more stable than normal transactional information and is used operationally in more places. Taking control of master data is a horizontal challenge for an organization: local organizational areas need to adopt standard approaches, and there must be an information infrastructure that is able to ensure consistency. MDM provides this horizontal consistency.

[1]Verna Allee, "Value Network Analysis and value conversion of tangible and intangible assets", in Journal of Intellectual Capital, Volume 9, No. 1, 2008, pp. 5-24

Figure 2. The complexity of an end-to-end order to cash process



A better approach to efficiency and effectiveness

The problem of cemented processes

Too often, organizations have customized applications through hard-coding, leaving themselves in an untenable position. This is what we mean by "cemented" processes.

A client recently came to us looking for a more flexible insurance platform. The company had purchased a solution off the shelf, and over the years had customized the package to meet its needs. After years of enhancements costing tens of millions of dollars, the organization was faced with a product that was so highly customized that it could not be upgraded and was out of support, but still did not meet current or future requirements.

This client is now moving to a BPM solution, which will wrap around the existing solution and allow the company to leverage its investment while providing a path for gradually migrating process and business logic to a more flexible BPM platform.

Don't cement – monitor

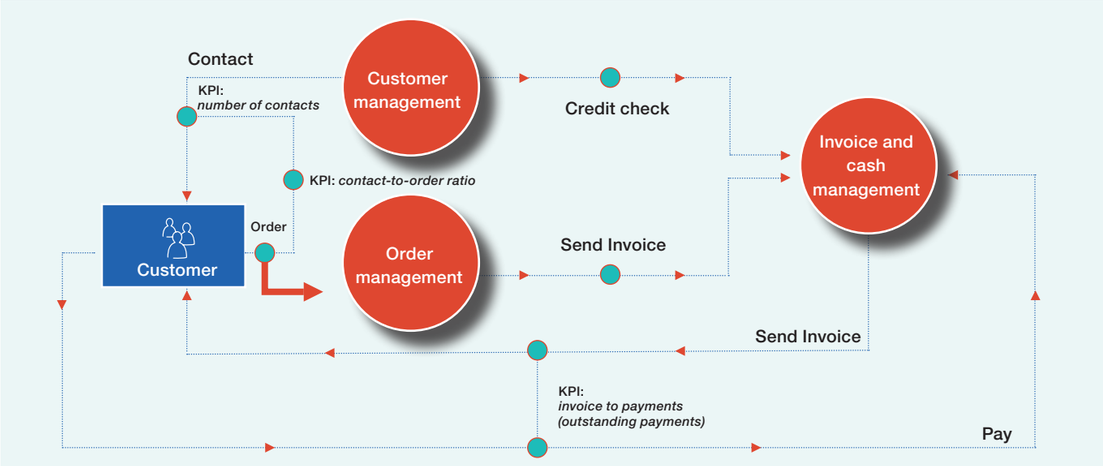
Rather than cementing, BPR should be about process agility and monitoring the organization to ensure efficiency and effectiveness. The latter is where consistency of information is vital. It is also where BPM systems can deliver real value: they can provide real-time business activity monitoring to ensure that managers know what their processes are doing right now.

By taking a monitoring approach based on accurate information, the business gains the visibility and the levers to drive organizational and process change, and the ability to deliver it within locally agile business units. In this way, the organization obtains the benefits of a BPR horizontal view without the political, organizational, and technical challenges that an enforced approach brings.

BPM not only helps with monitoring, but also, through model driven development, makes processes easier to update. Complex requirements such as process, rules, and user interfaces are developed as models (process maps, decision tables, and screens). As well as simplifying the initial process of specifying requirements, this modeling capability allows processes to be amended rapidly to keep pace with changing business needs.

[2] Steve Jones, Enterprise SOA Adoption Strategies, InfoQ Enterprise Software Development Series, 2006

Figure 3. KPI measurement with BPM and Business Activity Monitoring (BAM)



A better approach to information consistency

The difficulty of maintaining consistency at a process level

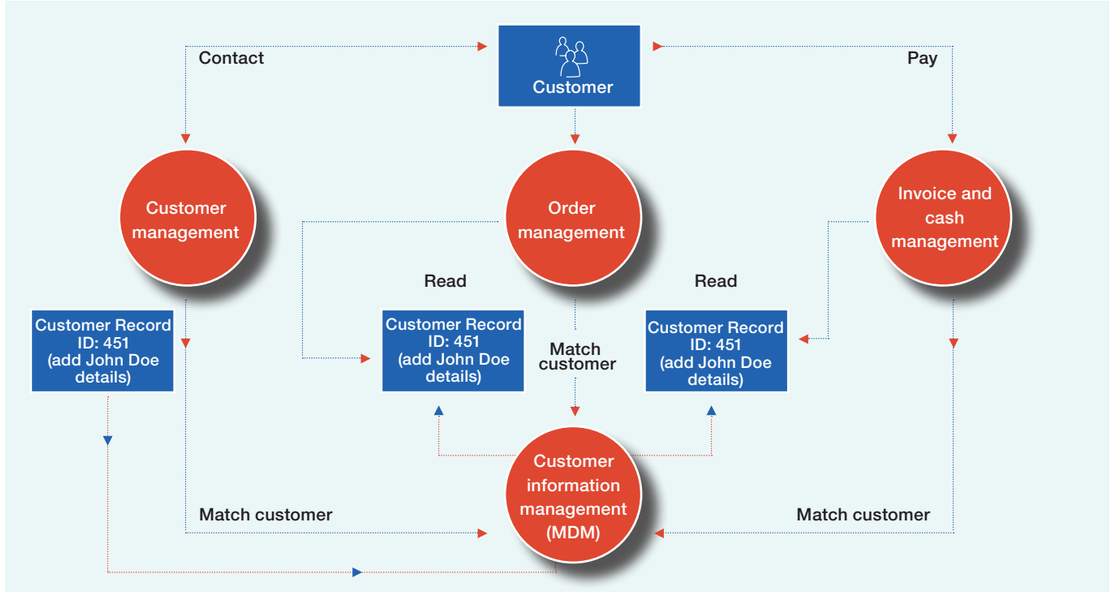
Another difficulty with the horizontal, end-to-end process approach that characterizes traditional BPR is that it tends to ignore or complicate the issue of information consistency. When the sales team talks of "a customer", they need to know the name, address, propensity to buy, and so on. When the finance team talks of "the customer", they are interested in many of the same elements, but also want to know about billing address and accounts status. The logistics team cares about some of those details, but also about the delivery address.

Although they are interested in different details, all of these areas are talking about the same customer, and they need to share the same basic customer information.

From a traditional BPR viewpoint, this means passing the customer information within a given process between different systems and business domains, and attempting to match it against the database records within those systems. This approach can lead to complexity and errors. Either no match is found or, worse, a false positive is made and a customer ends up being sent an invoice for something they didn't order. To solve this matching problem, the process will attempt to transport more and more information about the customer, which will make the processes more bloated and require more data validation and dispensations as you cross departmental boundaries – or even within them.

With BPR 2.0, by contrast, it is the identity of the customer, rather than their information, that is passed over, and this identity is now managed across the enterprise.

Figure 4. O2C process with matches occurring in organizational silos



Local agility, global consistency

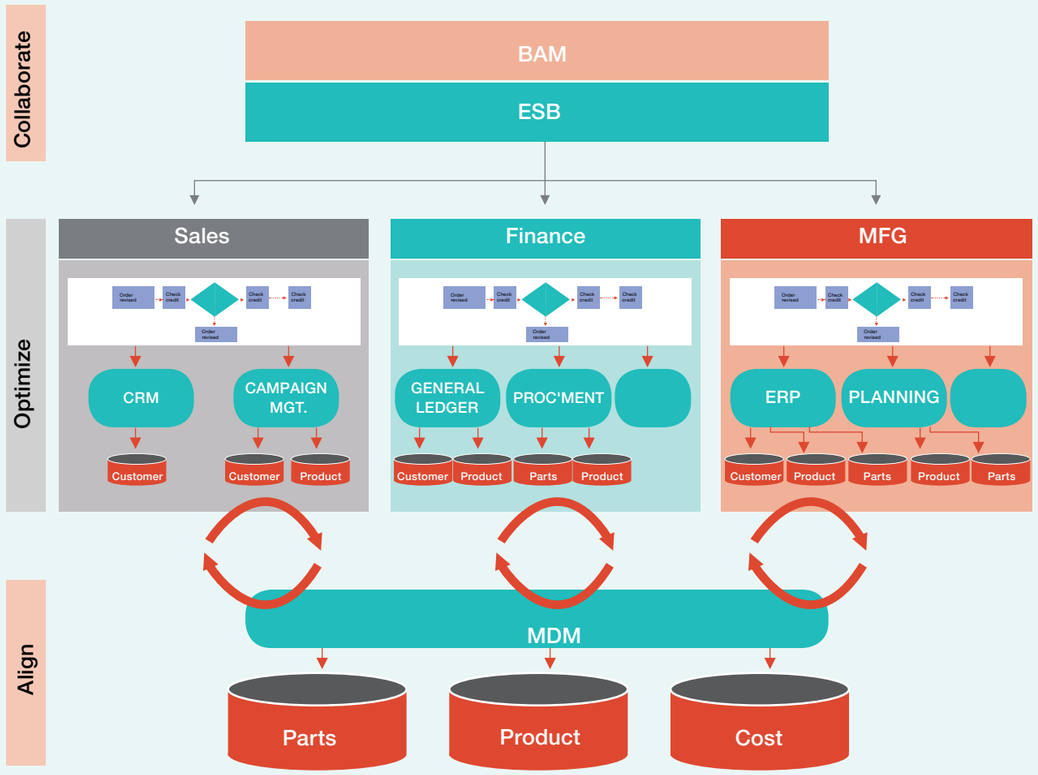
Attempting to solve a global information consistency challenge using end-to-end processes is like laying a road by putting Tarmac on car tires. A better solution comes from recognizing how individuals and organizations work, and then designing an approach based on operational reality rather than academic optimism.

The right approach in this instance is to enable local process agility within a framework of global information consistency. It's the separation of process and information that enables organizations to achieve the business objectives of BPR – namely, end-to-end visibility, consistency, and efficiency – while enabling individual business units to meet those same objectives in the most effective way.

This means that when the sales team tells finance to send an invoice, it is issued for the right customer, the right amount, and the right products. It means that when finance updates the risk profile for a customer, the only impact on the sales team is that they receive new information for that customer – they do not need to change their own processes to accommodate new fields on the customer record. By recognizing and supporting the organizational reality, in other words, it becomes possible to reduce the amount of risk introduced by process change, and to limit that risk to specific and known organizational boundaries.

BPR 2.0 marries MDM's business-centric view with the local agility that BPM provides. This combination allows the organization to satisfy not only the board's need for consistency, visibility, and effectiveness, but also the line of business management's desire for independent decision making and local optimization.

Figure 5. Local process agility within a framework of global information consistency

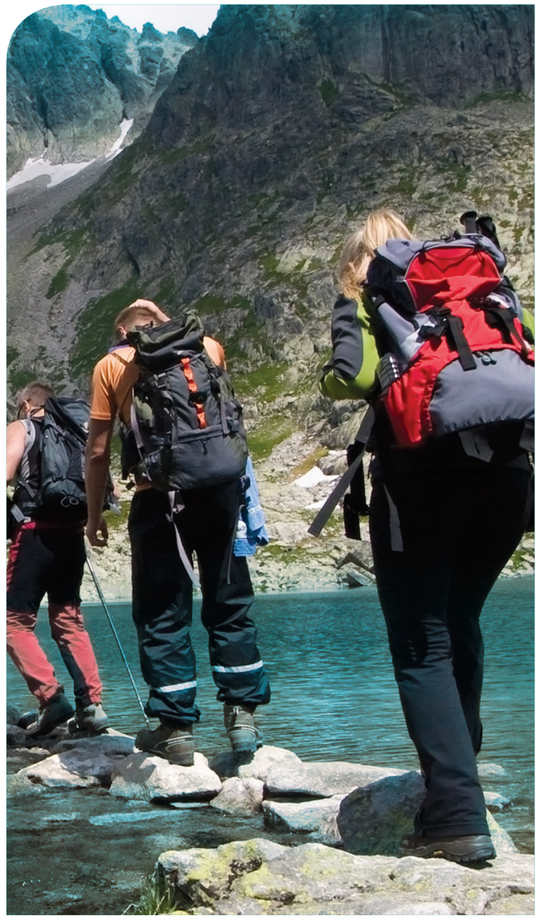


Conclusion

BPR mark 1.0 failed because it attempted to force horizontal processes across strong and entrenched vertical business units. This contention between attempted efficiency and organizational boundaries was ultimately doomed to failure. With the evolution of BPM and MDM technologies and practices, however, it becomes possible to realize the business goals of BPR, namely horizontal consistency and efficiency, while also providing the local optimizations and agility that enable a modern business to adapt and compete.

For a business to deliver BPR 2.0, it needs clean, accurate master data to provide the horizontal consistency, plus a BPM layer to allow local agility. This combination enables clear, measurable boundaries between business areas. KPIs can be accurately associated with aspects of the business that truly impact effectiveness and success. There is no need to force all business units to use the same process: they can take advantage of the flexibility of BPM to achieve their own local goals within a framework that drives a single organizational view.

BPR 2.0 delivers on the vision of BPR while recognizing the challenge of business agility. With BPR 2.0, you get control, consistency, and flexibility.



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