Chapter 1. The Business Process Perspective

Too often in discussions of the business process expert role, a precise definition of the term "business process" is never established. The term has been around for so many years and is used by so many people that everyone assumes a common understanding. In this book, we are going to start from the beginning and attempt to establish a clear definition of business process by looking at where the term came from and how it has been used in different contexts. We realize that attempting to capture all connotations of a term like business process is beyond the scope of this book. Our purpose is simply to explain the meanings that are relevant to the business process expert role.

Reengineering and Business Processes

While the analysis of business processes dates back to Adam Smith, who in 1776 described the step-by-step division of labor in pin factories in *The Wealth of Nations*, the modern emphasis on the term dates from 1990 when Michael Hammer and James Champy introduced the concept of business process reengineering. Hammer and Champy define a process as "a collection of activities that takes one or more kinds of input and creates an output that is of value to the customer." The essence of their approach was to encourage business executives to take a step back from the details of what was going on in their business and to think about what needed to be done to create value for their customer. The goal in performing this analysis is to increase efficiency and eliminate unnecessary work.

Reengineering proved extremely popular in the early 1990s in the US and other countries, as threats from global competition had increased the pressure to improve product quality and cut costs (remember the ISO 9000 craze?). The concept was adopted by some companies with noted success and criticized by others as attempting to enforce an overly mechanized view of how work gets done. By the mid 1990s, enthusiasm for the concept started to wane but the term business process remained an important part of the business lexicon.

For the business process expert role, there are two observations that we think are relevant. The first is that the notion of taking a step back and focusing on the optimal design of the process for creating value without regard to the technology used to automate or support that process is a powerful first principle. This book uses the term "business process perspective" to refer to this way of thinking.

The second observation is that one of the barriers to the success of business process reengineering was in the flexibility of IT systems at the time. In the 1990s, the movement to implement ERP and other systems of record was just gaining steam. The configurability and flexibility of these systems was far more limited than the software in today's enterprise. In addition, support for collaboration and information management was a fraction of what it is today and far less emphasized. As a result, business process reengineering was held back significantly because technology itself could only play a small role in supporting the optimal process. The idea was sound; we believe it was just ahead of its time.

Business Processes and Enterprise Software

Enterprise software applications provide another important foundation for the business process expert role. Enterprise software solutions, like Enterprise Resource Planning (ERP), Customer Relationship Management (CRM), or Supply Chain Management (SCM), and others act as systems of record for the enterprise and record data that keeps track of the state of assets and activity. Applications also help automate business processes such as creating purchase orders, invoice processing, and order management and provide support for analyzing data and creating reports. Enterprise applications can also recognize and respond to various events that occur based on business activity, such as the expiration of a time limit for receipt of payment for an invoice, which may trigger a dunning letter.

In order for an enterprise application provided by a software vendor like SAP to succeed, it must be able to implement a process that is common to many companies and handle as much as possible of the differences between those processes by means of configuration. In other words, for an enterprise application to succeed, it must have embedded in it a deep understanding of a core business process and all the variations on that process. An accounting system, for example, must be able to handle US Generally Accepted Accounting Practices (GAAP) and European GAAP in the same system, switching on and off capabilities and applicable rules based on what country, division, or area the software solution is being used in.

In a sense, a business process expert plays the same role that the product managers and designers play in an enterprise software company. Business process experts must be able to look at the business processes in a company and assemble a solution that allows as much flexibility as possible to meet needs that are likely to occur. Flexibility isn’t required everywhere. Rather, companies usually have a core set of value-creating
processes that are the focus of innovation and optimization. The business process expert should play a leading role in helping business executives, enterprise architects, and the CIO craft the existing and future business process and solution landscape. The right combination of processes, solutions, and infrastructure will allow innovation and optimization to take place at the lowest possible cost and impact, just as well-designed enterprise applications allow customer needs to be met through configuration. In both cases, the optimal state occurs because the designers understood the scope of current and anticipated needs and prepared for them.

Success in the design of flexible and often cross-organizational business solutions is not the result of luck or accidents, but rather is the result of a deep understanding of the challenges faced by a business. Business process experts can learn from the general approach that enterprise software vendors like SAP take toward embedding business processes in their software. SAP for example has an integrated set of communities that gather high-level industry specific requirements (Industry Value Networks), design applicable code called web services (Enterprise Services Community), and then incorporate those services into the design of its products. SAP customers and partners participate in the Industry Value Networks and the Enterprise Services Community, bringing a wide breadth of experience to bear. SAP product managers also collect requirements from direct interaction with customers, through customer advisory councils, through user groups, and from analyst firms.

The process of gathering requirements and designing a product for a software vendor may involve hundreds or even thousands of people. It often takes place in cycles that span months or even years. Informally, business process experts can cast the same sort of wide net and imitate this process. They can systematically reach out to the people in the company who have knowledge and experience, like enterprise architects and executives, who are looking at defining the best path forward for the business.

In addition, business process experts must be well versed in the ways that enterprise software applications support business processes as they craft solutions that automate the optimal processes for a company. Of course, the optimal process may sometimes have to be compromised based on practical considerations. At times, it may make sense to take a step back from the optimal process and implement something that fits more easily with the existing capabilities of an enterprise software package, if the compromise does not greatly reduce the business value obtained.

The goal, of course, is to compromise as little as possible and implement solutions that are as close as possible to the current understanding of the optimal business process. Much of the excitement surrounding business process management (BPM), service-oriented architecture (SOA), and the associated tools for modeling business processes and building systems is driven by the hope that such techniques will reduce the gap between the optimal process and the capabilities of enterprise software to support it. The more knowledge business process experts have about the requirements for the optimal process, the capabilities of enterprise applications, and the potential for BPM and SOA, the better prepared they will be for playing a leading role in creating solutions that drive companies’ future strategies and products.

Business Process Standardization

Another valuable source of inspiration for business process experts can be found in the way business processes have been standardized in various industries and functional areas. When you take your credit card around the world and find you can pay for dinner in Mumbai, buy a book on Amazon from your desk in Palo Alto, purchase tickets to the FC Bayern Munich game in Munich, or rent a surf board in Costa Rica, all with a similar experience during the purchase no matter where you are, it is all based on implementation of standardized business processes and the business models that support them.

The world of standards is vast and complex and full of both positive and negative examples. The Internet is perhaps the biggest victory ever for technology standards, although the fact that your cell phone works in all the places you can use your credit card is not far behind. Supply chain business standards are, for instance, much more developed than other areas because the economics of global supply chains have brought a large return on investment for creating and adhering to these standards. In other industries, standardization has crept along slowly and not made much progress. Standards are sometimes developed by government, other times by consortia of companies who are interested in improving efficiency, and other times by one powerful player, such as Wal-Mart, which has been pressing for adoption of a standardized approach to RFID by its suppliers.

Business process experts need to be able to interact with and understand standards for business processes at many different levels. From an industry perspective, it is obviously important to understand the applicable standards and employ them in solutions. Companies can also benefit from playing a role in setting or improving standards. Much of the activity in modern standards-setting is focused on the development of web service APIs that allow business to be transacted safely and securely across company boundaries.

Just as business process experts can imitate the designers of enterprise software, they can also apply the broader lessons of standards setting to their own companies and ecosystems of partners. One common pattern of standardization is applied to the financial rollup of acquired companies. Instead of converting acquired companies to a common ERP system, some conglomerates have defined a set of web services that answers queries for financial information required for statutory reporting. To become part of the financial rollup, the acquired company must implement these web services. Using this approach, acquisitions can be fully integrated into the financial reporting processes in a matter of weeks. Business process experts frequently find opportunities for similar standardization in their day-to-day work consulting at companies. As standardization increases, they find that their focus is far more about creating effective applications to achieve business results than achieving efficiencies through standards. In other words, standardization paves the way for innovation. For people who use only landlines, it is a lot more difficult to understand the benefits of an iPhone than it is for people who already have a cell phone.

The Business Process Perspective

It is all well and good to recommend that business process experts should be advocates for the business process perspective, the point of view that recommends first understanding what your ideal way of working should be, and then seeking support to make that happen using technology as well as cultural change. But this is just the beginning. A complete definition of the business process perspective adds more meat to this concept and addresses how a company must change, add, or remove inefficient processes, how communication must occur, and how solutions must evolve in order to reap the most benefits.
An Advocate for the Process Perspective

As an advocate for the business process perspective, it is not the primary task of business process experts to lead the process of transformation. Rather, it is their task to convince the organization that the business process perspective is the right way to organize a business so that many leaders can emerge from all levels of the organization and effect change to improve business results. In that respect, the first thing that a business process expert must do is in essence get him or herself elected as a credible representative of the business process perspective.

Let’s imagine that a business process expert was running for the position of advocate for the business process perspective and had to convince other employees to elect him or her. Perhaps the best way to summarize the way that a business process expert would pursue such advocacy is to imagine what kind of speech he or she would give to an audience of voters to gain their support. Such a speech might sound like this:

My fellow employees, please allow me a moment to let you all know why I want to be elected as advocate of the business process perspective and what I plan to do if elected.

First of all, I am not going to run a negative campaign. I know that some of you are cynical about change in general and technology in particular. I’m not going to dwell on past failures caused by applying technology without using the business process perspective.

I am not going to blame IT staff who sometimes overpromised but underdelivered because they were excited about technology functionality but forgot to consider business value.
I am not going to criticize people who think only in terms of existing applications and ignore what technologies like mashups and composite applications could do.

I am not going to get mad at people who see everything in terms of development tools and turn every challenge into a custom development project in ABAP, or Java, or Ruby on Rails.

I won't waste time worrying about perfectionists who invent ornate business processes. It is great to be ambitious, but we must always test requirements against experience.

I especially am not going to enter into a tirade against people who resist change by protecting their turf or refusing to learn new techniques. We must have compassion for people who resist change because the world seems to make them suffer for their attitude.

To dwell on such negativity would get in the way of the important work we have to do to move this company toward the business process perspective.

I have thrown my hat in the ring for the honor of helping advocate for the business process perspective because we are a good company on the way to being great. I know one thing for sure. We are not going to get there unless each and every person in this company knows what must be achieved and why. Everyone must know why their job is important and their place in the overall process.

It shouldn't take much faith to believe that adopting the business process perspective can help us. If there weren't commonality in business processes, enterprise software like ERP wouldn't have become billion dollar industries.

Looking at how technology standards like web services led to business process standards, the power of the business process perspective is clear. Amazon and eBay now take in almost as much revenue through their web service APIs as they do from their web sites.

Both enterprise software and standards are based on the business process perspective. Part of adopting the business process perspective means focusing on making our businesses run properly, not focusing on technology. After we understand what to do, we can focus on how to get technology to help. Too often, technology is so exciting that we let the "how" crowd out the "what."

Making the most of the business process perspective means understanding where we are with respect to business processes. In some areas, everyone is aware of each other, with core processes automated and the important data captured. We share information and optimize performance by tuning processes.

In other areas of our company, we have little awareness of the big picture. The processes were not consciously designed, but emerged by accident based on application capabilities or an inadequate understanding of the needs of the business. In these areas, we must take a step back and think about the right way to do business, looking at it from an outsider's perspective. We must communicate that vision, refine it, and incrementally move toward it.

The work of the business process expert is the art of the possible because the next step we take is rarely a leap to a full implementation of our vision. The only way to find out if our vision for the optimal process is correct is to try parts of it and see if our instincts were right. Much of the time, experience shows us that only part of our vision was needed.

I think this is the best time ever to be a business process expert. We have a rich technology foundation. Enterprise applications like ERP are in place and working well. Web services combine data and functionality into composite applications. Web 2.0 technologies like blogs and wikis create a rich fabric for collaboration. If we start with the process, we will all reap the benefits.

As excited as I am, we must be humble. If this were easy, everyone would have done it already. Sometimes we will be faced with seemingly impossible problems. There will be bumps in the road. Change is never easy and that's why learning how to change provides us with an advantage.

So, if you don't elect me, please elect somebody to champion the business process perspective. I think that changing our collective thinking to be focused on business process is the most important thing we can do to ensure our future success.