internal revenue service

BPrM: The CIO's Ticket Back to the Corporate Mainstream

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The IT profession has suffered a thousand cuts over the past decade. In many organizations, the CIO position has lost status, and its place on organizational charts has been marginalized.

One of the key reasons is that the CIO's role has traditionally been viewed as a support function, which by definition comes with its own constraints. In order to gain leverage in the decision-making process and exert a greater influence in a company's operations, CIOs need to embed their IT organizations in the revenue-generation process.

CIOs have traditionally catered to the information requirements of people within their organizations. To become more effective, they must expand their focus to include customers and vendors, paying special attention to attracting and serving the customers who provide the revenues essential for the organization's very existence.

The information, automation, and support needs of the CIO's IT organization will therefore change as a result of this market/revenue focus. CIOs must refocus their priorities and goals, placing particular emphasis on integrating channels of delivery, creating integration links between information silos, creating the flexibility necessary to change process configurations and definitions as needs change, and, most importantly, identifying opportunities to use variable or utility pricing (as opposed to infrastructure pricing) for identified solutions.

As we discuss in this article, the emergence of business process management (BPrM) technology presents CIOs with an opportunity to deliver on these requirements, making the CIO an essential part of the operational and strategic parts of the organization.

THE RISE AND FALL OF THE CIO ROLE

The role of CIO arose in response to the need that corporations and government organizations had to put one individual in charge of the rapid adoption of computer-based technology. The CIO's role began in the 1960s with the implementation of mainframe software applications designed initially for accounting purposes and then, depending on the organization, for other core functions such as human resources, production, sales, and inventory control. At the beginning of the information technology age, few people understood IT or had the skills needed to make it work in a large organization. Both public- and private-sector entities saw the need to reward those who had this expertise, and the result was the creation of high-level CIO positions throughout industry and government. The rise of the PC in the 1980s, however, created conditions that started a move toward commoditization of IT, and one result has been a subsequent reduction in the corporate status of those in the CIO position.

This trend accelerated with the advent of vendor-provided ERP and CRM software, which more often than not went notoriously over budget and demanded that organizations make significant changes to business processes in order to implement these systems. In addition, complex CRM and ERP systems are big-budget projects that often require the assistance of third-party IT consultants, increasing costs even more. One of the unintended consequences of this has been the relative decline in status of the traditional CIO. Without the ability to implement these projects with internal resources, the CIO's role has been reduced to that of being a coordinator of third-party consultants.

Although the results of ERP implementations have often been disappointing, the problem with these

ERP systems has not been the software itself, but rather the need to customize the software to fit the unique business processes that typically exist within each company. Organizations trying to implement a one-size-fits-all ERP system have found themselves facing the daunting task of having to reengineer each of their business processes to conform to vendor-supplied, hard-wired ERP software solutions that reflect the way business processes supposedly "should" work, as opposed to what might be best for each individual organization.

ERP implementations carry significant costs for an organization. The up-front license costs and the ongoing yearly maintenance costs are not inexpensive. In addition, the need to reengineer business processes can be internally disruptive and push other needed projects further down the priority list. Implementation time is often months longer than expected, and future modifications often require costly customization. The budget dollars to do this reengineering are often dollars that have been drained away from the CIO's budget, thus further marginalizing this position within the organization. Even more frustrating is the realization that after organizations spend all of this money on these enterprise-class solutions, the applications lack the necessary flexibility to adapt to changes in environment, business processes, and evolution in the organization over time, leading to a disconnect between solutions and users.

Another significant problem is that these solutions come with an infrastructure cost model that requires significant up-front investment and a long gestation period before any results can be seen. To be fair, these past investments in technology are now being absorbed and have resulted in some improvement in operational efficiency. However, the goal of ERP advocates to fully integrate all key functional aspects within an organization has remained elusive.

CIOS: THE REALITY TODAY

Revenue generation is critical for any organization. Those role players in an organization that contribute to revenue generation typically control the decisions about what investments are needed to make that revenue generation possible. Since in most organizations the CIO is a support role and not a revenue role, there is seldom any opportunity to play a significant part in the organization's decision making. For this to change, the CIO needs to be embedded in the revenue-generation process.

Technology-driven organizations that have embraced the role of technology and use it to bring their products and services to market have placed key executives in the CIO position. Certain leading financial services organizations and leading Internet retailers are prime examples of such organizations.

CIOs must explore additional strategies to bring value to their

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organizations and search for better ways to provide and pay for new technology. They must identify ways to bring operational improvements to their organizations with minimum risk of failure, at a reasonable cost, and without the delays that have been problems in the past. CIOs who can accomplish these tasks will see their status within the organization rise and find themselves recognized as corporate heroes.

WHAT IS REQUIRED: FIVE SUCCESS FACTORS

The pathway to success for the CIO has five key success factors, and any successful information technology strategy needs to address these:

1. **Customer focus.** CIOs need to insert themselves in the process of revenue generation, which will give them the necessary maneuvering room for other initiatives. To achieve this key objective, they need tools that are adaptable to the changing needs of the marketplace; that help integrate disparate systems in order to provide relevant information to customers in an accurate, efficient, and timely manner; and that help deliver these through

different channels — phone, fax, portal, e-mail, paper.

2. **Adaptable architecture.** Any strategic solution the CIO considers should have the flexibility to deliver support for changing business processes. CIOs can increase the probability of success by using tools and technologies that not only provide a good initial fit but also have an architecture that supports easily changing configured processes at minimal cost. An adaptable architecture allows the organization to leverage the same investment in ever-changing business scenarios and provides the flexibility needed to achieve the most cost-effective solution for process execution.

3. **Time to market.** Another important aspect of any proposed approach is the speed at which solutions can be delivered to users, customers, and vendors. This means accelerating all the activities of a project from concept to execution (i.e., system design, configuration, and implementation), with the ultimate goal being the delivery of information to the customer in a timely fashion.

4. **Open, interoperable technologies.** The CIO who invests in solutions based on open technologies will have the flexibility to leverage existing infrastructure and keep a wider variety of options open both in terms of computing infrastructure and the kind of "experts" and "expertise" required.

5. **Utility pricing.** Equally important for CIOs is to have maximum flexibility when committing an organization's resources to new initiatives. CIOs must be able to easily switch technologies, products, and tools if they find a certain approach does not work. Utility or usage-based pricing models will help the CIO to meet this requirement.

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THE BPrM STRATEGY

The BPrM approach has emerged over the past several years, and it holds the promise to address most if not all of the issues discussed above. In its most basic form, BPrM helps automate and streamline business processes. It does this efficiently and without having to resort to time-consuming engineering tasks. Built on top of a relational database, BPrM allows for process simulations, captures transactional information, and provides managers with process dashboards and the ability to access statistical reports and documents via a secure Web portal.

HOW CAN BPrM HELP?

BPrM stands in contrast to the traditional approach of managing the entire system development, deployment, and maintenance lifecycle. This approach either deployed off-the-shelf products and customized them to the extent possible or involved the design and use of custom applications. The solutions that these approaches provide have the disadvantage of being "hard wired." This makes it difficult for organizations to easily adapt them to changing market and business conditions or alter them if the requirements were not properly understood in the first place.

The BPrM approach and the tools that subscribe to it have the capability to integrate different silos of information and configure changes to business processes — making it possible to rapidly configure, deploy, and implement processes. This will help CIOs achieve their objective of being more responsive to the needs of information consumers. BPrM tools, because of their ability to map and configure business processes on a living-breathing enterprise deployment platform, offer an ideal means of beginning to attack these issues. An end-to-end BPrM solution can help integrate different applications already in production as well as provide a way to unify delivery channels.

Disparate systems, isolated implementations, and paper are some of the worst obstacles to achieving success with business process improvement initiatives. Integrating these information silos and filling functionality gaps is perhaps the first, most significant step toward

a whole new level of process improvement. Accomplishing this is not easy, but there are some strategies available with BPrM technology that will make it easier to achieve this goal.

Hands Off the Business Processes!

One of the biggest advantages of the BPrM approach is that there is no need to reengineer business processes, an activity that carries a tremendous business dislocation risk. While business process reengineering has its merits, any reengineering exercise should be mandated by business needs rather than dictated by the requirements of implementing a hard-wired solution. The BPrM approach facilitates replication rather than replacement of current business processes. Any solution should work with "the given" in an organization — starting with its people. The BPrM approach helps capture the organizational structure, the roles in the organization, and the designated individuals who fill those roles.

What makes BPrM technology singularly applicable to meeting the needs of CIOs is its ability to map, configure, and deploy business processes without the need to write custom software code. What used to take weeks and months of software development time can now be done in hours and days. Further, changing a process once built and implemented is no longer a time-consuming and expensive task. All this places CIOs in a position where they can respond rapidly to the changing needs of information consumers.

What We Have Here Is a Failure to Communicate...

BPrM technologies also provide a solution to the problem represented by those standalone silos of information that can't communicate with each other. This problem has arisen because of the way information technology has evolved. Applications and databases were created to store information related to a specific problem or functional area within an organization, such as production, inventory, or accounting. These were developed at different times and often without consideration being given to other organizational units.

Moving information from one silo to another is not an easy task. The result is that when information needs to be exchanged, the process often breaks down. It typically requires communication using spreadsheets, documents, faxes, e-mails, or phone conversations. This leads to duplication of work, threatens the integrity of data, and introduces inefficiencies into a business process.

While all of this may not seem significant with respect to any one person or activity, when taken as a whole across all functional areas within an organization, the impacts on cost and responsiveness to the information consumer are huge. Most BPrM tools provide features needed to ease data interchange with other databases and legacy systems. This means that disparate databases and application systems can now "talk" to each other. As a result, BPrM technology has

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greatly improved the potential for business process improvement and increased the organization's ability to respond to information consumers.

Play by the Rules

BPrM tools are designed so that business rules are embedded in the process. Participants in a process are required to follow these business rules in order for a given transaction to move forward. Compliance with company policies and government regulations such as the US Sarbanes-Oxley Act thus becomes easier to enforce and manage. With BPrM's strong reporting and tracking capabilities, managers at all levels now have a tool with which to develop performance standards and the metrics by which to measure success. The net result is better information on which to base decisions, and the person at the center of making these improvements possible is the CIO.

Transact, Document, Calculate...

As complex entities, organizations spend significant resources communicating internally and externally with vendors, partners, regulators, and customers — the information consumers. Transmitting documents as e-mail attachments has certainly been an

improvement over sending hard-copy documents by mail and fax. E-mail, however, is only a partial solution. While e-mail messages facilitate quick communication both internally and externally, the information they contain still needs to be filed and stored for later use. Users can save the electronic files within their e-mail program or print out the e-mails and file them with the other related paper documents. Neither solution is very efficient.

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The goal of better information delivery can be achieved by unifying the worlds of document processing and transaction processing. This can be done by providing unified document repositories and transaction databases that can be accessed with a Web browser from any location with Internet access. This would directly lower the cost of retrieving information in a timely manner.

And Then Automate and Integrate

Organizations have made great progress in automating their core business processes. However, processes that involve paper and some form of manual activity still remain in every organization, and they consume a disproportionate amount of an organization's resources. BPrM can be used to streamline these remaining paper-intensive and manual processes. Most business processes still require people to use e-mail, fax, or phone. There is an enormous opportunity to increase efficiency by automating these processes are enormous, and the CIO now has a technology solution available that can make this possible on an incremental basis using internal resources. Because of BPrM's flexibility, it can be used to automate processes that are small in nature and involve non-standard components. BPrM also makes it possible for the CIO to provide a quick action response in a corporate environment that increasingly faces change driven by market reactions and regulations.

BPrM technology has emerged and matured over the past three to four years. There are several vendors that now offer this software, and each product offers its own unique features and user interface. What all of these solutions have in common, however, is the ability to automate almost any business process regardless of industry or functional area.

Each step in a process usually has some activity that needs to be streamlined and automated. BPrM software has process modeling and configuration components to design and replicate these activities. Using these BPrM features, an organization can specify and configure the business rules associated with each step in the process. The process can then be deployed without having to expend time and money reengineering it.

BPrM solutions also provide features that allow administrators and managers to track and monitor the status of every transaction in a process. Some BPrM systems have a built-in simulation tool that allows planners to do "what if" analysis to identify and cure potential system bottlenecks.

WHAT ARE THE BENEFITS OF BPrM FOR THE CIO?

Looking at the five key success factors for a successful technology strategy, BPrM gives the CIO what is needed to address these challenges. BPrM is a strong customer focus tool because it is adaptable to the rapid economic and financial changes that result from changes in consumer tastes, rising or falling interest rates, and global market forces. When change comes, as it inevitably does, BPrM's adaptable architecture enables a quick response to market changes that is impossible with hard-wired applications. A corollary of this is the speed that BPrM offers in the quest for ever more rapid time-to-market solutions. BPrM's open, interoperable technology and the fact that it can be priced on a utility basis also provide potential cost savings. With the advent of BPrM, the CIO can be a catalyst for significantly improving the organization's operations on both the revenue-generation and cost fronts. With

BPrM, CIOs now have a tool to provide the necessary speed, flexibility, and integration between systems and channels of delivery. These systems become more responsive, thus resulting in better customer service, increased satisfaction, and higher revenues.

In terms of developing automated systems, what used to take weeks and months can now be done in hours and days. Keeping automated processes in sync with changing requirements is made more affordable due to the flexibility inherent in the BPrM approach. By increasing productivity (and thus reducing costs), BPrM offers another significant opportunity for CIOs to create value for their organizations.

It is clear that because of BPrM, the time is ripe for CIOs to reestablish their leadership position in using technology to improve the operations of their organizations.

BPrM is now a key factor that will help CIOs make more money for their companies. While BPrM can add dollars to the bottom line through cost reduction, remember that it is revenue enhancement that will attract the most attention and result in a new corporate status for the CIO.

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