The Open Group Conference London 22nd Enterprise Architecture Practitioners Conference

Workshop: How BPM Governance Can Exploit TOGAF™ 9 to Create Value for the Enterprise

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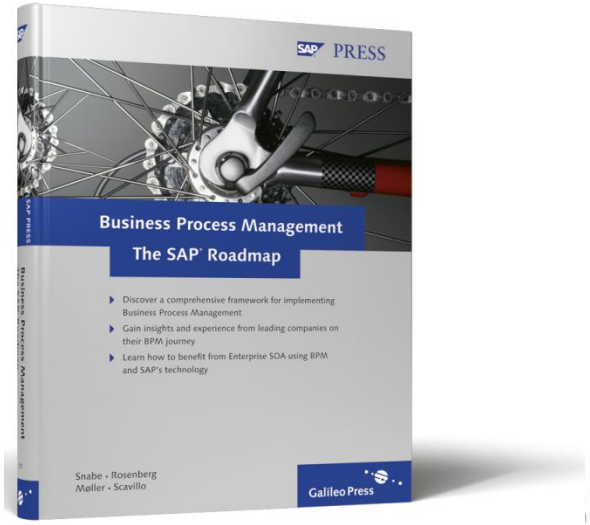
London, 28th April 2009



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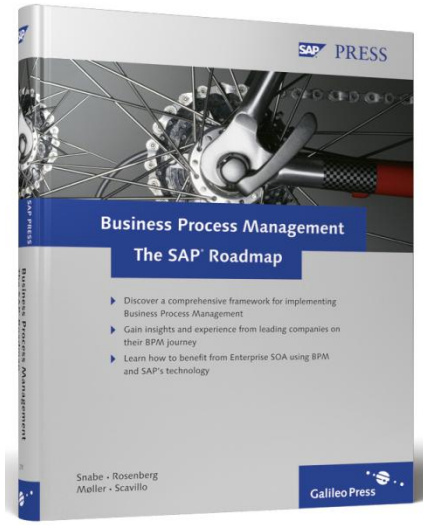
Agenda

Evolution of Process Management and Enterprise Architecture

Explore the SAP BPM Governance Framework

Connections between BPM Governance and TOGAF 9/SAP EAF



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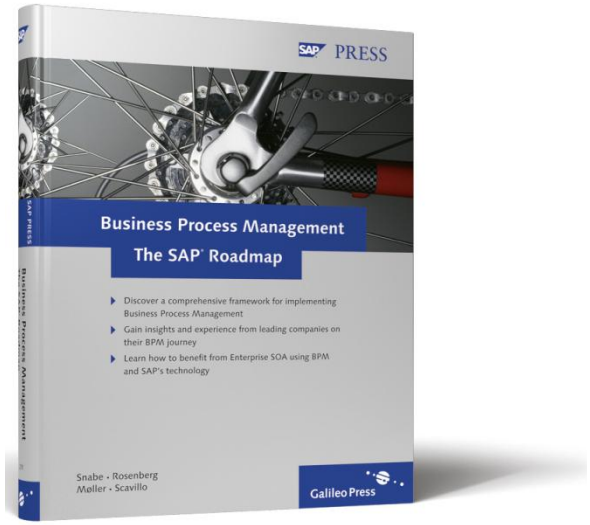


Business Process Management Is a Management Discipline

***Business Process Management (BPM) is a management discipline* that requires organizations to shift to process-centric thinking, and to reduce their reliance on traditional territorial and functional structures.**

BPM requires and enables organizations to manage the complete revision cycles of their processes, from process design to monitoring and optimization, and to change them more frequently to adjust to changing circumstances.

The development of BPM technologies is enabling business managers to abstract process flows and rules from the underlying applications and infrastructure, and to change them directly.

***BPM is neither a technology nor an updated version of BPR. It is an IT-enabled management discipline*. It represents a fundamental change in how business manage and run their processes**

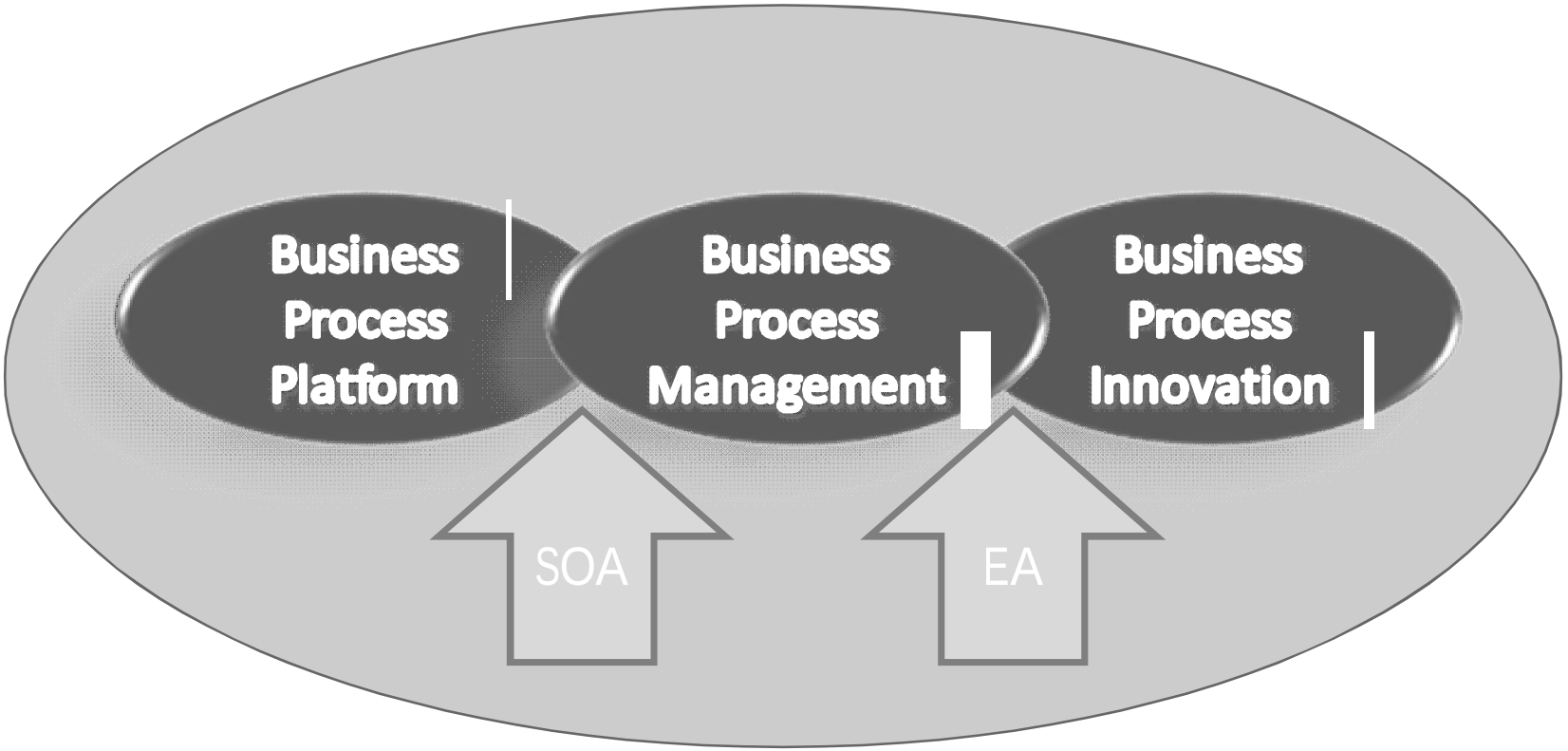
Source: Gartner Business Process Management Summit 2007

What drives BPM

- **Economic downturn** necessitates improvement in business processes.
- Volatile business environments require **frequent business process change**.
- Regulatory and compliance requirements increase need for **process transparency and consistency.**
- Globalization and proliferation of networked business relationships increase process complexity, driving the need for more process visibility.
- Business stakeholders are more technology-savvy.
- **Technology can now support model-driven manipulation and composition of processes throughout the process life cycle.**

Source: Gartner Q4 2008 – Market Trends

A New Strategic Context for BPM



Source: Business Process Management - The SAP Roadmap

What drives BPM - BPM Use Cases

Process-Based Application

- Business buyer (supported by IT)
- Rapid time to solution for new application
- Extension to existing applications
- **Goal is broader, and better coordination of mission-critical process**
- Budget Trend: typically single project

Redesign for a Process-Based SOA

- IT and business buyer
- Improve visibility and change management
- **Goal is application rationalization and modernization**
- Budget Trend: Level funding, increasing investment if combined with CPI or shared services

Continuous Process Improvement

- Business and IT as buyer
- BPM is a program, consisting of multiple projects
- **Goal is business agility for key processes**
- Budget Trend: Level or increasing investment

Business Transformation

- Senior business executive as buyer
- Rethink entire business process
- **Goal is make a "game-changing" play**
- Iterative versus “big bang” approach to achieving transformation
- Budget Trend: Level or increasing budget

Source: Gartner Q4 2008 – Market Trends

http://www.gartner.com/it/page.jsp?id=855612

Top 10 Business Priorities	Ranking	Top 10 Technology Priorities	Ranking
Business process improvement	1	Business intelligence	1
Reducing enterprise costs	2	Enterprise applications (ERP, CRM and others)	2
Improving enterprise workforce effectiveness	3	Servers and storage technologies (virtualization)	3
Attracting and retaining new customers	4	Legacy application modernization	4
Increasing the use of information/analytics	5	Collaboration technologies	5
Creating new products or services (innovation)	6	Networking, voice and data communications	6
Targeting customers and markets more effectively	7	Technical infrastructure	7
Managing change initiatives	8	Security technologies	8
Expanding current customer relationships	9	Service-oriented applications and architecture	9
Expanding into new markets and geographies	10	Document management	10

Source: Gartner EXP (January 2009)

BPM Facts

Between September and November 2008, Gartner BPM analysts interviewed more than 40 BPM customer references for the forthcoming 2009 BPMS Magic Quadrant report.

None of these organizations reported budget cuts to BPM projects this year or anticipated them in 2009

Most indicated that investments in BPM would outpace other investments over the next 12 months

Quotes from BPM customers:

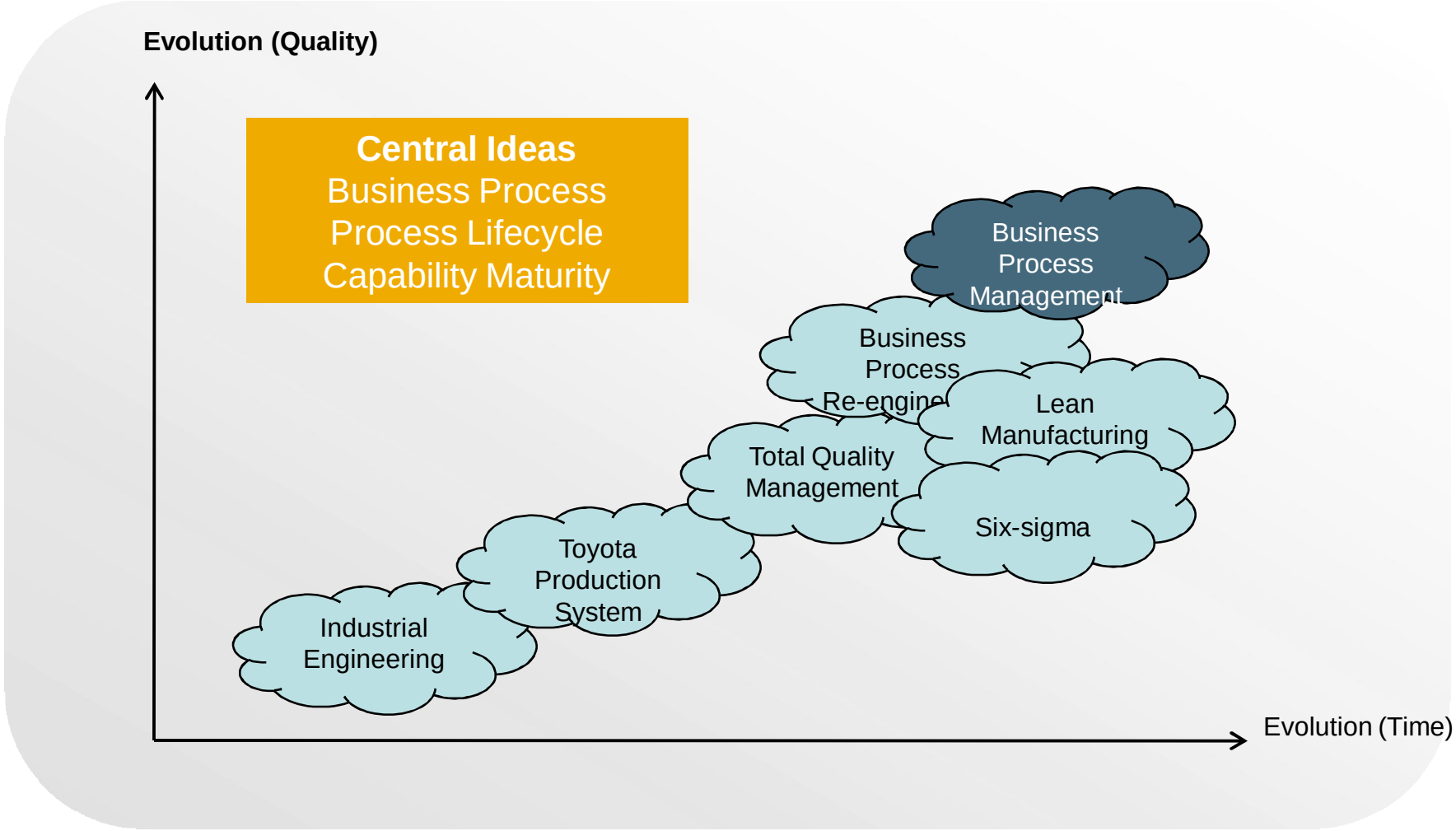
"I don't have to budget extra funding for BPM. BPM is a faster way to do what's already in my budget and at 1/6 the cost." – *CIO Global Insurance Company*

"I've reduced my IT budget by 30% and tripled output to support the business, by using BPM." – *CIO Auto Manufacturer.*

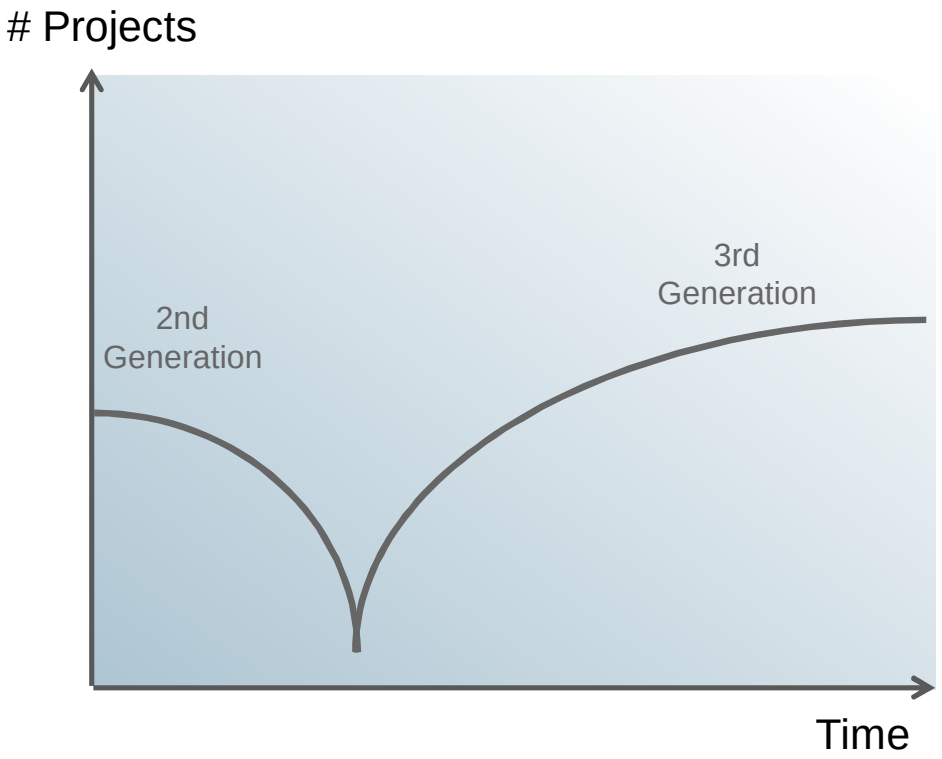
"BPM is a very 'lean' approach – no pun intended. BPM projects are escaping budget cuts because they offer rapid ROI that is visible and believable to the business." – *PLM Manager, Discrete Manufacturing.*

Source: Gartner Q4 2008 – Market Trends

The Evolution of Process Management



From 2nd Generation to 3rd Generation



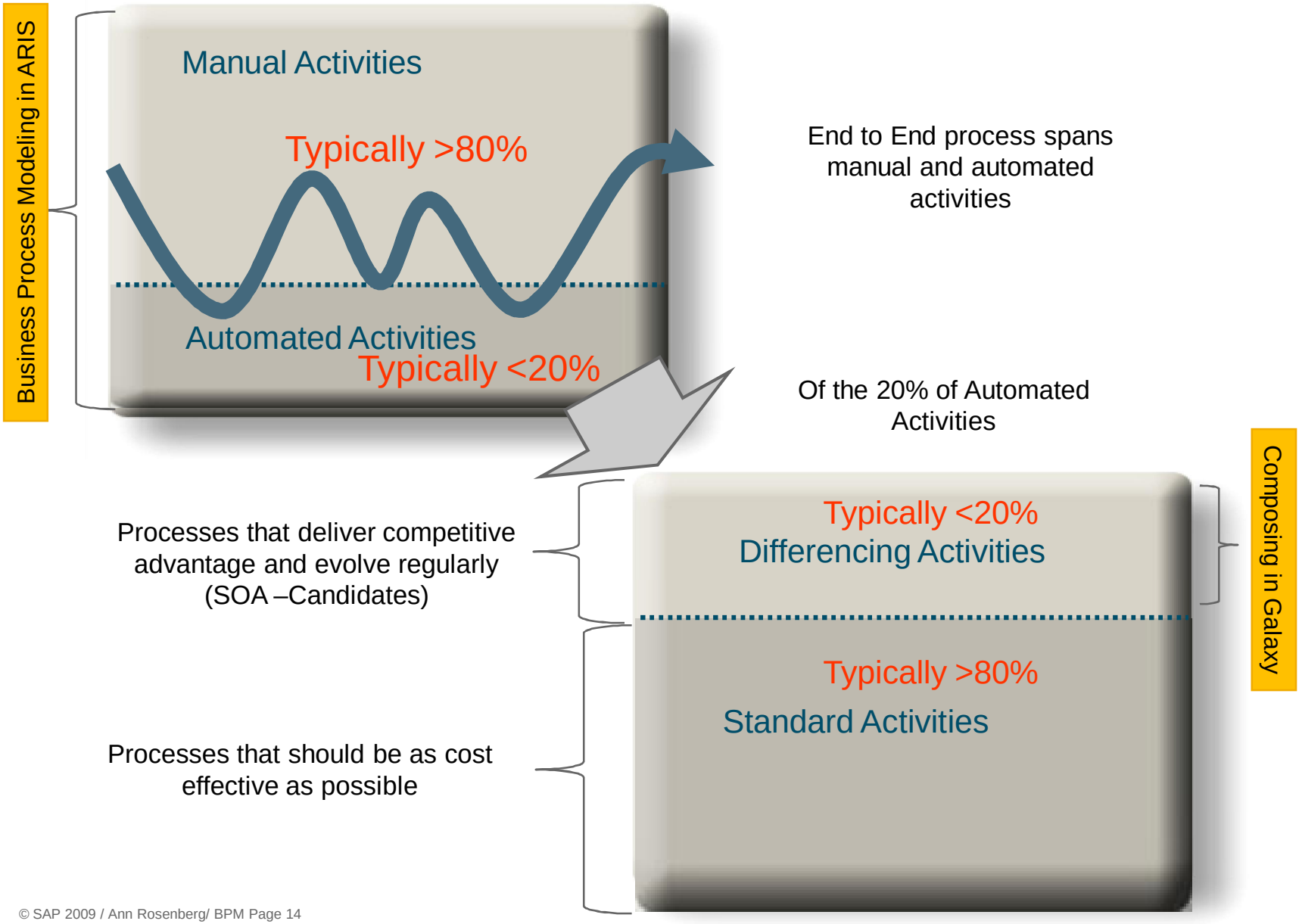
Architectural Maturity Stages, by Ross
Companies move from standardization to business modularity

History → Today → Future

	Business Silos	Standardized Technology	Optimized Core	Business Modularity	Dynamic Venturing
IT capability	Local IT applications	Shared technical platforms	Companywide standardized processes or databases	Plug-and-play business process modules	Seamless merging with partners' systems
Business objectives	ROI of local business initiatives	Reduced IT cost	Cost and quality of business operations	Speed to market; strategic agility	ROI of new business ventures
Who defines applications	Local business leaders	IT and business unit leaders	Senior management and process leaders	IT, business, and industry leaders	IT, business, and industry leaders and partners
Strategic implications	Local/functional optimization	IT efficiency	Business/operational efficiency	Strategic agility	Organic reconfiguration

Source: Ross et. al, 2006

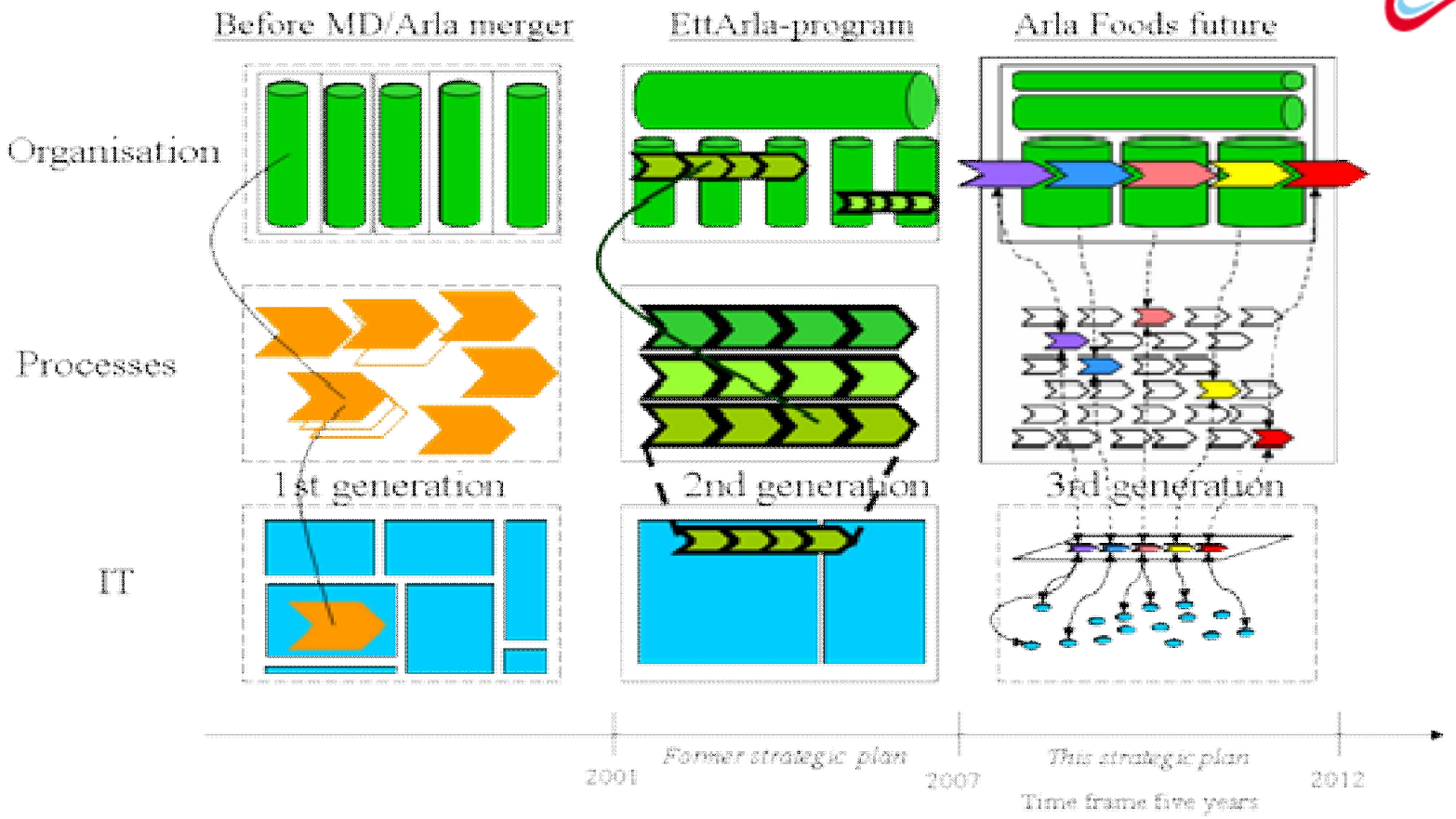
Business Process Management covers both automated and manual perspective



Case study “Arla Foods “IT history” and the direction outlined in the strategic IT plan for 2007-2012.”

(Ross, Standardized Technology and Optimized Core)

(Ross, Business Modularity)



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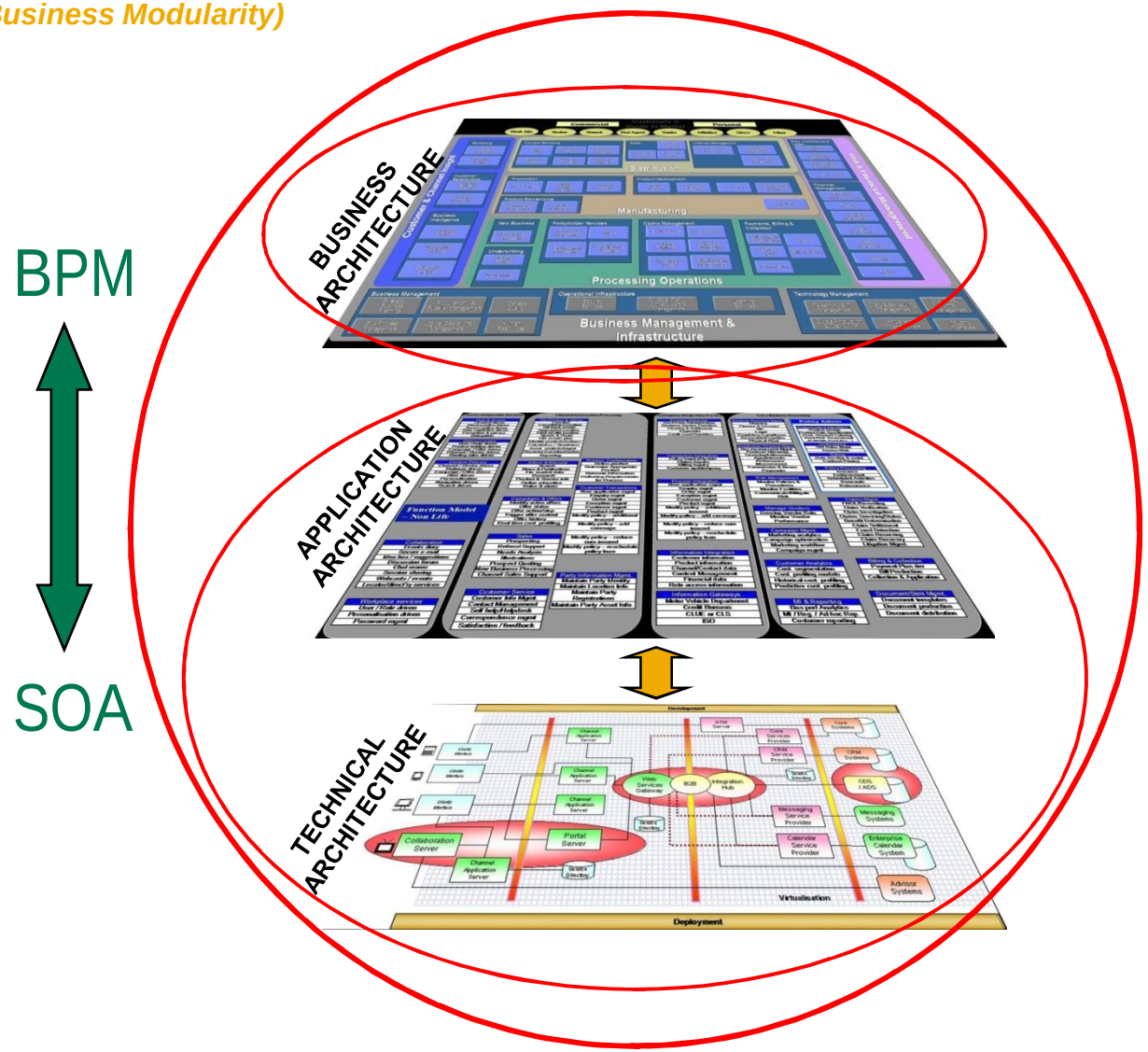
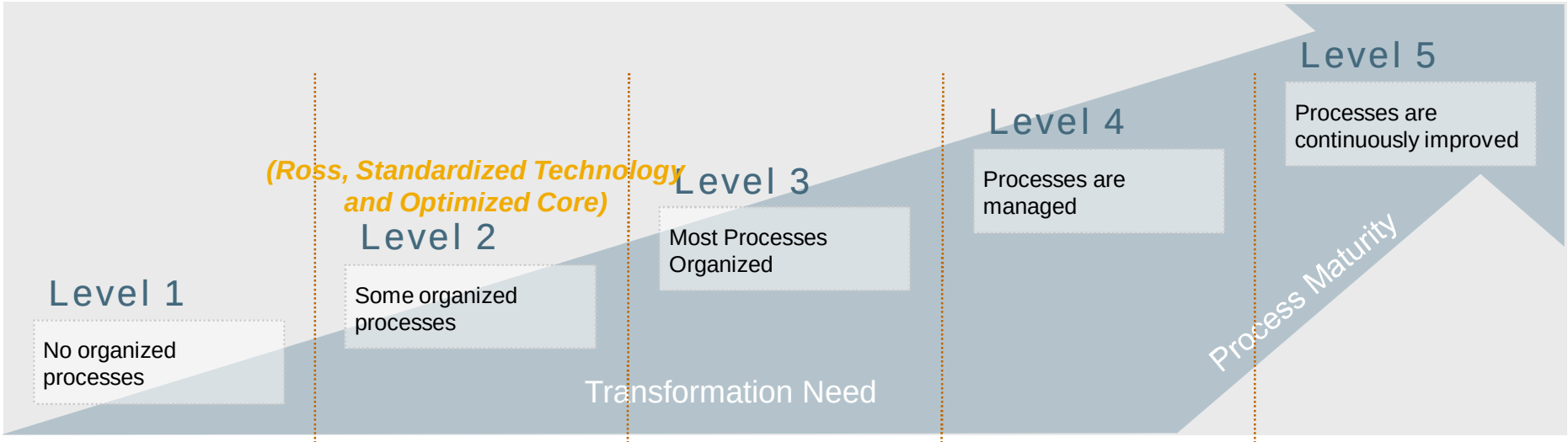


Service Oriented

Enterprise Architecture

The process maturity journey which is needed to execute Business Modularity

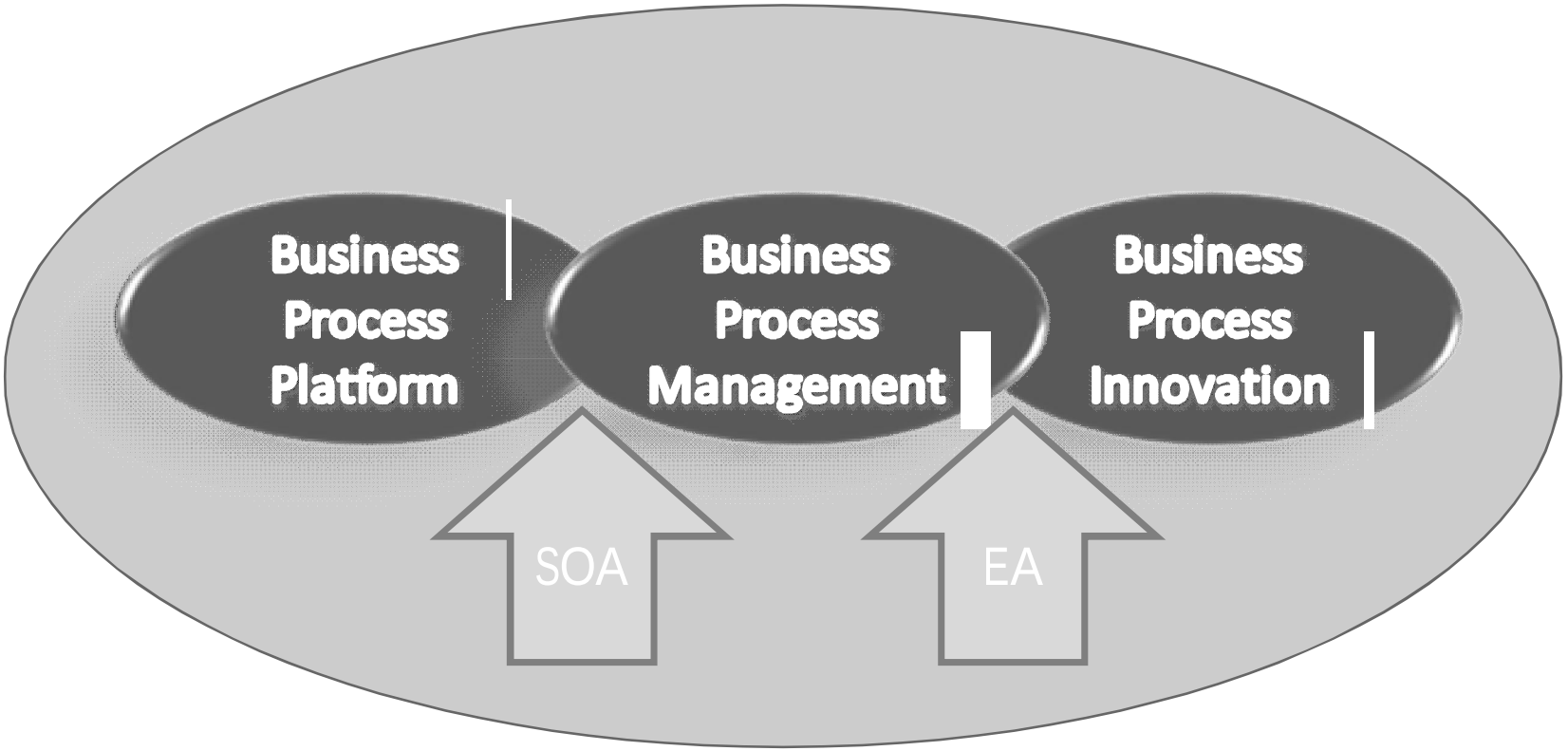
(Ross, Business Modularity)



A culture of heroes	Processes are improved at the work group or department level	Processes are organized and redesigned at the enterprise level	Processes are measured and managed systematically	Process Teams continuously improve processes
• New Functionality	• IT cost reduction and control • Reduce time-to-market • Documented processes	• Business responsiveness • Change business process quickly and effectively	• Transformation from reactive to real-time • Increase Transparency	• Business optimization • Increase decision quality • Optimization across boarders of Bus.& IT

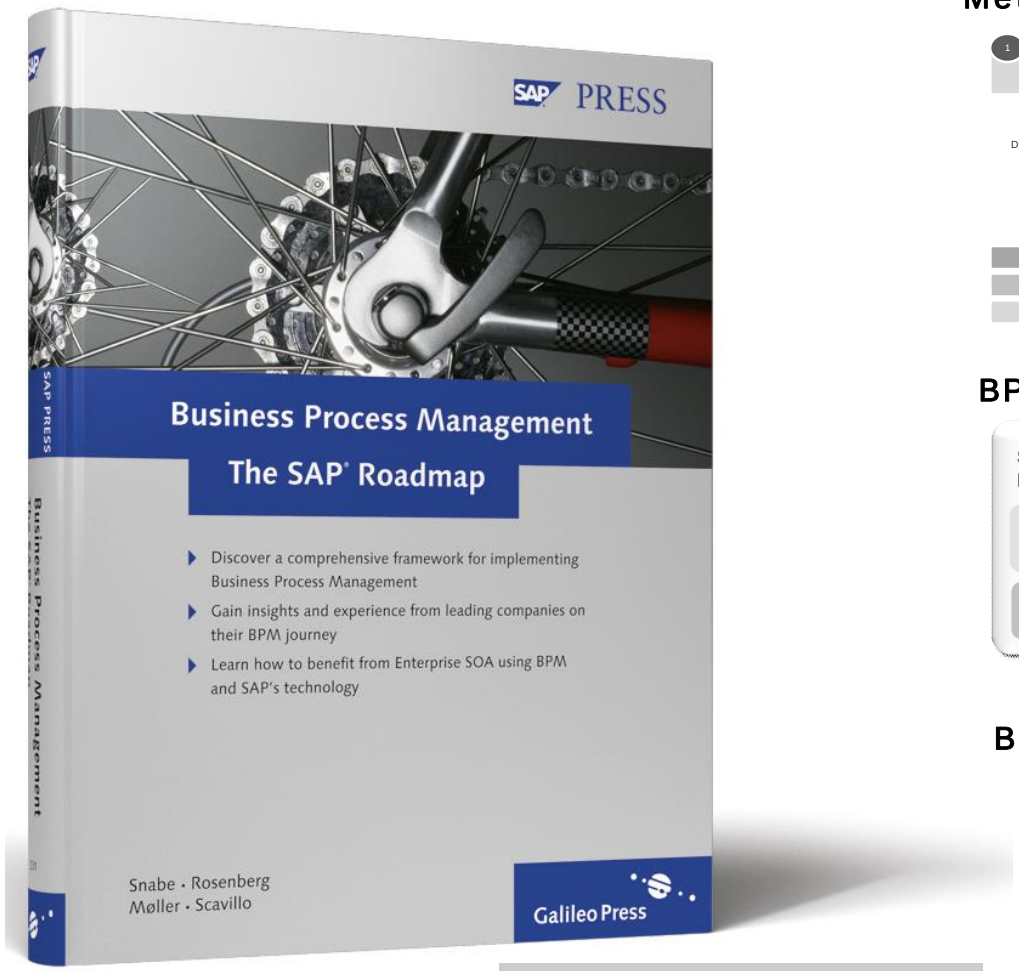
Based on CMMI

A New Strategic Context for BPM



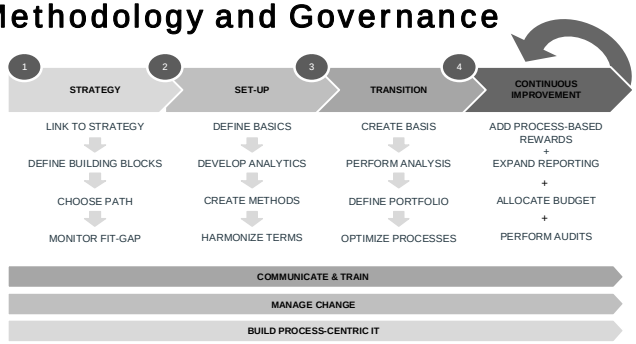
Source: Business Process Management - The SAP Roadmap

SAP's Roadmap for Business Process Management (BPM)

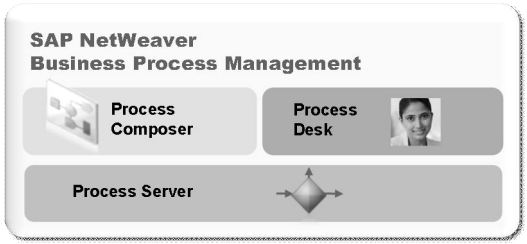


voted #3 in terms of popularity on www.sappress.com.

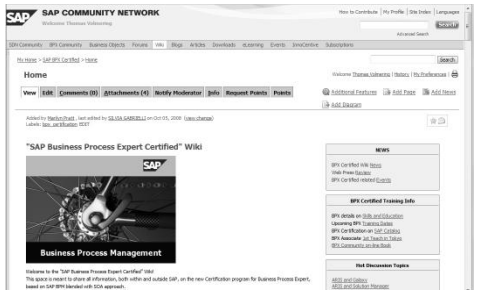
Methodology and Governance



BPM Technology



BPX Certification and BPX Community



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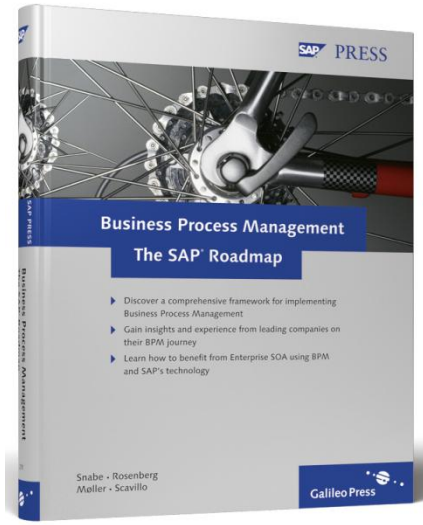
Connections between BPM Governance and EAF/TOGAF 9



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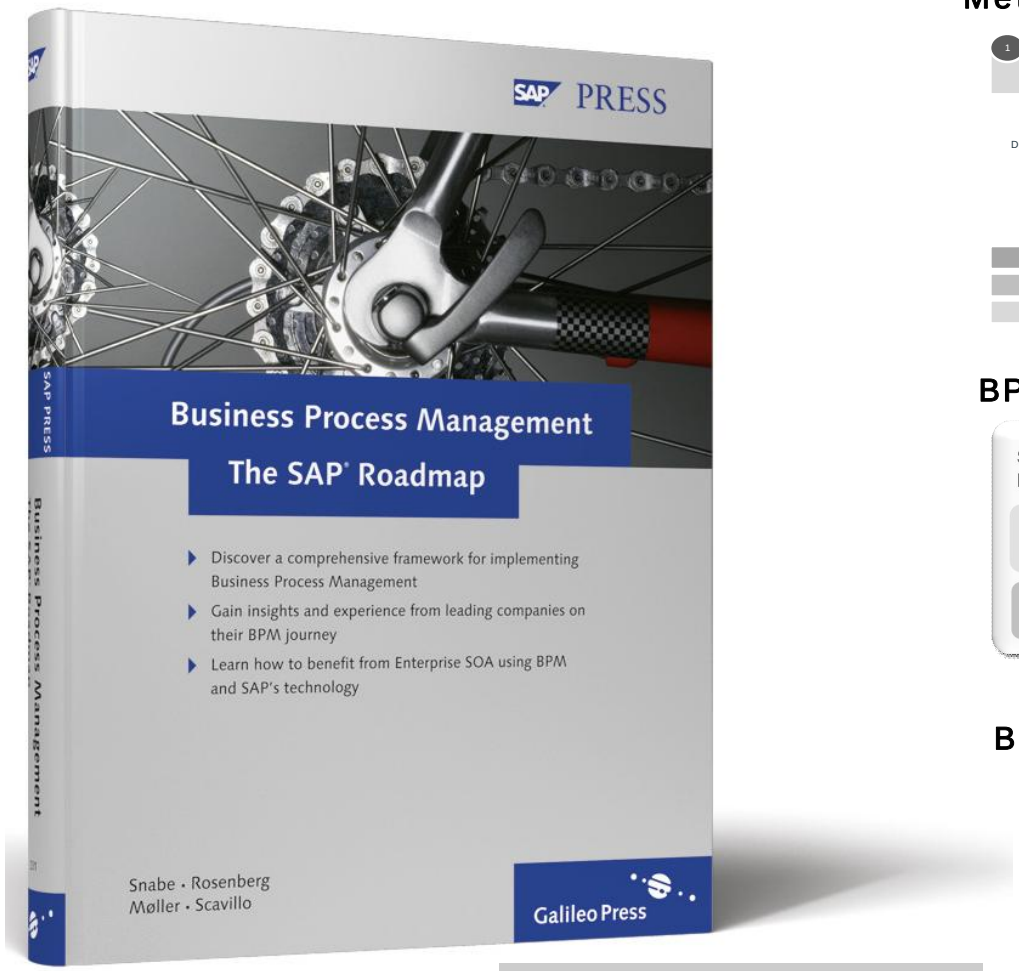

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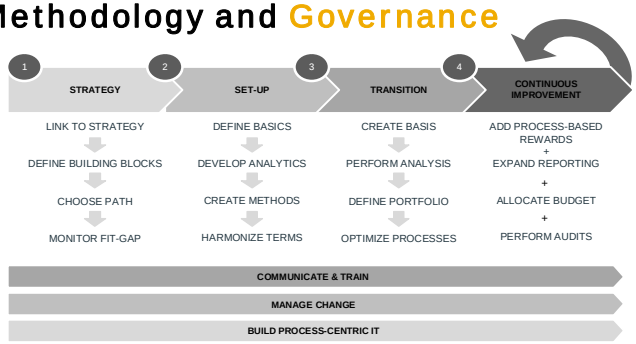
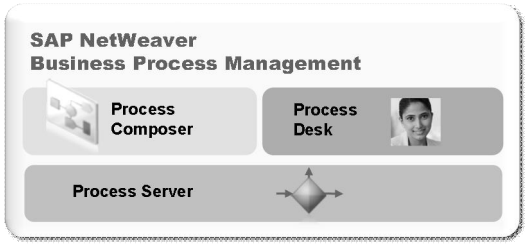


BPM Technology



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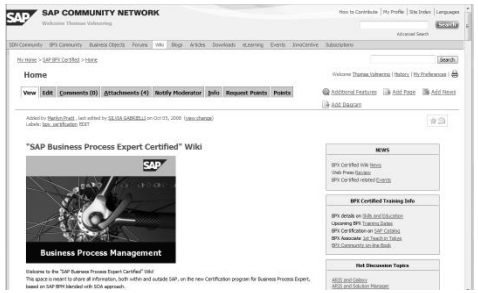
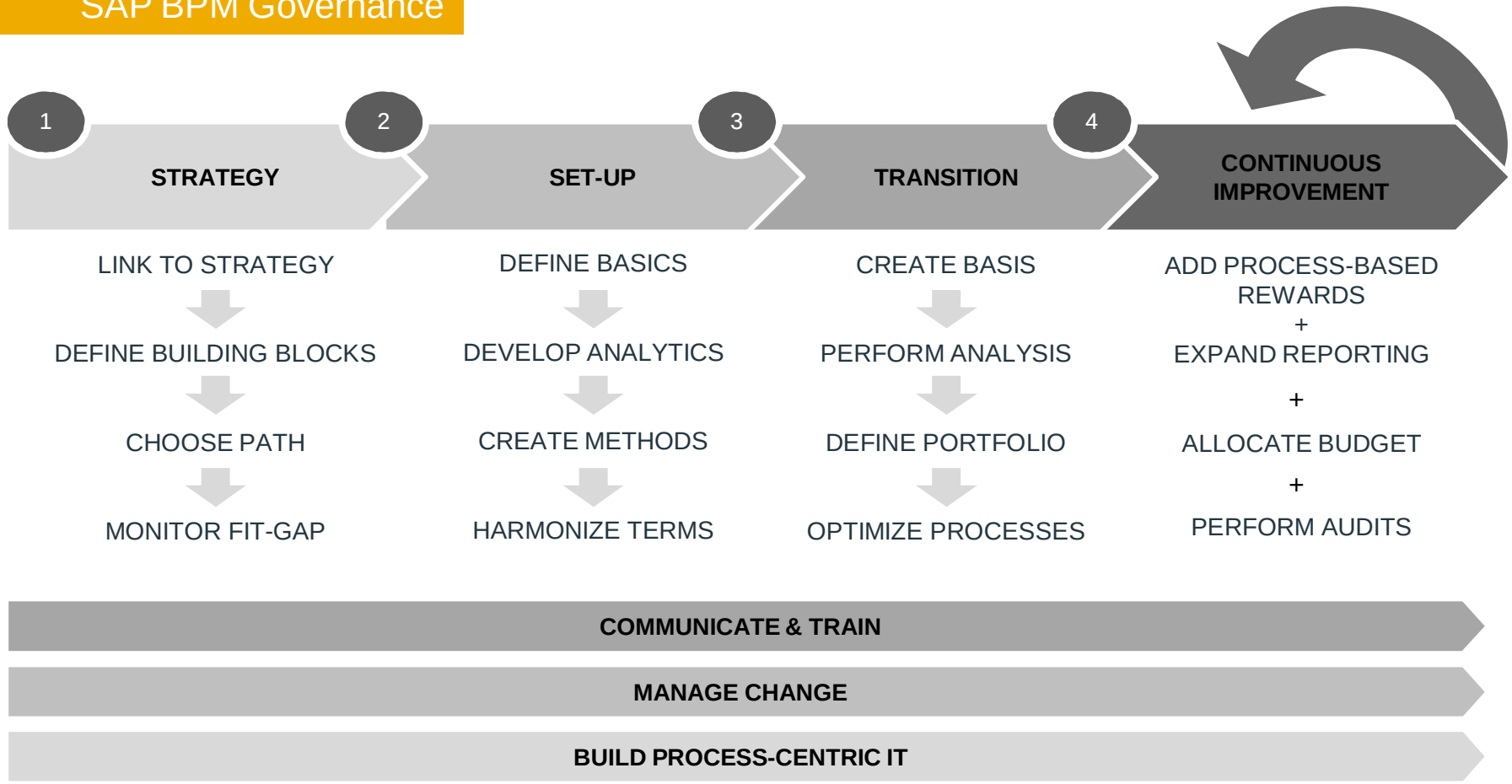


In order to realize a BPM Governance, SAP offers a structured 4 step approach

SAP BPM Governance



The Strategy phase follows a structured 4 ste approach

Phase	Activities
1 **STRATEGY** LINK TO STRATEGY ⇩ DEFINE BUILDING BLOCKS ⇩ CHOOSE PATH ⇩ MONITOR FIT-GAP	1. Link to Strategy Understanding and definition of how business process management supports the corporate strategy 2. Define Building Blocks Determining the factors that need to be considered, analyzed, and adjusted to make BPM a success 3. Choose Path Definition of the best way to approach Step 3 of the Roadmap, the Transition Path 4. Monitor Fit-Gap Reporting on and reviewing the defined building blocks during the overall BPM transformation

Fators to be investigated

Factors to be investigated	Result
Company vision and strategy (ex. Product Leadership, Operational Excellence etc.)	
Company Challenges	
Existing Management set-up discipline (top down, bottom up)	
Success in respect to M&A	
Enterprise Architecture Maturity	
Process Management Maturity	
Enterprise Architecture linking to the Business Strategy	
Functional or Process-Centric IT Department	

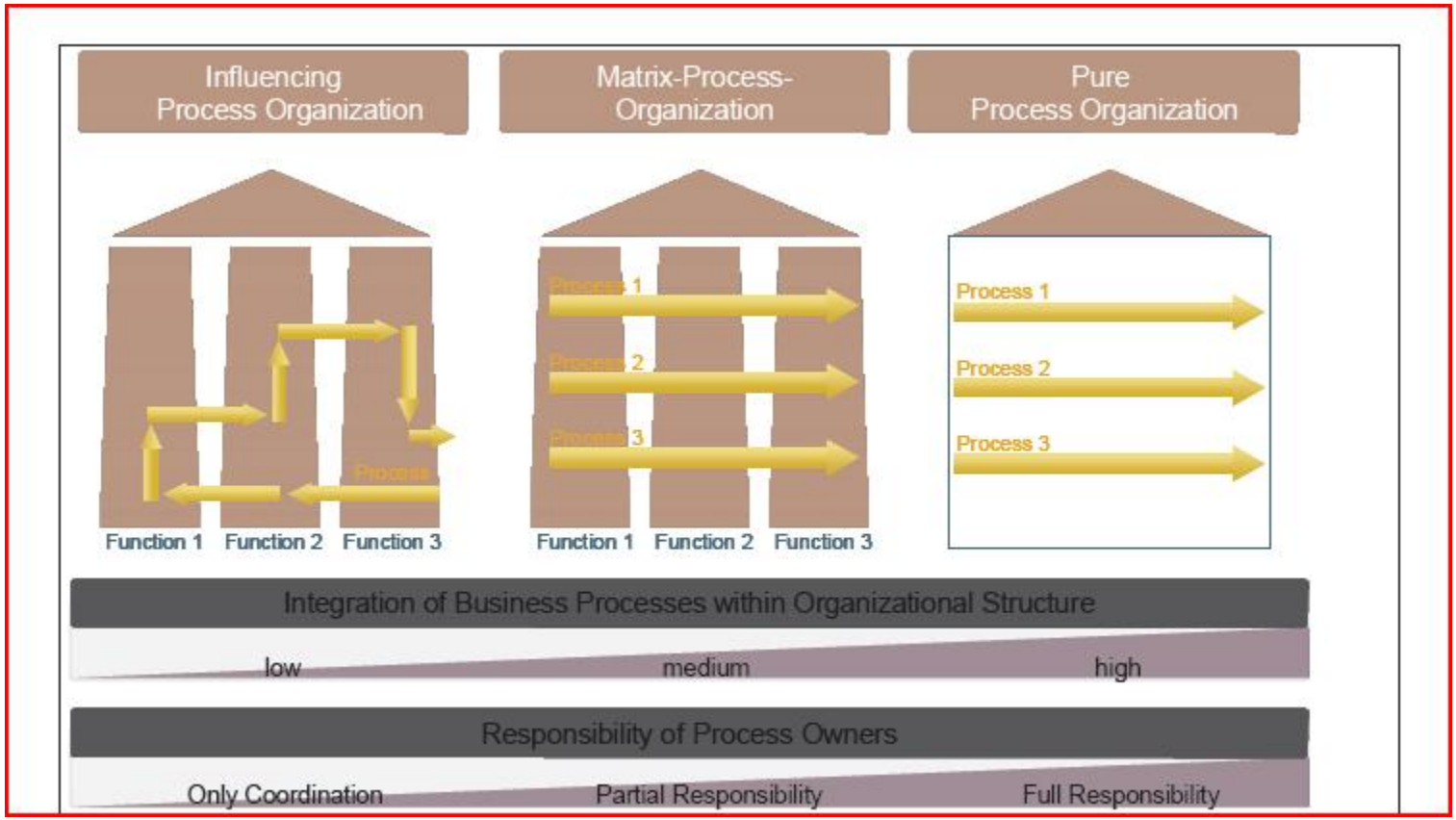
BPM has to be understood as an enabler of the company's strategy

By developing a BPM strategy based on the corporate strategy, a clear link
and transparency can be created between the processes and the strategy.
Demonstrating this strategic benefit of BPM will make it much easier to convince the relevant stakeholders to turn the enterprise into a process oriented organization.

Topics to be adressed:

- Goal (what)
- Rationale for action (why)
- Statement of direction (how)
- Approach (Deliverables/Commitments)

The Company existing organization plays an elementary role for the design



Process related organizational structures
(Schmelzer/ Sesselmann, 2006)

Several factors have to be considered when developing a BPM strategy

Understand the focus and goal of the corporate strategy
For growth to increase, for example, the company may need to develop innovative products or services of higher quality. Or the company is facing strong competition and may need to improve its time-to-market. With an acquisitions strategy, the focus is on synergies, scalability, and the reduction of costs.

Include all relevant parties
A BPM strategy can only be completed by obtaining relevant information from senior managers, subject matter experts, and process performers.

Obtain feedback and communicate openly
Not only should information be acquired from the relevant parties but also feedback after each step is completed so that appropriate adjustments can be made.

Develop measurable objectives
Part of the BPM strategy should include metrics to provide transparency on the approach and boost credibility with senior management, the business units, and IT. Finally, a timeline and milestones should be developed to assess the progress made in implementing BPM.

Having understood the strategy, several building blocks need to be analyzed

Once the link between business process management and the corporate strategy is understood, the company needs to analyze its current process management maturity and determine what factors, or building blocks, need to be introduced or improved in the BPM implementation

People	Processes		Structures		Technology	
Personnel Development	Strategy	Business Process Operations	Organization	Guidelines & Standards	IT Operations	BPM Enablement
Skill Profiles	Process oriented Strat. Planning	Process Maturity Plan	Organizational Structure	BPM Methods	System Architecture Management	BPM Tool Landscape
Training	Project Portfolio Management	Process Projects	Decision Making Bodies	Process Terminology	IT Service Execution	
Process-based Rewards	Service Management	Buiness Process Execution	Roles and Tasks	Tool Conventions	IT Support	
Communication		Process Performance Measurement	Organizational Interaction	Process Map		
Change Mgt.		Corporate Process Reporting	Budget and Cost Allocation			
		Auditing				

Definition of building blocks

People

- Personnel Development
- Skill Profiles
- Training
- Process-based Rewards
- Communication
- Change Mgt.

Skill Profiles:
Defining and developing new skills to meet the requirements of process-centric operations.

Training:
Creating and executing trainings so that the employees obtain the necessary skills, based on the Skills Profiles, required in a process-oriented company.

Process-based Rewards:
Defining personal goals on the basis of process related goals and process performance indicators.

Communication:
Providing information about the BPM efforts, enabling collaboration and active participation to support the transformation.

Change Management:
Ensuring that all levels of the company and all employees of the company are prepared for the changes with BPM and are supported throughout this change process.

Definition of building blocks

Processes

Strategy	Business Process Operations
Process oriented Strat. Planning	Process Maturity Plan
Project Portfolio Management	Process Projects
Service Management	Buiness Process Execution
	Process Performance Measurement
	Corporate Process Reporting
	Auditing

Project Portfolio Management:
Managing process projects in an overall project portfolio to allow fact-based and cross-functional prioritization of those projects with a lower process maturity and/or with the highest benefit potential.

Process Maturity Plan:
Creating and using this instrument to allow fact- based prioritization and decision-making on process projects on an enterprise level. The Process Maturity Plan therefore serves as a basis for “project portfolio management.”

Process Performance Measurement:
Identifying suitable metrics (Process Performance Indicators), implementing them within the business process/business systems, and measuring them regularly in the process execution or run phase.

Corporate Process Reporting:
Collecting, analyzing and reporting on process performance data in order to discover exceptions and to enable prompt and adequate reactions.

Process Audits:
Ensuring the usage of guidelines and standards for process projects and process execution in order to achieve comparable results and transparency on an enterprise level.

Definition of building blocks

Structures

Organization	Guidelines & Standards
Organizational Structure	BPM Methods
Decision Making Bodies	Process Terminology
Roles and Tasks	Tool Conventions
Organizational Interaction	Process Map
Budget and Cost Allocation	

Decision-making Bodies:
Establishing decision-making bodies to prioritize and decide on end-to-end process activities and general BPM items.

Roles and Tasks:
Establishing BPM specific roles, especially that of the business process owner, and defining their tasks, responsibilities and competencies. Defining and assigning operational BPM roles with cross functional tasks, responsibilities, and competencies.

Budget and Cost Allocation:
Allocating budget and costs with focus on end-to end processes instead of functional units.

Process Map:
Creating a highly transparent, hierarchical landscape of the company's end-to-end business processes on defined levels of granularity, highlighting their interconnections.

BPM Methodology:
Establishing one globally used procedure model for managing business processes during their whole lifecycle. This should, include methods for the analysis, design, implementation and monitoring of the business processes to ensure maximum efficiency and effectiveness of process projects and process execution.

Definition of building blocks

Structures

Organization	Guidelines & Standards
Organizational Structure	BPM Methods
Decision Making Bodies	Process Terminology
Roles and Tasks	Tool Conventions
Organizational Interaction	Process Map
Budget and Cost Allocation	

Process Terminology:
Creating clear and consistent definitions of BPM terms to ensure a common language that contributes to an improved interaction between employees. This leads to increased quality of project results, enhanced interconnection of corporate units, and between Business and IT.

Modeling Conventions:
Establishing standardized conventions that describe how business processes are formally documented ensuring cross-functional comparison and analysis of business processes and project results.

Definition of building blocks

Technology

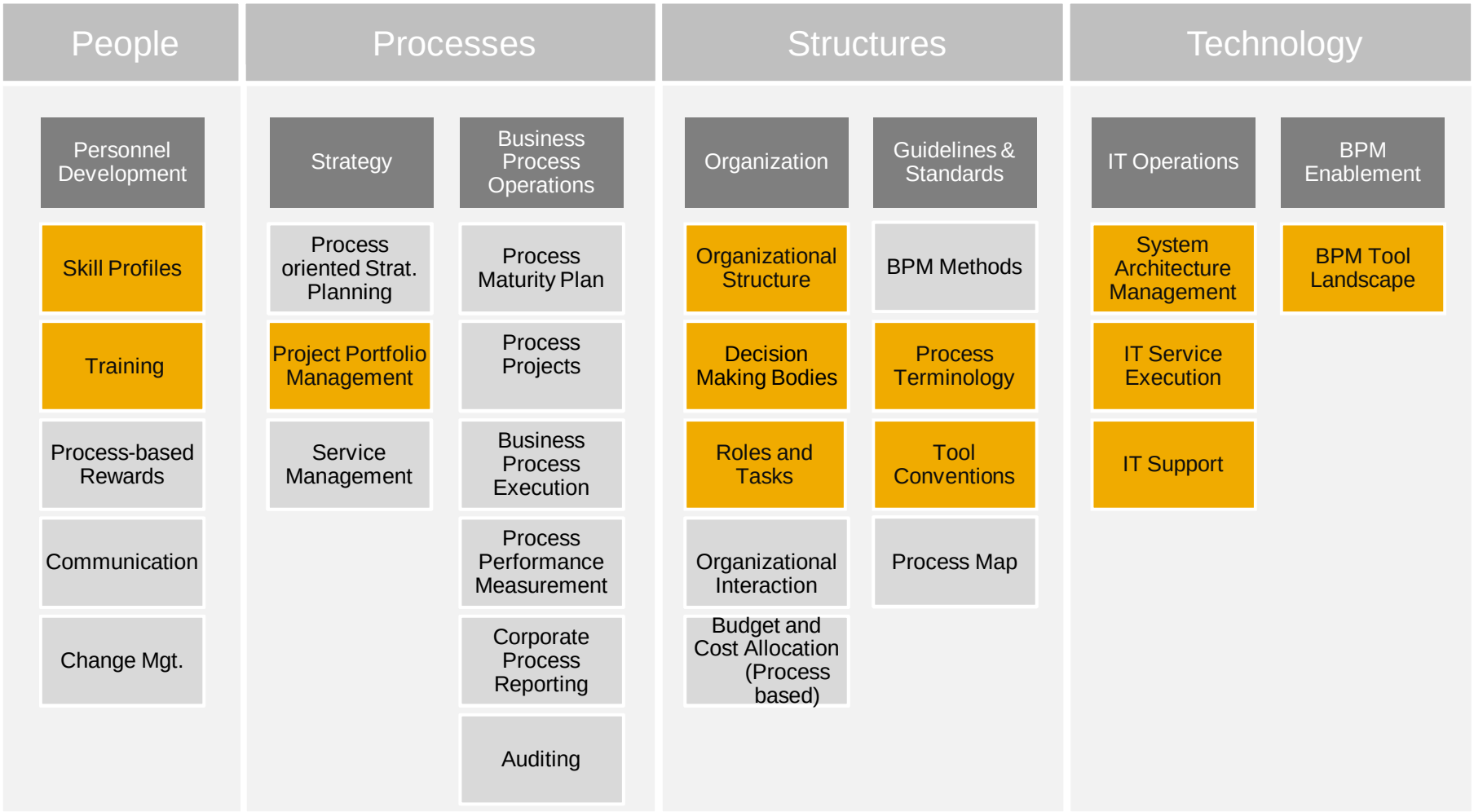
- IT Operations
- BPM Enablement
- System Architecture Management
- BPM Tool Landscape
- IT Service Execution
- IT Support

BPM Tool Landscape:
Implementing different types of BPM tools that provide support for BPM tasks in the analyze phase, design phase, implement phase, and run/monitor phase. These tools do not only have to be integrated with each other to provide seamless support of BPM activities, but also with the company's business systems to enable the orchestration and measurement of business processes.

Process-centric IT:
Establishing an IT organization that is able to work across end-to-end processes to support the company's operations as a whole, not just individual business units.

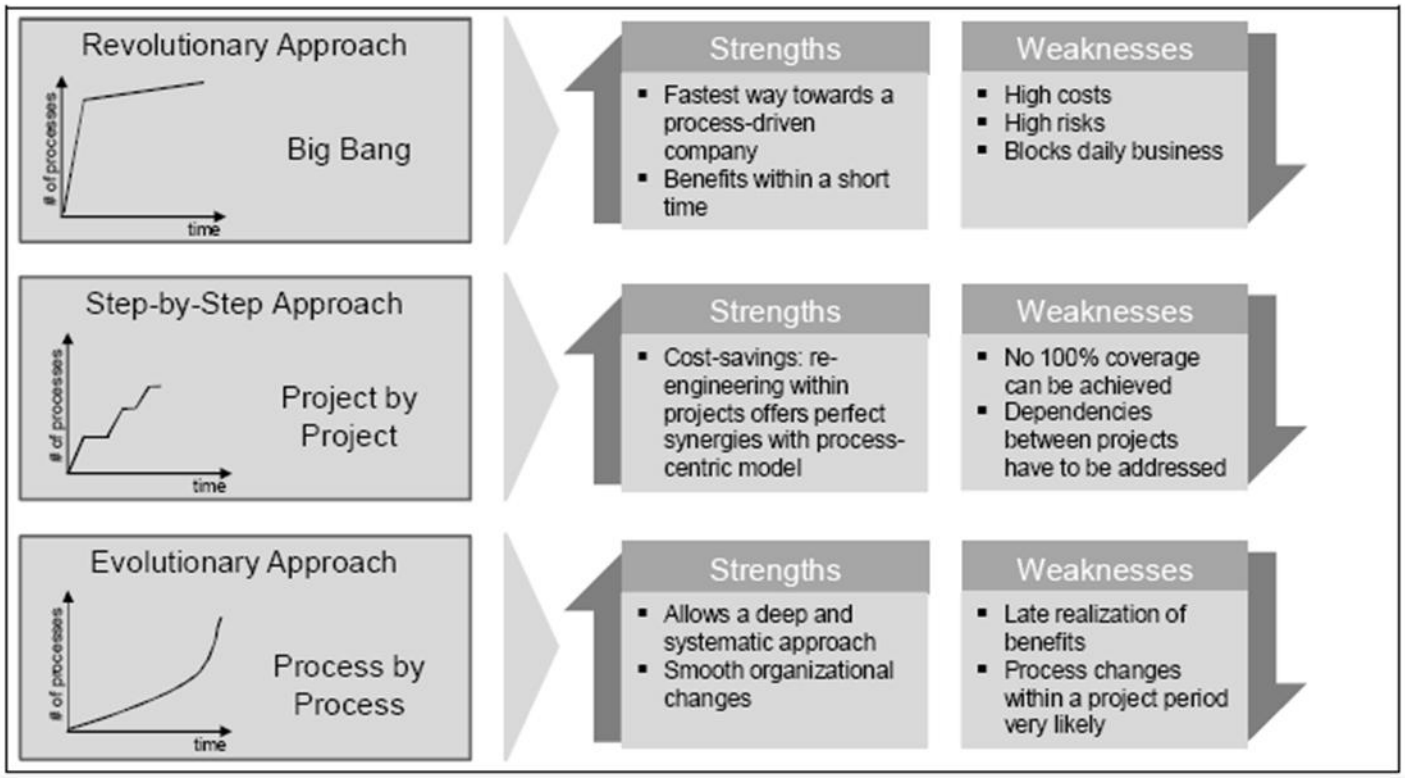
Connections point between BPM Governance and TOGAF 9/ SAP EAF

Once the link between business process management and the corporate strategy is understood, the company needs to analyze its current process management maturity and determine what factors, or building blocks, need to be introduced or improved in the BPM implementation



The implementation approach depends on the organizational maturity and culture

In addition to defining the appropriate building blocks required for implementing BPM, an appropriate path for the Transition should be developed. The strategy as a whole should cover all of the steps in the BPM Roadmap: the Set-up, the Transition, and Continuous Improvement



Four influencing factors impacting the path have to be considered

Convenient Projects
There may be opportunities for creating an ideal BPM showcase that arise out of existing projects. Or top management may want to start a new, high-profile project where BPM could play a vital role.

Degree of Maturity
The cultural maturity of an organization is a critical factor in determining what Transition path to take. If process-thinking is already established and strongly supported by senior management, a Revolutionary Approach may be *Convenient Projects Degree of Maturity* best to take advantage of the situation. If the company is still very function oriented, a Step-by-Step or Evolutionary Approach would be most feasible.

Resource Situation
The resources available and their skill levels also play a role in choosing the appropriate Transition path. As can be inferred, the Revolutionary Approach requires a large workforce skilled in process management. The other two approaches require fewer resources and allow a company to test process management in a particular project or on a particular process.

Existing Pain Points
Critical pain points with a high priority may exist in the organization or a particular area. These may be the catalyst for driving BPM activities. Because the BPM Transition can be considered the keystone to a successful BPM implementation, it is important to take the time to analyze the organization to determine the most appropriate approach. However, it is worth noting that this approach can always be adjusted or changed over time, depending on the changes that occur in the company itself.

SAP Process Office BPM Strategy

GOAL (what)
The SAP Process Office was established in February 2006 to turn SAP into a process-driven company by 2010, focusing on:

•Transparency: enabling clear end-to-end business processes with dedicated process owners who are accountable for process performance.

•Process Efficiency: driving and managing major process initiatives across the company.

SAP Process Office BPM Strategy

RATIONALE FOR ACTION (why)

Major enterprises across the globe are focusing more and more on process efficiency and effectiveness as a competitive advantage.

In addition, to take full advantage of Service-Oriented Architecture (SOA), enterprises need to have more transparency on their core processes, how they work and how well they work. Only process-driven companies will have continuous success in these areas.

There are three key benefits that SAP can reap if it turns into a process-driven company:

1. Be flexible and adaptive to the ever-changing software market
2. Become a showcase for Enterprise SOA
3. Consistently improve the operating margin

To make these benefits possible, SAP needs:

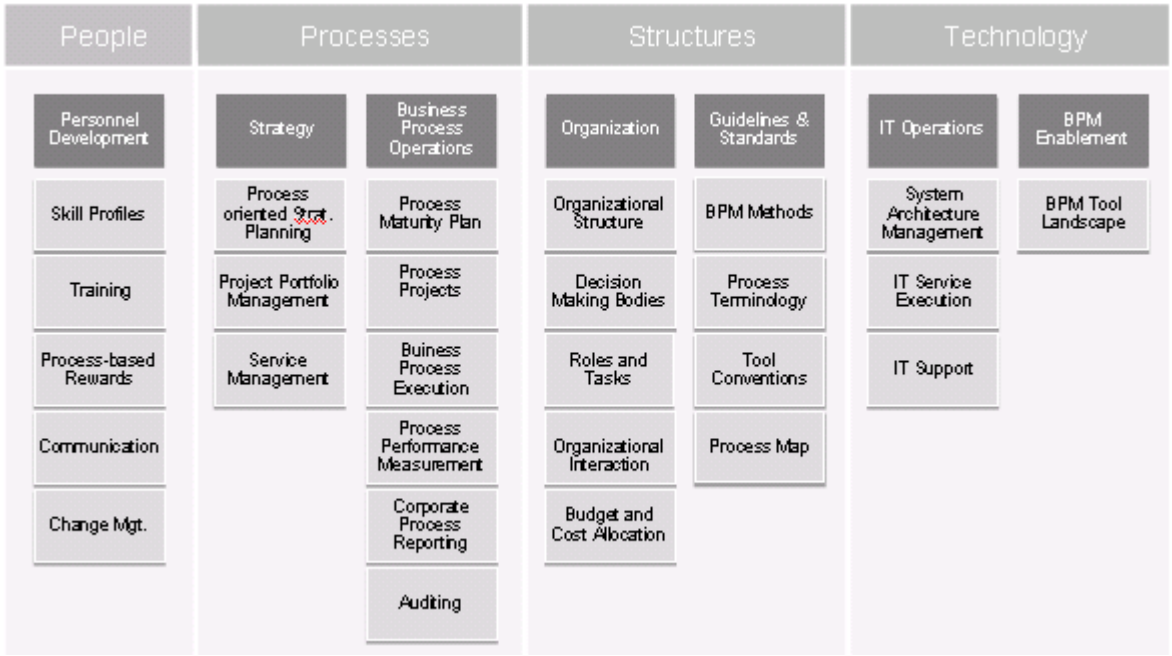
1. standardization in processes and in process management
2. transparency on how its processes function and what systems support them
3. transparency on the processes that are high-cost, low-value

SAP Process Office BPM Strategy

Customer Example SAP

STATEMENT OF DIRECTION (how)

Business Process Management (BPM) is the key to turning SAP into a process-driven co
In order to increase process transparency and efficiency, the SAP Process Office has initiat
a number of activities to ensure that BPM is implemented successfully internally.
These activities focus on all elements of BPM: people, processes, structures and technology.



The Set-Up phase follows a structured 4 step approach

Phase	Activities
2 **SET-UP** DEFINE BASICS ⇩ DEVLOP ANALYTICS ⇩ CREATE METHODS ⇩ HARMONIZE TERMS	1. Define Basics Definition of Process Map, roles and tasks, and decision-making bodies 2. Develop Analytics Preparation of Process Maturity Plan and Process Performance Measurement 3. Create Methods Definition of process handling and optimization methodology, modeling conventions and BPM tool landscape 4. Harmonize Terms Definition of standardized process terminology

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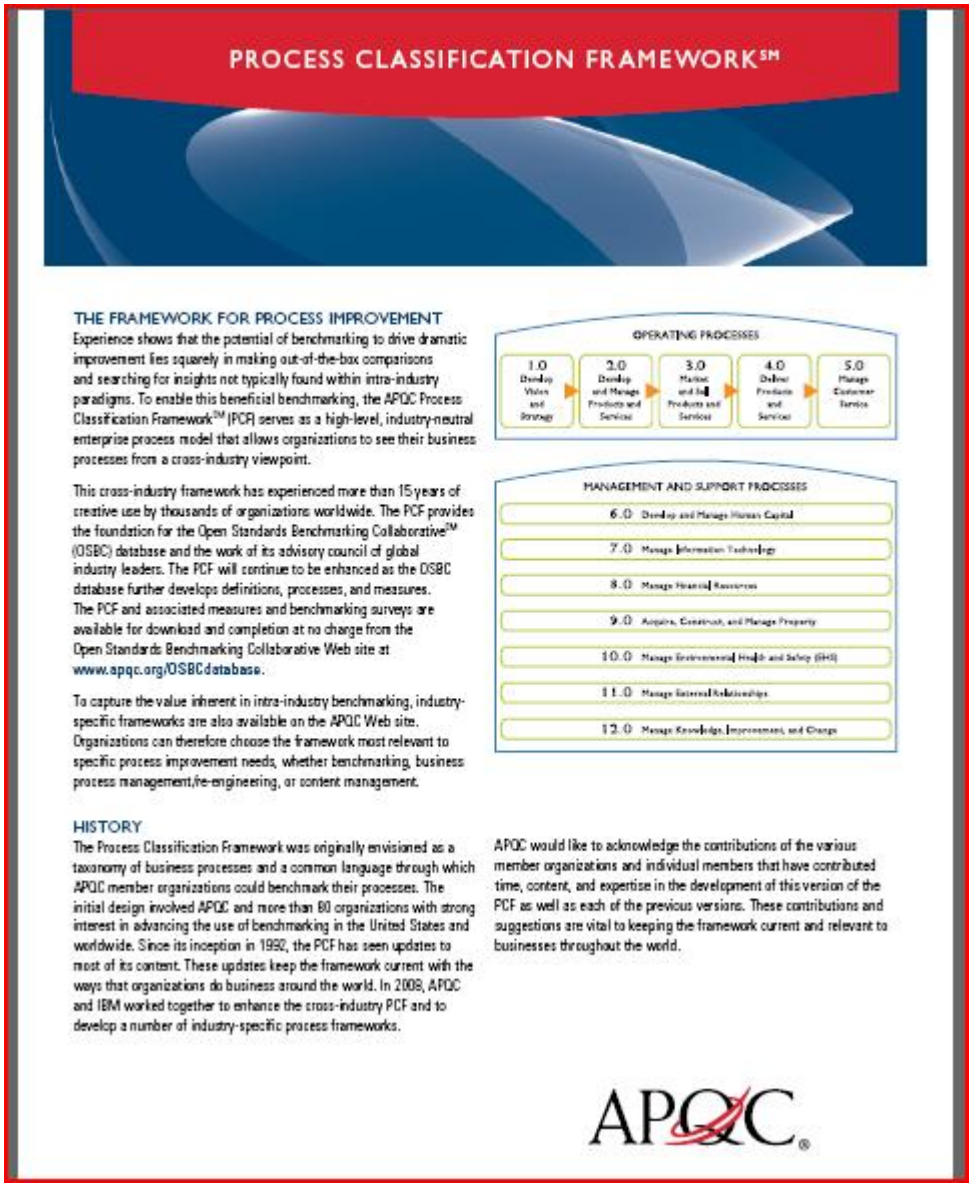
APQC – Process Classification Framework

PCF:

- *Process Classification Framework developed by APQC (American Productivity & Quality Center)*



PROCESS CLASSIFICATION FRAMEWORK℠

THE FRAMEWORK FOR PROCESS IMPROVEMENT

Experience shows that the potential of benchmarking to drive dramatic improvement lies squarely in making out-of-the-box comparisons and searching for insights not typically found within intra-industry paradigms. To enable this beneficial benchmarking, the APQC Process Classification Framework℠ (PCF) serves as a high-level, industry-neutral enterprise process model that allows organizations to see their business processes from a cross-industry viewpoint.

This cross-industry framework has experienced more than 15 years of creative use by thousands of organizations worldwide. The PCF provides the foundation for the Open Standards Benchmarking Collaborative℠ (OSBC) database and the work of its advisory council of global industry leaders. The PCF will continue to be enhanced as the OSBC database further develops definitions, processes, and measures. The PCF and associated measures and benchmarking surveys are available for download and completion at no charge from the Open Standards Benchmarking Collaborative Web site at www.apqc.org/OSBCdatabase.

To capture the value inherent in intra-industry benchmarking, industry-specific frameworks are also available on the APQC Web site. Organizations can therefore choose the framework most relevant to specific process improvement needs, whether benchmarking, business process management,re-engineering, or content management.

OPERATING PROCESSES

1.0 Develop Vision and Strategy
2.0 Develop and Manage Products and Services
3.0 Market and Sell Products and Services
4.0 Deliver Products and Services
5.0 Manage Customer Service

MANAGEMENT AND SUPPORT PROCESSES

6.0 Develop and Manage Human Capital
7.0 Manage Information Technology
8.0 Manage Financial Resources
9.0 Acquire, Construct, and Manage Property
10.0 Manage Environmental Health and Safety (EHS)
11.0 Manage External Relationships
12.0 Manage Knowledge, Improvement, and Change

HISTORY

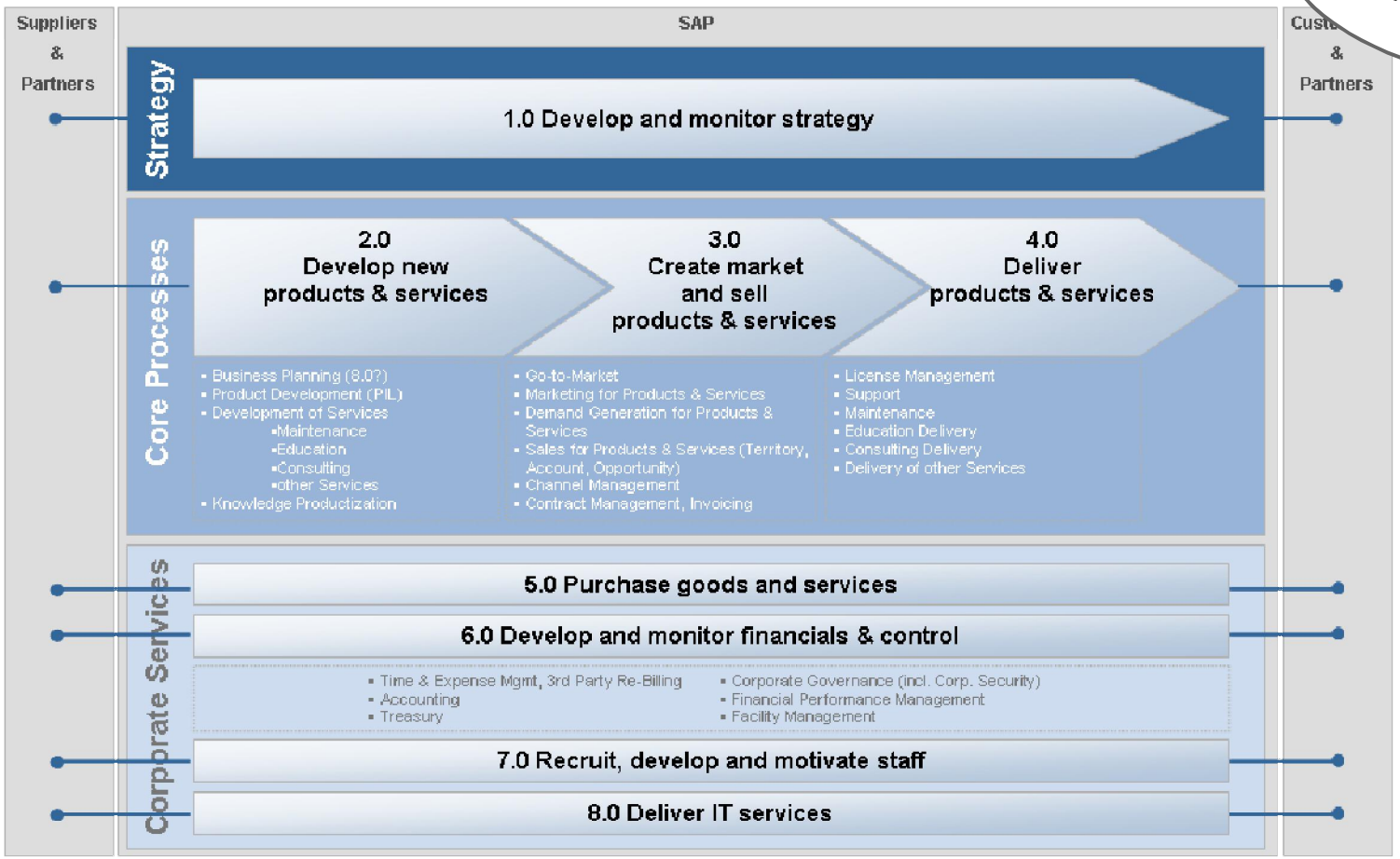
The Process Classification Framework was originally envisioned as a taxonomy of business processes and a common language through which APQC member organizations could benchmark their processes. The initial design involved APQC and more than 80 organizations with strong interest in advancing the use of benchmarking in the United States and worldwide. Since its inception in 1992, the PCF has seen updates to most of its content. These updates keep the framework current with the ways that organizations do business around the world. In 2008, APQC and IBM worked together to enhance the cross-industry PCF and to develop a number of industry-specific process frameworks.

APQC would like to acknowledge the contributions of the various member organizations and individual members that have contributed time, content, and expertise in the development of this version of the PCF as well as each of the previous versions. These contributions and suggestions are vital to keeping the framework current and relevant to businesses throughout the world.

APQC

The process map shows the “big picture” of the E2E processes

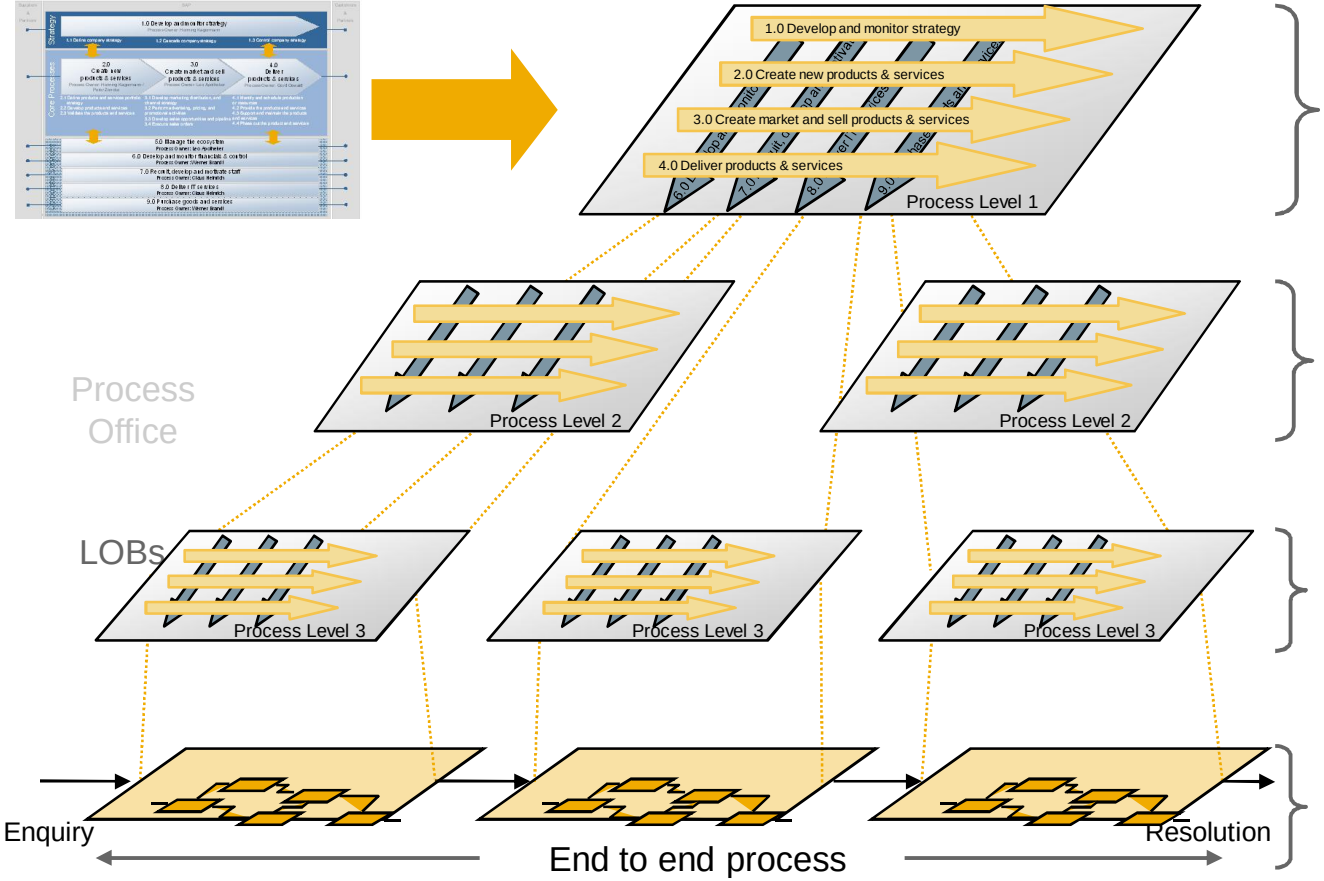
Customer Example



APQC Process Fraimework

Process Map

Process Performance Indicators will be identified and aggregated on all levels of the Process Map.
Each process and the specific KPIs/PPIs have to be represented within the Process Map.



Level 1 Cooperate KPIs
Board Member
Process Scenario/ Level 1
Ex. Create new products & services

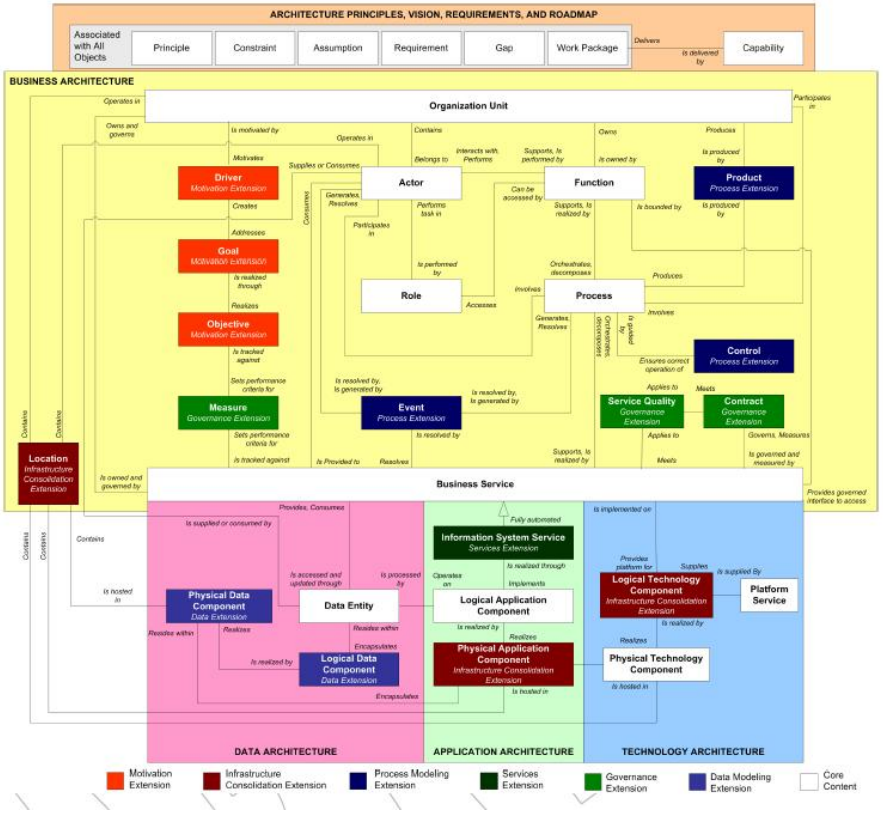
Level 2 KPIs
Senior Process Owner
Process/ Level 2
Ex. Develop Products and Services

Level 3 KPIs
Operational Process Owner
Sub Process/ Level 3
To be defined by LOBs

Level 4-n PPIs
Operational Process Owner
Process Activities/ Level 4 - n
To be defined by LOBs

Nice connection point BPM Governance and TOGAF/ SAP EAF
Communicating with stakeholders – different views

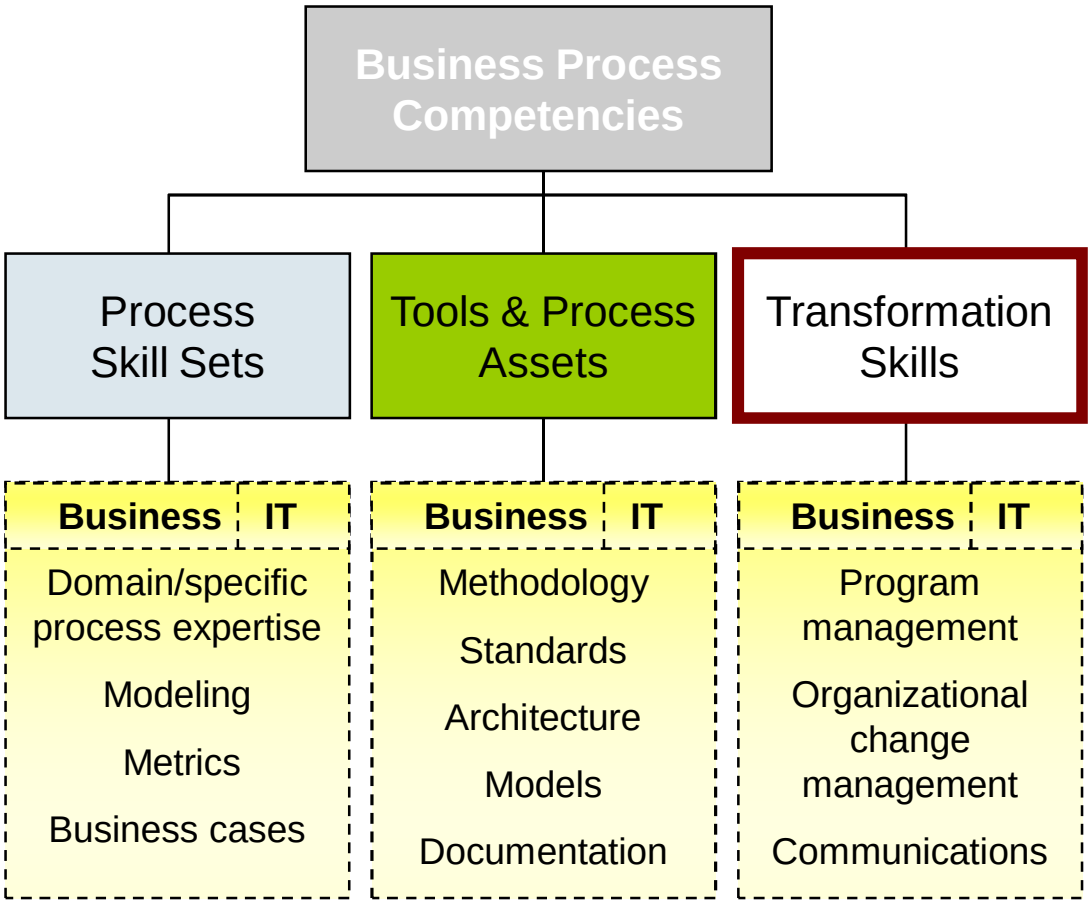
- **An Enterprise Architecture is too complex to be understood by all stakeholders**
- **To efficiently communicate architecture we use a tool called a** *"view"*
- *Architecture views* **are representations are meaningful to one or more stakeholders in the enterprise**
- **The Enterprise Architect needs to choose and develop a set of** *views* **that will enable the architecture to be communicated to, and understood by, all the stakeholders**
- **This will enable them to verify that the system will address their needs**



EA can be complex !

Effective BPM Requires End-User Organizations to Develop a Balanced Set of Skills in Three Areas

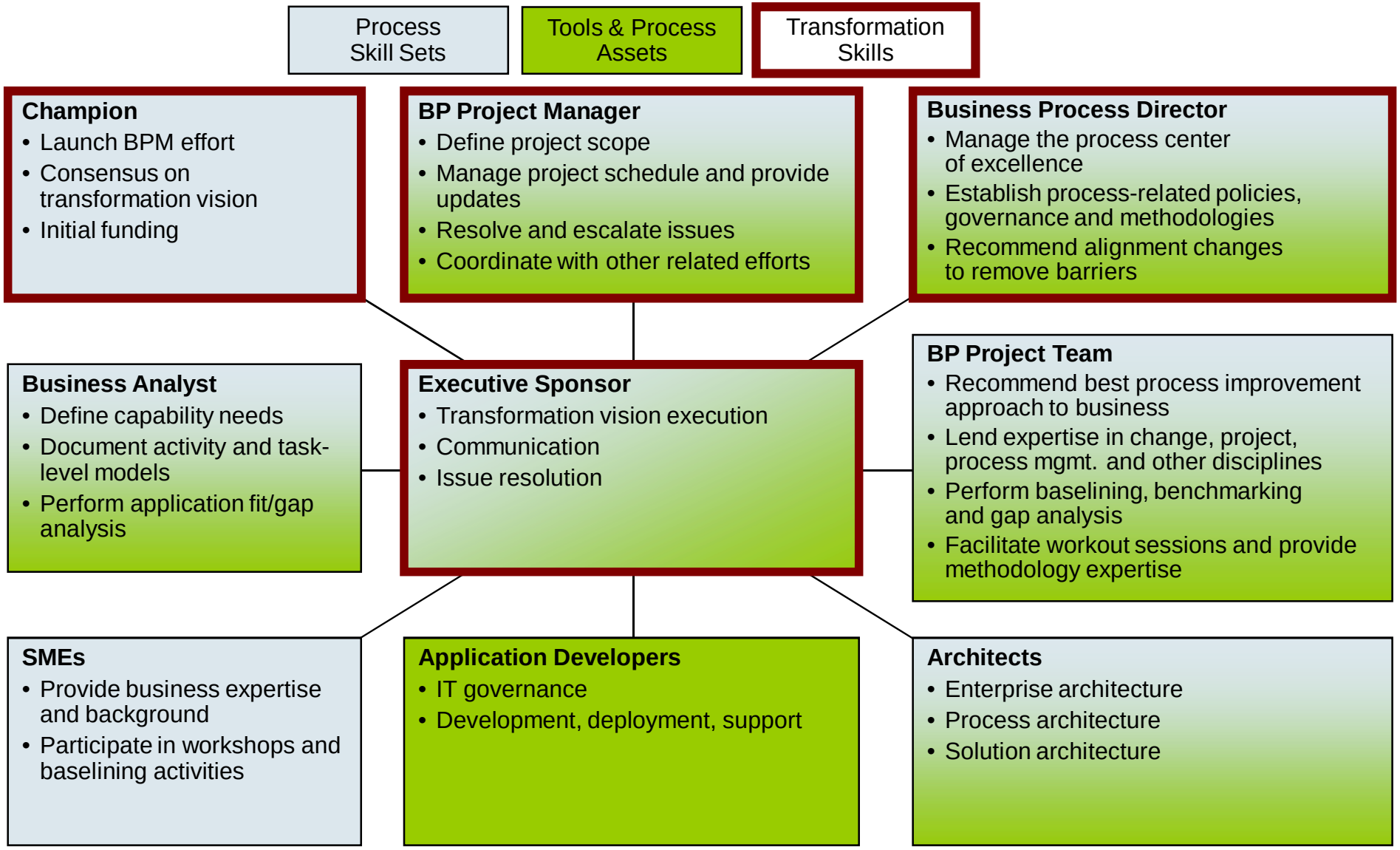
Business Process Competency Center Model



- Business and IT skills alike are necessary in all three areas.
- Transformation/change management skills are the:
  - Most needed
  - Least appreciated

Source: Gartner Q4 2008 – Market Trends

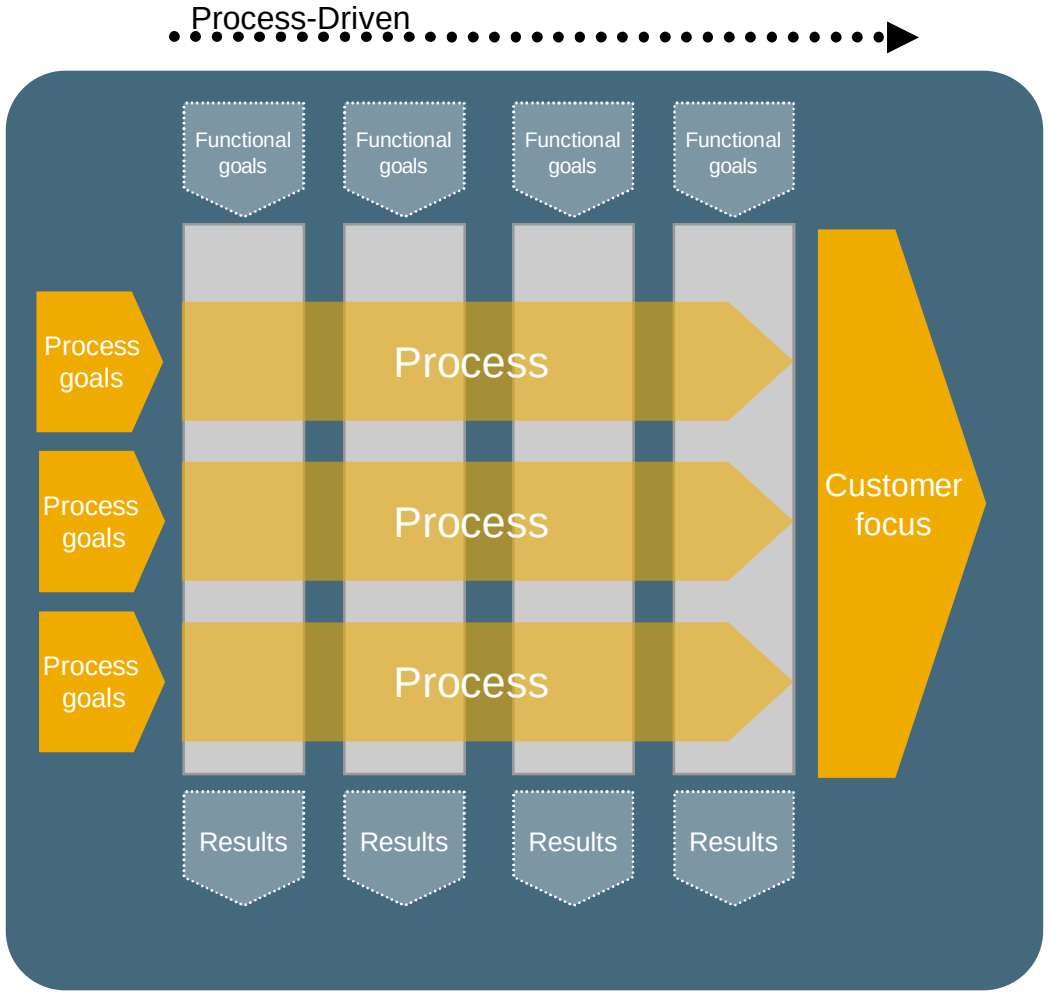
Roles Within a BPM Initiative



Source: Gartner Q4 2008 – Market Trends

Key element of a process oriented org. is the definition of process ownership

Process Ownership is a means and key enabler to 1) continuously improve processes according to changing business needs and 2) increase process efficiency in a sustainable way



- Operations are driven by business processes
- Business processes typically run across functional units.

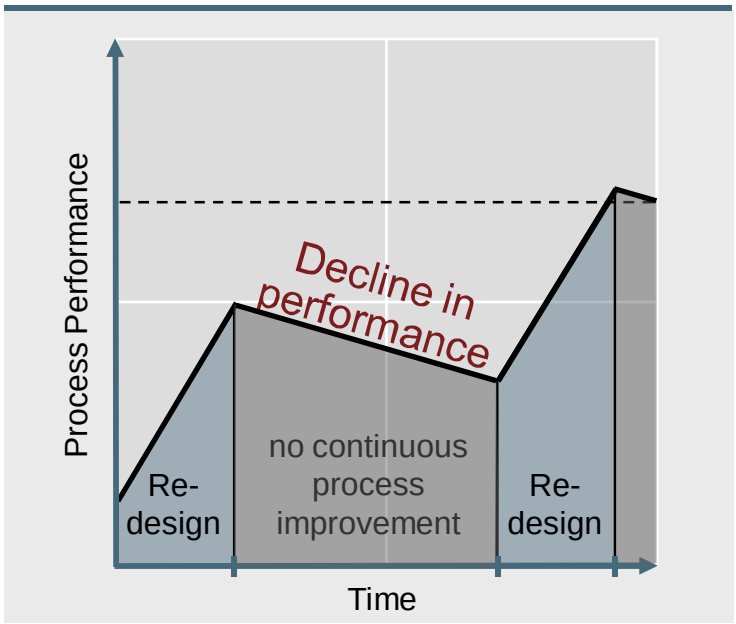
To ensure smooth business operations across functional units, clear responsibility for the end-to-end process needs to be assigned

This responsibility is called Process Ownership

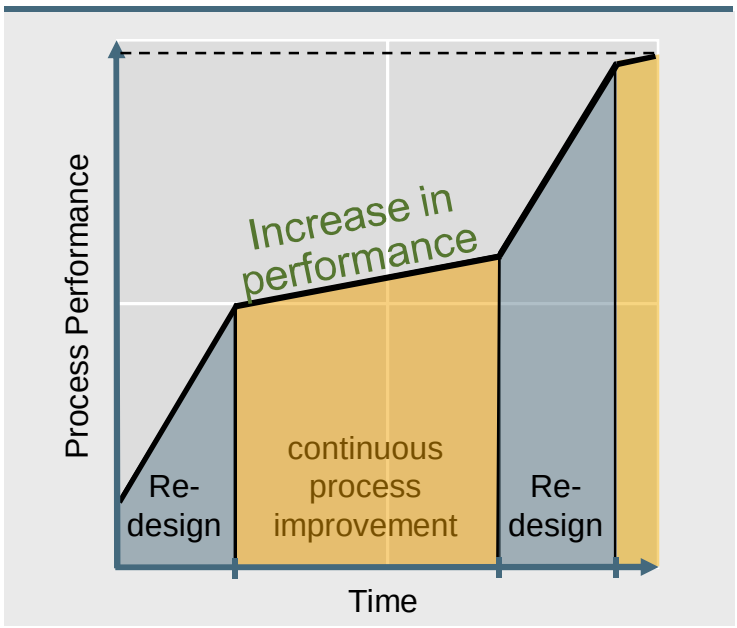
Process Owners are responsible for driving continuous improvement

After process re-design, processes must be permanently improved and adapted to changing business needs in order to stabilize and increase process efficiency.
Establishment of Process Ownership is one key enabler for this!

Without Continuous Improvement



With Continuous Improvement



Definition of Process Ownership

DEFINITION

The process owner is the central point of contact for a specific business process with an end-to-end responsibility for the whole Process Management Lifecycle to ensure a best-in-class process.

The process owner is implemented explicitly by the board with decision power independent from functional priorities to control and optimize the business process continuously and reinforce process thinking to the performers. With proven experience, the process owner is also the interface between business and IT.

TASKS & RESPONSIBILITIES

- Derive process goals from companie's strategy
- Drive improvement projects
  - Identify customer (internal or external) requirements (Analyze phase)
  - Analyze and document as-is process and process interfaces (Analyze phase)
  - Discover process gaps (Analyze phase)
  - Derive improvement potentials (Design)
  - Establish process performance measurement system to be able to constantly control and report end-to-end process performance (Design)
- Drive continuous improvement derived from performance deviation regarding customer requirements
- Ensure compliance (e.g. to SOX)
- Contribute to process community
- Provide process reporting to SAP Process Office

MANDATES

- Address resource requests for improvement projects to functional managers
- Access to process related budget to optimize process
- Membership in steering committee in all relevant process improvement projects
- Change the process

SKILLS

- Knowledge of business process management methods (e.g. PML, Six Sigma)
- Ability to convince functional managers and performers of process goals
- Knowledge of the process

PERFOR-MANCE

- Measured against the process goals and performance
- Include Process Ownership and process performance into bonus letters

Process Ownership

The Role of a Process Owner

1. Analyze

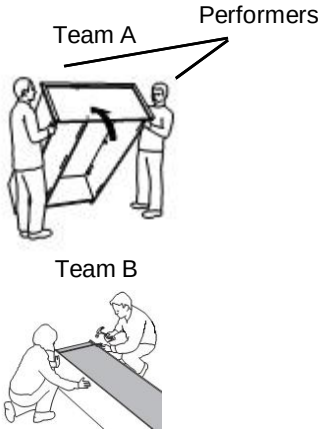
In order **to get from** an **idea to** the necessary supporting **process,** the **PML** method is the **right tool.**

During the phase of analyzing the future process, the **business goal** and **necessary requirements** have to be **described** as well as the **process goals** and the to be **performed scope.**

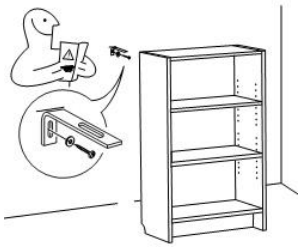
The **deliverables** of the analyze phase are a **formal go / no-go decision** for the next phase and a **handover to IT** to be able to prepare and present a decision paper (not for manual processes).

2. Design

Each necessary **process step** has to be defined and all required **performers** and their **roles described**. In order to be able measure the process, **performance indicators** have to be **defined** as well.

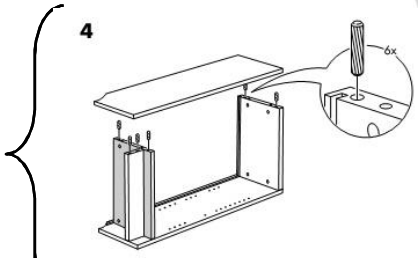


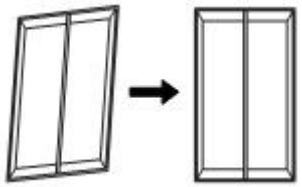
The result of the design phase is a **detailed description** of the process, which can be used **to decide about** the future **implementation** and to **brief** the **IT** department.



4. Run/Monitor

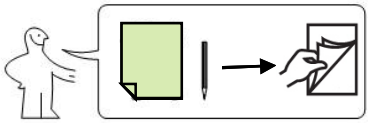
Process Performance Indicators measure and manage the process. Cost, Time and Quality of processes can be measured. Here for example the cycle time from step 4 to 5 or the quality of the result. They are basis to verify the success of each process or to decide on necessary improvement potentials.



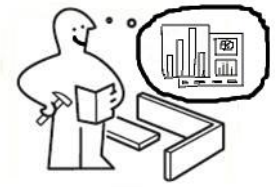


3. Implement

After the planning of all necessary activities and the timeline, a detailed blueprint of all necessary process implementation details has to be developed.



During the phase of the implementation of the process, the **process performance measurement** has to be realized, the necessary **inhouse development, data migration, interfaces, testing, cut over planning**, etc. as well.



The Set-Up phase follows a structured 4 step approach

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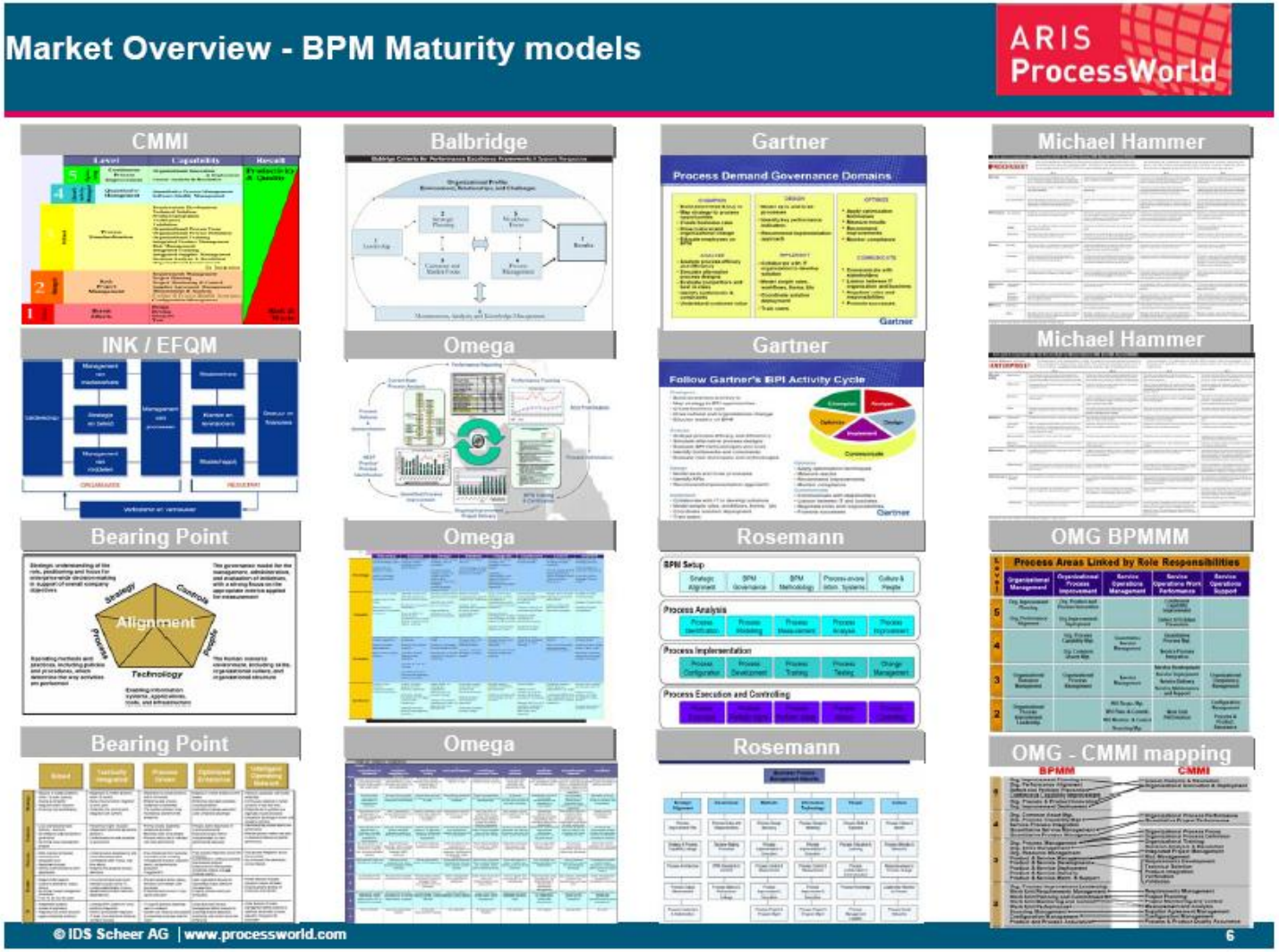
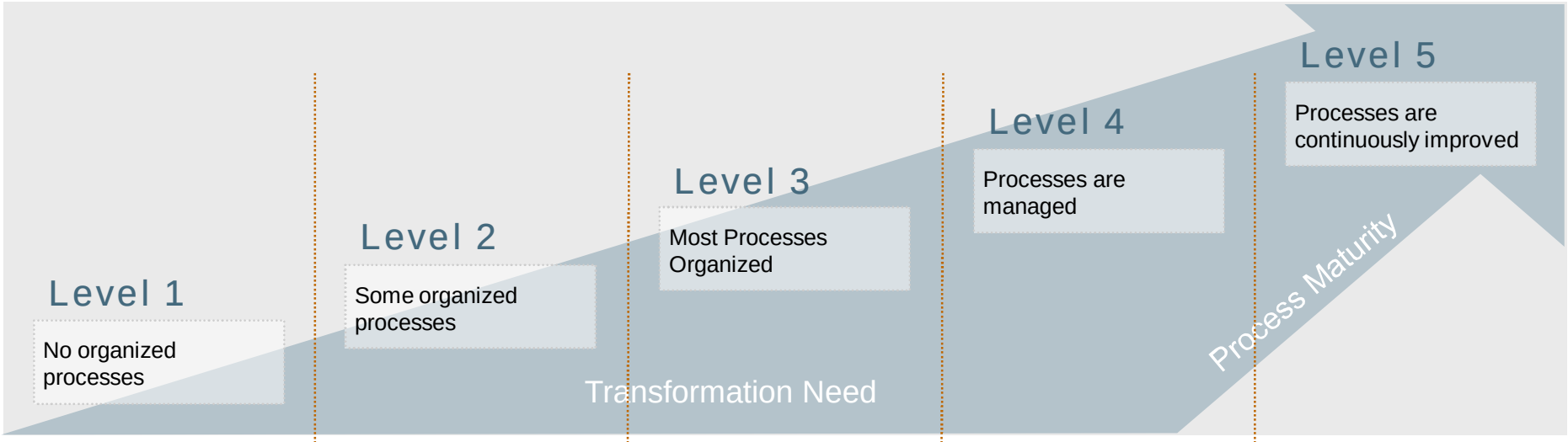
More than 140 models are offered for maturity evaluation



The process maturity journey...

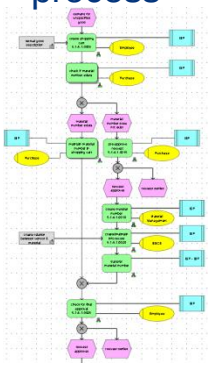


A culture of heroes	Processes are improved at the work group or department level	Processes are organized and redesigned at the enterprise level	Processes are measured and managed systematically	Process Teams continuously improve processes
• New Functionality	• IT cost reduction and control • Reduce time-to-market • Documented processes	• Business responsiveness • Change business process quickly and effectively	• Transformation from reactive to real-time • Increase Transparency	• Business optimization • Increase decision quality • Optimization across boarders of Bus.& IT

Based on CMMI

Working with „PPI fingerprints“ throughout the whole Process Management Lifecycle

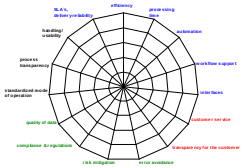
As-is process

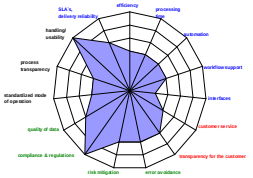


1. Enterprise wide business & IT PPI`s are defined

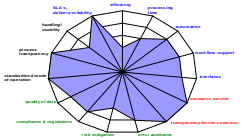
2. Business & IT experts examine and visualize the PPI`s of an individual as-is process

3. They discuss desired or necessary changes and visualize target PPI`s for this process





As-is PPI`s

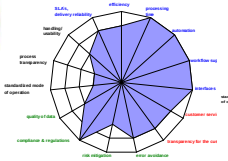


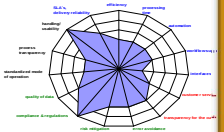
Target PPI`s

4. Design of to-be process alternatives

A

B





To-be PPI`s

5. Decide on Design Alternatives

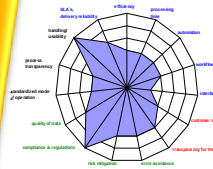
☑ Alternative A

☐ Alternative B

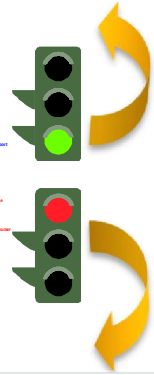
6. Implement to-be process

7. Operate improved process

8. Continuously monitor & measure PPI`s of improved process



Realized PPI`s



9. Optimize process

The differences between As-Is and To-Be PPI`s define the direction for process optimization.

Benefit tracking monitors differentiate between To-Be and realized PPI`s

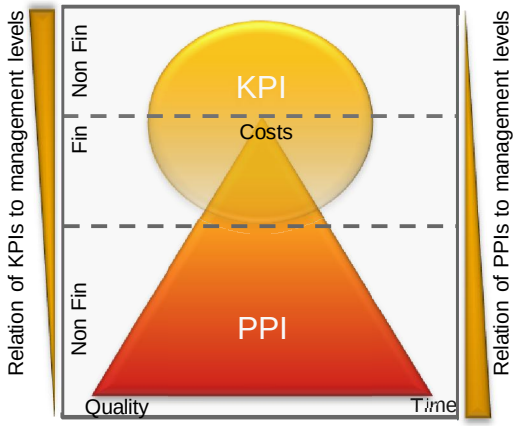
Performance Indicators - Characteristics

Key Performance Indicators

- KPIs represent business goals that a company wants to achieve on a rather strategic level. They are qualitative or quantitative assessments of a companies performance regarding the company goals and can either be financial or non- financial.
- They are used by business owners to track the strategic performance against business goals.

Process Performance Indicators

- PPIs represent process goals that a company wants to achieve on a rather operational level. They quantify the performance of a process along the dimension time, cost, or quality. They can be measured directly by data that is generated within a specific process flow.
- They are used by process owners in business process management for process controlling and continuous optimization.

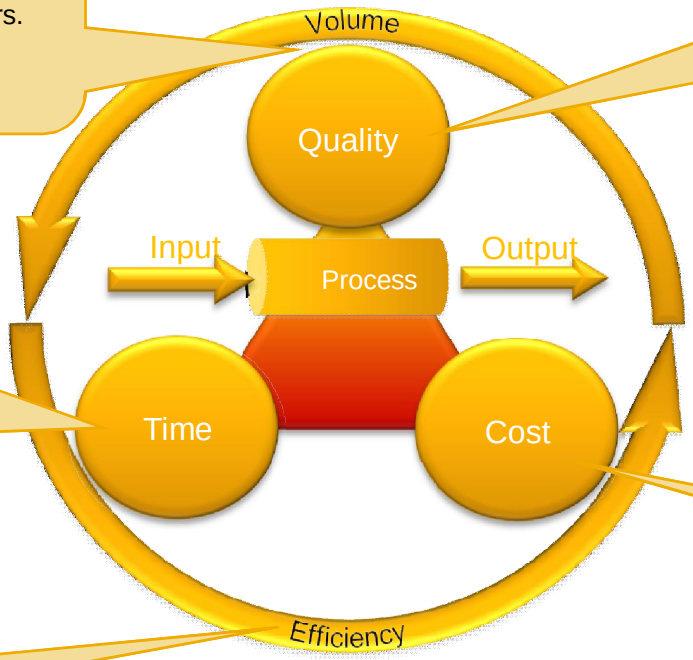


PPIs can be categorized along different dimensions

All PPIs can be categorized in late or early indicators. Early indicators help in order to detect trends and information with future relevance. Late indicators measure the success or failure of specific process goals.
Below this general categorization, the PPIs will be categorized in Quality, Time, and Cost indicators.
The target conflicts between process goals and thus of the respective PPIs have to be considered when defining process goals regarding a comprehensive process optimization.

Volume determines which amount of items is handled by the process. Volume indicators can be determined for the process input and output and often serve as the basis for calculated indicators.
- # of applicants[1)]
- # of scheduled interviews

Quality indicators support process related information needs:
- % of rescheduled interviews
- miss hire ratio
- applicant satisfaction



Cycle Time indicators are important in order to measure the processing time from a measure start to a measure end point:
- average cycle time to fill a position
- cycle time for interview scheduling

Cost indicators measure how costs can be allocated directly or indirectly to the process:
- travel costs per applicant
- cost per hire

Efficiency is the ratio between process inputs and outputs.
- interview offer ratio

[1)] PPI examples are taken from a fictitious HR Recruiting process

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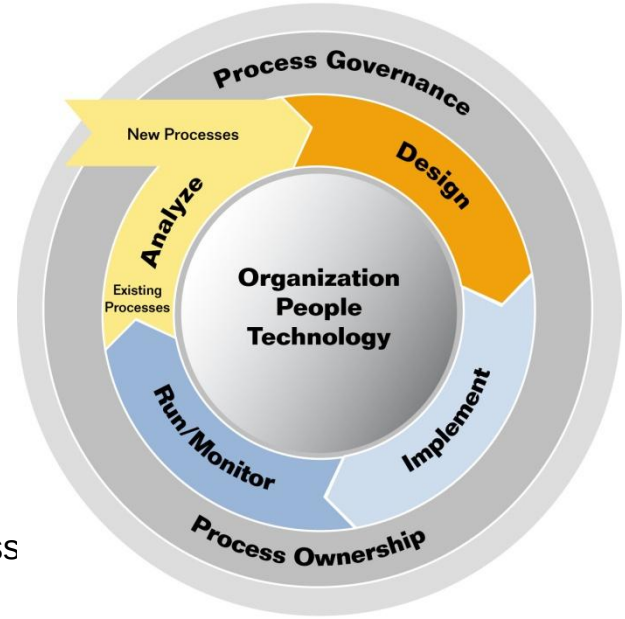
The PML ensures a standardized approach for process handling

1. Analyze

- Evaluate strategy, current environment; and processes that may be in place
- Identify business goals and define requirements for an existing or new process
- Prioritize improvement areas & perform scoping
- Describe process goals



2. Design

- Evaluate potential solutions
- Design one or more alternative solutions
- Estimate impact of alternatives on KPIs, PPIs and environment
- Decide on process implementation

4. Run/Monitor

- Execute the business process
- Measure & monitor the business process
- Gather and analyze variances
- Perform consequence management
- Initiate a business process optimization cycle if necessary

3. Implement

- Prepare for and perform the implementation project
- Enable measurement of KPIs, PPIs
- Perform change management and establish process ownership
- Roll-out the process

Process Management Lifecycle – Analyze

Analyze Phase

Preparing for the process analysis	• Describing the scope • Identifying key stakeholders • Reviewing information
Analyzing the As-Is process	• Strategic analysis • Analyzing the As-Is process • Analyzing the environment • Clarifying formal requirements (such as compliance and legislation)
Gathering ideas for improvement strategies	• Checking best practices and implementing benchmarking • Structuring ideas • Prioritizing proposed improvements
Clarify feasibility	• Assessing the technical feasibility • Evaluating the impacts • Defining specific objectives and requirements
Check & decide	• Documenting the results of the process • Checking results in the PML Q-Gate • Making a decision

Deliverables

As-Is Process-Model

Concrete Process Goals

Process Owner named ?

Handover

Process Management Lifecycle – Design

Design Phase

Designing process alternatives

- Designing and evaluating potential process alternatives
- Modeling the process alternatives
- Defining the level to meet the desctibed goals
- Evaluating sourcing models
- Mapping the To-Be alternatives to existing systems/applications

Defining measurable process goals

- Defining mesasurable values
- Estimating the To-Be situation
- Defining a reporting

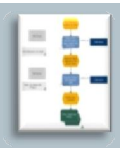
Calculating business case

- Evaluating Rrsks
- Descibing a resulting business case

Check & decide

- If open: naming process owner
- Documenting the results of the phase
- Checking results in the PML Q-Gate
- Making a decision

Deliverables



To-Be Model

Define Metrics & Values

Updated Business Case

Name Process Owner

Handover

Process Management Lifecycle – Implement

Implement Phase

Preparing for the implementation	• Preparing for and planning the project • Creating and reviewing a blueprint • Adjusting the business case if necessary
Process implementation	• Performing realization activities • Monitoring the realization progress • Performing roll-out & change management activities • Designing a support concept
Implementing the process measuring	• Realizing the process performance measurement (KPIs, PPIs) • Realizing process reporting
Check & decide	• Approving the process owners • Describing the results • Checking results in the PML Q Gate • Making a decision
Go-live	• Performig go-live & support • Publishing the process model

Deliverables

Publish the Model

Implement Process Measurement

Updated Business Case

Approved Process Owner

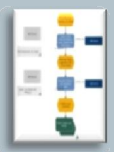
Handover

Process Management Lifecycle – Run & Monitor

Run & Monitor Phase

Executing & measuring the Process	• Executing the process • Measuring, monitoring & reporting the process
Analyzing the results	• Analyzing variances • Performing process assessments • Performing maturity analysis
Empower employees	• Establishing roles and defining tasks • Performing process-related knowladge management • Defining personal goals on the basis of process-related goals
Process optimization cycle	• Deciding on adjustment activities if necessary (Business & IT) • Initiating new process optimization cycle
Hand over	In the case of process optimization : • gathering information • hand over deliverables to analyze phase

Deliverables

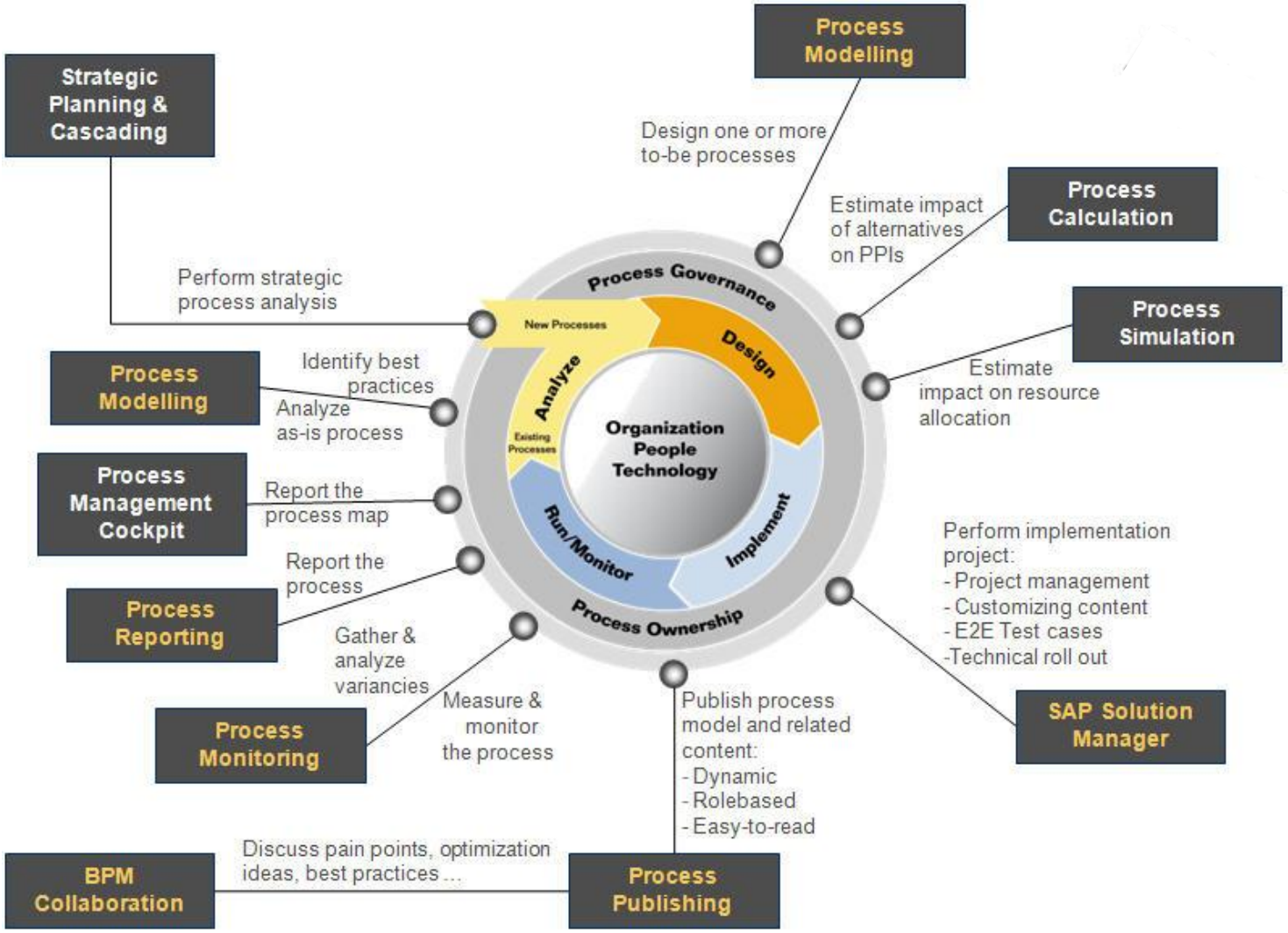


To-Be Model ‚live'

Process Measurement & Reporting

Approved Process Owner

BPM tools facilitate the Process Management Lifecycle

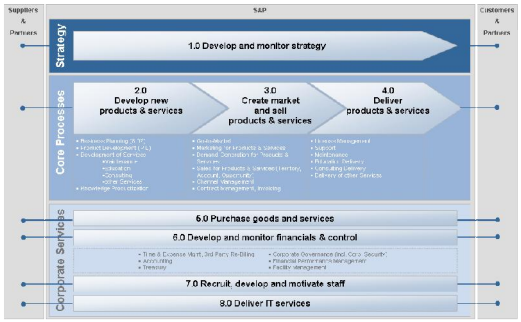


The Transition phase transforms the Set-Up into reality

Phase	Activities
3 **TRANSITION** CREATE BASICS ⇩ PERFORM ANALYTICS ⇩ DEFINE PORTFOLIO ⇩ OPTIMIZE PROCESSES	1. Create Basics Implementation of Process Map, roles and tasks, and decision-making bodies 2. Perform Analytics Implementation of Process Maturity Plan and Process Performance Measurement 3. Define Portfolio Implementation of process-oriented strategic planning and project portfolio management 4 .Optimize Processes Implement PML methodology

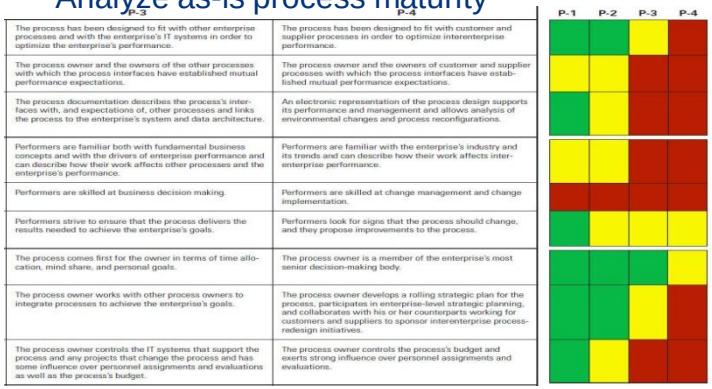
Implementation roadmap - Define Portfolio

Establish Process Map



APQC Process Model

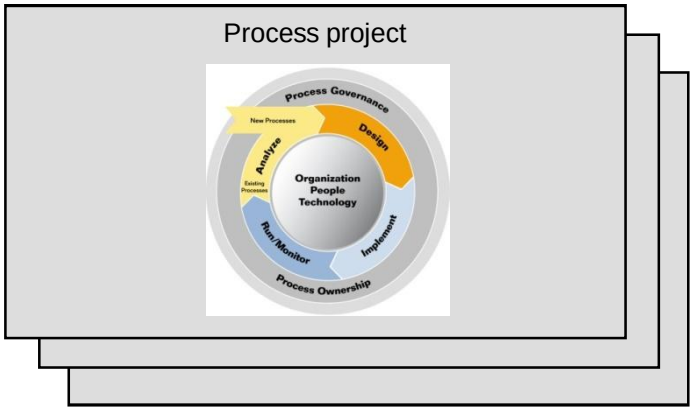
Analyze as-is process maturity



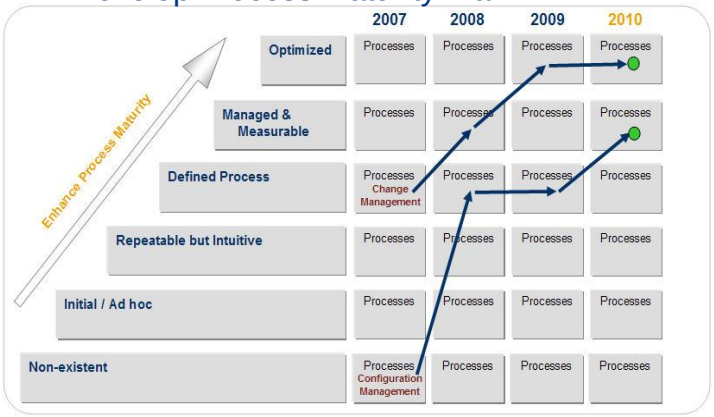
P-3	P-4
The process has been designed to fit with other enterprise processes and with the enterprise's IT systems in order to optimize the enterprise's performance.	The process has been designed to fit with customer and supplier processes in order to optimize interenterprise performance.
The process owner and the owners of the other processes with which the process interfaces have established mutual performance expectations.	The process owner and the owners of customer and supplier processes with which the process interfaces have established mutual performance expectations.
The process documentation describes the process's interfaces with, and expectations of, other processes and links the process to the enterprise's system and data architecture.	An electronic representation of the process design supports its performance and management and allows analysis of environmental changes and process reconfigurations.
Performers are familiar both with fundamental business concepts and with the drivers of enterprise performance and can describe how their work affects other processes and the enterprise's performance.	Performers are familiar with the enterprise's industry and its trends and can describe how their work affects interenterprise performance.
Performers are skilled at business decision making.	Performers are skilled at change management and change implementation.
Performers strive to ensure that the process delivers the results needed to achieve the enterprise's goals.	Performers look for signs that the process should change, and they propose improvements to the process.
The process comes first for the owner in terms of time allocation, mind share, and personal goals.	The process owner is a member of the enterprise's most senior decision-making body.
The process owner works with other process owners to integrate processes to achieve the enterprise's goals.	The process owner develops a rolling strategic plan for the process, participates in enterprise-level strategic planning, and collaborates with his or her counterparts working for customers and suppliers to sponsor interenterprise process-redesign initiatives.
The process owner controls the IT systems that support the process and any projects that change the process and has some influence over personnel assignments and evaluations as well as the process's budget.	The process owner controls the process's budget and exerts strong influence over personnel assignments and evaluations.

The Process Audit, Michael Hammer, Harvard Business Review, April 2007

Perform Process Projects & Implement PML



Develop Process Maturity Plan

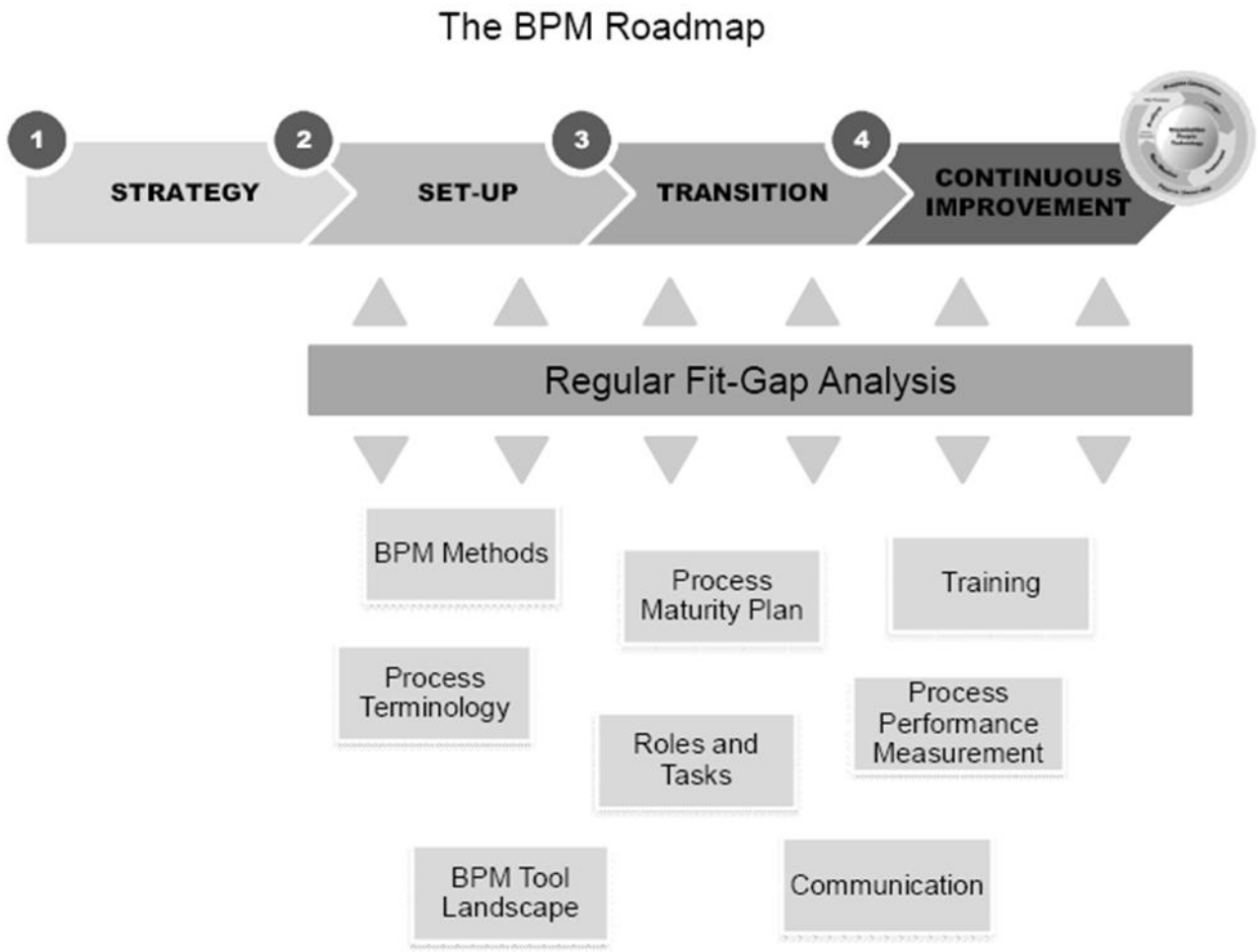


Based on CMMI maturity model

Unit 7: The Continuous Improvement phase ensures the long term success

Phase	Activities
4 **CI** ADD PROCESS BASED REWARDS EXPAND REPORTING ALLOCATE BUDGET PERFORM AUDITS	The Continuous Improvement phase, just like any business process, can also include improvements to the overall BPM approach. Four possible building blocks that can be added to the ones already introduced: • Process-based Rewards • Expanded Corporate Process Reporting • Process-based Budget and Cost Allocations • Process Audits

The CI phase reviews all major activities implemented in the previous phases



Unit 8: The Supporting Phases run in parallel to the 4 main phases

Phase	Activities
COMMUNICATE & TRAIN MANAGE CHANGE BUILD PROCESS-CENTRIC IT	The supporting activities are those building blocks that ensure that the company as a whole is aware of the BPM effort and understands how the effort will affect the different areas and can support them. These building blocks include: • Process-centric IT • Change management • Communication

Building blocks of a process centric IT organization

Structures

Organization	Guidelines	Strategic Alignment
Organisational structure	Reqir. analysis for process modelling	Alignment of business and IT objectives
Business Strategies planning	Process lifecyle management framework	Business process landscape
Tasks and roles	ARIS Modelling conventions	Coordination with corporate units
	Process modelling/ design	Service portfolio management
	Process Analysis & optimization	Project portfolio management

Processes

Business Process Management	Business Process Execution	Business Process Controlling
Requirements analysis management	System architecture management	KPIs/PPIs
Modelling/ design	Monitoring/PPI tracking	Budget and cost allocation
Analysis & optimization	IT infra-structure management	Risk management
Technical identity card	Support	Compliance
BPM tools	Process charging	Performance reporting
Process pricing		COBIT
ITIL		

People

Compen-tencies	Personnel Development
Identification and allocation of HR	Career paths
Skill profiles (To-Be, As-Is)	Performance management
Training	
Knowledge management	

Transition Roadmap & Change Management

Connections point between BPM Governance and TOGAF 9/ SAP EAF

Structures

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ITIL		

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Compen-tencies	Personnel Development
Identification and allocation of HR	Career paths
Skill profiles (To-Be, As-Is)	Performance management
Training	
Knowledge management	

Connection points

Connection points (Partial)

Transition Roadmap & Change Management

Situation & Complication at SAP IT

Situation

- Mainly local view on IT-operation items
  - Processes “start” and “end” at the boarders of organizational units
  - No common, unified language between IT and LoB

- Different tools, types and granularity of process documentation
  - From “swim lane” to “ARIS” type of process documentation
  - Use of Excel sheets, Word, Visio etc.

- SAP IT is perceived as a systems and application component specialist
  - System upgrades
  - Application Component Implementation & Operation
  - Support & Maintenance rather functionality centric than process centric

Complication

Example

- Lack of big picture in the treatment of IT-operation
- No transparency about regional variants of business processes lead to disruptive solution proposals
- Onboarding of consultants is difficult, slow and costly
- Low quality & high effort for integration tests

- Lack of a transparent basis for the joint analysis and optimization of processes
- Different understanding of the terms process, function or system
- Different granularity levels of process documentation

- Problems with E2E process testing for big scale upgrade projects
- Difficulties to implement process aligned SOX-compliant governance
- Late involvement of SAP IT in Re-Engineering projects
- Rather LoB internal process modeling than joint modeling and detailing
- Process related technical feasibility checks are not performed in the beginning of the design phase

The transformation towards a process-centric IT supports the cooperation

Situation	Complication
Mainly local view on IT-operation items ■ Processes "start" and "end" at the boarders of organizational units ■ No common, unified language between IT and LoB	■ Lack of big picture in the treatment of IT-operation items ■ No transparency about regional variants of business processes lead to disruptive solution proposals ■ Onboarding of consultants is difficult, slow and costly ■ Low quality & high effort for integration tests
Different tools, types and granularity of process documentation ■ From "swim lane" to "ARIS" type of process documentation ■ Use of Excel sheets, Word, Visio etc.	■ Lack of a transparent basis for the joint analysis and optimization of processes ■ Different understanding of the terms process, function or system ■ Different granularity levels of process documentation
SAP IT is perceived as a systems and application component specialist ■ System upgrades ■ Application Component Implementation & Operation ■ Support & Maintenance rather functionality centric than process centric	■ Problems with E2E process testing for big scale upgrade projects ■ Difficulties to implement process aligned SOX-compliant governance ■ Late involvement of SAP IT in Re-Engineering projects ■ Rather LoB internal process modelling than joint modelling and detailing ■ Process related technical feasibility checks are not performed in the beginning of the design phase

- Present situation shows significant pain points in
  - daily operations
  - communication business/IT
  - quality

Process-Centric IT Operation Model

The implementation of a *Process Centric IT Operation Model* is recommended in order to improve the current situation and to solve the complications resulting from a system & application centric IT organization.

Business requirements are the key driver for process design

Business

- Order Management
- Fulfillment & Licence Management
- Invoice Management
- Procurement
- Human Ressources
- Financials & Controlling
- …

Driver

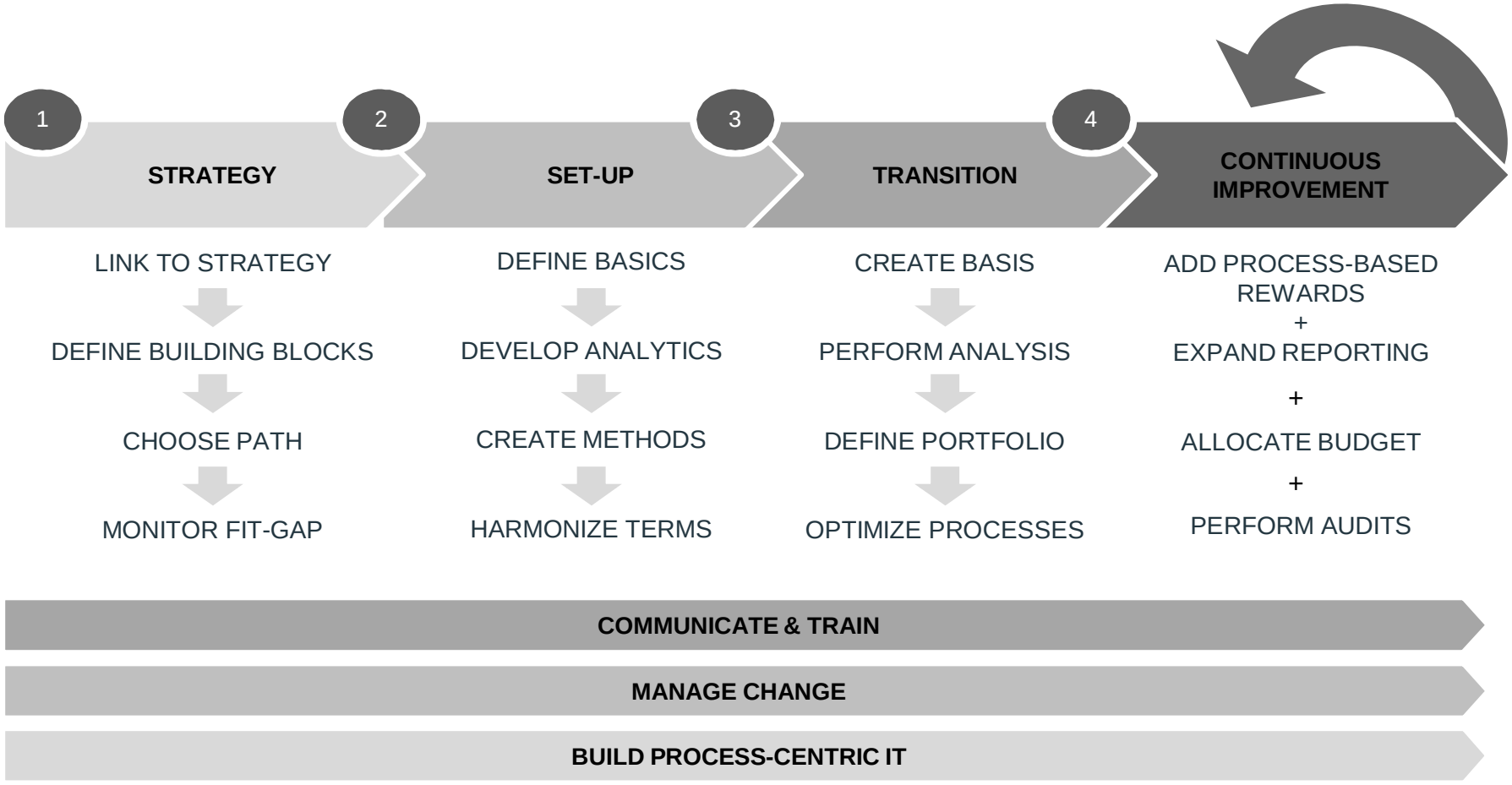
- Process- & architecture board
- Process owner (IT & Business)
- Change Management
- Project Involvement

IT

- Hardware/ System installation
- Customizing
- Software developement
- System maintenance
- System/Process monitoring
- System optimization
- Release management
- System architecture / E-SOA
- …

Enabler

In order to realize a BPM governance, SAP offers a structured 4 step approach

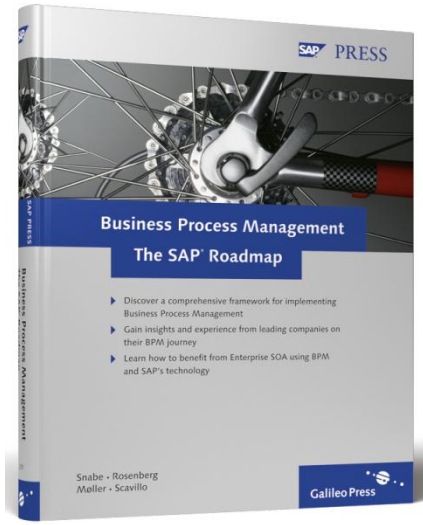


Agenda

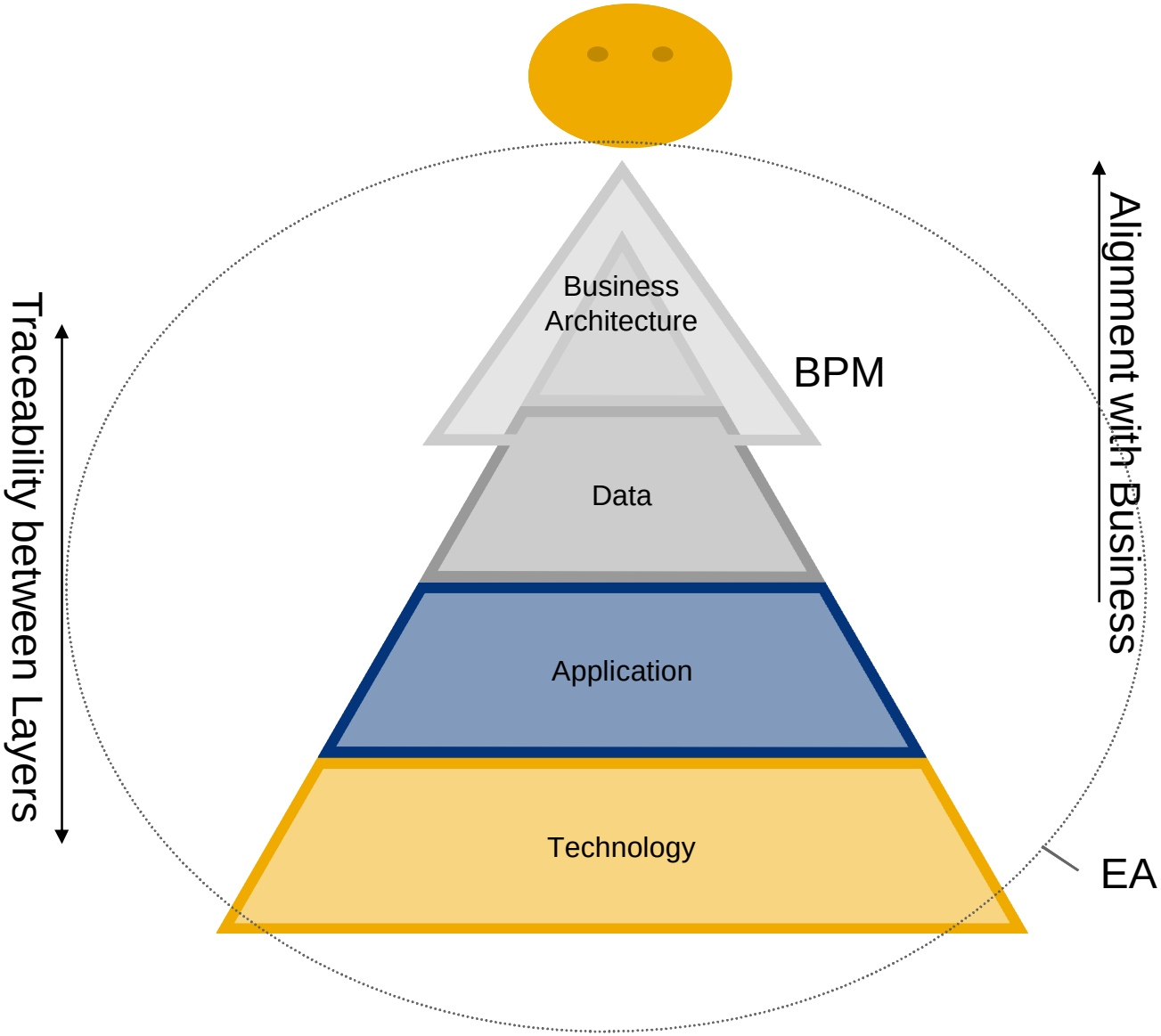
Evolution of Process Management and Enterprise Architecture

Explore the SAP BPM Governance Framework

Connections between BPM Governance and TOGAF 9/ SAP EAF

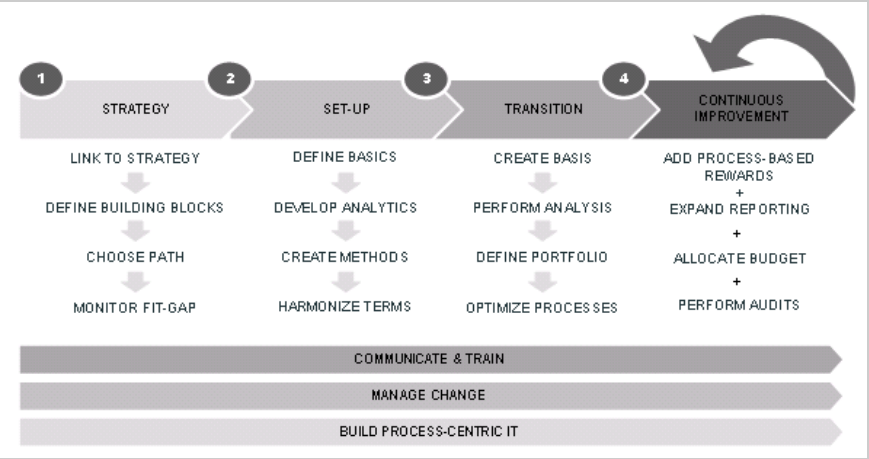


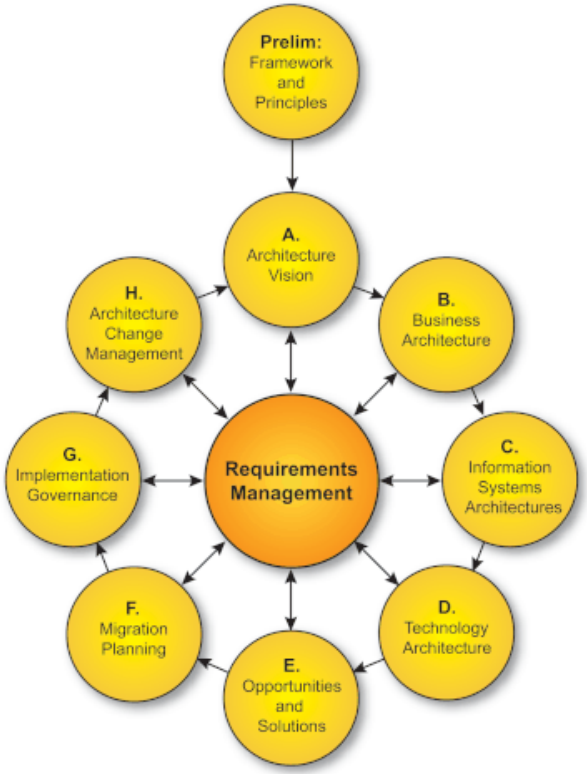
BPM Governance add value to the Business Architecture



Connections between BPM Governance and TOGAF 9/ SAP EAF (Business Architecture)

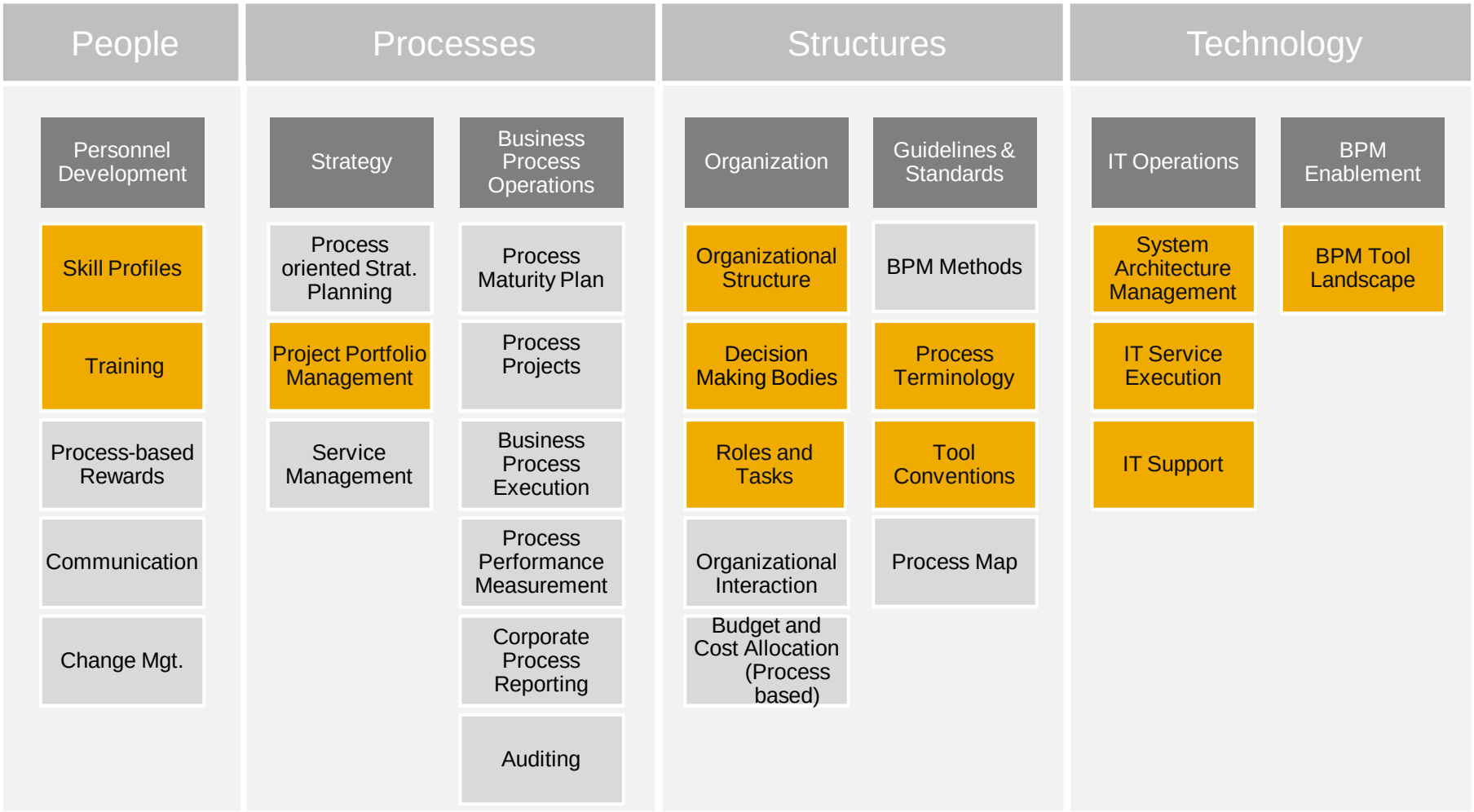
Business Architecture



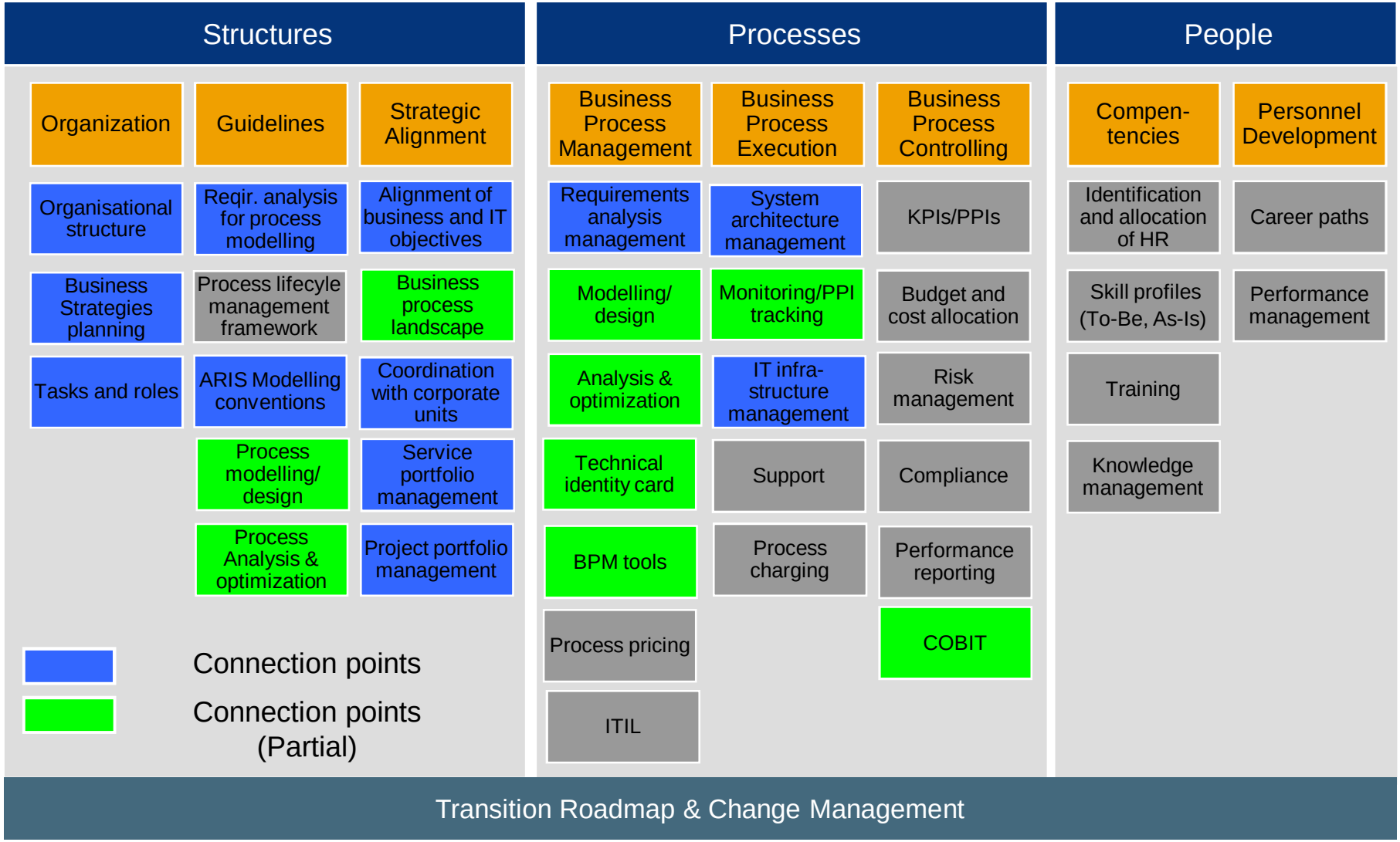


Connection points between BPM Governance and TOGAF 9/ SAP EAF
BPM Governance Model

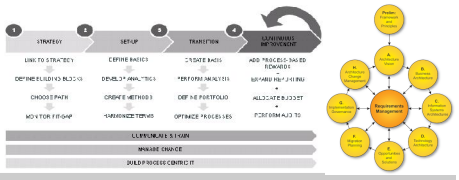
Once the link between business process management and the corporate strategy is understood, the company needs to analyze its current process management maturity and determine what factors, or building blocks, need to be introduced or improved in the BPM implementation



Connection points between BPM Governance and TOGAF 9/ SAP EAF
Process-Centric IT Operation Model



Connection Points



BPM Governance	TOGAF/ SAP EAF	Connection Points
Strategy Phase *(Link to Strategy, Define BB, Choose Path, Monitor Fit-Gap)*	Phase: A. Architecture Vision	Set the scope, create the vision link to the Strategy of the Company
Set-Up Phase *(Define Basics, Develop Analytics, Create Methods)*	Phase: Prelimiary	Prepare the organization (set-up governance and support frameworks, set-up team/ Organization, establish principles and framework, implement tools)
Transition Phase *(Create Basics, Perorm Analysis, Define Portfolio, Optimize Processes)*	Phase: B. Business Architecture Phase: C. Information Systems Architectures Phase D. Technology Architecture Phase E. Opportunities and Solutions Phase F. Migration Planning Phase G. Implementation Governance	B. Development the optimal Business Architecture to support the business processes (process optimization and innovation) C. Transparent business process map (capturing Data, Application Architectue, Business Processes, Roles/ Position, KPIs and PPIs) D. Transparent business process map link to the hardware, software and communications technology E. Define/ create portfolio and project charters G. Optimize Processes – implementation projects (build solution) + F. Move from the baseline to the target architecture
Continues Improvement Phase	H. Architecture Change Management	Change in technology and business.....
Support Activities Build Process-Centric IT, Communicate & Train	All phases	Build Process-Centric IT (will own the TOGAF/ SAP EAF set-up)

For more information, please feel free to get in touch with:

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