



Perspective:

4 keys to unlocking operational performance

Operational performance has become widely accepted as a critical success factor for companies across many industries. It is best described as the level at which all business units in an organization work together to achieve core business goals.

There are understandably many articles and texts dedicated to operational performance management. Many companies have created departments and job functions focused on translating the value of business assets into higher performance. However for those who are just beginning the journey there are undoubtedly more questions than answers.

This paper presents four critical focus areas for making meaningful transformations that lead to improved performance: events, processes, decisions and data. Unlocking operational performance requires businesses to transform the way each are managed, governed and leveraged throughout the enterprise. The end result is a business with the agility, efficiency and precision to consistently outperform the competition.

4 keys to unlocking operational performance

Events, processes, decisions and data

INTRODUCTION

Information technology is simultaneously the cause of today's most critical business challenges and the means by which to address them.

The speed at which data is being produced and the speed at which business is changing are two phenomena unparalleled in history. Their convergence is anchored by customers who, armed with information, expect better products, faster service, consistent responses and lower prices.

Both large and small businesses are recognizing the need to adapt. They are focused on evolving their business to not only respond, but continue to grow as well.

These revelations are certainly not new. Companies have been responding to these challenges for over 10 years. Motivated by sheer cost however, many small and mid-sized businesses could not predict high enough ROI to warrant the investment in tools and technologies to adapt; until now.

Hence the proliferation of transformational initiatives, motivated by development, maturation and affordability of innovative solutions that allow businesses to transform, compete and succeed.

FOCUSING ON PERFORMANCE

Improving operational performance has taken center stage for business transformational initiatives. Innovative tools, approaches and technologies are enabling companies to better perform with greater agility, flexibility and precision.

High performance is no longer achievable only by companies with an abundance of time, resources and money. Open source has become a viable option as well, and many businesses are migrating away from

traditional licensing options as a further means of reducing costs. However the focus remains solid – improve operational performance and business success will follow.

Whether a company is beginning the journey or reaching for higher levels of performance, information technologies are providing the means. However as recent history shows, discretely implemented software solutions are not enough to create meaningful transformations.

SOLUTIONS ALONE ARE NOT ENOUGH

For many companies, applications and systems remain technologically and strategically discrete. Although performance in a given area may improve, without sufficient improvement in other areas the overall performance remains limited. The result is emphasized and perhaps compounded performance issues throughout the enterprise.

Effective performance improvement requires a complete vision based on strategy, connectivity and dependencies between four core areas of focus:

1. The events that occur within a business.
2. The processes that are spawned as a result of those events.
3. The decisions that are made throughout the processes.
4. The data that supports all three.

High performing companies have effectively addressed each of these areas through a disciplined approach of governance, strategy and innovative IT solutions. They create greater competitive advantage by mastering the performance of each area and the relationships between them. Performance improvement is not accomplished through an implementation. It requires an evolution



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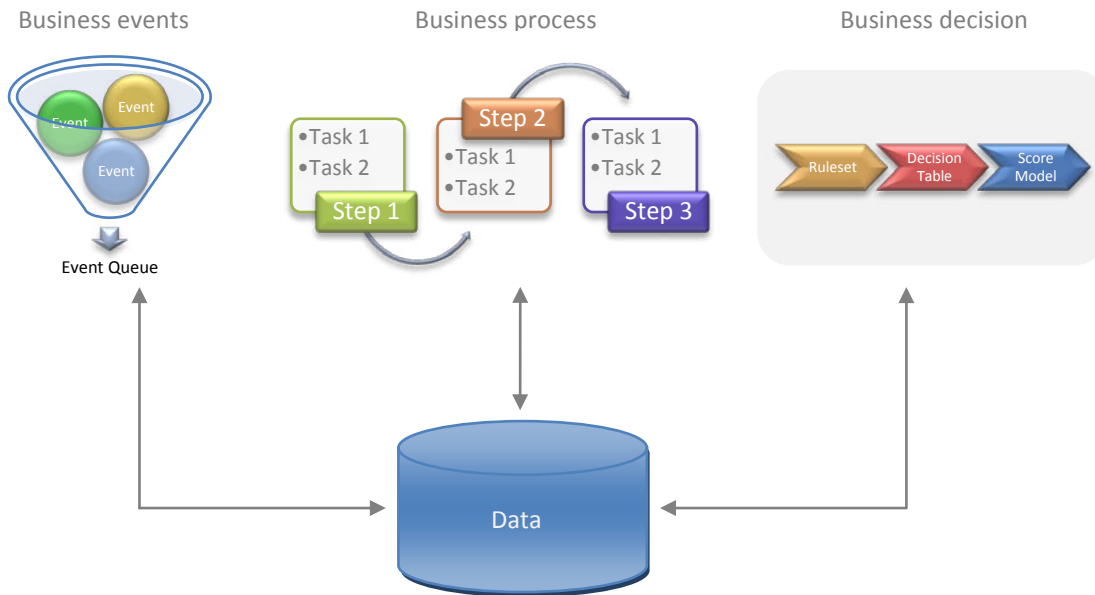


Figure1: 4 key focal areas for operational performance improvement

in which the nature of the business fosters better connectivity, agility, precision and consistency.

PERFORMANCE IMPROVEMENT PLANNING

Each of the four core areas requires significant planning and focus. Companies with an abundance of resource availability are able to focus on more than one simultaneously. However without an abundance of resources, slow and incremental steps can produce the same level of transformation and value.

Independent of scope, the most critical point is that changes are made. Effective and efficient response to market challenges and opportunities requires a business poised with agility and precision. It requires a business with knowledge and control of its events, consistency and efficiency in its processes, precision

and effectiveness in its decisions, and quality and availability of its data. Information technology has produced approaches, tools and technologies that help companies make meaningful changes in the management and governance of all four.

The first step in performance improvement is to conduct an analysis to identify and prioritize the most critical focus areas for a business. The second step is deploying a solution that addresses the needs of a particular department, line of business or business processes.

By approaching improvement with a clear and concise strategy companies can realize ROI sooner and validate solution applicability. Solutions can then be scaled to provide streamlined and reusable services resulting in company-wide performance improvements.

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KEY# 1: EVENT MANAGEMENT

Why it is important

Business events are defined as planned and unplanned occurrences that drive responses and processes internal to a business. Business Event Management is a discipline designed to improve the detection, identification and response to business events. Whether events are major or minor, businesses must be able to detect, identify and respond with efficiency and effectiveness.

Business events can be singular such as a credit card transaction or complex such as series of account transactions that indicate fraud. In both cases the ability to properly respond is critical and is indicative of the overall performance of a business.

Business event management technologies

Business event management, although singular in purpose, is technologically supported by various technologies including Business Event Processing (BEP), Business Activity Monitoring (BAM), Complex Event Processing (CEP) and Event Stream Processing (ESP). Slight differences characterize each technology; however all are helping companies improve their operational performance by better managing business events.

The ROI of business event management

The increasing speed of commerce is introducing more events per day, per minute and per second for many businesses. Hence efficient detection and response to just a fraction of these events can result in millions of dollars gained or saved per year. It makes sense that businesses are focusing on improving their performance in identifying events or event patterns, as well as generating the right response, at the right time and for the right reason.

Consider an airline that monitors passenger baggage events with an automated system. When an event signifies that a bag was not loaded on a passenger flight, the automated system initiates a business process that simultaneously notifies customer service, the passenger and automatically routes the bag on the next available flight. Although not a desirable occurrence, the airline is better able to retain their most valuable asset – the customer.

Also consider a manufacturing company whose event management system notifies managers of an unavailable production part. The advanced warning allows managers to alter production to best adjust for the deficiency, saving costly time, resources and materials.

High performing companies apply event management technologies to better respond to business events. Not only do they save uncountable resources and money, their increased knowledge and management of business events creates greater competitive advantage and business value.

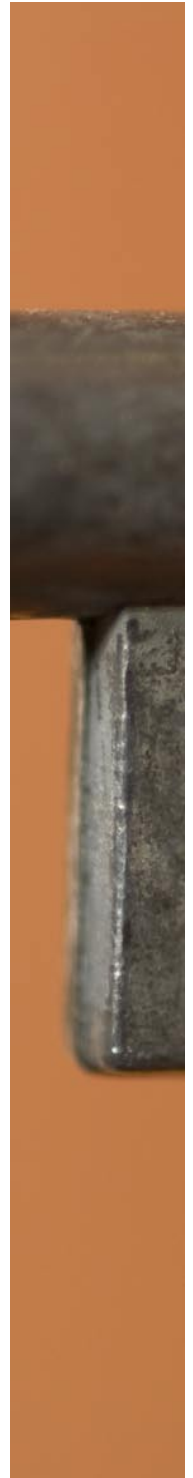
KEY #2: PROCESS MANAGEMENT

Why it is important

A business process is defined as a set of business activities that represent the steps required to achieve a business objective. Business Process Management is a discipline designed to improve the performance and consistency of business processes. Business Process Management helps companies break down organizational silos and promote streamlined cooperation between business units.

Business process management technologies

Business Process Management technologies (BPM) have become cornerstone products for enterprise



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software vendors. BPM is solidly rooted as a core element of their product stack and continues to drive complementary software developments, including B2B integration, content management and decisioning. Several smaller vendors also offer pure BPM solutions with integration capabilities ensuring connectivity to enterprise solutions.

Although the market offers diverse solutions, the diversity breeds confusion as well. BPM technology selection is easier for companies with significant investments in vendor technologies such as Oracle or IBM. However for companies without significant vendor investment wishing to leverage BPM to improve operational performance, more detailed analysis of capabilities, features and ROI are required.

The ROI of business process management

Business processes can be spawned in response to an internal event such as an unavailable production part or an external event such as a customer order. In both cases BPM helps companies to:

- Maximize the effectiveness of company resources
- Adjust with agility and flexibility to meet changing business requirements and customer expectations
- Optimize processes for timely response to internal and external events
- Increase the speed at which a company can bring new products or services to market
- Improve customer satisfaction
- Improve competitive advantage and positioning

Consider a manufacturing company that loses millions of dollars because of an underperforming logistics operation. When orders are unable to be shipped, lack of consistent and efficient processes creates challenges to compensate and adjust priorities, resources and tasks.

BPM provides a solution by coordinating an efficient and effective process to better respond to the challenges. It enables automatic assigning and routing of tasks to the appropriate resources to solve problems immediately, and ensures customer agents can identify the best options for customers. BPM enables the company to respond and adjust within an accelerated timeframe resulting in saved revenue and higher customer satisfaction.

High performing companies are investing in BPM approaches and technologies to better address business challenges that cause inefficiencies, lost revenue and lower customer satisfaction. Improving the way business processes are managed is a critical component for improving operational performance.

KEY #3: DECISION MANAGEMENT

Why it is important

Business decisions are defined as the operational logic and policies that guide business processes. Decision Management is a discipline designed to improve the management, consistency, precision and agility of business decisions.

Decision Management helps companies extract strategic decisioning logic from traditional programmed solutions into a central repository maintainable by business experts. It improves operational performance by facilitating faster time to market for decisioning changes and enabling companies to better react to market opportunities.

Decision management technologies

Decision Management generally includes technologies to address the major needs of strategic business decisioning: Business Rules Management Systems, Predictive Analytics and Decision Optimization.



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Business Rule Management Systems (BRMS) provide scalable solutions that maximize control and management over operational business decisions such as insurance eligibility. Predictive Analytics (PA) leverages data to forecast customer behaviors and the likelihood of business events such as predicting fraud. Decision Optimization (DO) helps analysts determine the best possible decision from highly complex models and scenarios such as airline schedule and resource coordination.

The ROI of decision management

Staying competitive in a fast-moving market requires agility, flexibility and precision. Decision Management has created value for companies across many industries with diverse business challenges, and creates a decisioning platform allowing companies to respond business policies to market challenges and opportunities.

Decision Management benefits include:

- Automated quoting and underwriting
- Strategically tiered pricing
- Faster time to change of strategic business policies
- Accurate fraud detection and handling
- Automated claim processing
- Customer and product segmentation
- Cross selling based on customer preferences and purchase history
- Regulatory compliance
- Accurate risk predictions

High performing companies are investing in Decision Management approaches and technologies to improve operational performance of their strategic decision-making tasks. Decision services are often deployed across the application infrastructure to provide re-useable decisioning throughout the enterprise.

KEY #4: DATA MANAGEMENT

Why it is important

Business data is defined as the information describing business assets such as resources, products, customers and events. Data Management is a discipline designed to improve the management, governance, quality and usage of business data.

Trusted data is perhaps the most critical company asset. It helps companies detect and correlate events, optimize business processes and make better decisions.

Given the volatility of today's market, access to quality, timely and synchronized information is even more important.

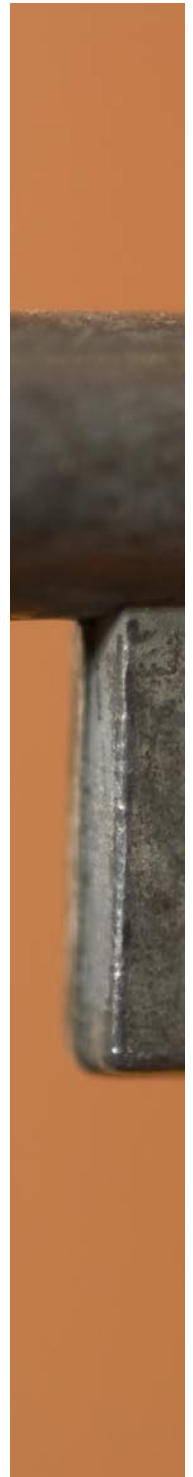
Data Management eliminates uncertainty that can jeopardize business success, and ensures that a company can pursue opportunities with knowledge and confidence.

Data management technologies

Traditional database management technologies are typically at the core of data management solutions. Many software vendors also implement more focused technologies that address data-related challenges. Popular technologies include data warehousing, data mining, business intelligence, asset management, content management and information integration.

Although these technologies are not essential for every business, improving operational performance requires data management at a fundamental level to ensure the relevance and quality of company data.

At minimum companies should implement robust data quality and governance processes that increase data value across the enterprise.



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The ROI of data management

The three previous keys to unlocking operational performance are critical focal points of an effective improvement strategy. Data is perhaps the most critical because of its importance to all three. The quality of an event, a process or a decision is only as good as the data that supports it.

Events require data for correlation and context. Poor data could cause incorrect correlation of event data signifying fraud, or perhaps the correlation of two events indicating production shortages.

Processes require data for routing and decision-making. Poor data could cause processes to stall, or perhaps incorrect routing to business functions unable to properly resolve a customer issue.

Decisions require data for precise and consistent decisioning. Poor data could jeopardize customer risk assessments or inadvertent denial of a customer medical claim.

High performing companies are investing in Data Management to mitigate risks associated with poor data. By ensuring the reliability, access, quality and timeliness of data, companies are able to increase operational performance to better respond to market changes and opportunities.

SUMMARY

Operational performance is synonymous with business success and will therefore continue to sit atop IT executive agendas into the future. The relationship between the four core focus areas is more than superficial. Strong dependencies dictate the level of performance achievable from strategic IT initiatives. Although companies may not have the resources to simultaneously pursue improvement in more than one area, strategic and measured improvement initiatives with smaller scopes will produce meaningful results and greater competitive advantage.

Contact Technology Blue to learn more about unlocking operational performance in your organization.

Technology Blue helps bring about meaningful change and lasting success through a broad range of outsourcing services covering:

- Strategy
- Application
- Infrastructure
- Management

Why outsource to Technology Blue?

- Enhance core capabilities in key areas
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- Reduce costs
- Speed time to market
- Increase business performance
- Maximize profitability
- Solidify competitive advantage

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