Business Excellence in Volatile Markets

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Key Words

Summary
Today, the markets of nearly all branches are highly volatile. This results in higher requirements for business management regarding governance, risk and compliance management. The solution: Business Excellence. The paper on hand will point out the success-critical significance of quickly adaptable business processes in volatile markets starting with basic reflections on Business Excellence programs. It will be shown how to organize business processes and the underlying IT infrastructure to meet the requirements of modifiability at any time, followed by the possibilities that Oracle applications and technologies offer to fit companies for competition in volatile markets. The paper concludes with discussing additional potentials resulting from the use of Oracle Fusion Applications.

Business Excellence in Volatile Markets
Today, markets of nearly all branches display a level of volatility which, few years ago, was merely known from financial markets: While new target markets are opened up, markets, which formerly prospered, sink into oblivion. And just as quick as young businesses can rise at the stock exchange market, established businesses may suddenly vanish. Furthermore, companies mainly make their money with products that up until one or two years ago no one would have known. And these products often meet needs which no one was aware of before they entered the market – just think of the iPad. Undoubtedly: A high level of volatility has become today’s reality. And the increasing volatility of the markets in the area of governance, risk and compliance management presumably may have robbed some business managers’ sleep. The solution: Business Excellence!

Business Excellence
The term Business Excellence is mainly used following the EFQM Excellence Model of the European Foundation for Quality Management (EFQM, see www.efqm.org). The model describes a management concept, which is applied by more than 30,000 organizations in
Europe and beyond. The model defines criteria for the evaluation of the organization’s excellence. In practice, the model proves useful as a central reference point when planning and implementing Business Excellence programs or when conducting benchmark studies.

The excellence criteria can be divided into two categories:

- **Enablers:**
  Criteria by means of which the capability of achieving Business Excellence can be evaluated: Leadership and consistent pursuit of goals, human resources, strategies, partnerships and resources, business processes, products and services.

- **Results:**
  Results in relation to staff, customers, the organization and defined key goals.

Business Excellence also requires continuous learning, creativity and innovation within the organization.

Especially established enterprises are often unprepared for the increasing volatility of the markets relevant to their added value. And a lot of young entrepreneurs have a clear focus on their target markets but fail because of the high volatility of their procurement markets or simply because of the shortage of skilled labor. These reflections underline the significance of Business Excellence considering volatile markets. But how is Business Excellence achieved? And maybe even more important but in any case more difficult: How to ensure lasting Business Excellence? The answers to these questions have to be found within business excellence programs. Although these programs are developed individually as a response to a preparatory analysis, it is possible to identify important areas found in most excellence programs:

- **Business Model:**
  Developments on the markets must be anticipated and in consequence be taken into account in the business model. Uncertainty and complexity during planning often result in different scenarios, whose application will be accompanied by an efficient enterprise performance management.

- **Business Processes:**
  Business processes are the centerpiece of every Business Excellence program. However, it does not suffice to find the “optimum business processes”, but adaptable business processes need to be realized that can be adapted to changing business models and market conditions. This results in considerable requirements regarding flexibility and scalability for the underlying IT infrastructure.

- **Human Capital:**
  Often, measures within the context of human capital development and the more intensive use of an organization’s and their strategic partner’s knowledge and creative force hold the most comprehensive potential for improvement. However, according to our experience this potential is the most difficult to tap. Reflections concerning this area would go beyond the scope of this paper.
Successful business excellence programs have one thing in common: They always take all areas of activity into account and strategically plan corresponding individual measures while taking their interdependence into account (for strategic planning in complex situations see [3]). The ongoing control of success (key word: Enterprise Performance Monitoring, see [5]) is important as well, accompanied by a continuous improvement in program planning. Change management is also of great significance (Business Change Management, see [1]). It ensures effectiveness and sustainability of the changes resulting from the excellence program.

**Focus in Business Excellence Programs**

In practice, it has proven useful to have a segmentation done based on the business process architecture (see [7]) before planning an excellence program. The individual business processes are evaluated by means of three criteria:

1. **Competition:**
   Is the business process critical to competition? In other words: Will the customers recognize quality and performance of the process and will this influence their purchase decision directly or indirectly?

2. **Added Value:**
   From an added value point of view, is the business process one of the company’s core processes?

3. **Quality:**
   How does the business process influence the quality of the company’s products and services?

As a result of this evaluation, classes of business processes emerge, which will be assigned different priorities within the excellence program and different procedures. On a generic level, two classes can be differentiated:

- **Mission-Critical Business Processes:**
  An outstanding importance within the competition is attached to mission-critical business processes. Usually, they define the unique characteristics of the company. Their influence on the product and service quality is enormous. Additionally, a high added value can be achieved due to them.

- **“Commodity” Business Processes:**
  Business processes achieving low added value, with small or no influence on product and service quality and with small or no importance within the competition are called “commodity” business processes.

Evidently, the classification of business processes highly depends on the branch, even differing from company to company. Some simple examples will illustrate this fact: Fleet management will be an important mission-critical process for a shipping company, whereas it will not be mission-critical for a financial services provider. A financial services provider is more concerned with customer relationship management, whereas a supplier in the automotive industry will attach significantly less importance to marketing and sales.
When planning the excellence program, the focus clearly has to lie on the mission-critical processes. These have to fully meet the requirements derived from the business model. In consequence, this results in the requirements for the supporting IT systems, which usually leaves little scope for the use of inter-industry standard software. Industry-specific business applications (key word: Edge Applications) as well as flexible business process management solutions dominate mission-critical processes. In contrast to this, “commodity” business processes are based on the principle that these are consequently to be traced back to standard processes and to be realized with economic standard business applications.

Business Process Excellence with Rapidly Adaptable Business Processes

The excellence of business processes will be at the center of the following reflections. The significance of business processes already shows after a short look at current market leaders: Some are innovation leaders in their markets (e.g. Apple), others lead regarding their price and cost structure (e.g. Aldi), some offer the best customer service (e.g. Amazon) or customer proximity (e.g. Sparkasse), but all of them convince due to the excellence of their business processes. The Oracle Corp. constitutes an almost ideal example: They managed to realize a unique acquisition program not only because of their financial power but mainly due to their superior acquisition processes, and thus gain market leadership – partly after an incredibly short period of time – in many target markets.

But which requirements result from the realities of the volatile markets for business processes and the underlying IT infrastructure? To answer this question, a typical business structure is schematically displayed in Figure 1 (see [2]). It covers four levels and shows the connections between business model, business architecture, information systems architecture and technical architecture. The possibilities offered by the business architecture with regard to the presentation of the business model can be interpreted as strategic skills. The technical skills describe the possibilities of the information systems for implementing the products, services and business processes defined in the business architecture. In the end, the technical skills define themselves by the possibilities offered by software, hardware and communication infrastructure as a platform of information systems.
Figure 1: Propagation of Market Changes in Companies

Which impact does a significant change in the market have, were ideally the event was anticipated in time and the company was already prepared to react? In this image of the business architecture, the green arrows symbolize the propagation of the market changes throughout the company: Market changes necessitate reconsidering or even redefining the business model. This results in a change of the business architecture regarding products, services and business processes. And these changes propagate through the information systems architecture and finally up to the technical architecture. These reflections evidently show the great extent to which market changes may affect a company.

The success-critical questions of costs and duration of the modification of components especially arise when considering the information systems’ architecture as well as the technical architecture. Furthermore, how to ensure that modifications entail no side effects for adjacent components? And how to cope with the risks which changes engender with regard to reliability and performance? How is governance guaranteed, how compliance ensured?

The answer to these questions is: Business Process Excellence with quickly adaptable business processes. In other words: The provision of a Business Excellence platform, in which business processes can quickly be adapted at any time and the information systems’ architecture in connection to the technical architecture does not or only slightly need to be modified due to the process change. This means the propagation of the market change described above ends with the change of the business processes.
Admittedly, such a Business Excellence platform is kind of utopian and therefore it is not possible to translate it 100% into reality. However, there are ways to attain such a platform as the following elaboration will prove.

**Business Process Excellence Platform: Principles and Components**

Just as there is never one single solution strategy for every other complex problem (see [3]), there is none for the construction of a Business Excellence platform (BPE platform), but there is always a carefully planned assortment of strategies to implement effectively. Below the principles to adhere to and the components available on the market are described:

- **Scalability or the Pay-As-You-Use Principle:**
  A dimension for the modification of a BPE platform always consists in scaling, either up or down. First, it has to be taken care that all integrated components are flexibly scalable in both directions. This applies to technical possibilities as well as economic aspects. It should only be paid for resources actually used – pay-as-you-use. In this context, cloud services are of special importance. Especially when high requirements regarding extent and frequency of scaling are imposed, it is always necessary to consider cloud-based platforms and infrastructure services. However on the level of information systems, the use of SaaS (software as a service) is often limited by individual technical requirements.

- **Service-Oriented Architecture (SOA):**
  The BPE platform needs to provide the possibility to “switch” functionality “on” and “off” due to process requirements or business rules. This ability is ensured by modern service-oriented architectures. Apart from the orchestration and implementation of processes, they offer multifaceted components to integrate human tasks, web services and business applications as well as monitoring the activities. Prefab SOA integration architecture, such as those provided by Oracle through the Application Integration Architecture (AIA), are perfect as the centerpiece of a BPE platform.

- **Business Process Management (BPM):**
  The BPE platform is based on a comprehensive business process management (BPM). BPM constitutes the framework for the objects, services and applications available in the information systems architecture. The flexibility in design, execution and monitoring of the processes is the key of the platform’s quick reaction to changes of the business strategy. The precondition for the efficiency of BPM consists in the availability of users from different fields via simple and easily comprehensible business process models (see [7]).

- **Project-Oriented Value Creation Processes:**
  Many industries demand such a high ability to change that ordinary process-oriented business applications, such as components of the BPE platform reach their limits. Therefore, many enterprises choose to handle highly volatile value creation processes as projects and to support them with efficient project management software, e.g. Oracle Primavera. However, the undeniably greater flexibility of the project solution often leads to longer cycle times and process costs and the excellence desired is not achieved. When taking a closer look, the potentials for
optimization, which can be realized by the specific targeting of BPM in connection with the project management software, become evident.

- **Industry-Specific Business Applications:**
  An optimum coverage of technical requirements is indispensable, especially for mission-critical business processes. This is why many companies choose custom development in these areas. The alternative consideration of application offers, which are available on the market and cover industry-specific aspects, is recommended. This often reduces costs and shortens the period of implementation. Especially major suppliers such as Oracle now include in their application portfolio efficient industry applications called edge applications. Furthermore the suppliers have an extensive partner ecosystem providing additional efficient industry offers.

But how can a business process excellence platform, based on the Oracle software product portfolio, be realized? On the left hand side of Figure 2, the structure of a business excellence platform is displayed as a segment of the business architecture shown in Figure 1. On the right side, the Oracle software products that are suitable components of the BPE platform are classified. The link to the world of business processes is provided by the Oracle BPM Suite in connection with Horus (see [7]). On the level of information systems, the SOA Suite as well as Oracle Applications are available, all of which reach the technical architecture. Oracle Applications are taken into account in the Figure in respect to help to cover industry-specific requirements. In their target industries, this demand is satisfied by Oracle Edge Applications. To ensure clarity of the figure, standard applications used in the implementation of “commodity” processes have been abstracted from.

**Business Process Excellence Platform**

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**Figure 2:** Use of the Oracle software product portfolio
Future-Proof Business Architecture

Although an ideal-typical business process excellence platform can neither be built with Oracle products nor with products of a different supplier, it could however be demonstrated that the Oracle product portfolio provides extensive opportunities to economically realize quickly adaptable business processes. And a supplier like Oracle also impersonates sustainability regarding the construction of a BPE platform. Figure 3 illustrates the architecture of an efficient BPE platform with Oracle products.

Figure 3: Exemplary Oracle-based BPE platform

Continuous, inter-company business processes built with components offered by the Oracle BPM Suite and SOA Suite form the basis of the architecture displayed. Oracle AIA and business-to-business interfaces are available for integration. Besides process integration, a data-oriented integration in the form of the Corporate Knowledge Base is carried out. It forms as the totality of the products for master data management, the data banks of the business applications, the WebCenter content base as well as the data warehouses used for analytic processing. Databases for the administration of big data are also taken into account.

The business applications are implemented on this platform for process and data integration. An exemplary selection is shown, among others a third-party application (SAP) to illustrate the heterogeneity possible for the architecture. An inter-application, uniform user engagement platform is realized by means of the Oracle WebCenter product portfolio. Various terminal devices including mobile devices can be used for interaction. Internal users as well as users from customer-side, business partners as well as public authorities can be integrated via the portals by means of corresponding personalization. Target group specific portals are provided, controlled by automated service workflows.
Potentials of Oracle Fusion Applications

By means of the Fusion Applications, Oracle Corp. established a new range of products on the market for business applications. Fusion Applications are based on a service-oriented architecture implemented via Oracle Fusion Middleware. Key components are AIA, a 100% service-oriented application integration architecture, as well as a WebCenter-based user engagement platform. Thus, a completely innovative user experience is created, allowing the user to interact independently from context, and which relieves the user from routine tasks and provides new space for dispositive and collaborative tasks. Due to complex business process management technologies, inter-company business processes are realized. All services necessary are already seamlessly integrated into these processes. To connect services from the current application product portfolio with newly developed Fusion Applications, prefabed integration packages for AIA are available, also for the integration of applications from prominent competitors (SAP among others) or for important industry applications (e.g. for contract management systems for insurance companies or accounting systems for communication service providers).

The architecture of Oracle Fusion Applications meets all requirements specified in this paper: For flexibility and scalability of a Business Excellence platform on all levels. Furthermore, Fusion Applications bridge the gap to other application products by Oracle as well as other competing products. However, the complex technologies need to be mastered. The consistent focus of the information technologies on the needs of business as well as the early and continuous integration of experts help with this – key word: Social BPM (see [6, 7]).

Conclusion

Without doubt: Complex business architectures and the latest information technologies enable for quickly adaptable business processes and become drivers of change in companies. And the innovations linked to Oracle Fusions represent another important milestone of Business Excellence in volatile markets. Yet, Business Excellence builds on human capital – people need to keep up with the changes, support them and lead them to success. Change management becomes the factor critical to success of each Business Excellence program and the thought of human use of information technology as it has been postulated for years by the Integrata Stiftung (see [5]) is now more topical than ever.
Literature


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