



Business Process Thinking:

The Key to Aligning Business and IT

An Executive Report

This report is an overview, analysis and case study of how business process thinking and related management practices help align IT investments with business strategy to achieve distinctive results.

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Part I: Business Process Thinking is the Key to Aligning Business and IT

Overview

A resurgence of interest in business process management practices holds forth the promise of eliminating the persistent business-IT alignment problem.

The annual survey of CIOs by Ziff-Davis Inc. indicates that aligning IT with business strategy remains the number one priority of CIOs for the third consecutive year.⁸ Also, the alignment problem ranks second in Deloitte & Touche's annual survey of top CIO priorities for 2005.⁷

Two causes of the alignment problem are frequently mentioned:

1. The lack of effective communication between IT staff and business managers.
2. The lack of agreement on the business value of IT.

Based on our analysis of industry activity and leading publications, a return to the fundamentals of business process analysis and related management practices is underway – a trend that we believe will help eliminate the business-IT alignment problem.

In Part I of this report, we trace the evolution of business process thinking, explore its relevance to today's business challenges and explain how it aligns business and IT.

In Part II, we present a hypothetical case study of a specialty insurance company to illustrate how process-focused management aligns IT with strategic intent.

What is A Business Process?

According to Howard Smith and Peter Fingar, co-authors of the recent book, *Business Process Management: The Third Wave*, a business process may be defined as follows:

*A business process is the complete and dynamically coordinated set of transactional and collaborative activities that deliver value to customers.*¹⁵

What is the Business Process Management Perspective?

Business process management is a managerial perspective based on conceptualizing enterprise activity as *end-to-end processes* that deliver value to customers. The goal of business process management is to design, optimize and control such processes to execute a strategy.

The business process perspective arose in opposition to traditional managerial emphasis on functional specialties shown on a typical organization chart. Words in common use for the functional point-of-view are “functional silo” and “stovepipe”, which are intended to convey an image of vertical focus and optimization at the expense of the whole.

The Origin of the Business Process Perspective

The business process perspective has its origin in the groundbreaking work of Michael Porter of the Harvard Business School. In his 1985 book, *Competitive Advantage*, Porter presents the concept of a *value chain* – the comprehensive collection of cross-functional business processes that delivers value to the customer. Porter decomposes the value chain into “value activities” – which we now call “business processes”.

Porter’s theory is that tight integration and optimization of business processes strengthen an organization’s ability to compete. As Porter states, “The value chain is a basic tool for diagnosing competitive advantage and finding ways to sustain it.”¹²

As the value chain concept took hold, it led to the “business process reengineering” (BPR) movement of the 1990s. The consulting work and publications of Michael Hammer, James Champy and Thomas Davenport popularized the phrase “business process change” and the BPR approach.^{6,9} In its original form, the BPR approach called for large-scale, sweeping business process re-design to “obliterate” current practice.¹⁰

While some BPR attempts succeeded, widespread reports of failure caused the approach itself to fall out of favor.¹⁴ IT methods, technology and enabling management practices were simply not available during this period to support sweeping business process change. Industry analysts have also concluded that the BPR approach was oversold, as organizational and cultural changes were more difficult to implement than was originally anticipated.^{11, 14}

Process Management Matures

Since the BPR era, business process thinking has matured and evolved in the name of Six Sigma, “business process improvement”, “business process outsourcing” and “best practices” embedded in ERP software packages. Business process automation capabilities have also advanced with the advent of Internet-based technologies and standards. Also, business process standards continue to evolve in several industry sectors. Examples include ACORD in the insurance sector, SCOR in the manufacturing/distribution sector and eTOM in the telecommunications sector.¹²

The Return to Fundamentals

Industry surveys taken after the dot.com frenzy indicate that a return to process fundamentals is in progress:

- ◆ The Business Process Management Group reports 15% growth per year during the period 2002 through year-end 2004 in active business process project activity among the 700 firms that it annually polls. During 2004, well over 80% of the firms surveyed had active cross-functional, cross-enterprise process projects.¹⁷
- ◆ In January 2005, the consulting firm BearingPoint, in its survey of financial services firms reported that executives are increasingly turning to cross-functional business process projects to address cost containment and compliance issues. BearingPoint reports that firms engaging in process-centric projects are successfully solving compliance issues while reducing operating costs by 15% - 30%.³
- ◆ According to *Baseline* magazine’s annual Top 2005 IT Projects survey, business process management projects ranked first among project categories expected to have “the most critical impact” on the organization.²

Why the Process Perspective is Relevant to Today's Challenges

The process-centric management perspective is back in vogue because today's major challenges are inherently *cross-functional* and *cross-enterprise* in nature.

Consider the challenges facing today's executives:

- ◆ The need to respond to stringent internal and external compliance requirements that span multiple entities.
- ◆ The need to construct distinctive “difficult-to-replicate” end-to-end processes to achieve a sustainable competitive advantage – as has been accomplished by Toyota, UPS and Apple iPod/iTunes.
- ◆ The need to tightly link *internal* business processes with the processes of *external* organizations, as firms increasingly depend on alliances, joint ventures and outsourced service components to compete.
- ◆ The need to use the Internet for business process innovation without increasing risk, as e-business implementation exposes one's internal processes to customers and new threats.
- ◆ The need to make processes visible for analysis and optimization to meet cost containment and other business performance objectives.
- ◆ The need to strategically distinguish non-core processes from core processes to identify potential opportunities for outsourcing.

The IT Community Responds

The IT community continues to actively respond to the needs of a more sophisticated and process-savvy customer than existed prior to the dot.com frenzy:

- ◆ Major packaged software vendors, such as SAP, are ‘loosening up’ their offerings, recognizing that customers are no longer willing to map their core value chains into the inflexible, standardized software of the past. Such vendors are fully “componentizing” their products to offer web-based solutions that enable customers to quickly assemble and deploy an end-to-end process with greater flexibility at a lower cost.
- ◆ A new breed of web-compliant packaged software – called “business process management” (BPM) – has emerged. This software holds out the promise of enabling business managers to model, configure and implement cross-functional clusters of work flow, document management, business rules, ERP connections and Internet-based collaboration across multi-vendor offerings, without the need for significant IT and outside consulting intervention.¹⁵
- ◆ Visual modeling tools such as Proforma, Sparx/Enterprise Architect and Telelogic System Architect have evolved in a manner that make it easier for business managers and IT staff to jointly visualize business process scenarios and link them to assets that comprise the IT solutions architecture.
- ◆ Powerful Web-based standards make cross-functional inter-operability increasingly more feasible and affordable than just a few years ago. A unifying perspective, called “*Service-Oriented Architecture*” has emerged as the leading paradigm for envisioning the future-state IT solutions environment. IBM, Oracle, SAP and Microsoft are furiously competing in this arena to the benefit of the customer.
- ◆ Growing acceptance of sound business analysis practices– such as use case modeling – is helping IT analysts better engage end-users in the discussion of process improvement. Use case modeling is a method that enables IT analysts to engage users in a natural language conversation that links business processes to system features.

Process and the Internet

What if one attempted to eliminate the business-IT divide by simply abandoning the basics of business strategy and declaring the use of information technology *per se* as one's strategy?

Such distorted decision-making is exactly how Michael Porter explains the dot.com phenomena in his Harvard Business Review article, "Strategy and the Internet"¹³ Porter explains that by ignoring the basics of strategic positioning, such as having a compelling value proposition and achieving profitability, many firms confused use of the Internet with having a business strategy.

Porter offers specific advice to assure that Internet initiatives align with business strategy:

- ◆ View the Internet not as a break from the past, but rather as the latest stage in the on-going evolution of information technology. Executives are advised to "see the Internet for what it is: an enabling technology—a powerful set of tools that can be used wisely or unwisely" to execute strategy.¹³
- ◆ Use the Internet to re-invent and transform the firm's value chain to create truly distinctive, integrated activities that support a defined business strategy.
- ◆ Be aware that use of Internet technology may result in negative outcomes, such as the compression of margins, security threats and additional competitive pressure. Firms must, therefore, carefully evaluate use of this powerful technology within the context of their distinctive strategy to avoid unintended consequences.

How Business Process Thinking aligns Business and IT

Once commitment to process-centric thinking is achieved, alignment improves as business process objectives permeate IT plans, contracts and specifications:

1. Essential project management deliverables are framed in terms that link them to business process outcomes. The work breakdown structure, task descriptions, scope statement and acceptance criteria are framed in business process terms that relate to business objectives that are recognized and owned by business managers and staff.
2. Procurement deliverables – RFP documents, outsourced service provider contracts and related statements of work (SOWs) – are also framed in business process terms that enable the CIO to maintain alignment and control of the service relationship.
3. Cost Justification of IT is done by justifying new or enhanced value-creating business cross-functional processes that IT investment makes possible. Savvy process-centric firms justify at the value-chain level – not at the atomic, application component level, because it is impossible to do so.
4. Business process modeling provides a means to visualize how IT features specifically deliver value and impact status-quo-biased operations – prior to the firm making its investment in technology and organizational change.
5. Process-centric solution architecture methods, software requirements analysis and use case modeling lead to design choices that are more robust, thus extending the economic life of the ensuing IT investment. By elevating the software requirements dialogue to the business process level, enterprise architects, system designers and developers make design choices that are more encompassing and inclusive, which result in enduring “designed-once & built-to-adapt” deliverables.

The Process Advantage

As the business process trend continues, the business-IT divide will dissipate. We predict that astute executives will:

- ◆ Implement IT governance mechanisms that subordinate technology to the enterprise process vision. As noted by Smith and Fingar, firms today compete – not on the basis of “my web site vs. your web site”, but rather on the basis of “my value chain vs. your value chain”.^{15, 16}
- ◆ Make greater use of enterprise architecture and process modeling tools to elaborate and communicate the process vision to assure that internal IT, line-of-business professionals and outsourced service providers remain focused. Expect that the approach called ‘Service Oriented Architecture’ will gain traction as the unifying method-of-choice for expressing the future-state environment.
- ◆ With greater conviction, selectively adopt industry-standard project management, requirements management and business process management methods that are certified by prominent standards organizations and industry groups. Such proven practices assure alignment throughout project execution.
- ◆ Use the process-centric approach when exploring outsourcing opportunities. The process-centric approach links the ensuing vendor dialogue to concrete metrics and actionable deliverables that empower the customer to maintain client control of the transition from the “As Is” state to the “To Be” state.
- ◆ Implement HR job description and performance appraisal mechanisms that place process contribution and learning on an equal footing with function-specialty prowess. Set an example in IT by linking IT staff performance to learning the vocabulary of the business, articulating process objectives and creatively applying technology to support process improvements.
- ◆ Deploy web-based collaboration tools to unite disparate knowledge workers to improve cross-functional harmony and cross-enterprise performance.

An Illustration: UPS

In response to strong competition from Federal Express, United Parcel Service (UPS) decided to restructure its operation and upgrade its technology. To achieve these objectives, senior management decided to adopt a strategic business process-centric approach. Four strategic cross-functional core processes were identified: *package management, product management, customer relationship management and customer information management.*

The culture and incentives at UPS subordinate IT to the higher-order business process. A senior UPS operating executive is appointed to head each core process. Each process owner has a staff responsible for mapping business processes and identifying IT requirements. All project proposals must first go to the designated process executive for review, approval and prioritization prior to going to the IT Steering Committee for review.

Consider the (February 2005) comments of David Barnes, Senior Vice President and CIO of UPS:

Alignment is much easier at UPS [because] joint business-IT teams are aligned by process in a cross-functional, collaborative environment. Go one level down in IT and the business side and you have an IT manager and a business manager assigned to a cross-functional process category such as CRM. The two managers work side-by-side on strategy and execution. They champion the project and ensure that the vision is disseminated.⁵

Conclusion

Business process analysis and related management practices continue to advance because it strengthens an organization's ability to meet today's challenges.

Business process roadmaps:

1. Provides organizations with an action plan for executing a distinctive strategy.
2. Provides the CIO with an opportunity to define the mission of IT in terms of the vocabulary, metrics and value proposition of the firm – thus eliminating the business-IT divide by subordinating technology to the process vision.
3. Provides project managers, business managers, designers, developers and external service providers with actionable requirements that can be traced to business process outcomes.

As process management practices advance, the business IT-alignment problem will subside because leaders will demand that IT projects be conceived with enough process-centric “critical mass” to make the link between IT and the business obvious.

* * * * *

Part II: A Hypothetical Case Study: AAA Assurance Inc.

This report continues in Part II with the hypothetical case study of *AAA Assurance Inc.*, a fictional specialty insurance company that launches a process-centric project to solve a variety of operating problems. The IT organization responds with a new application architecture that aligns with the process vision of the firm.

The AAA Assurance Inc. case study is hypothetical. The purpose of the case study is to illustrate the power of business process thinking to help align IT performance with business strategy.

The specific project, characterizations, people, circumstances, acronyms and IT systems depicted herein are entirely fictitious. The business process improvement challenges and responses in this case study are generic in nature and non-specific to any firm or project in the financial services industry.

AAA Assurance Inc.

AAA Assurance Inc. is a financial guaranty insurance company with annual net premium earned of \$305 million. AAA Assurance provides financial guaranty insurance – popularly known as bond insurance – to issuers active in the global capital markets.

AAA Assurance has been in business for eleven years and currently operates in three market segments: U.S. public finance, U. S. structured finance and international specialty finance. The firm currently guarantees total obligations of net par \$265 billion.

The AAA Assurance insurance policy irrevocably guarantees payment of principal and interest of the guaranteed issue. The policy results in the issue being rated triple-A by major rating agencies, thus lowering the cost of borrowing to the issuer of the bonds. In return, AAA Assurance receives payment of premium for its guarantee.

Like all financial guarantors, AAA Assurance seeks to maximize profitability while minimizing the risk inherent to the obligations it insures. To transact business, AAA Assurance must adhere to strict regulatory and rating agency requirements to maintain its triple-A rated franchise.¹

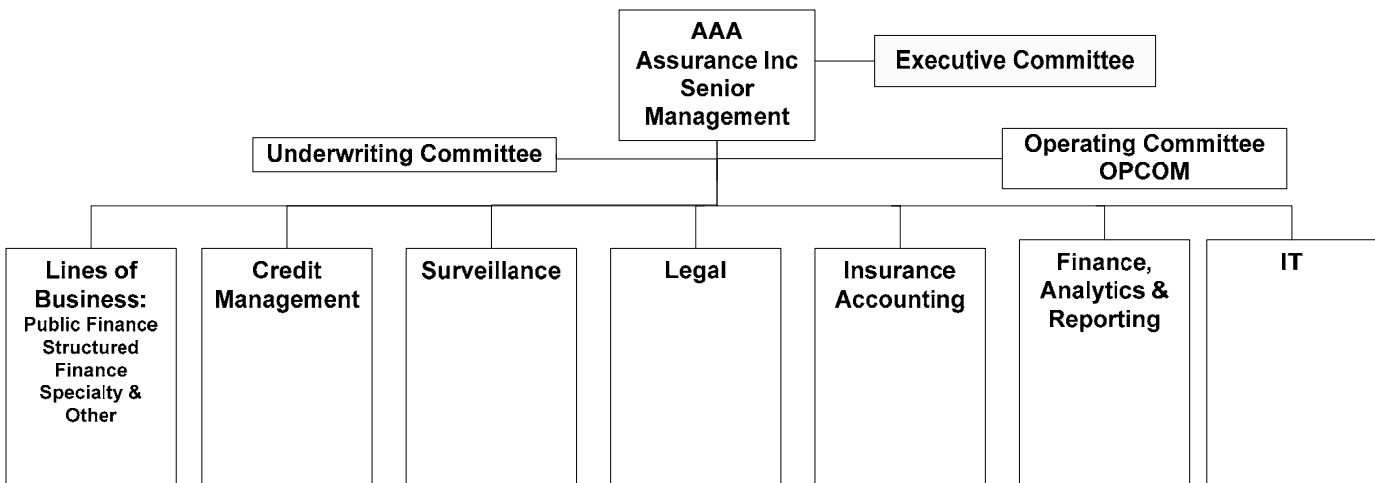
The Organization

The organization chart of AAA Assurance is shown in Figure 1.

The company has three permanent committees: The Executive Management Committee, the Underwriting Committee and the Management Operating Committee – known as, **OPCOM**.

OPCOM is responsible for setting operating standards, internal control policy, assembly of the annual operating budget, governance of IT and other day-to-day oversight responsibilities. The CIO and CFO are permanent members of OPCOM, along with three other key officers of the firm.

Figure 1
Organization Chart



Strategy Defined

At the beginning of the year, Jennifer Nolan, CEO of AAA Assurance, issued a statement outlining the near-term strategic objectives of the firm. Among them were:

- ◆ *Over the next 3-4 years, obtain net premium earned of at least \$400 million.*
- ◆ *Manage the book of business with strict adherence to internal risk management standards and external requirements necessary to maintain the company's triple-A franchise.*
- ◆ *Consistently demonstrate exemplary organizational agility, creativity and service levels that set AAA Assurance apart from its competitors.*
- ◆ *Maintain strong internal control. Operate with transparency of actions and consistency of reporting in our dealings with regulators, rating agencies, investors, issuers and other constituents.*

Jennifer and the other members of the Executive Committee knew that meeting these objectives required superior execution by department heads, transaction teams and support staff.

OPCOM Plans an “Onsite - Offsite”

Realizing the challenge facing the support units of the firm, the Executive Committee authorized OPCOM to initiate a formal brainstorming and planning event to focus on administrative activities. The objective was to examine the firm's current operating environment and discover options to strengthen performance capabilities. Rather than a traditional offsite meeting, OPCOM elected to organize a blended event consisting of facilitated on-site meetings, on-going web-based team collaboration plus periodic off-site celebrations. OPCOM established a cross-functional team to do the planning and pre-work for the event. The OPCOM referred to the event as the “onsite-offsite”.

AAA Assurance was fortunate in that it enjoyed the benefit of having a talented and experienced team of professionals. The Executive Committee felt that the firm had a culture that fostered open communication and respect for the individual. Jennifer believed that when the firm was challenged, she could rely on staff at all levels to confront reality, be forthcoming in identifying issues and offer constructive ideas for improvement.

Prior Success with Business Process Improvement

OPCOM enjoyed prior success with cross-functional process improvement initiatives. Several years ago, AAA Assurance completed a process re-engineering project that targeted specific areas of the firm. The effort successfully led to performance improvements in HR, financial reporting, expense management and implementation of a common credit culture, including underwriting standards and controls. The Executive Committee now wanted to focus on improving the day-to-day credit enhancement process to better position the firm for growth.

The CEO provides Direction in Process-Centric Terms

Specific direction for the onsite-offsite was provided by Jennifer Nolan in the following statement and graphic (Figure 2):

We are one value chain: credit enhancement.

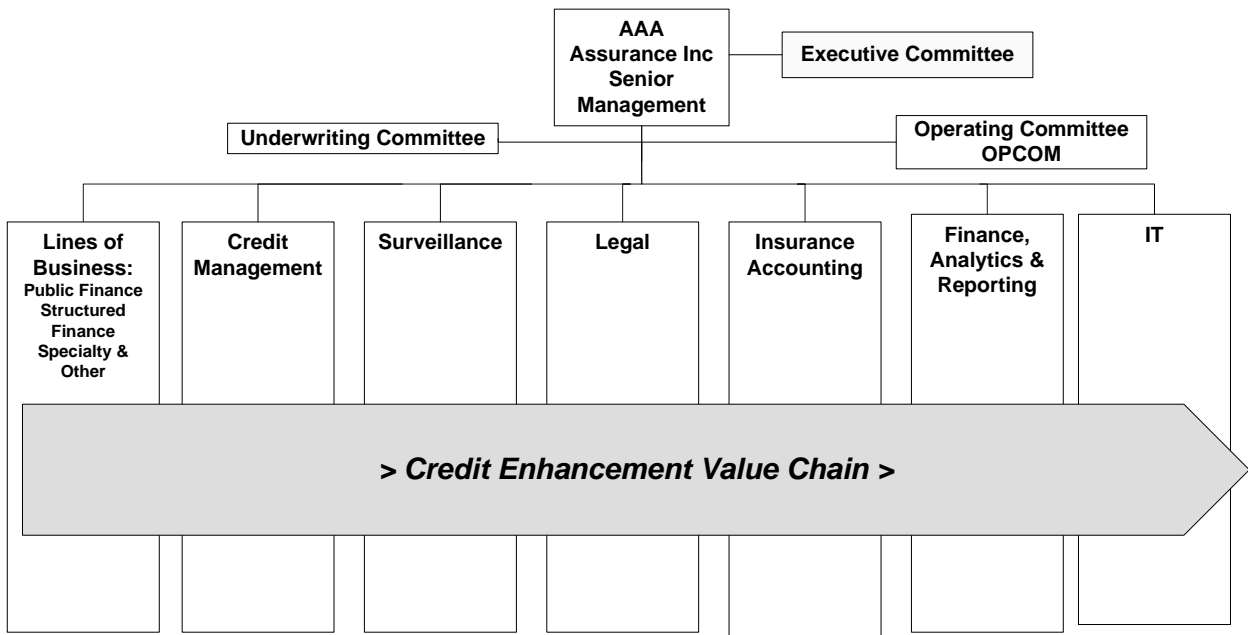
Our mission is to provide credit enhancement to participants in the global capital markets. While doing so, we adhere to strict internal risk management, regulatory and rating agency criteria.

We act professionally, with speed, openness and consistency. We operate to earn a profit and enhance shareholder value. Finally, we strive to provide our employees with a professional and rewarding work environment.

We ask that you think cross-functionally at the onsite-offsite and provide feedback that enables us to strengthen the credit enhancement process to prepare the firm to meet our three-to-four year strategic objectives.

Figure 2

The AAA Assurance Value Chain



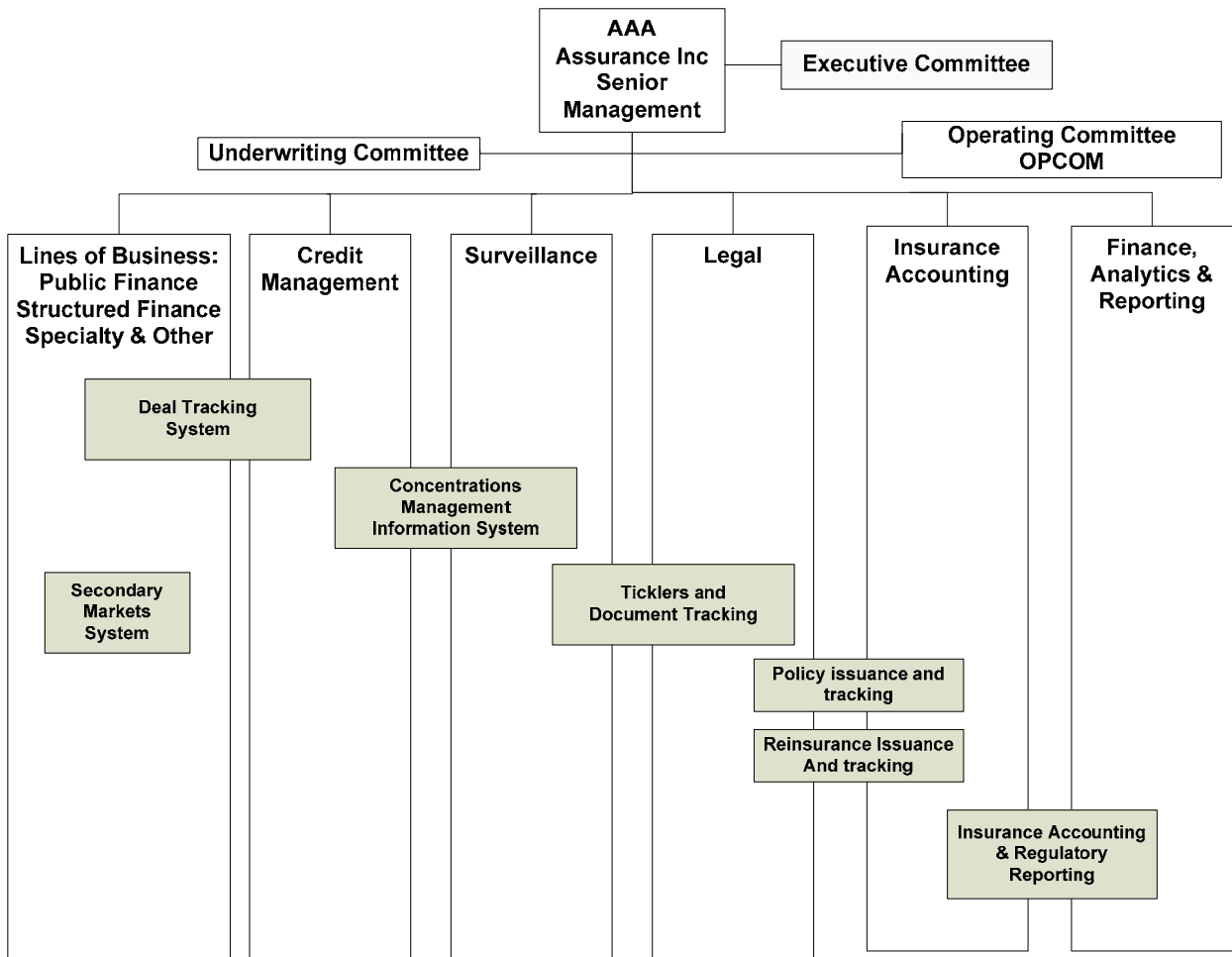
The “As Is” System Environment: HORIZON I

The AAA Assurance application systems environment is named HORIZON. The first version – HORIZON I – went into live production seven years ago. HORIZON I was custom-developed using a common technology platform and relational database product. HORIZON subsystems are accessed on-line via a common portal and security interface. Also, reporting and internal control functions are common to all subsystems.

Mark Adams, CIO provided the OPCOM onsite-offsite prep team with an overview of the current “As Is” HORIZON I application environment. He submitted a chart (Figure 3) on which each subsystem of HORIZON is shown as a rectangle, superimposed on the organization chart to indicate those departments that sponsored each subsystem.

Figure 3

The “As Is” Horizon I Environment



The CIO Expresses His Goals for the Onsite-Offsite

Expressing his goals to the pre-event planning team, Mark said:

Although HORIZON I is built on a common technology platform, the subsystems are not as well integrated – cross-functionally – as I would like, in terms of features and data management.

Several years ago, we were able, at best, to involve not more than two department heads in sponsoring and taking ownership of an individual subsystem. As a result, the subsystems contain distinct, vertical departmental biases, vocabulary and peculiarities.

My goal for the onsite-offsite is that we envision a more integrated business process and data management environment to help guide IT in designing the next version of HORIZON.

The AAA Offsite

The AAA onsite-offsite proceeded as planned over a two-week period. Throughout the proceedings, OPCOM was pleased with the high energy level of staff and the outpouring of issues and ideas. As was expected, camaraderie and humor prevailed and found its way into the final presentations to management. Three presentations were made at the concluding offsite dinner-and-disco meeting:

- A. *Major Issues*
- B. *Our Process Vision*
- C. *Next Steps*

A. Major Issues

1. Complexity Rising!

The first set of issues was labeled, *Complexity Rising!*

The presenting team reported that HORIZON I was simply not flexible enough to accommodate new asset classes, globalization, regulatory reporting requirements and recent innovations in deal structuring, pricing and the use of reinsurance. As a consequence, many units had created worksheets using Microsoft Excel to perform tracking, accounting and reporting functions that belonged in HORIZON. These “workaround” worksheets were proliferating and beginning to overwhelm staff, causing delays, reconciliation problems and re-work. Several managers expressed concern that individuals, not specifically hired for administrative work, were becoming consumed by such activity.

2. Multiple Versions of the Truth

The second set of issues was labeled, *Multiple Versions of the Truth.*

The presenting team explained that support staff believed that they were entering correct data into HORIZON and worksheets, but final reports contained numerous inconsistencies. Information distributed to outside parties often conflicted with internal line-of-business aggregates and Accounting’s end-of-month closed book. Audit exceptions were also being reported by internal and external auditors.

The team hypothesized that the problem was linked to different interpretations of deal data over the life-cycle of a deal by various departments in the firm. Accordingly, different representations of the same information were scattered throughout HORIZON.

3. Opportunities Lost!

The third set of issues was labeled, *Opportunities Lost!* – a reference to the health of the process of tracking new business opportunities, the allocation of resources to deals in the opportunities pipeline and associated underwriting activity.

The presenting team reported that the current HORIZON deal tracking system and companion process were contributing little toward helping the firm prioritize opportunities, expedite the underwriting process and maximize use of internal resources to pursue quality deals.

The offsite team reported that optimization of the cross-functional pre-close process was an untapped area deserving of management attention. The team recommended that follow-up analysis proceed on two fronts:

- ◆ *Outward-facing cross-functional processes:* Constituent call programs, inquiry response management, renewal activity and pre-close interaction with issuers, bankers, attorneys and rating agencies.

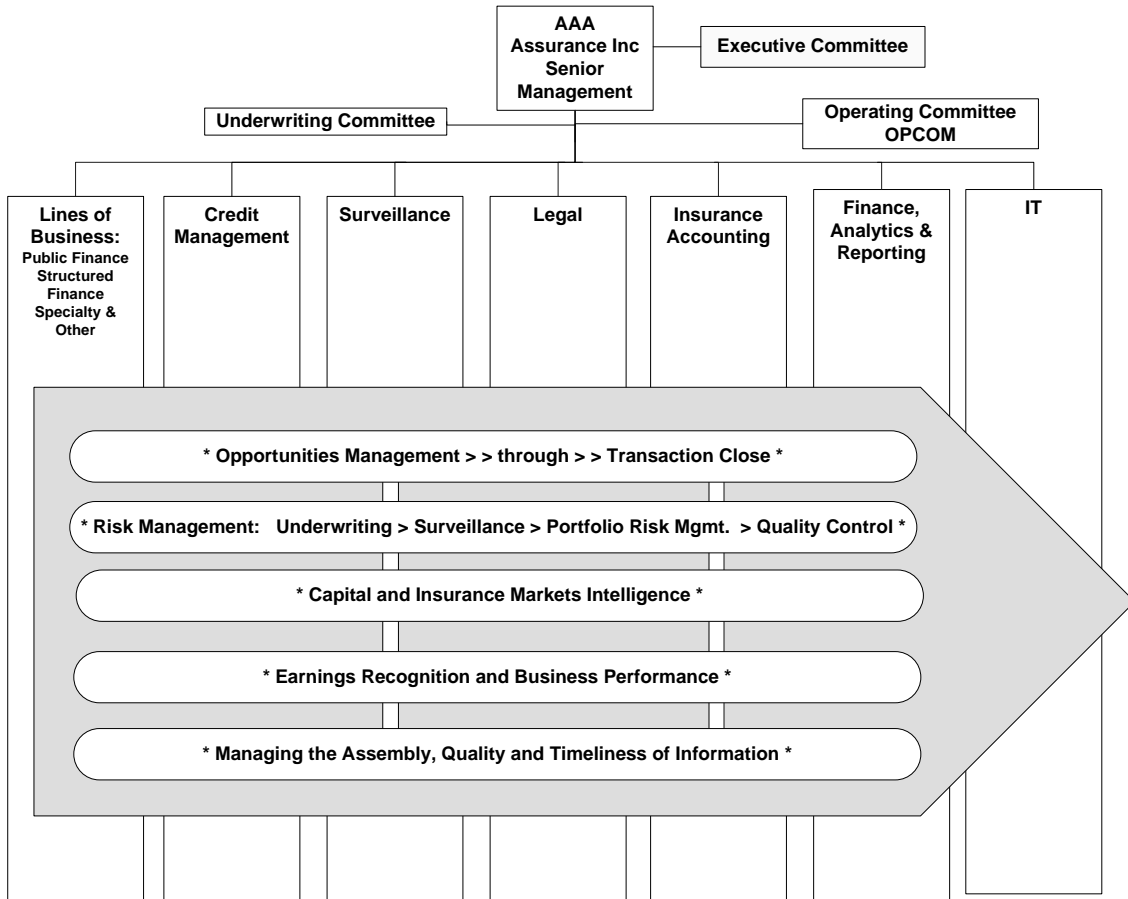
- ◆ *Inward-facing cross-functional processes:* Analysis of creditworthiness, deal structure and profitability; the underwriting review process and the allocation of staff to opportunities in the pipeline.

B. Our Process Vision

The second presentation provided an overview of how internal processes might be conceptualized to reduce costs, improve data quality and promote greater cross-functional harmony. Recommendations were made in the *Our Process Vision* presentation, which included a high-level decomposition of the core credit enhancement value chain. (Figure 4) The presenting team further described how each process consisted of a combination of transactional activity plus collaborative activity that involved other processes.

Figure 4

***Our Process Vision
Decomposing the Credit Enhancement Value Chain***



C. Next Steps

In the final presentation, the following recommendations were made to OPCOM.

We recommend that a cross-functional task force be created to perform the following tasks after the onsite-offsite:

- ◆ *Elaborate the road map:*
 - *Using the Our Process Vision graphic as a starting point, continue decomposition and analysis of processes.*
 - *Identify improvements that address major issues presented at the offsite.*
 - *Include a high-level description of how proposed new or enhanced system features will support the next-level-down “To Be” processes.*
- ◆ *Develop a HORIZON II project charter, proposal and budget for management review per OPCOM project management guidelines.*

OPCOM guides Project Plan Development

As work proceeded, OPCOM was pleased with progress being made to develop the new road map and HORIZON application architecture. Jennifer assisted the team in overcoming early obstacles as work proceeded to elaborate the “To Be” vision, project plan and proposal.

During this formative phase, OPCOM instructed the task force to use outside consultants sparingly and exclusively for support, as Jennifer wanted to assure that project leadership and process ownership were nurtured from within the firm to increase the likelihood of success—fully recognizing that this project strategy would extend the project timeline.

OPCOM also recognized that substantial business-IT alignment risk remained as the project moved toward execution.

As explained by Mark Adams at the bi-weekly OPCOM meeting:

We are at risk of dropping the ball during project execution, as is often the case in software-intensive process improvement projects. To manage project risk, we have developed internal light-weight project guidelines based on industry standards.

Six project deliverables, which I label requirements assets are particularly important to me to assure that IT activity aligns with business requirements. Given that we outsource software development and testing, it is critical that we communicate our requirements to outside vendors with precision and clarity. These requirements deliverables will provide us with important levers and metrics to guide the project. We will actively use them to continuously communicate with each other. Fortunately, our process-centric approach makes it easier for us to translate business requirements into concrete IT blueprints, metrics and milestones.

To convince OPCOM that the project would remain focused throughout the design and implementation phases, Mark outlined his “requirements assets” as well as the manner in which process-centric thinking factored into the formulation of these six key project deliverables:

Mark's Requirements Assets	How process-centric thinking contributed to developing each item
<p>Charter Package</p> <ul style="list-style-type: none"> ◆ Project vision and business case. ◆ Roles, responsibilities, assumptions and constraints. ◆ Preliminary budget and risk assessment. 	<p>The project vision is expressed in terms of business process improvements and related system features.</p> <p>The business case is based on business process metrics: from the “As Is” state to the “To Be” state.</p>
<p>Process Package</p> <ul style="list-style-type: none"> ◆ High-level process flows. ◆ Business use case models. ◆ Process metrics. ◆ Business glossary. ◆ Business policy statements 	<p>Visual process flows depict how the new environment will streamline activities and alter user roles and responsibilities.</p> <p>Selective usage scenarios (business use cases) outline how major system features support specific business process activities.</p>
<p>Business System Requirements Package</p> <ul style="list-style-type: none"> ◆ Conceptual domain model/data dictionary. ◆ Business rules and analytics. ◆ System use case models. ◆ User Interface storyboard. 	<p>These are the details of primary interest to IT developers. The design of system functions is driven by the vocabulary, system use cases, business rules and metrics of the “To Be” process.</p>
<p>Sourcing Package</p> <ul style="list-style-type: none"> ◆ RFP documents. ◆ Indicative Statement of Work. ◆ Procurement schedule. ◆ Selection criteria. 	<p>Vendors are constrained by specific business process-driven requirements and acceptance criteria – leaving minimal leeway for them to impose their own agenda or gold-plate the effort with technology-driven imperatives.</p>
<p>Quality Assurance Package</p> <ul style="list-style-type: none"> ◆ Test plans. ◆ User acceptance criteria. 	<p>User acceptance and vendor payments are framed in terms of conformance to process improvement requirements and fitness for use by end-users.</p>
<p>HR Performance Package</p> <ul style="list-style-type: none"> ◆ Revised job descriptions. ◆ Updated performance appraisal guidelines. 	<p>Specific tasks are included in the plan to adjust job descriptions and performance appraisal criteria to assure that new “To Be” process behaviors are rewarded.</p>

HORIZON II

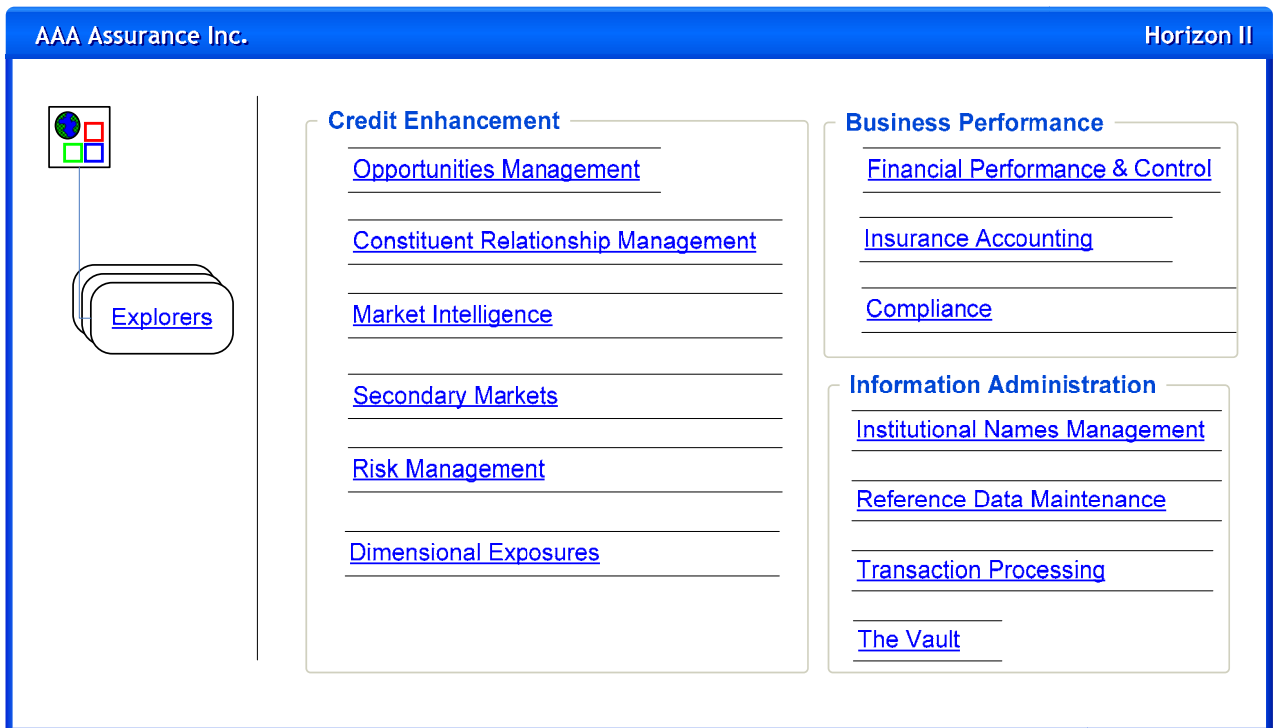
Eight weeks after the onsite-offsite, the HORIZON II project plan was presented to OPCOM. The team presented an overview of HORIZON II functionality, including a mock-up of the main portal view of the new application. (Figures 5 and 6)

Figure 5
HORIZON II: Functional Overview

- 1. Opportunities Management**
 - a. Deal Tracking: Pre-close deal activity by status and rankings
 - b. Allocation of staff to opportunities
- 2. Constituent Relationship Management**
 - a. Call programs and status
 - b. Inquiry tracking and control
 - c. Renewals and other historical business development statistics and trends
- 3. Risk Management**
 - a. Dimensional Exposure Management
 - i. Portfolio concentrations, drill-down and limits management
 - ii. Reinsurance risk concentrations, drill down and limits management
 - iii. Statutory compliance, drill-down and limits management
 - iv. Executive graphics
 - b. Unified ticklers management and Alerts
 - c. Transaction-level monitoring/control charts: Covenants and triggers
- 4. Global Secondary Markets**
 - a. Quote Management
 - b. Shelf Management
 - c. Clearance and Settlement Support
- 5. Markets & Business Performance**
 - a. Market Intelligence: Portal to external data sources
 - b. Business Performance Scorecard
- 6. Revenue, Earnings and Cycles Management**
 - a. Process Cycles Management
 - i. Month-End Accounting close cycles
 - ii. Market data feeds, extract-transform-load (ETL) and QA
 - iii. Bordereau reporting, AFGI-DDF production and QA
 - b. Premium and Fees Recognition reporting: Gross, Ceded, Net
 - c. GAAP/Statutory Accounting ledgers, reports and audit trail information
- 7. Information Administration and Dissemination**
 - a. Reference Data and Institutional Names maintenance
 - b. Capital Markets data feeds, mappings and Security Master maintenance
 - c. Transaction Processing
 - i. Direct Business
 - ii. Assumed Business
 - iii. Ceded Business
 - d. Delivery of business intelligence aggregates and standard MIS
 - e. Access privileges, data authentication and portal views/menu configuration
- 8. The Vault: Historical reports and document archive in electronic form**

Figure 6

HORIZON II: Main Portal View



AAA Assurance Celebrates

One year later, the team began implementing the HORIZON II system and related process improvements. As was typical of AAA Assurance, the OPCOM authorized a major after-hours celebration to mark the occasion.

At the event, while offering a congratulatory toast, Jennifer Nolan said:

I would like to congratulate you and thank you for the extraordinary effort required to transform our credit enhancement process to meet our strategic challenges.

Achieving cross-functional process improvement is not easy. I am particularly impressed with the solution you invented to overcome several obstacles. Your enthusiasm for embracing process change was the key to our success. The process-centric approach enabled us to connect the dots and align our capabilities to take us to the next level of exemplary business performance.

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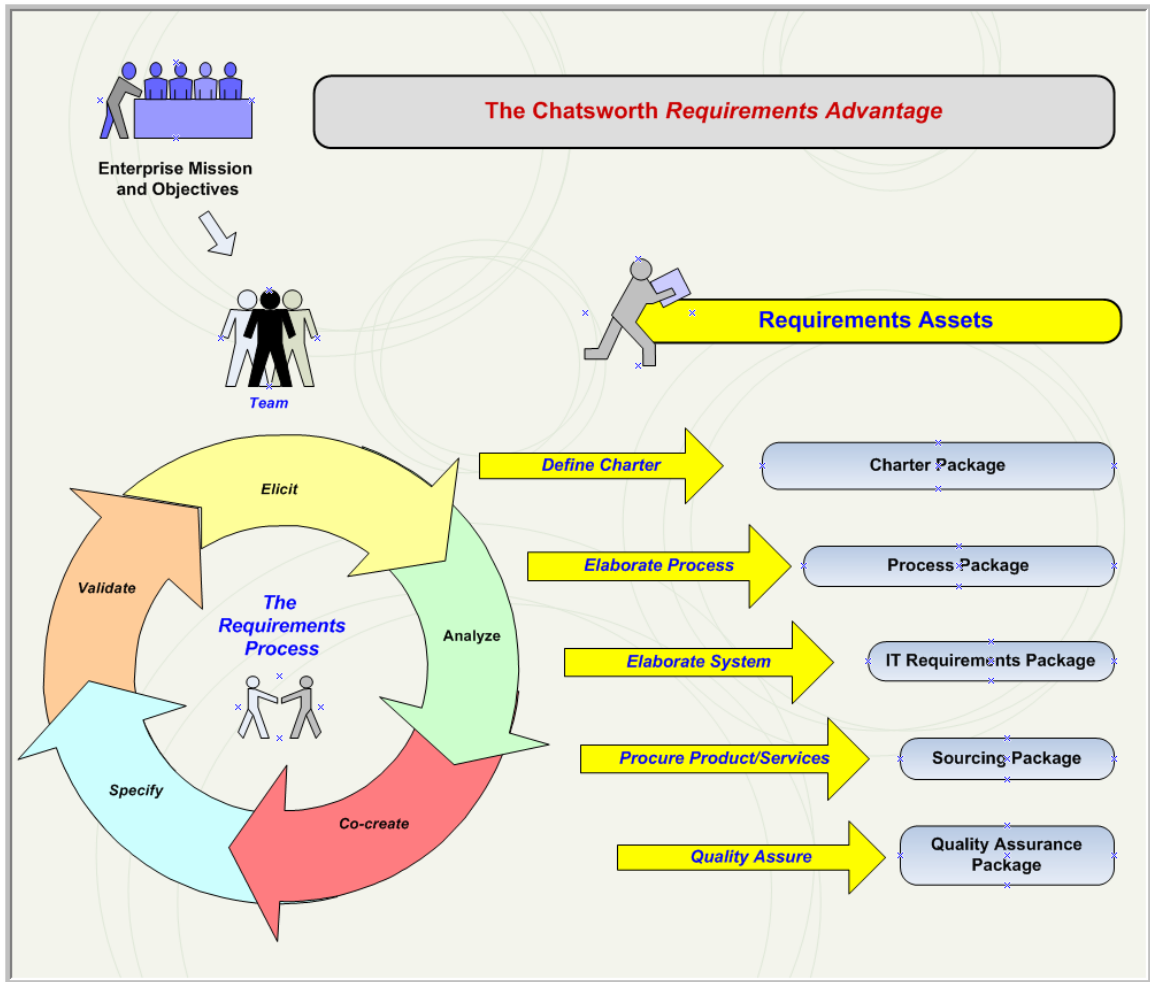
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The “requirements assets” described in the AAA Assurance case study serve as powerful project management levers to assure that project activity continuously aligns with strategic intent.



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