



**Transforming businesses for  
innovation and improvement.**

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**Introduction**

In a rapidly changing business world, being able to respond quickly and smartly is not only important to your success, it is important to your survival. You need to be able to give your customers what they want, when they want it. For example, launch a new service offering before your competition has a chance to do so, or shift your strategy to respond to new regulations while also keeping daily operational disruptions from undermining your performance.

Yet, according to a recent survey, only 13 percent of CEOs rate their organizations' abilities to react to changing conditions and external forces as very good.<sup>1</sup> The reasons for this pessimistic outlook can be found in organizations where siloed applications, processes and infrastructures make it difficult for decision makers to understand when and how to respond to market opportunities, competitors' moves, regulatory changes and daily disruptions. Frequently, a disconnect occurs between IT and business operations, with each group having its own objectives and priorities. In addition, companies often do not have access to relevant data—the type of actionable information that decision makers can rely on to perform their jobs.

To be able to respond quickly and smartly, companies must begin to change and transform their businesses in several ways. First, they must get an accurate and timely view of business conditions. Second, they need to align their strategic goals with their underlying processes, and give workers access to information that allows them to act quickly and make informed decisions. Third, they must take a proactive, rather than a reactive, approach. And most important, each organization must establish a business environment that fosters and supports continual innovation and improvement.

IBM Business Innovation and Optimization (BIO) offers a new approach to business performance improvement. BIO is an action-oriented approach that combines advanced software technologies from IBM and IBM Business Partners with industry-specific expertise. BIO allows you to see in real time the current state of your business, helping you make better decisions, be more predictive and continuously improve your operations. It leverages technologies from business intelligence, process management, business service management, business activity monitoring and corporate performance management to enable you to achieve these results.

This white paper looks at the need for continuous business performance improvement and describes how the IBM BIO approach takes the lead in enabling business transformation. The paper also demonstrates how you can start to receive the benefits delivered by the BIO approach – today.

#### **The focus on continuous business performance improvement**

The ability to stay in touch with market and customer demands is becoming increasingly challenging. Globalization is forcing companies to quickly adapt to new markets, evolving employee skills and new competitors. Significant changes to business processes that were once made annually by organizations are now being performed monthly or even weekly. In addition, a renewed emphasis on growth<sup>2</sup> is forcing companies to find new ways to outwit and outmaneuver the competition, yet their continuing focus on cost containment is requiring them to invest prudently.

Clearly, market conditions are constantly changing – to survive, your company needs to become more responsive to the fluid conditions that create performance challenges. You must develop the flexibility to meet shifting customer demands, respond to new market opportunities or be prepared for any new external threat. In short, you need to be able to continually innovate and optimize to change as rapidly as the business environment demands.

Through continuous innovation, you develop the ability to adapt to changing market dynamics and everyday operational disruptions in a way that reduces costs and generates competitive advantage. To achieve this state, you must align strategic and operational objectives with business activities to fully manage performance. The additional insight into the performance of your processes will allow you to see in an instant those that work – and those that do not – enabling you to continuously refine and innovate.

**Take a new look at your business with the IBM BIO approach**

The IBM BIO approach helps you see deep into your business, giving you insight into vital details about your operations and processes to enable continuous business performance improvement. With the BIO approach, you are able to improve your responsiveness, lessen the impact of potential problems, quickly capitalize on strengths and refine processes as needed to meet changing requirements.

Business innovation and optimization can help you by:

- *Supporting continuous innovation and improvement.* You can establish a flexible, readily adaptable business environment that provides ongoing performance enhancements and optimization.
- *Enabling more effective decisions.* You can optimize decision making with real-time contextual insight, resulting in faster, more accurate actions.
- *Facilitating the alignment of business objectives.* You can determine and understand goals from strategy to operations, align measures and coordinate actions across business and IT.
- *Helping manage operational disruptions effectively.* You can better anticipate disruptions in day-to-day business operations and quickly take direct, proactive actions to improve results.

An incremental approach to business performance improvement

Business innovation and optimization offers an incremental approach to business performance improvement, allowing you to implement your own approach in phases and to leverage your existing investments. You can address performance needs at the pace your business requires, while focusing on specific initiatives to realize rapid, targeted results. The most common types of initiatives that stimulate the need for business performance improvement are risk management, regulatory compliance, asset utilization, growth, customer interaction and cost reduction.

Key to this measured, incremental approach are IBM and IBM Business Partner software offerings that use service-oriented architectures (SOAs). An SOA breaks down applications into individual business functions and processes called services. Because they are flexible, extensible and open-standards-based, these advanced software offerings allow you to build, deploy and integrate services to meet evolving business process needs while leveraging existing investments. The power of the BIO approach is derived from the benefits provided by each activity and the additional benefits that result when the activities are performed in combination. In aggregate, these benefits enable continuous improvement and innovation – creating opportunities to grow your business. Together, these activities empower you to see and understand what is truly impacting your success.

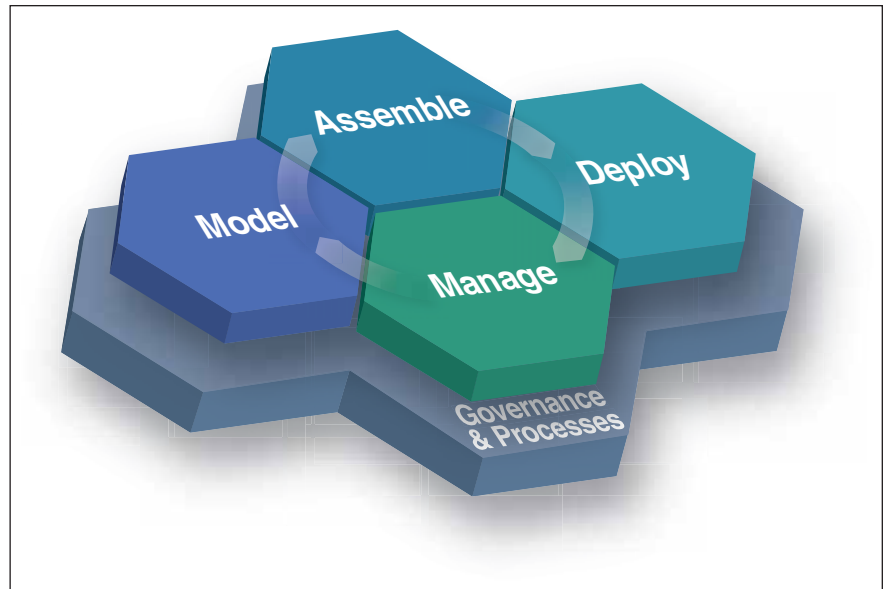


Figure 1. The continuous business performance improvement life cycle

The continuous business performance improvement life cycle represents one model of activities that enable continuous business performance improvement, but the starting points and sequence of the activities may vary depending on whether your needs are for process management, activity monitoring or real-time analysis. With the IBM BIO approach, you can gain the benefit of market-leading software, industry expertise and best practices at each key stage of the life cycle:

- *Governance and processes.* Improvement starts with the identification of business goals. At this stage, a key piece of IBM technology comes into play: IBM Component Business Modeling Tool™. With this tool, and help from IBM consultants, you can identify and understand your key business goals and associated processes.

- *Model.* By using the IBM software set to model key processes, you can simulate a process to understand how it works before implementation and define key performance indicators (KPIs) to monitor the success and efficiency of the process.
- *Assemble.* After the process has been optimized, you can use IBM software to assemble throughout your organization IT assets necessary for supporting the process.
- *Deploy.* Next, you can use BIO to deploy the processes, policies and resources that you have modeled and assembled. These can include data models or models for strategic or business operations.
- *Manage.* After deploying a new process, you embark on the final—and probably most important—stage: management. Dashboards, KPIs and alerts tied to real-time event-based data help your users monitor and manage process performance. You can analyze your progress with a process, and use this information to continuously improve your business. The software can even offer you suggestions for actions to be taken based on the KPIs being monitored.

#### **Reap the benefits of innovation and optimization—today**

Through looking at customer engagements, market research and analyst feedback, we have identified four common and basic challenges that companies can address with innovation and optimization right now—and continue to build on to reap additional value in the future.

Starting point: Deliver continuous innovation and improvement

To innovate and improve, you must establish a business environment that provides ongoing performance enhancements and optimizations. Using the BIO approach, you can redevelop processes and create models that compare the effects of the existing process with those of the new one. You'll establish KPIs that you can use to track the performance of your process; and then, after you have deployed it, use the KPIs to monitor the new process to determine if it is meeting your improvement goals.

Starting point: Make more effective decisions

You need to be fast – and accurate – to be competitive. By allowing you to consolidate and analyze data from multiple data sources, the BIO approach can provide you with real-time contextual insight that you can use to make informed decisions. With BIO software, you can analyze and validate business initiatives, such as sales promotions or new customer service processes, the effects of which are otherwise difficult to accurately measure. Information from a variety of disparate systems can be consolidated and delivered to you in an intuitive, contextual format that allows you to understand the true impact such initiatives have on your operations.

Starting point: Align business objectives

Everyone needs to be on the same page – to understand goals from strategy to operations, align measures and coordinate actions across both business and IT audiences. You can start with BIO by using it to collect, translate and communicate IT information in business terms to optimize resource allocation and decision making. By doing so, you'll be better able to align IT operations with business priorities and to ensure that your systems will continue to support your business even as your operational needs change.

Starting point: Manage operational disruptions effectively

Disruptions to operations will occur; the difference is how you respond to them. You can use BIO software to understand critical business events, and quickly take a direct, proactive approach to responding to them in real time.



You can use performance indicators to improve the speed and effectiveness of your operations. Begin by identifying the performance metrics you want to track—pick those that are critical to your company's success and are tied to strategic goals, such as:

- *Banking—customer-retention rates*
- *Automotive—warranty-processing costs*
- *Insurance—claims-processing time*
- *Healthcare—clinical-care quality*

Using a role-based electronic user environment, you can monitor the performance of these metrics to help ensure that your objectives are being met. If the metrics drop below a predetermined threshold, you automatically receive an alert, enabling you to quickly troubleshoot any problems.

#### **A new competitive advantage**

The IBM Business Innovation and Optimization approach combines innovative and market-leading software, industry expertise and best practices to enable you to better monitor, manage, analyze and take action, so you can make smarter decisions and gain competitive advantage. With the BIO approach, you can enable integration among people, processes and information, and align IT processes, tasks and activities with strategic goals and initiatives. You can deliver real-time, contextual information to decision makers, while developing the flexibility to quickly and effectively respond to changes in the market, customer demand and your competitors' strategies. And you can gain deep process and operational insight to enable risk management and change. The return on investment is clear and measurable: flexibility, managed innovation and competitive advantage that can help you generate potentially increased revenue, profitability, customer loyalty and market share.

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**IBM Business Innovation and Optimization starting points and associated components**

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| <i>Starting point</i>                         | <i>BIO components</i>   |
|---|---|
| Deliver continuous innovation and improvement | <ul style="list-style-type: none"> <li>• Scorecards and dashboards (IBM® Workplace™ software)</li> <li>• Business modeling (IBM WebSphere® Business Modeler Advanced Edition)</li> <li>• Architecture modeling (IBM Rational® Application Developer)</li> <li>• Process development (IBM WebSphere Integration Developer)</li> <li>• Process server (IBM WebSphere Process Server)</li> <li>• Business monitoring (IBM WebSphere Business Monitor)</li> </ul>   |
| Make more effective decisions                 | <ul style="list-style-type: none"> <li>• Information consolidation (IBM WebSphere Information Integrator)</li> <li>• Data warehouse and data analytics (IBM DB2® Data Warehouse Edition)</li> <li>• Dashboard or portal (IBM DB2 Alphablox® and IBM® Workplace™ software)</li> </ul>  |
| Align business objectives                     | <ul style="list-style-type: none"> <li>• Dashboard or portal (IBM DB2 Alphablox and IBM® Workplace™ software)</li> <li>• Business modeling (IBM WebSphere Business Modeler Advanced Edition)</li> <li>• IT and business impact monitoring (IBM Tivoli® Business Systems Manager, IBM Tivoli Service Level Advisor, IBM Tivoli Monitoring for Transaction Performance)</li> </ul>  |
| Manage operational disruptions effectively    | <ul style="list-style-type: none"> <li>• Scorecards and dashboards (IBM® Workplace™ software)</li> <li>• Business modeling (IBM WebSphere Business Modeler Advanced Edition)</li> <li>• Process development (IBM WebSphere Integration Developer)</li> <li>• Process server (IBM WebSphere Process Server)</li> <li>• Business monitoring (IBM WebSphere Business Monitor)</li> <li>• IT and business impact monitoring (IBM Tivoli Business Systems Manager, IBM Tivoli Service Level Advisor, IBM Tivoli Monitoring for Transaction Performance)</li> </ul> |

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\* Components and related IBM software required may vary.

**For more information**

To learn more about how the IBM BIO approach can benefit your organization, visit:

**ibm.com/software/innovate**



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<sup>1</sup> IBM Business Consulting Services. "Your Turn: The Global CEO Study 2004." November 2004.

<sup>2</sup> Ibid.