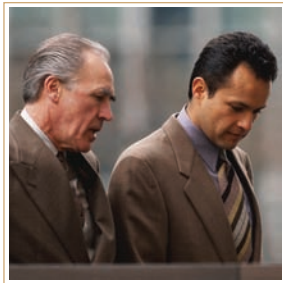


*White Paper:*  
FINANCIAL SERVICES

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BPM AND SOA:  
YOUR TICKET TO THE BUSINESS TABLE?

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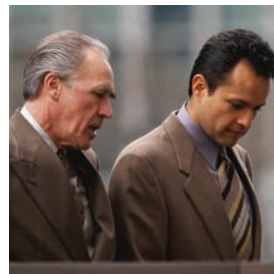
# BPM AND SOA: YOUR TICKET TO THE BUSINESS TABLE?

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Service-oriented architecture (SOA) and business process management (BPM) are two of the hottest topics in the IT world today. BearingPoint has identified how financial services firms can leverage these two promising technologies to gain competitive advantage and map the future of the IT function.



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INTRODUCTION:  
TWO TECHNOLOGIES, TWO HOPES

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Walk through the IT shop of just about any financial services firm and you'll probably find someone getting excited about service-oriented architecture (SOA). SOA has existed as a design principle for some time, but only recently has it begun to create real buzz.

The reason behind the growing enthusiasm for SOA is the emergence of Web services. The use of standard, Internet-based protocols to connect applications, organizations and people is drawing technologists to SOA as a lightweight, standard way to expose services.

There's excitement about technology in other parts of the firm as well. However, the object of attention in realms such as product development, billing and customer service isn't SOA but another increasingly familiar term—BPM, or business process management. Throughout the business, BPM is seen as the great hope for extracting users from the unmanageable complexity of the siloed systems that they must navigate today to complete a coherent business process.

The IT group is eager to explore the opportunities in SOA, whereas the business side is equally ready to exploit BPM. However, there are bumps in the road for both camps.

For IT, a major barrier to rolling out SOA-enabled services has been a lack of service consumers. In the absence of compelling SOA-enabled applications, IT has been hard pressed to make a return on investment (ROI) case for the technology.

BPM advocates, meanwhile, face their own hurdles. While BPM promises to streamline a range of critical activities—from opening accounts to up-selling customers to meeting regulatory requirements—early adopters have encountered some sizable problems in merging the new technology with legacy systems and processes.

BearingPoint believes institutions can tap the synergies between SOA and BPM to overcome the challenges and realize the benefits in implementing these exciting technologies.

Consumed today in supporting aging, monolithic legacy applications, IT can leverage the power of SOA to evolve into a business enabler that helps mold organizational strategy and create competitive advantage. For both IT and the business, becoming an agile, responsive enterprise depends on establishing new governance tenets that guide their journey through the intersection of SOA and BPM.

BearingPoint believes institutions can tap the synergies between SOA and BPM to overcome the challenges and realize the benefits in implementing these exciting technologies. In the process, the IT department has an unprecedented opportunity to redefine its future.

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## HARD-WIRED HASSLES

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While SOA development has languished for lack of takers—truly a solution in search of a problem— institutions have forged ahead with BPM efforts. They are eager for the benefits BPM promises in replacing “carbon-based workflow”—the people who connect systems with high variability and little control—with a software layer that can be measured, managed and audited and provides control, security and authentication.

Properly implemented, BPM supports dynamic system reconfiguration and greater flexibility to incorporate additional processes. It promotes process improvement and rapid process change by providing previously unavailable management information about processes and a simulation environment to understand the implications and impact of change before it is implemented. And, crucially, it provides a platform for better regulatory compliance.

Unfortunately, some first-generation BPM efforts have fallen short in meeting these goals.

For example, a bank wants to transform the account-opening process in its branches. Currently, a branch financial advisor must know how to operate in multiple environments—business banking, consumer banking, savings and investments—all of which are typically supported by many discrete systems.

A first-generation BPM implementation might be hard-wired into a legacy consumer banking system for the purposes of improving the account-opening process and complying with regulatory requirements

### Properly implemented, BPM:

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- Promotes process improvement and rapid process change by providing previously unavailable management information about processes and a simulation environment to understand the implications and impact of change before it is implemented.
- Provides a platform for better regulatory compliance.

such as Know Your Customer and the Treating Customers Fairly regulation of the United Kingdom’s Financial Services Authority.

Problems quickly arise, however, when the bank wants to elaborate on the implementation by adding products such as business banking or investments to the process. Further hard-wiring is required, which is difficult and time-consuming. The effort involves creation of custom technical interfaces and supporting business logic to determine which services should be called based on how systems are wired together.

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## A SOLUTION IN SEARCH OF A PROBLEM MEETS A SOLUTION WITH ONE

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As early BPM efforts have bumped along, SOA has continued to mature. Since emerging in the early 90s with systems such as Small Talk and CORBA (common object request broker architecture), SOA has become generally understood within the IT community.

Despite being beloved by techies, SOA has not been broadly applied in business for want of a client-driven value proposition. However, this situation appears to be changing.

A primary objective of SOA is to expose software functions as services, each of which accomplishes a single discrete business objective, without a preconceived context of how it will be used. This may result in the aggregation of multiple system functions required to accomplish the business objective. However, this is inconsequential to business users because, within their world, they merely need to accomplish an objective for their customer.

The services are exposed using business semantics. The semantics describe the service so a business analyst can generally understand its function. A challenge to harvesting these services and applying them for business benefit has been the lack of a business-oriented environment to view the services and put them together in an end-to-end business process.

Enter BPM. Most BPM tools on the market today have built-in Web service client and Web server functions. As such, these tools can act as a client of an SOA service.

Using a retail banking system as an example, an IT group can examine the fundamental composition of the underlying application. Then, the group uses a use-case modeling exercise to expose as services a series of interfaces within the legacy infrastructure. It then publishes those services.

The goal in using SOA to implement BPM is the creation of a loosely coupled environment that avoids hard-wiring into any specific system interface.

BPM can use these exposed services to automate many of today's disparate manual processes, thereby providing a business case for using SOA to expose these systems over time. The solution in search of a problem has found its calling.

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#### EASY TO DO IS EASY TO...DO

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The goal in using SOA to implement BPM is the creation of a loosely coupled environment that avoids hard-wiring into any specific system interface. Using environment-agnostic Web services, SOA supports standardized definition of services, which business analysts can use as palette objects in a BPM designer tool. This makes it easy to bring together services from multiple underlying applications to automate complex tasks.

The potential of such an approach can be seen in the example of a core banking system with account-opening, deposit, withdrawal and account-closing functions. IT and business work together to establish business semantics to make sure that, when services are exposed, they make sense from a business context. Actual implementation of the service is then done by IT.

IT creates a palette of service objects, typically exposed as icons, with links into different services that are available to a business analyst. Then, using a BPM tool, the business analyst opens a palette with the available services into the banking system. From there, the analyst simply drags and drops those services onto a workspace and creates connections that establish the end-to-end business process. Using this approach, the business process is abstracted from the service implementation. If there is a change in back-end systems, a change to the service location is all that is required.

Next, processes are tested in a modeling environment. Then, if ready, the services are deployed to an execution engine, available for use by the business. From a technical standpoint, it's that easy.

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### THE GOVERNANCE ISSUE

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It's not surprising to see the business side get excited about SOA-enabled BPM. In its perfect world, the business can provision a service, design process flows, decide who gets access and permissions, and deploy the service to an execution engine, all without having to involve IT.

It turns out, however, that from a governance standpoint, it's not that easy, nor does it make sense. The applications that SOA exposes to eager BPM users represent no less than the corporate jewels. The notion of business users charging in to build new processes atop them raises serious concerns about information security and the potential impact on customer experience.

Addressing these concerns will compel both IT and business users to take a fresh look at the governance issues associated with these new services. Software will have to be configured, tested and refined before going into production. Who will govern this activity, the business users who created the process or IT because it has traditionally guided software implementations? The answer to that question may hold broad implications for the future of the business-IT relationship.

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### WHAT SOA AND BPM MEAN TO THE IT DEPARTMENT

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Technology pundits are making headlines by forecasting the eventual demise of the IT department. They suggest that IT creates more headaches than solutions for the business, and that IT management should no longer be considered a separate discipline from business management. Any IT executive who believes this is an idle threat need only look at the growing role of outsourcing to realize that's far from the case.

It is at the intersection of BPM and SOA, however, that IT can take critical steps toward debunking this notion and creating a brighter future for itself, and the enterprise.

Arguably, IT's days as a custodian of legacy applications may be numbered. However, IT can use SOA to disaggregate the legacy portfolio creatively into a set of constituent services that provide the framework for business agility through BPM. In the process, IT can join the business side at the strategy table, mapping out ways to use the huge potential of these technologies to reshape the business and gain competitive advantage.

Such a dramatic transformation will be a significant challenge for the IT department. Like so many initiatives, it should all start with a pilot project.

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## PILOTING INTO THE FUTURE

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It isn't enough, however, to pilot an SOA or BPM deployment, or even both. First, it is important to consider all three aspects of the transformation—SOA, BPM, and the new governance framework required to guide IT and the business into this new service-driven world.

All three of these elements should be part of a pilot to find out what will work in your organization, starting today. Since most BPM projects are in the rational experimentation stage, it's not too late.

Ideally, a firm should identify a discrete set of processes to pilot, perhaps in credit operations, that cross a manageable number of incumbent legacy systems. Since few departments stand alone to meet a complete set of customer needs, it is important to view the processes from end to end, rather than within the confines of a particular department.

SOA can be used to expose the underlying systems that currently support the processes, while BPM provides process modeling and implementation. At the same time, the firm can pilot a governance approach to provide the right checks and balances between the new technology-enabled business and the IT group that supports the services enabling process execution.

All three aspects of the transformation—SOA, BPM, and the new governance framework required to guide IT and the business into this new service-driven world—should be part of a pilot to find out what will work in your organization, starting today.

Based on initial wins with BPM, the firm can decide whether to make a significant investment in transforming the business through BPM enablement using SOA to disaggregate services within legacy systems.

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## CHARTING A COURSE

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IT has evolved dramatically in the last quarter century. From an emphasis on hardware, the industry has gone through a period in which software was the driving force. Now, a growing demand for services on the part of the business is driving IT spending and compelling the IT department to rethink its role.

SOA offers a way for IT to deliver services to the business. At the same time, the business is eager to use BPM to reshape how it manages itself and delivers products and services to customers. By creatively and cooperatively addressing the governance issues associated with these emerging technologies, IT and the business, instead of colliding at the intersection of SOA and BPM, can drive off together into a promising future.

To learn more about how our FS solutions can empower your company, [Let's Talk](#).

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GLOBAL MANAGEMENT AND  
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