

WHITE PAPER

> OPERATIONAL RESPONSIVENESS

PROGRESS

Operational responsiveness is the ability of business processes and systems to respond to changing conditions and customer interactions as they occur, enabling business leaders to capitalize on opportunities, drive greater efficiencies, and reduce risk.

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EXECUTIVE SUMMARY

Operational responsiveness means responding immediately to events, changing conditions, and customer actions with a minimum of extra steps or mistakes, so business gets done quickly and effectively.

It's more than agility, more than business process optimization. It's about plugging decision makers at every level into business activities and giving them the ability to respond to the unexpected and effect change directly.

And since so many of our business processes are embedded in business technology, incorporating operational responsiveness into business technology is both an opportunity and a necessity: an opportunity because technology investments can and should be conceived and designed to deliver better responsiveness across your business, and a necessity because you need to constantly improve your responsiveness to remain competitive.

THE LIMITATIONS OF AGILITY AND PROCESS OPTIMIZATION

Agility is the ability to quickly evolve a process or system so it can address new needs. It is a critical component of delivering and maintaining business processes and systems. Agile methods in solution development have made it possible to create systems that closely match true business needs.

Optimizing your business processes means driving out inefficiencies and unnecessary costs so you can meet defined needs in the most direct and economical way. This kind of streamlining is also critically important, freeing resources to improve the bottom line or pursue other opportunities.

Operational responsiveness, however, gives your people the ability to “feel the road” and respond appropriately to unanticipated bumps. It combines the concept of agility with optimization and then adds the idea of dealing effectively with the unexpected. Taken together, this means you can make changes quickly; you operate efficiently, plus you’re ready to handle those exceptional situations in which even the most optimized processes fail to deliver effectively and agility can help but fails to identify precisely what needs to be done.

Improving operational responsiveness requires capturing information about the complete business environment, using that information to drive decision making at every level, and having the ability to execute those decisions effectively. In a real sense, operational responsiveness builds upon and extends the concepts of agility and optimization.

THE CASE FOR OPERATIONAL RESPONSIVENESS

Making the most of opportunity, driving efficiency, reducing risk—these are the basic tenets of business competition. Doing any of these well requires creating, measuring, and evolving business processes.

- *When a new market opportunity is identified, an agile business can quickly activate itself to capture that revenue. For example, traders can quickly implement new trading algorithms to leverage small windows of opportunity. An operationally responsive business, on the other hand, can also monitor their effectiveness and make rapid course corrections based on those observations.*
- *When inefficiencies are discovered, an efficient business can fine-tune its operations to eliminate them. For example, supply chain managers can adapt to changing suppliers by modifying their approach to placing orders to eliminate excess costs or inventory. An operationally responsive business can take this even further and quickly adjust how it works with each individual supplier on a daily or even hourly basis, if necessary.*
- *Improving operational responsiveness requires capturing information about the complete business environment, using that information to drive decision making at every level and having the ability to execute those decisions effectively. In a real sense, operational responsiveness builds upon and extends the concepts of agility and optimization.*

But what is “operational responsiveness”? The specifics will depend on the exact business situation, of course. In a nutshell, it is as simple as making sure the right things happen, in the right way, at the right time, every time, even in the face of the unexpected. In the examples above, people with the responsibility for a specific business activity have the information they need to understand everything happening within and around that activity, the authority to decide what should happen differently, and the ability to make those changes a reality. It is effectively the successful linkage of business strategy and decision making with the actions required to deliver results.

OPERATIONAL RESPONSIVENESS DRIVES BUSINESS BENEFITS

Operational responsiveness is the ability of business processes and systems to respond to changing conditions and customer interactions as they occur, enabling business leaders to capitalize on opportunities, drive greater efficiencies, and reduce risk.

An operationally responsive business process is one that incorporates enough information and flexibility to make these things possible. It includes the business information needed to assess “changing conditions” as well as the information about how the process itself is operating and a structure that allows it to readily change.

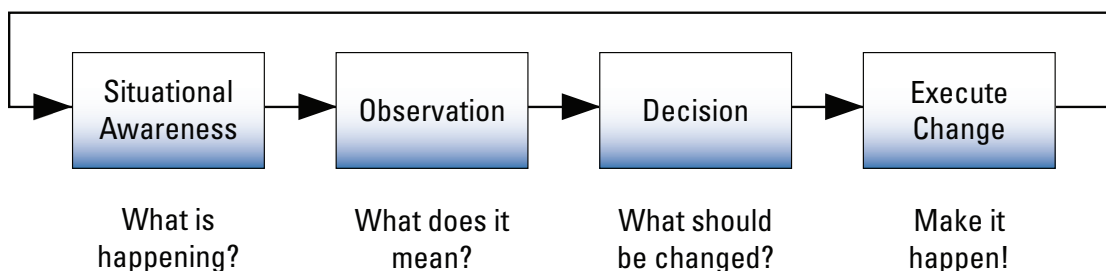
Responding to customer interactions involves going beyond simply accepting orders or responding to inquiries. Many businesses today already analyze customer behavior patterns to anticipate and resolve potential problems or to exploit further opportunities. Operational responsiveness is about taking this to the next level, making it possible to adapt the entire enterprise to the specific needs and behaviors of its customers.

The concept of enabling business leaders to capitalize on opportunities, drive greater efficiencies, and reduce risk is important and broad reaching. These business imperatives are relevant to decisions that must be made immediately, that span hours or days, or that are longer term. They can be decisions about individual business transactions or changes in the way business is conducted.

In the context of today's business activities, operational responsiveness means capitalizing on opportunities like new sales, driving greater efficiencies by routing requests to the nearest service center, or reducing the risk of losing business by identifying and handling problems quickly and accurately.

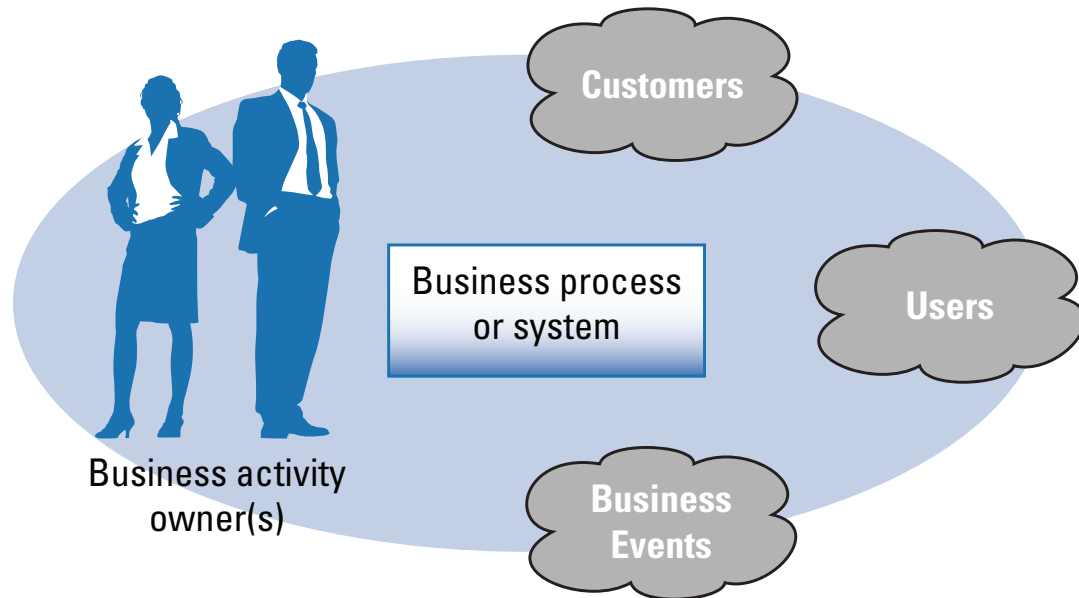
In the context of longer term activities, operational responsiveness means capitalizing on opportunities by quickly adjusting business processes to pursue new business opportunities, driving greater efficiencies by adapting to new market options like outsourcing or partnering, and reducing risk by evolving to meet complex challenges emerging from a changing business and regulatory landscape.

While a business process or system itself cannot be expected to deliver these benefits on its own, it should actively participate by providing information to business leaders to help make those decisions and by being readily adaptable to meet evolving requirements. In a very real sense, operational responsiveness comes from a process or system fitting into an environment that supports all the elements of operational responsiveness:



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- **Situational awareness.** *This is understanding the broader business environment and how it is changing in ways that may impact the activity at hand. It includes environmental information such as business threats and opportunities and operational information about business activities currently underway.*
 - **Observation.** *The responsible party needs to use their situational awareness as well as their own business insight and business objectives to accurately assess what is happening and what it means to the business activity at hand.*
 - **Decision.** *Whether a decision impacts a single business transaction or calls for the creation of an entirely new business activity, making good, well-informed, and timely decisions is at the heart of being operationally responsive.*
 - **Executing change.** *Once a decision is reached, it must be executed. If that decision calls for changing the business process or system, the most operationally responsive environments will be those with the shortest possible path from observation to execution.*

These elements must span the entire environment: the business process or system itself, everything it works with, all of its stakeholders, and the person or group responsible for its operation.



OPERATIONALLY RESPONSIVE BUSINESS SOLUTIONS

Many business processes are embedded in business technology, so high-quality, flexible business solutions are essential. They need to be created and evolved quickly. This is the classic pitch for “agility,” the ability to change direction quickly and effectively, but agility is not enough. Capturing new opportunities is important, but so is handling today’s business well, avoiding problems that may damage your reputation or hurt your bottom line.

The pace of business continues to increase, as customers’ expectations include greater access to information, higher levels of customization, more consistency across all of the interaction channels they use, and getting things right the first time. When problems do occur, customers expect them to be identified and resolved quickly and transparently, without wasting their time. More and more, customers expect to be treated as if there are part of business decisions, not merely the victims of them.

This is why effective business systems need to be operationally responsive. An operationally responsive business solution:

- **Operates reliably and securely.** *Each transaction and request is protected against loss or delay, so stakeholders can be confident. Unauthorized access and control is prevented.*
- **Uses “situational awareness.”** *Information about each business action and the relevant business environment is used to help the system respond to complex business situations correctly.*
- **Includes monitoring and support.** *Systems include sufficient instrumentation to identify and troubleshoot problems quickly.*
- **Informs business decisions.** *Solutions must capture enough information to provide the business with a complete picture for ongoing monitoring and analysis, and to support business decisions about individual activities and future changes.*

THE ROLE OF APPLICATION INFRASTRUCTURE

Today's business systems will, of course, have varying degrees of operational responsiveness. In an increasingly competitive business environment, though, improving operational responsiveness over time will increase the value and effectiveness of those systems, transforming them into competitive weapons.

While responsiveness can be built into purpose-built solutions as part of their definition and construction, it makes more sense to look to your application infrastructure to provide as many basic capabilities as possible. You can then leverage those components across multiple business solutions, delivering responsiveness more broadly across the enterprise.

Here are some commonly available application infrastructure capabilities and their contribution to operational responsiveness:

■ **Secure, reliable communications.** *In the same way that telephones and e-mail are fundamental to business people doing their jobs, secure and reliable communications that enable business information to be delivered wherever it is needed are fundamental to business systems doing their jobs. This includes moving information within your own organization and between your organization and its customers or business partners.*

■ **Flexible routing of information.** *Using information to inform business decisions very often means capturing information used to conduct today's business and consolidating or processing it in some other way. This means that making it easy to create copies of individual business events and work with them in additional ways greatly simplifies the use of that information in identifying unique conditions and in making downstream business decisions.*

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- **Monitoring of business activities.** *Monitoring and support are fundamental at multiple levels, including direct monitoring of business activities (how many orders processed or shipped, number of customers added or lost, etc.) to the monitoring of underlying technology by IT people. This will typically include the ability to present concise “dashboards” that make critical information easy to understand and act upon. These are often used at the executive level to drive strategic decisions; they can also be applied at the operational level to improve responsiveness in specific areas.*

 - **Processing of business information.** *There are many products that simplify the processing of business information, allowing business “power users” in many cases to work directly with current business events in the same way that they can manipulate information using a spreadsheet. These include event processing tools, business process flow management tools, business rules engines, and others—all designed to bring powerful capabilities to the hands of business decision makers.*

 - **Translation of data formats.** *When information has to be moved between systems or between organizations, it is inevitable that different formats have to be addressed. Just as international commerce demands negotiating language barriers, moving information between systems requires translation of information between incompatible data formats.*

RECOMMENDATIONS

The operational responsiveness of businesses, business processes, and business systems in general has evolved and improved over time. Today, there are many examples of business activities that are highly responsive and, sadly, even more that are less responsive. The ultimate evolution will be business solutions that can be largely specified directly by business users and that, in turn, give business users an accurate understanding of the solution's business behavior, the surrounding business environment, and even the business impact of changes that are made. Naturally, there are many dependencies on underlying technologies and IT organizations. The smart business will evaluate opportunities to increase the operational responsiveness of its own business activities and supporting systems, incrementally improving where business value is the greatest.

- **Begin thinking in terms of operational responsiveness.** *Operational responsiveness is more a way of thinking about how your business activities should operate and evolve than it is any one strategy or technology. Evangelize the concept, and give your people support in driving greater responsiveness incrementally, over time. Energize your people at all levels to innovate in a way that delivers real value.*
- **Start with processes and systems that are responsive, today.** *Increasing the responsiveness of existing systems that already are managed with good use of situational awareness and effective observation-to-execution paths is the most direct route. Activities without these elements in place should be reviewed specifically to see where these elements offer short-term opportunities.*

- **Identify common priorities to inform infrastructure strategies.** *Opportunity and risk are defined very differently in different market segments. For example, regulatory change can mean increased risk in one industry but an entirely new opportunity for another. Identify your priorities, especially those that cut across multiple business activities, and use these priorities to drive your own infrastructure planning, so you can leverage investments across those areas.*

Operational responsiveness is an evolutionary quality, and so its very nature and scope of will grow over time. It is defined in part by what business and technology can achieve at any point in time and also by what the business environment expects and demands. Leading companies will always pursue higher levels of operational responsiveness in situations where it gives them direct business benefits or competitive advantage.



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