

THE AGE OF THE CIO IS OVER

Summary

Member of the Executive Board at IDS Scheer Dr. Wolfram Jost sees a new era approaching: the age of the Chief Process Officer (CPO). With it will come redefinition, not only of the role of the Chief Information Officer (CIO), but also of that of every employee in the company as a whole.

Author: Dietmar Müller

Company: ZDNet

Created on: April 21, 2006

Bio of Dr. Wolfram Jost



Wolfram Jost Dr. rer. nat., has been a member of the management board at IDS Scheer AG in Saarbrücken since October 2000. After completing a degree in business economics at the University of the Saarland, he worked at the Institute of Economic Information Science at the University of the Saarland. After completing his doctoral thesis at the Law and Economics Faculty at the University of the Saarland he joined IDS Prof. Scheer GmbH, Saarbrücken (which became IDS Scheer AG in May 1999), initially as the head of ARIS Product Development and later as the head of ARIS Product Strategy. In 1994 he was promoted to senior management level, a post he held until he was appointed to the management board.

IDS Scheer was founded as a small consulting company in 1984 by Professor August-Wilhelm Scheer with staff from the University of the Saarland. The company promised its customers "Business Process Excellence."

It now employs over 2500 people in a wide variety of industries. The company's software—especially the Aris platform—is used by international companies such as British Telecom, Daimler Chrysler, Deutsche Bank, Nestlé and Siemens to analyze their business processes.

For the last few months, Dr. Wolfram Jost, member of the Executive Board has been making the case that the job profile of the current Chief Information Officer (CIO) will soon morph into that of a Chief Process Officer (CPO). ZDNet asked him about this in a detailed interview.

ZDNet: Mr. Jost, you basically believe that the IT sector has too little process knowledge. Could you expand on that a little?

Jost: The problem is this: On one hand, IT systems are becoming increasingly flexible—the buzzword being service-oriented architecture—and on the other, IT staff often lack knowledge about business processes and business process management. Therefore the power of the engine—in the metaphoric sense—cannot fully be harnessed. We believe that the business people in the technical departments need to get more involved in IT, and IT staff should get more involved in the business. The new software architectures will ensure a greater interlacing of the two domains. We must therefore extend this trend to the knowledge side of things.

ZDNet: Should business people now be getting involved in programming as well?

Jost: Not with programmers, but with Business Process Management (BPM) experts. This is necessary because the situation has changed: Up to now, technical departments made specific requests and IT took care of fulfilling them. This often led to the different departments talking at cross-purposes with each other, the objectives sometimes remaining unclear. However, today's platforms support a more results-oriented approach to work: technology is now more hidden and processes are becoming the focus. To be able to use this, the business side must get more involved in software.

ZDNet: So the bookkeeper should know all about Java programming?

Jost: No, not at all. But he must be familiar with the topic of process configuration.

IT still matters

ZDNet: Your theory states "Information technology is becoming a commodity." Let's look at "[IT doesn't matter](#)" by Nicholas G. Carr. Where do you see the parallels or differences between your theory and those set out in this bestseller?

Jost: In my view, the statement "IT doesn't matter" is much too sweeping. IT itself is an enormous area that you have to examine from all angles. Of course, there are levels of IT to which this statement applies: for example, the lowest levels such as hardware, operating systems, networks etc. But as soon as IT comes into contact with business, i.e. is used to support processes, this statement couldn't be further from the truth. In fact, process applications are critical for business and therefore feature among the core competencies. Obtaining this type of IT will never be as simple as putting a plug in a socket—that's utter nonsense.

ZDNet: IT straight from the socket or applications—such as CRM following the example of salesforce.com—and/or computing power "on demand", as offered by companies including Sun and IBM—is however a major trend in the current IT landscape. Don't you think it will catch on?

Jost: You have to look at this from different angles too. When I talk to IT staff, the unimportance of the hardware, for instance, becomes apparent. It is fairly irrelevant whether it's made by IBM, Sun, HP or whoever. For business software such as Business Intelligence (BI), Enterprise Resource Planning (ERP) or Customer Relationship Management (CRM) for example, the same doesn't apply. Computing power and capacities can be controlled on demand, but with business software, around 10 to 20 percent of business processes are suitable for on-demand use. But as soon as processes are involved, which are subject to customer-specific requirements come into play, the model fails.

ZDNet: So what will the new role at the interface between business organization and information technology be like? Your theory states: CIOs have to see themselves as process managers, who keep an eye on cross-departmental value-added chains. The Chief Information Officer has to become the Chief Process Officer (CPO). Could you define the role of the CPO in more detail?

Jost: The CPO must distinguish himself from the pure IT manager. Although IT will continue to be a management task, it won't have the same importance in future. Pure infrastructure management—i.e. of hardware, operating systems, the network and all these things—will be standardized. It will then no longer be a strategic field, but a purely cost-oriented one. But anything beyond this or related to business management will increase in importance. That is precisely where IT adds value: in enhancing the efficiency of business processes. For this, you need a manager who thinks at process level and business management level. Obviously, he also requires good strategic IT knowledge. That's the CPO.

ZDNet: How exactly will the responsibilities be divided up?

Jost: The CPO himself can't be responsible for the processes, so there will continue to be a sales manager or a production manager etc. Issues relating to the management of such processes, i.e. how to describe, analyze, optimize, implement and monitor them, are matters for the CPO.

Paying managers according to their process efficiency

ZDNet: What sort of training will be required for the new job profile? Business management? Information technology? Information systems?

Jost: Information systems is definitely along the right lines. If it's a question of core IT skills, then obviously IT training will still be needed. But anything in the CPO's job description that concerns business management-related IT would be best taught by a business process engineer.

ZDNet: You said: "The great vision is real-time process performance management that allows everyone who is involved and authorized a business-related (re)action at all times."—how exactly do you envisage that? You say that in the future, every employee will be employed in business process management at their workplace. With regard to this, what will be going through the bookkeeper's or the programmer's mind? Isn't it too much to expect from employees?

Jost: Employees in the individual operating areas—Finance, Procurement, Sales, Production etc.—will continue to perform their role. A bookkeeper will remain a bookkeeper. But all of these employees have to be aware that they are working together on a common process and that the overall process performance is what counts. A process chain is only as strong as its weakest link. Therefore, performance must be evaluated. The bookkeeper needs to know which process he is involved in—where his predecessor and successor sit and what effects his actions have on the overall process. The transparency of the overall processes will also reflect on the workplace.

ZDNet: You said: "In future, employees will no longer be assessed according to function, but on the basis of their process efficiency." What could or should this kind of system of employee benchmarking be like in practice?

Jost: In some automotive and telecommunications companies, managers and employees are already assessed and paid according to their process efficiency. That will become more widespread.

Process performance indicators vs. balance sheet figures

ZDNet: I can see there being issues with that: employees will be dependent on their colleagues' willingness to perform.

Jost: As I said, the chain is only ever as strong as its weakest link. If one in 100 employees is weak, the company's overall result will be weak. And that's what this is all about, this issue needs to be pushed to the forefront. The company as a whole often doesn't work.

ZDNet: You are demanding however that benchmarks be set not only for the employees, but for the entire company. And this is based on process performance indicators and not only on sales and earnings figures, which are drawn on nowadays by analysts when evaluating companies.

Jost: Yes, that's the next step. A balance sheet is nothing more than a collection of traditional, financial key figures. However, each figure on a balance sheet is the result of concrete business processes. And compliance rules (SOX) have been introduced because these financial key figures alone were no longer trusted. It has also become clear that companies would actually rather account for their own processes and the associated risks. The legislator for one is more trusting of the processes than the balance sheet figures. That is a groundbreaking revelation. Balance sheet figures are book values that are often not a realistic reflection of the actual situation; process performance indicators, however, are the hard facts.

ZDNet: As critical factors, you named time, customer satisfaction, resources and expenditure. Who would take on the benchmarking of these factors?

Jost: That will remain the task of the analysts. The only difference is that they should no longer focus exclusively on the balance sheet figures, but also increasingly on the process performance indicators.

This article has been translated and reprinted with the permission of ZDNet. Source: [Der CIO Ist am Ende](#)

Copyright

© Copyright 2006 SAP AG. All rights reserved.

No part of this publication may be reproduced or transmitted in any form or for any purpose without the express permission of SAP AG. The information contained herein may be changed without prior notice.

Some software products marketed by SAP AG and its distributors contain proprietary software components of other software vendors.

Microsoft, Windows, Outlook, and PowerPoint are registered trademarks of Microsoft Corporation.

IBM, DB2, DB2 Universal Database, OS/2, Parallel Sysplex, MVS/ESA, AIX, S/390, AS/400, OS/390, OS/400, iSeries, pSeries, xSeries, zSeries, z/OS, AFP, Intelligent Miner, WebSphere, Netfinity, Tivoli, and Informix are trademarks or registered trademarks of IBM Corporation in the United States and/or other countries.

Oracle is a registered trademark of Oracle Corporation.

UNIX, X/Open, OSF/1, and Motif are registered trademarks of the Open Group.

Citrix, ICA, Program Neighborhood, MetaFrame, WinFrame, VideoFrame, and MultiWin are trademarks or registered trademarks of Citrix Systems, Inc.

HTML, XML, XHTML and W3C are trademarks or registered trademarks of W3C®, World Wide Web Consortium, Massachusetts Institute of Technology.

Java is a registered trademark of Sun Microsystems, Inc.

JavaScript is a registered trademark of Sun Microsystems, Inc., used under license for technology invented and implemented by Netscape.

MaxDB is a trademark of MySQL AB, Sweden.

SAP, R/3, mySAP, mySAP.com, xApps, xApp, SAP NetWeaver, and other SAP products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of SAP AG in Germany and in several other countries all over the world. All other product and service names mentioned are the trademarks of their respective companies. Data contained in this document serves information purposes only. National product specifications may vary.

These materials are subject to change without notice. These materials are provided by SAP AG and its affiliated companies ("SAP Group") for informational purposes only, without representation or warranty of any kind, and SAP Group shall not be liable for errors or omissions with respect to the materials. The only warranties for SAP Group products and services are those that are set forth in the express warranty statements accompanying such products and services, if any. Nothing herein should be construed as constituting an additional warranty.

These materials are provided "as is" without a warranty of any kind, either express or implied, including but not limited to, the implied warranties of merchantability, fitness for a particular purpose, or non-infringement.

SAP shall not be liable for damages of any kind including without limitation direct, special, indirect, or consequential damages that may result from the use of these materials.

SAP does not warrant the accuracy or completeness of the information, text, graphics, links or other items contained within these materials. SAP has no control over the information that you may access through the use of hot links contained in these materials and does not endorse your use of third party web pages nor provide any warranty whatsoever relating to third party web pages.

Any software coding and/or code lines / strings ("Code") included in this documentation are only examples and are not intended to be used in a productive system environment. The Code is only intended better

explain and visualize the syntax and phrasing rules of certain coding. SAP does not warrant the correctness and completeness of the Code given herein, and SAP shall not be liable for errors or damages caused by the usage of the Code, except if such damages were caused by SAP intentionally or grossly negligent.