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SFTA
South Florida Technology Alliance

Enhancing America's IT Productivity
& Reducing Compliance Costs
in a Competitive Global Economy

The South Florida Technology Alliance
is proud to present this event featuring
FTC Commissioner Orson Swindle

This event is hosted by the South Florida
Technology Alliance. BizRules.com is a
sponsor of SFTA.

November 20, 2003

Charter Room (Trustee Board Room)

at the Ft Lauderdale Chamber of Commerce

Topics

- **Privacy Challenges Facing Businesses Today**
  FTC Commissioner Orson Swindle

- **Compliance & Productivity Challenges Facing Business and IT**
  Rolando Hernandez, CEO, BizRules.com

- **How Expert Systems help Government Reduce Compliance Costs to Business**
  Edward Stern, Senior Program Analyst - Expert Systems, OSHA/Dept of Labor

- **How Business Rules help business Improve Productivity**
  Jim Sinur, Vice President and Distinguished Analyst, Gartner Research

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Orson Swindle
FTC Commissioner

- 1997-Present – Republican Commissioner on the Federal Trade Commission.

- 1992 Head of the US Delegation to the OECD re: Guidelines for IS Security.

- 1981 - 89 Reagan Administration directing financial assistance to distressed areas.

- Asst. Sec. of Commerce for Development; managed DOC's economic development.

- State Director of the Farmers Home Administration for the U.S. Dept of Agriculture.

- 1992 First national leader of United We Stand America.

- 1993 form Empower America with J. Kemp, V. Weber, W. Bennett, J. Kirkpatrick.

- 1994 & 1996 Republican candidate for Congress in Hawaii.

- BS Industrial Management from Georgia Tech & a MBA from FSU.

Jim Sinur
Vice President and Distinguished Analyst, Gartner Research
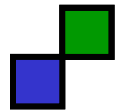
- Jim Sinur is a vice president and distinguished analyst in Gartner Research. His research and areas of personal experience focus on business modeling, business process management technologies, **rules-based systems**, using legacy systems in e-business applications, and business activity monitoring. Mr. Sinur is active in supporting the application integration and development areas of Gartner. Mr. Sinur was critical in creating the first "Hype Cycle" at Gartner, which has become a hallmark of Gartner analysis along with the Magic Quadrant.

- Prior to joining Gartner, Mr. Sinur was a director of technologies with American Express, where he worked on a large, industrial-strength, model-driven implementation of a business-critical merchant management system. Before American Express, he worked for Northwestern Mutual Life, where he was involved in leading-edge projects like the Underwriting Workbench that employed many new and emerging methods and technologies.

- Mr. Sinur earned an associate's degree in business data processing and a bachelor's degree in management at Cardinal Stritch College. He has been active in the Rules, Data, and Computing Communities, helping shape direction based on practical experience.

Edward Stern, Senior Program Analyst – Expert Systems, OSHA/Dept of Labor

- Edward Stern has worked in the US Department of Labor for 30 years, as a senior economist and policy/program analyst. He joined OSHA in 1985 to study regulatory feasibility, costs, benefits, and impacts. For twelve years, he supervised research and economic modeling of the costs and benefits of proposed regulations in the Directorate of Policy. After focusing on the regulatory burdens of small business, he initiated and coordinated the development of **expert systems** to reduce regulatory burden.

- He has guided teams of scientists, engineers, doctors, nurses, systems analysts, and attorneys from OSHA, the Department of Labor, trade associations, and labor organizations to develop "Expert Advisors" to transfer agency decision-making expertise to the public via the Internet.

- In CY1999 and 2000, Stern served, part time, as the spokesperson on this strategy for Vice President Al Gore's National Partnership for Reinventing Government. The strategy has been picked up by DOL, SBA, EPA, INS, and some states.

- For CY 2002 to 2004, he is a private citizen member of the EPA Compliance Assistance Advisory Committee, appointmented by the Administrator of EPA. He focuses particularly on the problems of small business.

- The OSHA Interactive Expert Advisors were recognized:
  - By hundreds of Web reports and magazine articles of trade associations, professional organizations, and government agencies, as a break through technology that provides expert answers, rather than more information.
  - In 1997, by the Federal Chief Information Officers Council and Industry Advisory Council as one of twenty "Best IT Practices in the Federal Government."
  - In 2000, by the Ford Foundation and the John F. Kennedy School of Government as a Finalist in the Innovations in American Government Award competition.
  - In 2001, by the General Accounting Office's report on Regulatory Management, for the Senate Government Affairs Committee, as a model for other agencies.
  - In 2003, by Deloitte Research as a model for e-Gov.

- Stern has spoken at government, professional, and industry conferences on this compliance assistance strategy. He has written for and given interviews to government, business, IT, and professional magazines on this strategy. He says that his work depended on the advice and cooperation the National Federation of Independent Businesses, the National Multi-Housing Council, the Synthetic and Organic Chemical Manufacturers Association, the Small Business Administration's Office of Advocacy, various unions, and other stakeholder groups.z

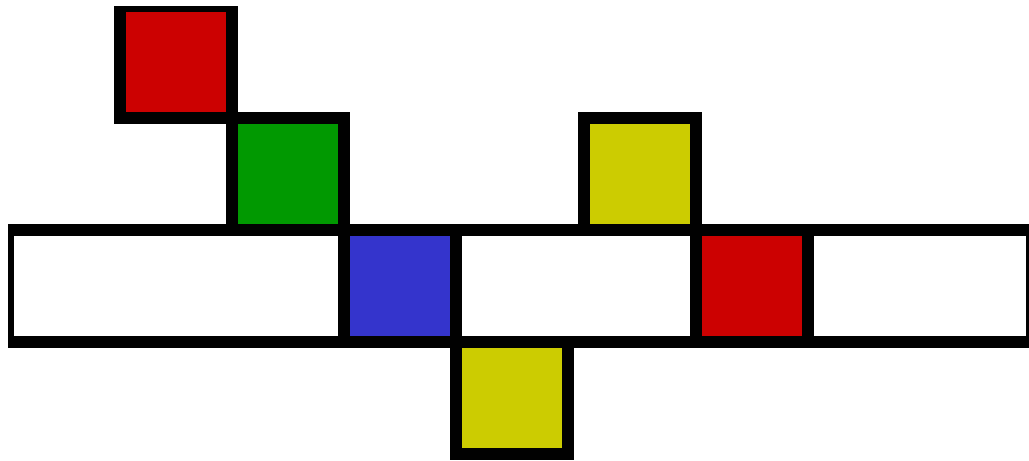# Rolando Hernandez
Founder & CEO, BizRules.com
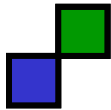
- A thought leader in business rules management and knowledge management, Rolando Hernandez has been helping the largest companies and governments in the world manage knowledge and business rules since 1988, when he graduated with a Master of Science degree in Artificial Intelligence.

- From 1988-1994, Rolando helped design and build Mobil Oil's Global Knowledge Management Strategy and Global Expert System Strategy to transform knowledge and business rules from Mobil's top Subject Matter Experts into tangible electronic assets that appreciated in value over time and increased shareholder value.

- In 1995, Rolando founded BizRules.com to help Global 2000 companies *Write the Rules of eBusiness*® and to help put *Government Online Instead of People In Line*®. In 1996-1997, Rolando helped write the Disability Benefit Eligibility & Entitlement business rules for the Govt. of Canada's Social Security Modernization Project.

- Recently, Rolando was IBM's Business Rules SME on the largest systems modernization plan in history, the $10 billion 15-year IRS PRIME Business Systems Modernization Project. Currently, Rolando is helping his company's efforts to assist a Fortune 10 company to document, assess, and optimize their business rules, policies, and procedures in order to improve Controllership and Governance, and to help ensure SARBANES-OXLEY compliance.

- Today, BizRules.com is a leading provider of Business Rules Management (BRM), Knowledge Management (KM), and Business Rules Engine (BRE) services and solutions. Three of the 10 largest companies in the Fortune 500 use the BIZRULES® VISION™ Methodology to harvest and manage their business rules. Rolando is CEO and Chief Rules Officer of BizRules.com.
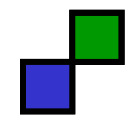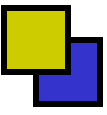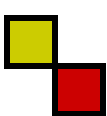
Compliance & Productivity Challenges Facing Business and IT

Rolando Hernandez, CEO, BizRules.com

Jim Sinur, Gartner

- "Every U.S. business must comply with thousands of federal business regulations. Process management technologies and business rules engines can help companies understand new rules and enforce compliance policy."

  Recent Gartner Report on SARBANES-OXLEY

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You know the rules

- How can we expect staff to follow the rules when most of us don't know or can't remember all the rules?
- How does your company manage & change rules?

  - Privacy & Permissions
  - Products / Regions / Brands
  - Pricing / Discounts / Promotions
  - Customer / Individual / Groups
  - Commissions / Contracts
  - Agency / Distributor / Reseller
  - Revenue Management & Yield Management
  - Tax & Compliance
  - Credit Card Processing/Chargeback
  - CRM / One-to-One Marketing
  - Marketing
  - Accounting / Tax
  - Operations
  - Manufacturing
  - Supply Chain
  - Govt Compliance/Regulatory/SARBOX

  - Eligibility & Entitlement
  - Fraud Detection
  - Product Recommendation
  - Decision-Making
  - Customer Service
  - HR / Insurance / Medical / Retirement
  - Environmental, Health & Safety
  - EPA / FTC / DOL / OSHA / EEOC / SEC
  - Executive Policies
  - Standard Operating Procedures
  - Travel / Reimbursement Rules
  - Security
  - Sensitive (Trade Secret) rules
  - Systems Constraints/Workarounds
  - VIP / Repeaters / Top Performers
  - Etc. etc. etc

A Week in the Life of the United States
Headlines from the week of Nov. 3, 2003
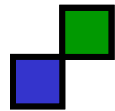
- Nov. 4
  - Probe into mutual fund abuse widens
    - **Feds: 1 in 4 major brokers breaks rules**
  - Scandal outrage keeps growing
  - Putnam ousts CEO in midst of fund probe
  - U.S. will charge Scrushy
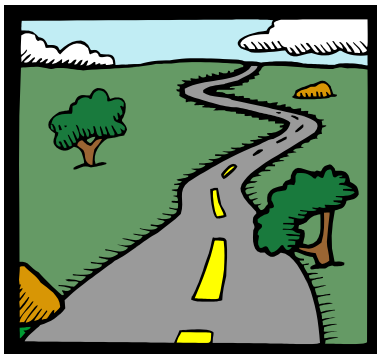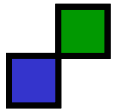 - AT&T faces $780,000 fine about do-not-call issue
- Nov. 5
  - Scrushy accused in $2.7B fraud
  - Former Prudential workers charged
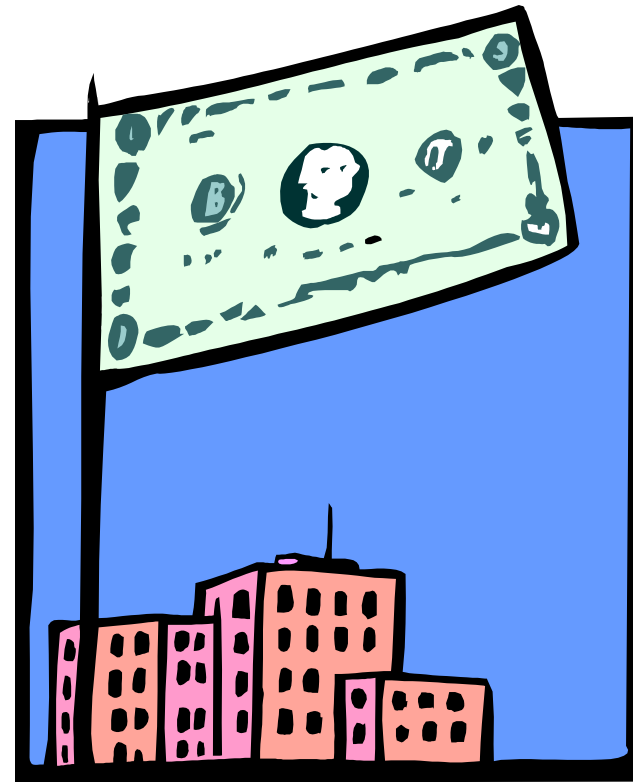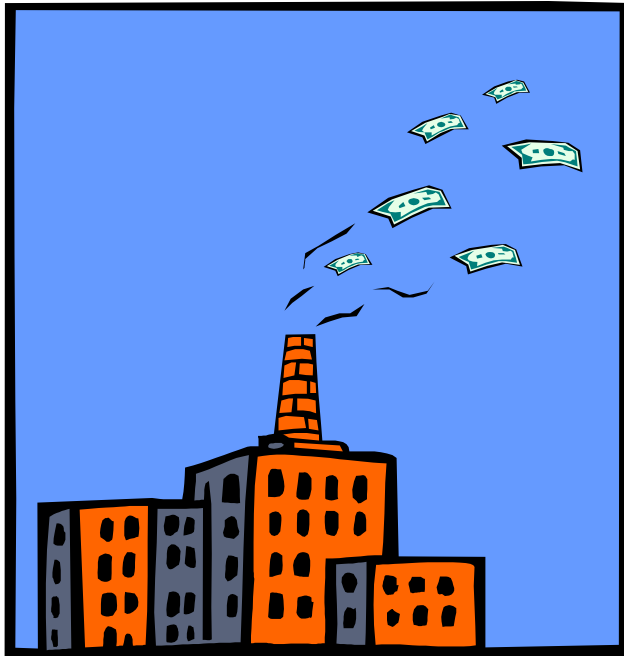 - Kraft, Dean, Frito-Lay hear from SEC
- Nov. 6
  - (Martha) Stewart distances self from company
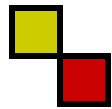
Enron

WorldCom

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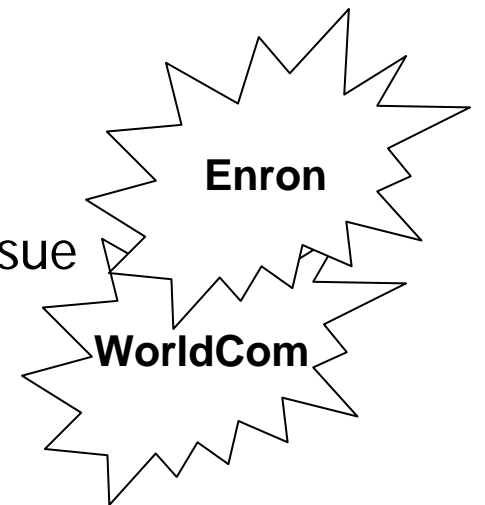
How can rules help CEOs and CFOs COMPLY with Sarbanes-Oxley and other Regulation?
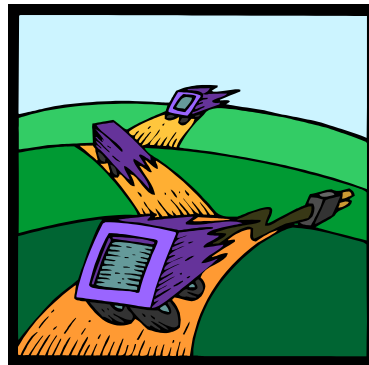
How can business rules increase PRODUCTIVITY and reduce costs?

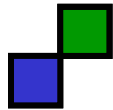# Business rules put enterprise decision-making on Autopilot
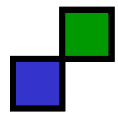
- **Privacy**
- **Compliance**
- **SOA, SEC, etc.**
- **Tax**
- **Accounting**
- **Legal**
- **Pricing**
- **Discounts**
- **Promotions**
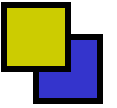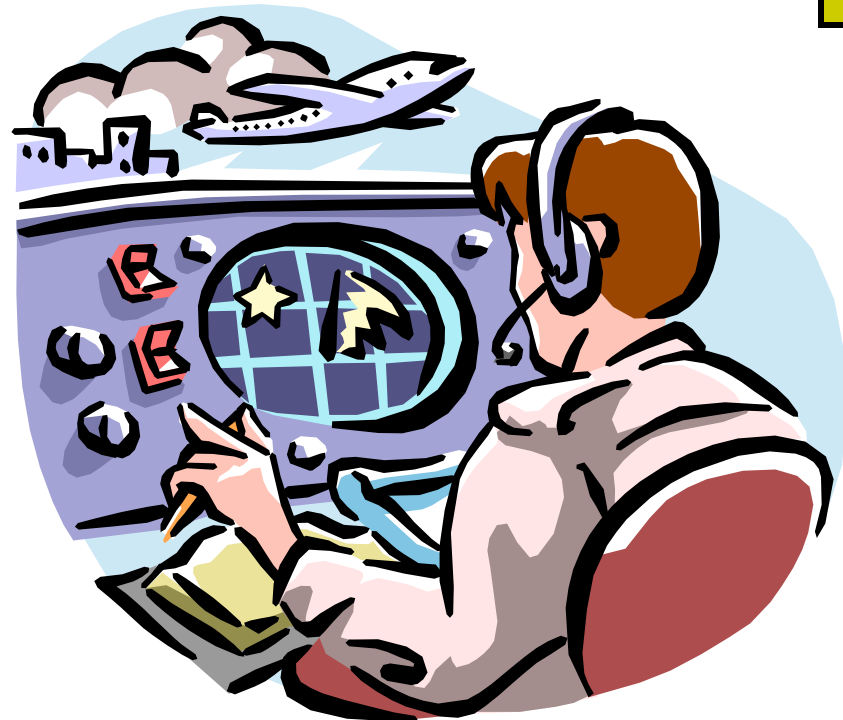
Why business rules?

- **The next logical step for cutting costs, corporate governance, time to market, and and optimizing business**

- Business rules simplify the most complex business processes; the more complex your rules are, the more you need Business Rules technology

- Enables customers and experts to spend more time on higher-level planning, analysis, and thinking activities.

- **Visionary companies see business rules as the next step, the solution to time to market and corporate governance, just as they saw Six Sigma as the solution to quality**

- Business rules make complex business processes, like tax processing, less time-consuming and more effective

- By automating routine decision-making, rules-based expert systems are the only technology proven to free up Subject Matter Experts so they can spend more time on higher-level and more value-added work

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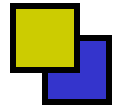
What's the deal with Business Rules?
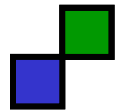
- Enables business people to manage rules for the first time

- **Enables the business to change business rules instantly**

- Makes business processes easier and more efficient

- Innovative technology

- Takes business rules out of IT, and gives them back to the business where they belong

- By taking rules out of IT code, Business Rules eliminate the endless edit, code, test, debug, compile, release cycle

- Business rules simplify systems development and maintenance processes, **drastically reducing costs and time to market**

- Based on 30 years of A.I. and Expert Systems technology, Business Rules are proven in the largest mission-critical environments

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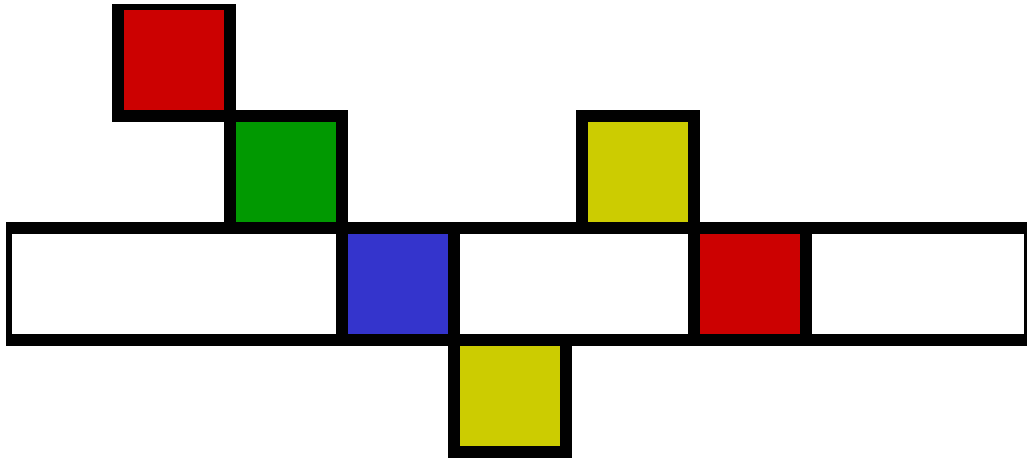
Using A.I. And Business Rules Technology to
Write the Rules of eBusiness®
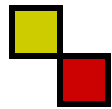
Why A.I. & Business Rules
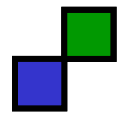
- **Transform Knowledge into a real asset**

  - **Knowledge is a company's most valuable asset**
    - Enabling people to make quick, correct, consistent decisions is incredibly valuable
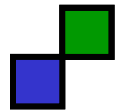   - Errors can be very costly

  - **Knowledge transfer is difficult using traditional means**
    - Training – costly, turnover problem, often ineffective recurring expense

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Why A.I. & Business Rules

- **Too Much Data**

    - **The Web provided access to data, but now people are overloaded with too much information**

    - **Data overload prevents decisions from being made correctly, consistently, 100% of the time**

        - "Do I have all the information?"

        - "Does this mean what I think it does?"

        - "This looks like it might be relevant, but is it?"
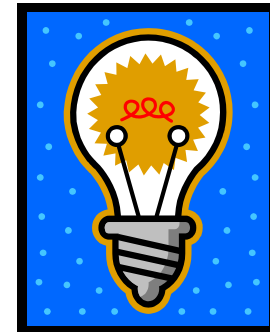
        - "Does this apply to my situation?"

        - "Can't I just get the answer?"

Why A.I. & Business Rules
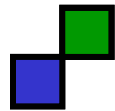
- **Databases are not enough**

  - **Some decisions only require data**
    - **WHAT** is the price?   How many are in stock?
    - What is the shipping address?

  - **These can be solved by database solutions**

  - **BUT, most decisions require more than data**
    - They require the **knowledge** of how to select, combine and reason on data to make the correct decision...
    - **HOW** to treat customers... How to handle exceptions...
    - How we've been doing it for years
    - **WHY** did we make that decision...
    - Etc.

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Business Rule Benefits
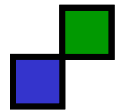
- **Captures the human expert decision-making process**
    - How is a decision made
    - What data is relevant – and when
    - Decides among competing options – and explains why
    - Only considers the data that matters in a specific case
- **Delivers interaction through a Web browser or embeds in other applications**
- **Preserves Knowledge**
- **Makes the Knowledge available to everyone who needs it – 24/7**
- **Reduces the workload on the experts**
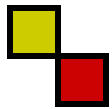
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Business Rule Benefits
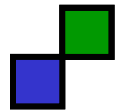
- 100% Correct decisions
- Prevents mistakes
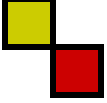- Increased efficiency
- Reduced training
- Consistent answers
- Frees human experts to do other work
- Enables non-experts to make expert-level decisions
- Documents decision process
- Preserves corporate Knowledge
- Significant, fast ROI
- Quality / Alignment / Reuse / Traceability
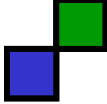
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What the experts say
Microsoft

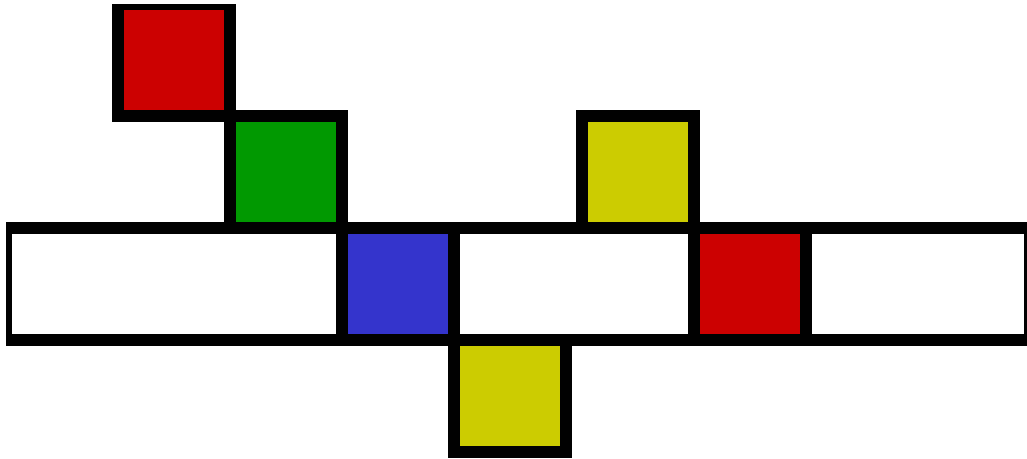- **"The source of competitive advantage in business is what you do with the information that technology gives you access to. How do you apply that to some particular business problem?"**

Charles Fitzgerald

Microsoft's general manager for platform strategy
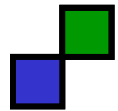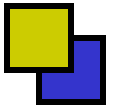
FORTUNE, June 9, 2003

Using A.I. And Expert Advisors to Put
Government Online Instead of People In Line®

# What is the business problem we are trying to solve in Government?

- Enhance **access to** and **delivery of government services** to benefit citizens, business partners and employees

- Ensure **compliance**

- Reduce **costs**

- Put the law online, and make it interactive and **understandable**

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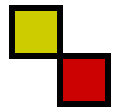*We Write the Rules of eBusiness*[SM]

What is the business problem we are trying to solve?
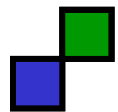
- **Improve accuracy** of decision-making
  - Staff no longer have to memorize the law. Now they just have to answer the interview questions correctly, and let the expert system apply the legislative business rules and make the right decision.

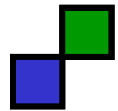- **Improve consistency** of decision-making
  - The expert system will always make the same decision given the same case information.
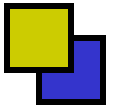
- **Reduce complexity**
  - The user does not need to know the regulations to apply them accurately.

What is the business problem we are trying to solve?

- **Ensure** that only people who are entitled to benefits receive them

- **Prevent** people from receiving entitlements they are not entitled to
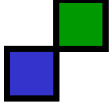
- **Make the law easier** to understand

- Be seen as **"easier to do business with"**

- **Reduce compliance costs**

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What the experts say
CIO

- **"The hardware--the stuff everybody's fascinated with--isn't worth a damn. It's just disposable. Information technology today is a knowledge-capital issue. It's basically a huge amount of labor and software."**

Paul Strassman, who has spent 42 years as a CIO--
at General Foods, Xerox, the Pentagon, and most recently NASA,
FORTUNE, June 9, 2003
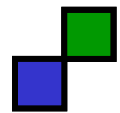
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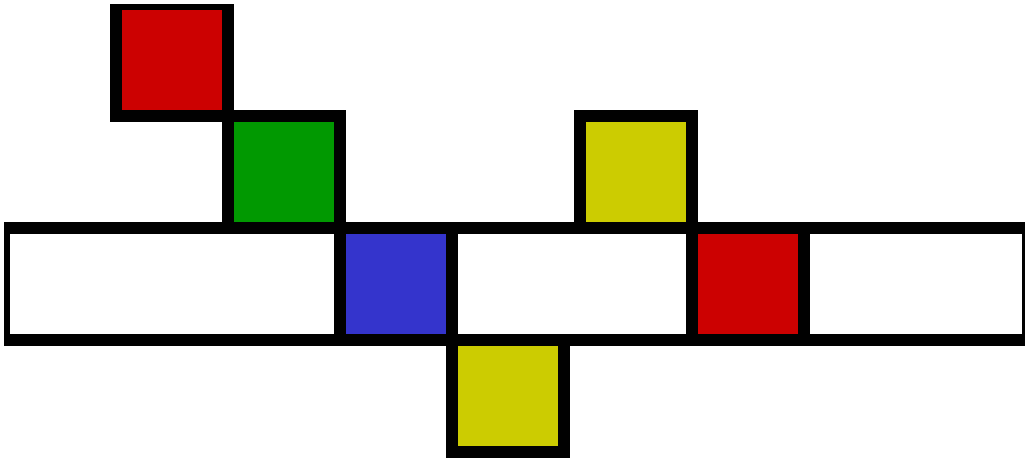
Real examples and real benefits

Over 90% of the Fortune 100 use AI and Business Rules

- **Use Artificial Intelligence to make their systems smarter**

- **AI is not widely publicized or well understood…**

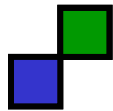 - **But those who use it successfully cannot live without it**

DuPont

■ "For every **$10,000** spent to develop expert systems, we realize **$1 Million** in savings and profits - adding up to over a $1 Billion."

Bill D. Eggers
Global Director, Public Sector, Deliotte Research

- **"The US Small Business Association's Business Compliance One Stop Web site, saves businesses about $526 million a year by helping them find, understand, and comply with regulations."**
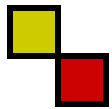
- **"The value of a government investment has to be measured not only by its direct return to government but by its return to the people on whose behalf the investment is actually made — the citizens government represents and the businesses that citizens work for and invest in."**

- **"The costs that government rules and regulations impose on citizens and businesses generally fall into three categories:**

  - 1) Finding which rules and regulations are needed for compliance.

  - 2) Understanding what the regulations mean and figuring out how to comply with them.

  - 3) Complying with rules and regulations (typically the biggest cost driver for citizens and businesses)."

Deloitte Research – CITIZEN ADVANTAGE™: ENHANCING ECONOMIC COMPETITIVENESS THROUGH E-GOVERNMENT

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OSHA/Department of Labor Expert Advisors
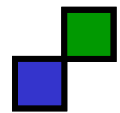
- Expert Advisors have been working 24/7 running early 1990's

- **"Savings to small businesses from the OSHA Hazard Awareness Advisor alone total between $40 million and $83 million per year"** according to OSHA".

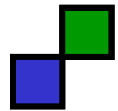- Went live in 1995, still running today.

- Only changed once...

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What the experts say
Joe Lieberman

United States Senator
Joe Lieberman
A VOICE FOR CONNECTICUT
Use of Information Technology

- ..."Regulatory management is an obscure but essential piece of the overall enforcement of our laws and the protection of our citizens," Lieberman said. "By using Internet technology to collect and disseminate information, these agencies are helping to make government more efficient and more responsive to the taxpayers..."

- "...For example, the Department of Labor's Employment Laws Assistance for Workers and Small Businesses (ELAWS) consists of a set of online advisors that provide information to small business owner in preparation for their interaction with DOL employment law experts.

- Innovative approaches like ELAWS "reduce the burdens on regulated entities and help them understand their responsibilities," Lieberman said. "IT-based approaches to regulatory management also cuts costs and makes government more transparent."

http://www.exsys.com/lieberman.html

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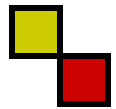*We Write the Rules of eBusiness*SM

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American Express Authorizer's Assistant

- 35,000 business rules in "Authorizer's Assistant"

- **Rule-Based Expert System handles <u>all</u> AMEX credit card authorizations worldwide**

- "This system has never been down in 13 years."

- **Only five** people maintain this mission-critical rule-based system

- Business rules simulate the decision process of experienced credit agents

Marilyn Stark, Director
American Express

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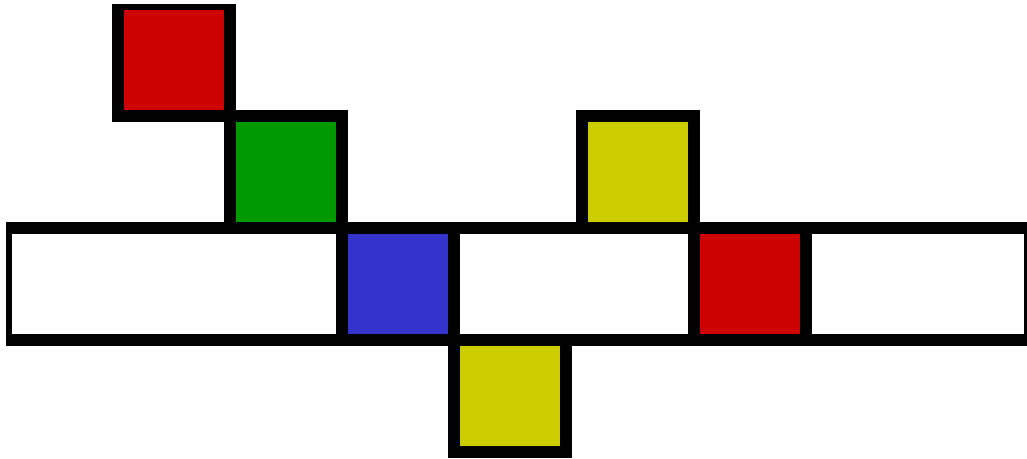
Now on to the panel discussion…

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