



Business Case for Business Process Management

This paper is intended for people who wish to understand the benefits of Business Process Management (BPM) and establish a business case for achieving business process improvements via BPM.

What is Business Process Management?

Business Process Management (BPM) is a methodology and set of tools that support explicit business processes, right from analysis and definition to execution, monitoring and optimisation of business processes. The BPM market has been 'formed' from the opinion that businesses need to be managed from a process point of view.

BPM's Value Proposition

The basic value proposition of BPM is the ability to process more with less effort and higher quality. In fact, BPM is responding to a new set of business values:

- **Agility:** The ability to bring new products and services to market more quickly and adapt processes more effectively to changing market demands
- **Efficiencies:** Most processes are inefficient due to manual effort, poor hand-offs between departments and a general inability to monitor overall progress. The deployment of BPM solutions helps eliminate these problems. The efficiency benefits are typically expressed in the reduced number of Full Time Employee's (FTE's) required to perform particular tasks
- **Visibility:** Providing management insight into process-based performance indicators. This enables an organisation to make better business decisions and handle exceptions better

Gartner research indicates that even without process redesign, a basic investment in a BPM suite can yield significant returns. Gartner claim that by simply "making the current-state handoffs, timing and responsibilities explicit, productivity improvements of more than 12 percent are normally realised¹". In another report, Gartner indicates that 78% of projects see an internal rate of return (IRR) of greater than 15%². The same report indicates that these projects were deployed quickly (67% in less than six months, 50% in less than four months). The conclusion is that BPM can provide significant value with rapid returns.

Business Process Improvement Options

There are three possible options in achieving improvements in key process areas. These are procurement of packaged applications; customisation of existing applications; or custom development of process solutions.

¹ Business Process Management's Success Hinges on Business-Led Initiatives, Gartner, 26 July 2005

² Justifying BPM Projects, Gartner 2004

Procurement of Packaged Applications

There are three main issues with procuring packaged applications to solve process problems:

- **Fit for Purpose** – Packaged applications mandate a particular base functionality and process. Organisations are therefore required to adapt to the processes provided by the application. Extending packaged applications generally makes further upgrades significantly more complex and expensive. Most application vendors advise against customising their applications
- **Time to market** – The procurement and deployment of new applications is typically a lengthy activity and can involve high start-up costs. A risk to the organisation is that business requirements can change before the new application is deployed
- **Agility** - Applications are not designed to accommodate frequent change – they are focused on standardised functionality and processes. Whilst some application vendors are adding process to their applications and platforms, their offerings are still immature

Customisation of existing Applications

Where existing or legacy applications are in place, one option is to evaluate extending existing applications. This option shares all the problems of procuring packaged applications.

Additional problems include:

- **Cost** – Extending applications often requires unique, expensive skills. Often applications are written in proprietary application specific languages
- **Complexity** – Customising existing applications is constrained by things such as the inherent application data model, user interaction, and a general lack of flexibility

Custom Developing Process Solutions

The previous two options discussed have a fundamental disadvantage in driving business process improvements. Process improvement requirements can come from all areas of an organisation. Typically end-to-end business processes transcend organisational boundaries and applications, and buying specific applications to handle each particular process is not practical. While functional automation initiatives such as ERP systems, CRM systems, HR systems, and document-processing workflow systems have produced efficient, automated process flows within each function, business process improvement requires management control of end-to-end processes, such as from the receipt of an order to fulfilment and invoicing. The alternative is to develop a custom built solution.

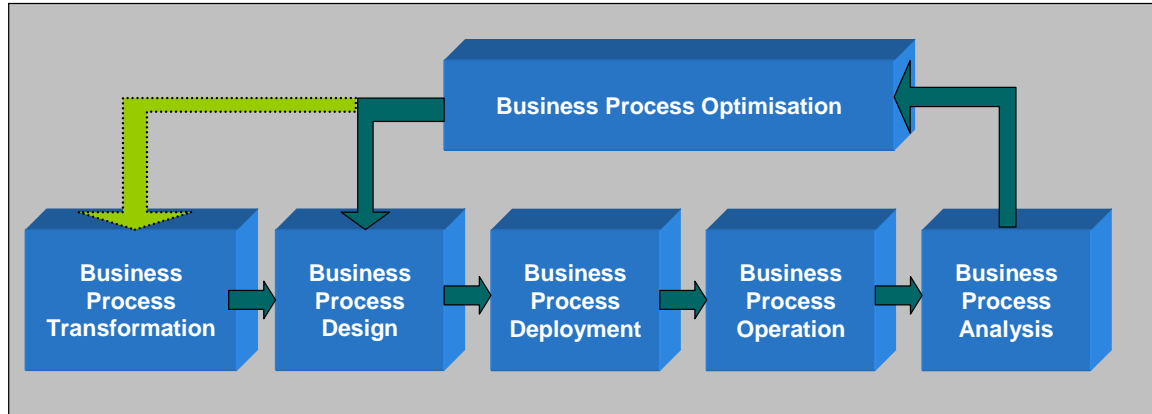
BPM product suites provide the key functionality necessary in developing business process improvement solutions:

- Process modelling and simulation
- Graphical development of process solutions (no complex coding)
- Process Execution Engine

The functionality that BPM suites provides delivers productivity gains in virtually every phase of the project lifecycle compared to standard development environments (e.g. Java-based development).

BPM Project Lifecycle

Figure 1 depicts the discrete phases involved in delivering sustainable business process improvement and evolution.



Each phase of the business process improvement lifecycle is now discussed briefly.

Business Process Transformation - the objective of this phase is to capture the business processes (event flow, information flow and control flow) from the perspective of all participants, including the application systems that implement part of the process, and any sub processes that it may make use of.

Business Process Design - this phase builds on the knowledge gained from the discovery phase. It involves modelling, designing, simulating and redesigning the process based on requirements and from discovering what is possible. The design takes into account manual processes, automated processes and the interaction of the processes.

Business Process Deployment - this phase involves the roll-out of new processes to all participants, including people, applications and other processes.

Business Process Operation - this phase involves detection and resolution of any run-time exceptions.

Business Process Analysis – the processes should be analysed to detect bottlenecks, deadlocks and inconsistencies across the whole enterprise. This phase involves measuring business benefits and devising strategies for improvement.

Business Process Optimisation - this phase involves fine tuning the existing processes. Occasionally the changes can be more significant it may involve revisiting the Business Process Transformation stage.

Common BPM Challenges

There are a number of challenges that must be addressed when embarking on a BPM solution:

- Addressing the complexity in organisational and functional silos
- Incorporating a process focus into inflexible IT systems
- Creating and defining existing processes
- Assessing the alignment of BPM within an Enterprise Architecture
- Processes need human and systems support to succeed
- Aligning measurement systems and management to processes, not functions

Key BPM Learning's

There are a number of key learning's that have been gained from BPM projects:

- Recognise that processes are key to organisational performance
- BPM should primarily be a business driven project, with technology as the enabler
- Use an architectural approach in defining the solution
- BPM solutions now enable Business Process Modelling by Business Analysts – not programmers

Conclusion

There are a number of organisations which have successfully adopted BPM suites to establish a platform for continuous business process improvement. BPM provides the lowest risk, highest return investment for driving process improvement.

There are a number of takeaways from this paper:

- BPM is a technology that you should evaluate to manage the key end to end interactions of your business. The processes that provide key business differentiation and/or biggest returns should be targeted for BPM implementations
- BPM assists organisations in staying competitive
- BPM does not replace your existing IT Assets, but complements them
- There are many different vendor offerings emerging in the marketplace and standards are still being developed, so use an architectural approach to evaluate the vendors products
- Definition of business processes consumes the majority of the time and not implementing the software
- Cross departmental/divisional alignment of processes is key

The Marlo Group recommends that organisations take these next steps:

- Continue to learn and think about potential business processes that are problematic to your organisation
- Assess the alignment with your Business Model and IT Architecture
- Create a group responsible for the ownership and delivery of business process initiatives
- Form a Steering Committee with a governance role for business processes
- Create a Business Case with clear measures of success
- Target a pilot that will solve an existing business problem