

# Business Process Management (BPM)

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Realizing ROI from Automating Business Processes



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## Executive Summary

Today's economic reality is one of increased competition, informed and demanding customers, commoditization of products and services, and relentless pressure to cut costs. Companies are again being asked to do more with less. Implementing Business Process Management (BPM) technology offers significant opportunity for automation and efficiency gains and return-on-investment across a wide range of business needs and functions, including accounts payable, procurement, human resources, order management and more.

This white paper examines some of the business benefits and potential cost savings that can accrue to an organization that implements a BPM solution. It also provides a brief introduction to Autobahn™ BPM software from LANDesk, designed to help your organization improve business efficiency and effectiveness by automating processes for a relatively inexpensive investment.

## Introduction: The Process is the Basic Unit of Business Value

According to business process analysis and design expert, Dr. Laury Verner, businesses and governments over the past decade have devoted increasing attention to business processes—to their description, automation, and management. This interest, says Verner, grows out of the need to streamline business operations, consolidate organizations, and reduce costs, reflecting the fact that the process is the basic unit of business value within an organization.

As Verner writes in *ACM Queue*,

The design and automation of business processes warrants its own field of study, known as business process management (BPM). BPM has emerged as a critical cross-discipline control and process enabler, and is responsible for ensuring consistency in planning and performance management while reducing costs across the enterprise.

BPM is the management of explicit business processes, like the ones needed to transfer an employee from one department to another or deliver a sales order. By definition, a business process is any sequence of structured or semi-structured tasks performed in series or in parallel by two or more individuals to reach a common goal. BPM software covers a whole range of capabilities, from simple administrative and task support to collaborative software and integration brokers that control system-to-system interaction. Pure-play BPM software has a runtime execution engine based on events.

BPM is thriving in many areas, including insurance, credit, banking and finance, pharmaceuticals, manufacturing and telecommunications. Any company that is affected by compliance or productivity improvement programs like Six Sigma is a good candidate for enhanced BPM. The appeal is so broad that nearly every industry should embrace the principles of BPM, with the possible exception of low-margin industries where potential savings are limited. <sup>1</sup>

## Why BPM Now?

Gartner Analyst Jim Sinur stated in 2002 that through 2007, business organizations will save as much as 10% of the cost of a business process by creating a current business model and optimizing on cost within a current context (0.8 probability). Mr. Sinur projected that business organizations will save up to 20% of the cost of a business process by simulating alternative new business flows and implementing them in BPM (0.7 probability).

According to Mr. Sinur, enterprises should begin to retool legacy applications into services to take advantage of explicitly defined processes. He projected that enterprises that continue to hard code all flow control or insist on manual process steps, and which do not incorporate BPM's benefits, will lose out on the agility and flexibility that is beginning to characterize 21st-century business. <sup>2</sup>

As one ERP vendor said, "We have a problem. Our customers want processes in six weeks and we are taking 18 months to deliver them." Can a BPM platform help? It's already happening in pioneering companies, and the value proposition for implementing a BPM platform is so compelling that no company can afford to ignore this new development, especially given the cost of ERP upgrades and consolidation.

BPM technology provides not only the tools and infrastructure to define, simulate, and analyze business process models, but also the tools to implement business processes in such a way that the execution of the resulting software artifacts can be managed from a business process perspective. <sup>3</sup>

– IBM Systems Journal, 2002

In addition, BPM systems will need to represent business processes in the computer system so they can be directly manipulated by business analysts – not programmers or development staff. Making it easier for non-IT professionals to manage their business processes without intervention from IT naturally makes some IT professionals nervous. You have to be certain in an auditable process that your transaction has integrity. BPM systems vendors must scale this integrity while maintaining reliability in business processes designed, deployed and managed from the desktop.

Sound ambitious? Yes, but this is indeed the new possibility in business automation, a possibility that directly affects the bottom line and competitive advantage in today’s complex, global economy. Where there is new possibility, there is new skepticism. What business analysts need are tools that allow easy development—a “flowchart on steroids” that models the business flow, documents the business flow, and is the execution engine all at the same time.

**Categories of Cost Savings**

How can businesses expect to realize cost savings by automation? The META Group has published a chart of projected savings as illustrated below:

<b>Benefits of Implementing an Automated BPM Solution</b>				
	<b>Touches</b>	<b>Time</b>	<b>Cost</b>	<b>Quality Impact</b>
<b>Currently</b>	100	6 mos.	\$10x	5%
<b>After Application Rationalization</b>	80	5 mos.	\$8x	4%
<b>After Modernization (Web Services, XML, Modeling)</b>	40	3 mos.	\$5x	2.5%

Source: “Translating Strategy to Execution: The Role of Strategic Metrics as a Change-Management and Business Process Management Tool,” META Group – June 18, 2004

As the chart illustrates, the expected cost savings from fully automating a business process is about half of the current cost of completing the same process. To examine how business units will realize these above mentioned cost savings, it’s important to measure savings by cost category.

**Reduced labor costs**

The optimal processes to focus on are those that are repetitive and take a significant amount of labor. Any reduction in labor equates to an immediate cost savings. We look at what we are doing today and whether there is a faster, better way to do it. For example, by automating a task that requires five hours of manual intervention, we can expect to cut that time in half. Thus the 2.5 hours, multiplied by the number of times the process is completed in a cycle, will yield a significant cost savings.

**Increased productivity**

In an environment where we’re all asked to do more with less, the best method to achieve the desired result will give companies a competitive advantage. By automating many of the processes that you are currently completing manually, you will allow these same individuals to work more efficiently and take on new tasks.

**Shorter cycle times**

Time is money. By automating such activities as invoice processing, order processing and/or RMA processing, you can expect to significantly shorten the processing time. Shorter cycle times can lead to monies coming in the door much more quickly than by using manual processes.

**Reduced error handling**

What does it cost your organization to fix a self-inflicted problem? Manual processes are prone to human error. By automating these processes you will experience a reduction in the number of human errors.

**Consistent process handling**

Consistency comes from having an established procedure and ensuring this procedure is followed every time. BPM has the additional advantage of enforcing these procedures by automating the routine tasks which otherwise might be completed frequently using a flawed procedure.

**Increased customer service**

Would your customers like to see fewer mistakes from their vendors? Would they also be in favor of more responsive service, or receiving your product faster? BPM can help you increase the level of service to your customers.

**Increased profits**

With the savings mentioned previously, you can expect to significantly cut your expenses, increase throughput and ultimately boost the bottom line.

**Automation Also Brings Cost Savings to IT**

The following are examples of how IT departments can expect to realize cost savings through business process automation.

**Reduced administration time**

Simplified business process design, workflow modeling, workflow execution and similar features can cut the time spent by IT staff on deployment and administration. A number of key factors will determine the extent of returns and costs associated with a deployment, such as current IT processes, size of the user population, and degree of global distribution.

Building and making changes to any business process, even minor ones, is extremely labor-intensive. A workflow designer that is icon-driven makes process building a simple drag-and-drop process. What's more, the ability to edit on the fly makes you much more efficient and effective.

**Reduced development costs**

A number of features could lower the costs of application-related development. XML support, for example, will reduce the time spent by developers in supporting end users with advanced design needs. Hard coding process workflow is an expensive task, one which automation can simplify and help shorten delivery times.

**Reduced customer support costs**

Although the cost reduction imperative in today's environment is forcing companies to reduce their overall call center costs, it is critical to maintain the quality of service that call centers provide in order to stay competitive as customers demand higher availability of prompt, reliable service. Customer service strategies should include improved focus on the quality and range of self-service options offered.

In order to increase operating efficiency and reduce costs while providing better service, companies should automate business processes using modular, reusable components. For example, banks can build automated workflow capabilities such as updating account information, submitting or checking status of applications or claims, generating rates and quotes, renewing policies, and purchasing products, thus enabling their customers to perform these functions through self-service options rather than having to call customer service. This automated workflow, combined with Web self-service, can help your company meet customer expectations without requiring agent intervention, increased hold times or manual processing.

## Where BPM Can Help You Meet Challenges Successfully

Organizations are looking to BPM to help overcome the following kinds of challenges:

Functional Area	Sample Processes
<b>Financial</b>	<ul style="list-style-type: none"> <li>• New Account Setup</li> <li>• Expense Report Processing</li> <li>• Travel Expense Reimbursement</li> <li>• Invoice Processing and Exceptions</li> <li>• Credit Processes</li> <li>• Sarbanes-Oxley Control Processes</li> </ul>
<b>Internal / Administrative</b>	<ul style="list-style-type: none"> <li>• Purchasing Requests / Procurement</li> <li>• RMA Processing</li> <li>• Contracts Management</li> <li>• Equipment Management</li> <li>• Facilities Management</li> <li>• Customer Complaints</li> </ul>
<b>Human Resources</b>	<ul style="list-style-type: none"> <li>• New Hire Processes</li> <li>• Performance Reviews</li> <li>• Employee Department Transfers</li> <li>• Benefits Administration</li> <li>• Leave Requests</li> <li>• Travel Requests</li> </ul>
<b>Information Technology</b>	<ul style="list-style-type: none"> <li>• Service Desk Requests</li> <li>• Security Requests</li> <li>• Move/Add/Change</li> <li>• Change Management</li> <li>• Hardware/Software Procurement</li> <li>• Enhancement Request</li> </ul>
<b>Sales and Marketing</b>	<ul style="list-style-type: none"> <li>• Automated Lead Follow Up</li> <li>• Better Customer Communications</li> <li>• Automated Pipeline Updates</li> <li>• Enhanced Accuracy of Forecasts</li> <li>• Improved Information Flow between Groups</li> <li>• Improved Speed of Order Fulfillment</li> </ul>
<b>Product Development</b>	<ul style="list-style-type: none"> <li>• New Product Introduction</li> <li>• Product Enhancement Requests</li> <li>• Quality Assurance</li> <li>• Bug / Fixes Reporting</li> <li>• Documentation</li> <li>• Knowledge Base Modifications</li> <li>• Version Control</li> </ul>

## Soft Benefits of BPM

Pressure to cut costs while providing more value (e.g., less focus on transaction processing and more on financial analysis) is an ever present reality. IT can play a clear role in this area. ROI is important, but so is enabling compliance and improving applications to reduce risk and fraud.

Corporate governance is emerging as a major focus, and current economic times particularly require solutions that deliver financial processes and information in better, auditable, cheaper, and faster ways. Best-of-breed and ERP solutions stretch the scope of traditional functionality and embrace Web-enabled components, including many applications aimed at improving a company's approach to corporate governance and compliance.

With regard to managing regulatory compliance, such as the Sarbanes-Oxley Act (SOX) or international accounting standards, organizations must demonstrate that effective controls and business monitors are in place to ensure that financial processes are sound and void of fraud. More than one year after SOX legislation was signed into law, its effect on improving corporate financial accountability and visibility is unclear, especially given the fact that most organizations are still working to enable and demonstrate compliance. Public firms will accelerate business and IT projects to ensure they are in compliance with SOX and other regulatory legislation.

BPM is an integrated solutions approach consisting of Web-based analytical applications (based on financial analytical applications) providing key performance indicators that are tiered within the enterprise. It includes business plans that are intended to achieve such metrics, reporting, and forecasting to ensure performance. BPM projects will accelerate in the coming years as firms continue to replace legacy financial/management reporting and planning processes.

## Autobahn™ BPM from LANDesk

Autobahn™ BPM software from LANDesk combines the ease of use and scalable technology your enterprise needs to improve all of your IT and business processes.

Using a .NET framework, the Autobahn BPM solution is a secure, stable software solution that is easy to implement and that integrates with your existing call tracking, ERP, CRM, financial, operational and other solutions.

With Autobahn your enterprise can:

- Improve business efficiency and effectiveness by improving and automating processes for a relatively inexpensive investment
- Gain or enhance Information Technology Infrastructure Library (ITIL) discipline and best practices across your enterprise
- Help your IT organization with compliance issues surrounding regulations like SOX, Combined Code for Corporate Governance, Bilanz Reform, HIPAA and more
- Better manage the execution of processes and the people involved in them
- Achieve better alignment between your business processes and corporate objectives
- Quickly and efficiently respond to changing business conditions while ensuring minimal impact on your enterprise
- Realize ROI and reduce costs

## Conclusion

The ROI benefits of implementing a BPM solution can span the spectrum of “hard costs” such as regulatory compliance, streamlining operations, and consolidating organizations, to “soft costs” along the lines of enhanced customer satisfaction. As regulatory compliance places tighter reporting deadlines and requirements for increased controls on financial management processes, many organizations will turn to BPM solutions to consolidate and prepare results, provide financial transparency, and offer critical alerts for changes in financial conditions.

As organizations increasingly view the process as the basic unit of business value within an organization, they will recognize significant opportunities for automation and efficiency gains and return-on-investment across a wide range of business needs and functions.

## References

- 1 “BPM: The Process and the Challenge,” Laury Verner, Ph.D., *ACM Queue*, Vol. 2, No. 1, March 2004
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- 3 “Web services and Business Process Management,” Leyman, F., Roller, D., and Schmidt, M.-T., *IBM Systems Journal* 41, 2 (2002), p. 198.