

A Navigar Consulting White Paper



How to position the value of Business Process Management internally

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Introduction

Many organizations are looking at Business Process Management (BPM) projects and understand there is value in BPM. As Gartner says 'better processes produce lower costs, higher revenues, motivated employees, and happier customers.' We all know that BPM initiatives will have positive results for our organizations, but so will many other projects. How do we differentiate BPM projects from other internal initiatives? How can we articulate the value of the projects so that they are approved? We need to create an understanding of BPM within our organizations, and demonstrate the value in terms of cost savings, increased revenues, improved controls, or efficiencies that will result from the project.

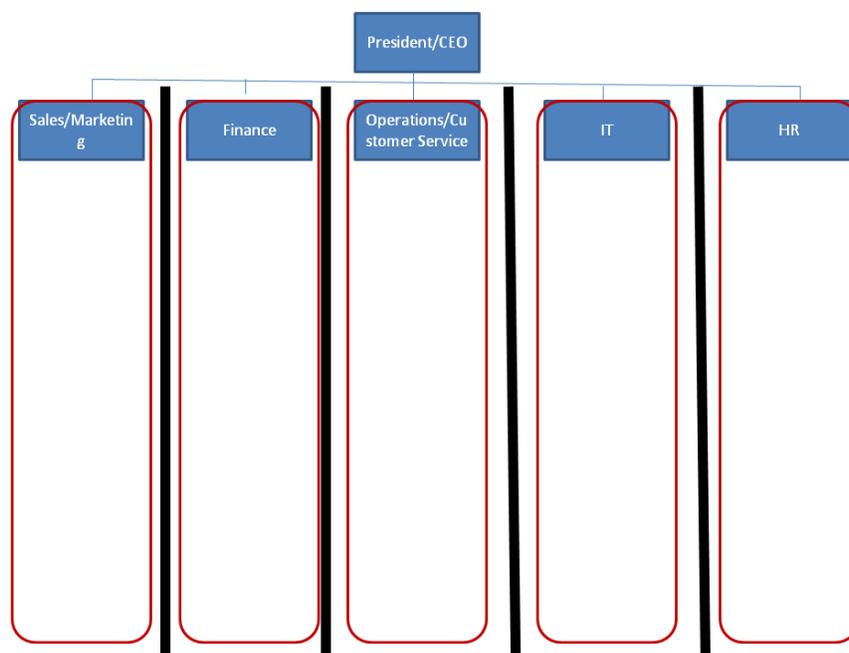
What is BPM

There are many different definitions of BPM. Some might refer to process projects as Business Process Management (BPM), others might choose Business Process Improvement (BPI), while others use the term Business Process Re-engineering (BPR). There are differences between these and what their meanings are.

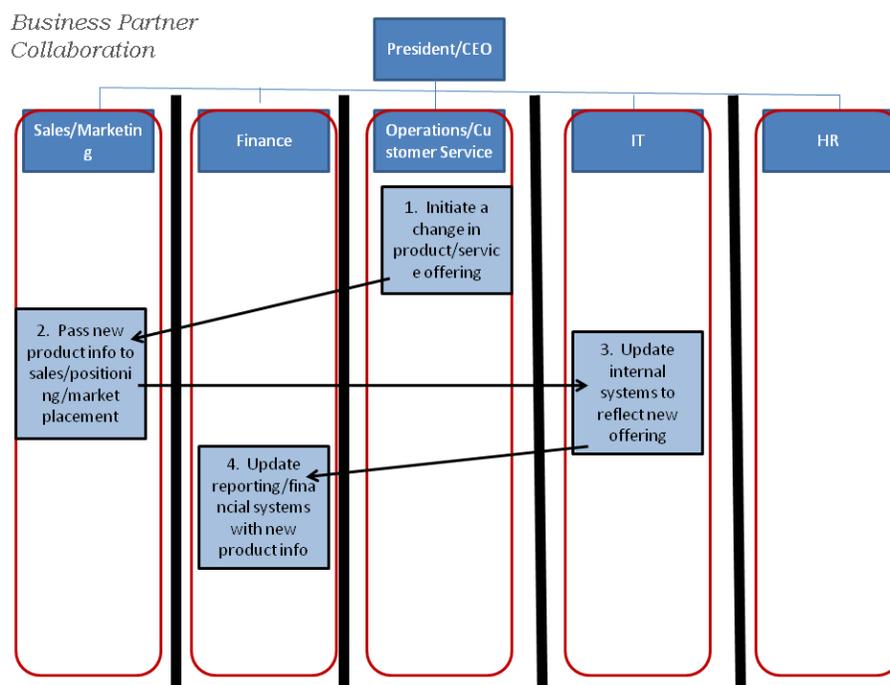
Generally speaking, BPM is a holistic management approach referring to the ‘activities performed by businesses to optimize and adapt their processes’. Processes are generally horizontal in nature, crossing data silos, applications, and departments across an organization. For example, acquiring a new customer may appear to be a sales process but ultimately it crosses many different departments. This process may start with marketing or lead generation, then move to sales, then move to customer service, and ultimately billing and receivables.

Business processes have many different touch points including data, people through user interfaces, documents, and software applications. Combined these different and often disparate touch points provide opportunities for cost savings, increase revenues, and controls. BPM provides not only workflow, but also business rules, integration, and improved controls and visibility into the organization’s processes.

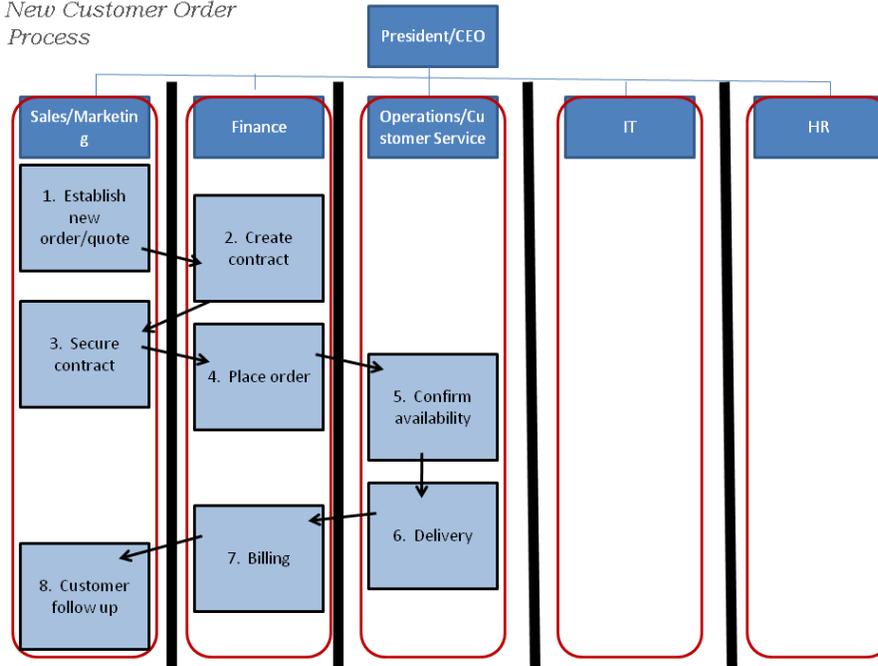
Consider how your organization is structured and managed today. If your organization is like many, your organization structure probably looks something like this:



Managers are responsible for their department and their functions, which are vertical in nature on the organization chart. There is not a team or person who is responsible for an end to end process that crosses the department barriers, nor is there anyone empowered or challenged with improving those processes. There is not an effective way to measure or monitor those processes. A process based management approach supports cross department process synergies and efficiencies. It enables people to analyze the processes and identify improvements that ultimately focus on the customer, whether an internal or external customer. Consider two internal processes that cross multiple departments such as the business partner collaboration and the new customer order process. They probably look something like this crossing department boundaries:



New Customer Order Process



Value of BPM to my organization

‘Through BPM workflow you can improve the efficiency of your business process by a great margin. It integrates your business process end right from the beginning of the process to its execution’. BPM consists of workflow, integration, user interfaces, business rules and analytics to improve a process, measure that process, and provide controls.

Many processes today are done through email, hard copy papers, spreadsheets, phone calls, and other documents. For example, in many finance departments, many processes are still performed through spreadsheets. The risk of spreadsheet processes is that there are not inherent controls, there is no tracking of who did what, and there are no mechanisms to ensure the process is flowing smoothly in and in a timely fashion. There are insufficient checks and balances and there is no visibility where a work item is in the process. Timely and accurate process information is critical to measure the effectiveness of the process and improvement opportunities.

Visibility into a process, and specifically the status of a work item, is crucial to an organization. If you don’t know where a payment is at in a payables process, or a purchase order is at in a procurement process, or a service request in the IT department, it can leave people frustrated and generate many nonproductive phone calls and inquiries. BPM can show if there is a bottleneck in the process, if it’s with a specific participant, if a participant is overloaded with work, if proper escalation procedures were followed, or if there are frequent exceptions.



BPM will also provide an organization with controls. Audit logs are maintained to see the activity within a process. Business rules are used to ensure that proper activities are performed by the appropriate participants. If there are compliance requirements, such as Sarbanes Oxley, or other government regulations, BPM can incorporate the necessary business rules and edits to ensure proper following and compliance.

Measuring and monitoring of processes is a challenge for most organizations and a Business Process Management Suite (BPMS) can provide the analytics to track performance of the process, participants, and identify where bottlenecks may be. The measuring and monitoring functions can also be used to identify the need to reallocate and redirect process activity based on period of high volume.

Regardless of how well a process is modeled, and how well it is orchestrated for efficiency, there is one guarantee, that process will change. It may be a result of new regulations, or new systems, or new participants, or simple improvements. But it will change and it should. Using a BPMS will provide your organization with an environment for continual process improvement. Unlike most departmental application silos, a BPMS is designed for continual improvement.

Do we need to use a BPMS?

Not every organization or every process requires a BPMS. However, most of the time we find that it is beneficial and the investment is easily justified.

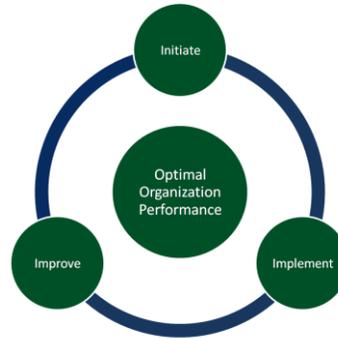
We would recommend not investing in a BPMS if the process touches very few people. We have worked with clients with only 2 people involved in a process and an investment in a BPMS would not have been justified. If there are very few touch points or integrations in the process, it would not be worthwhile. Also, if only a single process requires improvement and it is simple then a straight-forward coded integration may meet the needs.

If there are multiple participants in the process or multiple touch points (integrations), then we recommend a BPMS. If the process is largely human centric we recommend a BPMS. If participants or non-participants need visibility into the process, a BPMS is the only plausible way to provide that. If the process is costly or critical to the department or business's success, a BPMS is recommended.

The Navigar methodology

Successful BPM includes not only technology, but also a BPM Methodology, and a culture that supports and inspires continual process improvement. Navigar has built a BPM methodology that gives organizations a road map to create a truly successful BPM program, and ultimately a culture of continual process improvement. The Navigar Methodology gives your organization a proven approach to implementing BPM and creating an organizational environment that embraces change and continual improvement with the goal of continually evolving the organization to create competitive differentiators and successful business strategies.

At Navigator we recognize three distinct phases of the BPM Lifecycle:



Initiate: Organizations need to determine if a BPM project is right for your organization and then follow a strategic approach to deciding which process provides the best return on investment.

Implement: Navigator follows a proven five phased approach to implementing BPM projects while leveraging existing technologies and infrastructures. Implementing a BPM program or project is an iterative process. Navigator’s methodology is an iterative, agile approach that incorporates many of the quality control and lean concepts and standards that many organizations follow.

Improve: BPM is not something reserved for a BPM group, or the senior leadership team. The entire organization must think of continual process improvement as part of their day to day responsibilities. They must be trained and incented to think this way. The Navigator Methodology provides strategies and tactics to create an environment of CPI.

The Justification

BPM projects provide significant value to an organization and return on investment (ROI) can be calculated for any project. Measures can be based on hard dollar savings as well as soft dollar savings.

Analysts such as Gartner have done extensive studies on BPM success and have found the following:

- Organizations had more than 90 percent success rates on BPM projects.
- Successful projects had no less than 10% internal rate of return.
- 78% had more than 15%; wild numbers included 100% and 360%.
- 67% of the projects were completed in less than six months.
- 50% of the projects were completed in less than four months.
- 77% of the projects had returns greater than \$100,000 per project.



- 55% of the projects had returns in the \$100,000 to \$500,000 range.
- 80% of the respondents felt an increase in competitive advantage.
- BPM's value to the company was higher than ERP, CRM and SCM.

Source: "Justifying BPM Projects", Gartner

The value of BPM at your organization can be measured in cost savings, increased revenues, time savings, reduced rework, compliance, and improved quality. Each of these can be measured in terms of dollars and cents. Considering hourly rates of employees and determine hours of improved productivity can show an ROI.

Cost and time savings can be calculated based on a variety of factors including reduced workload (hourly rate X number of hours saved), reduced steps in a process, reduced data entry and reduced paperwork.

Increased revenues can be determined based on new sales, incremental or upsells, new customers, or faster sales processes.

Reduced paperwork can be measured by the fewer number of paper forms required in a process, reduced steps, and reduced data entry.

Compliance can be measured based on new controls and edits that are built into processes. The risk of not meeting compliance controls should be considered as part of any BPM project.

Improved quality can be measured based on the overall improvement in the process using the BPMS analytics. Quality can be shown through cost savings, reduced data entry, fewer errors, and improved employee satisfaction.

Cost Savings	✓
Time Savings	✓
Increased Revenues	✓
Reduced Paperwork	✓
Compliance Requirements	✓
Improved Quality	✓