

> THE FOUR FACTORS DRIVING BUSINESS PROCESS MANAGEMENT

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INTRODUCTION

In today's economic climate, companies demand higher productivity, better cost control, and improved risk management to cope with frequent market changes and increasing competitive pressure. To deliver continuous business improvement and operational excellence, companies need to focus on their processes and manage them well.

Business Process Management (BPM) is a holistic management approach, a continuous process improvement engine that promotes business effectiveness and efficiency while striving for innovation, flexibility, and integration with technology.

BPM can benefit organizations in a number of significant ways:

- > Centralize the control of human resources, systems, and processes
- > Create visibility into end-to-end business processes that are currently dispersed between multiple systems and locations
- > Enable the agility to rapidly adjust processes and react to regulatory and business changes
- > Provide efficiency through automation and by removing the white spaces between activities and processes, providing out-of-the-box functionality for continuous process improvement.

There are four major factors that drive companies to implement BPM. This document describes these drivers, what types of companies would benefit from them, and how BPM can help. There is also an on-line quiz the reader can take to determine what their key driver is for implementing BPM.

PRODUCTIVITY INCREASE

Productivity is defined as the ratio of outputs produced by an organization to resources consumed in the process. In most cases, it measures how efficiently knowledge workers perform their job as measured by the number of work units completed per period of time.

This driver can significantly impact your organization. It can maximize the use of company resources such as facilities, equipment and machinery, as well as staff, and create more opportunities for your company to expand and grow.

Your company would benefit from this driver if your productivity benchmark is below industry average (for example, based on profit margin or revenue per employee) or when you experience or expect increasing growth due to situations such as:

- > A shift in the industry
- > Improved products or services
- > A new pricing strategy
- > New product introduction
- > Or a favorable change in the competitive landscape

BPM platforms, such as Progress® Savvion BusinessManager™, help in gaining productivity and improving operational efficiency through automation, streamlining processes, load-balancing, eliminating waits and paperwork, improving business agility, knowledge retention and various supporting elements such as decision support and collaboration tools, along with effective coordination of activities between players.

In addition, the explicit and direct access to underlying business processes allows for analysis, optimization, and continuous process improvements. Computer-based simulations of models can simulate market changes and test results.

According to various studies, companies have been able to reduce process cycle times by 16 percent and increase worker productivity by 30 percent.

COST REDUCTION

Cost reduction measures the decrease of expenses (e.g., full-time equivalent headcount) associated with running the business process, as well as any related overhead, such as training requirements, travel expenses, or rework and support costs.

Your company would benefit from this driver if your cost structure is growing faster than revenues or if you are experiencing flat or decreasing revenue growth due to situations such as:

- > Maturing or commoditized products
- > Aggressive pricing by competitors
- > Idle or overcapacity/excess inventory

- > Increased regulatory requirements
- > Functional overlaps, for example, resulting from mergers and acquisitions

In many cases improving productivity will indirectly support cost reduction. In addition, BPM platforms help in achieving cost reductions through maximizing resource utilization, just-in-time procurement and staffing, eliminating waste and removing redundant and labor-intensive tasks, automated decisioning, self-servicing solutions and application maintenance fees.

Studies from leading research groups have revealed that companies were able to achieve an average of 18 percent year-on-year reduction in costs by focusing on their business processes.

QUALITY INCREASE

Quality increase examines conformance to business quality standards and service/product specification, as well as consistency of delivery. This can, for example, include the number of defects, required rework, employee turnover, customer satisfaction, etc.

Your company can benefit from this driver if your quality metrics are trending downward (based on customer surveys, anecdotal evidence, or other indices) or when you experience situations such as:

- > Product recalls
- > High rework costs or customer complaints
- > Risk of losing key customers due to poor service
- > Flat or dropping customer satisfaction
- > Missed service-level agreements (SLAs)

BPM-enabled solutions directly impact the level of quality through process standardization and consistent delivery, information integrity, lower application error, traceability, higher visibility into running processes, better decision-making ability, removal of error-prone manual processes and increased employee satisfaction.

This, in turn, can lead to lower rework costs, customer repeat business, referrals, consistent and higher level of SLA maintenance, and competitive advantage.

Studies show elimination of unclear, incorrect, or missing data and up to 50 percent reduction of errors.

RISK REDUCTION

Risk reduction impacts opportunity costs or savings related to regulatory compliance fines and delays, cost of turnovers and disruption of customer service, as well as SLA violation penalties and consequences. Examples include missed locking period during loan origination process, FDA 483 during clinical trial process, or TAT (turnaround time) and FCR (first call resolution) in support environments.

Your company would benefit from this driver if you are highly regulated, provide services subject to SLAs, or must meet other standards such as:

- > Restoration of service (meantime to repair)
- > New or tightened compliance rules
- > Escalation procedures

BPM-based solutions help in reducing risk through real-time visibility and control of processes, predictive warnings and automated escalations, transparency, monitoring for fraud and misconduct, enforcing standard operating procedures (SOPs), “rule-based” governance and automated compliance controls, providing audit trail and traceability.

BPM’s explicit access to business process reduces risk by identifying issues before they become problems and offering timely response and intervention to avoid threats and mitigate risks.

According to some surveys, some 68 percent of respondents indicate reduced risk and cost associated with compliance.

DETERMINING YOUR BPM DRIVERS

To determine which of these drivers most closely fits your organization, visit www.progress.com/savvion/keydriverquiz to complete an online quiz.

THE SAVVION METHODOLOGY FOR ASSESSING BPM BENEFITS

The BPM benefit assessment for a business solution can be implemented in five steps. The first step is to select the business process that can generate sufficient value and impact when effectively improved.

In the second step, a baseline of the existing business process is created to accurately assess the potential benefits of a BPM-enabled solution. This is done based on the four-dimensional measurements of *productivity*, *quality*, *cost*, and *risk* that were described above.

In the third step, the existing process is constructed indicating the type, resources, and duration of each activity.

In step four, activities are identified that can be removed, reduced, or automated. Any “white space” between activities and processes that doesn’t add value is eliminated.

In the final step, the productivity/quality/cost/risk factors of the BPM-enabled solution are estimated and the potential gains calculated.

Read the complete paper on this topic at:

www.progress.com/savvion

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Pejman is a Silicon Valley technology veteran and serial entrepreneur with more than 15 years of progressive experience in providing software expertise and best practices to technology investors, business enterprises, and forward-thinking startups.

Widely known as a leader in the field of Business Process Improvement and Knowledge Modeling, Pejman has been a key architect of multiple high-profile products, including the Savvion award-winning BPM platform.

Pejman is the VP of Solutions where he combines his decade of BPM experience with his expertise as a PMP and Lean Six Sigma Black Belt to incorporate continuous process improvement into the next generation of business solutions. Pejman holds a B.S./M.S. degree in Computer Science from Dortmund University in Germany and has authored multiple patents and standards.



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