

## The Case for Business Process Management

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Business process management (BPM) has dramatic business and technology effects. It provides organizations with the ability to save money, save time, and deliver value through real return on investment (ROI). This paper defines the BPM concept and highlights its importance to an enterprise's ability to stay competitive and remain agile in a constantly changing global marketplace.

#### **Demand for Improved Business Processes**

After several years of heavy investment in technology, many organizations question the capability of IT functions, and the technology vendors and consultants that support them, to deliver the benefits they promise. They are wary of investing more in IT, yet place greater demands on IT, and expect IT to respond faster.

The demand for new or improved business processes drives these requirements. Improving customer service, bringing new products to market, and reducing cost inefficiencies all push business processes and their effective management to the top of the priority list.

One aspect of the response to these pressures on IT has been a change in the way that organizations are looking to approach process automation. Increasingly, CIOs are looking for a different way of improving business processes, avoiding investment in large, expensive, and risky new application projects that have so often led to disappointment. Instead, they want to leverage the existing assets and investment and concentrate their efforts on the automation of processes across those assets. This new approach has been labeled business process management (BPM), and is being addressed with a collection of technologies that make up the BPM suite.

#### **What Is BPM?**

BPM, both the software and the management practice, provides the ability to model, manage, and optimize processes. BPM is about the continuous comprehension and management of business processes that interact with people and systems, both within and across organizations. It is based on the following assumptions:

- Business processes are ever-changing and developing.
- Processes are interrelated and interdependent.
- Processes must flow between multiple organizations and interested parties.
- Processes interact with systems and people. Those people can be employees, partners, customers, or suppliers.

Successful deployment of a BPM suite can benefit both lines of business and the IT department.

For the organization as a whole, BPM can ensure business process transparency and visibility, which can lead to higher productivity, reduced errors, and tighter compliance with legal requirements. This directly impacts an organization's ability to adapt to changes in the marketplace (e.g. introduce new products), reduce operational costs, and improve customer service.

Intercai Mondiale, an independent agency, conducted a survey on a random sampling of a leading BPM vendor's customer base and found that

- 100% reported increased productivity
- 95% improved quality of service
- 82% reduced operating costs
- 82% saw faster process cycle times

For the IT department, BPM can connect disparate systems, thereby squeezing more value out of current investments. BPM allows IT to future-proof infrastructure so that additions or changes to the system do not require reinvention or significant changes to the business processes. The service-oriented nature of such an infrastructure allows quick development and deployment of new applications and processes. This allows IT to be more responsive to the changing demands of the organization.

### How Is BPM Technology Different from Existing Technologies?

Viewed from a purely technical perspective, BPM is a convergence of a number of existing technologies and approaches. Its primary roots are in the process management capabilities of workflow tools but it also includes capabilities that derive from process modeling, application integration, process analytics, rules management, and collaboration portals. However, a BPM suite is not just a sum of these parts. It brings together all these technology elements into a single platform that manages the lifecycle of a process starting from definition, through deployment, execution, measurement, change, and re-deployment.

More significantly, it involves a fundamental change in the way that we think about the structure of IT systems, applications, and infrastructure. BPM promotes a process-centric view of IT where the management of end-to-end processes is separated from the underlying applications, their connections, and the data. It involves the creation of an independent process layer. This layer contains a complete view of all the activities necessary to execute a particular business process and it can manage the flow of these activities whether they involve different applications, people, or a combination of both. This independent process layer complements both existing and future investments in applications, content repositories, and integration tools.

### Why Is the Independent Process Layer Important?

This process-centric approach overcomes two key obstacles that have impeded the ability of IT to respond to business demands.

First, packaged applications represent a hard-wired set of cookie cutter process elements, whose implementation is generally slow and expensive and while sometimes configurable, are generally difficult to change post implementation. The alternative, developing your own application, though tailored to your initial requirements, is even more expensive, probably slower, and just as inflexible once created.

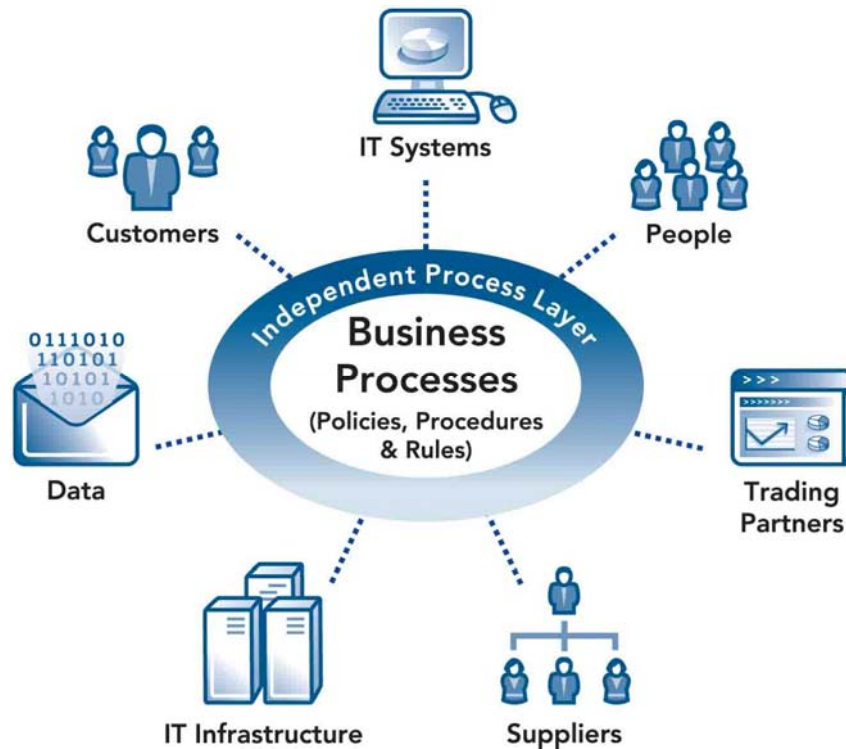
Second, a complete process for any business function, for example fulfilling a customer's order, is rarely captured within a single application. Typically many people and groups of applications that require integration connections between different systems are involved. These tend to further embed processes into the infrastructure, increasing the rigidity of the overall IT environment.

Separating the management of processes into an independent process layer provides a number of advantages. First, it allows an organization to quickly improve the degree to which processes are automated by linking existing systems together and filling the gaps between systems that have previously been difficult to automate and manage. Often this is because certain process elements cannot be easily handled by systems and require human intervention.

Second, it enables a more disciplined approach to process management. Processes can be clearly defined, actively controlled, and executed by the independent process layer, and they can be measured at every step. Best practice processes, and the knowledge that underpins them, can be deployed across the whole organization, not just where the more skilled individuals are involved. Finally, and perhaps most importantly, business experts can take ownership of their

processes and change them easily. So BPM is not just about automating existing processes better; it also provides an effective environment for continuously improving the processes.

The independent process layer therefore allows more value to be extracted from existing investments in applications, integration, and people. It also enables the IT organization to be far more responsive to business demands at a lower cost. The bottom line is that a well-deployed BPM suite enables faster, easier, and more cost-effective process improvement for a company. The problems that BPM solves are not fundamentally new, but BPM provides a new and exciting approach to solving them.



**Figure 1. An independent process layer contains a complete view of all the activities necessary to execute a particular business process.**

### Components of a BPM Suite – The Independent Process Layer Dissected

BPM's primary roots are in the process management capabilities of workflow tools, but BPM also includes capabilities derived from process modeling, application integration, process analytics, rules management, and collaboration portals.

A BPM suite should bring these elements together into a single platform that provides the basis for the independent process layer. To function effectively across the enterprise and all its key processes, the independent process layer must be able to:

- Handle a wide range of different processes
- Manage very complex processes
- Scale to thousands of different processes and millions of different process instances
- Enable the rapid creation and deployment of new processes
- Allow a non-technical business user to rapidly define and deploy a process change
- Allow true 24x7 operation

In addition to these characteristics, a BPM suite needs to have the following six functional elements to provide a comprehensive independent process layer.

- **Defining Your Processes: Modeling and Simulation** – It is important that business users and IT collaboratively engage in process definition. Look for a graphical modeling and simulation environment where business users can define, refine, and change processes and IT can deploy processes all from one location. This ensures that the processes implemented meet organizational goals.
- **Defining Your Business Rules: Business Rule Engine** – The rules governing business processes tend to change more frequently than the processes themselves. Look for a business rule engine that extracts business rules from the process, improving process flexibility. Flexibility is further increased if you can put complete control of business rules in the hands of business people, enabling them to make changes to rules or create new rules as their needs dictate, rather than as the availability of IT resources permits.
- **Integrating People, Processes, and Applications: an SOA Foundation** – A service-oriented architecture (SOA) ensures long-term BPM flexibility. By deploying BPM on an SOA foundation, organizations are able to transform monolithic CRM, ERP, and legacy applications into discrete reusable services, which then serve as building blocks that can be combined, organized, and orchestrated to support complex business processes. Changes to services can be made independently of processes and vice versa.
- **Running Your Processes: Execution Engine** – The heart of a BPM suite is the process engine that executes the business process as you have defined it. Look for an execution engine that tracks the state of the process at any given time and ensures that the correct sequence of process steps is followed as defined by the business. It should be able to handle high volume, mission critical processes, including support for in-flight process changes, ad hoc routing, and more.
- **Managing Your Processes: Real-time Monitoring and Process Optimization** – Real-time monitoring makes it possible to address problems as they arise, or even before, and that systems involved in executing processes are sound and functioning. The last component required for effective process management is analytics, enabling users to slice and dice past process performance data, providing a complete picture of the process and how to optimize it.
- **Connecting Users to Processes: Presentation and Collaboration** – People play a vital role in most business processes. A BPM suite should provide a rich environment for people to play their part in the process and efficiently complete necessary work items. Rich extensible Web 2.0 interfaces enable organizations to manage all touchpoints of the process from anywhere at anytime and enable unprecedented productivity.

## Customer Case Studies

### ALLIANZ IRELAND

Allianz Ireland – a company of the Allianz Group, Europe's leading global insurer and provider of financial services – is one of Ireland's largest indigenous multi-line general insurance companies.

**Requirement:** Allianz Ireland wanted to provide truly interactive, multi-step e-commerce processes while streamlining internal and external processes.

**Solution:** Allianz Ireland used BPM to integrate internal and external processes into a single, streamlined claims processing method, and integrate its BPM and electronic document management systems.

**Benefits:** The BPM solution provided greater control of the system as well as better access to database information. Automation of the process, integration with electronic document management system, and workload re-balancing increased productivity.

**Return:** There was an 80 percent increase in efficiency, with claims processing reduced from weeks to days and information reloads from 30 minutes to 30 seconds. Allianz Ireland achieved a return on its investment in just six months.

### KPN

KPN is a leading telecommunications company in the Netherlands with nearly 8 million fixed network customers and more than 14 million mobile customers.

**Requirement:** Increased demand for broadband orders led KPN to reevaluate its manual customer requests and broadband orders process. KPN required an automated process to handle an expected 600,000 new orders.

**Solution:** KPN deployed BPM software to automate all broadband/DSL customer requests and order processing. The solution integrated the new system with KPN's legacy applications.

**Benefits:** KPN has learned a lot more about its business and how it operates. It is much easier now to implement changes in business processes. Using the previous legacy system, it took KPN between four and six weeks to make any changes; now, any problems in the processes can be fixed in two weeks.

**Return:** The BPM solution reduced KPN's average time for order processing by 90 percent. KPN realized cost savings of between €150,000 and €200,000 a month due to the implementation. KPN estimates that the solution enabled a 95 percent reduction in errors, 80 percent order automation, and a 50 percent productivity improvement.

### Summary

Business processes are the lifeblood of any organization. The visibility, efficiency, and effectiveness of these processes enable organizations to exceed their goals and differentiate themselves in a fiercely competitive market. A process-centric approach to BPM delivers value directly to the owners of these business processes. Key to this is the concept of a process layer that is independent of applications and organizational structure. Through this layer, business users can define, manage, and measure their processes. This fundamental capability empowers business people to take direct ownership of their processes without having to defer to IT to implement each and every change.

The independent process layer is the point of coordination for islands of automation within a business process. Existing investments in applications and infrastructure can be made to work harder and the anticipated returns on those investments can be realized. What were point solutions can now be made available as services throughout the business, as organizations move to architectures that are more service-oriented.