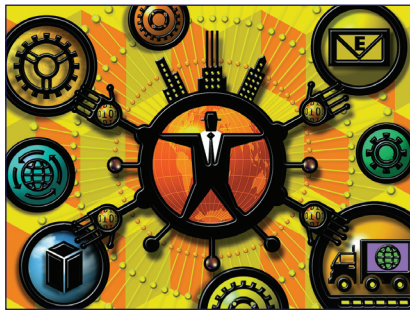


LEARNING FROM BPM LEADERS

Benefits, Prerequisites and the Impact of Successful BPM Initiatives

Business process management (BPM) software implementations are now moving into the mainstream, according to a new IDG Research Services global study. A significant majority of respondents report they are in some phase of one. More tellingly, a subset of early adopters has already used BPM to foster business innovation, implementing projects whose business value outstrips traditional success measurements such as increased productivity and service quality.

Through quantitative surveys and in-depth interviews, IDG Research has identified BPM leaders and innovators and their prerequisites for BPM success, benefits to be gained and the overall impact on the organization. These findings serve as best-practices guidelines for BPM initiatives that help CIOs avoid potential trouble spots and derive maximum value from the investment.



Drivers for Success: Why BPM?

There is a growing realization among business and IT executives that best practices delivered by standard software used to manage stable core processes cannot effectively accommodate unique and often-changing business requirements. Enterprises must have flexibility to quickly create innovative business processes that can differentiate the company for competitive advantage. And to achieve that flexibility, many companies have turned to BPM software.

In addition, BPM delivers broad cross-functional gains. For example, Colorado-based Pulte Mortgage is applying BPM software to its end-to-end loan origination process, from application to closing. By integrating the process across multiple functions—such as loan counseling, underwriting and closing—the company expects to deliver mortgages more effectively and reap economies of scale. “Since the mortgage origination process doesn’t have an assembly line, there’s no conveyor belt carrying a product through the factory,” says Jean Schab, functional architect at Pulte. “For us, BPM is the logical equivalent of that conveyor belt. It manages this sort of assembly line, this business process, for us.”

Pulte’s cross-functional BPM expectations mirror those of the other IDG survey respondents, who list broad-based processes as their top priorities for BPM initiatives:

- IT management
- Knowledge management
- Customer service management
- Product and service development and management

Key Findings:

BPM leaders rely on several techniques to achieve success:

- **Cross-functional collaboration.** They collaborate across teams when making software purchasing decisions and when determining where to apply BPM initiatives.
- **Metrics.** They develop comprehensive methods of measuring and monitoring the results of BPM initiatives.
- **SOA.** They put a service-oriented architecture (SOA) in place before beginning a BPM initiative.
- **Role and responsibility development.** They create new positions and functions designed to maximize the value of the BPM initiatives.

About CIO2CIO: This peer-based thought leadership program analyzes quantitative research with CIOs and tests it with qualitative interviews. To obtain a free download of the complete 31-page research brief cited in this paper, go to www.cio.com/whitepapers/researchbpm2. To learn more about this program, please contact mavery@cxo.com.

Who Are BPM Leaders?

IDG Research Services recently surveyed 400 IT executives: 100 in the U.S., 100 in Europe, and 200 in Asia-Pacific. Interestingly, when asked, "Which business benefits did you derive by using BPM software in your past and current BPM initiatives," most worldwide respondents ranked reduced operating costs and improved productivity as their top responses and 26 percent of the global sample also reported a higher innovation rate.

How did this subset of respondents, who were distributed evenly across all survey regions, manage to achieve business innovation with BPM? IDG compared these innovators' responses with the global sample to see how and where they differed from the average sample. For example, BPM leaders reported more cross-functional collaboration on BPM projects. The ways in which these BPM leaders approached their implementations and initiatives has led to a set of best practices, detailed in this white paper.

Being able to achieve these BPM objectives will ultimately result in significant organization-wide business benefits. Many respondents cite value such as increased productivity (46 percent), reduced operating costs (46 percent) and an improved quality of services or products (45 percent).

In addition, some of the respondents (26 percent) say their BPM initiatives have delivered a higher business innovation rate. For example, Sunbelt Rentals, a \$2 billion equipment rental business, is using BPM software to transform the sales process for its 800 representatives. As they move from a paper-based system to an Apple iPhone-based solution, the company has streamlined and integrated the sales and customer management process to give representatives better access to vital sales and customer data.

Prerequisites: BPM Best Practices

BPM deployments are complex, and the IDG respondents say they wrestle with the inherent changes. It's clear that BPM leaders employ three key

strategies to make the most of their investments:

Plan for change management.

Nearly half (43 percent) cite change management and the associated BPM user training costs as the most significant hidden implementation costs. It is by anticipating these costs and convincing the business that change management is a vital investment that BPM leaders achieve success. For example, Pulte has instituted a change management board that governs and approves changes to overall processes. "This is kind of an interesting evolution, because prior to implementing BPM, we didn't have our enterprise business process defined well enough," says Schab. "We didn't have a baseline understood well enough to even manage change."

BPM leaders are also more likely to make purchases of BPM software a cross-functional decision involving application developers, business process analysts, change management coordinators, technical/infrastructure architects, process architects and outside consultants. "We organize our projects around a business task and deliberately set up cross-functional teams in the business," says Schab. "We do a combination of focus sessions with people from a particular department and then put people from multiple departments into the same sessions with our business process specialists. Thus, they can work this stuff out."

Broadly measure the efficiency of BPM initiatives.

BPM leaders view BPM initiatives as organization-wide efforts that require a rigorous and comprehensive measurement strategy. Whereas global survey respondents cite commonly used metrics such as quality improvement, incident reduction and reductions in customer service resolution time, BPM leaders are more likely to use all types of metrics to monitor the overall efficiency of business processes. "We have refocused and actually added some folks in a strategy management office where a large part of their job is using the output of the BPM software to measure the health of the business, to identify problems and then to develop action plans to deal with those problems," says Schab. "All of that is really made possible because of the metrics we're able to get out of the BPM system."

BPM leaders are also more likely to look beyond standard metrics and measure factors such as an improved ability to audit decisions, the ability to shorten the sales cycle, and a reduction in time it takes to respond to sales requests.

Create a SOA-enabled packaged application landscape.

SOA is a vital piece of preparation for BPM initiatives; 93 percent of the global respondents rate SOA availability as at least somewhat important, and 61 percent rate it as extremely or very important for the reuse of process parts. “Basically, SOA’s ability to reuse process parts gives us an immunity to change as the business tends to grow and develop,” says an IT manager at a European financial services company. “Having the reusable process parts enables us to move forward without having to completely restructure and/or buy new technology at every step.”

Many BPM leaders find it more advantageous to have a higher proportion of service-enabled and SOA-ready standard applications in the system infrastructure. It enables them to incorporate existing enterprise services when creating new processes as part of their BPM initiatives, thus avoiding reinvention of process steps while driving down costs.

When it comes to software purchases, most of the survey respondents try to extend process flexibility with the help of BPM software. Features and functions at the top of their BPM software tool purchase lists include process analysis, process configuration, process documentation, process and rules engines and human workflow management.

Impact on the Organization

Results from the survey and from in-depth interviews overwhelmingly point to the broad impact that BPM initiatives have on the entire enterprise—changing roles and responsibilities and improving com-

munication and processes. BPM leaders are focusing initiatives on multiple areas and multiple processes, and creating broad cross-functional teams to support them. They report higher involvement in all phases among business process experts, application developers and change management coordinators.

BPM initiatives have improved business/IT communications; according to BPM leaders, having the business take ownership of business process analysis is significant. “We have spent a lot of time over the last few years building communication between IT and the business,” says John Stadick, vice president of IT at Sunbelt Rentals. “If they get that sense that you understand the business and that you’re not talking in acronyms, they build that confidence and will have that conversation with you. There’s a comfort level that you build.”

BPM leaders are also more likely to involve business process experts, subject matter experts and application developers in identifying and defining the business processes at their company. For example, the European financial services company IT manager quoted earlier has assembled teams to manage business process models and drive initia-

A CROSS-FUNCTIONAL APPROACH

BPM leaders are more likely to involve workers across the organization in identifying and defining business processes.

	Total Survey Sample	BPM Leaders
Business analysts	45%	51%
Business process experts	42%	50%
Operations managers	42%	45%
Business process analysts	41%	49%
Subject matter experts	37%	48%
Executive sponsors	33%	34%
Process architects	32%	40%
Process knowledge managers	30%	38%
Change management coordinators	27%	34%
Technical/infrastructure architects	26%	34%
Application developers	26%	38%
Outside consultants	25%	28%

tives. "We've got teams of 10 for specific business areas, headed up by a general manager for one particular region or area," he says. "Then the business process managers will report to these teams. They meet at least once a month to discuss the initiative, how it's progressing forward and if there are any problems and to brainstorm."

This cross-functional approach extends to the software itself, because innovative BPM organizations are more apt to involve functional workers—such as business process experts, business analysts, change management coordinators, technical/infrastructure architects and executive sponsors—in using BPM software (see chart on page 3).

Much of this cross-functional work has resulted in new roles and responsibilities. An IT manager at an Asia-Pacific bank says BPM led to the creation of a new position at his company: business product owner (BPO). This individual acts as a liaison between IT and the business. "We've got a BPO managing processes such as data warehousing, business intelligence and the extranet," he says.

Conclusion

The experiences of BPM leaders have created, for CIOs just beginning the implementation process, a road map to success: improved business and IT communication, an overall refresh of roles and responsibilities and greater process flexibility. Most importantly, those that do BPM right reap the ultimate reward of business innovation: competitive advantage.

BPM leaders demonstrate that there is a need for and value in cross-functional cooperation and collaboration between business and IT. Their implementations show the benefits of creating new skill sets and responsibilities designed to fully exploit the potential of BPM while, at the same time, recognizing the advantages of having a SOA in place. Finally, these innovators look at BPM as an opportunity for constant improvement and they carefully measure and monitor it.

To obtain a free download of the complete 31-page research brief cited in this paper, go to www.cio.com/whitepapers/researchbbpm2.

A Closer Look: BPM in the U.S.

Although global BPM leaders are more apt to view BPM as a cross-functional effort that depends on business involvement from start to finish, 67 percent of the U.S. respondents say that cross-functional cooperation is its most challenging aspect.

"A lot of turf wars tend to crop up in the BPM initiatives," says Richard Egger, vice president of Ling Technologies, a Virginia-based computer programming company. "To deal with this and get cross-functional cooperation, you have to deal with it up front. You have to have a major player's authorization and enthusiastic support."

For 66 percent of the U.S.-based organizations, IT/business communication is an obstacle to collaboration. Again, top-level executive support makes a difference. "We almost have a military mentality, and it really comes from the top down in this organization," says Anthony Perry, CIO of Illinois-based United Road Towing. "It's all

about the teamwork. We rise or we fall as a team."

Perhaps one of the underlying barriers is failing to recognize that the entire enterprise will change. Most of the U.S. respondents say that the IT organization is the most affected, compared with their peers in Europe and Asia, the majority of whom acknowledge that BPM affects all areas of the business.

In spite of these challenges, U.S. respondents who have initiated BPM implementations view them as a success. Of those who were already able to comment on the results, 87 percent were at least somewhat satisfied. As these implementations continue to add business value, the communications challenges should ease. "It really comes down to how you engage the field and the operational side of the business and how you are perceived," says John Stadick, vice president of IT for North Carolina-based Sunbelt Rentals. "You always have the focus on dealing with the business."