

From the White Board to the Bottom Line

The case for pursuing process maturity
through business process management.

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The heart of the matter

Business processes must evolve

Companies have historically defined their organizational and operational models based on functional areas of the business. These areas may include marketing and sales, manufacturing, billing, finance, or other common functions. In this model, companies manage and measure themselves by functional or departmental unit, an operational mode that inherently focuses on vertical silos.

Business processes are a series of repeated steps and actions (whether in defined sequence or in parallel) taken by a company to create tangible value for its customers. The value stream includes end-to-end horizontal business processes that cut across functional organizational boundaries with interaction from the customer and various value-chain partners.

The vertical silos within a business organization cause difficulties in providing visibility, consistency, flexibility, meaningful metrics, and effective management of horizontal end-to-end business processes. In addition, information technology often aligns to the vertically siloed departments for development of systems, thereby reinforcing the rigidity that comes from that model.

Companies continuously strive to streamline and drive efficiencies in their processes and to discover new ways to reduce and control costs. However, vertical silos lead to ad-hoc processes (fragmented rather than integrated, swivel-chair activities), manual processes (labor-intensive, paper-laden, duplicated, error-prone activities), and hidden processes (difficult for process participants to see, manage, or predict).

Today, companies must confront a number of challenging economic issues (energy costs, labor shortages, global competition) to sustain business with their customers and partners. Quick response to market demands requires ongoing evolution to business processes; which are often hindered by the time it takes to adapt and deploy changes to IT systems that support parts of these business processes. In the modern economy, service offerings evolve from specialized to commodity-type services faster than ever. The ability for companies to flourish or fail is based on their ability to adapt to these market-driven demands.

Governmental regulations such as Sarbanes-Oxley (SOX), HIPAA, Food and Drug Safety Act, the Patriot Act, and even internal compliance policies require evidence that processes and procedures are documented and followed. This requires the need for an audited trail of dates, times, and responsible individuals involved in the process. Organizations must meet these regulatory requirements and deadlines and provide appropriate controls for long-term risk.

A process-oriented approach, enabled by business process management (BPM) tools and techniques, is critical to addressing these challenges, at the same time allowing companies the flexibility they need to attain the required agility as market dynamics change.

An in-depth discussion

A process-oriented approach

A process-oriented approach entails addressing each end-to-end process holistically and allows better integration of functional activities and measurements. Examples of end-to-end processes include “Market-to-Sell,” “Quote-to-Cash,” and “Issue-to-Resolution.” The value of a process-oriented approach includes:

Alignment to business strategy

Business process is rooted in business strategy by establishing associated metrics with direct links to operational effectiveness and daily, monthly, and annual results. In addition, the direct execution of business processes is defined by the business and by the real-time collection of process metrics.

Because business processes capture the essence of the business strategy with respect to process priorities and key measures, a process-oriented approach helps focus the operational alignment and execution to the overall business strategy.

Customer focus

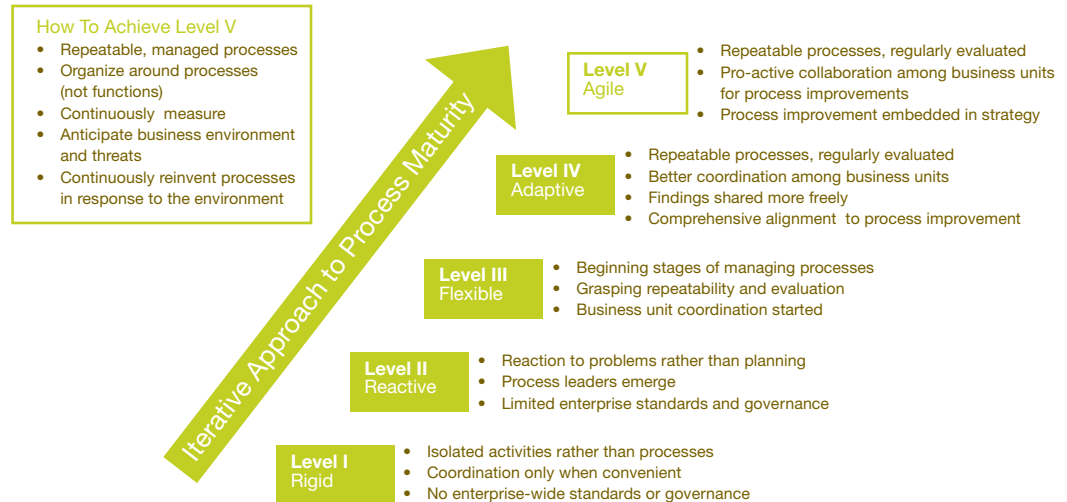
How the customer interacts with a company is determined by the company’s execution of processes and systems. Either directly or indirectly, every process within an organization has an impact on customer satisfaction. Business strategies must consider customer impacts and demands. From a quality perspective, business processes need to ensure that errors are reduced or eliminated in products or services offerings. From an operational perspective, the organization must align to key customer metrics, such as cycle time.

In the end, customers are the key drivers and primary beneficiaries of effective business process management. Extra value inevitably results when business processes align to the customer’s needs and provides a unifying view of customer information.

Process agility

Process agility results from ensuring that business processes become more explicitly defined, measured, governed, and ultimately more agile. Once an organization decides to adopt a process-oriented approach, the immediate question is where to start. Before undertaking the path to process agility, it is critical to develop a clear understanding of how an organization is currently operating.

Process Agility is achieved by ensuring that business processes become more explicitly defined, measured, governed, and ultimately more effective ...



An agility assessment can help an organization understand how agile a company’s processes are against a maturity model. This assessment can help establish the starting point and desired level of process maturity within

a specified time frame. From there, the actions necessary to move toward a fully mature, process-driven business model can be determined and laid out in strategy and roadmap phase.

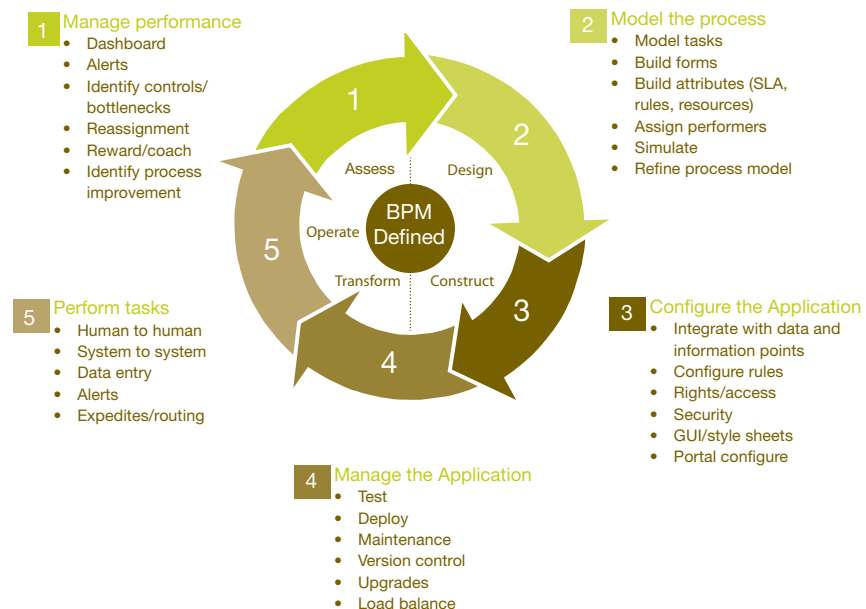
Path to process agility

BPM: Key enabler for process agility

Critical to the success of the process-driven enterprise model is business process management (BPM), the approach and discipline that allows an enterprise to control and continuously improve processes across functional boundaries. Business Process Management Systems (BPMS) is the software

that automates the business processes allowing businesses to perform, monitor, measure, and redeploy processes as needed. The following diagram depicts the lifecycle of BPM and how a BPMS can enable the steps involved.

Business Process Management involves an iterative lifecycle of defining, simulating, implementing, monitoring, and optimizing business processes...



BPMS solutions, properly designed and deployed, can reduce process time and related costs dramatically while supporting compliance

with a myriad of regulations being imposed on companies today. The following are some the characteristics of BPMS Solutions.

Process modeling and simulation

BPMS solutions enable business process owners and business analysts to document and manage their processes using a graphical tool that uses business terms and not code-specific syntax. Industry standards such as BPMN (Business Process Modeling Notation) are used to provide a consistent symbol set for modeling processes. Process improvements, whether automating manual tasks, increasing resources to perform tasks, or streamlining sequential tasks into parallel tasks, can be simulated and adjusted. Business analysts can run “what-if” scenarios to identify process bottlenecks, determine cycle time impacts, and determine cost-benefit implications. Through process simulation, business analysts can continuously tweak the process with improvements before they are implemented. The ROI can be determined before the process improvement is implemented, thereby supporting the business case to move forward with the process improvement.

Process control

BPMS solutions allow companies to “abstract” the business process logic from the software application logic. By doing this, the user gains much greater control over the business processes. This also allows business users to quickly redesign processes or plan future processes, as business needs change. Furthermore, BPMS provides the ability to execute the business processes that have been modeled by the analysts. Many process engines support industry standards such as BPEL (Business Process Execution Language) so that processes can be executed regardless of which process modeling tool is used. The processes become self-documenting eliminating discrepancies between what is documented versus what is being executed in real-life operations. The result is consistent process documentation, better process control, and greater agility.

Business and IT collaboration

BPM also facilitates a closer collaboration between the business and IT. As the BPMS decouple business logic from software application logic, tighter collaboration between the business and IT is required. Iterative and agile methodologies are applied as business users provide frequent if not real-time feedback to changes. This enables quicker cycle times between development, build, test, and deployment.

Monitoring business performance

BPMS allow companies to measure business performance down to the task level while ensuring alignment with business goals and strategies at the management level. Companies can establish key performance indicators (KPIs) for their business processes, design these KPIs into the BPMS as part of the process design, and then report on those KPIs through easy-to-understand management dashboards. This gives executives and managers instant insight into the health of business processes (e.g., errors, status, and cycle time) at the level of detail each user requires.

Continuous process improvement

BPM supports a culture of continuous process improvement. As process changes are deployed and executed, immediate feedback can be obtained by monitoring the business processes in production. Bottleneck and areas for improvement are identified through the visibility of business performance metrics. BPM “closes the loop” of this lifecycle as further optimizations are identified, modeled/simulated, and then re-deployed.

BPM Center of Excellence— process governance

The path to process agility often requires a change in culture and behaviors to elicit the BPM discipline. This change is evolutionary and requires a structured framework of governance around the BPM tools and procedures. A BPM Center of Excellence (CoE) is a critical component to establishing this governance framework. The goal for a BPM CoE is to foster a highly skilled and knowledgeable team that can:

- Establish, facilitate, and govern enterprise business processes
- Develop, administer, and manage a business process architecture linked to corporate strategy
- Provide tools, methods, and standards that support and enable the design of business processes

The BPM CoE acts as an internal consulting organization, with matrixed roles and representatives from the business and IT organizations. This organizational model facilitates and governs process initiatives to promote a common business process engineering methodology, to ensure consistency in the use of tools and documentation, and to foster process discipline within the company.

Synergies with other methodologies and disciplines

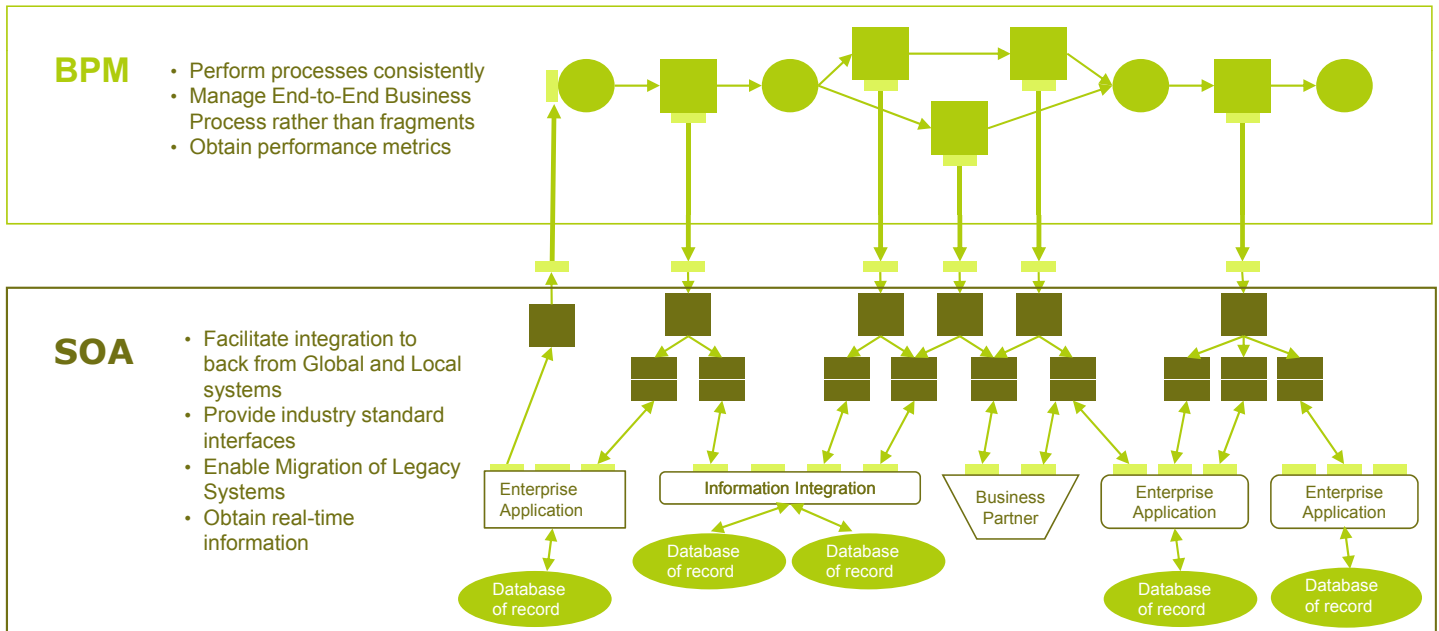
Companies may also have adopted other methodologies and disciplines to address the challenges of cost containment, time-to-market, quality improvement, and strategic alignment. BPM has proven to have inherent synergies and can complement some of these methodologies to achieve the same goals.

Service-oriented architecture

While companies may initially have invested in separate BPM and service-oriented architecture (SOA) initiatives, these concepts go hand-in-hand and ultimately the convergence between them will help companies achieve greater agility. BPM enables companies to consistently perform processes, manage end-to-end business processes, and obtain performance metrics. Meanwhile, SOA facilitates the decoupling of reusable business logic embedded in IT system assets into “business services.” SOA enables access

to these “business services” through industry standard interfaces. This abstraction of business logic into business services allows a process to access real-time information from IT assets (ERP, databases, legacy systems, etc.). BPM orchestrates the end-to-end business processes and the invocation of composite “business services” which in turn may call other course-grained services to automate steps in the process. The synergy between BPM and SOA not only allows business users better control of the

The integration of BPM and SOA enables enterprise agility...



business process as it decoupled from the IT architecture, but also better alignment between Business and IT, as IT assets are organized with business services. Furthermore, as companies evolve their portfolio of business services, BPM can accelerate business processes changes by weaving together these reusable business services to meet the changing customer, market, and competitive demands.

As discussed earlier, the path to agility and process maturity requires governance,

enabled through Centers of Excellence. As companies develop Centers of Excellence in BPM and SOA, there are compelling synergies between the two. Both strive to develop highly skilled and knowledgeable teams that will provide the governance structure to follow the methodology and standards. As companies realize these synergies and align activities and skill sets, there will become a tighter collaboration between business and IT organizations to achieve the overall goals to enterprise agility.

Quality improvement

Six Sigma, lean manufacturing, and other initiatives promote a customer focus through quality improvement in products and services. Companies have embarked on Six Sigma initiatives as to describe quantitatively how a process is performing. Six Sigma uses a data-driven approach and methodology to reduce the variability of quality in its products and services so that errors are reduced, efficiency is improved, and customer satisfaction is dramatically increased. Since Six Sigma is metrics driven, it requires data to be collected and analyzed throughout the process to derive a standard deviation between the mean and the variance of quality in a product.

As BPM also focuses on measuring and improving business processes, companies are realizing the powerful synergies of BPM and Six Sigma. Throughout a business process, BPM enables the collection and visibility of key data used across organizations and systems. Once visible through BPM, this critical data can be used through Six Sigma techniques to analyze and pinpoint underlying causes to quality in a process. Furthermore, as Six Sigma often uses manual methods and controls, BPM, through standardized process monitoring and tools, can help automate these manual procedures and controls. The synergy between BPM and Six Sigma can help companies better monitor and manage process quality, and improve and mature business processes.

IT processes

Just as companies strive to better manage and improve business processes to better serve their customers, so IT organizations must better manage their processes to better service their customers—the business units that they support. ITIL (IT Infrastructure Library) is a best practice methodology for IT processes. These IT processes include service management, availability management, and incident/problem management, to name a few. Where companies

may have standalone systems to support these IT processes, BPM can provide additional value by connecting the dots and filling gaps in multiple processes to drive efficiency, quality, and visibility. The added benefit of leveraging BPM within IT processes instills the same mindset within the IT organization as a business user of establishing metrics, monitoring them, and optimizing IT processes, all to become a better service provider.

What this means for your business

How to reach process maturity

As companies evolve from a functional view toward an end-to-end, process-oriented view, it is important to realize the inherent synergies with BPM to prepare a path of convergence and maximize the benefits of true agility and process maturity. Getting to a state of mature processes takes time and discipline. Some of the key factors important to achieving successful process maturity and agility include:

- **Leadership commitment:** A process-oriented view, the tools, and discipline all require support from all levels of executive management to drive change and align the company's overall business strategy and goals.
- **Governance framework:** Leverage a Center of Excellence as the foundation for process governance. The CoE will build skills, knowledge, and the BPM discipline with the organization. Ensure that the governance framework establishes clear roles and responsibilities throughout the BPM lifecycle.
- **Project management:** A strong project management office that has a rigorous change management process, communication plan, and structured reviews is critical to maintain the balance between the business and IT and to align process and IT initiatives.
- **Metrics-driven approach:** Use business, quality, and process metrics to drive process improvement. Processes should be designed with the expectation that they will be measured.
- **ROI justification:** Model and simulate business processes to understand cost benefit impacts of process improvements before they are implemented. Use metrics to evaluate and approve projects based on ROI. Monitor the success of continuous improvement initiatives against the metrics established over time.
- **The right information:** Design processes to ensure the right information is delivered to the right people at the right time. Information must support metrics calculations and management reporting.
- **Evolutionary and iterative approach:** Don't try to automate everything from the start. Focus on obtaining visibility of current processes, even if they manage manual tasks. Visibility as an initial step will provide a baseline for measurement and improvement. Once bottlenecks are identified, additional optimizations and automation can be made to replace manual tasks and improvements can be measured against the baseline. Develop and execute BPM implementation roadmaps with projects grouped into 90- to 120-day increments. This will allow the organization to build incrementally toward the vision, providing interim benefits, and showing successes along the way.
- **Business and IT collaboration:** Commitment to execution is required from all team members (business and IT) throughout the end-to-end process. Business and IT collaboration is required early and throughout the project lifecycle.
- **Cultural change:** Understand that implementing BPM affects behaviors of process participants; Organizational change management is often required. Constant communication will often be required to reinforce methodologies and progress toward goals.

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To have a deeper conversation on the industry or on any of the topics mentioned, please contact:

Hemant Ramachandra
Managing Director
hemant.g.ramachandra@us.pwc.com

Rey Villanueva
Director
rey.villanueva@us.pwc.com