Why Business Process Management?

Business Process Management (BPM) – What is it?

To understand why Business Process Management (BPM) is important to any business, you first have to understand what it is. This is not as easy as one might expect, since BPM means different things to different people. Every participant in a business has a different perspective and definition of BPM that is influenced by his or her role.

For some, BPM is all about technology. It is an evolution of application development and a means to achieve the automation of processes. For others, BPM is about optimization: a world of methodologies such as Six Sigma, Lean, CI, or TQM. For many, BPM is a way to communicate how they want work to get done as well as a way to facilitate change. And for yet others, BPM is a method to gain visibility to how things are actually working. And the list goes on…

While none of these definitions are truly wrong, they are driven by the narrow perspective of a particular role or function. Each component is only a contributing subpart of BPM as a whole. If these components are undertaken in isolation, the companies applying them risk creating barriers in understanding how to achieve true BPM and will not achieve the full range of potential benefits.

A frequent example of this is the automation of processes, which could be a part of BPM, but is not BPM in itself. A simple proof of this is the fact that there are an infinite number of processes that could be managed, optimized and monitored without ever being automated. There is also the fact that it is perfectly possible to automate an inefficient process. It would be a stretch to claim the automation of a poor and inefficient process to be BPM. Yet the business that has successfully automated a poor process is often convinced they are successfully applying BPM.

Therefore, the definition of BPM should include the aspects enumerated above, but must also incorporate a more comprehensive and business results-oriented objective. BPM should be viewed as a discipline, a comprehensive methodology which is driven by business results:

> **Business Process Management (BPM) - a holistic systematic approach to achieving optimized business outcomes.**

One straightforward way of looking at BPM is to think of 10 W's associated with a business: What, Why, Where, When, Who, Way, With, Watch, Worry, and Wealth.

By understanding WHAT is done, WHY, WHERE and WHEN it is done, WHO does it, the WAY it is done, and WITH what resources, all while keeping a WATCH on performance, identifying what to WORRY about and how to mitigate those worries, a range of methods and tools can be applied to achieve the best results with the least cost and achieving the most WEALTH.

The continuous application over time of these methods and tools on the W's of a business in a classic pursuit of excellence cycle is the essence of BPM.

Business Process Management – What does it deliver?

BPM enables organizations to align business functions with customer needs, and helps executives determine how to deploy, monitor and measure company resources. When properly executed, BPM has the ability to enhance efficiency and productivity, reduce costs, and minimize errors and risk – thereby optimizing results. Implementing best practices in BPM contributes to sound financial management and provides visibility into how well an organization is succeeding in meeting its goals.

Businesses employing a holistic approach to BPM derive tangible benefits:

- Revenue Growth
- Cost Reductions
- Compliance
- Risk Management
- Productivity Improvements
- Customer Satisfaction Improvements
- Competitive Advantage
- Transformation and Innovation Agility

BPM has been demonstrated by companies like GE to deliver double-digit improvements in measures such as margin, capacity, resource utilization, and capital utilization.

Forrester's research with their clients employing BPM shows that BPM projects deliver 30-50% productivity gains for processes involving primarily back office staff, and they typically deliver 15-30% productivity gains for processes involving knowledge workers.

A Gartner report states that based on a survey of BPM experiences of their clients, 80% of enterprise companies conducting BPM projects will experience an internal rate of return better than 15%.

The NIST Manufacturing Extension Partnership has identified significant BPM benefits by its clients. Typical improvements included:

- Lead Time (Cycle Time) reduced by 90%
- Productivity increased by 50%
- Work-In-Process Inventory reduced by 80%
- Quality improved by 80%
- Space Utilization reduced by 75%
- Sales volume increase of 20%
- Revenue increase of 40%

BPM is also a way to get more benefit from existing investments, IT investments in particular. Businesses should be looking at ways to increase their ability to create new value from money spent on systems and technology. Today most IT budgets are spent on "keeping the lights on"; in fact, 70% or more of existing IT budgets are spent on sustaining and running existing capability while 30% or less of these budgets are spent on providing new business capabilities.

All of these real world examples above are representative of what has been and can be achieved with BPM.

Business Process Management – Why?

The landscape has become intensely competitive for almost all businesses. For some businesses this is driven by globalization; for others, weakness in their local market economies is the driver of increased competition. As barriers-to-entry to competitors become lower, businesses have to fight harder than ever to keep and grow their market share in an uncertain economy. To compete successfully in the environment of today, businesses must find ways to reap the kind of benefits BPM delivers. Otherwise, at best they are missing out on profits and at worst they risk being overrun by their competitors.

Innovation and Transformation Agility have become critical in the hyper-intense environment of today and BPM offers a path to achieving that agility. A BPM approach will help a business innovate and transform its way to achieving more business value.

Business Process Management has in fact become a mission critical business capability.

Want to learn more?

If the concepts outlined in this article are of interest to you, please visit www.igrafx.com or call 1.503.404.6050 to find out more.