Why a BPM initiative in 2016 ?

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Executive summary

Document objective
The objective of this document is threefold :

1. Show why, in a context of many and important changes and when the search for competitiveness and focus on customers become critical, a BPM (Business Process Management) approach can prove to be an effective weapon.
2. Analyze the benefits of such an approach
3. Articulate success criteria to optimize impact of a BPM initiative

A volatile environment
It does not take great insight to say that our world is changing faster and faster and that this has a serious impact on most companies business environment

Among the main change drivers :
- Globalization
- Digital transformation
- More demanding customers
- More constraining regulations

Plenty of new opportunities...
This new environment opens the doors for many opportunities. Companies can consider ways to develop that nobody would have thought of only 10 years ago. For example, access to a worldwide market for customers and also for suppliers, reach customers through social media etc….

...but an increasing complexity
Unfortunately, with all these new opportunities, challenges also came up : we can summarize by saying that the business environment has become a lot more complex.
In many cases, this complexity is hindering growth : an important level of resources must be dedicated to addressing this complex environment instead of focusing on innovation and business development.

Optimize business processes to address complexity
Many studies show that BPM – Business Process Management, when implemented rightly, can bring an effective solution to the complexity issue.
A BPM approach delivers actual and measurable benefits in areas such as business agility, costs reduction, customer satisfaction and engagement, quality and compliance.

BPM approach success criteria
3 success criteria have been identified :

- Take a strategic approach to processes
- Establish a clear measurement framework
- Consider the human aspect through an effective change management plan

Lastly, it is imperative to take into account the "process maturity" of the company. In the area of process optimization, you can't run before you walk….Actions to be implemented are very different whether you have never paid any particular attention to your processes, you have started some limited process improvement efforts or you have already launched a significant business process optimization project.

Our "VUCAI" world

In a training I recently attended in the US, people spoke about a "VUCAI" world. VUCAI for Volatile, Uncertain, Complex, Ambiguous, Interconnected…

In the article below, Mc Kinsey reckon that the economic changes we currently face are 3,000 times bigger than what people experienced during the industrial revolution !
http://www.ibtimes.co.uk/mckinsey-world-facing-economic-changes-3000-times-bigger-industrial-revolution-1505055

Cards have been reshuffled and the world center of gravity has moved eastward.
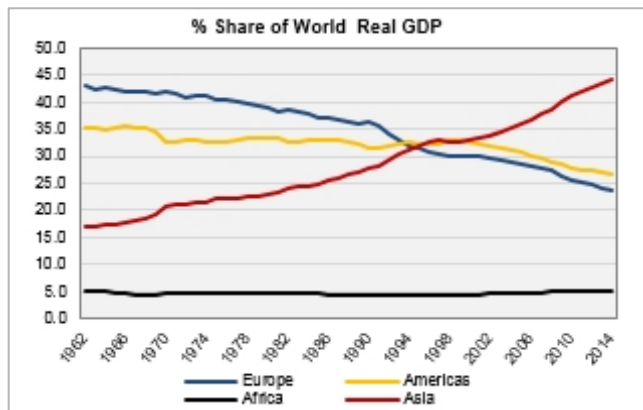
Source : World economics

However, our western world should not be written off   :

> A lot of creative and exciting things will still happen in the West, but it must reposition itself to cater for the rise of emerging markets. It's a question of how do Westerns firms and governments pivot to deal with the new world
>
> Richard Dobbs, Mc Kinsey Institute

Clearly, technology is among the key change drivers :
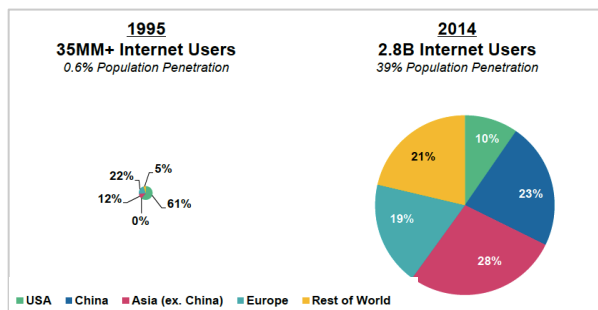
Source : KPCB Internet trends 2015

We could go on with the list of changes and mention demographic pressure, population ageing, urbanization, climate change…but our topic is not to review these changes in detail but to analyze their impact on companies business environment and operations.

Plenty of new opportunities…

There is little doubt that the changes mentioned above have provided many opportunities for enterprises, such as :

- Have access to a global market for customers and suppliers. For example, below is the geographic distribution of Shared Services organizations :
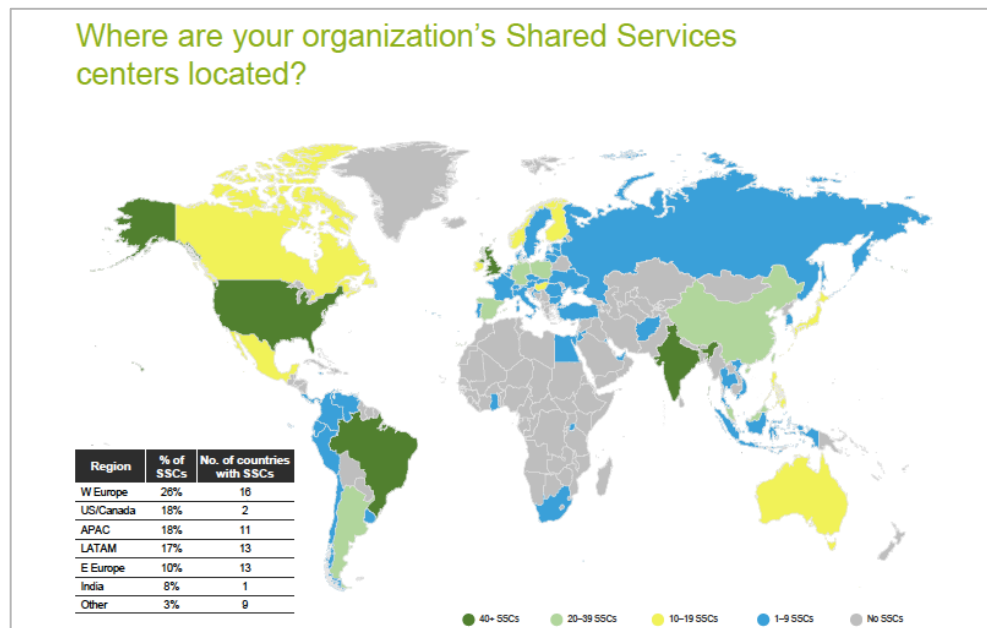
Source : Deloitte 2015 Global Shared Services survey results

- Improve customer engagement through social media and viral marketing

    Below graph shows that customers expectations are not yet met when it comes to getting support through social media.
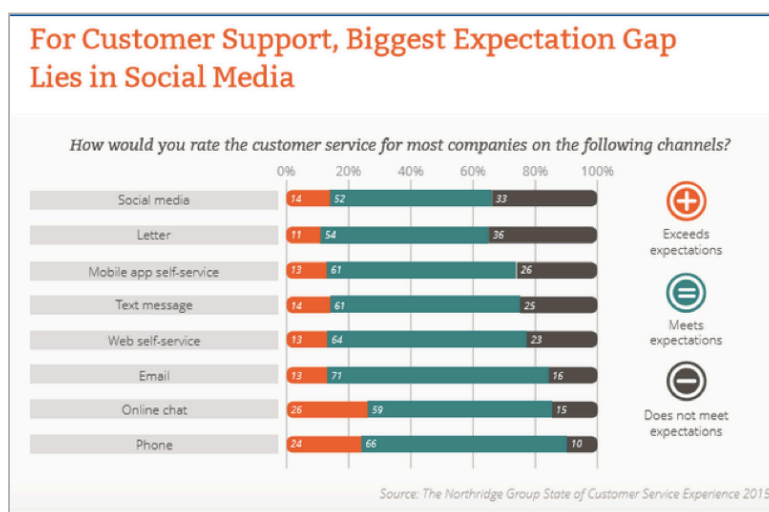
Source : The Northridge group - State of customer service experience 2015

- Discern patterns and make better decisions through BigData analysis : for example to refine customer segmentation or develop new products ranges
See below "Why BigData is the new competitive advantage ?"

http://iveybusinessjournal.com/publication/why-big-data-is-the-new-competitive-advantage/
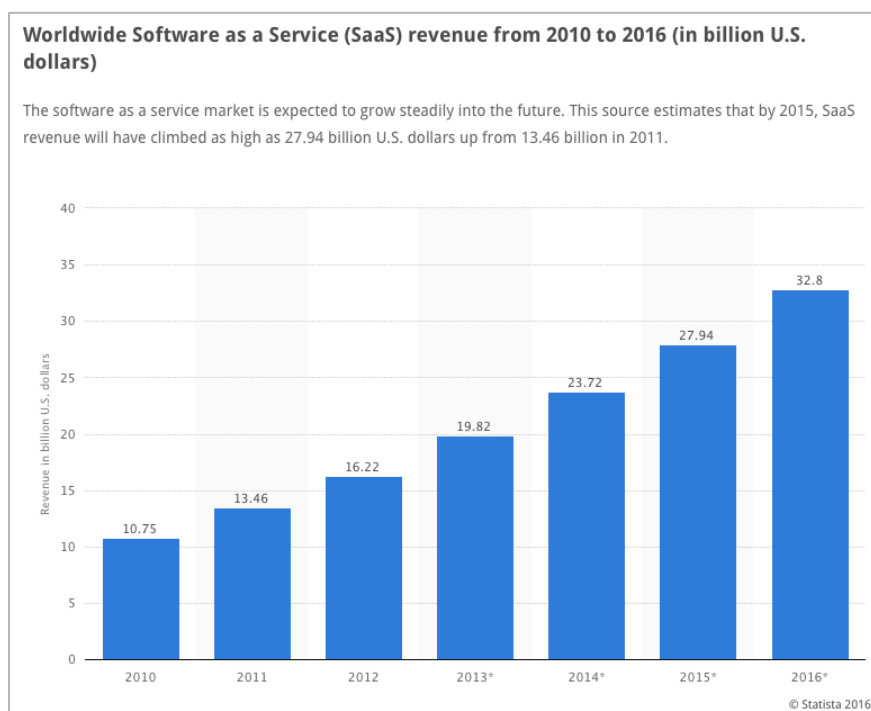
- Manage costs more effectively through the use of new business models such as "XaaS" or Cloud based applications.

Below is "Software as a Service" Revenue growth from 2010 to 2016

Worldwide Software as a Service (SaaS) revenue from 2010 to 2016 (in billion U.S. dollars)

The software as a service market is expected to grow steadily into the future. This source estimates that by 2015, SaaS revenue will have climbed as high as 27.94 billion U.S. dollars up from 13.46 billion in 2011.

Year	Revenue in billion U.S. dollars
2010	10.75
2011	13.46
2012	16.22
2013*	19.82
2014*	23.72
2015*	27.94
2016*	32.8

© Statista 2016

Source : Statista - Worldwide Software as a Service (SaaS) revenue from 2010 to 2016

…we could continue listing opportunities by mentioning eCommerce, technology usage to improve teams collaboration, IoT (Internet of Things) ……

… but an increasing complexity

Changes described in the previous paragraph offer plenty of business opportunities, many of them still in infancy.

Unfortunately, these changes also lead to an increasing complexity of companies environment :

- Systems and markets are interconnected
- Clients become more demanding
- Transactions are done across borders
- Increasing regulation put an extra burden on operations
- Technology allows for the creation of big data volumes that must be managed and secured
- Communication challenges result from languages and culture diversity
- Mergers and acquisitions spread operational resources thin
- The rapid pace of changes forces companies to adjust constantly

Organizations must learn to navigate in this dynamic environment and to react to these new realities and new opportunities.

External complexity is mirrored by internal complexity that is reflected in organization models, business processes and information systems. Company operations have also become a lot more complex.

In their study, "The DNA of the COO", EY asked more than 500 COO how their job has evolved in the pas 5 years : the fact that they need to handle more tasks and a higher level of complexity comes as number 1.
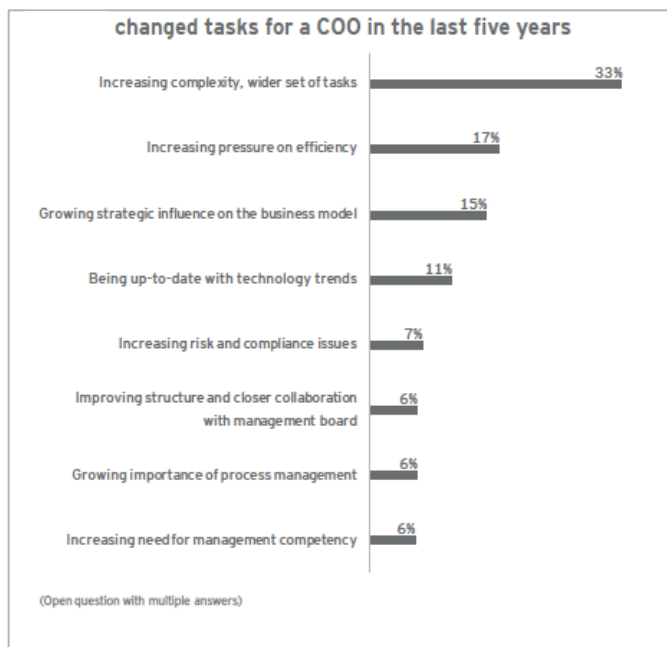
Source : E&Y – The DNA of the COO

The growing complexity is hurting companies in different areas, among which :

- Hindrance to growth
- Costs increase
- Hard to adjust to market demands and more difficult to innovate
- Increased level of risk

In 2015, Harvard Business Review in cooperation with SAP published a study to analyze the impact of the growing complexity :
-    of decision making process
-    of business processes
-    of information systems

https://hbr.org/resources/pdfs/comm/sap/19277_HBR_SAP_Report_5.pdf

Hindrance to growth
In the study, more than 700 managers from large companies in US, Europe and Asia were surveyed. Conclusion is that complexity most negative consequence is to hinder ability to grow.

More than 86% of the managers surveyed answered that the complexity of their decision making process and their business processes is hindering their company ability to grow.

"The business processes and decision making at our organization are so complex that they are hindering our ability to grow our business in a digital economy."

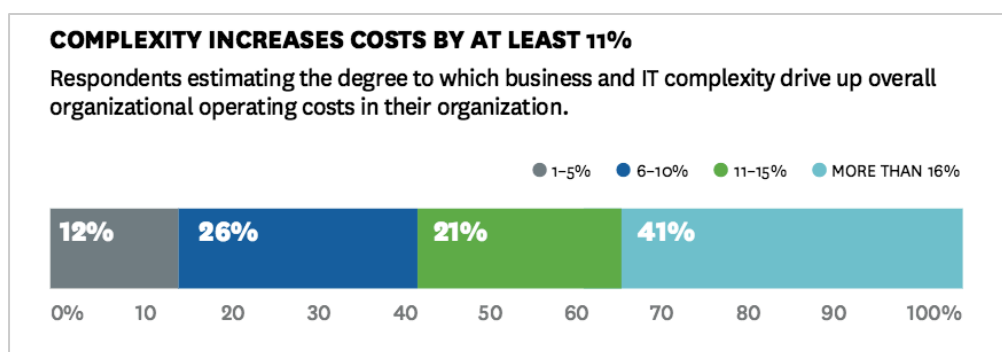**14%** DISAGREE

43% SOMEWHAT AGREE

43% AGREE

Source : Harvard Business Review – The business case for managing complexity, sponsored by SAP (2015)

More than 4 out of 10 people think that complexity should grow further in the next 2 years.

Additional costs
A higher level of complexity leads to higher costs.
In the HBR study mentioned above, 6 out of 10 people report that their operational costs have increased by at least 11%.

COMPLEXITY INCREASES COSTS BY AT LEAST 11%
Respondents estimating the degree to which business and IT complexity drive up overall organizational operating costs in their organization.

● 1–5%   ● 6–10%   ● 11–15%   ● MORE THAN 16%

| 12% | 26% | 21% | 41% |

0%   10   20   30   40   50   60   70   80   90   100%

Source : Harvard Business Review – The business case for managing complexity, sponsored by SAP (2015)

Harder to adjust to market demands and to innovate

From HBR research :

- Close to half of the leaders surveyed think that their information systems are unable to respond quickly enough to business process or business model change requests
- 43% consider that complexity restrains their ability to promptly react to competitive threats.
- Only 11% see their company as an innovative leader

Increased risks

The multiplication of rules and regulations and their frequent changes at the local, national or international level is a key aspect of business environment complexity. This is made worse by the fact that doing business in several countries also increases the number of laws companies need to comply with.

For companies, this raises the risk of non compliance and forces them to dedicate to managing this risk a level of resources higher than in the past.

Optimize business processes to address complexity

Complexity is becoming such a big issue that many organizations have initiated a specific project to address the situation.

In their survey, Harvard Business Review asked managers :

- which capabilities were the most critical to addressing complexity
- if they thought their current organizations were successful in enabling these capabilities

WHERE MANAGING COMPLEXITY SUCCEEDS—AND FAILS

Percentage rating how important it is to provide each of the following capabilities to your organization. Also percentage rating how well they feel their organization is currently doing in providing each of the following capabilities. Rated on a scale of 1-10, where 1 = not at all important or failed and 10 = extremely important or very successful.

	VERY IMPORTANT	VERY SUCCESSFUL	FAILURE
Flexibility and agility to change business processes as needed	69%	11%	35%
Simpler deployment, integration, and use of IT systems	69%	12%	32%
Ability to connect to people, devices, and business networks in real time	64%	16%	26%
Ability to manage and utilize big data	64%	11%	35%
Personalized, role-based user experience for employees to access all information they need to get the job done	62%	13%	34%
Ability to use predictive analysis and simulations	56%	13%	38%
Ability to innovate with the Internet of Things	40%	9%	41%
Ability to get any insight on any device in real time	44%	10%	36%

Source : Harvard Business Review – The business case for managing complexity, sponsored by SAP (2015)

"Flexibility and agility to change business processes as needed" and "Simpler deployment, integration and use of IT systems" are the 2 capabilities mentioned the most as able to address complexity.

To confirm this point, I'd like to quote Martin Mocker, who, I think, is very clearly summarizing the alternative faced by organizations.

> Organizations must :
>
> - either be willing to face pain in the form of higher costs or reduced agility
> - or have a passion for simplification to proactively improve their processes
>
> Prof Dr Mocker
> MIT Sloan School of Management

In the table above, the relatively low percentages in column "Very successful" seem to indicate that only a few companies have taken effective actions to provide the required capabilities and that a significant opportunity exists in this area.

Other data sources confirm that an opportunity exists with Business Process optimization. One of them is a study conducted by Cap Gemini in France.
https://www.fr.capgemini.com/resource-file-access/resource/pdf/Global_Business_Process_Management_Report.pdf

The study shows that :
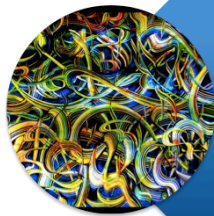
19% of French companies with 10,000 or more employees report their business processes as "chaotic"

Only 7% of these companies state that their processes are "optimized"

Source Global Business process Management report – Cap Gemini

Similar evidence has been found in another study conducted in 2014 "BPTrends – The state of Business process management" :

http://www.bptrends.com/bpt/wp-content/uploads/BPTrends-State-of-BPM-Survey-Report.pdf

- 52% of processes are never or only occasionally documented
- 56% of processes are never or only occasionally standardized
- In 69% of cases, there is no consistent measurement of major processes

What can be expected from a BPM (Business Process Management) initiative ?

What is BPM ?
BPM, Business Process Management, objective is to make an organization workflow more effective. In this paper, I take BPM in the broad sense of the concept including all types of actions that can potentially improve processes : it can be standardization, automation, outsourcing or implementing an enterprise governance. In other words, I am not limiting BPM to the mechanical aspect of process modelisation

A measurable ROI (Return on Investment)
In the great majority of cases, a BPM initiative delivers measurable and concrete benefits. Coming back to cap Gemini study :

- o   85% of companies were able to calculate a positive ROI for their BPM investment
- o   9% do not know…
- o   2% did not measure a ROI
- o   2% measured a negative ROI
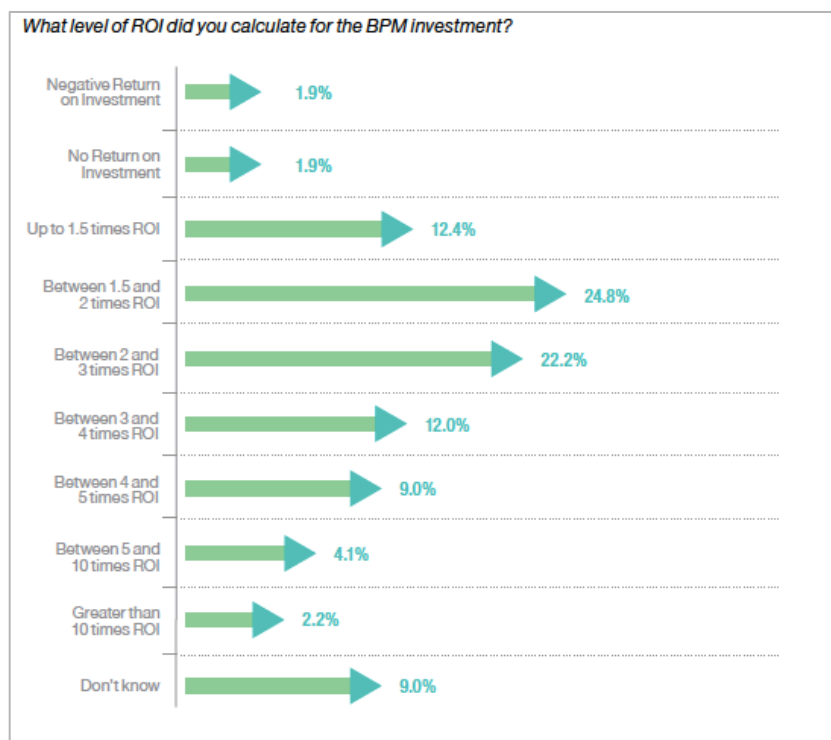
Source Global Business process Management report – Cap Gemini

Given what we know on the impact of growing complexity, it is not surprising that the primary reason why companies launch a BPM initiative is the will to improve their agility and reactivity. This is only one of the areas where a BPM approach produces positive results : cost reduction, quality improvement, customer satisfaction enhancement and easier compliance are other benefits that result from a BPM initiative.

Greater agility

Agility refers to a company flexibility and its ability to adjust to new demands from the market or from its environment. As we saw above, this is a capability critical to margin sustainability or improvement and competitiveness in our "VUCAI" world.

In their study, Cap Gemini, measured that 78% of companies who embarked on a BPM effort observed positive results on their agility and flexibility.
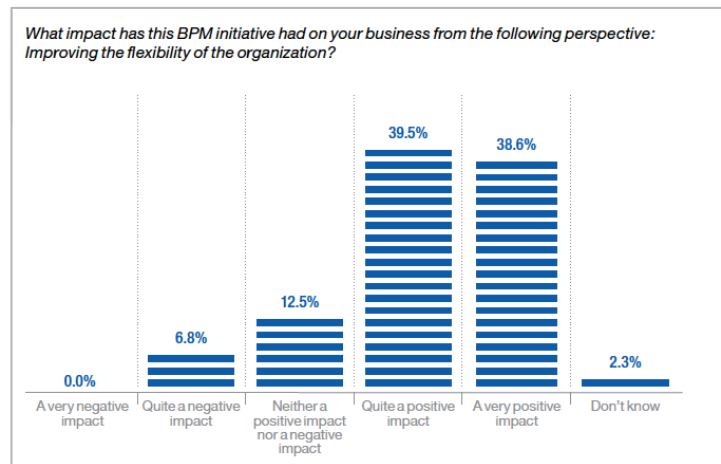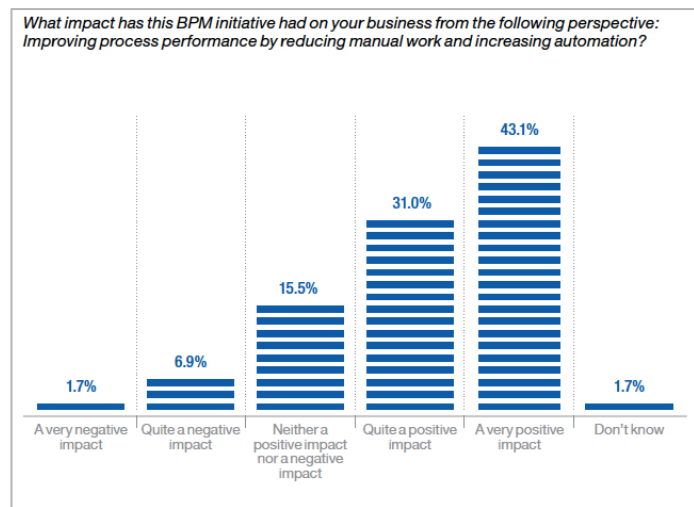

Source Global Business process Management report – Cap Gemini

Lower costs

Although cost reduction is not companies first motivation to undertake a BPM approach, it is obviously a very important element of the ROI. We saw that complexity resulted in a significant increase of operational costs that is key to keep under control. Even more as doing nothing in this area will most probably result in further deterioration as time goes by…

74% of companies surveyed by Cap Gemini reported a positive impact on their operational costs, essentially due to the reduction of manual tasks
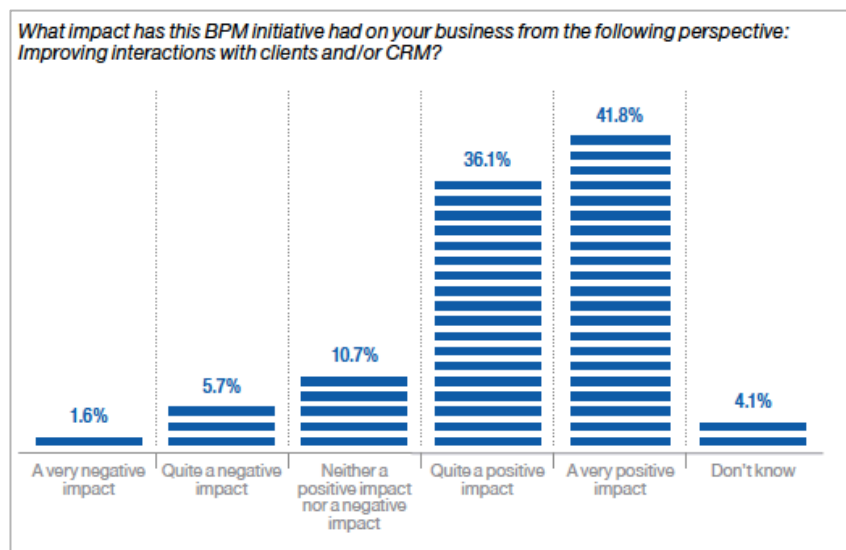

Source Global Business process Management report – Cap Gemini

Better customer centricity

New technologies radically change the way companies interact with their customers. In this always connected world, companies must react quickly as customer expectations are significantly and rapidly rising :

- o For example, customers may want "self service" functionalities that will let them be self sufficient and perform their transactions anytime. These functionalities must be available on tablets and smartphones. Customers expect to be able to monitor the transactions progress real time.
- o Or customers would like to interact with the company on social media or through technology such as tele or visio conference
- o Or they would like their products or services customized or personalized to their own individual needs
- o Or they expect to be able to receive support 24/7
- o We could continue the list…It is reasonable to think that customers expectations will continue to increase as technology evolves…

Below figure show that 78% of companies who initiated a BPM initiative noted a positive impact on the interactions with their customers.
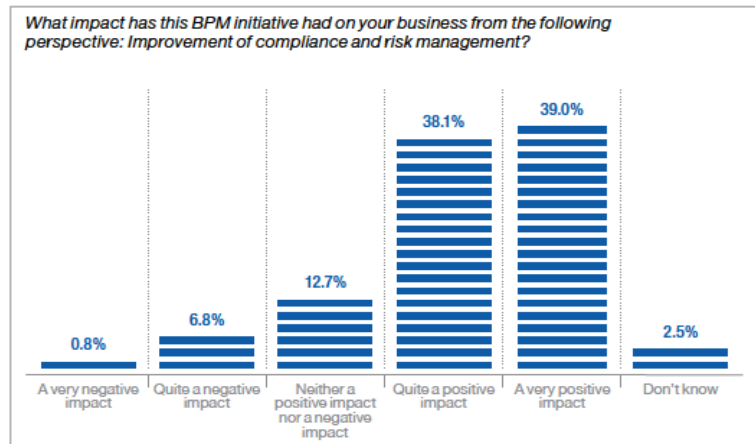

What impact has this BPM initiative had on your business from the following perspective: Improving interactions with clients and/or CRM?

1.6%	5.7%	10.7%	36.1%	41.8%	4.1%
A very negative impact	Quite a negative impact	Neither a positive impact nor a negative impact	Quite a positive impact	A very positive impact	Don't know

Source Global Business process Management report – Cap Gemini

Easier compliance

Increasing number of regulations combined with the fact that these regulations often change without much notice is a real challenge to companies that must dedicate more energy and more resources to ensuring compliance and reduce non compliance risk.
It is one of the reasons why we are seeing growing interest for BPM

77% of companies who started a BPM project reported a positive impact on compliance and non compliance risk.

What impact has this BPM initiative had on your business from the following perspective: Improvement of compliance and risk management?

Source Global Business process Management report – Cap Gemini

…plus other benefits

A BPM approach also produces benefits in the following areas :

Products or Services quality

In a BPM approach, processes are examined and their outcomes are assessed and measured. This leads to an improvement of quality measures such as error rate, cycle time, yield etc…

Transparency on rules and roles / responsibilities

During a process optimization project, business rules are going to be explicited. Stakeholders roles and responsibilities are also going to be scrutinized with the goal to clear ambiguities that might exist.

Teams collaboration

A process approach looks across organization functions or silos leading naturally to an increased collaboration between these functions.

Teams satisfaction

Many studies suggest that a BPM initiative improves employee satisfaction. This is generally considered as an "hidden benefit" of the approach. Reason can be the elimination of manual cumbersome activities or the better collaboration between functional teams.

Conclusion on BPM approach benefits

In this paragraph, I used the results of the recent Cap Gemini study (see "References"). Several other studies provide similar results.

The main benefits that can be expected from a BPM initiative are summarized on the next page :
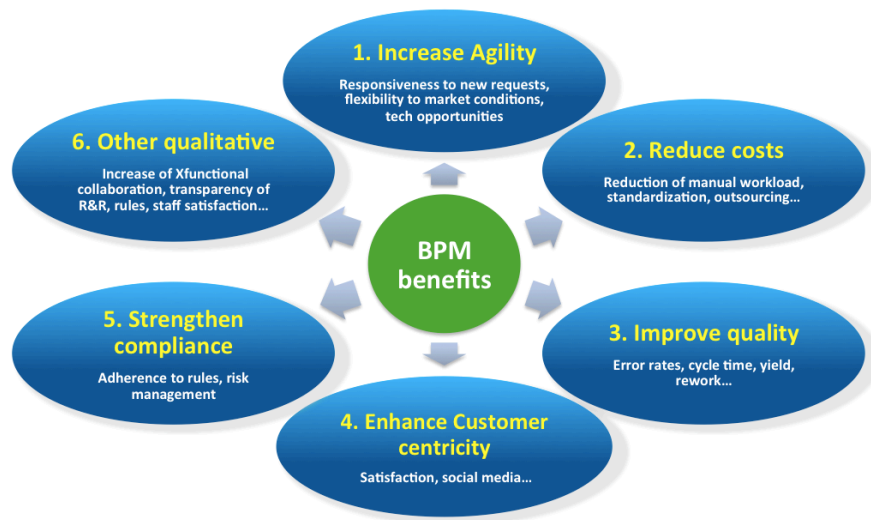
Each company specific situation and the way the BPM initiative is implemented can influence results and ROI in a major way. However, research results are explicit enough to demonstrate the objective value of a BPM approach.

In the next paragraph, we'll analyze some of the most important criteria to a successful BPM approach.

BPM initiative success criteria

Previous paragraph outlines the benefits that can be expected from a BPM approach. It needs to be realized that implementing such an approach can prove to be challenging as multiples hurdles need to be overcome such as :

- Silo culture
- Fragmented budget
- Perception that BPM is an IT topic
- Teams resistance
- Lack of adequate skillset

For example, more than half of the French companies surveyed by Cap Gemini in their study "Enquête mondiale sur le BPM – Focus sur le marché Français » reported that silo culture was an obstacle to process improvement :
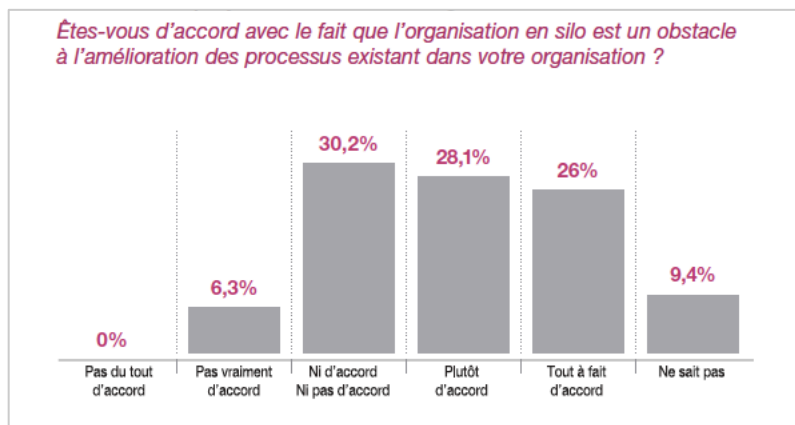
Source Global Business process Management report – Cap Gemini

The difficulty of the undertaking should not be underestimated.
We identified the 3 following success criteria :

- Take a strategic approach to processes
- Define a clear measurement framework
- Take into account the human factor thru a proactive change management plan

Besides, it is essential to take into consideration the company "process maturity" : actions to be implemented will be very different whether the company has never given any particular attention to their processes, started some limited improvement efforts or has already embarked on a significant optimization project.

Strategic approach to processes
While there is probably little debate on the strategic nature of a BPM approach, it is more difficult to translate this into practice and to ensure that the efforts carried out in the BPM initiative are closely aligned with company strategic objectives.
This is of the utmost importance.

Executive sponsorship
Our first recommendation is to have the BPM initiative sponsored by a member of the executive leadership team : this allows for a visible positioning of the effort at a strategic level and enables a strong vision valid across the organization.

This also facilitates adoption of the initiative by the different stakeholders teams lowering the functional silo barrier.
Without an executive sponsor, a BPM approach is most often doomed to fail….

Effective governance

The next point is to define a transparent governance model for managing the BPM initiative : probably with a Steering Committee headed by the exec sponsor and an cross functional Operational Committee with members from the various stakeholder groups impacted by the initiative.
This structure provides the project team with an effective support stating meaningful strategic objectives, addressing the hurdles that might come up and solving potential conflicts.

Objectives aligned on company strategy

Then, BPM approach objectives need to be clearly articulated and consistent with company strategic objectives. This can be done with a usual "strategy mapping" exercise that will ensure alignment between strategy and operations.
2 questions can be very useful to clarify strategic alignment :
- How the processes in scope contribute to the company strategy ?
- What does success mean ?

Scope and resources

Lastly, it is necessary to define an explicit scope for the BPM initiative : choice can be made to start with only 1 or 2 specific processes and to review them in detail or to cover more processes at a lesser level of detail. The 2 options are valid, it just needs to be agreed upfront.

Once scope is defined, impacted stakeholders must be identified as it is vital they are actively involved in the project for many reasons and in particular to facilitate project adoption. Resources (headcount, budget, time…) should then be decided.

A clear measurement framework
The 2nd criteria for a successful BPM initiative is a clear measurement framework.
It should be defined how the outcomes of the processes in scope are going to be assessed and measured.

This could sound very obvious…. However, a great number of BPM initiatives do not really put much focus on process measurement as shown in a study conducted by CXP and BonitaSoft « La gestion des processus métier en France »

http://images.itnewsinfo.com/commun/genform/recompense/enquete_bpm-cxp_bonitasoft.pdf

Objectives are measured only in 15 to 35% of cases :

La mesure de l'atteinte des objectifs (n=86)

	Oui	Projet en cours	Non
Satisfaction client	26%	15%	59%
Améioration des performances	26%	15%	59%
Réduction des coût	29%	15%	56%
Développement de l'agilité	15%	15%	70%
Productivité des équipes	32%	15%	53%
Fiabilité des opérations	23%	15%	62%
Standardisation des outils	22%	15%	63%
Traçabilité	34%	15%	51%
Conformité	31%	15%	54%
Capitalisation des savoirs	16%	15%	69%
Suivi temps réel des opérations	27%	15%	58%
Réduction des temps de développement	23%	15%	62%

Source "Gestion des processus métiers en France – CXP / Bonita Soft"

It is impossible to improve what is not measured… so it is essential to define which relevant measures and metrics are going to quantify the outcomes of the processes in scope.
In other words, goal is to bring to light the connection between process efficiency and achievement of the company strategic objectives.
To define the specific process measures we recommend a Balance Scorecard approach that allows for a 360 degree evaluation of the process.

First current value for the defined metrics must be established at the start of the initiative (baseline), then realistic target must be decided for each metric and progress will be measured as the initiative progresses.

Take into account the human factor

3rd point to ensure the success of a BPM initiative : it is essential to dedicate specific effort to change management. We all know that stakeholder adoption is a necessary condition to the success of any project. This is even more true is the case of process optimization as approach is not a simple recipe and requires buy in of a new culture specifically around cross functional collaboration.
It is necessary to communicate relentlessly on the approach : vision, objectives for the company and actively involve stakeholders in the project.

To summarize…

The 3 BPM success criteria are summarized below :

Strategic approach to process
Exec sponsorship
Governance
Link process outcomes to strategy
Link Process and Technology transformation

Clear Framework for measurement
Define measurable goals and objectives
Balanced scorecard
Measurable ROI on all initiatives

Change Management focus
Focus on cultural changes
Change management and adoption plan for each initiative
Employee training

Process maturity

Another important factor must be taken into account to optimize the success of a BPM initiative : it is the "process maturity" of the company. Process optimization is a journey and we must walk before we can run…

In practice, the type of actions to be implemented will be very different whether the company has never paid any particular attention to their processes, started some limited improvement efforts or has already embarked on a significant optimization project.

If no work has been performed on business processes…

Start with the basics ! That is process documentation, definition and implementation of simple metrics and team awareness. Then process standardization and automation could be considered.

If limited process improvement efforts have been conducted….

It is time to adopt an end-to-end approach, ie analyze the processes across the departmental or functional boundaries.

The options of setting up a Shared Services organization or of outsourcing components of some processes can be evaluated.

In this phase, Change Management approach must be structured and strengthened. Measurement framework evolves pretty naturally towards more sophisticated metrics.

If a BPM initiative has already produced positive results…

The question may arise whether it is appropriate to evolve the organization towards a "Process driven" model implementing well identified "Process owners" roles under the leadership of a BPO "Business Process Officer".

An enterprise governance could be defined.

There could be a case for implementing an unified service model in charge of all customers requests.

Expanding the Shared Services organization by adding new processes or more value added activities could also be considered.

At this stage, a continuous improvement process is necessary to capitalize on the results already achieved.

Lastly, the measurement framework evolves from an internal to an external perspective as there is a will to compare company performance to the market through benchmarking.

Conclusion

In a context of far-reaching and continual changes, enhancing competitiveness and client centricity is becoming critical. Process optimization represents a clear opportunity recognized by the great majority of companies as indicated in a study conducted by Bearing Point « Business Process Management Study 2015 »

http://www.bearingpoint.com/en/adaptive-thinking/insights/business-process-management-study-2015/

72% of survey participants consider that BPM is "Important" or "Very important" and 59% think that its importance is going to further increase in the future.
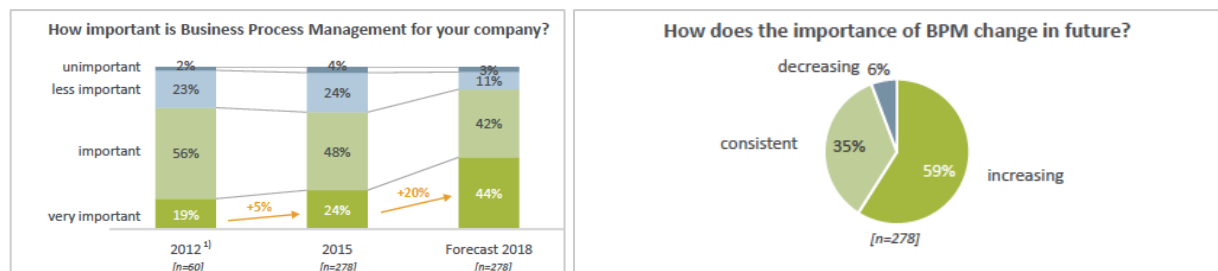
Business Process management study 2015 – Bearing Point

More and more, Business Process Management is seen as a topic of strategic importance and closely intertwined with company performance and this, not only by large multinational groups but also by mid size companies.

A BPM approach provides proven benefits. However, a rigorous implementation is key to success. To achieve the potential value of their BPM initiatives, companies must create the conditions for success : first ensure Executive leadership sponsorship, define clear and measurable objectives relevant across the organization and implement a cross functional governance model.
Strong and visible executive commitment and solid change management expertise are essential.

These days when many industry sectors face limited growth and pressure on costs, BPM is an effective weapon in the fight for efficient and effective processes. It allows companies to become more customer centric and enables them to respond quicker to market demands and opportunities.

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