

Why Business Process Management

What is Business Process Management

Put simply it is knowing what you do and controlling how, when, and where it is done and by whom.

Normally this will mean some kind of system (probably computer based) to control the flow of the work.

What the Gurus Say

Gartner

Early in the new millennium, Gartner predicted that business process management (BPM) would become the next big phenomenon. The "thought leadership" expressed then has been reflected in the current popularity of business modelling.

Peter Fingar

Early in 2004 Peter Fingar (BPM guru, author, lecturer and ebizQ columnist) was reiterating how vital BPM had become to the successful implementation of business strategies

Bloor Research

Bloor's Research Director for Process and BPMG chief analyst Terry Schurter says "process technology is now the very foundation of doing business"

IBM

As they launched a whole new suite of BPM tools IBM said "At the heart of every business is a complicated web of processes that form the foundation for all operations. These business processes are the lifeblood of the organization and typically include all of the humans and systems that exist within the enterprise. Since they play such a central role, business processes must be as efficient as possible to make the business as effective as possible. As a result, finding ways to automate and improve business processes has become a major focus for today's organizations as they struggle to find ways to become more agile and responsive to changing business climates."

The Bottom Line

A company is defined by its market (including any regulatory framework that constrains it), its customers, its suppliers, its people and its processes. "Great people with average systems only achieve average results while average people with great systems can accomplish great things" I can trace this quote to Michael Gerber in 'The E-Myth' but I think it is older than that.

Take all of the Primary Activities of a Business (e.g. in Porter's value chain model) and all rely on the processes and systems that support them.

If you want your business to be more profitable you need to improve your processes

Good Process Modelling Extends Beyond the Enterprise

There is a tremendous opportunity to involve the entire supply chain in a process improvement exercise. One company, whose processes I investigated, spent 35% of their purchasing and accounts payable resources on querying supplier invoices. Simple process changes involving the suppliers reduced that to low single figures and spurred a corresponding headcount reduction. Often it is these hidden costs that sap away the profitability of a business. Reducing processing overheads throughout the supply chain benefits all of the participants and generally improves service and responsiveness for the final customer.

An Opportunity to Remove Drudgery

When deciding what processes should go into a process flow, there is a great opportunity to remove tedious manual clerical work. The facilities found in BPM suites make it easy to remove manual movement of paper and to substitute computer checks for manual ones. This is work that people hate and not only can machines do it with higher reliability you get an increase in staff morale from the disappearance of unwanted tasks. A true win-win.

An Opportunity to Improve Service

Processes can easily be managed for optimized cost, time to market, resource loading, risk and quality through the use of appropriate models. In addition, many leading BPM packages include tools to measure and further optimise the processes once they are in place. A good example of this is **Metastorm Envision** which enables simulation of work volumes, staffing levels and new processes which can be based on historical performance with existing systems.

An optimised process model will help raise customer satisfaction and help you to tune you business to the market you serve. An ex-colleague when I worked for IBM (who was something of a supply chain guru) used to quote "A supply chain can be efficient or it can be responsive but it cannot be both – you must choose". Business process must be designed for the sort of business you want to be 'Low Cost', 'High Service', 'Premium Partner'. Some businesses try to be everything and end up doing none of them well.

An Opportunity to be Responsive

Business models are not static: markets change, existing competitors innovate, new entrants break into the market, regulations change, and substitutes for the product or service arise. Any process model should be capable of rapid change to maintain competitive advantage.

An Opportunity to Comply

In many industries compliance to regulatory frameworks or merely the need for traceability is driving the move towards not just documented (e.g. ISO 9002) but controlled processes. This drive seems only likely to increase.

Phased Improvement or New Model

Any decision will depend on your exact circumstances but here are the main pros and cons:

In favour of New Model	In favour of phased improvement
When you are starting a new business or a new business unit it is usually best to have a new model.	You can understand what you are doing better by looking at current processes
Designing processes from scratch is often faster	During a merger or acquisition this will meet less resistance
It is easier to make wholesale changes and get large paybacks	It is generally lower risk
It is often easier to separate the wheat from the chaff and concentrate on core processes	If you have your current processes documented you are less likely to make a bad BPM or package purchasing decision
You can consolidate and prevent parallel development between different departments or business units.	
Against Starting New	Against Phased Improvement
It is generally higher risk	You may fail to make the significant gains that could be made from a full redesign

Of course (for non-core processes) you could always get someone else to do the dull stuff – outsource the processes and then it becomes their problem to get improvements to meet their service level agreements (SLAs) and financial obligations to you.