



**The Business Impact of BPM
with SOA:
Building a Business Case for BPM with
SOA ROI**

Authored by:
Heather Ashton and David Kelly

Upside Research, Inc.
www.upsideresearch.com

CONTENTS

□ EXECUTIVE SUMMARY

Finding ways to automate and improve business processes has become a major focus for today's organizations. An increasing number of organizations are turning to business process management (BPM) to improve efficiency. Using the Upside Research Business Impact Statement, a category-based benefit analysis approach, organizations can build a compelling business case for investing in BPM.

□ THE HEART OF BPM: STREAMLINING PROCESSES

A successful BPM solution will take existing processes, streamline them to meet business goals and ultimately impact the bottom and top lines in a positive way.

□ WHY BPM IS A PRIORITY NOW

Today's budget constraints and increased productivity expectations make it even more important for managers to consider both the tactical and strategic benefits when making a technology investment. Effectively implemented BPM solutions can provide the unique balance of tactical and strategic and address the needs of both business and IT in a way that few other technology solutions can.

□ A BPM WITH SOA SUCCESS STORY

This snapshot reveals how a leading financial services company realized measurable return from its investment in BPM.

□ MAKING THE BUSINESS CASE FOR BPM WITH SOA ROI

What do you need to build a business case for making an investment (in time, resources and money) in a BPM with SOA solution? To assist organizations in building a business case for making an investment in a BPM solution and taking the first step towards creating a return on investment (ROI) for BPM with SOA, Upside Research has created the Upside Research Business Impact Statement.

□ A LOOK AT BPM SUCCESS IN THE ENTERPRISE

To help managers understand how to analyze their specific situation, Upside Research has created an example business case for an organization that has recently implemented a BPM solution.

□ CONCLUSION

BPM solutions can make a big impact on business. To take a first step toward evaluating the business benefits and ROI of BPM, Upside Research recommends that organizations start by building a business case for BPM with SOA.

Copyright 2006, Upside Research, Inc., which is solely responsible for its content. All rights reserved. No part of this report may be reproduced or stored in a retrieval system or transmitted in any form or by any means, without prior written permission.

EXECUTIVE SUMMARY

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.

In fact, an entire market—business process management—has grown out of the desire to improve existing business processes and build new processes and services that will differentiate a business from its competitors. Business process management (BPM) solutions aim to provide enterprises with a common platform that can tap into all resources, both human and system-based, to create, manage and optimize effective business processes that span the enterprise. BPM solutions can help organizations to maximize their existing technology and human infrastructure by linking existing systems and automating tasks that can free humans up to add value elsewhere within the enterprise.

Fast Response to Changing Business Needs—BPM & SOA

One of the greatest concerns for business leaders when they hear about a new technology solving a business problem is the "set-in-stone" scenario. A new application takes months to develop, and then it is released to the business for use. Unfortunately, since the whiteboard discussions six months earlier, the business processes have often changed. Changing the application, however, may take another two months, leaving the business leader with an outdated application and possibly impacting the company's ROI.

In the drive for business agility, business-process management is based on the principles of services-oriented architecture (SOA). Both aim for faster response to changing business requirements, including compliance, mergers and acquisitions, and product and service

IBM PROVIDES BUILDING BLOCKS FOR SOA

IBM has been developing solutions based on SOA for years. As one of the earliest proponents of SOA, IBM has built an extensive suite of tools that can help enable organizations to create business processes that are able to respond to the rapidly changing market landscape. IBM WebSphere MQ (formerly "MQSeries®") product provides the foundation for its SOA tools. Among the other building blocks that IBM offers are:

- **WebSphere Process Server:** A business server that is designed to allow users to create and deploy new business processes and synchronize business information in multiple business applications on diverse platforms.
- **WebSphere Business Modeler:** A design drawing and analysis tool that is designed to allow business managers to design and simulate processes.
- **WebSphere Business Monitor:** A business dashboard that is designed to enable users to monitor their business processes to help them make continuous improvements.
- **WebSphere Enterprise Service Bus (ESB):** A business service platform that is designed to enable easy information exchange between applications and/or resources.

In addition to the above tools, IBM offers a Message Broker, Partner Gateway, Integration Developer and Rational® Application Developer to assist organizations in quickly building and deploying complex, cross-enterprise business processes that are built on top of a flexible services-oriented architecture.

introductions. Services-oriented architecture has become a crucial foundation for BPM, supporting rapid assembly and orchestration of process services into larger, end-to-end processes. This is because businesses need to design flexible processes that are based on services that can be changed later, without being “hard-wired” into the code structure of the application, so that it becomes impossible to make changes later.

BPM based on SOA offers an environment that changes the traditional process for altering an application to reflect changed business rules or processes. It places the controls for change management in the hands of the business process owner rather than on IT’s shoulders. Through intuitive, visual interfaces, effective BPM environments offer business managers ways to change rules and alter processes without having to drop down to the coding level. The objective is to translate to rapid response rates, and boost the ROI of the solution because it helps ensure that business goals are in line with the BPM solution, regardless of whether those goals change daily or monthly.

The Business Impact Statement for BPM based on SOA

Because of its widespread appeal to both business and IT, BPM is quickly becoming a must-have for solving business problems and improving the agility of the enterprise. However, while BPM is a promising technology, it is still being introduced at a time when IT and business managers are facing more stringent questioning about their technology investments – Why invest in BPM today? What are the associated costs and potential benefits for BPM? In essence, senior management is asking both business and IT to make a business case for BPM. They want to know *the tangible benefits that BPM can bring to the enterprise, and how quickly the enterprise can expect to see some of those benefits.*

To understand the potential benefits of a technology investment such as business process management, Upside Research believes that organizations should take the time to create a practical model to determine the value of the investment and the payback period. Traditionally, this has taken the form of a return on investment (ROI) model. However, there are many scenarios today where a traditional spreadsheet-based ROI model is not feasible or the specific quantitative values required are unknown.

For organizations that want to define the potential benefits and costs of implementing a BPM solution but are not able or ready to do a full-scale ROI analysis, Upside Research has created an alternative—the Business Impact Statement. The Upside Research Business Impact Statement is a category-based benefit analysis approach that can be used to build a compelling business case for investing in BPM and creating a BPM ROI. By putting together a Business Impact Statement for BPM, an organization can more accurately assess where it will receive the greatest benefits from implementing BPM and how adding business process management to the various areas of the enterprise will maximize the return on an investment in BPM.

This report is designed to help business and IT managers evaluate their environment and begin to determine how an investment in business process management will impact their

organization and their business operations. Upside Research has developed a Business Impact Statement model for building a business case for BPM ROI, and this paper highlights the importance of balancing business priorities with an investment in BPM and offers organizations a way to begin weighing the costs vs. business impact of BPM. It also introduces IBM's BPM products and technologies that relate to the Business Impact Statement model and provide tangible business results. Business and IT managers should use this report to gain a clear understanding of the specific areas where BPM can reduce errors, improve efficiency, free human resources, and deliver measurable business benefits that impact the top and bottom lines.

THE HEART OF BPM: STREAMLINING PROCESSES

At the heart of every business is the collection of complex processes that run it. They range from human-centric to those that are document-centric processes to completely system based or integration-oriented. Many processes are a combination of human, document and system/integration-based processes. Most have built up over the life of the company and over time, some of these processes may have added steps and flows that help reach an end goal, but not necessarily in the most efficient or effective manner. In fact, many organizations realize when they peek under the covers that their processes have turned into tangled webs that are glaringly inefficient. Whether it is a credit check process, a new customer order, or a request for supplies to a vendor, these processes are integral to the business and any delays or gaps caused by them can seriously impact the bottom line.

Business process management is designed to solve this problem. A successful BPM solution will take existing processes, streamline them to meet business goals and ultimately impact the bottom and top lines in a positive way. As most managers will confirm, the employees that make up an organization are one of its biggest assets. Freeing them up to do more value-added work instead of being burdened with tasks that provide no additional value is a substantial achievement.

Upside Research has spent the past five years studying the BPM market. In our research of successful BPM implementations, we have discovered several recurring themes when it comes to the business impact of BPM, including:

- **Optimization.** First and foremost is the optimization of business processes across departments and even cross-enterprise. Many organizations have drawn a direct correlation between more efficient business processes and specific cost savings.
- **Business Agility.** Another area where BPM provides a big return is in improved agility. Business parameters and market conditions change rapidly, and business managers need to be able to respond to those changes quickly and effectively. Using BPM, organizations have been able to create "on-demand" business environments they can adapt quickly and easily at the business level to build a competitive edge.

- **Compliance.** Compliance has been a major issue for enterprises across a number of vertical markets. Using BPM, these organizations have been able to respond to compliance requirements and corporate governance initiatives and meet important deadlines within budget. In fact, many organizations that adopted BPM to solve specific compliance issues have now automated and optimized other processes within their enterprise and are seeing significant gains in productivity and responsiveness as a result. New regulations like HIPPA, Sarbannes-Oxley, and Anti-Money Laundering regulations for the Insurance industry make developing processes for achieving compliance a business necessity.
- **IT Agility and SOA.** As organizations have become more responsive to business climate changes, they have looked for ways to adapt their technology infrastructures to be more responsive. Services-oriented Architecture (SOA) has emerged as a leading approach to building and sharing applications that run the business. With SOA, organizations can build components, or services, of applications that can be reused for other applications and shared across the enterprise to bring cohesiveness to business process. Using BPM with SOA is a natural fit and results in greater business benefits.

IBM'S SUITE OF BPM SOLUTIONS

- **WebSphere Business Modeler** is a business-analyst level tool for modeling and designing process flows for SOAs, based on the Eclipse open source Integrated Development Environment (IDE) framework.
- **WebSphere Integration Developer** is an Eclipse-based application development tool for IT to build and deploy business processes based on a services-oriented architecture.
- **WebSphere Process Server** is a new process server powered by WebSphere ESB that forms the foundation for IBM's BPM solution.
- **WebSphere Business Monitor** has been enhanced to monitor business process performance and provide a way to track key performance indicators.

As you can see from the above examples, there are a number of ways that BPM can bring value to an enterprise. Process optimization has an impact on every aspect of doing business, and savvy organizations are discovering the ways that their BPM projects can bring increased productivity, faster responsiveness, value-added human resources and better corporate compliance.

WHY BPM WITH SOA IS A PRIORITY NOW

In today's connected enterprise, decisions are not made in a vacuum. An investment in one project often means the postponement or abandonment of another project. Today's budget constraints and increased productivity expectations make it even more important for managers to consider both the tactical and strategic benefits when making a technology investment. If a solution solves a specific tactical problem and can save money, free up valuable resources, or increase new revenue opportunities, that's great. However, if that same solution can be used again and again, in an ongoing way that continues to deliver a benefit, that's even better. Both business and IT managers have their own lists of technology investments they want to make. The goal for the organization is to find the right balance between tactical and strategic projects to ensure that immediate needs are being met while still working toward accomplishing more strategic goals.

Effectively implemented BPM solutions can provide the unique balance of tactical and strategic and address the needs of both business and IT in a way that few other technology solutions can. Because of BPM's ability to solve specific, tactical process-related problems (such as reducing the number of days that sales are outstanding (DSO) by streamlining the workflow) BPM solutions can provide fast, visible benefits to an organization. At the same time, however, IT can use that same BPM solution to lay the groundwork to make similar impacts across other processes throughout the enterprise.

A BPM WITH SOA SUCCESS STORY

The number of published customer case studies that exhibit the tremendous gains that can be made from implementing a BPM solution continues to grow as companies find success and are willing to share best practices with others. IBM has several customers that have been willing to share the business impact of their BPM projects. The following snapshot reveals how a banking company realized measurable return from its investment in BPM.

OVERVIEW

A major financial services company with a strong retail bank presence was suffering from the challenges of siloed information. Through mergers and acquisition, as well as launching new, independent lines of business, a web of different applications that stored customer account data separately was spread across the organization. The results were a series of inefficient processes, the inability for the company to respond to business changes, silos of information, and a lack of accurate, timely insight into business performance. In addition, the legacy-based infrastructure was wrought with band-aid fixes and lacked an overarching services-oriented architecture to improve agility.

ADDING BPM AND SOA TO THE MIX

The company selected IBM's BPM solution to create a common retail-banking infrastructure for its end-user community and support a user base of over 4 million people. It partnered with IBM Global Business Services to create an SOA solution based on IBM WebSphere Business Integration Server Foundation (now called WebSphere Process Server) and IBM IMS Connect middleware. The new solution provides a single set of business services that can support existing and future banking products.

The company has seen more than \$2 million in savings over the past two years from its new services-based process management system. That represents a more than 60% return on its initial investment. The company anticipates adding the new system to other divisions within the bank, for an additional savings of approximately \$1 million for each implementation. Using a BPM with SOA solution that is based on a services-oriented architecture, the company will be able to continue to optimize its business processes while saving substantial costs and increasing customer satisfaction and business agility.

THE BUSINESS IMPACT STATEMENT

- ✓ Efficient processes
- ✓ Faster response to business change
- ✓ Cost savings
- ✓ Elimination of silos
- ✓ Business insight
- ✓ Services-based infrastructure

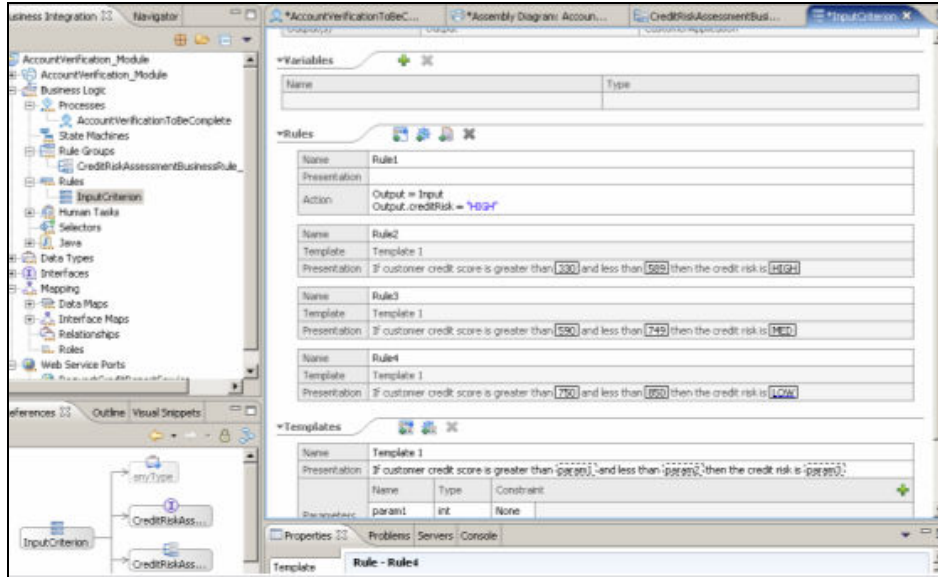
OPTIMIZING THROUGH MODELING AND BUSINESS RULES: AN ILLUSTRATION

An example of how the right tools can help organizations like financial services companies (and others) save money can be illustrated by the use of IBM's WebSphere Business Modeler and Business Rules. By using WebSphere Business Modeler a company could model their business processes to simulate the amount of time and the cost of doing a credit check manually (for example, more than 4 hours) vs. automating the process, which might enable the credit check to be completed in less than one hour. The screen shots below depict this process situation.

The screenshot displays the IBM WebSphere Business Modeler interface. On the left is a tree view of processes, including 'Account Verification (As-Is)' and 'Account Verification (To Be)'. The main window shows a process diagram with a 'CustomerApplication' and an 'Eligibility System'. Below the diagram is a 'Processes Duration Comparison' table.

| Simulation Result Name | Process Name | Weighted Average Elapsed Duration | Weighted Average Throughput |
|---------------------------|---------------|-----------------------------------|-------------------------------|
| Simulation result We... | Account Ve... | 4 hours 15 seconds | 0.249740 work items / hour |
| Simulation result Frid... | Account Ve... | 1 minute 15 seconds | 48.000000 work items / hour |
| Difference | | 3 hours 59 minutes | - 47.750300 work items / hour |
| Percentage... | | 99.46% | -19,122.99% |

The next screen shot demonstrates how using Business Rules for customer credit scores can enable the user, a business analyst, to automate the approval or denial of credit based on the applicant's credit scores.



Selecting and using the right tools—from business process modeling to business rules to process monitoring capabilities can have a direct and dramatic impact on BPM ROI.

MAKING THE BUSINESS CASE FOR BPM ROI

Given its potential positive impact, it's hard for BPM not to sound attractive to most companies. But how do you take the next step and begin to build a business case for making an investment (in time, resources and money) in a BPM solution? To assist organizations in answering this question, Upside Research has created The Upside Research Business Impact Statement, a category-based benefit analysis approach that can be used to build a compelling business case for investing in BPM. The Upside Research Business Impact Statement will help IT or business managers build a business case for BPM and help organizations understand the existing risks, the overall costs and potential benefits of implementing BPM.

At the high level, the Upside Research Business Impact Statement is straightforward:

- Outline the current and potential problems that exist in the process environment.
- Estimate the initial and ongoing costs for a BPM solution.
- Identify and categorize the tangible business benefits resulting from a BPM implementation and the elimination of the issues identified in step (a).

This Business Impact Statement is not intended to result in a single, specific, rock-solid dollar value or ROI payback period for a BPM investment. Rather, our experience with many enterprise software and hardware implementations has taught us that organizations are often satisfied with a realistic and practical understanding of the business benefits and financial impact of new technology investment when making an infrastructure decision. Spreadsheets and ROIs are fine when they're available and believable, but a straightforward analysis of the costs and benefits of a potential investment can be equally compelling for many business leaders.

To help organizations begin to organize and build a business case for BPM, in the following sections we discuss the process of outlining existing problems, estimating costs, and identifying BPM benefits in more detail. Upside Research suggests that you use the steps below to structure your analysis of a BPM investment and create a Business Impact Statement for BPM that serves as a blueprint for articulating the decision that’s best for your organization and can serve as a baseline for BPM ROI. Specific problems, costs and benefits will vary by your individual situation so we advise organizations to build on (and customize) the information outlined below.

A) POTENTIAL BUSINESS COSTS/RISKS

One of the first steps to making the business case for a BPM project is to categorize the potential business problems and actual costs that an organization faces if they continue with their current business practices. This section identifies and categorizes some of those problems and suggests the impact they can have on the business. In many organizations, both the immediate problems and potential risks are difficult to assign accurate financial figures to—although most managers find they can typically define a reasonable level of value or importance to each factor. For this step, Upside Research suggests that managers first identify which of the problems below (or other appropriate ones) are the most critical to their business and then define their level of importance and/or their potential impact on the business.

| Problem | Potential Costs or Impact on Business |
|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Inefficient Processes</p> | <p>While the euphuism “time is money” is often over-used, it is very germane to this topic, because in business, for each additional hour it takes to complete a manual business process, there is a hard cost associated with employee time as well as soft costs associated with losing business or lowered productivity. Another area where time comes into play is in opportunity costs. There are risks associated with business processes that are too long and inefficient, and this can mean lost business opportunity or lost savings associated with internal productivity. Therefore, organizations need to start to measure some of these areas where inefficient processes can have a negative business impact.</p> <p>Potential Inefficient Process Costs Include:</p> <ul style="list-style-type: none"> - Not completing processes on time - Loss of employee productivity/time for value-add work - Lost revenue opportunities/opportunity costs - Waste of precious human resources |
| <p>Slow Response to Business Change</p> | <p>In today’s business environment, being responsive to change is often the greatest possible differentiator that a company can have. The agility to respond to changing market conditions can mean getting new business that other company cannot. Therefore, if an organization is mired in business processes that are inefficient and cannot easily change them to reflect changes in the market, than they will be the company that loses out on potential business opportunity. For companies that rely on partner or supplier networks, failing to respond quickly to changes can mean losing existing business as well.</p> <p>Potential Response Costs Include:</p> <ul style="list-style-type: none"> - Loss of existing business - Loss of new business opportunities |

| | |
|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <ul style="list-style-type: none"> - Failure to keep pace with competitors |
| Costly Business Errors | <p>Since business processes are at the heart of the organization, anytime a process breaks down or results in errors, the business suffers. Many business processes have manual components that are not value-added, and the potential for human error puts those processes at risk for costing the business significantly.</p> <p>Potential Business Error Costs:</p> <ul style="list-style-type: none"> - Loss of existing business - Costs to fix errors - Negative impact on reputation |
| Siloed Organization | <p>One of the most ineffective organizational structures today is one that maintains high walls between departments or workgroups. As an organization grows, often those walls grow, and information and processes become siloed within each department. This makes it nearly impossible to create streamlined business processes because they often get mired in the silos of each department. The potential risks that this causes to the business include a lack of insight, lack of shared information across the enterprise, and overall lack of cohesiveness for business processes.</p> <p>Potential Silo Costs Include:</p> <ul style="list-style-type: none"> - Lack of cohesive record and customer management - Inability to link departments through processes - Reduced agility and responsiveness - Inefficient processes - Higher total cost of ownership (TCO)/operational costs |
| Lack of Insight | <p>Once organizations begin to create newly automated business processes, they begin to understand the potential benefits of streamlining the whole business and finding new areas to make more efficient. However, if the organization lacks an ability to monitor and manage its processes, as well as the ability to optimize those processes it has created, there is a significant opportunity cost. Without the ability to monitor and optimize processes that have been created, any gains that may have been seen from process automation are reduced significantly because there is no way to determine if the process is performing as expected and delivering the benefits to the business. Additionally, the process will need to be flexible to respond to changing conditions, and if there is no insight into its performance and no way of optimizing that performance, the business will lose the benefit of the automation.</p> <p>Potential Lack of Insight Costs Include:</p> <ul style="list-style-type: none"> - Opportunity costs - Inefficient processes—inability to optimize processes - Increased compliance risks - Lack of control |
| Compliance | <p>Most organizations today have some sort of compliance requirements, and upper management is often driving these requirements to align with strategic business goals. If organizations have no processes to manage compliance initiatives, gaining compliance can be difficult, if not impossible. The risks associated with this include failure to meet important deadlines and loss of certification.</p> <p>Potential Compliance Costs Include:</p> <ul style="list-style-type: none"> - Penalties from management and government or regulatory agencies - Failure to meet important deadlines |

| | |
|--------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <ul style="list-style-type: none"> - Loss of certification - Damage to reputation - Loss of business; economic impact |
| No services-based development | <p>SOA is an emerging paradigm in enterprises looking to maximize the return on their application developments. Organizations that are still using traditional methods for application development face significant costs and risks by not creating reusable components. This is especially true with process automation, since many of the same elements are used in multiple processes across the enterprise. Without SOA and BPM, there are considerable opportunities that organizations may be missing.</p> <p>Potential Costs Include:</p> <ul style="list-style-type: none"> - Increased cost of development - Lack of responsiveness, agility - Lost business opportunities |

Once all of the potential problems and their associated costs have been identified, categorized, and quantified whenever possible, the next step in making the business case for BPM is to identify and understand the various components that comprise an investment in business process management.

B) THE INVESTMENT IN BPM

An investment in BPM is multi-faceted, and it is important to understand the various components of business process management to appreciate the breadth and depth that a good solution will provide. This section takes a closer look at the categories of investment required for most BPM solutions. Upside Research recommends working with your BPM solution provider to categorize the specific investment your organization will be making.

| |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| BPM Technology |
| <p>BPM solutions often consist of several components, including process servers, modeling software, administrative consoles and integration adapters. As for hardware, in some cases, existing hardware is sufficient for a BPM solution, and there are no out-of-pocket expenses. If that is not the case, BPM solutions may require additional servers.</p> <ul style="list-style-type: none"> • Initial technology costs: estimate software modules + hardware expenses here • On-going technology costs: estimate here |
| Professional Services |
| <p>In order to maximize the benefits of a BPM solution, it is often preferred to utilize professional services from the BPM solution vendor or from a third party. These teams are expert at designing and implementing new business processes for organizations.</p> <ul style="list-style-type: none"> • Professional Services costs: estimate here |

C) TANGIBLE BUSINESS BENEFITS OF BPM

Now that both the risks and costs associated with maintaining existing inefficient processes have been laid out, and we've identified the components of an investment in a business process management solution, we can turn our attention to the business benefits that may

be gained from implementing BPM. Once the benefits have been identified and quantified, an organization can make a compelling business case for BPM.

To identify the value of potential benefits, we recommend that organizations use the following categories as a starting point, selecting the benefits that are most salient to their specific scenarios and estimate or quantify potential benefits (either in time, money or resource units) based on their situation. For example, an organization might determine that the most valuable benefit for their BPM implementation would be a reduction of business errors, the value of which can be estimated by identifying the number of errors currently occurring, the costs associated with rectifying them, and the lost opportunity costs.

| Category of Benefits | Details |
|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Efficient Processes</p> | <p>Using BPM, organizations can streamline their business processes, eliminating wasteful steps and cutting costs. Valuable employee time can be re-allocated to more useful purposes, and businesses can become more competitive. The opportunities for additional business and the ability to complete processes faster are also benefits of using BPM to improve business existing business processes and automate those processes that were completely manual. The list of benefits from more efficient processes includes:</p> <ul style="list-style-type: none"> - Faster complete times - Cost savings from higher productivity - Reallocation of valuable human resources - More competitive organization - New business opportunities |
| <p>Faster Response to Business Change</p> | <p>By implementing BPM, organizations can become proactive when it comes to a change in the business climate. Instead of struggling to catch up to changes in the market, businesses can use BPM to improve their agility and respond quickly to changes, in some cases even anticipating new opportunities. The benefits include:</p> <ul style="list-style-type: none"> - Revenue gains from new business - Competitive advantage from market capitalization - Improved customer satisfaction |
| <p>Reduced Business Errors</p> | <p>With automated processes that replace error-prone manual processes, organizations will find a number of hard benefits, including cost savings from errors, as well as soft benefits including better business standing and customer satisfaction. In addition, staff is no longer burdened with fixing errors, and can focus on value-added functions instead. Among the benefits from using BPM to reduce business errors are:</p> <ul style="list-style-type: none"> - Lower costs from automated processes - Increased productivity - Higher reputation and customer standing |
| <p>Connected Organization</p> | <p>Having the right information at the right time to make business decisions is critical to success. Using BPM, organizations can remove silos and unify the company around critical information such as customer records, order information, and history. The benefits from connecting the organization through BPM include:</p> <ul style="list-style-type: none"> - Unified record and customer views - Increased responsiveness and agility - Improved customer service |
| <p>Heightened Visibility</p> | <p>The ability to respond to opportunities comes from an increased level of visibility into business operations. Using BPM to optimize processes</p> |

| | |
|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>and provide crucial insight into business workings can provide a number of hard and soft benefits that impact the balance sheet as well as satisfaction in the boardroom. Among the benefits:</p> <ul style="list-style-type: none"> - Faster responsiveness to market opportunities - Increased revenues - Upper management satisfaction |
| Compliance | <p>Using BPM, organizations can efficiently meet compliance requirements without wasting precious resources or time. Benefits include:</p> <ul style="list-style-type: none"> - Meet corporate deadline for compliance - Meet upper management requirements |
| SOA-enablement | <p>Using BPM to build or support a services-oriented architecture is a significant benefit to the organization. In addition to cost savings from things like re-use, it also improves responsiveness for the business and can lead to positive impacts on the bottom line. Benefits from SOA-enablement include:</p> <ul style="list-style-type: none"> - Cost savings from component re-use - Improved responsiveness to market opportunities - Increased revenue from new business |

A LOOK AT BPM SUCCESS IN THE ENTERPRISE

The above sections have presented a significant amount of information to digest. To help managers understand how to analyze their specific situation, we've created an example business case for an organization that has recently implemented a BPM solution. This is an example of a hypothetical company, based on research and feedback from existing companies that Upside Research has spoken with regarding their experience with BPM. The following example will enable you to understand exactly how you can build a Business Impact Statement for BPM. The following scenario represents the types of results that enterprises can obtain by implementing a BPM solution. We start with a quick overview of the organization and its business challenge.

Business Challenge

A leading wireless provider in the business of providing pervasive wireless communications through cell towers across the U.S. The company manages all of its sites, and has to manage acquisition of new sites, maintenance, and assess rents or charges. There are a number of multi-faceted business processes that need to occur for these various business transactions and operations, and manual forms routing and faxing were the norm. However, some processes were taking up to 90 days to complete, and were hampering the growth rate of the company.

Potential Costs

There were a number of processes at the company that were rife with inefficiencies and the potential for significant costs to the business. Among the areas that the team in charge of finding a solution identified as having the greatest risk of negatively impacting the organization were the following:

- **Inefficient Processes.** The current processes were costing the company considerably. Because some of the processes to close new deals, collect rents, and arrange financing were taking up to 90 days, the company was losing business deals. In addition, the costs of the longer processing time in human hours was significant. Faxing wasn't an efficient way to handle the processes, and requiring a physical signature on several of the documents in the process often added extra days.
 - **Hard costs:** \$75,000 annually in human time. Cash flow loss of \$100,000 per month
 - **Soft costs:** Lost business opportunities—potentially in the range of \$250,000 per year.
- **Business errors.** The company was finding errors in its process for inspecting new properties and adding them to the network. These errors often delayed the inspections by several days and extended the time it took to get a new tower into operation.
 - **Hard costs:** Between one and five days delay per property, at \$10,000 per day in lost revenues per tower.
 - **Soft costs:** Decreased customer satisfaction from delays.
- **Compliance Failure.** The wireless company was required by law to comply with Sarbanes-Oxley. It was having difficulty achieving compliance without a process to manage the effort.
 - **Hard costs:** Danger of non-compliance would result in potential penalties as well as increased auditing costs of up to \$40,000 annually.
 - **Soft costs:** Potential risk to reputation.

Implementation of BPM

The wireless company adopted a BPM platform that served as the foundation for its company-wide processes. The initial pilot process ended up being a useable process that reduced the new site requisition process from 60 down to an average of 6 days.

After finding success with an initial process, the company then rolled out 50 additional processes in quick succession. The processes ranged from human resources to procurement to financing, and using the BPM solution the company was able to quickly build and roll out new processes. Realizing the power of the solution they had at hand, the wireless company made the decision to make its BPM solution an enterprise-wide standard within six months of adoption.

Benefits from BPM

The following areas saw the greatest measurable benefits from the wireless company's BPM with SOA implementation:

- **Improved Processes.** The company was able to dramatically reduce the requisition processing cycle from 60 days down to under 6 days. The company also streamlined

its new site inspection process, enabling its 50 inspectors to complete an additional site per week.

- **Hard costs:** Annual savings of \$75,000 in human time, and an additional 50 new sites added per year.
- **Soft costs:** The company is now adding new sites faster than the competition, leading to substantial market benefits.

- **Elimination of Errors.** With the automated processes the company found its error rate reduced significantly. Employees no longer spent precious time tracking where a process went awry, and, with an automated system and portal view of the processes that alerts users to potential process errors ahead of time, the company can be proactive on error handling.
 - **Hard costs:** Savings of more than \$200,000 by eliminating delays in new tower inspections.
 - **Soft costs:** Faster reaction rate to market changes, ability to get new towers raised ahead of the competition.

- **Compliance.** The added benefit of using the BPM solution to become SOX compliant was a pleasant surprise for the wireless company. The company quickly created processes using the system to track SOX compliance efforts, and as a result, met its important deadlines.
 - **Hard cost:** Avoidance of \$40,000 annually in audit fees.
 - **Soft cost:** Puts the wireless company ahead of its competition in compliance efforts.

Business Impact Statement for Wireless Company

After investing an initial \$150,000 in its BPM solution, the wireless company saw immediate results, including a hard cost savings of more than \$310,000 in the first year of live processes alone. The company quickly made the decision to extend its license enterprise-wide and has multiplied its positive business impact significantly over the past two years.

CONCLUSION

The rise of business process management as an enterprise solution to many organizations' process woes is impressive. As Upside Research has continued to track this market, the number of success stories continues to rise. Using the Upside Research Business Impact Statement, organizations can apply some of the main categories of business return from BPM to their specific situation and build a compelling business case for implementing BPM. Evaluating the current situation within the organization can be painstaking, but it will provide decision-makers with a clear picture of the costs of ineffective processes. Analyzing those costs and comparing them to the potential benefits and returns that a BPM solution will provide is the most straightforward way to determine how well BPM will deliver on its promise and what a BPM ROI might look like. Upside Research recommends that organizations use the Business Impact Statement as a first step toward evaluating BPM solutions, and work closely with their solutions providers to determine how much of an impact BPM can have on their unique environment.

About Upside Research, Inc.

Upside Research is a research and consulting firm focused on helping clients put application development, Web services, business process management, integration, and enterprise infrastructure challenges in perspective. Upside Research helps organizations find practical ways to achieve their IT goals and profit from the diversity of a changing technology landscape.

Upside Research, Inc.

www.upsideresearch.com

info@upsideresearch.com

IBM, WebSphere and MQSeries are registered trademarks of International Business Machines Corporation in the United States, other countries or both.

Other company, product or service names may be trademarks or service marks of others.

Copyright Upside Research, Inc., Newton, MA 2006. All rights reserved.