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Value-Driven Business Process Management

Impact and Benefits

Foreword

Business processes have emerged as a well-respected variable in the design of high-performance organizations. However, unlike other key managerial variables such as products and services, customers and employees, and physical or digital assets (e.g., data and information), the conceptualization and management of business processes still face some fundamental challenges. One of these is the link between the plethora of business process management (BPM) activities and their contribution to corporate value.

If this link is broken, it will severely impact BPM's credibility. Senior executives tend to "black-box" BPM: They have limited interest in its details. Instead, they need to see evidence that an investment in BPM leads to strategically relevant value. In other words, senior executives often take a value-based view on BPM, focused on its outcomes.

In contrast, an organization that "white-boxes" BPM can easily become distracted (or fascinated) by the complexities of its techniques and tools, and lose sight of the requirement to deliver corporate value. Such an activity-based view of BPM centers on the way BPM is conducted rather than its actual deliverables.

Our research concentrates on BPM as an enterprise-wide capability, going beyond a narrow understanding of BPM as an IT solution or as a project-related discipline. This joint project between Accenture and the Business Process Management Group at Queensland University of Technology explores:

• The types of value organizations currently derive from BPM

• How BPM methodologies need to be designed to achieve value

• The root causes of organizations failing to derive value

This report proposes a first set of values that that can guide global organizations conducting BPM initiatives. A value-specific process of process management and core roadblocks to achieving value-based BPM will be discussed in subsequent research reports.

Executive Summary

This paper details the first set of findings of a research project on value-driven business process management (VBPM). We studied a large number of published BPM cases and gathered additional data from case studies and interviews with organizations spanning industries. Our team identified transparency as the first core value associated with BPM: The approach supports a better understanding of processes, and enables organizations to consider them during managerial decision-making. BPM also ensures that the operational consequences of decisions are transparent enough to be taken into account during decisions (Kirchmer 2010).

Another identified value of BPM is its capability to mitigate three classical business conflicts. These three pairs of opposing values make up a set of six BPM values, which are both internal (efficiency, compliance, integration) and external (quality, agility, networking). An explicit understanding and prioritization of these values ensures that BPM initiatives do not get stuck in methodological or technical discussions. Indeed, such a prioritization and understanding enables an outcome-focused view of BPM, and helps organizations concentrate on what matters most to them and their customers. BPM approaches can be specifically tailored to those values deemed most important, ensuring that an appropriate process of process management is executed. This allows organizations to not simply describe the way current or future processes must be executed, but also build awareness among all employees regarding the values that matter for each process.

Key findings of our research include the following:

- BPM initiatives without firm support from senior executives and a strong sense of urgency are often focused on methodological and technical issues, and become activity-based programs

- BPM initiatives tend to be executed based on a general methodology, and in many cases are not tailored to the specific values that matter

- Transparency into processes and operations is a common core value of BPM initiatives

- BPM initiatives can help to overcome, or at least reduce, classical business conflicts that managers are facing (i.e. the "mitigating power of BPM")

- BPM initiatives can provide additional value to both of the core strategies identified by Michael Porter: They allow organizations to streamline operations (efficiency) and can contribute to increased quality of products, services and processes

- BPM initiatives support improved internal integration (for example, by driving the creation of employee-centered processes) and external networking via tighter supply chains and an increased focus on the environmental implications of corporate operations

- BPM initiatives are essential in ensuring predictability and consistency (compliance) as much as facilitating increased organizational agility

This paper discusses transparency and the three BPM value pairs in detail. It defines each of these values and presents the ways in which BPM approaches must be tailored to develop each of these six values in an organization. In addition, we show through related case studies how leading organizations have realized the potential of BPM for their relevant set of values.

Contents

Introduction

Business Process Management (BPM) has emerged as a holistic management discipline covering process-centered technologies, modeling and analysis methods, as well as such things as strategic alignment, governance, people and culture (Rosemann and vom Brocke 2010). The most prominent BPM predecessors that are today included in our value-driven BPM approach are:

- Lean Management and its focus on eliminating waste within processes

- Six Sigma and its concentration on measuring processes to reduce variation in corporate operations

- Total Quality Management and its concept of seeing process quality as a core contributor to product and service quality

- ITIL, eTOM, SCOR and other reference models that foster the idea of externalizing well-established process practices

- Workflow management and related software solutions (BPM systems, or BPMS) that automate the different phases of the process lifecycle

Today, BPM has substantially matured in terms of the methods, tools and techniques available. This increased maturity has encouraged its uptake among organizations across all types of industries. In fact, our research shows that BPM is well-positioned to become a more established management discipline (just like project, risk or change management).

Most BPM papers and presentations from academia and BPM professionals are activity-driven. In other words, they report on the procedural aspects of the process of process management, and describe intermediary outcomes such as process architectures, process models or implemented BPM offices. However, in most cases they fall short in terms of reporting BPM's actual achievements.

Our research shows that the lack of an explicit focus on the intended outcomes of BPM is a main reason for its limited credibility, and explains why BPM believers struggle to convince the rest of the organization of the value of the approach. In addition, the dominant activity-driven nature of BPM initiatives means that these projects rarely are part of the critical path of corporate development. Moreover, even if values are identified that drive a BPM initiative, existing BPM methodologies cannot be tailored to these specific values. For example, traditional Six Sigma approaches do not define the ways in which agile or carbon-friendly processes could be designed.

"Value-driven BPM" (VBPM) extends the current body of BPM knowledge and practices by giving priority to the objectives that drive a BPM initiative. Rather than following traditional BPM practices and concentrating on mapping the organization in hierarchies of value chains, VBPM starts with the "Value Value Chain." It raises issues such as how BPM can contribute to the strategic agenda of an organization, make processes tangible and help to overcome classical business conflicts. VBPM consists of a process of process management that can be tailored to the values that trigger the BPM initiative.

The BPM Values

Our research shows that organizations aim toward different values when starting a BPM initiative. In our view, these values can be summarized as one core value and three value pairs.

Transparency is at the core of the VBPM framework, and is fundamental to achieving any of the other six values. Only an organization that has a shared understanding of its processes can start reflecting on better ways to design and operate them. Thus, transparency is a necessary condition for VBPM.

The six values can be grouped into three value pairs. While each of these pairs consists of two values that tend to be oppositional, BPM has the potential to moderate and ease these traditional conflicts.

The **efficiency–quality pair** reflects the widely accepted dichotomy of Porter's strategic core alternatives: A focus on streamlined, highly productive operations or a concentration on a customer-focused, quality-driven strategy. The **agility–compliance pair** depicts the requirement to be highly adaptive and flexible versus the increased demand to ensure that operations are conducted predictably and according to compliance standards. Finally, the **integration–networking pair** captures the fact that organizations can concentrate on integrating their employees in the design of processes, or focus on networking with and benefiting from the input of external partners and resources. These three pairs are not strictly oppositional, and many organizations will actually have to address all six of these values in some

form during their BPM initiative. However, our research shows that a BPM initiative tends to be characterized by choosing priorities within this value framework and within each of the three value pairs.

Three of these values capture internal goals, including efficiency, employee integration and compliance. In contrast, the other three values—quality, agility and networking—reflect values with an external focus (Figure 1).

Figure 1. The Values of BPM
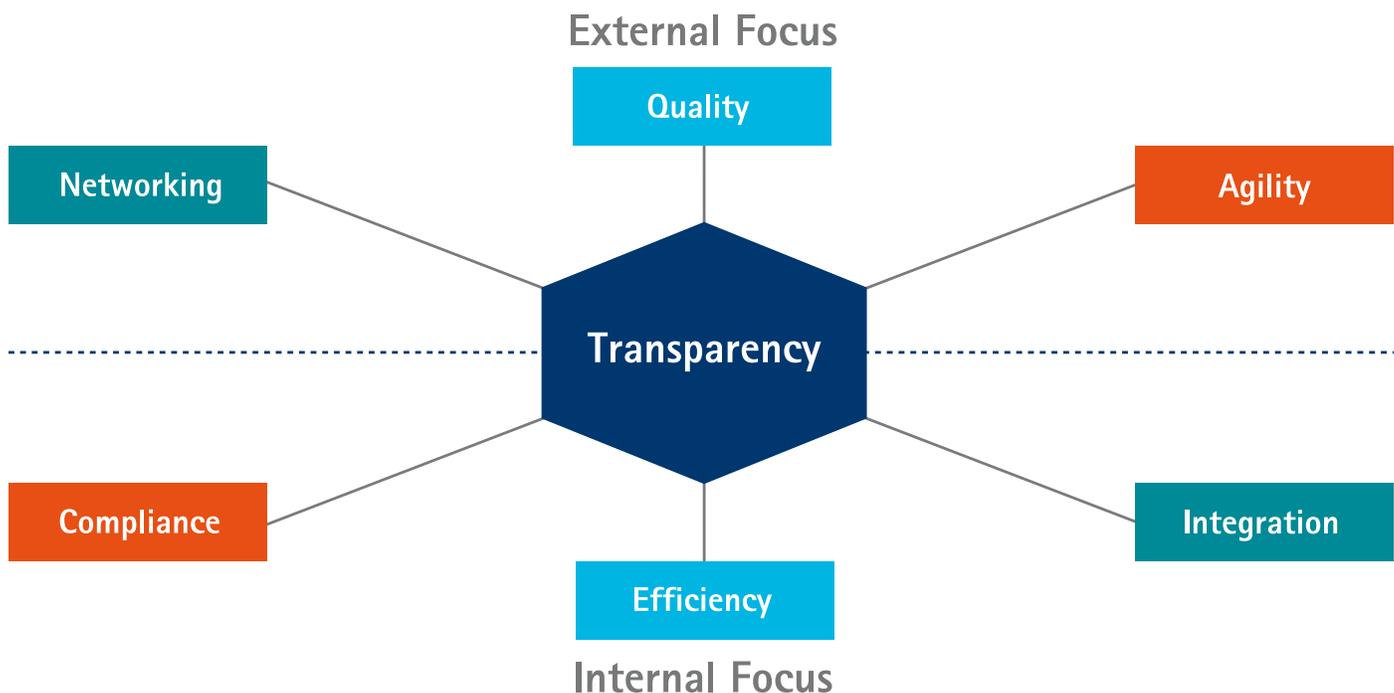
Transparency

Every well-executed BPM initiative will lead to increased transparency. BPM will immediately improve the quality of corporate decision-making, as it helps to contextualize such decisions in light of their impact on the organization's operations. In the context of BPM, transparency means visibility about the way an organization operates, how data is consumed and produced along a business process, what products and services result from a process, where customer interfaces ("Moments of Truth") exist, and what types of risk exposure the organization faces. Architectures such as ARIS help organizations conceptualize these different views on processes.

One manager of a small (260 employees) Australian government department phrased it as follows: "BPM is like switching the light bulbs on." In particular, transparency into corporate processes is appreciated by internal providers of other management services. In the case of one of our research partners, we were approached by the corporate risk manager, who turned out to be a key initiator of BPM in a semi-public utility company. He was asked to conduct a company-wide risk assessment. The design of risk-aware business process models was seen by him as a key instrument to achieve the transparency he needed.

Transparency as a driver for BPM requires, among other things:

- A process model repository that is scalable, supports user and user group management, covers current process modeling standards but can be customized, and allows publishing models via various channels (for example, over an intranet)

- The design of process models that are intuitive to relevant stakeholders in terms of their graphical design. This will typically require extensions and improved visualizations to make dominant process modeling techniques such as business process modeling notation (BPMN) and event-driven process chain (EPC) easier to understand

- Widely disseminated models that are easy to access (e.g., on the corporate intranet) without compromising information security

- The design of process models that capture relevant information for specific purposes, for example risk annotations for risk management, or job descriptions for HR management

- Role-based process models that only allow stakeholders to see those models that are relevant to them

- Interrelationships with other corporate models such the IT application landscape, which would allow an organization to judge the IT-related consequences of process changes

Corporate policies can achieve this transparency into processes by ensuring that managerial decision-making and project management incorporates the impact on business processes.

The Mitigating Power of BPM

Besides increasing visibility into operations and allowing organizations to include processes in decision-making, BPM plays a role in enabling essential values. Mitigation helps organizations ease trade-off decisions and avoid failure in process management efforts. This includes, in particular, the following three main compromises:

- Efficiency or quality?

- Agility or compliance?

- Integration or networking?

Considering the potential of BPM in such trade-off decisions allows greater balance, and, to a certain extent, helps organizations overcome compromises (Figure 2). As shown in the figure, three value pairs depict these trade-offs.

Figure 2: The Mitigating Power of BPM
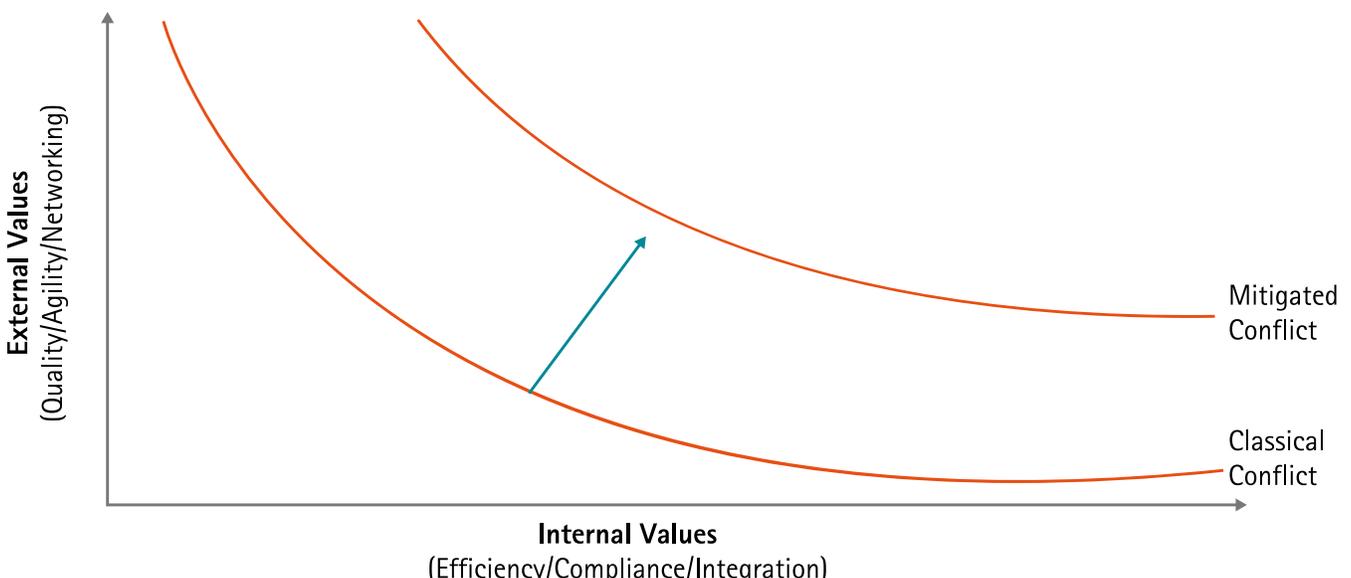
Efficiency–Quality Value Pair

The definition of leadership in cost or quality as the fundamental two (and oppositional) strategic alternatives is well-grounded in widely accepted research by Michael Porter. However, BPM has the potential to contribute substantially to both of these strategies.

If an organization is committed to the efficiency paradigm, it will aim to streamline its business processes by eliminating waste, redundancies and rework. This value driver is at the core of many BPM initiatives, peaked as a motivator during the global economic crisis, and is materialized in BPM methodologies such as Lean Management, with its concentration on eliminating different types of cost-driving waste.

For instance, a shared service organization in Australia has initiated a BPM program with the goal of reducing operational expenses by AUS$40 million over four years. Each process re-design project has to report its cost savings potential. Activity-based costing is widely deployed, and each process model is quantified in terms of its operational costs.

Improvements in corporate efficiency are often not immediately visible to external stakeholders, and only become so when they are passed on in price reductions. As such, BPM projects that seek to do "more for less" can be regarded as having an internal focus.

An efficiency-focused BPM initiative is characterized by the following:

- Strong monetary focus in the analysis and design of processes

- Comparative ranking of processes based on their business value score

- Capture of detailed process performance data (including processing time, resource consumption, and resourcing costs)

- Deployment of activity-based costing

- Identification and modeling of cost/complexity drivers

- Detailed tracking of costs related to the process of process management

An example of an organization that regards process improvement as a financial investment opportunity is QIC, one of the largest institutional investment managers in Australia. The company calculates a so-called business value score for a process based on various dimensions of strategic relevance, including the inherent financial opportunity.

In contrast, aiming toward quality reflects more of an external focus. Quality as a BPM value is defined by consumers who receive products and services as they are delivered by corporate processes. Quality goes far beyond the narrow (engineering-like) specification of products and services, also including, for example, the time it takes to deliver (time-to-market, time-to-order). Thus, quality is the core value that integrates a customer viewpoint into the analysis and design of business processes. Organizations that are driven by customer-driven quality as a key value will:

- Focus on measuring and controlling process performance issues and their root causes

- Embed quality metrics such as customer satisfaction into their processes

- Use relevant Six Sigma and Total Quality Management techniques

- Develop a profound understanding of the interrelationship between process quality and product/service quality

- Define the line of visibility, or the extent of the process that actually is exposed to the customer

- Will involve external stakeholders in the process of process management

Our research shows that the last item in particular—the active engagement of external stakeholders in the modeling, analysis and improvement of business process—is still in its infancy. Most processes are still described from the viewpoint of the organization as a provider, and do not sufficiently consider how they are perceived and valued by external customers.

Examples of the integration of such external metrics and stakeholders in BPM include:

- A bank that changed its view from executing the mortgage process to helping customers in the end-to-end process of buying a house

- A provider of superannuation services who changed its focus from operating business processes to determining which services it could provide as part of the retirement process in Australia

- An insurance company that analyzed and redesigned its claims-handling processes because of a drop in customer satisfaction. Among other changes, the new process started with the occurrence of customer events such as accidents, versus the first internal event (for example, receiving a customer call). The company also identified customer satisfaction as the single most important quality metric for the new claims handling process.

Agility–Compliance Value Pair

In addition to their strategic commitments, organizations are exposed to a continuum of demands ranging from ongoing change to compliance-driven conformance.

Agility reflects flexibility, adaptability and an essential dynamic capability. As a value driver for BPM it requires two things. The first of these: processes with built-in flexibility that can be adopted quickly in response to new requirements and changes in the corporate environment. The second need is for a streamlined process of process management that can be executed quickly and includes environmental monitoring.

The demand for agile processes can have different facets. It ranges from the requirement to design entire new processes, to the substantial re-design of existing processes, the temporary provision of alternative processes, and case-by-case, flexible process execution.

Organizations that value agile processes typically:

- Have a "light" process of process management that facilitates quick process adoption

- Embed pockets of creativity in their business processes, for instance by being less prescriptive in those parts of a process than cannot be anticipated and require situational decision-making

- Conduct environmental monitoring and understand how changes in their environment will impact their process landscape

- Do not prescribe fine, granular business processes

- Empower employees to take over decentralized process ownership

An example is an Australian insurance company that experiences heavily increased damage and claims volume following severe weather. A typical sub-tropical storm, for example, increases the incoming call volume of the insurer by more than 100 percent. This requires additional call center agents and an acceleration of the claim entry process ("rapid lodgment"). In this case, agile process management means the capability to monitor weather changes, revise resourcing and switch to alternative process practices as needed.

In contrast, compliance emphasizes consistency with defined process standards. In these cases, priority is given to the execution of predictable and standardized processes. Rather than seeking agility, such organizations value the trusted delivery of processes according to legislative requirements. Sarbanes-Oxley, ISO or Basel standards are a few examples of such requirements. Increasingly, compliance also includes the design and execution of processes that meet internal, global process standards or requirements related to mergers and acquisitions. For instance, many mining and oil and gas organizations have global process reference models with which regional offices must comply.

As an example, a large Australian bank spent millions of dollars on a process modeling initiative to ensure compliance with Sarbanes-Oxley. The resulting process descriptions included risks and controls in the context of their business processes. The related models formed an essential document as part of the required audits. However, while these models ensured compliance, they did not capture end-to-end business processes, and, as a consequence, needed to be revised to be useful for process improvement activities.

Organizations that strive toward compliant business processes will:

- Derive their process standards in accordance with the requirements of legislative or other standards

- Let these standards drive the scope and granularity of process management

- Need to ensure that the organization operates as specified in their process models

- Require well-defined process responsibilities and accountabilities

- Have precisely-defined process release management in place

Integration–Networking Value Pair

Third and finally, organizations tend to have a focus on either internal or external resources. However, unlike the efficiency value driver, the integration-networking value pair reflects the impact of process design on internal and external resources to a very large extent. This pair also raises issues such as how processes are seen by employees, and the external perception of the environmental impact of an organization's processes.

Integration is focused on the interrelationships between internal resources, particularly employees, as one of the most critical resources of an organization. Consequently, this BPM value captures the implications of current or intended process designs on employees. These implications include issues such as whether the process will lead to rewarding job descriptions, the employee acceptance of a new process design, and the impact of process metrics on desired behaviors.

Consider, for example, advanced process repositories that support employee navigation through complex process landscapes based on user-specific roles, which only allow those employees to see the process with which they are involved.

Also consider a state government department that undertook a BPM initiative to shape processes that were innovative and would attract new graduates. Along the same lines, a shared service provider put their employees at the center of their BPM initiative. Senior executives wanted to provide a sufficient yet minimal, easy-to-understand set of process documentation to help employees carry out their daily operations. The company provided each employee with access to this process documentation, and performed comprehensive testing to ensure ease-of-use.

A focus on value integration will require:

- The close involvement of employees in process management design to ensure high acceptance levels

- The capture of metrics such as employee satisfaction with business processes

- A well-maintained link between process models, operating procedures and job descriptions

- A decentralized, bottom-up approach to process improvement

In comparison, organizations that emphasize networking take the view that processes are assets involving external partners and resources. Examples include the recent move toward "green processes." Carbon footprint assessments within a business process are one way to capture this value. Another way to calculate the environmental impact of a business process is via activity-based emission control (ABE). Similar to activity-based costing, ABE assesses the extent to which processes consume certain resources, and the related emissions.

For example, a medium-sized utility company explored BPM as a way to collect data related to emissions along its inter-organizational supply chain processes. Based on modeling standards (e.g., BPMN) and process analysis methodologies such as Six Sigma, the company designed relevant extensions that facilitated this goal.

Accordingly, BPM methodologies must be able to evaluate and distribute information regarding carbon emissions of resources involved in business processes. Networking also encompasses the inclusion of customers, suppliers and any affiliates of the business in the process effort. All must be carefully integrated, to ensure maximum positive synergies and sustainable partner relationships.

Another quickly emerging feature of networking as a BPM value is the integration of social technologies into BPM. Complementing BPM systems with features provided by platforms such as LinkedIn or Twitter allows organizations to identify relevant resources outside their boundaries, as well as conveniently inform external stakeholders of status changes during the execution of business processes.

Networking as a driving value for BPM requires that the organization:

• Identifies the role of external partners and resources in the context of its business processes

• Complements its traditional focus on time, cost and quality with environmental impact (if relevant)

• Explores the benefits and opportunities of social technologies to engage with external stakeholders and resources

Which BPM Values Currently Matter?

The framework we have discussed consists of transparency as the core value, and includes three oppositional value pairs. It provides a structured set of potential values that organizations can aim for when conducting BPM initiatives. Our research shows that in most cases organizations have a primary value when conducting BPM. In order to better understand the relative importance of each of these values, we conducted 15 one-hour phone interviews with organizations in the USA and Australia with proven track records in BPM. Among other topics, we asked each participating BPM professional to list the top three values that motivated their BPM activities. Figure 3 shows the consolidated results of this survey, which show that the classical goal of BPM, streamlining organizational processes and eliminating waste in search of more efficient processes, remains the number one priority. Furthermore, it is obvious that internal values still dominate the corporate BPM agenda.
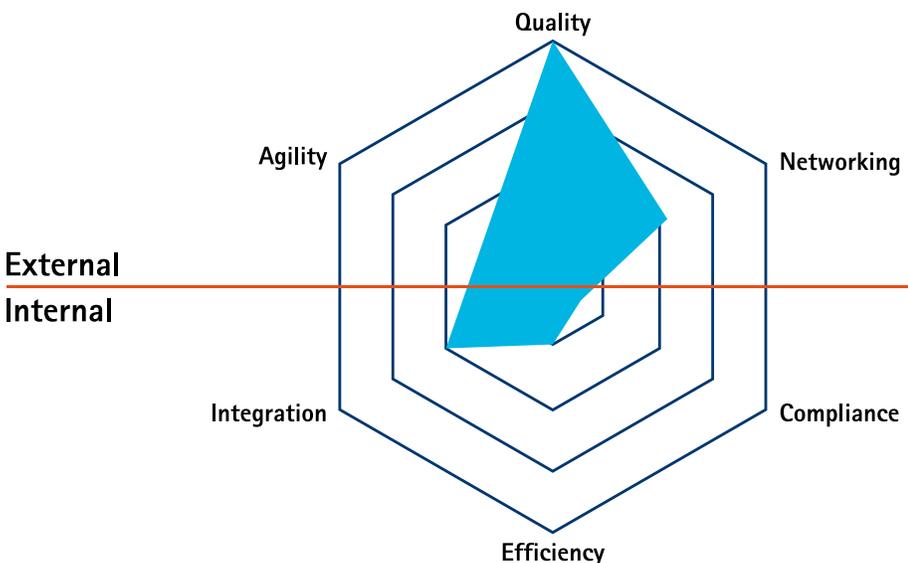
Toward Value-Based Business Process Management

Our research shows that most organizations follow an activity-driven BPM approach. While such organizations may have mature tools, techniques and methodologies, they often lack alignment between BPM and their strategic agendas. As a consequence, although they have a compelling narrative on how they conduct BPM and what artifacts (such as process architectures and models) they have developed, they may have only limited evidence regarding the actual achievements and net benefits of the approach.

In comparison, value-based business process management puts the desired outcomes of the BPM initiative first. As described above, this approach is based on a framework that consists of transparency as a core value, and that includes six individual values. We recommend organizations first clearly define the values that matter, and then tailor the process of process management accordingly.

This first report of our joint research project has presented the set of values that drive BPM. In subsequent papers, we will show how the process of process management must be customized for each of these values. Finally, we will present the results of our research in terms of the main roadblocks to value-based BPM.

Fig. 3: Which BPM Values Matter

External
Internal

Quality
Agility
Networking
Integration
Compliance
Efficiency

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Peter H. Franz is the Managing Director for Business Process Management and is responsible for the global team that helps clients deliver sustainable shareholder and customer value through scalable, efficient and agile business processes. In this role he is responsible for developing our offerings and assets to add pace and certainty to these change programs. This links well with his responsibility for Industry Program Enablement, where he coordinates the development of the industries across all five operating groups —sharing best practices and providing shared services to support them. He also has responsibility for the Knowledge Exchange and collaboration infrastructure.

Since joining the firm in 1983, Mr. Franz has worked for companies across a number of Industries, assisting them in various process improvement programs. He has a personal focus on championing thinking on simplifying the business model to achieve a more customer centered, cost effective outcome in a growing, information intensive environment.

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Dr. Kirchmer holds a PhD in Information Systems from Saarbruecken University (Germany), a Master in Business Administration and Computer Science ("Wirtschaftsingenieur") from Karlsruhe Technical University (Germany) and a Master in Economics from Paris-IX-Dauphine University (France).

Professor Michael Rosemann

Professor Michael Rosemann is the Head of the Information Systems Discipline at Queensland University of Technology, Brisbane, Australia. This Discipline includes the Business Process Management Research Group, one of the largest applied BPM Research Groups in the world. Dr Rosemann is the author/editor of seven books and more than 170 refereed papers in international journals and conferences. His publications have been translated into German, Mandarin, Russian and Portuguese. He is on the editorial board of ten journals and is named co-inventor on two US patents related to process modeling. He provides regular advice to senior executives in all matters related to value-driven BPM and has been an invited keynote speaker for organizations such as Oracle, SAP and Gartner.

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About QUT

QUT's Business Process Management (BPM) Group is one of the world's largest applied research groups dedicated to rigorous and relevant research on all facets of process centered management. With more than 30 members, substantial knowledge and bandwidth exists to conduct a broad scope of topics in great depth and detail. QUT's BPM Group has a global reputation for its work on maturity management, process lifecycle management, process modeling and configuration, workflow patterns, and YAWL (Yet Another Workflow Language). The group has had substantial impact on the global body of BPM knowledge and its uptake in industry and academia. A number of books published by QUT members have become standard references in the BPM domain, and many of the Group's scientific articles reside amongst the most-cited papers in BPM. QUT was the first university, outside of Europe, to host the International Conference on Business Process Management.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 244,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$25.5 billion for the fiscal year ended Aug. 31, 2011. Its home page is www.accenture.com.

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