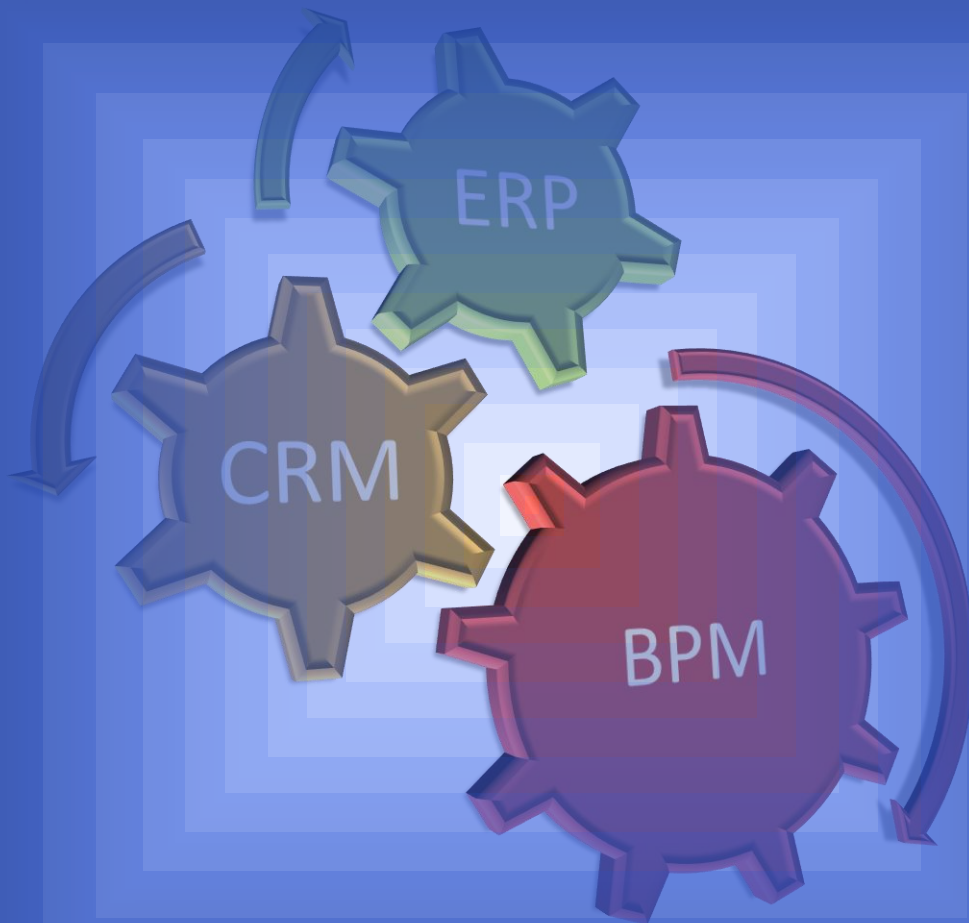


# Business Process Management Practice

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## **INTRODUCTION TO BPM**

- *Exploring the new perspective of business process improvement*



## Executive Summary

This paper is written to generate awareness about the management principle Business Process Management (BPM). In today's changing world, to stay competitive the role of BPM is crucial. Main concepts of BPM are explained in the paper. This paper also highlights the importance of BPM and touch upon the design details using BPM suites. Benefits, standards and best practises of BPM are explored.

## What are business processes?

*“Process is the enterprise”*

Every company has its own unique way of doing business and this unique way is captured in the business processes of the company. A business process can be defined as "a collection of related, structured activities that produce a service or product that meet the needs of a client". Often these unique business processes running in the organisation are what make it competitive. These processes are critical to any organization since it generates major revenue and it constitutes the major chunk of costs to the organization.

Business processes are inter-related and inter-dependent. These processes also changes with time. Processes interact with existing system within the organization and with outside parties. Successful automation of these processes helps any organization.

## How to improve business processes?

Few factors that drive for improvement of the business processes include

- Improving customer service.
- Reducing cost and inefficiency.
- Introducing new products in the market.

To improve business processes top management is willing to invest more in Information Technology (IT) projects to automate these processes. Approaches to improve these processes and integrate activities can be coupled with existing IT portfolio. Approaches such as Total Quality Management (TQM) emerged in the seventies. Later the concept of Six Sigma, which combined process analysis with statistical quality control techniques and a program of organizational rewards and emerged as a popular approach to continuous process improvement. Other processes, such as Lean as followed by Toyota and Capability Maturity Model (CMM) are also used for organizational transformation. Business Process Management (BPM) is a process oriented management principle integrated with IT portfolio for continuous improvement of business processes. BPM can be considered as a systematic approach to improve an organization's business processes.

## What is BPM?

*"BPM is a management practice that provides for governance of a business's process environment toward the goal of improving agility and operational performance. BPM is a structured approach employing methods, policies, metrics, management practices and software tools to manage and continuously optimize an organization's activities and processes."* – Gartner Research Report.

BPM can be defined as “*supporting business process using methods, techniques and software to design, enact, control and analyze operational process involving humans, organizations, applications, documents and other sources of information*”.

BPM provides companies the ability to model, manage, and optimize the business processes for significant gain. BPM provides a window for management to translate the business strategies to actions for all its business processes. This is made possible with ease and without much cost. Identifying what are the key business drivers is the first process and this has to be in alignment with the business strategy. Investing in BPM Suites helps to increase enterprise agility and encourage greater business user involvement in the process improvement life cycle. BPM is just not a technology. It can be classified as management practises or software suites developed to improve business processes. The BPM suites that are developed can be classified as **human centric** (human involvement is required while performing the processes) or **system centric** (a set of processes which are highly automated and requires very less or no human intervention).

Usage trends of BPM in Small and Mid Sized Enterprises show that the areas in which it's deployed include (in the order of magnitude of usage)

- Budget and Planning
- Management Reporting
- Financial Modelling
- Quality and Research
- Dashboards
- Status Reporting
- Advanced Analysis

(Source: *Business Finance Hyperion Mid-Enterprise BPM Survey: Feb 2007*)

Quote from Gartner Research Paper:

*"Business process management (BPM) can streamline customer interactions and realign overworked employees with a new aura of process efficiency."*

## Is BPM just process automation?

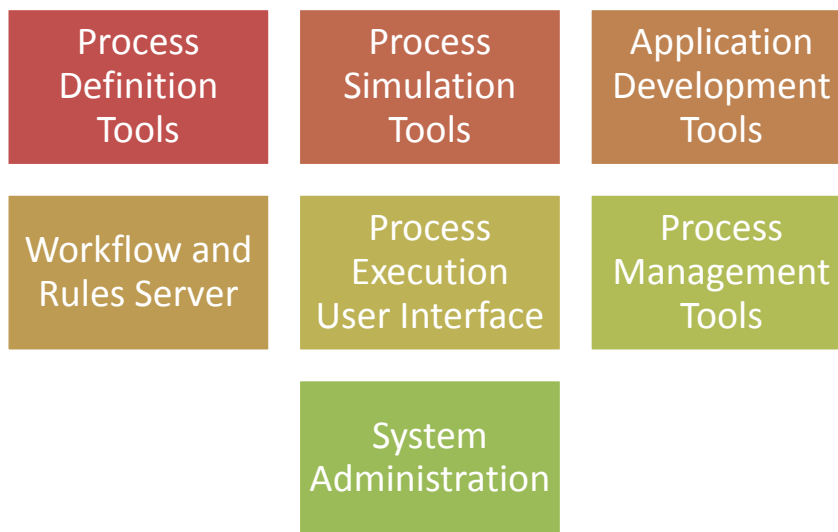
*"Don't automate for the sake of it."*

IT solutions that automate processes in any organization can be built on any platform. Independent software vendors provide solutions according to the needs of customers.

Interoperability and maintaining these tools corresponding to changes becomes hard. Employees need to be trained on all the tools. BPM acts a single system that gives comprehensive solution to any organization. BPM practises are not just automation of few processes but BPM align itself with strategy of firms. BPM asserts that before any process can be automated, it is necessary to define (often at a very strategic level or enterprise-wide) all of the business processes running inside an organisation. From this the processes can be re-defined and where necessary can be optimised, including automation. BPM directly impacts an organizational ability to adapt to changes, meet customer requirements, reduce operational cost and improve service quality.

## Components of a BPM system

A Business Process Management system consists of a set of tools, which allows users to define, automate, execute, manage and improve business processes. It may comprise of variety of independent packages or a comprehensive suite. The activities can either be manual or automated. The tools for improving the business processes can be described generically as



**1. PROCESS DEFINITION TOOL:** A process definition tool is a graphical drag and drop tool used to define process in terms of activity flow, business rules and information flow. A set of standard designs are present which are used to notify particular workflows.

**2. PROCESS SIMULATION TOOL:** A simulation tool is used simulate real life conditions and identify process bottlenecks or resources requirements. This helps in predicting and overcoming business issues right at the design-time.

**3. APPLICATION DEVELOPMENT TOOLS:** Business process applications built using BPM systems require system development efforts for building user interface (forms), and bringing about integration of BPM engines (Workflow and Rule servers) with business

applications deployed within and beyond the organization boundaries. The application development tools minimize the system development efforts by a set of coordinated activities.

**4. WORKFLOW AND RULES SERVER:** Workflow and rules server execute activity flow, information flow, and business rules. They assign tasks to human performers based on the activity flow and rules defined and inter-operate with other back-end systems. The rules are defined according to the needs of the system corresponding to the business processes.

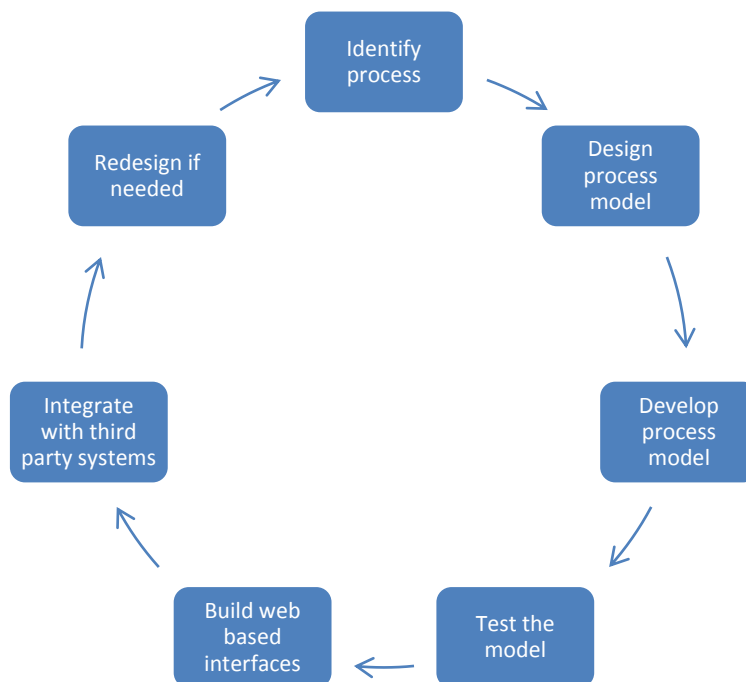
**5. PROCESS EXECUTION USER INTERFACE:** Process execution user interface provides a run-time environment to process performers. This interface allows users to initiate process instances, view tasks and associated priorities, and carry-out tasks assigned to them.

**6. PROCESS MANAGEMENT TOOLS:** Process Management tools provide process activity and performers monitoring application, query application & analytics tools. It allows monitoring performance of the various process parameters and taking corrective actions proactively in case of delays and exceptions. It also helps to analyse process and business performance data to identify areas of process improvement. More advanced systems support export of process data from production environment to simulation environment. Overall improvement of the whole system of business processes is a direct outcome.

**7. SYSTEM ADMINISTRATION MODULE:** System administration module allows system administrators to configure servers, monitor server performance, perform user and access rights management, etc.

## A typical process life cycle using BPM

A basic model to design a process using a BPM system can be described as



This model describes a generic process in designing a BPM suite, the stages of which is may not be needed while designing all the BPM suites. Before deploying the BPM system, it can be simulated /tested which helps in identifying whether the tool is capable.

For example, a new business application process in life insurance industry is the series of activities such as receipt & scrutiny of application form by customer service executive, data entry in core insurance system by data entry operators, underwriting of the application by underwriters, and issuance and dispatch of the insurance policy document to the customer by back-office staff. The process involves manual activities as well activities supported or automated by IT systems such as core insurance system, underwriting system, etc. As a result, BPM systems, which offer the vision of enterprise wide process management, offer themselves as a software layer integrated with and running on top of enterprise applications layer in the IT architecture of the organization. The processes are identified and models are developed. User interfaces are designed and the whole system can be simulated before deployment.

## What are the benefits of BPM?

*'...process more with lesser effort and better quality'.*

Three core benefits of implementing BPM can be identified as

- **EFFICIENCY** – BPM allows reducing wastage, reducing manual effort and improves coordination between activities. BPM allows reducing overall cycle time and the time to incorporate changes is improved.

Few of the notable changes which increases efficiency will be

- **Eliminate Manual Data Entry**
- **Reduce Process Cycle Time**
- **Reduce Analysis and Routing**

- **EFFECTIVENESS** – Implemented BPM suites allow organizations to effectively improve the processes. A well implemented BPM system help in monitoring performance and identifying unseen bottlenecks in systems.

Few of the effectiveness changes will be

- **Handle Exceptions faster and better**
- **Make decisions better**
- **Consistent execution**

- **AGILITY** – BPM platforms provide ability to meet changes. These changes can either be driven by internal or external factors. BPM allows the users to meet these changes in a faster and controlled way. Moreover ability to accommodate unforeseen changes is a process is an added advantage of BPM.

Few notable changes which increases agility include

- **Faster Regulatory Compliance**
- **Supporting New Business Models**

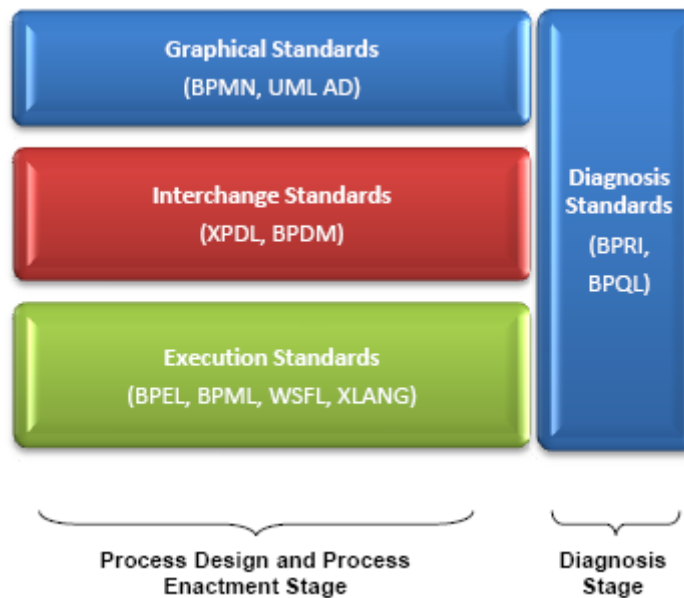
## BPM Standards

Standards play an important role in BPM. Though the standards are in maturing phase organizations using and designing BPM products should conform and consider the standards while developing potential BPM solutions.

### Standard Based Architecture

Standards let organization reduce risk of vendor lock-in and opens up connectivity with changing enterprise IT infrastructure.

BPM standards can be classified as



*Source: Business Process Management Standards: A survey by R K L Ko, S S G Lee and E W Lee.*

- **GRAPHICAL STANDARDS** – allows users to express business processes and their possible flows and transitions in a diagrammatic way. Business Process Modelling Notation (BPMN) provides methods to organizations internal and external processes using Business Process Diagrams.
- **EXECUTION STANDARDS** – for deployment and automation of business processes. For example Business Process Execution Language (BPEL) provides a standard language for the definition of business processes and business interaction protocols.
- **INTERCHANGE STANDARDS** – to facilitate portability of data across different BPMS.
- **DIAGNOSIS STANDARDS** – provide monitoring and administrative capabilities.

## Pitfalls of BPM- Guidelines to avoid the Pitfalls!!!

With increased implementation of BPM technology the rate of failures is also on the rise. There is no such thing as a best practise in business processes, key area of success is identifying how BPM can fill the gap in strategic planning.

Few of the guidelines that should be followed to avoid common pitfalls include

- **Upfront planning** - Plan for the changes instead of going by intuition.
- Think differently in implementation for continuous improvement and innovation.
- BPM should not be used for reducing workforce; instead it should be an integrated effort where people work together.
- Be customer centric.
- Leverage existing infrastructure while implementing BPM.
- Redefine roles and responsibilities with changes.
- **Team structure** – Put the business in charge, but let IT manage changes.
- Look for business friendly features while selecting technology.

## About Aufait

Aufait partners with 'Intalio', the leader in Open source BPM systems in developing comprehensive BPM suites. Aufait's expertise is in providing complete solutions to its customers from identifying the possible improvements to building the process systems including building enterprise wide networks. Aufait's skilled team has rich experience in helping clients in various sectors to harness the power of emerging technologies for streamlining business processes.