

White Paper

Business Process Management Trade offs between ROI, Scope, and Implementation Risk

John Voytko



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518 Main Street Pittsburgh, PA 15642 724-861-9953 www.xec1.com

XeC is a software consulting group specializing in asset finance system implementations.

Many financial institutions are in the process of investigating Business Process Management (BPM) technologies and identifying appropriate pilot projects. Early adopters are leading the charge in the testing and deployment of BPM technologies. These early adopters are adept at balancing technology and deployment risks with the ability to extract a competitive advantage. But even for the less adventurous firms, the timing is right to this technology on your radar screen and start looking for potential pilot application opportunities. Understanding the nuances of the risks associated with BPM can improve your chances of success when the time comes.

Getting approval for pilot projects generally requires the presentation of a compelling business argument and then championed by some decision maker. But approval is one thing, implementation is a whole different undertaking. The whole purpose of a new technology pilot should be to yield a successful test of the technology, validate savings, and establish internal expertise. The problem with many new technology initiatives is that in order to justify the initial cost, the scope and business processes involved must be expanded to the point that the sheer scope dooms it to a slow and costly failure. What is often overlooked in the initial cost justification is the relationship between scope and the probability of success measured by on time and on budget deployment. This author's goal is to provide some insights into the expanded risks that are associated with BPM technology deployments and ways to minimize your risks with initial pilot applications.

BPM/Workflow - An Overview

In a broad sense BPM is the evolution of what previously referred to as workflow/information management and optimization. This new technology promises business managers and corporate policy makers real-time control over workflow rules, workload balancing and exception handling; all of this without the need to understand complex software programming languages. The concept of financial workflow management and optimization has been evolving for over three decades. Mainframe computers were initially installed to rapidly batch process data captured by various business units. Data entered by one business unit was batch processed by mainframe programs and made ready for the next business unit. Exceptions were flagged and reported the next day for the upstream business unit to correct.

The concept of workflow management began to emerge as a specialty field when the interval time between batch processes was reduced from days to hours and minutes. Work units became smaller and the concept of an electronic work queues emerged. Managers up and down the line could for the first time see the status of work across all of the business units. Areas for improvement were identified and changes to the business software were scheduled with the IT programming staff. The next breakthrough came when computer systems added the ability to manage scanned documents as data. With the restrictions imposed by physical documents removed software designers could route complete and actionable work packets within the company without geographical restrictions.



Workflow Design and Control Moves to the Business Manager

In traditional software systems, business analysts/consultants would specify program requirements and IT departments would capture the requirements and workflow logic in static computer code. Once rolled out, this solution was put into production. Major deficiencies and performance issues would be address as it was used in beta and production environments. Periodically fixes would be requested by the business units and implemented by the IT team. Every few years the whole system was reviewed for major overhaul or replacement. BPM promises to shift the ability to design, modify, measure, and adjust general software and workflow systems from the IT departments to the business management team by providing tools that help managers describe their workflow and decision logic. Once in place BPM systems allow business managers to change workflows and decision logic in real-time by updating system parameters rather than recoding. Intelligent agents (i.e. software programs) could be added to points along the workflow to automatically take action based on specific logic provided by the business and policy managers. Many BPM systems also offer the ability to simulate different business logic and volume to test out how the new design and intelligent agents perform. On one hand this has the potential to reduce development time and improve the efficiency of the workforce, but the trade off is the upfront time and effort required of the business managers and policy makers to articulate and capture their business logic.

BPM Additional Benefit as a Legacy System Extension

An overlooked benefit of BPM technology comes from the ability of many of these systems to integrate and consolidate information from diverse software systems. By using BPM systems as a workflow overlay previously isolated legacy systems can yield huge production benefits. In fact many BPM systems are being justified as consolidators and preprocessors of legacy systems freeing staff from the busy work of chasing down client information that is stored on multiple systems. As more business logic is gleaned from management and staff the BPM solution can process more work units with program agents freeing up additional staff to handle the more complex work. Successful BPM deployments are often seen cropping up on the edges and interfaces of 3rd party software systems. A good place to look for a pilot BPM pilot application would be in business units that use multiple systems and function as gatekeepers for passing work units on to other business units. (e.g. Remarketing, Collections, Cash Application and Customer Service)

Overcoming Management Reluctance to Change

In the past because technologies were not available to monitor the organizational “big picture”, business units focused on optimizing only their value add part of the process and had little influence on what was happening upstream or downstream from their operations. They’re success measurements and compensation were derived from how efficiently their individual business unit processed work, not on the efficiency of the entire business process. Also, problems or mistakes within the manager sphere of responsibility were not broadcasted to other groups. No one was looking over the manager’s shoulder on a daily basis. Production reports and performance reviews used



monthly or quarterly aggregate metrics to judge performance. In properly implemented BPM systems, business units are tightly linked and monitored in real-time. This high level of monitoring provides the means to rapidly identification and correct workflow problems. The bad news for many business units is that they find themselves as the ones identified as being the weak link. One of the big obstacles to overcome in deploying a large-scale BPM system is to get complete buy in from each manager on why it is in their best interest to embrace this additional scrutiny and why they should invest in learning the technology. Very early on in the evaluation stage management must be made to feel a vested interest in the successful deployment. It is painful to have to change procedures that have been refined and tested over many years. Allowing input before and during through the pilot project coupled with upper management time and resource commitment goes a long way to achieving buy-in. An alternative to slugging through a large-scale BPM deployment is to break the project into smaller projects with the eventual goal of linking the separate pilots together. This approach offers the chance to select only managers and business units that want to be champions of the new technology and allow you to bypass the reluctant groups.

Technology risk

Venture capital money is rapidly flowing into the BPM sector. In addition, existing consulting, document storage, and workflow software companies are trying to rework their solutions to tap into this emerging market. BPM is so new that coding language, interfaces, and even terminology standards among solution providers have not consolidated into a “standard”. Early adopters must make an educated guess on the longevity of their chosen vendor since many have yet to turn a profit. Can your project be too big for the start up? Will it bury them? This is not a new dilemma for early adopters, but a risk that has to be factored into your project justification. You have to do your homework by thoroughly reviewing references and successful implementations of the vendors in your potential deployment areas. For example, if a BPM vendor has already solved an asset returns business process for a peer company and that’s an area within your organization targeted for improvement, your implementation risk should be less for that vendor than for vendor starting from scratch. In fact if you look at the vendors with the most installations in the BPM space you will notice many are already specializing in specific business areas. Even though a BPM vendor may have a track record in a specific area, find out if they have experience with your legacy systems.

Scope Risk

Similar to corporate-wide technologies like ERP solutions, large scale BPM solutions can show huge benefits on paper as a large number of business processes are tied together and managed as a coherent workflow. What is often not considered is the idea that the larger the pilot scope the smaller is the chance of a successful on time, on-budget implementation. If you think of a BPM project as a series of mini projects strung together with each one dependent on the others for success, any problem in any of the project steps will adversely impact the entire project. When thinking about scope creep, remember probabilities are multiplied together not added. For example if you have 3



units involved with a project each with a 90% chance of a successful implementation. The entire project probability is $.90*.90*.90 = 73\%$ not 90%. In reality you are not going to be able to place an accurate percentage on the on-time, on-budget completion of each part of the project and the above is just an illustration, but the more business units, managers, and resources you put together to reach your threshold ROI, the higher the chance of failure. One strategy might be to pitch the big picture to generate interest, but then scale back the actual pilot into controllable mini pilots. It is the classic return vs. risk decision.

I learned early on that the toughest implementation is not necessarily the first one; it is the one that has to follow a failed implementation. BPM is set to offer great efficiency savings to financial institutions in the next decade. By looking for low risk pilot BPM applications rather than mega projects, companies should be able to minimize their resource investment as they move up the BPM learning curve.

About John Voytko

John Voytko is the president and co-founder of XeC, Inc. a software consulting and support group specializing in leasing system selection, implementation, analysis, and education. Mr. Voytko has over 15 years of experience in technology implementations and has been involved with the installation of over 350 leasing and loan systems in 22 countries. For the ten years prior to XeC, he was the director of new business for LeaseTek, a leading international provider of lease and loan software. Prior to LeaseTek, Mr. Voytko worked for a start up company developing optical character recognition software and worked for Mellon Banks IT department for the selection, planning and implementation of their pilot image management and workflow system. Mr. Voytko earned his Bachelor of Science degree in petroleum engineering from the Pennsylvania State University and his Masters degree in management and policy analysis from Carnegie Mellon University.

