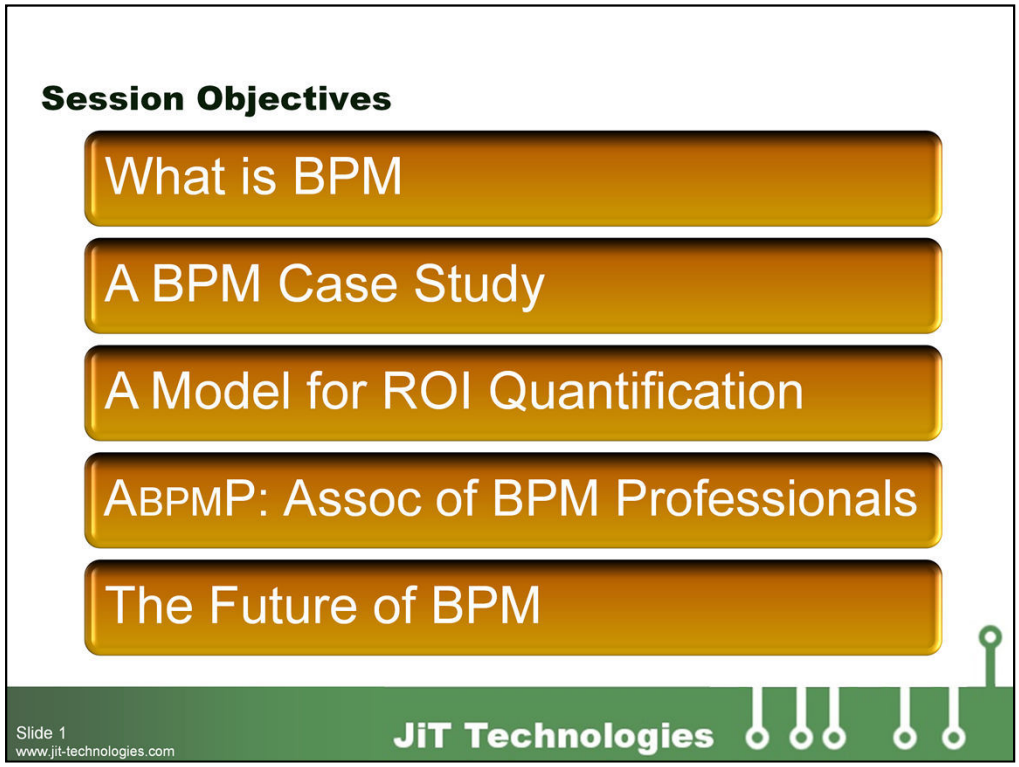
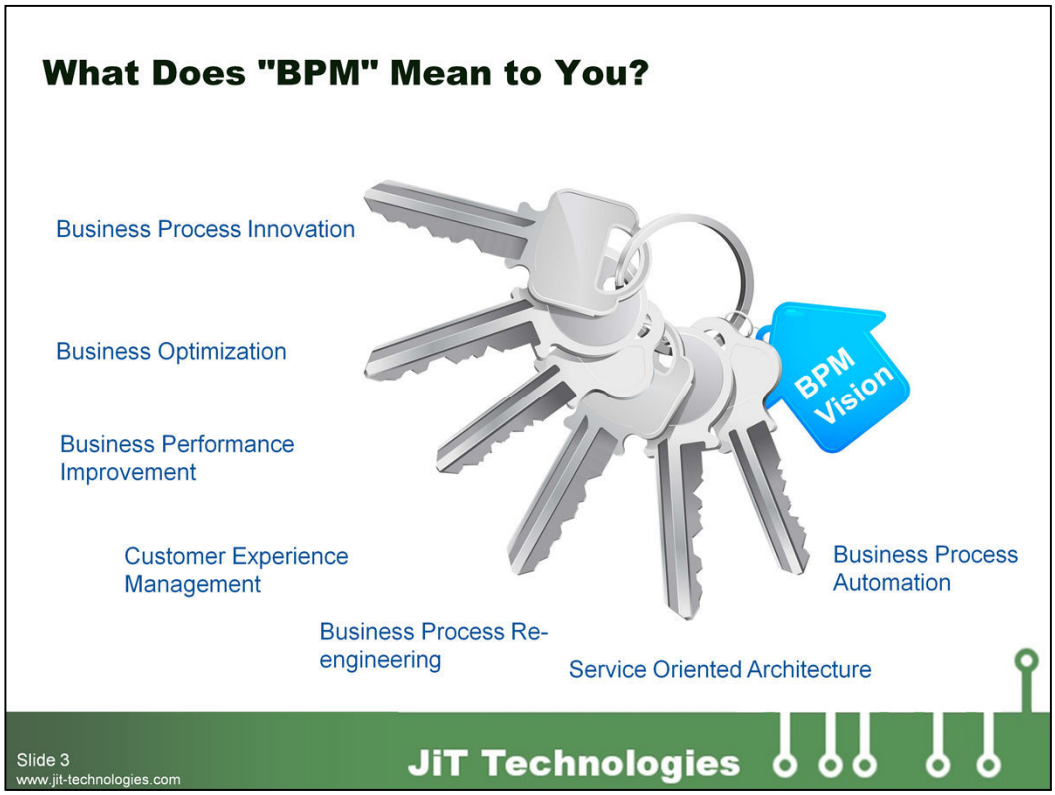

Session Objectives
What is BPM
A BPM Case Study
A Model for ROI Quantification
ABPMP: Assoc of BPM Professionals
The Future of BPM
Slide 1
www.jit-technologies.com
JiT Technologies

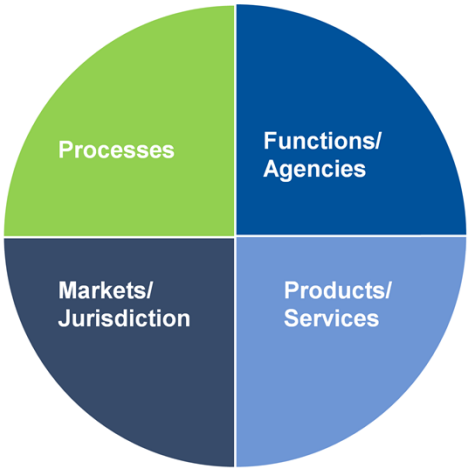
What Does "BPM" Mean?



Recent research revealed that different organizations approach BPM with very different mind-sets. Your mind-set significantly influences your BPM program and maturity. For example, business process automation is a fine goal, yet it inhibits the realm of possible improvement approaches (such as eliminating certain tasks altogether). BPI refers to the general goal of improving business processes. BPM is one newer approach. (Past approaches include total quality management and business process re-engineering). Business process management is a management discipline that treats processes as assets that directly contribute to enterprise performance — by driving operational excellence and business process agility. It is the most effective approach to improving business processes that require frequent process change. Of course, this requires that adopters determine which of their operational processes should be changed more frequently than others and which ones need to be more flexible. BPM is distinguished from past process management approaches in its emphasis on process agility and continuous optimization, rather than adoption of a single best practice and the assumption that practice will sustain the same level of business value for years — a "design to last"

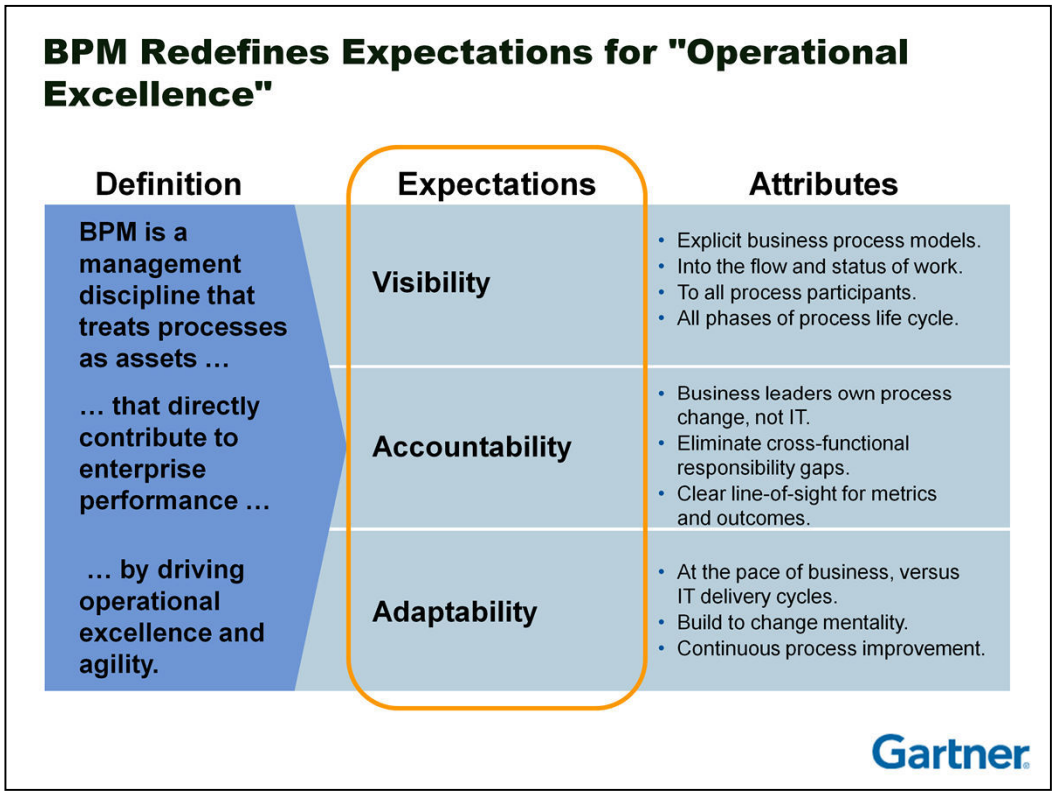
mentality. Furthermore, beyond automation of routine activities, BPM's broader focus on resource coordination delivers greater business performance results. By utilizing the newest BPM technologies, companies can better optimize their business results.

Constituents Experience Your Value (or Not!) Through Your Operational Processes.



Yet "Process" Is the Invisible Dimension of Your Organizational Structure.

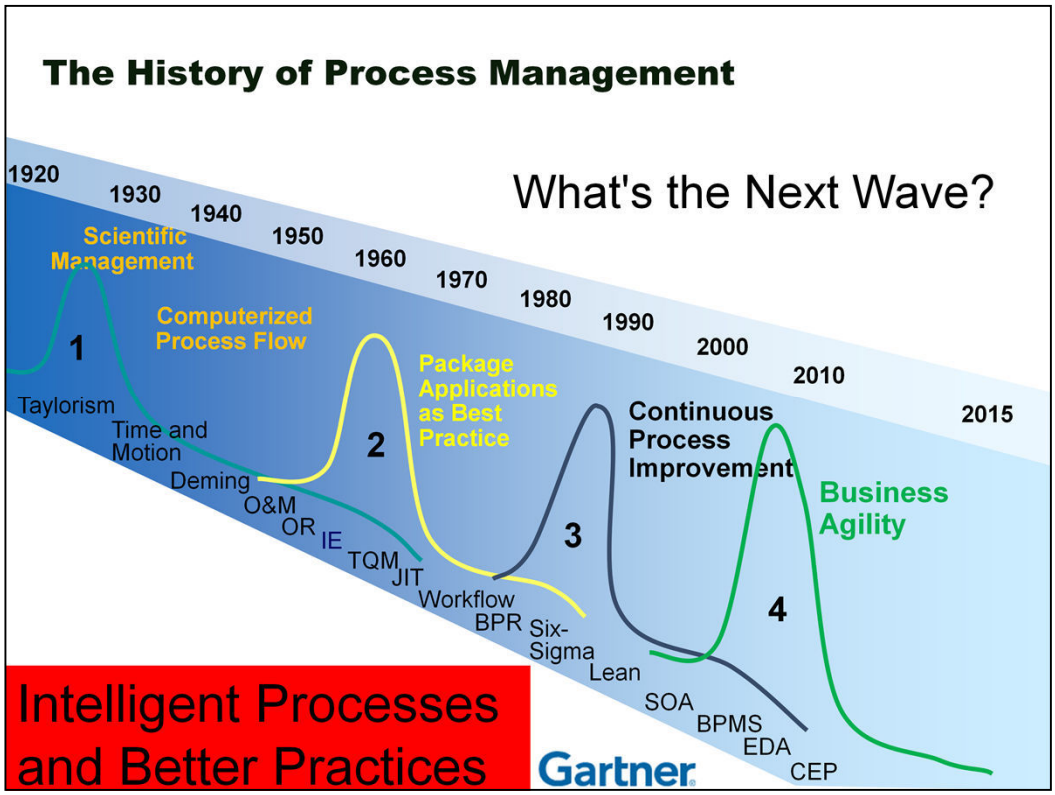
Gartner



Key Issue: Why is BPM more important today than ever?

BPM treats processes as assets to be improved and to contribute directly toward enterprise performance — by driving operational excellence and business agility. Unlike past process management disciplines that stressed process efficiency, BPM emphasizes process visibility, accountability and adaptability as new measures of operational excellence.

A Gartner survey of chief-level executives (conducted in December 2009) indicated that more than two-thirds see value in using a BPM approach to achieve their business priorities. According to this study, the chief-level executives expect ongoing volatility in the market and anticipate changes in their business models. As a result, they are cautious about using traditional information sources and methods to support management decisions that may be more suitable to the prerecession "good old days" than to the "new normal." They are seeking new approaches to managing the work of the organization, and this is what BPM provides. It provides a way to improve business processes that helps organizations to cope with frequent process changes: by making processes explicit and visible, by using highly agile and iterative methods, and by empowering business stakeholders to make changes to the underlying solutions supporting business processes.

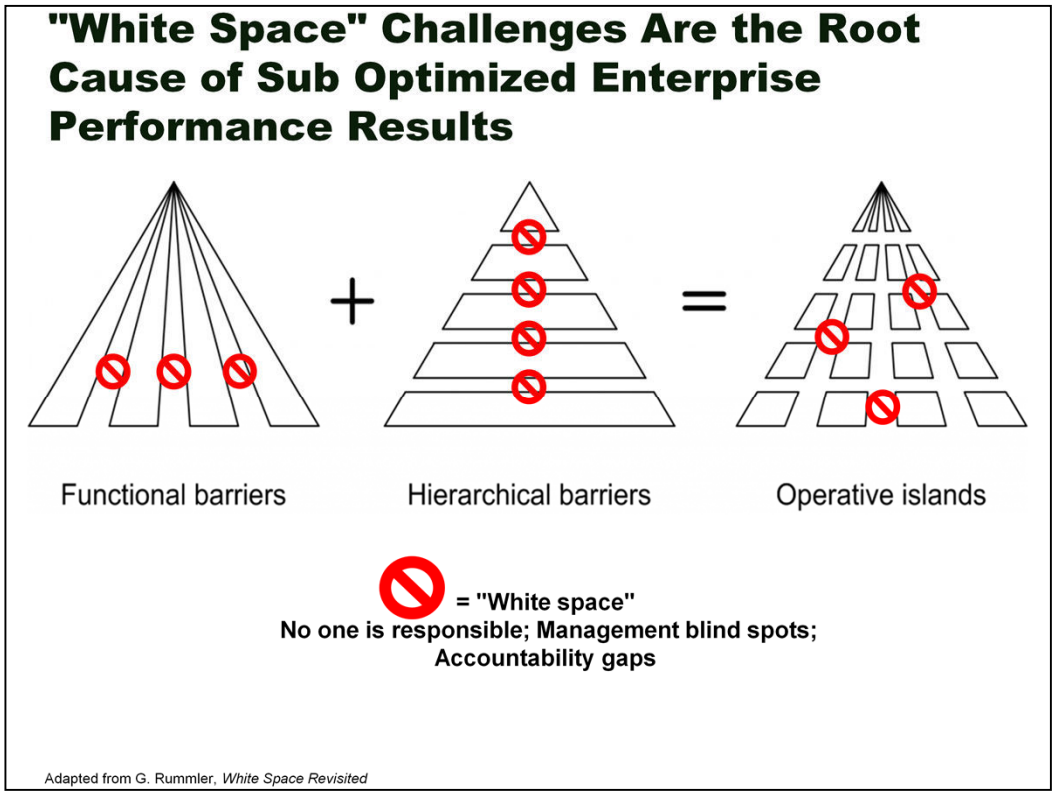


During the past 100 years, breakthroughs in process management have been fundamental to the progress of corporations, industries and economies. Process and quality discipline transformed Japan's fortunes in the decades after World War II, which shows the economic muscle that better process management thinking can deliver. Seeing modern business process management (BPM) in this larger context helps us understand that we can get immediate returns year by year, but that this is a long-term endeavor in which the outcome really will be more than the sum of the incremental steps. Macro-level cycles of process management change take decades, because people, cultures and industry value-chain mechanisms have to reform to achieve their full value.

We are now at the beginning of the next wave: the world (finally!) gets "process." Everyone recognizes that process is the way work is done. IT organizations now recognize that applications *support* processes, but they are not *the* process. Many forms of work require human insight, creativity, collaboration and judgment. Furthermore, in an increasingly volatile business environment, most organizations now recognize that many processes — especially external, customer- or partner-facing processes — need to be more flexible. Business agility has been the major theme for the past decade, with service-oriented architecture (SOA) and BPM seen as complementary for designing in flexibility. An SOA-designed, "built for change" mentality supports continuous process improvement, with improvements being delivered more easily and faster than with previous application architectures. Combining SOA with BPM's improved workflow, monitoring and modeling technologies has also enabled flexibility to be achieved through better coordination of human efforts, rather than a simple focus on efficiency through automation.

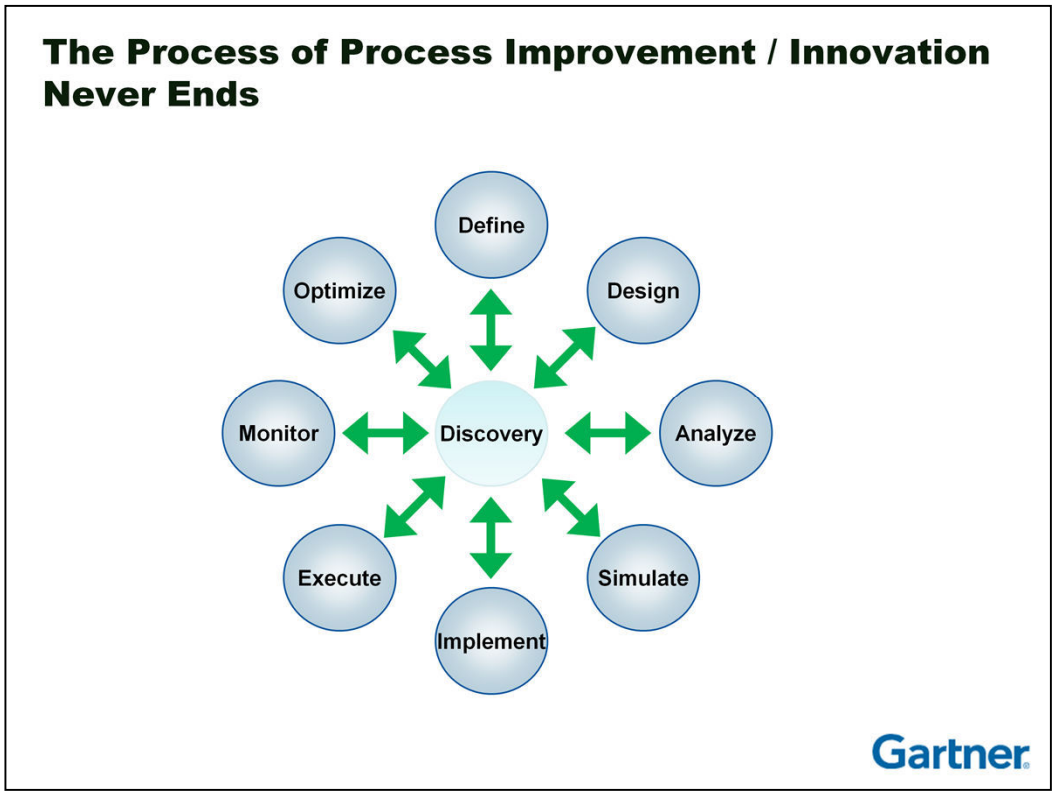
Acronyms: O&M = organization and methods; OR = operational research; IE = industrial engineering; TQM = total quality

management; JIT = just in time; BPR = business process re-engineering; EDA = event-driven architectures; CEP = Complex Event Processing, EDA = Event Driven Architecture.



Source: http://www.processorientation.com/?p=82

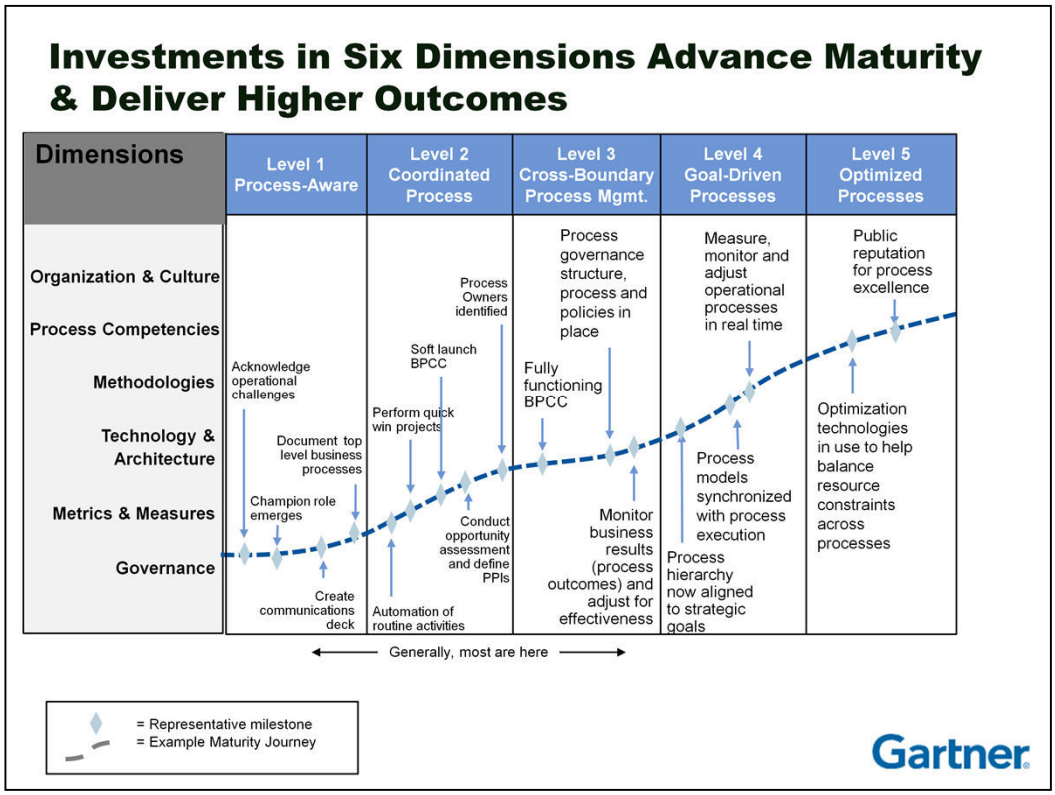
Functional and hierarchical barriers create operative islands. G. Rummler describes "white spaces" as the spaces between the boxes on the organization chart where the critical interfaces — the points at which the baton (for example, "production specs") is passed from one function to another — is found. White spaces are management "blind spots". They are accountability gaps. The biggest problems at the white spaces are handoffs that don't go well, and time delays caused by the gaps (it takes time to cross the space). Rummler insightfully points out that no matter how we structure or run our organizations, there will always be some sort of white space. What matters is how well we recognize that white space, and how we consciously go about addressing white-space issues. White spaces are an opportunity to collaborate. Digital documents and workflow technology have reduced the gaps, making it easier to share information and delivering incremental improvements. But incremental improvements are not breakthroughs in enterprise performance outcomes. Because people continue to work in their operative island, they have little understanding of what other information is available that might help them and they are not sure who to ask. The Nexus forces (mobile communications, social media, information and cloud computing) come together in a pattern Gartner calls "Extreme Collaboration" to enable breakthroughs in how people work together to collectively deliver higher enterprise performance outcomes.



BPM is distinguished from past process management approaches in its emphasis on adaptive processes to enable business to respond faster to changing market demands. Almost by definition, agile processes require a continuous improvement methodology. Waterfall methods are unsustainable for *continuous* improvement and innovation. Alternatively, the process of process management, in our view of BPM, is a continuous improvement/innovation cycle. BPM projects don't start in one phase and end in solution delivery. Past application development methods assumed that business roles could define their process management requirements a priori and that an automated solution could be delivered to meet those fixed (static) requirements. This is unrealistic. Business professionals cannot anticipate and articulate their BPM needs over a long time frame. Therefore BPM methods are iterative, delivering just enough capability to add value over the previous implementation. Iterative approaches also allow capabilities to be rolled back when they are no longer appropriate.

A faster pace of change to operational processes can be difficult to achieve in traditional coded solutions. Therefore, a BPMS uses graphical, explicit process models (EPMs) of various aspects of the process to enable easier change to the

process design and dynamic adjustment to "in flight" work items. The models of a BPMS enable business roles to participate more completely in the process of process improvement, not simply in the requirements-gathering stage and then later in the delivery cycle with user acceptance testing.



To define the evolutionary progress of BPM within a firm (aka your journey), a maturity model is helpful. The maturity model reveals the spectrum of experience, from neophyte to experienced practitioner. It helps the inexperienced audience understand all the elements that go into the process of growth and accomplishment in BPM. It enables one to judge what is present in the organization and what is not, and becomes a means to place the firm at a stage comparable to others that have gone through the BPM experience. Given this insight, it then becomes more apparent what strengths exist and what is lacking. Even though every firm is different, this broad maturity pattern can provide a useful guide. An important message of the maturity model is that it is impractical to jump ahead or to skip levels to reach an advanced stage for better results. Generally, this fails, and if attempted, usually damages the ability to go back to a sound effective sequence and gain the required participant support, yet again, to do it right.

The maturity model becomes the basis for laying out a journey over time, and helps define the road map of planned efforts and investments. Use our model as a guide and tailor it to your organization by indicating your own milestones. It can be readily used as a visual aid to gain understanding and support of those not familiar with BPM and the process perspective.

Action Item: Understand the maturity model, and tailor it for the journey that your organization will take.

BPM Delivers Benefits

- BPM delivers an average ROI is 15 -20% as a baseline
- BPM delivers business agility in a time to market fashion
- BPM deliver business differentiation in a time to market fashion while leveraging legacy assets
- BPM delivers innovation
- BPM is starting to deliver anticipation and better practices through intelligence

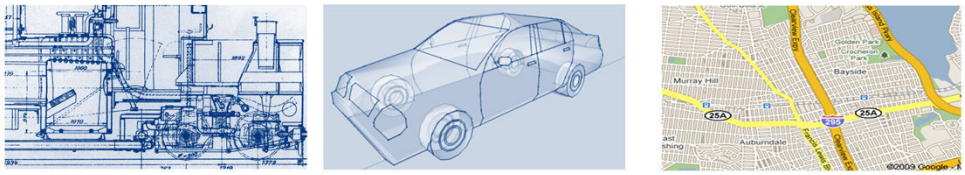
Gartner

What Are BPM-Enabling Technologies (BPMTs)?

Definition: ***A BPM-enabling technology (BPMT) is one that makes one or more aspects of a process explicit via abstract models.***

Explicit models are easily understood and readily changed.
Abstract models are independent of (separate from) their implementation.

Examples: *Business Process Analysis tools (BPA), Business Activity Monitoring tools (BAM), Business Process Management Suites (BPMS), Complex Event Processing (CEP) and Business Rule Engines (BRE)*

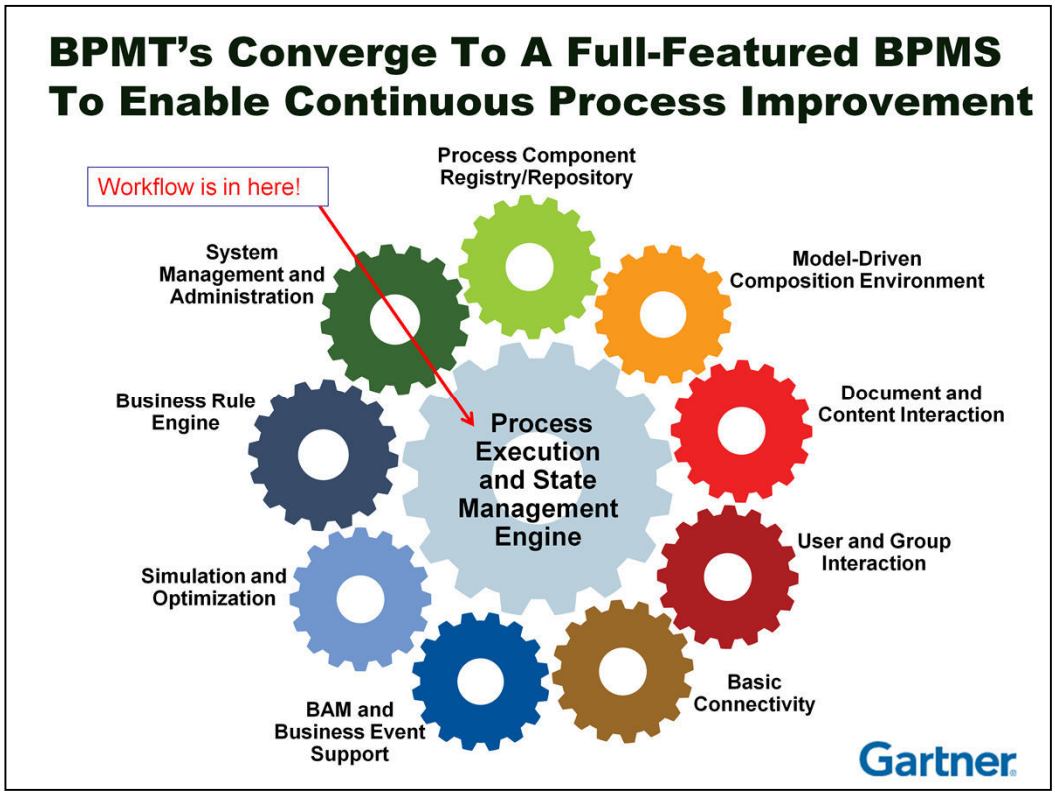


Gartner

BPM is often enabled by technologies that we collectively call BPM-enabling technologies (BPMTs). As examples, BPMTs include process modeling, rule engines, process simulation and optimization engines, and, importantly, workflow as a form of flow management technology.

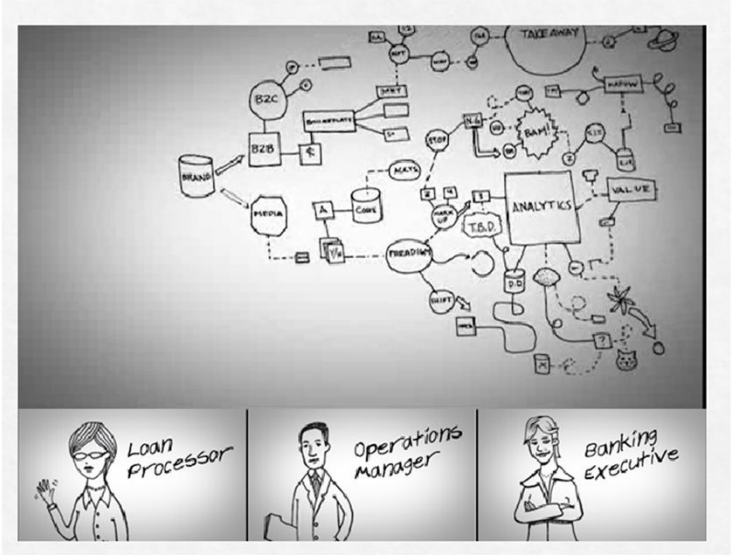
While it is not strictly necessary to use BPMTs to make progress in BPI, they can be invaluable in delivering business benefits, if leveraged properly. As an organization's BPM maturity increases, the need for BPMTs becomes more apparent.

Four common tools are workflow, business process analysis, business activity monitoring and business process management suites.



A BPMS is an integrated suite of process technologies that works in a seamless fashion to fully support the BPI cycle. The advantage of a BPMS is that a process can be iterated to an operational level quickly and efficiently, allowing all parties to collaborate on the resulting process. A BPMS provides an advantage where incremental collaboration between business users and IT developers is needed, and where model- and visual-driven approaches for design and execution are leveraged. Even if more than one vendor's technology underlies the process platform, it is purchased, installed and serviced as one suite. Typically, a BPMS is not equally strong in all of the areas it encompasses, so it may be necessary to augment it with specialized technologies (such as a rule engine or integration server, or even BI tools), depending on the business problems being addressed.

What is BPM: Depends on your persona



http://www.opentextbpm.com/profiles/

The Business Value of BPM

A BPM CASE STUDY

EXECUTIVE SUMMARY

We analyzed <Company Name>'s bank card claim processing

First Credit

Includes

- ATM and Debit Cards
- Fraud and Dispute

Excludes

- Claims Intake Center (CIC)

52 processors work **18,000 claim transactions** worth **$1.8M** each month

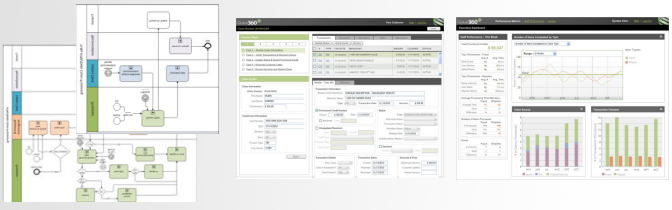
Governed by **Regulation E** which dictates standards and maximum cycle time for claims

First Credit

Validation of Problem

- **ATM and Debit Creidt Claims - 52 processors work 18,000 claim transactions/mo worth $1.8M**
- Become 100% Reg E Compliant
- Gain Efficiencies – Reduce Work In Progress, Cycle Time, Touch Time
- Reduce Costs: Reduce Write-offs, Charge Backs, and Mitigation Rate

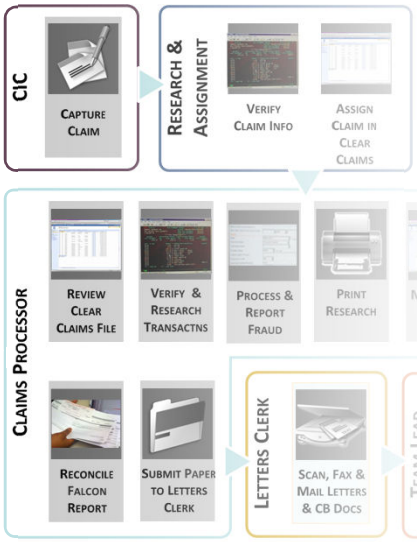
Visualization of Solution



Justification of Project

- **770% ROI projections**
- 3 year NPV of $4.5M
- Improving efficiency from 25% to 55% will save $875k each year

We found the process to be manual, inefficient and paper intensive



Manual work assignment using tally sheet

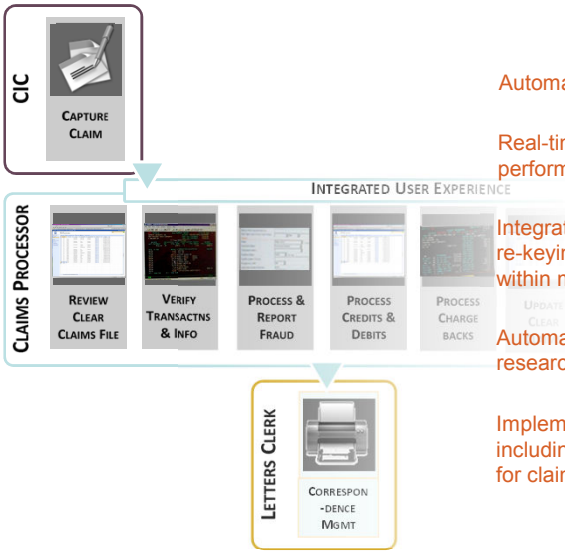
Tracking and reporting on process is through manually generated reports

11 different systems require duplicate keying and multiple look-ups

New paper is created to document research, communicate charge backs and write to customers

Approximately 6,000 sheets of paper printed by the team each day

Our Solution Approach simplifies process and increases efficiency



Automated work assignment

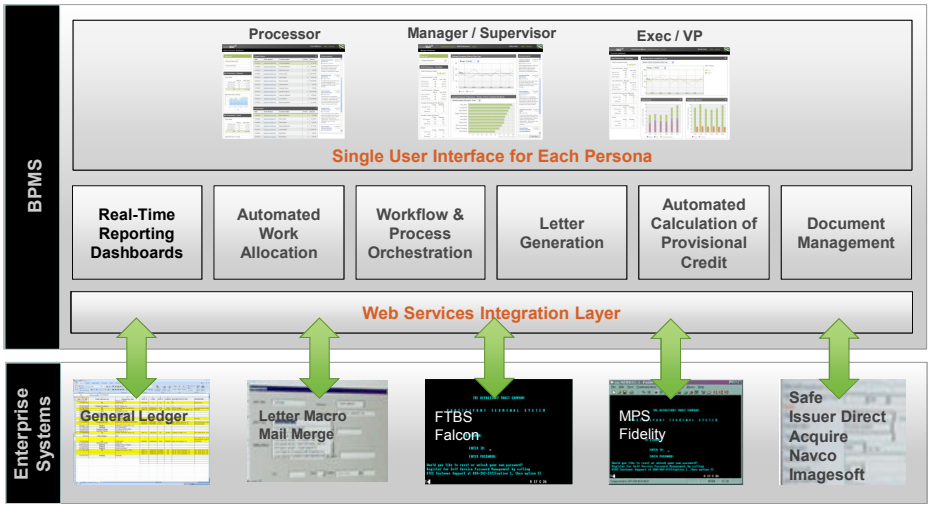
Real-time, automated reporting and performance dashboards

Integration used to reduce or eliminate re-keying of data, and the need to work within multiple systems

Automated capture and attachment of research evidence and correspondence

Implementation process improvements including straight-through processing for claims under $20

BPM architecture enables numerous improvements in user experience and process



Improving Card fraud process using BPM will result in a Net Present Value of $4.5M

In less than 6 months the solution will have paid for itself

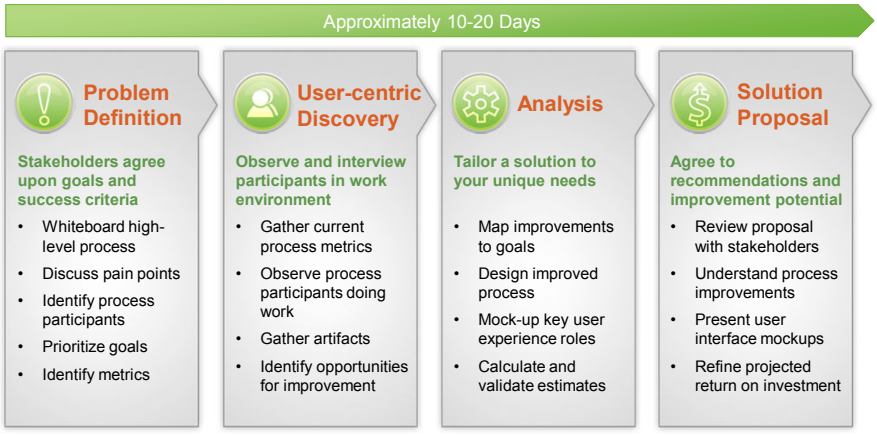
The solution has an ROI of over 770%

5 Year Cash Flow

	2011	2012	2013	2014	2015
Process Efficiency Savings	1,061	1,214	1,390	1,591	1,822
Cost Savings	61	65	69	73	77
Estimated Total Benefit	1,122	1,279	1,459	1,664	1,899
Cumulative Benefit	1,122	2,401	3,860	5,524	7,423
Estimated Costs	500	-	-	-	-
Cumulative Costs	500	500	500	500	500
Net Cumulative Benefits (Costs):	622	1,901	3,360	5,024	6,923

APPROACH

viewPoint Assessment Approach



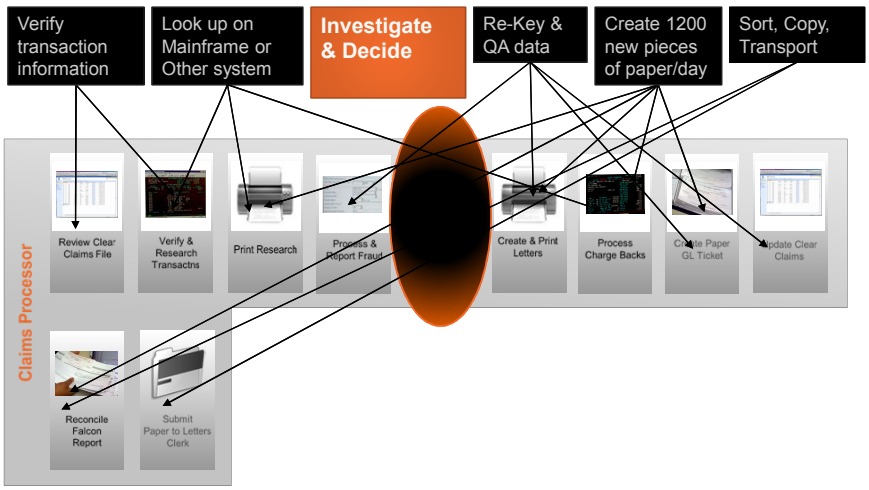
Our solution addresses key goals

As-Is Situation	Near Term	Proposed Solutions	Goals Met
Workflow/Navigation of forms can be improved	See Proposed Solution	QPS lookups All transaction statuses change at the same time Automatically calculate interest	Regulatory Compliance Efficiency
Paper Screen Capture – Research that is being performed in the various mainframe systems is being printed, bar-coded and scanned back into the system.	See Proposed S		Regulatory Compliance Efficiency Cost Savings
Correspondence Management - Multiple systems are required, generation of bar codes, paper-printouts, copying and scanning. Requires lots of paper, and manual labor.	See Proposed S		Regulatory Compliance Cost Savings
Manual Audit Tracking - All statuses and queues are set manually	See Proposed Solution	Automate status changes in the Global 360 system based on actions that are taken by the processor, or documents that are attached to the case folder.	Regulatory Compliance Efficiency Accuracy – Eliminates missed transactions
$20 Auto Credits – These are being processed manually, even though they are automatically credit to the customer's account.	See Proposed Solution	Automatically process all claims under a certain Dollar threshold.	Efficiency 60% less work for the processors (3 FTEs)
Faxing Claims to Fifth Third is Manual	See Proposed Solution	Automate the faxing of claims to 5th 3rd	Efficiency Cost Savings
Multiple Systems Required – There are 15 different systems (4-5 major systems) required to process claims.	Start with automated feed to Falcon	Use the Global 360 solution as the interface to most applications (where possible) using web service integration	Regulatory Compliance Efficiency
General Ledger Tickets – Multiple data entry required for the same data. Often times this is hand-written & illegible, causing errors and increasing processing time.	Add any missing data fields to Clear Claims. Generate a report for the Transit team.	Add any missing data fields to Clear Claims and automatically create each general ledger from clear claims. Then the GL team would just need to do reconciliation against Clear Claims.	Regulatory Compliance Customer Experience Cost Savings

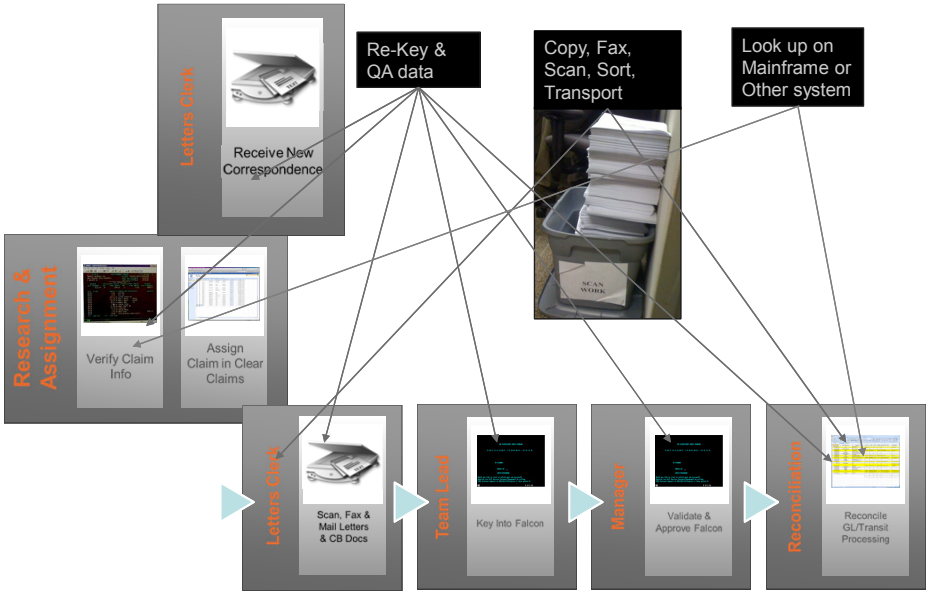
1. Regulatory Compliance
2. Cost Savings
3. Efficiency
4. Customer Experience

KEY FINDINGS

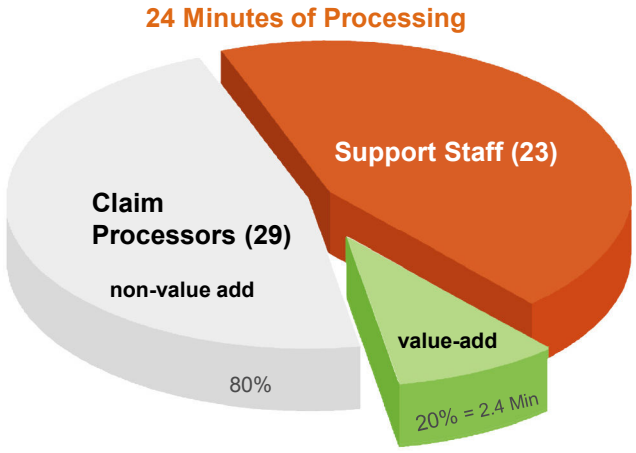
Of about 13 min spent in claim processing, 20% of time (2.4 min) is spent making claim decisions



Support staff & others off-load much of the non-value added work from claim processors



Much of the team is support staff; Of claim processor effort, most is non-value add



Benchmark KPIs Indicate Room for Improvement

Metric	Overall	Streamline <$20	Disputes	Fraud	Benchmk /Goal
# Process Worker Allocation	52	10	25	18	
Volume (# transactions/month)	18,000	6,000	4,800	7,200	
	Volume (%)	33%	27%	40%	
Working Time per transaction (min)	24	20	24	18	
Incremental cost per transaction	$ 10.58	8.33	10.00	7.50	
Estimated Value Added/STP time per txn (min)	2.6	1.0	4.0	3.0	
Process Efficiency	13%	5%	17%	17%	55-90%
Cycle Time (hrs)	13				8
Error Rate	10%	10%	10%	10%	2%

Reducing process inefficiencies could free up 45% of process time= 35,000 hours annually or $875K

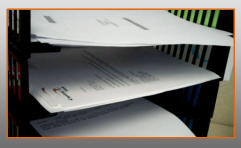
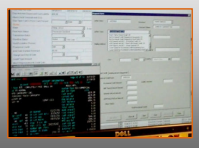
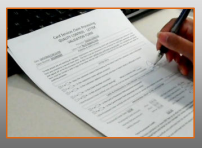
Cycle Time is 60% over goal

Error Rate is 5X benchmark

RECOMMENDATIONS

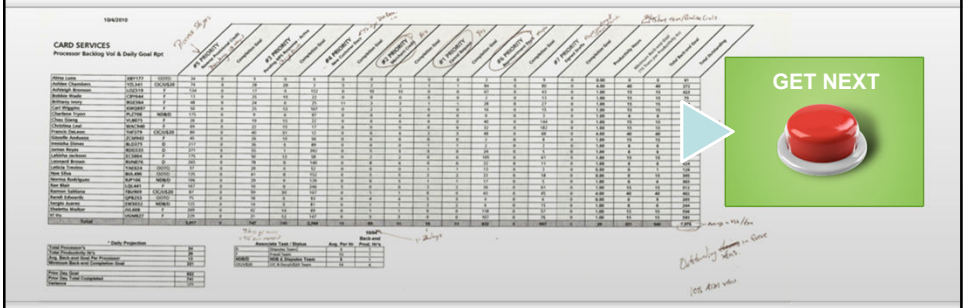
Automate Correspondence Management using data from Clear Claims and centralized print & mail

- Eliminate **manual** configure, print, transport, sort, copy, scan
- Eliminate the up to **3 duplicate data entry** steps for each letter
- Eliminate the up to **4 QA checks** on each letter
- Eliminate need for printers at each processor desk

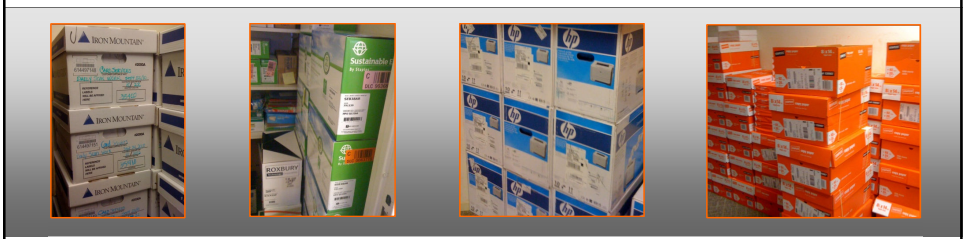
Automate Work Assignment with rules-based, optimized queuing of front & back end processing

- **Eliminate 30 hours per week** assigning work
- Help **meet Reg E deadlines**
- Streamline work with better logic
- Adjust work based on current loads
- Improve recovery rate



Electronically capture, transmit and archive to improve efficiency & drastically cut paper related costs

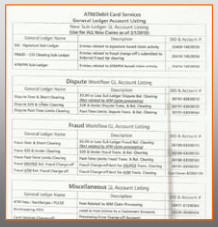
- Capture research for archive and charge back without need to manually print, scan transport, sort and fax
- Increase electronic archive from 3 months to regulated 7 years
- Automate fax for charge backs

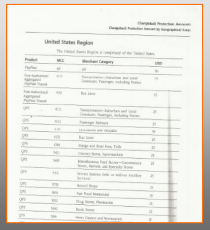


50% reduction = $60K per year in paper-related cost savings

Streamline the process and reduce non-value added work and associated cost, errors and ramp-up

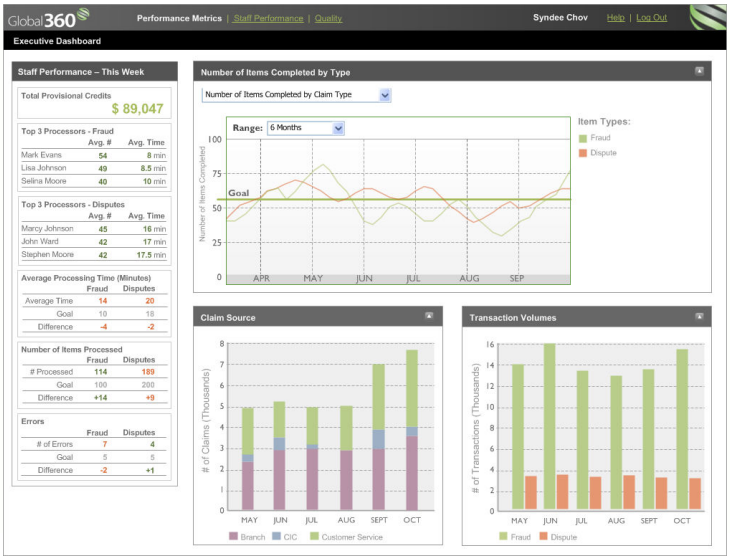
- **Correct** at least **10 identified** work-arounds and system short comings
- **Integrate GL Voucher** completion, submission and reconciliation





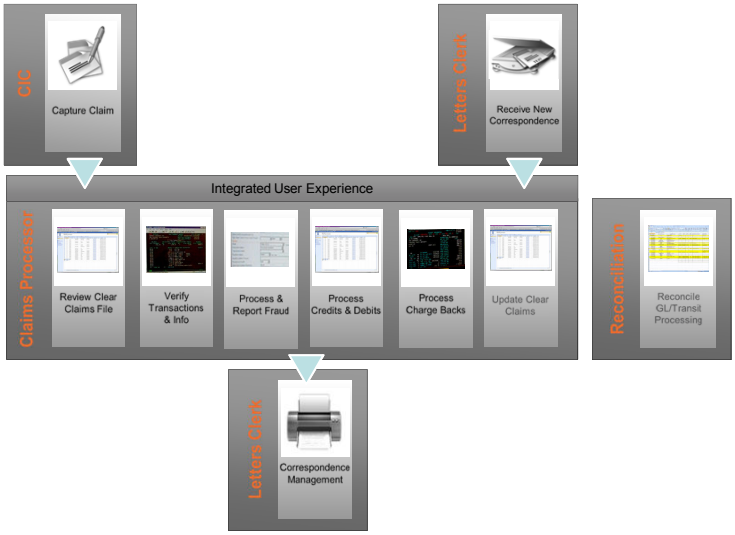
Increase Process Efficiency from current **15% to 55% (up 300%)**
Anticipated savings of **35,000 processing hours**
Amounts to **$875K savings** each year

Provide real-time visibility to track and manage as the process is executed

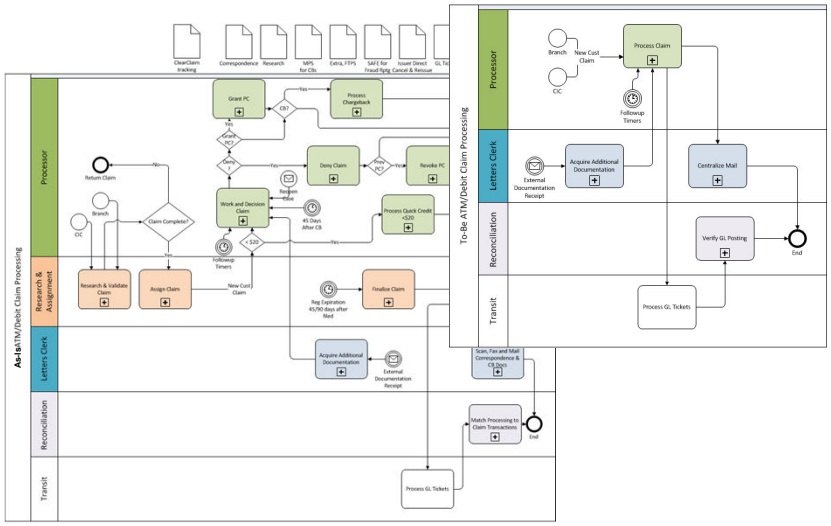


Solution Approach reduces process effort and increases efficiency

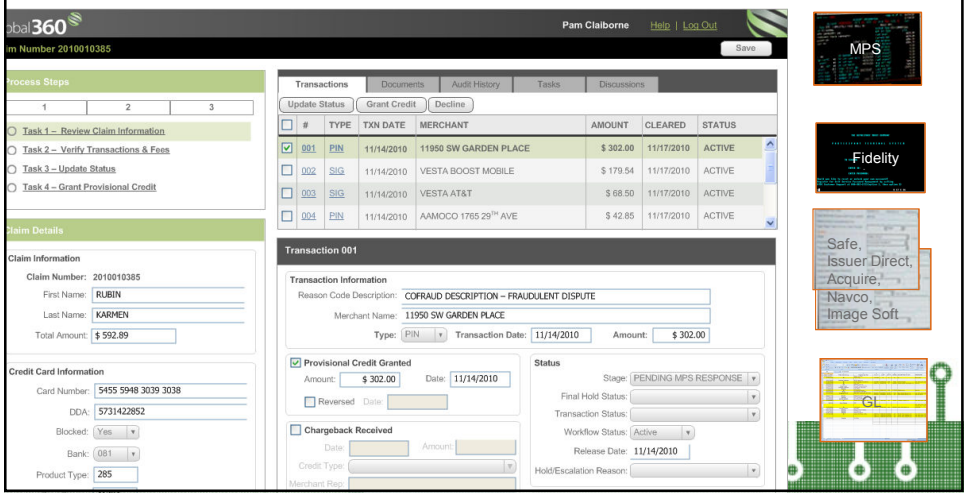
Solution Approach reduces process effort and increases efficiency



We created models to allow analysis & process improvement simulations

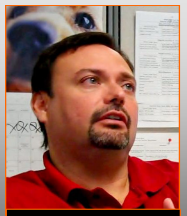


Use BPM to orchestrate the process; integrating with 11 different systems



The solution addresses needs of individual people within the process

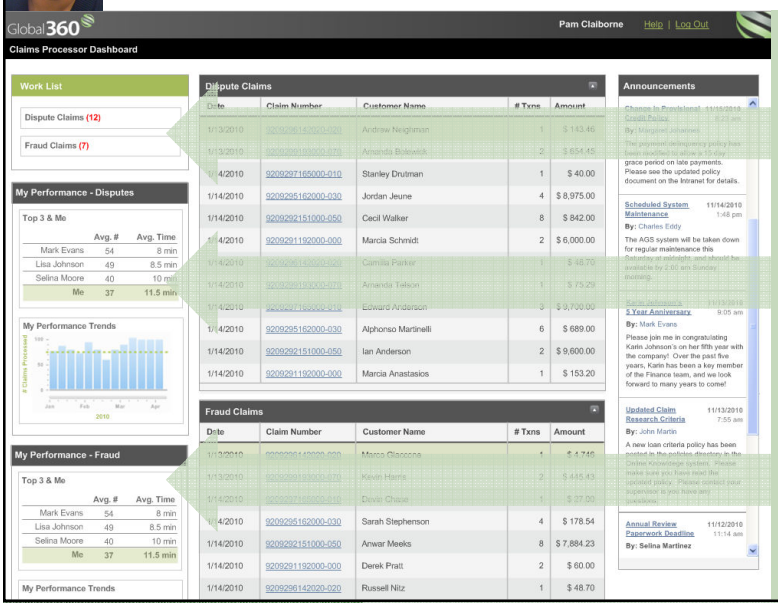
Claims Processors



Mangers & Supervisors

Executive

Processor Dashboard Provides access to all functionality through one UI

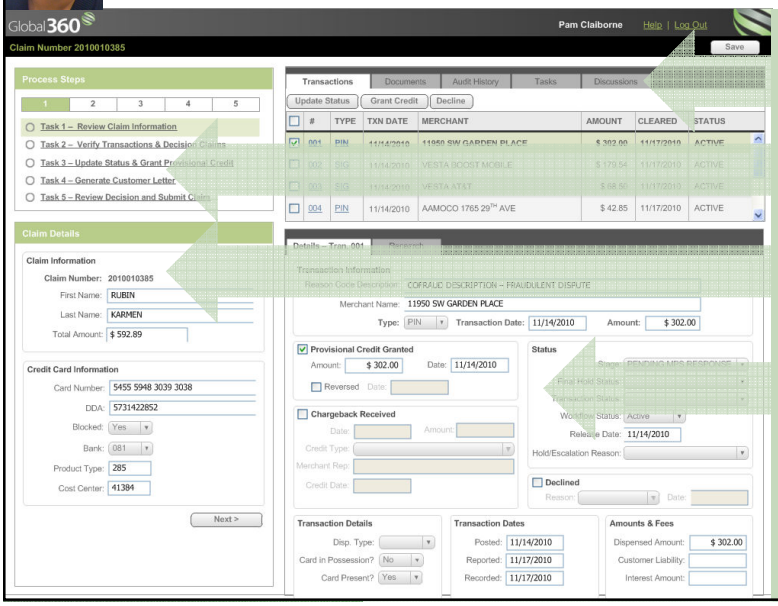


Work Lists always available from the dashboard or fed to processors by clicking “Get Next”

Real-time performance metrics are front-and-center, providing motivation for processors (“peer pressure” approach)

Processors are always aware of their performance measures and where they stand among their peers

Processing Screens
Guide the user through the process step-by-step



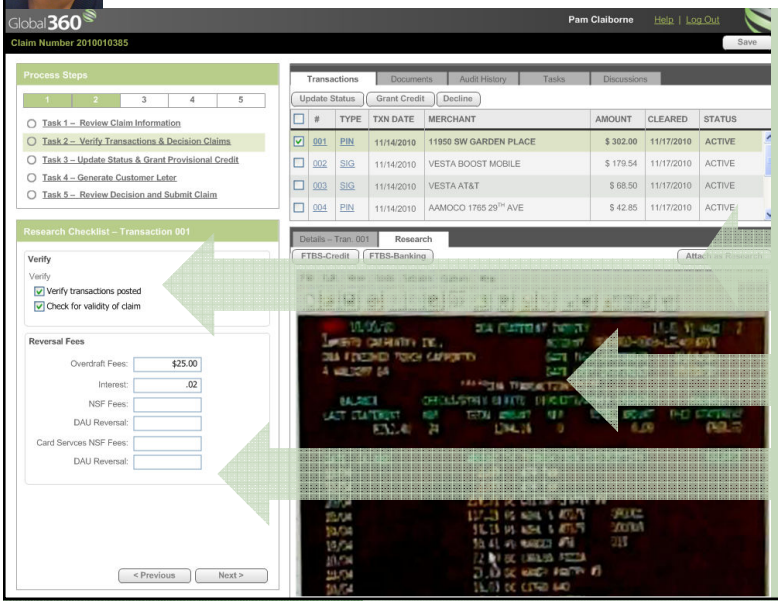
All case contents consolidated into a tabbed container.

User experience guides the user through the process step-by-step.

Information about the overall claim is separated into its own section.

Transaction-specific information is displayed directly below the transactions and arranged into logical sections.

Processing Screens
Integrate mainframe applications



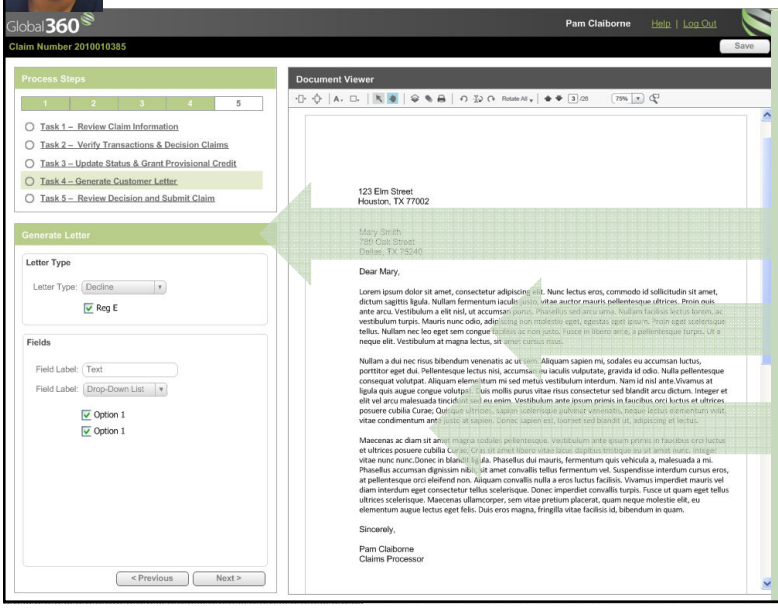
Checklist ensure the processors perform all necessary research.

Will research the ability to click a button to attach a screen shot as a document to the file.

Systems required for research displayed within the system,

Automatic research and calculation of reversal fees

Processing Screens
Enable automated letter generation

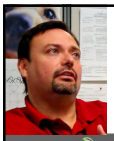


Automatic letter generation within the process flow

Letter displayed within the system for processor to review.

Fields auto-populated from systems of record to ensure quality

Letters automatically attached to case folder and printed to one central printer.



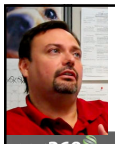
Manager Dashboard: Staff Performance

Work list for items that get escalated for manager assistance

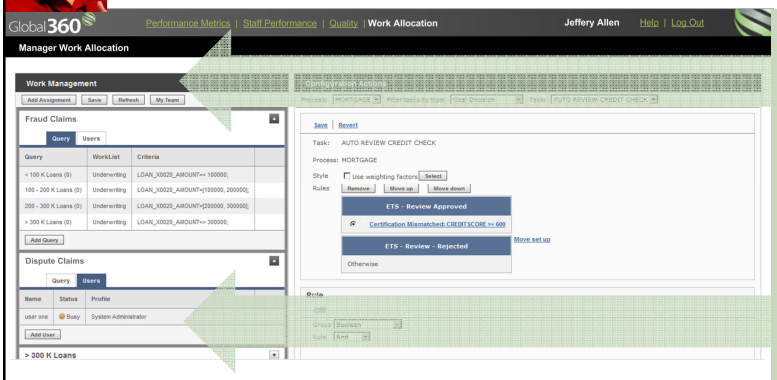
Historical view of overall staff performance by claim type

Real-time staff performance metrics, including top three processors for Fraud and Disputes

Processor performance charts with ability to view by claim types (Fraud or Dispute)



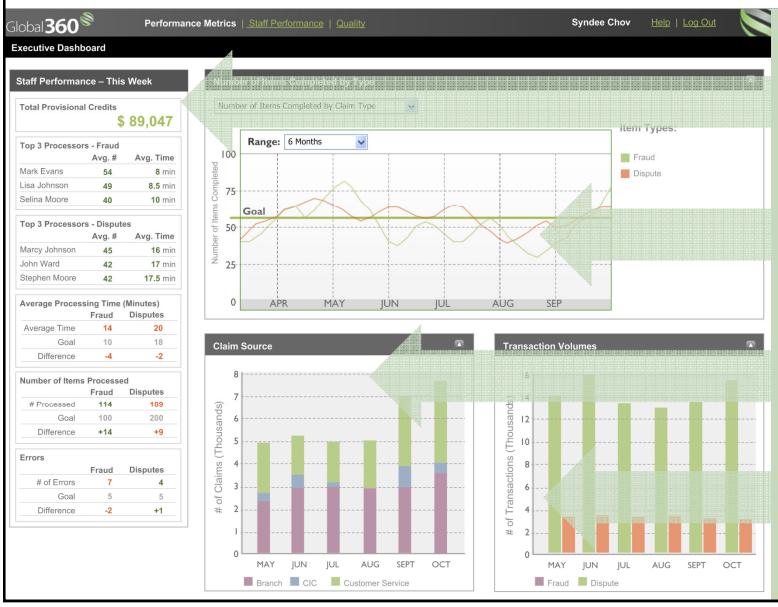
Manager/Supervisor Work Allocation



Ability to specify work allocation using rules based on claim type, claim amount, or any other attribute of a claim.

Ability to assign or un-assign users from a work list at any time.

Executive / VP



Real-time staff performance metrics, including top three processors for Fraud and Disputes

Historical view of process metrics

Monthly report of claims by source

Transaction volumes by work type

ROI

Improving your process using BPM will result in a **yearly savings of $622,000**

In less than **6 months** the solution will have **paid for itself**

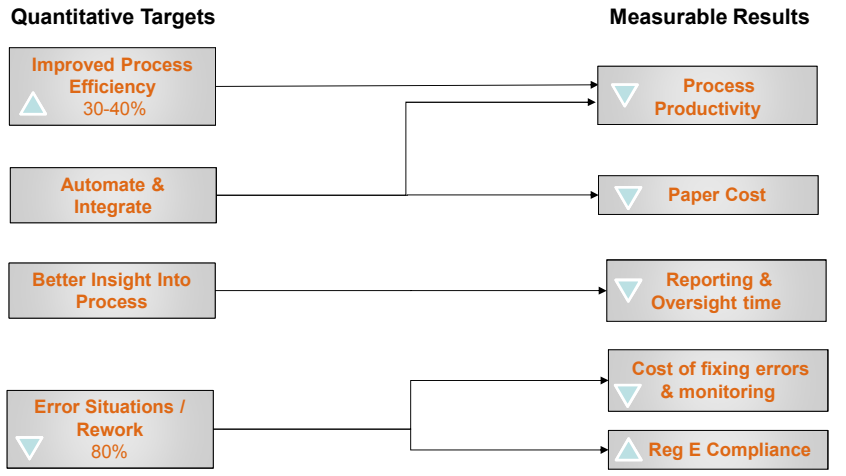
The solution has a **net present value** of **$5.2M**

The solution has an **ROI of over 900%**

5 Year Cash Flow

	2011	2012	2013	2014	2015
Process Efficiency Savings	934	1,069	1,224	1,402	1,605
Cost Savings	61	65	69	73	77
Estimated Total Benefit	995	1,134	1,293	1,475	1,682
Cumulative Benefit	995	2,130	3,423	4,897	6,579
Estimated Costs	500	-	-	-	-
Cumulative Costs	500	500	500	500	500
Net Cumulative Benefits (Costs):	495	1,630	2,923	4,397	6,079

Major drivers of savings are improved process and automation



Calculated savings...

Benefit Estimates

Process Efficiency Savings (In Thousands $ 000)

	2011	2012	2013	2014	2015
Increase Process Productivity	896	1,025	1,174	1,344	1,538
Reduce Time to Get Oversight Information	38	44	50	58	66

Cost Savings

Reduce Costs of Paper	61	65	69	73	77
Total Benefit	995	1,134	1,293	1,475	1,682
Cumulative Benefit	995	2,130	3,423	4,897	6,579

Investment costs

(In Thousands $ 000)		0 2011	1 2012	2 2013	3 2014	4 2015
Software License	capex	-	-	-	-	-
Software Maintenance	expense	-	-	-	-	-
Development/Implementation (internal)	expense	-	-	-	-	-
Development/Implementation (Consulting)	expense	500	-	-	-	-
Travel and Expenses	expense	-	-	-	-	-
Training & other 1 time costs	expense	-	-	-	-	-
Other recurring costs	expense	-	-	-	-	-
Servers Purchased	capex	-	-	-	-	-
Servers Leased	expense	-	-	-	-	-
Printers	expense	-	-	-	-	-
Scanners	capex	-	-	-	-	-
Other Equipment	expense	-	-	-	-	-
Hardware Support	expense	-	-	-	-	-
Additional Spend	expense	-	-	-	-	-
TOTAL INCREMENTAL PROJECT COSTS		500	-	-	-	-

Improving Card fraud process using Process360 will result in a Net Present Value of $4.5M over 5 years

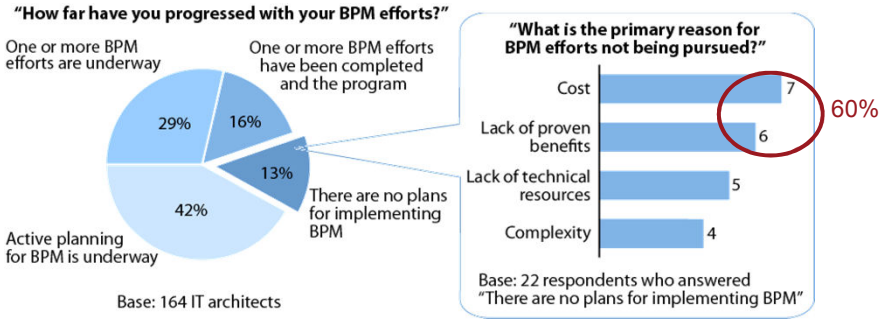
Return Summary

ROI	1013%	Through 2015
Net Present Value	$ 4,566,000	Through 2015
IRR	212%	
Payback period	0.50	Years
n year return	685%	3 years

Business Value of BPM

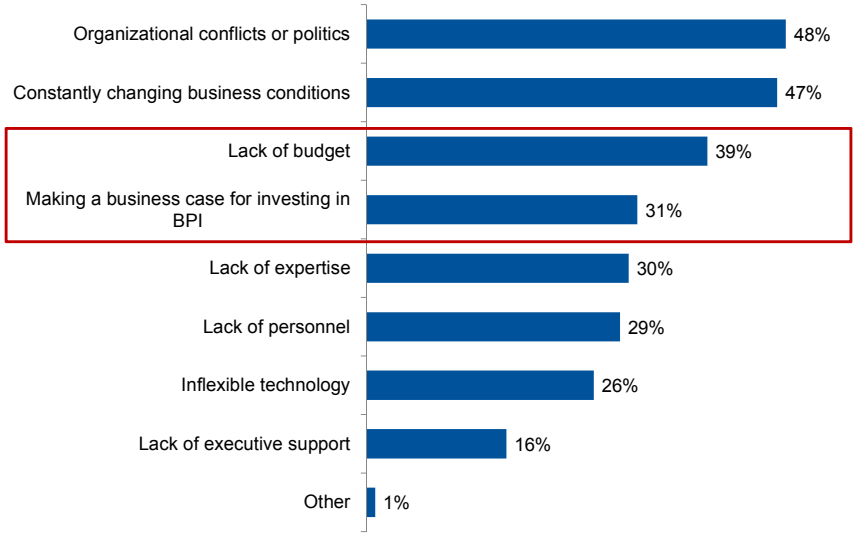
A MODEL FOR ROI QUANTIFICATION

Most common objection to BPM



Source: Forrester October 2007 US and UK Enterprise Architecture and Business Process Management Online Survey

Top Challenges to BPM Adoption, 2012 Survey



What are the top three challenges that your organization's BPI initiatives need to, or will need to overcome in order to successfully deliver the top 3 strategic business outcomes you previously identified?

n=557 Multiple responses allowed

Gartner

A Business Case Assessment Builds the rational for Investing:

Large Healthcare Company
Reduced "firefighting," lost sales, premiums & scrap
Benefit: $662,000 (pre-tax)
38% before-tax ROI over 2 years

High Tech Company
New quoting management solution
Benefit: $20M yearly revenue increase
Generating $4M in additional yearly profit

Financial Services Company
New composite application solution
ROI: 120% in 3 years
5-year IT savings of nearly $5M

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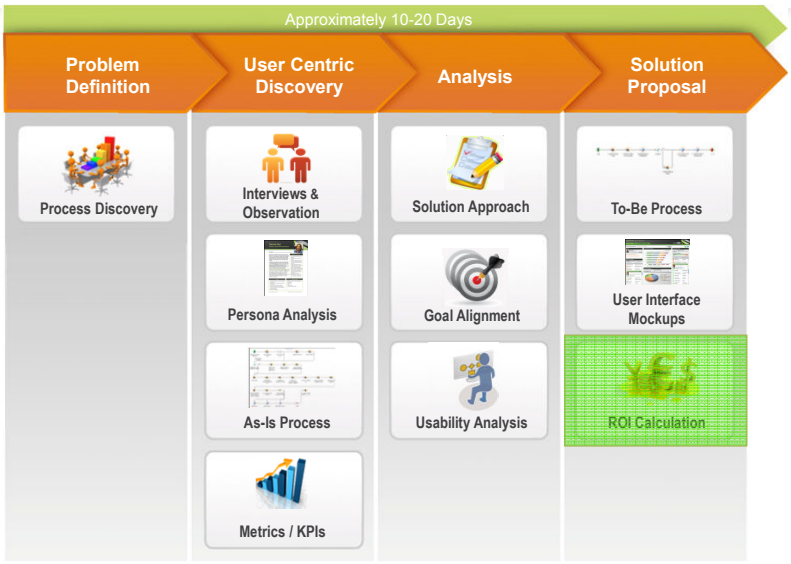
Typical Assessment Methodology:



ROI Estimation Steps

1. Use broad measures to understand what impact is possible
2. For each Benefit Strategy, gather data to estimate return
3. Create Value Model that maps Qualitative Targets to Measurable Results
4. For each Solution Approach, estimate costs
5. Use the ROI Estimator Spreadsheet to document and calculate value
6. Refine approach based on value; focus on high return areas
7. Document qualitative benefits not well quantified in ROI; this should be the exception
8. Verify assumptions with business

Metric Definitions

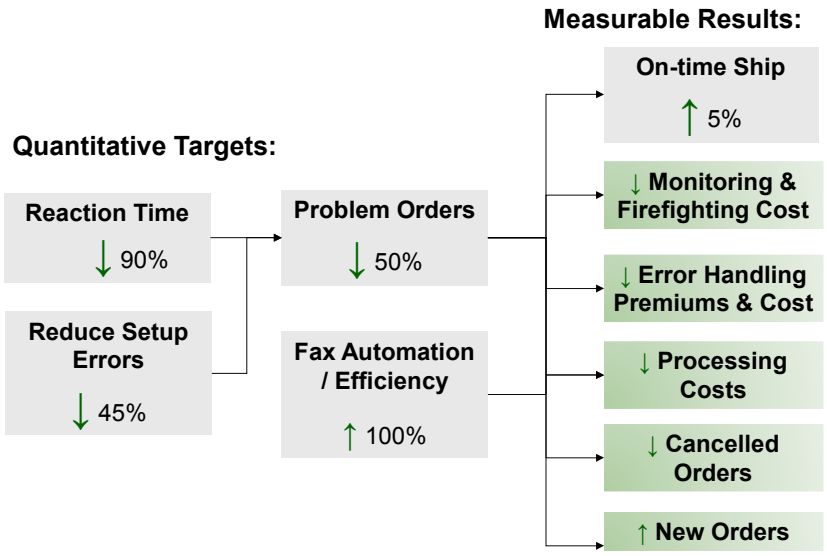
- Volume = Output, usually expressed in units or $'s
- Productivity = Output per unit of time
- **Cycle Time** = Time spent in process = Work Time + Wait Time = WIP/Exits where WIP is the total units being worked or in the process
- **Quality** = Error rate = Errors/Output usually expressed as a % or sigma value. 6σ = 0.0003% errors
- **Efficiency** = Productive time divided by total time expressed as a %. Can be a measure of cycle time or work time.
  - Efficiency $_{(CT)}$ = value added work time/total cycle time
  - Efficiency $_{(Work)}$ = value added work time/total work time
  - Value Added Time = time spent producing customer valued output without waste ~ straight through processing time (STP)

Typical Metric Benchmarks

Measure	Typical	Good	Best in Class
Error Rate	10%	1%	0.001%
Efficiency $_{(CT)}$	5%	35%	75%
Efficiency $_{(Work)}$	10%	55%	99%

Businesses should at least reach Good performance in improved processes

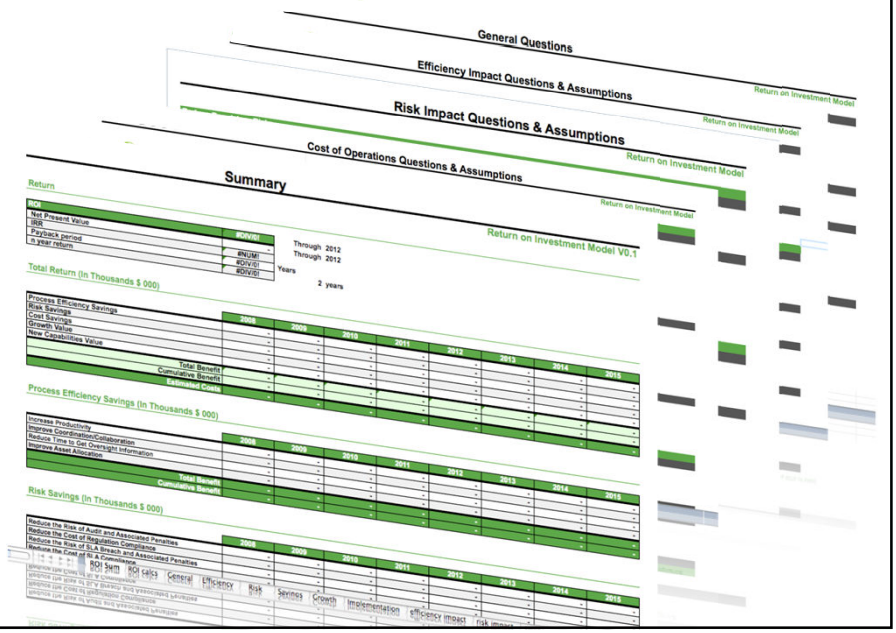
Create a Value Model to show relationship between improvements and return



Financial Definitions

- **ROI**: Return on Investment is the ratio of money gained or lost on an investment relative to the amount of money invested usually expressed as a percentage. ROI=(benefit/cost)
- **NPV**: Net Present Value is a standard method for using the time value of money to appraise long-term projects. It measures the excess or shortfall of cash flows, in present value terms, once financing charges are met.
- **IRR**: rate of return used to measure and compare the profitability of investments, also called the effective interest rate.
- **Payback Period**: refers to the period of time required for the return on an investment to "repay" the sum of the original investment.

Strategic Investments may require a formal ROI



Tool: ROI Estimator Spreadsheet

- Uses 28 strategies from Benefit Strategy Matrix
- Documents assumptions with modularized questions to calculate cost, benefits and ROI

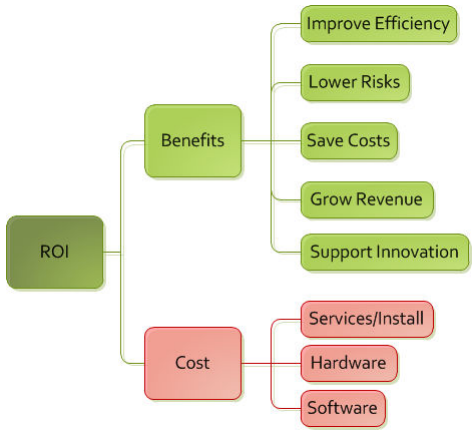
ROI	543%	Through 2013
Net Present Value	$ 1,650,000	Through 2013
IRR	85%	
Payback period	0.73	Years
n year return	407%	3 years

Summary Return (In Thousands $ 000)

	2009	2010	2011	2012	2013
Process Efficiency Savings	397	409	422	434	447
Risk Savings	-	-	-	-	-
Cost Savings	41	39	40	41	42
Growth Value	-	-	-	-	-
New Capabilities Value	-	-	-	-	-
Estimated Total Benefit	439	448	462	475	489
Cumulative Benefit	439	887	1,348	1,824	2,313
Estimated Costs	320	22	22	8	8
Cumulative Costs	320	342	364	372	380
Net Cumulative Benefits (Costs):	118	545	984	1,451	1,933

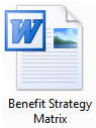
- May not cover all opportunities – be prepared to enhance

ROI model is encoded in the Estimator xls



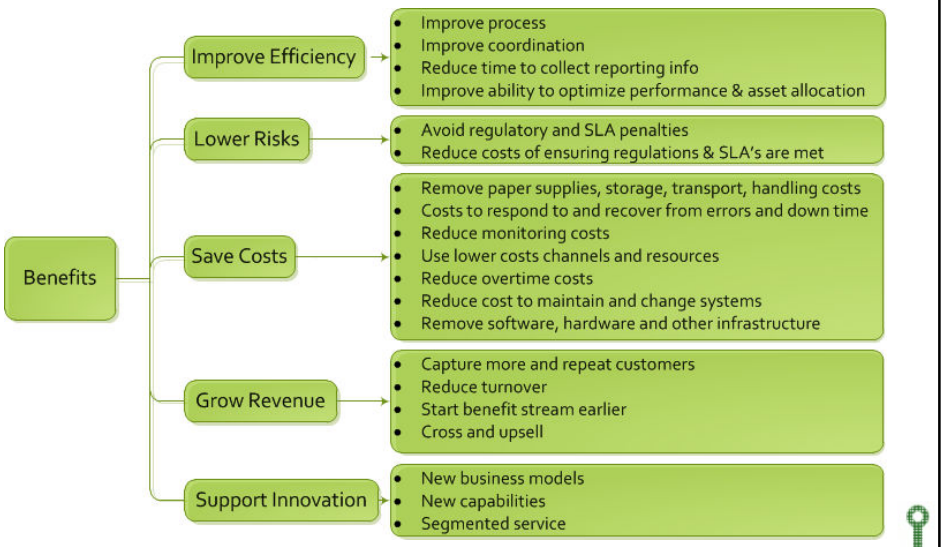
Identify Which Benefit Strategies Apply

- Benefit Strategy Matrix outlines strategies for generating benefits
- Helps
  - Remind of strategies
  - Identify when they apply
  - Group for quantifying return
- May be customized for special opportunities

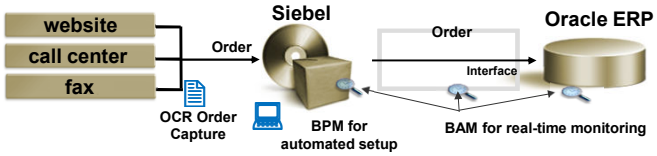

Benefit Strategy Matrix

Type	Benefit Strategy	Example Targeting Questions
Increase Productivity	1. Use fewer resources to reach desired objectives	• What business processes are paper intensive, (eg: Ordering, HR on-boarding, and correspondence management)? • Are there areas that cannot scale without added headcount or expense? • Have workarounds been implemented to compensate for inadequate systems? • Are there complex or error prone processes that can be better supported?
Improve Coordination	2. Reduce time and effort to complete work that requires multiple people, skills or applications	• Do individuals have to use multiple software applications to complete process steps or update multiple applications with the same or similar data? • Do teams need to work collaboratively, coordinate activities, or gain expertise quickly? • Are there multiple capture mechanisms, sales channels or service channels that need to be coordinated?

Ways to grow benefits

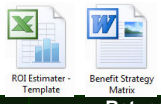


Identify benefits from Solution Approach



Solution Approach	Benefit Strategy
Implement BPM to ensure setup completes all necessary setup	11. Reduce effort & cost to respond to errors (includes scrap and rework)
Implement BAM for Order to Book process monitoring and automated reporting	3. Reduce time to get oversight information 12. Reduce monitoring and inspection costs
OCR for fax order capture with automated email confirmation and exception queue	1. Use fewer resources to reach desired objectives 16. Reduce costs of document handling
Overall Benefits	14. Drive customers to use lower-cost channels 19. Complete key business processes better to capture more customers 20. Grow repeat orders

Gather Data to Estimate Return Tool: Benefit Strategy Matrix



- Tie Numbers to Benefit Strategies
- Collect Estimation Numbers
  - The ROI Estimating Spreadsheet is final documentation of answers
  - Some strategies have multiple ways to collect
  - Specific strategies may need customization

Category	Benefit Strategy	Return Questions
Improve Efficiency	1. Use fewer resources to reach desired objectives	☐ Number of people in process work ☐ Average loaded rate ☐ Annual salary increases ☐ Number of orders/items processed ☐ Hours per week per person ☐ Number of orders/items processed ☐ Annual growth in sales/volume ☐ Time to be removed per transaction ☐ Percent improvement in productivity
	2. Reduce time and effort to complete work that requires multiple people, skills or applications	☐ Number of people in process (users) ☐ Average loaded rate ☐ Time spent collaborating per week ☐ Percent improvement in productivity
	3. Reduce time to get oversight information 4. Improve ability to optimize individual, organization and process performance 5. Improve Asset Allocation	☐ Number of people in process (users) ☐ Number of people in process (mgrs) ☐ Average loaded rate ☐ Time workers spend doing reporting today ☐ Percent improvement in productivity ☐ Time managers spend creating reports ☐ Percent improvement in productivity--

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Benefit Example

ROI Category	Benefit Type	Strategy	Example Targeting Questions	Example Return Questions
Improve Efficiency	Increase Productivity	1. Use fewer resources to reach desired objectives	• What business processes are paper intensive • Are there areas that cannot scale without added headcount or expense? • Have workarounds been implemented to compensate for inadequate systems? • Are there complex or error prone processes that can be better supported?	Annual growth rate Number of people in process (users) Average loaded rate (users) Number of orders/items processed per person per hr Hours per week per person Time to be removed per transaction -AND/OR- Percent improvement in productivity

85 processors
$20/hr loaded rate
7 items/hr
0.01 hr/trans savings (30 sec)

What is NPV?
over 5 years
at 7% cost of capital
6% annual growth
4% annual raises
40 hrs/wk
50 wks/yr

Document all Assumptions and Calculations

Current Process Worker Resource Details		
Number of Process Workers	85	people
Average Loaded Blended Rate for Process Workers:	$ 20.00	per hour
Hours per Week per Person:	40	hours per week
Avg Work Weeks in a year:	50	weeks/yr
Sub-Total - Avg Resource Cost:	3,400,000	per yr

Other Current Process Worker Details		
Number of Items Processed per Person per Hour:	7	items/hour/per

Net Present Value	$ 1,581,000	Through 2014

	2010	2011	2012	2013	2014
Process Efficiency Savings	298	328	362	399	439
Estimated Total Benefit	298	328	362	399	439
Cumulative Benefit	298	625	987	1,386	1,825

Financial Assumptions		
Beginning Fiscal Year:	2010	
Number of Years benefits accrue for ROI Analysis:	5	years
Number of Months Until Recognition of Benefits:	-	months
Cost of Capital:	7%	standard
Number of Years to Depreciate Capital Expenditures:	3	years
Number of Years in Return Calculation:	2	years

1 Increase Process Productivity

NOTE: Be sure to also complete organizational information on the **General** tab.

Time to be Removed per Transaction:	0.01	hours
-AND-		
Percent Improvement in Productivity:	0.0%	

Estimate Time and Cost for each Implementation Approach

- Get professional services involved to estimate implementation effort
- Get sales for quote on software licensing & imaging
- Customer IT usually provides hardware estimates

(In Thousands $ 000)		0 2011	1 2012	2 2013	3 2014	4 2015
Software License & Services Phase I	capex	317	-	-	-	-
Software Maintenance	expense	69	69	69	69	69
InfoPath Form Development	expense	114	-	-	-	-
Travel and Expenses	expense	14	-	-	-	-
Training & other 1 time costs	expense	9	-	-	-	-
On-going Design Infopath and Processes	expense	30	30	30	30	30
Smart Recon and 3-way License	capex	90	-	-	-	-
Smart Recon and 3-way Maintenance	expense	17	17	17	17	17
Phase II KL and G360 Services	expense	193	-	-	-	-
TOTAL INCREMENTAL PROJECT COSTS		853	116	116	116	116

Apply to all applicable benefit strategies

- Investment - $581,000

EXAMPLE

- Benefits

Benefit	Annual Savings
Increase Productivity	$ 120,000
Reduce Time to get Oversight Information	$ 136,000
Reduce Cost of Document Handling	$ 325,000
Reduce Costs to Recover from Errors	$ 166,000
TOTAL	**$ 747,000**

- Return on Investment (ROI=371%, NPV=$1.9M)

	Year 0	Year 1	Year 2	Year 3
Cumulative Benefits	$747,000	$892,000	$1,000,000	$1,500,000
Cumulative Costs	$581,000	$481,000	$481,000	$481,000
Cumulative Net Cash Flow	**$166,000**	**$577,000**	**$1,096,000**	**$2,115,000**

Qualitative Impacts – Not Fully Captured in ROI Model

- Customer Satisfaction:
  - Better delivery leads to tighter cooperation with customers & preferred partners
- Inefficiencies:
  - The distribution centers have less disruption from normal operations to meet exceptions and expediting requirements
  - Fewer inventory imbalances that lead to delayed orders and forecasting problems
  - Better planning due to accurate information
  - Fewer returns processing
  - Billing can happen earlier leading to less carrying costs and more interest
- Brand identity and competitive advantage
  - Poor performance no longer erodes Company's image
  - Prevent market share lost due to customer defections and returns from missed delivery commitments
- Operations is happier

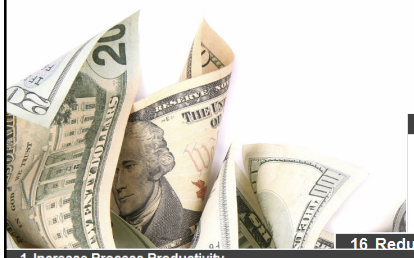
Verify assumptions before presenting results

- Re-engineering your process using BPM will result in a yearly savings of **$439,000** per year

EXAMPLE

*In less than **9 months** the solution will have paid for itself*

*The solution has a Net Present Value of **$1,650,000***



3 Reduce Time to Get Oversight Information

Time Workers Spend Doing Reporting Today:	0.01	hrs/day/pers
Percent Improvement in Productivity for Workers:	0%	
Time Managers Spend Creating Reports:	2	hrs/day/mgr
Percent Improvement in Productivity for Managers:	50%	

1 Increase Process Productivity

NOTE: Be sure to also complete organizational information on the General tab.

Time to be Removed per Transaction:	-	hours
-AND-		
Percent Improvement in Productivity:	47.3%	

16 Reduce Costs of Paper

Number of Paper Documents per Month:	1	per month
Materials Document:	$ 9,000.00	each
Reduction in Paper materials:	50%	
-AND-		
Paper Storage Costs:	$ 1,205	per month
Increase in Efficiency:	50%	

Other Considerations

- Tell a compelling value story
- Requires commitment from both sides
- Engage customer to create ownership for the assessment
- Put benefits in terms they understand
  - "Reduce costs to recover from errors"
  - -vs-
  - "Eliminate firefighting and excessive expediting"
- Some soft benefits will not be fully quantifiable – that's OK
- Make all assumptions explicit
- Models may not anticipate all special cases - may need enhancement

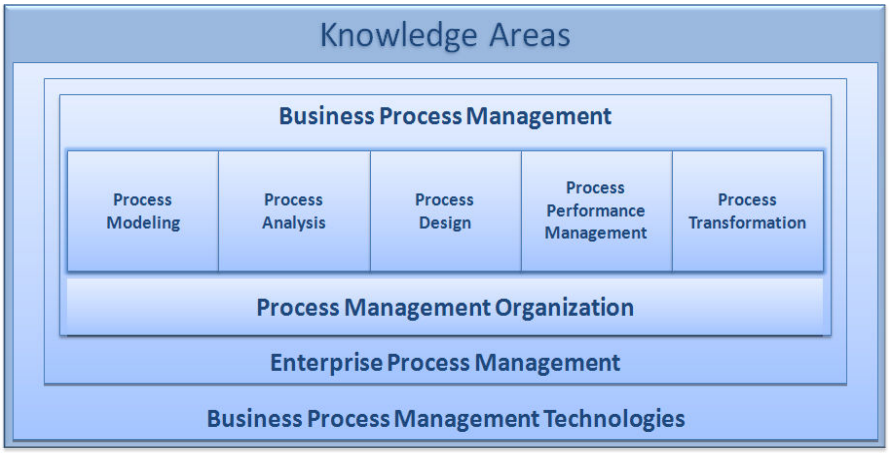
Association of BPM Professionals

ABPMP

ABPMP Mission

- To engage in activities that promote the practice of business process management
- To Promote and Evolve the Guide to The Business Process Management Common Body of Knowledge (BPM CBOK®)
- To foster the development and advancement of the skills and competencies of the professionals who work in this discipline
- To validate the professional qualifications and certify BPM practitioners

BPM CBOK™
9 Knowledge Areas



CBPP® Examination

Certification Name	Certified Business Process Professional - CBPP®
Eligibility Requirements	4 years minimum Business Process Experience - also – 6 months credit for an Advanced Degree & Approved Industry Certifications e.g. PMI; IIBA
Steps to Obtaining Credential	Application Process & Multiple Choice Exam
Exam Information	3 hours; 130 questions
Credential Maintenance	3 years; 60 CE Credits

Contacts

- www.abpmp.org
- Denver ABPMP on linkedin.com

- Other Organizations:
  - BP Group
  - Software User Goups

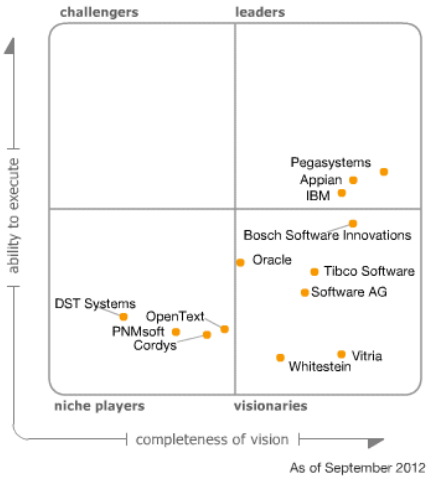
The Business Value of BPM

THE (NOT SO FAR OFF) FUTURE OF BPM

Mega Trends

- Cloud
- Mobile
- Social
- Big Data

Gartner's Intelligent BPMS



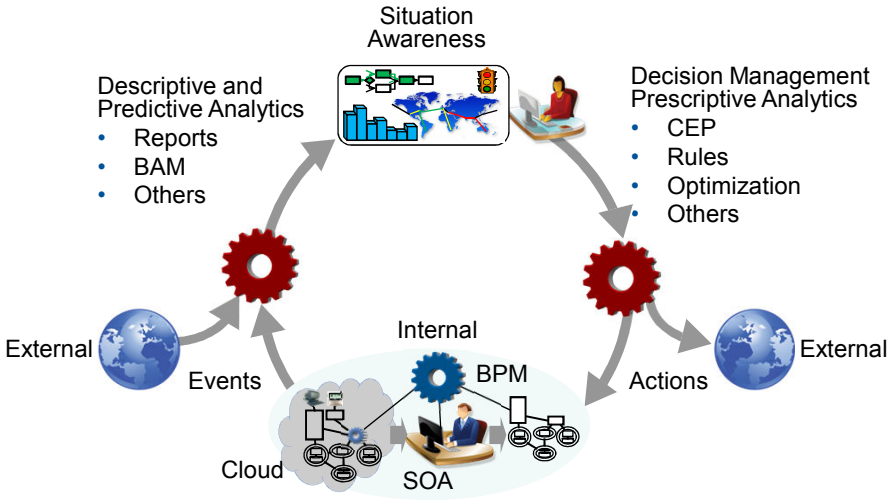
Shift From Conventional BPM to Social BPM

Shift Primary Focus

From …		To …
Process Modeling	→	Purpose Modeling
Process Execution	→	People Engagement
Upfront Design	→	Emergent Design
Linear Activities	→	Community Collaboration Cycles

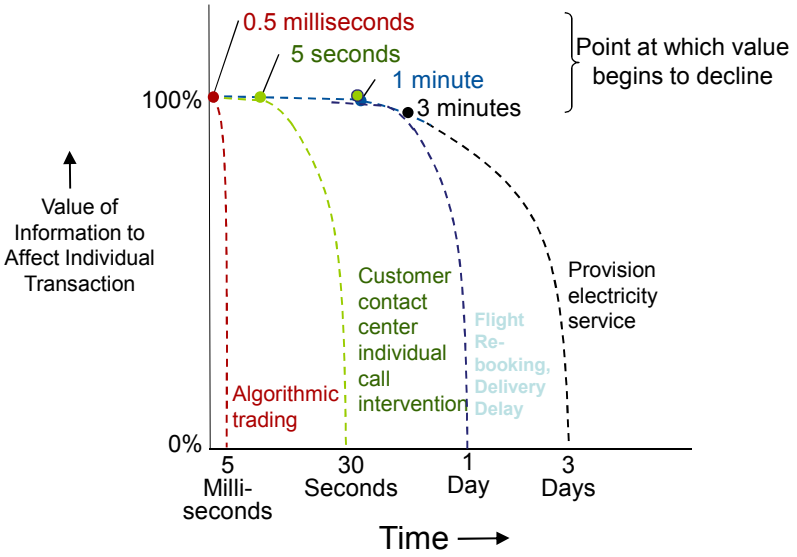
Gartner

Intelligent Business Operations (IBO) Provides Continuous Operational Feedback

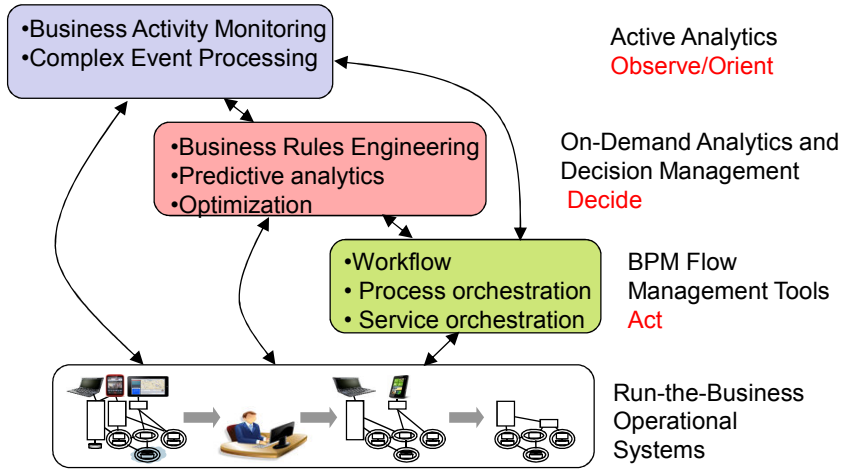


Gartner

IBO Justification: Integrated Analytics Improves the Business Value of Individual Transactions



Intelligent Business Operations Leverage Analytic, Decision Management and Flow Management Tools



Forrester's Dynamic Case Management

Dynamic Case Management Wave

Forrester's Predictions

- **Advanced collaboration and communication**. Think Yammer or other social-inside-the-enterprise solutions
- **Smart products.** Things that can sense, react, and communicate.
- **Smart process applications and semantics**. Real business processes are a lot messier than your flow charts. Smart process apps know that.
- **Advanced analytics**. Smarter, more predictive data supporting real-time sensors.
- **Pervasive BI**. People need business intelligence that comes at the right time in their hands
- **Process and data cloud services**. Scalable, burstable, and cheap computing capability.

Read more at http://venturebeat.com/2013/02/07/forresters-top-15-emerging-technologies/#81IhjifZdzGtFkRK.99

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QUESTIONS?