Upside Research

Insider's Guide to Business Process Management ROI enabled by SOA

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OVERVIEW
Return on investment (ROI) is everywhere. Business leaders can't start a project or sign off on a new initiative unless the ROI has been calculated, analyzed, and practically guaranteed. Even the U.S. Postal Service is promising ROI with its Direct Mail services for marketers. And the IT industry is overwhelmed with ROI promises and ROI measures and tools for measuring the ROI of tools. It's enough to make a CIO's head spin. Business process management (BPM) is no exception to this trend. As BPM continues to gain momentum and tout real-life cases of enterprise business success and return on investment, the interest in the ROI on BPM is growing dramatically.

This report is designed to explore how organizations are approaching ROI for their BPM projects. While everyone is talking about ROI and BPM, Upside Research has researched what happens when organizations deploy BPM solutions and what works best when trying to get a return on the investment for BPM and SOA. Through the research, we have identified some compelling elements of the ROI picture, including: where organizations are finding the biggest returns, how ROI is shaping the purchase decision more than ever, and the best opportunities for making a return on your BPM investment faster. In addition, Upside Research also uncovered some important stumbling blocks that prevent organizations from seeing an ROI with their BPM projects. Finally, we provide some detailed suggestions on how to maximize the ROI of your BPM project.

Please note that while the research and findings in this report have been based on a survey of the results from a range of BPM solutions, we have taken the opportunity in cooperation with IBM's sponsorship of this paper to provide examples of (and information on) components of IBM's SOA and BPM solutions that apply in selected areas.

METHODOLOGY
Upside Research has interviewed a representative sample of Business Process Management vendors for the purposes of this report. We have also interviewed end user organizations that are actively implementing or have successfully implemented several to many processes using a business process management solution. The results are a series of qualitative interviews and BPM ROI experiences that have been used as the basis for our findings. The paper is intended to highlight a select number of issues surrounding return on investment (ROI) for business process management (BPM) solutions that organizations should consider when evaluating these products. We recommend that readers use this report as a basis for constructing their own strategy for leveraging ROI in their BPM initiatives.

SO, WHERE ARE ORGANIZATIONS FINDING THE BIGGEST BANG FOR THEIR BUCK?
BPM isn't a single solution and it doesn't yield a single ROI. Instead, organizations are investing in BPM for different reasons and obtaining different results and different returns. For example, some organizations might look primarily for increased business agility out of a BPM project, while others look for cost savings, increased compliance and auditing capabilities, faster time-to-market, or simply increased productivity.

Before investing in BPM, most CIOs want to know what they're going to get and how it's going to pay off. With all of the different projects out there and myriad of processes within the business that could benefit from automation and optimization, CIOs and IT executives want to be sure they are picking the best processes to launch a BPM initiative. Because the first project is often the most high profile and its success (or failure) will impact the enterprise's decision on how far to roll out a BPM solution organization-wide, this is a critical decision for the CIO and IT Executives to make. Through our research, Upside Research has repeatedly found that the following types of projects lead, on average, to a greater or faster return on investment:

❑ **Customer-facing processes.** These are some of the most popular processes to automate, especially considering industries where competition is fierce, such as financial services. In financial services or insurance a better, faster interface to a web application can make all the difference in the world attracting customers and closing deals. Companies we interviewed that had implemented customer-facing processes such as new client registration and mortgage loan applications were confident that they had chosen the right first process, and they had the success stories to back up this assertion. Other customer-facing processes that have seen immediate success when implementing BPM include order processing, loan approvals, and account management.

❑ **Back-office process optimization.** For those companies that may not be as reliant on a slick web application to compete within their industry, the back office offers a plethora of places to get started with BPM and see significant ROI. Companies we spoke with that opted for the back office first ran the gamut of vertical markets, but the unifying theme was that the processes selected were critical in running business operations. Whether it is automating a scheduling process that can cut down days or it's a process to help streamline claims, any process that can be shortened and optimized can translate into big savings. Companies that found significant returns identified processes related to finances as a big winner, such as invoice reconciliation and invoice processing.

> **BPM ROI HOT SPOTS**
>
> 1. Customer-facing processes
> 2. Back-office process optimization
> 3. Partnership Communication

❑ **Partnership communications.** For many companies, their supply chains or partner networks are critical to business success. Since information sharing and fast responses are part of ensuring success with a business relationship, companies have been turning to BPM to facilitate communications and speed processes that cross corporate boundaries. Cutting out uncertainties and eliminating days in a back-and-forth business process both have garnered sizable benefits for these companies.

The key to finding the right first application for your new BPM solution is that it will have a significant impact on the way you do business. Whether it is a new process for helping customers get the most out of their interaction with your organization, or a process that streamlines critical operational components, these are the areas where you will find the greatest return on your investment. Save the "new hire orientation process" for the second round of your BPM projects, and instead identify the process that can really impact the bottom line.

WHAT'S THE DEAL WITH ROI ANYWAY?

Return on investment has become part of the patchwork of enterprise computing, and its presence and relative importance has changed dramatically over the past decade. Whereas ten years ago cost containment and total cost of ownership (TCO) were the ways organizations determined whether to make an investment in a new technology, today ROI is often an important standard for IT purchases.

Why the shift in this mindset from cost to return? Based on our experience and research, Upside Research believes that many enterprises were burned by the ERP and middleware fiascos of the late 1990's, where companies were sold on the promise of enterprise software that would solve all their problems, only to find out three years and $2 million later they were no better off than when they started. CIOs, business managers, IT executives, architects and IT managers have become much savvier out of necessity, because today's executives demand proof that investing in a particular technology will have some tangible benefits to the bottom line. When bringing in a new technology like BPM, the stakeholders have to bring the bottom line impact to the table, already calculated and sure of its success.

> ### THE REAL RETURN ON INVESTMENT
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> - ❑ Most companies see a return of at least 10%-25% on the first BPM project.
> - ❑ The more processes that are automated, the higher the ultimate return.
> - ❑ ROI for BPM extends beyond traditional scope to include "soft" benefits too.

The benefits of BPM vary from other standard technology investments, primarily because a BPM system can address such a wide range of potential process issues, rather than solve only one problem. Therefore, those BPM champions that are successful understand that the ROI equation needs to be different than the standard approach of determining the potential return on a project (for example, Project Outcome – Product Cost = ROI). An important consideration for BPM projects is that BPM solutions are typically implemented for more than one process. In effect, a BPM project is actually a doorway to many more projects, as well as an opportunity to increase an organization's return from its investment. While a company may expect to recoup its initial investment after the second process is implemented, according to Upside Research's data on ROI for BPM, the enormous benefit is

that when that company adds another 10 or 20 or 200 processes, the ROI increases significantly.

Of course, ROI on the first project is not guaranteed. However, as Upside Research has found out in end user interviews, it is frequently achieved, depending on the scope of the project and size of the implementation. One of the benefits of the maturing BPM market is that business and IT professionals have become better at gauging the impact of the technology on their business goals, and therefore have been able to better measure the results. Therefore, companies are getting much savvier in terms of being able to calculate the potential ROI of their BPM implementations. In addition, some organizations have offloaded this responsibility onto the BPM vendors that are competing for the sale. Realizing this, vendors have stepped up with providing ways to measure the kinds and amount of return that customers can see from their investment in BPM. As a result, ROI is often a significant driver in the BPM purchasing decision.

LOOKING FOR FASTER ROI? AN INSIDER'S GUIDE

There's no doubt that ROI is important and is here to stay—at least in terms of calculating the benefits that new technologies or services may have on an organization. And, many companies can expect to recoup their investment in BPM with measurable business gains between the first and second processes being optimized. What, then, are some ways that companies are having success ratcheting up the ROI meter more quickly? Here's an insider's look:

❑ **Training.** This is an important area, and often it is overlooked when kicking the tires on the BPM solution. Features and product extensibility, vendor support and price are often discussed before the issue of training. Training, however, can have an incredible impact on how quickly a company gains ROI. The better trained that the IT and business users at the company are, the more quickly processes can be optimized and the bottom line impacted. Therefore, Upside Research advises organizations to evaluate the training depth of a particular vendor. How much is offered? How attentive is the vendor about it? How extensive is the training? What do other current customers feel about the level of training? *(example: IBM Modeling classes & education)*

❑ **Business Activity Monitoring.** Having a way to track and analyze the business processes that are being optimized is one of the keys to being able to tie the process back to specific gains for the business. BAM tools are one of the easiest ways to do this. Not only can they track how a process is performing, but they can also identify ways that process can be optimized even more for greater performance. This can contribute to achieving a faster ROI. Businesses need to track both the performance of business process, as well as system resource performance in order to optimize their systems. *(examples: IBM WebSphere Business Process Monitor, Tivoli ITSM)*

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❑ **Analysis tools.** Using tools to help identify the best processes for optimization prior to launching a particular BPM project is another insider's way to maximize ROI. By doing your homework ahead of time, you can be certain that the process you select is ripe for automation and can be successfully optimized to drive business gains. (example: WebSphere Business Monitor dashboards)

❑ **Support for collaboration between IT and Business.** Because BPM is the confluence of the best of business and IT, it is critical that both sides are able to communicate easily and freely about the BPM initiative. Finding a BPM solution that enables IT and business to speak the same language through the tool is a secret to many companies' success with BPM. At the same time, IT managers need to make sure they have buy-in from business managers, and a mechanism to guide and optimize a BPM project. *(example: collaboration built into WebSphere Business Modeler)*

❑ **Leveraging Best Practices.** Tapping into a depth of knowledge about the subject of BPM is one of the best ways to see the biggest gains from BPM. Therefore, it is key for organizations to search for and leverage the best practices that are available. Typical places to start looking include the BPM vendors themselves as well as third-party consulting organizations that have a focus on BPM enablement. *(example: IBM BPM Methodology)*

❑ **BPM tools.** At the end of the day, the actual BPM solution itself is a key to providing the best ROI. There is no guarantee that selecting a BPM solution automatically leads to the promised land of ROI. There are many BPM products that fall short of achieving the mark of a good piece of technology, and therefore features and functions do matter. BPM solutions that provide tools that support reuse, tools that enable shortcuts for developers, smart technologies for auto discovery of processes and aspects of the computing environment, easy adaptors for integrating with existing systems and applications, all of these contribute to a faster return on investment and are tools well worth their expense. Upside Research advises organizations to look for these types of tools when evaluating a BPM solution because they will lead to faster ROI. (example: IBM BPM software, services,

> **WAYS TO SPEED ROI FOR BPM TO MAXIMIZE ENTERPRISE BUSINESS FLEXIBILITY**
>
> - Training
> - Business Activity Monitoring
> - Analysis Tools
> - Collaboration between IT and business
> - Development tools
> - BPM Tools: Education & Consulting
> - Industry Models
> - Workplace Forms

hardware and training)

❑ **Development tools.** Tools that help organizations rapidly assemble code from business models are key to saving time and money. If you can model a process, then export to BPEL, XML, WSDL or another programming language that can be used to create code, then you are saving your development team from having to start to design each application from scratch. *(examples: WebSphere Integration Developer, Rational Developer)*

❑ **Industry models.** Predefined templates and models for various industries (i.e. how to model a loan application) can save time and money by allowing business analysts and IT folks to fast track projects. *(examples: WebSphere Business Services Fabric, WebSphere Business Modeler templates).*

❑ **Workplace Forms.** IBM provides a specific set of forms that can be used to quickly get processes streamlined and automated. By using these forms, users can collaborate from within their familiar portal to create documents, send messages, or create a Web conference. Leveraging a services-oriented architecture, all of these components can be integrated with other services in any other application. Using a familiar interface and forms that are easy to complete and invoke will ultimately lead to a faster ROI for BPM implementations. (example: IBM Workplace Forms)

STUMBLING BLOCKS TO AVOID
The last section looked at areas that can provide a faster road to ROI for BPM. But there's also the other side of the coin--how to avoid slowing down or reducing the ROI you can achieve in your BPM project. The following are taken from real company scenarios that were costly lessons to learn.

❑ **Scope creep.** This is the death of a successful BPM project, or for that matter, any project. Scope creep was a particular problem for many organizations when BPM tools were first introduced. As a result, many vendors are on the offensive in sales situations today, making sure that the first pilot or process that customers select doesn't extend into a never-ending, hard-to-stop, low return on investment project. Resist the urge to add one more sub-process, or include one more department in your project. There will be time for that later. With the success of the first process under your belt it will be much easier to get the funding, resources, and input needed to attack the next process.

❑ **Lack of communication.** A key initiative for any organization that wishes to be successful is aligning their business goals & their IT goals. As we mentioned above, the BPM solutions that enabled communication between business and IT provided a faster ROI. However, providing the tools is only half the equation. IT and business needs to communicate as a means of behavior as well, regardless of the presence of tools to facilitate that communication. From the outset of the BPM project, ensure

that both sides have a stake in the project, and provide means for keeping the lines of communication open and encouraging collaboration. Those companies that placed the ownership more directly in the hands of IT or business have recounted the failure of the initiative and the need to improve the balance. Doing it from the beginning of the project will save considerable time, as well as money.

❑ **Letting exceptions stall development.** There will always be exceptions. No matter how well you plan, how carefully you execute, there will always be exceptions. The key to success is to not let those exceptions stall your development. It is very easy for a thorough project team to want to make everything right from the beginning. However, companies implementing BPM have found that when they let the exceptions slow them down, they hurt their ROI. Resist the urge to follow this path.

❑ **Lack of strong leadership/buy-in**. Executive champions have become a corporate icon in the world of adopting new technology solutions. BPM is no exception to this, and therefore it is critical to the success and ROI of the BPM project to ensure there is strong buy-in across the organization for the BPM project. Building support from the start of the project will go a long way toward ultimate success.

❑ **Inadequate skill sets and training**. One of the keys to success with BPM is ensuring that the people responsible for implementing BPM are trained and possess the skills to make the project a success. Too often, companies take for granted that their skilled IT staff can assimilate into a BPM world without giving them the proper tools to be successful. This is also the case on the business side, where bringing in a BPM solution will fundamentally change the way business is conducted. Without adequate training and a support network to ensure that the project becomes the fabric of the way business is conducted, a BPM project will face an uphill battle.

BEST PRACTICES TO APPLY

As we mentioned above, one of the ways to speed up the ROI cycle is to find and leverage best practices that already exist within the BPM market. Upside Research has spent more than five years speaking with companies, vendors, and consultants to learn what the best practices are for maximizing BPM ROI. Here are a few of the themes that come up repeatedly in our research.

❑ **Involve the business.** Make sure the project is business-driven, not IT-driven. Involve the business stakeholders and make sure that their needs/requests are translated into the scope of the initial BPM project.

❑ **High business value, low risk projects.** These are the best, of course. A visible, high-return project is much more likely to capture the attention of upper management and ensure that future BPM projects sail through the approval process. Also, minimizing risk is a good idea for the first projects so that any issues can be

worked out without putting critical business operations in danger.

❑ **Define your requirements clearly.** It's important to make sure you scope your project correctly, as well as make sure you truly understand your requirements clearly. In many cases, of course, the requirements will be driven by business needs and line-of-business managers or personnel. Regardless of the size of the project, requirements gathering and definition should be an important starting point for any project.

❑ **Consider creating a center of excellence.** Repeatable methodologies are important to replicating initial success with future projects. Consider creating a center of excellence or at least assigning formal authority to an individual or team for the management of best practices and BPM standards.

❑ **Look for leverage.** As you're selecting your first project, look for project areas where what you learn with the first project can be applied again.

❑ **Define and keep track of metrics.** It can be helpful to define and keep track of metrics associated with the process you're automating to help create and validate ROI or potential savings, as well as serving as a basis for analyzing future BPM-related projects to identify the opportunities for the greatest ROI and cost savings.

❑ **Do the basics.** Of course, as with any business-critical IT project, it's important to do the basics, such as having senior management support and making sure to manage (and prevent!) scope creep.

WHERE IS THE BEST PLACE TO START WITH BPM ENABLED BY SOA TODAY?

You've seen how to maximize ROI in your BPM project, you've learned of the pitfalls to avoid when launching a new BPM project, and you understand how fundamental ROI is to the BPM purchasing decision. Now you want to know where to begin. According to the end users and vendors we spoke with, Upside Research has identified several trends in where successful companies have started with BPM adoption.

Believe it or not, a lot of companies are finding success from choosing a fairly complex process to automate or optimize first. The companies we spoke with were adamant about their decision to choose a business-critical process for a number of reasons. The stakes were higher, and therefore there was less likelihood of wasting time or allowing scope creep because the process was an important part of business. By selecting something complex, the customers felt they were able to really "kick the tires" of the BPM solution they had selected, and see the true colors of what the solution could do. The time absorbed by the initial training and implementation was going toward a project that would see real results, and therefore the ROI would be something significant enough to measure. And, by accomplishing a harder process first, subsequent projects and processes were much easier

to execute because the process team was over the learning curve and had hit the ground running.

There was a vocal minority in the companies we spoke with that were pleased with their decision to choose a simple process first, in order to be able to more easily familiarize themselves with the BPM solution environment, and prove their results faster than a more complex process. Because implementation was faster for these more straightforward processes, they were able to get their return more quickly, proving the benefits of the BPM solution, and gaining complete endorsement from upper management.

IBM: ENABLING BUSINESS FLEXIBILITY VIA BPM ENABLED BY SOA

Today's BPM solutions provide organizations with a wide range of options. A good example of a rich SOA-based BPM solution is from IBM.

IBM's BPM Enabled by SOA approach provides the key benefit of the integration of a business process management environment with a flexible IT architecture. On the business side, processes are the combination of tasks spanning people, systems and information. These processes are represented as a service (or set of services) and can be used (or reused) to create other processes. The reusability of services accelerates and enables business process change.

IBM's approach also provides domain experts the ability to create business processes using reusable SOA business services to simplify the decomposition and rebuilding of business processes to facilitate business change. Specific components of IBM's BPM solution include software from WebSphere, Tivoli, Rational and Information Management, as well as hardware, services and consulting. Key attributes of the solutions include:

Continuous Process Improvement
- Modelling, process server, process management integrated
- Real-time monitoring & control
- Business analysis tools
- Simulation, reports, returns on investment, process comparison and cost justification within modelling tools.

Robust, Resilient and Proven
- Major implementations of IBM workflow and application server technologies.
- Scalable from Windows operating systems to Z/OS

Investment Protected
- IBM investment in standards (WFMC, J2EE, BPEL)
- IBM investment in product R&D

In the summer of 2007, IBM also introduced a number of new BPM-related products, including industry-specific templates with methodologies and predefined configurable dashboards, expanded Business Activity Monitoring software for easier integration with heterogeneous sources, as well as new BPM dashboards for tracking and monitoring the roles associated with a given activity. IBM also announced an enhanced SOA portfolio for

governance, information management and BPM, plus new BPM for the Mainframe capabilities, including a high-power process engine and new business user client generation, adaptors and governance capabilities.

In addition, IBM created IBM SOA Industry Frameworks to provide organizations with reusable, industry-specific software modules (for industries such as banking, healthcare, telecom, retail and others) based on WebSphere Business Services Fabric.

IBM has also integrated the capabilities of WebSphere software with the FileNet Business Process Manager, so that they can be used in the same environment and business analysts and other non-IT staff can model business processes, document them and communicate them across an organization.

CONCLUSION

The road ahead for BPM is promising. Its alignment with services oriented architectures (SOA) promises to take it even further as an enabling solution for maximizing business benefits. Companies have accepted the technology as one of the important weapons in the corporate war chest, and the increasing practice of closely tying ROI to a BPM project only serves to strengthen BPM's relative position in the technology toolbox. Upside Research advises that organizations evaluating BPM solutions look closely at the ROI measures and success stories that vendors offer. Make sure the results that customers have achieved with products under consideration are repeatable in different (i.e. your own) settings, and not an anomaly. Looking for solutions that contain some of the components or features we have identified to speed up ROI is another good measure when evaluating BPM solutions. And, taking care to select the right first project for your BPM initiatives is an important part of gaining the best overall ROI. At the end of the day, the bottom line is really what managers and leaders are looking at, so finding the best way to improve that equation will ultimately work toward your best interests.

The Road to BPM & SOA Success: Some Starting Points

Let's take a closer look at some of the companies that have been very successful at incorporating BPM projects into their operations, and where they got started on the road to success.

Using BPM to Streamline Invoice Processing
A major energy supplier used BPM to create an electronic approval process for its invoicing processes. The company had been challenged by managing 15,000 invoices in the system for exploration and production of the lower 48 states to meet net 30 business terms. There were a myriad of systems and human error contributed to poor performance and inadequate visibility into the invoicing system. After implementing a BPMS as part of a larger IBM-based solution, the oil supplier was able to decrease the staff needed to process invoices from 40 down to 5, and increase customer service due to timelier payment and increased visibility.

BPM Cuts RFP Process and Meets SOX Compliance
A wireless tower manager was looking for a way to reduce its existing RFP process from 60 days. The current process was time consuming and the faxing technology was inadequate for the company's needs. Using a BPM solution, the company dramatically reduced process cycle from almost 60 days down to 4-10 days. The next project it applied BPM to was its SOX compliance. Using the BPM solution, the company was able to meet important SOX deadlines that put it ahead of many of its competitors. Since then, the company has quickly rolled out 80 additional processes that touch most of the staff and processes throughout the company.

BPM Facilitates New Store Launches
A national hair franchise needed a way to automate the hundreds of business processes involved in establishing and launching a new salon. Using a BPM suite, the company was able to reduce the time to open new stores by more than a week, translating to more immediate cash flow and additional revenues. With BPM-enabled processes, the company saw a return on investment for its $1.2 million project within two years.

About Upside Research, Inc.

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

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