

BPM, Not Just Another Technology Fad

The concept and importance of business processes has long been understood by organizations. Business processes control and describe how business is conducted internally and externally in terms of data and information flow, and the interactions between individuals and partners with the concerned organization. From purchasing goods and services from a supplier to paying salary to employees, organizations realize the importance of ensuring that all processes are executed smoothly and efficiently, and therefore the need for solutions that can support and facilitate these business processes.

However, managing these business processes is not easy. More often than not, business processes are complex in nature, span across multiple systems and involve interactions across several business units and trading partners. Applications, on the other hand, are not designed with cross functional business requirements in mind, they are designed to perform a particular function or solve a particular problem. So to keep a particular process operating smoothly, employees devise workarounds and links between applications such as manual transfer of data, telephone conversations, fax, email or simply, face-to-face meetings. While such partially automated processes often exist for several years, it is widely accepted that this is a sub-optimal solution. With such a state of affairs, organizations are not able to achieve maximum operational efficiency, nor are they equipped to deal with change if business processes evolve, as they inevitably do. Through the nineties, firms tried to streamline business processes through Business Process Reengineering (BPR) initiatives. But these initiatives were usually one-off static projects that were conducted primarily with the aim of cost reduction and did not take into consideration the dynamic nature of business processes. Like other three-lettered acronym technology waves of the decade - SCM and CRM - BPR too did not deliver the required results. However, what emerged in due course is a better understanding of how business processes operate and how they need to be handled through a new approach labeled Business Process Management (BPM).

BPM: More Than a Concept

Defined differently by industry experts, Business Process Management is essentially an approach to effectively automate and manage cross-functional processes by orchestrating people and applications

using supporting software tools. BPM recognizes and takes into account that business processes are multidimensional, cut across functions and organizations and are dynamic in nature. It builds on technology elements such as workflow management, process modeling, application integration, process analytics and rules management to manage the lifecycle of a process starting from definition, to execution, measurement, optimization and re-deployment. One of the main benefits that BPM offers is improved process control and visibility, which leads to higher productivity and reduced errors. Also, by separating process logic from underlying applications, it enables firms to derive ROI from the investment they have made in the underlying enterprise applications.

According to a recent studies 75 percent of them with assets in billions, 95 percent of the organizations had successful BPM projects. In addition, those successful projects had a minimum of 10 percent Internal Rate of Return (IRR) and almost 80 percent had an IRR in excess of 15 percent. Significantly, 80 percent of the respondents felt an increase in competitive advantage by adopting BPM. The study also revealed that over 60 percent of the projects were completed in less than six months and that BPM's value to the company was estimated to be higher than any other systems such as ERP, CRM and SCM.

Another key benefit that BPM offers and which takes greater importance in the current environment is regulatory compliance. By providing a framework for managing complex processes, BPM ensures that firms can make process changes in line with regulatory requirements such as Sarbanes Oxley, Basel II and International Accounting Standards. It is important to note that unlike other technology trends, with BPM, 'IT' does not take precedence over 'business'. Technology does not dictate the way a firm's processes are structured. Rather, it is a collaborative approach between business and technology. The business team designs the processes, while the technology team provides the right tools to deploy the processes and derive optimum performance from the same.

BPM: An Essential Technology in Banking

It is not surprising that BPM is considered ideal for the financial services sector and banks have been early adopters of BPM. The need for flexible processes and real-time responses is incredibly high in banking, be it for a retail customer opening an account at a bank, or a bank providing a letter of credit to their corporate client. A process-oriented industry like banking stands to gain significantly through process improvement technologies like BPM. BPM can help banks reduce costs and improve staff productivity by automating routine tasks. In case of processes like retail loan processing, greater automation of processes and effective workflow BPM can help banks in not only lowering the time taken to process a loan request but also tracking the exact status of each loan application. Other processes where banks can apply BPM are: credit approval, overdraft processing, loan and mortgages origination and administration and compliance.

At Barclaycard Germany, which implemented a BPM solution in an initiative to reduce the time taken to process new credit card applications, the benefits of BPM are for all to see. With the BPM solution, which manages all the steps involved in applications processing and integrates all necessary underlying systems, Barclaycard has been able to cut the processing time from three days to just 18 minutes. BPM can help banks integrate multiple delivery channels to ensure that customers seamlessly get a unified view of their customer information across all delivery channels. Banks can also gain the ability to implement advanced CRM features such as empowering their staff to cross-sell products in real-time. Risk management is another area where banks can achieve significant benefits through applying BPM. Banks can combine credit, market and operational risk to achieve an integrated approach to risk management.

Basic business processes such as opening a new account, underwriting a loan, or processing a payment occur throughout a bank across its many lines of business and product sets. While some variability will always be associated with a particular product, the basics are fairly standard. Banks that view business processes as reusable components spend less time on proprietary coding efforts and benefit from a quicker time to market on new product initiatives. An analyst firm states that documenting processes and storing them

within a central business process repository positions the bank for meeting the three goals of BPM: saving time, saving money, and adding value to the bank's internal or external customers.

Conclusion

BPM, applied correctly, has the ability to transform banks through greater efficiency, agility and customer focus. There is no doubt that banks stand to gain enormously from BPM, which explains the heightened level of interest in this space over the last few years. However, industry experts caution against firms getting carried away in the hype that always surround a new technology trend. Banks need to realize that BPM is definitely not a panacea that can solve problems instantly, nor can it transform overnight a costly or failing bank into an efficient and successful one. It is also important to bear in mind that while BPM tools have vast capabilities, they cannot fix broken processes. Before adopting BPM, banks need to first thoroughly examine their existing processes, define the main requirements for current and anticipated BPM applications, optimize the technologies and relationships that are already in place and then identify the right solution that best meets their current and future requirements.

Reference

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