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Executive Overview

Improving business processes has been the number one priority for CIOs and IT executives for the past few years\(^1\). Studies indicate that corporate managers have higher expectations from their CIOs to be more of a business leader by helping to improve business processes\(^2\). Improving business processes isn’t something new in the corporate world, and we have seen many different variations of it over the years - Total Quality, Business Process Reengineering, Six Sigma, etc. For the most part, these initiatives have yielded benefits to the organizations that have implemented them. However, most of these initiatives have failed to provide sustained benefits due to a lack of consistent process execution.

Business Process Management (BPM) software can be used as the technology to help make best practice processes consistent and repeatable. The technology is an investment that can provide immense business benefit to the organization; however, the tangible business value associated with BPM is generally not well-understood. This paper will highlight the use of BPM technology as a way to improve and sustain the benefits of business process improvement. BPM technology can also bring about other benefits that cannot be achieved by traditional process improvement techniques. The paper will give the reader an overview of the following:

- Why it is important to create a business case for the investment in BPM technology,
- How to go about creating the business case for your organization, and
- What benefits organizations are achieving and realizing significant value from their investments in BPM strategies.

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\(^1\) Gartner – “Making the Difference : The 2008 CIO Agenda” (Jan 2008)
\(^2\) InformationWeek Analytics 2008 Tomorrow’s CIO
...IT investments deliver more value to a company’s top and bottom lines – by creating new efficiencies and increasing revenues – than any savings gained from traditional IT cost cutting...³

McKinsey, September 2008

Why BPM?

Today’s Business Challenges

Over the past few decades, globalization has become more pervasive. The recent financial crisis has shown just how interconnected the world economy is. Today’s organization has to be able to compete in this global economy with both small and large players around the globe as the barriers to entry in many markets get lower. The ability to compete successfully requires success on many fronts:

- Operational efficiency
- Customer intimacy
- Product and Service Innovation

In order to fight these battles successfully, today’s organizations must be as efficient as possible. Processes should be constantly evaluated and improved as part of the daily operations of the business. At all times, the various levels of management and operations need to have visibility into the organization and its operations. This visibility will help better understand areas of improvement as well as better understand the customer’s current and future needs. Finally, in order to respond to the dynamic environment that we find ourselves in today it is important to have agility so that we can dynamically respond to changes in the market or proactively out execute the competitors.

³ Managing IT in a downturn, Beyond cost cutting, McKinsey, September 2008
How Can BPM Help?

Supporting text should contain benefit/solution information such as which business problems exist and how they are solved, the ROI/value produced by addressing the problem, and which solution(s) or pieces of the solution Oracle provides.

Agility

BPM can provide the agility needed in today’s rapidly changing business environment. Process automation is one way that BPM can help an organization become more nimble. Business processes organized within a BPM framework are well-documented with clearly-defined steps. Moreover, there is a clear understanding of the underlying systems and data supporting each process step. Changes to existing processes can be made quickly within a BPM framework because the downstream affects on people, systems, and data are already known and factored. Automated processes within a BPM framework also help in providing speed to compliance as well as transparency and consistency in the execution of the business processes. Speed to market is yet another key driver for more agile business processes. To remain competitive in today’s business environment, companies need to be able to exploit new market opportunities much faster than their competitors to survive.

Visibility

In this fast paced world, executives need information in real time. Without automated processes, it is very difficult to gain real time insight into the execution of business processes. BPM technology not only provides the ability to automate the processes but also provides the ability to monitor the performance of the processes in a real-time manner. This capability allows management access to fast and accurate reporting so that they can make informed decisions about the business. This information can be rendered via portals so that decision-makers can have the information they need in one place. This level of visibility is also key for compliance.

Efficiencies

BPM can bring tremendous cost savings and cost avoidance to an organization. Optimizing and automating business processes can lead to a reduction in redundancies. Most manual tasks can be eliminated and thus considerably decreasing the risk of errors and rework in the process. Gartner claims that by simply “making the current-state handoffs, timing and responsibilities explicit”, productivity improvements of more than 12 percent are typically realized4.

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How Can BPM Help In My Industry?

Consumer Goods
This is an industry that is constantly plagued with increasing customer expectations and diminishing margin. Some of the key challenges faced today by the Consumer goods industry are:

• Growing brand equity
• Driving operational excellence
• Optimizing trade relations

Some ways in which BPM can help is automating and managing compliance processes as well as increasing design & process collaboration with suppliers and providing closed-loop, collaborative trade management processes.

Communications
The communications industry is an industry where competition has become fierce, hence making it a very dynamic environment. The key challenges in this industry are as follows:

• Enabling the next generation services
• Driving a customer-centric business
• Transforming to an information-based architecture
• Improving cost control and compliance

As the industry converges and the customer is more involved in the process, the activation process becomes very critical and has to be as efficient as possible. BPM can provide substantial value in the automation of the Activation to Bill process.

Utilities
Some of the biggest challenges facing the Utilities industry are optimizing customer-facing and back-office operational performance, driving environmental stewardship and regulatory compliance, creating business agility to adapt to dynamic market conditions, and finally making customer satisfaction a major priority.
While BPM can help with several of these challenges, the biggest impact can come from streamlining the end-to-end utility processes by integrating the underlying applications. This will result in improved service and a reduction in cost.

Financial Services
The Banking and Capital Markets industries have some overlapping challenges as well as some unique challenges. The continued consolidation requires robust best-in-class back-office systems to enable business flexibility. Continually increasing regulatory requirements are forcing organizations to adopt a centralized approach to managing risk and achieving compliance. The escalation of fraud from unauthorized insider access, ID theft, phishing, etc is resulting from non-integrated systems. BPM can help evolve the enterprise architecture to more of a process-driven architecture to help mitigate risk and increase compliance in the processes.

Life Sciences
The Life Sciences industry is always looking for ways to reduce time to market, and one of the ways that this can be achieved is by improving operational efficiencies across the end-to-end process from discovery to product launch. BPM can help reduce market cycle time which, in turn, helps reduce time to revenue. Risk and compliance are major drivers for this industry, and BPM can help reduce risk and ensure compliance.

Industrial Manufacturing
Concurrent pressures of profitability, time-to-market, and design complexity exist in this industry. Product commoditization forces companies to seek alternate ways to generate revenue. Complex distribution and sales -- resellers, retailers, direct, online, etc. make it very difficult to forecast demand accurately. One of the ways to help with some of these challenges is to focus on customer-centric processes and to synchronize the demand-driven supply chain. BPM can be the glue that brings customer-centric processes to life.

Public Sector
The public sector space is comprised of several slightly different sub sectors, i.e. Defense, Justice, Public Safety, National and Local Government. They each have slightly different challenges, but the common theme for these different sub sectors is the need for efficiency and transparency. There is a strong need to increase efficiency and transparency in the following areas; Financial Management, Human Capital Management, Sourcing and Procurement. These process areas are ideal candidates for BPM to help with efficiency and visibility.
Retail

Out-of-stocks represent a $69 billion dollar problem for the top 100 global retailers, and retailers are responsible for nearly 75 percent of all out-of-stock situations⁵. The key message for retailers is to optimize planning and merchandising decisions by integrating merchandise planning & execution, including demand forecasting, promotional planning & optimization, and retail price optimization. If these capabilities are currently in silo’d applications, they need to be integrated to optimize the end-to-end process.

BPM Technology can be used to rapidly integrate and automate processes that are manual and/or span multiple application systems

Why build a business case for BPM?

The need to deliver more business value from IT

Today’s IT budget is spent mostly on “keeping the lights on”, in fact roughly 70% of the budget is spent on sustaining and running existing capability while only 30% is spent on providing new capabilities to the business⁶. The business, together with IT, needs to find ways to increase the value created by the existing and new investments in IT. The ideal allocation of the IT budget would be to spend roughly 55% on existing capability and 45% on new capabilities that create value for the business⁷.

More value without a corresponding increase in cost

One of the ways that CIOs can provide more value to the business is by improving and innovating business processes⁸. Improving business processes is nothing new to most organizations, but by using the BPM technology to improve and innovate business processes, one can expect a higher level of success. BPM technology can be used to rapidly integrate and automate processes that are manual and/or span multiple application systems.

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⁵ Oracle Retail Industry Solutions Portal
⁶,⁴ Accenture I.T. Spending Survey
⁸ InformationWeek Analytics 2008 Tomorrow’s CIO Survey
BPM is increasingly being used to manage processes that span multiple packaged applications. A recent Oracle customer survey showed 65 percent of BPM deployments integrate three or more systems, and 60 percent of customers deploy their first process in less than six months⁹.

Quantifying the business value

While many CFOs see BPM as an initiative that can cut costs, there is also clear evidence to indicate that BPM also affects the top line of a business¹⁰. In the past, many IT project decisions were based on Total Cost of Ownership (TCO), but these days, Return on Investment (ROI) drives more IT project decisions¹¹. TCO alone cannot justify decisions where the business needs to see the value. In an economy where many initiatives are competing for the same funds, only the most compelling business cases will win. Beyond understanding investment costs, technologists have to quantify the cost reduction, cost avoidance, and revenue impact of IT investment decisions. Using ROI in the business case will help the CIO to be seen as more of a business leader.

How to build your business case for BPM

The approach to building the business case requires three major steps.

Step 1 is to assess the current process and understand the performance of the current process. During this step, one should also assess the BPM maturity of the process area in scope. In order to quantify the impact of the BPM technology, it is important to have a relative point of comparison.

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¹¹ TCO versus ROI, Kim S. Nash, CIO Magazine April 09, 2008
Step 2 involves envisioning the future process and the solution footprint to support that future process. In addition, it is important to define the implementation plan and understand the cost of implementation. This phase helps define the investment required.

Step 3 is where we truly understand the benefits of the BPM technology to the business. It is during this stage that we quantify the business value of the technology. Using the investments from step 2 and the quantified business value in step 3, we are ready to calculate the ROI for BPM.

Step 1: Assess Process Performance & BPM Maturity

Current Process Performance

Before assessing the process performance, it is useful to understand the current process. This can be done in several ways, i.e. text, tabular or diagram. Graphically depicting a process seems to be the best way to capture and communicate a business process. The most widely used notations are flow charts, swim lanes, and, most recently, an industry standard has evolved – BPMN (Business Process Modeling Notation). The figure below shows an example of a business process that has been depicted in BPMN.

![Figure 2: Business process depicted as BPMN](image-url)
After the process has been described, it is important to understand the current performance of the process to establish the baseline. The typical process metrics are cycle time, cost, quality, and volume. These metrics should be compared to industry benchmarks to get a comparative view of the business process performance.

### Assessing BPM Maturity

After understanding the current process and the performance of that process, it is time to assess the process area for BPM Maturity. BPM Maturity can be assessed across 6 dimensions:

#### Strategic Alignment
The continual tight linkage of organizational priorities and enterprise processes enabling achievement of business goals

#### Governance
The establishment of relevant and transparent accountability, decision making and reward processes to guide actions

#### Methods
The approaches and techniques that support and enable consistent process actions.

#### Information Technology
The software, hardware and information management systems that enable and support process activities

#### People
The individuals and groups who continually enhance and apply their process skills and knowledge

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**Figure 3: Framework for BPM Maturity**

After understanding the current process and the performance of that process, it is time to assess the process area for BPM Maturity. BPM Maturity can be assessed across 6 dimensions:
Culture

The collective values and beliefs that shape process-related attitudes and behaviors.

These dimensions can be assessed using a simple capability maturity model (CMM) to identify the areas with the largest gaps.

<table>
<thead>
<tr>
<th>PERFORMANCE AREAS</th>
<th>IMPORTANCE</th>
<th>MARGINAL</th>
<th>STABLE</th>
<th>BEST IN CLASS</th>
<th>TRANSFORMATIONAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Alignment</td>
<td>High</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governance</td>
<td>High</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Methods</td>
<td>High</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information Technology</td>
<td>High</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>People</td>
<td>High</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Culture</td>
<td>High</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 4: BPM Maturity CMM

The figure above is a depiction of a capability maturity model used to assess each of the 6 BPM Maturity dimensions. The CMM establishes where you are today, plots the desired end state, and identifies where the largest capability gaps exist. This will help to prioritize the focus areas for the implementation plan.

Step 2: Develop Solution Footprint & Implementation Plan

During this phase, the future state process is created to better understand how the BPM technology can be better leveraged to support the business goals. A graphical depiction is best. A BPMN model built in Oracle BPA Suite can be used to configure the executable process in the Oracle BPM Suite.
That leads to the next task during this step – creating the solution footprint. Once the future process is understood, the next task is to define the future state architecture to support the new process or processes. The figure below is a sample of a future state architecture using Oracle’s BPM technology.

Figure 5: Business process depicted as BPMN

Figure 6: Sample Solution Architecture
After envisioning the future state process and defining the future state architecture to support it, the most critical task is to define the implementation plan to ensure a successful implementation of the new process. The figure below is a sample of an implementation plan showing different phases, stages within the phases and different deployment waves. The implementation plan is a key input into the ROI calculation; it not only provides the timeline for implementation but also the cost of implementation which is a key input into the ROI calculation.

![Implementation Plan](image)

Figure 7: Sample Implementation Plan

**Step 3: Identify Benefit Drivers & Calculate ROI**

**BPM ROI Drivers**

In the section titled “Why BPM?” earlier in this paper, we identified 3 areas where BPM can help, i.e. Efficiency, Visibility and Agility. In this section, we identify the benefit drivers within these categories and quantify the value of the improvement for the identified driver. The table below contains a list of potential BPM benefit drivers grouped by benefit category.
<table>
<thead>
<tr>
<th>Efficiency</th>
<th>Visibility</th>
<th>Agility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivering more with less</td>
<td>Consistently knowing the current status and outcome of your processes</td>
<td>Adapting quickly to changing business conditions</td>
</tr>
<tr>
<td>Reduced process cycle time</td>
<td>Decreased risk in process execution</td>
<td>Reduced time to market for new products</td>
</tr>
<tr>
<td>Reduced process execution cost</td>
<td>Increased regulatory compliance</td>
<td>Reduced time to react to market changes</td>
</tr>
<tr>
<td>Increased throughput</td>
<td>Reduced process exceptions</td>
<td>Increased new revenues</td>
</tr>
<tr>
<td>Increased user productivity</td>
<td>Faster proactive decision making</td>
<td>Increased existing revenues</td>
</tr>
<tr>
<td>Increased cash flow</td>
<td>Increased customer satisfaction</td>
<td>Reduced development, deployment, integration and maintenance costs</td>
</tr>
<tr>
<td>Decreased working capital</td>
<td>Enhanced exception handling</td>
<td>Reduced time to take new projects live</td>
</tr>
</tbody>
</table>

Once the appropriate benefit drivers for your particular project have been identified, the next step is to estimate the range of benefit improvement that will be gained for the drivers identified. This is critical in quantifying the business value of BPM. BPM technology can not only provide cost saving opportunities but also revenue enhancement opportunities.
Figure 8: BPM benefit quantification

The figure above shows the quantification of the benefits. In this example we have chosen to give conservative, pragmatic and aggressive estimates of the benefit values. In addition to quantitative benefits BPM projects will also yield many qualitative benefits. These should be documented and included to strengthen the business case further.

BPM Costs

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>ONE-TIME</th>
<th>ANNUAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Software</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Application Licenses</td>
<td>$0.4M</td>
<td></td>
</tr>
<tr>
<td>2. Annual Maintenance</td>
<td>$2.2M</td>
<td></td>
</tr>
<tr>
<td><strong>Implementation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Implementation of Existing Software</td>
<td>$1M</td>
<td>$5M</td>
</tr>
<tr>
<td>4. Implementation of New Software</td>
<td>$6M</td>
<td>$5M</td>
</tr>
<tr>
<td><strong>Hardware/Infrastructure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. New Hardware/Infrastructure</td>
<td>$2M</td>
<td>$0.4M</td>
</tr>
<tr>
<td><strong>Other Costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Training/Change Management</td>
<td>$1M</td>
<td>$0.1M</td>
</tr>
<tr>
<td>7. Other (travel, administrative, etc.)</td>
<td>$0.5M</td>
<td>$0.2M</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$20.5M</td>
<td>$2.9M</td>
</tr>
</tbody>
</table>

Figure 9: Estimated BPM Associated Costs
The other key input into the ROI calculation is the associated investments with acquiring and deploying the BPM technology. The typical costs include software licensing, software maintenance, implementation, hardware, infrastructure, training and other associated costs. The figure above gives a sample of how the costs can be broken out. It is also important to identify one-time costs as well as ongoing costs as both will impact cash flow.

**Cashflow and ROI Analysis**

![Sample Cash Flow and ROI Analysis](image)

After the benefits have been quantified and the costs identified, the annualized cash flows over a five year (or other period) should be plotted out to identify the net benefit of the project. Using this data, the ROI (Return on Investment), NPV (Net Present Value), IRR (Internal Rate of Return), and payback period can be calculated. In today’s business environment, there are many projects competing for the same source of funds. The projects with the best returns and most compelling business cases are the ones that stand a better chance of being funded.
What benefits have others achieved?

BP

BP is one of the world's largest energy companies, providing its customers with fuel for transportation, energy for heat and light, retail services and petrochemicals products for everyday items12

The Challenge

BP's Accounts Payable process involved over 30,000 non-recurring transactions, over 10,000 vendors and 2,500 Accounts Payable approvers. The challenge was to automate this process and streamline the hodgepodge of invoicing systems and approval processes.

The Solution

The project resulted in a more streamlined the Accounts Payable interaction and approval process by implementing Oracle BPM Suite. The invoices are now automatically assigned to the appropriate approver using email notifications. 3,000 primary vendors were provided a self-service portal.

The Results

The Accounts Payable process saw increased turnaround, improved data accuracy and consistency, better audit trails and quality assurance. Data re-entry was eliminated, personnel costs were reduced and cash flow improved. The cost per transaction was reduced by 80% and BP realized a 300% ROI over two years.

Nextel Mexico

Sprint Nextel offers a comprehensive range of wireless and wireline communications services bringing the freedom of mobility to consumers, businesses and government users13.

The Challenge

Nextel acquired seven different companies in six countries, all with different customer activation processes that involved significant manual entry. Each of the processes had different regulatory requirements.

12 www.bp.com
13 www.sprint.com
The Solution

Nextel created a common of process services using the Oracle BPM Suite. This solution reduced the manual order entry into provisioning, customer care and billing systems. Business rules were embedded into the automated process to ensure that all regulatory requirements were met.

The Results

The customer activation time was reduced from 5 days to less than 3 hours, while costs associated with the activation was reduced by 71%. This project realized savings of US$2 million to US$3 million per year.

How Can Oracle Help?

Oracle Insight Program

Oracle Insight uses a proven methodology which is flexible and customized to individual company objectives. Most engagements consist of four steps: Industry Perspective, Discovery, Solution Design, and Solution Presentation.

Industry Perspective

Given the plethora of acquisitions made by Oracle, we want to help you understand how these new capabilities have helped others in your industry. Oracle facilitates an in-depth discussion with your executives about industry trends, best practices, vision, strategy, challenges and roadblocks.

Discovery

Leveraging established industry frameworks and robust intellectual property, Oracle Insight collaborates with you to assess your current business processes and identify the capabilities required to achieve your corporate strategy.

Solution Design

14 http://www.oracle.com/services/insight/how.html
Oracle recommends best practice processes and supporting technology, including a time-to-benefit analysis and implementation plan.

**Solution Presentation**

The Insight team works with you to create an executive presentation including supporting information, business benefits, and value drivers, to help you build consensus among colleagues and executive management or secure funding from your board.

Oracle Insight engagements are flexible. Once executive commitment is secured, the program will be customized to your needs and objectives as it relates to your BPM projects.

**Conclusion**

“…IT investments deliver more value to a company’s top and bottom lines – by creating new efficiencies and increasing revenues – than any savings gained from traditional IT cost cutting”

-McKinsey, September 2008

BPM is a strategy and technology that delivers value to the organization by impacting both the top and bottom lines of an organization. However, this value has to be quantified for the organization to show the specific impact that will be delivered. This technology will not only bring quantifiable value to the organization but will do so without a corresponding increase in investment.

A compelling business case is needed to provide the motivation and prioritization for BPM projects in the organization. The approach to such a business case involves assessing the current business process and its performance, designing the future process and the solution footprint to support it, identifying the benefit drivers and finally calculating the ROI.

Many companies have already started to see substantial returns from their BPM projects, this paper will help you to estimate the kinds of returns your organization could achieve.