

The Journey to BPM Success

Avoiding the Seven Pitfalls That Prevent Successful Projects



BUILD FOR
CHANGE®



Executive Summary

In today's economic climate, enterprises are constantly striving to drive shareholder value, all with the challenging mission of cutting costs while improving the customer experience. Traditional business process management (BPM) methodologies and technologies have long promised the ability to model and design effective processes to resolve work across the enterprise. Still today, companies have struggled with the ability to design processes that fit their business, and easily and rapidly change these processes based on customer needs.

In the new millennium, a category of BPM software, and more importantly BPM suites (BPMS) emerged to help address the concerns of companies looking to design, build, and innovate to meet the changing needs of customers. The BPMS has evolved into the platform that enables organizations to realize the promise of what is often referred to as the "adaptive enterprise" through efficiently building business solutions, automating the work processes in the business, and continuously monitoring and optimizing business operations. Though the proliferation of BPM thinking and technology has added new possibilities to drive enterprise efficiency and innovation, many companies still struggle to design and implement effective BPM strategies.

This white paper outlines best practices in BPM that can over time, serve as a roadmap to transform an organization's people, process, technology and end customers. This paper introduces the concept of business process management and explains how to avoid the common pitfalls that impede business process success. The seven pitfalls include:

- ▶ Not securing executive-level support
- ▶ Selecting the wrong projects
- ▶ Neglecting to form a sustainable BPM team
- ▶ Analysis paralysis
- ▶ Rip and replace legacy technology
- ▶ Failure to own the change
- ▶ Fear of transformation

The paper will conclude with three key ways that organizations can ensure they are on the road to BPM success.

What is Business Process Management?

Business process management is focused on aligning all aspects of an organization with the wants and needs of customers. It is a holistic management approach that promotes business effectiveness and efficiency, while striving for innovation, flexibility, and technology integration¹. The concept of business process was practiced by the ancient Phoenicians, who were mariners, merchants, and debatably inventors of the modern day alphabet. The current management and improvement approach, with formal definitions and technology has been around since the early 1990s.

Although the primary focus of BPM has been on the automation of business processes with the use of information technology, it has been extended to integrate human-driven processes in which human interaction takes place in a series or parallel with the use of technology. In fact, BPM is as much a business science as it is a technology category. BPM as a science has evolved from continuous improvement methodologies such as Scientific Management, Lean, Six Sigma, and many other process efficiency disciplines.

In the new millennium, BPM technology and methodologies have given way to business process management suites (BPMS), which serve as the platform that enables organizations to realize the promise of a visionary concept called the “adaptive enterprise”². Adaptive enterprises are able to flexibly adjust their policies and procedures to meet the changing demands of various customer segments, enhancing relevancy and customer loyalty.

BPMS enables the adaptive enterprise by allowing business owners to envision a business goal and end state, model a process that fits the vision, execute the process, monitor the efficiency and effectiveness of the process, and continuously improve the operations of the business.

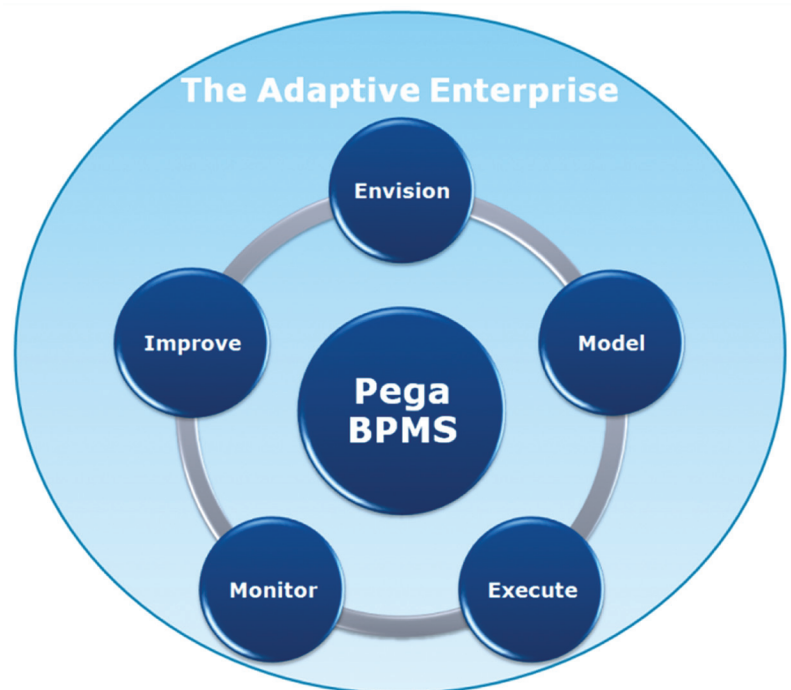


Figure 1: BPM Suites Enable the Adaptive Enterprise

¹ Handbook on Business Process Management, vom Brocke, Rosemann, 2010

² What's New in BPM Technologies and Why Business Process Improvement Leaders Should Care, Gartner 2010

Seven Pitfalls That Prevent BPM Success

Many organizations undergo a strategic overhaul of their business processes only to find out that they are worse than they started, spending countless dollars and resources on failed projects. Companies need to carefully plan their business process initiatives and avoid the seven common pitfalls that prevent business process success. The seven common pitfalls include:

1. Not Securing Executive Level Support

The problem: In many business process initiatives, the business owners and the IT organization function in organizational silos, and often the business requirements get lost in translation and the solution developed misses the mark. The line of business managers often do not have the authority or clout to impact wide-spanning corporate initiatives and the project becomes a huge waste of time and resources.

How to avoid: Organizations need to involve an executive business sponsor from the very beginning of the project. The executive sponsor is a VP level or above supporter that has a vision for how the company can achieve new business results, and be able to drive a culture of change and empowerment that allows the IT organization to design exactly what is needed to succeed. A visionary business executive is willing to support and adopt a disruptive technology and provide dollars of support to do so. Without a business executive sponsor, you can kiss your BPM business case goodbye.

2. Selecting the Wrong Projects

The problem: Many business process initiatives fail because the team takes on a project that is important to the business but does not leverage the strengths of BPM technology. Some of the common areas that BPM excels at addressing include processes with high frequency of work, processes with manual handoffs, policies and procedures that require constant change, and legacy integration nightmares.

How to avoid: One important way to understand what projects are right for BPM is to utilize a business fit maturity model (see figure 2). First of all, the project must be worthy of being considered as opposed to an antiquated procedure that could be shortly retired. The Pega maturity model demonstrates that companies need to consider projects that are low risk and high reward, leveraging the low hanging fruit that result in high ROI. BPM is a good candidate for projects that have visible outcomes and show clear tangible benefits. Projects that have a clear defined scope and are not overly ambitious are also a very good starting point for BPM. The strategic alignment of a project with the direction of the organization is another key sign of success for BPM. In addition, BPM projects need to be achievable and goals must be met within a reasonable amount of time. As shown in figure 2, companies should select quick win candidates that fit the upper right quadrant of the model. Companies should then prioritize the top areas and create a solution benefit questionnaire that covers key performance indicators such as cost savings, efficiency gains, increased quality, and the ability to span multiple departments.

“With Pega’s SmartBPM™ servicing backbone, RBC’s Client Action and Request Tool was able to effectively deliver on our corporate mission of putting our customers first.”

Martin Venema
Program Director, RBC

3. Neglecting to Form a Sustainable BPM Team

The problem: Companies fail at revamping their business processes because a specific and role-based BPM team is not put in place. Some companies organize a small team, but often roles and responsibilities are not well defined which leads to confusion and project delays or even project failure.

How to avoid: Companies need to define specific roles and responsibilities for a BPM project, from the visionary executive sponsor to the design team that carries out the work. If a BPM team is effectively designed and managed, the business process has a great chance of being successful. Many of Pega's customers have defined a sustainable BPM team to include:

- ▶ **Executive sponsor.** An executive sponsor is crucial to the success of a business process initiative. A senior business sponsor can remove project barriers like budgets, resources and politics, communicates the overall progress to the organization, makes executive level supported decisions, and can resolve complex disputes.
- ▶ **Business process director.** The business process director manages the process center of excellence, recommends alignment changes to increase efficiency, and establishes process related policies and methodologies.
- ▶ **Business process analyst.** The business process analyst documents activities and task level models, defines flows and business rules, and acts as the liaison between the business and IT.
- ▶ **Business process project leader.** The business process project leader manages the project schedule, manages project timelines and scope, and coordinates all of the team efforts.
- ▶ **Subject matter experts.** The subject matter experts provide intricate business expertise and define business processes and rules that drive their operation.
- ▶ **Design team.** The design team recommends the best approach to improve operations, performs baseline benchmarking and gap analysis, and provides BPM methodology expertise.

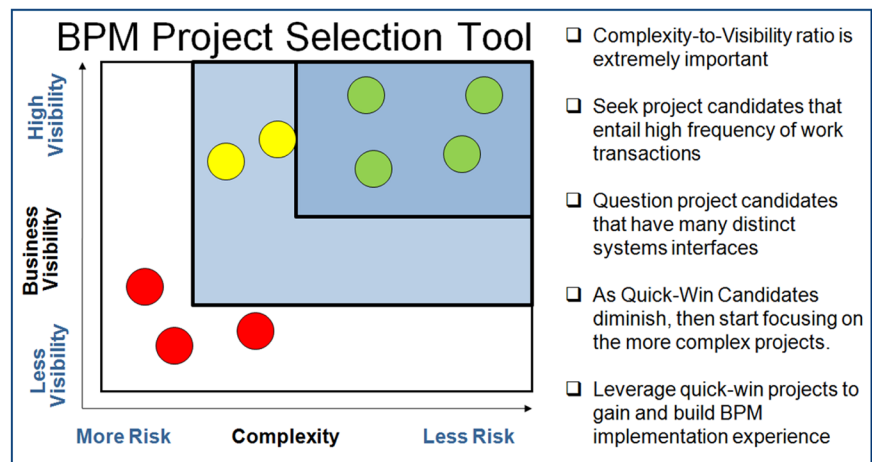


Figure 2: Organizations can leverage a BPM project selection tool

4. Analysis Paralysis

The problem: Once a project team starts building a process they often get frozen in the design phase and are not able to launch projects for quick wins. Companies often get mesmerized by “what-if” simulation models, and spend hours upon hours trying to perfect the process. While this attention to detail is admirable, companies often miss market opportunities that are afforded by an agile development approach that produces tangible results and solves immediate customer needs.

How to avoid: Some of Pega’s best customers are “designing by doing”, which means they are going through a discovery process and learning as they develop, making iterative changes to the process along the way. This allows companies to create templates from exploratory processes and leverage the templates for future operations. In addition, business stakeholders can immediately test and see how an application will work for a faster feedback loop that also contributes to the culture of continuous improvement. The concepts of designing by doing and continuous improvement are especially powerful in the context of case management, where the main entity to be addressed, or “case”, might have multiple interrelated pieces of work and unpredictable tasks being addressed by various constituents within a company.

5. Rip and Replace Legacy Technology

The problem: Changing market conditions and customer needs pressure organizations to overhaul their legacy systems to get the most impact. This involves weeks of vendor RFP analysis, political meandering, and large budgets to select the right vendor before anything is formally launched. This leaves out the design, development, and implementation phases that can take months or years to complete afterwards. While in some cases it might make sense for a company with a huge IT wallet and vast resources to rip and replace legacy technology, often companies sink countless dollars and resources into a new system that provides inadequate business value, stifles innovation, and places further pressure on the IT organization. Jobs can be lost and careers can be ruined.

How to avoid: A more pragmatic approach involves leveraging the mission critical resources that companies already have in production and integrating them with a flexible solution that wraps in and around the existing technology. Pega refers to this approach as a “wrap and renew” strategy. To ensure success, companies must re-evaluate the way legacy systems are utilized within their operations. Companies can identify opportunities to improve operational efficiency and eliminate the manual workarounds and broken processes common in legacy driven operating environments. They can consider ways to build organizational flexibility and enable a phased approach to integrating or sun-setting legacy system assets. They can also identify opportunities to increase the functionality of key support systems – improving worker productivity, work automation and straight-through processing. Nearly all of Pega’s customers wrap and renew their existing systems with Pega BPM, increasing business efficiency, enhancing flexibility, and reducing IT costs.

6. Failure to Own the Change

The problem: Many companies design processes that are acceptable at the time, but do not focus on driving continuous improvement and efficiencies into various other business units. Companies often sink budgets into one process, only to have to start all over again with a new product or geographic solution. Often what one business does can be leveraged by another business unit, providing greater efficiency and automation across the enterprise.

How to avoid: The process of leveraging and reusing repeatable software assets can be headed up by a strategic BPM Center of Excellence (COE). The purpose of the BPM COE is to maximize the success of BPM project teams while also optimizing re-use across an organization. This requires that a COE provides best practices, knowledge transfer, expertise, experience, guidance, and re-useable assets to improve the success of project teams and of the enterprise. Pega BPM COEs support business process application development across the life cycle of each project, from evaluating candidates for BPM to providing guidelines, standards, and best practices for application design and implementation.

7. Fear of Transformation

The problem: One of the most challenging pitfalls to BPM success is the short-term approach that organizations take to process improvement. After multiple disparate projects, companies fail to take a step back and evaluate how the sum of all the parts might add up, and how the alignment of reusable assets might drive a strategy for the future direction of an enterprise that serves customers and drives shareholder value. While enterprise transformation as a concept seems overwhelming, it becomes obtainable when it is broken into tangible phases over time.

How to avoid: Companies need to work on a long term vision for BPM and design a strategy to show how their BPM process initiatives can move from small sliver implementations to long-term enterprise initiatives that align people, process, technology, and customers. Pega recently conducted an internal study of its most transformational BPM customers. Pega's most transformational customers exhibited nine key characteristics of success. Companies should look to analyze their capabilities on a scorecard across the nine characteristics shown below and plan a long-term approach to BPM transformation.

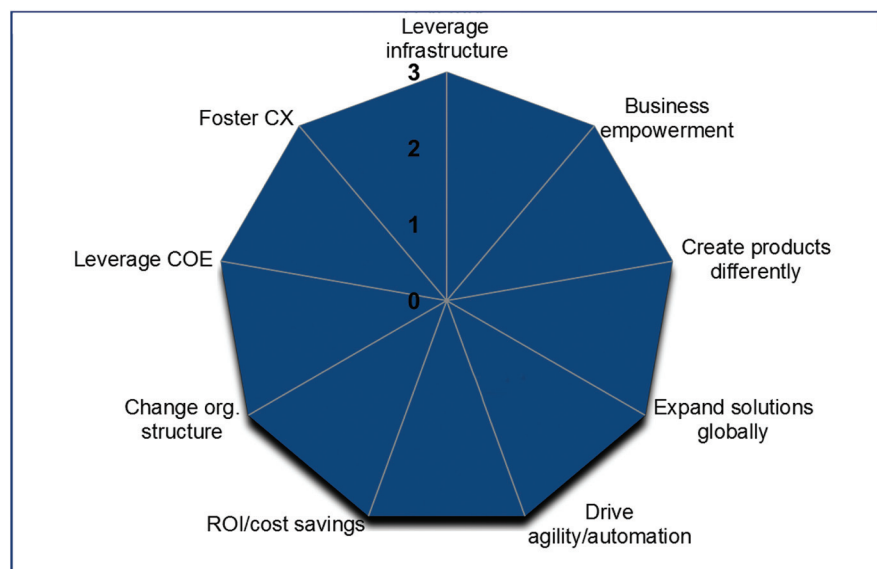


Figure 3: Transformational Pega customers exhibit nine key characteristics

Conclusion

Business process management is a tried and tested business science as well as a technology platform that enables enterprise business change. Companies should look to avoid the common traps that stifle innovation and devastate resources by following BPM best practices and working with firms that provide best in class BPM solutions. Pega's BPM Suite is a platform that not only allows businesses to operate more efficiently but enables enterprise transformation across a company, driving business value, product innovation, and improved customer experience. BPM achieves business transformation by shifting the power from the IT organization and placing it back into the hands of the business process owners.

Pega has a number of programs and materials to help companies understand BPM and get started on their journey to success.

LEARN [Pega.com](#) has scores of materials on BPM technology transformation and continuous improvement methodologies for you to learn more. [The BPM Professor](#) is an educational series that will help you understand the value BPM can bring to the overall enterprise ecosystem.

INTERACT with thousands of business process professionals in [Pega's Community](#) with [Forums](#), [Blogs](#), and [Professional Developer Network](#).

TRANSFORM your organization by attending a [Pega Transformation Clinic](#), where you can evaluate your organization and learn how to take your BPM initiatives to the next level with scorecards, BPM maturity models, and customer best practices.



About Pegasystems

Pegasystems (NASDAQ: PEGA), the leader in Business Process Management, provides software to drive revenue growth, productivity and agility for the world's most sophisticated organizations. Customers use our award-winning SmartBPM® suite to improve customer service, reach new markets and boost operational effectiveness.

Our patented SmartBPM® technology makes enterprise applications easy to build and change by directly capturing business objectives and eliminating manual programming. SmartBPM® unifies business rules and processes into composite applications that leverage existing systems — empowering businesspeople and IT staff to Build for Change®, deliver value quickly and outperform their competitors.

Pegasystems' suite is complemented by best-practice frameworks designed for leaders in financial services, insurance, healthcare, government, life sciences, communications, manufacturing and other industries.

Headquartered in Cambridge, MA, Pegasystems has offices in North America, Europe and Asia. Visit us at www.pegasystems.com.