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BPTrends
BUSINESS PROCESS TRENDS

What Saves Money Most?

Figuring out how to save money isn't easy. You have to spend money in order to make money. It's relatively easy to do small, low-cost projects to save a modest amount of money, but in most cases, small projects don't have much impact. It's harder to convince people to spend a lot of money to save a large amount of money. Even if people are interested in tackling a large problem, when money is tight, it's hard to get a large budget approved. And, of course, there are the risks that are always present, especially in large, complex projects.

The popular approach is to start with a determination of the Return on the Investment (ROI), but even that isn't nearly as easy as it's made out to be. It is easy to determine the ROI on small, simple changes, but it is much harder to do good ROI studies when the project involves a new or innovative approach or technology.

Similarly, it is hard to do good ROI studies on projects that are undertaken in order to facilitate something else. For example, how do you do an ROI on the development of a business enterprise architecture project? There is no direct income that accrues to an organization that creates a business enterprise architecture. A business architecture is simply a tool that lets you do other things. It's exactly like a business accounting system. It costs money to develop a good accounting system – to define account names and categories – and the resulting system doesn't make you money. It is a tool that is used to classify accounting events. In a similar way, a business architecture, once developed, can be used as a framework to gather process performance data and to guide priority decisions for process change projects. So, the ROI that comes from the business architecture lies in the good decisions made possible by the architecture – and that's difficult to calculate.

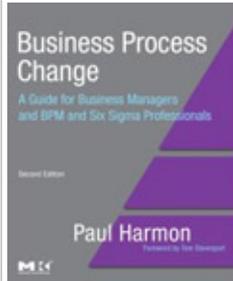
At the London BPM Conference this past September, Dee Carri, the Founder of Torque Management and a European partner of BPTrends Associates, led a great session on projects that had made companies money. The notes that resulted from that highly popular session were published on BPTrends this month (See *BPM Conference Europe 2009*). The Article provides a list of different BPM projects that made or saved money. What is fascinating is the variety of different approaches and the split between (1) projects to directly improve process and (2) projects to improve the management of process improvement efforts. The Article is a nice illustration of the fact that the management of business processes is definitely gaining momentum in leading companies

It may be hard to justify certain projects and some projects definitely have higher startup costs than others, but we still have to make decisions. So here are some guidelines we suggest.

Major Reengineering Projects

If you successfully change the way your company does business, introduce a popular new product or service, or radically simplify a major process – those things that Michael Hammer called ReEngineering and that O'Reilly and Tushman call Discontinuous Innovations – you will achieve the greatest possible improvement for your organization. Major outsourcing projects are a good example of major ReEngineering projects. These types of projects can revolutionize the way an industry does business and provide significant advantage to those who successfully implement them. They can significantly reduce payrolls and generate huge gains in productivity. They must be well conceived, must deliver the revolutionary change they are designed to achieve and they require the solid and steady support of senior management. That said, these projects are expensive and usually have long lead times and high risks.

One might think that this is not the time for a major ReEngineering effort, but the BPTrends 2009 BPM Survey, scheduled for publication in January, 2010, shows that many organizations didn't slow their BPM investment in 2009. This is especially true of large automation projects that were already underway. In other words, where the



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rewards were perceived to be great enough, companies in most industries proceeded to invest during the course of 2009.

Redesign Projects

Redesign projects fall somewhere between ReEngineering and Process Improvement. (See Figure 1) They result in basic changes in the way the organization does business, but are not as comprehensive or disruptive as a large scale ReEngineering effort. A Redesign project seeks to improve the existing sales system rather than to fundamentally alter the basic way you sell and distribute your products.

Done correctly, these projects involve a moderate investment of upfront money and a limited effort. They usually focus on fixing existing processes, although they may involve introducing a new technology – say shifting from telephone sales to web sales. It is usually easier to do ROI on these projects. On the other hand, these are not trivial projects and there is risk. These are projects that need to be managed by a team headed by a BPM professional and require careful planning. They usually result in a significant increase in productivity, or significant savings, or both.

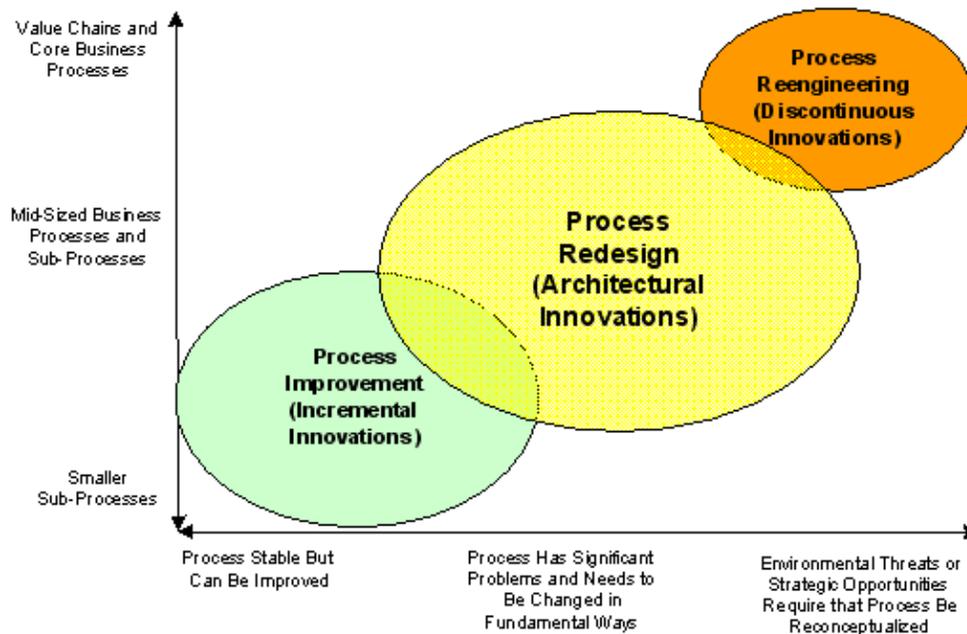


Figure 1. Major types of business process change projects

Incremental Process Improvement

These are small projects that seek to make a small improvement in an existing product or operation. These efforts are often undertaken by a manager and a team of employees based on the recommendation of the process professionals. They involve limited investment, little risk, and result in modest gains. These types of projects are often targeted by Six Sigma teams or IT teams who focus on rolling out modest improvements in existing systems.

There is a tendency to think that this type of project works best in tough times – it doesn't require a significant expenditure and it results in at least some improvement. If the budget is, in fact, very limited, this is probably a valid approach, although small projects have their own risks. They often result in changes in one subprocess that adversely affect other subprocesses. In essence, a department or group saves a little money but costs some other department or group a little more.

Process Management

The problems resulting from having a large number of simultaneous small uncoordinated projects, has been one of the major drivers of the current interest in business process management. We are using the term business process management to refer broadly to any effort to coordinate, systemize, or prioritize project interventions. In the BPTrends BPM Survey, one of the interesting results was the high correlation between organizations that reported success with business process projects

and companies that said they had created BPM teams to coordinate their BPM efforts. This is just another way of saying what the CMMI folks have been saying for two decades now: Less mature organizations undertake process change projects, more or less independent of each other, and in an uncoordinated manner. More mature organizations have a good overview of their process architecture, gather data on process performance in a systematic manner, and coordinate and prioritize their projects.

You can do 2-3 major redesign projects for the same money you can do 2-3 dozen smaller process improvement projects. The only way to determine which approach is right for your organization, at the moment, is to have some kind of data-based overview of your processes and a good idea of what different sorts of problems are costing your organization.

Thus, in the BPTrends Article by Dee Carri, you will read about the growing number of organizations focusing on developing process management infrastructure. One of the "good" things about the current market is that there are lots of skilled and experienced process professionals looking for work. In the current market, a smart company can hire an experienced BPM professional for about the same money that it might otherwise spend to hire and train a new person. These individuals, in turn, can begin internal training and undertake organizational efforts to assure that all future process efforts are more thoughtful and coordinated.

Training and Consulting

One of the problems organizations new to process work face is that they don't know what they don't know and they don't know where to start. They often assume that the place to begin is with training. Don't misunderstand us – we have a vested interest in training and we believe it is a critical factor in creating a mature process-centric organization. But, timing is everything. If your organization has a limited budget and wants to make some visible progress in a short period of time, training may not be the best place to start. It probably makes more sense to hire an experienced process management consultant to work with you to complete a process audit, establish your objectives and priorities and determine the most cost effective means of achieving those objectives. You can then move on to training the BPM team in the methodologies, tools and skills required to do the work.

Conclusions

There is no best way to improve productivity or to save money. Organizations differ greatly in their objectives, constraints and their maturity. In the best case, a major project can revolutionize your organization's productivity and result in a significant competitive advantage. In the worst case, the project fails to deliver the desired results, disrupts the organizational activity and leaves everyone with a negative impression regarding the value of business process management. No matter how or where you begin, it is important that you design and develop a well coordinated set of incremental improvements that generate significant savings and focus everyone on the value of continuing to work to improve your organization's processes.

As we enter 2010, most organizations will be loosening budgets a bit and exploring opportunities for improving productivity. Smart business process professionals will think carefully about exactly what kinds of efforts will benefit their organization the most.

As 2009 comes to a close, we wish our readers a Peaceful and Happy Holiday Season with family, friends and colleagues and a Prosperous and Healthy New Year.

Paul Harmon and Celia Wolf

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