

BPM and IT Cost Reduction: a Well-timed Challenge

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Even though the recession may have ended more than a year ago, the economic downturn is still having an effect on many countries, and it seems that many IT budgets will stay the same or decline in 2011. In this context, there is a continued need for IT departments to reduce costs and the question is: How are you going to spend less next year?

The problem is that, many times, cost reductions are implemented without checking the facts or evaluating the consequences. In addition, since the IT workload is not reduced (incidents have to be resolved, transactions have to be processed, broken things have to be fixed, and regulatory compliance must be ensured), all these services can be negatively impacted, and the consequences can be worse than the budget cut.

We will not dwell on classic IT cost reduction recipes, which probably have already been applied. Instead, we will explore BPM as a tool for cost reduction and present a case in which it has been used successfully.

How do I benefit from BPM?

BPM allows you to improve process efficiency through a systemic management approach, which implies continuous modeling, automation, management, and optimization of such processes.

Modeling makes it possible to better understand tasks, formalize them, and add business rules to them, thus reducing errors and their associated costs. Automation will allow you to reduce costs because tasks will be completed in less time. Management implies making informed decisions about the process, and having statistics available allows you to detect bottlenecks, unbalanced workloads, and other inefficiencies. This type of management will then lead to optimization, with the associated reduction of costs.

Another important benefit of BPM is the visibility gained when modeling business processes, which gives you greater flexibility to adapt the way in which tasks are performed so as to better respond to the changes imposed by the market. Knowing how things are done makes it possible to evaluate the risks posed by making changes and, consequently, have more information about their impact.

Some IT Department processes

There are many processes and subprocesses in a company, and in the IT Department alone we can find dozens of them, which will sound very familiar to IT staff. For example, we can think of the following areas:

- IT Strategy Development
- IT Architectures Development
- IT Services Development
- R&D
- Supplier Relations Management
- IT Project Management
- Change Management
- Production Management
- User Support
- HR-IT Management
- IT Department Management

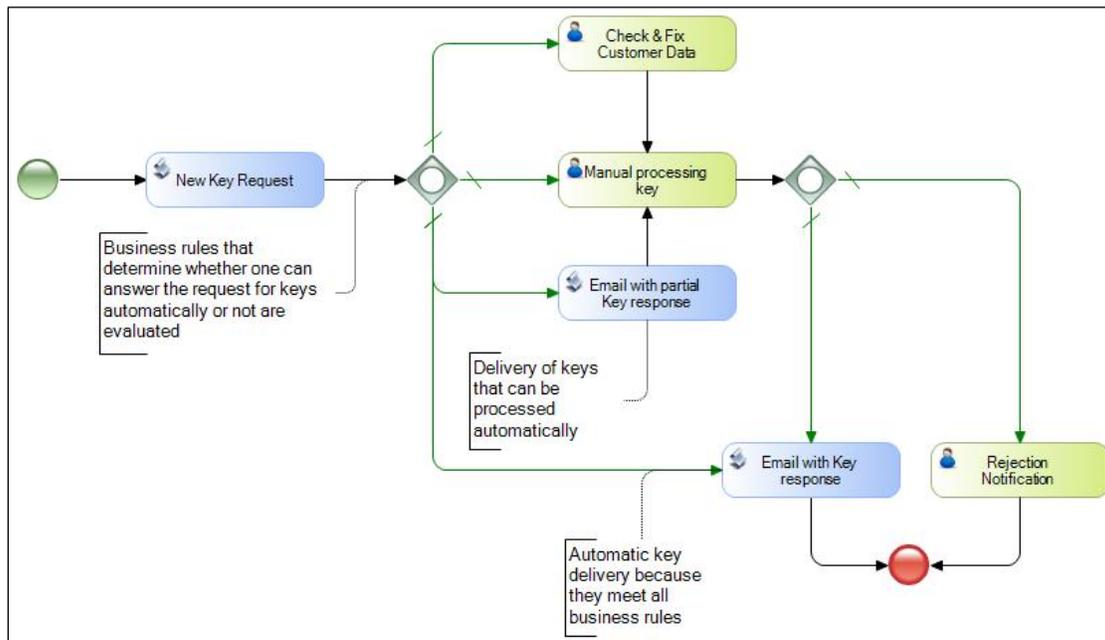
And if we took one of the above areas, such as Change Management, and looked at its processes, we could find that it includes assets inventory, license management, monitoring scheme, tests and versions, configuration management, and change implementation.

Below, we will describe the experience of using BPM in a license management process that brought about an efficiency improvement and the corresponding cost reduction.

Case Study: License Management Process

Artech is one of the leading providers of knowledge-based software development tools. Founded in 1988, Artech is based in Montevideo, Uruguay, and, from the beginning, it worked in the market of Latin American countries, as well as in Spain and Italy. Five years ago, Artech's expansion to several countries in all continents – which implied handling different time zones, holidays and, above all, different requirements – presented the problem of giving more agility to the process of granting activation keys for products sold. Up to that time, the process was completely manual. At that time, there were two options available: Either a team would be hired to continue to manually process requests in different work schedules and shifts, or a method would be sought to lower the costs involved in the medium term. Artech decided to automate the process and, toward this end, it was necessary to analyze and define the business rules that determine if a customer is entitled to receive the activation keys that he/she is requesting.

Even though this process looks very simple on the surface, it integrates data from four different systems; since Artech distributors must correctly maintain the information on each company and its contacts, they must enter the purchase order corresponding to the products purchased by the end customer, and manage this customer's current account in such a way that it generates the necessary "credits" to give him/her the keys requested. If all the rules defined are met, the customer's request is automatically granted. On the other hand, if certain information required validation, an automatic answer is not sent, and it becomes a manual processing task (view BPMN diagram of this process).



Thanks to BPM and the GeneXus BPM Suite, the need to hire additional staff was avoided, something that would not have been possible if the manual process had been maintained. Likewise, this process has been useful in increasingly reducing exception management and in training Artech distributors so that they correctly maintain the information handled when a product is sold. This also saves a lot of communication time, and, above all, it enhances the interaction

with clients because the level of service has significantly improved since it was made automatic. Based on the statistical data obtained with BPM, the number of keys automatically granted for each distributor it can be evaluated. In particular, it automatically shows the ones that haven't been granted automatically, in order to fix and purge the data stored in the system with the goal of reducing manual processing.

Conclusion

BPM is probably not the first option that comes to mind when thinking about cost reduction, due to the fact that it isn't a short term solution. However, we believe that it is worth taking into account because the benefits are many and continue over time, as we have shown in the case above. Most likely, each company knows where it stands in terms of processes, and if that's not the case it can use benchmarking or any well-known methodology¹ to discover what processes should be addressed.

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¹ For example: Michael Hammer, *The Process Audit*, HBR, April 2007