OMG’s BPM/SOA Community of Practice (CoP), in partnership with BPTrends, ebizQ and SearchSOA.com, sponsored the “Business Agility and Process Optimization enabled by Business Process Management (BPM) and Service Oriented Architecture (SOA)” Case Study Competition. The competition was open to organizations of all sizes, including government agencies, which have successfully delivered business or mission value using a BPM, SOA or combined BPM-SOA approach.

Similar to the SOA Consortium’s contests in 2008-2009, the goal of the BPM/SOA Case Study Competition was to highlight business success stories and lessons learned to provide proof points and insights for other organizations considering or pursuing BPM, SOA or combined BPM-SOA adoption.

Entries were judged on the complexity of the business problem addressed, the ROI/Business Value achieved (Agility/Innovation/Flexibility/Optimization/Resilience/Service Delivery), the level and sophistication of the cross-organizational collaboration (Business/Technical) and the usage of BPM/SOA approaches and supporting technology. The Overall Winner was Van Ameyde International and the runner-up, AmerisourceBergen Corporation. Following are excerpts from their Case Studies.

Van Ameyde International Case Highlights

Company Background

The Van Ameyde Group specializes in international claims and risk management for major international insurance companies, captives and brokers, government agencies, and corporate and industrial clients, including the energy sector, the shipping industry, ports, and terminals.

Business Scenario

Van Ameyde represents clients throughout Europe, providing back-office services, financial management of claim portfolios, including recovery, and handling the entire claims process. Today, Van Ameyde operates directly in 16 European countries and manages the claims handling processes for approximately 350 insurance companies.

Process Optimization

In 2008 Van Ameyde recognized the need to optimize their claims handling process in order to grow the business. The objective was to obtain full control over all claims resolution processes in order to provide customers with the best service and transparency levels in the market.

New Claims Processing System

To accomplish their goal the business embarked on a new claims handling system called ECHO – European Claims Handling Optimization.

ECHO Key Objectives:

Business Agility

The business, lead by the CEO, specified the project was to leverage a business process focus for the delivery of the ECHO application, supported by a service oriented architecture, in order to enable continuous modification and alignment with the business, allowing for future changes to be easily implemented supporting the company’s planned growth.
Cost Reduction
Optimize IT costs by building a unified web-based business application to replace 10 different independent systems that were being used by each company's branch to handle claims.

Information Access
Make information available to all employees across Europe, and create a virtual European claims organization.

Flexibility
Provide employees with standard business processes and the flexibility to support local legal, language, and fiscal requirements, as well as client specific processes.

Speed
Reduce the time-to-market for establishing new clients to days.

ROI
Optimization and Growth
Upon going live, the business saw immediate business optimization results in the company’s claims processing business. Additionally, as a differentiator, the ECHO system quickly became a powerful sales and market expansion tool.

The business impact was immediately evident with a 30% reduction in the time required to resolve a claim. In addition, due to the new system’s well-defined processes, the company has streamlined its ability to open new branches to less than one week, a three to four-fold improvement over the old system.

Flexibility
ECHO allows for the offering of customized claims processing for new customers – something that was not possible with the old system.

The ECHO system supports 16 different countries and their unique claims handling requirements, all delivered from one core system. The application is delivered in 12 different languages and six currencies.

The ECHO system provides the critical flexibility needed to keep up with company growth and regulatory change in operating countries.

Time-to-Market
With ECHO in place, Van Ameyde works on six-week release cycles (every two sprints) and is able to deliver a new complex requirement in 20 days or less.

ROI Based Prioritization
Every new major feature request (i.e., those that are estimated at over 16 hours or that spawn different systems) is put through a cost/profit analysis, where the amount of time that the new feature will save in the overall claims handling process (whether by automating or reengineering a process or feature) is estimated. This estimate is matched to the number of running processes and the time it currently takes to do that operation. This technique is highly accurate since the profit analysis and change simulation is based on real, running processes.
Project Capsule

Timeline
The European Claims Handling Optimization (ECHO) project was initiated and funded by the Van Ameyde business. The original project was launched in 2006 with the first production system delivered in 2008. The first implementation was a “big bang” due to the complex integration requirements with SAP and other core applications.

Size
The application has over 5000 function points with approximately 430 web pages, over 900 database tables and 18 core business processes comprising over 760 different business activities and more than 540 business rules.

The application utilizes over 120 different SAP interfaces plus numerous web services from other supporting applications. A recent count showed over 835,000 running process instances with more than 6,550,000 activities in flight.

The application was developed by a team of nine individuals on the IT side (including management) and 15 from the business, representing both the core team and international business reps from major VA companies.

Organization
The team was comprised of two groups, the delivery team and the business owners. The interaction between the delivery team and business owners was managed by a key IT role called the Engagement Manager (EM), who is responsible for working with the business to gather requirements and set priorities. The EM also works directly with the delivery team that was responsible for feature estimates, architectural decisions, and production of the working system.

Steering
As part of the BPM effort, the team is focused on continuous process improvement. Two committees assist with setting priorities. One is comprised of key users and business managers. The other, led by the Van Ameyde CEO, is comprised of individual country managers.

Business Analysis
The initial analysis of the project included three external SMEs in European claims handling. These experts helped drive the initial process discovery that now supports the core of the system. One of these experts is still on the project, but a knowledge transfer process allows new members to rotate into the project easily.

Software Factory
To support the overall development process the delivery team is organized in a Software Factory model to assure the correct management of the SOA infrastructure and the delivery of needed functionality for core components, reusable services, and local features.

Tiered Support
A local team provides first and second line support for running process instances and redirects pending issues to a remote production support team.

Methodology
The team employed Agile methods and model-driven development to deliver and maintain the ECHO application. Working in three-week sprints, they managed to overcome the challenge of not being able to fully define all requirements upfront. The team delivers new functionality into the production environment every two sprints.

The initial delivery in 2008 was accomplished using separate BPM and application development tools. While this proved to be effective the business and delivery teams suffered from constantly having to keep the two different models in sync, which led to Van Ameyde requesting an
integrated business process and application development capability in the development environment. Now, both business processes and application elements are defined using the same development platform.

In addition, Van Ameyde leverages a BAM module to monitor process activity and identify areas for improvement. As a result, the business process and application development lifecycles are fully aligned and evolve at the same speed.

Lessons

- It is very important for the process definition, design, and change to have the same lifecycle as the supporting application.

- An Agile approach to defining and delivering the process, coupled with supporting application and underlying services, proved very effective. Van Ameyde’s success depended on having a development platform that supported a high degree of change with minimal risk.

- Need to design the process in a very iterative “agile” manner. Often referred to this as “design by doing” vs. “doing by design.” This was paramount as the team was continually refactoring core processes and supporting services to meet the changing business needs.

- Underestimated the actual performance needs of the system in terms of number of claims to be processed, which caused some refactoring of the underlying data model, services, and core components. The claim numbers were driven by an unexpected increase in business. The learning point is that you must recognize that change will happen and be prepared to react quickly.
AmerisourceBergen Corporation Case Highlights

Company Background

AmerisourceBergen Corporation is one of the world’s largest pharmaceutical services companies, serving the United States, Canada, and selected global markets with a focus on the pharmaceutical supply chain. Servicing both pharmaceutical manufacturers and healthcare providers, the Company provides drug distribution and related services designed to reduce costs and improve patient outcomes.

Business Scenario

As a major distributor in the pharmaceutical industry and a comprehensive pharmaceutical services provider, AmerisourceBergen Corporation has several relationships with manufacturers, pharmacies, and hospitals. In addition, the company manages distribution of both brand-name and generic drugs. AmerisourceBergen is challenged not only with complexities of contract and relationship management with its many manufacturers and customers, but also by challenges associated with the physical distribution and inventory management.

While managing the contract and pricing details associated with each of its many relationships is people-intensive and time-consuming, it is critical to the company’s bottom-line profitability.

To address these challenges, AmerisourceBergen has implemented BPM enterprise-wide to enable processes such as contracts management and chargeback, AP vendor reconciliation, pro-generics competitive pricing, and the quote to contract lifecycle. This year, as part of the company’s broader business transformation initiative, AmerisourceBergen replaced its legacy system with SAP, and used BPM to create six new processes, including PO reconciliation and variance resolution. Variance resolution, which is unique to the pharmaceutical industry and critical for ensuring AmerisourceBergen’s compliance with strict regulatory mandates, including FDA and DEA, is not provided by SAP. These processes will integrate with SAP and provide users with a seamless, one-stop shop experience. These and other implementations have enabled AmerisourceBergen to

- Establish more efficient and accurate tracking capabilities
- Significantly reduce chargeback disputes
- Improve transaction transparency and supplier collaboration
- Realize millions of dollars in recurring cost savings
- Empower more process-centric thinking across multiple departments
- Enable variance resolution to expedite credits and returns across partners, customers, and suppliers
- Establish Process Center of Excellence

To remain successful in this highly competitive market, AmerisourceBergen needs to be constantly improving, changing, and innovating. To this end, AmerisourceBergen invests significantly and continuously in technology to extract strategic, financial, competitive, and productivity dividends. BPM is an integral tool in the company’s arsenal.

One area in which the company has benefitted from BPM innovations is contracts and chargebacks. This process drives the establishment of pricing and terms with each of the company’s manufacturers and then controls compliance with pricing terms and payment of rebates from the manufacturer if the company is forced to sell at a lower price to compete. The process represents a cash flow of approximately $10 billion a year – and any disputes or inaccurate pricing data result in costly delays in getting the refunds the company is owed.

Due to frequently shifting business conditions, contract prices fluctuate. When they do, both the distributor and manufacturer need to analyze these changes and validate them against business rules. Traditionally, in the industry, communications and record tracking required between manufacturers and distributors have been largely manual – with a heavy reliance on email,
telephone, fax, and postal mail—resulting in costly inefficiencies and inaccurate information.

**ROI**

AmerisourceBergen built a business case to justify implementing BPM—focusing on the hard dollar benefits the company would realize in the form of lower headcount, fewer disputes, and more accurate pricing information as well as soft benefits such as faster processing of price changes and better supplier and customer relationships. The company recognized that in addition to the initial pilot projects, many critical business processes would likely become BPM projects in the future. This made the business case for investing in BPM technology even stronger, as it would be a technology that could be extended and leveraged across other areas of the business.

The success of AmerisourceBergen’s project and ROI generated by using BPM helped establish a strong business case for expanding the use of BPM to other areas of the business. The company held workshops to educate other departments about the value of BPM and helped them identify potential “process” candidates for use of the technology. Out of this effort, many additional processes were identified as candidates for BPM, underscoring the need for and value of an enterprise-wide deployment.

The use of BPM has resulted in significant, recurring cost savings and long-term competitive advantage for AmerisourceBergen. Company officials believe that the effective implementation of BPM software is essential to achieving real-time communications of contract, pricing, and membership updates between its trading partners, and, most importantly, it directly impacts AmerisourceBergen’s bottom line.

AmerisourceBergen has successfully adapted a strategy where new BPM implementations occur in less than 12 weeks. Moreover, removing repetitive and tedious paper-based processes that suffered from high error and rework rates was seen as a positive improvement by staff.

**Project Capsule**

**Timeline**

In July 2005, AmerisourceBergen commenced a pilot BPM project. Following the success of that project, the company recognized that BPM could be leveraged across other areas of the business to solve similar business challenges. This led AmerisourceBergen to expand to an enterprise-wide BPM deployment in January 2006. In 2010, the company again extended its BPM deployment to interface with SAP.

**2010 Initiative**

In 2010, AmerisourceBergen began migrating its legacy systems to SAP and is using BPM to create six new processes that extend and augment SAP’s capabilities around managing and automating critical processes within SAP. For example, SAP does not offer a variance resolution process, so AmerisourceBergen is using BPM to bring out all variances in its SAP system (i.e., variance between PO and invoice). Variances are identified in SAP and then passed to BPM, which resolves the variance, matches the credit, and sends it back to SAP (more than 1.2 million credits, including manual, 812 [ED], and paper, come into BPM for matching purposes each month). This cyclic process is seamless to users.

Additional processes created in BPM that will interface with SAP include drop ship invoices, PO reconciliation, all returns (including factoring) and associated credits, indirect expenses and invoices, and AP indexing and processing.

**Enterprise BPM Adoption**
To date, AmerisourceBergen has implemented BPM enterprise-wide and has over 3,000 users (including subsidiaries) and over 200 processes automated. Return on Investment (ROI) in terms of hard dollars is achieved in as little as three months after each process going live.

Executive Sponsorship is integral to BPM at AmerisourceBergen and is department-driven.

**Business-IT Collaboration**

AmerisourceBergen’s BPM projects are collaborative efforts with business and IT. Both business and technical participants comprised the project team, and primarily included the Accounts Payable department – from the VP of Accounts Payable to Data Entry operators. The implementation team was comprised of four members.

BPM has quickly become a priority at AmerisourceBergen to improve internal productivity. The company saw the advantage of creating a **Process Center of Excellence**, comprised of key business and IT people who assess processes, help with business case development, and oversee BPM projects to ensure they are successful.

**Methodology**

The **Process Center of Excellence (COE)** team at AmerisourceBergen ensures that BPM is entrenched into the fabric of AmerisourceBergen. Over 200 processes have now been deployed enterprise-wide.

The implementation team uses a modified version of the Software Development Lifecycle as its methodology as well as **Agile and Iterative development lifecycle**. This enables them to categorize and prioritize projects, conduct iterative and rapid development, build reusable components, effectively involve the business, and provide a 30-day warranty as a “cushion” for their implementations.

**Key Performance Indicators (KPIs)** are built around processes to measure productivity and are defined on a departmental basis. These KPI enable the company to **continually refine and optimize its processes**. The **business and process owners** determine the appropriate KPIs to monitor and measure for their respective department, with IT providing input and ultimately executing on the directive.

One of the largest contributors to AmerisourceBergen’s ability to achieve success in its BPM efforts has been its focus and emphasis – from the outset – on **scoping 3-month deliverables and milestones** for every BPM project and **defined metrics way to ensure they were consistently delivering ROI and adding value to the business**.

Now, AmerisourceBergen has a mature Process Center of Excellence in place to govern BPM projects corporate-wide and maintain a constant focus on KPIs. **It is this focus on KPIs and its emphasis on applying BPM to mission-critical, core business processes that has enabled AmerisourceBergen to track millions of dollars in recurring savings across several of its BPM projects.**

**Lessons**

When looking at expanding, or embarking on, new BPM projects within the organization, the company refers to and applies these best practices, which include

- Establish a COE team with adaptive individuals.
- Work in very agile and iterative mode.
- Build reusable components.
- Involve the business to ensure alignment.
- Take advantage of BPM technology.
- Categorize projects and look for quick wins.
- Use BPM workflows for managing processes, not for transactional systems.
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