Gaining Ground in a Recession – Two Smart Ways to Save Big & Perform Better

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Recession Reality

The glory days seem far behind as stock prices fall, retail sales plummet, budgets are cut, and global markets struggle. Both businesses and government organizations are looking for ways to dramatically reduce costs, do more with less, and basically just survive.

But is there a smarter way to weather the storm than blind cost-cutting and headcount reductions? The answer is yes, and the results are proven.

If you have ever tried to lose weight, you know that the logical approach of skipping meals and self-inflicted starvation rarely work. Most dieters struggle for years – getting short-term results with no long-term success, often gaining even more weight over time as they destroy their metabolism. Instead, the smart approach is to actually eat more, but to eat the right things.

This analogy can be applied to your ability to weather the recession. Most companies are using what seems to be a logical approach – cut, cut, cut. Cut people, cut budgets, cut travel, switch to lower cost suppliers – anything that results in an immediate reduction to expenses. But, in essence, these organizations are just starving themselves, and it will likely come back to haunt them as the core infrastructure of the company – the corporate metabolism – is crippled to the point where it cannot function effectively. As the market begins to rebound, these companies will continue to struggle and be left behind.

So instead of blindly cutting costs, the most-effective approach for both short-term and long-term success is to invest – but invest in the right things. This article examines two smart investments that will pay off both now and in the future.

#1 – Invest in Business Process Management

Why cut blindly when you can invest in a software application that will immediately improve process efficiency and employee productivity across the board? Business Process Management (BPM) software is designed to automate and improve people-intensive business processes – the processes that are often the most manual and therefore the slowest and most cost-intensive.

While BPM delivers value in many ways, let's focus on five compelling reasons BPM software is a good investment in a recession:

1. **Fast, measurable cost savings.** Organizations that have deployed BPM consistently report a return on investment of 10-20% per process project. This return is fueled by a dramatic and recurring cost savings, as well as increased productivity and effectiveness. Customers of BPM software often cite savings of hundreds of thousands to millions of dollars on an annual basis.

2. **Increased efficiency.** The process automation that BPM enables results in greater throughput with the

> ***$30M in recurring annual savings from process automation through BPM***
>
> *– Federal Government Agency*
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> ***Consolidated 40 underwriting centers down to just 3***
>
> *– Global Insurance Provider*

same or fewer resources – allowing you to either deliver more or reduce overhead by eliminating or redeploying resources that are no longer needed to meet objectives.

3. **Get more out of what you already you have.** By acting as a single process layer across disparate and distributed systems, BPM software allows you to extend the value of your existing ERP, mainframe and other legacy applications. BPM provides the interface needed to improve business processes, create new processes, and modernize your operations without undertaking a costly system replacement effort. Users of BPM frequently cite the value of the software for extending ERP and mainframe functions at a fraction of the time and cost that would be required to build the process improvements directly on these native systems.

4. **Lower risk.** Many of our current economic troubles can be traced back to a lack of discipline and oversight of key business practices. BPM software allows you to completely document processes, enforce adherence through process automation and business rules, and monitor and audit both human and system activities at all levels of the organization. This transparency ensures that you are in the best possible position to monitor your operations and minimize your risk.

5. **Greater visibility into dead weight.** Once a process is deployed on a BPM software platform, all of the inner workings of that process become transparent. Management can leverage reports and dashboards that the system provides to identify unneeded or underutilized systems and roles and make educated decisions on the best way to eliminate overhead – without impacting performance or customer service. Often, systems can be retired and entire databases eliminated. If headcount reductions are made, the business can be confident that they were indeed the right reductions. Likewise, high-cost areas can be scrutinized with the simulation capabilities of the software, so that process changes can be made to improve the profitability, efficiency, and effectiveness of the overall process.

While the outcome of automated processes may result in headcount reductions, that is not the primary goal. Most employees that embrace BPM actually improve their standing in the organization and improve the quality of the work that they are doing on a daily basis. Mundane, administrative tasks can be handled by the system and employees are freed up to be more innovative, better service customers, and identify new ways to further improve processes – delivering even greater value to the organization. In this way, BPM software becomes a catalyst for change and career growth.

Investing in BPM software now is a smart short-term decision and will help you to not only survive, but to gain ground during the recession. In addition, it strengthens your corporate infrastructure – making you more effective and more agile so that as the economy improves, your metabolism is primed to take advantage of new opportunities better, faster and more profitably than your competitors.

#2 – Analyze Your Enterprise Architecture

Infrastructure overhead – buildings, departments, IT systems, equipment processes, etc. – often comprises the bulk of an organization's costs. Therefore, a recession is the ideal time to figure out what is critical and what can be eliminated. But eliminating or reducing fixed overhead costs is difficult because most organizations do not have enough information to make educated decisions on what is wasted cost and what is critical to running the business.

Investing in a good Enterprise Architecture (EA) software tool can help you evaluate and make critical infrastructure decisions that can dramatically reduce fixed cost expenditures and ensure that any reductions – whether they be related to physical capital or human capital – are the right reductions to make. With an EA tool in place, you can easily create graphical models of the entire

organization and map out the interrelationships between locations, people, processes, and systems. The collaborative nature of most EA tools allows for a repository of shared models so that an accurate view of even the largest organizations is made possible.
Three ways that EA software can help you in a recession are:

1. **Identify duplicate or underutilized overhead.** By creating graphical models of the functions and supporting assets across the entire organization, it is very easy to identify areas of duplicate effort – for example, people performing the same or similar functions, systems that are redundant, or databases that house the same information. These areas are ripe for quick elimination and allow you to cut costs dramatically. In addition, an EA tool provides detailed analysis capabilities that enable you to identify resources that are underutilized and better understand what can be consolidated – for example, people who are only busy 50% of the time, site locations that only service a handful of customers, warehouses that are only half-full or contain obsolete inventory, and systems that are rarely accessed. Armed with this information, you can make informed business decisions and consolidate these underutilized assets for immediate cost savings. Eliminating duplicate overhead and consolidating underutilized resources have a dramatic impact on the bottom line, with little or no impact on your performance or effectiveness as an organization.

2. **Optimize your value chain.** Whether you are a product or service-based organization, there are a lot of variables that impact your ability to operate and deliver value to your end customer. Understanding the inter-relationships and cost/benefit analysis of your supplier relationships, your customer relationships, and the logistics that serve as the foundation of your value chain is critical. It is critical because this often is a high-cost area, but it is also an area where cutting costs can pose a risk to customer service and quality. An EA tool can help you analyze your value chain, identify areas of inefficiency and weed out underperforming partner and customer relationships. Addressing these areas of weakness can help you reduce costs and increase productivity without unwanted side effects.

> ***Consolidated databases from 35 down to 4***
>
> *– Retail Franchisor*
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> ***Improved employee efficiency by 56% in service centers***
>
> *– Global Financial Service Firm*

3. **Quickly and effectively assimilate mergers and acquisitions.** The current economic environment is fueling a great deal of M&A activity as organizations that are struggling look for ways out, and organizations that are thriving take advantage of opportunities to gain market share by acquiring or merging with competitors. Companies involved in an M&A transaction must quickly determine how to integrate assets, assimilate people and functions into a single organization chart, and define a consolidated set of effective business processes. This is no small challenge. An EA tool can provide the means to create graphical models of both organizations to serve as the starting point and then help decision-makers evaluate, define, and implement the right consolidation plan. A fast, formal approach to M&A integration supported by an EA tool can result in millions of dollars in cost savings and create a more profitable and effective combined enterprise.

Going into any effort with the big picture in mind is always the best approach, and making massive cost reduction and restructuring decisions during a recession is no exception. Leveraging an EA tool with graphical modeling and analysis capabilities helps you get a realistic grasp on the big picture and provides critical support to help you make smarter, more effective business decisions.

Survive Now, Thrive Later

Times are tough and the pressure to cut costs has never been greater, but don't let this pressure force you into bad business decisions that will handicap your organization for years to come. Make limited investments in relatively low-cost, quick-to-implement technology – such as BPM and EA software – that can help you make smart cost reductions, operate more efficiently with fewer resources, and keep your business operating at an effective level. Doing the right things now will ensure you are well-positioned to leap forward as a faster, more effective and more agile organization when the economy rebounds.