

Harmon on BPM Paul Harmon

The ROI on BPM

I have recently been asked several questions about the ROI (return on investment) on BPM. It's a perennial question that usually comes up once or twice in the course of a year, and I always wish I had a better answer. In any case, here's my latest take on the topic.

To answer the question at all, of course, we need to begin by defining BPM. For our purposes here, I'm going to define Business Process Management (BPM) as a broad business concern that involves any actions that seek to improve the ongoing processes or operations that characterize the business. Thus, I would include Six Sigma and Lean programs, Business Rules and Business Process Architecture work, Business Process Reengineering and Business Transformation work and establishing Process Owners and creating a COE (Center of Excellence), to name a few. Admittedly, by taking such a broad view of BPM, I make it harder to define the ROI, but I also believe that these are the activities that most people think about when they talk about ROI.

Before I go any further with my thoughts on this topic, let's consider what a 2012 Capgemini *Global Business Process Management Report* had to say about ROI on process work.

The survey asked respondents to identify the Key Benefits of BPM, and got the following response:

- **Increased Cost-efficiency.** 43% said that BPM has a Very Positive Impact on Cost-efficiency.
- **Business Agility.** 38.9% said that BPM has a Very Positive Impact on Business Agility.
- **Compliance.** 39% said that BPM has a Very Positive Impact on the Improvement of Compliance and Risk Management.
- **Customer-centricity.** 41.8% said that BPM has a Very Positive Impact on Improving Interactions with Clients, Customers or CRM.

When asked directly about ROI, 96% reported a positive ROI on BPM and 55% claimed a return of at least twice their initial investment. 4.1% reported a ROI between 5 and 10 times the initial investment.

Capgemini concluded that BPM offers high value returns from process optimization, but warned that, to get such returns, organizations needed to create the conditions for success. The Capgemini results match many survey results from other sources.

Let me consider how I might qualify these results. First, I'd suggest that, based on an organization's BPM maturity, they will define BPM in one or more of the following broadly described ways.

- BPM is used to redesign major processes. (e.g. Our sales process isn't as good as our leading competitor, so we are going to redesign it to significantly improve it.)
- BPM is used to incrementally improve existing processes. (e.g. Our sales staff has suggested four changes that will improve our sales process and we are going to implement two of them.)
- BPM is used to radically transform how work gets done, or to create new processes in response to changing markets or technologies.

You obviously get rather different results, depending on which type of initiative you attempt to implement. Incremental improvements typically deliver modest ROI with little risk. Transformation often delivers major returns but may involve significant risk.

But, as time has passed, I've increasingly come to believe that BPM is all about organizational cultures. Senior executives understand their organizations in significantly different ways and push particular initiatives. Some think of their organization as a spreadsheet and focus on financial flows. Some think of their organization as an organization chart, and focus on establishing the right reporting relationships and putting the right people in the right boxes.

Some executives think of their organizations as systems that take inputs and generate outputs. Those that take this perspective are naturally inclined to see value and ultimately, results, as something created by a process approach.

Obviously, great organizations combine all three perspectives. More importantly, great organizations imbue the whole team of senior executives with the systems or process vision.

I mention this because it's a reality in my world as a process consultant. I go into some organizations and have to fight to get any attention. Questions about ROI usually come from organizations that don't really understand and accept the process perspective, and where middle managers are struggling in an effort to convince senior managers to give them an opportunity to demonstrate the value of BPM. When you go into an organization like Toyota, or IBM, you don't have to fight to sell process. They are already committed to the process perspective and all you have to do is sell the project and the specific approach you propose using to overcome a particular challenge.

Consider Toyota – the poster child for process – that is always promoting their Toyota Production System (read BPM). The organization was established before WWII and initially focused on how Henry Ford organized his factories. (Henry Ford was one of the great believers in the process perspective.) Toyota's idea of process, like my own, was formed before computers became available and focused on organizing managers and employees to assure that processes ran smoothly and effectively. After WWII, Toyota concentrated on integrating its people systems with automation and created the highly integrated processes that it is now famous for. First, it mastered quality and then went on to master the training and management

systems to assure truly superior performance. In the last couple of decades, Toyota has caught up with US companies and bypassed them, becoming the largest auto manufacturer in the world. Today, they are extending themselves further and mastering innovation, having first introduced a hybrid car and capturing 70% of that market, and now moving into hydrogen-engine cars that will obsolete both gasoline and hybrid cars. Any list of the top dozen most efficient and effective companies in the world today would have to include Toyota.

So, is Toyota a process company. Yes! Every time its CEO gets quoted in the *Harvard Business Review*, he's saying something else about the importance of process and the Toyota Production System to all aspects of Toyota's success. In the US, where American auto companies like GM and Ford have spent decades studying the Japanese companies, they are still struggling to emulate Toyota's success. Meanwhile, Toyota has opened factories in the US, hiring American workers, and duplicating their success within the US. This suggests that it isn't simply a procedure that needs to be copied, but a culture and a managerial attitude. Toyota's executives believe in process and practice it without thinking twice about it. Ford and GM executives want to believe, but...

Stepping back even further, I am hard pressed to say why some executives "get" the systems or process perspective and some don't. But I have experienced the phenomena, and believe in it. I see some companies, that may or may not talk about process, but are succeeding by using the process perspective every day, and I see other companies that are moving toward failure. They try initiatives and sometimes get some modest improvement, but they just don't "get" process and so they don't see how things tie together as a whole.

I've known lots of organizations that decided to "give process a try." Most who work at it achieve modest improvements, but few generate major ROI in the short term. BPM can solve specific problems, but if you really want impressive results you have to focus on the long term and lay the groundwork by training managers and employees to think in terms of processes. Laying the groundwork costs money and the initial returns are often modest. Senior executives must have the vision to persevere if they are to achieve the kinds of breakthrough results that companies like IBM, Toyota and UPS regularly receive from their process investments.

I'm more than happy to repeat success stories. XYZ insurance redesigned its customer response process and increased its bottom-line by 40%. I'm happy to quote ROI statistics, like the ones I cited earlier. But, in the end, I have come to see long term corporate success as something produced by executives who see their organizations as systems or processes, and who constantly work to improve how everything is integrated with everything else and how it all works together to produce value for customers.

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