BPM—Too Much BP, Not Enough of the M

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INTRODUCTION

In the 1990s, I used to say, "The problem with workflow is that you don't want it (work) to *flow*—you want it to get done." The point was that, rather than having cases of work ping-ponging all over your business, the emphasis should be on getting work done.

Generally, the reason companies were deploying workflow technology was to drive operational efficiency—to save cost while improving consistency and quality. Workflow also promised a way of dealing with the cultural malaise that had infected organizations over a certain size. But the reality of deployment in many large financial services businesses was that they just got into a bigger mess faster. Sure, many tasks were automated and streamlined to remove delays from the process. But the culture of the organization was seldom fundamentally changed. The body politic of the firm just absorbed the technological change and carried on as before.

What firms were often missing was a methodology for dealing with the day-to-day grind of management—production and how to get the most out of the available resources. Even now, most firms still have only a superficial appreciation of how much work their employees are capable of handling.

With a workflow implementation, the problem shifted. The visible backlogs of bulging in-trays were now hidden within the shared queues on the system. Individuals were driven (handed work) by the system but were seldom measured or managed in terms of what they could realistically achieve.

Deployments took little account of the skill levels of the individuals. Some could achieve work at a tremendous rate, while others struggled to achieve the norm. At the team level, there was no sense of driving performance or the achievement of goals or business targets. Out-of-the-box, management information was simply unavailable in workflow products. While the system logged the history of all work (audit trail), it was left to the customer to write suitable programs that provided managers with effective information—i.e., while 'management information' was often promised, it was seldom delivered.

BPM TODAY

And it is not much different today. All that has really changed are the terms. Now it's called Business Process Management (BPM) rather than workflow. But in the same way that workflow implementation often missed the point, so do many BPM deployments—too much emphasis on the BP and not enough on the M.

The problem with many BPM deployments is that they often overlook the reason why this technology is needed in the first place—to support the achievement of business objectives. They set out to deliver the ability to ensure that work is 'done'—consistently, on time, and correctly. Yet they miss one of the key ingredients to corporate success—the day-to-day management of the people involved. This is not about the life-cycle management of the process itself, which is still important. It is about the management of the people who work within the process—what their collective efforts can achieve, where they are struggling, how much work is coming down the pipe, and what they have to get out the door today, tomorrow, this week, or by the end of the month. The capability to steer the detailed operations of the business by driving its business processes (through BPM) is one thing, but developing an effective production management discipline is another.

Technological support for this aspect is usually left to manual spreadsheets—an afterthought, developed by the managers themselves. While this may be good enough for a couple of small teams, it just doesn't scale to 300 teams of 20 people. Indeed, most white-collar businesses have no accurate idea of what sort of work throughput is possible with the resources they already have. Executives continually hear the cry for more staff, yet they don't really know how much work the current employees can deliver. Our research in major financial services firms has shown that as much as 30-40 percent additional productivity is possible when a disciplined production management approach is employed (over and above the benefits possible from the core workflow/BPM implementation). This research was based on a series of detailed interviews with key executives within the core business and IT management functions of major financial services firms in the UK and Europe. Firms ranged in size from 120 to several thousand employees.

The primary focus of the analysis was to understand the critical success factors associated with major BPM deployments—how these affected productivity and the goals of executive management. In all cases, the businesses concerned had already deployed business process support environments. We really wanted to understand the issues that affected how one firm's BPM implementation was more successful than that of another. What did they do different? What 'best practices' were developed? How was it driven and managed?

We found that senior managers often bought into the idea of a BPM deployment based on not only increased productivity and better consistency, but also on the Holy Grail—better 'Management Information.' They really wanted the ability to look into the end-to-end profitability of a product or service, drilling down to assess, compare, and contrast the impact of one channel over another, or how individual departments were performing against Service Level Agreements (SLAs). They wanted the ability to track and monitor their business, identifying teams that were failing or quickly spotting bottlenecks that were impacting performance. They also wanted the ability to ensure adequate adherence to new regulatory requirements.

A Case Study

Halifax plc (now merged with the Bank of Scotland to create HBOS) is an internationally famous financial services brand. Responding to the challenges of the modern high street, their re-organization involved taking the back office functions out of their many branches and creating centralized administration centers. To support this exercise, process support systems were implemented to drive work from the front office operations in the high street directly into the back office.

The initial emphasis was on the BPM technology implementation, its features and usability at the front end. Significant benefits derived from the initial consolidation project with around a 15 percent reduction in costs. While some new management information was made available as a result, there was little change in the way that first line managers operated across the business.

However, through a subsequent project, focused on the introduction of production management disciplines, the company transformed the whole culture of management. Rather than looking at team performance from a historical point of view (as was the norm), managers now predict what work is possible with the resources at their disposal. Previously, managers looked at what level of achievement they had delivered and then justified why they couldn't handle any more. To support this new project, the core BPM system was extended with an innovative Management Information application that also took over the allocation and distribution of work, marrying the needs of the case and business priorities back to the skills of the employees in the individual teams.

First line managers are now driven to understand how much work they have in the system and what is likely to arrive. In turn, this has allowed them to think more deeply about the performance of the individual team members, assessing their skills and personal development in a more holistic way. Individuals are assigned work within their capabilities and monitored against performance—in terms of task completion but also qualitatively.

Managers are held accountable against weekly plans and asked to predict productivity over the ensuing 12 weeks. A league table is maintained, and individual team leaders are now incentivised to (over)achieve realistic performance targets through the staff under their control. The end result is a further 20 percent productivity improvement over the previous year alone. Week on week output is still rising and the costs of doing business are being driven ever lower. With over 2000 fulltime staff in the back office alone, that 20 percent improvement equates to 400 man-years—a big impact on the bottom line of the business. Moreover, the company has achieved a real transformation in management culture, building a virtuous circle of corporate performance, team working, and personal development.

But none of this would have been possible without an alignment of incentives with the enhanced technology support environment. The product used to extend the BPM environment, Work Manager from eg Solutions in the UK (www.eguk.co.uk), provided a further layer of sophistication over and above the core capabilities of the BPM Engine. It allowed the business to develop a single view of work in the business, integrating the core BPM environment with other workflow systems and applications.[1]

[1] We have since discovered that this same application is relatively widely used in the UK financial services market, working alongside leading BPM products such as Staffware, FileNet, AWD, and eiStream (now Global 360). In some implementations, Work Manager is integrated with two or three different BPM environments, providing a single view of all work in the business and allowing management to track work across processes rather than just functional silos.

In the words of the Head of Retail Processing for the bank (talking about the BPM deployment), "You end up with brilliant processes, but the people involved can't necessarily handle them. The organizational culture is left a mile behind, and the people side suffers. We had the systems and process part working well, but the behavior and people side slipped. The real issue was developing a new set of management behaviors."

DON'T FORGET THE PEOPLE

There is an important lesson here. In a great many BPM projects, there is plenty of emphasis on the Business Process, but the wider holistic aspects of people, culture, and production management are often overlooked, yet they are just as important. As far as functionality goes, it is not a huge difference, but the lack of a 'manage & control' and 'understand & improve' culture makes a big difference to performance and bottom line profitability. BPM cannot be considered complete without it.

All of the over-performing companies we surveyed sought to create a culture of continuous improvement. At the core of that objective were two common strategies:

- The application of 'production management' techniques, and
- The extraction of quality 'management information.'

From the executive point of view, the overall objective was generally sublime operational efficiency—reducing the level of resources required to deliver value. They also wanted more meaningful information to support decision-making and better adherence/compliance with corporate policies and procedures.

PRODUCTION MANAGEMENT & REGULATORY COMPLIANCE

Production Management is really all about seven things: Measure; Plan; Communicate; Allocate; Monitor; Analyze, and Improve. While all this just sounds like plain, old-fashioned common sense to the seasoned manager, it has almost been lost in the hullabaloo created around the Business Process end of BPM. Having understood what their people are capable of and planned accordingly, team leaders need to track and monitor how well they do against targets.

People need to know where they fit. When they understand this, they are far more motivated, especially if they can clearly grasp the basis for their individual targets and see that their achievements are fairly reflected. One mortgage firm we spoke with had achieved a particularly dramatic rise in productivity. With a new set of work practices and service level targets in place for six months, throughput rose by an average 221 percent per day (in the number of applications processed), and the number of actual completions carried out increased by a massive 429 percent. These changes have translated into a more profitable company with lending increasing from £220 million in the whole of 2001, to £620 million of completions in the last nine months of 2002 alone.

In the words of another senior manager (from one of the world's leading multinational insurance groups): "Our people now understand that a service level agreement is not a target that we aspire to, but a benchmark below which we will not fall. Introducing SLAs is an opportunity to make rapid and lasting cultural changes within an organization, whilst bringing people with you. Everyone knows what he or she has to achieve. They now understand what 'good' looks like."

Of course, there is more to it than saying managers need to monitor their employees. What came out in our interviews again and again was the need to align the people to the work in hand and then monitor them individually. This implies assessing an individual's skills and competencies against that required by the task. However, understanding people's expertise and proficiencies is almost an art in itself. While this is relatively easy with a small team, when you consider the scale required for several thousand customer service staff and their associated back office support, a technological foundation is a must. On the other hand, the cost of getting this alignment wrong is usually not considered until it is too late.

In the UK mortgage market during the late 90s, many firms 'oversold' endowment related insurance policies that paid off the mortgage at term. Across the industry, the costs associated with handling related complaints have now run into hundreds of millions of pounds.

If firms had delivered that work to suitably qualified personnel in the first place, they could well have avoided the current cost repercussions that are having a serious impact on business and product profitability.

Sure, some of the issues I am highlighting with this example are related to initial product design and a 'responsible' sales process, but the whole financial services industry is now governed by a much stricter regulatory regime. Firms have to meet stringent new targets on handling customer complaints within a given deadline—i.e. managers need to know when they are unlikely to achieve this. But more importantly, organizations must now ensure that the individuals handling sensitive parts of the sales and administrative processes are qualified to undertake the work.

Stricter regulatory regimes are not limited to just the financial services industry. With the introduction of the Sarbanes Oxley legislation in the US, most large firms need to ensure compliance in all sorts of ways. Firms are also struggling with the new focus on transparency and compliance. The widely held perception is that greater control of the process will ensure regulatory compliance. While the underlying BPM technology provides an effective audit trail (logging the history of all work items), seemingly small errors in the way a case is handled can have a massive impact on the brand.

But the reality is that routing a work item through the business, using rules to get it to the right role (job title), is just the first step. Modern financial markets demand transparency and accountability—on what we do, how we act, and the decisions we make—through every level of the business. With this transparency comes increased risk to the public 'trust' in the brand. But transparency is only about finding out afterwards—management via the rear view mirror. What is needed is a more proactive approach. A methodology that ensures employees have the right capabilities and training to undertake the work in hand. And to realistically achieve this goal, a more holistic view of the business is required.

Management Information

As the use of procedural rules to route work moves all firms towards commoditization, differentiation will increasingly be based on how the processes are managed. Managing the life cycle of the process itself is certainly important, but we found that managing the groups of people interacting with those BPM systems is of equal importance. And managing people in such an environment requires that decisions are based upon good information.

Virtually every BPM solution one looks at promotes the idea that, by using their technology, customers will get better management information. The audit trail provides all the information you'll need—a complete history of the work item including who handled it when, what information was changed, etc. But because these products are focused on the needs of the business process life cycle, businesses are left to reflect on their own special needs for Management Information.

With the right information gathering and reporting regime, the business can more easily sense important changes in the market and customer behavior, changing the process if necessary. But all that process flexibility will not do you much good unless you optimize the resources at your disposal. Based on a better understanding of operational capacity, managers can make more informed decisions, adjusting resource levels in different departments; effectively load balancing the business in line with peaks and troughs of demand. While this sounds a little like a return to the days of Bigger People Reductions (BPR), during our interviews we found that, with more accurate Management Information, a greater sense of reality prevailed. In some instances, this led to redeploying or recruiting extra staff to manage the work within the desired service and quality levels. Employees are now focused on targets set against several factors including effectiveness, quality, and product knowledge. With the core BPM environment, all that was really monitored was throughput.

Firms seeking this sort of sophistication have three alternative options—build your own (i.e., write suitable programs on top of the BPM package), deploy a package with the core Production Management and Management Information components, or plug in a high-end 'Business Intelligence' application such as Hyperion or Comshare. While many BPM vendors claim to provide the requisite Management Information, most leave it to the customer to write suitable programs to reflect their own special reporting needs. Some BPM tools do provide their own built-in 'analytics' capabilities capturing average cycle times of processes and activities, or how long work items wait before moving on to the next activity. This information is useful for finding process bottlenecks, but often does little for the day-to-day grind of extracting management information to support production or supervision at the team and individual level.

When it comes to building your own management information, the problem is that you first of all have to understand all the key business issues and problems. Moreover, a deep appreciation is needed of the relationship between day-to-day operations and effective reporting. You also need to be aware of the technological implementation issues and then develop your own methodology for deployment amongst the workforce. Indeed, developing an appropriate implementation methodology that embeds the cultural change is a major part of the battle.

With BI solutions, the emphasis is largely on financial reporting. Products tend to focus on the provision of an executive dashboard with a 360-degree view of all metrics. This information is largely underpinned by operational metrics, but its purpose is primarily overall financial performance. Again, support for the day-to-day needs of production management is largely lacking. When considering packaged implementation, we found only one product that seemed to cover the whole spectrum. Work Manager from eg Solutions provided a pretty comprehensive approach. Their customer references pointed to the product's superior work allocation features, providing integrated management information with features for monitoring work throughput at the individual and team levels. This has left managers with more time to *address* process bottlenecks rather than simply *detecting* them. Managers were also more able to focus on value-added functions, so time saved on routine tasks such as work allocation was channeled into addressing customer needs.

CONCLUSION

The re-emergence of business processes as a core discipline in modern business management is fairly clear. But in order to really derive the maximum benefit from BPM initiatives, firms need to manage the people interface more carefully. Through a focus on this area, successful firms have derived as much as 40 percent additional productivity improvement over and above that achieved by initial process automation using a BPM engine. In order to achieve these sorts of benefits, firms need to adopt a wider, holistic set of principles surrounding the BPM initiative. They need to institutionalize this as a way of thinking. Thinking that delivers real, tangible results and long-term benefits.