

BPM Accelerated

Slashing Cost and Time with Agile Business Processes

October 2009

Michael Lock

Executive Summary

To a large extent, business excellence is defined by process excellence. Companies that have developed the organizational maturity and are leveraging the right tools for Business Process Management (BPM) are generating more robust, flexible, and agile business processes. Free of the heavy IT expertise requirements associated with BPM solutions of yesteryear, Best-in-Class organizations are delivering process management capability to their non-technical business users faster and more efficiently, and leveraging these optimized processes for a substantial reduction in operating cost and cycle time. This report is based on survey data collected from 200 executives between September and October of 2009.

Best-in-Class Performance

Aberdeen used three key performance criteria to distinguish Best-in-Class companies. That performance relative to their peers was as follows:

- **An 18% average year-over-year reduction in operating cost**, compared with a 4% reduction for the Industry Average and a 5% increase for Laggards
- **A 16% average year-over-year reduction in process cycle time**, compared with a 5% reduction for the Industry Average and a 1% increase for Laggards
- **An 17% average year-over-year improvement in output capacity**, compared with a 4% improvement for the Industry Average and a 2% decline for Laggards

Competitive Maturity Assessment

Survey results show that the firms enjoying Best-in-Class performance are:

- **2.6-times more likely** than Laggards to utilize cross-functional teams for more targeted BPM deployment
- **1.4-times more likely** than Industry Average companies to have processes in place to configure business reporting
- **1.8-times more likely** than all other companies (including Industry Average and Laggards combined) to leverage Business Process Analysis (BPA) tools

Required Actions

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, companies must:

- Incorporate BI / analytical functionality into a BPM Strategy
- Develop a consistent way to measure the return on BPM investment
- Develop the ability to customize BPM applications by role or group

Research Benchmark

Aberdeen's Research Benchmarks provide an in-depth and comprehensive look into process, procedure, methodologies, and technologies with best practice identification and actionable recommendations

“To fully leverage a company's global presence, driving toward common policies / procedures is imperative (wherever possible). BPM is an enabler to drive enterprise-wide consistency, visibility, and adherence to those common processes. As a result, customers benefit through the delivery of consistent expectations, and management and administrative overhead is reduced through the elimination of fragmented processes and tools / technology.”

~ Charlie Schloff

Director, Global IT

Eclipse, Inc.

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Chapter One: Benchmarking the Best-in-Class

Business Context

As Business Process Management (BPM) tools have grown and matured, many companies are driving a level of pervasiveness with their BPM platform that has enabled a greater and more diverse set of business functions to leverage the solution. On the business side, more non-technical users are finding value in the knowledge sharing and analytical capabilities that BPM offers. This ramp-up in organizational use of BPM has enabled companies to better leverage their BPM investment by automating manual business processes and delivering more user friendly process applications to the business users, thus saving time and resources and ultimately leading to a better return on BPM investment. Aberdeen's December 2008 benchmark report, *BPM and Beyond: The Human Factor of Process Management*, supports the need for cost-controlling measures. The data demonstrated that 49% of respondents feel that the top business pressure driving investment in BPM is the need to reduce operating costs.

As the economy continues to limp along through a recession and companies increasingly seek cost saving measures, many are looking to BPM technology solutions to help identify and streamline inefficient business processes. The next generation of BPM tools is enabling an efficient alignment of IT and business by improving solution usability for the business users while empowering IT with more function-specific tools to meet the demand for better process automation. Aberdeen's prior research shows that companies are leveraging BPM to drive substantial improvements in process agility (Figure 1).

Fast Facts

Best-in-Class companies achieved:

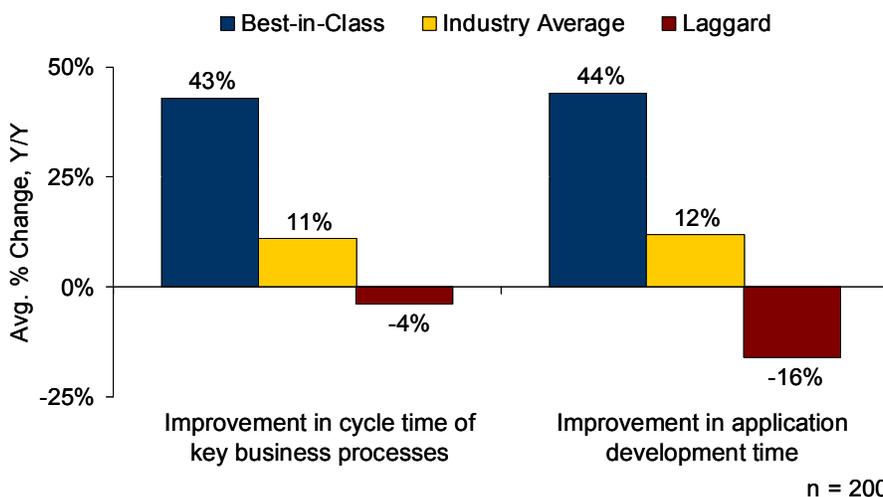
✓ **11%** average year over year increase in profitability

Compared with:

✓ **1%** increase for the Industry Average

✓ **6%** decrease for Laggards

Figure 1: The Best-in-Class Leverage BPM for Process Agility



Source: Aberdeen Group, December 2008

While maintaining a strong focus on ease of use and ease of deployment, many BPM solutions have now evolved to support the needs of the business user while at the same time address the requirements of the IT leaders within the organization. Technical users and developers are now seeing significant value in some of the baked-in functionality like shared repositories of information, pre-built application templates, and automated teaching tools. Leveraging these types of tools, companies are better positioned to drive value in many areas of the business, including the ability to:

- Build agile, flexible, and highly configurable business processes
- Closely monitor business performance
- Achieve rapid deployment of applications
- Improve time-to-market
- Deliver technical capability to the business users

Despite the clear business value that BPM can deliver when implemented properly, often times BPM tools and strategies are pigeon-holed into an IT-centric role in the minds of end-users. The key to leveraging the full value of BPM tools and strategies is a sound understanding of how they can deliver much needed visibility to the non-technical business users. The research demonstrates the top business pressures that are compelling end-user organizations to invest in a coherent strategy for business process management (Figure 2).

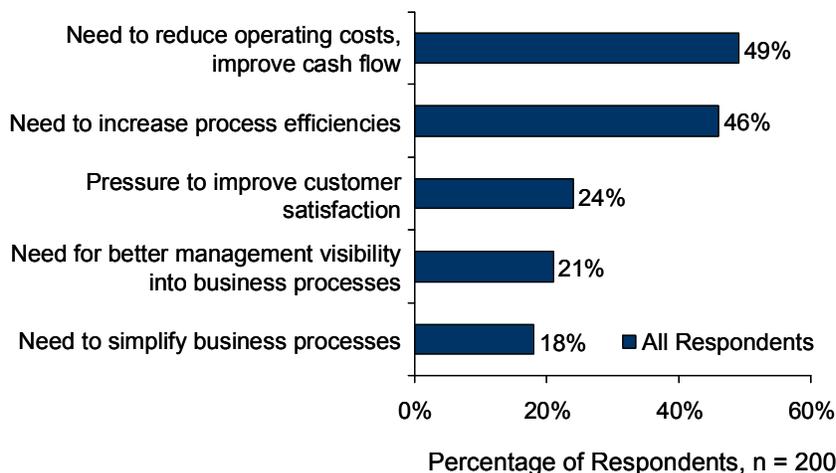
“Oil and gas exploration and production companies are very complex and layered organizations with a preference towards 'matrixed' configurations. These matrix organizations tend to promulgate wide variances in processes to accomplish the same things. These variances are extremely difficult to account for in an ERP.”

~ Mike Garner

Procurement Manager

Major Oil and Gas Company

Figure 2: Top Business Pressures Driving BPM Activity



Source: Aberdeen Group, October 2009

Perhaps not surprisingly, the number one driver of BPM initiatives is the pressure to reduce costs and leverage key processes for improved efficiency and more predictable cash flow. As companies continue to batten down the hatches and run lean, they are looking internally to ensure their top

performance driving business processes are well maintained and positioned to deliver substantial cost reductions. Another top business pressure is the need to maintain and improve customer satisfaction. In organizations hit hardest by the downturn, innovation is taking a back seat to long-term sustainability and one of the most tried and true ways to facilitate this stability is to ramp-up service to existing customers and look to grow the customer base. BPM tools and methods are rising as a powerful way to achieve a heightened level of customer intimacy and strengthen the long-term business model.

The Maturity Class Framework

Aberdeen used three key performance criteria to distinguish the Best-in-Class from Industry Average and Laggard organizations:

- **Cycle time:** Measured as a weighted average year over year reduction in the cycle time of key business processes
- **Operating cost:** Measured as a weighted average year over year reduction in operating cost
- **Output capacity:** Measured as a weighted average year over year increase in manufacturing or service output capacity

Fast Facts

The following are the leading Best-in-Class regulations and internal process managed with BPM tools:

- √ Internally mandated policies and best practices - 60%
- √ Sarbanes-Oxley (SOX, JSOX) - 50%
- √ State or local government audit regulations around spending and reporting - 37%
- √ Information Technology Infrastructure Library (ITIL) - 37%

Table 1: Top Performers Earn Best-in-Class Status

Definition of Maturity Class	Mean Class Performance
Best-in-Class: Top 20% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 16% average Y/Y reduction in process cycle time ▪ 18% average Y/Y reduction in operating cost ▪ 17% average Y/Y increase in output capacity
Industry Average: Middle 50% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 5% average Y/Y reduction in process cycle time ▪ 4% average Y/Y reduction in operating cost ▪ 4% average Y/Y increase in output capacity
Laggard: Bottom 30% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 1% average Y/Y increase in process cycle time ▪ 5% average Y/Y increase in operating cost ▪ 2% average Y/Y decrease in output capacity

Source: Aberdeen Group, October 2009

The Best-in-Class PACE Model

Using BPM solutions to achieve corporate goals requires a combination of strategic actions, organizational capabilities, and enabling technologies that are summarized in Table 2.

Table 2: The Best-in-Class PACE Framework

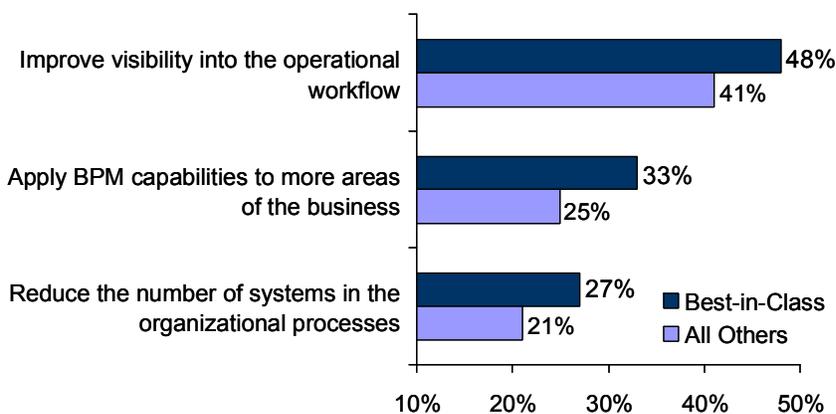
Pressures	Actions	Capabilities	Enablers
<ul style="list-style-type: none"> Need to increase process efficiencies 	<ul style="list-style-type: none"> Improve visibility into the operational workflow Apply BPM capabilities to more areas of the business 	<ul style="list-style-type: none"> Process in place to configure business reporting Cross-functional teams to test BPM deployment Well defined inventory of existing applications Ability to monitor and alert users to process deviations 	<ul style="list-style-type: none"> Stand alone collaboration tools (i.e. employee portals) Business Process Analysis (BPA) tools Process modeling methods and technologies Information Technology Service Management (ITSM) Stand alone BI tools (e.g. dashboards, scorecards)

Source: Aberdeen Group, October 2009

Best-in-Class Strategies

In response to the challenge of cost reduction and the need to do more with less, Best-in-Class companies are taking action in three main areas depicted in Figure 3.

Figure 3: Best-in-Class Strategic Actions for BPM



Percentage of Respondents, n = 200

Source: Aberdeen Group, October 2009

First, in order to identify and execute on opportunities for cost reduction, companies need to have an understanding of what the key business processes are, where the current bottlenecks lie, and how to improve efficiency. Improving this visibility into the operational workflow is the top strategic priority for Best-in-Class companies. Second, as companies recognize the power of process visibility and improvement capabilities, many are looking to spread that capability to more areas of the business to achieve cross-functional efficiency gains. Third, as companies improve process visibility and look to apply it to more business functions, the next

main step is to cut some of the fat out of these processes and simplify the way that they do business. Reducing the number of systems and nodes in the operations of a company is a crucial step towards improving efficiency and ultimately helping to achieve the goal of reduced costs.

“We are a government utility and are keen to demonstrate that we are using government monies, as well as any other investment it may make wisely. Part of delivering value for money to the community involves achieving ongoing improvement to the organization’s processes.”

~ Michael Tegg

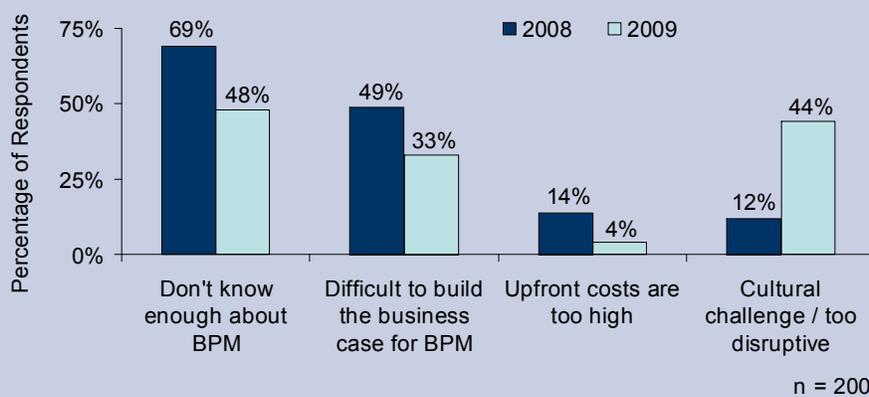
Business Improvement Manager

Sydney Water

Aberdeen Insights — Strategy

Many companies find the implementation of a BPM solution technically daunting and hard to justify the cost. Aberdeen's research shows the top barriers to deploying BPM based on current and historical data (Figure 4).

Figure 4: Top Barriers to a Formal BPM Strategy



Source: Aberdeen Group, October 2009

While the lack of BPM domain expertise is still the most common impediment to BPM, it has reduced in prevalence over the past year. This is in large part due to a new generation of BPM tools that dramatically alleviates the requirements for IT expertise. More solutions today are quicker to deploy and boast ease-of-use appropriate for just about every business function. Another major challenge cited is that companies also feel that achieving a tangible ROI from BPM deployment is too cumbersome.

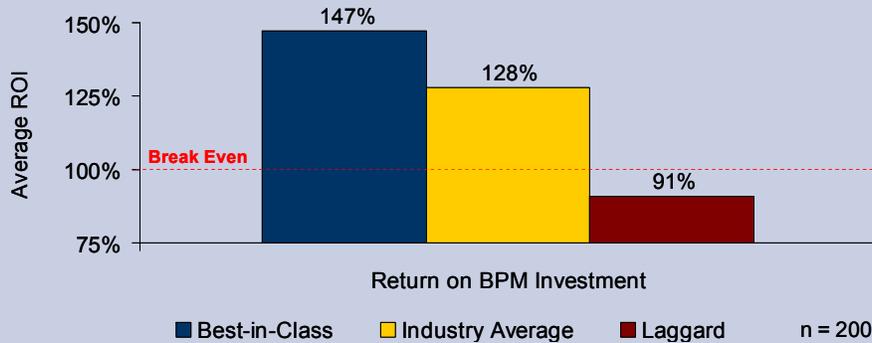
While this can be true in poorly constructed and ill-fitting BPM strategies, companies that take the effort to build a strong portfolio of organizational capability and utilize the appropriate technologies are seeing tangible results from BPM deployment. While ROI is often a very difficult metric to define and measure, survey data shows that the top methods used by the Best-in-Class to determine ROI include: bottom line measurement of cost reduction; the ability to meet planned goals faster and more efficiently; and top line measurement of revenue increase.

continued

Aberdeen Insights — Strategy

Aberdeen's research shows that the top performing companies were indeed able to realize a substantial return on their investment in BPM (Figure 5).

Figure 5: The Best-in-Class Achieve Significant ROI from BPM



Source: Aberdeen Group, October 2009

Another major factor preventing companies from moving forward with BPM are the cultural challenges associated with deployment. Specifically, many companies are very much ingrained with the way they do things and often adopt a "don't fix it if it ain't broke" mentality. Figure 4 shows that this barrier has increased dramatically in priority over the past year. An increasing number of companies understand that they don't always need a fleet of BPM domain experts and a seven figure investment to properly leverage BI, but many still have difficulty breaking out of their current processes. Cultural changes don't happen overnight and there is no one "cure-all" answer to get employees on board with a new solution, but through judicious use of several organizational capabilities discussed in Chapter Two, companies will be better positioned to reap significant business value from a BPM strategy.

In the next chapter, we will see what the top performers are doing to achieve these gains.

Chapter Two: Benchmarking Requirements for Success

The selection of a BPM solution and its integration with other enterprise systems plays a crucial role in the ability to turn these strategies into profit. The following case study illustrates how one organization was able to implement BPM in order to drive significant reductions in manual processes and achieve a considerable boost in efficiency.

Case Study — Enterprise Rent-A-Car

As the largest rental company in the world, Enterprise Rent-A-Car operates more than 878,000 rental and fleet services vehicles and maintains over 7,000 locations worldwide. The organization's Request Services Department is part of its 1,500 person IT staff charged with efficiently and effectively fulfilling product and services requests from their 65,000+ employees worldwide. With Enterprise Rent-A-Car's expansive growth, the number of IT requests nearly doubled in 18 months, pushing the existing system to capacity. Increases in requests required additions to staff throughout the organization. Supporting stakeholder requirements involved increasingly difficult and complex processes, which increased the potential for error.

Enterprise Rent-A-Car's Request Services Department recognized that a Business Process Management (BPM) solution would consolidate functionality to increase the manageability of the request services system, collect process-based data for performance reporting, and create a platform for rapid change and increased growth. Enterprise Rent-a-Car facilitated vigorous onsite, multi-day demonstrations, case study implementations and testing with a variety of BPM suites and solutions. The chosen BPM solution proved to be the easiest to use – particularly its web-based process modeler, which simplifies the interaction with and ability to change processes.

Today, the BPM-based Request Online system efficiently and effectively fulfills product and service requests for all Enterprise branches and employees around the world. Utilizing BPM, Enterprise's Request Services Department has experienced a 100% increase in productivity by consolidating functionality to increase manageability of the request services system. It has also created a common platform to accommodate rapid change and future growth. Intuitive interfaces supporting request submissions have reduced the level of manual input, minimizing errors in the system and supporting more efficient fulfillment of work.

Fast Facts

Best-in-Class companies achieved:

√ **9%** average year over year improvement in application development time

Compared with:

√ **3%** improvement for the Industry Average

√ **3% decline** for Laggards

Competitive Assessment

Aberdeen Group analyzed the aggregated metrics of surveyed companies to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each

class also shared characteristics in five key categories: (1) **process** (the approaches they take to execute daily operations); (2) **organization** (corporate focus and collaboration among stakeholders); (3) **knowledge management** (contextualizing data and exposing it to key stakeholders); (4) **technology** (the selection of the appropriate tools and the effective deployment of those tools); and (5) **performance management** (the ability of the organization to measure its results to improve its business). These characteristics (identified in Table 3) serve as a guideline for best practices, and correlate directly with Best-in-Class performance across the key metrics.

“The need for good governance and management of the explosion of information are among the most compelling business pressures driving us to focus on process management strategies.”

~ CIO

U.S. Municipality

Table 3: The Competitive Framework

	Best-in-Class	Average	Laggards
Process	Process in place to configure business reporting		
	81%	56%	43%
	Established process for exception handling		
	55%	50%	47%
Organization	Executive level support for process management initiative		
	81%	71%	53%
	Cross-functional teams to test BPM deployment		
	61%	45%	23%
Knowledge	Well defined inventory of existing applications		
	66%	59%	38%
	Clearly defined and documented business processes		
	63%	53%	33%
Technology	Stand alone collaboration tools (i.e. employee portals)		
	69%	55%	49%
	Business Process Analysis (BPA) tools		
	59%	36%	31%
	Process modeling methods and technologies		
	53%	41%	33%
	Information Technology Service Management (ITSM)		
	45%	34%	22%
Performance	BPM-enabled collaboration tools		
	36%	14%	9%
	Ability to measure end to end process cycle times		
	48%	40%	16%
Ability to monitor and alert users to process deviations			
	40%	32%	22%

Source: Aberdeen Group, October 2009

Capabilities and Enablers

Based on the findings of the Competitive Framework and interviews with end users, Aberdeen’s analysis of the Best-in-Class demonstrates that successful deployment and use of BPM solutions and strategies depends on a combination of specific capabilities and technology enablers. Aberdeen’s research has identified several capabilities that Best-in-Class companies leverage in order to achieve their process management goals.

Process

Any operational manager will tell you that Murphy’s Law is alive and well in the business world today and that things rarely go perfectly to plan. This notion is prevalent when it comes to business processes as well when deviations and process exceptions gum up the works. Best-in-Class companies are 20% more likely than Laggards to have an established process in place for exception handling. Additionally, when it comes to delivering information to the business managers and reporting on performance, there are almost an infinite number of permutations as to how that information can be displayed and delivered. Eighty-one percent (81%) of Best-in-Class companies have a formal process in place to configure business reporting and standardize on one common view of how the company is performing (Figure 6).

Organization

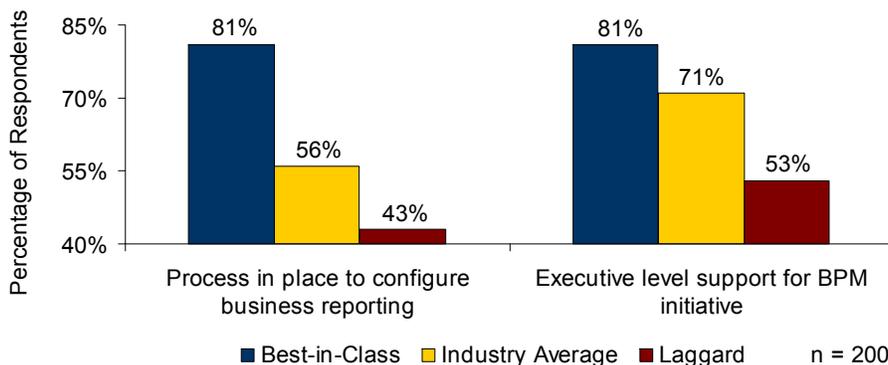
From an organizational standpoint, given how BPM can affect so many areas of the business, Best-in-Class companies are seeing value in creating cross-functional teams to represent the needs of different departments and deliver BPM in a more meaningful way. The Best-in-Class are twice as likely as all other companies (including Industry Average and Laggards combined) to utilize these cross-functional teams. Building on the notion of cross-functional or horizontal support for BPM, it is also crucial to have a strong vertical or top-to bottom understanding of the value that BPM delivers. Best-in-Class companies are 52% more likely than Laggards to have strong executive support for the BPM, helping to promote the initiative and significantly increase the odds of success (Figure 6).

Fast Facts

Top Best-in-Class BPM vendor selection criteria:

- ✓ Demonstrated success in similar projects - 55%
- ✓ Proof of Concept (POC) to demonstrate feasibility - 48%
- ✓ Commitment to customer service - 34%
- ✓ Ability to deliver rapid implementation - 31%

Figure 6: Process and Organizational Capabilities



Source: Aberdeen Group, October 2009

Knowledge Management

As companies look to remove manual aspects of their business processes, many have sought a "best-of-breed" approach to software deployment and are left with a complex and confusing web of business software, the efficient management of which is often an exercise in futility. Best-in-Class companies are 73% more likely than Laggards to define and maintain an efficient inventory of existing business applications in order to reduce duplication in functionality and promote faster and simpler processes. Another step toward automating and optimizing business processes involves understanding what the key performance driving processes are, how they are structured, and who the key players are. The research shows that Best-in-Class companies are almost twice as likely as Laggards to have clearly defined and documented business processes, thus paving the way for improvement of those very processes (Figure 7).

"We are continually looking for ways to improve our operational efficiency through automation of business process throughout the organization."

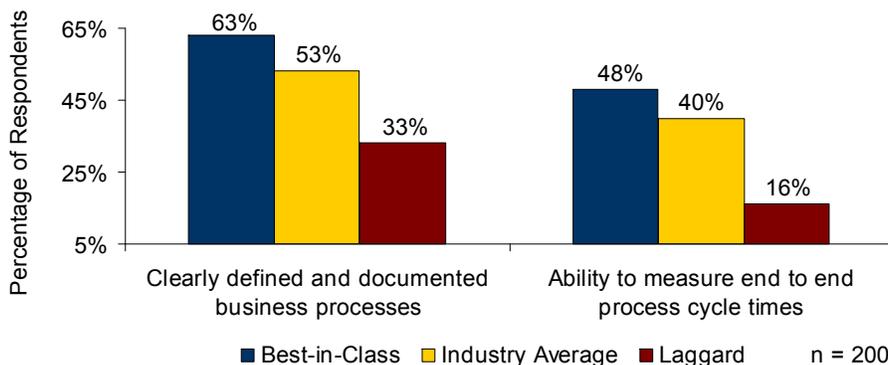
~ James Musia

Sr. HR Operations Analyst
 Cubist Pharmaceuticals

Performance Management

When it comes to measuring and monitoring aspects of the business processes, there are myriad ways to capture insight for the purposes of process improvement. As discussed earlier, process exceptions are common and there will always be deviations in the way things are done. The ability to monitor and alert users to these deviations allows for more flexibility and adaptability. The Best-in-Class are 60% more likely than all other companies to monitor and alert users to process deviations. Another key measurement has to do with how fast and efficient the current processes are. How can a company reduce manufacturing turnaround time without a cohesive and well understood method of measuring it? How would a logistics company slash delivery time and improve output without a standardized definition of how that end-to-end time is measured. It sounds like a fairly simple aspect of performance improvement but the fact is, not enough companies are doing it. The research shows that Best-in-Class companies are three-times more likely than Laggards to measure end-to-end process cycle times (Figure 7).

Figure 7: Knowledge and Performance Management Capabilities



Source: Aberdeen Group, October 2009

Technology

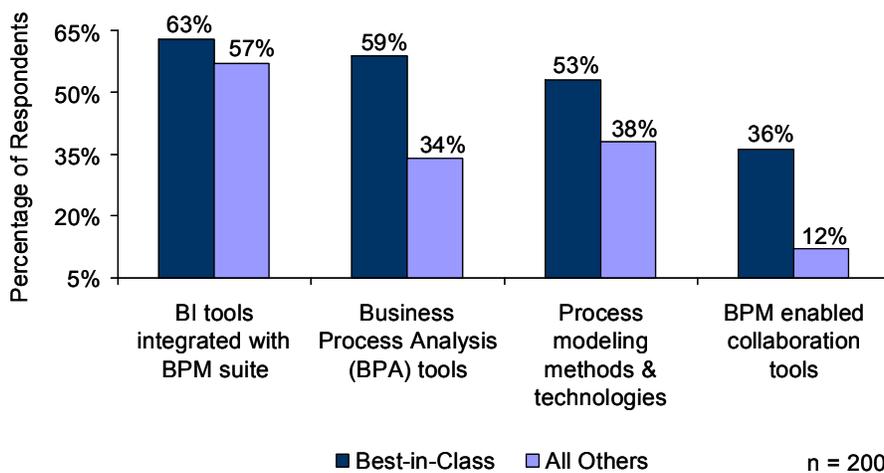
In Aberdeen's December 2008 benchmark report, *BPM and Beyond: The Human Factor of Process Management*, findings indicated that the top performing companies were promoting BPM performance by integrating key business software functionality within their BPM system infrastructure. In other words, by marrying knowledge management, analytical, and collaborative functionality with BPM tools, they were able to realize substantial performance improvements. A year later, the survey data re-validated this type of approach to a certain extent. The research shows that Best-in-Class organizations were more likely than all other companies to use integrated BI and collaborative methodologies with their BPM strategy (Figure 8).

“It is part of our strategy to become more efficient / competitive in the global market. Pressure from the market to reduce acquisition cost and cycle time is the main driver behind our BPM implementation.”

~ Christian Hince

Quality Control Manager
Ultra Electronics TCS

Figure 8: Best-in-Class BPM Technologies in Use



Source: Aberdeen Group, October 2009

Also from a technical perspective, the research demonstrated that the Best-in-Class were more likely to use the appropriate tools throughout the entire process "lifecycle." In other words, during the front-end design stages of a process, the Best-in-Class are more likely to leverage process modeling tools, and on the back-end analysis after the fact, the Best-in-Class are almost twice as likely as all other companies to utilize Business Process Analysis (BPA) technologies.

Aberdeen Insights — Technology

One of the most common reasons to explore BPM strategies and technology is the need for more repeatable, efficient, and automated processes. Process waste is a demon that can rear its ugly head in any industry at any level, and companies are increasingly looking to BPM to help trim the fat out of their processes.

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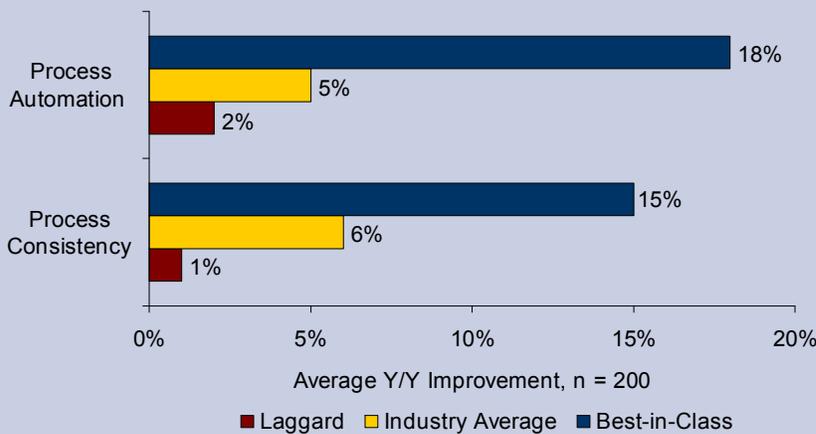
Aberdeen Insights — Technology

Aberdeen's research examined several of these key facets of process management but focused in on two in particular:

- Process automation - defined as a reduction in the number of manual steps in key business processes
- Process consistency - defined as a reduction in the number of defects present in key business processes

The research showed that on a weighted average basis, the Best-in-Class were able to achieve substantial gains in both of these metrics over the course of the past year (Figure 9).

Figure 9: Leveraging BPM for Automated, Consistent Processes



Source: Aberdeen Group, October 2009

By leveraging several of the organizational capabilities discussed in the preceding section, Best-in-Class companies were able to drive considerably more efficient business processes, ultimately leading to the cost reduction and boost in output depicted in Table I.

Chapter Three: Required Actions

Whether a company is trying to move its performance in BPM from Laggard to Industry Average, or Industry Average to Best-in-Class, the following actions will help spur the necessary performance improvements:

Laggard Steps to Success

- **Utilize cross-departmental input to help expand BPM solutions.** Creating a pervasive deployment of BPM is challenging in the long-term but near impossible in the short-term. Very few companies have the bandwidth and expertise to strive for an enterprise-wide BPM deployment at the outset. Most companies start by deploying BPM on a project or departmental level and expand the solution into other areas of the business. Achieving this goal is difficult without cross-functional representation to test and better understand BPM's applicability in their particular areas. The research shows that only 23% of Laggard companies are utilizing these cross-functional teams. By testing the solutions and demonstrating their functionality to a wider audience, Laggards will be able to facilitate a smoother expansion of BPM throughout the wider organization.
- **Refine your own method of tracking and measuring end-to-end process cycle times.** Even companies competing in the same industry can have wildly variant processes that drive the business. The research has shown many times over that measurement is a vital step in the road to process improvement. Regardless of industry, the ability to gain an understanding of where things have been, where things are, and where things need to be, is a determining factor in heightened performance, particularly when it comes to cycle time. According to the research, only 16% of Laggard companies have the ability to measure process cycle time. This capability will enable much faster identification of process issues and position Laggard companies to squeeze more cost out of their processes.
- **Incorporate BI / analytical functionality into BPM strategy.** Informed decision making is a crucial step toward improving actual business performance, and BI tools are a powerful way to boost decision speed and accuracy. Laggard organizations can benefit from the visibility that BI provides, but the research shows that only 20% of Laggards are currently using BI tools. The ability to access information and make decisions in a timely fashion is a vital part of organizational agility. By incorporating BI capabilities into their BPM strategy, companies will find themselves more nimble and better positioned to react quickly to threats and opportunities.

Fast Facts

Best-in-Class companies achieved:

√ **18%** average year over year improvement in customer responsiveness

Compared with:

√ **6%** improvement for the Industry Average

√ **2% decline** for Laggards

Industry Average Steps to Success

- **Create training programs to educate users on BPM functionality.** The market for BPM solutions has irrefutably improved in terms of ease-of-use and applicability, but these types of technologies are still not always intuitive for the average business user. In order to increase adoption of the BPM tools, spread the functionality across the organization and ultimately realize a higher ROI from BPM implementation, the benefit of its use needs to be clearly communicated, and end-user training programs are a valid way of accomplishing this. The research shows that less than half of Industry Average companies are leveraging training programs. Through implementation of end-use training, Laggard companies will be in a much stronger position to spread adoption and ultimately deliver substantial business value through their BPM solutions.
- **Develop a consistent way to measure ROI of BPM implementations.** Return on investment from a BPM implementation is very difficult to define given the many intangible benefits that can come through deployment. There is a wide disparity of methodologies one can use when measuring ROI, simple top and bottom line measurements are the most common, but customer growth, customer retention, and employee productivity gains are rising in popularity. Regardless of the measurement used, those who make the effort to understand the tangible and intangible value being derived from BPM are also the ones achieving the most success with deployment. Best-in-Class companies are 1.6-times more likely than the Industry Average to measure the ROI of their BPM deployment, and have achieved a higher actual ROI as a result. Despite the complexity and abstract nature of ROI measurement in the BI world, taking steps to define a rational means of measuring this return will enable Industry Average companies to focus on the metrics that matter most for their business and ultimately achieve a higher ROI for their efforts.
- **Consider an investment in Business Activity Monitoring (BAM) technology.** One theme that is prevalent throughout this research is the notion that the mere act of measuring certain key performance metrics is a simple yet important way to actually improve upon those metrics. While certain processes can be viewed and measured with a manual approach, other more mission-critical processes can benefit from the technology enablement of a BAM solution. Aberdeen's research shows that only 22% of Industry Average companies are currently leveraging BAM. While there is no single technology solution that solves all these issues, by augmenting certain organizational capabilities around performance measurement, and through judicious use of certain tools like BAM, Industry Average companies will be able to facilitate performance through enhanced visibility.

“Having better visibility into business processes enables faster, more confident decision making which results in speed of execution to deliver ROI for key initiatives.”

~ Charlie Schloff

Director, Global IT

Eclipse, Inc.

Best-in-Class Steps to Success

- **Improve the ability to monitor key metrics in real time or near real time.** Allowing for the fact that real-time can vary greatly across different companies and industries, there is nonetheless a premium on a company's ability to have day-to-day tactical visibility into what is happening *right now*, as opposed what has happened historically. Real-time might mean within the hour to some companies, whereas real-time might be defined on a sub-second basis to others. Regardless of the company or industry, the ability to analyze critical information in "business-time" or "operational-time" is an important driver of better decision making, and therefore performance. Only 25% of Best-in-Class companies report having real-time or near real-time analytical capability. By managing their vital information, delivering it to the right people at the right time, and making informed decisions as a result, Best-in-Class companies will be in a position to maintain and perhaps even improve upon their current performance.
- **Develop the ability to personalize BPM functionality by role, group, or department.** Perhaps more so than any other type of enterprise software, BPM is not a "one size fits all" type of technology. From HR administration to sales pipeline management, BPM delivers visibility into key processes and allows for the optimization of those processes. While the core software engines are fundamentally similar, the front end business user interfaces are wildly different and as a result, there is a significant premium on the ability to customize BPM functionality to fit with a particular group, department, or even individual. The research shows that only 38% of Best-in-Class companies have the ability to customize BPM applications by role, group, or department. By either leveraging in house BPM domain expertise, or leveraging vendor-provided pre-built customized applications, Best-in-Class companies will be able to further tailor their approach to BPM into one that will deliver even more long-term business value.

Fast Facts

Best-in-Class companies are:

- √ **Twice as likely** as Laggards to leverage Information Technology Service Management (ITSM)
- √ **65% more likely** than the Industry Average to use composite application development tools

Aberdeen Insights — Summary

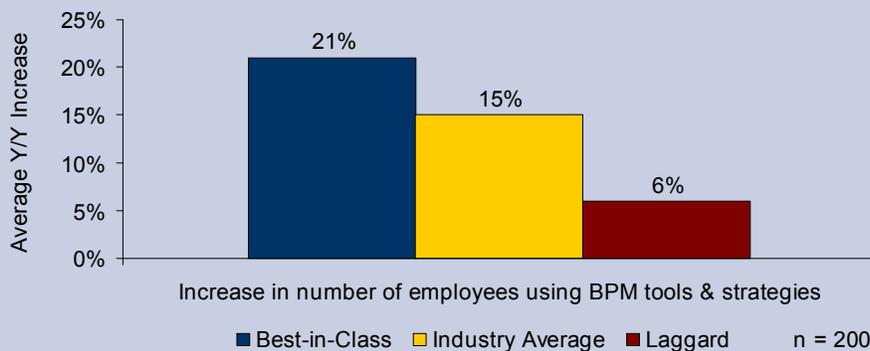
While the term "agility" has become something of a suitcase word in the business world, there is value in understanding how agile philosophies for both IT and business can be applied to create a more adaptive and sustainable organization. From a business process perspective, agility can apply both in large scale and small scale circumstances. The departure of an employee or divestiture of a specific department can wreak havoc on a business if the processes are too rigid and inflexible. At a more macro scale, severe market fluctuations or political / regulatory changes can immobilize entire industries in the absence of process adaptability.

continued

Aberdeen Insights — Summary

Visualizing, monitoring, and optimizing key business processes through the use of BPM tools and methodologies is a powerful way to stay ahead of potential disruptions to the business and achieve the necessary levels of IT, business, or process "agility." However, getting to this point requires more than just a point-solution approach to BPM. An agile business contains cross-functional processes that touch multiple roles and departments, rather than insulated silos of discrete processes. The companies that have achieved the most success with BPM are the ones that have successfully expanded the solution across the organization to more roles and functions. The research shows that Best-in-Class companies saw the greatest year over year increase in enterprise usage of BPM tools (Figure 10).

Figure 10: Best-in-Class Expand the Use of BPM



Source: Aberdeen Group, October 2009

So where exactly have Best-in-Class companies been spreading BPM capability? The top departments utilizing BPM are listed as follows:

- IT - inventory and asset management
- Sales - proposal / quote management
- Back office - procurement / sourcing
- HR - benefits administration
- Marketing - lead management

By leveraging a wide variety of process, organization, knowledge management and performance management capabilities alongside the appropriate technologies, Best-in-Class companies were able to move closer to the mythical nirvana of "process agility." Their focus on measuring, monitoring, improving, and optimizing key business processes has enabled Best-in-Class companies to achieve significant reductions in operating cost and improvements in efficiency.

Appendix A: Research Methodology

Between September and October 2009, Aberdeen examined the use, the experiences, and the intentions of 200 enterprises using Business Process Management (BPM) methodologies and tools in a diverse set of enterprises.

Aberdeen supplemented this online survey effort with interviews with select survey respondents, gathering additional information on BPM strategies, experiences, and results.

Responding enterprises included the following:

- *Job title:* The research sample included respondents with the following job titles: CEO / President (12%); EVP / SVP / VP (12%); Director (12%); Manager (44%); Staff (15%); and other (5%).
- *Department / function:* The research sample included respondents from the following departments or functions: procurement, supply chain, or logistics manager (22%); operations manager (11%); IT manager or staff (30%); sales and marketing staff (8%); manufacturing / engineering manager (15%) and senior other (14%).
- *Industry:* The research sample included respondents exclusively from a variety of industries. The industries with the largest survey representation were: high-tech / software (21%); discrete manufacturing (18%); financial services (10%); and education / public sector (10%).
- *Geography:* The majority of respondents (74%) were from North America. Remaining respondents were from the Asia-Pacific region (10%) and EMEA (16%).
- *Company size:* Forty percent (40%) of respondents were from large enterprises (annual revenues above US \$1 billion); 44% were from midsize enterprises (annual revenues between \$50 million and \$1 billion); and 16% of respondents were from small businesses (annual revenues of \$50 million or less).
- *Headcount:* Sixty-three percent (63%) of respondents were from large enterprises (headcount greater than 1,000 employees); 27% were from midsize enterprises (headcount between 100 and 999 employees); and 10% of respondents were from small businesses (headcount between 1 and 99 employees).

Study Focus

Responding executives completed an online survey that included questions designed to determine the following:

- √ The degree to which BPM is deployed in their operations and the financial implications of the technology
- √ The structure and effectiveness of existing BPM implementations
- √ Current and planned use of BPM to aid operational and promotional activities
- √ The benefits, if any, that have been derived from BPM initiatives

The study aimed to identify emerging best practices for BPM usage, and to provide a framework by which readers could assess their own management capabilities.

Table 4: The PACE Framework Key

Overview
<p>Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:</p> <p>Pressures — external forces that impact an organization’s market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)</p> <p>Actions — the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy)</p> <p>Capabilities — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing)</p> <p>Enablers — the key functionality of technology solutions required to support the organization’s enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)</p>

Source: Aberdeen Group, October 2009

Table 5: The Competitive Framework Key

Overview	
<p>The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance:</p> <p>Best-in-Class (20%) — Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance.</p> <p>Industry Average (50%) — Practices that represent the average or norm, and result in average industry performance.</p> <p>Laggards (30%) — Practices that are significantly behind the average of the industry, and result in below average performance.</p>	<p>In the following categories:</p> <p>Process — What is the scope of process standardization? What is the efficiency and effectiveness of this process?</p> <p>Organization — How is your company currently organized to manage and optimize this particular process?</p> <p>Knowledge — What visibility do you have into key data and intelligence required to manage this process?</p> <p>Technology — What level of automation have you used to support this process? How is this automation integrated and aligned?</p> <p>Performance — What do you measure? How frequently? What’s your actual performance?</p>

Source: Aberdeen Group, October 2009

Table 6: Relationship Between PACE and the Competitive Framework

PACE and the Competitive Framework – How They Interact
<p>Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.</p>

Source: Aberdeen Group, October 2009

Appendix B: Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

- *BPM and Beyond: The Human Factor of Process Management;* December 2008
- *BPM Convergence: Workflow and Integration Meet in the Middle;* September 2007
- *Aligning IT to Business Processes: How BPM is Complementing ERP and Custom Applications;* May 2007
- *Information Architecture Agility: Maximizing Business Benefit;* August 2008
- *Business Intelligence Deployment Strategies;* April 2008
- *Performance in a Service Oriented Architecture World;* February 2008
- *Enterprise Information Integration: The Foundation for Business Success and Transformation;* January 2008
- *Strong SLA Management Causes Increased Customer Satisfaction;* November 2007
- *SOA and Web Services Testing: How Different Can It Be?;* August 2007
- *ITSM: IT Transforms Itself into a Service;* August 2007
- *SOA Middleware Takes the Lead: Picking up Where Web Services Leaves Off;* July 2007

Information on these and any other Aberdeen publications can be found at www.Aberdeen.com.

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Since 1988, Aberdeen's research has been helping corporations worldwide become Best-in-Class. Having benchmarked the performance of more than 644,000 companies, Aberdeen is uniquely positioned to provide organizations with the facts that matter — the facts that enable companies to get ahead and drive results. That's why our research is relied on by more than 2.2 million readers in over 40 countries, 90% of the Fortune 1,000, and 93% of the Technology 500.

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