This whitepaper examines the business benefits and cost saving that an organization obtains from BPM implementations and offers a number of metrics to measure returns on a BPM investment.
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Executive Summary

While a large number of BPM vendors claim that their offering provides the best fit for business needs, businesses must also be able to quantify returns on a BPM investment.

The ease with which processes can be monitored, analyzed and re-modeled for optimization makes BPM an important component of organization strategy. However, many organizations struggle to quantify the benefits from a BPM implementation.

In this whitepaper, we examine the business benefits and cost saving that an organization experiences from BPM implementations and explore avenues to measure returns on a BPM investment.

Measuring ROI – A Balanced Approach

While it is quite easy to use financial tools to determine ROI on a software investment, the ROI on BPM must measured in terms of non financial metrics as well. Metrics that one can use in measuring the ROI on BPM also include:

- Customer Satisfaction
- Process Cycle Time
- Process Volume
- Compliance Results
- Process Error Rates
- Risk Reduction
- Response Time

In choosing to measure the ROI from a BPM investment, businesses must adopt a balanced approach. Business and financial metrics, taken together, provide a complete understanding of the ROI in a BPM investment.

Identifying ROI for a BPM Investment

A recent Gartner research note states that 80% of enterprise companies conducting business process management (BPM) projects will experience an internal rate of return better than 15%. The survey took responses from 20 companies that had completed 154 BPM projects, and 95% of the companies experienced more than a 90% success rate among their BPM projects. No successful project had internal rates of return of less than 10%, Gartner found. Seventy-eight percent of the respondents had return rates in excess of 15%; 77% had returns greater than $100,000 per project; and 55% had returns in the $100,000 to $500,000 range.
ROI is typically thought of as the measure of cost reduction or profit increase directly attributed to the investment taken. This is one aspect of ROI. However, other benefits that do not directly translate into increased positive cash flow can represent real ROI. These needs are most often centered on business critical activities required to meet the customer, partner or regulatory requirements of doing business.

ROI from BPM can be identified using 5 categories of potential benefits.

We consider each of these avenues in detail and explore why BPM is a crucial process enabler in the enterprise of today.

**Automation**
BPM ensures that enterprises can obtain a host of benefits from automating process. These benefits include:

**Reduced labor costs**
BPM focuses on automation of processes. The processes that are repetitive are optimized and lead to reduction in labor which translates to immediate cost savings.

**Increased Productivity**
BPM tries to identify the best process for achieving desired end results. The automation of processes that need manual intervention leads to increased
productivity with the same resources. Increase in productivity results in higher revenues, better resource utilization and further savings in costs.

**Shorter Cycle Times**
Automation of processes leads to a reduced time to completion. The time saving yields significant cost savings in terms of optimized resource utilization. Shorter cycles also mean that more instances of the same process can be completed in the same time. For example, if the time for processing an invoice is halved, the number of invoices processed not only doubles, but the cost per invoice halves as well.

**Increased Profitability**
Automation of processes that impact revenue generation has an immediate and significant impact on revenues. For example, an improvement in sales processes is likely to improve lead conversion rates and consequently cause an increase in revenues.

**Consistent Process Handling**
Consistency comes from having an established procedure and ensuring this procedure is followed every time. BPM has an additional advantage of enforcing these procedures by automating routine tasks, which otherwise might complete frequently with flawed procedure.

**Easier Management of IT Infrastructure**
Application integration, which is one of the most powerful phases of BPM, leads to reductions in IT management and administration time, development time and lower support costs.
Optimization

While automation allows for immediate returns in investment, longer, more sustaining cash flows can be achieved by optimizing processes. Automation using advanced BPM suites, such as Skelta BPM, provides KPI’s and other critical process related data to be tracked and monitored.

Analysis of this data and identification of process gaps can provide strategic returns to businesses.

A recent study by the Tower group states that simply mapping and closing the process gaps between current practices and those desired can provide 30% of the operational efficiency that a company gains financial through the BPM initiative. In addition the report also states that simply understanding and changing existing processes can increase efficiency by 30%. BPM projects have succeeded in improving customer responsiveness by 60% and decreasing the time needed to conduct internal processes by as much as 75%.

Optimization leads to a variety of benefits, each of which yields a quantifiable return on BPM investments.

In addition Process optimization enables enterprises to leverage on a wide range of “lean” initiatives. These are as illustrated below.

Optimization therefore is a critical ingredient for higher returns on a BPM investment.
Solution Development

Specialization and globalization necessitate people to work in more collaborative ways. This in turn presents a whole new set of challenges that information workers would need to overcome to gain insight, collaborate, decide, and take action. While a plethora of business applications are effective at automating transactions within functional boundaries, they do not facilitate rich cross functional collaboration. Information workers use personal productivity tools to facilitate complex interactions between different systems. More often than not, these measures introduce errors in data and prove inefficient. This impacts productivity and throughput. These gaps between different business applications and productivity tools must be bridged for information workers in a way that is secure, seamless and synchronized.

Composite Applications

The challenge has always been in integrating complex human interactions with structured business processes. This challenge has been difficult to overcome as today’s business applications are monolithic in nature and are difficult to modularize. Composite Applications provide an answer to this challenge.

Composite applications ensure greater usage, agile process automation, and more flexible business and IT configuration. Such applications are built using a well integrated, robust BPM platform.

In the context of Composite Applications, a robust BPM platform enables business to derive multiple quantifiable and non quantifiable returns on investment such as:

- Greater alignment of business applications with business requirements
- Improved business agility
- Improved competitiveness
- Lower cost of integration
- Higher end user adaptability
- Improved leverage of key software and business process assets
- Extended ROI of existing applications portfolio
- Rapid time to market
- Quick development
- Enhanced multi-channel deployment
- Reduced training costs
- Reduced IT help-desk utilization
- Decreased overall development costs
- Reduced overall IT costs
- Gains in zero coding for multiple channels
Increased employee satisfaction
Higher productivity
Higher Improved resource utilization

**Regulatory Compliance**
Robust BPM platforms provide a powerful framework that can enable creation of multiple risk management, compliance and internal controls based initiatives. BPM platforms have the capability to meet key requirements for GRC including:

- Centralized repositories for all documents and evidence of compliance.
- Ability to define workflows for reviews and self-assessment of processes, risks and associated controls.
- Dashboards for easy review of adherence to processes.
- Definition of workflows for executing test plans and mitigation strategies.
- Maintenance of audit trails for each compliance activity.
- Reduce bottlenecks in workflow leading to better controls and pro-active compliance management.
- Powerful integration capabilities allow for dynamic data update for real time process views and immediate risks associated with each process.
- Graphical user interface for organizing risks and controls and doing away with abstract data.
- Collaborative environment for quick remedial procedures.

Robust BPM platforms provide for not just broad compliance frameworks but also provide for the creation of powerful Internal Controls. Compliance and Internal controls initiatives are known to provide sustaining and long term returns on investments in BPM.

**Quality**
The fundamental principles of Total Quality Management are:

- Executive Management
- Training
- Customer Focus
- Decision Making
- Methodology and Tools
- Continuous Improvement

The Costs of Total Quality Management can be

- Preventive Costs
- Appraisal Costs
- Failure Costs
BPM can facilitate effective Total Quality Management by Optimizing Cost to Quality

Today the scope of BPM has expanded to focus on organizational objectives through better management of business processes.

BPM is complementary to Quality Management and ensures better facilitation of initiatives such as Six Sigma, which in turn yield better top lines and a higher return on a BPM Investment.
The Road to Success in BPM: A few starting points

BPM is moving from small quantitative gains to qualitative business transformations.

Skelta BPM provides a solution for BPM requirements of every class of BPM and workflow software users, be it enterprise users, information workers, business managers, OEMs/ISVs or developers. Skelta BPM is a robust business application platform that provides users with the ability to create a new application, by making use of its powerful features. The Skelta BPM platform is an enterprise wide Business Process Management and Advanced workflow solutions product. It provides enterprises with a strong and collaborative platform to develop a business application, using a seamless and efficient process model.

Skelta BPM is a platform that enables you to use a number of applications out of the box. Some of these solutions are listed below.

**Accounts Payable**

Skelta Accounts Payable ensures lower operating costs, while simultaneously facilitating better financial planning, better vendor relationship management and adherence to audit requirements.

Skelta Accounts Payable solution is a completely web-based vendor invoice processing solution that:

- Streamlines the order-to-pay cycle.
- Skelta invoicing software automates invoice verifications and approvals by activity owners.
- Provides out-of-the-box processes for processing invoices with purchase orders, expense vouchers, recurring payments and expense accruals.
- Ensures compliance with internal controls and procedures.
- Offers advanced document management system capabilities.
- Customizable alerts, escalations and analytics.
- Transforms paper-based approvals to electronic approvals.
- Interfaces with leading ERP like SAP and other applications.

**Document Management**

Skelta Document Management System for Paperless Processes is a powerful, revolutionary electronic document management solution that transforms your document-based processes. Combining sophisticated imaging technology, advanced workflow automation, and SharePoint technology, Skelta DMS for Paperless Processes enables quick deployment of a robust and secure platform for document processing across application boundaries.

Skelta Document Management Software allows you to:

- Create a searchable, enterprise repository of critical documents
- Easily manage security and access rights to documents
- Retrieve documents through powerful search functionality
- Define workflows for automated routing and processing of documents
- Significantly reduce time and costs of document-based processes
- Lower ancillary costs of document management such as faxing and mailing

**Enterprise Risk Management**

Skelta BPM provides enterprises with a strong and collaborative platform to develop a business application, using a seamless and efficient process model.

- The platform ensures enhanced security for workflows for better compliance with Sarbanes Oxley (SOX) standards. The SOA platform caches user information from Active Directory to drive permissions for use of forms.
- Manage versioning and security of forms using Skelta BPM Native Forms Designer.
- Skelta BAM (Business Alerts Monitor) and Analytics provide powerful graphical dashboards and drill-down reports that enable CEOs, CFOs and managers to view the current status of assessment tasks and control effectiveness.
- Potential risks can be assigned to specific processes, where they are in turn related to controls.
Conclusion
The ROI benefits of implementing a BPM solution transcend the whole spectrum of processes and allied costs. As organizations seek to manage and measure the business value of every process, they will find Skelta BPM an able ally in its ability to provide a powerful collaborative platform to define and administer their business ecosystem.

About Invensys Skelta
Skelta specializes in enterprise-wide BPM (Business Process Management) and advanced Workflow solutions for small to large enterprises worldwide. The flagship product, Skelta BPM, provides enterprises with a strong and collaborative platform that automates the sequence of human and system activities that are required to complete specific business goals.

Skelta BPM is also utilized to build rich composite applications such as Accounts Payable Solution, Document Management system, Corporate Governance, and Human Resource Information System for various industries ranging from Aerospace and Defense, Automotive, Retail, Government, Healthcare, Finance and many more.

Skelta is a brand offering of the Operations Management Division of Invensys.