Interactive Intelligence, Inc.

Top 5 Considerations for Automating Key Business Processes

Add measurable value to your organization through process efficiencies

Gina Clarkin, Product Manager
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Interactive Intelligence, Inc.
7601 Interactive Way
Indianapolis, Indiana 46278
Phone and Fax | 317.872.3000
www.inin.com

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Introduction

In 1990 consultants Michael Hammer and Thomas Davenport introduced a bold idea to the business community: managers were focusing on the wrong issues. In articles published in the Harvard Business Review and the Sloan Management Review, respectively, they essentially charged managers of using technology to simply automate "non-value adding work" rather than making such work obsolete.[1] Most work, they asserted, does not add any value for customers and therefore should be eliminated, not merely accelerated through automation. Companies, they proposed, should reassess their processes to maximize customer value, while minimizing resources required for delivering their product or service.

Business process re-design (BPR), or reengineering, became a widely adopted management technique used to rethink how work got done in order to dramatically improve customer service, cut operational costs, and increase competitive advantage. In 1993, 60% of the management letters appearing with Fortune 500 company annual reports explicitly discussed reengineering efforts that were currently under way. [2] Advances in information technology, acceptance by well-established management thinkers and consulting firms, and an increasing focus on overcoming foreign competition fueled continued adoption of BPR. By the mid '90s, however, adoption slowed as the shortcomings of BPR's emphasis on technology automation over people and failure to consistently produce its much-heralded performance improvement became evident. In recent years, business process management (BPM) has become the apparent successor to BPR. As a management discipline, BPM ostensibly emphasizes process efficiency supported by information technology. But like its predecessor BPR, BPM is now subject to the same critique of shifting the focus to technology and discounting the "people" element.

Today, knowledge-worker centric organizations are still looking for ways to do more with less. Some are in survival mode, trying to ride out the current economic conditions until the storm clears; others may be well-positioned to take advantage of competitors' challenges and focus on growth. In either case, initiatives to improve key business processes are often undertaken to root out inefficiencies that can incur unnecessary cost and waste and negatively impact competitive advantage. A current approach is business process automation (BPA). While BPM is more of a broad discipline that could be realized with or without technology, BPA actually employs technology (typically software) to execute business processes, real-time, and achieve efficiencies as a result of automating parts of that process. And, more importantly, BPA is not solely reliant on technology, but rather, is best suited for people-centric processes. A recent IDG research study among IT executives and managers cited 87% of respondents to consider BPA as a critical, very important, or somewhat important IT priority.[3] The automation of manual or poorly automated processes can offer significant opportunities for process improvement, with benefits that can include improved customer service, reduced processing time, improved quality of work, increased levels of output, and improved audit/compliance support.

[1] Hammer, M 1990, "Reengineering Work: Don't Automate, Obliterate," Harvard Business Review, July-August

[2] Hamscher, Walter, "AI in Business-Process Reengineering," AI Magazine, 1994

[3] *CIO* Custom Solutions Group / IDG Research Services Market Pulse Study, April 2009

With the number and diversity of technology solutions for automating, managing and improving business processes, it's natural to direct energies into finding the right BPA technology solution. However, any technology decision should be only one top consideration when planning or proceeding with a BPA initiative. Today's successful BPA initiatives are based largely on five key considerations as a whole.

1. Defining and aligning clear business objectives
2. Involving the right people
3. Automating the right processes
4. Using the right technology
5. Supporting "quick win" as well as continuous improvement initiatives

Let's take a closer look at each consideration.

1. Align with Business Objectives

It is not uncommon for organizations go through an extensive technology selection process before finalizing the goals they would like (or need) to achieve with business process automation. Ideally, however, any BPA initiative should be driven by well-defined business objectives. High-level objectives may focus exclusively on cost reduction or cost containment objectives, or, under the right circumstances, on increasing revenue generating potential. It's worth noting that cost and revenue objectives may not necessarily be mutually exclusive. For example: a given process may gain efficiencies with BPA that support either 1) the same output levels with fewer resources — cost reduction, or 2) increased output with the same or fewer resources — incremental revenue generation. In either case, the process efficiency improvement should translate to quantifiable return on investment (ROI). There may be many different ways to apply automation for increased process efficiencies in any number of processes. But what is the value of those efficiencies? (Are we automating simply because we can, or is there quantifiable value?) Clear, well-defined business objectives will help ensure that all other key BPA considerations are in alignment, and that a BPA technology solution delivers real ROI.

2. Get the Right People Involved

A successful path to BPA requires involving multiple internal stakeholders, particularly where a process traverses multiple departments. In many organizations, process improvement efforts work best when they are "a business-driven initiative with IT support," according to Clay Richardson, a senior analyst at Cambridge, Massachusetts-based Forrester Research. Having IT management on board is critical to BPA's technology implementation aspects, and the business owner should provide the equally critical process knowledge. Ideally, a business process automation initiative will have an executive sponsor to provide direction in situations where IT and the process business owner may have different perspectives, or in situations where a process might impact multiple departments and introduce elements of change management. By its very nature, process automation will likely change the business process, and the way people work. With the growth of knowledge workers and people-centric processes, it's important to additionally involve the end-user for input on the process details, and to consider their perspective for a potential technology solution's ease-of-use in order to facilitate adoption.

Successful BPA initiatives will involve people with the best practices expertise to execute the process discovery, analysis and design efforts that are absolutely critical, and that are best initiated in advance of technology solution deployment. This process consulting expertise should be offered by the BPA solution vendor or be made available via an independent consulting organization. Process consultants will use proven methodologies to assess and document a process as it is today, identify the best opportunities for increased efficiencies with automation, and create the process design to be implemented in the BPA technology solution. Equally important, process consultants can benchmark and validate process improvement and ROI. The process consulting piece is essential, as it ensures that BPA efforts are undertaken on the right process and will deliver value to your business.

3. Identify the Right Process for Automation

Business processes are the means by which companies (and people) get work done. The term "automation" often conjures up images of manufacturing operations, or back-office transaction processing, where process automation has been applied with great success over the years and has transformed the way companies do business. Hammer and Davenport weren't entirely wrong: there are significant benefits to removing non-value adding work from a process. "One study of idle versus processing time for work-in-process revealed that, for the average process, actual working time comprises only .05% to 5% of total elapsed time."[4] "IBM Credit Corporation discovered, for example, that value-added time for the financing-approval process amounted to only 90 minutes out of a three-to four-day cycle time. [We have] seen several insurance companies in which the time spent actively processing and underwriting an insurance policy was only two or three hours, in an overall process cycle of more than 20 days." [5]

The term "automation" is often interpreted solely to mean the elimination of people from a business process. But in today's business environment, the real challenge, and corresponding opportunity, remains in improving processes that involve people. Clearly, improving a process to create efficiencies that enable fewer required resources has a significant value proposition in any economy. But there is also tremendous opportunity to make existing resources (people involved in the business process) more effective at what they do. By extension, this drives process improvement.

With so many potential processes to automate, it is important to find a "good fit," to ensure that there are identifiable efficiency gains that can generate quantifiable value. There are "vertical," industry-specific processes, such as insurance claims processing, healthcare patient scheduling, or financial services loan origination that are often ripe for BPA. There are also "horizontal" processes in virtually any company, such as new employee on-boarding, lead management, or IT equipment purchasing, that also provide opportunities for BPA efficiency improvements. In general, the ideal candidate for BPA is virtually any multi-step, people-centric process. Other indictors of a good fit include any process that includes these characteristics:

- Highly manual
- Repetitive
- Well-defined steps
- Spans multiple departments or teams
- Dependent upon individuals who have to handle work tasks and communicate with each other and/or the customer

[4] George Salk, Jr. and Thomas M. Hout, "Competing Against Time," New York Free Press, 1990

[5] Thomas H. Davenport, "Process Innovation: Reengineering Work Through Information Technology," Ernst & Young, 1993

4. Start Small and Grow

Demonstrable results matter. Look for BPA opportunities that allow you to start small, expand and continuously improve. (Or as is commonly heard in such projects: "start small, think big, scale fast.") Because BPA can have such a significant impact on process efficiencies, organizations may opt to initiate BPA implementations that focus on a mission-critical business process in its entirety. The trade-off is: the more complex the process, the more complex, costly and time-consuming the implementation. It becomes a question of whether to realize ROI in one or two quarters… or potentially two to three years. Achieving a relatively "quick win" ROI might mean breaking down a larger process into smaller, more manageable sub-processes. For example, instead of trying to automate the entire life insurance policy process from the initial lead contact to revenue recognition, an insurer might focus on the policy application portion of the process. With a process that's a good fit for BPA, and the right technology solution, measurable ROI is possible, even in a smaller sub-set of a business process. Keep the big picture in mind, but look for manageable opportunities with containable scope.

BPA is best viewed as an iterative process versus a project. Again ideally, organizations should be able to continually refine and improve processes to create sustainability, where savings in one area could potentially fund the next initiative. BPA can have a "viral" aspect if done well — one successfully automated process with demonstrable ROI can lead to another.

5. Select the Right Technology

Despite the high interest and tangible benefits from automating core business processes, barriers remain that prevent many companies from implementing business process automation. Reduced IT budgets, along with the cost and complexity of traditional solutions, make BPA a daunting prospect. In the current business climate, taking several years to implement and realize return on investment is simply not a viable option. There also are solutions that position the benefits of bringing unified communications and business processes together. This seems like a much more reasonable proposition, but the practical application of these concepts is a bit murky. Many of these "solutions" are a collection of custom services and integrations that embed communications capabilities and event-based triggers into existing applications. Unfortunately, they often only result in the same cost and complexity issues that plague their more traditional counterparts, without the hard ROI.

A BPA technology solution should support all the other key considerations discussed thus far, providing demonstrable ways to meet business objectives, offering ease-of-use for business and IT collaborators and end users participating in the process, and providing an environment that supports the automation of people-centric processes with near-term ROI. In all, BPA technology should offer proven capabilities that make people more effective in the way they perform work. This would entail a range of other capabilities, including but not limited to:

- The ability to automate processes end-to-end *and* to seamlessly incorporate communications associated with those processes
- Location independence that enables employees to participate in a business process from any location
- The predictable, flexible distribution of work to an available resource with the right skills, and with the necessary service levels
- Visibility into the work pipeline by way of real-time monitoring of process activity
- The ability to capture and track work, as well as customer dialog, that are part of a business process

A BPA solution should offer an intuitive design environment so that your IT resources can model, modify and manage the process in the technology application, and continue to improve the process over time. Organizations should be able to easily extend the same technology solution to support additional employees as more processes are automated.

Conclusions

BPA done right can deliver process efficiencies that result in measurable value to your organization. BPA should focus equally on strategy, people, the process for automation, and technology. Beginning with clear business objectives, involving the right people, automating the right processes, selecting the right technology, and supporting both "quick win" and continuous improvement initiatives will go a long way toward enabling your organization to realize that value. While the purpose of this document is certainly not to provide an exhaustive list of considerations for a BPA initiative, keeping these top five considerations in mind in the early stages can greatly increase your chances for success.

About the Author

Gina Clarkin is a product manager for Interactive Intelligence (ININ), and has been with the company since 2006. With 13 years experience in IT and communications software and services, her background spans areas including program consulting and management, business development, product marketing and vertical marketing. As a product manager at ININ, her focus is on innovative technology solutions and best practices that help organizations to optimize business processes that impact the customer experience. Her current assignments include process automation and customer feedback management. Ms. Clarkin holds an MBA from The Lally School of Management and Technology at Rensselaer Polytechnic Institute and a Bachelor's degree from James Madison University.