

## **Business Process Management (BPM)**

### **1.0 What is Business Process Management (BPM)?**

- A business process is a set of linked steps or activities that taken together result in a specific business outcome, either internal or external to the organization. Documenting a business processes involves describing what is done, why it is done, how it is done, who (or what system) does it, as well as how well it is done.
- BPM works by modeling the end-to-end process, diagramming the sequential flow of activities and information, along with the rules, people and technology.
- Business processes underlie all organizational efforts, and the effectiveness with which they are carried out contributes directly to critical business goals such as improved customer retention, lower lending costs, faster loan disbursement and more accurate data analysis.
- BPM is a fast, agile process in which business units (operations, finance, accounting, internal audit, human resources) and IT work together using tools that enable them to arrive at solutions. These processes enable the organization to improve and adapt today and more importantly BPM creates a necessary framework for the future whereby the organization and its people can rapidly adapt to new challenges.
- BPM is a methodology allowing effective management and optimization of processes, helping to identify the sensitive points and duplications in a business process. The result of its use is a reduction in costs, limitation of losses, and an increase in work productivity, turnover and customer satisfaction.
- An example:

In banking, a lending process begins with a loan application from the customer through one of several channels - paper, telephone or web and continues through a variety of information-gathering, underwriting, approval, funding, and record-keeping steps that not only crosses functional boundaries within the bank but also extends to third parties as well. The process is composed of multiple activities, some of them essentially manual, like reviewing documents or managing exception cases. Other processes are automated by various front and back-office business systems and provide a myriad of user reporting.

### **1.1 What does BPM not do?**

- While business process management endeavors make use of IT technologies to automate and increase efficiencies, BPM is not an amalgam of existing technologies cobbled together and labeled BPM. Nor is it a form of application development in which business requirements are thrown to IT to interpret and develop a solution. If pursued with this mindset the solution will likely emerge only after an extended time, often with poor success, and the resulting business requirements will be ill-matched to the desired functionality.

## **2.0 Givens**

- An organization's business processes span multiple functional areas, cross a variety of skill sets and utilize different decision support systems.
- Many believe BPM is intended for large corporations and this is incorrect. BPM helps create procedures and schemes useful for medium and small enterprises.

## **3.0 Outcomes**

- BPM optimizes process performance by continuously tracking average cycle times, costs and other performance metrics such as loan officer outreach, number of borrowers, loans outstanding and PAR.
- A typical BPM initiative can increase operating efficiency by as much as 50 percent. Furthermore, more efficient and effective processes also drive higher revenue as more customers respond to best in class capabilities. Overall, these twin effects drive much higher levels of profitability
- BPM automates manual tasks and manages work lists for process participants with pre-defined deadlines, alerts and escalation actions. It integrates diverse business units and coordinates transactions based on different end user needs.
- BPM enforces consistency while reducing the burden of change. BPM provides institutional visibility by collecting the data and mapping it to a common format.
- Reporting is streamlined, dispirit departments work more easily, and at the end of the day individuals know what is happening with other parts of the organization.

## **4.0 Results**

- Greater personal productivity and satisfaction, resulting from greater insight into processes and improved workflow
- Business volume grows without adding headcount, and avails key knowledge workers from tasks that can well be performed by a computer.
- Employees understand the linkages between their work and the organization's larger purpose.