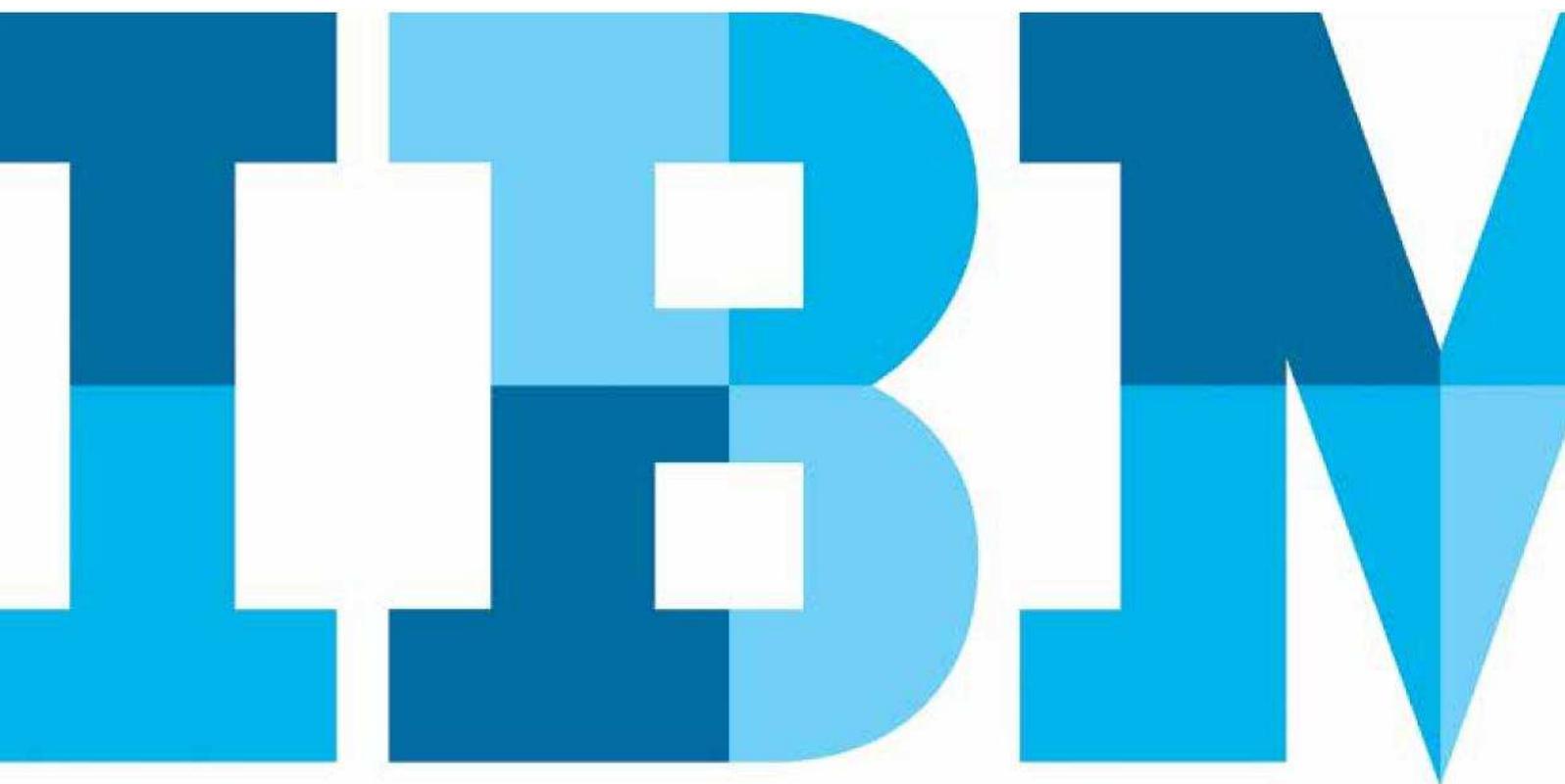


**The third way
to genuine
customer orientation**



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In brief

Streamlining business processes as a quick, effective alternative for lengthy application phases

Processes are the engine behind every organization. No matter what product is being created, or what service is delivered, processes ensure that what needs to be done actually gets done. At the end of every process is a customer who benefits from what you have created via that process, while you yourself have expended the least money and effort possible. That is, in fact, the essence of the smoothly running machine you have in mind for your organization.

Now there is a method to streamline your business processes via IT so that your customers are actually the focal point. This can be achieved in short, well-defined steps that can lead to concrete results within nine months – sometimes after only a few weeks. This whitepaper details how the deployment of Business Process Management software (Business Process Management) offers you a quick, effective alternative to long application phases. You maximize your existing investments, make effective use of mobile and social media and within 90 days can profit from processes that quickly and automatically deliver custom work for your customers.

Trends and developments

In a world of mobile, social and big data the customer is more than ever the focal point

If your organization has already been around for a while, you are surely accustomed to doing things the way you have always done them. But you also realize that an organization cannot simply stand still; you have surely refined your business processes a number of times throughout the history of your organization, two developments currently obviate the necessity to carefully scrutinize your business processes once again:

- the realization that the customer is always the focal point
- mobile and social media create new obligations; they also opportunities thanks to big data and analytics.

The customer as the point of departure for everything

An extensive study among 832 companies with a turnover exceeding 50 million dollars has shown that 84% of these companies view service as an important engine for profitability. For 59% of these companies, poor service was a large cost item. There is a reason that more and organizations are realizing that every process is ultimately customer-oriented. This also applies to processes that appear to be internally focused – processes of which the customer has no knowledge. After all, when setting up a process in which the customer is not in the picture, there is a big temptation to optimize the process as a completely independent unit. In the past, this was frequently the case when developing and implementing processes, even though this often turned out to come at the customer's expense.

Take the maintenance process for an airplane. That process is performed entirely outside the customer's sight. And yet, a delivery problem with a part can have consequences for the customer's experience. In a maintenance process in which the customer is not taken into account, the customer can unexpectedly be confronted with the consequences. In a process that views the customer as the end point for everything, the customer is already rebooked in advance, overnight lodging is arranged for him, he has received lunch vouchers - or whatever is most appropriate for his situation.

Obligations and opportunities offered by new technology

The emergence of mobile, social media, big data and cloud technology provide a new impetus to the necessity for customer orientation in every form of process design. The new technology creates obligations; at the same time it offers opportunities galore for further improving the service you provide your customers. On the one hand, this stimulates your organization, because the customer can express his displeasure regarding your service provision anytime and anywhere via Twitter or Facebook. On the other hand, his feedback, together with all sorts of other information that you can gather regarding your customers, is of inestimable value for optimizing your products, services and processes. You can also serve your customer directly via that same technology, at the right moment, via the customer's preferred medium.

Take the same process that was described above: the missing airplane part has different consequences for every traveler who is delayed. What could be better than to immediately provide the traveler a solution - personally tailored to his individual situation - on his smartphone? This can be achieved by making processes so smart that they do this for you automatically.

Barriers and challenges

A customer-oriented organization is great idea, but in practice a number of obstacles arise

As stated above: redesigning processes in which the customer is the focal point, offers opportunities galore. However, in practice in many organizations various obstacles arise. Such obstacles may have hindered you from taking steps in the past. Or you are currently encountering obstacles. What objectives must you have to overcome these challenges?

We want to manage the process end-to-end; but where does it start and where does it end?

Anyone who wants to have a customer-oriented process fully under control, will want to have a clear picture of the process from beginning to end. That observation appears to be an open door, but its concrete implementation causes headaches for many an organization. Where precisely does a process start? And when is it completed? If we really want to make the customer our focus, a purchasing process, for example, starts as soon as the first signals that the customer is considering a purchase appear - or perhaps even as of the moment a customer first senses that he needs something (see also page 7).

Most organizations, however, are set up based on a vertical structure: from product development to customer service. A process moves horizontally through these silos.

Streamlining processes requires a vision and a methodology that can work through departmental walls.

We have a well thought out process; still, many problems arise

A process that was developed a few years ago, can still be satisfactory on paper. Just because it was developed some time ago doesn't necessarily mean that it is outdated today. And yet many processes still go awry. There can be many reasons for this. Think, for example, of unstructured information that appears to be essential for process progression, but that has to be processed manually. Or hidden work that is never documented, but silently increases in scope. Either of these can cause variations in the process that were not previously taken into account.

Moreover, organizational complexity has increased over the last years, in part due to stricter laws and regulations and increased internal control. The time that employees spend on internal matters has increased, even though they could more productively use this time on the customers. Lack of valuable customer contact can cause what, in principle, was a well-designed business process to devolve into a vicious cycle.

An effective modification of business processes must result in less internal work and more customer-oriented time.

We do modify, but the process is too slow

Most organizations have learned to listen to customers, but because of their slow reaction time, it appears that they are not listening. Product or process modification is still generally a question of rewriting software code, a process that can take months. Thus, the organization never catches up with customer desires, and by the time the modification is actually implemented, the customer no longer experiences the modification as a response to the original problem. The world is moving so fast that traditional IT systems cannot keep up. Because of their use of smartphones and social media, customers are accustomed to a very rapid response time. They expect the same speed in everything the organization does. However, existing IT systems are difficult to integrate and the delivery of new applications takes too long.

That same new world offers a great deal of new data from which you can profit; at the same time, extracting data from all sorts of sources and then converting it into usable knowledge is a complicated process. The emergence of the cloud also involves the additional threat that new competitors arise from unexpected places: startups that are not hindered by an IT heritage, or organizations outside the sector that decide to start operating in your sector.

If you are going to modify your business processes, one of the primary things you must do is increase your speed, so that customers know that you are listening and you are able to move as quickly as the new competition.

Spotlighted

End the age-old discussion. Now there is a third way

It is a discussion that has been recurring in every organization for years: must we tailor the organization to the technology or must the technology be adapted to serve the organization?

The first reflex – within both the business and IT – is undoubtedly that the technology must always support the organization and not vice versa. But things are more problematic in practice. Custom work – the ultimate answer to the primacy of the organization – is expensive and inflexible.

Horizontal vision of organization

IBM Business Process Management makes a cohesive perspective possible: yes, IT must adapt itself to the organization, but new IT possibilities can also inspire the business. The same applies for the role of IT within an organization. After all, IT is the most horizontal of all business functions: it appears everywhere and delivers to all vertical business units. Such a ‘horizontal’ standpoint is perfect for streamlining processes, which ultimately run through the organization horizontally.

Build or buy? No, Business process management!

Business Process Management also resolves the dilemma of deciding between building or buying a new application. Neither is necessary. Business Process Management is the third way: you can quickly model a tailor-made process, using your existing

tools, in less time, frequently at a fraction of the cost. Moreover, Business Process Management makes it possible to simulate newly developed processes. Creating a process modification in an application means first actually building and testing, with the danger that you only find out after the fact that modification does not work in practice.

IT with two speeds

Finally, Business Process Management facilitates thinking of an IT with two speeds. From now on, in your IT you can draw a distinction between ‘systems of record’ (your existing systems) and ‘systems of engagement’ (the new additions). Business Process Management enables organizations to accurately and precisely ‘extract’ a bit of legacy IT and build a modern and versatile process around this element. ‘Old’ and ‘new’ are thus integrated automatically. The role of your systems of record is restricted to doing what they do best: securely recording and storing data. The data in these systems are frequently static and have grown historically. Your super-fast systems of engagement handle the interaction with your customers. In addition, a second stream of data arises from this: the real-time data that is frequently generated by mobile devices. Bundling both these data types delivers the 360-degree context of each customer and ensures that you can anticipate individual situations with your systems of engagement.

Solution paths

Toward genuine customer-oriented processes

Because of the obstacles organizations encounter, transforming a company into a customer-oriented organization in clear, rapid steps appears to be a tough task. Many good ideas from the business have been dismissed in past years – or not even presented – because the person who came up with the idea realized that it could not be realized quickly enough. And even if the idea reached the project or pilot level, scaling the process to company-wide programs appears to be too great a challenge.

Still, with Business Process Management you can complete such steps in a surprisingly short time. Three elements are essential for a successful BPM transformation:

- Plot the processes (or a spearhead process)
- Automate as much of the process as possible
- Extract the decisions that control the process from that process, thus making it reusable

Plot processes

Plotting a business process is not a new activity. This used to be done in a meeting room with all the involved employees from the business, who collectively filled a large whiteboard with Post-Its.

We now have Business Process Management software for this phase of process analysis. Using this software, all the involved parties can collaborate efficiently in the cloud to outline a process or multiple processes. Who is the owner? What is the throughput time?

What departments and employees are involved? What systems are needed?

Business Process Management software is an IT tool; still, it requires that employees from the business units take an active role. By going on a journey of exploration along with the IT employees, they can discover obstacles that otherwise would never have come to light.

Suddenly it became clear that five processes had the same bottleneck.

Automate processes

After the processes are inventoried, the process automation begins. Here the objective must be to make the process as easy as possible for the end user. That can be achieved by striving for ‘straight-through processing’ – almost literally straight through departmental walls – with much of the preparatory work done automatically. The end user is not queried in the usual way.

Straight-through processing is a concept that originally came from the banking world; these days it is used for every process that can immediately be handled in its entirety. That applies to much more than just payments; nowadays it is also used for taking out an insurance policy or a loan, for example. In other words: ‘right the first time’, without human intervention. Not only is this quicker; it also prevents errors (and thus expensive manual recovery activities) – which, of course, increases customer satisfaction.

In a flash, the throughput time for taking out a term life insurance policy was reduced from several days to 7 minutes.

Boost to customer satisfaction

At one of the leading water companies in the Netherlands, using Business Process Management technology, IBM was able to give a boost to the customer interaction processes. Customers now experience that they are assisted both better and quicker. And the water company is now ranked number 1 in customer satisfaction. The company also collaborated with IBM to set up its processes so that they are simpler and more efficient. Among other things, this led to a considerable reduction in the number of employees (>50 FTE).

Extra efficiency can be achieved if this decision-making is extracted from the individual processes. This way, decision trees can be reused in comparable processes, for example communication with customers via the call center or via the customer's smartphone. This accelerates the tempo at which one can and must be able to modify products, services and processes these days. After all, modification only has to take place at one point. These policy rules can also be formulated in understandable language. They do not have to be 'programmed' in software code. That means that marketers and service technicians can modify rules themselves and are thus the actual owner of 'their' process. Business Process Management is an outstanding tool for the business, whereby IT only offers technical support.

Extracting the decision-making from processes

'Right the first time' is achieved by having processes run in conformance with previously agreed upon rules, based on which decisions are made automatically. After all, the best processes are all 'context aware', thanks to policy rules that anticipate the individual situation and customer's preferences. Think, for example, of the location and the moment at which the customer is in the process, his communication preferences (notification by e-mail or SMS), even the weather conditions – all elements regarding which a customer can think: 'It's amazing that they thought of this!'

No longer having to work through complicated procedures time and again, but being able to respond immediately to changes in the market situation, modified legislation or new fraud techniques.

Approach

Achieving customer-oriented processes in three effective steps

One of the biggest threats for the success of each IT project is scope creep: wanting more and more over the course of the project and thus constantly postponing its completion. Using Business Process Management in conformance with a time-box principle, IBM has been able to achieve many concrete results. In three boxes of (a maximum of) 90 days, organizations can take essential steps to streamline their business processes.

The time-box principle also eliminates the fear that the result will be ‘unsatisfactory’: after all, you automatically achieve results, but the speed with which you achieve those results depends on the maturity of your organization. The total of 9 months for the three boxes collectively is already quite quick compared to the implementation phases of large applications that cross departmental boundaries. In some organizations, results can be achieved within 8 weeks. Moreover, with Business Process Management, the costs are frequently considerably lower.

Quicker and cheaper

At the vaccine manufacturer, Hipra, IBM Business Process Management achieved major improvement in a complex recall process with considerable impact assessment. The introduction of a SAP module would have taken years. The SAP implementation would have cost 1 million euros for the module and another million for system integration. Using Business Process Management, Hipra was able to realize the new process in a single quarter at a cost of 250 million euros, with a payback time of 3 months. Hipra is currently setting up its 13th process using Business Process Management.

Moreover, Business Process Management is a continual process: you will always have to be adapting your processes to the market situation and your customers’ desires. Using Business Process Management simply gives you greater flexibility when doing this.

Two approaches

Two approaches are possible as a point of departure for Business Process Management:

- *Discovery*: for organizations that already know the applications for which Business Process Management offers an attractive alternative to building, buying or modifying
- *Vision/Roadmap*: for organizations that want to inventory their entire process landscape in one go and then optimize their processes in structured steps.

If you elect to draw up a roadmap, of course you start by outlining your strategic objectives with your business processes. This way, you see what your organization can already do and what skills are currently missing. Then you specify measurable objectives for all these processes and look for the components and services required to create the process. On this basis, you can create a roadmap that links tactical projects and quick wins with a quick payback time to strategic initiatives.

The objective of the time-box approach is then to create a process that visibly and consistently runs throughout the entire organization. This way, you can work toward achieving effective customer-oriented processes in three steps.

Box 1: visibility

Box 1 focusses on visibility. In many organizations, sufficient data is visible, but it is frequently stored in spreadsheets and is not real-time data. This means that, in fact, these organizations can only view their performance in the rear view mirror, as it were. In order to be able to steer toward future developments, it is wise to get a good image of all the data and data streams in an organization. This creates the foundation for box 2.

Box 2: objective expertise

A process that is quick, automatic and still customer-oriented runs on objective decision trees. Processes that up to now ran throughout the organization via knowledge workers who - based on their experience and expertise - make subjective decisions, must now run based on the objective data that is made visible in box 1. In box 2 you record the expertise of your knowledge workers broadly throughout the organization. Thus, the success of a process no longer depends on individuals. This is immediately a stepping stone toward self-service, since if every employee in your organization can keep a process on the right track, your customer can also do this himself.

Box 3: optimization and integration

In box 3 you then optimize the process and further embed it in your organization and IT systems. After all, it has now become clear where in the process additional integration is possible. Nothing is more frustrating for customer service than to have to enter data twice. In this box, it is also advisable to 'give back' value to the knowledge workers from whom you extracted knowledge in box 2. We will devote more attention to this cultural aspect of Business Process Management in the last section of this whitepaper.

A new policy in 7 minutes

Using Business Process Management technology, a leading Dutch insurer has reduced the request process for a life insurance policy from a few weeks to 7 minutes. In most cases, the entire processing is fully automated (Straight-Through-Processing).

Customers receive their policy digitally in such a short time that customer satisfaction has dramatically improved. This has resulted in more policies being issued.

Spotlighted**Toward real end-to-end processes by expanding using mobile data**

Where does a process start and end? This is the key question that organizations have been wrestling with for decades. What is certain is that the answer has changed dramatically due to the emergence of the mobile user over the last few years.

Mobile makes your processes considerably more complex, but it also offers enormous opportunities: after all, it can considerably increase the scope of your processes. Not only can you immediately inform your customers of the result at the end of the process, no matter where the customer is; you can also feed the process, even at the beginning (and have it controlled) with all sorts of time and site-related customer information that the customer himself shares with you via social media and the cloud. As the crowning achievement, via an app, you give the customer the feeling that he is manning the controls from start to finish.

Mobile can also accelerate the process for those processes that require human intervention. Knowledge workers that have an internal version of the same app, can approve decisions or add their knowledge to the process at lightning speed.

You can test the self-service elements of processes internally in processes for which communication with employees is required. Think, for example, of HR processes such as recruitment & selection, personnel registration and requesting time off. Then you can deploy the same type of 'smart' processes for customer-oriented processes, such as customer service and loyalty programs.

Lessons

Three important reminders for Business Process Management success

We can draw a few important lessons from the Business Process Management projects that IBM has successfully completed up to now. Three of these lessons are crucial for continued Business Process Management success.

The right initial project: strategic, measurable, quick

The choice of the initial project is extremely important for the success of subsequent Business Process Management processes. Of course, quick wins can lay the foundation for more strategic initiatives. For an initial project it is also important to select a process that can be executed relatively quickly.

However, the project must also directly support the strategic vision, so that all parties involved already see the relevance of Business Process Management for the entire organization based on this initial project. The measurability of the results is a third critical success factor, since it must be possible to demonstrate success.

A center of excellence for subsequent success

Certainly if you have already outlined a Business Process Management roadmap, we recommend that you set up a center of excellence during the initial project. Do this immediately with box 1. This way, you can immediately embed the experience you amass, and then utilize it for subsequent projects. In addition, this increases broad-based support, since you have actively involved a group of employees in this new method of process transformation. A center of excellence also enables you to properly arrange all

governance aspects from the very beginning and to exercise comprehensive control across your entire process landscape.

Work on cultural maturity

If you elect to use Business Process Management, you are choosing processes that run automatically using objective knowledge. That means that you ‘extract’ the knowledge from your knowledge workers. A good BPM project thus always has a cultural component. You must let your employees see that ‘disclosing’ their expertise offers considerable advantages. Not only can they work more efficiently and have more time to resolve specific customer problems; you also give your employees a greater level of control. Where they previously made individual decisions, now they analyze and modify the rules that form the basis of every decision. This makes your employees’ work more interesting.



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