Process Excellence In The Digital Age Of The Customer

The Transition From Business Process Management To Digital Process Automation

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Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organizations. Ranging in scope from a short strategy session to custom projects, Forrester's Consulting services connect you directly with research analysts who apply expert insight to your specific business challenges. For more information, visit forrester.com/consulting.

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Executive Summary

The move to digital business is not just an imperative, it is a fundamental shift. The role of process in digital transformation is crucial, but often overlooked. In order to win, serve, and retain customers in this digital age of the customer, businesses must reframe their investment in process automation with this shift in mind. Simply, a compelling vision for process excellence must understand this digital transformation, thereby transforming customer-facing processes and digitizing operational processes.

The shift is so deep that Forrester has renamed the category from business process management (BPM) to digital process automation (DPA). This shift, while continuing to drive down costs and drive up employee productivity, places customer experience and digital transformation as the primary success factors. This represents a powerful and necessary change of focus.

In July 2017, IBM commissioned Forrester Consulting to evaluate firms' transition from BPM to DPA. Forrester conducted an online survey with 326 global digital transformation decision makers to explore this topic.

KEY FINDINGS

› **Digital transformation has extensive ramifications for businesses.** The move to digital has caused wide-ranging changes to both employee and customer processes, necessitating that firms evolve their tools and strategies to keep up. Consequently, businesses report that their primary focus for process improvement efforts has become digital transformation and customer experience, not cutting costs or productivity.

› **The move to DPA is in process, though many are early in their transition.** Though only 4% of firms believe they are ahead of the curve when it comes to their DPA, less than 20% are still focused on traditional BPM. The majority of firms fall somewhere in the middle, evaluating, planning, and implementing changes.

› **Firms struggle to implement DPA across the board.** Process professionals face technology, infrastructure, organizational, and financial challenges during implementation. They also sometimes fail to touch entire departments, like marketing and customer service, during these efforts; a critical problem for firms who claim customers are their primary focus.

› **DPA results in value for customers and businesses alike.** Given the barriers, firms would not persist if they didn't see a return on their efforts. Respondents report better customer experience (CX) from these early efforts, and foresee increased customer acquisition, retention, and loyalty down the line if these efforts are continued.

A compelling vision for process excellence transforms customer-facing processes and digitizes operational processes.

Eighty percent of firms today are focused on planning, implementing, or refining digital process automation.

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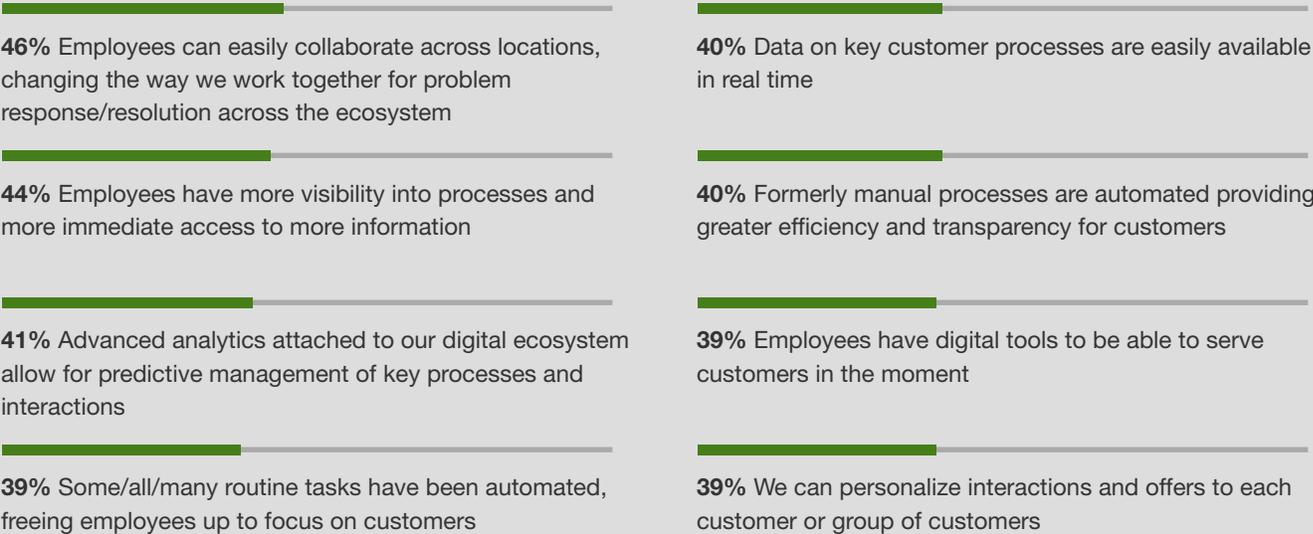# Digital Transformation Creates Sweeping Changes For Business Processes

The digital transformation imperative has caused firms to shift the focus of their process improvement efforts away from traditional savings and productivity measures towards improving customer and digital experiences. The shift to new digital business models therefore requires a deep focus on both transforming customer-facing processes and digitizing operational processes. Our study found that:
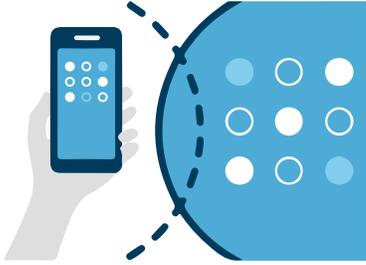
› **Both employee and customer processes have experienced sweeping changes due to this digital shift.** Internally, employees have experienced eased collaboration (46%) and more transparency into internal processes and information (44%) as a result of digital transformation at organizations. But it's not just internal operational processes that have changed. Digital transformation also impacts the easy availability of real time customer data (40%) and greater efficiency and transparency for customers (40%), notable aspects of customer processes (see Figure 1).

Figure 1

"What are the main ways in which digital transformation at your organization (and engaging with each other across different channels) has impacted your employee/customer processes?"

46% Employees can easily collaborate across locations, changing the way we work together for problem response/resolution across the ecosystem

44% Employees have more visibility into processes and more immediate access to more information

41% Advanced analytics attached to our digital ecosystem allow for predictive management of key processes and interactions

39% Some/all/many routine tasks have been automated, freeing employees up to focus on customers

40% Data on key customer processes are easily available in real time

40% Formerly manual processes are automated providing greater efficiency and transparency for customers

39% Employees have digital tools to be able to serve customers in the moment

39% We can personalize interactions and offers to each customer or group of customers

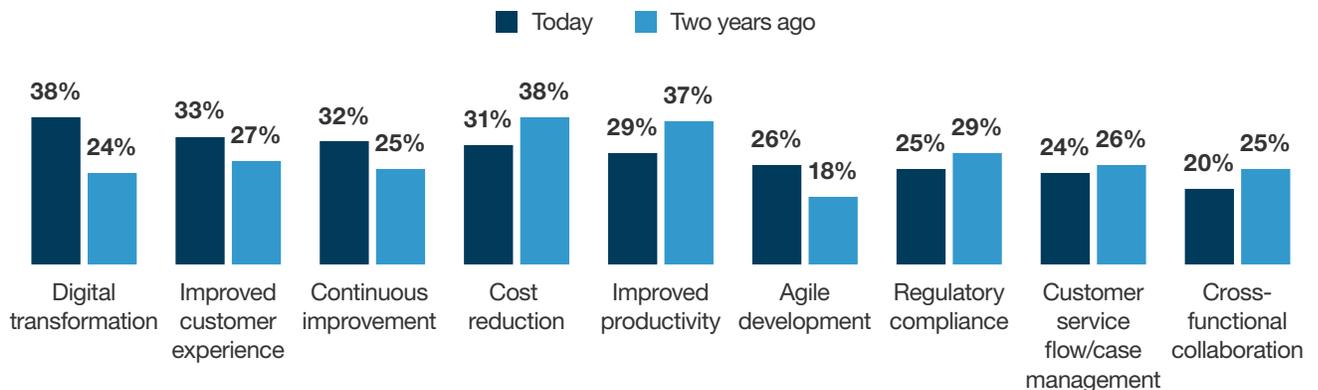Base: 326 global digital transformation decision makers
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, July 2017

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› **Firms adopt automation tools and centralized databases to keep up.** Data management has had to evolve as a result of this shift as well. Forty-six percent of firms have tools that develop applications to manage data and processes that were formally manual. Additionally, 44% have centralized databases specifically to keep up with the volume and speed of data in their core processes.

› **Consequently, process improvement has shifted focus to digital transformation and improved CX.** But it's safe to say the most important outcome of this digital transformation is the fact that the ultimate goals of process improvement have shifted. Thirty-eight percent of firms say the primary focus of their process improvement efforts is digital transformation today, compared to just 24% two years ago. Similarly, improved CX is the primary focus for 33% of firms today, compared to 27% two years ago (see Figure 2).

Today, digital transformation and customer experience are the primary focus of process improvement.

Figure 2

"What was the primary focus of your process improvement efforts two years ago? What is the primary focus of your process improvement efforts today?

■ Today   ■ Two years ago

	Today	Two years ago
Digital transformation	38%	24%
Improved customer experience	33%	27%
Continuous improvement	32%	25%
Cost reduction	31%	38%
Improved productivity	29%	37%
Agile development	26%	18%
Regulatory compliance	25%	29%
Customer service flow/case management	24%	26%
Cross-functional collaboration	20%	25%

Base: 326 global digital transformation decision makers
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, July 2017

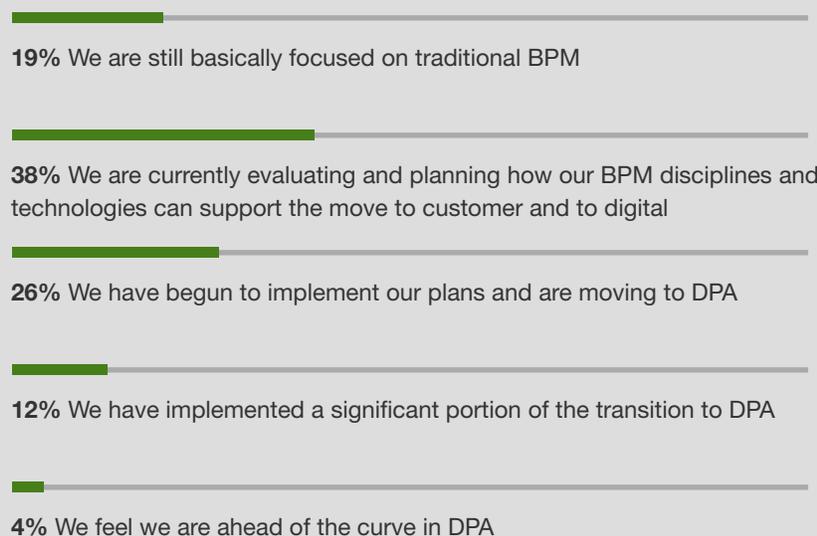# The Transition To Digital Process Automation Has Begun

This consuming digital shift has forced the majority of firms to move away from traditional business process management (BPM) towards a more updated digital process automation (DPA). Traditionally, business process management has focused mainly on back-office process optimization to reduce costs. DPA utilizes these same underlying technologies, skills, and investments that supported BPM, but shifts the focus towards customers, digital experiences, operations, ecosystems, and innovation. To support this shift, technology must support all the existing functional requirements of BPM while enabling rapid application development with far greater business stakeholder participation, consumer-level user experiences, and rapid innovation that customers demand.

THOUGH EARLY IN THE TRANSITION, ORGANIZATIONS ARE FIRMLY MOVING TOWARDS DPA
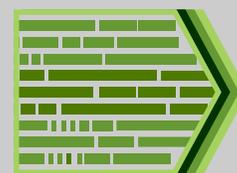
Though most are still in the planning and implementation phases, the majority of firms are moving towards DPA. Only 19% are still focused on traditional BPM, while on the other end of the spectrum, only 4% say they are ahead of the curve in DPA (see Figure 3).

Figure 3

"Based on the definition given for BPM and DPA, how would you characterize your company's movement from BPM to DPA?"

19% We are still basically focused on traditional BPM

38% We are currently evaluating and planning how our BPM disciplines and technologies can support the move to customer and to digital

26% We have begun to implement our plans and are moving to DPA

12% We have implemented a significant portion of the transition to DPA

4% We feel we are ahead of the curve in DPA

Base: 326 global digital transformation decision makers
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, July 2017

The majority of firms are transitioning from BPM to DPA: 38% are still in the planning stages, while another 38% are implementing.

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Our study found that for most of these firms that are currently making this shift:

› **Process management efforts are still largely basic.** Current process management and automation efforts are supported mainly by basic back-end integration (49%), cloud-based architecture (45%), and collaboration tools (44%). However, more advanced and specialized capabilities, like a common content repository across all financial and operational systems or deep integration with robotic process automation, are less often deployed by these firms.

› **Strategy is centrally developed, but execution is still siloed.** The process ecosystem is mostly organized by function with a centrally-developed strategy (45%). This majority focuses their technologies and expertise by functional areas, such as manufacturing, while maintaining a companywide strategy. Though nearly a third of firms do boast a unified platform managed at the corporate level (32%) indicating that this smaller cohort is further along than the majority.

› **Metrics monitoring shows benefits to customers and vendors alike.** Fifty-four percent of firms say they measure the value of their DPA efforts via cost reduction metrics. Not surprisingly, given firms' focus on customer experience, CX scores are also a key indicator for 42% of firms. From these scores, organizations know that their customers are experiencing benefits from their DPA efforts. Specifically, 53% see improving efficiencies and reducing costs and 50% see quick and frictionless customer experiences. Vendors also experience improvements from DPA. Forty-five percent see improved efficiency of inventory management between companies, while 42% see improved CX scores.

BUT FIRMS CONTINUE TO STRUGGLE WITH PROCESSES AS THEY ATTEMPT TO IMPROVE AND AUTOMATE

DPA implementation is not without its own set of challenges. Roughly a third report that integration with legacy systems, as well as the struggle between a centralized approach/strategy versus an individual business unit or project focus, as key challenges (see Figure 4). Lack of investment in technology and the perception that these projects are too expensive are also cited as top challenges. Furthermore, our study found that:

› **Workflow tools that claim to be process solutions may actually get in the way.** A number of firms in the survey say that these "process solutions" often take too long to implement (39%), technology doesn't always keep up with business changes (33%), and platforms and tools are not always packaged or designed to cover all necessary applications (33%). This is a clear sign that robust and flexible tools, which support rapid and iterative development, will enable digital transformation.

› **Major holes exist as DPA fails to touch certain business areas.** Areas of the business which frequently effect customers are still largely untouched by DPA. Most notably, 34% of firms say their marketing departments are excluded from this progress, and that customer service experiences suffers from the same fate at 31% of firms. This is a problem considering the primary focus of DPA has shifted to improving CX. True digital transformation requires visibility and transparency into all business processes. If these areas are untouched, the DPA process is inherently incomplete.

Figure 4

"What are the key challenges to improving business processes?"

32%
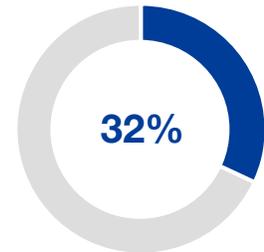
Complexity of integration with/or replacement of critical legacy systems
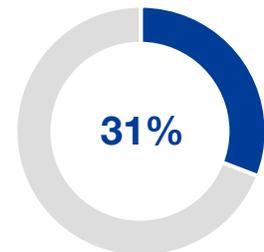
31%

Struggle between a centralized approach/strategy versus an individual business unit or project focus

Other key challenges:

- Twenty-nine percent, in lack of key technology investment

- Twenty-eight percent, in perception or experience that process projects cost too much

Base: 326 global digital transformation decision makers
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, July 2017

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Firms Experience Critical Benefits As They Continue To Automate

Despite the challenges, firms are experiencing improvement and business value. Many firms may still be transitioning, but they are indeed moving forward, with the help of strategic initiatives and the right set of tools.
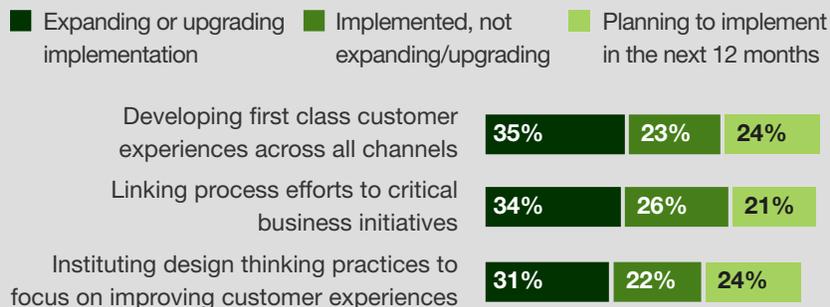
DIGITAL PROCESS AUTOMATION CONTINUES TO IMPROVE WITH THE HELP OF PROPER TOOLS

Out study found that:

› **DPA improvements focus on customer and business processes.** By linking these efforts to important business initiatives (81% planning, implemented, or expanding), designing exceptional cross-channel customer experiences (82% planning, implemented, or expanding), and employing customer-focused design thinking principles (77% planning, implemented, or expanding), firms are taking the necessary steps towards process improvement (see Figure 5).

› **Analytics and easy integration are critical to DPA tools.** Firms can't do this on their own though. To be successful, organizations need the proper tools with applicable capabilities. For these organizations, integration with firms' existing data sources is the number one most useful DPA tool capability (36%). Approximately one-third of firms also value a strong analytics platform when using tools to help with their DPA transition (32%).

Figure 5

"Think of all the actions your organization could be taking to improve your process efforts. Select the best response per row."

■ Expanding or upgrading implementation ■ Implemented, not expanding/upgrading ■ Planning to implement in the next 12 months

	Expanding or upgrading implementation	Implemented, not expanding/upgrading	Planning to implement in the next 12 months
Developing first class customer experiences across all channels	35%	23%	24%
Linking process efforts to critical business initiatives	34%	26%	21%
Instituting design thinking practices to focus on improving customer experiences	31%	22%	24%

Base: 326 global digital transformation decision makers
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, July 2017

Connections with business initiatives and cultivating cross-channel CX are the main focus of process improvement efforts.

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DPA DELIVERS BUSINESS BENEFITS NOW AND INTO THE FUTURE

Study results showed that:

› **Early DPA success is experienced in cost reductions and improved CX.** Though the primary goal of digital process automation has shifted away from pure cost savings, early benefits are still in that area. In fact, nearly half of respondents say the biggest business impact they've seen as a result of their automation efforts is cost reduction in internal processes (see Figure 6). But the shift to a customer-focused effort has also borne fruit: 41% of firms say they've seen improved customer experiences from DPA as well.

› **Increased customer retention and loyalty is expected within 24 months.** Going forward, firms that continue their DPA efforts expect to not only see an uptick in cost reductions (51%) and CX improvements (46%), but additional benefits as well. Forty-four percent anticipate increased customer retention and acquisition, while forty-one percent expect more customer loyalty. These are all good signs insomuch as they indicate that business process professionals understand that the customer is critical. If the goal of DPA is to improve CX, firms must ensure their efforts are, at the end of the day, benefiting the customer first and foremost.

Figure 6

"Where have you seen the biggest business impact in your organization from current process automation efforts?"

"What do you expect the business impact of process automation will be in 18 to 24 months?"

■ Today   ■ 18 to 24 months

	Today	18 to 24 months
Cost reduction in internal processes	47%	51%
Improved customer experience (CX)	41%	46%
Compliance improvement	38%	28%
Improved employee experiences	36%	14%
Increased customer loyalty	35%	41%
Increased customer retention/acquisition	31%	44%
Profitability	31%	38%
Revenue	25%	34%

Base: 326 global digital transformation decision makers
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, July 2017

Percentage of firms that increased focus on the customer is reflected in DPA benefits now and into the near future.

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Key Recommendations

The digital shift has been transformative for businesses. Forrester's in-depth survey of firms currently undertaking a shift from traditional BPM to a more customer-focused DPA yielded several important recommendations:

Approach digital transformation strategically. Unlike technology-led initiatives, where success can often be measured in cost reduction, broad strategies like digital transformation cross technology and organizational boundaries. Drive these initiatives with an eye toward business, and particularly customer-focused, outcomes. Only when these outcomes are established should you begin to look for technology solutions.

Establish appropriate business success metrics. Be prepared to measure new outcomes in new ways. Focus on metrics that measure the ability to win, serve, and retain customers. Customer satisfaction, customer journey metrics, Net Promoter Scores, and of course revenue generation are all potential success factors to measure.[1]

Measure cost reduction too. While primary drivers shift toward digital transformation and customer experience, that in no way precludes cost reduction. In fact, the two will go hand in hand as efficiencies that drive down cost often result in faster and more transparent experiences for customers.

Be prepared to automate a lot of processes. One of the key challenges to digital transformation is automating a long tail of manual processes. They are often difficult to find and require a deep partnership with the business. In order to meet this demand, embrace rapid development low-code tools that allow for deeper participation from business users.
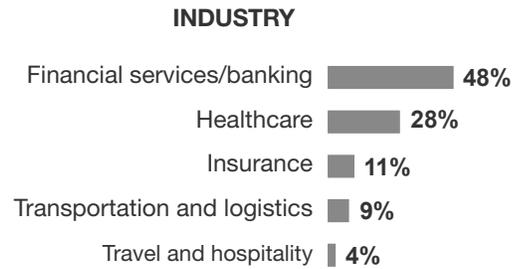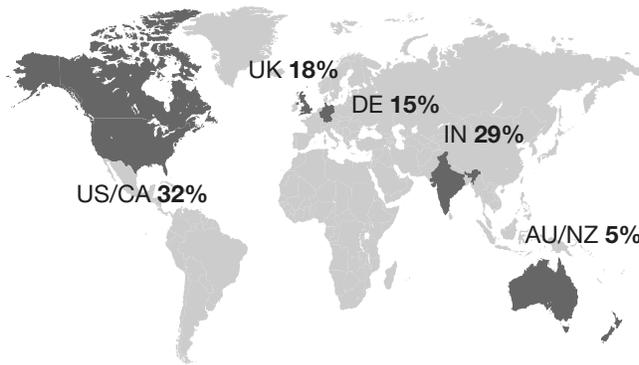
Don't make technology assumptions. Do you leverage DPA technologies to drive these initiatives? Robotic process automation? Low-code development? The answer to all of these and many other technologies may well be yes. Don't assume any single technology solution will meet the needs of your digitally transformed organization. It will be a lot of different technologies applied at the right time.
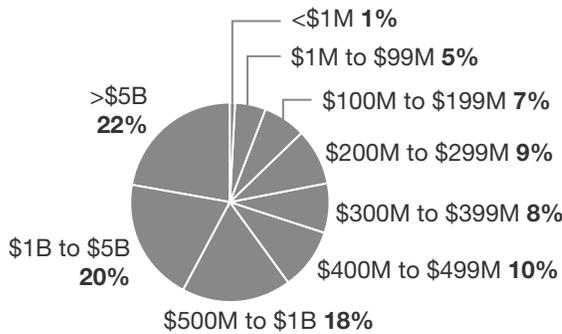
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Appendix A: Methodology

In this study, Forrester conducted an online survey of 326 digital transformation decision makers in the US, UK, Germany, India, Australia, and New Zealand to explore digital process automation. Survey participants included managers, directors, VPs, and C-level executives in financial services, healthcare, insurance, transportation, and travel/hospitality industries. Questions provided to the participants asked about process efficiency and digital transformation strategies. Respondents were offered an incentive as a thank you for time spent on the survey. The study began in June 2017 and was completed in July 2017.
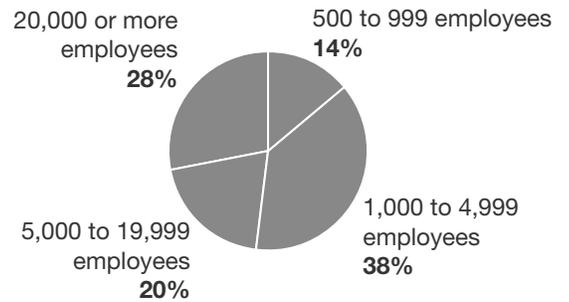
Appendix B: Demographics/Data

UK **18%**
DE **15%**
IN **29%**
US/CA **32%**
AU/NZ **5%**

INDUSTRY

Financial services/banking	**48%**
Healthcare	**28%**
Insurance	**11%**
Transportation and logistics	**9%**
Travel and hospitality	**4%**

ANNUAL REVENUE

<$1M **1%**
$1M to $99M **5%**
$100M to $199M **7%**
$200M to $299M **9%**
$300M to $399M **8%**
$400M to $499M **10%**
$500M to $1B **18%**
$1B to $5B **20%**
>$5B **22%**

COMPANY SIZE

20,000 or more employees **28%**
500 to 999 employees **14%**
1,000 to 4,999 employees **38%**
5,000 to 19,999 employees **20%**

Base: 326 digital transformation decision makers
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, July 2017

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Appendix C: Supplemental Material

RELATED FORRESTER RESEARCH

"Traditional BPM Gives Way To Digital Process Automation," Forrester Research, Inc., February 24, 2017.

"How To Succeed At Process Automation In A Digital World," Forrester Research, Inc., October 26, 2016.

"Crafting A Strategic Plan For Digital Automation," Forrester Research, Inc., February 15, 2017

Appendix D: Endnotes

[1] Net Promoter and NPS are registered service marks, and Net Promoter Score is a service mark, of Bain & Company, Inc., Satmetrix, Inc., and Fred Reichheld.

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