

Franchise Tax Board



Business Process Management Best Practices

August 31, 2009

By

Franchise Tax Board's (FTB) Enterprise Architecture (EA)

Business Process Management (BPM)

Center of Excellence (CoE)

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Purpose

This document is a compilation of information gathered from various vendors, BPM case studies and garnered from a multitude of BPM implementation lessons learned. It establishes key best practices for a successful BPM implementation within an organization. It is recommended the best practices outlined here be followed to ensure a successful BPM implementation at FTB.

Overview

What is Business Process Management?

BPM is defined as a strategy for managing and improving the performance of a business through continuous optimization of business processes in a closed-loop cycle of modeling, execution, and measurement. The methods, techniques, and tools used to design, enact, control, and analyze operational business processes involving people, systems, applications, data, and organizations.

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Build A Strong Partnership with IT

Recognize that IT is an enabler not a leader of a BPM effort - as the first word is business. A BPM project is not an IT project but a business management modification that can be enhanced by the use of technology. A strong partnership between business and IT will ensure a smoother project.

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Create a BPM Enterprise Implementation Team (EIT)

Create a BPM EIT that is a cross-functional organization to drive and sustain the process orientation beyond the initial project. The BPM EIT is comprised of committed individuals focusing on how the processes drive bottom-line profitability and performance. The BPM EIT would initially develop and implement a Pilot project enabling the delivery of a quick solution to an immediate problem and proves the overall approach.

After the pilot the BPM EIT would support a number of BPM projects keeping momentum going across a broad front. As a cross-functional team well versed in the best practices of process improvement they provide BPM specific technical expertise which decreases the learning curve and increases the success of a project and ensures consistency across all projects.

The BPM EIT would have the following objectives to establish and enforce BPM governance rules:

- **Prioritize and Implement Processes** – The BPM EIT would work with the executive sponsor and business managers to identify and prioritize process projects. After the processes have been prioritized, the BPM EIT can focus on its primary objective of developing and deploying processes.
- **Maintain the Process Library** – The BPM EIT would ensure that the knowledge and documentation captured for each process is maintained in a physical library or within a virtual knowledgebase.
- **Establish Process Best Practices** – Upon completion of each deployment, the BPM EIT would conduct post implementation reviews and identify lessons learned to further refine best practices and processes that can be applied to future process implementations.
- **Evaluate Process Performance** – The BPM EIT would work with the process steward and executive sponsor, of deployed processes to periodically evaluate the effectiveness based on key performance metrics established prior to process deployment.

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Use Tools Based on Industry Standards

Utilizing tools based on industry standards allows for the following benefits:

- Decreased implementation and maintenance costs
- Increased ability to consolidate
- Increased availability of talented resources
- Decreased education and training costs
- Simplification of modifications
- Increased flexibility to migrate to another technology

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Select a Process Methodology

BPM is primarily a management discipline that requires a guiding methodology or set of methodologies. A BPM project with a good methodology and no technology is usually more successful than a project with leading technology and no methodology. BPM is a new implementation style that promotes multiple fast iterations rather than the traditional few, long projects. Since there is a drastic change in the implementation style and the leader of the project, it is highly probable that the methodology required will be new to the organization or a significant modification to the existing methodology. The adopted methodology must cover the whole process improvement lifecycle from selection of tools and training, to implementation and post implementation of continuous process improvement. Additionally, the methodology will provide a common language to enable ease of understanding amongst all participants. Sample beginning BPM methodologies include: Six Sigma, Lean, Balanced Scorecard, and Agile development.

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Secure Executive Sponsorship

All projects or efforts within an organization benefit from having an executive sponsor. For a BPM effort to be successful, executive sponsorship is mandatory. Due to the nature of the organizational modifications required for a BPM effort, executive support with the influence and power to drive the changes is required. Executive sponsorship is the single most important ingredient required for successful process governance. Without an executive sponsor, a range of problems can arise and project risk is increased. Executive sponsorship ensures there is a decisive voice capable of resolving process-related conflicts that arise during implementation enterprise-wide process initiatives.

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Select the Right Project

Choosing the initial project to establish the right direction for BPM is as much about people management as it is about risk management. There are going to be trade-offs between risk, return, learning-by-doing and appetite for change. The first project should be a balance between a high enough profile to be noticed but not too high so that the risk is manageable. The first project should not risk too much before the best methods to implement BPM in the business specific environment has been established. The initial project should have a real business case and provide a real ROI or uncover issues that will enable long-term BPM success. An internally facing, non-mission-critical project is good to learn how to implement a successful BPM project. An entire process can be broken down into smaller units to be implemented separately to lessen risk.

The following are characteristics of a Right BPM Project:

- Small /manageable
- One business process
- Large impact on a small number of people
- Measurable
- Significant impact
- Visible
- Visible benefit
- Good ROI
- Clear scope
- Extendable
- Connected to a strategic or operational objective
- Well documented with knowledgeable subject matters

Projects with the following usually offer strong potential for initial BPM projects:

- Processes that are manual, paper-intensive, ad hoc, inconsistent, etc.
- Processes that need to be integrated with several different systems
- Processes with immediate & recognizable pain points
- Processes that map directly to a key organizational objective
- Processes that are critical to the business
- Processes with confirmed executive sponsorship

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Lead With the Right People

Sometimes thinking differently requires new minds and BPM certainly requires new roles and skills. Use business analysts that understand both the business and the technology. Choose people respected by their peers and who will embody best practices. The following are a few of the characteristics of BPM leaders:

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- Focused on business first then IT
- Communicate/translate effectively
- Patient
- Maintain effective change management skills

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Manage Expectations

Each stakeholder involved in a BPM project will have a different perspective on what are the success factors and a different motivation for engaging in BPM. Document up front stakeholder success factors. A thorough understanding of why people are involved and their “personal wins” is critical to a successful BPM implementation. Obtain agreement on the documented success criteria and ensure that the expectations are obtainable.

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Benchmark the Current Process

Begin the BPM process by selecting a few metrics that are of high value in the short term then progress to long-term measures. Metrics are classified in three ways: customer, financial, and operational. To accurately define your baseline:

- Fully document the current processes
 - Identify key activities
 - Who does it - Map out individual roles
 - When is it done
 - How often is it done
 - How long does it take to do it
 - Define flows of work
- Interview key stakeholders and process participants
- Identify process origins and rationale behind how things are done
- Identify the “gaps” between activities, people, and systems - as these are areas of opportunity for BPM

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Define Key Performance Indicators (KPIs)

Before you can begin to determine the successful implementation of the BPM process, KPIs must be determined and established. KPIs will be used for workload management and for continuous process improvement. Identify

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specific metrics that are measurable and can be mapped to business goals and objectives. Developing a ROI model will assist in the analysis of the success of BPM.

When developing a ROI Model:

- Look for measurable impacts – avoid tiny numbers
- Blend “hard-dollar” benefits with “soft” strategic and operational benefits
- Understand the complete cost of BPM – it is not just software; free software can result in the most expensive BPM projects
- Demonstrate 3-5 year projections
- Highlight and attempt to assign value to strategic benefits such as; visibility and agility

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Foster Cultural Change

BPM is a different approach to management requiring different thinking and organization. It requires different approaches on how to implement BPM, how to foster and reward improvement opportunities, and how to sustain continuous process improvement and innovation. People will need to be encouraged and empowered to openly come forward with ideas. Management will need to lead by example.

Planning for a BPM project as with any project is critical but for BPM, planning and project management requires a more flexible approach. Requirements should be clearly understood at the beginning of each incremental project, but it’s important to recognize that requirements will change and evolve as implementations and improvements occur. It is critical to ensure that the technologies adopted allow for change.

Implementation of BPM requires cultural changes as the organization transforms from power residing on functional ownership to power being dispersed across functions. To effectively manage the cultural and organizational impacts, identify the following early in the process:

- “change agents” (who’s going to get this done)
 - Incentivize these people to operate under the new process
- “influencers” (who has a respected voice)
 - Select champions and provide them with the correct tools to be heroes
- “barriers” (those who are threatened by change)
 - Educate these people on the advantages and the “What’s In IT For Me”
- “end users” (who is going to have to live with the end result)
 - Involve early on in the project

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Focus on Your Customer

The goal of BPM is increased customer value by viewing the business as a series of inter-related processes that translate an order into a delivered good or service. BPM has been more successful than previous 'process-oriented' approaches because it blends technology with management best practices. Without a good technology foundation, ROI would be lower, the business would be less engaged and results would take longer to generate. The flip side is that too much technology can make things just as hard - implementation, maintenance and training will take up increasing cycles. End users risk being overwhelmed and the organization will lose focus on the people and process side of the equation. The key to choosing the right balance is to focus on the business needs and drivers, but bear in mind the core goals of BPM are process effectiveness, process transparency and process agility. Invest in technologies that will make change easier to initiate and digest, and deliver the right information at the right time to the right people.

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Focus on Your Process Workers

Shield the business users from the infrastructure. BPM technology incorporates new capabilities to build intuitive user interfaces that tailor application interactions to particular tasks and shield users from the complexity of the underlying systems. Engage and listen to the business users ensuring that the BPM technology is user friendly and graphical - not code centric.

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Take a Broad View of Training

Training is critical to success with BPM and will take many forms. Methodology training will be required for both for business and IT stakeholders. Tools training for development teams and business user training will ensure that these groups can take advantage of the new processes and applications developed. Ensure the training is focused on more than the implementation and utilization required for a one-time solution. Find training that can ensure sustained success beyond the initial application. This type of training will involve all stakeholders from the IT group to the users and from the business analysts to the executives. Formal training is only one part of the BPM education process. There is only so much that can be learned from a book, a conference, a website, a vendor or even a training consultant; take time to speak with companies that have completed a BPM project.

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Profit from Experience

To ensure success, it is vitally important to develop a repeatable BPM delivery methodology. A methodology is a series of steps that, if followed, will dramatically improve the chances of a successful outcome. Continuously build 'lessons learned' to improve the process/methodology used to engage BPM. A part of the overall BPM delivery methodology is the "BPM Project Delivery Framework". This component of the BPM delivery methodology establishes the guidelines for those tasked with managing and delivering individual BPM projects. It focuses on ensuring that projects are tackled in the right order; that they are linked to define business objectives; that they are scoped and resourced appropriately; and that they make effective use of available BPM technology. Look for opportunities to leverage simulation to validate process assumptions and model "real world" work conditions, but do not waste time trying to define the perfect process.

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Develop a Robust Governance Framework

As tools of change are opened up to a wider audience, governance becomes critical. Governance, like BPM itself, is much more than a technology problem, but the BPM platform you use should be capable of supporting a sound approach to governance by building in rules, policies and communication mechanisms that control how people make decisions and initiate change.

See [Create a BPM Enterprise Implementation Team \(EIT\)](#)

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