



■ ■ ■ ■ **Economics of BPM**

Global Competition Leveraging Local Benefits

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There is a co-dependency between economics and business processes that is quite unique. The reality of today's economic conditions drives the need for the kind of productivity, quality and time to market that BPM delivers

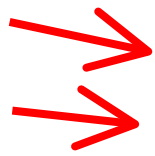
■ ■ ■ ■ What Economic Principles Imply Processes?

It's the Economy Stupid

- The Future of Economic Progress
- The Future of Productivity
- How Process Impacts The Economy

What is the Expectation for Growth and Why?

Country	Rank in 2050	Estimated GDP Growth in Billions of Dollars				
		2010	2020	2030	2040	2050
China	1	2998	7070	14312	26439	44453
EU	2	12965	16861	21075	28323	35288
USA	3	13271	16415	20833	27229	35165
India	4	929	2104	4935	12367	27803
Japan	5	4601	5221	5810	6039	6673
Brazil	6	668	1333	2189	3740	6074
Russia	7	847	1741	2980	4467	5870
UK	8	1876	2285	2659	3201	3782
Germany	9	2212	2524	2697	3147	3603
France	10	1622	1930	2267	2668	3148
Italy	11	1337	1553	1671	1788	2061



Rank	Percentage Increase					
	2020	2030	2040	2050 Average		
China	2	136	102	85	68	98
EU	5	30	25	34	25	29
USA	6	24	27	31	29	28
India	1	126	135	151	125	134
Japan	11	13	11	4	10	10
Brazil	3	100	64	71	62	74
Russia	4	106	71	50	31	65
UK	7	22	16	20	18	19
Germany	9	14	7	17	14	13
France	8	19	17	18	18	18
Italy	10	16	8	7	15	12

Goldman Sachs 2005

Productivity is the Challenge Going Forward

- The East is Growing Faster than the West
- The East Appears to Cost Less
- The Quality from the East is Uneven
- Extreme Competition is Here
- Long Tail Benefits with Short Term Investments are Needed
- BPM Delivers Short Term Benefits with Increased Productivity with High Quality and Low Investment,

Productivity Rates Based on GDP per Hour

Dataset: OECD estimates of labour productivity levels

time	variable	Gross domestic	Average hours	Total	Total Hours	GDP per hour	GDP per hour
country							
Luxembourg		36936	1604	319	512	72.2	143
Norway		241714	1407	2419	3403	71	141
Belgium		353479	1571	4278	6721	52.6	104
Ireland		172820	1640	2042	3350	51.6	102
Netherlands		597232	1391	8383	11661	51.2	102
United States		13132900	1708	152621	260631	50.4	100
France		1962072	1555	25278	39297	49.9	99
Germany		2631598	1433	39088	56001	47	93
Sweden		316657	1601	4423	7083	44.7	89
Denmark		191474	1584	2822	4471	42.8	85
Austria		295624	1659	4228	7014	42.1	84
Australia		735330	1728	10226	17675	41.6	83
United Kingdom		1996983	1669	28960	48326	41.3	82
Canada		1197776	1736	16758	29094	41.2	82
Finland		172399	1716	2441	4189	41.2	82
Switzerland		285280	1651	4291	7084	40.3	80
Spain		1294828	1656	19848	32869	39.4	78
Italy		1699152	1800	24754	44568	38.1	76
Iceland		10880	1794	170	304	35.8	71
Japan		4079511	1784	64179	114520	35.6	71
Slovak Republic		94797	1749	2132	3729	25.4	50
Portugal		220514	1758	5154	9060	24.3	48
Korea		1112668	2357	23131	54522	20.4	41

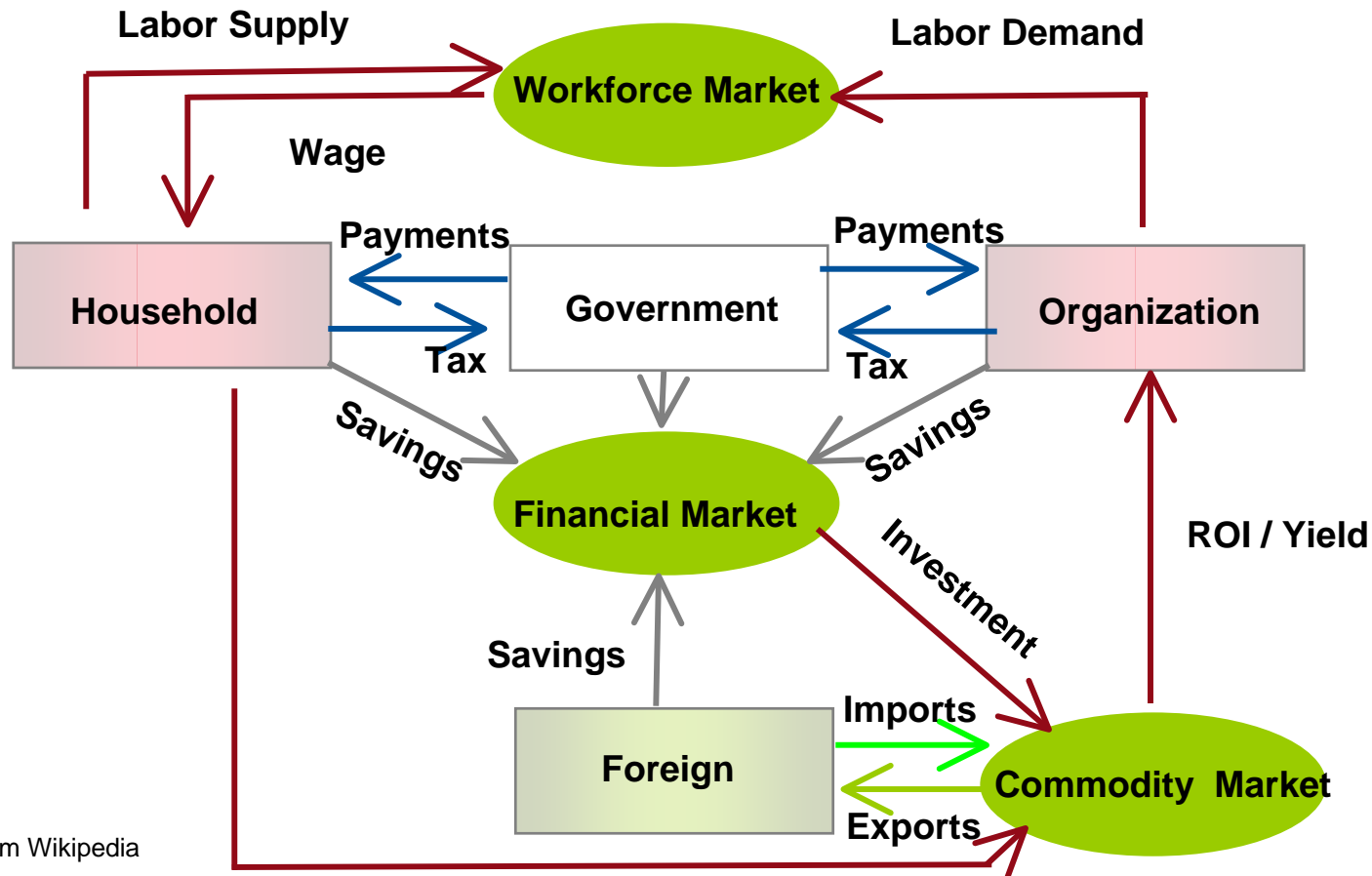
data extracted on 2008/08/26 23:29 from OECD.Stat

Productivity is the Important Differentiator: Work Smart; Not Just Hard

- The Number of Hours Per Worker to Not Directly Correlate to GDP nor Productivity
- Getting More Hours Out of Human Resources Does Not Lead to the Kind of Productivity Needed
- The Biggest Future GDP Leaders Not Show Well Here
- Pray the East Does Not Employ Process Improvement
- The West Can Compete Better with Constant Optimization
- Context the Most Important Factor to Avoid Sub-Optimization

Macroeconomics Implies Process Because of Circulation & Time to Market

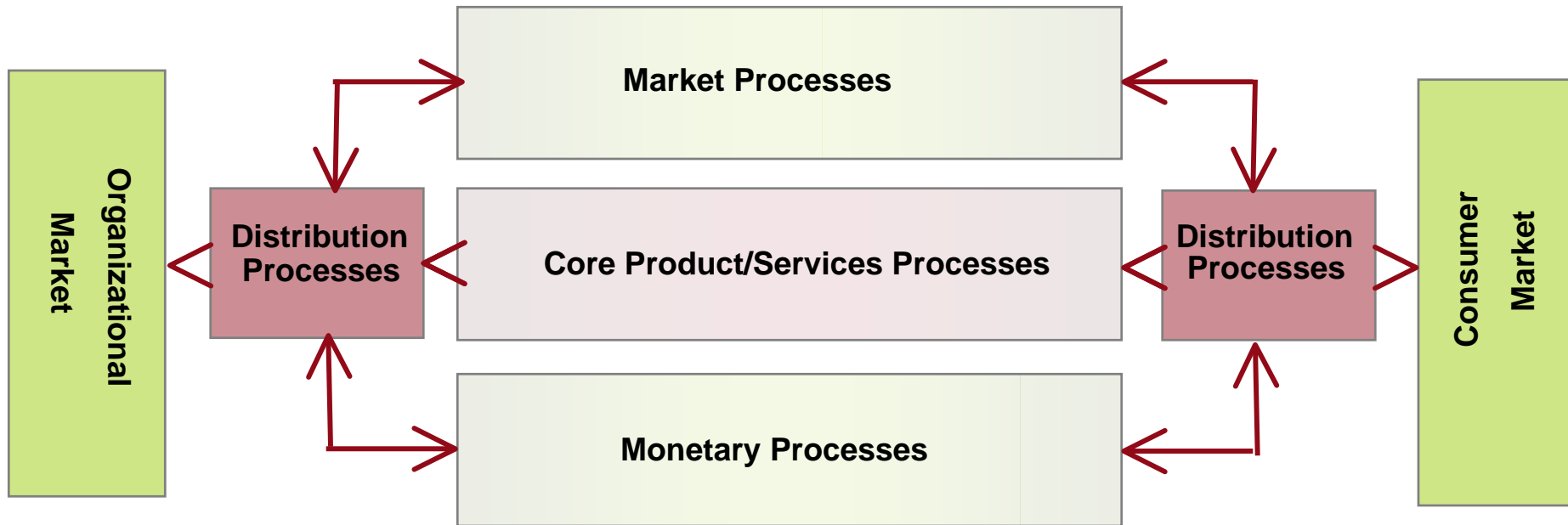
Deals with the performance, structure & behavior of national or regional economies as a whole



Adapted from Wikipedia

Microeconomics Implies Process to Interact

Deals with how individuals, households and firms decide to allocate & process with limited resources in markets

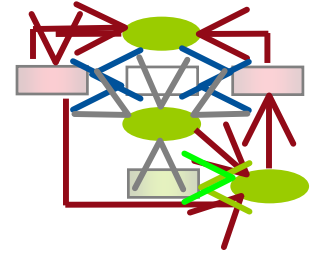


Adapted from Wikipedia

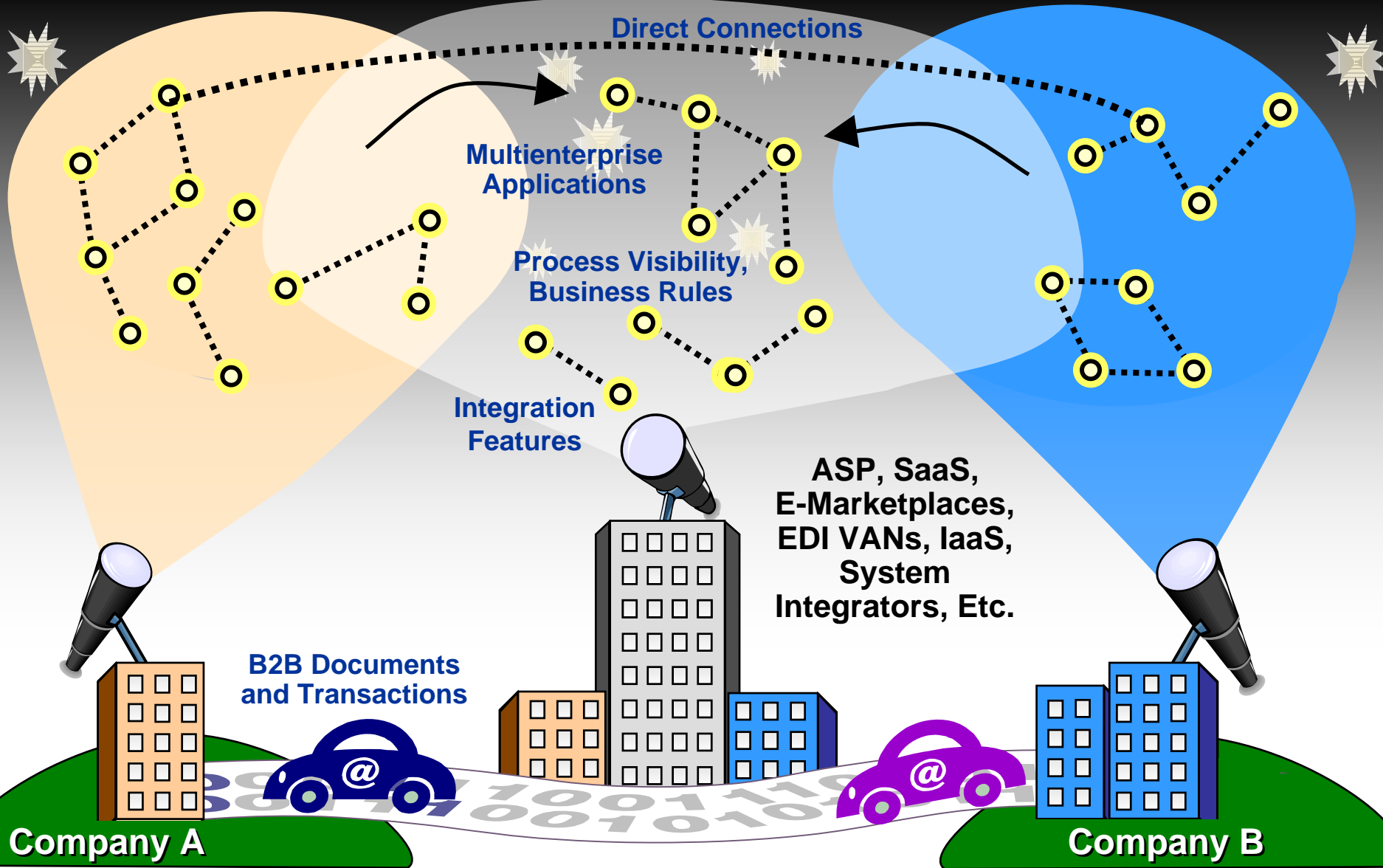
■ ■ ■ ■ How Does BPM deliver Productivity?

BPM Delivers Productivity at the Macro Level

- Looking at Process Helps Understand Current Productivity Rates on End to End Processes
- Projecting Processes Under New Strategies Helps Understand Where Productivity Might Go
- Implementing New Policies/Rules Will Guide How Productivity Will Improve
- Processes Have to Operate Within Business Constraints and Governance Policies
- Processes Show That Productivity Driven Approaches are as Important as Market Based Approaches

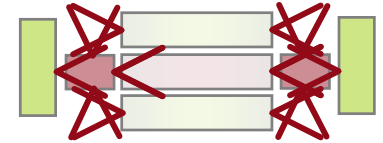


...Process Occurs Across All Boundaries; Starting with Company Interactions & Moving Beyond Later



BPM Delivers Productivity at the Micro Level

- Improves process quality
- Improves Customer Satisfaction
- Engenders Continuous Process Improvement
- Reduces Costs
- Improves the Customer Experience
- Improves Business agility
-
- #11 – Supports Moving to SOA



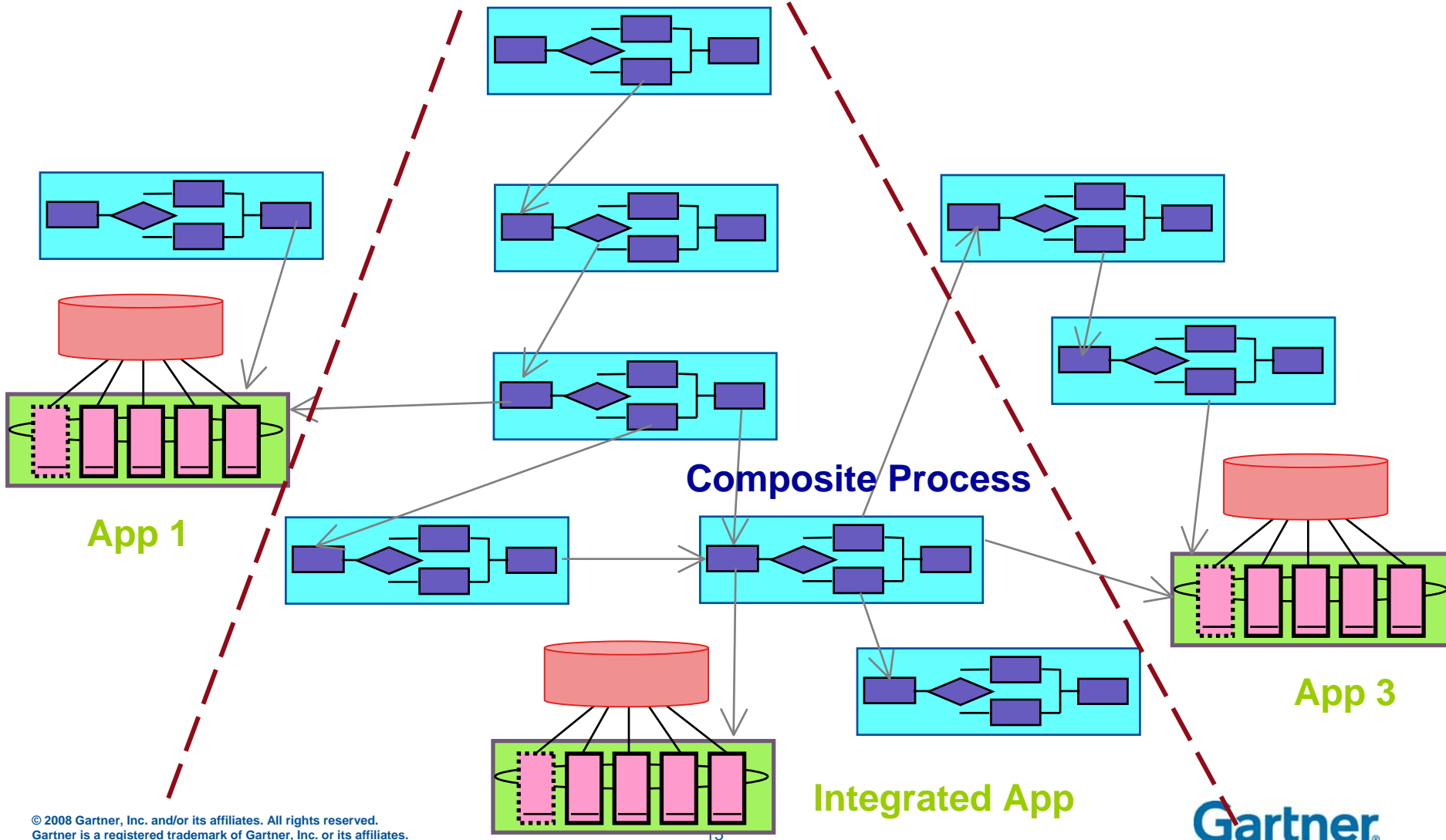
Based on a 2008 Gartner Survey

...Process Occurs in Multiple Contexts (One Person's Process is another Person's Sub-Process). This Puts a Premium on Having a Business Process Competency Center (BPCC)

Company A

Company B

Company C

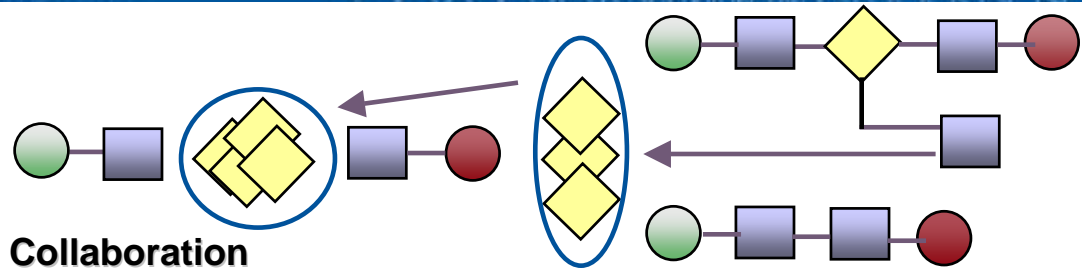


BPM Reduces Drags on Productivity, So BPM is Becoming Pervasive

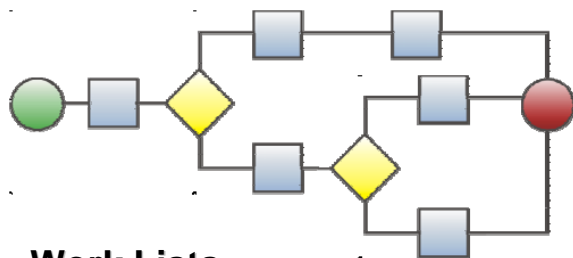
- 38% of Main Stream Organizations Have or are Planning to Adopt BPM *
- 54% are using BPM Now and 46% Plan to Use BPM *
- Organizations are Doing About Nine BPM Projects Per Year Mostly Funded by Business Budgets
- Most Experienced the Top Five Results of Continuous Improvement, Better Process Quality, Reduced Costs, Increased Agility and Happier Customers
- 83% Had Significant Change Each Year with 16% Experiencing Ad Hoc Change

* End user organizations with \$250 million or more in annual revenue for North America or \$100 Million or more in annual for Western Europe

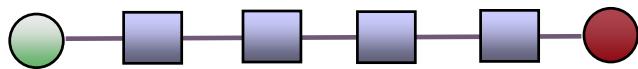
BPM Enables Incremental Productivity



Knowledge Worker Enabled Processes \$\$\$\$



Process Worker Enabled Processes \$\$\$



Computer Controlled Straight Through Processes \$

Monitor Results and Adjust Policies

Proactive Management

- Process Discovery
- Scenarios
- Optimization

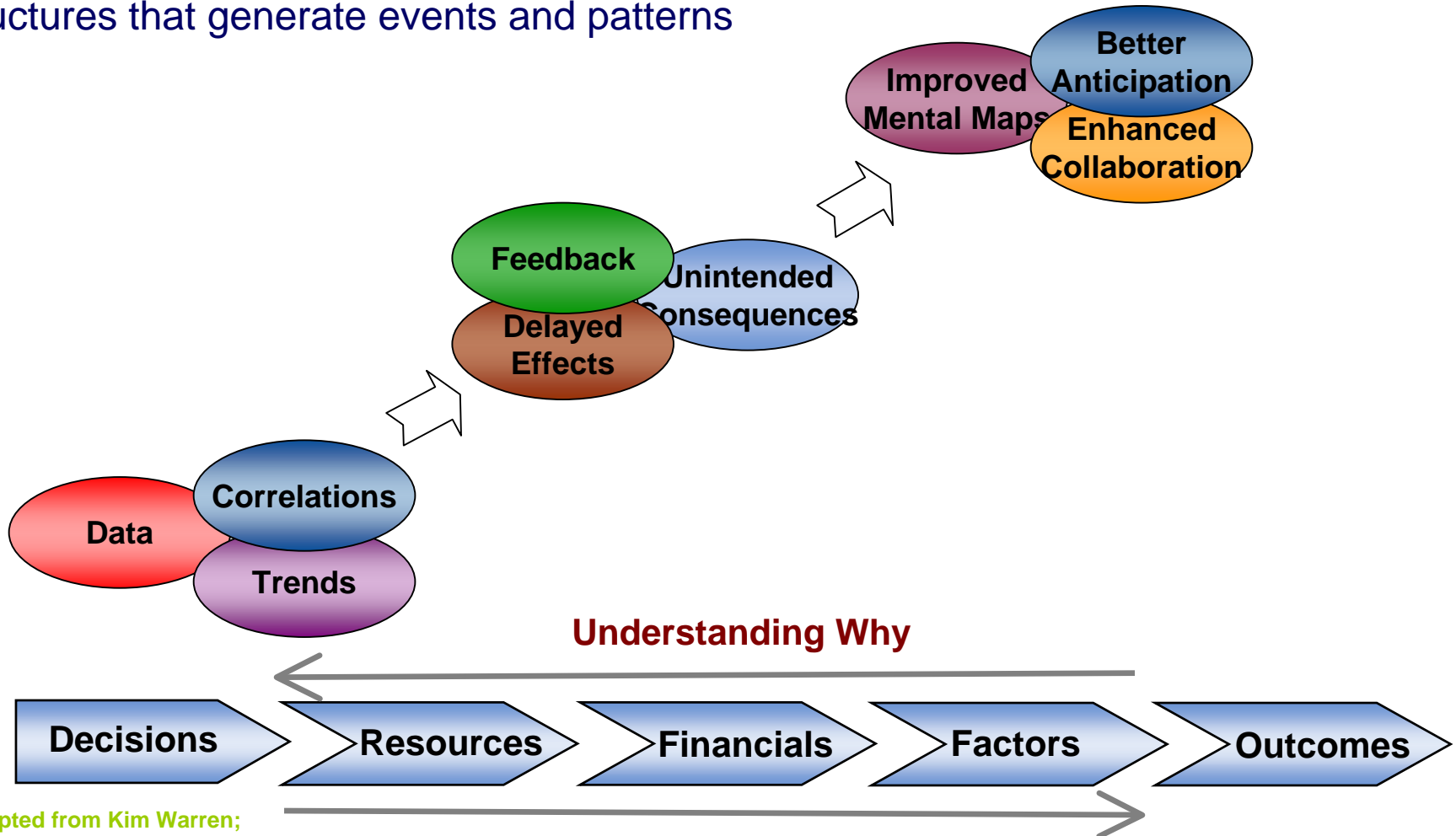
Reactive Management

- Fast Path Change
- Dynamic Rules
- Dynamic Binding

■ ■ ■ ■ How Does BPM Maintain and Extend Productivity?

BPM Embraces Dynamics and Agility

The real leverage for influencing performance/productivity lies in the feedback structures that generate events and patterns

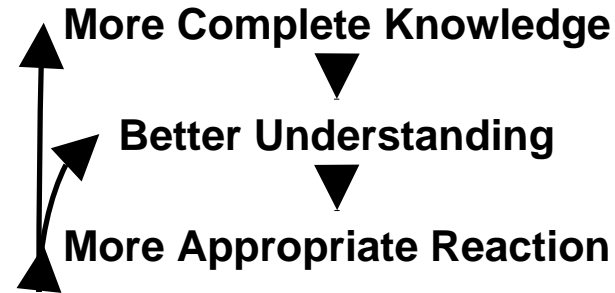


Adapted from Kim Warren;
London School of Business

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Improve Performance

BPM Senses the Need for Timely Change



Can we improve the decision we were about to make?



Is there an opportunity to skip steps in the process?

Should we add steps to the process?

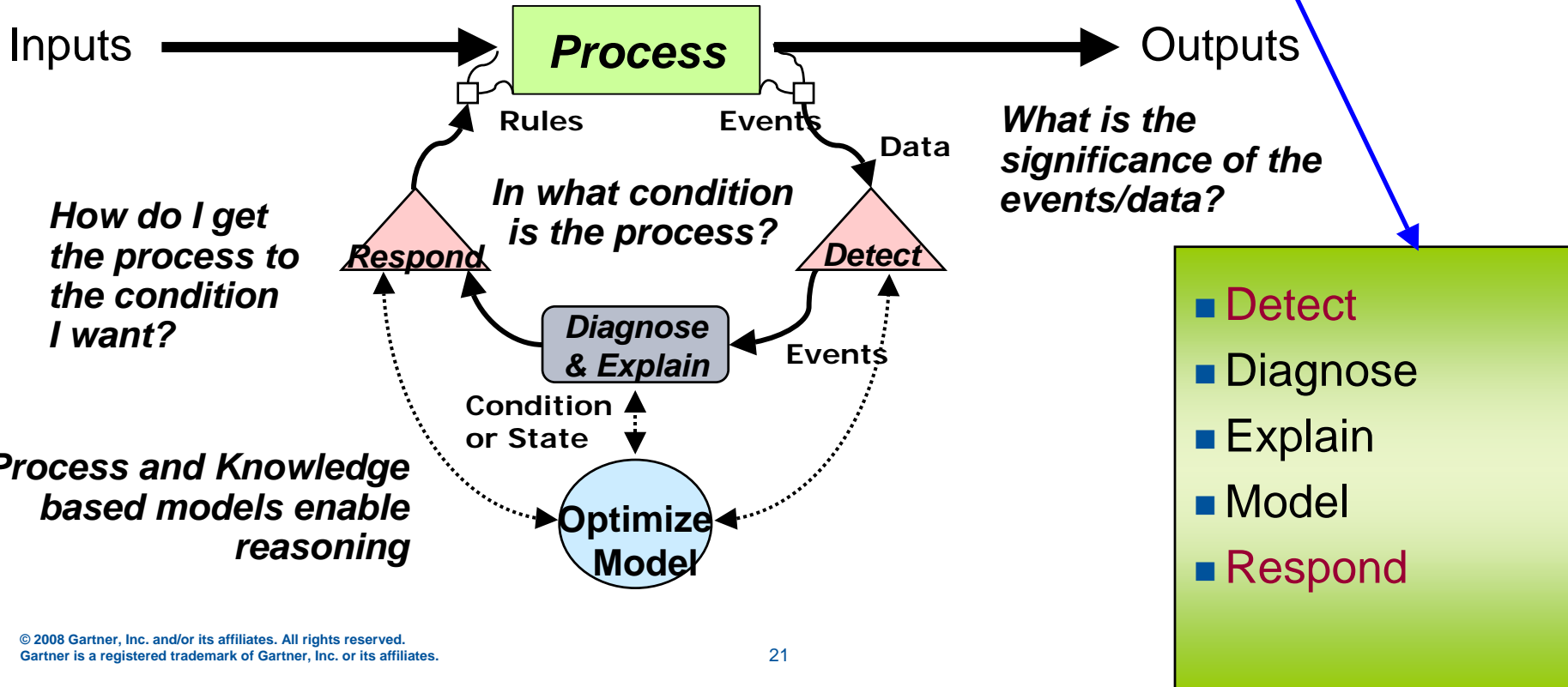
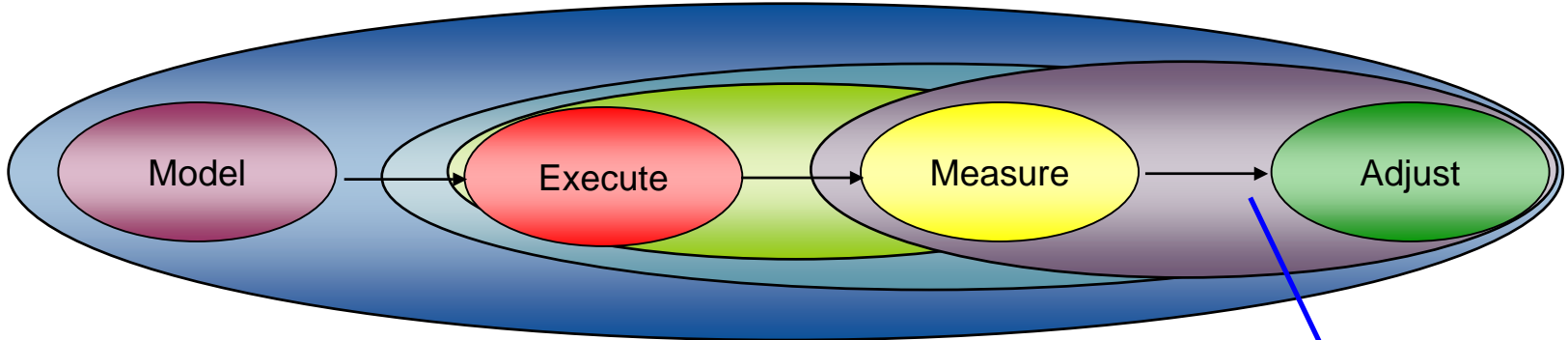
What would add the most direct value?

Can we learn something to deliver value in the future?

Will this step be unusually expensive?

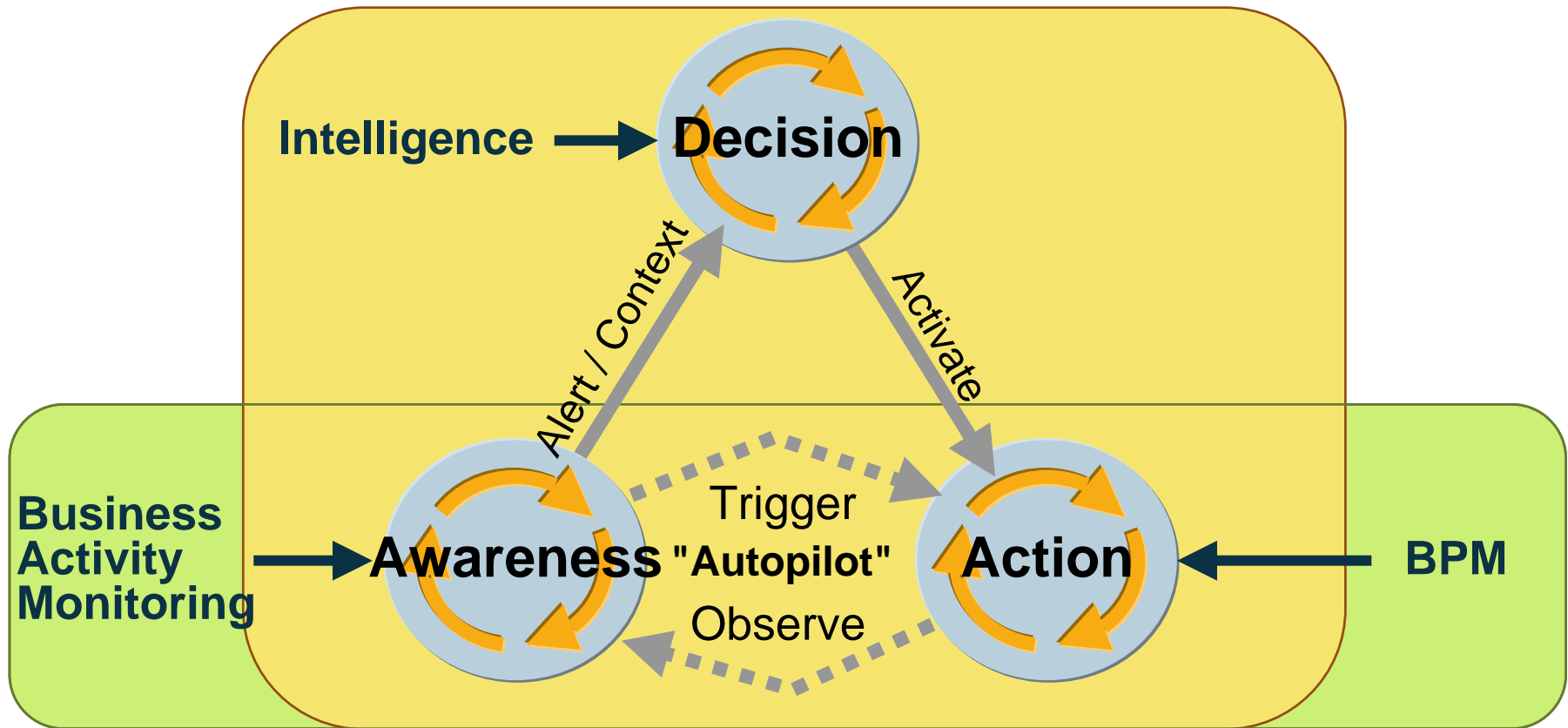
Is there always value in taking this step?

BPM Suggests Adjustments

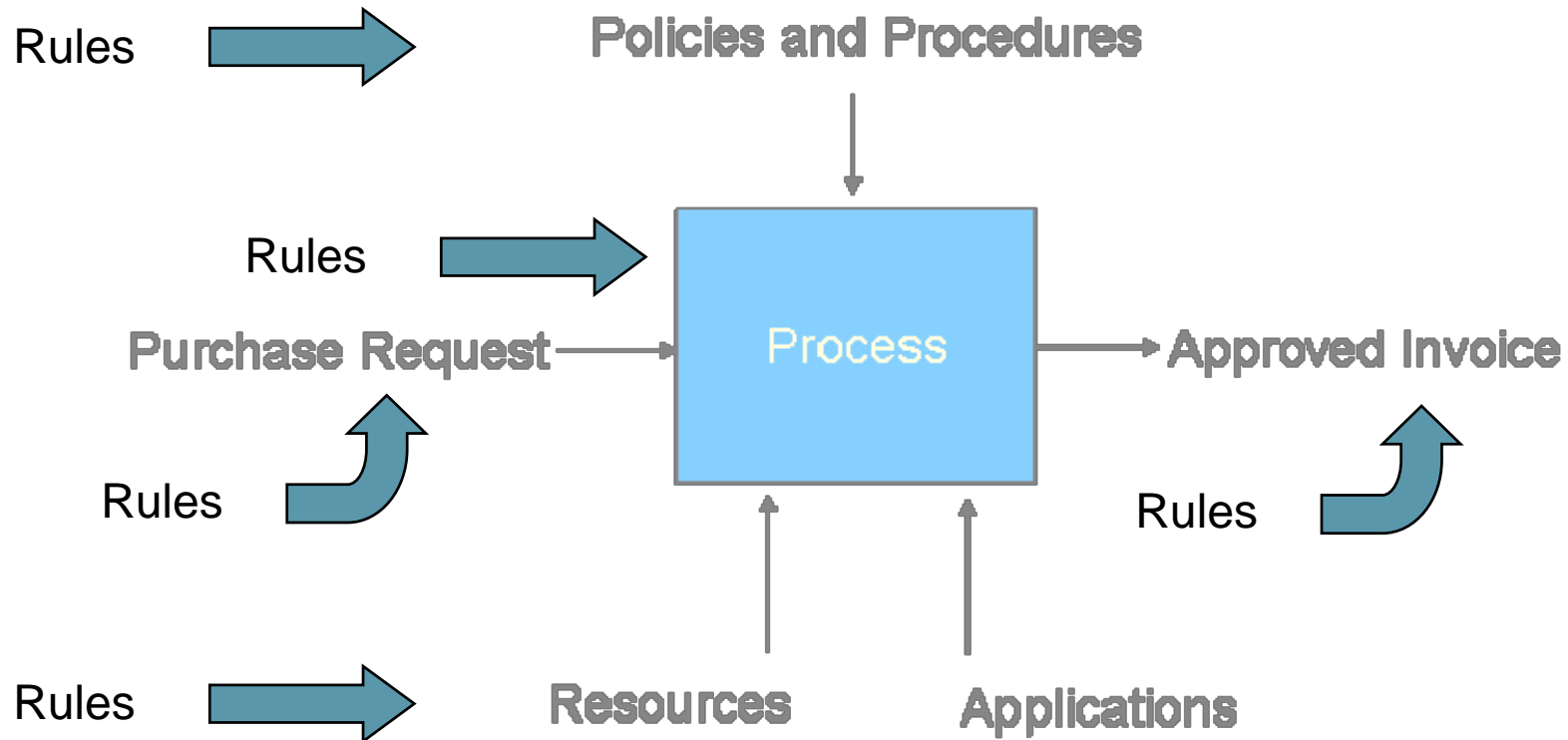


BPM Considers Multiple Contexts Before Adjusting Decisions, Rules and Flows

Policy/Rule Governance Layer



BPM Requires Explicit Decisions, Rules and Business Processes to Support Agility



BPM is Essential for Economic Progress

- Process is in the DNA of Macro and Micro Economics
- Companies and Countries Will Compete and Cooperate Through Processes
- It's All About Performance/Productivity
- Those Failing to Ready Themselves Will be at a Disadvantage
- Those Who Sub-Optimize Will Only Flourish for a Season
- Connecting Strategy to Performance is Essential Going Forward
- Preparing Alternative Strategies Will be a Price of Admission Going Forward
- Process Agility Will be a Must