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Gartner Says Enterprises Can Experience As Much As a 20 Percent Cost Savings With First Year of BPM

03/16/2009

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As companies try to find cost optimization opportunities during the economic downturn, business process management (BPM) investments can provide a cost savings of as much as 20 percent within the first year of implementation, according to Gartner, Inc. Analysts have said enterprises can achieve the payback from their BPM implementation within a year.

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received the following:

"Economic woes are driving increased usage of BPM as a cost-cutting mechanism for survival. We are seeing one-third of companies increasing their investments in BPM," said Michele Cantara, research vice president at Gartner. "BPM makes business processes visible to both business managers and IT, allowing them to work together and change processes more quickly and effectively. In today's troubled economy, companies need to continually reduce costs and rapidly react to market changes."

At the upcoming Gartner BPM Summit, to be held March 23-25 in San Diego, analysts will be providing detailed analysis on the best practices and tactics companies can employ to have a successful BPM strategy. This event follows Gartner's BPM Summit that was held in London in February of this year.

At the London event, attendees were asked about the impact the economy was having on their business. Gartner estimates that 70 percent of attendees were from companies that are in "survival" mode, and their organizations view BPM as a lifeline keeping them above water in the economic crisis. Approximately 20 percent of attendees said they were "thriving with BPM" — using BPM as a catalyst to grow their business. These were typically organizations that had successfully implemented BPM projects in the past. Some were moving resulting cost savings into other BPM projects for ongoing business process improvement, rather than survival. Approximately 10 percent of attendees were from organizations that viewed BPM as a weapon for capitalizing on transformational opportunities unavailable to beleaguered competitors in this recessionary environment.

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"When companies are in survival mode, they tend to slash head count and funding for programs to cut costs to still deliver on their earnings promises. This slashing approach can derail critical business processes and actually cost the company more money. Because BPM makes processes visible, it also helps companies do cost cutting with surgical precision," said Ms. Cantara.

Gartner recommends that companies use BPM, a discipline that optimizes the performance of end-to-end business processes (interdepartmental functions, partners, suppliers and service providers), to confront business challenges and complex business relationships. While there is tremendous upside to using BPM to realize significant cost savings, if companies do not manage the process correctly, it can result in failed initiatives.

"Too many user organizations are adopting BPM technologies without applying BPM disciplines via the business process competency center (BPCC) and find that their efforts do not deliver the promised results, and their BPM initiatives will subsequently be disbanded," said Elise Olding, research director at Gartner.

Organizations that plan for and resource the effort to establish and evolve the BPCC will be able to move from discrete BPM projects to transformational BPM programs in six to 12 months. Organizations that do not establish a BPCC will find their BPM efforts stagnating at the project level and delivering meager results. BPMS products will feature reporting capabilities and automated assessments specifically designed to help BP directors manage the BPCC and enhance organizations' BPM maturity levels.

Gartner analysts said that in some ways, BPM is no different from any other management effort. Technology is only a small part of the problem. Changing the behavior of process participants is the bigger challenge. Projects can get bogged down in organizational politics and can lose the way amid a swamp of change management and communication techniques.

"Some organizations get mired in debates about who should drive the effort, who should own the end-to-end process, how to define processes, and how to prioritize which process improvement efforts to tackle first," said Ms. Cantara. "Yet, there are some organizations that understand BPM and can sustain continuous process improvement. These organizations are able to cope with the thorny problems of getting started with BPM, affecting organizational change, using appropriate technologies, as well as staffing and maturing BPM efforts."

More detailed analysis will be presented at the Gartner BPM Summit taking place March 23-25 in San Diego. The Summit offers the latest insight on creating and sustaining an agile process-powered organization. Analysts will discuss how companies can align business strategy and IT to maximize operational agility, providing new opportunities to expand revenue and productivity. More information and a complete agenda can be found at www.gartner.com/us/bpm. Members of the media can register by contacting christy.petty@gartner.com.

In the Gartner report "It's a Matter of Survival: Use BPM to Drive Out Costs" Gartner presents a series of real-life examples in which BPM has helped organizations survive by identifying ways to improve business processes and cut costs at the same time. The report is available on Gartner's Website at http://www.gartner.com/DisplayDocument?ref=g_search&id=911912&subref=simplesearch.

In "Highlights from BPM Summit, London, February 2009", Gartner analysts review some of the key findings that came out of last month's Summit. The report can be accessed from Gartner's Website at http://www.gartner.com/DisplayDocument?ref=g_search&id=912924&subref=simplesearch.

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