Business Process Portfolio Management

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FROM BUSINESS PROCESS MANAGEMENT TO BUSINESS PROCESS PORTFOLIO MANAGEMENT

In today's society, work environment and customers' expectations change on a daily basis. Consequently, it is crucial for the modern enterprise to find a way to adapt itself to new requirements.[1]

After more than 25 years of existence, business process management (BPM) has become the de facto standard in eliminating historically grown and chaotic business procedures by organizing them in a structured, transparent, and standardized way.[2] The growth in acceptance of BPM has been supported by a wide range of tools such as BPM suites, which are entering the plateau of productivity on the Gartner Hype Cycle.[3] This, in turn, will increase the widespread adoption of BPM and lift the BPM maturity in organizations. However, with increasing maturity, organizations face the next challenge.[4] How can they manage the entire set of processes, improve them as a whole, or decide on which processes their limited resources should be deployed?

Organizations apply various process re-engineering, process innovation, optimization, and management techniques to improve their business processes. The impetus for these improvements can range from a specific business problem to a management directive or a need to reduce costs and improve efficiency. Organizations typically undertake periodic process improvements that are focused on specific business processes and may or may not align with the business strategy. Too often, once a project is completed, management attention goes elsewhere and things revert to the way they were. The value realization potential is not used enough, resulting in high cost and low value for the organization. Often the anticipated benefits are not realized or even audited to see whether the goals were reached. Similarly, many pitfalls can appear when process improvement is attempted one process at a time. In these cases, it is difficult to tell which processes contribute the most to achieving the business objectives, which process is the critical process to improve, or which processes are interdependent and therefore influence each other.

To realize all of the benefits of sometimes disparate BPM efforts, there needs to be an ongoing, organization-wide effort to assess and measure the results and continue to use the successful implementations. This organizational wide effort needs to be governed and controlled through a BPM Center of Excellence (CoE) already described elsewhere. Emphasis should be on what needs to be done rather

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than the location of where it is done, such as a department or area of the company. The processes need to be managed end-to-end to optimize the different silos in an organization where processes normally exist. There is a good chance that in most organizations no one person exists who manages the process end-to-end or even understands the process in that context.

Value chain and value network concepts are approaches to provide a more high-level view on value generation and improvement, linking sequential activities to business strategies and outcomes.[5] However, they often do not allow drilling down or breaking down to of specific business processes where the value is created, and thus lack support for process and inter-process relationships.[6] Business process portfolio management (BPPM) is the solution as well as the concept that should be applied, as described in subsequent sections.

COMMON PITFALLS WHEN IMPLEMENTING BPPM

Most organizations, both private and public sector, experience a number of pitfalls when implementing and sustaining successful BPPM, as shown in Figure 1.

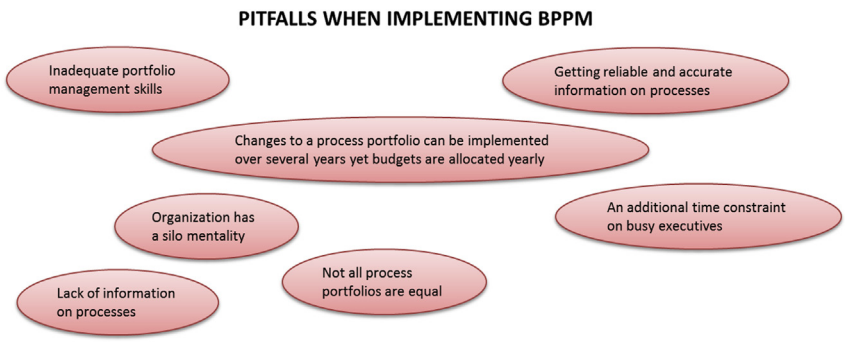

FIGURE 1

Common pitfalls when implementing business process portfolio management (BPPM).

Not All Process Portfolios are Equal

BPPM ought to take place wherever investment decisions are being made; however, the views of the portfolio and the questions that need to be answered will depend on whose perspective affects the decisions. For example, a portfolio of enterprise processes will need much more rigorous evaluation from a number of perspectives than, for example, a portfolio of behind-the-scenes information technology (IT) processes. An enterprise's alignment to corporate strategy may be a score used to determine value at the board level, whereas alignment to Information System (IS)/Information Technology (IT) strategy will be of primary interest to the chief information officer.

Changes to a Process Portfolio Can be Implemented Over Several Years, Yet Budgets are Allocated Yearly

A change initiative to a process portfolio is often a multi-year initiative that is not always aligned to the financial allocation of budget to individual process changes within the portfolio. Furthermore, in most organizations budgets are allocated yearly, which makes the continuum of the portfolio challenging considering that resources might be lowered at key stages based on budget allocation and reallocation. The most challenging periods are normally over the financial year end when existing budgets must be balanced and new budgets have yet to be fully allocated.

Organization Has a Silo Mentality

Silo mentality is an attitude found in some organizations that occurs when several departments or groups do not want to share information or knowledge with other individuals in the same company. A silo mentality reduces efficiency and can be a contributing factor to a failing corporate culture. This occurrence is detrimental in BPPM as processes devalue one another. Inefficiency is exaggerated owing to resources and knowledge being withheld.

Lack of Information on Processes

To prioritize the work successfully on a large portfolio of processes and allocate limited resources adequately, it is important to gather the same information consistently for all involved processes. As mentioned earlier, this information might consist of the risk of failure, client exposure, frequency of use, and cost to run. If desired information is not available for all processes of a portfolio, objective priority calls are difficult to make and remain subjective.

Getting Reliable and Accurate Information on Processes

BPPM also requires a place to store all of the data for processes, preferably a central source that is regarded as being the single source of these data and under change control. Having a single source for reporting also enables the elimination of the double counting that may otherwise arise if each process is permitted to use different sources of data and measures for its reports.

Inadequate Portfolio Management Skills

Managing at the process level is no longer sufficient for organizations. Increasingly, a higher-level perspective is required to ensure that entire ecosystem of processes deliver desired services and products as BPPM allows an organization to take a holistic view of a group (or groups) of its processes to improve return on investment (ROI) and strategic alignment. Process owners or key managers need to be trained to become qualified process portfolio managers. They need to combine strategic alignment and sound financial and risk management to drive large portfolios. The combination of all three elements is often missing and created pain points in all three mentioned areas for executives and organizations looking to improve the ROI successfully in their portfolios. Therefore,

irrespective of the benefits theoretically obtainable in one area, a focus in one of these areas will not deliver value without the combination of all three elements of strategic alignment and sound financial and risk management. Furthermore, a focus on the outcome, not the individual performance of processes, is required when dealing with BPPM, a fact with which many previous process owners experience difficulties.

Additional Time Constraint on Busy Executives

Improving the way an enterprise creates and manages value is a change program in itself that will need its own business case. Even with senior sponsorship and a strong appetite for positive change, once executives realize that the effort involved in doing things properly will require time and effort on their part, there is often nervousness, uncertainty, and sometimes push-back. Executives may also struggle with the new data and processes involved and will need guidance, coaching, and support.

The intention is to save these busy executives much more in terms of resources than might otherwise be wasted by enabling them to allocate scarce resources more wisely across the process portfolio, with an acceptable level of risk and more in line with their target investment mix. Gathering lots of data and then putting the data in front of those who make decisions is not necessarily the right answer. Few executives are detail focused and very few would wish to be. They will simply see this data dump as an additional demand on their already overstretched time, or worse, may feel unable to make a decision for fear of making the wrong one. What are called for are the services of impartial experts who do not take the place of the decision makers, but who can offer insight, guidance, and recommendations to decision makers. These services should be offered both proactively and on-demand, so that they can answer questions, including: Are we doing the right things? Are we getting the benefits? The home of such a service might well be called a value management office, process portfolio office, or center of excellence. Whatever the title, its role is essentially that of trusted advisor or secretariat to those who make the investment decisions.

ESTABLISHING BPPM

BPPM borrows its concept from project portfolio management (PPM), which has gone through a similar evolution. The key concepts of PPM can be easily applied: From project to process, from program to cross-functional processes, and from project portfolio to process portfolio.[7] BPPM flips the vertical BPM process horizontally to manage vertical silo organizational processes. The BPPM process will maximize organizational performance as a whole, identify and reduce duplication, and manage process interdependencies.

This section will start with a comparison of PPM, BPPM, and BPM to set the context, which is followed by a discussion of required portfolio information to effectively manage a business process portfolio. To support organizations moving to BPPM, the important steps and considerations in creating a BPPM Office are outlined afterward. The section closes with an overview of the BPPM life cycle.

COMPARISON OF PPM, BPPM, AND BPM

PPM deals with how to undertake the right projects at the right time, whereas process portfolio management addresses the right processes at the right time and process management focuses on ;performing processes right. Compared with BPM, BPPM focuses on the selection, prioritization, and monitoring of a portfolio of processes to optimize enterprise strategic outcomes, whereas BPM focuses on the individual delivery of a service or product. A comparison is presented in Table 1.

Table 1 ***Comparison Between Project Portfolio Management (PPM), Business Process Portfolio Management (BPPM), and Business Process Management (BPM)***

	Project Portfolios (PPM) "Doing the Right Projects"	**Process Portfolios (BPPM) "Doing the Right Processes"**	**Processes (BPM) "Doing the Process Right"**
Scope	Project portfolios have horizontal scope that aligns with the strategic framework, objectives, goals, and priorities of the organization.	Process portfolios have horizontal scope that aligns with the strategic framework, objectives, goals, and priorities of the organization.	Processes produce a specific service or product.
Change	Project portfolio managers continuously monitor change in the broader internal and external environments.	Process portfolio managers continuously monitor change in the broader internal and external environments.	Process owners manage change on processes and keep change controlled.
Planning	Project portfolio managers create and maintain processes and communication relative to the aggregate portfolio of projects.	Process portfolio managers create and maintain planning and communication relative to the aggregate portfolio of processes.	Process owners manage detailed plans throughout the process life cycle.
Management	Project portfolio managers manage or coordinate portfolio interdependencies, communications, and benefits in the aggregate portfolio of projects.	Process portfolio managers manage or coordinate portfolio interdependencies, communications, and benefits in the aggregate portfolio of processes.	Process owners manage the performance of a process.
Benefits	Success is measured in terms of the aggregate investment performance, stakeholder satisfaction, and benefit realization of the aggregate portfolio of projects.	Success is measured in terms of the aggregate performance, stakeholder satisfaction, and benefit realization of the aggregate portfolio of processes.	Success is measured by service and product quality, timeliness, budget compliance, and degree of stakeholder satisfaction.
Monitoring	Project portfolio managers monitor strategic changes and aggregate benefits, resources, interdependencies, performance results, and risks of the portfolio of projects.	Process portfolio managers monitor strategic changes and aggregate benefits, resources, interdependencies, performance results, and risks of the portfolio of processes.	Process owners monitor and control the performance of processes to deliver products or services.

As can be seen, the conjunction of PPM and BPPM can be found in change initiatives. Major process improvements are usually run as projects which are planned, executed, and governed through PPM.

CREATING A BPPM COMPETENCY

Once an organization has decided to implement BPPM, the BPPM competency must be planned and its mandate defined; then it can be integrated into the organization. A structured approach to implement BPPM is presented in Figure 2, adapted to BPPM from the portfolio reference content.[8]

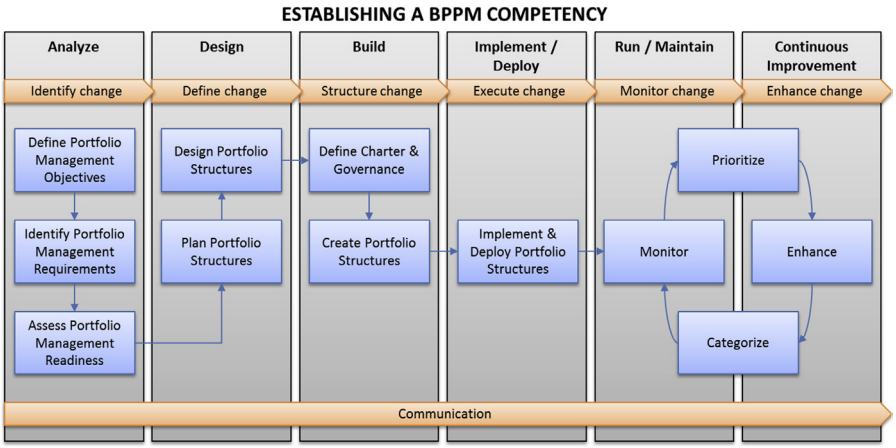

FIGURE 2

Implementing and sustaining a business process portfolio management (BPPM) competency.

The implementation of BPPM is framed by the need for change management, which is highlighted through the ongoing deliverable of communication.

Guiding Principles

The BPPM principles represent the foundations upon which effective portfolio management is built. They provide the organizational environment in which portfolio management practices can operate effectively. These principles apply equally within any portfolio of processes and process improvement projects, whether the individual investment is occurring in the business, application, or technology layers.

Guiding principles are:

- Business process portfolios are aligned to the strategic business objectives as well as the critical success factors of an organization.

- Interdependencies are managed at a business continuum level across portfolios and assessed against business transformation, delivery, and stakeholder commitments.
- Portfolio governance and decision making is clearly defined and integrated across the organization's corporate governance to proactively balance resource capacity against organizational performance.
- Active stakeholder engagement is in place by integrating and coordinating stakeholder requirements within a portfolio where they are recognized as key contributors to the delivery of organizational outcomes.

Analysis Phase

The purpose of this phase is to identify the need for BPPM within an organization. It sets out the basic requirements in terms of what objectives the portfolio management within the organization will fulfill. It details and decomposes the specific requirements needed to meet the expectations and objectives of BPPM and then assesses the portfolio management readiness across the organization.

The section on alignment considerations when implementing BPPM will provide an overview of the different factors to which a BPPM initiative needs to align.

Design Phase

The purpose of this phase is to plan and design the BPPM structures within the organization. The plan and design activities, roles, and deliverables ensure that portfolio management structures are ready for the build phase. Design phase activities should account for variation factor types and feedback communications. Both activities will consider uncertainty events and near real-time performance feedback for process effectiveness. The section on business process hierarchy will introduce a hierarchy concept to provide structure for the business processes in an organization to facilitate prioritization. To compare different process improvement initiatives, certain information is required for the business process portfolio, which is described in the section on BPPM information, measurements, and reporting.

Build Phase

The purpose of this phase is to take the designs created in the preceding phases and build the portfolio management structures and governance within the organization.

Deploy/Implement Phase

The deploy phase executes the change into existence within the organization. It launches BPPM as a framework into the organization whereby process improvement programs and projects fall under the governance of a BPPM office (BP-PMO).

Run/Maintain Phase

The run/maintain phase takes the BPPM life cycle into the business as usual/operational space. BPPM now requires ongoing monitoring, re-prioritization via ranking, and categorization after enhancements have taken place in the continuous improvement phase. The run phase and continuous improvement phase are linked together through the prioritization and categorization activities that lead to the ongoing improvements in monitoring from the continual enhancement of portfolio management.

Continuous Improvement Phase

The continuous improvement phase objective is to look for ongoing enhancements to the BPPM life cycle and method so that these can be used to improve portfolio management over time. The continuous improvement phase and run phase are linked together through the prioritization and categorization activities that lead to prioritized improvements entering the continuous improvement phase; these improvements are then enhanced further where possible before being categorized and applied to the organization's BPPM.

Once an organization has successfully implemented BPPM, the overall BPPM life cycle can be applied in effectively executing, sustaining, and continuously improving their portfolio management. The section on BPPM life cycle deals with the effective daily portfolio management operation.

ALIGNMENT CONSIDERATIONS WHEN IMPLEMENTING BPPM

Alignment to an organization's strategy is the cornerstone of creating a BPPM competency. Clark and Cameron described four alignment factors that need to be taken into consideration when establishing a BPPM competency (as shown in Figure 3): strategic, "processual" (process-centric), social, and technical alignment.[9]

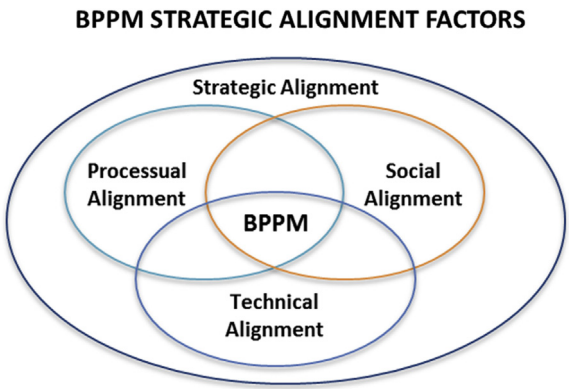

FIGURE 3

Strategic alignment factors when establishing a business process portfolio management (BPPM) competency.

Strategic Alignment

The strategic alignment factors describe when, where, and how BPPM will be applied in the organization and how it will be leveraged for strategic advantage. Vision, scope, and distinctive competencies need to be described here. According to Clark and Cameron, potential outcomes of BPPM might be operational transparency, dynamic executive dashboards tracking process performance, auditing capabilities, ease of business process configuration, and highlighting processes delivering competitive advantage.

Social Alignment

Social alignment factors look at aspects such as the facilitation of collaboration, knowledge sharing, and convergence in perceptions through BPPM as well as the degree of inclusion in decision making. The underlying premise is that process management is highly social and collaborative in many aspects. Clark and Cameron also highlighted that governance is a key social factor.

Processual Alignment

Processual alignment factors deal with methods performed to execute BPPM. According to Clark and Cameron, these include decomposition strategies (top-down, bottom-up, or a hybrid), taxonomies, process classifications, definitions, documentation, and performance metrics, knowledge management, and dealing with process repositories.

Technical Alignment

Technical alignment factors describe the technology used to achieve the desired outcomes of a BPPM strategy incorporating social and processual factors. Technology should be an enabler and not an inhibiter of a successful rollout of BPPM. Clark and Cameron also talked about the facilitation of meeting the top-down approach for BPPM with the bottom-up approach often used in service-oriented architectures deployments that should form part of the BPPM strategy.

BPPM LIFE CYCLE

The BPPM life cycle consists of a series of phases spanning from the opportunity management phase to the realization of an opportunity, right through to its transition into the appropriate operational environment; it concludes with continuous improvement, as shown in Figure 4, which has been adapted from the portfolio reference content.[10] This figure also highlights the value identification, planning, creation, realization, and governance flow across the portfolio management life cycle. It is obvious that the highest value potential can be realized during the earliest phase of the life cycle as well as in the continuous improvement phase.

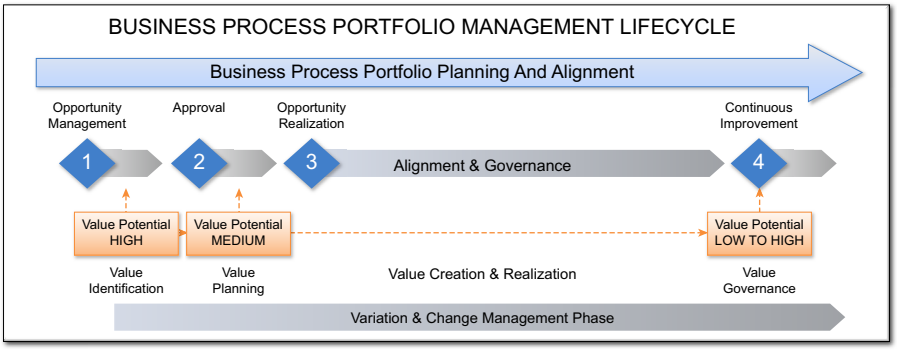

FIGURE 4

Business process portfolio management (BPPM) life cycle.

Each phase in the portfolio management life cycle is described below.

Business Process Portfolio Planning and Alignment Phase

The purpose of this phase is to define the portfolio and ensure the alignment of portfolio planning with organizational strategic goals, priorities, and direction. The portfolio needs to be approved by executive stakeholders.

Business process portfolio planning and alignment phase defining documents include the portfolio road map, portfolio baseline, executive change management strategy, and executive portfolio communication road map.

Opportunity Management Phase

The purpose of this phase is to rank required process improvement projects within the portfolio by assessing the project proposals for portfolio improvements against a defined set of criteria to generate objective ranking (identify, elect, prioritize, and rank) in relation to the organizational strategic outcomes provided by the executive stakeholders.

The opportunity management phase defining document is the project proposal that, at a minimum, describes required process changes by clearly articulating current as-is state, end-state vision, funding, high-level business requirements, benefits, risks, and stakeholders.

The outcome of this phase is to have a prioritized list of project proposals within the portfolio that have preliminary approval in principle with validation that the business unit or organization has the capacity and competency to carry out proposed projects.

Variation/Change Management Phase

Successful portfolio management techniques must consider the effects of variation both internal and external to the business across the life cycle of the portfolio. Programs and projects can start at any time and in most cases do not all start together, so there must be

a phase that considers the changes imposed by the new project or new program. This is the variation/change management phase. Internal variations may be defined as missing processes, system requirements, or missing business objectives. External variation may be defined as missing legal/regulatory impacts or missing weather/environmental factors. The portfolio must have the capability to adjust to variations with which it is presented.

The BPPM process could use additional language to support change created by variation. Four variation factor types have been defined that have been found to be most problematic when managing multiple programs within a portfolio. In general, concern must be expressed about exposing what we do not know. The BPPM process should be designed to expose unknown deficiencies, gaps, or duplication as quickly as possible. A feedback loop is required within the process to react to the change and challenge the process to ultimately apply corrective action for each variation factor type. The effect on the portfolio and its related programs is indicated in Figure 5, with portfolio risk increasing as the scope clarity decreases.

Variation Factor Types:

- Variation Type 1: Known project with known "unknowns" (an approved and planned project that knows there are things which it does not know)
  - Documented project with documented requirements or processes to address the known "unknowns"

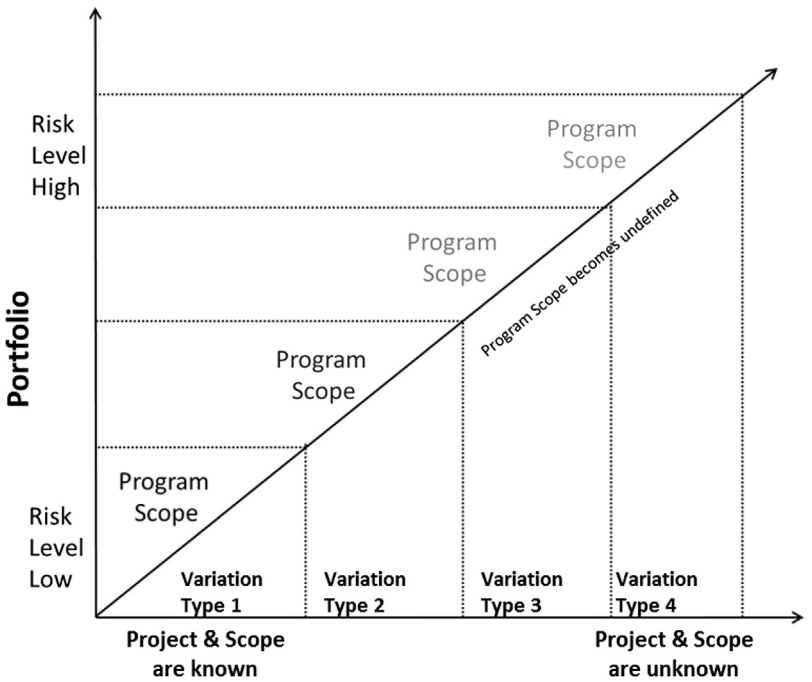

FIGURE 5

Change risk and variation factor type.

    - Impacts: Minimal, the team has a known project and is tailoring requirements and processes to the program to address the known "unknowns." Because the project is known the team may have time to apply corrective action
- Variation Type 2: Known project with unknown "unknowns" (an approved and planned project that is unaware that there are things which it does not know)
    - Documented project with no documented requirements or processes to address the unknown "unknowns"
    - Impacts: Minor, the team has a known project and is not tailoring requirements and process to the program to address the unknown "unknowns." Because the project is known the team may have time to apply corrective action
- Variation Type 3: Unknown project with known "unknowns" (an unapproved or unplanned project that knows there are things it does not know)
    - Undocumented project with documented requirements or processes to address the known "unknowns"
    - Impacts: Major; the team has an unknown project that could have a significant impact on the program. However, the team is tailoring requirements and processes to address the known "unknowns." Because the project is unknown and has documented known "unknowns," the team may not have time to apply corrective action.
- Variation Type 4: Unknown project with unknown "unknowns" (an unapproved or unplanned project that that is unaware that there are things which it does not know)
    - Undocumented project with no documented requirements or processes to address the unknown "unknowns"
    - Impacts: Critical because the team has an unknown project that could have a significant impact on the program. However, the team is not tailoring requirements and processes to address the unknown "unknowns." Because the project is unknown and has unknown "unknowns," the team will not have time to apply corrective action.

Approval Phase

The purpose of this phase is to formally authorize the business process portfolio improvements. The portfolio improvement projects are presented to executive stakeholders for approval by either the business process portfolio manager or the BP-PMO. The executive stakeholders evaluate the portfolio improvements at an enterprise level and then grant authorization for the improvement projects to proceed based on organizational strategic objectives and corporate capacity.

Once the approval is obtained, the process portfolio is rebalanced. The BP-PMO updates the portfolio delivery strategy within the portfolio road map document to provide an overview of the sub-portfolios, projects, costs, interdependencies, risks, stakeholders, and benefits along with a time frame used within the alignment and governance portfolio phase for effective portfolio monitoring and control.

Opportunity Realization Phase

The purpose of this phase is to provide alignment, oversight, and direction for the effective and timely management of the various process improvement

initiatives and projects within the portfolio. The opportunity realization phase focuses executive attention at the portfolio level to primarily address the following considerations:

- Continual evaluation of performance and alignment of portfolio improvement projects against the portfolio road map approval of changes to project and portfolio baselines
- Alignment with other change initiatives (e.g., pure technology improvements with no business process impact) in the organization that might be managed by a separate project management office as well as prioritization across the different portfolios if necessary

This phase also serves to balance and optimize adjoining portfolios with respect to:

- Portfolio improvement project benefits and interdependencies within and between the adjoining portfolios
- Interdependencies between processes that are affected by improvement projects within and between adjoining portfolios
- Limited resource capacity/capability versus substantial demand
- Changes in business strategy/business opportunities
- Managing the portfolio to a predetermined risk profile

Figure 6 shows the relationship between the BPPM life cycle and the project management life cycle for portfolio improvement projects during the opportunity realization phase.[11]

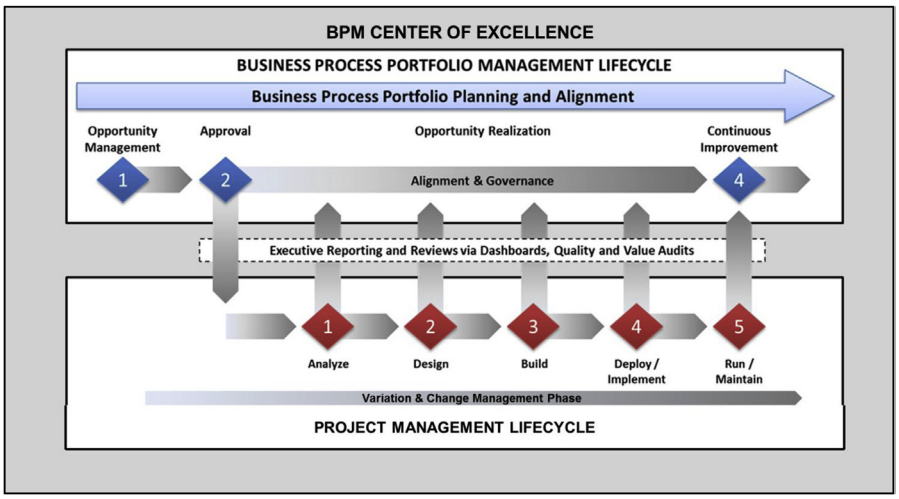

FIGURE 6

Relationship between BPPM life cycle and project management life cycle of process portfolio improvement projects.

Feedback Loop Communication

Successful portfolio management techniques must also consider the effects of communication. A concern in many organizations is about the language used in the documentation that addresses portfolio plans or process requirements approval with senior management. Pushing communication up to senior management and then back down to working management is time-consuming and loaded with risk. How do organizations improve that process so that approval or requirements, especially when impacted by variation and change management, are addressed faster? How do organizations compensate the loop to enable faster response time? Empowerment of middle management ranks that have access to or reside with the BPM CoE to make decisions that do not require executive level approval is an idea or provides a vehicle for frontline communications to flow directly back to senior management. Essentially the organization should create a distributed architecture of empowered middle managers who are part of the BPM CoE and who have the authority to approve tactical and operational changes and program and project management direction and provide a direct line of feedback to the executive team. This builds both the BPPM maturity and strengthens the BPM CoE in its governance.

Executive-level approval and decisions do not always work, for the following reasons:

1. Information is filtered and condensed on executive-level reporting
   a. Executives typically like to see one to three PowerPoint slides
   b. Many times critical information is missing
   c. Complex issue cannot always be quantified in three PowerPoint slides.
2. Executives are primarily concerned with money and budgets
   a. Many executives are too disconnected from the operations/technical issues to make the connection on how this impacts business
   b. Many executives do not have a long-term vision
   c. Many executives are too concerned about short-term gains and putting out immediate daily fires
3. Critical decisions are funneled and bottlenecked for a few select people to review
   a. Vertical communication up to senior management is time-consuming and slow
   b. Often there is no real value added in the process other than rubber stamping the request and moving forward with the project
   c. The decisions is often already been made, so why bother with the exercise?

Feedback Loop

The feedback loop requires the empowerment of a middle manager who has direct dotted line access to senior management. The existing manager, director, executive director, vice president (VP), and senior vice president (SVP) reporting structure stays in place; however, the empowered middle manager provides real team feedback to the VP/SVP team. This new channel will forward unfiltered and near real-time feedback to the senior management team. This new feedback channel will also keep

the existing reporting structure and management team in check and ensure that both reports and feedback loops are in phase and in agreement.

An example of this is presented graphically in Figure 7.

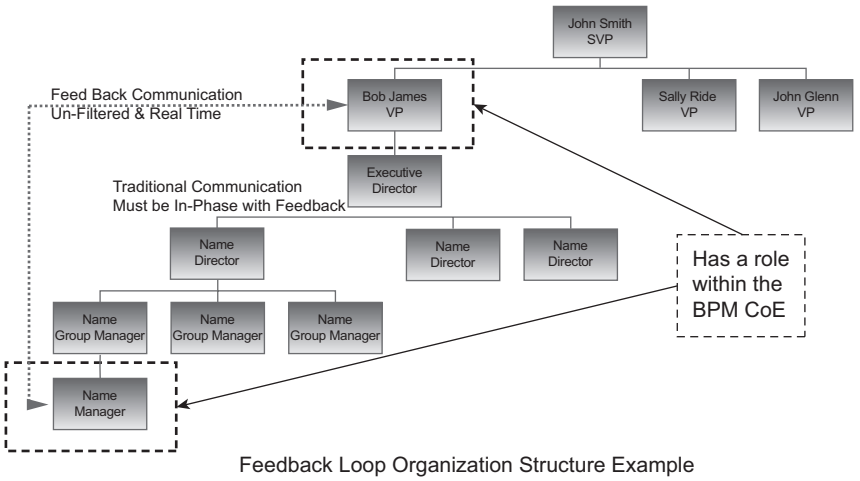

FIGURE 7

Example of feedback loop.

Continuous Improvement Phase

The purpose of this phase is to evaluate whether the portfolio benefits and contribution to the organization have been effectively realized. This is a consolidation and review of each of the individual projects' outcomes. Furthermore, remaining pain points and new opportunities for portfolio improvements are identified during this phase.

The portfolio continuous improvement phase defining documents are the portfolio benefits assessment and portfolio health assessment.

A portfolio health assessment can be gathered from the health assessment of individual business processes. Process health assessments should focus on costs versus value to the organization.[12]

BUSINESS PROCESS HIERARCHY

One of the tasks performed during the design phase of establishing a BPPM is to create a business process hierarchy, organize existing business processes into the hierarchy, and ideally store the information in a central repository.

Figure 8 presents a way to organize business process into a hierarchy as adapted from the business process reference content.[13] Business process areas and business process groups provide means to categorize existing business process hierarchies including business processes, steps, and activities. Business process areas and business process groups are not business processes.

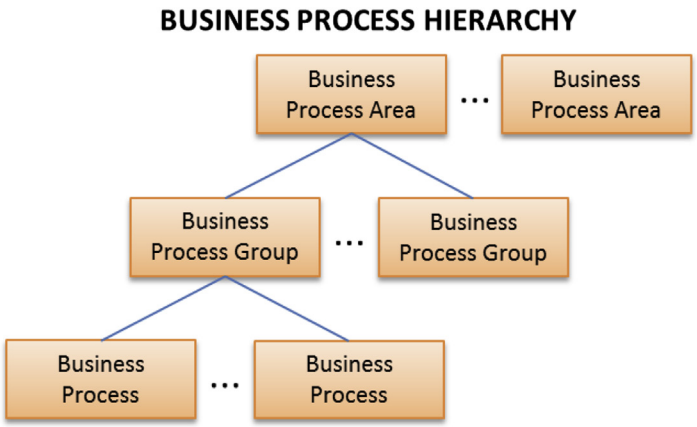

FIGURE 8

Example of a business process hierarchy.

Business Process Area

A business process area consists of business process groups with the same business goal, thus spanning the organization end-to-end or even across to business partners if they are involved in fulfilling that business goal. A business process portfolio should cover at least one business process area. Portfolio prioritization and improvements are also performed at this level.

Business Process Group

A business process group encapsulates logically related first-level business processes that are executed to realize a defined, measurable business outcome for a particular internal or external customer. Process improvements performed concurrently inside a business process group or cutting across different business process groups should be grouped into a program of projects to manage their interdependencies.

Business Process

The business process layer defines the first-level business processes that are organized into a flow to achieve a defined business outcome. Process improvement projects usually operate at this level.

BPPM INFORMATION, MEASUREMENTS, AND REPORTING

Once the requirements for a BPPM and a business process hierarchy are established, it is important to define the information that needs to be tracked for the business process areas, groups, and business processes for measurement and reporting.

BPPM Information for Measurement and Reporting

The required information depends on the strategy behind the establishment of BPPM. The primary objective of BPPM is to increase business value for an organization, whereas contemporary BPM focuses on driving effectiveness and efficiency through optimizing operating models. With that in mind, gathered information around processes must include indicators for business value creation and improvement.

Recommended information to be gathered includes:

- **General information**: Name, goal, and description
- **Value**: Value to the organization as well as value classification (e.g., which processes contribute to competitive advantage)
- **Strategic alignment**: Alignment to strategic goals and objectives, and customer satisfaction
- **Resources and stakeholders**: Stakeholders and resource requirements
- **Interrelationships**: Dependencies and interdependencies
- **Financials**: Costs and financial benefit
- **Risk**: Probability of failure multiplied by impact. Also, customer exposure and customer impact should be tracked, which in relation to frequency provide a holistic overview of risk (Rosemann, 2006)
- **Process metrics**: Volume, cycle time, elapsed time including wait time and nonproductive time, frequency, exceptions, defects, and rework
- **Process classification**: Process types such as core, support, and governing (Bilodeau)
- **Operational and change costs/benefit**: Past process changes including costs and tracked benefits compared with expectations

Figure 9 provides an overview of how important the different types of information are for the different levels of the process hierarchy. For example, gathering strategic and value information is more important at business process area level than at the business process level for portfolio improvements.

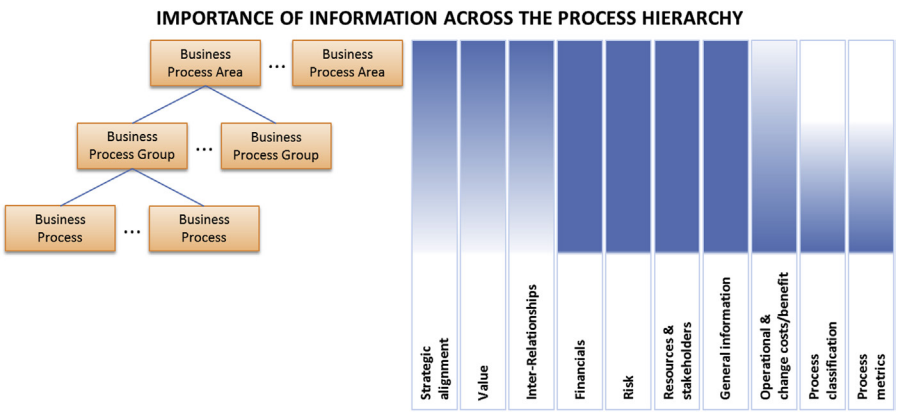

FIGURE 9

Importance of described types of information for different levels of the process hierarchy.

BPPM Measurements and Reporting

There are two levels where measurement and reporting should take place: at the portfolio level and at the process improvement project level.

At the portfolio level, the following measurements and reporting information could be beneficial beside some of the information described above:

- **Total number of processes**: A large process portfolio might be an indicator for increasing duplication of efforts
- **Percentage of processes per process owner**: Indicates accountability spread
- **Cost/benefit of processes**: Fosters decisions around improvement prioritization and driving effectiveness and efficiency
- **Percentage of processes above the desired maturity level and average maturity level**: Indicator of where to deploy resources and investments
- **Number of resources per process**: Indicator for possible composition or decomposition of processes

At the process improvement project level, the usual project measurement and reporting information can be used, such as:[14]

- Alignment to strategic goals
- Cost and return on investment
- Schedule and resourcing
- Scope/productivity
- Project cycle time (time to completion)
- Post project review and customer satisfaction
- Risk management

SUMMARY OF ESTABLISHING BPPM

This section provides an overview of the different considerations when establishing a BPPM in an organization. It discussed the creation of a BPPM competency, alignment issues, the BPPM life cycle, the process hierarchy for portfolio management, and required portfolio information for measurement and reporting. The next sections provides an overview of the lessons learned when implementing BPPM.

LESSONS LEARNED FROM IMPLEMENTING BPPM

This section presents an overview of considerations and lessons learned when implementing BPPM.

RIGHT TIME TO IMPLEMENT BPPM

The right time to implement BPPM and the extent depend on the BPM maturity of an organization. Rosemann distinguished among three phases along the maturity path.[15] The first is the process-unaware organization, in which BPPM can be used to provide an initial process structure with governing strategic (core) and support

processes. The process-aware organization already has a good understanding of its important processes, has established sufficient and consistent modeling guidelines, and has an integrated model repository. However, the models are usually underused. In this phase, BPPM can substantially contribute to the organization's next leap in BPM. The focus should be on cross-processes, interdependencies, and prioritization according to the strategy and the risk of the processes. The third is the process-mature organization with an established BPPM that is continuously tracking the process performance, providing appropriate process information at all levels of the organization and established sophisticated audit trails.

The BPM maturity model Figure 10 indicates the current state of organizations and their awareness of BPM process maturity. Most organizations surveyed exist at Level 2 maturity. An example of a BPM maturity path is also indicated with examples of what BPM deliverables can be expected along the journey. The BPM maturity model further indicates that as maturity is increased there is a proactive rather than reactive approach to processes management, and that industry performance improves for organizations with higher BPM maturity.

EFFECT OF LIMITED OR NO IMPLEMENTED BPPM IN THE LONG RUN

A limited BPPM or no BPPM can have severe effects on the operation and results of an organization, especially in the long term. This risk increases exponentially with the number of processes performed by an organization. Figure 11 shows an overview of direct effects of the lack of BPPM in an organization and their short-term and long-term results.

The sad reality is that many of these causes can be found in most organizations. Internal or external services and products are designed without a need and related processes are established to deliver them. Whereas external services and products fail when the customer does not accept them, unnecessary internal services are less obvious. The common approach to establishing a governance gate to facilitate the use of new internal services often leads to unnecessary or at least inefficient processes, binding resources that are required elsewhere.

CONCLUSIONS

BPPM constitutes the next logical step in implementing successful BPM. It provides an answer to organizations facing challenges with an ever-growing process portfolio with increasing duplication, with deploying their limited resources to the right process improvement initiatives at the right time, and with having an end-to-end view of how their processes create the desired business values. Organizations reaching higher BPM maturity will especially benefit from establishing BPPM.

This work discussed different aspects of implementing BPPM, such as the establishment of the BPPM competency, including areas to which it needs to align, the

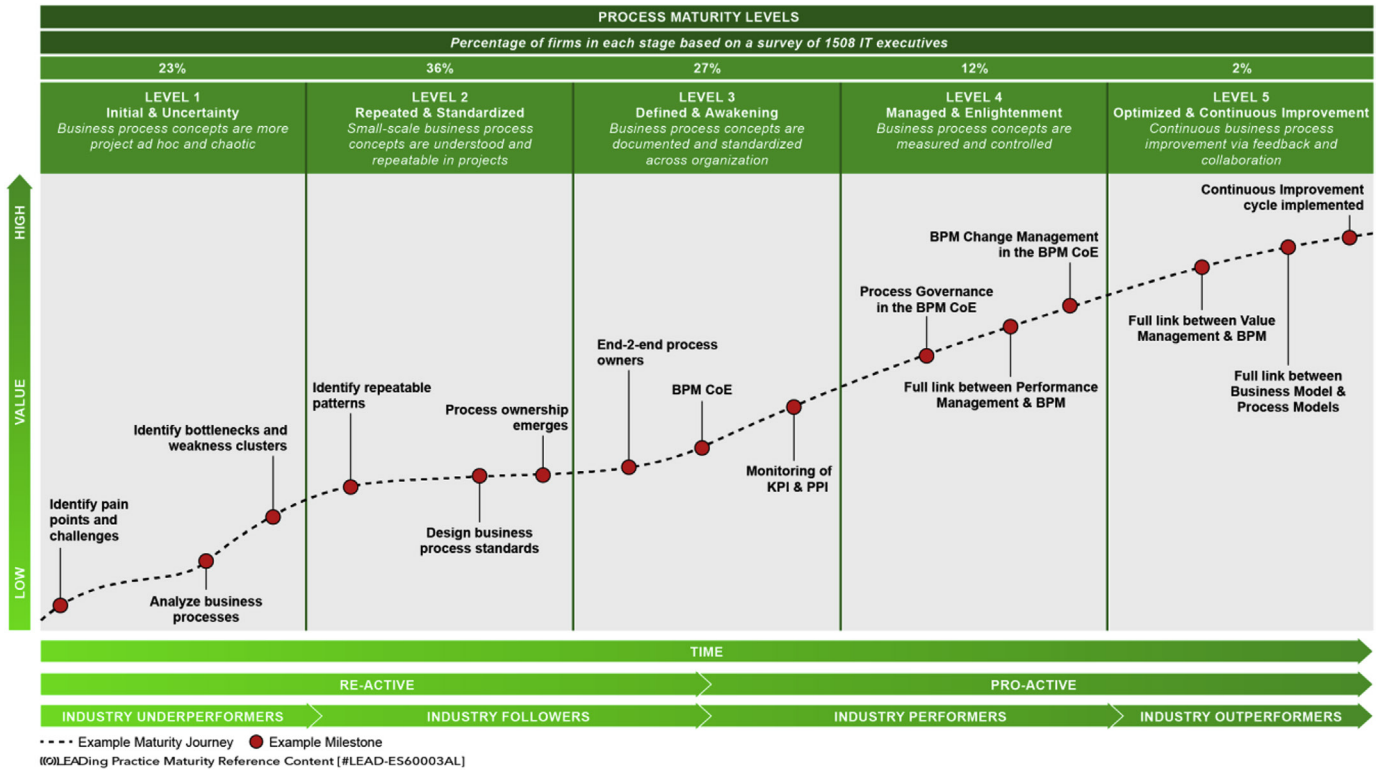

FIGURE 10

Business process management maturity levels.[16]

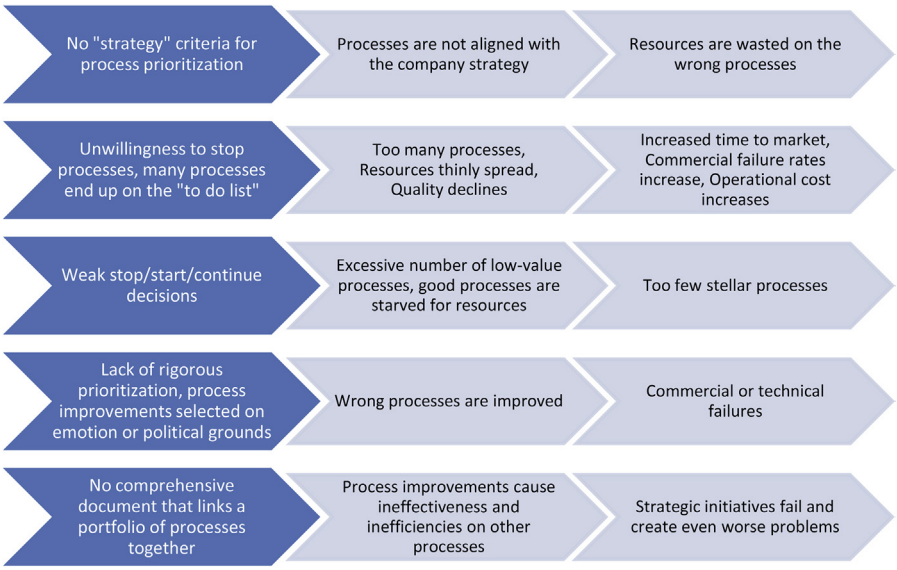

FIGURE 11

Causes of no or limited BPPM with short-term and long-term effects.

running of the BPPM life cycle, the required business process hierarchy, and portfolio information required for measurement and reporting at the portfolio and process improvement level. Furthermore, the timing of BPPM implementations depending on the organizations' BPM maturity was discussed, as well as common pitfalls and lessons learned when implementing BPPM.

Although, portfolio management in other areas such as project and PPM are well established, BPPM is relatively new. It is expected that successful implementations of BPPM in organizations will increase and that BPPM will be joined with PPM in the future.

End Notes

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8. Taken from the Portfolio Management Reference Content LEAD-ES10019AL.
9. See note above 6.
10. Taken from the Portfolio Management Reference Content LEAD-ES10019AL.
11. Taken from the Portfolio Management Reference Content LEAD-ES10019AL.
12. See the note 1 above.
13. Taken from the Business Process Reference Content LEAD-ES20005BP.
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15. See note above 4.
16. LEADing Practice Maturity Reference Content #LEAD-ES60003AL.