

Optimizing the Relationship Between Business Decision Management and Business Process Management

What should be the relationship between Business Decision Management (BDM) and Business Process Management (BPM)? Should business decisions be defined only in the context of business processes? Is there an approach to business decision management that results in business processes that run faster and produce higher quality outputs? This article provides one view of looking at business process management and business decision management and discusses the linkages between the two.

BUSINESS DECISION MANAGEMENT

Business Decision Management is an approach for automating and improving high-volume operational decisions. BDM improves business performance by identifying the key decisions that drive value in the business and improves on those decisions by leveraging expertise, data, and existing systems management. As shown in the chart below (see Figure 1), business decisions can be organized by attributes based on their economic impact and volume.

Figure 1

Decision Attributes	Decision Makers	Examples	Performance Metrics
High value, low volume	Enterprise Level	Mergers and acquisitions	Market growth, efficiency ratio
Medium value, medium volume	Line of Business	Customer segmentation	Product growth, customer profitability
Low value, high volume	Business Unit	Loan decisioning	Approval and loss rates, decisioning time

High Value, Low Volume Decisions

Decisions falling into the high value, low volume category typically are strategic in nature and are made at the enterprise level. Examples include decisions related to mergers and acquisitions, such as those enabling expansion into new markets; capital expenditures, such as those that fund upgrades to facilities or core systems; and strategic market positioning, such as those that identify the growth strategies that have the potential to improve the company’s overall position on the most important drivers of profitability.

Medium Value, Medium Volume Decisions

Decisions falling into the medium value, medium volume category generally align with enterprise-wide strategies, but address business approaches and optimization of results at the business-unit level. These decisions often relate to strategies that support customer and account acquisition, retention, penetration, and loyalty. Examples are decisions around customer segmentation, such as those that help

identify the most profitable customers and help develop programs to target more of them; product introductions, such as those that aid in attracting the most profitable customers; and pricing, such as those that may support selling packages of products and services to the most profitable customers.

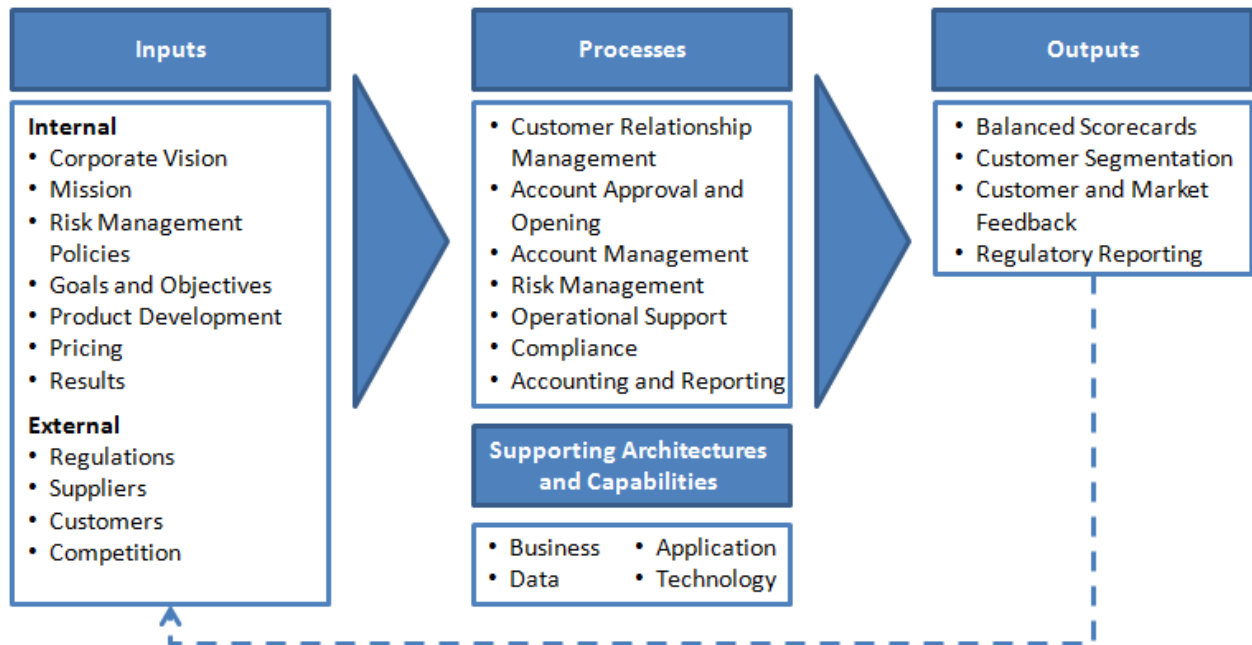
Low Value, High Volume Decisions

Decisions falling into the low value, high volume category generally leverage business unit strategies by automating processes and making them as efficient and cost effective as possible. Examples include direct mail programs, such as those based on segmentation strategies that solicit new accounts fitting target customer segments; loan decisioning processes that automate and standardize the loan approval process using pre-defined credit underwriting policies and guidelines; and customer inquiry processes that automate the provision of account balances and transaction history.

BUSINESS PROCESS MANAGEMENT

Business Process Management is a management approach that promotes business effectiveness and efficiency while striving for innovation, flexibility, and integration with technology. A primary goal of business process management is to transform an organization into an end-to-end, process-centric, customer-focused organization by eliminating functional silos. As illustrated in Figure 2, a prerequisite for making such a transformation is aligning the supporting architectures and capabilities with enterprise strategies, objectives, and metrics.

Figure 2



Inputs

Inputs influencing business process development come from both internal and external sources. Internal inputs come from directions set at the enterprise level; external inputs come from the outside environment. Effective business processes are aligned with both input sources.

Processes

Processes shown in Figure 2 are examples of generic banking processes. Effective business processes are driven by the bank's strategies and designed with the customer in mind. However, external inputs also influence business process development. Some external inputs, such as regulatory requirements and capabilities of supplier systems, may act as process constraints to what a bank may want or be able to do.

Supporting Capabilities

Supporting architecture and capabilities provide banks with the means to transform themselves into process-centric, customer-focused organizations by eliminating functional silos. The related architectures (Business, Data, Application, and Technology) provide the blueprints for developing business processes.

Business architecture, for example, is a representation of the structure and relationships between the business processes that comprise the organization, as well as the organization needed to deliver on those processes. Business architecture also defines the external environment of the organization, i.e., the context within which it operates. This includes customers and suppliers, and all external inputs that influence the organization's strategy.

The related capabilities provide the means to deliver business processes that are aligned with enterprise strategies, objectives, and metrics.

Outputs

Outputs provide the means to measure the effectiveness of business process management. They also serve as additional input for refining business strategies, goals, and objectives. This feedback loop is necessary for banks to take full advantage of the business and profit opportunities available to them.

LINKAGES BETWEEN BPM AND BDM

This article began by asking key questions about the relationship between business process management and business decision management, and how business decision management can result in business processes that run faster and produce higher-quality outputs. Business decisions are often defined only in the context of business processes. Figure 1 provided one perspective on how to categorize decisions. Clearly, low value, high volume decisions can be performed more efficiently and

consistently by using automation. Many banks have already adopted technology for decisioning loans and providing balance inquiry information.

However, incorporating other considerations within the context of business processes may result in faster processes and higher-quality outputs. These considerations include the requirements for making the decisions themselves, as illustrated in Figure 3.

Figure 3

Decision Requirements	Example
Precision	Requirements for analyzing a large number of inputs are different that those that have one or two inputs. For example, data required to execute a customer segmentation strategy requires an automated business and decision process to analyze precisely a large volume of data.
Consistency	Banks that deliver products and services across multiple channels want to provide the same level of service and customer experience regardless of which channel is used at the time. Having a consistent customer experience requires a business and decision process that provides the same data to each channel regardless of business unit and geography
Agility	The banking industry can change quite quickly. This can result in the need to make changes “on the fly”. Having rules based systems that support business and decision management provide banks with the agility they need to change rapidly.

Making decisions based on value and volume is one way to develop business processes. However, supplementing value and volume with the requirements for the decision itself may provide additional opportunities for developing business processes that run faster and produce higher quality.

George Simotas is a Director with the Financial Services Industry Team at Hitachi Consulting. He can be reached at 949.242.1505 or gsimotas@hitachiconsulting.com.

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