

INTERACTIVE SESSION: ORGANIZATIONS

CAN BUSINESS PROCESS MANAGEMENT MAKE A DIFFERENCE?

If you're a large successful company, business process management might be just what you're looking for. AmerisourceBergen and Diebold Inc. are two examples. AmerisourceBergen is one of the world's largest pharmaceutical services companies and a member of the Fortune 25, with \$70 billion in revenue in 2009. It provides drug distribution and related services designed to reduce costs and improve patient outcomes, servicing both pharmaceutical manufacturers and healthcare providers.

Because it is so large, AmerisourceBergen has numerous and complicated relationships with manufacturers, pharmacies, and hospitals. Frequently changing business conditions cause contract prices to fluctuate. When they do, both the distributor and manufacturer need to analyze these changes and make sure they comply with their business rules and federal regulations. Managing these contract and pricing details associated with each of these relationships had been very time-consuming and paper-intensive, relying heavily on e-mail, telephone, fax, and postal mail. Many of these processes were redundant.

AmerisourceBergen's management believed the company had many old and inefficient business processes. After an extensive BPM vendor analysis, the company selected Metastorm BPM software. Metastorm BPM provides a complete set of tools for analyzing, managing, and redesigning business processes. Business professionals, managers, and information systems specialists are able to create rich graphical models of business processes as well as new user interfaces and business rules. Metastorm has an engine for deploying redesigned processes along with capabilities for integrating the processes it manages with external systems.

For its first BPM project, AmerisourceBergen decided to automate and implement an online collaborative contract and chargeback process, which is responsible for a \$10 billion annual cash flow. This process drives the establishment of pricing and terms with each of the company's manufacturers and also controls compliance with pricing terms and the payment of rebates from the manufacturer if the company is forced to sell at a lower price to compete. Any disputes or inaccurate pricing data create costly delays in obtaining the refunds the company is owed.

Metasource BPM makes it possible for all contract changes to be recorded into the system and validated against internal business rules, and also enables AmerisourceBergen to link with its trading partners for collaborative BPM. All contract information is housed in a single repository, making it much easier to investigate chargebacks and communicate contract and pricing information with trading partners and among internal departments.

The BPM project was successful and resulted in lower headcount, fewer disputes, more accurate pricing information, and a high return on investment. This early success encouraged the company to expand BPM to other areas of the business and use it to support a broader business transformation program. AmerisourceBergen used Metastorm BPM to create six new specialized processes for managing and automating high-volume, highly specialized supplier credits which interface with its SAP enterprise system.

To meet federal and industry-specific regulations, AmerisourceBergen must carefully track and match all direct, indirect, and third-party credits with the appropriate product inflows and outflows. The company used Metastorm BPM to create specialized processes that interface with SAP, including the ability to receive, track, reconcile, and expedite all credit variances, such as discrepancies in invoices and purchase orders. After the SAP system identifies the variances, it passes credits to Metastorm BPM for exception handling, resolution, and reconciliation with master credit data. Reconciled credits are then returned to the SAP system. More than 1.2 million credit/debit adjustment documents and paper-based credits are seamlessly passed between Metastorm and SAP this way.

To date, AmerisourceBergen has automated nearly 300 processes, benefiting from more efficient and accurate record tracking, faster turnaround times, greater management into key performance indicators, and an online audit trail of all activities. AmerisourceBergen's BPM projects had such positive outcomes that the company won a Global Excellence in BPM and Workflow award in 2009.

Diebold, Inc. is another recent convert to business process management. Diebold is a global leader in integrated self-service delivery and security systems

and services, with 17,000 associates across 90 countries. The company makes, installs, and services ATMs, vaults, currency-processing systems, and other security equipment used in financial, retail, and government markets. Diebold hoped to use business process management to understand and improve its order fulfillment process. The company selected Progress Savvion's BusinessManager BPM solution for this task.

BusinessManager provides a platform for defining an organization's business processes and deploying those processes as Web-accessible applications. The platform gives managers real-time visibility to monitor, analyze, control, and improve the execution of those processes and can integrate these processes with existing operational systems. BusinessManager receives and organizes data from multiple sources to provide a more complete view of the Diebold order process. Diebold managers are able to track orders in

real time at any step in the process and also predict future performance based on past data. Since the tool enables managers to learn how long each step of the process usually takes, they can forecast where orders ought to be and compare that with where the system says the orders actually are. BusinessManager can detect whether production of an item is complete and where specific items are located.

Pleased with these capabilities, Diebold immediately used BusinessManager for other processes, such as issue resolution. The system aggregates input from various sources, such as workers in the field and in factories. Diebold is now able to quickly identify issues raised by employees and customers and determine how long it takes to resolve them.

Sources: Judith Lamont, "BPM, Enterprisewide and Beyond," *KMWorld*, February 1, 2010; "Customer Success Story: AmerisourceBergen," www.metastorm.com, accessed November 4, 2010; and www.progress.com, accessed November 4, 2010.

CASE STUDY QUESTIONS

MIS IN ACTION

1. Why are large companies such as AmerisourceBergen and Diebold good candidates for business process management?
2. What were the business benefits for each company from redesigning and managing their business processes?
3. How did BPM change the way these companies ran their businesses?
4. What might be some of the problems with extending BPM software across a large number of business processes?
5. What companies stand to gain the most by implementing BPM?

Search online for "BPM software provider" or "enterprise-wide BPM" and visit the Web site of a major BPM vendor not mentioned in this case. Then answer the following questions:

1. What types of companies have benefited from this software?
2. What are some of the important functionalities of the BPM products offered?
3. Would this company have been a better fit than Savvion or Metastorm for Diebold or AmerisourceBergen, respectively? Why or why not?

Figure 13-4 illustrates the systems development process. The systems development activities depicted usually take place in sequential order. But some of the activities may need to be repeated or some may take place simultaneously, depending on the approach to system building that is being employed (see Section 13.4).

SYSTEMS ANALYSIS

Systems analysis is the analysis of a problem that a firm tries to solve with an information system. It consists of defining the problem, identifying its causes,