

Measuring Process Improvement Value

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Agenda

- Introduction/History
- Business Process Management Services (BPM)
- Identification of BPM Opportunities
- Utilization of Benefits Realization Template
- Implementation of Health Checks
- BPM Office Project Portfolio
- Success Stories
- BPM Office ROI Model
- Open Discussion/Questions



Introduction

Christy Hartner has worked at Commerce Bank for over 13 years in multiple roles including Senior Vice President of Treasury Services Operations/Capital Markets Operations and most recently Senior Business Process Consultant.

Over the last two years as the Senior Business Process Consultant, she has established many processes, strategies, and guidelines for the maturation of the Business Process Management (BPM) Office at Commerce.

Some of those include:

- Establishing a Benefits Realization Template

- Creating a Health Check Protocol and Procedures

- Establishing a BPMS Automation Prioritization Plan

- Creating ROI Model for the BPM Office



Christy has been heavily engaged with lines of business in establishing new BPM engagements, quantifying benefits, creating business justification models, and providing cross-functional strategic guidance to those initiatives. Also, she established a local BPM Users Group in the Kansas City area, consisting of approximately 15 large companies with an established BPM discipline.

Introduction/History

Commerce Bank has established an approach to measure and demonstrate business value in process optimization and automation efforts. This Benefits Realization methodology helps quantify and prioritize engagements, supports the internal clients with business justification for the projects and their associated costs, and provides a tool to identify measurable improvements delivered. Commerce Bank also utilizes a process optimization identification approach to help business units identify such opportunities initially, based on established criteria. With the use of a Benefits Realization Template, business partners are equipped to commit to specific types of benefits, including expected results, where applicable. This best practice has allowed Commerce Bank to hold lines of business accountable to the recommended and delivered solutions.

As a follow-up to these engagements, we'll also share the approach used to conduct Health Checks post-implementation, with a focus on driving continuous improvement. These Health Checks also help provide a more holistic view of process improvement throughout the Bank, and connecting various concepts and solutions in a more efficient and uniform manner.

Finally, we will share some case studies and success stories from past BPM engagements and how the Benefits Realization Template and Health Checks have played a key role in driving those results.

Learning Objectives:

- Identification of Business Process Initiatives
- Measurement of Business Process Value
- Health Checks to drive Continuous Improvement
- Case Studies on Business Process Projects
- Prioritization of Business Process Initiatives
- Holistic Process Optimization Approaches



Commerce Trust Building
(built 1906)



- Almost 150 years in business
- Serving its customers from over 350 locations in Missouri, Kansas, Illinois, Oklahoma and Colorado and commercial offices throughout the nation's midsection
- Super-Community Bank model with \$23 billion in assets
- Top 10 on *Forbes* America's Best Banks in 2013*
- Highest assigned bank rating by Moody's Investor Services[^]
- Ask Listen Solve is our customer promise

As of 10/14/14



* *Forbes* – America's Best Bank, December 2013

[^] Moody's Investors Service - September 3, 2014



Commerce Bank

Member FDIC

- Commercial Line of Business
 - Card, Lending, Leasing, Treasury Services
- Retail Line of Business
 - Branches, Digital Banking, Contact Center, ATM
- Small Business Banking
- Wealth Line of Business
 - Personal Banking, Trust, Family Office
- Support Areas
 - Audit/Compliance, Human Resources, Information Technology, Corporate Finance, Strategic Planning



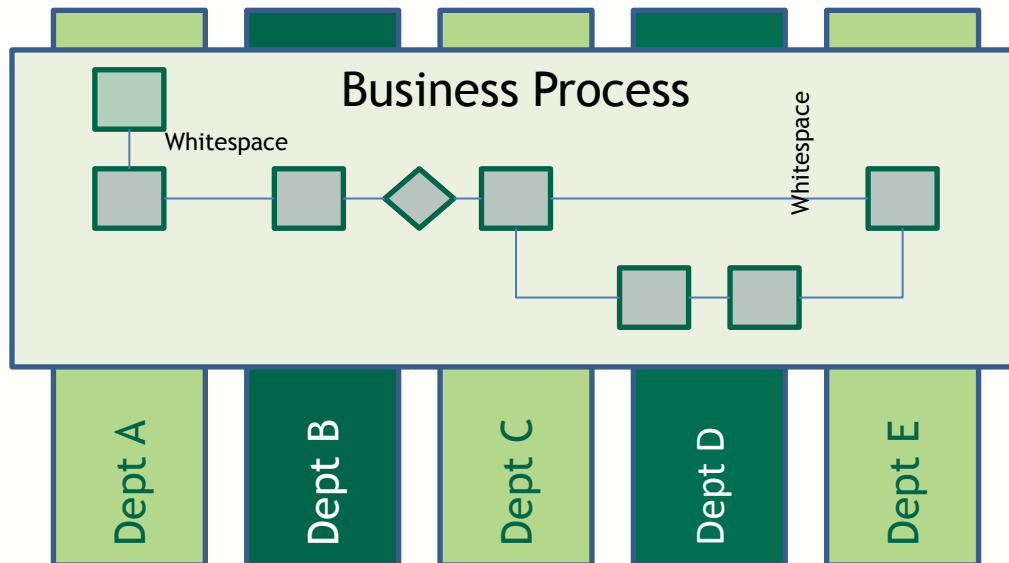
BPM Office

- Established five years ago
- Located within Information Technology Team
 - One Senior Business Consultant
 - 2 Business Process Consultants/Analysts
 - 7 BPMS Automation + Automation Manager
 - 2 Business Analysts
 - 1.5 Project Managers
- Utilize BPMS suite as well as other technology tools



Business Process Management Services (BPM)

Process Analysis- IT consultants utilize modeling tools, analytical practices, and business acumen to analyze and document processes offering recommendations that lead to revenue, expense, and risk management opportunities. Typical deliverables include documented AS-IS and COULD-BE process models along with definition and baseline measurement of relevant business metrics.



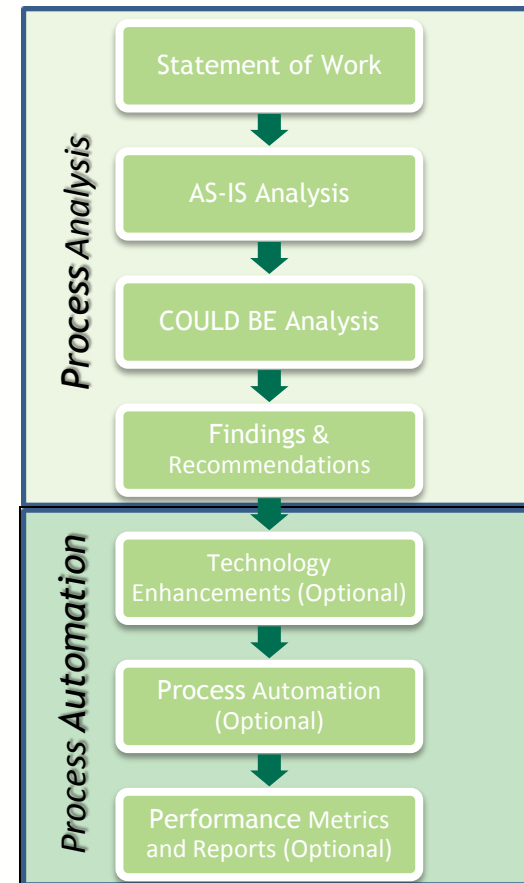
Process Automation - IT utilizes model-driven development technology to electronically orchestrate some or all of the interactions of people-to-people and people-to-systems in the lifespan of a business process.

Identification of BPM Opportunities

Questions to Ask

- Do we have a paper-intensive workflow?
- Has an area had little to no turnover, including management ranks?
- Have we had loss or near loss situations?
- Are we heavily reliant on checklists and procedures to complete daily work?
- Are there handoffs of my work to and from other groups? Possible silos preventing the best possible workflow/service levels?
- Is there a regulation we need to prepare for that requires a change in our work process?
- Is there a business need for improved documentation on current processes and procedures?
- Has there been a major change to the Department or Unit as a result of policy, technology, workflow, new product offering, significant volume growth/reduction, etc.?
- Is there a quality or service improvement opportunity?

Typical Engagement Cycle



Utilization of Benefits Realization Template

Pre-Engagement Metrics

Anticipated Benefits

Post-Engagement Metrics

Pre-Tax Profit

Revenue Growth

Customer Relationship Score

Employee Engagement

Utilization of Benefits Realization Template

Pre-Engagement Metrics

Anticipated Benefits

Post-Engagement Metrics

Pre-Tax Profit

- FTE Reduction, Redeployment or Avoidance
- Risk Reduction
- External Vendor Expense Reduction
- Paper Elimination
- Increased Straight-Through Processing
- Reduced Exception Handling
-

Utilization of Benefits Realization Template

Pre-Engagement Metrics

Anticipated Benefits

Post-Engagement Metrics

Revenue
Growth

- Increased Sales per FTE
- Reduction in Revenue Leakage/Improved Billing Adherence
- Improved New Product Time-to-Market
- Increased Sales per Interaction
-

Utilization of Benefits Realization Template

Pre-Engagement Metrics

Anticipated Benefits

Post-Engagement Metrics

Customer
Relationship
Score

- Improved System Availability
- Consistent Experience at Each Touch Point
- Lower Error Rates
- Shortened On-Boarding Process
- Increased % of Deadlines Met
- Improved Customer Satisfaction Survey Scores
-

Utilization of Benefits Realization Template

Pre-Engagement Metrics

Anticipated Benefits

Post-Engagement Metrics

Employee
Engagement

- Improved Labor Arbitrage (Knowledge Workers on Most Appropriate Tasks)
- Increased Staff Training/Depth Charts
- Higher Employee Engagement Survey Scores
- Lower Error Rates
- Reduced Turnover
-

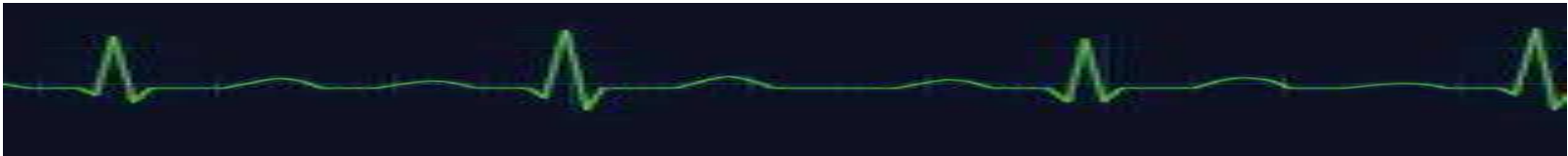
Implementation of Health Checks

- Sell the customer on benefits of health check including but not limited to:
 - Driving business unit accountability
 - Promoting continuous improvement
 - Assisting in prioritization of future phases
 - Building portfolio of benefits for BPM Office (and possibly for the Business Unit)
 - Continuing to drive holistic solutions across silos based on newer projects and lessons learned



Implementation of Health Checks

- Scheduled approximately 6 months after completion of engagement/automation delivery
- More of a look-back approach - not a new BPM engagement
- Review Benefits Realization Template previously completed and update as appropriate
- Typically 10 - 20 hours not charged back to business unit
- During early discovery/scheduling of a Health Check, if determined solution wasn't implemented, document and end Health Check



- All Health Checks should end with a Close-Out meeting with the Business Unit to discuss next steps and agreement with observations
- If another current engagement is going on in an area as a Health Check is scheduled, determine, first, if it is appropriate to do the Health Check at that time and, second, if the scope and strategy should differ from other Health Checks

Implementation of Health Checks

Sample Agenda



- Scope of Review
- Participants
- Review Benefits Realization Template
- Outstanding Requests/Projects
- Initiatives/Future Changes in Line of Business
- Operational Observations
- Data Trending Use (if applicable - can pull data in IT as well)
- Interviews
- Deliverables Expected
- Timing
- Future Health Check Interest and Timing

Implementation of Health Checks

Lessons Learned



Health Check Process:

- Avoid digging into automation enhancements, fixes, etc. misrepresenting Health Check as a system fine-tuning exercise
- Manage the expectations of the customer as this not being a perpetual project
- Ensure the proper individuals are involved at the proper times
- Be flexible with scheduling these based on pace of implementation within business unit
- Challenge with quantifying exact measurements pre- and post-engagements
- Data is power - can I.T. assist?
- Time investment in Health Checks may vary based on complexity of solutions
- Customers want more of it!

Implementation of Health Checks

Lessons Learned



Real Health Check “Ah-Ha’s”:

- Service and support weaknesses
- Training needs
- System design does not equal system compliance
- Enhancement requests may not be needed
- Some roles/responsibilities need shifting within areas (i.e. supervisor vs analyst)
- Adherence to efficiency ideas should be built in where possible to ensure realized
- Applications developed for one group can be deployed to other groups with holistic workflow as goal
- Data analytics are powerful with centralized data repository
- Systems not being used as anticipated or designed
- Changing regulations prompt easy-win additions to current solutions

BPM Office Project Portfolio

- Commercial Line of Business
 - Credit Departments Standardization and Optimization
 - Commercial Action Center for Relationship Managers and Lending Assistants*
 - Appraisal Review Group*
 - Community Development Loan Renewals
- Retail Line of Business
 - Branch Account Maintenance Automation*
 - Contact Center Process Review
 - International Consumer-Purpose Wire Transfer Origination*
 - Branch Observations (Eliminate/Automate/Move Focus)
 - Retail Business Architecture
 - Retail Product Lifecycle



*Includes BPMS as well as Business Process Optimization

BPM Office Project Portfolio

- Credit Card Line of Business
 - Credit Bureau Reporting and Disputes
 - New Credit Card On-Boarding*
 - Additional Card Ordering
 - Credit Card Transaction Disputes*
 - Accounts Payable Commercial Card Processes
- Deposit Operations
 - Regulation E Investigations*
 - Customer Record Management Department
 - Account Reconciliation Processing
 - ACH Reports Management*



*Includes BPMS as well as Business Process Optimization

BPM Office Project Portfolio



- Audit/Compliance/Legal
 - Physical Security Process Review
 - Marketing Materials Legal/Compliance Review
 - Various Regulation Changes
 - Teller Cash/Balancing Process*

- I.T.
 - User Access Process*
 - Talent Management Process Optimization
 - Software Development Lifecycle Review
 - Server Security Certificate Management Process



*Includes BPMS as well as Business Process Optimization

Success Stories

- International Consumer Wire Transfer Origination
 - FTE Avoidance
 - Regulation met within rule effective date
 - Data mining reveals new initiative to increase revenue
 - Documentation of Customer Authentication
- Commercial Action Center
 - Manage daily tasks more efficiently to focus on sales
 - Improved accuracy/timeliness of decision-making on exceptions
 - Increased compliance with task management and escalation
- Retail Branch Observations
 - Incorporated industry information with multiple observations
 - Quantified time focus on non-sales related tasks
 - Detailed revenue leakage on billable events
 - Increased adherence to staffing model used for attrition decisioning



Success Stories

- Fraud/Risk Review
 - Recommendations to fine tune system rule engine to eliminate a significant number of false positives and subsequently FTE
 - Increased attention on true exceptions to improve quality of reviews
- Commercial Loan Servicing
 - Reduced Loan Payoff Processing by one full day as well as FTE reduction by having work distribution automatically occur during the night
 - Improved KPIs and accuracy of individual performance metrics



BPM Office ROI Model



- Expense Analysis:
 - Salaries
 - BPMS Suite and Associated Expense
 - Outsourced Development Expense
 - Infrastructure Costs
- Benefit Analysis:
 - Hard Dollar Benefits:
 - FTE Reductions
 - Paper Reductions
 - Storage Expense
 - Revenue Gains
 - Soft Benefits
 - Risk Reduction
 - Cost Avoidance
 - Customer Satisfaction
 - Improved Disaster Recovery

BPM Office ROI Model

Business Process Program - SAMPLE ROI



Open Discussion/Questions

