Reinventing Workflows

Power Your Digital Transformation And Drive
Greater Impact By Modernizing Processes
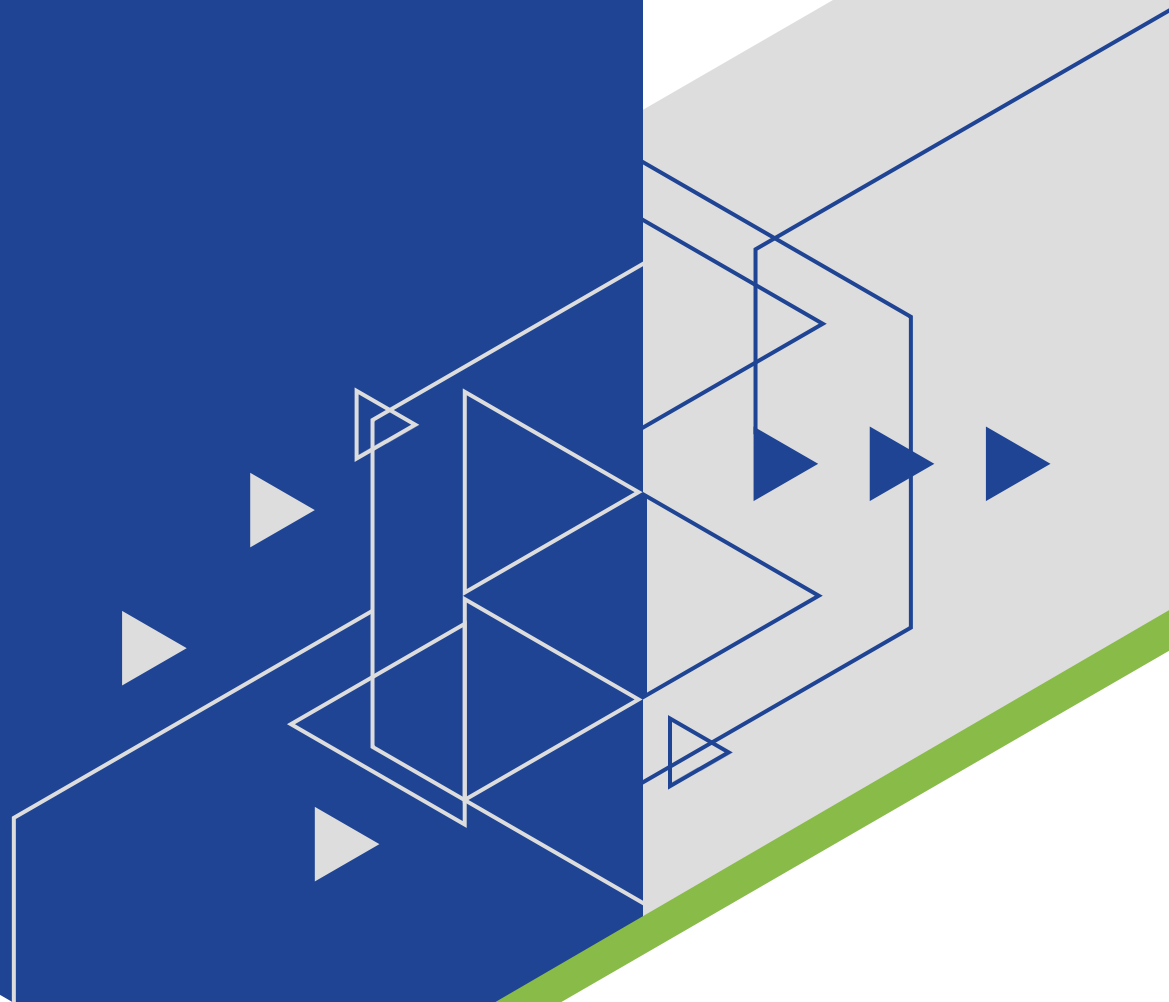
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Project Director:
Rachel Linthwaite,
Senior Market Impact Consultant

Contributing Research:
Forrester's Application
Development & Delivery research
group

ABOUT FORRESTER CONSULTING

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Executive Summary

A decade ago, the digital transformation agenda began heating up. Rightly fearful of disruption, enterprises with longstanding business models were suddenly on the hook to serve the increasing expectations of a rapidly digitizing customer. In 2011, Forrester projected multibillion-dollar markets emerging in mobile, social, and cloud, and that innovation in customer engagement would start to become a critical competitive issue.[1] At first, enterprises tended to focus on customer-facing experiences and processes — those areas where customers would notice an improvement quickly. There were lots of easy pickings, such as in 2010, when Forrester advised that small website investments can pay off.[2] While far from true transformation, the companies that followed this recommendation gained early wins.

The digital transformation imperative has now entered its teenage years, complete with growth spurts and awkward phases. What began as a mad dash to update and design customer-facing processes, remains — at its core — a challenging imperative to reenvision how work gets done at both the individual workflow and enterprise level. Since the beginning, true digital transformation has been the work of business process professionals. Their job is to find the right balance of process discipline, business insights, and technology to drive continuous improvement.[3] Despite over a decade of investment in these initiatives, companies struggle to mature their approach and build a connected, automated, and intelligent enterprise.

In November 2019, IBM commissioned Forrester Consulting to investigate the modernization of business processes and workflows by conducting an online survey of 450 global decision makers. We found that firms understand the need to modernize their processes, but they struggle to overcome legacy tools and legacy mindsets.

KEY FINDINGS

› **When modernizing, flexibility, automation, and data are key.** In order to properly assess workflows, process professionals must consider three related attributes: the amount — and *range* — of data leveraged for insight, flexibility, and automation.

› **Companies' tech and service investment priorities are often misaligned.** Enterprises continue to rely heavily on legacy technology like email and spreadsheets, failing to capitalize on solutions like process mining and predictive analytics. Similarly, though they face challenges that could be helped with the addition of change management and reengineering professional services, enterprises underinvest in the partners that can help them navigate these important elements of transformation.

› **Those who partner see increased gains.** Modernizing processes in support of digital transformation is no easy task but the returns are proven around customer experience, agility, growth, productivity, and cost reduction. Those organizations that have leveraged services to reengineer processes are better equipped to take on the challenge. They see improvements at both the workflow and enterprise level in greater proportion than those that choose to go it alone.

As customers become more digitally savvy, enterprises must transform to meet and exceed their needs.

True digital transformation has always been the work of business process professionals.

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Changing How Enterprises Do Work

A decade or more into the era of digital transformation, many enterprises have tackled the most obvious first steps of digital initiatives. Whether it was a website redesign, mobile app development, or standing up customer self-service capabilities, companies brought to market new digital experiences to serve and retain their evolving customers. However, fast forward to today, and we find that the difficult work of reenvisioning and architecting business processes remains a daunting, detailed task. Our study found:

› **Process modernization drives digital transformation strategy.** When asked to rank the drivers behind their digital transformation strategy, most line-of-business decision makers ranked the need to increase productivity as No. 1. In fact, increased productivity drives digital transformation more so than the need to improve the customer experience or even to grow revenue (see Figure 1). Companies are contending with inflexible organizations in silos that have long-standing workflow patterns. In order to succeed with digital transformation, 80% of decision makers agree that they must integrate processes across organizational boundaries and legacy systems — a key component of modern business process.

› **Modernizing processes improves customer experience (CX).** While increasing productivity may outrank CX improvements as the top driver of digital transformation, modernizing processes is the way to attain and powerfully integrate the two. We found that 88% of decision makers agree that business process modernization is key to improving customer engagement (see Figure 2). Decision makers explicitly told us that CX improvements are indeed a result of the speed and agility modern workflows can enable. For example, one respondent wrote that greater business process modernization
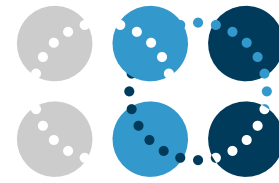
80% of decision makers agree: integrating processes across organizational boundries and legacy systems will accelerate digital transformation.

Figure 1

Top Drivers Of Digital Transformation Strategy

1. Increase productivity

2. Improve customer experience

3. Grow revenue

Base: 450 global C-level and line-of-business decision makers
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, November 2019

Though increasing productivity is the top driver, respondents agree that modernizing business processes will also improve CX.

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would allow the organization to "quickly adapt [its] actions to meet customer expectations and increase satisfaction." Another wrote that business process modernization would allow them to "actively support customers in their daily difficulties when using our services." By improving the efficiency of internal processes, organizations will naturally see that same efficiency flow toward external-facing activities, thereby improving the customer's experience. One respondent put it succinctly, "[Modernizing processes] will drive employee efficiency which in turn will improve productivity, which means our customers will receive better service at a lower cost; so everyone wins."
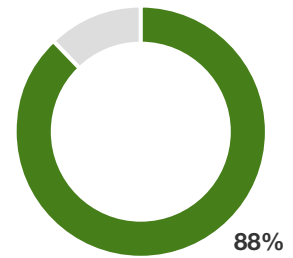
› **Modernizing processes improves employee experience.** Seventy-seven percent of decision makers agree that business process modernization is key to improving the employee experience (see Figure 2). In many cases, process modernization is a matter of the efficiency and ease of a worker's daily tasks. For example, we were told that modern processes "motivate employees" and allow for them to "make extra efforts on other tasks." On the other hand, in the case of HR, modernizing its processes actively improves its knowledge of employee expectations across the employment lifecycle. HR decision makers told us that modernizing their processes would empower them to "understand the needs of employees" and help them drive "more job satisfaction."

› **For many enterprises, modernizing processes requires fundamental changes to how they work.** Over three-quarters of decision makers agree that they need to change the way they work if they're going to deliver on digital transformation priorities. This suggests that modernizing processes is not simply a matter of reordering the steps in an existing process, or training employees to use new tools, it requires a fundamental shift in how work gets done.

THE EXTENT OF PROCESS MODERNIZATION TODAY

Modernizing business processes requires decision makers to assess their workflows on three key interconnected characteristics (see Figure 3):

› **Data leveraged for insight.** This characteristic measures the extent to which workflows leverage all available data when making developmental decisions. Unlike the two characteristics that follow — flexibility and automation — it's easy to agree that every workflow should be informed by all of the data that is available, rather than on what's housed within a given silo or even within the organization itself. This is not a new concern, having been a critical aspect of business decision making for years now. But it gains renewed importance in the context of modernizing processes. Take, for example, the selection phase of the hiring process. Selecting the right candidate for a position is undeniably critical, but the collection and sharing of data within a selection committee is often fragmented and informal. Impressions formed in brief closed-door discussions can hold more sway over what could otherwise be a data-driven selection process. Meanwhile, nearly all candidate data exists outside the organization and is accessible to varying degrees. The extent to which this available data, and not just group opinion, is leveraged by selection committees determines the effectiveness of the selection decision.
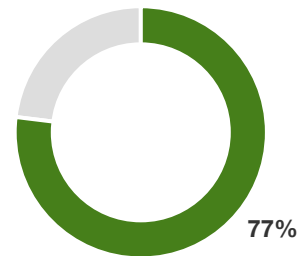
Over 75% of decision makers agree that they need to change the way they work in order to deliver on digital transformation goals.

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Figure 3

Characteristics Of Process Modernization
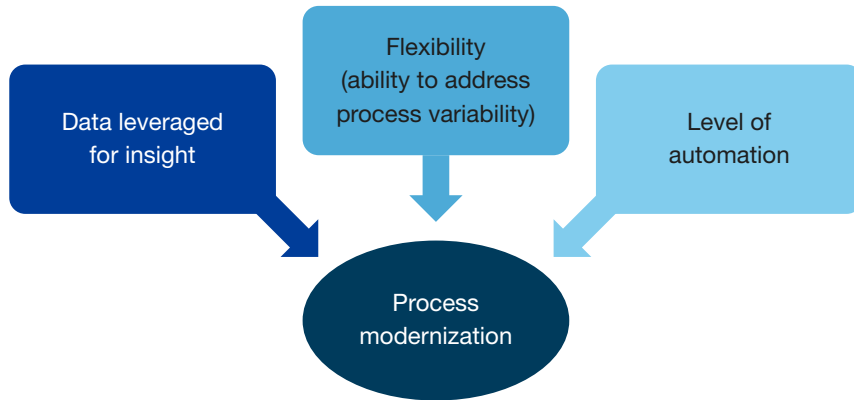
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM,
November 2019

› **Flexibility.** Flexibility is a measure of how well an existing workflow
adjusts to variability — i.e., when a process exception requires an
employee to deviate from the established workflow and handle
the process as a special case, how much flexibility is there in its
environment to accommodate that? The extent to which a workflow
should be flexible depends greatly on the context. For example, in
financial reporting, the manner in which revenue, profit, and loss
are accounted for is subject to intense legal scrutiny. Therefore, the
financial reporting workflow should, by design, be largely inflexible
and have limited process variability in order to keep risk of error,
fraud, or non-compliance to a minimum. By comparison, supply chain
management workflows should accommodate flexibility. Unforeseen
circumstances like extreme weather can derail plans in-progress and
so processes must adjust to common variability. Customer-facing
workflows may need to be the most flexible of all, due to the need
to personalize interactions and meet individual customers' often-
changing expectations.

› **Automation.** It's important to note that the extent to which a process
should be automated and the extent to which it *can* be automated are
two different questions. Returning to our financial reporting example,
an argument can be made that because of the high risk involved in
submitting financial statements with errors or fraudulent information,
the process can and should be greatly automated to avoid human
error or manipulation. Thinking back to supply chain management
in this context, the reality is different. While automation is likely to
create efficiencies in many cases, it cannot be to the detriment of the
supply chain's flexibility. In this case, the type of automation must be
appropriate for the high likelihood of variability. As more intelligent
automation solutions emerge, which address the issue of business-
improving exceptions, this concern may fade.

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The effect the workflow has or should have on all other departments' duties is more important than how any single workflow functions. We found that beyond each department's own workflow modernization efforts lie the critical opportunities for greater modernization between and across departments. Some workflow examples include:

› **Accounts payable versus invoice approval and payment.** We asked finance decision makers the extent to which the accounts payable (AP) workflow leverages available data. We also asked procurement decision makers the same about invoice approval and payment. We found that although the processes are closely related, the two groups answered differently. About half of all finance decision makers say that AP processes leverage less than 60% of all available data. On the other hand, procurement has managed to tackle the data challenge. Nearly all — 92% — of procurement professionals say their invoice approval and payment processes leverage *more* than 60% of data; and 54% say they leverage 81% to 100% of data. Accessing requisite data for insights is a critical component of any data-driven business, but it's particularly helpful in financial matters. Finance professionals would benefit from learning from their procurement counterparts on how to better leverage the data that's available to them.

› **Recruitment.** HR decision makers told us that the recruitment process is burdensome. Almost no one says it's mostly or fully automated (3%) and almost everyone said it's subject to a great deal of variability. Meanwhile, a sizeable minority are limited by its access to available data insights: Nearly 30% say they can only leverage a small portion of available data. As companies attempt to transform digitally, competition for talent is fierce; top global digital-first organizations attract the lion's share of an already small pool of skilled workers.[4] Without a modern recruitment workflow, enterprises are at real risk of losing out on valuable talent, causing a ripple effect of poor hiring decisions across the entire organization.

› **Customer satisfaction measurement.** Customer service decision makers stood out as the department most confident in their access to available data for insights. When it comes to customer satisfaction measurement, 87% of decision makers say they're leveraging between 60% and 100% of all available data for insights. However, given the relatively low confidence of data-driven insights in other departments, it follows that customer service data is not properly making its way out of its silo. This is a real barrier to ensuring enterprise decisions are made based on customer attitudes and expectations. For example, customer satisfaction metrics should inform procurement's long-term supply chain and logistics decisions, while customer complaints can help finance make better decisions around billing.

Without a modern recruitment workflow, enterprises are at real risk of losing out on valuable talent, causing a ripple effect of poor hiring decisions across the entire organization.
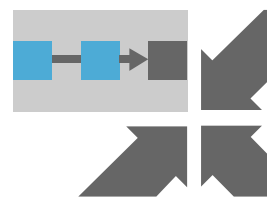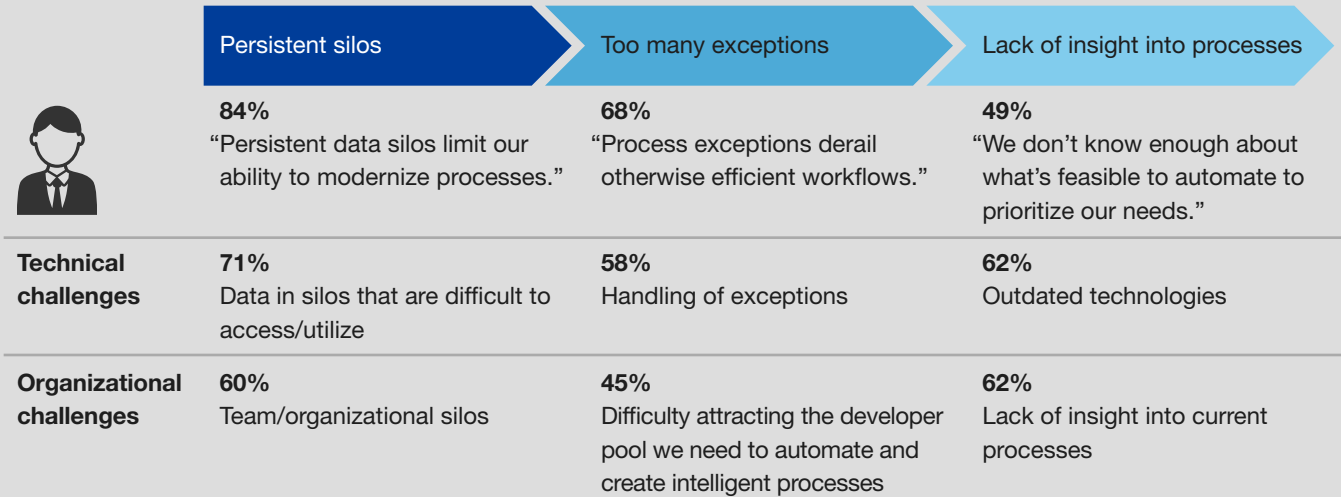
Customer service data is not properly making its way out of its silo.

Legacy Tool Sets, Legacy Problems

Enterprises may be aware that they need to dig deep and modernize workflows, but they're slow to fully evaluate and adopt the appropriate technology and partner services that would help them overcome their greatest challenges. Key challenges to changing how work gets done fall into three areas (see Figure 4):

› **Persistent silos.** Overall, 84% of decision makers agree that data silos limit their ability to modernize processes. Data silos are the top reported technical challenge (71%), while team/organizational silos are one of the top reported organizational challenges (62%).

› **Too many exceptions.** Sixty-eight percent of decision makers agree that process exceptions derail otherwise efficient workflows. More than half cite the handling of exceptions as a significant technical challenge (58%). Solving these challenges is made more difficult in the light of another common challenge: 45% say they have difficulty attracting the talent pool they need across the full tech stack to create more intelligent processes and to automate most effectively.

› **Lack of insight into current processes.** It's difficult to modernize a process if you don't know how the process works. This is the problem for the 62% of respondents who report a lack of insight into current processes as a major organizational challenge. This lack of knowledge is further exacerbated by nearly half the decision makers who indicate they don't know enough about what's feasible in terms of automation to be able to prioritize their needs. Compounding both of these issues is that companies are simply working with outdated technologies (a major challenge for 62%).

Figure 4

Key Challenges To Modernizing Processes

	Persistent silos	Too many exceptions	Lack of insight into processes
	84% "Persistent data silos limit our ability to modernize processes."	**68%** "Process exceptions derail otherwise efficient workflows."	**49%** "We don't know enough about what's feasible to automate to prioritize our needs."
Technical challenges	**71%** Data in silos that are difficult to access/utilize	**58%** Handling of exceptions	**62%** Outdated technologies
Organizational challenges	**60%** Team/organizational silos	**45%** Difficulty attracting the developer pool we need to automate and create intelligent processes	**62%** Lack of insight into current processes

Base: 450 global C-level and line-of-business decision makers
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, November 2019
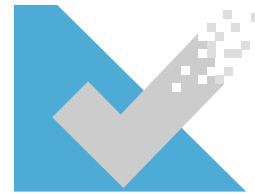
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COMPANIES OVERINVEST IN THE WRONG TECH AND UNDERINVEST IN THE RIGHT SERVICES

Organizational and technical challenges aside, companies also struggle to align the right tools and partners to assist in their process modernization goals. We found:

› **Enterprises invest heavily in tech yet have been slow to adopt modern tools.** Today's teams are still over-reliant on past approaches when it comes to modernizing processes. Email (94% using) and spreadsheets (90% using) are nearly ubiquitous. Even more concerning is the fact that nearly one-quarter of firms are *expanding* their use of spreadsheets. This is a problem as you simply cannot create a more automated or more connected enterprise via spreadsheets. The problem is that these tools, while pervasive and well understood by business users, create silos of information that are trapped on desktops. To drive end-to-end processes, we need to enable users to develop automated online tools that can be integrated into broader processes. One bright spot is encouraging though: 67% of teams currently utilize process automation tools, and another 26% are either planning or piloting their use.

› **Enterprises underinvest in key professional services.** Given the amount of investment in tech to assist with process modernization, you'd think there'd be equal interest in services to help with this same goal. Unfortunately, this is not the case:

• Despite agreeing that their organizations are siloed, only 34% are using organizational change management services.

• Despite agreeing they need to change the way their company works, only 51% are utilizing business and technology vision support.

• Despite agreeing that they have neither the knowledge required to prioritize nor the right developer talent pool to modernize processes, only 51% are investing in process reengineering services.

Ironically, the most commonly used service is tech-related: 63% make use of implementation support for new technology solutions. But organizations also need experienced process expertise to reenvision how they work, view the enterprise across silos, connect systems, and scale successful proof-of-concept initiatives.

It is important to note that only 28% of decision makers say that a lack of funding is a major organizational challenge to process modernization. By their own admission, therefore, they can secure funds to pursue both the tools and the services necessary for success. They simply need to better use the budgets that they have.

The luxury of doing business poorly is quickly disappearing.

Enterprises Cannot Take On The Next Decade Alone

The benefits of process modernization can't be denied. Forrester has routinely found that automating and modernizing processes leads to lower costs, fewer errors, and faster execution. This is the reason why so many firms deemed "digital disruptors" almost always have radically automated processes.[5] Decision makers in our study agree modern processes improve CX, agility, growth, and productivity, while also reducing costs (see Figure 5). But taking digital transformation to the next level is a tough business. It requires a thoughtful combination of technology and partner services, which can bring the experience and access to specialized skills and proven methods to push the organization forward.

To differentiate their business, enterprises need to reengineer processes, but they're struggling to do this alone. Enterprises that leverage services to reengineer processes set the pace of transformation and see the business results. Our study found that enterprises which are using partners to reengineer processes:

› **Are far more likely to leverage modern tools.** Teams that have partnered are nearly twice as likely to be using AI (24% vs. 13%), 1.6x more likely to use predictive analytics (33% vs. 20%), and are more than twice as likely to use process mining (49% vs. 22%). This combination of the right tools and the right partners is a boon to workflow modernization efforts.

› **Enjoy benefits beginning at the workflow level.** Enterprises that have partnered are also more likely to see improvements to the workflows we've highlighted as most critical. AP processes are more automated, invoice approval and payment is more flexible, and recruitment processes are also more insightful and flexible.

› **Cut costs faster, grow at a higher rate, and increase market share.** Organizations that partner to reengineer processes also experience far greater benefits than those that don't (see Figure 6). They are more than twice as likely to see a 20% or greater reduction in cost from their process modernization efforts. They are also 1.6x more likely to see a 7% or greater growth in revenue from their work. And as a result of their growth and efficiencies, they also tend to see improvement to their market share.

So, what is the bottom line? Process modernization that improves business outcomes requires expert insights and a broader set of skills than are rarely all found in-house. Results show that intelligent partnering to gain experience-based guidance, coupled with innovative design methods, yields far greater impact.

Figure 5

"Where have you seen the biggest business impacts in your company from current process modernization efforts?"

66% Improved customer experience

62% More agility as an organization

59% Revenue growth

58% Increased productivity

50% Reduced costs

Base: 450 global C-level and line-of-business decision makers
Note: Not all responses shown.
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, November 2019

Figure 6

Enterprises Using Partners To Reengineer Processes See Exponential Benefits

COST REDUCTION   REVENUE GROWTH   INCREASED MARKET SHARE

■ Piloting/planning/no plans   ■ Using/expanding

8%	18%

21% to 50% decrease

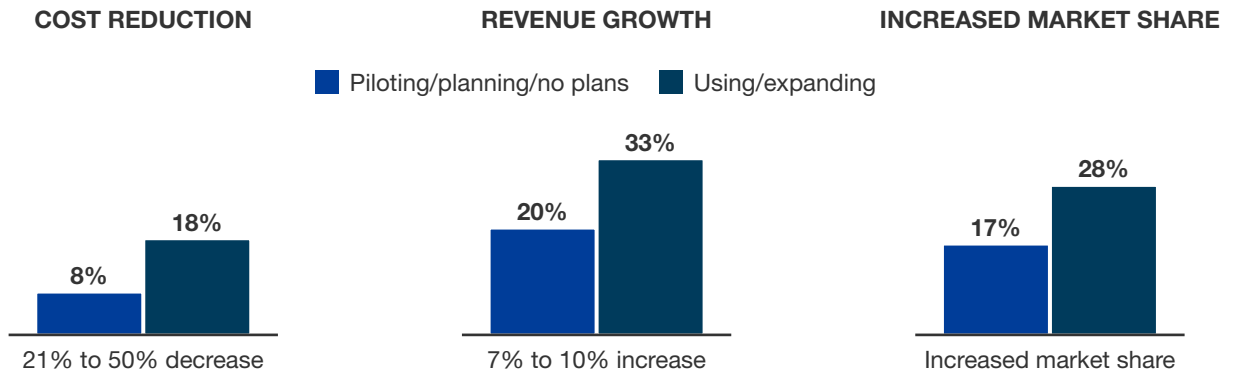|	
20%	33%

7% to 10% increase

17%	28%

Increased market share

Base: 450 global C-level and line-of-business decision makers
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, November 2019

Key Recommendations

The luxury of doing business poorly is quickly disappearing. Organizations are driving toward digital transformation, while many are under threat from more automated, agile, and responsive disrupters. The stakes are high, and the chances for failure are even higher. But there are success patterns emerging where smart organizations have recognized the value of architecting workflows which function across business silos.

Forrester's in-depth survey of enterprise decision makers about process modernization yielded several important recommendations:

Focus on business effectiveness over efficiency. We focus a lot on driving business efficiency and we're very good at measuring cost reduction and productivity increases. And that's fine. However, it needs to be done in concert with a focus on business effectiveness. Focus on business outcomes first with a premium on effectiveness and then align reengineering efforts to drive toward those outcomes. Don't worry, efficiency in the form of lower cost and higher productivity will come as well.

Understand your processes first, then reengineer. Don't assume you know everything about how every function in your organization runs today. The fact is that if you ask five people to describe the same process, you could get five different answers. Document processes thoroughly and leverage tools like process mining as a starting point to gain the right insights. Then, take that starting point and apply process reengineering expertise to define the optimal future state. Process reengineering must be aligned with business strategy and objectives. These skills are rare and you may need to consider bringing in outside experts with more substantial relevant experience.

Automate where it makes sense and no further. We are all faced with an automation imperative. Digital disruptors leverage automation to great advantage, and we need to respond to the challenges they create. With that said, process excellence starts with process assessment. And inherent in that is the initial decision of whether a process is better automated.

Rethink your tools. The tools that we've had to date are either too big and complex or too small and siloed. When your organization needs to change, likely with increasing frequency, that change cannot be in the form of major system upgrades or more and more spreadsheets. Look to tools that are fast, easy, and accessible to non-professional developers in order to allow rapid, business-led transformation, but provision those tools in line with standards and an architecture that ensures consistency across the organization.

Focus on organizational change in addition to technology change. Improving your business processes will touch all parts of your organization. Without effective collaboration between IT, the business, and partners, the organizational transformation will fail. Place a focus on organizational alignment and change. The scale of transformation required to remain relevant in a changing world will continue to increase dramatically and continually evolve with new technologies. Businesspeople will need to understand their pivotal role in that change and, with the help of experts, embrace the new tools and approaches that can be leveraged for even greater success.

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Appendix A: Methodology

In this study, Forrester conducted an online survey of 450 C-level and line-of-business decision makers in North and South America, Europe, and Asia Pacific. Survey participants included business decision makers with knowledge of their organization's processes, workflows, innovation programs, and digital business in finance, procurement, customer service, and HR roles. Respondents were offered an incentive as a thank you for time spent on the survey. The study began in October 2019 and was completed in November 2019.

Appendix B: Demographics

GEOGRAPHY

North and
South America
42%

EMEA
22%

APAC
34%

COMPANY SIZE

12%
20,000 or more
employees

60%
1,000 to 4,999
employees

28%
5,000 to 19,999
employees

INDUSTRY

Retail	**17%**
Financial services	**17%**
Discrete manufacturing (e.g., automotive)	**13%**
Insurance	**10%**
Travel and transportation	**8%**
Construction	**8%**
Healthcare	**6%**
Business or professional services	**6%**
Education and/or nonprofits	**4%**
Food and beverage	**3%**
Chemicals and/or metals	**3%**
Government	**2%**
Advertising and/or marketing	**2%**
Media and/or leisure	**1%**

RESPONDENT LEVEL

Manager	**50%**
Director	**29%**
Vice president	**13%**
C-level executive	**8%**

ROLE

Finance	**27%**
Procurement	**25%**
Customer service	**24%**
HR/talent acquisition	**24%**

Base: 450 global C-level and line-of-business decision makers
Note: Due to rounding some totals may not equal 100%.
Source: A commissioned study conducted by Forrester Consulting on behalf of IBM, November 2019

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Appendix C: Supplemental Material

RELATED FORRESTER RESEARCH

"Refocus Process Automation To Rescue Your Digital Transformation," Forrester Research, Inc.,
May 17, 2018.

"Advance Process Automation By Keeping Automation Technologies In Their Own Lanes,"
Forrester Research, Inc., November 11, 2019.

"The Rise Of The Agile Employee: Develop And Evolve Agile Skills," Forrester Research, Inc., July 23, 2019.

Appendix D: Endnotes

[1] Source: "Empower Customers By Transforming Business Processes," Forrester Research, Inc.,
August 4, 2011.

[2] Source: "Top Customer Experience Takeaways From The Web 2.0 Expo, 2009," Forrester Research, Inc.,
January 25, 2010.

[3] Source: "Find Your Transformation Edge," Forrester Research, Inc., March 1, 2011.

[4] Source: "The Rise Of The Agile Employee: Develop And Evolve Agile Skills," Forrester Research, Inc.,
July 23, 2019.

[5] Source: "Advance Process Automation By Keeping Automation Technologies In Their Own Lanes,"
Forrester Research, Inc., November 11, 2019.

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