



2005 FAS ANNUAL CONFERENCE
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BUSINESS PROCESS MANAGEMENT

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Introduction to Business Process Management

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Challenges for the Investment Services Industry

- ◆ Risk Management, including a focus on compliance and governance
- ◆ Efforts to improve efficiency and customer services
- ◆ Strategies to boost revenues
- ◆ Strategies to better manage operational costs
- ◆ A shift from product to process as a competitive advantage



In The News

Press release **Economist Intelligence Unit** The Economist
20 Jul 2005

Mounting competition forces financial services companies to rethink their organization of business processes, according to an Economist Intelligence Unit survey

Reducing the unit cost of business processes will be the single biggest challenge facing financial services companies over the next five years, say 61% of respondents in a new global survey of 300 senior executives undertaken by the Economist Intelligence Unit. New technology is lowering barriers to entry across much of the financial services industry; that, along with regulation aimed at driving improvements in transparency and reporting standards, is forcing companies to think carefully about how they structure their operations. The survey indicates that cost pressures and increased competition will prompt a growing proportion of financial services companies to expand their shared-service centers and the range of business processes they are willing to outsource, both locally and offshore.



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DST Technologies and AWD

- ◆ DST Technologies is a wholly-owned subsidiary of DST Systems
- ◆ DST Systems, Inc Corporate: NYSE listed - "DST"
- ◆ 2004 Revenue - \$2.4 Billion
- ◆ Founded in 1969; Headquartered in Kansas City, Missouri with more than 9,000 Associates Located in 9 Countries
- ◆ According to Gartner, DST is Ranked as a "Leader" in Their Current "Magic Quadrant" of Pure-Play BPM Vendors
- ◆ DST's BPM Solution: *Automated Work Distributor*® (AWD)
 - Initially released in 1990
 - 250+ US and 100+ International Associates
 - 390+ Customers Worldwide
 - 100,000+ Licensed Users



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Agenda

- ◆ Definition of Business Process Management
- ◆ History of BPM
- ◆ BPM Overview
- ◆ BPM Life Cycle
- ◆ Why BPM is not STP
- ◆ Snapshot of Customer Benefits
- ◆ Conclusions

The History of Process Automation – 1st Wave

- ◆ Based on “Taylorism”
 - Fredrick Taylor’s “Scientific Management” theory
 - Greater division of labour
 - Full managerial control of the workplace
 - Cost accounting based on systematic time-and-motion study.



"In our scheme, we do not ask for the initiative of our men. All we want of them is to obey the orders we give them, do what we say, and do it quick."

Fredrick Taylor - 1906

History of Process Automation - 2nd Wave

- ◆ One time Event - Processes Manually Re-engineered
- ◆ Software and systems implemented
 - ERP, Package, Bespoke
 - * **Business & process logic hard-coded**
- ◆ Technically Lead to EAI
 - Various Architectures, Messaging and Adapters, Rudimentary Workflow
 - * **Application to Application Focused**



BPM – The 3rd Wave

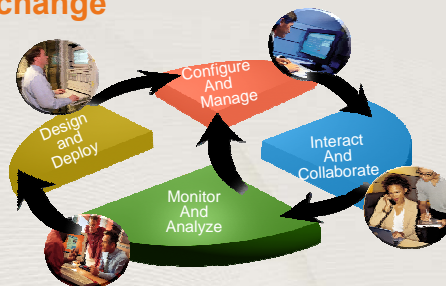
- ◆ One thing dominates the 3rd wave:

Facilitating the ability to change

- Acquisitions and Mergers
- New Markets
- New Products
- New Competitors
- Legislative Change

- ◆ How?

- Extract Business Processes from the Applications which run them.



From Workflow to BPM

- ◆ The BPM market is comprised of vendors whose products address the market's needs from four different perspectives
 - Business Process Modeling and Analysis
 - Workflow Automation
 - Enterprise Application Integration
 - Business Activity Monitoring

History of BPM

Workflow

High volume processes
Forms-driven
Document imaging and routing
Task cycle management



Integration - BPI

Standards emerge
Collaborative Workflow
Embedded in applications
EAI and B2Bi emerge

History of BPM

Workflow

High volume processes
Forms-driven
Document imaging and routing
Task cycle management

Pure Play - BPM

H2H, S2H, S2S
Process templates
Enterprise approach
Standards continue

Integration - BPI

Standards emerge
Collaborative Workflow
Embedded in applications
EAI and B2Bi emerge



A More Holistic Approach

	Workflow	Business Process Management
Process Focus	<ul style="list-style-type: none"> Human to Human Human to System (Secondary) 	<ul style="list-style-type: none"> Human to Human System to System Human to System System to Human
Scope	<ul style="list-style-type: none"> Single Application / Workgroup 	<ul style="list-style-type: none"> Enterprise Platform Multiple Processes
Approach	<ul style="list-style-type: none"> Increasingly found embedded in applications 	<ul style="list-style-type: none"> Separate layer within IT Infrastructure to connect to multiple systems
Integration Expectations	<ul style="list-style-type: none"> Limited 	<ul style="list-style-type: none"> Extensive
Focus	<ul style="list-style-type: none"> Task routing 	<ul style="list-style-type: none"> Lifecycle management of processes and process improvement
Process Modeling	<ul style="list-style-type: none"> Limited / None 	<ul style="list-style-type: none"> Required
Reporting	<ul style="list-style-type: none"> Basic 	<ul style="list-style-type: none"> Extensive analytics on process efficiency Facilities to share information with BI tools for business effectiveness



What is Business Process Management?

“BPM systems enable companies to model, deploy, and manage mission-critical business processes, **that span multiple enterprise applications, corporate departments, and business partners --- behind the firewall and over the Internet.** The BPMS is a new category of software and opens a new era of IT infrastructure.”

Characteristically including:

- Horizontal process focus vs. vertical “silo” functionality
- Widely distributed and can be configured across boundaries
- Dependent on and supportive of human judgment
- Difficult to make visible and widely misdefined
- Characterized as H2H, S2S, H2S, B2B

“Business Process Management – The Third Wave” by Smith &ingar

BPM Does Not Require Replacement of “Core” or “Legacy” Application Systems

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BPM Solutions Span Multiple Applications Both Inside and Outside of the Enterprise

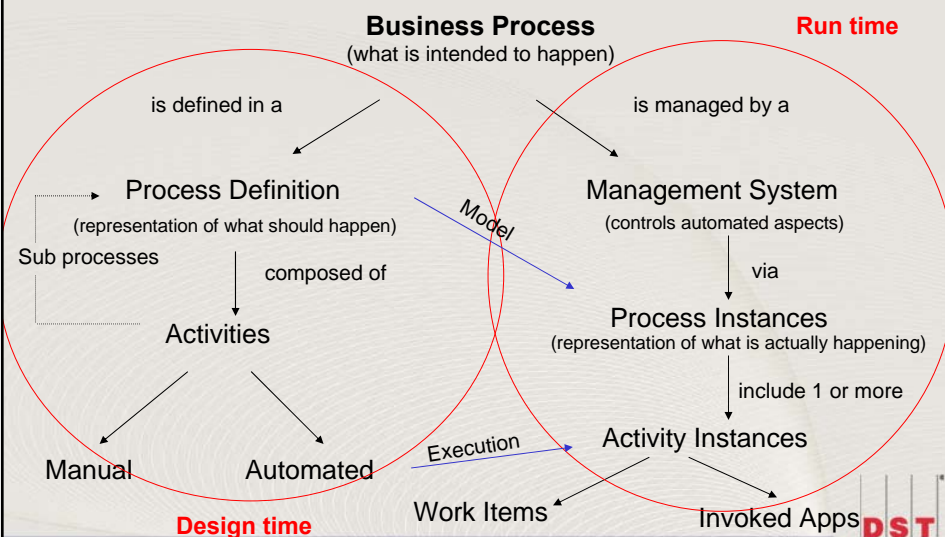
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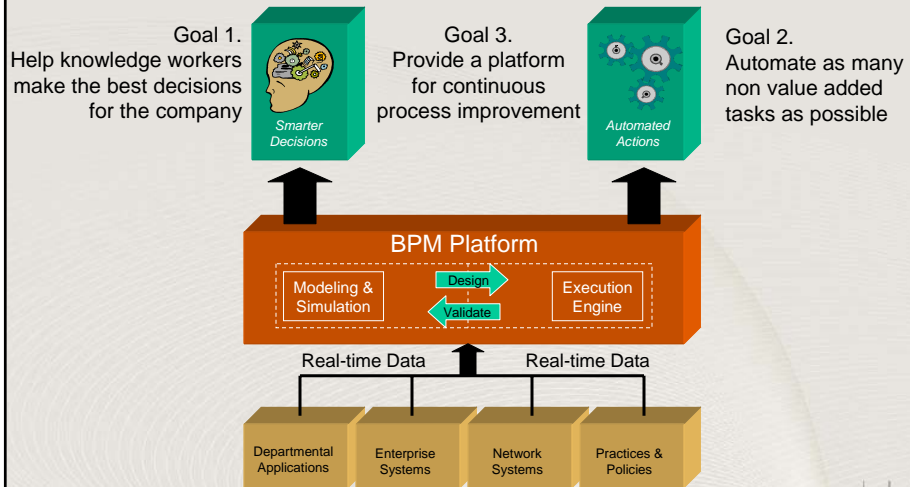
What is BPM

- ◆ Isolate the process management to a separate layer
 - Rules based processes
 - Invoke other participants to perform work
- ◆ Remove control from the processing applications
 - Rigid custom “stove-pipe” solutions
 - Reduce need of each application to “be in charge”
- ◆ Management focus on the process
 - Establish, document, refine the process
 - Monitor the performance of the process
 - Monitor the participants in the process

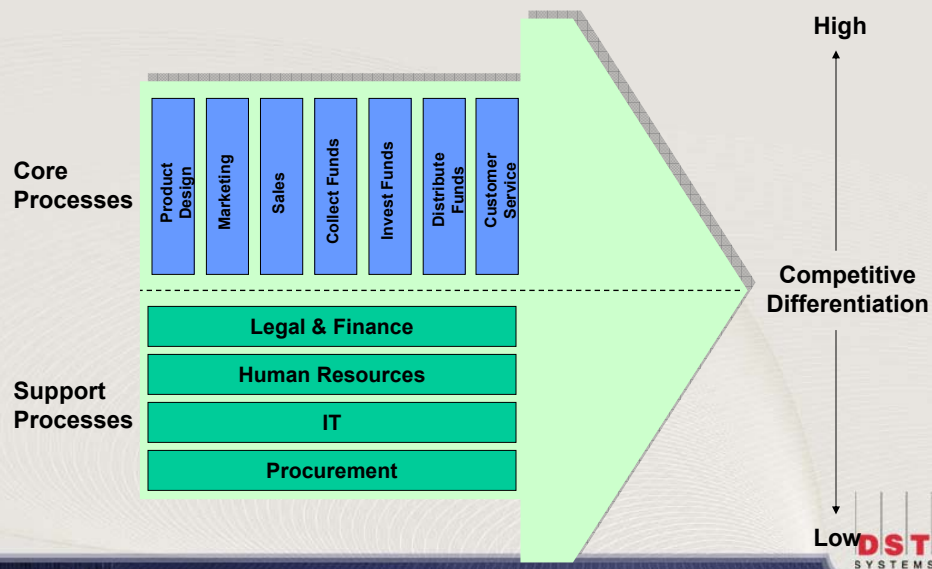
Business Process Fundamentals



Goals for BPM



Financial Services Value Chain



Higher Value Processes

- ◆ Exception Processing
- ◆ Facilitating STP
- ◆ Integrated Risk Management
- ◆ Regulatory Reporting and Compliance

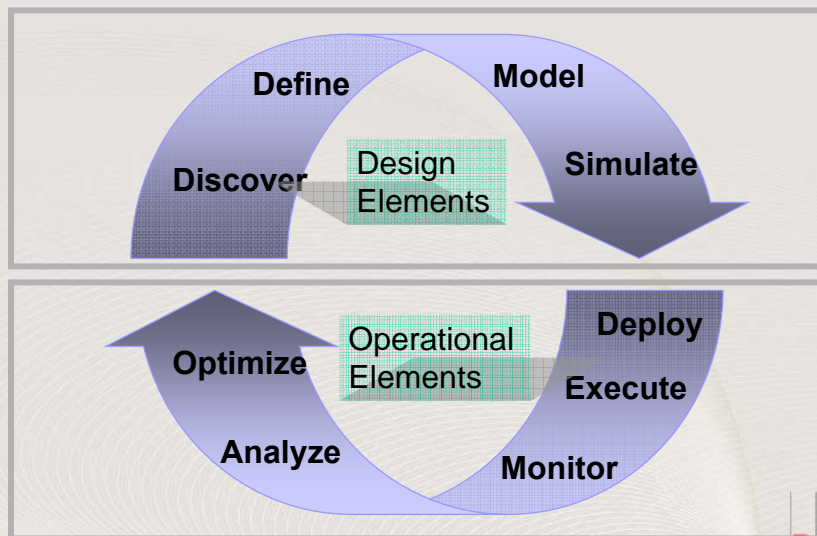
Where is the BPM Activity?

- ◆ 85 percent of organizations have human-to-human (H2H) dominated business process
- ◆ 15 percent of organizations are system-to-system (S2S) dominated
- ◆ 2 percent had no H2H activity
- ◆ 62 percent had no S2S activity

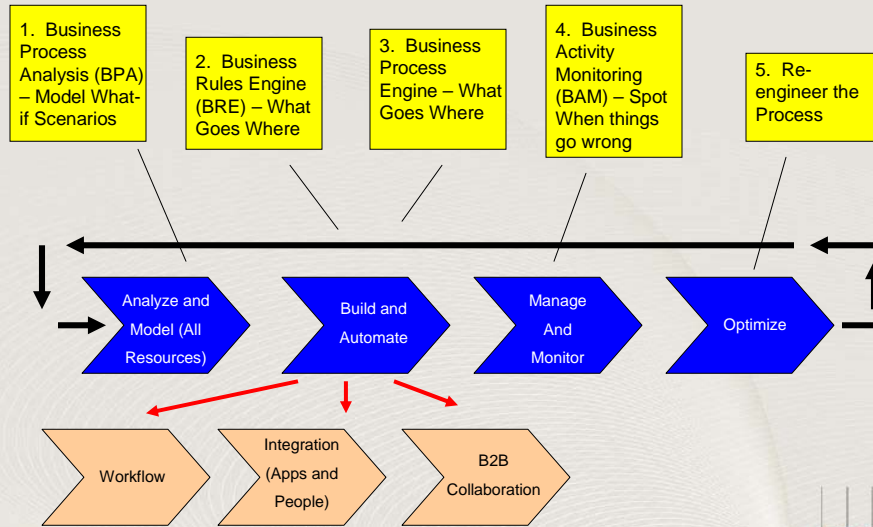
Components of BPM

- ◆ Modeling – define/document the process
- ◆ Management – perform the process
 - Machine processes – system interfaces
 - People processes – workflow management
- ◆ Monitoring (real time)
- ◆ Measurement (reporting after the fact)
- ◆ Optimization

BPM Fosters Better Management and Control



BPM Life Cycle



Source: Gartner (July 2006)

Business Process Analysis



- ◆ Business process analysis
 - Often split between a graphical modeling tool and the underlying analytical engine
 - BPM allows the modeling and analysis of what-if scenarios
 - * What if the bond yield goes up by so many points?
 - * What if an extra 10 percent of deals could be automated?
 - * What if broken trades and exceptions could be reduced by five percent?

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Business Rule Engine



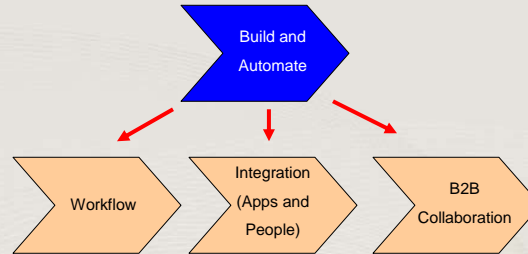
- ◆ Business rule engine
 - Central repository for the rules that govern the processes and people that are linked to the existing applications
 - The BRE will facilitate the your ability to change processes quickly in response to a change in:
 - * the corporate vision
 - * a new regulation
 - * or a competitor's new products, added features, or enhanced terms and conditions.

Business Process Engine



- ◆ Business process engine
 - Executes and manages the business process from start to finish
 - * handles task assignments through configurable queues
 - * escalates and suspends activities
 - * provides notifications of events that fall outside the expected or accepted norms

Workflow, Integration, and Collaboration



- ◆ Workflow
 - Whereas workflow is about routing tasks to individuals, BPM is about all aspects of the entire end-to-end process
- ◆ Integration and Collaboration
 - BPM often employs links to middleware and messaging technologies that can be used to integrate applications and people and to collaborate with partners

Business Activity Monitoring



- ◆ Business activity monitoring
 - Enables the real-time analysis of processes
 - * Can be used to spot bottlenecks (like account setups)
 - * Can be use to spot failures (like broken trades)

Business Process Change



◆ Optimization

- This is the renaissance of business process re-engineering
 - * Allows processes to be tweaked or changed in response to hard data provided by BAM, and
 - * Scenarios tested in BPM.

New BPM Definition

*“BPM is a **management practice** that provides for governance of a business’s process environment toward the goal of improving agility and operational performance. BPM is a structured approach employing methods, policies, metrics, management practices and **software tools** to manage and continuously optimize an organization’s activities and processes.”*

BPM is Not STP

- ◆ Although BPM can facilitate STP, the two are not equivalent
- ◆ STP has the goal of automating, as much as possible, the end-to-end process for trading:
 - Pre-trade, at-trade, post-trade (matching, confirmations and allocations), and settlement
- ◆ BPM takes a much more holistic view of a business process, both that which can be completely automated, and those steps that cannot.
- ◆ BPM can help:
 - Make it easier to manage STP by performing the exception handling
 - Extending STP to a greater range of financial instruments by combining and managing rules from a central repository

Vendor Differentiation

- ◆ **Build vs. Buy** – Some BPM vendors will follow a more off-the-shelf approach, whereas other will position BPM as a toolkit. The majority will be somewhere in the middle taking a template approach.
- ◆ **Degree of Verticalization** – This has to do with the degree and amount of financial services content and process models that come with the solution or that are made available to the user.
- ◆ **Resource Requirement** – The staff required to deploy and maintain the solution, as well as maintain the rules and processes by business analysts or users.

Snapshot of Customer Benefits

- ◆ Dreyfus Fund Accounting
 - Implemented BPM to Automated End-of-Day Pricing
 - Staff Required for Equity Pricing Reduced From 50 to 6

- ◆ MFS
 - Turnaround Reduced From one Week to one Day
 - Before BPM - Rated 26 Out of 30; One Year After Implementing BPM, Rated #1
 - Callbacks Went From 15 Percent to 0.1 Percent



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Snapshot of Customer Benefits

- ◆ Janus Funds
 - 95% of All Queries Are Now Handled During the Initial Call (25% Before BPM)

- ◆ BFDS
 - Accounts per Clerk Increased from 3,500-to-1 to 5,400-to-1



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Conclusion

- ◆ BPM has strategic implications, because it will become an essential layer in the IT architecture for an ISF (Investment Services Firms).
- ◆ BPM is not about technology, it is about making people more productive.
- ◆ An ISF that has never used BPM before should start cautiously. Plan strategically but – at first – deploy tactically
- ◆ BPM is more than glorified workflow and should not be limited to high-volume, low-value transactions.
- ◆ ISFs should benchmark and monitor their processes and then use BPM for optimization and continuous improvement of these investment services processes. BPM should follow a life cycle, not a one-off deployment.
- ◆ ISF should choose their BPM vendors with care – look beyond price and functionality to criteria like strategic fit and buy vs. build philosophy. Identify whether you need pre-built industry templates and what benefits they would provide to your organization.



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Questions



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See AWD in the Demo Hall

