Project Report No. 2

Process Model Repository Governance

at Suncorp

Chu Kwong Lau

Andre Joseph Fournier

Yumei Xia

Jan Recker

Eike Bernhard

Business Process Governance at Suncorp

Preface

This report is published as part of the ARC Linkage Project "Facilitating Business Process Standardisation and Reuse" by QUT's Business Process Management Group and Suncorp.

The purpose of Project Report No. 2 is to inform and advise Suncorp management about how BPM practices are currently implemented within their organization. A snapshot of the existing state of BPM governance practices as well as recommendations are provided.

Case Study Key Facts

Company	Suncorp – The Queensland-based Suncorp Group is one of Australia's largest banks and its largest general insurance group.
Industry	Financial services (Banking, general insurance, life insurance, wealth management).
Current BPM Goals	Up to today, Suncorp has invested substantial resources in the design and maintenance of a vast amount of process models. Recently, the focus changed to increasing the efficiency of the process modelling initiative in order to ensure a return on the investments and enhance the company's performance in the face of current issues and future challenges.
Project Focus	Practical aspects of Process Model Repository Governance at Suncorp.
Approach	Interviews with Suncorp staff conducting process modelling and interacting with process models as well as supporting document analysis.
Outcome	This report closely examines the status quo of BPM Governance within Suncorp. Derived from this analysis, this study also offers recommendations to improve the existing governance principles.

Background

Company Background

The Suncorp Group of companies offers a range of financial products and services in banking, general insurance, life insurance, superannuation and investment products across Australia and New Zealand. It is a Top 25 ASX listed business with over $93 billion in assets, has around 16,000 employees and relationships with over nine million customers.

www.suncorp.com.au

Project Background

One of the most pressing management challenges of today's organisations lies in the reuse and standardisation of best practices across different sectors, products or units. This project aims to design and develop an innovative process model repository and appropriate governance structures to efficiently and effectively support the standardisation and reuse of best practices. The project is co-founded by Suncorp, one of Australia's top 25 listed companies and Queensland's largest listed corporation. Suncorp provides a range of banking and insurance products directly to customers through an extensive branch and agency network, call centre operations, on-line facilities, and through intermediaries and corporate partners. The collaboration with Suncorp will offer the opportunity to work with real-life business process models, and the possibility to conduct case studies to validate the outcomes of this research.

Apromore

Advanced Process Model Repository

http://apromore.org/

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1   Introduction

Many organizations are interested in process improvement and start out on a project basis – especially if Business Process Management (BPM) is still a new and unfamiliar activity. Once the organization has gained some level of experience in BPM and may see a few 'quick wins' from process improvement, ideally an organization would be able to form the foundation of utilizing BPM on an organizational level.[1] BPM Governance is a key factor in ensuring long-term sustainability of business process efforts that lead to the achievement of an organization's goals and objectives.[2] It involves a framework of rules and guidelines that govern the entire course of an organization's BPM efforts.[3] It may be possible for a company to continue their process improvement efforts without going through the BPM Governance stage; however, implementing a governance structure provides a valuable tool for growth on different levels.

There are various ways to implement BPM Governance.[4] It will all depend on the organization and how it views BPM as part of the knowledge resources of the company. Implementing governance early in a process improvement initiative allows an organization to gradually progress BPM – and the mindset change it entails – throughout the entire organization. Continuing process improvement efforts without an overseeing governance structure may hamper an organization's ability to realize the full potential of the existing process repositories.

Implementing BPM governance in an organization may involve several components, ranging from accountability issues, and a clear formal structure for the description of business processes to aligned recognition and award systems.[5] Furthermore, research identified several components of effective process governance[6]:

- definition and clear understanding of BPM itself;
- establishment of standards for implementing new BPM projects, for example, clear objectives regarding the outcome and benefits of BPM activities;
- prioritization of BPM projects;
- definition of roles and responsibilities for everyone involved in the BPM project;
- establishment of an authority to enforce BPM governance rules;

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[1] Rosemann, vom Brocke (2010); Scheer, Brabander (2010).
[2] Hammer (2010); Davenport (2010).
[3] Rosemann (2006a); Rosemann (2006b).
[4] Markus, Jacobsen (2010).
[5] Kirchmer (2009); Markus, Jacobsen (2010); Spanyi (2010).
[6] Richardson (2006); Scheer, Brabander (2010).

- use of mature BPM technology and tools that optimally support BPM across the organization;
- establishment of a BPM Center of Excellence (CoE) to support the deployment of enterprise-wide business processes as well as to ensure that every initiative adheres to the previous steps.

These steps may be re-arranged depending on the level of top-management support for governance implementations or organizational strategy. Moreover, the speed of accomplishment depends on how much investment and commitment an organization displays towards BPM.

Suncorp, one of Australia's biggest providers of financial products and services, created over six thousands processes models in the course of its BPM initiative, currently stored in its process repository. This enormous size presents a significant challenge in the application of a governance framework for the organization.[7] Nonetheless, to continue to thrive in the face of a challenging environment for the entire financial industry, it is essential to maximize the benefits from this initiative. Achieving this can only be possible with a profound knowledge of the existing state of Process Governance.[8] Thus, this report intends to answer the following research questions:

- How is Business Process Management governance currently implemented within Suncorp?

- What recommendations could be derived from this state of BPM governance implementation?

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[7] Franco, Mariano (2007).
[8] Child, Shumate (2007).

2   Study

The analysis of Suncorp's existing governance framework focused on the following areas:

1. *Internal business assessment*: This area of investigation increases the understanding of how internal factors like organizational structure and top management support affect the use of process models.

2. *Unit of process excellence*: This is to check whether Suncorp has set up a single unit with a dedicated group of staff responsible for monitoring BPM activities and assessing process improvement opportunities.[9]

3. *Rules, modelling conventions and guidelines*: This section studies the existence of sufficient standardized or commonly agreed information for different units to perform the necessary tasks within the repository, e.g., future maintenance.[10]

4. *Process modelling architecture*: The development landscape of Suncorp's process modelling architecture to support the huge amount of daily information transacted is investigated and its consistency is evaluated.

5. *Degree of coverage*: Quantitative figures are used to determine process model relevance in Suncorp's day-to-day operations and the influence of the repository.

6. *Legal requirements*: Suncorp,is operating in a highly regulated environment. Relevant questions are developed to uncover the regulatory influence on process models.

7. *Publication and divulgation*: This section examines Suncorp's BPM-related communication efforts and aims to verify if all employees are supplied with up-to-date information and educated about business process activities.[11]

8. *Reference models and best practices*: The key here is to investigate how models of business processes as well as the repository itself are developed and maintained and to what extent this development and maintenance is based on reference models or best practices.[12]

Two interviews with the Suncorp division managers (banking, personal insurance, and general insurance) have been conducted to obtain the relevant information across different business areas in an in-depth analysis of the current process governance situation. To capture as much details as possible within a given short period of time, open questions were used. Additionally, Suncorp's external meetings (with QUT and Leonardo Consulting) were examined. As a third source of information, internal documents on process governance are considered. This combination of multiple methods increases the validity of the findings.[13]

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[9] Markus, Jacobsen (2010).
[10] Child, Shumate (2007).
[11] Franco, Mariano (2007); Child, Shumate (2007).
[12] Kirchmer (2009).
[13] Jick (1979).

3   Findings

This section illustrates the current governance practices at Suncorp. The information gained through interviews, observations and document analysis are summarized and categorized along the areas of interest outlined in chapter 2. Both the insurance and banking businesses will be discussed in order to provide an overview of the Business Process Governance at Suncorp as a whole.

3.1   Internal business assessment within Suncorp

Suncorp first engaged in business process management approximately 9 years ago. At that time, the current theories around BPM and Business Process Governance were not yet established or accepted, so processes were managed mainly on an ad-hoc basis. Due of this fact, there was no need to establish a central or singular office responsible for BPM and the comprehensive view of the processes.

Insurance sector
Suncorp has grown considerably over the past 8 years through mergers with, and acquisitions of, other insurance companies while maintaining each company as a separate brand within the Suncorp Group. Each of these insurance companies comes with its own existing customer base and service and its own associated processes. In order to align the new subsidiary with the corporate goals of the group, it is asked to adopt the Suncorp processes and policies and utilize these in place of their own. In terms of organizational implementation of process governance, the central IT department serves as a focal point for all the processes that are currently under maintenance, have been replaced, and are managed on an ad-hoc or project basis. More specifically, there exists a Line of Business (LOB) end-to-end process for each division, and a project team is put together consisting of process owners, department heads, and people with IT/ARIS background. Once the project is finished and all documentation is composed, the team is disbanded and the process models are placed in the corresponding department's repository. To develop a BPM governance structure may be a logical next step for the insurance division, however, cost and time considerations are very important – especially in the light of fierce competition and constant changes, occurring in both the company and its lines of business. Moreover, the number of staff that will be involved is relatively large and processes have to be adapted frequently. Also, the demonstration of the value derived from BPM governance to the executive level is problematic due to its largely intangible character. This issue could be mitigated by showing small project benefits ('quick-wins') as proof that the process modelling investment is worthwhile. However, Suncorp management has acknowledged the potential of BPM and established specialized roles and departments specifically to oversee this initiative.
Banking sector
Suncorp made a conscious decision about three years ago to enable each line of business to look after its own processes. To this end, in 2010, the banking division established a Process team as well as more recently the Process Architecture group in the context of the new Bank Transformation project.

3.2 Business process excellence unit

A BPM Center of Excellence refers to an internal unit of process practice. It exists "when an internal team of process managers, functional leads, technical leads, and developers are empowered to establish and enforce governance rules".[14] It usually helps organizations to prioritize and implement processes, maintain a process library, establish process best practices and evaluate process performance.

Suncorp does not have a business unit that is responsible for business process excellence in any of the two sectors. One reason contributing to this status quo is the focus on other BPM related aspect, e.g., process development and design. However, multiple process teams have been set up to maintain business processes across different departments. While BPM activity is still carried on project basis rather than that of on process basis, there is lack of initiative to create a dedicated BPM Center of Excellence. Furthermore, building a process unit requires a sound organizational understanding of BPM as well as the investment of resources in communication initiatives to ensure a general understanding of BPM.

Insurance sector
Setting up a process Center of Excellence may be a possible project in the future. Nonetheless, at present, the insurance business does not have any such unit, nor is there a project or initiative planned related to its implementation.
Banking sector
As mentioned in the internal business assessment in section 3.1, it is still early for Suncorp to build up this specific business unit. Provided there is ongoing top management support, it may be a valuable project in the future.

3.3 Rules, modelling guidelines and conventions

This section presents the assessment of business rules, conventions and guidelines for the modelling of business processes. There are currently two different modelling practices in Suncorp due to different system architectures. In the insurance sector, EPC is used while in the banking sector, BPMN is the existing modelling convention.

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[14] Richardson (2006), p. 5.

Insurance sector
Insurance has started BPM several years ago when BPMN was unavailable (it formally launched in 2004), and choice was more limited. Therefore, in order to better integrate with its existing ERP system, EPC and the ARIS modelling tool were selected. Specifically, it uses the extended version of EPC (eEPC) which also allows the representation of organizational data. Due to frequent changes in the insurance business, process models need to be easily adjusted to respond adequately to this dynamic market.   In the absence of a properly defined process ownership in the insurance sector, only people who are part of the project team can revise or edit processes. For the other staff, process-related user manuals and documentations are available but limited in scope to the specific project at hand.   In spite of the existing standardized insurance sector guidelines, there are still some variations. It is difficult to review several processes simultaneously since they are stored in different folders and locations. At present, there is no central repository or means to access these diverse models. Different departments established their own standards because of resources constraints; but the key factor is to keep all of these activities consistent with the whole project.
Banking sector
On the other hand, Suncorp's banking sector has just recently (2010) started its BPM initiative using BPMN. Today, this modelling grammar is gaining maturity and acceptance, manifesting in last year's launch of the new version BPMN 2.0.[15] While the banking environment tends to be more standardized than that of the insurance sector, the choice of BPMN also reflects the preference of a higher expressive power. According to Suncorp, the banking business is relatively static because it is strictly regulated. Hence, formalized and stabilized models are required.   Suncorp process modelling teams are small and only operate for the life of the project. Since their function is limited, they may not realize that similar projects may already have published modelling conventions which could be adapted to their specific project, to ensure consistency and time efficiency. Also, the project may be ongoing while certain reorganizations or changes occur within the process and the teams may sometimes not be able to cope with these changes based on established conventions.

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[15] http://www.bpmn.org.

3.4 Business process modelling architecture

In general, the insurance sector is using ARIS and EPC while the banking sector is adopting Oracle and BPMN.

Insurance sector
For the insurance sector, the process modelling architecture is based on ARIS and uses EPC as a process modelling notation. Operating procedures are captured as guidance. In contrast, modelling activities are conducted on a project basis, which leads to the issue of fragmentation or duplication among different processes. This duplication is currently being addressed by the ARC Linkage Project "Facilitating Business Process Standardisation and Reuse" by QUT's Business Process Management Group and Suncorp.
Banking sector
The process modelling architecture of the banking sector is based on the ORACLE suite on basis of the BPMN notation. The division captures current process steps and applications to support the processes. Additionally, it captures future processes and applications, from which it can produce business footprint diagrams. In terms of changes and improvement, the process architecture becomes increasingly visible as the banking line of business uses a tool which supports pre-defined bank processes and produces extracts from it via MS Excel.

3.5 Degree of BPM coverage

There are different timelines of BPM activities among Suncorp's different divisions. The insurance sector, which is the major business of Suncorp, started using EPC nine years ago while the banking sector just initiated BPMN modelling last year. This leads to significant differences in terms of process modelling coverage within the organization. Not all business processes of Suncorp are captured in the repository, especially for the banking line of business, which uses an industry reference model. The approximate percentages of the different subsidiaries are estimated as: Personal Insurance (PI) Claims 50%, Distribution 10%, and Commercial Insurance (CI) 60%.

Insurance sector
Both PI and CI businesses in the insurance sector have more than 50% coverage. The figures indicate that top management believes thatBPM enhances growth. Due to this positive attitude on the executive level, it may be easier for future BPM activities to gain support. Given continuous sponsorship, a possible next step would be to consider ways and means to better organize their BPM activities and repository. Maturity models or a process excellence unit constitute possible ways of development.[16]   A certain lack of coverage is mainly due to cost concerns. There are many disorganized processes and their implementation may consume too much time – Suncorp managers estimate more than two years – and effort. There are also frequent changes and needs for restructuring which makes existing process modelling projects obsolete. Furthermore, Suncorp maintains separate databases for different departments and thus potentially hampers communication across departments.
Banking sector
The banking sector, due to its relatively recent BPM engagement, needs more time for staff to familiarize itself with ongoing BPM activities. Also, as banking is a relatively conservative business, the velocity of BPM progress and its overall effects have to be carefully considered.   Since tool usage started so recently, currently only the processes within the transformation scope were captured in the repository – with the aim to extend it to all bank processes in the future. The percentage of different subsidiaries depends on the processes. Some are fully outsourced, others are mixed, and some are fully in-house.

3.6   Legal requirements

Suncorp Group as a listed company is obligated to adhere to ASX regulations. Also, industry-specific legal requirements apply to its different lines of business. Generally speaking, the insurance sector is relatively less restricted in comparison to the banking sector, which operates in a highly regulated environment.

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[16] Harmon (2010).

Insurance sector
The insurance business is relatively less regulated. This offers a more flexible modelling environment to the process teams. Legal restrictions exist only in terms of documentation. However, this fact was already considered before initiating the BPM project. Also, in case of increasing regulation, a mature BPM initiative and the use of process models allow relatively unproblematic compliance to regulatory requirements.

Banking sector
The banking sector, on the other hand, faces several strict compliance issues, like SOX, Basel Capital Requirement, and money laundering laws. In order to survive in this environment, banking divisions will usually set up a legal department to handle compliance matters. From the perspective of Suncorp's process design within the banking business, the question arises whether this legal department will become one of the process managers or process owners. Another option would be the establishment of an additional step in the process lifecycle or procedure in which the legal department reviews processes. In any case, this regulatory environment affects the design of business process.

3.7   BPM publication and divulgation

Publication and divulgation describe the communication channels related to the business process repository of Suncorp. In particular, it refers to information about access rights, user rights, briefings in case of changes, and the steps involved in a change process.[17]

Insurance sector
In the insurance sector, there is high level of publication and divulgation as everyone is to be kept up to date. On the other hand, there is no restriction of information usage – this information exposure may become an issue of confidentiality. A mechanism to ensure that only the right person has access to certain details combined with a more appropriate information policy would easily control the situation. Current views derived from the repository are initially exported into Excel and then inserted into the common directory for everyone to pick up and peruse. As the tool is only used within the project in the current stage, and no changes are implemented in banking sector, therefore there is no dissemination issue yet.

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[17] Yeates (2003).

Banking sector
The banking sector, still being in the early stages of implementing its own process modelling system, may need more time to develop thorough publication and divulgation. At this moment, efforts are limited to process model design – neither repository publication nor training is allocated to users. There is a demand for repository publishing because users sometimes find it difficult to search for relevant process models. More specifically, the different folders of the repositories may contain overlapping content such as duplicates, thus increasing the complicatedness to access required models. Another reason for the access limitation to the repository is that Suncorp avoids endowing untrained and unrelated users with such access rights. Lastly, there are also concerns about costs in terms of time and human resource efforts.

3.8   Business process reference models and best practices

Reference models and best practices support organizations in learning from existing success concepts and behaviours. The financial industry, due to its complex nature and immense influence on society, has created a set of commonly accepted reference models and best practices which affect Suncorp's insurance as well as banking business.

Organizations select the most appropriate maturity models for their internal evaluation of possible improvements. This may also relate to quality assurance. However, Suncorp currently has no such mechanism in place, probably partly due to an insufficient degree of coverage, as discussed in section 3.5.

Insurance sector
Suncorp is the Australian market leader in insurance business. The large customer base enables the company to frequently accumulate valuable experiences from operations. Thus, it provides an opportunity to create the current reference models internally. However, Suncorp insurance may also consider investing in the promotion of standardized or recommended practices concerning its process repository, as the repository size is anticipated to keep growing. Relying on best practices as guidance instead of autonomous, ad-hoc actions may facilitate the use and maintenance of that repository.

Banking sector
For the banking sector, Suncorp already has two reference models in place. One is a vendor-specific industry reference model, while the second refers to the company reference model, which is mainly used for the process of alignment. However, this model has not been used for process modelling. Business scale and regulations, as mentioned before, are main drivers behind these models. Furthermore, given the fact that best practices are taught by the vendor, users will understand the business processes in depth. This is further promoting BPM governance.

4   Discussion

4.1   Conclusion

This report discussed the configuration of elements of Suncorp's BPM Governance along several categories derived from the literature, including the adherence to modelling conventions, the utilization of best practices, the organization's process architecture, and legal requirements that influence the process design flexibility.

In addition to depicting the current state of Suncorp's BPM implementation, which is mainly based on interviews with Suncorp staff and the analysis of process-related documents, recommendations for the enhancement of existing practices are provided.

4.2   Limitations

This research report bears several limitations. Firstly, it relies on qualitative research methods without quantitative support. Thus, further research on BPM governance in Suncorp utilizing different methodologies is recommended. However, this concept is a relatively new idea, with less than ten years of experiences and development. As such, the available information is limited.

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