Process management and compliance. Not just an end in itself.

More work and less transparency by compliance regulations?
There is no reason!

by Armin Trautner

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Many companies and financial service providers repeatedly fall into the same old traps when it comes to compliance initiatives and process documentation. Implementing the various compliance guidelines can come at an incredibly painful cost, especially to small and medium-sized businesses. Nevertheless, special directives such as the Sarbanes-Oxley Act and Basel III are becoming increasingly important. Just recently the United States announced plans to introduce Basel III, the internationally approved capital standards, for all the nation’s banks.

The issue then of course, is to what extent compliance relates to business processes and their analysis. Risk management is related to compliance and has been an integral part of the Six Sigma method, which aims to reduce errors to a minimum, for a long time already. So the logical next step into process optimisation requires no leap of faith. Consequently, there is much more process improvement potential to discover through sensible process analysis. With the right tools to hand, not only can you comply with tedious legislation such as Sarbanes-Oxley, you can also uncover a raft of other improvement potential. It is true; however, that this can only work when employees are involved in documenting the work steps from the start.
Benefits for all instead of knowledge for the archive

In many companies, process optimisation is already high on their agenda. Often they use central databases that allow for business processes to be observed in three dimensions. Now this type of management is merging with new compliance requirements. But, even if you have neglected the optimisation efforts so far, you will have no problems with directives such as Sarbanes-Oxley as long as your processes are properly documented. Many of our clients report that, having worked incredibly hard to achieve ISO certification for example, they often just leave it locked away in an overstuffed filing cabinet somewhere. Such stand-alone solutions have brought many QM managers to their knees. Instead of enabling the company to optimise processes and establish a knowledge database, all that’s left is an additional, incomprehensible dead weight.

That is not sufficient for Basel III or SOX compliance. Companies that have already gone one step further in terms of ISO certification now have a head start. They have uploaded their visualised business processes to the Intranet, creating transparency throughout the company. This means that the foundations are already in place for optimising business processes, and even for mapping actual process flows in a quality management system. After all, once the processes have been properly documented they can be modelled using simulations and subsequently optimised.

Optimize efficiency and reduce risks

If you then add a risk control component, it is another vital step towards compliance and an optimised process landscape. This is one way for companies to cut costs as well as achieve compliance. Also, the Commonwealth Bank, one of our clients, faced a doubly difficult challenge. In the beginning: the authorities had issued new regulations and the company had to bear the resulting costs. As in many other banks, the Commonwealth Bank had invested significant sums in observing previous regulations regarding credit and market risks. For that reason, the bank was intent on making sure that the expenditure required to optimise risk management also created measurable value in terms of operational processes. To ensure that the Commonwealth Bank fulfils its obligations pursuant to the new operational risk regulations, it purchased and successfully implemented the iGrafx Process software. Anyone implementing these guidelines not just for legal reasons, but in order to optimise their own processes at the same time, will get twice the benefit.

We do not just support the step into compliance management for all those who have already documented their processes – using all kinds of third-party products to which we have interfaces, or via our own solutions. We also help businesses that are only just starting to document or analyse their business processes. We believe our main strength is that our easy, intuitive and modular solutions help significantly reduce the costs that companies can
incur in the process of achieving compliance. For example, another large bank has already saved CHF 330 million simply by optimising its ETF trade processes using iGrafx. Overall, we see any effort to achieve compliance not as an end in itself, but as a rewarding opportunity to untangle complex processes.

**iGrafx Performance Central:**
Tool for easy control and risk management through dashboards and scorecards.
10 Tips for successful process management

Whether compliance initiatives or process modelling, the more closely the different process initiatives resemble each other, the more similar the mistakes that are made in them. But the truth is that there are only a few aspects that have to be taken into account in order to make such a project a complete success:

1. Don’t lose know-how

In many cases, an external consultant develops considerable know-how about the company. If, however, a different project is undertaken, this knowledge is often no longer available and once again the entire “learning process” has to unnecessarily start from scratch. The conclusion to be drawn from this is that compliance is a company issue and consequently something that’s the responsibility of the senior management. The responsibility for every compliance project should rest with the company itself.

2. Engaging with employees

When documenting processes, employees must be involved in the individual work steps from the very beginning. Their work must be recognised as being meaningful and important. If, on the contrary, they get the feeling that they are simply being “saddled” with the onerous task of documentation, this is a guarantee for failure. This also means that the results of the work should not collect dust in a drawer, but should be made available to every employee through the intranet as HTML documentation readily accessible for use in their daily work.
3. ICS and SOX are issues for senior management

ICS and SOX must be issues for the senior management. This is also required by corporate transparency laws. To make this happen, a functioning internal control system must be established. This must describe the clear delegation of responsibilities and clearly define the corporate objects that fall within this responsibility.

4. Pick up the “quick wins” as added value

During process mapping, “quick wins”, i.e. minor optimisations that can be carried out with very little effort within the framework of an existing system, can be enhanced at the same time. Often, employees themselves have the best ideas. In addition to improving output, this also improves motivation.

5. Steer rather than control

Processes that are meant to help implement and ensure compliance must also serve to increase efficiency step by step within the company. Instead of jumping to the control function – according to the maxim “Who made a mistake?” – process management software helps financial service providers in particular to continue their further development. Among other things, that is also one of the background reasons for SOX in general.

6. Less is often more!

Many financial service providers have implemented too many controls for reducing risk. In many cases, these are unnecessary and can be quickly recognised at first glance by using a graphic BPM tool.
7. Make processes internally visible and usable

Compliance initiatives only produce real added value for a company, if processes are not only visible for all relevant employees, but can also be found and used easily and quickly. Only a BPM system that is also able to simultaneously steer intranet publication is suited to this task and creates transparency in the company through visualised business processes.

8. Proactive subsequent use

When new processes are pending, such as a new e-business application, it is ludicrous to reinvent the wheel. By using the processes that have already been captured, it should easily be possible to map other projects, for instance through the use of common processes and adaptation of existing processes and the implementation of the necessary new processes that follow. It is important to remember that business processes should essentially be modelled according to the implementation specifics, i.e. from the technical support.

9. One person responsible for ICS is sufficient

“Too many cooks spoil the broth”. Unpleasant surprises can only be avoided if just one person monitors all individual steps and keeps an eye on the coordination of the ICS certification.
10. One tool suite for everything

Only simple, integrated and visual tools can meet all of the requirements. Meaning processes are easy to create, analyse and improve by everyone involved. A solution landscape with a modular design makes a holistic approach possible: in this way, effects of process adaptations can be displayed in dynamic dashboards, analyses for risk evaluation and control can be carried out, quality audits can be run and employees can be trained by means of a jointly developed web based management handbook. Furthermore, all up-to-date results can always be retrieved by way of an HTML interface on the intranet.
About iGrafx

iGrafx process management solutions empower people across organizations to contribute to business optimization and achieve operational excellence. The only solution that effectively aligns the activities of both IT and Business roles, iGrafx unites the entire organization around a single platform for process knowledge and analysis. iGrafx focuses on delivering the most comprehensive yet easy-to-use tools for organizations at any level of process maturity to become and remain world class competitors. For more information, please visit www.iGrafx.com.

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