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Business Process Management: The Next Evolution in Managing Workers Compensation

by Nathan Dintenfass

Until recently, few organizations had efficient methods for orchestrating and managing the interactions among employees, not to mention the corporate systems involved in keeping workplace injuries and workers compensation costs to a minimum. Their methods for identifying risks of workplace injury, tracking employee-specific interventions to mitigate risk of injury, or analyzing information about workplace risk and injuries in ways that were meaningful to the organization's bottom line were usually ineffective or nonexistent. Most importantly, organizations frequently lacked the ability to integrate these human tasks with corporate management systems.

As the global business environment becomes increasingly competitive, an organization's business success depends on its ability to achieve efficiencies in managing these kinds of processes. As a result, today's companies are starting to employ business process management (BPM), which refers to the systematic integration of a set of activities that organizations can perform to either optimize their business processes or adapt them to new organizational needs. For example, one set of business processes might dictate how a company identifies at-risk individuals in its injury prevention program while another process is used to handle the return to work of injured employees.

Managing Workers Compensation Risk through BPM

In 2002, employers spent nearly \$350 billion on work-related injuries, and employees who got hurt on the job missed over 41 million days of work according to the U.S. Department of Labor report "The Workers Compensation Crisis." This

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begs the question of why companies expend so many resources on workplace injuries when injury prevention is a more effective way of handling the problem. A review of many companies' business processes demonstrates that processes exist for post-claim cost management but to a large degree are not as efficient as they could be. Further review shows that many organizations lack a process-centric approach to pre-loss initiatives.

For example, once an employee has become injured, some organizations have used BPM software to efficiently automate the flow of documents between the people and systems involved in processing that employee's claim and return to work. The process may have involved many stakeholders and process executors, each performing discreet yet integral elements in the overall process. In the case of a pre-loss initiative, however, BPM software could have been used to manage activities related to the identification of risk-for-injury factors and the distribution of solutions to supervisors and health and safety implementers to help that employee avoid becoming injured in the first place.

Build or Buy?

Traditionally, IT and risk managers have been faced with the decision of whether to build a custom solution or buy off-the-shelf software when considering workplace injury and workers compensation management. Those who have chosen to "build" have done so because they have found that packaged risk management solutions have not offered the flexibility needed to accommodate their existing or defined processes. Those who have chosen to "buy" have generally found a more attractive timeline for software availability and lower implementation prices.

Many companies whose core competencies do not include software development and delivery have preferred not to invest in building and maintaining their own customized solution. Those that might have once selected "build" over "buy" because of lack of applicability to their own processes should reviewing their options again.

As software solutions have evolved, so have BPM solutions. Increasingly, software vendors have come to understand an organization's need to enable processes, not define them. To do so, they have been forced to increase the flexibility of their software, resulting in the ability to support and enable the dynamic set of processes in that organization. By moving from

a functionality focus to a process focus, many packaged solutions offer new capabilities that help them adapt to—and even encourage—a process-centric approach to risk management initiatives. Before evaluating software for business process capabilities, it is important to understand some basic principles of BPM.

1. Change is inevitable. Solutions must be dynamic to accommodate both planned and unforeseen business changes. When workers compensation regulations change, for example, you must be able to change your process to accommodate the new regulatory mandates. Flexible BPM software can actually facilitate the management of new regulatory mandates, automating everything from stakeholder notification to process change across the organization globally.

2. Processes must be improved. Prior to purchasing software, a company should determine metrics for success and then perform an internal audit to identify the processes most critical to achieving success. Opportunities for process improvement should be clearly identified.

3. Processes must be managed. Processes are only as good as the people who define and implement them. Apart from purchasing the software and using it to help automate risk management business processes, companies must ensure processes are followed enterprisewide, especially in areas that directly affect core business objectives. For example, automating notices to managers that remind them to call an injured employee at home to offer words of encouragement only works if those who are automatically notified follow up by placing the call. Analytics provided by the software should assist you in understanding adoption rates of those processes.

4. Automate where reasonable, leverage human capital where optimal. Using the right tools can ensure that companies have critical information that will enable them to allocate resources where they are needed most. These tools can also empower employees to change their work habits and environments—minimizing their discomfort levels, increasing their job satisfaction, getting them back to work sooner, and ultimately decreasing workers compensation costs for the company.

5. You cannot do BPM without Six Sigma, and you cannot do Six Sigma without BPM. In the 1980s, Motorola designed Six Sigma as a quality initiative and problem-solving methodology to

reduce the error rate in its plant operations. Similar to the ISO 9000 quality control test, it enables companies to scrutinize their processes, pinpoint sources of error and apply remedies. This only works if a company has first identified and begun to manage its processes in the first place through BPM.

Managing Workers Compensation Risk and Cost

One of the keys to reducing direct and indirect costs for workers compensation is effectively managing processes, such those for injury prevention and claims management. A number of companies are offering BPM-focused solutions that address both of these areas.

Pre-loss initiatives. For larger companies with thousands (or tens of thousands) of employees, general injury prevention across the entire employee population is a monumental task. It requires understanding the way in which each employee performs his or her job and then following up with each employee to mitigate risk, and bringing in other stakeholders in the organization (as appropriate) to help mitigate risk.

Many leading-edge organizations, including ChevronTexaco and Visa, have implemented risk-based injury prevention business processes. A risk-based approach suggests that a company should first gain an understanding of the "sources of error" by discovering which employees are at the highest risk of injury and then identifying and applying remedies, and prioritizing remedies for the highest risk employees first. ChevronTexaco and Visa have both implemented a software solution that automates processes to identify and mitigate risk.

The software solutions used to automate pre-loss prevention by these organizations also offer analytics that help the organization understand which risks are not being effectively reduced. Six Sigma can be utilized as a way to develop improvements to the process. Because the software is flexible, process changes can be dynamically incorporated into the automation and process implementation across the organization.

For example, in the course of implementing the BPM software, ChevronTexaco learned that employees' work habits changed significantly approximately every six months. Therefore, it added a step to its process to gather

information from employees about how their work habits changed. The new information, collected automatically through the BPM software, allowed the software to update risk calculations, which then ensured that ChevronTexaco was following up with its highest risk employees.

Using business process management to implement a risk-based approach has yielded high value to these organizations and many others, and has significantly decreased the severity and cost of injuries over time.

Claims processing. Once an injury occurs, responding fairly and promptly to a claim is necessary at every insured and self-insured company. Apart from the burden on the corporation to pay the claim, the way each administrator processes claims has a major impact on its own operational and financial results. New claims processing technologies that include BPM are giving employers the ability to streamline their business practices and improve productivity.

Are You Ready?

Both customized and off-the-shelf BPM software can help organizations optimize their BPM initiatives. As the software industry has matured and produced more varieties of BPM solutions over the last decade, flexibility is now possible in off-the-shelf or customized solutions, making either solution quite viable for many organizations. Before investing in either type of software, however, organizations should perform an internal audit of their processes and determine their overall "readiness" for BPM software. Once organizational readiness exists, companies can create a much higher value when they begin integrating BPM software into their infrastructure and culture. Only then can BPM help to increase the effectiveness of company processes and to decrease workers compensation risks and bottom-line costs.

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