



Colpensiones

WfMC BPM Excellence 2013 Winner

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From paper to process: Creating a customer-centric organization with BPM

Executive Summary

The Colombian government state pension system managed by the "Instituto de Seguros Sociales" (ISS) was facing numerous IT challenges and poor quality of service that was dependent on out dated technologies and slow processes. The Colombian government decided to close the old state pension system, and create a new entity called Colpensiones. Colpensiones was tasked to deliver efficient and secure information systems to improve customer experience and to become a financially viable entity.

The challenge was huge as in record time Colpensiones had to take over the monthly payment for nearly one million pensioners and administer the contributions of 6.5 million affiliated workers, reliably, quickly and efficiently through agile process management.

To tackle the challenge, Colpensiones was designed in its entirety from a process perspective, modeling and automating all core and non-core processes, with a BPM solution. Shortly after the successful implementation, Colpensiones had national coverage across 49 cities and more than one thousand employees during the first month of operation dealt with over 118,000 customer queries.

Colpensiones implemented Bizagi's BPMS among other solutions to automate more than 118 business processes in the first stage (all went live in October 2012 in a record time of 9 months) and 200 at a second stage to support more than 800,000 cases and 4,000,000 transactions per month. The key project objectives which were cost reductions, processes streamlining and improved service quality were all met in a record time of nine months. Over 184,000 citizens were served by the new system over a period of 6 weeks in the autumn of 2012.

Below are current project statistics, which proved to be the most successful BMPS implementation in Latin America:

- **Average** number of cases created **in a day**: 40,523
- **Maximum** number of cases created **in a day**: 137,664
- **Average** number of cases created **per month**: 891,506
- **Average** number of activities performed **in a month**: 27,874,602

“ **With nearly 1m cases and 28m activities performed in a month supporting \$4bn financials transactions in total, Colpensiones is recognised as one of the largest BPM projects in the world.**

1. Overview

Colpensiones is an entity controlled by the state and its objective is to manage the Colombian state pension system. The entity was created to improve the services provided to its members, contributors and the general public and to resolve problems created by the old pension system. ISS operated for over 60 years and contributed to major information mishandling that led to financial losses that needed to be recovered by the national budget.

The Colombian government decided to transform the system from mainly paper based structure to a truly process-oriented paperless organization. While the previous pension entity rarely answered its members or took a long time to resolve the outstanding queries, the new entity focused on customer service guarded by ambitious SLAs and even in its first month of operation dealt with over 118,000 customer enquiries. This was the making of a high performance, transparent and customer centric operation.

Operationally, all decision-making processes were centralized including the management and control of business procedures and legal proceedings, to ensure consistency and transparency across the board. The new business strategy was based on process standardization, well-defined business rules and procedures for the recognition and payment of cash benefits to members who are in the process of receiving or about to apply for benefit.

This strategy required the unification of information, the clean-up and reconciliation of job history data, the use of robust technologies for digitizing and documents transfer, thus achieving transparency and reliability when building new relationships between pensioners and their new pension system, Colpensiones.

The technological and business challenge was to ensure the integration of all databases and legacy systems in parallel with on-going clean-up and reconciliation of information, as well as the automation of all business processes, standardization of procedures for each application and a definition of ambitious but achievable service level agreements (SLAs) and Key Performance Indicators (KPIs).

The aim was to speed up members' applications for benefits from several perspectives:

- Significantly reduce the lengthy application times
- Minimise claims and legal demands if applications were refused
- Avoid incorrect settlements or retroactive payments due to the delayed approval process
- Improve efficiency, control and customer service
- Timely response to telephone enquiries

2. Business Context

The Colombian government sixty year old state pension had 60 databases which contained the job histories of its members, most of which were not digitized but filed manually. It was also facing 84,000 lawsuits and nearly 100,000 complaints, resulting in high costs and disruption in delivering daily services efficiently.

The management of Colpensiones set the following objectives for the new process driven system based on BPM:

- Create a customer-centric entity based on transparency and visibility of all activities from inception through to completion.
- Define established procedures aiming to provide timely responses and meet commitments to the members and general public.
- Deliver positive financial results to ensure fiscal sustainability of the system in the long-term.
- Supervise and control to ensure the delivery of a quality service, measured by KPIs set around efficiency and profitability.
- Raise the general public awareness on how the pension system works, what are the members' rights, responsibilities and in particular, raise the importance of savings from the early years to ensure the quality of life in the future.
- Generate national savings procedures to allow more than 9 million Colombians of low socioeconomic levels to have access to the financial benefits.
- Obtain cost reduction and efficiencies through centralized processes that are monitored, controlled and measured by KPIs.
- Process in a timely manner all general public applications related to claims for economic benefits ranging from disability, old age, death payments through to reinstatement of contributions and funeral expenses.

3. The Key Innovations

The key innovation of this project was the design of the new entity, Colpensiones, in its entirety from a process perspective, modeling and automating all core and non-core processes, with a BPM solution.

The project was implemented in a record time of **nine months**. The new operation serves 6.5 million customers, performs more than 1 million monthly payments, increased its geographical reach last year from 65 to 92 offices located in 49 cities.

3.1. Business

Automation of the customer support and business processes with Bizagi, substantially improved the communication and speed in carrying out procedures and benefits applications which resulted in better relationships with members and general public. Switching over-night from 'no' response culture to

successfully handling over 118,000 customer queries during the first month of operation was a significant achievement.

From the Colpensiones' management perspective, the true project innovation comes from the integration and centralization of information which results in a substantial reduction in response times and operational costs whilst delivering consistent and quality service. The significant process automation reduces the pressure on human intervention so less resource is required to carry out the procedures.

The impact on the project contributors and beneficiaries is reflected in the fact that they are serviced efficiently and in less time as their job history and other relevant information is easily accessible and up to date. The quality service helps to minimize claims and legal demands if applications are refused

while fast response time significantly reduces incorrect settlements or retroactive payments which are usually caused by the delayed approval process. The strong supervision and control to ensure service delivery guarded by SLAs helps to ensure fiscal sustainability of the pension system in the long term.

Service levels measured by KPIs:

- Response time to economic benefits applications for pensioners including validation of compliance with established standards.
- Cost reduction and efficiency

3.2. Case Handling

As mentioned earlier, the old pension system, ISS, contributed to major information mishandling and financial losses during many years of its operation. It was mainly paper based - 60 independent databases which contained the job histories of all its members, most of which were not digitized but filed manually.

Due to the sheer volume of paper-based information, managing and searching it proved very challenging; that's why the old system was facing 84,000 lawsuits and had nearly 100,000 complaints, resulting in high costs and destruction from delivering efficient daily service.

Since the new entity is completely process driven, more than 118 business processes were automated in the first stage (all went live in October 2012), here is the snapshot of the impressive case statistics:

- **Average** number of cases created **in a day**: 40,523
- **Maximum** number of cases created **in a day**: 137,664
- **Average** number of cases created **per month**: 891,506
- **Average** number of activities performed **in a month**: 27,874,602

The second phase started with the objective to automate 200 processes supporting more than 800,000 cases and 4,000,000 transactions per month.

“ **118 processes were automated in the record time of 9 months to administer the contributions of 6.5m citizens, and the team successfully responded to 118,000 customer queries in the first month after the implementation.** ”

3.3. Organization & Social

At the organizational level, the most important innovation is the automation of business processes to ensure a consistent support internally and externally as well as the standardization of business rules. It is also unique to have the consistent levels of service defined that help to achieve expected response levels because of ease of access to information. In addition, the centralized information system facilitates quality decision-making based on accurate and timely information, ensuring that the management KPIs are met.

It would be impossible for a new organization to establish this level of geographical coverage so quickly without the high level of automation; nine months after the successful implementation, Colpensiones had national coverage across 49 cities and established 92 offices, employed 1,200 employees that during the first month of operation dealt with over 118,000 customer queries.

Services offered to the general public, can be segmented as:

- Affiliations and Transfers
- Income and Expenditure
- Occupational health / disabilities
- Payroll, financial benefits

4. Hurdles Overcome

4.1. Management

From the management perspective the significant difference between the new and old solution was the centralization of all decision-making processes including the management and control of business procedures and legal proceedings, to ensure consistency and transparency across the board.

Cultural changes were required to remove local autonomy and local decision making habits; this was accomplished through comprehensive management coaching workshops and a change management program.

4.2. Business

Major business process obstacles were presented at the time of the definition and standardization of processes due to the number and diversity of areas and stakeholders involved, especially as the old pension system had very little processes in place. It was important to define the transition plan from the existing pension schemes and get the agreement of all stakeholders. This was achieved by the gradual design and deployment of the BPM solution and a phased delivery.

Key business process related challenges were as follows:

- Lack of standardized processes
- Lack of technologies for digitizing and document transfer
- Minimal automation of the main processes
- The dispersed pension information and data
- Cultural acceptance of poor quality service
- Little knowledge of processes and process automation

4.3. Organization Adoption

The initial culture of the existing organization was relaxed and as such able to accept inefficiencies, delays and excessive costs. Process-driven operation and administration based on sound and electronic information management infra-structure was a new concept for many at Colpensiones and this new design needed acceptance and understanding accomplished through training and coaching.

Following successful deployment, Colpensiones brand gained strong credibility internally and with the general public. As there was no service disruption during the transition from the 'old' to the 'new' system, employees' motivation and commitment grew quickly and that reflected in the quality of service and the feedback from members and the general public. Employees' morale increased as they were proud to work for a successful government department, as if building on the experience of an established pension system that was operational for 60 years.

“ **Colpensiones was designed in its entirety from a process perspective, modeling and automating all core and non-core processes, with a BPM solution. Operationally, all decision making processes were centralized to ensure consistency and transparency across the board.** ”

5. Benefits

5.1. Cost Savings / Time Reductions

The implemented solution based on the high level of automation and data integrity contributed to significant costs reductions which were reflected in the number of staff required; employee numbers were reduced from 3,000 to 1,200. This is mainly due to the reduction in manual activities and easy access to job history and other critical information.

Since last November the headcount was increased to 2350 to manage the geographical expansion as the number of offices grew from 65 to 92. This new staff was also deployed to work through the backlog of lawsuits and complaints (84,000 lawsuits and 100,000 respectively left from ISS).

There were also evident reductions in the execution time frames of the processes and sub processes; new processes were streamlined and lean while information was easily accessible which improved customer service and response times. The effective integration of the BPM solution and the pension system brought out business agility and improved problem resolution.

Colpensiones is not measured on increasing revenues, however the entity became financially viable and reduced the debt created by the old state pension system, because of the gradual removal of inherited legal cases.

5.2. Quality Improvements

There were several quality improvements accomplished in this project. Service times were significantly reduced:

- from 'no' responses before to all response times complying with the business KPIs
- Faster access to information, due to its centralization
- Elimination of reprocessing and new legal actions, pension and benefits applications processed timely and correctly which decreased the financial dependency on the national budget.

6. Best Practices, Learning Points And Pitfalls

6.1. Best Practices and Learning Points

- ✓ Involvement of the whole organization especially senior management and key representatives of all major departments that require process automation
- ✓ Develop and deliver the project in clearly defined phases
- ✓ Focus on key processes and add new ones once the main processes are fully tested
- ✓ Not only focus on processes but the way they are used internally

6.2. Pitfalls

- ✗ Avoid hurried and time restrictive practices
- ✗ Don't implement all processes at the same time
- ✗ Be always mindful of the organizational culture and address these challenges with 'change' management workshops

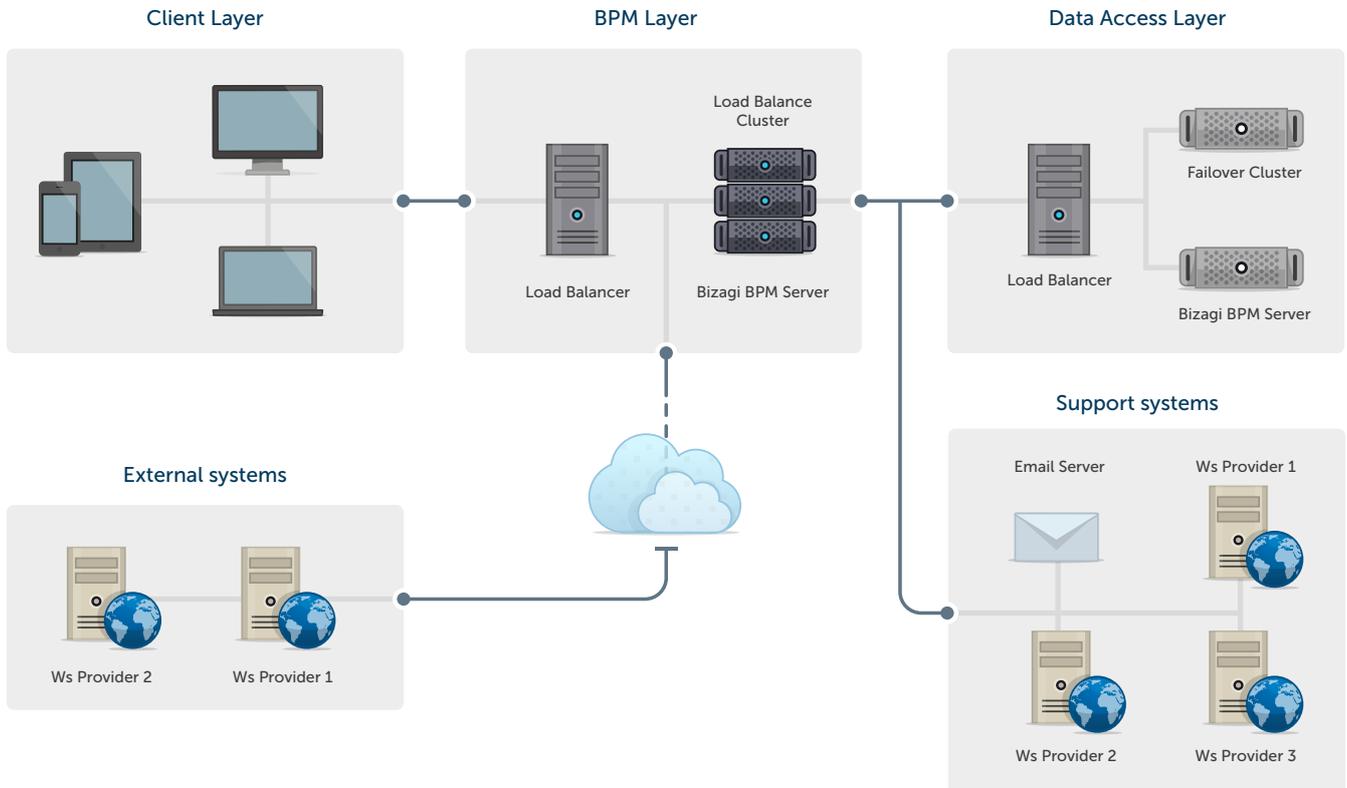


Figure 1 - Colpensiones Architecture

7. Competitive Advantages

The key competitive advantage of Colpensiones is their quality of service. The implementation of the BPM solution has generated speed, agility and quality of service, attributes never before achievable in the pension system in Colombia.

A new era has begun with a new process-driven institution, which will continue to improve on the functions delivered by the old ISS. The department is expected to be more efficient and less dependable financially on the national state. Procedures for servicing pensioners and members remain unchanged but the implementation is streamlined, consistent and transparent while delivering the service based on clearly defined KPIs.

8. Technology

The underlying technology infrastructure is as follows:

Colpensiones selected Bizagi BPM Suite for the automation of their complete national pension system. Colpensiones used Bizagi Process Modeler to map and design the process flow and then Bizagi BPM Suite for process execution/automation.

Bizagi is an integrated BPM Suite which enabled Colpensiones to manage their complete process cycles and is flexible enough to support changes in business and market conditions. Bizagi is a robust, high-level and multifunctional process management system which can support mission critical operations and fast growing environments.

Authoring / Construction

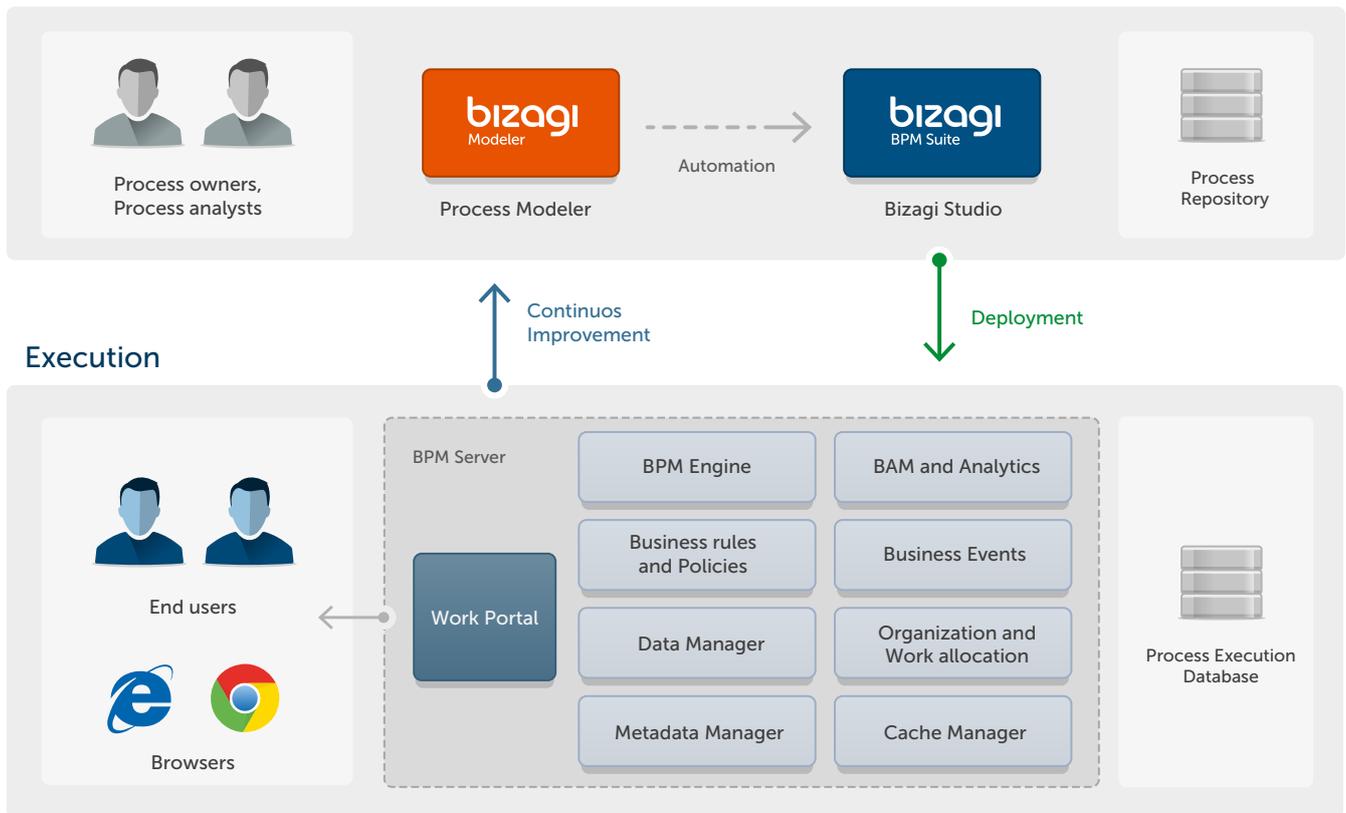


Figure 2 - Bizagi Architecture

9. The Technology And Service Providers

Colpensiones selected Bizagi BPM (www.bizagi.com) for the implementation of their first BPM initiative. Bizagi is a leading BPM solution capable of empowering businesses of all types and industries around the world, providing them with unprecedented adaptability to changing business and market conditions through optimal business process automation (execution) and continuous improvement.

- Visibility and Control
- Alerts and notifications
- Performance analysis and reporting
- Audit and traceability
- Quality
- Mobility
- Sturdiness
- Integration
- Corporate features (multi-tenancy, BPMN process engine, durable transactions, enterprise data model, etc.)