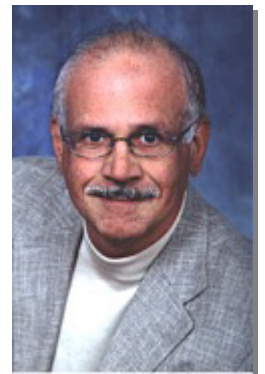




Business Process Management Group

Article – Enterprise Business Process Management & Strategy



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Enterprise Business Process Management & Strategy

The Butler Group has not only predicted that the BPM market will be worth \$4 billion USD by 2005 but they have also cautioned that to date BPM technology has failed to impress the market as a revolutionary solution due to vendors' inability to clarify exactly the role of BPM.ⁱ

While several other sources have raised similar concerns, business leaders are just as culpable as IT solution vendors in failing to understand that the single most essential role of technology is to enable critical business processes for observable, quantifiable performance improvement.

In other words, the effective deployment of BPM technology can and should play an essential role in implementing strategy. Of course, this assumes that business leaders have the right attitude and the aptitude to express strategy in business process terms. And there's the rub. Far too often, they don't.

Further, it's somewhat puzzling why more business leaders have not nurtured the mental models and behaviours needed to define strategy in a business process context. After all, most would agree that it is the set of enterprise business processes which defines how work is done and creates value for customers and shareholders.

The academic community has been promoting this point of view for some time now. As far back as 1996, Dr. Michael Porter emphasized that "Activities, then, are the basics of competitive advantage. Overall advantage or disadvantage results from all a company's activities, not only a few' and then went on to say that "The essence of strategy is choosing to perform activities differently than rivals do."ⁱⁱ

...far too many of today's business leaders still cling to a traditional functional mindset

While Porter didn't use the term 'business process' in 1996, clearly that's what he was referring to. Over the period 1996 through 2003 an increasing number of authors underscored the critical role of business processes. In 2004 Kaplan and Norton's recently released book 'Strategy Maps' places business processes centre-stage in implementing strategy and spells out that organisations must identify and measure the performance of their critical business processes in order to create value for their customers and shareholders. They point out that an organisation's strategy needs to clearly and concisely answer the question 'To satisfy our customers, which processes must we excel at?'ⁱⁱⁱ

So what the problem? Why aren't more companies jumping on the enterprise business process management [EBPM] bandwagon? Don't they understand that a firm's strategy can only be executed by improving and managing its enterprise business process?

Like in so many other areas of human endeavour, the answer is to be found in business leaders' attitude and aptitude.

Let's begin with attitude. Unfortunately, far too many of today's business leaders still cling to a traditional functional mindset. They continue to see their business as a collection of functions on the organisation chart and have not evolved their thinking to a more adaptive paradigm where it's the performance of the enterprise's business processes – and not departmental performance - which creates value for customers. This traditional way of thinking is indeed problematic. It produces a set of beliefs and behaviours which collectively work to sub-optimize organisational performance. Specifically, the traditional functional mindset promotes:

- Silo behavior and Turf protection
- An undue preoccupation with organization structure
- A distorted view of performance measurement and executive rewards
- A continuation of 'command and control' management practices

It is this traditional way of thinking that leads firms to launch dozens, and even hundreds, of unconnected, un-integrated, and often overlapping improvement initiatives. It is this way of thinking that prompts executives to implement enterprise resource planning (ERP) and customer relationship management (CRM) systems without first understanding and improving the underlying business processes.

Nor do business leaders have a monopoly on traditional thinking. Middle managers continue to think in terms of functional excellence, IT professionals continue to think in terms of 'applications', and some BPM vendors are more interested in the technical aspects of their offerings as opposed to the business results that can be produced.

As if this incapacitating mental attitude was not enough of a challenge, far too many organizations simply do not yet have the aptitude to link strategy to the set of enterprise business processes and manage these for optimal performance.

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In other words, they lack business process improvement and management experience or 'process maturity'. In part this is due to the business process improvement practices of the 1990's, when it was not uncommon to hear executives say 'Yes- we want to reduce the costs of fulfilling customer orders, but we're not ready yet to manage the entire set of enterprise business processes.'

While most firms have had some experience in improving business processes of relatively small scope, the overall level of 'business process maturity' is still well below what is needed to adeptly convey strategy in business process terms.

Skeptical?

Then, consider your organization in terms of the following scale of business process maturity.

1. Minimal awareness of the need to improve and manage business processes
2. Broad awareness of the need to improve and manage business processes, but little action so far
3. Some successful process redesign projects, but not much sustainable process management
4. Several successful process redesign projects and a few key end-to-end business processes managed for continuous improvement.
5. The full set of customer-touching processes are being managed for continuous improvement
6. The entire business is being managed as a system of integrated business processes.

Hardly anyone is at level 1 these days, but if you are at a level 5 or 6, then you're in an exclusive minority. The vast majority of firms would likely rate themselves somewhere between level 2 and 4.

For a firm to be able to effectively articulate strategy within the context of business process performance it needs to overcome the dual limitations of 'attitude and aptitude.' Like with many behavioral ailments, the remedy is a combination of education and experience.

Education is needed to transform the traditional functional mindset of leaders to a more adaptive, customer focused model based on business process thinking. Leaders need to first appreciate intellectually, and then feel it viscerally, that EBPM is all about performance.

A good place to start is with an appreciation of the need for the leadership team to work *deliberatively and collaboratively* to define, improve and manage its end-to-end enterprise business processes.^{iv}

While there's always the age-old question what's more important attitude or behavior, it is becoming increasingly apparent that when it comes to embracing business process thinking a few critical behaviors can do a great deal to shift attitude. Leadership teams who are interested in developing the right mental models for EBPM are well advised to start with the following few behaviors;

- Look at the business from the 'outside-in' or customer's point of view, and measure the firm's current performance in providing products and services to customers in terms of what

customers demand and deserve with respect to the cost, the on-time delivery, and the quality [defect-free and complete]

- Determine what level of performance with respect to the cost, the on-time delivery, and the quality [defect-free and complete] of products and services to customers is needed in order to achieve strategic objectives
- Create a one-page business process relationship map and decide which business processes need to be improved by how much by when to achieve the firm's strategic objectives
- Develop a business process management plan which specifies who will need to work collaboratively to assure which business processes need to be improved by how much by when to achieve the firm's strategic objectives
- Begin to execute the plan and monitor progress closely

Yes – this involves some effort, and like all journeys it begins with a single step. If you agree that it's critical for business leaders to have the right attitude and the aptitude to express strategy in business process terms and that the effective deployment of BPM technology can and should play an essential role in implementing strategy, then maybe it's time to ask the leadership team: Are we ready to take that step?

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ⁱ http://www.butlergroup.com/reports/bpm_mar02/mansum.asp

ⁱⁱ Porter, Michael, "What is Strategy?" *Harvard Business Review*, November-December 1996

ⁱⁱⁱ Kaplan, Robert S., and David P. Norton, 'Strategy Maps', HBS Press, 2004

^{iv} Spanyi, Andrew, *Business Process Management is a Team Sport – Play It to Win!*. Anclote Press, 2003