

## BPM versus Operational Excellence<sup>i</sup>

The proliferation of process improvement methods over the past decade has become problematic. The range of process improvement methods now includes BPM, Lean, Six Sigma, Lean Six Sigma, Operational Excellence (OpX), Process Excellence (PEX), Reengineering (BPR) and several older techniques such as the theory of constraints (TOC) which are still in use in some organizations.

As process improvement professionals develop increasing skill in a selected improvement method, they are inclined to think and communicate that their method is better than alternative approaches to process improvement. Executives seeking to improve operational performance are sometimes confused about the similarities and differences between various methods and feel that they “have to choose a side.”

Yet, most of the process improvement methods in vogue today have evolved from the same roots in total quality management (TQM) and the integration of two or more methods offers synergy and potentially even greater productivity than deploying any one of the methods alone. For the sake of brevity, we will consider BPM versus operational excellence (OpX) in this article, although a similar comparison might be done for any combination of improvement methods.

BPM and OpX share certain challenges and opportunities. The challenges that both methods appear to share includes clarity of definition, maintaining a focus on customer needs, assuring leadership engagement and sustaining gains.

While there is some consistency, there are also some subtle but significant differences in various definitions of BPM and OpX as Table 1 illustrates below.

Various Definitions of BPM	Various Definitions of OpX
<p><b>Gartner IT Glossary:</b> Business process management (BPM) is the discipline of managing processes (rather than tasks) as the means for improving business performance outcomes and operational agility.</p>	<p><b>The Institute for Operational Excellence</b> Where “each and every employee can see the flow of value to the customer, and fix that flow before it breaks down.”</p>
<p><b>BPMInstitute.org:</b> The definition, improvements, and management of end-to-end business processes in order to achieve clarity on strategic direction, alignment of resources, and increased discipline in daily operations.</p>	<p><b>Wikipedia:</b> Operational Excellence is an element of organizational leadership that stresses the application of a variety of principles, systems, and tools toward the sustainable improvement of key performance metrics.</p>
<p><b>BP Trends:</b> Business Process Management (BPM) is a comprehensive approach to improving corporate performance by aligning business processes with business strategy and goals and assuring that IT applications, human competencies and organizational development support the process performance objectives of the organization.</p>	<p><b>Operational Excellence Society:</b> Operational Excellence is when the efforts throughout the organization are in a state of alignment for achieving its strategies and where the corporate culture is committed to the continuous and deliberate improvement of company performance AND the circumstances of those who work there – to pursue ‘Operational Excellence by Design’ and not by coincidence</p>

Table 1

Generally, Operational Excellence (OpX) is considered to focus on cost reduction and continuous improvement. But that's where the consistency ends. While Operational Excellence clearly has its roots in the Lean method of improving performance, these days OpX can refer to various methods of improvement. Many major consulting companies such as Accenture and Deloitte have their own spin on OpX. World class manufacturing firms such as ABB, Dupont and Chevron each appear to have their own view of OpX. For example, Dupont, defines its Operational Excellence model in terms of assisting its clients in applying best practices with respect to three key areas: Asset Productivity, Capital Effectiveness, and Operational Risk Management. On the other hand, ABB views OpX as the means to optimize service delivery by offering customers standardized offerings, consistent quality and global processes while Chevron emphasizes health and safety in its Operational Excellence Management System (OEMS).

Since BPM leverages the use of information technology in areas such as modeling, workflow, rules management, analytics and simulation, the practice of BPM also varies depending on the source of the enabling IT that is being employed.

Customer centricity is an essential element of both OpX and BPM. Yet, both methods are more often deployed for the purpose of cost reduction than for the purpose of creating greater value for customers.

Assuring leadership engagement is another challenge shared by both methods. In theory, both approaches should represent a management discipline. In practice, both approaches take on more of a project orientation and assuring ongoing executive attention is challenging to say the least.

Sustaining gains from the improvement efforts is yet another challenge shared by both BPM and OpX. Even though BPM stands for Business Process *Management* – the “M” is often missing from BPM (as I have outlined in an earlier article). A similar problem exists with OpX. Robert Miller, the Executive Director of The Shingo Prize, at Utah State University, found that the difference between successful and unsuccessful efforts in Operational Excellence “was *always* in an organization’s ability to get past the tools, events, and programs and to align management systems with principles.”<sup>ii</sup>

The integration of BPM and OpX offers significant potential for companies to get even better results from their process improvement efforts as the analytical methods in OpX are linked to the enabling technology strength of BPM. Similarly, there may be benefit in expanding the advances made by the BPM community in developing certification examinations.

This synergy between BPM and OpX can be best deployed if organizations pay attention to assuring that:

- ✓ Creating value for customers trumps the emphasis on cost reduction
- ✓ Cross-functional collaboration is an essential ongoing ingredient in improvement and management
- ✓ The focus is on management discipline with aligned recognition systems

This is in line with the work of the Shingo prize for Operational Excellence, where they teach five fundamental concepts<sup>iii</sup>:

1. Operational excellence requires a focus both on results *and* behaviors.
2. Ideal behaviors in an organization are those that flow from the principles that govern the desired outcomes.
3. Principles construct the only foundation upon which a culture can be built if it is to be sustained over the long-term.
4. Creating ideal, principle-based behaviors requires alignment of the management systems that have the greatest impact on how people behave.
5. The tools of lean, TQM, JIT, Six Sigma, etc. are enablers and should be strategically and cautiously inserted into appropriate systems to better drive ideal behavior and excellent results.

A similar argument might be made for any combination of two or more process improvement methods. In a nutshell, BPM and OpX may just be “better together.”

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<sup>i</sup> This article was written for BPMInstitute.org

<sup>ii</sup> <http://www.lean.org/common/display/?o=2257>, retrieved on January, 24, 2015

<sup>iii</sup> Ibid