

The Truth about Business Transformation

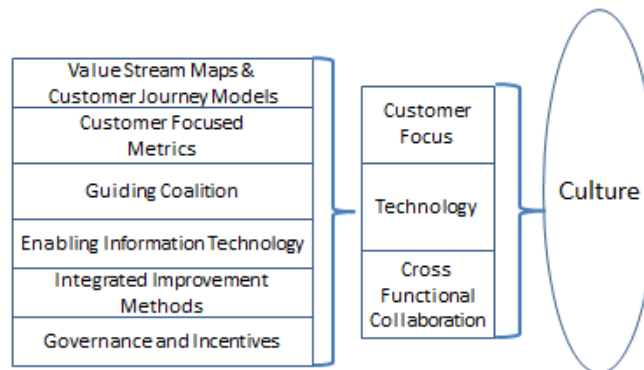
There's been a lot of talk recently around business transformation. It's been suggested that business transformation is needed in most vertical industries, the public sector and other not for profit organizations. But what is business transformation? What is it not? What are the critical factors for success? These are some of the questions we will explore.

Business transformation is different and distinct from "reengineering." Whereas the principal proponent of reengineering, Dr. Michael Hammer, advocated "Don't automate – Obliterate" over two decades ago, in this day and age business transformation is recognized as having more to do about agility and adaptability. Wikipedia defined it as "making fundamental changes in how **business** is conducted in order to help cope with a shift in market environment. A recent article in CIO magazine emphasized the role of the CIO and referred to business transformation as involving "significant changes to areas including business processes, core systems, channels, products, and services. "

Business transformation is not just the application of new technology to the current business model. If the initiative is not cross-functional – it's not business transformation. If the focus is solely cost reduction – it's not business transformation. If there is not a clear and enduring emphasis on creating more value for customers – it's not business transformation.

Successful business transformations need to have a guiding vision which contemplates a fundamental shift of culture to assure greater agility and adaptability. It requires, at a minimum, half dozen key components for success as illustrated in Figure 1 below.

Business Transformation - A Systemic View



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Figure 1: Components of Business Transformation

Value stream maps and a model of the entire customer journey (not just one single experience) can be central to creating focus on customer value creation. A shared understanding of an outside-in view is typically a cornerstone foundation of greater agility and adaptability.

Customer focused metrics which emphasize performance factors such as quality and timeliness can serve to shift management attention from what matters most to the company to what truly matters to customers. Perfect order delivery, variance to promises for services provided, and first time right responses to inquiries and complaints are just a few of these new metrics.

One of the key elements of leading change is what Dr. John Kotter called “a guiding coalition.” Business transformation must first be led before it can be managed. And each member of the leadership team needs to have a common understanding of the value creating processes across the full customer journey.

The role of enabling information technology (IT) goes beyond improving efficiency to be a cornerstone in changing how business is conducted such that eventually the new set of tools, rules, and methods become “the way we do things around here.”

The most robust business transformation efforts rely on multiple improvement methods, typically including IT driven approaches as well as those commonly associated with operational excellence. Tools such as lean, TQM, JIT, Six Sigma, etc. are enablers of organizational performance and should be strategically linked with mission critical systems. Close attention to integrating these improvement methods characterizes the more successful business transformation efforts.

Similarly, shifting management attention from what each department contributes to overall corporate performance to how departments collaborate for value creation is the final powerful lever. This can best be accomplished by overlaying the means for process based governance on the traditional organization chart. Similarly, the recognition of key people and the teams that make significant contributions to the progress of business transformation is equally important.

In combination, these six business practices drive the needed customer focus and attention to cross functional collaboration that is needed to shift culture such that people eventually say “this is how we do things around here.”

Given the importance of IT, the role of the CIO is becoming increasingly critical to successful business transformation and calls for new behaviors. A checklist for CIO’s might include the following:

- Actively meets with the company’s customers
- Advocates and leads the mapping of the entire customer journey
- Regularly meets with internal customers
- Promotes a customer focused, business process view and encourages cross-functional collaboration
- Use agile or lean IT methods of software development
- Applies tool sets such as Business Process Management Suites(BPMS) to drive business results
- Supports the CFO and other executives analytics and big data
- Takes a creative approach to the use of Bring Your Own Device (BYOD)
- Actively explores cloud computing solutions and social media

The potential for Business Process Management Suites (BPMS) to make a significant contribution to business transformation is worthwhile noting. The key is to use all the features of a BPMS outlined in Table 1 and not just one or two of these.

A Rules Engine to regulate the flow of information and activities
Analytics Tools to allow managers to monitor key performance indicators
A Process Engine to model the flow of business processes and automates manual activities.
Document Management to assist users to search and store digital documents
Collaborative Tools to facilitate the sharing of information through discussion forums and portals

Table 1: BPMS Core Features

The thoughtful integration of BPMS into business transformation can produce some of the following benefits:

- Bringing visibility and transparency on the end to end value creating business processes
- Providing the capability to configure workflows and business rules
- Delivering real time business intelligence through advanced analytics
- Build the capability to deal with complex events
- Establish and monitor the critical customer facing process metrics relating to quality and timeliness

In summary, successful business transformation requires shifting management attention. The emphasis on creating value for customers has to trump the weight placed on cost reduction and the emphasis on achieving desired results for customers must take precedence over the various tools. The importance of cross departmental collaboration, the central role of information technology and emphasis on governance and incentives are just some of the critical success factors. This view of pursuing business transformation, if implemented, can assist your organization in achieving superior results.

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Andrew Spanyol's work on process management is internationally recognized. He is a member of ABPMP's Advisory Board. Andrew is the author of several books emphasizing the importance of cross-functional collaboration and a customer-oriented, process based focus: *More for Less: The Power of Process Management*, *Business Process Management Is a Team Sport: Play It to Win!* and *Operational Leadership*. Contact Andrew at www.spanyi.com or [andrew\(at\)spanyi.com](mailto:andrew(at)spanyi.com).

