

Manage Your Business Processes to Create a Competitive Advantage

Background

During the boom times of our economy, like the late nineties, it was easy for companies to turn a profit. It was so easy, that many companies didn't give a lot of thought to efficiency. However, after the stock market bubble burst, most companies began thinking about efficiency.

Look back about five years when **Dell** was competing to be the number one *personal computer* (PC) manufacturer. PCs were becoming commodities and the quality difference between all competitors wasn't readily apparent. As prices were falling, these PC manufacturers needed to figure out how they could manufacture a PC and still make a profit. Dell's strategy has proved to be a winner. It has become so efficient that it actually does not build a computer before it has an order. Dell has accomplished this by working out a deal with its suppliers where it can process the order, get parts, assemble and test the PC, and ship it to the customer in a few short days. Rightly so, Dell sees this new efficient process as a competitive advantage.

Dell realized that spending money on research and development to create the ultimate PC motherboard is not going to increase its profits. However, Dell realized that changing their business process - order parts to specifications and then assemble and test to make sure that its performance criteria was met - would increase its profits. The company realized that the closer it got to *just in time* (JIT) manufacturing, the more profit it could make. They realized that this was a competitive advantage. Building on this competitive advantage, the vendor saw that it could expand its product offerings to other electronic devices like a PC version of the iPod and flat panel televisions to increase revenues.

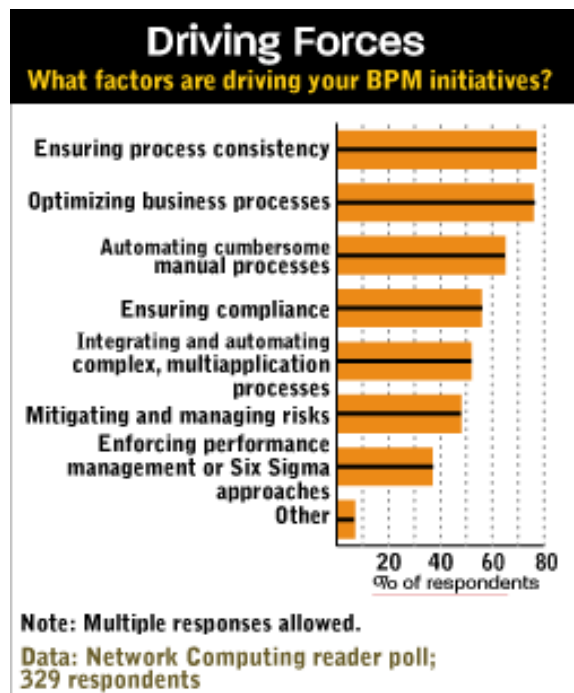
So, what are the driving forces for other companies to gain their competitive edge?

InformationWeek published a study (July 2005) that identifies the factors driving companies business process management initiatives. [Shown at right]

Managing Business Processes

Any company efficiency improvements are going to involve *business process management* (BPM). The responses to the *InformationWeek* poll are very revealing.

Let's look at some of the issues underlying those driving forces.



Ensuring Process Consistency

Most companies have great difficulties in defining their business processes. One group could define it one way while others may define it very differently. If you could come up with a single definition, each group would likely handle exceptions differently. If those processes are not consistent, it is hard to know how to be more efficient. Companies that have been successful defining their processes have had a strong champion for the project and a dedicated project manager to make sure the definition gets written properly.

Optimizing Business Processes

Assuming your processes are defined, the next step is to begin using them. With use, you will be able to spot inconsistencies and make adjustments. When you are satisfied that your process is well defined, it is important to measure the time it takes to complete them. Now that you have a baseline, you are in a position to improve them. You can make changes to the process and see the impact of those changes.

Automating Cumbersome Manual Processes

Assuming that you have a well defined process, you will be amazed at the impact automation can have on that process. Automating the process will produce shortened cycle times, lower management costs, increase quality, control access to critical data, and more. Automation will provide the biggest impact to your ROI.

Ensuring Compliance

There are many needs for compliance. All companies have Sarbanes Oxley issues, pharmaceutical companies have FDA, manufacturers have ISO 9000, and there are many others.

With the new requirements of the US Sarbanes Oxley (SOX), companies are mandated to put processes in place. Those who have successfully implemented SOX compliant processes and automated them have found rewards beyond meeting legal compliance regulations. They discovered that their processes were inefficient and improved them. They shortened cycle times. They shortened the time it takes for audits. They gained visibility into their processes. There are articles being written about companies that see SOX compliance as a competitive advantage.

Integrating and Automating Complex, Multi-application Processes

Managing processes across multiple applications creates many difficulties. Two of the more difficult issues include: applications talking each other; and the inability of most BPM software packages to link one process to another. It is extremely important not to lose track of your vision for a solution. The technology is available to create almost any solution – but, at what cost. Linking one process to another allows you to map reality—we call it *process orchestration*.

The author has seen many successful solutions created with minimal integration coding. Many solution architects tend to call for more integration coding than is really necessary for day to day operations. Often you can perform a simple once a day import/export to share information among applications. [Contact me to learn more.]

Why Automate?

Companies are in business to build and sustain profitability while growing revenue. In today's competitive economy, it is not easy to raise prices to increase profits. However, if you could maintain your pricing and reduce costs, the results would increase profits.

Further, automating processes is a winning strategy. According to an InformationWeek 2004 survey, 95% of companies attempting to automate business processes were successful. Companies responding reported an average 15% rate of return and more than half had returns from \$100k to \$500k (USD) on each project.

Automate to cut costs

Research shows that process delays are costly. The costs of delays are generally considered to be part of the cost of doing business, and most companies are unclear how much they could actually save by automating key processes.

Automate to save time

Over the last twenty years, *time to market* has become common terminology. If a company can bring a product to the marketplace one month earlier, then it can potentially get an additional month of revenue. Or, it can establish its position in the market before the competition.

Automation adds value

Companies that have implemented BPM strategies have seen many benefits: increased control; cycle time predictability; improved visibility into processes; improved morale; fewer manufacturing errors; greater throughput; and more.

Automate to create a price advantage

If you and your competitor sell your goods for the same price and your company is more efficient, then you have more room to lower your price putting pressure on your competitors to follow.

Automate to improve quality

Most companies that have implemented BPM have discovered an unexpected benefit of improved product quality.

A Competitive Advantage

A competitive advantage allows you to build and sustain profitability while you grow revenue. A competitive advantage is a barrier to entry – imagine deciding to get into the PC manufacturing business against Dell.

A competitive advantage can help you sell products.

Dell's competitive advantage is their process that calls for JIT manufacturing. Because of their market strength, they have been able to build relationships with their suppliers that allow them to 'manufacture on demand'. They have negotiated terms that allows them to manufacture, ship and bill before their supplier invoices are due. They are so efficient with this new process, that they actually make money on the 'float'.

Wal-Mart's competitive advantage is logistics. According to one investment magazine, Wal-Mart sells more than 5% of all retail goods sold in the United States. If they are short of an item that is selling well in California, they can stop one of their trucks in Nebraska that is carrying that item, remove the item and redirect it to California.

Build a Competitive Advantage for Your Company

Make Business Process Management [BPM] your competitive advantage. Well defined, automated business processes allow you to bring products to market sooner [shorter time to market]. Lower costs due to increased efficiencies make your company more competitive. More efficient consistent processes usually result in higher quality products. In short, effective management of your business processes can provide your company with a Competitive Advantage:

- ❑ BPM should provide some control over how long a process takes. If nothing goes wrong, you know how long the process will take. If something does go wrong, you will be notified immediately [not weekly] so that you can assign other resources to the problem. This early notification may keep the project on schedule.
- ❑ BPM should provide visibility into the status of any process in the system. You should be able to see what step is being worked on and who is working on it. You should be able to see if someone is late or even potentially late.
- ❑ BPM should provide access to documentation required to perform tasks. BPM should manage and provide access to any documentation created by performing tasks.
- ❑ BPM software should allow you to perform audits in a few hours versus a full week.

Your Competitive Advantage

How will you build and sustain your profitability while you grow revenue? What will be the story that is written about your company?

Contact Scott Cleveland to see what BPM can do for you and your company...
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