



Extreme Competition

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Latest book:
*Extreme Competition:
Innovation and the Great 21st
Century Business
Reformation*,
Meghan-Kiffer Press, 2006.
www.mkpress.com

Shift Happens

We've watched the simmering rise of BPM for over five years now. We've debated how to introduce BPM to the organization: top-down, bottom-up, and middle-out. We've seen BPM literature quantitatively overtaken by SOA literature. We've also seen conference attendees from large organizations get all pumped up, only to return to their silos in *turfdomland*, where, nah, it ain't gonna happen here the way they talk about it at the conferences.

In a lengthy conversation the other day, I was asked what it really takes for an organization to adopt BPM for its full transformational power. Top-down? Bottom-up, starting with SOA? I thought with some pause, then answered that I think the real trigger point is "pain." You've got to really feel the heat to make significant change.

What I see at this point is that BPM suites are being adopted primarily as tools to foster greater IT responsiveness. I've seen "islands of BPM," but very few strategic, enterprise or value-chain wide deployments. Sure, there are lots of ROI stories to tell, but please tell me, who has built a "killer company" via BPM? I don't think most organizations that have adopted BPM technology are able to tell stories of becoming a process-managed enterprise, wherein BPM has become part of its genes, part of its DNA.

It seems that we humans will resist change until the pain becomes acute. It's the proverbial story of putting the frog into a cold pan of water, gradually turning up the heat, and watching the frog boil to death. If that frog was a newcomer to an already boiling pot of water it would, of course, jump right away.

Perhaps that's why we see so many newcomers disrupt industries, while those incumbents feeling the rising heat don't make significant moves until it's too late. And, it seems that the newcomers disrupt established industries with *process innovation*, end-to-end process innovation that not only incorporates their suppliers, and their suppliers' suppliers, but also places their customers at the very center of their processes. Putting the customer at the center, and providing customer experiences that delight, drives all the rest. By taking such an outside-in, versus inside-out, view, such companies are no longer *sellers* to their customers, they become *buyers* for their customers, going to the ends of the earth to find the most cost-effective sources of high-quality goods and services to deliver to their customers. Amazon applied these principles in retailing, as did Dell with direct-to-customer PC sales where the customer was put to work configuring their own machines.

Not all incumbents are doomed to boil to death. GE's former CEO, Jack Welch, had his former wife, Jane, tell him the water (the Internet) was coming to a boil, and, unlike many top frogs in huge organizations, he jumped. He embraced economist Joseph Schumpeter's notion of creative destruction. Welch launched a major corporate-wide initiative, "Destroy Your Business.com, before some upstart in a Silicon Valley garage does!" So, newcomer or incumbent, the smart frogs are those whose who can see, and feel it, when "shift happens" – and then act.

And, right now, shift is happening on a scale so big that it's hidden in plain sight.

Shift Happens

No company is an island. It's just a player in a larger society, in a larger world. Today, the heat is rising in that larger world. Aronica and Ramdoo write in their just released book, *The World is Flat?*, that *globalization is the most profound reorganization of the world since the Industrial Revolution.*ⁱ The water (Globalization) is coming to a boil, with three billion new capitalists from China, India and the former Soviet Union providing the heat.

Did you know?ⁱⁱ

- ✓ No one knows the exact population of China. Some estimate 1.2 billion; others 1.5 billion. Considering those numbers, the entire U.S. population is just a rounding error.
- ✓ The 25% of the population in China with the highest IQs is greater than the total population of North America.
- ✓ If you are one in a million, in China there are 1,300 people just like you.
- ✓ The country with the most English-speaking people is not the U.S.. It's China.
- ✓ In the 1980s, capitalism supposedly triumphed over communism. By the year 2050, communist China is expected to have a gross domestic product (GDP) twice that of the United States. Shift happens!
- ✓ The world's greatest debtor nation is ... America. In 2005, Americans spent \$42 billion more than they earned, and the most recent report from the Commerce Department found savings rates at a negative one percent, the lowest since the Great Depression, and down from 11 percent after WWII.
- ✓ The United States' national debt is currently over \$8 trillion. Add to that, corporate, state and local, and consumer debt and you get a whopping total that may exceed \$70 trillion. America owes more money than any other country in the world, and by a big amount.
- ✓ To finance its current account deficit with the rest of the world, America has to import \$2.6 billion in cash – every working day. That is an amazing 80 percent of the entire world's net savings.
- ✓ In 1900, the titles of: richest country in the world, largest military, center of world business and finance, strongest education system, world's center of innovation and invention, the world standard currency, and highest standard of living belonged to ... England.
- ✓ The U.S. is 20th in the world in broadband Internet penetration (Luxembourg just passed America).
- ✓ As of September 2006, there were over 106 million registered users of MySpace. If MySpace were a country, it would be the 11th largest in the world (between Japan and Mexico).
- ✓ It is estimated that 1.5 exabytes (1.5 x 10¹⁸) of unique, new information will be generated worldwide this year. That's estimated to be more than in the previous 5,000 years.
- ✓ The amount of new technical information is doubling every 2 years. For students starting a four-year technical or college degree, this means that half of what they learn in their first year of study will be outdated by their third year of study. It is predicted to double every 72 hours by 2010.
- ✓ Third-generation fiber optics has recently been tested by both NEC and Alcatel that pushes 10 trillion bits per second down one strand of fiber. That's 1,900 CDs, or 150 million simultaneous phone calls, every second. It's currently tripling about every 6 months and is expected to do so for at least the next 20 years. The fiber is already there. They're just improving the switches on the ends, which means the marginal cost of these improvements is effectively \$0.
- ✓ 47 million laptops were shipped worldwide last year. The \$100 laptop project is expecting to ship between 50 to 100 million laptops a year to children in underdeveloped countries with the one laptop per child (OLPC) project.
- ✓ By 2023, when 1st graders will be just 23 years old and beginning their (first) careers, it only will take a \$1,000 computer to exceed the capabilities of the human brain.
- ✓ The U.S. Department of Labor estimates that today's learner will have 10 to 14 jobs . . . by age 38.

- ✓ India's Tata is introducing a \$2,200 car. China's Chery plans to introduce a \$10,000 luxury car in the U.S. market in 2008.

Shift happens. With the scale of shift happening in the larger world, right before our very eyes, all is changed in the world of business, changed utterly.

How can your company compete in the brave new world of high-change, total global competition?

Innovations needed to reach the bottom of the pyramid in emerging countries have profound business consequences. It's called *blowback*. With China's highly educated workforce, the "Made-in-China" label will mean products that are not just low cost, but also high quality. Will America soon be importing its green technology from Suntech Power Co., Ltd., China's leading solar cell manufacturer, in the same way America is now importing its hybrid automobile engines from Japan? Will mighty America become the stand-in for England circa 1900?

Psst. Little frog, the temperature is rising:

Can your consulting firm compete on quality with India's CMM-level 5 Wipro or Infosys who have huge pools of Six-Sigma certified consultants?

Can your electronics factory compete with iPod City, north of Shanghai where factory workers are paid \$50/month turning out the high-tech iPods?

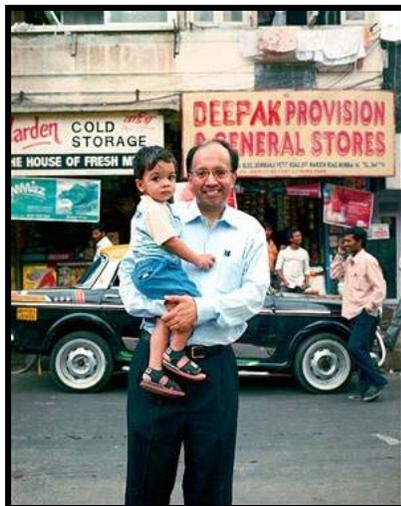
Can your bank compete with BOB (Bank of Baroda, India's International Bank) with its world-class staff and rock-bottom infrastructure costs?

Can your computer company compete with Novatium's \$100 NetPC?

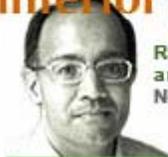
Can your car company compete with the Chinese Chery \$10,000 luxury car?

Can your airline compete with RyanAir's \$20 transatlantic flights?

In fact, Novatium's CEO, Rajesh Jain, who wrote the insightful foreword to *Extreme Competition: Innovation and the Great 21st Century Business Reformation*,ⁱⁱⁱ and India's first Internet billionaire, wants to get his NetPC down to \$70. That's innovation. That's blowback, as he'll take his innovation global. In contrast, many U.S. companies are spending their time dreaming up ways to extract more money from their customers without giving any value in return (e.g., complicated telco service plans, credit-card "gotcha" charges, non-interchangeable printer cartridges from the same brand, and other consumer rip-offs). Caveat competitor. Consumers are now more fully informed than ever, and will no longer put up with companies that can't or won't deliver *true* value.



“Just because we are an emerging market doesn't mean we want an inferior product.”



Rajesh Jain, founder and board member, Novatium



Blowback from a mild-mannered billionaire in Mumbai.
 “Google was a black swan. No one expects the next Microsoft or Intel or Cisco to come out of India, but I believe it is entirely possible.”

What’s all this got to do with BPM?

Everything. Forget all the recent talk of BPM maturity models, top-down vs. bottom-up adoption strategies ... blah, blah, blah ... the water is getting hot. Just listen to Michael Hugos in *The Greatest Innovation Since The Assembly Line*,^{iv} “Responsiveness now trumps efficiency in the high-change global economy.” It’s time for a BPM flip-flop. Instead of IT and BPM insiders continuing to *push* BPM, it’s time for companies that want to survive to *pull* BPM into their hearts and souls, into their very DNA, for “responsiveness” is all in the brave new world of total global competition. So, let’s cut the small talk, let’s cut out the management theory platitudes, let’s stop the tit for tat BPM vs. SOA crap. The real issue is how your company responds to the greatest shift since the Industrial Revolution – globalization.

Most Western companies have but one real competitive asset left in this new world of abundant, low-cost supply sources – their customers. Delivering successful customer outcomes and meeting customer expectations without exception is the goal. As a company transforms from being a seller to becoming a buyer for its customers, it will desperately seek process innovation, which, in turn, will create demand-pull for enterprise BPM – no vendor sales pitches needed. That means taking BPM beyond tactical departmental deployments, beyond the walls of the enterprise, and beyond the borders of nations. It’s process innovation that will determine the winners and losers in the brave new world of total global competition, and only truly process-driven enterprises will still be standing as this great shift plays itself out.

BPM Shift Happens

Dadgum it. It seems that no one is immune when shift happens. Not even us cool BPM types. So get ready for the shift that’s going to rock the current world of BPM itself.

Companies aren’t going to deal with the maelstrom I’ve described by squeezing another 1% of cost savings out of their invoice settlement processes. Or reducing their order fulfillment time by a day. These might be typical results for today’s tactical, workflow and integration style BPM implementations. But if you take Pareto’s rule seriously and want to deal with the 20% of exceptions that require 80% of the real work of the enterprise, you’ll need human interaction management, for it’s people who do the work of a company. If you want the kind of responsiveness Hugos speaks of, you won’t get it via transactional forms of workflow and integration styles of BPM. Agility in the high-change global economy is all about human-driven business processes, human-to-human interactions: unique case management, ad-hoc collaborations, dynamic and just-in-time sourcing from a network of far-flung suppliers, complex sales proposals, open innovation collaborations, new product development and the like.

Just consider what Jon Pyke, chairman of the Workflow Management Coalition recently wrote, “It comes back to the need to understand that business processes exist at two levels (the people and the systems). Being able to grasp that fundamental point provides us with clues as to where the next innovative developments in BPM evolution will come. Allowing for the unpredictable actions of the human components in any given operation is essential. These actions are not ad-hoc processes, nor are they exception handling. If we are to put processes under the control of the business user then we need to tackle the unstructured interactions between people—in particular knowledge workers. These unstructured and unpredictable interactions can, and do, take place all the time – and it’s only going to get worse! The advent of Web 2.0, social computing, SaaS etc. etc., are already having, and will continue to have, a profound effect on the way we manage and do business.”

Just as today’s workflow and integration styles of BPM incorporate Business Rules Management Systems (BRMS), going forward, Human Interaction Management Systems (HIMS) will go hand in glove with BPM. If you missed my last column, “The Greatest Innovation Since BPM,”^v I invite you to skim it for more background on human interaction management. You may also want to read the book, *Human Interactions*,^{vi} by Keith Harrison-Broninski, and some of the growing collection of articles at <http://tinyurl.com/2xjyca>.

A Prescription

Jane Welch, sound the BPM alarm! The temperature is rising!

So it is that *pain* is indeed the great motivator when shift happens. When your enterprise feels the acute pain of the great shift, it’s time to turn to your doctor, Dr. Jeffrey Sterllings, who is the lead character in Kiran Garimella’s book, *The Power of Process*,^{vii} for a prescription:

*Bepium, qty365, tid.
Unlimited refills*

Dr. Sterllings’ prescription is the only known cure for the ancient Chinese curse, “May you live in interesting times.” And as Robert F. Kennedy said in a 1966 speech in Capetown, South Africa, after quoting the curse, “Like it or not we live in interesting times. They are times of danger and uncertainty; but they are also more open to the creative energy of men than any other time in history.”

ⁱ www.mkpress.com/flat

ⁱⁱ Many of these factoids are from Karl Fisch, Director of Technology for Arapahoe High School in Centennial, Colorado. Watch a remix of his powerful video at www.mkpress.com/shifthappens

ⁱⁱⁱ www.mkpress.com/extreme

^{iv} www.mkpress.com/greatestinnovation

^v <http://tinyurl.com/2lvawc>

^{vi} www.mkpress.com/hi

^{vii} <http://www.mkpress.com/#Power>