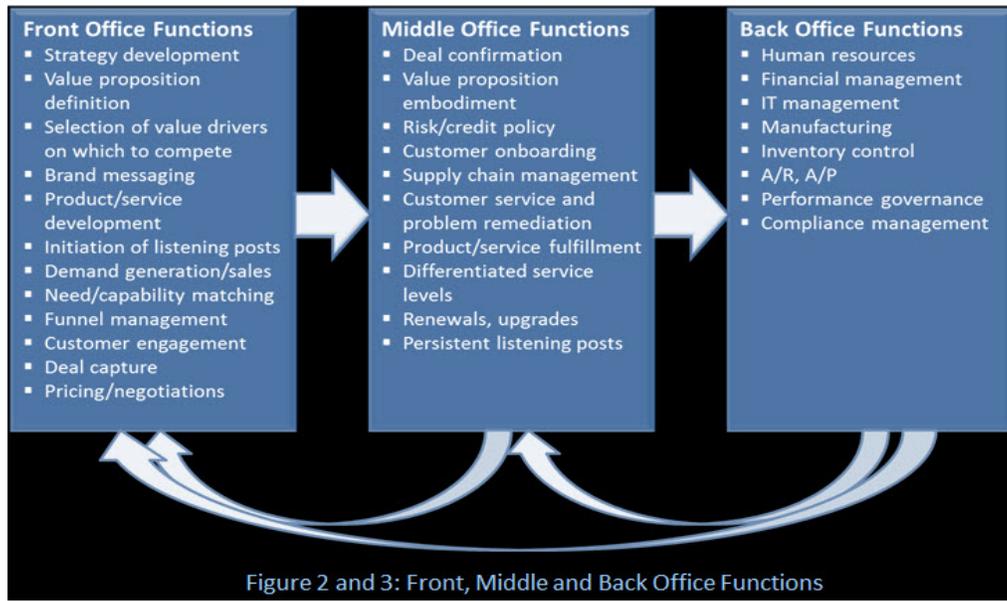Extreme Competition   Peter Fingar

Business Process Management and the COO Revolution

This month's Column is adapted from the book, *The COO Revolution: Reinventing Customer-Facing Processes for Moments of Truth*: http://www.mkpress.com/COO

Did you ever wonder about the replacement for Apple's legendary CEO, Steve Jobs? It was the COO, Timothy Cook. What? The Chief Operating Officer became the CEO of one of the most profitable companies in history? Cook joined Apple in 1998, and is credited with pulling Apple out of manufacturing by closing factories and warehouses around the world. This helped the company reduce inventory levels and streamline its supply chain to match the efficiency of Dell, dramatically increasing margins. Cook has been quoted as saying, "You kind of want to manage it like you're in the dairy business. If it gets past its freshness date, you have a problem."

Cook exemplifies the new reality of "intelligent business operations" in the customer-driven enterprise that operates in the "now." Companies need to connect the dots between the COO and the Chief Marketing Officer (CMO) in a way that is unusual and powerful. The primary role of the modern COO should be that of delivering customer experiences that delight! And that's a true revolution in the role of the COO.

While traditional back-office and middle-office functions will certainly not go away, COOs should *pivot* and also focus on the front office. This expanded role is made possible by advanced business process management technology. This new-found ability to leverage smarter process management can transform your business into a dynamic, real-time, customer-driven enterprise.

Front Office Functions	Middle Office Functions	Back Office Functions
▪ Strategy development ▪ Value proposition definition ▪ Selection of value drivers on which to compete ▪ Brand messaging ▪ Product/service development ▪ Initiation of listening posts ▪ Demand generation/sales ▪ Need/capability matching ▪ Funnel management ▪ Customer engagement ▪ Deal capture ▪ Pricing/negotiations	▪ Deal confirmation ▪ Value proposition embodiment ▪ Risk/credit policy ▪ Customer onboarding ▪ Supply chain management ▪ Customer service and problem remediation ▪ Product/service fulfillment ▪ Differentiated service levels ▪ Renewals, upgrades ▪ Persistent listening posts	▪ Human resources ▪ Financial management ▪ IT management ▪ Manufacturing ▪ Inventory control ▪ A/R, A/P ▪ Performance governance ▪ Compliance management

Figure 2 and 3: Front, Middle and Back Office Functions

Who's Got Game?

While it is important to understand the requirements for this new operating model, comprehending the "why" is pointless without also having a command of "how to make it happen." Let's outline how to operationalize the principles of the "modern operating model," and define the transformation leadership necessary to champion its adoption.

Typically the domain of the Chief Operating Officer (COO), this transformation executive role can also be the responsibility of the Chief Executive Officer (CEO), President, Chief Information Officer (CIO), Chief Marketing Officer (CMO), the Chief Financial Officer (CFO), the Chief Process Officer (CPO) or the Chief Transformation Officer (CTO), the last two of which are emerging titles in a number of progressive organizations. Broadly stated, the role requires a senior executive who has the responsibility for the pan-enterprise delivering the customer value proposition. For purposes of brevity, we can use the term COO, but with the intention of calling out this transformational, pan-enterprise leadership role regardless of title.

By contrast, the classic COO title is often characterized as the owner of cost reduction, efficiency, operational performance and quality. This positioning abdicates the responsibility and undermines the opportunity for leadership to foster value creation. Stated another way, we can redefine the role of the COO to be that of maximizing value delivery at every touch point in the enterprise. Focusing on efficiency may result in stripping out crucial value elements of the customer interaction chain. The value chain and associated operating model should incorporate every accretive value element, but no more and no less. In fact, done right, a value chain may be very rich in composition, rather than some stripped down, highly-efficient skeleton. The key is to operate in a streamlined fashion in order to provide frictionless execution and superior customer interactions.

The subtle, but crucial, concept that emerges from this construct is that the COO may very well be the most important contributor to growth. While most Chief Sales/Revenue Officers may debate this assertion, at a minimum we can compel COOs to completely rethink the purpose of their roles from the traditional goal of

efficiency to one owning the challenge of creating an operating model that maximizes value delivery. One of the key gaps prevalent in most organizations is the value chain's role in the front office of the business — namely all interactions prior to "business as usual" operations, and often much further downstream as well. COO emphasis on back-office functions completely misses the opportunity to excel in the marketplace. The COO must champion the creation of a powerful front-office business model that capitalizes on emerging capabilities (mobile, social, big data, analytics and Cloud) and manifests the strategic value proposition at every customer touch point.

Moments of Truth

Businesses need to recognize that moments of truth occur every single day in countless ways. Sometimes they take the form of a direct customer interaction through a mobile app, Web site, customer service professional or any variety of touch points. Sometimes they take the form of your value chain and all of the components that influence how the business "shows up" for the customer. Each of these moments of truth is powerful, and cannot be reversed once the moment passes. An upset customer at a ticket counter may easily abandon the airline due to the lack of help. A mobile customer may select Brand B rather than Brand A due to the immediate availability of important information.

A breakthrough that has occurred in the last decade is the ability to systemically infuse the value proposition into how the business operates. In the past, the best that leadership could hope for was to hire the right people, constantly train-in the message, monitor the actions of the organization through rigorous inspection and hope that everything worked to plan.

There are several challenges within the traditional framework, including: (1) changes in policies, practices or the value proposition itself are difficult to propagate into the organization at scale; (2) consistency and effectiveness can only be as good as the ability of the organization to deploy and monitor; and (3) the cycle time of adjustments is highly constrained, particularly in a larger, more complex business. These problems are amplified as the cycle time demanded by the customer compresses beyond the capabilities of the organization.

Modern Business Process Management (BPM) platforms, particularly when integrated with rules engines, offer an entirely new paradigm for solving this challenge. For business models that are highly-digitized and involve interaction that may only span a minute or less, BPM technology allows the organization to inject complex rules structures that embody company practices and customer "rules of engagement." This serves as a seamless mechanism for fulfilling the value proposition in real time with the customer.

For business models that involve human interaction as part of the customer engagement (e.g., healthcare, insurance and banking), BPM technologies offer powerful means to govern major elements of the interaction and manifest principles of the value proposition by "coaching" the individual through the process. Finally, BPM technologies offer systemic mechanisms to seamlessly link end-to-end processes throughout the business, independent of the organizational structure or legacy ecosystem. Just as important, BPM platforms equip leadership with *visibility* into the operations of the business at levels of precision previously unimaginable.

Crucial to the moment-of-truth paradigm is the set of capabilities now available for those individuals most responsible for delivering on customer value drivers. From a process perspective, we can think of this as the "inner ring" of customer interactions – those individuals most directly responsible for customer value "where the rubber meets the road." BPM-based business architectures inject strategic intent where it is most needed – at the point and time of customer interactions, at moments of truth.

Champion of the Modern Business Model

The Modern COO can step in and make it happen as the COO is the natural owner of *getting better at getting better.* While traditional back office functions will certainly not go away, companies can encourage a heightened emphasis on front-office functions, with the COO pivoting to expand his or her focus related to value-generating transformation in the front office. The newfound ability to leverage smarter process management solutions is powerful. Going further to adopt this approach throughout the front end of the business provides transformation-level opportunities to create a dynamic, customer-centric business.

Breaking all this down into the discreet elements of the model, the COO must focus on making sure the following underpinnings are solidly in place:

1. Customer centricity as the basis for everything;

2. Customer interaction in real time;

3. Management of all value chain elements as a strategic business process and set of capabilities;

4. Interjection of the value proposition into the moments of truth that occur every day;

5. Strategic alignment of enterprise resources to value drivers; and

6. Iterative transformation practices and business principles that foster unprecedented agility.

Considerable competitive advantage – also known as opportunity – can be gained through the COO's championing of these principles.

Efficiency as an Outcome, Not an Objective

While the COO certainly has a continuing obligation for yielding efficiency, the benefit of a real-time, customer-centric model is that efficiency is a *natural outcome* of the approach, not the core design objective of it. Efficiency is necessary for the bottom line of the P&L statement, but if achieved at the expense of effectiveness, it can hollow the business out in the long run.

While subtle, the difference of achieving efficiency as a natural outcome makes all of the difference in the world. Let's unpack the reasons for this. First, the most expensive resource in any business is *time*. The late Peter Drucker once said, "Time is the scarcest resource of all." Delays mean dormant resources, excess capacity, forfeited customer opportunities, inventory bloat, and an accumulation of work in

process (WIP). Adopting a real-time business architecture dramatically compresses the resources and related cycle times in a hyper-efficient manner. Breakthrough efficiencies are actually impossible to miss along the way. Second, the "how to" methods for aligning resources and initiatives to value drivers result in enormous clarity regarding what matters. As a consequence, there is a considerable lift in value-accretive activities and notable down-pressure on non-value-add activities. Relentless focus on customer and business value drivers through customer centricity provides a powerful lens for discernment, and streamlines everything along the way.

Taking a Peek at Disruptive Capabilities

Conducting business in a traditional environment is notably difficult. However, it is brought to a heightened level of complexity with the introduction of several new capabilities, each of which produces a step-function shift in opportunity, complexity and risk versus trying to operate in a "status quo" environment. Research suggests that four transformational capabilities unleash an unprecedented combination of forces that both enable and compel business leaders to rethink the fundamentals of their respective business models. Let's highlight each of these capabilities:

Cloud-based Services: The use of non-premise computing and application platforms that allow for the rapid and cost effective assembly, deployment and disassembly of technology-based services and capabilities.

Big Data/Analytics: The use of massive volumes of stored data in conjunction with real-time analytics to make smart, fact-based decisions in real time and at the atomic level of individual customer interactions.

Mobile/Smart Devices: While smartphones, tablets, and other consumer technologies are ubiquitous, few businesses recognize the transformational power of this content delivery, information capture and customer engagement vehicle at the click or tap level.

Social Platforms: Facebook, Twitter, LinkedIn, and peer reviews are the most obvious examples here, but the real issue of these platforms is the power and reach of peer-delivered "marketing" information as a strong competitor to corporate marketing. This power shift is an irreversible dynamic in the market with game-changing implications.

Taken both individually and in the aggregate, these platforms entail disruptive threats and opportunities for the enterprise. Traditional thinking and models are insufficient to maximize efficacy in this modern environment. A radically new approach emphasizes customer centricity and real-time service elements, delivered by embodying the value proposition into smarter process technologies. This is achieved by rebuilding the front office of the business and tightly integrating it with back office functions as a means of aligning end-to-end execution against customer value drivers. That is to say, we need the ability to actually *deliver* on what we promise in the front office.

And companies need true leadership to make the COO Revolution happen.

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