

The Business Process Maturity Model A Practical Approach for Identifying Opportunities for Optimization

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When a handful of my BearingPoint colleagues and I started to design a Business Process Maturity Model, we initially went down the typical path of a five-stage, one-dimensional, linear model – reminiscent of many of the multitude of maturity models in the marketplace today. However, as we continued to discuss and debate the merits of our results, we came to the conclusion that this representation was simply insufficient for the task at hand. We were fighting to provide balance between a simple representation to which everyone could easily relate vs. a model that contains sufficient detail as to provide insights for specific action for those organizations wishing to progress up the value chain. It became clear, as we focused on the nuances and details of our design, that an appropriate model for Business Process Maturity must be (1) multi-dimensional and (2) non-linear.

From a dimensional perspective, we settled on two areas. The first dimension that we selected breaks down into the following five components that represent the core of most organizations. We call these the “Five Levers of Change.” (see Figure I)

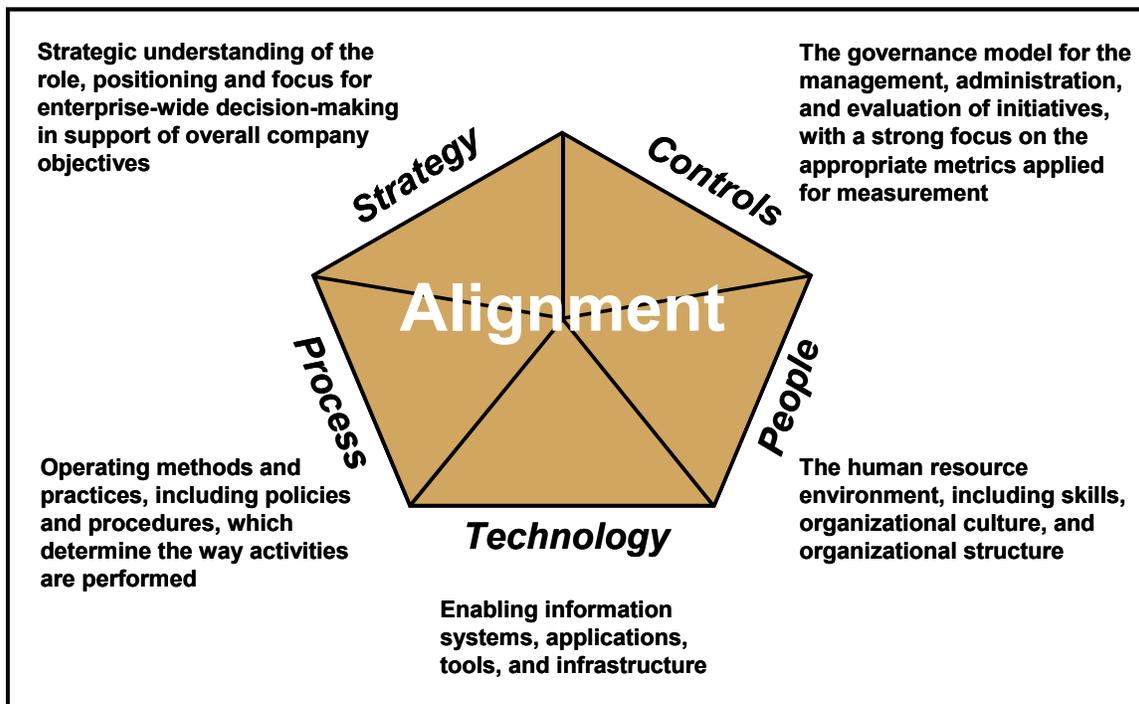


Figure I. The Five Levers of Change

Many organizations consider just three of these levers (People, Process, and Technology), but the other two are just as important in understanding the overall state and capabilities of the company. If the three “common” levers are out of alignment with the business Strategy of the organization, then the result will simply be very efficient processes that don’t provide positive or desired outcomes. If the three “common” levers are not viewed in the context of enterprise wide Controls and Governance, then the cohesiveness needed to achieve the desired results will

never be achieved. The key to the Five Levers is the ability to achieve consistent *alignment* across all five. When that is achieved, then the organization is operating at a level where it can achieve optimal results.

The “Five Levers of Change” dimension provides the components about which we can assess the capabilities of any particular organization. As those capabilities advance, the company can progress through the second dimension of the model; that is, the States of Process Maturity. These states are as follows:

1. Siloed
2. Tactically Integrated
3. Process Driven
4. Optimized Enterprise
5. Intelligent Operating Network

As mentioned earlier, it is not a linear path to move from one state to the next. In fact, the hurdles that must be overcome vary considerably from one phase to the next, and while each lever undergoes material change from state to state, different levers play bigger roles in each of these progressive steps.

We settled on the following graphical representation (Figure 2) to depict the path that companies might expect to traverse in order to move from one state of maturity to the next.

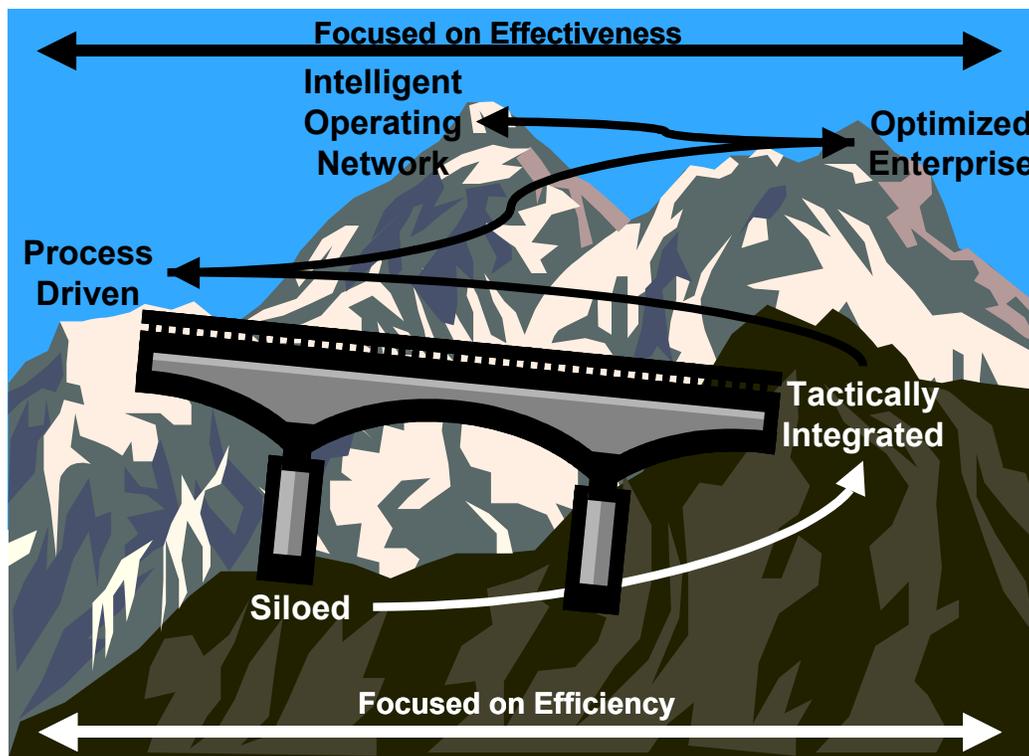


Figure 2. The Five States of Process Maturity

The following is a description of each of the five states, with representative characteristics and the challenges presented in each phase of the migration path.

Siloed

Our default position of Process Maturity is the Siloed company. As one might expect, this is the organization that operates within the context of functional silos, geographic silos, product line silos, etc. In other words, these individual groups work to optimize their own piece of the organization (usually based on efficiency), but do little in terms of aligning strategy and governance across the organization to provide end-to-end effective solutions. Moreover, information tends to be siloed in these organizations as well (often with each entity being supported by its own set of information systems), yielding very slow responses to ever-changing market conditions.

Tactically Integrated

The next step up the front part of the mountain depicted in Figure 2 is for companies that have begun the effort to integrate the organization, and the typical leader in this kind of initiative is the IT Department. IT has done an excellent job helping to improve cross-functional efficiency by driving enterprise system implementations that enforce a level of data integration and process standards that have brought notable operational improvement to many organizations. This shift allows organizations the opportunity to make better decisions, as they have a better handle on their data thanks to these systems, and they improve efficiency as a result of the automation of many of the manual steps that may have been prevalent in their previous processes.

However, Tactically Integrated companies still suffer from the lack of alignment around end-to-end, enterprise-wide processes that are fundamental to achieving optimal results. These companies are still built around functions, with IT as the only horizontal entity trying to bring these discrete units together. What we have found is that these IT systems (and IT organizations) can only take us so far. IT often meets resistance when trying to pull functions together to alter existing processes, and there is little or no enterprise-wide governance that provides the structure necessary for end-to-end alignment. The people aspect of these organizations is still focused on the efficiency of the function, rather than optimization of the end-to-end process. The technology lever has been both a leader and enabler for getting many companies from Siloed to Tactically Integrated, but IT is the wrong answer to get organizations across the bridge to the next level of Process Maturity.

Process Driven

As depicted in Figure 2, it's a whole new ballgame moving from Tactically Integrated to Process Driven. For that, we need an organizational mind-set shift, as we must build the bridge that can get us across the gap from the front part of our mountain to the higher elevations on the back half. You'll notice that the bridge is firmly entrenched in the foreground. There are no short-cuts to becoming Process Driven. You need the foundation from the earlier states. But building that bridge is no easy feat. In fact, getting across that bridge is the difficult step with which most companies continue to struggle. I liken the bridge to one of the final scenes from the 1981 movie, *Escape From New York*. In that scene, Snake Plissken (the Kurt Russell character) is racing across a bridge out of New York, trying to complete the rescue of the President of the United States. On that bridge, Plissken encounters burned out cars and other barriers every few steps, exploding land mines in unexpected locations, and a high wall at the end of the bridge that needs to be climbed while machine gun fire is being hailed down in all directions. That's how I see the challenge of getting across the bridge from Tactically Integrated to Process Driven – full of barriers and land mines ready to eliminate those who try to break free to the opportunities on the other side.

So how can companies successfully navigate these barriers and achieve this higher level of organizational capability? First, it must be understood that this step in the maturity model requires a top down mandate, and enterprise-wide leadership that spans all segments of the

organization. Companies don't need to realign their entire organization models to a process focus to achieve this step – we can achieve the Process Driven state while still organized around functions – but we do need to install enterprise-wide leadership and a supporting team that will be responsible for end-to-end process optimization, as well as the controls and governance needed to enforce the decisions of this leadership team.

This is where the land mines start exploding. Resistance to change is natural, and this kind of change will always be resisted as power and authority are taken away from the discrete functions and handed to an entity that is chartered to focus on the enterprise as a whole. The functions are bound to object to many of the decisions made as companies try to reach the state of Process Driven, which is once again why this move must carry with it a top down mandate with appropriate levels of enforcement. But if the goal is not only efficiency, but also end-to-end effectiveness, then we need to re-focus our leadership around a holistic model that centers on end-to-end processes. This is exactly how customers and business partners expect to see us, and in order to provide that result, we need to make fundamental changes.

Finally, I mentioned earlier that IT has been a very effective lever in leading companies from Siloed to Tactically Integrated. However, IT is ill-equipped and poorly positioned to lead from Tactically Integrated to Process Driven. IT suffers from the organizational positioning as the “technology team,” and the “business teams” have often resisted efforts by IT to come in and tell them how to run their processes. Whether the people in IT are well-suited for this role ultimately becomes irrelevant, because they rarely can overcome the struggle to get out from under the perception of that technology tag. We need an organizational entity to lead this effort – quite possibly a new entity for most companies – and it must be staffed with respected business leadership (and authority!) to have any chance at success.

Optimized Enterprise

As we move up the slopes of the back half of the mountain, we elevate from Process Driven to the Optimized Enterprise. This step represents a progression from just making the organizational mind-set shift that was the big part of becoming Process Driven, to extending the process-focused capabilities to an optimized level. The Optimized Enterprise has leveraged a commitment to continuous improvement, utilizing business-focused metrics to reach new levels of both efficiency and effectiveness. The process focus has now become ingrained throughout the organization, and the pockets of resistance have subsided.

The perspective of the Optimized Enterprise also changes, as the scope for process execution, management, and optimization extends to broader versions of end-to-end processes. For example, the focus may shift from Order-to-Cash in Process Driven organizations to Quote-to-Cash and ultimately to Cash-to-Cash as areas for optimization in this fourth state of the model.

In addition, the role of IT resurfaces in this path up the mountain. The new era of Business Process Management (BPM) technology finally finds a home as companies move from Process Driven to Optimized Enterprise. Organizations that have not reached the maturity level of Process Driven are simply ill-equipped to take advantage of these emerging technologies. How can we expect to achieve the hyped level of results from BPM technologies, if our organizational alignment doesn't support end-to-end process execution and management? What good is it to have a handful of business users model cross-functional processes that can be driven through execution engines into our myriad of information systems, if we don't have an organizational model or governance system in place to support that kind of activity? Only after we cross that bridge into the Process Driven world will we really reach a level of maturity that lends itself to take advantage of these new advances in information technology. When that all comes together, we find ourselves scaling the heights to the level of the Optimized Enterprise.

Intelligent Operating Network

Our futuristic state is called the Intelligent Operating Network. Our vision is to chart a path that will take us to a point where all the benefits we have achieved by moving through the previous states of process maturity can be further enhanced by extending each of those characteristics to our entire ecosystem. Rather than simply optimizing our capabilities across all five Levers of Change within our own enterprise, we establish the kind of partnerships throughout our ecosystem that also adhere to these optimal characteristics. We're not just talking about the point-to-point integration that can easily be established at early states in the model. Rather, this state is achieved when our collective set of Strategies, Controls, People, Processes, and Technologies are completely intertwined to provide optimal efficiency throughout the end-to-end value chain, resulting in optimal effectiveness for each partner involved in this universe of organizations. This degree of cohesiveness will allow the free-flow of real-time information (not just mounds of data) that enables companies to predict changes in market conditions and make adjustments before negative impacts can occur, as opposed to the typical reactive state that most companies find themselves in today. Clearly, the further maturation of the standards and capabilities associated with BPM technology will be intrinsic to the success in reaching this state, but it will be just one enabling component. As with the other states, all five Levers of Change must be in alignment throughout the entire ecosystem in order to share in the benefits available to companies that reach the maturity level of the Intelligent Operating Network.

The Model in Action

So now that we have described the elements of the two dimensions of our Maturity Model, where do we go from there? Maturity models in and of themselves aren't valuable unless we can apply them and achieve benefits from them. Our purpose is not simply to articulate a means in which companies can measure themselves against each other in terms of progression of process level maturity. While interesting, that result is not terribly useful. Instead, our objective is to help companies identify their own gaps from where they are today across each of the five Levers of Change, and therefore identify specific actions that can be taken to overcome current limitations and ultimately achieve the benefits waiting for them as they move up the maturity mountain. This is where the two dimensions come together. (See Figure 3.)

By articulating the core characteristics of each Lever of Change in the context of each state of maturity, companies can quickly assess where they stand from a maturity perspective for each of the Levers of Change. While we have taken the characteristics in these cells to a much greater level of detail, that level of detail is not necessary to provide the kind of quick assessment that provides a clear picture of areas that require focus and improvement in order to move up the states of maturity. It's still simple enough for everyone to grasp, but detailed enough to identify specific opportunities for growth-oriented actions.

One observation is that companies rarely find themselves in a consistent state across all five Levers of Change. This can be problematic in that in order to achieve the benefits of being at a particular state, there must be alignment in terms of capabilities across Strategy, Controls, People, Process, and Technology. Lower levels of capabilities in one or more of these areas will inhibit the ability to achieve the maximum benefits that could be achieved at each state in the maturity model.

	Siloed	Tactically Integrated	Process Driven	Optimized Enterprise	Intelligent Operating Network
Strategy	<ul style="list-style-type: none"> Reactive to market conditions within 1-2 years, typically chasing a competitor Integration within functions Driven by cost and efficiency 	<ul style="list-style-type: none"> Adapt/react to market dynamics within 12 months Some cross-functional integration to solve pains Initial entry into point-to-point integration with partners 	<ul style="list-style-type: none"> Adapt/react to market dynamics within 3-6 months Enterprise-wide process leadership is established The business process is the foundational element of the enterprise 	<ul style="list-style-type: none"> Adaptive to market dynamics within weeks Enterprise organized completely around processes Optimized processes+execution yield competitive advantage 	<ul style="list-style-type: none"> Predictive capabilities and market leadership Continuously adaptive to market dynamics in near real-time Enterprise and its partners are organized around processes Competitive advantage is driven and shared by partners
Controls	<ul style="list-style-type: none"> Local and functional level authority / autonomy No enterprise-wide standards or governance No formal value measurement program 	<ul style="list-style-type: none"> Hierarchical mgmt. structure Independent functional department decisions Limited enterprise-wide standards or governance 	<ul style="list-style-type: none"> Formal process leadership establishes priorities Business cases drive projects Process metrics tied to individual and team performance 	<ul style="list-style-type: none"> Process teams responsible for overall performance Relevant process metrics institutionalized as main performance measures 	<ul style="list-style-type: none"> Inter-enterprise process teams own performance Relevant process metrics are used to measure bi-directional partner performance
Process	<ul style="list-style-type: none"> Static business processes Functional silos Geographic silos Department focused Informal communications within departments 	<ul style="list-style-type: none"> Limited process reengineering and cross-functional/process coordination (often manual, one-time efforts) Systems drive baseline process definitions 	<ul style="list-style-type: none"> Fully transitioned from functional to process focus, including management structure, execution teams, and performance evaluation Targeted BPO 	<ul style="list-style-type: none"> Total process integration across the enterprise Commitment to continuous process improvement program Outsource non-core business processes (reduce cost and increase quality) 	<ul style="list-style-type: none"> Total process integration across the ecosystem Key processes flow seamlessly across firewalls
People	<ul style="list-style-type: none"> Subject matter experts Culture is adversarial, mutual distrust No formal change management procedures I'll do my job, you do yours 	<ul style="list-style-type: none"> Cross-functional/process team members (usually led by IT) Limited understanding of cross-departmental process needs and dependencies 	<ul style="list-style-type: none"> Process leaders define, deploy, enhance, and maintain core processes Functional teams focus on high quality execution 	<ul style="list-style-type: none"> Lean organization focused on optimizing process definitions and execution Ongoing process training for employees 	<ul style="list-style-type: none"> Partner selection includes process & cultural attributes Ongoing process training for employees and partners
IT	<ul style="list-style-type: none"> Independent systems Islands of automation Integration only within functions Legacy enterprise system(s) 	<ul style="list-style-type: none"> Leverage ERP systems for cross-functional integration Point-to-point partner integration IT leads cross-functional initiatives (systems focused) 	<ul style="list-style-type: none"> IT supports process leadership team in initiatives System and instance consolidation to streamline processes and info mgmt. 	<ul style="list-style-type: none"> Utilize Business Process Management (BPM) solutions to automate process execution, monitoring, and control across the Enterprise 	<ul style="list-style-type: none"> Utilize Business Process Management (BPM) solutions to automate and monitor process execution throughout the ecosystem

Figure 3. The Business Process Maturity Model (Combining the Levers of Change and the States of Maturity)

For example, if a company is assessed as Process Driven for Strategy and Technology, but either Siloed or Tactically Integrated for Controls, People, and Process (as in Figure 4), that company will not be able to achieve the full benefits of being a Process Driven organization. This assessment, based on the two dimensions of this model, provides clear direction to a company in this condition as to what needs improvement in order to reach the desired state. That's the real benefit of the model – to provide a simple vehicle to assess the current state across all five Levers of Change, identify the gaps between the current state and the desired state, and then develop a top-down action plan to eliminate those gaps and provide the opportunity to achieve the desired benefits.

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Figure 4. The Business Process Maturity Model in Action

It is our contention that companies that progress up the mountain through each state of process maturity have the opportunity to gain efficiency, lower costs, improve customer satisfaction, grow the top line, and achieve competitive advantage. These advantages become more pronounced the further the company can progress. On the flip side, companies will find themselves in a disadvantageous state if they don't progress, as their competitors will likely be trying to accomplish this same feat. Ultimately, to climb the mountain and realize these benefits, companies must understand that there will be high hurdles to overcome at each step in the maturity process, and the only way to overcome these challenges is to achieve organizational alignment around all five Levers of Change by creating an enterprise-wide environment that supports and rewards the appropriate behavior at each step of the way.

David Fisher is a Managing Director at BearingPoint, a leading global business advisor and systems integrator. He is the author of the new book, *Optimize Now (or else!): How to Leverage Processes and Information to Achieve Enterprise Optimization (and avoid Enterprise Extinction)* from iUniverse.

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