

Customer Value: the Business Discipline of BPM

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BPM and Customer Relevance

It might seem obvious to say that “if BPM is not relevant to the business then it is not really *Business Process Management*”. Reality is that many BPM deployments do not focus on the business enough. Worse still, many companies do not focus on their customers enough. The relevance and value of your business strategy to your customers is actually the higher order issue. Often our best efforts in the process space are hampered by the lack of clarity and discipline of the business with regard to value they seek to add to their customers. Even if BPM is not in your business strategy yet, highlighting its value in light of customer value and business strategy will go some way toward placing it on the strategic agenda and even to influence the business to focus more on the customer. Linking BPM to your company strategy, therefore, is a key first step and it helps to have models and methods to guide you in approaching this important task.

This article references a key (and still very relevant) model of the mid 1990’s as a basis for aligning and evaluating your BPM deployment to your business goals. It concludes that *business* relevance actually starts, ends, and is determined by the *customer*.

Value Disciplines from the Outside-In

Businesses are constantly under pressure to deliver against competing demands and usually find they compromise one over another. A typical organization’s focus, for example, might be on cost reduction or product innovation or customer service. Achieving and sustaining competence in all three at once requires a different sort of thinking. Within a robust framework, an operating model that focuses on process management has the potential to realize simultaneous benefits across these three typically competing business goals. Traditional thinking would suggest that one, at best, two may be achieved at the cost of the other and indeed, it is somewhat of a paradigm shift to customer-driven process thinking that enables such a goal.

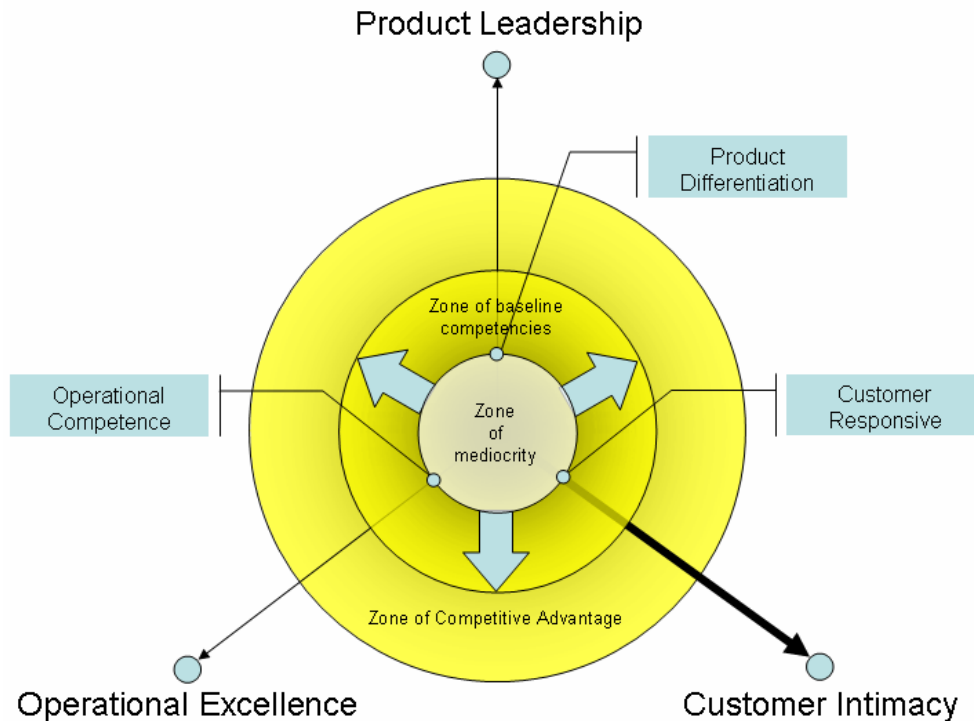
While this might not seem groundbreaking a concept in and of itself; the challenge for process professionals is making the links between the customer, the business, and its processes explicit and meaningful. We must extricate ourselves from the questions of whether “process” should be driven from within the business or from IT and look at how we can get it on the strategic agenda of our companies. The focus of BPM should therefore be on influencing others to first focus externally on the customer rather than internally on their part of the business or even on a process architecture striving to describe their business (usually from the inside-out).

There are a number of models that form the backdrop of much of my thinking in regards to how BPM can best serve a business, but one illustrates the versatility of processes in relation to business performance and at the same time places the customer at the forefront of both. This model is that of the “Value Disciplines” (Treacy and Wiersema: 1995). Treacy and Wiersema describe three value disciplines of:

- (1) Operational Excellence – best total cost, speed, delivery. Think McDonald’s.
- (2) Product Leadership – best product. Think Johnson & Johnson.
- (3) Customer Intimacy – best total solution. Think Cable & Wireless.

A key point of their value disciplines model is that successful companies develop a *level of threshold competence in all three disciplines but must choose only one in which to excel*. This is because "...each discipline requires a company to emphasize different processes, to create different business structures, and to gear management systems differently." (Treacy and Wiersema: 1995 p.44).

See Figure 1.



Adapted from Treacy and Wiersema (1995)

Figure 1. Value Disciplines and competence zones

Choosing one value discipline allows a company to develop an operating model (including processes) that is specifically designed to deliver against that discipline. In Figure 1, for example, Customer Intimacy is the chosen discipline (in bold) and while this should be the prime focus, companies that choose this as their discipline must develop an operating model that at least performs to some threshold levels in all three disciplines (to be in the 'zone of baseline competencies'). Companies that don't will never leave the 'zone of mediocrity' – they are the ones that try to be all things to all customers and/or are unable to fine tune their operating model to support the baseline competencies. I'll leave it to you to consider some examples here.

The baseline competencies require that all companies at least be operationally competent, have differentiated products, and be customer responsive. These are the threshold levels required for business survival. Competitive, economic, and market forces continually raise the base level of competency that companies must exhibit in these disciplines (represented by the block arrows pushing outward) and so they must continuously improve their operating models to remain competitive.

Discontinuous Process Improvement – the cycle of mediocrity

So if this is the discipline of market leaders; what are the rest of the companies doing? Rather than developing a baseline competency in all three disciplines and strategically choosing to excel in one; my observation is that many companies tend to cycle through these disciplines with a singular focus as part of their continually changing business priorities. They tend to only have the ability to focus on one discipline at a time. This is reflected in changing company goals from 'cost reduction' this year to 'customer focus' next year and 'innovation' after that. This risks developing capabilities in one cycle of improvement that are not able to deliver on the next. Operating models (including processes) that were designed to be flexible and responsive as part of a 'customer focus' programme, are then expected to be robust when innovation becomes the focus.

This is the realm of "inside-out" thinking where budget cycles and lag indicators drive senior executives to focus on short-term improvement programmes to address the issues of the day without having decided on (a) the baseline level of competency required for all three disciplines, or (b) the actual value discipline and customers the company should covet. This is the 'discontinuous improvement cycle' of the functional organization.

This is contrast in the following table with those of continuous improvement through BPM (see [BPM & PI: Business Performance Partners \(part 2\)](#) for more on this).

Waves of Improvement Programmes	BPM – continuous improvement
Focus on only one value discipline at a time	Capability to focus on all three value disciplines
Business-driven 'inside-out' perspective	Customer-driven 'outside-in' perspective
Limited and incremental	Wholistic and transformational
Focus on business outcomes only	Focus on the business operating model
Driven by project-based management	Driven by process-based management
Short-term operational	Long-term strategic

Table-1. BPM is an enabler for competitive advantage in all value disciplines

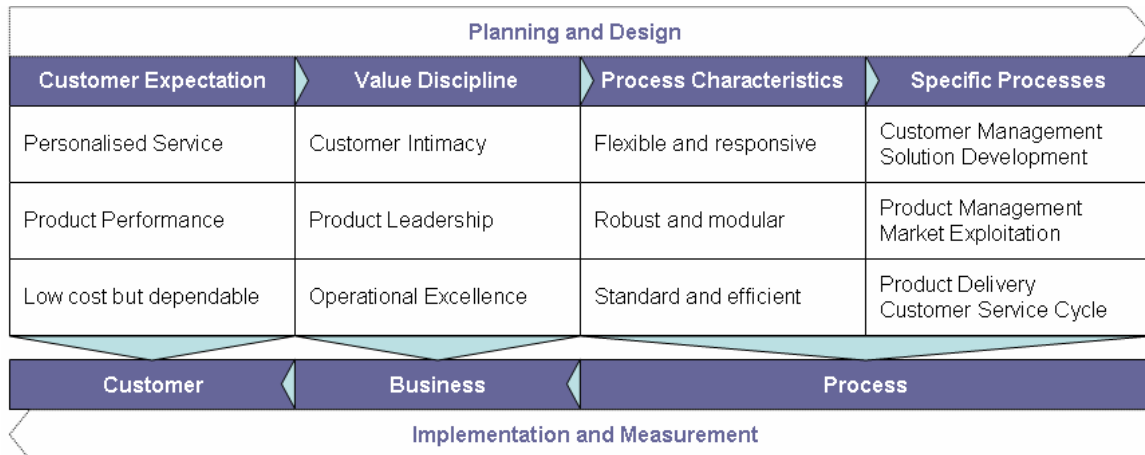
So it seems that companies must develop new business models that enable the achievement of a base level of competence in all three of the value disciplines; business models that are based on outside-in thinking and enabled through process-based management.

Customer-driven BPM

A key tenet of the value disciplines is that while they may define aspects of business strategy and drive action within a company; they are actually derived from an understanding of the customers that a business has chosen to focus on.

Interestingly, these disciplines evolved from the view that there are three different types of customers – each of whom perceive value (customer expectations) from products and services in different ways. In turn, companies need to have processes with certain characteristics to reliably deliver against the customer expectations. Finally, they each require an intimate understanding of the discipline-specific processes that deliver value to the customers through each discipline.

This is summarised in Table-2 below



Adapted from Treacy and Wiersema (1995)

Table-2. Customers should determine the Process focus – from the ‘outside-in’.

Planning and design of our process management and improvement activities should start with the customer expectations and work inward to specific processes. Implementation and management of our process activities will take place within the business; their effectiveness ultimately measured by the customer. This ‘outside-in’ view is very much the domain of the mature BPM Professional and demands that we adopt new (process-based) business models that deliver value to our chosen customer base through a predominant focus on a single value discipline. We must focus not only on the relationship of our processes to business outcomes, we must extend this focus one abstraction further to the customer.

BPM – Balancing Customer and Business Perspectives

Revisiting a leading model of the last decade, we are reminded of the importance of a customer view in driving business performance. The ability to measure that performance in a comprehensive and balanced way sets us on the road to continuous improvement. Focusing on the customer and having the operating models to deliver are differentiating factors for business success. The difference is really a matter of perspective – are you looking at your company from the outside-in or from the inside-out? It is much more than a subtle distinction; it is the paradigm shift that truly focuses us on *what we should be doing* (our processes) and for whom.

Companies should context their BPM deployments within the strategic setting of the business. The Value Disciplines model can aid in this process. Its’ focus on the customer actually requires that a triple crown in business be realized and measured through:

1. Outside-in Customer-driven perspectives
2. Choosing a single value discipline as the long-term strategic discipline
3. Operating Models that support all value disciplines to a threshold level
4. Focusing on the specific processes that deliver customer value
5. Driving and integrating processes with the business strategy

This is all, however, a significant paradigm shift for the majority of business professionals who have built their careers on inside-out functional thinking. This article has sought to facilitate that paradigm shift through reviewing the Value Disciplines model which is principally about putting the customer first. Our task as Process Professionals is to continually seek new ways to facilitate that shift – after all, “...too often, the future of our business, of our industry, of our nation, exists just outside the boundaries of the prevailing paradigm...” (Barker : 1993, p.92). This author suggests that future for BPM and business success exists just outside our organizations...looking in...ever more demanding...and it is the customer.

References

Barker, Joel A. (1993) Paradigms – The Business of Discovering the Future. HarperCollins Books.

Treacy, M. & Wiersema, F. (1995) The Discipline of Market Leaders. Perseus Publishing

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