



BPM in Europe

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From Corporations to Cooperations

The trivia game, “Six Degrees of Kevin Bacon,” is about trying to link any actor to Kevin Bacon through his or her film roles, with as few steps as possible. The game is based on the concept of the small world experiment examining the average path length for social networks of people in the United States. The research was groundbreaking in that it suggested that human society is a small world type of network characterized by short path lengths. Basically, there is only an average of six people between you and anybody else on the planet. —Wikipedia.

Today, total information and communication access are becoming globally available – and are virtually free of charge. Almost any information can be found if you know where to look on the Internet. Free and easy access is driving the Generation Y to get connected and communicate as members of global communities. These peer networks, these communities, allow you to share your personal profiles and hobbies, e.g., LinkedIn.com or Myspace.com, or let the world know what you are doing through Twitter.com or Flickr.com. As these communities focus on what people have in common, they help to break down the barriers in distance, culture, and social groups.

The fact that communication is becoming virtually free of charge will not only have an effect on our personal lives; it will have a profound effect on the way we do business, and the very structure of corporations. In the days before the Internet, communication would be *filtered* through the hierarchy of an organization, and a reply to your letter could take a week or more. Just imagine what will happen when Generation Y, so accustomed to borderless, instant communications, will be the dominant consumer and member of the workforce. They will not accept the filters of an organization or the silos that exist in most corporations. Instead, they will aim to get connected directly to their peers in the same way they do when sharing information through Myspace.com or Flickr.com.

New startups are coming to market with business models that make use of the new communications capabilities. Jeff Howe pointed out a great example in his book, *Crowdsourcing*, that talks about Treadless.com, where the customer can actually participate and submit and score T-shirt designs. The result is free R&D and a community of interested customers.

So what does the future hold for incumbent corporations? They should look at ways that they too can benefit from Internet-based communities supported by the emerging power of dot.Cloud computing (see overview at www.mkpress.com/cloud). Some good examples include KLM's Club China (<http://clubchina.klm.com>), a business innovation concept that involves KLM's customers and business partners, and IBM's technology Jams where over 100.000 employees are able to contribute new ideas online in a 72 hour jam session with IBM committing \$100M to support the best ideas (www.collaborationjam.com). Or, check out www.innocentive.com where R&D is outsourced to a global network of “seekers” and “solvers.” Innovative users include companies like Avery Dennison, Eli Lilly, Janssen, Procter & Gamble, and Solvay – companies that save millions by sharing their research issues with a marketplace of autonomous innovators. Or,

check out the Dutch company, Healthypeople.nl, a successful fruit juice company that has carefully selected a few business partners with whom to cooperate for some key parts of their business processes. This allows them to run the business with a staff of just 5 people. In all these cases, the value of products or services is delivered through the collaboration of parties that belong to different organizations.

Managing the collaboration and *cooperation* between and among autonomous parties requires new management skills. With what I call *Cooperations*, incumbent corporations need to realize that they are part of wider communities. So, what are the characteristics of Cooperations? Most importantly, you need to recognize your communities and your place in those communities. What is the unique role your organization has in the value chain in a given community? Remember that you are always both client and supplier, a seller and a buyer, independent of which way you view the overall value chain. At the same time you are part of a larger “team” in which team members need to trust each other to deliver value. Being a member of a community is voluntary and on an equal basis, where size does not matter, but contributions do matter.

Trust is good but managing trust is better; i.e. when you are in collaboration it is still essential to manage the relationship and monitor the agreements. Traditionally, customers will negotiate a Service Level Agreement with one-sided KPIs for the supplier and then will sit back and let the supplier get on with it. Often this would not lead to the desired cost benefits associated with outsourcing but would turn into nightmare contracts. Willem van Open, former Chief Procurement Officer of the Dutch Telco KPN, one of the most influential Supply Chain Managers in the world, has found a way to overcome this by introducing the concept of “Collaborative KPIs,” where both supplier and the client are responsible for the overall end result – thus, implementing “Managed Trust,” the cornerstone of successful community participation. In order to be able to monitor the Collaborative KPIs it is important to explicitly manage the underlying business process that connects these organizations together. That is, understanding the business process is a key requisite in collaborative value creation.

The “currency” of community is *time* and not *money*. Companies need to invest time to gain value out of their communities. Time? In the past, corporate communication was one-way, from one-to-many in the form of advertising, public relations, and so on. Today, companies must establish two-way, ongoing dialogues with their customers, suppliers, trading partners, and other stakeholders. Such community dialogs require an investment in time, in direct participation in new social networks, wikis, and blogs. And not just time from a public relations department, but also from the leadership and the experts of the company. Johnathan Schwartz, CEO of Sun Microsystems, and Linda Carter, VP of IBM, are but two examples. By getting to know and by having open and meaningful dialogs with the members of their communities, companies can build trust: Trust is something money cannot buy. Again, it takes an investment in time, not money, to build and nurture communities. Communities, and the connections formed in communities, must have a purpose and provide mutual value to all community members. A new management approach is needed to create and manage communities, where all organizations involved in Cooperations will profit and find their time well spent.

Such Cooperations are where Hollywood leads the way: It’s called the Hollywood model, as described in Peter Fingar’s book, *Extreme Competition*. Most major Hollywood productions these days are made by temporary organizations that are set up just for the benefit of making a single movie. Autonomous players, actors, financiers, producers, directors, and others are brought together to produce a single innovation – and to act on that innovation.

As in Hollywood, applying the “Six Degrees of Kevin Bacon” to create communities will mean

that it will be hard work to identify the most effective players and the most effective value chains, but getting there and delivering value *together* is the future of competition, the future of Cooperations.

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