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The Chief Process Officer

I can remember when, in the late Eighties, companies began to debate whether they should have a Chief Information Officer (CIO) or not. Prior to that time, the person who headed data processing and software development typically reported to the CFO. In the course of the Nineties, most large companies decided that they needed someone at the executive level who really understood how IT worked and how it could be used to shape the organization's strategy. Put another way, IT shifted from keeping track of accounting data and became a strategic resource that could help shape company responses to a wide variety of situations.

Today, I've begun to hear talk of creating a new executive slot for a Chief Process Officer or CPO.

Some companies have already made this move. For a good example, check www.electrocomponents.com and look at their annual reports for 2001, 2002 and 2003. Electrocomponents plc is an international distributor of a wide range of electrical and electronic components. Their corporate offices are in Oxford in the UK. The central company, where the CPO is located, is responsible for securing or creating components and publishing catalogs that local companies use to sell the components.

Ian Mason and Richard Butler joined Electrocomponents in 2000. In 2001, Mason was the COO, and Butler became CPO responsible for core business process functions. In 2002, Mason became CEO and the COO position disappeared, while Butler became CPO and was henceforth responsible for all of the company's core and support processes. Butler may not be the first CPO, but I've been unable to identify anyone with that title earlier than 2000.

In the 2003 annual report, you will find that Butler's overview of Electrocomponents is entirely focused on the company's business processes. He begins with a description of the business and its geographical spread, and then proceeds to a high-level business process architecture that defines ten corporate processes, including: Product Management, Supply Chain, Media Publishing, Facilities, and Operating Companies. Butler reports on the cost of the various processes, and on metrics that illustrate how the processes perform.

All in all, Butler provides shareholders with an overview of the firm that is far superior to the comments on divisions and product-lines one sees described in other reports. Butler illustrates exactly why companies are transitioning to a process-centric approach. Processes emphasize how things actually work, how one activity links to another, and how all link to customers.

Different companies will approach the idea of a CPO in different ways. For some, a CPO will be just one more addition to a long list of executive officers, and will soon find him or herself in turf wars with the COO, the head of corporate strategy, the CIO, and the SVP for Supply Chains. In the worst case, the CPO will simply be another name for someone responsible for BP analysis and design, or for a software-based approach to business process management. In those cases, it is likely that the CPO won't accomplish much and the position will fall into disrepute.

On the other hand, if organizations approach the opportunity as Ian Mason and Richard Butler have at Electrocomponents plc, and replace the COO job with a CPO position, they are much more likely to be successful. The real challenge for those who advocate a process-oriented approach to management is to provide managers and stakeholders with a broad, strategic overview of the company's strategic goals, and to show how the company, organized around a set of processes, is best positioned to achieve its goals. In other words, the CPO should be the executive who pulls everything together. That's pretty much what companies expected from COOs in the past, and the new title simply recognizes that the company is going to organize around processes rather than around divisions or functions as it did in the past. In such an organization, IT and HR can both report to the CPO.

In the end, a title is just a string of words. What's important is how companies organize to work with partners, produce products, and satisfy customers. If they elect to do it while emphasizing processes, then the title Chief Process Officer will be a legitimate way of letting people know what they are doing.

We hope to see a lot more CPOs in the near future.

Til' next time,

Paul Harmon

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