

# Manage Your Business Processes to Create a Competitive Advantage

Scott Cleveland

## Background

During the boom times of our economy, such as the late 90s, it was easy for companies to turn a profit. It was so easy that many companies did not give a lot of thought to efficiency. However, after the stock market bubble burst, most companies began thinking about efficiency.

Look back about 5 years when Dell and Compaq were competing to be the number one Personal Computer manufacturer. PCs were becoming commodities, and the quality difference among all competitors was not readily apparent. As prices fell, these companies needed to figure out how they could manufacture a PC and still make a profit. Compaq's strategy is not obvious as it was purchased by HP before we could define results. Dell's strategy, however, is well-defined and has proved to be a winner. It has become so efficient that it actually does not build a computer before it receives the order. It has worked out a deal with its suppliers that allows it to process the order, get parts, assemble the PC, test the PC, and ship it to the customer in a few short days. Rightly so, it sees this efficient process as its competitive advantage.

Dell realized that spending money on research and development to create the ultimate PC motherboard was not going to increase its profits. It saw that it could order parts to its specifications and then assemble and test to make sure that its performance criteria were being met. It saw that the closer you get to "just in time" manufacturing, the more profit you could make. It saw a way that it could take in an order and ship the product within days. Once it understood what its competitive advantage was, it saw that it could expand its product offerings to include other electronic devices like a PC version of the iPod, and flat panel televisions.

So, what are the driving forces that will help other companies to gain their competitive edge?

*InformationWeek* published a study (July 2005) that identifies the factors driving companies' business process management initiatives.

After performing many returns on investment (ROI) analyses, this author has found that automating manual processes usually provides the greatest returns.

## Managing Business Processes

Without knowing what Dell's business processes are, it is obvious that Dell has worked to make those processes as efficient as possible.



Any company efficiency improvements are going to involve business process management (BPM). The response to the *InformationWeek* poll is very revealing.

Let's look at some of the issues underlying those "Driving Forces."

### **Ensuring Process Consistency**

Most companies have great difficulty in defining their business processes. One group may define it one way, while others may define it very differently. If you could come up with a single definition, each group, nevertheless, would be likely to handle exceptions differently. If you want to improve your efficiency, then you must be able to measure your current processes. If those processes are not consistent, it is hard to know how to be more efficient. Further, these inconsistencies are more likely to show up in product quality levels.

### **Optimizing Business Processes**

It is impossible to optimize business processes if you cannot define them. When you have them defined, then you should work those processes to make sure that you have them defined correctly. A well-defined process should lead to process consistency. You can and should measure your consistent process. Now you have something to build on – you can make changes to the process and measure the results.

### **Automating Cumbersome Manual Processes**

Assuming that you have a well-defined process, you will be amazed at the impact automation can have on that process. Automating the process will produce shortened cycle times, lower management costs, increased quality, controlled access to critical data, and more. Automation will provide the biggest impact on your ROI.

### **Ensuring Compliance**

With the new requirements of Sarbanes Oxley ([SOX), companies are mandated to put processes in place. Those who have successfully implemented SOX compliant processes and automated them have found rewards beyond meeting legal compliance regulations. There are some articles being written touting companies that see SOX compliance as a competitive advantage.

### **Integrating and Automating Complex, Multi-application Processes**

This brings in an entirely new set of difficulties. Two of the difficulties include:

- One application talking to another
- The inability of most BPM software packages to link one process to another.

It is extremely important not to lose track of your vision for a solution. The technology is available to create almost any solution – but, at what cost? The author has seen many successful solutions created with minimal integration coding. Linking one process to another allows you to map reality: We call it process orchestration.

### **Why Automate?**

Companies are in business to build and sustain profitability while growing revenue. In today's competitive economy, it is not easy to raise prices to increase profits. However, if you could maintain your pricing and reduce costs, the results would increase profits.

Further, automating processes is a winning strategy. According to an *InformationWeek* 2004 survey, 95% of companies attempting to automate business processes were successful. Companies responding reported an average 15% rate of return and more than half had returns from \$100k to \$500k on each project.

### **Automate to cut costs**

Research shows that process delays are costly. The costs of delays are generally considered to be

part of the cost of doing business, and most companies are unclear how much they could actually save by automating key processes.

#### **Automate to save time**

Over the last 20 years, “time to market” has become common terminology. If a company can bring a product to the marketplace one month earlier than scheduled, then it can potentially get an additional month of revenue. Or, it can establish its position in the market before its competition.

#### **Automation adds value**

Companies that have implemented business process management (BPM) strategies have seen many benefits: increased control; cycle time predictability; improved visibility into processes; improved morale; fewer manufacturing errors; greater throughput; and more.

#### **Automate to create a price advantage**

If you and your competitor sell your goods for the same price and your company is more efficient, then you have more room to lower your price, putting pressure on your competitors to follow your lead.

Most companies that have implemented BPM have discovered an unexpected benefit of improved product quality.

### **A Competitive Advantage**

A competitive advantage allows you to build and sustain profitability while you grow revenue. A competitive advantage is a barrier to entry: Imagine deciding to get into the PC manufacturing business against Dell. A competitive advantage can help you sell product – No one was ever fired for purchasing an IBM product.

Because of Dell’s competitive advantage, it has been able to build relationships with its suppliers that allow it to “manufacture on demand.” It has negotiated terms that allow it manufacture, ship, and bill before its supplier invoices are due. It actually makes money on the “float.”

According to one investment magazine, Wal-Mart sells more than 5% of all retail goods sold in the United States. Its competitive advantage is in logistics. If it is short of an item that is selling well in California, it can stop one of its trucks in Nebraska, carrying that item, remove the item, and redirect the item to California.

Japanese automakers can turn around a new car from design to showroom floor in about a year and a half; it takes Detroit 5 years. This is an obvious competitive advantage. Curiously, they have not published how they reduced their cycle times – BPM maybe?

### **Build a Competitive Advantage for Your Company**

Make Business Process Management (BPM) your competitive advantage. Well-defined, automated business processes allow you to bring products to market sooner (“shorter time to market”). Lower costs due to increased efficiencies make your company more competitive. More efficient consistent processes usually result in higher quality products. In short, effective management of your business processes can provide your company with a Competitive Advantage:

- BPM should provide some control over how long a process takes. If nothing goes wrong, you know how long the process will take. If something does go wrong, you will be notified immediately (not weekly) so that you can assign other resources to the problem. This early notification may keep the project on schedule.
- BPM should provide visibility into the status of any process in the system. You should be able to see what step is being worked on and who is working on it. You should be able to see if

someone is late or even potentially late.

- BPM should provide access to documentation required to perform tasks. BPM should manage and provide access to any documentation created by performing tasks.
- BPM software should allow you to perform audits in a few hours versus a full week.

### Your Competitive Advantage

How will you build and sustain your profitability while you grow revenue? What will be the story that is written about your company?

---

**Scott Cleveland** is VP of Sales and Marketing at Ingenuus Software Inc. He can be contacted at [scleveland@ingenuus.com](mailto:scleveland@ingenuus.com) or at +1 408 464 6387