Adopting a focused approach to strategic business improvement

By

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This paper examines business improvement from a strategic perspective in contrast to the frequently operational "process" views that are often advocated in the context of BPM.

1. What is strategy?

Strategy is a widely used and widely abused word.

People use it constantly for any number of subjects ranging from a plan, a way of doing things, a stratagem (wheeling and dealing), etc. Even the guru's have different definitions but, what IS this thing we call strategy?

Professor Malcolm McDonald defines strategy as "doing the right things from the customers perspective" and tactics as "doing things right from the customers perspective".

By plotting these on a matrix

We see that if our enterprise does the right things well we will thrive, if we do the right things NOT so well we will survive and if we do the wrong things our enterprise will die! It is only a matter of how quickly. If the enterprise does the wrong things well it will die fast versus if it does them badly it will die slowly. Consider IBM in the late 1980's and early 1990's.

This leads to what I have found to be the fundamental definition of strategy "the essence of the business and how it thrives".

Strategy is generally intuited by the founders of an enterprise and where it is appropriate from the perspective of customers and well executed the organization thrives so that generally, in the context of this conference, only enterprises that have at some stage had effective strategies grow to the size that makes the material covered in the conference relevant.

This definition is just as applicable to not for profit enterprises and government departments and agencies as it is to commercial enterprises. In the early days of government members of society identified needs that were best met by government and these intuitive "essences" characterized the formation and function of those entities. Today in South Africa, many (most?) government agencies have lost their way and are doing things that are getting in the way of the essence of why they exist.

Regrettably, as with BPM, there is a lot of wrong thinking with regard to strategy with the result that enterprises sometimes embark on "strategic planning" exercises that send them in the wrong direction. The acquisition of Chrysler by Daimler AG is one of the most visible examples of a case where an enterprise lost direction – the strategic essence of Daimler is "engineering excellence" while that of Chrysler is "technology innovation", they are NOT compatible. The acquisition damaged both brands.

This example also evidences that quite frequently the executives of an enterprise do NOT themselves consciously know the strategy of the business. It is just there, we just do it until something happens. This frequently happens with the import of a senior executive who does not take the trouble to understand the essence of the business before imposing his or her view of how things should be done on the business. Rather, they default to the way they did things in the company where they gained their spurs. If the previous company was strategically differently orientated to the new this can have highly detrimental results.

The same comment applies to the work that BPM consultants do when they do NOT understand the essence of the business. I regularly evaluate failed and sub-optimal ERP and other Business System Implementations where the consultants do not have a clue what the essence of the business is and are steaming ahead with their inappropriate recipe based approach to consulting leading the client down completely the wrong path.

2. What are markets and how do you measure Market Attractiveness and Market Critical Success Factors?

McDonald defines two measures of markets, “Market Attractiveness” and “Market Critical Success Factors”.

Market attractiveness factors are those criteria whereby an enterprise knows that a particular market sector or customer is likely to respond positively to their offer.

Market Critical Success Factors are those factors, frequently unstated and intuitive, which customers will apply in making a buying decision – note that we buy with our gut NOT our heads most of the time.

Both are best determined by facilitating a representative sample of people who really understand the subject to lift out the sub-conscious / intuitive parameters which ACTUALLY drive the commercial or service transaction. This is a skilled process involving brainstorming, synthesis of critical factors, weighting and scoring in a very structured manner.

Inappropriate methods or inappropriate facilitation can produce drastically inappropriate results.

3. Strategic driving force

Michel Robert defines something that he calls “strategic driving force” and asserts that every organization has one fundamental driver. He defines “strategic schizophrenia” as an organization that is trying to operate under two primary drivers, as with the Daimler-Chrysler example above.

Again this requires sensitive and effective facilitation that lifts out the essence of the business.

Once this driver is understood ALL activities in the business are tested against it and optimized in order to support it.

In the context of the matrix depicted above, the organization maximizes and optimizes the right things and minimizes the wrong things.

Many BPM initiatives fail to understand this principle and therefore invest huge amounts of effort in activities that at best add no value and at worst destroy value dramatically.

4. Why market focused strategy is THE fundamental arbiter of strategic change

Because strategy is the essence of the business and how it thrives and because we are referring to organizations that have, at some time in their existence thrived, it is apparent that market focused strategy is THE fundamental arbiter of success as determined by customers buying the products or services offered by the enterprise.

Since strategy is determined from consideration of what customers want and will buy it becomes self-fulfilling – get it right and do it well and the organization thrives, get it wrong and it dies or is taken over.

5. How to drive business improvement from an understanding of Strategic Marketing fundamentals

Once one understands the above principles one is in a position to improve business effectiveness which, theoretically, is what BPM is all about.

Inherently this dictates the following:

a. The project must be strategically aligned;

b. The facilitators / consultants MUST understand the essence of the business and how it thrives;

c. The essence of the business must be formally recognized and understood by the enterprise from the Chief Executive down to the most junior member of staff – if it is NOT then this is the FIRST thing to get right;

d. Every planned project and activity must be tested against the strategic essence – IF it supports the essence -- DO IT and if it does NOT – KILL IT!

e. Inherently, since executives are the custodians of the strategic view (this is the fundamental role of executives, or should be) the concept for any significant BPM project must be validated at the executive level and the high level direction MUST be driven from the top down. If executives cannot make the time to get involved then one has to ask whether there is any value in carrying out the planned work.

In what I do the first step is nearly always an interview with the Chief Executive in which the first question is "what is the essence of your business and how does it thrive?" Note that this is NOT about manufacturing or distribution, it is much more abstract, it relates to what the organization does to win and keep customers, how it differentiates itself, what caused it to thrive and grow to the point at which the conversation becomes relevant.

6. Case study

A very simple example.

Some years ago I was called in to evaluate an ERP implementation of a niche software product for the industry concerned that was completely stalled.

I conducted the executive interviews and established that the essence of the business was a service promise that amounted to “we will deliver on time and if we are late we will make good financially whatever damages your organization suffers”, the enterprise was focused on the high end of the market where delivery on time was mission critical.

I then interviewed the Chief Executive of the software company, his goal was to become “the biggest player in our segment in the world” – he was doing everything he could to capture as much of the market, including all of my client’s competitors where service levels were NOT mission critical. He did NOT understand service at the level my client applied it and had NO interest in developing that capability.

The two organizations were fundamentally strategically incompatible. When I highlighted this to my client his comment was “the lights have just gone on!”

The client terminated the project and I facilitated them to find a strategically aligned software provider. As we visited various software companies we came to one where the Chief Executive, in his sales presentation, stated “we are committed to service excellence -- if problems with our software cause your business to miss a delivery deadline we will make good financially whatever losses you suffer”. A simple statement but evidence of a high potential for a successful outcome.

This example illuminates one of the fundamental characteristics of strategy, the essence, it can be summarized by one sentence and yet it should inform the entire enterprise!

Conclusion

I strongly recommend that before embarking on any business optimization or improvement project whether a new ERP, a BPM project or whatever, you start the process by deploying a very senior, very mature, very business savvy person to interview the executive team, one at a time, starting with the CEO, in order to establish **the essence of the business and how it thrives.**