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BPI: The CIO`s Secret Weapon

By **Brian P. Watson** | Posted 10-08-2008

BPI: The CIO`s Secret Weapon

For Keith Neely, delivering business process improvements began with one of IT's oldest, clunkiest tools.

When his employer, sporting-goods maker Mizuno USA, bought a new ERP system in 2000, the IT shop had a difficult time aligning day-to-day processes with the then-new technology. The philosophy at the time, says Neely, vice president for customer support and IT and now also the company's chief business process engineer, was, "This is what we used to do. We're going to try to do it the same way, even if we don't get any benefits out of the new system."

Subscribing to that philosophy didn't fly with Neely. He knew that the Norcross, Ga., company, which pulled in about $100 million in revenue back then, was up against fierce competitors--most of which were three to four times bigger. Instead, Neely took to heart an analogy the company's president used to describe the problem with the new ERP system: Mizuno had just bought an F-15 fighter jet, but it didn't have pilots who could fly it.

Neely put together a team that initiated a multistep approach to reengineering the company's call center operations--specifically in pricing and order entry--to match the capabilities of the new system. Those improvements, he says, helped Mizuno more than double its annual revenue, effectively growing the business and its prominence in the market, all without adding new employees to the call center.

Mizuno's gains in productivity, revenue, cost reduction and competitive differentiation closely mirror the top drivers for business process improvement cited by IT leaders in our new survey. Two years ago, in our last business process improvement survey, about two-thirds of the CIOs said BPI was their company's top priority. And it wasn't just talk: More than nine out of 10 IT leaders said their firms had revved up their BPI practices compared with the two prior years.

Fast-forward to today. Long-looming economic uncertainty has forced businesses to rethink their strategic goals, all while cutting costs. With BPI, they may just have their secret weapon.

"Over the last 15 to 18 years, people in the business community have realized that you can't do much in business process improvement without technology," says Barry Brunsman, Chicago-based managing director at business consulting firm Alvarez & Marsal. "The [question] is, What does it take to deliver change? Now they know it takes technology. Now it's in their DNA."

IT leaders and business executives alike cite business process improvement as a profit booster in any economic environment. In these tough times, though, CIOs are even more enthusiastic. Interest in initiating process improvements spiked 61 percent during the downturn, according to our new survey.

The top drivers for improving processes were quite similar during good times and bad, but IT executives signaled more urgency during more trying climates. For example, during good times, respondents cited productivity boosts as a top overall goal for business process improvement: 34 percent for companies with less than $500 million in annual revenue; 24 percent for companies making $500 million or more.

During a downturn, however, that number skyrocketed to 73 percent across all companies. Similar spikes were seen in other drivers, such as reducing costs, increasing revenue and keeping up with competitors.

Overcoming Resistance

Overcoming Resistance

Despite the advantages of business process improvement, management doesn't always recognize the need to take this approach. Often, companies facing economic woes or increasing competition will initially turn to other tactics, including cost reductions.

However, after going through a round or two of those approaches, the organization will naturally become overburdened, which leaves people feeling anxious and insecure about the future. When that happens, executives and their workers tend to focus on core business elements, rather than expanding into new areas. "Sometimes, change initiatives can feel like they're taking people away from the core business," says Brunsman of Alvarez & Marsal.

Neely faced a similar predicament at Mizuno. As the competition grew, business leaders at the company asked where they'd find the time to document and change processes while they were busy focused on keeping everyday operations humming.

To maximize the value of the ERP system, Neely formed a cross-functional team. Its first task was to determine which processes were faulty by going through different departments that were utilizing the system and documenting each process.

The next step was to find specific technologies that would improve the overall workflow. Once that was done, Neely and his team had to figure out how to plug them in while integrating best practices.

The biggest red flag was in customer service. When a call center representative received a call, he or she would have to immediately get a price for the order. That required the rep to access a cumbersome pricing matrix that often froze the computer.

Neely and his team determined that the ERP system should do that--as well as provide any discounts--for the reps, so they set up the system to establish pricing levels for the entire season. Changing the processes enabled the reps to get prices instantly, eliminating the need for phone discussions.

Streamlining the workflow also allowed Mizuno to grow its capacity for taking and filling orders without adding new call center staffers. As Neely's efforts began to show results, Mizuno's president took notice and advocated for more process improvements. "Now they're seeing the value of stepping back and looking at what they do," Neely says.

Charles Livingston, senior vice president for technology at the luxury destination club Exclusive Resorts, had experienced that kind of resistance, so he was determined to overcome it in his current job. His venture into business process improvement centered on automating some tedious tasks to improve customer service.

For example, when members stay at one of the club's 400 residences around the world, they often get spa treatments, go yachting or get groceries delivered. In the past, those costs would be billed back to the member, usually four to six weeks after the trip. Sometimes, Exclusive Resorts would reimburse concierges for the expenses.

Livingston and his team automated the paper-based billing process, so that receipts would be scanned at the time of the transaction by the concierge, who would instantly submit the information to Exclusive Resorts. Since that change was made about six months ago, transactions have been flowing in a matter of hours instead of weeks, and there is no longer any need to float money to concierges.

Of course, it wasn't a matter of simply flipping a switch. Reinventing the process required Livingston and his team to investigate existing protocols in multiple areas, including concierges, in-house management, finance, and

customer communications and support. That meant taking a full inventory of the technologies and systems in place, and developing an analysis of how they talked with each other.

"There's a need, especially in large organizations, to have a wide-angle view that takes all the processes into account," Livingston says. "You can't touch the one in the middle without understanding how it affects everything off to the side."

--research findings' analysis by Guy Currier

BPI as Profitability Driver

FINDING 1
Use BPI as a Profitability Driver
Reducing costs and increasing productivity are the leading drivers of business process improvement. Though large companies tend to be more focused on BPI, companies of all sizes show strong interest. And in today's economic climate, more organizations should look at it. BPI has been an area of concern in the past for companies experiencing budgetary or other weak financial conditions. That's because they see especially strong productivity benefits (in a time when they can't hire) and cost reductions (in a time when scaling processes is less of an option).

1.1 LEVEL OF INTEREST IN BPI N= 176

companies with <$500M annual revenue
- VERY HIGH 35%
- SOMEWHAT HIGH 35%
- VERY LOW 1%
- SOMEWHAT LOW 12%
- NEITHER HIGH NOR LOW 17%

companies with $500M+ annual revenue
- VERY HIGH 44%
- SOMEWHAT HIGH 38%
- SOMEWHAT LOW 6%
- NEITHER HIGH NOR LOW 12%

1.2 INTEREST LEVEL DURING LAST WEAK BUSINESS CYCLE (Prior to October 2007) N=96

all companies
- INCREASED SHARPLY 10%
- DECREASED SHARPLY 14%
- DECREASED SOMEWHAT 10%
- INCREASED SOMEWHAT 51%
- NEITHER INCREASED NOR DECREASED 15%

1.3 CHIEF GOAL OF BUSINESS PROCESS IMPROVEMENT N=175

Large businesses more often pursue BPI reactively.

	companies with <$500M annual revenue	companies with $500M+ annual revenue
Improving productivity	34%	25%
Reducing costs	25	32
Accelerating processes	12	9
Ensuring compliance with regulations	9	8
Increasing revenue	7	8
Staying competitive	5	11
Innovation/new product development	3	2
Other	5	6

1.4 BPI DRIVERS WHEN THERE'S A DOWNTURN N=67

Even when budgets are stressed, productivity is a main BPI focus.

BPI provides a competitive advantage when times are tough.

one of top three BPI drivers

Improving productivity	73%
Reducing costs	69
Increasing revenue	39
Staying competitive	37
Accelerating processes	22
Innovation/new product development	12
Ensuring compliance with regulations	9
Other	1

Some Technologies Provide Better Returns

FINDING 2
Some Technologies Provide Better Returns
Collaboration tools are a primary technology for successful BPI. Web services and mobility have shown significant BPI investment in the past three years, but they are not nearly as strong contributors to its success as collaboration tools, data integration or knowledge management (the last having the highest use-to-success ratio of any technology we asked about). But strangely enough, companies continue to increase their investments in Web services for BPI nearly as much as for any other technology. You'd be better off looking at technologies showing a high degree of success, such as the ones mentioned below, or business process modeling software, enterprise application integration tools or systems-development outsourcing services.

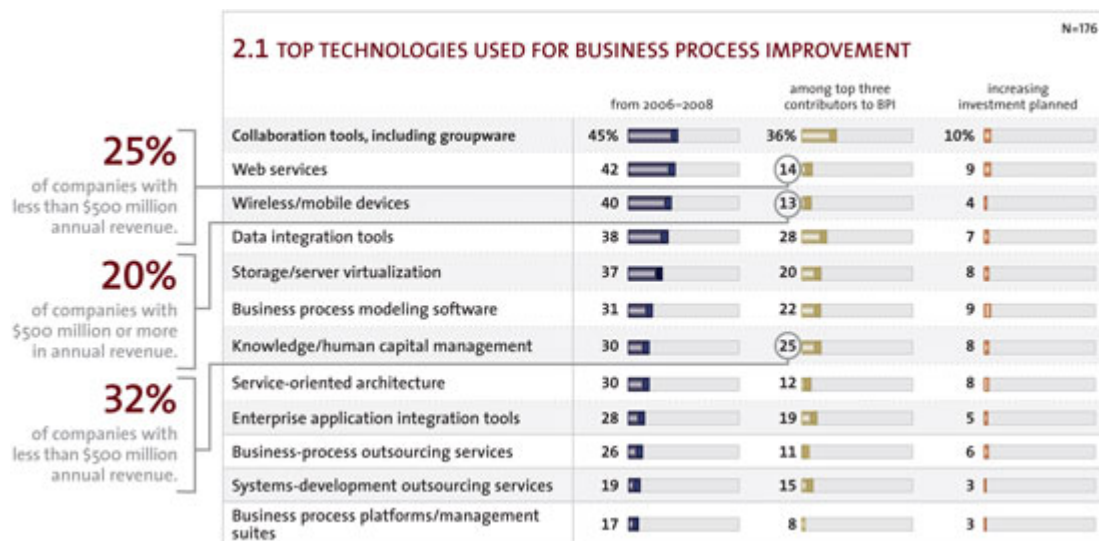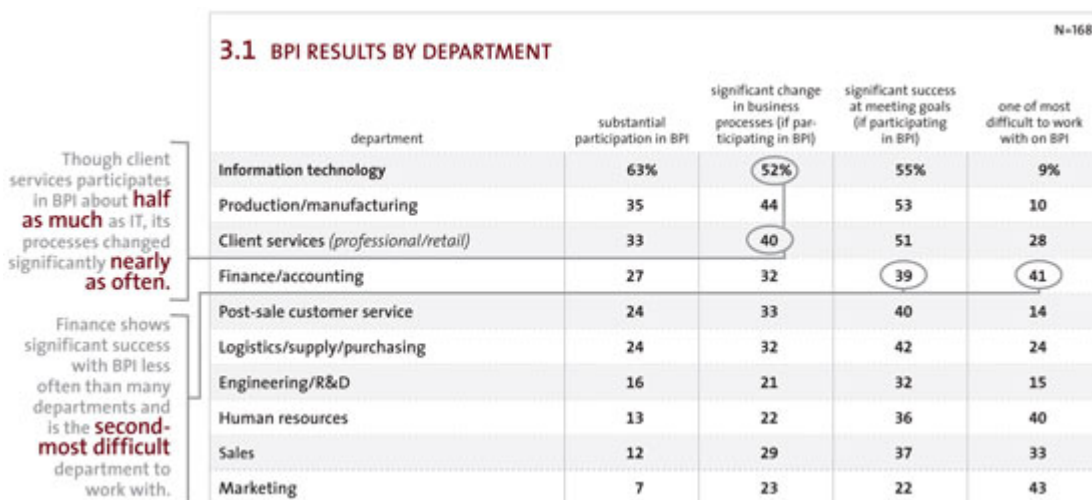### 2.1 TOP TECHNOLOGIES USED FOR BUSINESS PROCESS IMPROVEMENT

N=176

25% of companies with less than $500 million annual revenue.

20% of companies with $500 million or more in annual revenue.

32% of companies with less than $500 million annual revenue.

	from 2006–2008	among top three contributors to BPI	increasing investment planned
Collaboration tools, including groupware	45%	36%	10%
Web services	42	14	9
Wireless/mobile devices	40	13	4
Data integration tools	38	28	7
Storage/server virtualization	37	20	8
Business process modeling software	31	22	9
Knowledge/human capital management	30	25	8
Service-oriented architecture	30	12	8
Enterprise application integration tools	28	19	5
Business-process outsourcing services	26	11	6
Systems-development outsourcing services	19	15	3
Business process platforms/management suites	17	8	3

Target Departments Carefully

FINDING 3
Target Departments Carefully for BPI
IT units are a frequent target of BPI initiatives, but many other departments have greater success rates. Sales and service organizations, for example, should get more attention than they do; they show high change and success rates in comparison with other departments that take part in BPI more frequently. And during downturns, these departments often have received more business-process attention. In general, IT management processes tend to be among the earliest to be improved; sales, marketing and finance come later, when BPI investment is decreasing.

3.1 BPI RESULTS BY DEPARTMENT

N=168

Though client services participates in BPI about **half as much** as IT, its processes changed significantly **nearly as often.**

Finance shows significant success with BPI less often than many departments and is the **second-most difficult** department to work with.

department	substantial participation in BPI	significant change in business processes (if participating in BPI)	significant success at meeting goals (if participating in BPI)	one of most difficult to work with on BPI
Information technology	63%	52%	55%	9%
Production/manufacturing	35	44	53	10
Client services (professional/retail)	33	40	51	28
Finance/accounting	27	32	39	41
Post-sale customer service	24	33	40	14
Logistics/supply/purchasing	24	32	42	24
Engineering/R&D	16	21	32	15
Human resources	13	22	36	40
Sales	12	29	37	33
Marketing	7	23	22	43

3.2 TOP-PRIORITY PROCESSES FOR BPI

N=174

	all companies	companies increasing investment in BPI	companies decreasing investment in BPI
Strategic/business planning	16%	15%	18%
Sales/marketing	11	8	20
Financial	9	8	12
IT management	9	11	6
After-sales customer service	7	8	6
Compliance	7	7	6
Front-office service	7	8	4
Order fulfillment	5	7	2
Purchasing/procurement	5	6	4
Human resources	5	6	2
Manufacturing	5	5	4
Inventory management	5	6	2
Product development	3	2	6
Other	6	4	10

IT-management processes get disproportionate BPI attention as investment increases; sales/marketing and product development as investment decreases.

Percents may not add to 100 due to rounding.

3.3 DEPARTMENTS SHOWING INCREASED INTEREST IN BPI DURING DOWNTURNS

N=85

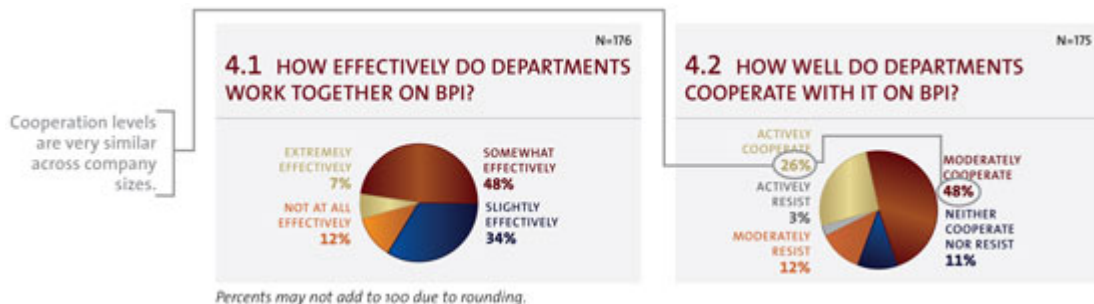|	
Information technology	56%
Finance/accounting	41
Logistics/supply/purchasing	41
Post-sale customer service	39
Production/manufacturing	38
Sales	35
Client services (professional/retail)	32
Marketing	30
Engineering/R&D	28
Human resources	24

Strong Cooperation Overcomes BPI Hurdles

FINDING 4

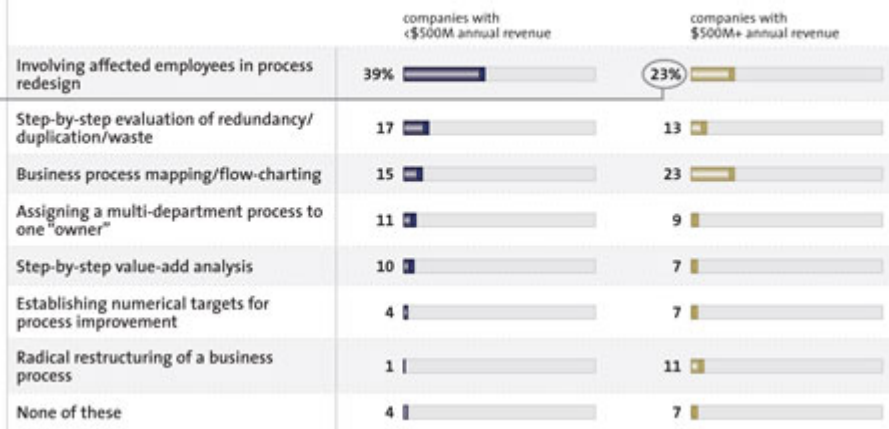**Overcome BPI Hang-Ups With Strong Cooperation**

Involvement of employees is critical to BPI success. The pain point, especially in smaller companies, is looping in employees who will be most affected by changes in business processes. But in larger companies with entrenched practices, more methodical methods--or even the opposite, radical restructuring-- have proved effective.

4.1 HOW EFFECTIVELY DO DEPARTMENTS WORK TOGETHER ON BPI?

N=176

- EXTREMELY EFFECTIVELY 7%
- SOMEWHAT EFFECTIVELY 48%
- NOT AT ALL EFFECTIVELY 12%
- SLIGHTLY EFFECTIVELY 34%

4.2 HOW WELL DO DEPARTMENTS COOPERATE WITH IT ON BPI?

N=175

- ACTIVELY COOPERATE 26%
- MODERATELY COOPERATE 48%
- ACTIVELY RESIST 3%
- NEITHER COOPERATE NOR RESIST 11%
- MODERATELY RESIST 12%

Cooperation levels are very similar across company sizes.

Percents may not add to 100 due to rounding.

The business units take charge of their own BPI efforts in **32%** of large companies; BPI is run at the division level in **12%.**

4.3 MOST KEY ELEMENT TO BPI SUCCESS

N=140

	companies with <$500M annual revenue	companies with $500M+ annual revenue
Involving affected employees in process redesign	39%	23%
Step-by-step evaluation of redundancy/duplication/waste	17	13
Business process mapping/flow-charting	15	23
Assigning a multi-department process to one "owner"	11	9
Step-by-step value-add analysis	10	7
Establishing numerical targets for process improvement	4	7
Radical restructuring of a business process	1	11
None of these	4	7

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