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Component Business Models For Improved Business Processes

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Companies with continuously expanding product or service lines, geographies or lines of business have a way of introducing duplicative functions. For example, when many companies kicked off their e-commerce initiatives, they implemented new marketing, sales and service operations. This not only created redundancy in the organization, but worse created inconsistency for customers who expect the same experience irrespective of the channel.

Unlike mergers and acquisitions which quickly address redundancies with comprehensive rationalization plans, companies incurring incremental advancements often tend to lose sight of the proliferation of redundant labor and services until it creates chaos.

The IBM Component Business Model (CBM) is an enterprise framework used to achieve business services delivery cohesion. A simple one page diagram, sometimes called a component map, identifies people, process and information systems redundancies across the organization, illustrates the top pain points or biggest upside opportunities with a heat map, and shows the path to building best in class optimized capabilities, which can then be shared and reused across multiple channels, geographies or lines of business.

While virtually all CRM software implementations should include business process design in order to streamline workflow, improve staff productivity and accelerate business process cycles, process based optimization performed at departmental or divisional levels alone can leave companies with the same processes optimized differently for different groups across the organization.

Component Map

CBM takes a broader view and considers end to end processes across the organization. It creates a logical model which positions your business competencies horizontally across the top (as columns), accountability levels vertically along the side (as rows) and business components as modular building blocks which lie at the intersections.

	Sales	Quote	Fulfill
Direct	Sales Targets Go To Market Plan Channel Strategy	Quote Planning Order Management	Provisioning Planning Fulfillment Planning
Control	Demand Forecasting Sales Management Territory Management Price Optimization Measures & KPIs Forecast Accuracy	Credit Assessment Quote Accuracy Average Cycle Time Discount Permissions Margin Protection Regulatory Compliance	Inventory Management Logistics & Warehouse Management Fulfillment Monitoring Collections Management Quality of Service
Execute	Account Planning Activity Management Opportunity Management Existing Account Growth Sales Team Collaboration Document Management Knowledge Harvesting	Common Catalogue CPQ Rules & Constraints Quote Management Up-sell & Cross-sell Routing & Approval Exception Handling Quality Control	Order Handling Delivery Scheduling Provisioning Services Delivery Credits (RMA) & Billing Problem Handling & Resolutions SLAs

Each business service component governs five dimensions – Business Purpose, Activities, Resources, Governance and Business Services.



Analysis of the business services component dimensions reveals gaps, inefficiencies, inconsistencies, redundancies and less than optimal performance results. Collectively, these deficiencies can be weighed and visually displayed in the component model with heat maps that highlight the areas most in need of improvement or where improvement will deliver the biggest economic impact.

With this information, organizations can better apply business process design in order to remove friction from processes to simplify workflow, eliminate non-value added steps or activities to reduce waste, consolidate duplicate activities to provide shared services or economies of scale, automate manual activities to increase productivity, relocate activities to lower cost locations and orchestrate activities to accelerate cycle times.

“The most effective method to enterprise-wide business process efficiency is to build the capability once and reuse it across the organization.”

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The Target Business Process Model

Components create efficiency and scale by consolidating similar activities occurring in multiple locations. In addition to eliminating duplication, what were often part time activities incurred by many become full time core competencies for central owners. The dedicated ownership, concentration and focus result in a higher quality of service (generally backed with a Service Level Agreement) at a lower cost to serve.

Business processes benefit from more specialization, shared services and cross departmental orchestration. They subscribe to a single governance model, better align with the company's top priorities, share best practices among more constituents, provide more cost-effective scalability and are normally more responsive to their recipients as well as upstream and downstream integrated business process partners.

An enterprise Component Business Model also supports more agile business models, re-organizations, the absorption of merged or acquired organizations, and pro forma modeling. For example, the CBM can be used to visually respond to questions such as:

- What's the impact to staff if I change strategy or business processes?
- What's the impact to strategy or business processes if I change staff?

The holistic view supports organizational models which are flexible, adaptive and resilient toward change.

The Point is This ...

The most effective method to enterprise-wide business process efficiency is to build the capability once and reuse it across the organization. From my experience, leveraging the CBM is best done using an iterative approach. For example, begin with a single process in need of improvement, demonstrate a quick win by consolidating duplicative efforts, and then incrementally expand the model.

In a competitive environment, businesses must either deliver superior services or lower cost services. The Component Business Model is a proven framework to eliminate the chaos and expense associated with redundant labor, processes and systems; deliver higher quality services; and permit both business agility and scalability. ■■

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Alex Peneus

It seems this model would also reduce fixed costs.



Chuck Schaeffer

That's correct. Designing an enterprise-wide CBM not only reduces operational costs, but also moves the cost structure to more of a variable cost model. As opposed to having more people (fixed costs) in multiple locations delivering similar services with less efficiency, a component based model uses fewer services than can more easily scale up or down based on business conditions.



Jay Little

This is like a shared services model, good for breaking down silos, standardizing processes and delivering more consistency.

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