“IT DOESN’T MATTER - BUSINESS PROCESSES DO”

Nicholas Carr’s article¹, published in the Harvard Business Review, stirred up a huge debate at the time by implying that IT isn’t strategically important. In fact, the title is the only reference to the notion that “IT doesn’t matter”, but he did get Microsoft Chairman Bill Gates and Intel CEO Craig Barrett to launch counter-arguments to his title thesis.

Carr’s point is that IT is becoming more of a commodity and the evolution of IT in business is following a similar pattern to that of earlier technologies like railroads and electric power. For a brief period, as they are being built into the infrastructure of commerce, these “infrastructural technologies,” as he calls them, open opportunities for forward-looking companies to gain strong competitive advantages. But as their availability increases and their cost decreases - as they become ubiquitous - they become commodity inputs, or utilities. From a strategic standpoint, they become invisible; they no longer matter – in fact IT is becoming a cost of doing business, so the objective is therefore about cost reduction, rather than value enhancement.

I agree that IT as we know it today is heading towards being a commodity and an essential element of competitiveness, but NOT (necessarily) competitive advantage: it doesn’t enable companies to differentiate themselves. Many CIOs are much more pragmatic now – looking at technology as a way to lower costs and increase efficiency, not as a way to achieve competitive advantage. Equally, get the investment wrong and it can put your business at a major competitive disadvantage.

I find it very interesting that many of the attacks on the thesis came from the IT vendors (naturally!), but it did seem to strike a chord with many CIOs. For example, General Motors CIO Ralph Szygenda said, "Nicholas Carr may ultimately be correct when he says IT doesn’t matter . . . [but] business-process improvement, competitive advantage, optimization, and business success do matter and they aren’t commodities. To facilitate these business changes, IT can be considered a differentiator or a necessary evil. But today, it's a must in a real-time corporation . . ."

To deliver and embed change successfully to business processes, you need to consider not only the process itself, but also eight other levers (see my last white paper): systems (including IT), measures, governance, leadership, strategic alignment, culture, ownership, and skills. Each of these needs to work in harmony, so whilst business processes “matter”, so do each of these other elements, but to make a difference, you need to align all of them to deliver that process improvement.

¹ Harvard Business Review, May 2003
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SO WHY ALL THE FOCUS ON BUSINESS PROCESSES?

A business’s processes are at the very core of its being, as essential to its life as our blood, flesh and bone are to our own lives. Despite this, business processes are often not given the attention they deserve when business performance is put under scrutiny and ways of improving that performance are investigated. Yet the truth is that looking at an organisation’s processes are utterly vital if you are going to make the organisation more profitable, more competitive, more cost-efficient and better in every respect. Understanding an organisation’s processes really is the key to understanding everything you need to know about the organisation.

I define a process as “any series of activities that produce a deliverable to meet the needs of the process customer”. The ‘process customer’ will not necessarily be the end-user customer who actually pays for a product or service that the organisation produces. The process customer can also be a department within the business: for example, an organisation’s IT department will typically have as the customers of its processes the organisation’s various business units. Processes are just as important for the organisation’s health, whether customers are paying directly for the outputs of the process or not.

WHAT ARE THE MAIN TYPES OF PROCESS?

When we think about process within an organisation, it’s useful to identify three main types:

- **The core processes**: that is, the process that the organisation exists to carry out. The nature of this process is usually self-evident. It can generally be easily identified because it is the process that earns the organisation its money. For example, for Easyjet the core process will consist of flying people to their destinations at low cost. For McDonalds the core process will consist of providing an excellent fast food experience. You get the idea. There is the inherent assumption that the core process will produce something that has value and can be sold.

- **Support processes**. These are any processes that clearly support the core process. For example, without baggage handlers, airplane fuel services, staff training, marketing of flights and so on, the core process could not be delivered, so these and other essential services can be described as support processes.

- **Management processes**. These are the processes that facilitate the management of the organisation and its governance, its future direction, corporate policy and objectives, the strategy to deliver those objectives and, last but by no means least, driving improvements in the way the organisation operates.
EXAMPLE – ORDER TO CASH PROCESS

For instance, I recently ran a programme to improve the “order to cash” (O2C) process: you could think of the process by which the order is received, processed, passed to the delivery teams to fulfil and then closed off on completion and cash collected, as the “core process” (see figure opposite). To ensure that the process is functioning efficiently and effectively, we designed in core measures and escalations that were integrated into the existing management information processes (management processes). Equally, the O2C process could not function without various support processes, such as procurement, supplier management, quoting etc. – the “support processes”.

SO WHAT?

It is important, though, to bear in mind that there is always a pressing practical reason for looking hard at, and thinking about a business’ processes. This practical reason is the continual need to make the organisation more successful and cost-efficient. The truth is that understanding the organisation’s processes is the key to gaining accurate insight into what it is doing now, how it is operating and responding to customer demand and - most important of all – what and how processes might be changed or modified to improve the organisation’s performance.

“Good processes must:
1. Deliver value to someone outside of the process
2. Create value for the organisation operating the process
3. Align with corporate values and strategy”

In the next White Paper, I’ll look at what constitutes a “good” process, but essentially it must:

- Deliver something of value to someone outside of the process,
- Create value for the organisation operating the process,
- Align with corporate values and strategy.

As businesses constantly strive for competitive advantage, a return to a pragmatic, rigorous and structured focus on improving process performance & service (good process) and aligning IT to that process (and not the other way around) seems to be building a consensus amongst forward looking businesses. So, yes – business processes do matter, but it doesn’t mean that IT doesn’t matter too.

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A recent process reengineering programme applying these techniques to the “Order to Cash” process for Airwave Solutions Limited (the UK’s prime communications provider for our emergency services) delivered: a tripling of customer satisfaction; integrated systems; a single source of truth for products, prices and orders; significant backlog of orders cleared; centre of excellence for order handling; a new process dashboard; £Ms of additional revenues (and still rising). As Chris Elliot, Transformation Director, Airwave Solutions Limited said:

“This cross company re-engineering initiative focused on developing a best in class, end-to-end Order to Cash process. The team moved quickly to build an effective plan, develop the deliverables and activities, and most importantly, delivered early quick wins and longer term benefits that had a tangible improvement to the bottom line and customer satisfaction.”