

# Business Process Orientation and the E-Corporation

By

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Organizations of today and tomorrow are faced with intense global competition, demanding customers and employees, rapidly shrinking product life cycles and response times. Add in e-business and the Internet and the trend accelerates exponentially. Forget about all those comfortable corporate frictions—geographical distance, price opacity, unquestioning brand allegiance, etc. Today organizational inefficiencies can no longer be protected and status quo jobs are disappearing almost overnight.

The old ways of conducting business are out: pushing costs and compensating quality in order to achieve the lowest possible price. A new paradigm is emerging with the integration of business partners and the focus on the core processes, according to Bernard Teiling, Assistant Vice-president of Business Process Integration at Nestle S.A

As the “e-craze” of this decade (e-business, e-commerce, e-supply chain) replaces the reengineering craze of the 90’s, business process performance and the horizontal nature of e-corporations are gaining new levels of importance. Corporations are extending outside of their legal boundaries as a normal way of organizing. Partnering, functional outsourcing, business process outsourcing, alliances, and joint ventures are yesterday’s requirements for success. In fact, competition in the future will increasingly occur between networks, rather than stand-alone businesses. Management needs to promote the right conditions not only within the company itself, but within the organizations that are part of its value-adding network.

Many of the best companies—e.g. 3M, Cisco, Texas Instruments, and Dell—have embraced this new approach to business by becoming fast, flexible, and integrative, focusing on customers, competition, teams, time and process management. Their organizations and those following their lead have been variously described as “horizontal”, “process centered” or “process oriented.”

Processes, as like never before, are now considered strategic assets. Consider how a Dot-com firm like Amazon.com is protecting their business processes through patents, such as their 1-click ordering and their internet customer-based referral system (better known by Amazon as “affiliates”). In fact, Amazon recently brought a court injunction against Barnes & Noble to drop its own one-click feature. We maintain that companies competing in the new economy will need to reassess the strategic importance of their processes, viewing their organizations as not just a collection of functions but highly integrated processes. In short, they will need to take a business process orientation.

A *business process orientation* (BPO) is not simply a new business operations strategy. Rather, it emphasizes process as opposed to hierarchies with special emphasis on outcomes, particularly customer satisfaction. *Business process orientation* key elements:

- Process Management and Measurement - measures that include aspects of the process like output quality, cycle time, process cost and variability compared to the traditional accounting measures.
- Process Jobs – jobs that focus on process not functions and are cross-functional in responsibility. e.g., “product development process owner” rather than “research manager”.
- Process View - the cross-functional, horizontal picture of a business involving elements of structure, focus, measurement, ownership and customers.

We developed a business process orientation measurement tool (a survey questionnaire measuring the components of BPO), studying over one hundred domestic and international manufacturing companies. These firms represented a broad cross-section of industries, ranging in size from approximately \$100 million to several billion in annual sales.

The results of our research showed that BPO is critical in reducing conflict and encouraging greater connectedness within an organization, while improving business performance. Moreover, companies with strong measures of BPO showed better overall business performance. Our research also showed that high BPO led to a more positive corporate climate, including higher esprit de corps and connectedness and less internal conflict. Companies structured into broad process teams rather than narrow functional departments have less internal conflict and stronger team spirit.

### **BPO and the E-Corporation**

In this new economy, competition has shifted to networks of companies cooperating across boundaries in order to achieve market goals. This has been called the e-corporation. In the past, this was only possible in a few sections of the economy through vertical integration, the actual purchase of suppliers within the associated supply chain. Now with the new Internet technologies and the resulting decrease in integration costs, this integration is possible without having to purchase companies.

Since cooperation is not the norm outside of company boundaries (some may say even inside of company boundaries), BPO helps engender dialogue and “connect the dots” in this network of cooperating companies, leading to a competitive advantage.

Building a common process view, a key BPO component within the virtually integrated networks of the e-economy, is going to be critical if companies wish to remain competitive. Gaining agreement on process terms, process activities and outcomes is central to process integration within and between companies. Building a high-level network process map can further help clarify these process roles and responsibilities.

Allocating resources based upon process, a key component of BPO, is also critical to the new economy networks. Companies within the network have to invest in the cross company processes in order to make the new networked business model work. Decisions concerning who owns the process and the investment

necessary to support the process are critical for moving forward in the BPO journey.

In order to move forward in building a new economy business or an e-corporation, the network must first commit to becoming business process oriented across the network. This commitment is critical since it will guide the hundreds of decisions about jobs, investments and ownership. Some networks are joining together to form separate businesses called exchanges in order to house the investments and people supporting the cross network processes. Independent investors are organizing independent exchanges that exist in the processes between companies in a market. These represent exciting new business models and potentially evolving to pure BPO organizations.

### **Conclusion**

Inspired by the challenges in the new economy and from our research, case studies and conclusions we have concluded that practicing a business process orientation can result in a key competitive advantage in this new economy. The future competitive landscape is shifting from between companies themselves to between networks. Understanding and mastering process design and change will be tantamount to achieving and sustaining a competitive advantage. To succeed in the future, corporations will have to weave their key business processes into hard-to-imitate strategic capabilities that distinguish them from their competitors in the eyes of customers. This is the very premise of our research. Presented in our book *Business Process Orientation: Gaining the e-business Competitive Advantage*. We believe that corporate survival in the Internet economy will depend both on the effectiveness of internal processes and their integration with supply chain partners and customers. Competitors can match individual processes or activities but can't match the integration or “fit” of these process between network partners.

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About the authors:

*Dr. Kevin McCormack has over 25 years of business leadership and consulting experience in business process engineering, change management, organizational design, supply chain management and information technology.*

He holds degrees from Purdue University, an M.B.A. from the University of Houston, and a D.B.A. from Nova Southeastern University. He is currently the President of DRK Research and Consulting LLC, a business to business consulting firm. He can be reached at [Kmccorm241@AOL.com](mailto:Kmccorm241@AOL.com)

Dr. Bill Johnson is a Professor of Marketing in the Wayne Huizenga Graduate School of Business and Entrepreneurship at Nova Southeastern University. Bill is the author of 3 books and has published widely in numerous journals and conference papers. He holds a Ph.D. from Arizona State University and a masters degree from Northern Illinois. He has also consulted for the soft drink, chemical and health services industries. He has also given seminars to executives from Brazil, Indonesia, Thailand and Taiwan. . He can be reached at [billyboy@huizenga.nova.edu](mailto:billyboy@huizenga.nova.edu) University.

Both are authors of the new book, *Business Process Orientation: Gaining the e-business Competitive Advantage*, ([www.crcpress.com](http://www.crcpress.com)) written to help business practitioners and academics understand the impact of well-defined and carefully integrated processes have on organizational performance.

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