

# Business Process Orientation: Do You Have It?

*Placing an emphasis on processes  
will help organizations move forward*

by

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**O**RGANIZATIONS OF TODAY and tomorrow are faced with intense global competition, demanding customers with rapidly changing desires, shrinking response times, more rapid product life cycles and demanding employees. Add e-commerce and the trend accelerates exponentially. All the comfortable corporate frictions—geographical distance, price opacity, unquestioning brand allegiance and so forth—that preserved organizational inefficiencies and status quo jobs are quickly disappearing.

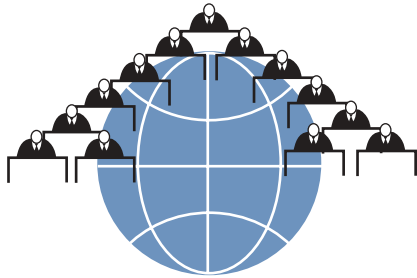
In response to the current trend, the best companies are forced to become fast, flexible, and participative and must focus on customers, competition, teams, time and processes. These new organizations have been described as “horizontal” or “process centered.”<sup>1,2,3,4,5</sup>

Process orientation, with its relationship to improved cross functional interaction, was actually introduced almost 15 years ago by

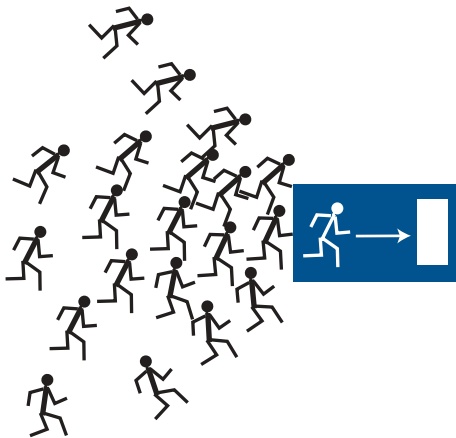
Michael Porter. He introduced the concept of interoperability across the value chain as a major issue within firms.<sup>6</sup> W. Edwards Deming helped contribute to the idea of process orientation with the Deming Flow Diagram, which depicts the connections across the firm from the customer to the supplier as a process that can be measured and improved like any other process.<sup>7</sup> Thomas Davenport and James Short also described a process orientation within an organization as a key component in “New Industrial Engineering: Information Technology and Business Process Redesign.”<sup>8</sup>

Furthermore, Michael Hammer presented the business process orientation concept as an essential ingredient of a successful reengineering effort. Hammer coined the term “reengineering” to describe the development of a customer focused, strategic business process based organization enabled by rethinking its assumptions in a process oriented way and by utilizing information technology.<sup>9</sup> Hammer said that reengineering is a

**FIGURE 1** Hierarchical: I report to my boss



**FIGURE 2** BPO: I report to my customer



strategy that will help overcome the problematic cross functional activities that present major performance issues to firms. He cited Hallmark and Wal-Mart as success stories and IBM and General Motors Corp. as failures.

Culture is a major theme in the above examples. A business process culture is a culture that is cross functional and customer oriented in its processes and system thinking. This idea can be expanded by Davenport's definition of process orientation as consisting of elements of structure, focus, measurement, ownership and customers.<sup>10</sup> Davenport also stresses a commitment to process improvement that directly benefits the customer and business process information oriented systems as a major component of this culture.

Finally, Hammer describes process thinking as cross functional and outcome oriented.<sup>11, 12, 13, 14</sup> He uses four categories to describe the components of an organization that offer vantage points for understanding process thinking:

1. Business processes.
2. Jobs and structures.

3. Management and measurement systems.
4. Values and beliefs.

Together, all of these approaches to conceptualization lead to business process orientation (BPO). As a concept, BPO works better than, say, horizontal corporation because it gets at the core activities and corporate mindsets that occur in a firm as it satisfies the customer. When people are thinking about what companies and client companies should look like, BPO has become a key component of the vision.

Yet for a central concept, BPO has remained remarkably hard to pin down. Many managers have had experience with both the rigid hierarchical organization of the past—"I report to my boss" (see Figure 1), and the flatter organizations of the future—"I report to my customer" (see Figure 2). Yet, if you're like me, you want a more solid foundation on which to make decisions and recommendations.

The problem is that most of the literature on BPO lacks a research or empirical basis, which is not surprising for such a global concept. Such a basis would help answer questions like these: How do you know when a company has a true BPO? Where does the company stand on the continuum of progress that leads towards BPO? What precise steps need to be taken to get there?

**BPO defined**

To establish a more solid foundation, I would like to propose a definition and an approach to measuring BPO. The BPO concept has sufficient practitioners and researchers and has been implemented in enough companies that it is realistic to develop a testable statistical model. The trick, of course, is getting at that broad range of experience and boiling it down in scientifically acceptable ways to a point where practitioners can use it easily in the field.

Our approach to building this foundation began with an extensive literature review, interviews with experts in both the United States and Europe, and testing with experienced practitioners and experts to determine the key definition and variables within BPO. Using various statistical techniques such as domain sampling, coefficient alpha testing and factor analysis, my colleagues and I determined the validity of various BPO variables and condensed those variables into a simpler composite list or survey instrument that offered easy use in measuring BPO within an organization.<sup>15</sup>

Our research found that practitioners and experts described a BPO organization as one that emphasizes processes rather than hierarchies, and that places a special emphasis on outcomes and customer satisfaction.

We were able to break BPO down into three elements:

1. Process management and measurement (PM): They

are measures that include aspects of the process such as output quality, cycle time, process cost and variability.

2. Process jobs (PJ): A product development process owner rather than research manager.
3. Process view (PV): A thorough documentation and understanding from top to bottom and beginning to end of a process.

Factor analysis techniques were used during the initial study to produce a final BPO measurement or survey instrument (see sidebar "Final Survey Questions" on p. 56). The survey instrument consists of questions that relate to each of the elements listed earlier. The process jobs category has three questions, process management and measurement has five questions and process view has three questions.

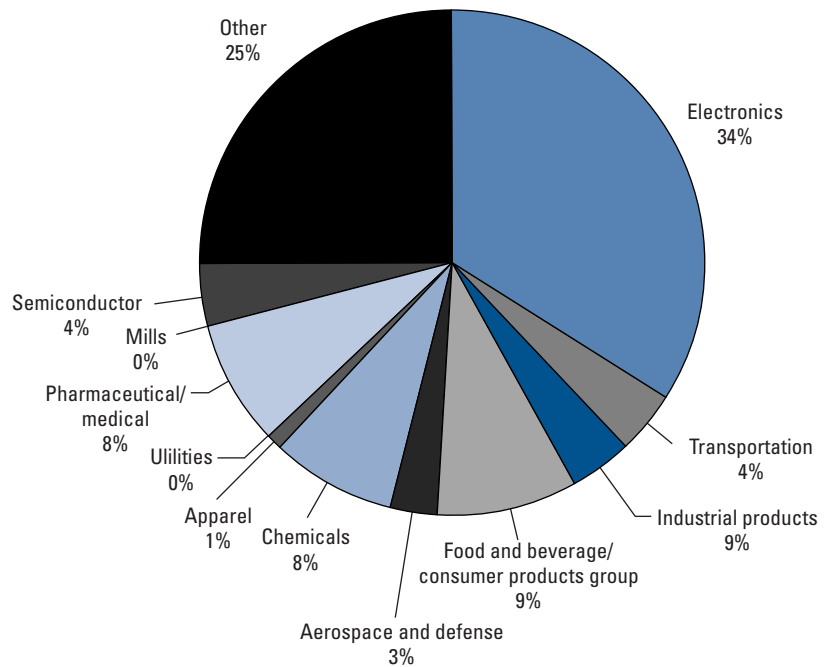
How did we come up with these 11 questions? There are two answers, one statistical and one intuitive. The statistical answer is that factor analysis is a well-proven data reduction and summarization technique used to analyze the interrelationships among a large number of variables and then to mathematically identify the common underlying dimensions or factors. This technique gets at the statistical root of the concept.

In the case of BPO, we started with approximately 200 questions falling into five different categories. The categories were reduced to three and the questions reduced to the final 11. After a positive factor analysis, the final questions were retested using coefficient alpha measures. All of the questions were deemed acceptable using the target criteria of 0.6 to 0.7.<sup>16</sup>

As for the intuitive answer, my colleagues and I had several BPO experts from around the world look at the face validity of the final questions. All of the experts agreed that the final questions and categories represented BPO.

We used a Likert scale for the survey to measure agreement with the question in regard to the participant's organization. Survey participants were asked to respond to statements that company personnel could agree or disagree with on varying levels. For example, under process jobs, participants were asked to rate their level of agreement on the statement, "Jobs are usually multidimensional and not just simple tasks," using the following scale: 1-completely disagree, 2-mostly disagree, 3-neither agree nor disagree, 4-mostly agree, 5-completely agree and 6-cannot judge.

**FIGURE 3** Industries Represented in the Returned Surveys



### Testing the instrument and relationships

In the next step, we tested the instrument with over 100 international and domestic manufacturing companies. A key informant sample of participants was selected from Hammer and Co. reengineering seminar attendee lists for the final data gathering. The participants were chosen based on company type, with a focus on manufacturing firms in the United States. These companies varied in size from approximately \$100 million to several billion in annual sales and represented a broad cross section of industries. Data were also gathered from participants at a cross company internal Motorola Inc. seminar.

Approximately 500 survey questionnaires were distributed by regular and electronic mail to the list of participants. The returned, valid questionnaires were entered into an SPSS Inc. database for analysis. Figure 3 shows the industries represented in the returned surveys. Further tests were conducted on the data to provide further statistical validation of the concepts and instrument.<sup>17</sup>

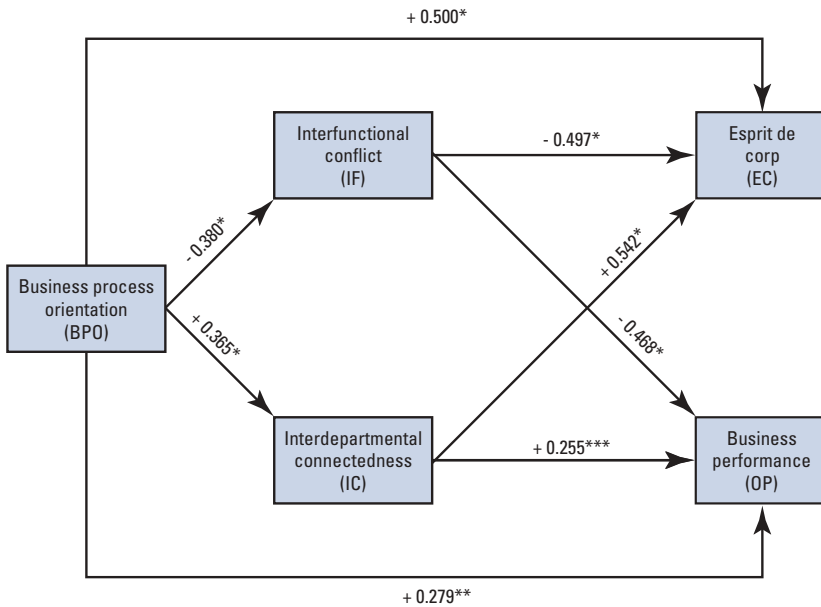
The data were also examined with the intent to determine the impact of BPO on four organizational measures: overall business performance, interfunctional conflict (IF), interfunctional connectedness (IC) and esprit de corps (EC). Interfunctional conflict is the tension among departments arising from the incompatibility of actual or desired responses, and interfunctional connectedness is the degree of formal and

**TABLE 1** BPO Standardized Regression (Beta) Coefficients

|     | BPO   | EC      | IC      | *ID     | IF      | OP      |
|-----|-------|---------|---------|---------|---------|---------|
| BPO | 1.000 | 0.5005  | 0.3658  | 0.5219  | -0.3800 | 0.2792  |
|     | (114) | (113)   | (112)   | (113)   | (113)   | (111)   |
|     | P=n/a | P=0.000 | P=0.000 | P=0.000 | P=0.000 | P=0.003 |

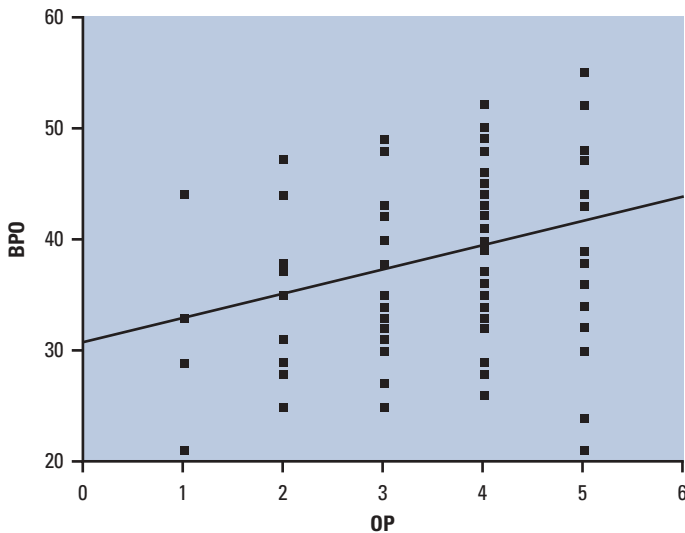
\* Interdepartmental dynamics

**FIGURE 4** Regression Analysis Results — Standardized Beta Coefficients



Note: All numbers shown are standardized regression coefficients of relationships. Significance:  $^{**}p < 0.003$ ,  $^{***}p < 0.007$ ,  $^*p < 0.001$

**FIGURE 5** Regression Line—BPO vs. Overall Performance (OP)



informal direct contact among employees across departments. Previously tested survey questions were used to measure these concepts.<sup>18</sup>

Our propositions were that BPO helped improve overall business performance (OP), reduced interfunctional conflict and improved interfunctional connectedness and esprit de corps. We used correlation and standardized regression or beta coefficients to examine our propositions. These coefficients allowed us to test the direction and explanatory power of each proposed relationship.

The results, shown in Figure 4, with graphical and detailed regression results shown in Figures 5 through 8 and in Table 2, were mainly in line with our propositions:

- Companies with strong measures of BPO showed better overall business performance. Although there are many factors that influence overall business performance, the fact that BPO had a strong, positive beta coefficient of 0.279 and high significance measure in this relationship of  $p < 0.003$  is in itself exciting and encouraging (see Table 1). This, of course, is what every BPO practitioner would have hoped, but we believe that this is the first time the link has been demonstrated empirically.
- Companies with strong measures of BPO tended to have better esprit de corps, better connectedness and less interfunctional conflict. Once again, the results followed our propositions. Companies structured into broad process teams rather than narrow

**TABLE 2** Correlation Matrix Results—Independent and Dependent Variables

| Variables          | Factor 1—PM | Factor 2—PJ | Factor 3—PV |
|--------------------|-------------|-------------|-------------|
| Factor 1 - PM      | 1.00        | 0.183**     | 0.507*      |
| Factor 2 - PJ      | 0.183*      | 1.000       | 0.278**     |
| Factor 3 - PV      | 0.507**     | 0.278**     | 1.000       |
| Dependent - ID     |             |             |             |
| Conflict - IF      | -0.325*     | -0.231*     | -0.279**    |
| Connectedness - IC | 0.309*      | 0.262**     | 0.187**     |
| Validity - OP      | 0.319*      | 0.206*      | 0.111***    |
| Validity - EC      | 0.428*      | 0.313*      | 0.308*      |

\*Significant at the 0.01 level. \*\*Significant at the 0.05 level. \*\*\*Significant at 0=0.248

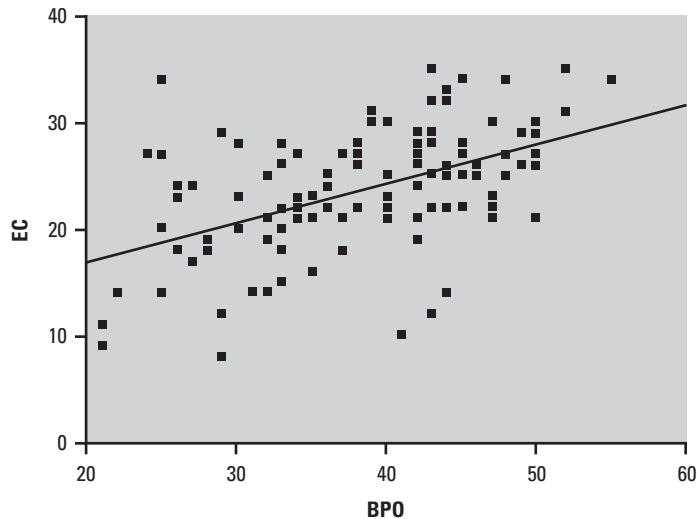
functional departments should have less internal conflict and stronger team spirit.

- Process management and measurement and process jobs had strong relationships to the organizational variables, but process view did not. We interpret this to mean that documentation, or process view, alone doesn't have a major impact. Documentation just provides a foundation that can be used to organize jobs and measures. Many readers will remember the total quality management efforts of the 1980s that stressed thorough process documentation, thinking that that was the main component and that the process of building the process view alone might carry the day. It didn't.

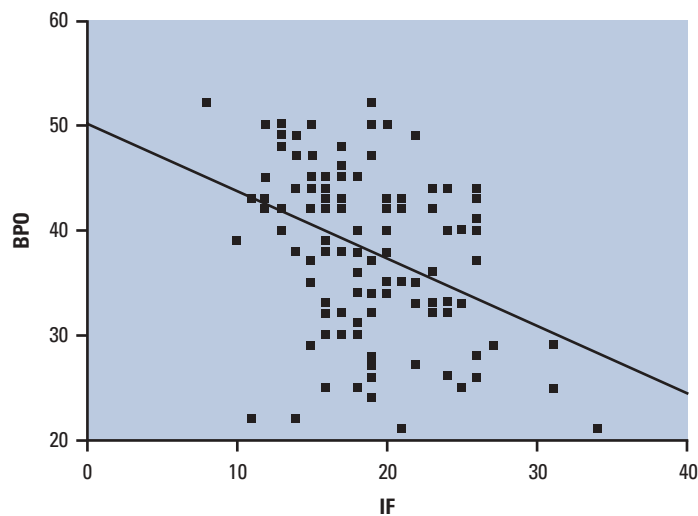
The study also raised some questions. For example, smaller manufacturing companies tended to score better than larger ones—even large companies that have made massive efforts to expand their BPO. Are managers at smaller companies stretched so thin that they have to think more in terms of BPO? Probably, but the idea still needs testing.

In an additional test of the BPO instrument, we retested a strong BPO manufacturer and compared it with a service company with few BPO programs in place. To our surprise, the scores came out about equal. Do service companies, which by their nature have much

**FIGURE 6** Regression Line—BPO vs. Esprit de Corp (EC)



**FIGURE 7** Regression Line—BPO vs. Interfunctional Conflict (IF)



# Final Survey Questions

## Process View

1. The average employee views the business as a series of linked processes.
2. Process terms such as input, output, process and process owners are used in conversation in the organization.
3. The business processes are sufficiently defined so that most employees know how they work.

## Process Jobs

1. Jobs are usually multidimensional and not just simple tasks.
2. Jobs include frequent problem solving.
3. Employees are constantly learning new things on the job.

## Process Management and Measurement Systems

1. Process performance is measured.
2. Process measurements are defined.
3. Resources are allocated based on process.
4. Specific process performance goals are in place.
5. Process outcomes are measured.

## Interdepartmental Dynamics

### Interdepartmental Conflict

1. Most departments in the organization get along with each other.
2. When members of several departments get together, tensions frequently run high.
3. People in one department generally dislike interacting with those from other departments.
4. Employees from different departments feel that the goals of their respective departments are in harmony with each other.
5. Protecting departmental turf is considered a way of life in the business unit.
6. The objectives pursued by the marketing department are incompatible with those of the manufacturing department.
7. There is little or no interdepartmental conflict in this business unit.

## Interdepartmental Connectedness

1. In this business unit, it is easy to talk with virtually anyone you need to, regardless of rank or position.
2. There is ample opportunity for informal "hall talk" among individuals from different departments.
3. Employees from different departments feel comfortable calling each other when the need arises.
4. Managers discourage employees from discussing work related matters with those who are not their immediate superiors and subordinates.
5. People around here are quite accessible to those in other departments.
6. Communication from one department to another is expected to be routed through proper channels.
7. Junior managers in one department can easily schedule meetings with junior managers in other departments.

## Organizational Performance

### Measures of Esprit de Corps

1. People in the business unit are genuinely concerned about the needs and problems of others.
2. A team spirit pervades all ranks in the business unit.
3. Working for this business unit is like being part of a family.
4. People in the business unit feel emotionally attached to each other.
5. People in the business unit feel like they are in it together.
6. The business unit lacks an esprit de corps.
7. People in this business unit view themselves as independent individuals who have to tolerate others around them.

## Overall Performance (5 = excellent, 1 = poor)

1. Please rate the overall performance of your business unit last year.
2. Please rate the overall performance of the business unit last year relative to major competitors.



more day-to-day contact with their customers, have naturally higher BPO scores than manufacturers, who tend to work further down the value chain? This “natural BPO” concept deserves further investigation.

In any case, we now have a tool that will help us pinpoint BPO progress within a company. This tool can identify the position of an organization in regard to BPO and its elements of process oriented jobs, measurement/management systems and view. Using the database established with this research, a company can identify how it compares to other firms by benchmarking itself against the firms in the database (see Figure 9).

For example, the benchmarking participant’s score, shown in Figure 9 as the diamond, is well below the mean on question five under process management and measurement systems (see sidebar “Final Survey Questions”). Based on this snapshot, the organization can take actions to increase its level of outcome oriented measurements. This will help move the organization forward and increase its level of BPO.

The instrument will be especially useful to companies that have gone through BPO programs, but whose new processes have not stuck. It will help these companies focus their efforts going forward

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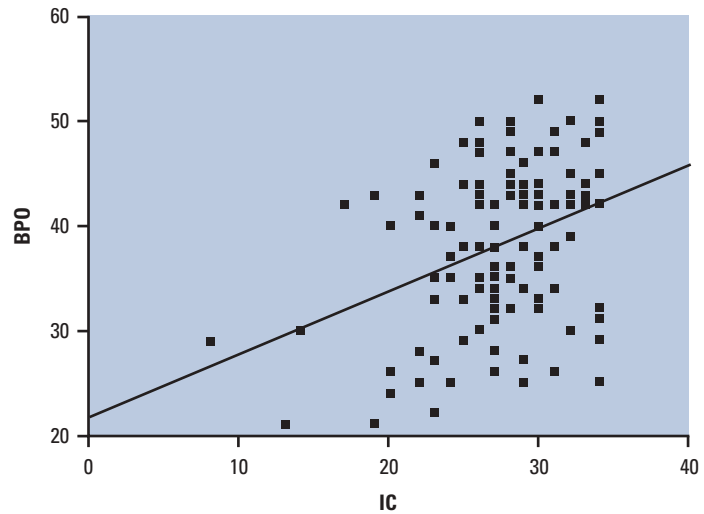
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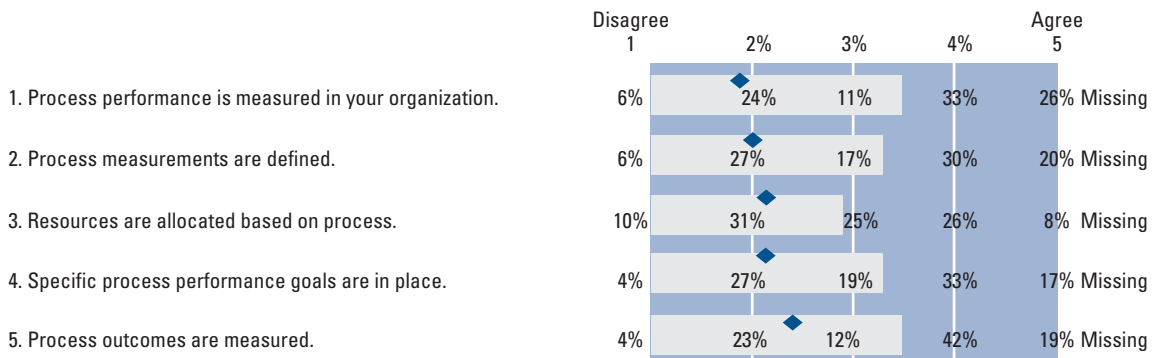
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**FIGURE 8** Regression Line—BPO vs. Interfunctional Connectedness (IC)



**FIGURE 9** BPO Benchmarking Example



◆ Benchmarking participant's mean score

■ Benchmarking database mean

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