

Business Strategy, Business Processes, and Business Systems

 *Featured Author* - Olin Thompson - July 31, 2004

Introduction

Business strategy is a road map telling us how the business plans to be successful. But the best strategy does not guarantee success. Strategy execution requires business processes that do what the strategy calls for—and do it well. In today’s automated world, these business processes rely on business systems. Therefore, a direct link exists between the success of business strategy and business systems. That is not to say great systems means a successful strategy, but poor systems are a frequent reason for the failure of a business strategy.

Business strategy is decided at the upper most point in the business including the CEO and the board of directors. The strategy defines how the business will succeed. The business schools tell us that all strategy falls into three basic categories:

Innovation	Providing new and innovative products, services, and business processes
Customer Service	Exceeding the customer’s expectations for service
Low Cost	Providing products and services at a lower cost than the available options

A well-defined strategy is a must for any business to succeed. However, a well thought out, defined and communicated strategy does not mean it will be successful. Among other issues, the strategy must be well executed to have any hope of being successful.

Execution requires the appropriate business processes to operate effectively. Business processes are the foundation of an effective business strategy. If the strategy is to offer the best customer service, those business processes that impact customer service must be effective. Excellent business processes do not guarantee a successful business strategy, but without excellent business processes, the odds of success diminish significantly.

Supporting business processes are business systems. It is difficult to imagine a company with effective business processes for customer service without expecting it to have effective business systems in place. Effective business systems are the foundation for business processes



Examples

The three fundamental business strategies can be used to illustrate the connection between strategy, processes, and systems using sample processes and systems.

Strategy	Sample Processes	Sample Systems
Innovation	Create new products	Product lifecycle management
	Pricing	Costing
Customer Service	Order processing	Order processing
	Deliver	Shipping and transportation
	Customer information flow	Customer portal
Low Cost	Procurement	Procurement
	Production	Execution
	Analysis	Costing

For example, a manufacturer's strategy is to expand its business by building custom products for new and existing customers. To execute this strategy, the company must locate a potential customer, design the specific product required to meet that customer's need, and price the product so that the customer is satisfied and the relationship is profitable for the manufacturer. Once it has the new customer, it must execute flawlessly to keep the new customer. These various functions run across various business processes, all of which can be supported by systems. For example, product lifecycle management can be used to streamline and improve the design of new products. Costing helps in pricing by allowing the manufacturer to truly understand the cost of the product. The order-to-cash cycle (among others) focuses on execution so the customer can expect and receive the product on time, with the proper paperwork.

If the manufacturer's costing system is weak, the manufacturer may win significant business and lose money on every order. If the production systems are weak, the manufacturer will get new customers but fail to keep them because the customers will soon realize that they cannot rely on the manufacturer's ability to deliver.

Of course, adding people and working harder or smarter can minimize the reliance on systems. But the world is competitive. Can we expect these efforts to beat a competitor who can also add more people and work harder and smarter plus has first-rate systems supporting its strategy? It does happen, but not very often.

Thus, the manufacturer's strategy, expansion through custom manufacturing, cannot succeed without effective supporting business processes and systems.

Recommendations

End Users—Is the business's strategy supported with effective business processes? Are these business processes supported by effective business systems? If the answer is "no" or "we do not know," how do we figure out what is required?

Start with a clear statement of business strategy and break down the various processes and functions that must be executed to follow the strategy. Be specific in the functions. Follow the business functions into the various sub-functions that must support the upper level functions. When the list of functions is complete, inspect your business systems. Are you satisfied that the supporting systems provide what is needed? How do they compare to the competitors'?

To have an industry leading strategy, a company needs industry leading supporting business processes and industry leading systems to support those processes.

Vendors—Your customers and prospects have a business strategy. You should know what it is. A very great value for the customer or prospect is using your expertise in helping with the execution of their business strategy. An analysis like the one suggested above may lead you to increase both customer value and business.

About the Author

Olin Thompson is a principal of Process ERP Partners. He has over twenty-five years experience as an executive in the software industry. **Olin** has been called "the Father of Process ERP." He is a frequent author and an award-winning speaker on topics of gaining value from ERP, SCP, e-commerce, and the impact of technology on industry. He can be reached at OT@OlinThompson.com.



